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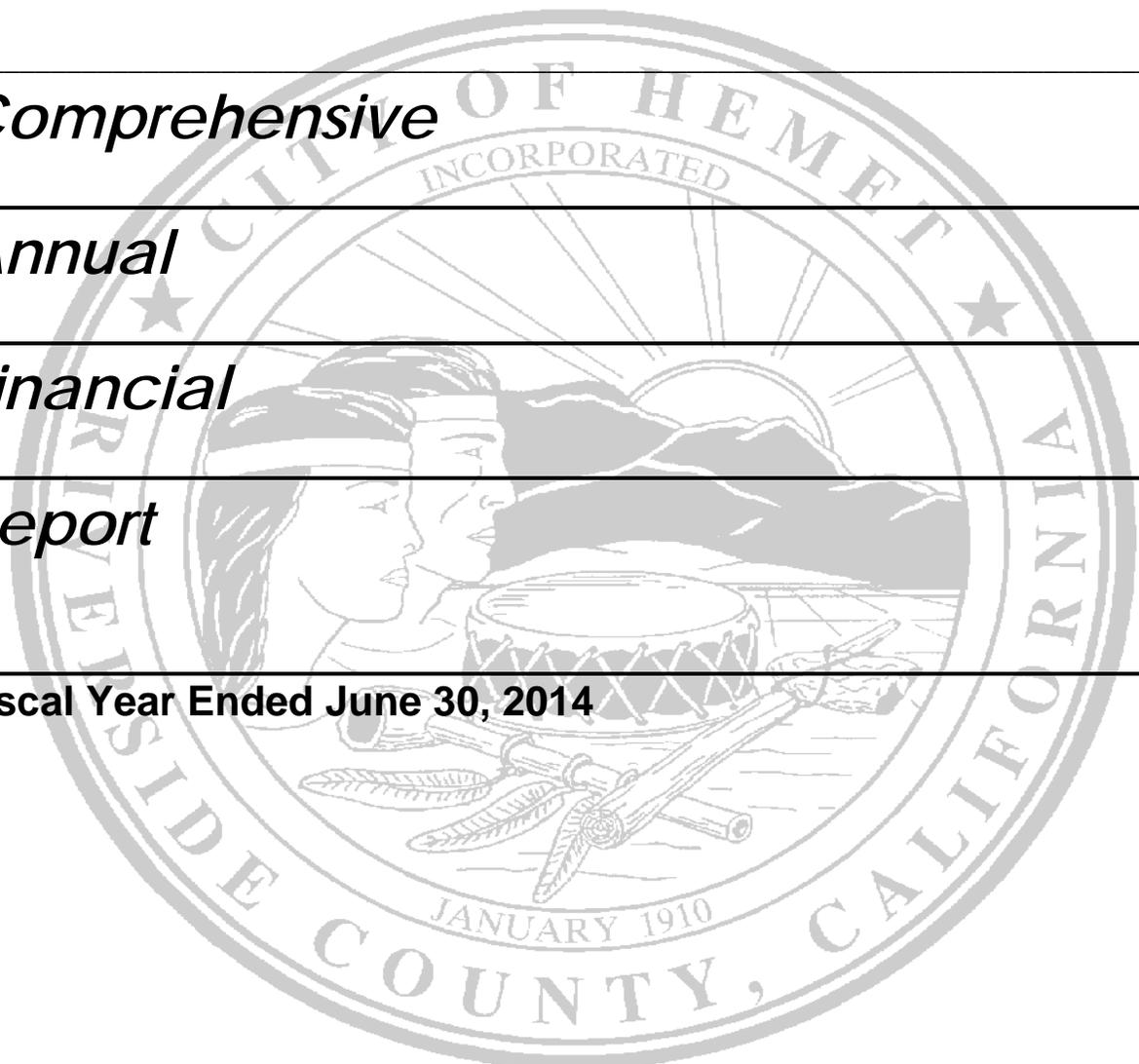
*Financial*

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*Report*

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**Fiscal Year Ended June 30, 2014**



**H** *City of*  
**emet**  
*California*



# **COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**For The Fiscal Year Ended  
June 30, 2014**

**CITY OF HEMET  
CALIFORNIA**



**LARRY SMITH – Mayor**

**SHELLIE MILNE – Vice Mayor**

**LINDA KRUPA – Council Member**

**BONNIE WRIGHT – Council Member**

**ROBERT YOUSSEF – Council Member**

**Prepared by the City of Hemet Finance Department**



**City of Hemet  
Comprehensive Annual Financial Report  
Year Ended June 30, 2014**

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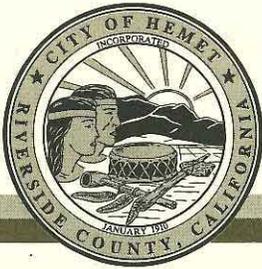
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## **INTRODUCTORY SECTION**



# City of Hemet

December 29, 2014

To the Members of the City Council and Citizens of the City of Hemet

It is the policy of the City of Hemet to annually publish a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of certified public accountants. Pursuant to that requirement, we hereby issue the comprehensive annual financial statements of the City of Hemet for the fiscal year ended June 30, 2014.

This report consists of management's representations concerning the finances of the City. Consequently, management assumes full responsibility for the completeness and reliability of all the information presented in this report. To provide a reasonable basis for making these representations, management of the City has established a comprehensive internal control framework that is designed both to protect the City's assets for loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the City's comprehensive framework of internal controls has been designed to provide reasonable assurance rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The City's financial statements have been audited by Van Lant and Fankhanel, LLP a firm of certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City for the fiscal year ended June 30, 2014, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City's financial statements for the fiscal year ended June 30, 2014, was fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

The independent audit of the financial statements of the City was part of a broader, federally mandated "Single Audit" designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited City's internal controls and legal requirement involving the administration of

federal awards. These reports are available in the City's separately issued Single Audit Report.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The City's MD&A can be found immediately following the report of the independent auditors in the financial section of the CAFR.

### **Profile of the City of Hemet, California**

The City of Hemet, incorporated in 1910, is located at the foot of the San Jacinto Mountains in the western region of Riverside County. The City currently occupies a land area of approximately 28 square miles and serves an estimated population of 81,750 residents. The City is empowered to levy a property tax on both real and personal properties located within its boundaries. It also is empowered by state statute to extend its corporate limits by annexation, which occurs periodically when deemed appropriate by the City Council.

The City of Hemet has operated under the council-manager form of government since 1910. Policymaking and legislative authority are vested in a City Council consisting of the Mayor and four council members elected at-large. The City Council is responsible for, among other things, passing ordinances, adopting the annual budget, appointing committees, and hiring the City Manager. The City Manager is responsible for carrying out the policies and ordinances of the City Council, overseeing the day-to-day operations of the City, and for appointing the heads of various departments. Council members are elected on a non-partisan basis and serve four-year staggered terms, with two or three council members elected every two years. The Mayor is selected in December by the City Council to serve a one-year term.

The City of Hemet provides a full range of services which include general government, public safety (police and fire protection), economic development, library services, water service, and the construction and maintenance of highways, streets, and other infrastructure. In addition to general City activities, the Council is financially accountable for the Hemet Housing Authority (additionally information on this legally separate agency can be found on Note 1 in the notes to the financial statements) and the Successor Agency to the former Hemet Redevelopment Agency (RDA).

The annual budget serves as the foundation for the City's financial planning and control. The Administrative Services Department, under the direction of the Deputy City Manager/Administrative Services, is responsible for compiling the estimated revenues and appropriations for the City Manager. Prior to the beginning of the new fiscal year, the City Council adopts the annual operating budget at a public budget workshop.

The development of the City of Hemet's annual operating budget begins with the submission of appropriation requests by all internal service departments in March. The City Manager reviews the submitted budget with the internal service departments and the finance division. All departments of the City are required to submit requests for

appropriation to the City Manager in April. The City Manager uses these requests as the starting point for developing a proposed budget. The City Manager then presents recommendations in the form of a proposed budget to the entire council for review prior to the final City Council meeting in June. The Council is required to hold public meetings on the proposed budget and to adopt a final budget no later than June 30, the close of the City's fiscal year. The appropriated budget is prepared by fund, function (e.g., public safety), and department (e.g., police). The City Manager may approve transfers of appropriations within a department up to \$50,000. Transfers of appropriations between departments and funds, however, require the approval of the City Council.

Budget-to-actual comparisons are provided in this report for each individual governmental fund for which an appropriated annual budget has been adopted. For the general fund and major special revenue funds, this comparison is presented as part of the required supplementary information in the accompanying financial statements. For governmental funds that have appropriated annual budgets, other than the general fund and major special revenue funds, this comparison is presented in the supplementary section of the accompanying financial statements.

### **Economic Condition and Outlook**

The City of Hemet is located in the Inland Empire (Metropolitan Statistical Area – "MSA"), which consists of Riverside and San Bernardino Counties. Unemployment in the MSA is currently at 8.0%, (as of November 2014), down 1.6% for the same period last year, and there have been modest improvements in the real estate and home building sectors. The Inland Empire MSA is projected to grow in future years as land values continue to remain well below those in Los Angeles, Orange and San Diego Counties. The City of Hemet's fiscal condition at the end of fiscal year 2013-14 reflected the continued slow recovery in the national and state economies.

General Fund revenues for fiscal year 2013-2014 were approximately \$1 million higher than the previous fiscal year. This was mainly due to a slight increase in Sales Tax and License and Permit revenues.

- Sales tax, the largest single revenue source in the General Fund, increased by approximately 9%, from \$9.6 million in fiscal year 2012-2013 to just under \$10.5 million in fiscal year 2013-2014 (an increase of \$890,494).
- Development fees, which were most directly impacted by the decline of the housing and construction markets, increased by approximately 25% (\$449,500) in fiscal year 2013-2014 to \$2.2 million. The continued stabilization of the housing market is the main cause of this increase.
- Property taxes decreased by \$1.1 million in fiscal year 2013-2014. This decrease was a result of one-time property tax distributions from the dissolution of the Hemet Redevelopment Agency received in fiscal year 2012-2013. The City anticipates on-going property tax distributions of approximately \$800,000 annually from tax increment revenues no longer diverted to the Hemet Redevelopment Agency.

## Long-term Financial Planning

The City of Hemet continues to take steps to improve its financial stability and to eliminate the ongoing structural deficit. In addition to pension reform and contribution limitations for employee health care, the City has adopted additional strategies to further reduce the deficit including: selling unneeded city-owned properties, engaging labor organizations in ways to reduce retiree medical costs, and developing marketing and economic development strategies.

As of June 30, 2014, the total General Fund ending balance, spendable and non-spendable, was \$18 million. This is a decrease of over \$3 million largely due to the structural deficit adopted in the annual budget.

For fiscal year 2014-2015 the City of Hemet plans to adopt an updated user fee schedule to maximize cost recovery, and perform a water rate study.

## Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Hemet for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2013. In order to receive this prestigious award, a governmental unit must publish and easily readable and efficiently organized Comprehensive Annual Financial Report, the contents of which conform to program standards. Such reports must also satisfy both generally accepted accounting principles and applicable legal requirements. The Certificate of Achievement for Excellence in Financial Reporting is valid for a period of one year. We believe our current Comprehensive Annual Financial Report conforms to the GFOA Certificate of Achievement Program and are submitting it for review and consideration.

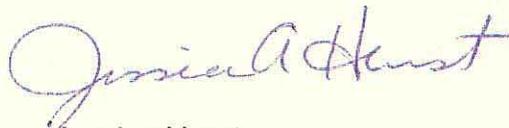
The preparation of the City's Comprehensive Annual Financial Report is an undertaking of the Finance Division. The report was made possible by the dedicated service of the entire staff and the City's independent auditor.

Credit also must be given to the Mayor, City Council and City Manager for their unfailing support for maintaining the highest standards of professionalism in the management of the City of Hemet's finances.

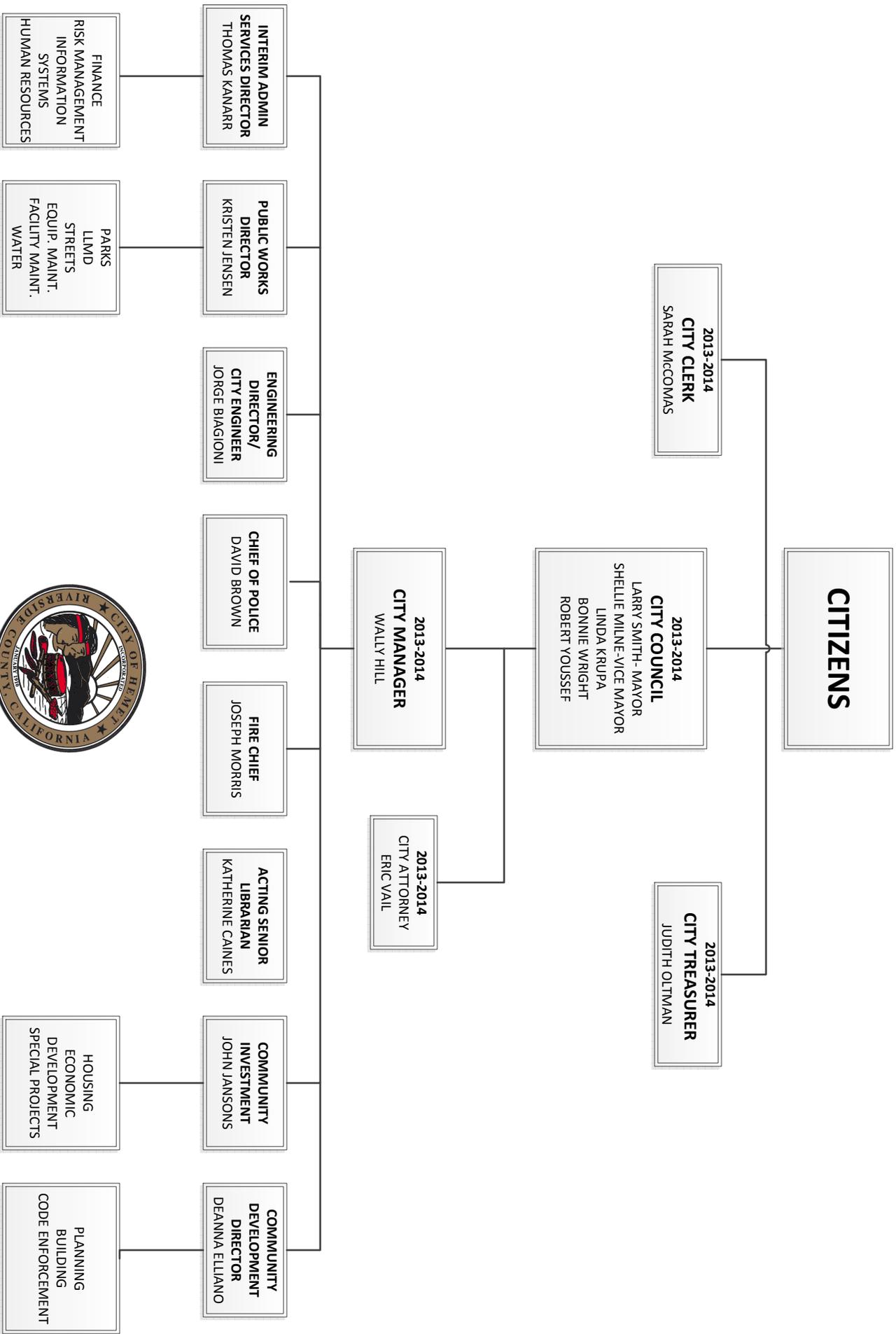
Respectfully Submitted,



Wally Hill  
City Manager



Jessica Hurst  
Deputy City Manager/Administrative Services



**City of Hemet  
Organizational Chart  
2013-2014**



Government Finance Officers Association

Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting

Presented to

**City of Hemet  
California**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2013**

Executive Director/CEO

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## **FINANCIAL SECTION**



## Independent Auditor's Report

The Honorable City Council  
City of Hemet, California

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City of Hemet (the "City"), as of and for the year ended June 30, 2014, and the related notes to the financial statements which collectively comprise the City's basic financial statements as listed in the table of contents.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditor's Responsibility*

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City of Hemet, as of June 30, 2014, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and other required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### *Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the City's basic financial statements. The introductory section, the supplementary information, and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

*Prior-Year Comparative Information*

We have previously audited the City's 2013 financial statements, and we expressed unmodified opinions on the respective financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information in our report dated January 24, 2014. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2013, is consistent, in all material respects, with the audited financial statements from which it has been derived.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued a report dated December 29, 2014 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and on compliance.

*Van Lant & Fankhaed, LLP*

December 29, 2014

## CITY OF HEMET Management's Discussion and Analysis

The following discussion and analysis of the financial performance of the City of Hemet provides an overview of the City's financial activities for the fiscal year ended June 30, 2014. Please read it in conjunction with the transmittal letter and financial statements identified in the accompanying table of contents.

### Using the Accompanying Financial Statements

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities provide information about the activities of the City as a whole and present a longer-term view of the City's finances. Also included in the accompanying report are fund financial statements. For governmental activities, the fund financial statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about City's most significant funds. The remaining statements provide financial information about activities for which the City acts solely as a trustee or agent for the benefit of those outside of the government.

### **OVERVIEW OF THE FINANCIAL STATEMENTS**

The annual report consists of five parts – *management's discussion and analysis* (this section), the *basic financial statements*, *required supplementary information*, a *supplementary section* that presents *combining statements* for non-major governmental funds and internal service funds, and a *statistical section*. The basic financial statements include two kinds of statements that present different views of the City:

- The first two statements are *government-wide financial statements* that provide both *long-term* and *short-term* information about the City's overall financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the City government, reporting the City's operations in *more detail* than the government-wide statements.
  - The *governmental funds* statements tell how *general government* services like public safety were financed in the *short term* as well as what remains for future spending.
  - *Proprietary fund* statements offer *short-* and *long-term* financial information about the activities the government operates like businesses, such as the water system.
  - *Fiduciary fund* statements provide information about the fiduciary relationships – like the agency funds of the City – in which the City acts solely as *agent* or *trustee* for the benefit of others, to whom the resources in question belong.

The financial statements also include *notes* that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that provides additional financial and budgetary information.

Figure A-1 summarizes the major features of the City's financial statements, including the portion of the City government they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

# CITY OF HEMET

## Management's Discussion and Analysis

Figure A-1  
Major Features of the City's Government-wide and Fund Financial Statements

	<u>Fund Statements</u>			
	<u>Government-wide Statements</u>	<u>Governmental Funds</u>	<u>Proprietary Funds</u>	<u>Fiduciary Funds</u>
Scope	Entire City government (except fiduciary funds) and the City's component units	The activities of the City that are not proprietary or fiduciary	Activities the City operates similar to private businesses	Instances in which the City is the trustee or agent for someone else's resources
Required financial statements	<ul style="list-style-type: none"> <li>• Statement of net position</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues, expenditures and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of net position</li> <li>• Statement of revenues, expenses and changes in net position</li> <li>• Statement of cash flows</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of fiduciary assets and liabilities</li> <li>• Statement of changes in fiduciary assets and liabilities</li> </ul>
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term debt included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; the City's fiduciary funds do not currently contain capital assets although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All revenues and expenses during year, regardless of when cash is received or paid

### Reporting the City as a Whole

The accompanying **government-wide financial statements** include two statements that present financial data for the City as a whole. One of the most important questions asked about the

## CITY OF HEMET Management's Discussion and Analysis

City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information about the City as a whole and about its activities in a way that helps answer this question. These statements include *all* assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the City's net position and its changes. You can think of the City's net position – the difference between assets and liabilities –as one way to measure the City's financial health, or *financial position*. Over time, *increases* and *decreases* in the City's net position are one indicator of whether its *financial health* is improving or deteriorating. You will need to consider other nonfinancial factors, however, such as changes in the City's property tax base and the condition of the City's roads, to assess the *overall health* of the City.

In the Statement of Net Position and the Statement of Activities, we divide the City into two kinds of activities:

- Governmental activities – Most of the City's basic services are reported here. Sales taxes, property taxes, state subventions, and other revenues finance most of these activities.
- Business-type activities – The City charges a fee to customers to help it cover all or most of the cost of the services accounted for these funds.

### Reporting the City's Most Significant Funds

The **fund financial statements** provide detailed information about the City's most significant funds – not the City as a whole. Some funds are required to be established by State law or by bond covenants. However, the City Council establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting administrative responsibilities for using certain taxes, grants, or other money (like grants received). The City's two kinds of funds – *governmental* and *proprietary* – use different accounting approaches.

- *Governmental funds* – Most of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year end that are available for spending. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other *current financial* assets that can readily be converted to cash. The governmental fund statements provide a detailed *short-term view* of the City's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. We describe the relationship or differences between *governmental activities* (reported in the Statement of Net Position and the Statement of Activities) and *governmental funds* in a reconciliation at the bottom of the fund financial statements.
- *Proprietary funds* – When the City charges customers for the services it provides – whether to outside customers or to other units of the City – these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities. In fact, the City's enterprise funds (a component of proprietary funds) are the same as the business-type activities we report in the government-wide statements but provide more detail and additional information, such as cash flows, for proprietary funds. We use internal service funds (the other component of proprietary funds) to report activities that provide supplies and services for the City's other programs and activities.

**CITY OF HEMET**  
**Management's Discussion and Analysis**

Reporting the City's Fiduciary Responsibilities

The City is an agent for certain assets held for, and under the control of, other organizations and individuals. All of the City's fiduciary activities are reported in a separate Statement of Fiduciary Assets. We exclude these activities from the City's other financial statements because the City cannot use these assets to finance its operations. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

A summary of the government-wide *statement of net position* follows:

	Table 1 Net Position (in Millions)					
	Governmental Activities		Business-type Activities		Total Primary Government	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Current and other assets	\$ 72.6	\$ 73.7	\$ 10.0	\$ 10.5	\$ 82.6	\$ 84.2
Capital assets	<u>326.7</u>	<u>327.0</u>	<u>4.1</u>	<u>4.2</u>	<u>330.8</u>	<u>331.2</u>
Total assets	\$ 399.3	\$ 400.7	\$ 14.1	\$ 14.7	\$ 413.4	\$ 415.4
Long-term debt outstanding	\$ 8.5	\$ 7.7	\$ -	\$ -	\$ 8.5	\$ 7.7
Other liabilities	<u>8.5</u>	<u>8.1</u>	<u>2.1</u>	<u>3.0</u>	<u>10.6</u>	<u>11.1</u>
Total liabilities	\$ 17.0	\$ 15.8	\$ 2.1	\$ 3.0	\$ 19.1	\$ 18.8
 Net Position:						
Net Investment in Capital Assets	\$ 325.1	\$ 327.0	\$ 4.2	\$ 4.1	\$ 329.3	\$ 331.1
Restricted	37.0	33.5	-	-	37.0	33.5
Unrestricted	<u>20.2</u>	<u>24.5</u>	<u>7.8</u>	<u>7.6</u>	<u>28.0</u>	<u>32.1</u>
 Total net position	 <u>\$ 382.3</u>	 <u>\$ 385.0</u>	 <u>\$ 12.0</u>	 <u>\$ 11.7</u>	 <u>\$ 394.3</u>	 <u>\$ 396.7</u>

**CITY OF HEMET**  
**Management's Discussion and Analysis**

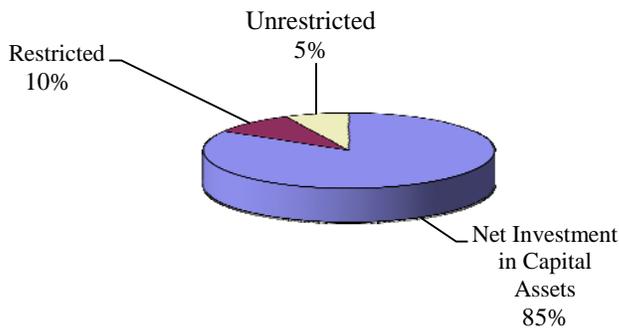
A summary of the government-wide *statement of activities* follows:

Table 2 Changes in Net Position (in Millions)						
	Governmental Activities		Business-type Activities		Total Primary Government	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
<b>Revenues</b>						
Program revenues:						
Charges for services	\$ 11.1	\$ 10.1	\$ 7.4	\$ 7.7	\$ 18.5	\$ 17.8
Operating grants/contributions	2.5	2.0	-	-	2.5	2.0
Capital grants/contributions	5.8	5.3	-	-	5.8	5.3
General revenues:						
Property taxes	6.2	7.4	-	-	6.2	7.4
Other taxes	21.6	20.3	-	-	21.6	20.3
Other general revenues	0.6	0.4	0.4	-	1.0	0.4
Gain on Sale of Assets	-	-	-	-	-	-
Transfers	-	2.5	-	(4.7)	-	(2.2)
Total revenues	<u>\$ 47.8</u>	<u>\$ 48.0</u>	<u>\$ 7.8</u>	<u>\$ 3.0</u>	<u>\$ 55.6</u>	<u>\$ 51.0</u>
<b>Program expenses</b>						
General government	\$ 3.1	\$ 2.0	\$ -	\$ -	\$ 3.1	\$ 2.0
Public safety	28.3	25.4	-	-	28.3	25.4
Community development	6.6	5.1	-	-	6.6	5.1
Public works	11.8	15.8	-	-	11.8	15.8
Sanitation	1.9	1.7	-	-	1.9	1.7
Parks and library	2.7	2.4	-	-	2.7	2.4
Interest on long-term debt	-	-	-	-	-	-
Water and refuse	-	-	7.5	9.2	7.5	9.2
Total expenses	<u>\$ 54.4</u>	<u>\$ 52.4</u>	<u>\$ 7.5</u>	<u>\$ 9.2</u>	<u>\$ 61.9</u>	<u>\$ 61.6</u>
Excess (deficiency) before special items and transfers	\$ (6.6)	\$ (4.4)	\$ 0.3	\$ (6.2)	\$ (6.3)	\$ (10.6)
Beginning Net Position	<u>\$ 384.9</u>	<u>\$ 389.3</u>	<u>\$ 11.7</u>	<u>\$ 17.9</u>	<u>\$ 396.6</u>	<u>\$ 407.2</u>
Prior Period Adjustment	\$ 4.0	\$ -	\$ -	\$ -	\$ 4.0	\$ -
Ending Net Position	<u>\$ 382.3</u>	<u>\$ 384.9</u>	<u>\$ 12.0</u>	<u>\$ 11.7</u>	<u>\$ 394.3</u>	<u>\$ 396.6</u>

## CITY OF HEMET Management's Discussion and Analysis

The increase or decrease in net position can provide an indication as to whether the overall financial position of the City improved or deteriorated during the year. The Net Position of the City's governmental activities decreased by 0.7% (\$382.3 million compared to \$385 million, as stated) in 2014. *Unrestricted* net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – decreased from \$24.5 million in 2013 to \$20.2 million in 2014. This decrease is mainly due to the structural deficit the City adopted the budget with. The City's ongoing annual expenditures exceeded the annual revenues, creating a structural deficit. The City adopted a budget where Fund Balance would be used to close the gap between expenditures and revenues. The net position of the City's business-type activities increased by 2.6% (\$12 million compared to \$11.7 million) in 2014. This is mainly due to a decrease in expenses. The net position (financial position) of the City changed as a result of the revenue and expense fluctuations described below for the governmental and business-type activities of the City.

### Total Net Position – Governmental Activities



### Governmental Activities

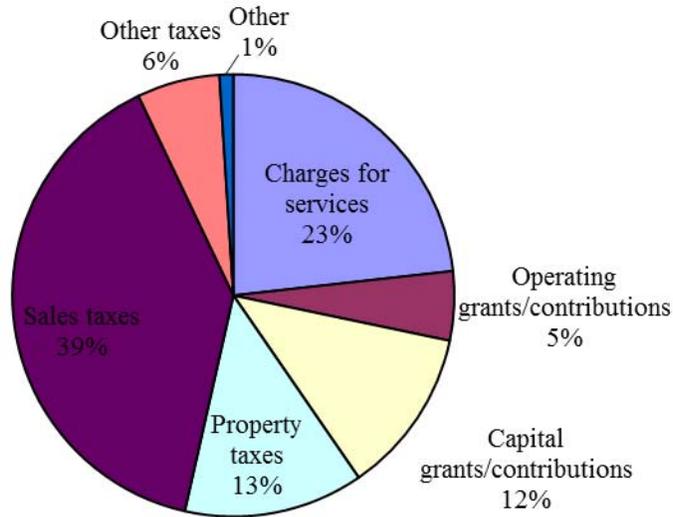
Revenues for the City's governmental activities saw an increase in the 2014 year of 3.8% (\$2 million). The major categories contributing to this revenue increase were Charges for Services and Sales Tax. Expenses in governmental activities saw an increase of \$2 million. Further discussion related to expenses can be found in the major funds section of this analysis. The cost of all *governmental* activities this year was \$54.4 million. As shown in the Statement of Activities, the amount that our taxpayers ultimately financed for these activities through property and other taxes was only \$28 million because some of the cost was paid by those who directly benefited from the programs (\$11.1 million) or by other governments and organizations that subsidized certain programs with grants and contributions (\$8.3 million).

**CITY OF HEMET**  
**Management's Discussion and Analysis**

The reasons for significant changes in the revenues and expenses of the City's governmental activities presented above are as follows:

- General fund community development charges for services and license and permit revenues saw an increase of \$407,761. This increase is due to the slight improvement in the economy.
- General fund parks and library saw a slight increase in expenditures of \$266,559.
- Sales Tax revenues increased by \$925,414 due to a steady improvement in the economy.

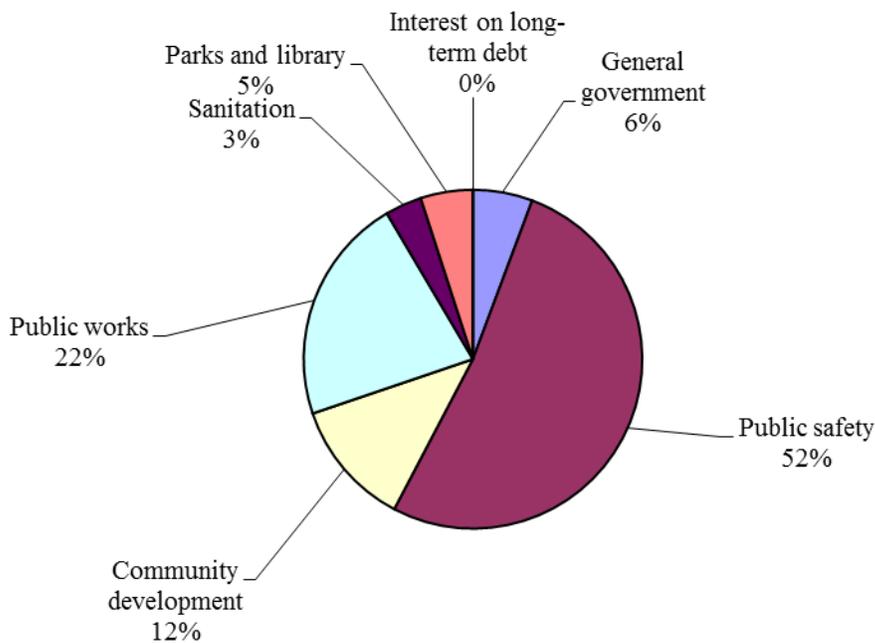
Revenues by Source – Governmental Activities



# CITY OF HEMET

## Management's Discussion and Analysis

### Expenses by Function – Governmental Activities



### Business-Type Activities

Revenues of the City's business-type activities had a slight increase of \$6,818 in 2014 compared to 2013 and operating expenses decreased by \$1.4 million mainly due to a decrease in costs related to the groundwater management plan project.

### MAJOR FUNDS

As noted earlier, the City uses fund accounting to provide proper financial management of the City's resources and to demonstrate compliance with finance-related legal requirements.

**Major Governmental Funds.** The **General Fund** is the chief operating fund of the city. At the end of the current fiscal year, unassigned fund balance of the general fund was \$4,396,757, while total fund balance was \$18.9 million. Fund balance decreased \$3.1 million in 2014 mainly due to the structural deficit in the budget. As mentioned before, Fund Balance had to be used to close the gap between expenditures and revenues.

**CITY OF HEMET**  
**Management's Discussion and Analysis**

The reasons for changes in the revenues and expenditures of the City's General Fund from the prior year are as follows:

- General Fund revenues increased \$965,802 from 2013. Of this amount, Licenses and Permits increased \$398,491 and Intergovernmental Revenues increased by \$308,768.
- General Fund expenditures increased \$4.1 million from 2013. Of this amount, Public Safety expenditures increased \$2.9 million from 2013 as a result of increased personnel costs and the cost of Project HOPE. This project included increased Staffing levels and a contract with the California Highway Patrol.
- All other General Department Funds had increased personnel costs.

**Major Special Revenue Fund.** The Sewer and Storm Drain Fund revenues increased \$85,738. The housing market has continued to stabilize resulting in less foreclosures and therefore less vacant homes.

**Major Enterprise Funds.** Total net position of the **Water Fund** at the end of the year amounted to \$12 million. The **Water Fund** had an increase in net position totaling \$326,977 as a result of the stabilizing housing market. As foreclosures went down, more homes were occupied.

**GENERAL FUND BUDGET**

The economy continues its slow recovery. We continue to see a slight increase in sales tax revenues and property taxes seem to be stabilizing. Major deviations between the final budget of the General Fund and its actual operating results were as follows:

- Tax revenues exceeded budget expectations by \$1.27 million in 2014. This was primarily due to an increase in Sales Tax.
- License and permit exceeded budget expectations by \$428,644 in the current fiscal year. The major revenues affecting this revenue category were building permits and business licenses.
- General Fund expenditures came in under budget in the current fiscal year. Careful monitoring of the budget and spending implemented by all departments city wide minimized the increase in expenditures.

**CITY OF HEMET**  
**Management's Discussion and Analysis**

**CAPITAL ASSETS**

Capital Assets  
(net of depreciation, in millions)

	<u>Governmental</u>		<u>Business-type</u>		<u>Total</u>	
	<u>Activities</u>		<u>Activities</u>			
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Land	\$ 11.84	\$ 11.84	\$ 0.03	\$ 0.03	\$ 11.87	\$ 11.87
Rights of way	190.47	190.09	-	-	190.47	190.09
Buildings and improvements	14.94	15.57	3.41	3.45	18.35	19.02
Machinery and equipment	4.08	3.75	0.73	0.77	4.81	4.52
Infrastructure	103.60	104.95	-	-	103.60	104.95
Construction in progress	<u>1.76</u>	<u>0.76</u>	<u>-</u>	<u>-</u>	<u>1.76</u>	<u>.076</u>
Total	<u>\$326.69</u>	<u>\$326.96</u>	<u>\$ 4.17</u>	<u>\$ 4.25</u>	<u>\$330.86</u>	<u>\$331.21</u>

The most significant City infrastructure project completed in 2014 was the Citywide Street Rehabilitation. This project totaled \$4,039,334. Additional information on the City's capital assets can be found in the notes to the financial statements. (Note 5-Changes in Capital Assets)

**CITY OF HEMET**  
**Management's Discussion and Analysis**

**LONG-TERM DEBT**

At the end of the current fiscal year, the Successor Agency to the former Hemet Redevelopment Agency, a Fiduciary Fund, had bonded debt outstanding of \$12,820,000. The Successor Agency's total debt decreased by \$445,000 during the current fiscal year.

The Capital lease in the Enterprise funds was paid off prior to the end of the current fiscal year amount. The net adjustments to long-term debt for claims payable was an increase of \$16,703. While the next adjustment to long-term debt for compensated absences was a decrease of \$69,690.

Outstanding Debt  
(in thousands)

	<u>Governmental</u>		<u>Business-type</u>		<u>Total</u>	
	<u>Activities</u>		<u>Activities</u>			
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Certificates of participation	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
OPEB	8,355	7,525	-	-	8,355	7,525
Compensated absences	2,470	2,573	178	145	2,648	2,718
Claims Payable	600	583	-	-	600	583
Capital Leases	-	-	-	138	-	138
Total	<u>\$11,425</u>	<u>\$10,681</u>	<u>\$ 178</u>	<u>\$ 283</u>	<u>\$11,603</u>	<u>\$10,964</u>

City bonded redevelopment debt maintains an "A-" rating from Standard & Poor's and Fitch Ratings.

Additional information on the City's long-term debt can be found in the notes to the accompanying financial statements. (Note 6-Long Term Liability)

**CITY OF HEMET**  
**Management's Discussion and Analysis**

Contacting the City's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Finance Director's Office, at City of Hemet, 445 E. Florida Avenue, Hemet, California 92543.

## **BASIC FINANCIAL STATEMENTS**

**City of Hemet**  
**Statement of Net Position**

June 30, 2014, with summarized information for the year ended June 30, 2013

	Governmental Activities	Business-type Activities	Totals	
			2014	2013
<b>ASSETS</b>				
Cash and Investments	\$ 60,336,628	\$ 8,596,162	\$ 68,932,790	\$ 69,710,904
Receivables:				
Accounts	1,484,593	1,292,103	2,776,696	3,154,430
Taxes	895,236	-	895,236	843,928
Interest	774,867	-	774,867	640,540
Due from Other Governments	2,059,553	78,646	2,138,199	2,433,078
Due from Fiduciary Funds	121,901	-	121,901	103,733
Inventories	175,080	-	175,080	161,368
Prepaid Items	12,136	5,399	17,535	25,030
Notes Receivable	9,888,544	-	9,888,544	10,159,457
Allowance for Forgivable Notes	(5,254,616)	-	(5,254,616)	(5,142,252)
Land Held for Resale	2,076,419	-	2,076,419	2,076,419
Capital Assets:				
Land	11,839,690	32,975	11,872,665	11,872,665
Rights of Way	190,468,181	-	190,468,181	190,089,556
Construction in Process	1,756,950	-	1,756,950	760,067
Other Capital Assets, Net	122,625,980	4,138,209	126,764,189	128,493,832
<b>Total Assets</b>	<b>399,261,142</b>	<b>14,143,494</b>	<b>413,404,636</b>	<b>415,382,755</b>
<b>LIABILITIES</b>				
Accounts Payable	2,709,294	169,532	2,878,826	3,272,260
Accrued Salaries and Benefits	396,477	26,099	422,576	342,979
Accrued Liabilities	66,859	5,399	72,258	61,449
Deposits	2,068,952	1,559,151	3,628,103	3,733,247
Unearned Revenue	287,567	-	287,567	196,782
Accrued Interest	-	205,726	205,726	201,328
Noncurrent Liabilities:				
Due Within One Year	2,941,490	171,352	3,112,842	3,303,980
Due in More Than One Year	8,483,644	6,569	8,490,213	7,660,213
<b>Total Liabilities</b>	<b>16,954,283</b>	<b>2,143,828</b>	<b>19,098,111</b>	<b>18,772,238</b>
<b>NET POSITION</b>				
Net Investment in Capital Assets	325,096,076	4,171,184	329,267,260	331,077,969
Restricted for:				
Community Development	7,474,612	-	7,474,612	5,888,043
Public Works	24,026,462	-	24,026,462	22,819,250
Public Safety	276,155	-	276,155	-
Sanitation	4,125,770	-	4,125,770	3,679,215
Libraries:				
Expendable	83,478	-	83,478	63,973
Nonexpendable	1,000,000	-	1,000,000	1,000,000
Unrestricted	20,224,306	7,828,482	28,052,788	32,082,107
<b>Total Net Position</b>	<b>\$ 382,306,859</b>	<b>\$ 11,999,666</b>	<b>\$ 394,306,525</b>	<b>\$ 396,610,557</b>

The accompanying notes are an integral part of this statement.

**City of Hemet**  
**Statement of Activities**

Year Ended June 30, 2014, with summarized information for the year ended June 30, 2013

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Governmental Activities:</b>				
General Government	\$ 3,081,888	\$ 1,606,152	\$ -	\$ -
Public Safety	28,307,897	1,069,416	1,109,697	237,463
Community Development	6,627,149	717,747	1,330,930	-
Public Works	11,803,684	4,810,304	-	5,356,821
Sanitation	1,920,520	2,883,017	-	-
Parks	905,591	-	-	167,095
Libraries	1,750,759	35,168	13,400	88,200
<b>Total Governmental Activities</b>	<b>54,397,488</b>	<b>11,121,804</b>	<b>2,454,027</b>	<b>5,849,579</b>
<b>Business-type Activities:</b>				
Refuse	-	-	-	-
Water	7,477,575	7,370,907	-	-
<b>Total Business-type Activities</b>	<b>7,477,575</b>	<b>7,370,907</b>	<b>-</b>	<b>-</b>
<b>Total Primary Government</b>	<b>\$ 61,875,063</b>	<b>\$ 18,492,711</b>	<b>\$ 2,454,027</b>	<b>\$ 5,849,579</b>

General Revenues:

Taxes:

Property Taxes

Transient Occupancy Taxes

Sales Taxes

Motor Vehicle in Lieu Taxes (Unrestricted)

Franchise and Other Taxes

Investment Income

Miscellaneous

Transfers

Total General Revenues and Transfers

Change in Net Position

Net Position - Beginning of Year

Prior Period Adjustments

Net Position - End of Year

The accompanying notes are an integral part of this statement.

Net (Expense) Revenue and Changes in Net Position

Governmental Activites	Business-type Activities	Totals	
		2014	2013
\$ (1,475,736)	\$ -	\$ (1,475,736)	\$ (552,802)
(25,891,321)	-	(25,891,321)	(22,988,235)
(4,578,472)	-	(4,578,472)	(3,750,222)
(1,636,559)	-	(1,636,559)	(6,709,068)
962,497	-	962,497	1,003,907
(738,496)	-	(738,496)	(627,043)
(1,613,991)	-	(1,613,991)	(1,477,214)
<u>(34,972,078)</u>	<u>-</u>	<u>(34,972,078)</u>	<u>(35,100,677)</u>
-	-	-	(158,496)
<u>-</u>	<u>(106,668)</u>	<u>(106,668)</u>	<u>(1,368,844)</u>
-	(106,668)	(106,668)	(1,527,340)
<u>(34,972,078)</u>	<u>(106,668)</u>	<u>(35,078,746)</u>	<u>(36,628,017)</u>
6,206,637	-	6,206,637	7,342,572
643,367	-	643,367	625,959
11,042,977	-	11,042,977	10,117,563
4,995,822	-	4,995,822	4,829,195
4,875,267	-	4,875,267	4,730,445
564,943	71,205	636,148	143,905
184,347	175,649	359,996	322,452
(186,791)	186,791	-	-
<u>28,326,569</u>	<u>433,645</u>	<u>28,760,214</u>	<u>28,112,091</u>
(6,645,509)	326,977	(6,318,532)	(8,515,926)
384,937,868	11,672,689	396,610,557	407,182,867
<u>4,014,500</u>	<u>-</u>	<u>4,014,500</u>	<u>152,388</u>
<u>\$ 382,306,859</u>	<u>\$ 11,999,666</u>	<u>\$ 394,306,525</u>	<u>\$ 398,819,329</u>

The accompanying notes are an integral part of this statement.

**City of Hemet  
Balance Sheet  
Governmental Funds**

June 30, 2014, with summarized information for the year ended June 30, 2013

	General Fund	Special Revenue		
		Public Safety CFD	Housing Authority	Sewer and Storm Drain
<b>ASSETS</b>				
Cash and Investments	\$ 18,722,046	\$ -	\$ 22,559	\$ 4,397,821
Receivables:				
Accounts	103,201	-	3,500	644,773
Taxes	895,236	-	-	-
Interest	163,843	-	336,265	-
Due from Other Governments	1,378,760	3,466	-	-
Due from Other Funds	-	-	-	-
Due from Fiduciary Fund	121,901	-	-	-
Inventories	300	-	-	-
Prepaid Items	12,136	-	-	-
Advances to Other Funds	-	-	-	-
Notes Receivable	-	-	3,475,505	-
Allowance for Forgivable Notes	-	-	(1,418,736)	-
Land Held for Resale	-	-	1,482,500	-
Total Assets	<u>\$ 21,397,423</u>	<u>\$ 3,466</u>	<u>\$ 3,901,593</u>	<u>\$ 5,042,594</u>
<b>LIABILITIES</b>				
Accounts Payable	\$ 298,888	\$ -	\$ -	\$ 906,374
Accrued Salaries and Benefits	322,513	7,282	-	10,450
Accrued Liabilities	66,859	-	-	-
Deposits	1,508,450	-	5,733	-
Due to Other Funds	-	17,973	-	-
Unearned Revenue	287,567	-	-	-
Advances from Other Funds	-	-	-	-
Total Liabilities	<u>2,484,277</u>	<u>25,255</u>	<u>5,733</u>	<u>916,824</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable Revenues - Grants	-	-	-	-
Unavailable Revenues - Notes Receivable	-	-	2,390,035	-
Total Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>2,390,035</u>	<u>-</u>
<b>FUND BALANCE (DEFICITS)</b>				
Nonspendable	12,436	-	-	-
Restricted	872,502	-	1,505,825	4,125,770
Committed	7,269,919	-	-	-
Assigned	6,361,532	-	-	-
Unassigned	4,396,757	(21,789)	-	-
Total Fund Balances (Deficits)	<u>18,913,146</u>	<u>(21,789)</u>	<u>1,505,825</u>	<u>4,125,770</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances (Deficits)	<u>\$ 21,397,423</u>	<u>\$ 3,466</u>	<u>\$ 3,901,593</u>	<u>\$ 5,042,594</u>

The accompanying notes are an integral part of this statement.

Other Governmental Funds	Total Governmental Funds	
	2014	2013
\$ 31,033,013	\$ 54,175,439	\$ 53,995,271
319,906	1,071,380	1,586,341
-	895,236	843,928
274,759	774,867	640,540
677,327	2,059,553	2,354,158
868,278	868,278	467,834
-	121,901	103,773
-	300	300
-	12,136	19,631
354,137	354,137	1,354,137
6,413,039	9,888,544	10,159,457
(3,835,880)	(5,254,616)	(5,142,252)
593,919	2,076,419	2,076,419
<u>\$ 36,698,498</u>	<u>\$ 67,043,574</u>	<u>\$ 68,459,537</u>
\$ 996,251	\$ 2,201,513	\$ 1,974,571
30,508	370,753	298,508
-	66,859	56,050
554,769	2,068,952	2,172,774
850,305	868,278	467,834
-	287,567	196,782
354,137	354,137	1,354,137
<u>2,785,970</u>	<u>6,218,059</u>	<u>6,520,656</u>
46,535	46,535	76,697
-	2,390,035	2,412,035
<u>46,535</u>	<u>2,436,570</u>	<u>2,488,732</u>
1,354,137	1,366,573	2,374,068
28,109,501	34,613,598	33,529,021
-	7,269,919	7,888,228
4,554,310	10,915,842	8,721,340
(151,955)	4,223,013	6,937,492
<u>33,865,993</u>	<u>58,388,945</u>	<u>59,450,149</u>
<u>\$ 36,698,498</u>	<u>\$ 67,043,574</u>	<u>\$ 68,459,537</u>

The accompanying notes are an integral part of this statement.

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**City of Hemet**  
**Reconciliation of the Balance Sheet of Governmental Funds**  
**to the Statement of Net Position**  
June 30, 2014

Fund Balances of Governmental Funds	\$	58,388,945
Amounts reported for Governmental Activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds.		325,439,933
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.		2,436,570
Long-term liabilities including compensated absences and OPEB are not due and payable in the current period and, therefore, are not reported in the funds.		
Other Post Employment Benefits		(8,355,000)
Compensated Absences		(2,469,965)
Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the internal service funds must be added to the statement of net position.		6,866,376
Net Position of Governmental Activities	\$	382,306,859

The accompanying notes are an integral part of this statement.

**City of Hemet**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**

Year Ended June 30, 2014, with summarized information for the year ended June 30, 2013

	General Fund	Special Revenue		
		Public Safety CFD	Housing Authority	Sewer and Storm Drain
<b>REVENUES</b>				
Taxes	\$ 22,768,247	\$ -	\$ -	\$ -
Licenses and Permits	1,996,344	-	-	-
Intergovernmental Revenues	5,253,632	-	-	-
Charges for Services	2,296,279	456,602	-	2,883,017
Fines and Forfeitures	400,293	-	-	-
Investment Income	230,293	-	22,034	35,923
Miscellaneous	141,621	-	-	7,231
<b>Total Revenues</b>	<b>33,086,709</b>	<b>456,602</b>	<b>22,034</b>	<b>2,926,171</b>
<b>EXPENDITURES</b>				
Current:				
General Government	2,283,815	-	-	-
Public Safety	25,762,930	772,220	-	-
Community Development	4,496,835	-	-	-
Public Works	108,178	-	-	-
Sanitation	-	-	-	1,920,520
Parks	905,591	-	-	-
Libraries	1,307,684	-	-	-
Capital Outlay	-	-	-	243,162
<b>Total Expenditures</b>	<b>34,865,033</b>	<b>772,220</b>	<b>-</b>	<b>2,163,682</b>
Excess (Deficiency) of Revenues Over Expenditures	(1,778,324)	(315,618)	22,034	762,489
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	48,060	1,395,004	-	-
Transfers Out	(1,395,004)	-	-	(315,934)
Transfer to Successor Agency Fiduciary Fund	-	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>(1,346,944)</b>	<b>1,395,004</b>	<b>-</b>	<b>(315,934)</b>
Net Change in Fund Balances	(3,125,268)	1,079,386	22,034	446,555
Fund Balances, Beginning	22,038,414	(1,101,175)	1,483,791	3,679,215
Fund Balances, Ending	\$ 18,913,146	\$ (21,789)	\$ 1,505,825	\$ 4,125,770

The accompanying notes are an integral part of this statement.

Other Governmental Funds	Total Governmental Funds	
	2014	2013
\$ 1,506,313	\$ 24,274,560	\$ 24,264,992
-	1,996,344	1,597,853
4,779,076	10,032,708	9,322,420
4,471,477	10,107,375	9,508,584
-	400,293	404,223
276,694	564,944	131,500
35,496	184,348	337,226
<u>11,069,056</u>	<u>47,560,572</u>	<u>45,566,798</u>
128,131	2,411,946	1,948,814
380,181	26,915,331	23,966,778
2,130,314	6,627,149	5,063,767
5,583,683	5,691,861	4,918,892
-	1,920,520	1,753,987
-	905,591	790,227
91,274	1,398,958	1,247,763
<u>2,179,076</u>	<u>2,422,238</u>	<u>6,035,078</u>
<u>10,492,659</u>	<u>48,293,594</u>	<u>45,725,306</u>
<u>576,397</u>	<u>(733,022)</u>	<u>(158,508)</u>
542,143	1,985,207	6,932,773
(602,451)	(2,313,389)	(1,104,018)
-	-	(2,208,772)
<u>(60,308)</u>	<u>(328,182)</u>	<u>3,619,983</u>
516,089	(1,061,204)	3,461,475
<u>33,349,904</u>	<u>59,450,149</u>	<u>55,988,674</u>
<u>\$ 33,865,993</u>	<u>\$ 58,388,945</u>	<u>\$ 59,450,149</u>

The accompanying notes are an integral part of this statement.

**City of Hemet**  
**Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances**  
**of Governmental Funds to the Statement of Activities**  
Year Ended June 30, 2014

Net Change in Fund Balances - Total Governmental Funds	\$	(1,061,204)
Amounts reported for Governmental Activities in the Statement of Activities are different because:		
<p>Governmental funds report capital outlay as expenditures. However, in the statement of activities, the costs of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.</p>		
Capital Outlays		2,873,457
Depreciation Expense		(7,274,589)
<p>The net effect of various miscellaneous transactions involving capital assets (i.e., retirement) is to decrease net position.</p>		
		(44,993)
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p>		
		(52,162)
<p>Compensated absences and other post employment benefit expenses reported in the statement of activities do not require the use of current financial resources and therefore, are not reported as expenditures in the funds.</p>		
		(727,091)
<p>Internal service funds are used by management to charge the costs of certain activities to individual funds. The net revenues (expenses) of the internal service funds is reported with governmental activities.</p>		
		<u>(358,927)</u>
Change in Net Position of Governmental Activities	\$	<u>(6,645,509)</u>

The accompanying notes are an integral part of this statement.

**City of Hemet**  
**Statement of Net Position**  
**Proprietary Funds**

June 30, 2014, with summarized information for the year ended June 30, 2013

	<b>Business-type Activities</b>		<b>Governmental</b>	
	<b>Water Enterprise Fund</b>		<b>Activities - Internal Service</b>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
<b>ASSETS</b>				
Current Assets:				
Cash and Investments	\$ 8,596,162	\$ 8,792,797	\$ 6,161,189	\$ 6,922,836
Receivables:				
Accounts	1,292,103	1,566,194	413,213	1,895
Due from Other Funds	-	-	-	-
Due from Fiduciary Funds	-	-	-	-
Prepaid Assets	5,399	5,399	-	-
Due from Other Governmental Agencies	78,646	78,920	-	-
Inventories	-	-	174,780	161,068
Total Current Assets	<u>9,972,310</u>	<u>10,443,310</u>	<u>6,749,182</u>	<u>7,085,799</u>
Noncurrent Assets:				
Construction in Progress	-	-	-	509,466
Capital Assets	32,177,472	31,832,172	5,219,215	4,406,058
Less: Accumulated Depreciation	<u>(28,006,288)</u>	<u>(27,579,871)</u>	<u>(3,968,347)</u>	<u>(3,823,263)</u>
Total Noncurrent Assets	<u>4,171,184</u>	<u>4,252,301</u>	<u>1,250,868</u>	<u>1,092,261</u>
Total Assets	<u>14,143,494</u>	<u>14,695,611</u>	<u>8,000,050</u>	<u>8,178,060</u>
<b>LIABILITIES</b>				
Current Liabilities:				
Accounts Payable	169,532	952,987	507,781	344,702
Accrued Salaries and Benefits	26,099	19,882	25,724	24,589
Accrued Liabilities	5,399	5,399	-	-
Interest Payable	205,726	201,328	-	-
Deposits	1,559,151	1,560,473	-	-
Due to Other Funds	-	-	-	-
Compensated Absences Payable	171,352	138,133	-	-
Claims and Judgments Payable	-	-	600,169	583,466
Capital Leases	-	138,151	-	-
Total Current Liabilities	<u>2,137,259</u>	<u>3,016,353</u>	<u>1,133,674</u>	<u>952,757</u>
Noncurrent Liabilities:				
Compensated Absences Payable	6,569	6,569	-	-
Capital Leases	-	-	-	-
Total Noncurrent Liabilities	<u>6,569</u>	<u>6,569</u>	<u>-</u>	<u>-</u>
Total Liabilities	<u>2,143,828</u>	<u>3,022,922</u>	<u>1,133,674</u>	<u>952,757</u>
<b>NET POSITION</b>				
Net Investment in Capital Assets	4,171,184	4,114,150	1,250,868	1,092,261
Unrestricted	<u>7,828,482</u>	<u>7,558,539</u>	<u>5,615,508</u>	<u>6,133,042</u>
Total Net Position	<u>\$ 11,999,666</u>	<u>\$ 11,672,689</u>	<u>\$ 6,866,376</u>	<u>\$ 7,225,303</u>

The accompanying notes are an integral part of this statement.

**City of Hemet**  
**Statement of Revenues, Expenses, and Changes in Net Position**  
**Proprietary Funds**

Year Ended June 30, 2014, with summarized information for the year ended June 30, 2013

	<b>Business-type Activities</b>		<b>Governmental</b>	
	<b>Water Enterprise Fund</b>		<b>Activities -</b>	
			<b>Internal Service</b>	
	2014	2013	2014	2013
<b>OPERATING REVENUES</b>				
Charges for Sales and Services	\$ 7,370,907	\$ 7,549,037	\$ 12,510,594	\$ 11,179,949
Total Operating Revenue	<u>7,370,907</u>	<u>7,549,037</u>	<u>12,510,594</u>	<u>11,179,949</u>
<b>OPERATING EXPENSES</b>				
Personal Services	2,534,158	2,311,256	3,934,685	3,680,705
Parts and Supplies	141,269	204,093	951,493	451,148
Maintenance	1,155,775	1,655,226	1,085,811	1,021,918
Utilities	469,228	430,007	631,542	538,281
Water Purchases	277	46,206	-	-
Contracts, Rents and Leases	50,646	1,153,503	225,395	262,584
Insurance	129,700	139,500	2,117,635	1,900,195
Claims and Judgments	-	-	3,988,195	3,212,092
General Office	492,996	402,000	-	-
Enterprise Assessments	2,073,504	2,187,804	-	-
Depreciation	426,417	379,071	145,084	108,935
Total Operating Expenses	<u>7,473,970</u>	<u>8,908,666</u>	<u>13,079,840</u>	<u>11,175,858</u>
Operating Income (Loss)	<u>(103,063)</u>	<u>(1,359,629)</u>	<u>(569,246)</u>	<u>4,091</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Gain/(Loss) on Sale of Capital Assets	-	-		
Investment Income	71,205	3,255	-	-
Interest Expense	(3,605)	(9,215)	-	-
Miscellaneous	175,649	58,651	17,193	106,834
Total Nonoperating Revenues (Expenses)	<u>243,249</u>	<u>52,691</u>	<u>17,193</u>	<u>106,834</u>
Income (Loss) Before Transfers and Capital Contributions	140,186	(1,306,938)	(552,053)	110,925
Capital Contributions	-	266,001	51,735	110,971
Transfers In	198,430	81,004	362,780	11,180
Transfers Out	(11,639)	-	(221,389)	(863,580)
Change in Net Position	326,977	(959,933)	(358,927)	(630,504)
Total Net Position, Beginning	11,672,689	12,632,622	7,225,303	7,519,091
Prior Period Adjustment	-	-	-	336,716
Total Net Position, Ending	<u>\$ 11,999,666</u>	<u>\$ 11,672,689</u>	<u>\$ 6,866,376</u>	<u>\$ 7,225,303</u>

The accompanying notes are an integral part of this statement.

**City of Hemet**  
**Statement of Cash Flows**  
**Proprietary Funds**

Year Ended June 30, 2014, with summarized information for the year ended June 30, 2013

	<b>Business-type Activities</b>		<b>Governmental Activities -</b>	
	<b>Water</b>	<b>Enterprise Fund</b>	<b>Internal Service</b>	
	2014	2013	2014	2013
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Receipts from Customers and Users	\$ 7,823,997	\$ 7,690,282	\$ 12,116,469	\$ 12,886,268
Payments to Suppliers for Goods and Services	(2,659,406)	(2,866,318)	(8,834,001)	(7,379,874)
Payments for Interfund Services Used	(2,696,200)	(2,589,804)	-	-
Payments to Employees for Services	(2,435,966)	(2,287,827)	(3,933,550)	(3,673,565)
Net Cash Provided (Used) by Operating Activities	<u>32,425</u>	<u>(53,667)</u>	<u>(651,082)</u>	<u>1,832,829</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Cash Received From Other Funds	198,430	81,004	362,780	-
Cash Paid to Other Funds	(11,639)	-	(221,389)	(852,400)
Cash Received from Fiduciary Funds	-	-	-	347,736
Net Cash Provided (Used) by Noncapital Financing Activities	<u>186,791</u>	<u>81,004</u>	<u>141,391</u>	<u>(504,664)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Acquisition and Construction of Capital Assets	(345,300)	(420,822)	(303,691)	(365,787)
Capital Contributions	-	-	51,735	34,058
Principal Paid on Capital Debt	(138,151)	(147,500)	-	-
Interest Paid on Capital Debt	(3,605)	(9,215)	-	-
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(487,056)</u>	<u>(577,537)</u>	<u>(251,956)</u>	<u>(331,729)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Investment Income Received	<u>71,205</u>	<u>3,255</u>	<u>-</u>	<u>-</u>
Net Cash Provided (Used) by Investing Activities	<u>71,205</u>	<u>3,255</u>	<u>-</u>	<u>-</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	(196,635)	(546,945)	(761,647)	996,436
Cash and Cash Equivalents - Beginning of the Year	<u>8,792,797</u>	<u>9,339,742</u>	<u>6,922,836</u>	<u>5,926,400</u>
Cash and Cash Equivalents - End of the Year	<u>\$ 8,596,162</u>	<u>\$ 8,792,797</u>	<u>\$ 6,161,189</u>	<u>\$ 6,922,836</u>

Continued

The accompanying notes are an integral part of this statement.

**City of Hemet**  
**Statement of Cash Flows**  
**Proprietary Funds - Continued**

Year Ended June 30, 2014, with summarized information for the year ended June 30, 2013

	<b>Business-type Activities</b>		<b>Governmental</b>	
	<b>Water Enterprise Fund</b>		<b>Activities - Internal Service</b>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
<b>Reconciliation of Operating Income (Loss) to</b>				
<b>Net Cash Provided (Used) by Operating Activities:</b>				
Operating Income (Loss)	\$ (103,063)	\$ (1,359,629)	\$ (569,246)	\$ 4,091
Adjustments to Reconcile Operating Income to				
Net Cash Provided by Operating Activities:				
Depreciation	426,417	379,071	145,084	108,935
Miscellaneous Nonoperating Revenues (Expenses)	175,649	58,651	17,193	106,834
(Increase) Decrease in Accounts Receivable	274,091	(18,464)	(411,318)	1,599,485
(Increase) Decrease in Inventories	-	-	(13,712)	10,225
(Increase) Decrease in Due from Other Governments	274	44,205	-	-
Increase (Decrease) in Accounts Payable	(783,455)	762,217	163,079	(63,980)
Increase (Decrease) in Accrued Payroll	6,217	(693)	1,135	7,140
Increase (Decrease) in Claims and Judgments Payable	-	-	16,703	60,099
Increase (Decrease) in Deposits Payable	3,076	56,853	-	-
Increase (Decrease) in Compensated Absences Payable	33,219	24,122	-	-
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b><u>\$ 32,425</u></b>	<b><u>\$ (53,667)</u></b>	<b><u>\$ (651,082)</u></b>	<b><u>\$ 1,832,829</u></b>
<b>NON-CASH CAPITAL AND RELATED</b>				
<b>FINANCING ACTIVITIES</b>				
Contributions of Capital Assets	\$	\$ 266,001	\$	\$

The accompanying notes are an integral part of this statement.

**City of Hemet**  
**Statement of Fiduciary Net Position**  
**Fiduciary Funds**  
June 30, 2014

	Agency Funds	Successor Agency Private-purpose Trust Fund
<b>ASSETS</b>		
Cash and Investments	\$ 30,770	\$ -
Receivables:		
Accounts	17,493	-
Notes	-	168,309
Land Held for Resale	-	2,208,773
Restricted Assets:		
Cash and Investments with Fiscal Agents	3,468,608	1,124,443
Total Assets	\$ 3,516,871	3,501,525
<b>LIABILITIES</b>		
Accounts Payable	\$ 611,252	6,094
Accrued Liabilities	-	462
Deposits Payable	2,905,619	-
Interest Payable	-	186,447
Due to City of Hemet	-	121,901
Bonds Payable	-	12,820,000
Total Liabilities	\$ 3,516,871	13,134,904
<b>NET POSITION</b>		
Net Position (Deficit) Held in Trust for Successor Agency		\$ (9,633,379)

The accompanying notes are an integral part of this statement.

**City of Hemet**  
**Statement of Changes in Fiduciary Net Position**  
**Fiduciary Funds**  
Year Ended June 30, 2014

	Successor Agency Private-purpose Trust Fund
<b>ADDITIONS</b>	
Taxes	\$ 972,895
Investment Income	134
Total Additions	973,029
<b>DEDUCTIONS</b>	
Administrative Costs	146,594
Interest on Bonds	639,248
Total Deductions	785,842
Change in Net Position	187,187
Net Position - Beginning of Year	(9,820,566)
Net Position - End of Year	\$ (9,633,379)

The accompanying notes are an integral part of this statement.

**City of Hemet**  
**Notes to Financial Statements**  
Year Ended June 30, 2014

**1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The City of Hemet, California was incorporated in 1910 as a general law City. The City operates under a Council-Manager form of government and provides the following services: public safety (police and fire), highways and streets, refuse and recycling collection, water, sewer maintenance, public library, parks, public improvements, planning and zoning, and general administrative services.

The financial statements of the City of Hemet have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies are described below.

**A) Description of Reporting Entity**

As required by generally accepted accounting principles, these financial statements present the financial results for the City and its component units. Component units are entities for which the City is considered to be financially accountable. The City is considered to be financially accountable for an organization if the City appoints a voting majority of that organization's governing body, and the City is able to impose its will on that organization, or there is a potential for that organization to provide specific financial benefits to, or impose specific financial burdens on the City. The City is also considered to be financially accountable if that organization is fiscally dependent (i.e., it is unable to adopt its budget, levy taxes, set rates or charges, or issue bonded debt without approval from the City). In certain cases, other organizations are included as component units if the nature and significance of their relationship with the City are such that their exclusion would cause the City's financial statements to be misleading or incomplete.

All of the City's component units are considered to be blended component units. Blended component units, although legally separate entities, are, in substance, part of the City's operations and so data from these units are reported with the data of the City. The following organizations are considered to be component units of the City:

**Hemet Housing Authority**

The Hemet City Council is also the governing board of the Hemet Housing Authority; therefore the Authority is included within the reporting entity of the City. The authority was formed under the California Health and Safety Code Section 34200, et seq, to provide financing for supplying safe and sanitary dwelling accommodations to persons of low income at affordable rents. Separate financial statements are not issued for the Housing Authority.

**B) Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

**City of Hemet**  
**Notes to Financial Statements**  
Year Ended June 30, 2014

**1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are expenses that are clearly identifiable with a specific program, project, function or segment.

Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items that are properly not included among program revenues are reported instead as general revenues.

Amounts classified as "franchise and other taxes" are gross receipts based taxes and do not represent exchange-like transactions. Amounts classified as "motor vehicle in-lieu taxes" are general state revenues shared with local municipalities as "back fill" for the loss of state taxes on vehicle ownership.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

**C) Implementation of Governmental Accounting Standards Board (GASB) Pronouncements**

Governmental Accounting Standards Board Statement No. 68

In June of 2012, GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27*. This statement was issued to improve the financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency. This statement replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, as well as the requirements of Statement No. 50, *Pension Disclosures*, as they relate to pensions that are provided through pension plans administered as trust or equivalent arrangements that meet certain criteria. The requirements of Statements 27 and 50 remain applicable for pensions that are not covered by the scope of this statement. Statement No. 68 is effective for periods beginning after June 15, 2014. The City has elected not to early implement GASB No. 68 and has not determined its effect on the City's financial statements.

**D) Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the providers have been met.

**City of Hemet**  
**Notes to Financial Statements**  
Year Ended June 30, 2014

**1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual, and are therefore recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the City. Agency funds use the accrual basis of accounting, but do not have a measurement focus.

The City reports the following major governmental funds:

General Fund

This is the primary operating fund of the City. It accounts for all activities of the general government, except those required to be accounted for in another fund.

Public Safety CFD

This fund accounts for the proceeds from the Public Safety Community Facilities District voted in by the citizens of those specific areas to be used specifically for public safety.

Housing Authority

This fund accounts for the revenue received from the City's affordable housing programs which facilitate housing development and affordable housing opportunities.

Sewer and Storm Drain

This fund accounts for the sewer and storm drain fees for the City-wide program to maintain storm drains and sewer transmission lines. Revenues are intended to cover the maintenance costs for these lines, not all of the costs associated with the replacement, and depreciation of these lines.

The City reports the following major enterprise funds:

Water

This fund accounts for the financial transactions of the City's water utility service, including water production, transmission, and distribution system.

The City also reports the following fund types:

Internal Service Funds

These funds account for the financing of goods or services provided by one department or agency to other departments or agencies of the City, on a cost reimbursement basis. These departments consist of administrative, facility maintenance, vehicle maintenance, workers' compensation, dental, vision, retiree medical and liability insurance.

**City of Hemet**  
**Notes to Financial Statements**  
Year Ended June 30, 2014

**1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

Agency Funds

These funds account for resources held by the City in a trustee capacity as an agent for individuals, private organizations, other governments, and/or other funds. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. These funds consist of the Police Activities League, pass thru fees collected for the County, payroll deposits, and a developer CFD.

Private-purpose Trust Fund

This fund is used to account for the balances and transactions of the Successor Agency to the former Hemet Redevelopment Agency.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are rental payments and other charges between the government's water and refuse function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the refuse and water enterprise funds, and the government's internal service funds are charges to customers for sales and services. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

**E) Cash and Investments**

Investments are reported in the accompanying balance sheet at fair value, except for certain certificates of deposit and investment contracts that are reported at cost because they are not transferable and they have terms that are not affected by changes in market interest rates.

**City of Hemet**  
**Notes to Financial Statements**  
Year Ended June 30, 2014

**1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

Changes in fair value that occur during a fiscal year are recognized as *investment income* reported for that fiscal year. *Investment income* includes interest earnings, changes in fair value, and any gains or losses realized upon the liquidation, maturity, or sale of investments.

The City pools cash and investments of all funds, except for assets held by fiscal agents. Each fund's share in this pool is displayed in the accompanying financial statements as *cash and investments*. Investment income earned from pooled investments is allocated to those various funds based on each fund's average cash and investment balance.

For purposes of the statement of cash flows, cash equivalents are defined as short-term, highly liquid investments that are both readily convertible to known amounts of cash or were purchased so near their maturity that they present insignificant risk of change in value because of changes in interest rates. Cash and cash equivalents in the accompanying statements include the proprietary funds' share of the cash and investment pool of the City of Hemet.

**F) Receivables and Payables**

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Advances between funds, as reported in the fund financial statements, are offset by a nonspendable fund balance account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

Balances reported as due to other governments include funds under the control of other governmental agencies that are held by the City of Hemet pending remittance to the other governmental agencies.

**G) Land Held for Resale**

Land held for resale represents land, structures and their related improvements that were acquired for resale in accordance with the objectives of the Redevelopment Projects and grants. These costs will be charged to current year project expenditures when the related land and structures are sold. Land held for resale is valued at the lower of cost or expected net realizable value.

**H) Inventory and Prepaid Items**

All inventories are valued on the average cost method. Inventory in the General Fund consists of City promotional items. Inventory in the Internal Service fund consists of hardware supplies, auto shop supplies, fuel and oil. Inventory in the Enterprise fund consists of expendable supplies held for use by the water utility. All costs are recorded as an expenditure at the time the individual inventory items are consumed.

**City of Hemet**  
**Notes to Financial Statements**  
Year Ended June 30, 2014

**1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

**I) Capital Assets**

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$10,000 and an estimated useful life in excess of two years except in the case of infrastructure-related capital projects, which would only be capitalized when total project costs are expected to exceed \$50,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. No interest costs were capitalized during the current fiscal year.

Capital assets of the primary government, as well as the component units, are depreciated using the straight-line method over the following estimated useful lives.

Buildings and Improvements	25 - 50 years
Infrastructure	
Roadway	20 - 75 years
Storm Drain	100 years
Water System	30 years
Sewer System	30 years
Machinery and Equipment	
Vehicles	7 years
Office Equipment	5 years
Other Equipment	5 years

**J) Compensated Absences**

It is the government's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. All vacation pay is accrued when incurred in the government-wide, proprietary, and fiduciary fund financial statements.

**K) Claims and Judgments**

Claims and judgments are accounted for in accordance with GASB Statement 10, which requires that expenditures for claims be recognized when it is probable that the liability has been incurred at year-end and the amount of the loss can be reasonably estimated. Accordingly, such claims are recorded as liabilities in the Internal Service Funds.

**City of Hemet**  
**Notes to Financial Statements**  
Year Ended June 30, 2014

**1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**L) Long-Term Obligations**

In the government-wide and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

**M) Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents consumption of net position that applies to future period(s) and so will not be recognized as an outflow of resources (expense) until then. The City currently has no items that qualify for reporting in this category.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has only one type of item, which arises only under the modified accrual basis of accounting, which qualifies for reporting in this category. Accordingly, the item, *unavailable revenue*, is reported in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes, special assessments, grant receivables, long-term loans receivable, and other miscellaneous receivables. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

**N) Net Position**

In the government-wide and proprietary fund financial statements, net position is classified in the following categories:

*Net Investment in Capital Assets* – this category groups all capital assets, including infrastructure, into one component of net position. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of those assets reduce this category.

*Restricted Net Position* – this category describes the portion of net position which is restricted as to use by the terms and conditions of agreements with outside parties, governmental regulation, laws, or other restrictions which the City cannot unilaterally alter.

*Unrestricted* – this category describes the portion of net position which is not restricted to use.

**O) Net Position Flow Assumption**

Sometimes the City will fund outlays for a particular purpose from both restricted (e.g. restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the statement of net position, a flow assumption must be made about the order in which the resources are considered to be applied.

**City of Hemet**  
**Notes to Financial Statements**  
Year Ended June 30, 2014

**1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

It is the City's policy to consider restricted – net position to have been depleted before unrestricted – net position.

**P) Fund Balances**

Fund balances in governmental funds are reported in classifications that comprise a hierarchy based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. Sometimes the City will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

Nonspendable Fund Balance - Amounts that cannot be spent either because they are in nonspendable form or are required to be maintained intact.

Restricted Fund Balance - Amounts that are constrained to specific purposes by state or federal laws, or externally imposed conditions by grantors or creditors.

Committed Fund Balance - Amounts that may be specified by the City Council by ordinance to formally commit part of the City's fund balances or future revenues for a specific purpose(s) or program. To change or repeal any such commitment will require an additional formal City Council action utilizing the same type of action that was originally used.

The City's committed fund balance includes:

- **General Fund Economic Stabilization:**  
Fund balance in the General Fund has been committed for emergency/fiscal emergency contingencies, as set by ordinance. Emergencies shall mean the actual or threatened conditions of disaster or of extreme peril to the safety of persons and property within the City caused by such conditions as air pollution, fire, flood, storm, epidemic, riot or earthquake, or other conditions, including conditions resulting from a labor controversy, which conditions are likely to be beyond the control of the services, personnel, equipment and facilities of the City, requiring combined forces of other political subdivisions to combat. A fiscal emergency is defined by the City of Hemet Municipal Code Section 2-451. The amount of the commitment as set forth by the City of Hemet Municipal Code Section 2-452 is equal to at least 20% of current year General Fund expenditures.

**City of Hemet**  
**Notes to Financial Statements**  
Year Ended June 30, 2014

**1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

Use of these funds is allowable only when the following have been met: (a) the City Council has declared the existence of either an emergency or fiscal emergency; and (b) the use of the committed fund balance has been approved by four-fifths vote of the membership of the City Council.

Assigned Fund Balance - Amounts that are constrained by the Council's intent to use specified financial resources for specific purposes, but are neither restricted nor committed.

Unassigned Fund Balance - These are either residual positive net resources of fund balance in excess of what can properly be classified in one of the other four categories, or negative balances.

Encumbrance accounting, under which purchase order, contracts and other commitments for the expenditures of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the General, Special Revenue, and Capital Project funds. Encumbrances outstanding at year-end are reported as committed fund balances in the fund financial statements since they do not constitute expenditures or liabilities.

**Q) Property Tax Calendar**

Property taxes are assessed and collected each fiscal year according to the following property tax calendar:

Lien Date	March 1
Levy Date	July 1 to June 30
Due Date	November 1, 1 <sup>st</sup> Installment February 1, 2 <sup>nd</sup> Installment
Collection Date	December 1, 1 <sup>st</sup> Installment April 10, 2 <sup>nd</sup> Installment

The City receives from the County of Riverside a percentage of the basic 1% maximum tax rate allowed on assessments collected and allocated by the County. Property tax assessments are recognized as revenue when they become both measurable and available to finance the expenditures of the reported fiscal year. Material delinquent property taxes (net of estimated uncollectibles) are also recorded as current year receivables. Substantially all of the property taxes associated with the reported fiscal year were considered to be both measurable and available to finance expenditures of that fiscal year. When material amounts of property taxes are considered to be measurable but not available to finance the expenditures of the reported fiscal year, they are recorded as a receivable and as deferred revenue (to be recognized as revenue in the year in which they become available).

**City of Hemet**  
**Notes to Financial Statements**  
Year Ended June 30, 2014

**1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

A delinquency penalty of 6% is assessed by the County of Riverside. If taxes become delinquent, they are deeded to the State and may be sold by the County Tax Collector for taxes due plus 1% per month redemption fee. All property taxes are collected by the County of Riverside and collection fees are deducted by the County before tax revenue is remitted to the City. The assessed valuation is at "full cash value".

**R) Forgivable Notes**

Certain loans have been made by the City to third parties in order to enhance the redevelopment, community development, economic development, and housing objectives of the City. Certain loans contain conditions for non-collection (after being held for a certain period of time, etc.). The City has recorded as an allowance for forgivable notes the estimate of amounts that will not be collected on these loans.

**S) Comparative Data/Reclassifications**

The basic financial statements include certain prior-year summarized comparative information in total but not at the level of detail required for a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the City's financial statements for the year ended June 30, 2013, from which the summarized information was derived.

Certain amounts presented in the prior year data have been reclassified in order to be consistent with the current years' presentation.

**T) Use of Estimates**

The presentation of basic financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

**2) CASH AND INVESTMENTS**

Cash and investments are classified in the accompanying financial statements as follows:

Statement of Net Position:	
Cash and Investments	\$ 68,932,790
Fiduciary Funds:	
Cash and Investments	30,770
Cash and investments with Fiscal Agent	<u>4,593,051</u>
Total Cash and Investments	<u>\$ 73,556,611</u>

**City of Hemet**  
**Notes to Financial Statements**  
Year Ended June 30, 2014

**2) CASH AND INVESTMENTS - Continued**

Cash and Investments consist of the following:

Cash on Hand	\$	10,150
Deposits with Financial Institutions		802,113
Investments		<u>72,744,348</u>
Total Cash and Investments		<u>\$ 73,556,611</u>

**Investments Authorized by the California Government Code and the City's Investment Policy**

The table below identifies the investment types that are authorized by the City's investment policy and the California Government Code. The table also identifies certain provisions of the California Government Code (or the City's investment policy, if more restrictive) that address interest rate risk, credit risk, and concentration of credit risk. This table does not address investments of debt proceeds held by bond trustee that are governed by the provisions of debt agreements of the City, rather than the general provisions of the California Government Code or the City's investment policy.

Authorized Investment Type	Maximum Maturity*	Maximum Percentage of Portfolio*	Maximum Investment In One Issuer*
U.S. Treasury Obligations	None	None	None
U.S. Agency Securities	5 years	None	None
Banker's Acceptances	30 days	40%	None
Commercial Paper	180 days	15%	10%
Negotiable Certificates of Deposit	5 years	50%	None
Repurchase Agreements	30 days	10%	None
Municipal Bonds	5 years	20%	None
Medium-Term Notes	5 years	20%	5%
Money Market Mutual Funds	N/A	10%	None
Local Agency Investment Fund (LAIF)	N/A	90%	None

\*Based on state law requirements or investment policy requirements, whichever is more restrictive.

**Investments Authorized by Debt Agreements**

Investment of debt proceeds held by bond trustee are governed by provisions of the debt agreements, rather than the general provisions of the California Government Code or the City's investment policy. The table below identifies the investment types that are authorized for investments held by bond trustee. The table also identifies certain provisions of these debt agreements that address interest rate risk, and concentration of credit risk.

**City of Hemet**  
**Notes to Financial Statements**  
Year Ended June 30, 2014

**2) CASH AND INVESTMENTS - Continued**

Authorized Investment Type	Maximum Maturity	Maximum Percentage Allowed	Maximum Investment In One Issuer
U.S. Treasury Obligations	None	None	None
U.S. Agency Securities	None	None	None
Banker's Acceptances	30 days	None	None
Commercial Paper	270 days	None	None
Money Market Mutual Funds	N/A	None	None
Municipal Obligations	None	None	None
Repurchase Agreements	270 days	None	None
Investment Contracts	None	None	None
Local Agency Investment Fund (LAIF)	N/A	None	None

**Disclosures Relating to Interest Rate Risk**

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment is, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the City manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

Information about the sensitivity of the fair values of the City's investments (including investments held by bond trustees) to market interest rate fluctuations is provided by the following table that shows the distribution of the City's investments by maturity:

Investment Type	Carrying Amount	Remaining Maturity (in Months)			
		12 Months Or Less	13 to 24 Months	25 to 60 Months	More Than 60 Months
Federal Agency Securities	\$ 9,942,353	\$ -	\$ -	\$ 9,942,353	\$ -
State Investment Pool (LAIF)	33,209,688	33,209,688	-	-	-
Municipal Obligations	5,519,003	-	3,059,953	2,459,050	-
Negotiable Certificate of Deposits	6,991,283	1,242,783	1,496,633	4,251,867	-
Corporate Bonds	3,516,135	-	-	3,516,135	-
Money Market Funds	9,012,971	9,012,971	-	-	-
Held by Fiscal Agent:					
Money Market Funds	4,552,915	4,552,915	-	-	-
<b>Total</b>	<b>\$72,744,348</b>	<b>\$48,018,357</b>	<b>\$4,556,586</b>	<b>\$20,169,405</b>	<b>\$ -</b>

**City of Hemet**  
**Notes to Financial Statements**  
Year Ended June 30, 2014

**2) CASH AND INVESTMENTS - Continued**

**Disclosures Relating to Credit Risk**

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the California Government Code or the City's investment policy, or debt agreements, and the actual rating as of fiscal year end for each investment type.

Investment Type	Total	Minimum Legal Rating	Rating as of Year End				
			AAA	AA	A	Not Rated	SP-1
Federal Agency Securities	\$ 9,942,353	N/A	\$ -	\$ 9,942,353	\$ -	\$ -	\$ -
State Investment Pool - LAIF	33,209,688	N/A	-	-	-	33,209,688	-
Municipal Bonds	5,519,003	A	502,945	1,964,618	1,005,840	-	2,045,600
Negotiable Certificate of Deposits	6,991,283	N/A	-	-	-	6,991,283	-
Corporate Bonds	3,516,135	A	-	1,515,100	2,001,035	-	-
Money Market Funds	9,012,971	AAA	9,012,971	-	-	-	-
Held by Fiscal Agent: Money Market Funds	4,552,915	AAA	4,552,915	-	-	-	-
<b>Total</b>	<b>\$ 72,744,348</b>		<b>\$ 14,068,831</b>	<b>\$ 13,422,071</b>	<b>\$3,006,875</b>	<b>\$ 40,200,971</b>	<b>\$2,045,600</b>

**Concentration of Credit Risk**

The investment policy of the City contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. The City has no investments in any one issuer (other than U.S. Treasury Securities, mutual funds, and external investment pools) that represent 5% or more of total City investments.

**Custodial Credit Risk**

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that in the event of the failure of the counterparty (e.g., broker dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the City's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local government units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure City deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. At June 30, 2014, the City deposits (bank balances were insured by the Federal Depository Insurance Corporation up to \$250,000 and the remaining balances were collateralized under California law.

**City of Hemet**  
**Notes to Financial Statements**  
Year Ended June 30, 2014

**2) CASH AND INVESTMENTS - Continued**

For investments identified herein as held by bond trustee, the bond trustee selects the investment under the terms of the applicable trust agreement, acquires the investment, and holds the investment on behalf of the reporting government.

**Investment in State Investment Pool**

The City is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by the California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The fair value of the City's investment in this pool is reported in the accompanying financial statements at amounts based on the City's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. LAIF is not rated.

**3) INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS**

The following represents the composition of interfund balances as of June 30, 2014:

**A) Due To / From Other Funds**

	DUE FROM		
	Public Safety CFD	Other Governmental Funds	Total
DUE TO   Other Governmental Funds	\$ 17,973	\$ 850,305	\$ 868,278
Total	\$ 17,973	\$ 850,305	\$ 868,278

These were the result of routine, short-term interfund borrowing to eliminating temporary deficit cash balances.

**B) Advances To / From Other Funds**

The Flood Control Facilities Fund has advanced \$354,137 to the Fire Facilities Fund for facility improvements.

**City of Hemet**  
**Notes to Financial Statements**  
Year Ended June 30, 2014

**3) INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS - Continued**

**C) Interfund Transfers**

TRANSFERS IN	TRANSFERS OUT					Total
	General Fund	Sewer and Storm Drain	Other Governmental Funds	Water	Internal Service Funds	
General Fund	\$ -	\$ 5,938	\$ 21,237	\$ 11,639	\$ 9,246	\$ 48,060
Public Safety CFD	1,395,004	-	-	-	-	1,395,004
Other Governmental Funds	-	309,996	20,004	-	212,143	542,143
Water Fund	-	-	198,430	-	-	198,430
Internal Service Funds	-	-	362,780	-	-	362,780
<b>Total</b>	<b>\$ 1,395,004</b>	<b>\$ 315,934</b>	<b>\$ 602,451</b>	<b>\$ 11,639</b>	<b>\$ 221,389</b>	<b>\$ 2,546,417</b>

During the year, interfund transfers were made for purposes of financing administrative costs, capital improvements, repayment of debt, and to close out the operations of the Refuse Fund. Specifically, the following transfers were made:

The General Fund transferred \$1,395,004 to the Public Safety CFD Special Revenue Fund to cover operating deficits and to forgive the advances payable from prior years. The Sewer and Storm Drain Fund transferred \$309,996 to the Other Governmental Funds to pay for various projects. In addition, the Other Governmental Funds transferred \$198,430 to the Water Fund to pay for a water project. The Governmental Activities Internal Service Fund transferred \$212,143 to the Other Governmental Funds to pay for various project costs. Various transfers to the General Fund totaling \$48,060 were to pay for costs related to damages from a weather event in the current year.

**4) NOTES RECEIVABLE**

The City administers various residential rehabilitation and down payment assistance loan programs for low and moderate income families. In addition, the City has loaned monies to developers for affordable housing projects and entered into owner participation agreements. The loans have different stated interest rates, payback periods and may be forgivable assuming all conditions are met. These notes are long-term in nature and are recorded as notes receivable in the governmental funds balance sheet. At June 30, 2014 the outstanding balance of notes receivable totaled \$9,888,544. The balance on the loans that will be forgiven by the City, assuming all requirements are met was \$5,524,616, and is considered uncollectible. The balance of loans receivable is recorded net of the uncollectible amount in the Statement of Net Position and the Governmental Funds Balance Sheet.

**City of Hemet**  
**Notes to Financial Statements**  
Year Ended June 30, 2014

**5) CHANGES IN CAPITAL ASSETS**

Capital assets activity for the year ended June 30, 2014 is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental Activities:</b>				
Capital Assets, Not Being Depreciated:				
Land and Improvements	\$ 11,839,690	\$ -	\$ -	\$ 11,839,690
Rights of Way	190,089,556	378,625	-	190,468,181
CIP - Infrastructure	760,067	1,513,428	(516,545)	1,756,950
<b>Total Capital Assets, Not Being Depreciated</b>	<b>202,689,313</b>	<b>1,892,053</b>	<b>(516,545)</b>	<b>204,064,821</b>
Capital Assets Being Depreciated:				
Buildings and Improvements	25,997,424	-	-	25,997,424
Buildings and Improvements - ISF	75,899	-	-	75,899
Machinery and Equipment	31,617,408	364,043	(490,469)	31,490,982
Machinery and Equipment - ISF	4,330,159	813,157	-	5,143,316
Infrastructure				
Pavement	151,725,789	3,549,422	(3,669,163)	151,606,048
Medians	163,384	-	-	163,384
Sidewalks	16,789,551	736,522	(86,702)	17,439,371
Curb and Gutter	16,321,714	127,223	-	16,448,937
Traffic Signal	6,006,034	67,732	-	6,073,766
Street Lights	3,858,830	-	-	3,858,830
Bridges	4,326,295	-	-	4,326,295
Street Trees	508,885	-	-	508,885
Storm Drain/Retention Basins	11,355,227	158,041	-	11,513,268
<b>Total Capital Assets Being Depreciated</b>	<b>273,076,599</b>	<b>5,816,140 *</b>	<b>(4,246,334)</b>	<b>274,646,405</b>
Less Accumulated Depreciation:				
Buildings and Improvements	(10,438,572)	(627,295)	-	(11,065,867)
Buildings and Improvements - ISF	(67,014)	(1,592)	-	(68,606)
Machinery and Equipment	(28,439,242)	(701,107)	490,469	(28,649,880)
Machinery and Equipment - ISF	(3,756,249)	(143,492)	-	(3,899,741)
Infrastructure				
Pavement	(91,318,862)	(4,916,846)	3,669,163	(92,566,545)
Medians	(40,845)	(5,446)	-	(46,291)
Sidewalks	(3,586,847)	(232,525)	41,709	(3,777,663)
Curb and Gutter	(3,227,721)	(223,470)	-	(3,451,191)
Traffic Signal	(3,418,838)	(187,378)	-	(3,606,216)
Street Lights	(1,916,266)	(154,670)	-	(2,070,936)
Bridges	(840,603)	(57,684)	-	(898,287)
Street Trees	-	-	-	-
Storm Drain/Retention Basins	(1,751,034)	(168,168)	-	(1,919,202)
<b>Total Accumulated Depreciation</b>	<b>(148,802,093)</b>	<b>(7,419,673)</b>	<b>4,201,341</b>	<b>(152,020,425)</b>
<b>Total Capital Assets Being Depreciated, Net</b>	<b>124,274,506</b>	<b>(1,603,533)</b>	<b>(44,993)</b>	<b>122,625,980</b>
<b>Governmental Activities - Capital Assets, Net</b>	<b>\$ 326,963,819</b>	<b>\$ 288,520</b>	<b>\$ (561,538)</b>	<b>\$ 326,690,801</b>

\*Includes \$4,014,500 in additions that should have been capitalized in the prior year. This is a prior period adjustment in the Statement of Activities.

**City of Hemet**  
**Notes to Financial Statements**  
Year Ended June 30, 2014

**5) CHANGES IN CAPITAL ASSETS - Continued**

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Business-type Activities:</b>				
Capital Assets, Not Being Depreciated				
Land	\$ 32,975	\$ -	\$ -	\$ 32,975
Total Capital Assets, Not Being Depreciated	32,975	-	-	32,975
Capital Assets Being Depreciated:				
Buildings and Improvements	27,688,409	-	-	27,688,409
Machinery and Equipment	4,110,788	345,300	-	4,456,088
Total Capital Assets Being Depreciated	31,799,197	345,300	-	32,144,497
Less Accumulated Depreciation:				
Buildings and Improvements	(24,238,216)	(37,126)	-	(24,275,342)
Machinery and Equipment	(3,341,655)	(389,291)	-	(3,730,946)
Total Accumulated Depreciation	(27,579,871)	(426,417)	-	(28,006,288)
Total Capital Assets Being Depreciated, Net	4,219,326	(81,117)	-	4,138,209
Business-type Activities Capital Assets, Net	\$ 4,252,301	\$ (81,117)	\$ -	\$ 4,171,184

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental Activities:	
General Government	\$ 220,798
Public Safety	562,566
Public Works	6,139,424
Libraries	351,801
Internal Service	145,084
Total Depreciation Expense – Governmental Activities	\$ 7,419,673
Business-type Activities:	
Water	\$ 426,417
Total Depreciation Expense – Business-type Activities	\$ 426,417

**City of Hemet**  
**Notes to Financial Statements**  
Year Ended June 30, 2014

**6) LONG-TERM LIABILITIES**

**A) Compensated Absences**

City employees receive from twelve to thirty-three (12-33) vacation days each year depending upon length of service and bargaining group. Vacation can be accumulated up to a maximum of two years for most City bargaining units; two years plus the current year's accumulation for other units. Unused vacation may be cashed in yearly per each bargaining unit's M.O.U. limitations or upon retirement. City and police employees receive eight (8) hours of sick leave for each month of employment. Management employees accrue six (6) days of sick leave per year. City fire fighters accrue twelve (12) hours per calendar month. City general employees' right to accrue sick leave is unlimited. Used sick leave may be cashed in upon retirement at a payment percentage of 25%, 50% or 75% determined by length of continuous service and bargaining unit M.O.U.

City and police employees are allowed to accumulate compensatory leave time for unpaid overtime at 150% rate up to a forty (40) hour or eighty (80) hour maximum depending on M.O.U. limitations.

The liability for compensated absences will be funded when required, from future City operations. Accrued vacation, sick leave, and compensatory leave time at June 30, 2014 is as follows:

<b>Governmental Activities</b>	Total
The noncurrent portion of the governmental funds liability for accumulated vacation, sick leave and compensatory leave time is being reported on the statement of net assets.	
Liabilities for compensated absences are typically liquidated by the General Fund.	\$ 2,469,965
<b>Business-type Activities</b>	
The noncurrent portion of the proprietary funds' liability for accumulated vacation, sick leave and compensatory leave time accrual is being reported in the respective proprietary fund.	
Liabilities for compensated absences are liquidated from the Water and Refuse funds.	177,921
	\$ 2,647,886

**B) Capital Leases**

Water Equipment - \$1,088,999. Effective May 10, 2007 the City entered into a Master Lease Agreement with Suntrust Leasing Corporation for the purpose of purchasing approximately 5,580 radio-read water meters. The term of the lease is 7 years at an interest rate of 3.75% with payments due quarterly from the Water Fund. The cost of the capitalized assets and accumulated depreciation at June 30, 2014 is \$978,593 and \$978,583, respectively. The principal balance remaining at June 30, 2014 was \$0.

**City of Hemet**  
**Notes to Financial Statements**  
Year Ended June 30, 2014

**6) LONG-TERM LIABILITIES - Continued**

**C) Summary of Changes in Long-Term Liabilities**

Long-term liability activity for the year ended June 30, 2014 was as follows:

	Beginning Balance	Additions	Payments	Ending Balance	Due Within One Year	Remaining Years
<b>Governmental Activities:</b>						
Compensated Absences	\$ 2,572,874	\$ 2,151,172	\$ 2,254,081	\$ 2,469,965	\$ 2,341,321	\$ 128,644
Claims Payable	583,466	555,706	539,003	600,169	600,169	-
OPEB	<u>7,525,000</u>	<u>4,016,000</u>	<u>3,186,000</u>	<u>8,355,000</u>	<u>-</u>	<u>8,355,000</u>
Total Governmental Activity Long-term Liabilities	<u>\$10,681,340</u>	<u>\$ 6,722,878</u>	<u>\$ 5,979,084</u>	<u>\$11,425,134</u>	<u>\$ 2,941,490</u>	<u>\$ 8,483,644</u>
<b>Business-type Activities</b>						
Compensated Absences	\$ 144,702	\$ 108,828	\$ 75,609	\$ 177,921	\$ 171,352	\$ 6,569
Capital Leases	<u>138,151</u>	<u>-</u>	<u>138,151</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Business-type Activity Long-term Liabilities	<u>\$ 282,853</u>	<u>\$ 108,828</u>	<u>\$ 213,760</u>	<u>\$ 177,921</u>	<u>\$ 171,352</u>	<u>\$ 6,569</u>

**D) No Commitment Debt**

**Apartment Development and Multi-Family Housing Revenue Bonds**

In 1992 and 1999, the City issued apartment development and multi-family housing revenue bonds; the funds of which are maintained by bank trustees. These private activity bonds are not obligations of the City, and as such are not included in these financial statements. The outstanding balance on these bonds at June 30, 2014 is \$21,050,000.

**CFD No. 1999-1 Special Tax Refunding Bonds, Series 2006 (Heartland Project)**

In July 2006, the City of Hemet authorized and provided for the issuance of special tax bonds for the Community Facilities District No. 1999-1. Proceeds of these bonds are held by a fiscal agent and are being used to defease and refund the 1999-1 Heartland CFD Series 2001A and Series 2002B bonds. The original issues were used to finance off-site improvements of a 1,417 home community with an 18 hole golf course. This bond issue is not a legal obligation of the City as the City is only acting as an agent for the property owners in collecting the assessments. Neither the faith and credit nor the taxing power of the City is pledged to the payment of the bonds. Therefore, these bonds are not reported as a liability in the financial statements of the City. The outstanding balance on these bonds at June 30, 2014 is \$11,240,000.

**City of Hemet**  
**Notes to Financial Statements**  
Year Ended June 30, 2014

**6) LONG-TERM LIABILITIES - Continued**

**E) Fiduciary Fund Long-term Debt**

**Bonds Payable**

Subordinate Tax Allocation Bonds 1999 Series A - \$9,510,000 Hemet Redevelopment Agency Tax Allocation Bonds with interest from 4.00% to 4.75% due in annual installments of \$190,000 to \$600,000 through September 15, 2028. The bonds are payable from tax revenues. The purpose of this debt issue was the construction of the Public Library. The reserve requirement is being met by having funds held at the fiscal agent in a reserve fund. The outstanding balance as of June 30, 2014 is \$6,615,000.

Tax Allocation Bonds 2002 Series A - \$7,500,000 Hemet Redevelopment Agency Tax Allocation Bonds with interest from 3.50% to 4.20% due in annual installments of \$150,000 to \$1,050,000 through September 15, 2031. The bonds are payable from tax revenues on a parity with the Agency's pledge of such tax revenues to payment of principal and interest on the \$9,510,000 - 1999 Subordinate Tax Allocation Bonds. The purpose of this debt issue was the construction of the Public Library and completion of Fire Station Four. The reserve requirement is being met by having funds held at the fiscal agent in a reserve fund. The outstanding balance as of June 30, 2014 is \$6,205,000.

A summary of principal and interest payments due on all bonds follows:

Fiscal Year Ending June 30,	1999 Subordinate Tax Allocation Bonds		2002 Tax Allocation Bond Series A	
	Principal	Interest	Principal	Interest
2015	\$ 315,000	\$ 308,515	\$ 150,000	\$ 310,700
2016	325,000	294,034	150,000	304,100
2017	340,000	278,820	165,000	296,909
2018	355,000	262,391	170,000	289,056
2019	375,000	244,689	180,000	280,631
2020	395,000	226,016	190,000	271,494
2021	410,000	206,444	195,000	261,869
2022	430,000	185,969	210,000	251,744
2023	455,000	164,397	220,000	240,994
2024	475,000	141,728	230,000	229,744
2025	500,000	118,275	245,000	217,716
2026	520,000	94,050	255,000	204,903
2027	545,000	68,756	270,000	191,450
2028	575,000	42,156	285,000	177,228
2029	600,000	14,250	295,000	162,366
2030	-	-	950,000	130,463
2031	-	-	995,000	80,622
2032	-	-	1,050,000	27,563
<b>Total</b>	<b>\$ 6,615,000</b>	<b>\$ 2,650,490</b>	<b>\$ 6,205,000</b>	<b>\$ 3,929,552</b>

**City of Hemet**  
**Notes to Financial Statements**  
Year Ended June 30, 2014

**6) LONG-TERM LIABILITIES - Continued**

The following is a schedule of changes in long-term debt of the Successor Agency for the fiscal year ended June 30, 2014.

	Beginning Balance	Additions	Payments	Ending Balance	Due Within One Year	Remaining Years
Bonds Payable:						
1999 Subordinate Tax Allocation Bonds	\$ 6,915,000	\$ -	\$ 300,000	\$ 6,615,000	\$ 315,000	\$ 6,300,000
2002A Tax Allocation Bonds	6,350,000	-	145,000	6,205,000	150,000	6,055,000
 Total	 \$13,265,000	 \$ -	 \$ 445,000	 \$12,820,000	 \$ 465,000	 \$12,355,000

**7) CLAIMS AND JUDGMENTS**

**A) Risk Management and Self Insurance Programs**

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City participates in municipal agency risk pools for their property and workers' compensation coverage and uses a private carrier for excess liability coverage.

Type	Limits	Deductible
Property	\$600,000,000 All risk and flood (portions of limits are shared)	\$5,000 All risk \$10,000 Vehicles and mobile equipment \$100,000 Busses
Boiler and Machinery	\$100,000,000	\$5,000
Excess Liability	\$10,000,000 per occurrence	\$250,000 SIR per occurrence except \$500,000 SIR per occurrence - unfair Employment practices
Crime	\$1,000,000	\$2,500
Primary Workers' Comp	\$125,000	None
Excess Workers' Comp	\$5,000,000 Pooled layer \$295,000,000 Excess of \$5,000,000	\$125,000 SIR

The City operates a self-insurance program for dental, vision, and retiree supplemental medical insurance costs. The retiree supplemental medical plan, for employees hired prior to July 24, 1990 and who subsequently retire from the City, is only intended to bridge decreases in health coverage benefits as measured between current coverage benefits and the highest level of such benefits as conferred during the employee's tenure. A separate internal service fund has been established to accumulate reserves and pay expenses of the program. Currently, the various operating funds provide the financial support of these programs. It is, however, hoped that once adequate reserve levels are achieved, the interest earnings will carry the administration costs.

**City of Hemet**  
**Notes to Financial Statements**  
Year Ended June 30, 2014

**7) CLAIMS AND JUDGMENTS - Continued**

Estimated City costs of claims for liability, workers' compensation, dental, vision, and the retiree supplemental medical have been accrued as Claims and Judgments Payable in the accompanying financials statements.

Insurance Type	Beginning Balance	Claims Incurred	Claim Payments	Ending Balance	Current Portion
2012 - 2013 Total	\$ 523,367	\$ 748,592	\$ (688,493)	\$ 583,466	\$ 583,466
2013 - 2014					
Dental - Vision	\$ 51,275	\$ 485,633	\$ (468,491)	\$ 68,417	\$ 68,417
Workers' Comp	52,045	30,130	-	82,175	82,175
Liability	480,146	205,003	(235,572)	449,577	449,577
2013 - 2014 Total	\$ 583,466	\$ 720,766	\$ (704,063)	\$ 600,169	\$ 600,169

For the past three years, settled claims have not exceeded the amount of insurance coverage. Liabilities for claims payable including workers' compensation are typically liquidated by the internal service funds.

**B) Contingencies**

As of June 30, 2014 the City was involved in a number of damage suits incurred in the ordinary course of City operations. Estimated costs of these claims have been accrued as claims and judgments payable in accordance with GASB Statement No. 10.

The City has received Federal and State funds for specific purposes that are subject to review by the grantor agencies. These programs are subject to audit by the grantor agencies and upon further examination by the grantors, certain costs could be disallowed. The City expects any such amounts to be immaterial.

Included in the City's governmental activities capital assets are certain parcels of land with a purchased cost of \$1,594,725. Prior to the dissolution of redevelopment agencies as enacted by state law, the City Council and Board of Directors of the City and former redevelopment agency, respectively, approved the transfer of titles from the Hemet Redevelopment Agency to the City of Hemet for the parcels of land. The parcels of land are currently being used by the City for legitimate government purposes. On August 12, 2014 the California State Controller's Office completed an Asset Transfer Review requiring title to the land parcels be transferred to the Successor Agency, to meet specific requirements of law, and then be re-transferred back to the City. Management, in consultation with legal counsel, believes the Successor Agency will shortly deed the subject parcels to the City. The City's financial statements have not been adjusted to reflect the transfer of titles to the Successor Agency.

**C) Commitments**

Construction Commitments

The estimated amount of remaining construction contract obligations at year-end is \$1,132,861.

**City of Hemet**  
**Notes to Financial Statements**  
Year Ended June 30, 2014

**8) FUND BALANCES/NET POSITION**

**Deficit Fund Balances/Net Position**

As of June 30, 2014 the following non-major funds reported deficits in their respective fund balances or net position:

	Fund Balances
Special Revenue:	
Article 3	\$ 46,535
ISTEA	25,240
Local Law Enforcement Block Grant	80,180
Totals	\$ 151,955

**Fund Balances**

The details of the fund balances as of June 30, 2014 are presented below:

	General Fund	Public Safety CFD	Housing Authority	Sewer and Storm Drains	Other Governmental Funds	Total Governmental Funds
<b>Nonspendable:</b>						
Inventory	\$ 300	\$ -	\$ -	\$ -	\$ -	\$ 300
Prepays	12,136	-	-	-	-	12,136
Advances	-	-	-	-	354,137	354,137
Library Endowment	-	-	-	-	1,000,000	1,000,000
<b>Restricted for:</b>						
Community Benefit	872,502	-	-	-	-	872,502
Low/Mod Housing	-	-	1,505,825	-	-	1,505,825
Public Safety	-	-	-	-	602,902	602,902
Street Work	-	-	-	-	6,634,710	6,634,710
Lighting and Landscaping	-	-	-	-	2,134,081	2,134,081
Housing Grants	-	-	-	-	3,578,752	3,578,752
Sewer Maintenance	-	-	-	4,125,770	-	4,125,770
Development Impact Fees	-	-	-	-	15,282,911	15,282,911
Library Equipment	-	-	-	-	83,478	83,478
General Plan	-	-	-	-	17,445	17,445
<b>Committed to:</b>						
Economic Stabilization Reserve	7,017,962	-	-	-	-	7,017,962
Various Projects	251,957	-	-	-	-	251,957
<b>Assigned to:</b>						
Equipment Replacement	-	-	-	-	4,554,310	4,554,310
Future Refuse Retirement/OPEB	3,747,832	-	-	-	-	3,747,832
Continuing Appropriations	2,613,700	-	-	-	-	2,613,700
<b>Unassigned:</b>	4,171,979	(21,789)	-	-	(151,955)	3,998,235
<b>Total Fund Balance</b>	<b>\$18,688,368</b>	<b>\$ (21,789)</b>	<b>\$1,505,825</b>	<b>\$4,125,770</b>	<b>\$34,090,771</b>	<b>\$58,388,945</b>

**City of Hemet**  
**Notes to Financial Statements**  
Year Ended June 30, 2014

**8) FUND BALANCES/NET POSITION - Continued**

**Prior Period Adjustments**

The prior period adjustment of \$4,014,500 in the Statement of Activities for the Governmental Activities is to record capital assets that should have been added to construction in progress in the prior year. See Note 5 for more information.

**9) EMPLOYEE BENEFITS**

**A) City Employees Retirement Plan**

Plan Description

The City of Hemet's Employee Retirement Plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The Retirement Plan is part of the Public Agency portion of the California Public Employees Retirement System (CalPERS), an agent multiple-employer plan administered by CalPERS, which acts as a common investment and administrative agent for participating public employers within the State of California. A menu of benefit provisions as well as other requirements are established by State statutes within the Public Employees' Retirement Law. The City of Hemet selects optional benefit provisions from the benefit menu by contract with CalPERS and adopts those benefits through local ordinance.

CalPERS issues a separate comprehensive annual financial report. Copies of CalPERS' annual financial report may be obtained from their executive office: 400 P Street, Sacramento, California 95814.

Funding Policy

Active plan members are required to contribute 8% (9% for safety employees) of their annual covered salary. The City of Hemet pays 5% of these required contributions on behalf of its employees. The City of Hemet is required to contribute the actuarially determined remaining amounts necessary to fund the benefits for its members. The actuarial methods and assumptions used are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2013/14 was 22.707% for miscellaneous employees, and 42.474% for safety employees. The contribution requirements of the plan members are established by State statute and the employer contribution rate is established and may be amended by CalPERS.

Annual Pension Cost

Under GASB 27, an employer reports an annual pension cost (APC) equal to the annual required contribution (ARC) plus an adjustment for the cumulative difference between the APC and the employer's actual plan contributions for the year. The cumulative difference is called the net pension obligation (NPO). The ARC for the period July 1, 2013 to June 30, 2014 has been determined by an actuarial valuation of the plan as of June 30, 2011. The contribution rate indicated for the period is 42.474% of payroll for the safety plan and 22.707% of payroll for the miscellaneous plan.

**City of Hemet**  
**Notes to Financial Statements**  
Year Ended June 30, 2014

**9) EMPLOYEE BENEFITS - Continued**

In order to calculate the dollar value of the ARC for inclusion in financial statements prepared as of June 30, 2014, the contribution rate is multiplied by the payroll of covered employees that were paid during the period from July 1, 2013 to June 30, 2014.

A summary of principle assumptions and methods used to determine the ARC is shown below:

	<u>Miscellaneous Plan</u>	<u>Safety Plan</u>
Valuation Date	June 30, 2011	June 30, 2011
Actuarial Cost Method	Entry Age Normal Cost Method	Entry Age Normal Cost Method
Amortization Method	Level Percent of Payroll	Level Percent of Payroll
Remaining Amortization Period	22 Years as of the Valuation Date	21 Years as of the Valuation Date
Asset Valuation Method	15 Year Smoothed Market	15 Year Smoothed Market
Actuarial Assumptions:		
Investment Rate of Return	7.50% (net of administration expenses)	7.50% (net of administration expenses)
Projected Salary Increases	3.30% to 14.20% depending on Age, Service, and type of employment	3.30% to 14.20% depending on Age, Service, and type of employment
Inflation	2.75%	2.75%
Payroll Growth	3.00%	3.00%
Individual Salary Growth	A merit scale varying by duration of employment coupled with an assumed annual production growth of 0.25%	A merit scale varying by duration of employment coupled with an assumed annual production growth of 0.25%

Initial unfunded liabilities are amortized over a closed period that depends on the plan's date of entry into CalPERS. Subsequent plan amendments are amortized as a level percentage of pay over a closed 20-year period. Gains and losses that occur in the operation of the plan are amortized over a rolling 30-year period, which results in an amortization of 6% of unamortized gains and losses each year. If the plan's accrued liability exceeds the actuarial value of plan assets, then the amortization payment on the total unfunded liability may not be lower than the payment calculated over a 30-year amortization period.

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

**Trend information for City of Hemet Employee Retirement Plan**

<u>Fiscal Year</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/12	\$ 5,276,227	100%	\$ 0
6/30/13	\$ 5,231,127	100%	\$ 0
6/30/14	\$ 6,078,178	100%	\$ 0

**City of Hemet**  
**Notes to Financial Statements**  
Year Ended June 30, 2014

**9) EMPLOYEE BENEFITS - Continued**

Funded Status and Funding Progress

As of June 30, 2013, the most recent actuarial valuation date, the miscellaneous and safety plans were 72.3% and 66.9% funded, respectively. The combined actuarial accrued liability for benefits was \$222.1 million, and the actuarial value of assets was \$153.7 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$68.4 million. The covered payroll (annual payroll of active employees covered by the plan) was \$17.7 million, and the ratio of the UAAL to the covered payroll was 258%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about rates of employee turnover, retirement, mortality, as well as economic assumptions regarding interest rates. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

**B) Post-Employment Benefit Plan**

Plan Description

The City of Hemet Retiree Healthcare Plan administers a single-employer defined benefit plan which provides medical insurance benefits to eligible retirees and their spouses in accordance with various labor agreements. Retiree medical health benefits are offered to eligible retirees through Aetna and Kaiser. Dental and vision benefits are provided by the City and administered by Ogden Benefits Administration. To be eligible for retiree medical benefits, an employee must retire under PERS and enroll in medical benefits through the CalPERS Health Program. The City's plan does not issue a publicly available financial report.

Funding Policy

The contribution requirements of plan members and the City are established and may be amended by the City Council. The City's current funding policy is pay as you go. The City has not pre-funded the Plan and will continue to pay for retiree healthcare benefits on a pay as you go basis. The City pays the full cost of eligible retirees' coverage up to a maximum (100% for retiree only coverage and 80% for additional dependent coverage) subject to the City's vesting schedule.

Annual OPEB Cost and Net OPEB Obligation

The City's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

**City of Hemet**  
**Notes to Financial Statements**  
Year Ended June 30, 2014

**9) EMPLOYEE BENEFITS - Continued**

The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City's net OPEB obligation for these benefits:

Annual Required Contribution	\$ 4,393,000
Interest on Net Pension Obligation (Asset)	251,000
Adjustment to Annual Required Contribution	<u>(628,000)</u>
Annual OPEB Cost	4,016,000
Contributions Made	<u>(3,186,000)</u>
Increase (Decrease) in Net Pension Obligation (Asset)	830,000
Net OPEB Obligation (Asset) Beginning of Year	<u>7,525,000</u>
Net OPEB Obligation (Asset) End of Year	<u><u>\$ 8,355,000</u></u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2014 and the two preceding years were as follows:

<u>THREE-YEAR TREND INFORMATION FOR CRHP</u>			
<u>Fiscal Year</u>	<u>Annual OPEB Cost (AOC)</u>	<u>Percentage of OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
6/30/12	\$ 4,235,000	67.0%	\$ 6,774,000
6/30/13	\$ 3,864,000	80.5%	\$ 7,525,000
6/30/14	\$ 4,016,000	79.3%	\$ 8,355,000

Funded Status and Funding Progress

The funded status of the plan as of January 1, 2013, was as follows (dollar amounts in thousands):

Actuarial Accrued Liability (AAL)	\$ 69,957
Actuarial Value of Plan Assets	\$ 0
Unfunded Actuarial Accrued Liability (UAAL)	\$ 69,957
Funded Ratio (Actuarial Value of Plan Assets/AAL)	0%
Covered Payroll (Active Plan Members)	\$ 17,002
UAAL as a Percentage of Covered Payroll	411%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information that shows whether the actuarial value of the plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

**City of Hemet**  
**Notes to Financial Statements**  
Year Ended June 30, 2014

**9) EMPLOYEE BENEFITS - Continued**

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The actual cost method used for determining the benefit obligations is the Entry Age Normal Cost Method. The actuarial assumptions included a 4.00% investment rate of return, which is the assumed rate of the expected long-term investment returns on plan assets calculated based on the funded level of the plan at the valuation date, and an annual healthcare cost trend rate of 8.5% initially in 2014 decreasing to 5% after 7 years, and a dental and vision cost trend rate of 3% per year. Both rates included a 3% inflation assumption. The UAAL is being amortized as a level percentage of projected payroll over 24 years on a closed basis.

**10) ENDOWMENTS**

The City received an endowment in 2002 for \$1,000,000. The principal amount of \$1,000,000 is to be held in perpetuity while interest earnings are to be used for the City's library as stated in the resolution accepting the endowment. The endowment activity is accounted for in the permanent fund of the City with the principal amount reflected in nonspendable fund balance. In the government-wide financial statements, the principal amount is included in restricted net position as non-expendable.

**10) SUBSEQUENT EVENTS**

On December 23, 2014, the Successor Agency to the Former Hemet Redevelopment Agency issued \$11,110,000 in bonds to refund the 1999 and 2002 Tax Allocation Bonds.

**REQUIRED SUPPLEMENTARY INFORMATION**

**City of Hemet**  
**Schedule of Funding Progress**  
Year Ended June 30, 2014

**Schedule of Funding Progress for CalPERS Miscellaneous Plan**

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) (B)	Unfunded AAL (UAAL) (B - A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll [(B-A)/C]
06/30/11	\$ 71,874,937	\$ 89,080,919	\$ 17,205,982	80.7%	\$ 10,567,061	162.8%
06/30/12	\$ 74,429,693	\$ 91,942,831	\$ 17,513,138	81.0%	\$ 8,934,673	196.0%
06/30/13	\$ 67,812,928	\$ 93,822,343	\$ 26,009,415	72.3%	\$ 9,124,835	285.0%

**Schedule of Funding Progress for CalPERS Safety Plan**

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) (B)	Unfunded AAL (UAAL) (B - A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll [(B-A)/C]
06/30/11	\$ 88,776,534	\$ 119,236,919	\$ 30,460,385	74.5%	\$ 9,502,174	320.6%
06/30/12	\$ 92,510,535	\$ 123,921,773	\$ 31,411,238	74.7%	\$ 8,632,899	363.9%
06/30/13	\$ 85,846,540	\$ 128,268,082	\$ 42,421,542	66.9%	\$ 8,612,196	492.6%

**Schedule of Funding Progress for OPEB**

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) (B)	Unfunded AAL (UAAL) (B - A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll [(B-A)/C]
01/01/09	\$ -	\$ 62,415,000	\$ 62,415,000	0%	\$ 22,133,000	282%
01/01/11	\$ -	\$ 70,638,000	\$ 70,638,000	0%	\$ 18,227,000	388%
01/01/13	\$ -	\$ 69,957,000	\$ 69,957,000	0%	\$ 17,002,000	411%

**City of Hemet**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances**  
**Budget and Actual - General Fund**  
Year Ended June 30, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Taxes	\$ 21,498,400	\$ 21,498,400	\$ 22,768,247	\$ 1,269,847
Licenses and Permits	1,567,700	1,567,700	1,996,344	428,644
Intergovernmental Revenue	4,993,200	4,993,200	5,253,632	260,432
Charges for Services	2,393,000	2,393,000	2,296,279	(96,721)
Fines and Forfeitures	642,400	642,400	400,293	(242,107)
Investment Income	196,100	196,100	230,293	34,193
Miscellaneous	57,900	57,900	141,621	83,721
<b>Total Revenues</b>	<b>31,348,700</b>	<b>31,348,700</b>	<b>33,086,709</b>	<b>1,738,009</b>
<b>EXPENDITURES</b>				
Current:				
General Government	2,338,900	2,599,639	2,283,815	315,824
Public Safety	26,323,100	27,129,452	25,762,930	1,366,522
Community Development	4,995,000	5,187,109	4,496,835	690,274
Public Works	-	-	108,178	(108,178)
Parks	1,012,000	1,035,020	905,591	129,429
Libraries	1,325,600	1,347,800	1,307,684	40,116
Capital Outlay	-	-	-	-
<b>Total Expenditures</b>	<b>35,994,600</b>	<b>37,299,020</b>	<b>34,865,033</b>	<b>2,433,987</b>
Excess (Deficiency) of Revenues over Expenditures	(4,645,900)	(5,950,320)	(1,778,324)	4,171,996
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	-	-	48,060	48,060
Transfers Out	(395,000)	(395,000)	(1,395,004)	(1,000,004)
<b>Total Other Financing Sources (Uses)</b>	<b>(395,000)</b>	<b>(395,000)</b>	<b>(1,346,944)</b>	<b>(951,944)</b>
Net Change in Fund Balances	(5,040,900)	(6,345,320)	(3,125,268)	3,220,052
Fund Balance, Beginning of Year	22,038,414	22,038,414	22,038,414	
Fund Balance, End of Year	<u>\$ 16,997,514</u>	<u>\$ 15,693,094</u>	<u>\$ 18,913,146</u>	<u>\$ 3,220,052</u>

**City of Hemet**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances**  
**Budget and Actual - Public Safety CFD Special Revenue Fund**  
Year Ended June 30, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Charges for Services	\$ 449,900	\$ 449,900	\$ 456,602	\$ 6,702
Investment Income	-	-	-	-
Total Revenues	<u>449,900</u>	<u>449,900</u>	<u>456,602</u>	<u>6,702</u>
<b>EXPENDITURES</b>				
Current:				
Public Safety	<u>663,400</u>	<u>663,400</u>	<u>772,220</u>	<u>(108,820)</u>
Total Expenditures	<u>663,400</u>	<u>663,400</u>	<u>772,220</u>	<u>(108,820)</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(213,500)</u>	<u>(213,500)</u>	<u>(315,618)</u>	<u>(102,118)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	<u>-</u>	<u>-</u>	<u>1,395,004</u>	<u>1,395,004</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>1,395,004</u>	<u>1,395,004</u>
Net Change in Fund Balances	(213,500)	(213,500)	1,079,386	1,292,886
Fund Balance, Beginning of Year	<u>(1,101,175)</u>	<u>(1,101,175)</u>	<u>(1,101,175)</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ (1,314,675)</u>	<u>\$ (1,314,675)</u>	<u>\$ (21,789)</u>	<u>\$ 1,292,886</u>

**City of Hemet**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances**  
**Budget and Actual - Sewer and Storm Drain Special Revenue Fund**  
Year Ended June 30, 2014

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Taxes	\$ -	\$ -	\$ -	\$ -
Charges for Services	2,773,700	2,773,700	2,883,017	109,317
Investment Income	20,000	20,000	35,923	15,923
Miscellaneous	-	-	7,231	7,231
	<u>2,793,700</u>	<u>2,793,700</u>	<u>2,926,171</u>	<u>132,471</u>
<b>EXPENDITURES</b>				
Current:				
Community Development	-	-	-	-
Sanitation	2,165,400	2,307,180	1,920,520	386,660
Capital Outlay	395,000	395,000	243,162	151,838
	<u>2,560,400</u>	<u>2,702,180</u>	<u>2,163,682</u>	<u>538,498</u>
Excess (Deficiency) of Revenues over Expenditures	<u>233,300</u>	<u>91,520</u>	<u>762,489</u>	<u>670,969</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	-	-	-	-
Transfers Out	(310,000)	(310,000)	(315,934)	(5,934)
	<u>(310,000)</u>	<u>(310,000)</u>	<u>(315,934)</u>	<u>(5,934)</u>
Net Change in Fund Balances	(76,700)	(218,480)	446,555	665,035
Fund Balance, Beginning of Year	<u>3,679,215</u>	<u>3,679,215</u>	<u>3,679,215</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 3,602,515</u>	<u>\$ 3,460,735</u>	<u>\$ 4,125,770</u>	<u>\$ 665,035</u>

**City of Hemet**  
**Notes to Required Supplementary Information**  
Year Ended June 30, 2014

**BUDGETS AND BUDGETARY ACCOUNTING**

The City uses the following procedures in establishing the budgetary data reflected in the financial statements: After January 1, department heads prepare estimates for required appropriations for the fiscal year commencing the following July 1. The proposed budget includes estimated expenditures and forecasted revenues for the fiscal year. The data is presented to the City Manager for review. The City Manager submits to the City Council a proposed operating budget for the upcoming fiscal year. The operating budget includes a summary of the proposed expenditures and financial resources of the City, as well as historical data for the preceding two fiscal periods. Public hearings are conducted to obtain taxpayer comments. The City Council is normally expected to adopt the budget prior to the beginning of the next fiscal period through passage of an adopting resolution. This appropriated budget covers substantially all City expenditures. There were no significant non-budgeted financial activities. All appropriated amounts are as originally adopted or as amended by the City Council and not subject to continuing appropriation lapse at year end. During the year ended June 30, 2014, the City increased its total budget for expenditures in the General Fund and major special revenue funds by \$1,304,420 and \$141,780, respectively.

The City Manager is authorized to transfer budgeted amounts between functions, departments and expenditure accounts within funds. Transfers of appropriations between funds may be made only by authority of the City Council. Formal budgetary integration is employed as a management control device during the fiscal year for the General, Special Revenue, and Capital Projects funds. It is the policy of the City of Hemet to only budget capital expenditure projects from existing capital projects funds fund balances. No annual revenues are budgeted due to their annual volatility. Budgets for the various funds are adopted on a basis consistent with generally accepted accounting principles (GAAP). Annual appropriated budgets are legally adopted for the General, Special Revenue, and Capital Projects fund types. No budgets were adopted for the Housing Authority Special Revenue Fund and the LaSalle Library Endowment Permanent Fund.

**EXPENDITURES IN EXCESS OF APPROPRIATIONS**

The following funds reported total expenditures in excess of total appropriations for the year ended June 30, 2014:

Public Safety CFD Special Revenue Fund	\$ 108,820
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## **SUPPLEMENTARY INFORMATION**

## **City of Hemet Non-Major Governmental Funds**

### **SPECIAL REVENUE FUNDS**

Special revenue funds are used to account for revenue derived from specific taxes or other dedicated revenue sources (other than for major capital projects) that are restricted by law or administrative action for expenditures for specified purposes.

**Public Safety/Towing** - This fund accounts for the financial transactions involving the use of monies collected for towing service as related to public safety.

**Gas Tax Fund** - Accounts for transactions as prescribed by the State of California statute on California Streets and Highways; including receipts under Streets and Highways Code Section 2105, 2106, 2107, 2107.5 and SB300.

**Measure A** - Accounts for the use of Measure A tax monies for transit purposes.

**Article 3** - Accounts for the use of the Transportation Development Act Article 3 funds.

**Air Pollution Reduction** - Accounts for the financial transactions per Regulation 15 of the South Coast Air Quality Management District.

**Lighting/Landscape Maintenance District** - Accounts for the financial transactions of City-wide lighting and landscaping assessment district established by City Council.

**Intermodal Surface Transportation Efficiency Act (ISTEA)** - Accounts for the financial transactions as prescribed by the Local Agency - State Master Agreement for Federal Aid projects applying all provisions of the 1991 Intermodal Surface Transportation Efficiency Act.

**Post Proposition 218 Lighting District** - Accounts for the financial transactions of lighting districts voted by the citizens of those specified areas.

**Post Proposition 218 Landscape District** - Accounts for financial transactions of landscape districts voted in by the citizens of those specified areas.

**Asset Seizure** - Accounts for the financial transactions associated with assets seized in narcotics investigations to be used for law enforcement purposes.

**Public Safety Grants** - Accounts for the financial transactions as prescribed by various State and Federal Police Grants.

**Citizen Option for Public Safety Programs (COPS)** - Accounts for the financial transactions as prescribed by the State of California Grant under AB 3229.

**Local Law Enforcement Block Grant (LLEBG)** - Accounts for the financial transactions as prescribed by the U.S. Department of Justice Grant for the Local Law Enforcement Block Grant Program.

**Community Development Block Grant** - Accounts for the financial transactions as prescribed by the Federal Department of Housing and Urban Development for Community Development Block Grant Programs.

**General Plan** - Accounts for the financial resources received related to updating and maintaining the City's general plan.

**City of Hemet**  
**Non-Major Governmental Funds - Continued**

**SPECIAL REVENUE FUNDS - Continued**

**HOME Program - Home Investment Partnership Program** - Accounts for the financial transactions of the federally funded HOME program as administered by the State of California's Department of Housing and Community Development.

**CAL HOME Program** - Accounts for the financial transactions of the State funded program to replace and rehabilitate mobile homes.

**2001 - 2008 HOME Program** - Accounts for the financial transactions of the Federally funded HOME program as administered by the State of California Department of Housing and Community Development.

**Neighborhood Stabilization Program Grant** - Accounts for the financial transactions as prescribed by the Federal Department of Housing and Urban Development for Neighborhood Stabilization Program Grants.

**CAPITAL PROJECTS FUNDS**

**Public Meeting Facilities** - Accounts for the financial transactions for the public meeting facilities identified in the development impact fee report and funded through developer contributions.

**General Facilities** - Accounts for the financial transactions for general facilities identified in the development impact fee report and funded through developer contributions.

**Flood Control** - Accounts for the financial transactions for flood control improvements identified in the development impact fee report and funded through developer contributions.

**Law Enforcement Facilities** - Accounts for the financial transactions for the purchase of equipment identified in the development impact fee report and funded through developer contributions.

**Park Development** - Accounts for the financial transactions for park acquisitions and development identified in the development impact fee report and funded through park dedication fees and state grants.

**Valley Wide DVL Park** - Accounts for the financial transactions for development identified in the development impact fee report and funded through developer contributions.

**Library Facilities** - Accounts for the financial transactions for expansion of library facilities identified in the development impact fee report and funded through developer contributions.

**Equipment Replacement** - Accounts for accumulation of reserves for future replacement of rolling stock vehicles from other funds.

**General Capital** - Accounts for the financial transactions for the addition of new (non-replacement) equipment.

**Fire Facilities** - Accounts for the financial transactions for the purchase of equipment identified in the development impact fee report and funded through developer contributions.

**Bridges/Streets/Traffic Facilities** - This fund accounts for the financial transactions for bridges, streets, and traffic facilities in the development impact fee report and funded through developer contributions.

**City of Hemet  
Non-Major Governmental Funds - Continued**

**PERMANENT FUNDS**

**LaSalle Library Endowment** - Accounts for an endowment given to the City of Hemet for the benefit of the Library. Only interest earned on the principal amount of \$1,000,000 can be used for non-operating costs of the Library.

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**City of Hemet**  
**Combining Balance Sheet**  
**Non-Major Governmental Funds**  
June 30, 2014

	Special Revenue Funds	Capital Projects Funds	Permanent Funds	Total
<b>ASSETS</b>				
Cash and Investments	\$ 8,987,546	\$ 20,962,915	\$ 1,082,552	\$ 31,033,013
Receivables:				
Accounts	309,906	10,000	-	319,906
Interest	273,833	-	926	274,759
Due from Other Governments	677,327	-	-	677,327
Due from Other Funds	868,278	-	-	868,278
Advances to Other Funds	-	354,137	-	354,137
Notes Receivable	6,413,039	-	-	6,413,039
Allowance for Forgivable Notes	(3,835,880)	-	-	(3,835,880)
Land Held for Resale	593,919	-	-	593,919
<b>Total Assets</b>	<b>\$ 14,287,968</b>	<b>\$ 21,327,052</b>	<b>\$ 1,083,478</b>	<b>\$ 36,698,498</b>
<b>LIABILITIES</b>				
Accounts Payable	\$ 690,987	\$ 305,264	\$ -	\$ 996,251
Accrued Salaries and Benefits	29,818	690	-	30,508
Deposits	79,166	475,603	-	554,769
Due to Other Funds	850,305	-	-	850,305
Advances from Other Funds	-	354,137	-	354,137
<b>Total Liabilities</b>	<b>1,650,276</b>	<b>1,135,694</b>	<b>-</b>	<b>2,785,970</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable Revenues - Grants	46,535	-	-	46,535
<b>Total Deferred Inflows of Resources</b>	<b>46,535</b>	<b>-</b>	<b>-</b>	<b>46,535</b>
<b>FUND BALANCE (DEFICITS)</b>				
Nonspendable	-	354,137	1,000,000	1,354,137
Restricted	12,743,112	15,282,911	83,478	28,109,501
Assigned	-	4,554,310	-	4,554,310
Unassigned	(151,955)	-	-	(151,955)
<b>Total Fund Balances</b>	<b>12,591,157</b>	<b>20,191,358</b>	<b>1,083,478</b>	<b>33,865,993</b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances (Deficits)</b>	<b>\$ 14,287,968</b>	<b>\$ 21,327,052</b>	<b>\$ 1,083,478</b>	<b>\$ 36,698,498</b>

**City of Hemet**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Non-Major Governmental Funds**  
Year Ended June 30, 2014

	Special Revenue Funds	Capital Projects Funds	Permanent Funds Funds	Total
<b>REVENUES</b>				
Taxes and Assessments	\$ 1,506,313	\$ -	\$ -	\$ 1,506,313
Intergovernmental	4,779,076	-	-	4,779,076
Charges for Services	2,968,085	1,503,392	-	4,471,477
Investment Income	71,905	185,284	19,505	276,694
Miscellaneous	19,718	15,778	-	35,496
	<u>9,345,097</u>	<u>1,704,454</u>	<u>19,505</u>	<u>11,069,056</u>
Total Revenues				
<b>EXPENDITURES</b>				
Current:				
General Government	128,131	-	-	128,131
Public Safety	380,181	-	-	380,181
Community Development	2,130,314	-	-	2,130,314
Public Works	5,192,385	391,298	-	5,583,683
Libraries	-	91,274	-	91,274
Capital Outlay	1,124,571	1,054,505	-	2,179,076
	<u>8,955,582</u>	<u>1,537,077</u>	<u>-</u>	<u>10,492,659</u>
Total Expenditures				
Excess (Deficiency) of Revenues over Expenditures	<u>389,515</u>	<u>167,377</u>	<u>19,505</u>	<u>576,397</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	542,143	-	-	542,143
Transfers Out	(362,175)	(240,276)	-	(602,451)
	<u>179,968</u>	<u>(240,276)</u>	<u>-</u>	<u>(60,308)</u>
Total Other Financing Sources (Uses)				
Net Change in Fund Balances	569,483	(72,899)	19,505	516,089
Fund Balance, Beginning of Year	<u>12,021,674</u>	<u>20,264,257</u>	<u>1,063,973</u>	<u>33,349,904</u>
Fund Balance, End of Year	<u>\$ 12,591,157</u>	<u>\$ 20,191,358</u>	<u>\$ 1,083,478</u>	<u>\$ 33,865,993</u>

**City of Hemet**  
**Combining Balance Sheet**  
**Non-major Special Revenue Funds**  
June 30, 2014

	<u>Public Safety/Towing</u>	<u>Gas Tax</u>	<u>Measure A</u>	<u>Article 3</u>
<b>ASSETS</b>				
Cash and Investments	\$ 67,549	\$ 3,148,045	\$ 3,213,528	\$ -
Receivables:				
Accounts	-	19,870	-	-
Interest	-	-	-	-
Due from Other Governments	-	239,177	249,868	46,535
Due from Other Funds	-	-	30,509	-
Notes Receivable	-	-	-	-
Allowance for Forgivable Notes	-	-	-	-
Land Held for Resale	-	-	-	-
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total Assets	<u>\$ 67,549</u>	<u>\$ 3,407,092</u>	<u>\$ 3,493,905</u>	<u>\$ 46,535</u>
<b>LIABILITIES</b>				
Accounts Payable	\$ 854	\$ 29,818	\$ 403,875	\$ 16,026
Accrued Salaries and Benefits	1,362	15,486	1,122	-
Deposits	-	-	-	-
Due to Other Funds	-	-	-	30,509
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total Liabilities	<u>2,216</u>	<u>45,304</u>	<u>404,997</u>	<u>46,535</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable Revenues - Grants	-	-	-	46,535
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>46,535</u>
<b>FUND BALANCE (DEFICITS)</b>				
Restricted	65,333	3,361,788	3,088,908	-
Unassigned	-	-	-	(46,535)
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total Fund Balances	<u>65,333</u>	<u>3,361,788</u>	<u>3,088,908</u>	<u>(46,535)</u>
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances (Deficits)	<u>\$ 67,549</u>	<u>\$ 3,407,092</u>	<u>\$ 3,493,905</u>	<u>\$ 46,535</u>

<u>Air Pollution Reduction</u>	<u>Lighting and Landscaping Maintenance</u>	<u>ISTEA</u>	<u>Post Prop 218 Lighting</u>	<u>Post Prop 218 Landscaping</u>	<u>Asset Seizure</u>	<u>Public Safety Grants</u>
\$ 175,504	\$ 753,270	\$ -	\$ 313,579	\$ 992,838	\$ 110,092	\$ 25,332
26,055	-	-	-	-	-	-
-	-	-	-	-	-	-
-	52,157	-	2,923	14,850	-	71,817
-	-	-	206,101	-	-	3,231
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>\$ 201,559</u>	<u>\$ 805,427</u>	<u>\$ -</u>	<u>\$ 522,603</u>	<u>\$ 1,007,688</u>	<u>\$ 110,092</u>	<u>\$ 100,380</u>
\$ 17,545	\$ 75,929	\$ -	\$ 7,702	\$ 45,551	\$ -	\$ -
-	2,363	-	386	6,731	-	-
-	-	-	-	62,975	16,191	-
-	-	25,240	-	-	-	-
<u>17,545</u>	<u>78,292</u>	<u>25,240</u>	<u>8,088</u>	<u>115,257</u>	<u>16,191</u>	<u>-</u>
-	-	-	-	-	-	-
-	-	-	-	-	-	-
184,014	727,135	-	514,515	892,431	93,901	100,380
-	-	(25,240)	-	-	-	-
<u>184,014</u>	<u>727,135</u>	<u>(25,240)</u>	<u>514,515</u>	<u>892,431</u>	<u>93,901</u>	<u>100,380</u>
<u>\$ 201,559</u>	<u>\$ 805,427</u>	<u>\$ -</u>	<u>\$ 522,603</u>	<u>\$ 1,007,688</u>	<u>\$ 110,092</u>	<u>\$ 100,380</u>

Continued

**City of Hemet**  
**Combining Balance Sheet**  
**Non-major Special Revenue Funds - Continued**  
June 30, 2014

	<u>COPS AB 3229</u>	<u>Local Law Enforcement Block Grant</u>	<u>Community Development Block Grant</u>	<u>General Plan</u>
<b>ASSETS</b>				
Cash and Investments	\$ 27,115	\$ -	\$ -	\$ 17,445
Receivables:				
Accounts	-	-	263,981	-
Interest	-	-	-	-
Due from Other Governments	-	-	-	-
Due from Other Funds	94,922	-	-	-
Notes Receivable	-	-	-	-
Allowance for Forgivable Notes	-	-	-	-
Land Held for Resale	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Assets	<u>\$ 122,037</u>	<u>\$ -</u>	<u>\$ 263,981</u>	<u>\$ 17,445</u>
<b>LIABILITIES</b>				
Accounts Payable	\$ 3,527	\$ -	\$ 81,548	\$ -
Accrued Salaries and Benefits	-	-	1,572	-
Deposits	-	-	-	-
Due to Other Funds	-	80,180	180,861	-
	<u>-</u>	<u>80,180</u>	<u>180,861</u>	<u>-</u>
Total Liabilities	<u>3,527</u>	<u>80,180</u>	<u>263,981</u>	<u>-</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable Revenues - Grants	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCE (DEFICITS)</b>				
Restricted	118,510	-	-	17,445
Unassigned	-	(80,180)	-	-
	<u>-</u>	<u>(80,180)</u>	<u>-</u>	<u>-</u>
Total Fund Balances	<u>118,510</u>	<u>(80,180)</u>	<u>-</u>	<u>17,445</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances (Deficits)	<u>\$ 122,037</u>	<u>\$ -</u>	<u>\$ 263,981</u>	<u>\$ 17,445</u>

<u>HOME Program</u>	<u>CalHome Grant</u>	<u>2001 - 2008 Home Grant</u>	<u>NSP Program</u>	<u>Totals</u>
\$ 113,954	\$ -	\$ 29,295	\$ -	\$ 8,987,546
-	-	-	-	309,906
-	-	273,833	-	273,833
-	-	-	-	677,327
56,329	-	477,186	-	868,278
1,004,493	556,771	4,572,900	278,875	6,413,039
-	-	(3,835,880)	-	(3,835,880)
-	-	-	593,919	593,919
<u>\$ 1,174,776</u>	<u>\$ 556,771</u>	<u>\$ 1,517,334</u>	<u>\$ 872,794</u>	<u>\$ 14,287,968</u>
\$ -	\$ 5,700	\$ -	\$ 2,912	\$ 690,987
159	216	-	421	29,818
-	-	-	-	79,166
-	56,329	-	477,186	850,305
<u>159</u>	<u>62,245</u>	<u>-</u>	<u>480,519</u>	<u>1,650,276</u>
-	-	-	-	46,535
-	-	-	-	46,535
1,174,617	494,526	1,517,334	392,275	12,743,112
-	-	-	-	(151,955)
<u>1,174,617</u>	<u>494,526</u>	<u>1,517,334</u>	<u>392,275</u>	<u>12,591,157</u>
<u>\$ 1,174,776</u>	<u>\$ 556,771</u>	<u>\$ 1,517,334</u>	<u>\$ 872,794</u>	<u>\$ 14,287,968</u>

**City of Hemet**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Non-Major Special Revenue Funds**  
Year Ended June 30, 2014

	Public Safety/Towing	Gas Tax	Measure A	Article 3
<b>REVENUES</b>				
Taxes	\$ -	\$ -	\$ 1,506,313	\$ -
Intergovernmental Revenue	-	2,515,853	-	-
Charges for Services	65,888	-	275	-
Investment Income	838	24,459	24,380	-
Miscellaneous	-	7,817	-	-
	<u>66,726</u>	<u>2,548,129</u>	<u>1,530,968</u>	<u>-</u>
Total Revenues				
<b>EXPENDITURES</b>				
Current:				
General Government	-	-	-	-
Public Safety	43,476	-	-	-
Community Development	-	-	-	-
Public Works	-	2,261,482	-	-
Capital Outlay	84,000	471	647,717	46,535
	<u>127,476</u>	<u>2,261,953</u>	<u>647,717</u>	<u>46,535</u>
Total Expenditures				
Excess (Deficiency) of Revenues Over Expenditures	<u>(60,750)</u>	<u>286,176</u>	<u>883,251</u>	<u>(46,535)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	-	330,000	-	-
Transfers Out	-	(34,649)	-	-
	<u>-</u>	<u>295,351</u>	<u>-</u>	<u>-</u>
Total Other Financing Sources (Uses)				
Net Change in Fund Balances	(60,750)	581,527	883,251	(46,535)
Fund Balances, Beginning of Year	<u>126,083</u>	<u>2,780,261</u>	<u>2,205,657</u>	<u>-</u>
Fund Balances, End of Year	<u>\$ 65,333</u>	<u>\$ 3,361,788</u>	<u>\$ 3,088,908</u>	<u>\$ (46,535)</u>

<u>Air Pollution Reduction</u>	<u>Lighting and Landscaping Maintenance</u>	<u>ISTEA</u>	<u>Post Prop 218 Lighting</u>	<u>Post Prop 218 Landscaping</u>	<u>Asset Seizure</u>	<u>Public Safety Grants</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
100,253	-	-	-	-	2,585	401,495
-	1,861,489	-	132,126	872,307	-	-
1,517	1,687	-	3,909	7,985	823	-
-	11,901	-	-	-	-	-
<u>101,770</u>	<u>1,875,077</u>	<u>-</u>	<u>136,035</u>	<u>880,292</u>	<u>3,408</u>	<u>401,495</u>
-	-	-	-	-	-	-
-	-	-	-	-	-	263,889
-	-	-	-	-	-	-
-	1,449,986	-	152,113	1,328,804	-	-
4,014	-	-	-	-	25,065	66,564
<u>4,014</u>	<u>1,449,986</u>	<u>-</u>	<u>152,113</u>	<u>1,328,804</u>	<u>25,065</u>	<u>330,453</u>
<u>97,756</u>	<u>425,091</u>	<u>-</u>	<u>(16,078)</u>	<u>(448,512)</u>	<u>(21,657)</u>	<u>71,042</u>
212,143	-	-	-	-	-	-
(320,933)	(6,593)	-	-	-	-	-
<u>(108,790)</u>	<u>(6,593)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
(11,034)	418,498	-	(16,078)	(448,512)	(21,657)	71,042
<u>195,048</u>	<u>308,637</u>	<u>(25,240)</u>	<u>530,593</u>	<u>1,340,943</u>	<u>115,558</u>	<u>29,338</u>
<u>\$ 184,014</u>	<u>\$ 727,135</u>	<u>\$ (25,240)</u>	<u>\$ 514,515</u>	<u>\$ 892,431</u>	<u>\$ 93,901</u>	<u>\$ 100,380</u>

Continued

**City of Hemet**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Non-Major Special Revenue Funds**  
Year Ended June 30, 2014

	COPS AB 3229	Local Law Enforcement Block Grant	Community Development Block Grant	General Plan
<b>REVENUES</b>				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental Revenue	165,873	25,213	699,981	-
Charges for Services	-	-	-	36,000
Investment Income	1,170	-	-	12
Miscellaneous	-	-	-	-
Total Revenues	<u>167,043</u>	<u>25,213</u>	<u>699,981</u>	<u>36,012</u>
<b>EXPENDITURES</b>				
Current:				
General Government	-	-	128,131	-
Public Safety	72,816	-	-	-
Community Development	-	-	431,866	-
Public Works	-	-	-	-
Capital Outlay	85,008	25,213	139,984	-
Total Expenditures	<u>157,824</u>	<u>25,213</u>	<u>699,981</u>	<u>-</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>9,219</u>	<u>-</u>	<u>-</u>	<u>36,012</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	-	-	-	-
Transfers Out	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	9,219	-	-	36,012
Fund Balances, Beginning of Year	<u>109,291</u>	<u>(80,180)</u>	<u>-</u>	<u>(18,567)</u>
Fund Balances, End of Year	<u>\$ 118,510</u>	<u>\$ (80,180)</u>	<u>\$ -</u>	<u>\$ 17,445</u>

<u>HOME Program</u>	<u>CalHome Grant</u>	<u>2001 - 2008 Home Grant</u>	<u>NSP Program</u>	<u>Totals</u>
\$ -	\$ -	\$ -	\$ -	\$ 1,506,313
-	-	-	867,823	4,779,076
-	-	-	-	2,968,085
1,133	100	3,892	-	71,905
-	-	-	-	19,718
<u>1,133</u>	<u>100</u>	<u>3,892</u>	<u>867,823</u>	<u>9,345,097</u>
-	-	-	-	128,131
-	-	-	-	380,181
79,754	85,038	83,726	1,449,930	2,130,314
-	-	-	-	5,192,385
-	-	-	-	1,124,571
<u>79,754</u>	<u>85,038</u>	<u>83,726</u>	<u>1,449,930</u>	<u>8,955,582</u>
<u>(78,621)</u>	<u>(84,938)</u>	<u>(79,834)</u>	<u>(582,107)</u>	<u>389,515</u>
-	-	-	-	542,143
-	-	-	-	(362,175)
-	-	-	-	179,968
(78,621)	(84,938)	(79,834)	(582,107)	569,483
<u>1,253,238</u>	<u>579,464</u>	<u>1,597,168</u>	<u>974,382</u>	<u>12,021,674</u>
<u>\$ 1,174,617</u>	<u>\$ 494,526</u>	<u>\$ 1,517,334</u>	<u>\$ 392,275</u>	<u>\$ 12,591,157</u>

**City of Hemet**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances**  
**Budget and Actual - Public Safety/Towing Special Revenue Fund**  
Year Ended June 30, 2014

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>			
Charges for Services	\$ 60,000	\$ 65,888	\$ 5,888
Investment Income	300	838	538
Miscellaneous	-	-	-
Total Revenues	<u>60,300</u>	<u>66,726</u>	<u>6,426</u>
<b>EXPENDITURES</b>			
Current:			
General Government		-	-
Public Safety	52,600	43,476	9,124
Capital Outlay	84,000	84,000	-
Total Expenditures	<u>136,600</u>	<u>127,476</u>	<u>9,124</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(76,300)</u>	<u>(60,750)</u>	<u>15,550</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers In	-	-	-
Transfers Out	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	(76,300)	(60,750)	15,550
Fund Balance, Beginning of Year	<u>126,083</u>	<u>126,083</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 49,783</u>	<u>\$ 65,333</u>	<u>\$ 15,550</u>

**City of Hemet**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances**  
**Budget and Actual - Gas Tax Special Revenue Fund**  
Year Ended June 30, 2014

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>			
Licenses and Permits	\$ -	\$ -	\$ -
Intergovernmental Revenue	1,898,400	2,515,853	617,453
Investment Income	2,000	24,459	22,459
Miscellaneous	-	7,817	7,817
Total Revenues	<u>1,900,400</u>	<u>2,548,129</u>	<u>647,729</u>
<b>EXPENDITURES</b>			
Current:			
Public Works	2,433,278	2,261,482	171,796
Capital Outlay	<u>25,000</u>	<u>471</u>	<u>24,529</u>
Total Expenditures	<u>2,458,278</u>	<u>2,261,953</u>	<u>196,325</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(557,878)</u>	<u>286,176</u>	<u>844,054</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers In	-	330,000	330,000
Transfers Out	<u>-</u>	<u>(34,649)</u>	<u>(34,649)</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>295,351</u>	<u>295,351</u>
Net Change in Fund Balances	(557,878)	581,527	1,139,405
Fund Balances, Beginning of Year	<u>2,780,261</u>	<u>2,780,261</u>	<u>-</u>
Fund Balance, End of Year	<u><u>\$ 2,222,383</u></u>	<u><u>\$ 3,361,788</u></u>	<u><u>\$ 1,139,405</u></u>

**City of Hemet**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances**  
**Budget and Actual - Measure A Special Revenue Fund**  
Year Ended June 30, 2014

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>			
Taxes	\$ 1,422,000	\$ 1,506,313	\$ 84,313
Investment Income	20,000	24,380	4,380
Charges for Services	-	275	275
Total Revenues	<u>1,442,000</u>	<u>1,530,968</u>	<u>88,968</u>
<b>EXPENDITURES</b>			
Current:			
Public Works	-	-	-
Capital Outlay	<u>787,804</u>	<u>647,717</u>	<u>140,087</u>
Total Expenditures	<u>787,804</u>	<u>647,717</u>	<u>140,087</u>
Excess (Deficiency) of Revenues Over Expenditures	654,196	883,251	229,055
Fund Balance, Beginning of Year	<u>2,205,657</u>	<u>2,205,657</u>	<u>-</u>
Fund Balance, End of Year	<u><u>\$ 2,859,853</u></u>	<u><u>\$ 3,088,908</u></u>	<u><u>\$ 229,055</u></u>

**City of Hemet**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances**  
**Budget and Actual - Article 3 Special Revenue Fund**  
Year Ended June 30, 2014

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>			
Taxes	\$ -	\$ -	\$ -
Intergovernmental Revenues	-	-	-
Total Revenues	<u>-</u>	<u>-</u>	<u>-</u>
<b>EXPENDITURES</b>			
Current:			
Public Works		-	-
Capital Outlay	59,790	46,535	13,255
Total Expenditures	<u>59,790</u>	<u>46,535</u>	<u>13,255</u>
Excess (Deficiency) of Revenues Over Expenditures	(59,790)	(46,535)	13,255
Fund Balance, Beginning of Year	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ (59,790)</u>	<u>\$ (46,535)</u>	<u>\$ 13,255</u>

**City of Hemet**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances**  
**Budget and Actual - Air Pollution Reduction Special Revenue Fund**  
Year Ended June 30, 2014

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>			
Taxes	\$ -	\$ -	\$ -
Intergovernmental Revenue	240,000	100,253	(139,747)
Investment Income	1,000	1,517	517
	<u>241,000</u>	<u>101,770</u>	<u>(139,230)</u>
Total Revenues			
<b>EXPENDITURES</b>			
Current:			
Public Works	-	-	-
Capital Outlay	182,701	4,014	178,687
	<u>182,701</u>	<u>4,014</u>	<u>178,687</u>
Total Expenditures			
Excess (Deficiency) of Revenues over Expenditures	<u>58,299</u>	<u>97,756</u>	<u>39,457</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers In	-	212,143	212,143
Transfers Out	-	(320,933)	(320,933)
	<u>-</u>	<u>(108,790)</u>	<u>(108,790)</u>
Total Other Financing Sources (Uses)			
Net Change in Fund Balances	58,299	(11,034)	(69,333)
Fund Balance, Beginning of Year	195,048	195,048	-
Fund Balance, End of Year	<u>\$ 253,347</u>	<u>\$ 184,014</u>	<u>\$ (69,333)</u>

**City of Hemet**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances**  
**Budget and Actual - Lighting/Landscaping Maintenance Special Revenue Fund**  
Year Ended June 30, 2014

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>			
Taxes	\$ -	\$ -	\$ -
Charges for Services	1,900,500	1,861,489	(39,011)
Investment Income	-	1,687	1,687
Miscellaneous	-	11,901	11,901
Total Revenues	<u>1,900,500</u>	<u>1,875,077</u>	<u>(25,423)</u>
<b>EXPENDITURES</b>			
Current:			
Public Works	1,566,158	1,449,986	116,172
Capital Outlay	-	-	-
Total Expenditures	<u>1,566,158</u>	<u>1,449,986</u>	<u>116,172</u>
Excess (Deficiency) of Revenues over Expenditures	<u>334,342</u>	<u>425,091</u>	<u>90,749</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers In	-	-	-
Transfers Out	-	(6,593)	(6,593)
Total Other Financing Sources (Uses)	<u>-</u>	<u>(6,593)</u>	<u>(6,593)</u>
Net Change in Fund Balances	334,342	418,498	84,156
Fund Balance, Beginning of Year	<u>308,637</u>	<u>308,637</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 642,979</u>	<u>\$ 727,135</u>	<u>\$ 84,156</u>

**City of Hemet**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances**  
**Budget and Actual - ISTEA Special Revenue Fund**  
Year Ended June 30, 2014

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>			
Taxes	\$ -	\$ -	\$ -
Intergovernmental Revenues	29,124	-	(29,124)
Investment Income	-	-	-
Total Revenues	<u>29,124</u>	<u>-</u>	<u>(29,124)</u>
<b>EXPENDITURES</b>			
Current:			
Public Works	-	-	-
Capital Outlay	-	-	-
Total Expenditures	<u>-</u>	<u>-</u>	<u>-</u>
Excess (Deficiency) of Revenues over Expenditures	<u>29,124</u>	<u>-</u>	<u>(29,124)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers In	-	-	-
Transfers Out	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	29,124	-	(29,124)
Fund Balance, Beginning of Year	<u>(25,240)</u>	<u>(25,240)</u>	<u>-</u>
Fund Balance, End of Year	<u><u>\$ 3,884</u></u>	<u><u>\$ (25,240)</u></u>	<u><u>\$ (29,124)</u></u>

**City of Hemet**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances**  
**Budget and Actual - Post Prop 218 Lighting Special Revenue Fund**  
Year Ended June 30, 2014

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>			
Taxes	\$ -	\$ -	\$ -
Charges for Services	53,400	132,126	78,726
Investment Income	-	3,909	3,909
Miscellaneous	-	-	-
Total Revenues	<u>53,400</u>	<u>136,035</u>	<u>82,635</u>
<b>EXPENDITURES</b>			
Current:			
Public Works	304,329	152,113	152,216
Capital Outlay	-	-	-
Total Expenditures	<u>304,329</u>	<u>152,113</u>	<u>152,216</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(250,929)</u>	<u>(16,078)</u>	<u>234,851</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers In	-	-	-
Transfers Out	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	(250,929)	(16,078)	234,851
Fund Balance, Beginning of Year	<u>530,593</u>	<u>530,593</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 279,664</u>	<u>\$ 514,515</u>	<u>\$ 234,851</u>

**City of Hemet**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances**  
**Budget and Actual - Post Prop 218 Landscape Special Revenue Fund**  
Year Ended June 30, 2014

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>			
Taxes	\$ -	\$ -	\$ -
Charges for Services	567,500	872,307	304,807
Investment Income	-	7,985	7,985
Miscellaneous	-	-	-
Total Revenues	<u>567,500</u>	<u>880,292</u>	<u>312,792</u>
<b>EXPENDITURES</b>			
Current:			
Public Works	1,461,029	1,328,804	132,225
Capital Outlay	-	-	-
Total Expenditures	<u>1,461,029</u>	<u>1,328,804</u>	<u>132,225</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(893,529)</u>	<u>(448,512)</u>	<u>445,017</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers In	-	-	-
Transfers Out	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	(893,529)	(448,512)	445,017
Fund Balance, Beginning of Year	<u>1,340,943</u>	<u>1,340,943</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 447,414</u>	<u>\$ 892,431</u>	<u>\$ 445,017</u>

**City of Hemet**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances**  
**Budget and Actual - Asset Seizure Special Revenue Fund**  
Year Ended June 30, 2014

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>			
Taxes	\$ -	\$ -	\$ -
Intergovernmental Revenues	-	2,585	2,585
Investment Income	-	823	823
Miscellaneous	-	-	-
Total Revenues	<u>-</u>	<u>3,408</u>	<u>3,408</u>
<b>EXPENDITURES</b>			
Current:			
Public Safety	22,364	-	22,364
Capital Outlay	24,000	25,065	(1,065)
Total Expenditures	<u>46,364</u>	<u>25,065</u>	<u>21,299</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(46,364)</u>	<u>(21,657)</u>	<u>24,707</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers In	-	-	-
Transfers Out	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	(46,364)	(21,657)	24,707
Fund Balance, Beginning of Year	<u>115,558</u>	<u>115,558</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 69,194</u>	<u>\$ 93,901</u>	<u>\$ 24,707</u>

**City of Hemet**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances**  
**Budget and Actual - Public Safety Grants Special Revenue Fund**  
Year Ended June 30, 2014

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>			
Taxes	\$ -	\$ -	\$ -
Intergovernmental Revenues	542,180	401,495	(140,685)
Investment Income	-	-	-
Total Revenues	<u>542,180</u>	<u>401,495</u>	<u>(140,685)</u>
<b>EXPENDITURES</b>			
Current:			
Public Safety	264,668	263,889	779
Capital Outlay	<u>89,061</u>	<u>66,564</u>	<u>22,497</u>
Total Expenditures	<u>353,729</u>	<u>330,453</u>	<u>23,276</u>
Excess (Deficiency) of Revenues over Expenditures	<u>188,451</u>	<u>71,042</u>	<u>(117,409)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers In	-	-	-
Transfers Out	<u>-</u>	<u>-</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	188,451	71,042	(117,409)
Fund Balance, Beginning of Year	<u>29,338</u>	<u>29,338</u>	<u>-</u>
Fund Balance, End of Year	<u><u>\$ 217,789</u></u>	<u><u>\$ 100,380</u></u>	<u><u>\$ (117,409)</u></u>

**City of Hemet**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances**  
**Budget and Actual - COPS/AB 3229 Special Revenue Fund**  
Year Ended June 30, 2014

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>			
Taxes	\$ -	\$ -	\$ -
Intergovernmental Revenues	601,454	165,873	(435,581)
Investment Income	-	1,170	1,170
Total Revenues	<u>601,454</u>	<u>167,043</u>	<u>(434,411)</u>
<b>EXPENDITURES</b>			
Current:			
Public Safety	136,420	72,816	63,604
Capital Outlay	<u>167,119</u>	<u>85,008</u>	<u>82,111</u>
Total Expenditures	<u>303,539</u>	<u>157,824</u>	<u>145,715</u>
Excess (Deficiency) of Revenues over Expenditures	<u>297,915</u>	<u>9,219</u>	<u>(288,696)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers In	-	-	-
Transfers Out	<u>-</u>	<u>-</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	297,915	9,219	(288,696)
Fund Balance, Beginning of Year	<u>109,291</u>	<u>109,291</u>	<u>-</u>
Fund Balance, End of Year	<u><u>\$ 407,206</u></u>	<u><u>\$ 118,510</u></u>	<u><u>\$ (288,696)</u></u>

**City of Hemet**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances**  
**Budget and Actual - Local Law Enforcement Block Grant Special Revenue Fund**  
Year Ended June 30, 2014

	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>REVENUES</b>			
Taxes	\$ -	\$ -	\$ -
Intergovernmental Revenues	<u>68,441</u>	<u>25,213</u>	<u>(43,228)</u>
Total Revenues	<u>68,441</u>	<u>25,213</u>	<u>(43,228)</u>
<b>EXPENDITURES</b>			
Current:			
Public Safety	-	-	-
Capital Outlay	<u>28,204</u>	<u>25,213</u>	<u>2,991</u>
Total Expenditures	<u>28,204</u>	<u>25,213</u>	<u>2,991</u>
Excess (Deficiency) of Revenues over Expenditures	<u>40,237</u>	<u>-</u>	<u>(40,237)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers In	-	-	-
Transfers Out	<u>-</u>	<u>-</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	40,237	-	(40,237)
Fund Balance, Beginning of Year	<u>(80,180)</u>	<u>(80,180)</u>	<u>-</u>
Fund Balance, End of Year	<u><u>\$ (39,943)</u></u>	<u><u>\$ (80,180)</u></u>	<u><u>\$ (40,237)</u></u>

**City of Hemet**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances**  
**Budget and Actual - Community Development Block Grant Special Revenue Fund**  
Year Ended June 30, 2014

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>			
Taxes	\$ -	\$ -	\$ -
Intergovernmental Revenues	-	699,981	699,981
Total Revenues	<u>-</u>	<u>699,981</u>	<u>699,981</u>
<b>EXPENDITURES</b>			
Current:			
General Governmental	152,746	128,131	24,615
Community Development	544,582	431,866	112,716
Capital Outlay	<u>225,984</u>	<u>139,984</u>	<u>86,000</u>
Total Expenditures	<u>923,312</u>	<u>699,981</u>	<u>223,331</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(923,312)</u>	<u>-</u>	<u>923,312</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers In	-	-	-
Transfers Out	<u>-</u>	<u>-</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	(923,312)	-	923,312
Fund Balance, Beginning of Year	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance, End of Year	<u><u>\$ (923,312)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 923,312</u></u>

**City of Hemet**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances**  
**Budget and Actual - General Plan Special Revenue Fund**  
Year Ended June 30, 2014

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>			
Taxes	\$ -	\$ -	\$ -
Charges for Services	22,500	36,000	13,500
Investment Income	1,000	12	(988)
Total Revenues	<u>23,500</u>	<u>36,012</u>	<u>12,512</u>
<b>EXPENDITURES</b>			
Current:			
Public Works	-	-	-
Capital Outlay	-	-	-
Total Expenditures	<u>-</u>	<u>-</u>	<u>-</u>
Excess (Deficiency) of Revenues over Expenditures	<u>23,500</u>	<u>36,012</u>	<u>12,512</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers In	-	-	-
Transfers Out	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	23,500	36,012	12,512
Fund Balance, Beginning of Year	<u>(18,567)</u>	<u>(18,567)</u>	<u>-</u>
Fund Balance, End of Year	<u><u>\$ 4,933</u></u>	<u><u>\$ 17,445</u></u>	<u><u>\$ 12,512</u></u>

**City of Hemet**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances**  
**Budget and Actual - HOME Program Special Revenue Fund**  
Year Ended June 30, 2014

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>			
Taxes	\$ -	\$ -	\$ -
Investment Income	-	1,133	1,133
	<u>-</u>	<u>1,133</u>	<u>1,133</u>
Total Revenues	<u>-</u>	<u>1,133</u>	<u>1,133</u>
<b>EXPENDITURES</b>			
Current:			
Community Development	5,000	79,754	(74,754)
Capital Outlay	-	-	-
	<u>5,000</u>	<u>79,754</u>	<u>(74,754)</u>
Total Expenditures	<u>5,000</u>	<u>79,754</u>	<u>(74,754)</u>
Excess (Deficiency) of Revenues over Expenditures	<u>-</u>	<u>(78,621)</u>	<u>(78,621)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers In	-	-	-
Transfers Out	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	-	(78,621)	(78,621)
Fund Balance, Beginning of Year	<u>1,253,238</u>	<u>1,253,238</u>	<u>-</u>
Fund Balance, End of Year	<u><u>\$1,253,238</u></u>	<u><u>\$ 1,174,617</u></u>	<u><u>\$ (78,621)</u></u>

**City of Hemet**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances**  
**Budget and Actual - CalHome Grant Special Revenue Fund**  
Year Ended June 30, 2014

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>			
Investment Income	\$ -	\$ 100	\$ 100
Intergovernmental Revenues	-	-	-
Total Revenues	<u>-</u>	<u>100</u>	<u>100</u>
<b>EXPENDITURES</b>			
Current:			
Community Development	2,400	85,038	(82,638)
Public Works	-	-	-
Capital Outlay	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenditures	<u>2,400</u>	<u>85,038</u>	<u>(82,638)</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(2,400)</u>	<u>(84,938)</u>	<u>(82,538)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers In	-	-	-
Transfers Out	<u>-</u>	<u>-</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	(2,400)	(84,938)	(82,538)
Fund Balance, Beginning of Year	<u>579,464</u>	<u>579,464</u>	<u>-</u>
Fund Balance, End of Year	<u><u>\$ 577,064</u></u>	<u><u>\$ 494,526</u></u>	<u><u>\$ (82,538)</u></u>

**City of Hemet**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances**  
**Budget and Actual - 2001- 2008 Home Grant Special Revenue Fund**  
Year Ended June 30, 2014

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>			
Taxes	\$ -	\$ -	\$ -
Intergovernmental Revenues	208,200	-	(208,200)
Investment Income	1,500	3,892	2,392
Miscellaneous	15,000	-	(15,000)
	<u>224,700</u>	<u>3,892</u>	<u>(220,808)</u>
Total Revenues			
<b>EXPENDITURES</b>			
Current:			
Community Development	11,855	83,726	(71,871)
Public Works	-	-	-
Capital Outlay	-	-	-
	<u>11,855</u>	<u>83,726</u>	<u>(71,871)</u>
Total Expenditures			
Excess (Deficiency) of Revenues over Expenditures	<u>212,845</u>	<u>(79,834)</u>	<u>(292,679)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers In	-	-	-
Transfers Out	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
Total Other Financing Sources (Uses)			
Net Change in Fund Balances	212,845	(79,834)	(292,679)
Fund Balance, Beginning of Year	<u>1,597,168</u>	<u>1,597,168</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 1,810,013</u>	<u>\$ 1,517,334</u>	<u>\$ (292,679)</u>

**City of Hemet**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances**  
**Budget and Actual - Neighborhood Stabilization Program Grant Special Revenue Fund**  
Year Ended June 30, 2014

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>			
Taxes	\$ -	\$ -	\$ -
Intergovernmental Revenues	2,873,930	867,823	(2,006,107)
Investment Income	-	-	-
Miscellaneous	60,000	-	(60,000)
Total Revenues	<u>2,933,930</u>	<u>867,823</u>	<u>(2,066,107)</u>
<b>EXPENDITURES</b>			
Current:			
Public Works	-	-	-
Community Development	1,022,929	1,449,930	(427,001)
Total Expenditures	<u>1,022,929</u>	<u>1,449,930</u>	<u>(427,001)</u>
Excess (Deficiency) of Revenues over Expenditures	<u>1,911,001</u>	<u>(582,107)</u>	<u>(2,493,108)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers In	-	-	-
Transfers Out	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	1,911,001	(582,107)	(2,493,108)
Fund Balance, Beginning of Year	<u>974,382</u>	<u>974,382</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 2,885,383</u>	<u>\$ 392,275</u>	<u>\$ (2,493,108)</u>

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**City of Hemet**  
**Combining Balance Sheet**  
**Non-major Capital Projects Funds**  
June 30, 2014

	<u>Public Meeting Facilities</u>	<u>General Facilities</u>	<u>Flood Control</u>	<u>Law Enforcement Facilities</u>
<b>ASSETS</b>				
Cash and Investments	\$ 579,312	\$ 1,629,128	\$ 2,815,976	\$ 497,986
Accounts Receivable	-	-	-	-
Advances to Other Funds	-	-	354,137	-
Due From Fiduciary Fund	-	-	-	-
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total Assets	<u><u>\$ 579,312</u></u>	<u><u>\$ 1,629,128</u></u>	<u><u>\$ 3,170,113</u></u>	<u><u>\$ 497,986</u></u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts Payable	\$ -	\$ -	\$ 13,402	\$ 6,425
Accrued Salaries and Benefits	-	-	41	-
Deposits	-	-	-	-
Advances from Other Funds	-	-	-	-
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total Liabilities	<u>                    -</u>	<u>                    -</u>	<u>          13,443</u>	<u>          6,425</u>
Fund Balances:				
Nonspendable	-	-	354,137	-
Restricted	579,312	1,629,128	2,802,533	491,561
Assigned	-	-	-	-
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total Fund Balances	<u>          579,312</u>	<u>          1,629,128</u>	<u>          3,156,670</u>	<u>          491,561</u>
Total Liabilities and Fund Balances	<u><u>\$ 579,312</u></u>	<u><u>\$ 1,629,128</u></u>	<u><u>\$ 3,170,113</u></u>	<u><u>\$ 497,986</u></u>

<u>Park Development</u>	<u>Valley Wide DVL Park</u>	<u>Library Facilities</u>	<u>Equipment Replacement</u>	<u>General Capital</u>
\$ 1,227,370	\$ 201,527	\$ 1,294,423	\$ 4,554,310	\$ 8,564
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
<u>\$ 1,227,370</u>	<u>\$ 201,527</u>	<u>\$ 1,294,423</u>	<u>\$ 4,554,310</u>	<u>\$ 8,564</u>
\$ -	\$ -	\$ 1,934	\$ -	\$ -
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
<u>-</u>	<u>-</u>	<u>1,934</u>	<u>-</u>	<u>-</u>
-	-	-	-	-
1,227,370	201,527	1,292,489	-	8,564
-	-	-	4,554,310	-
<u>1,227,370</u>	<u>201,527</u>	<u>1,292,489</u>	<u>4,554,310</u>	<u>8,564</u>
<u>\$ 1,227,370</u>	<u>\$ 201,527</u>	<u>\$ 1,294,423</u>	<u>\$ 4,554,310</u>	<u>\$ 8,564</u>

Continued

**City of Hemet**  
**Combining Balance Sheet**  
**Non-major Capital Projects Funds - Continued**  
June 30, 2014

	Fire Facilities	Bridges/Streets/ Traffic Facilities	Totals
	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>ASSETS</b>			
Cash and Investments	\$ 4,016,686	\$ 4,137,633	\$ 20,962,915
Accounts Receivable	-	10,000	10,000
Advances to Other Funds	-	-	354,137
Due From Fiduciary Fund	-	-	-
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total Assets	<u>\$ 4,016,686</u>	<u>\$ 4,147,633</u>	<u>\$ 21,327,052</u>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Accounts Payable	\$ 16,609	\$ 266,894	\$ 305,264
Accrued Salaries and Benefits	-	649	690
Deposits	-	475,603	475,603
Advance from Other Funds	354,137	-	354,137
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total Liabilities	<u>370,746</u>	<u>743,146</u>	<u>1,135,694</u>
Fund Balances:			
Nonspendable	-	-	354,137
Restricted	3,645,940	3,404,487	15,282,911
Assigned	-	-	4,554,310
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total Fund Balances	<u>3,645,940</u>	<u>3,404,487</u>	<u>20,191,358</u>
Total Liabilities and Fund Balances	<u>\$ 4,016,686</u>	<u>\$ 4,147,633</u>	<u>\$ 21,327,052</u>

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**City of Hemet**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Non-major Capital Projects Funds**  
Year Ended June 30, 2014

	Public Meeting Facilities	General Facilities	Flood Control	Law Enforcement Facilities
<b>REVENUES</b>				
Intergovernmental	\$ -	\$ -	\$ -	\$ -
Charges for Services	-	99,717	267,485	68,279
Investment Income	4,607	14,432	24,369	3,798
Miscellaneous	-	-	-	-
Total Revenues	<u>4,607</u>	<u>114,149</u>	<u>291,854</u>	<u>72,077</u>
<b>EXPENDITURES</b>				
Current:				
Public Works	-	-	113,950	-
Libraries	-	-	-	-
Capital Outlay	-	44,590	-	29,644
Total Expenditures	<u>-</u>	<u>44,590</u>	<u>113,950</u>	<u>29,644</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>4,607</u>	<u>69,559</u>	<u>177,904</u>	<u>42,433</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	-	-	-	-
Transfers Out	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	4,607	69,559	177,904	42,433
Fund Balances, Beginning of Year	<u>574,705</u>	<u>1,559,569</u>	<u>2,978,766</u>	<u>449,128</u>
Fund Balances, End of Year	<u><u>\$ 579,312</u></u>	<u><u>\$ 1,629,128</u></u>	<u><u>\$ 3,156,670</u></u>	<u><u>\$ 491,561</u></u>

<u>Park Development</u>	<u>Valley Wide DVL Park</u>	<u>Library Facilities</u>	<u>Equipment Replacement</u>	<u>General Capital</u>
\$ -	\$ -	\$ -	\$ -	\$ -
167,095	-	88,200	340,596	-
10,256	1,747	11,508	39,793	-
-	-	-	15,778	-
<u>177,351</u>	<u>1,747</u>	<u>99,708</u>	<u>396,167</u>	<u>-</u>
-	97,455	-	-	-
-	-	91,274	-	-
<u>682</u>	<u>-</u>	<u>-</u>	<u>53,590</u>	<u>-</u>
<u>682</u>	<u>97,455</u>	<u>91,274</u>	<u>53,590</u>	<u>-</u>
<u>176,669</u>	<u>(95,708)</u>	<u>8,434</u>	<u>342,577</u>	<u>-</u>
-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>(240,276)</u>	<u>-</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>(240,276)</u>	<u>-</u>
176,669	(95,708)	8,434	102,301	-
<u>1,050,701</u>	<u>297,235</u>	<u>1,284,055</u>	<u>4,452,009</u>	<u>8,564</u>
<u>\$ 1,227,370</u>	<u>\$ 201,527</u>	<u>\$ 1,292,489</u>	<u>\$ 4,554,310</u>	<u>\$ 8,564</u>

Continued

**City of Hemet**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Non-major Capital Projects Funds - Continued**  
Year Ended June 30, 2014

	Fire Facilities	Bridges/Streets/ Traffic Facilities	Totals
<b>REVENUES</b>			
Intergovernmental	\$ -	\$ -	\$ -
Charges for Services	79,855	392,165	1,503,392
Investment Income	35,392	39,382	185,284
Miscellaneous	-	-	15,778
	<hr/>	<hr/>	<hr/>
Total Revenues	115,247	431,547	1,704,454
<b>EXPENDITURES</b>			
Current:			
Public Works	25,723	154,170	391,298
Libraries	-	-	91,274
Capital Outlay	-	925,999	1,054,505
	<hr/>	<hr/>	<hr/>
Total Expenditures	25,723	1,080,169	1,537,077
Excess (Deficiency) of Revenues Over Expenditures	<hr/>	<hr/>	<hr/>
	89,524	(648,622)	167,377
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers In	-	-	-
Transfers Out	-	-	(240,276)
	<hr/>	<hr/>	<hr/>
Total Other Financing Sources (Uses)	-	-	(240,276)
Net Change in Fund Balances	89,524	(648,622)	(72,899)
Fund Balances, Beginning of Year	<hr/>	<hr/>	<hr/>
	3,556,416	4,053,109	20,264,257
Fund Balances, End of Year	<hr/>	<hr/>	<hr/>
	\$ 3,645,940	\$ 3,404,487	\$ 20,191,358

**City of Hemet**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances**  
**Budget and Actual - Public Meeting Facilities Capital Projects Fund**  
Year Ended June 30, 2014

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>			
Intergovernmental Revenues	\$ -	\$ -	\$ -
Charges for Services	-	-	-
Investment Income	2,000	4,607	2,607
Total Revenues	<u>2,000</u>	<u>4,607</u>	<u>2,607</u>
<b>EXPENDITURES</b>			
Current:			
Public Works	-	-	-
Libraries	-	-	-
Capital Outlay	-	-	-
Total Expenditures	<u>-</u>	<u>-</u>	<u>-</u>
Excess (Deficiency) of Revenues over Expenditures	<u>2,000</u>	<u>4,607</u>	<u>2,607</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers In	-	-	-
Transfers Out	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	2,000	4,607	2,607
Fund Balance, Beginning of Year	<u>574,705</u>	<u>574,705</u>	<u>-</u>
Fund Balance, End of Year	<u><u>\$ 576,705</u></u>	<u><u>\$ 579,312</u></u>	<u><u>\$ 2,607</u></u>

**City of Hemet**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances**  
**Budget and Actual - General Facilities Capital Projects Fund**  
Year Ended June 30, 2014

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>			
Intergovernmental Revenues	\$ -	\$ -	\$ -
Charges for Services	60,000	99,717	39,717
Investment Income	30,000	14,432	(15,568)
Miscellaneous	-	-	-
Total Revenues	<u>90,000</u>	<u>114,149</u>	<u>24,149</u>
<b>EXPENDITURES</b>			
Current:			
Public Works	-	-	-
Capital Outlay	<u>49,949</u>	<u>44,590</u>	<u>(5,359)</u>
Total Expenditures	<u>49,949</u>	<u>44,590</u>	<u>5,359</u>
Excess (Deficiency) of Revenues over Expenditures	<u>40,051</u>	<u>69,559</u>	<u>29,508</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers In	-	-	-
Transfers Out	<u>-</u>	<u>-</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	40,051	69,559	29,508
Fund Balance, Beginning of Year	<u>1,559,569</u>	<u>1,559,569</u>	<u>-</u>
Fund Balance, End of Year	<u><u>\$ 1,599,620</u></u>	<u><u>\$ 1,629,128</u></u>	<u><u>\$ 29,508</u></u>

**City of Hemet**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances**  
**Budget and Actual - Flood Control Capital Projects Fund**  
Year Ended June 30, 2014

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>			
Intergovernmental Revenues	\$ -	\$ -	\$ -
Charges for Services	176,000	267,485	91,485
Investment Income	40,000	24,369	(15,631)
Miscellaneous	-	-	-
Total Revenues	<u>216,000</u>	<u>291,854</u>	<u>75,854</u>
<b>EXPENDITURES</b>			
Current:			
Public Works	456,276	113,950	342,326
Capital Outlay	70,000	-	70,000
Total Expenditures	<u>526,276</u>	<u>113,950</u>	<u>412,326</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(310,276)</u>	<u>177,904</u>	<u>488,180</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers In	-	-	-
Transfers Out	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	(310,276)	177,904	488,180
Fund Balance, Beginning of Year	<u>2,978,766</u>	<u>2,978,766</u>	<u>-</u>
Fund Balance, End of Year	<u><u>\$ 2,668,490</u></u>	<u><u>\$ 3,156,670</u></u>	<u><u>\$ 488,180</u></u>

**City of Hemet**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances**  
**Budget and Actual - Law Enforcement Facilities Capital Projects Fund**  
Year Ended June 30, 2014

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>			
Intergovernmental Revenues	\$ -	\$ -	\$ -
Charges for Services	46,000	68,279	22,279
Investment Income	500	3,798	3,298
Total Revenues	<u>46,500</u>	<u>72,077</u>	<u>25,577</u>
<b>EXPENDITURES</b>			
Current:			
Public Works	-	-	-
Capital Outlay	930,304	29,644	900,660
Total Expenditures	<u>930,304</u>	<u>29,644</u>	<u>900,660</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(883,804)</u>	<u>42,433</u>	<u>926,237</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers In	-	-	-
Transfers Out	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	(883,804)	42,433	926,237
Fund Balance, Beginning of Year	<u>449,128</u>	<u>449,128</u>	<u>-</u>
Fund Balance, End of Year	<u><u>\$ (434,676)</u></u>	<u><u>\$ 491,561</u></u>	<u><u>\$ 926,237</u></u>

**City of Hemet**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances**  
**Budget and Actual - Park Development Capital Projects Fund**  
Year Ended June 30, 2014

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>			
Intergovernmental Revenues	\$ -	\$ -	\$ -
Charges for Services	110,000	167,095	57,095
Investment Income	7,000	10,256	3,256
Total Revenues	<u>117,000</u>	<u>177,351</u>	<u>60,351</u>
<b>EXPENDITURES</b>			
Current:			
Public Works	-	-	-
Capital Outlay	41,160	682	40,478
Total Expenditures	<u>41,160</u>	<u>682</u>	<u>40,478</u>
Excess (Deficiency) of Revenues over Expenditures	<u>75,840</u>	<u>176,669</u>	<u>100,829</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers In	-	-	-
Transfers Out	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	75,840	176,669	100,829
Fund Balance, Beginning of Year	<u>1,050,701</u>	<u>1,050,701</u>	<u>-</u>
Fund Balance, End of Year	<u><u>\$1,126,541</u></u>	<u><u>\$ 1,227,370</u></u>	<u><u>\$ 100,829</u></u>

**City of Hemet**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances**  
**Budget and Actual - Valley Wide DVL Park Capital Projects Fund**  
Year Ended June 30, 2014

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>			
Intergovernmental Revenues	\$ -	\$ -	\$ -
Charges for Services	20,000	-	(20,000)
Investment Income	500	1,747	1,247
Total Revenues	<u>20,500</u>	<u>1,747</u>	<u>(18,753)</u>
<b>EXPENDITURES</b>			
Current:			
Public Works	-	97,455	(97,455)
Capital Outlay	-	-	-
Total Expenditures	<u>-</u>	<u>97,455</u>	<u>(97,455)</u>
Excess (Deficiency) of Revenues over Expenditures	<u>20,500</u>	<u>(95,708)</u>	<u>(116,208)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers In	-	-	-
Transfers Out	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	20,500	(95,708)	(116,208)
Fund Balance, Beginning of Year	<u>297,235</u>	<u>297,235</u>	<u>-</u>
Fund Balance, End of Year	<u><u>\$ 317,735</u></u>	<u><u>\$ 201,527</u></u>	<u><u>\$ (116,208)</u></u>

**City of Hemet**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances**  
**Budget and Actual - Library Facilities Capital Projects Fund**  
Year Ended June 30, 2014

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>			
Intergovernmental Revenues	\$ -	\$ -	\$ -
Charges for Services	60,000	88,200	28,200
Investment Income	8,000	11,508	3,508
Total Revenues	<u>68,000</u>	<u>99,708</u>	<u>31,708</u>
<b>EXPENDITURES</b>			
Current:			
Public Works	-	-	-
Libraries	137,300	91,274	46,026
Capital Outlay	25,000	-	25,000
Total Expenditures	<u>162,300</u>	<u>91,274</u>	<u>71,026</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(94,300)</u>	<u>8,434</u>	<u>102,734</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers In	-	-	-
Transfers Out	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	(94,300)	8,434	102,734
Fund Balance, Beginning of Year	<u>1,284,055</u>	<u>1,284,055</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 1,189,755</u>	<u>\$ 1,292,489</u>	<u>\$ 102,734</u>

**City of Hemet**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances**  
**Budget and Actual - Equipment Replacement Capital Projects Fund**  
Year Ended June 30, 2014

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
	<u>          </u>	<u>          </u>	<u>          </u>
<b>REVENUES</b>			
Intergovernmental Revenues	\$ -	\$ -	\$ -
Charges for Services	340,600	340,596	(4)
Investment Income	25,000	39,793	14,793
Miscellaneous	-	15,778	15,778
	<u>          </u>	<u>          </u>	<u>          </u>
Total Revenues	365,600	396,167	30,567
	<u>          </u>	<u>          </u>	<u>          </u>
<b>EXPENDITURES</b>			
Current:			
Public Works	-	-	-
Capital Outlay	1,223,027	53,590	1,169,437
	<u>          </u>	<u>          </u>	<u>          </u>
Total Expenditures	1,223,027	53,590	1,169,437
	<u>          </u>	<u>          </u>	<u>          </u>
Excess (Deficiency) of Revenues over Expenditures	<u>(857,427)</u>	<u>342,577</u>	<u>1,200,004</u>
	<u>          </u>	<u>          </u>	<u>          </u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers In	-	-	-
Transfers Out	-	(240,276)	(240,276)
	<u>          </u>	<u>          </u>	<u>          </u>
Total Other Financing Sources (Uses)	-	(240,276)	(240,276)
	<u>          </u>	<u>          </u>	<u>          </u>
Net Change in Fund Balances	(857,427)	102,301	959,728
Fund Balance, Beginning of Year	4,452,009	4,452,009	-
	<u>          </u>	<u>          </u>	<u>          </u>
Fund Balance, End of Year	<u>\$3,594,582</u>	<u>\$ 4,554,310</u>	<u>\$ 959,728</u>

**City of Hemet**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances**  
**Budget and Actual - General Capital Capital Projects Fund**  
Year Ended June 30, 2014

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>			
Intergovernmental Revenues	\$ -	\$ -	\$ -
Charges for Services	-	-	-
Investment Income	-	-	-
	<hr/>	<hr/>	<hr/>
Total Revenues	-	-	-
	<hr/>	<hr/>	<hr/>
<b>EXPENDITURES</b>			
Current:			
General Governmental	-	-	-
Public Works	-	-	-
Capital Outlay	-	-	-
	<hr/>	<hr/>	<hr/>
Total Expenditures	-	-	-
	<hr/>	<hr/>	<hr/>
Excess (Deficiency) of Revenues over Expenditures	-	-	-
	<hr/>	<hr/>	<hr/>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers In	-	-	-
Transfers Out	-	-	-
	<hr/>	<hr/>	<hr/>
Total Other Financing Sources (Uses)	-	-	-
	<hr/>	<hr/>	<hr/>
Net Change in Fund Balances	-	-	-
Fund Balance, Beginning of Year	8,564	8,564	-
	<hr/>	<hr/>	<hr/>
Fund Balance, End of Year	<u>\$ 8,564</u>	<u>\$ 8,564</u>	<u>\$ -</u>

**City of Hemet**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances**  
**Budget and Actual - Fire Facilities Capital Projects Fund**  
Year Ended June 30, 2014

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>			
Intergovernmental Revenues	\$ 336,122	\$ -	\$ (336,122)
Charges for Services	50,000	79,855	29,855
Investment Income	20,000	35,392	15,392
Miscellaneous	-	-	-
Total Revenues	<u>406,122</u>	<u>115,247</u>	<u>(290,875)</u>
<b>EXPENDITURES</b>			
Current:			
Public Safety	-	-	-
Public Works	-	25,723	(25,723)
Capital Outlay	<u>1,242,042</u>	<u>-</u>	<u>1,242,042</u>
Total Expenditures	<u>1,242,042</u>	<u>25,723</u>	<u>1,216,319</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(835,920)</u>	<u>89,524</u>	<u>925,444</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers In	-	-	-
Transfers Out	<u>-</u>	<u>-</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	(835,920)	89,524	925,444
Fund Balance, Beginning of Year	<u>3,556,416</u>	<u>3,556,416</u>	<u>-</u>
Fund Balance, End of Year	<u><u>\$ 2,720,496</u></u>	<u><u>\$ 3,645,940</u></u>	<u><u>\$ 925,444</u></u>

**City of Hemet**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances**  
**Budget and Actual - Bridges/Streets Traffic Facilities Capital Projects Fund**  
Year Ended June 30, 2014

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>			
Intergovernmental Revenues	\$ 948,743	\$ -	\$ (948,743)
Charges for Services	326,000	392,165	66,165
Investment Income	35,000	39,382	4,382
Miscellaneous	-	-	-
Total Revenues	<u>1,309,743</u>	<u>431,547</u>	<u>(878,196)</u>
<b>EXPENDITURES</b>			
Current:			
Public Works	148,972	154,170	(5,198)
Capital Outlay	<u>2,504,447</u>	<u>925,999</u>	<u>1,578,448</u>
Total Expenditures	<u>2,653,419</u>	<u>1,080,169</u>	<u>1,573,250</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(1,343,676)</u>	<u>(648,622)</u>	<u>695,054</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers In	-	-	-
Transfers Out	<u>-</u>	<u>-</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	(1,343,676)	(648,622)	695,054
Fund Balance, Beginning of Year	<u>4,053,109</u>	<u>4,053,109</u>	<u>-</u>
Fund Balance, End of Year	<u><u>\$ 2,709,433</u></u>	<u><u>\$ 3,404,487</u></u>	<u><u>\$ 695,054</u></u>

**City of Hemet  
Balance Sheet  
Non-major Permanent Funds  
June 30, 2014**

	<u>LaSalle Library Endowment</u>	<u>Total</u>
<b>ASSETS</b>		
Cash and Investments	\$ 1,082,552	\$ 1,082,552
Interest Receivable	926	926
	<u>                    </u>	<u>                    </u>
Total Assets	<u>\$ 1,083,478</u>	<u>\$ 1,083,478</u>
<b>LIABILITIES AND FUND BALANCES</b>		
Liabilities:		
Deposits	<u>\$ -</u>	<u>\$ -</u>
	<u>                    </u>	<u>                    </u>
Total Liabilities	<u>-</u>	<u>-</u>
Fund Balances:		
Nonspendable	1,000,000	1,000,000
Restricted	83,478	83,478
	<u>                    </u>	<u>                    </u>
Total Fund Balances	<u>1,083,478</u>	<u>1,083,478</u>
	<u>                    </u>	<u>                    </u>
Total Liabilities and Fund Balances	<u>\$ 1,083,478</u>	<u>\$ 1,083,478</u>

**City of Hemet**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Non-major Permanent Funds**  
Year Ended June 30, 2014

	<u>LaSalle Library Endowment</u>	<u>Total</u>
<b>REVENUES</b>		
Investment Income	<u>\$ 19,505</u>	<u>\$ 19,505</u>
Total Revenues	<u>19,505</u>	<u>19,505</u>
<b>EXPENDITURES</b>		
Current:		
Libraries	<u>-</u>	<u>-</u>
Total Expenditures	<u>-</u>	<u>-</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>19,505</u>	<u>19,505</u>
<b>OTHER FINANCING SOURCES (USES)</b>		
Transfers In	<u>-</u>	<u>-</u>
Transfers Out	<u>-</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>
Net Change in Fund Balances	19,505	19,505
Fund Balance, Beginning of Year	<u>1,063,973</u>	<u>1,063,973</u>
Fund Balance, End of Year	<u><u>\$ 1,083,478</u></u>	<u><u>\$ 1,083,478</u></u>

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## **City of Hemet Internal Service Funds**

### **INTERNAL SERVICE FUNDS**

**Administrative Services** - Accounts for the central administrative services funded by interdepartmental allocation.

**Workers' Compensation** - Accounts for the financial transactions of a self-insured workers' compensation program

**Medical Insurance** - Accounts for the financial transactions of a self-insured employer active employee medical, dental and vision insurance program.

**Liability Insurance** - Accounts for the financial transactions of an external liability program.

**OPEB** - Accounts for financial transactions of a self-insured employer retiree medical, dental and vision insurance program.

**City of Hemet**  
**Combining Statement of Net Position**  
**Internal Service Funds**  
June 30, 2014

	<u>Admin. Services</u>	<u>Workers' Compensation Admin</u>	<u>Medical Insurance Admin</u>
<b>ASSETS</b>			
Current:			
Cash and Investments	\$ 2,504,589	\$ 878,740	\$ 787,282
Accounts Receivable	10,801	-	-
Inventory	174,780	-	-
	<u>2,690,170</u>	<u>878,740</u>	<u>787,282</u>
Property, Plant and Equipment:			
Construction in Progress	-	-	-
Capital Assets	5,219,215	-	-
Less Accumulated Depreciation	<u>(3,968,347)</u>	<u>-</u>	<u>-</u>
	<u>1,250,868</u>	<u>-</u>	<u>-</u>
	<u>3,941,038</u>	<u>878,740</u>	<u>787,282</u>
<b>LIABILITIES</b>			
Accounts Payable	455,873	2,838	-
Accrued Salaries and Benefits	23,323	1,432	-
Claims and Judgments Payable	<u>-</u>	<u>82,175</u>	<u>48,221</u>
	<u>479,196</u>	<u>86,445</u>	<u>48,221</u>
<b>NET POSITION</b>			
Net Investment in Capital Assets	1,250,868	-	-
Unrestricted	<u>2,210,974</u>	<u>792,295</u>	<u>739,061</u>
	<u>\$ 3,461,842</u>	<u>\$ 792,295</u>	<u>\$ 739,061</u>

<u>Liability Insurance</u>	<u>OPEB</u>	<u>Total</u>
\$ 1,159,511	\$ 831,067	\$ 6,161,189
401,762	650	413,213
-	-	174,780
<u>1,561,273</u>	<u>831,717</u>	<u>6,749,182</u>
-	-	-
-	-	5,219,215
-	-	(3,968,347)
-	-	<u>1,250,868</u>
<u>1,561,273</u>	<u>831,717</u>	<u>8,000,050</u>
49,070	-	507,781
969	-	25,724
<u>449,577</u>	<u>20,196</u>	<u>600,169</u>
<u>499,616</u>	<u>20,196</u>	<u>1,133,674</u>
-	-	1,250,868
<u>1,061,657</u>	<u>811,521</u>	<u>5,615,508</u>
<u>\$ 1,061,657</u>	<u>\$ 811,521</u>	<u>\$ 6,866,376</u>

**City of Hemet**  
**Combining Statement of Revenues, Expenses and Changes in Net Position**  
**Internal Service Funds**  
Year Ended June 30, 2014

	Admin. Services	Workers' Compensation Admin	Medical Insurance Admin
<b>OPERATING REVENUE</b>			
Charges for Services	\$ 6,635,018	\$ 987,100	\$ 283,410
Total Operating Revenue	<u>6,635,018</u>	<u>987,100</u>	<u>283,410</u>
<b>OPERATING EXPENSES</b>			
Personal Services	3,676,517	138,932	14,198
Parts and Supplies	951,493	-	-
Maintenance	1,085,811	-	-
Utilities	631,542	-	-
Contracts, Rents and Leases	194,872	-	-
Insurance	95,700	1,409,029	315,932
Claims and Judgments	-	30,130	-
Depreciation	145,084	-	-
Total Operating Expenses	<u>6,781,019</u>	<u>1,578,091</u>	<u>330,130</u>
Operating Income (Loss)	<u>(146,001)</u>	<u>(590,991)</u>	<u>(46,720)</u>
<b>NONOPERATING REVENUE (EXPENSES)</b>			
Miscellaneous	-	-	-
Total Nonoperating Revenue (Expenses)	<u>-</u>	<u>-</u>	<u>-</u>
Income (Loss) Before Transfers and Capital Contributions	(146,001)	(590,991)	(46,720)
Capital Contributions	51,735	-	-
Transfers In	362,780	-	-
Transfers Out	<u>(221,389)</u>	<u>-</u>	<u>-</u>
Change in Net Position	47,125	(590,991)	(46,720)
Net Position, Beginning	<u>3,414,717</u>	<u>1,383,286</u>	<u>785,781</u>
Net Position, Ending	<u>\$ 3,461,842</u>	<u>\$ 792,295</u>	<u>\$ 739,061</u>

<u>Liability Insurance</u>	<u>OPEB</u>	<u>Total</u>
<u>\$ 1,238,862</u>	<u>\$ 3,366,204</u>	<u>\$ 12,510,594</u>
<u>1,238,862</u>	<u>3,366,204</u>	<u>12,510,594</u>
105,038	-	3,934,685
-	-	951,493
-	-	1,085,811
-	-	631,542
30,523	-	225,395
296,974	-	2,117,635
591,348	3,366,717	3,988,195
<u>-</u>	<u>-</u>	<u>145,084</u>
<u>1,023,883</u>	<u>3,366,717</u>	<u>13,079,840</u>
<u>214,979</u>	<u>(513)</u>	<u>(569,246)</u>
<u>17,044</u>	<u>149</u>	<u>17,193</u>
<u>17,044</u>	<u>149</u>	<u>17,193</u>
232,023	(364)	(552,053)
-	-	51,735
-	-	362,780
<u>-</u>	<u>-</u>	<u>(221,389)</u>
232,023	(364)	(358,927)
<u>829,634</u>	<u>811,885</u>	<u>7,225,303</u>
<u>\$ 1,061,657</u>	<u>\$ 811,521</u>	<u>\$ 6,866,376</u>

## **City of Hemet Agency Funds**

### **AGENCY FUNDS**

**Pass Thru Fees** - Accounts for the developer fees collected by the City on behalf of the County of Riverside. Those fees are remitted periodically to the County.

**Payroll Deposits** - Accounts for amounts held by the City on behalf of its employees for payment of taxes, insurance, and other voluntary deductions.

**Heartland 1999 - 1 CFD 2006 Refunding Series** - Accounts for the financial transacting of a special tax bond issue which is financing the off-site improvements of a housing community and a golf course.

**City of Hemet**  
**Combining Statement of Changes in Fiduciary Assets and Liabilities**  
**Agency Funds**  
June 30, 2014

	Pass Thru Fees	Payroll Deposits	Heartland CFD 2006	Total Agency Funds
<b>ASSETS</b>				
Cash and Investments	\$ 14,545	\$ 16,225	\$ -	\$ 30,770
Accounts Receivables	-	4,475	13,018	17,493
Due from Other Funds	44,668	536,196	-	580,864
Cash and Investments with Fiscal Agent	-	-	3,468,608	3,468,608
	<u>\$ 59,213</u>	<u>\$ 556,896</u>	<u>\$ 3,481,626</u>	<u>\$ 4,097,735</u>
<b>LIABILITIES</b>				
Accounts Payable	\$ 54,055	\$ 556,896	\$ 301	\$ 611,252
Due to Other Funds	-	-	580,864	580,864
Deposits	5,158	-	2,900,461	2,905,619
	<u>\$ 59,213</u>	<u>\$ 556,896</u>	<u>\$ 3,481,626</u>	<u>\$ 4,097,735</u>

**City of Hemet**  
**Statement of Changes in Fiduciary Assets and Liabilities**  
**Pass Thru Fees Agency Fund**  
Year Ended June 30, 2014

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
<b>ASSETS</b>				
Cash and Investments	\$ 20,472	\$ 2,007,484	\$ 2,013,411	\$ 14,545
Due from Other Funds	<u>148,164</u>	<u>44,668</u>	<u>148,164</u>	<u>44,668</u>
Total Assets	<u><u>\$ 168,636</u></u>	<u><u>\$ 2,052,152</u></u>	<u><u>\$ 2,161,575</u></u>	<u><u>\$ 59,213</u></u>
<b>LIABILITIES</b>				
Accounts Payable	\$ 129,387	\$ 1,916,837	\$ 1,992,169	\$ 54,055
Deposits	<u>39,249</u>	<u>1,859,320</u>	<u>1,893,411</u>	<u>5,158</u>
Total Liabilities	<u><u>\$ 168,636</u></u>	<u><u>\$ 3,776,157</u></u>	<u><u>\$ 3,885,580</u></u>	<u><u>\$ 59,213</u></u>

**City of Hemet**  
**Statement of Changes in Fiduciary Assets and Liabilities**  
**Payroll Deposits Agency Fund**  
Year Ended June 30, 2014

	Beginning Balance	Additions	Deletions	Ending Balance
<b>ASSETS</b>				
Cash and Investments	\$ 17,436	\$ 50,772,807	\$ 50,774,018	\$ 16,225
Due from Other Funds	400,000	536,196	400,000	536,196
Accounts Receivable	4,307	71,976	71,808	4,475
	<u>421,743</u>	<u>51,380,979</u>	<u>51,245,826</u>	<u>556,896</u>
Total Assets	<u>\$ 421,743</u>	<u>\$ 51,380,979</u>	<u>\$ 51,245,826</u>	<u>\$ 556,896</u>
<b>LIABILITIES</b>				
Accounts Payable	\$ 421,743	\$ 68,561,478	\$ 68,426,325	\$ 556,896
Deposits	-	-	-	-
	<u>421,743</u>	<u>68,561,478</u>	<u>68,426,325</u>	<u>556,896</u>
Total Liabilities	<u>\$ 421,743</u>	<u>\$ 68,561,478</u>	<u>\$ 68,426,325</u>	<u>\$ 556,896</u>

**City of Hemet**  
**Statement of Changes in Fiduciary Assets and Liabilities**  
**Heartland CFD 2006 Agency Fund**  
Year Ended June 30, 2014

	Beginning Balance	Additions	Deletions	Ending Balance
<b>ASSETS</b>				
Cash	\$ -	\$ 1,730,390	\$ 1,730,390	\$ -
Accounts Receivables	23,220	13,018	23,220	13,018
Cash and Investments with Fiscal Agent	<u>3,617,228</u>	<u>778,072</u>	<u>926,692</u>	<u>3,468,608</u>
Total Assets	<u>\$ 3,640,448</u>	<u>\$ 2,521,480</u>	<u>\$ 2,680,302</u>	<u>\$ 3,481,626</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Accounts Payable	\$ -	\$ 796,873	\$ 796,572	\$ 301
Due to Other Funds	548,164	580,864	548,164	580,864
Deposits	<u>3,092,284</u>	<u>821,870</u>	<u>1,013,692</u>	<u>2,900,462</u>
Total Liabilities	<u>\$ 3,640,448</u>	<u>\$ 1,402,734</u>	<u>\$ 1,561,856</u>	<u>\$ 3,481,326</u>

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## **STATISTICAL SECTION**

City of Hemet  
Net Position by Component  
Last Ten Fiscal Years\*  
(accrual basis of accounting)  
(amounts expressed in thousands)

	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
<b>Governmental activities</b>										
Net Investment in Capital Assets	\$ 316,435	\$ 322,266	\$ 317,653	\$ 330,174	\$ 327,965	\$ 323,329	\$ 320,323	\$ 332,523	\$ 326,964	\$ 325,096
Restricted	9,878	10,165	17,464	18,754	22,937	32,078	58,734	42,003	33,450	36,986
Unrestricted	4,696	7,639	24,411	27,282	28,462	24,332	327	14,792	24,524	20,224
Total governmental activities net position	<u>\$ 331,009</u>	<u>\$ 340,070</u>	<u>\$ 359,528</u>	<u>\$ 376,210</u>	<u>\$ 379,364</u>	<u>\$ 379,739</u>	<u>\$ 379,384</u>	<u>\$ 389,318</u>	<u>\$ 384,938</u>	<u>\$ 382,307</u>
<b>Business-type activities</b>										
Net Investment in Capital Assets	\$ 8,069	\$ 8,170	\$ 7,240	\$ 6,380	\$ 6,657	\$ 5,281	\$ 4,624	\$ 3,694	\$ 4,114	\$ 4,171
Restricted	-	-	-	-	-	-	-	-	-	-
Unrestricted	6,433	3,652	3,757	6,267	7,901	10,292	10,985	14,171	7,559	7,828
Total business-type activities net position	<u>\$ 14,502</u>	<u>\$ 11,822</u>	<u>\$ 10,997</u>	<u>\$ 12,647</u>	<u>\$ 14,558</u>	<u>\$ 15,573</u>	<u>\$ 15,609</u>	<u>\$ 17,865</u>	<u>\$ 11,673</u>	<u>\$ 12,000</u>
<b>Primary government</b>										
Net Investment in Capital Assets	\$ 324,504	\$ 330,437	\$ 324,893	\$ 336,554	\$ 334,622	\$ 328,610	\$ 324,947	\$ 336,217	\$ 331,078	\$ 329,267
Restricted	9,878	10,165	17,464	18,754	22,937	32,078	58,734	42,003	33,450	36,986
Unrestricted	11,128	11,291	28,168	33,549	36,363	34,624	11,312	28,963	32,082	28,053
Total primary government net position	<u>\$ 345,511</u>	<u>\$ 351,892</u>	<u>\$ 370,525</u>	<u>\$ 388,856</u>	<u>\$ 393,922</u>	<u>\$ 395,312</u>	<u>\$ 394,994</u>	<u>\$ 407,183</u>	<u>\$ 396,611</u>	<u>\$ 394,307</u>

\* Reflects data since the implementation of GASB 34

City of Hemet  
Changes in Net Position  
Last Ten Fiscal Years\*  
(accrual basis of accounting)  
(amounts expressed in thousands)

	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
<b>Expenses</b>										
Governmental activities:										
General government										
Public Safety	\$ 883	\$ 351	\$ 1,379	\$ 1,402	\$ 1,417	\$ 1,471	\$ 929	\$ 1,870	\$ 2,047	\$ 3,082
Community development	23,984	28,491	31,986	31,794	30,881	27,482	27,348	26,114	25,449	28,308
Public Works	3,896	5,275	7,408	6,142	5,718	7,100	7,287	4,367	5,064	6,627
Sanitation	12,515	18,111	1,739	2,350	11,312	13,343	12,379	11,700	15,807	11,804
Parks	1,574	2,144	2,042	2,026	1,793	1,858	2,381	1,596	1,754	1,921
Libraries	791	865	985	994	810	849	763	617	790	906
Interest and related charges on long-term debt	2,201	2,432	2,741	2,488	2,177	2,046	1,787	1,689	1,600	1,751
Total governmental activities expenses	927	1,003	921	1,079	1,007	934	760	363	-	-
Business-type activities:										
Refuse	46,770	58,674	49,202	48,276	55,114	55,083	53,633	48,317	52,510	54,397
Water	9,279	11,345	11,240	10,334	10,148	10,018	10,516	5,059	276	-
Total business-type activities expenses	6,440	8,304	7,709	7,087	6,513	6,716	7,132	8,881	8,918	7,478
Total primary government expenses	15,719	19,649	18,949	17,421	16,660	16,735	17,647	13,940	9,194	7,478
	\$ 62,490	\$ 78,322	\$ 68,151	\$ 65,697	\$ 71,774	\$ 71,818	\$ 71,280	\$ 62,257	\$ 61,704	\$ 61,875
<b>Program Revenues</b>										
Governmental activities:										
Charges for services:										
General government	\$ 1,117	\$ 1,116	\$ 993	\$ 769	\$ 1,095	\$ 3,754	\$ 2,797	\$ 1,031	\$ 1,494	\$ 1,606
Public safety	705	791	880	892	577	573	964	1,185	902	1,069
Community development	7,828	7,196	5,974	3,799	2,882	2,047	1,118	795	602	718
Public Works	2,577	3,028	3,363	3,558	4,812	3,271	5,878	4,743	4,314	4,810
Sanitation	2,156	2,629	2,785	2,820	2,977	2,555	2,794	2,788	2,758	2,883
Other activities	138	167	182	229	106	82	53	50	36	35
Operating grants and contributions	6,159	7,991	6,991	6,235	5,837	6,645	3,503	3,219	1,981	2,454
Capital grants and contributions	6,558	12,010	8,987	8,533	5,458	6,275	8,718	6,445	5,321	5,850
Total government activities program revenues	27,239	34,929	30,155	26,834	23,746	25,201	25,825	20,255	17,409	19,425
Business-type activities										
Charges for services:										
Refuse	8,883	10,503	11,209	11,401	11,058	10,697	9,978	4,160	117	-
Water	5,596	6,067	6,540	7,375	7,497	7,539	7,403	7,768	7,549	7,371
Operating grants and contributions	-	-	-	-	-	-	-	-	-	-
Capital grants and contributions	267	314	66	-	-	-	-	-	-	-
Total business-type activities program revenues	14,746	16,884	17,815	18,776	18,555	18,236	17,381	11,928	7,666	7,371
Total primary government program revenues	\$ 41,985	\$ 51,813	\$ 47,969	\$ 45,610	\$ 42,301	\$ 43,437	\$ 43,206	\$ 32,183	\$ 25,076	\$ 26,796

	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Net (expense)/revenue	\$ (23,745)	\$ (23,745)	\$ (19,047)	\$ (21,443)	\$ (31,368)	\$ (29,882)	\$ (27,808)	\$ (28,061)	\$ (35,101)	\$ (34,972)
Governmental activities	(2,764)	(2,764)	(1,134)	-	-	1,501	(266)	(2,012)	(1,527)	(107)
Business-type activities	\$ (26,509)	\$ (26,509)	\$ (20,181)	\$ (21,443)	\$ (31,368)	\$ (28,381)	\$ (28,074)	\$ (30,073)	\$ (36,628)	\$ (35,079)
Total primary government net expense										
<b>General Revenues and Other Changes in Net Position</b>										
Governmental activities:										
Taxes										
Property taxes	\$ 7,766	\$ 8,673	\$ 11,548	\$ 15,048	15,670	12,061	10,648	7,813	7,343	6,207
Transient occupancy taxes	483	606	849	992	947	621	603	586	626	643
Sales taxes	8,366	9,885	11,211	11,716	10,229	7,320	9,436	9,426	10,118	11,043
Motor vehicle in lieu taxes	2,847	5,001	4,992	5,910	6,690	5,373	5,179	4,783	4,829	4,996
Franchise and other taxes	2,442	2,577	3,535	3,484	3,531	1,077	1,422	3,354	4,730	4,875
Investment income	366	951	652	1,204	1,052	510	493	572	132	565
Miscellaneous	209	214	39	244	23	7	149	448	264	184
Gain (loss) on sale/disposal of assets	-	-	-	-	-	-	-	-	-	-
Capital contributions	29	-	-	-	-	-	-	-	-	-
Transfers	(17)	(16)	(20)	(92)	(18)	571	-	(2,185)	2,527	(187)
Total governmental activities	22,491	27,891	32,806	38,505	38,124	27,540	27,929	24,797	30,568	28,327
Business-type activities										
Investment income	102	150	65	216	277	85	56	183	12	71
Gain (loss) on sale/disposal of assets	-	-	-	-	-	-	-	1,830	-	-
Capital contributions	579	-	-	-	-	-	-	-	-	-
Miscellaneous										
Transfers	17	16	20	92	18	(571)	91	70	59	176
Total business-type activities	698	166	85	309	295	(486)	146	2,185	(4,736)	187
Total primary government	\$ 23,189	\$ 28,058	\$ 32,891	\$ 38,814	\$ 38,419	\$ 27,054	\$ 28,075	\$ 29,065	\$ 25,903	\$ 28,760
<b>Change in Net Position</b>										
Governmental activities	\$ (1,254)	\$ 4,146	\$ 9,061	\$ 19,458	\$ 16,681	\$ (2,342)	\$ 121	\$ 7,190	\$ (4,532)	\$ (6,646)
Business-type activities	(2,066)	(2,598)	(2,680)	(826)	1,650	1,015	(120)	2,256	(6,192)	327
Total primary government	\$ (3,320)	\$ 1,548	\$ 6,382	\$ 18,633	\$ 18,332	\$ (1,326)	\$ 1	\$ 9,446	\$ (10,725)	\$ (6,319)

\*Reflects data since the implementation of GASB 34

City of Hemet  
Fund Balances of Governmental Funds  
Last Ten Fiscal Years\*  
(modified accrual basis of accounting)  
(amounts expressed in thousands)

	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
General Fund										
Reserved	\$ 277	\$ 222	\$ 4,516	\$ 4,942	\$ 1,261	\$ 2,364				
Unreserved	8,481	9,333	5,588	2,788	2,559	209				
Nonspendable**							1,019	3,221	1,020	12
Restricted**								-	698	873
Committed**								7,439	7,888	7,270
Assigned**								316	4,269	6,362
Unassigned**							1,679	6,724	8,163	4,397
Total general fund	\$ 8,758	\$ 9,555	\$ 10,104	\$ 7,730	\$ 3,820	\$ 2,573	\$ 2,697	\$ 17,699	\$ 22,038	\$ 18,913
All other governmental funds										
Reserved	\$ 11,863	\$ 8,424	\$ 13,177	\$ 15,024	\$ 15,677	\$ 20,189				
Unreserved, reported in:										
Special revenue funds	1,948	3,880	6,992	10,983	15,155	13,654				
Capital projects funds	11,083	13,583	10,444	12,388	16,693	22,971				
Nonspendable**							1,354	1,354	1,354	1,354
Restricted**							51,960	34,784	32,831	33,741
Committed**							-	-	-	-
Assigned**							6,309	4,181	4,452	4,554
Unassigned, reported in:**							(2,468)	(2,029)	(1,225)	(174)
Special revenue funds										
Capital projects funds										
Total all other governmental funds	\$ 24,894	\$ 25,987	\$ 30,613	\$ 38,394	\$ 47,526	\$ 56,814	\$ 57,155	\$ 38,289	\$ 37,412	\$ 39,476

\*Reflects data since the implementation of GASB 34

\*\*In Fiscal Year 2011/2012, GASB Statement 54 required that Fund Balance be enhanced to provide clearer fund balance classifications.

City of Hemet  
Changes in Fund Balances of Governmental Funds  
Last Ten Fiscal Years\*  
(modified accrual basis of accounting)  
(amounts expressed in thousands)

	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
<b>Revenues</b>										
Taxes	\$ 24,123	\$ 27,685	\$ 32,051	\$ 30,943	\$ 27,273	\$ 23,068	\$ 23,362	\$ 22,502	\$ 24,265	\$ 24,275
Licenses and permits	4,482	3,946	3,215	1,712	1,803	1,363	2,175	1,536	1,598	1,996
Intergovernmental revenues	8,102	11,773	11,699	12,011	11,099	11,787	14,710	11,113	9,322	10,033
Charges for services	15,370	21,203	16,658	15,092	14,217	12,464	11,812	9,924	9,509	10,107
Fines and forfeitures	351	385	386	360	327	218	600	511	404	400
Investment income	951	979	2,144	2,166	1,520	877	493	572	132	565
Other contributions	-	-	-	-	-	-	-	-	-	-
Miscellaneous	1,641	1,785	2,527	2,692	2,112	2,210	159	468	337	184
<b>Total revenues</b>	<b>55,020</b>	<b>67,754</b>	<b>68,680</b>	<b>64,976</b>	<b>58,351</b>	<b>51,987</b>	<b>53,311</b>	<b>46,625</b>	<b>45,566</b>	<b>47,561</b>
<b>Expenditures</b>										
General government	727	175	1,163	1,304	1,097	1,027	1,601	1,983	1,949	2,412
Public safety	23,473	27,899	30,726	31,078	30,027	25,883	24,807	24,610	23,967	26,915
Community development	3,944	5,442	7,437	6,276	5,707	2,630	7,196	4,617	5,064	6,627
Public works	6,051	8,660	5,506	5,037	5,481	6,138	5,651	5,501	4,919	5,692
Sanitation	1,580	2,183	2,045	2,059	1,924	1,802	1,957	1,785	1,754	1,921
Parks	836	933	990	1,021	805	823	763	647	790	906
Libraries	1,938	2,234	2,454	2,254	1,821	1,669	1,420	1,441	1,248	1,399
Capital outlay	14,034	16,881	10,250	9,070	4,813	3,495	6,410	3,900	6,035	2,422
Debt service										
Principal	691	482	1,631	345	360	375	390	405	-	-
Interest	926	1,000	1,041	1,079	1,003	937	697	342	-	-
SERAF Obligation						4,425	911	-	-	-
Fiscal-administrative charges	5	8	10	4	7	3	3	3	-	-
<b>Total expenditures</b>	<b>54,205</b>	<b>65,897</b>	<b>63,255</b>	<b>59,526</b>	<b>53,047</b>	<b>49,208</b>	<b>51,807</b>	<b>45,234</b>	<b>45,725</b>	<b>48,294</b>
Excess (deficiency) of revenues over expenditures	815	1,858	5,425	5,451	5,305	2,780	1,504	1,392	(159)	(733)
<b>Other financing sources (uses)</b>										
Transfers in	3,144	3,798	7,443	2,845	3,034	3,569	5,038	6,696	6,933	1,985
Transfers out	(3,162)	(3,866)	(7,593)	(2,889)	(3,117)	(2,953)	(4,010)	(8,977)	(3,313)	(2,313)
Issuance of debt	-	-	-	-	-	-	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>(18)</b>	<b>(68)</b>	<b>(150)</b>	<b>(43)</b>	<b>(83)</b>	<b>616</b>	<b>1,028</b>	<b>(2,281)</b>	<b>3,620</b>	<b>(328)</b>
<b>Net change in fund balances</b>	<b>\$ 797</b>	<b>\$ 1,790</b>	<b>\$ 5,275</b>	<b>\$ 5,407</b>	<b>\$ 5,221</b>	<b>\$ 3,396</b>	<b>\$ 2,532</b>	<b>\$ (889)</b>	<b>\$ 3,461</b>	<b>\$ (1,061)</b>
Debt service as a percentage of noncapital expenditures	4.04%	3.04%	5.06%	2.83%	2.84%	12.56%	4.41%	1.82%	0.00%	0.00%

\* Reflects data since the implementation of GASB 34

City of Hemet  
 Own Source Revenue  
 Governmental Activities Property Tax Revenue  
 Last Ten Fiscal Years\*  
 (accrual basis of accounting)  
 (amounts expressed in thousands)

Fiscal Year	Property Tax
2005	3,325
2006	4,589
2007	6,118
2008	6,144
2009	5,797
2010	4,850
2011	4,437
2012	4,611
2013	7,127
2014	5,946

\*Reflects data since the implementation of GASB 34

\*\*Revenues for Fiscal Year 2012/2013 include additional amounts as a result of the RDA Dissolution

City of Hemet  
Assessed Value and Estimated Actual Value of Taxable Property  
Last Ten Fiscal Years

Fiscal Year	City				Redevelopment				Highest Direct Tax Rate
	Secured	Unsecured	Less Exemptions	Taxable Assessed Value	Secured	Unsecured	Less Exemptions	Taxable Assessed Value	
2005	3,122,839,457	116,191,604	(140,808,716)	3,098,222,345	929,149,696	64,356,300	(26,936,607)	966,569,389	0.24552
2006	3,760,093,030	128,843,912	(141,041,785)	3,747,895,157	1,085,138,951	67,181,222	(25,347,524)	1,126,972,649	0.24552
2007	4,735,323,023	140,094,511	(143,902,282)	4,731,515,252	1,386,488,321	74,247,501	(27,029,158)	1,433,706,664	0.24552
2008	5,524,246,122	154,911,432	(159,536,967)	5,519,620,587	1,623,497,110	80,385,410	(31,025,848)	1,672,856,672	0.24552
2009	5,361,185,825	183,698,140	(157,121,829)	5,387,762,136	1,576,142,470	87,430,895	(28,268,577)	1,635,304,788	0.24552
2010	4,481,845,081	181,495,343	(174,541,484)	4,488,798,940	1,347,521,671	82,733,031	(29,470,067)	1,400,784,635	0.24552
2011	4,134,062,713	193,780,485	(122,995,288)	4,204,847,910	1,260,302,405	76,584,053	(45,093,185)	1,291,793,273	0.24552
2012	4,107,678,820	172,163,525	(121,880,603)	4,157,961,742	1,226,300,702	77,049,549	N/A**	1,303,350,251	0.24552
2013	4,115,265,405	183,667,394	(122,849,619)	4,176,083,180	1,238,584,940	78,868,067	N/A**	N/A**	0.24552
2014	4,330,049,882	165,792,295	(133,510,154)	4,362,332,023	1,311,683,769	72,346,441	N/A**	N/A**	0.24552

NOTE:  
In 1978 the voters of the State of California passed Proposition 13 which limited property taxes to a total maximum rate of 1% based upon the assessed value of the property being taxed. Each year, the assessed value of property may be increased by an "inflation factor" (limited to a maximum increase of 2%). With few exceptions, property is only reassessed at the time that it is sold to a new owner. At that point, the new assessed value is reassessed at the purchase price of the property sold. The assessed valuation data shown above represents the only data currently available with respect to the actual market value of taxable property and is subject to the limitations described above.  
\*\*The State of California dissolved all Redevelopment Agencies effective 02/01/2012. All activity for the wind down of the Agencies was moved to a Successor Agency.

Source: Riverside County Auditor-Controller

City of Hemet  
Property Tax Rates  
Direct and Overlapping Governments  
Per \$100 of Assessed Value  
Last Ten Fiscal Years

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
City Direct Rates:										
City of Hemet Basic Area	0.24552	0.24552	0.24552	0.24552	0.24552	0.24552	0.24552	0.24552	0.24552	0.24552
Overlapping Rates:										
Hemet Unified School	0.30653	0.30653	0.30653	0.30653	0.30653	0.30653	0.30653	0.30653	0.30653	0.30653
County General	0.25433	0.25433	0.25433	0.25433	0.25433	0.25433	0.25433	0.25433	0.25433	0.25433
Eastern Municipal Water District	0.04435	0.04435	0.04435	0.04435	0.04435	0.04435	0.04435	0.04435	0.04435	0.04435
Flood control Zone 4	0.03923	0.03923	0.03923	0.03923	0.03923	0.03923	0.03923	0.03923	0.03923	0.03923
Riv. Co. Office of Education	0.03641	0.03641	0.03641	0.03641	0.03641	0.03641	0.03641	0.03641	0.03641	0.03641
Mt. San Jacinto Junior College	0.03527	0.03527	0.03527	0.03527	0.03527	0.03527	0.03527	0.03527	0.03527	0.03527
Eastern Municipal Water Improvement Dist 17	0.01665	0.01665	0.01665	0.01665	0.01665	0.01665	0.01665	0.01665	0.01665	0.01665
Valley Wide Recreation & Park District	0.01455	0.01455	0.01455	0.01455	0.01455	0.01455	0.01455	0.01455	0.01455	0.01455
San Jacinto Valley Cemetery	0.00458	0.00458	0.00458	0.00458	0.00458	0.00458	0.00458	0.00458	0.00458	0.00458
Flood Control Administration	0.00238	0.00238	0.00238	0.00238	0.00238	0.00238	0.00238	0.00238	0.00238	0.00238
San Jacinto Basin Resource Conservation	0.00020	0.00020	0.00020	0.00020	0.00020	0.00020	0.00020	0.00020	0.00020	0.00020
Proposition 13 Rate	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000
Bond issues:										
Hemet Unified School District Debt Sv	0.05324	0.04875	0.03939	0.081648	0.09156 *	0.09476 *	0.11177	0.12536	0.12525	0.12502
Metropolitan Water District Debt Sv	0.00580	0.00520	0.00469	0.004499	0.0075 *	0.0043 *	0.0037	0.0037	0.0035	0.0035
<b>Total Rate</b>	<b>1.05904</b>	<b>1.05395</b>	<b>1.04408</b>	<b>1.08615</b>	<b>1.09906</b>	<b>1.09906</b>	<b>1.11547</b>	<b>1.12906</b>	<b>1.12875</b>	<b>1.12852</b>

NOTE:  
In 1978, California voters passed Proposition 13 which sets the property tax rate at a 1.00% fixed amount. This 1.00% is shared by all taxing agencies for which the subject property resides within. In addition to the 1.00% fixed amount, property owners are charged taxes as a percentage of assessed property values for the payment of Hemet Unified School District Debt Service and Metropolitan Water District Debt Service. Ratios for tax rate area 006-001, excluding Redevelopment factors

*the average tax rate in City of Hemet Basic Area is approximately .17 prior to the ERAF shifts*

Source: HDL, Coren & Cone  
Riverside County Auditor-Controller

City of Hemet  
Principal Property Taxpayers  
June 30, 2014

Taxpayer	2014			2005		
	Assessed Value	Rank	Percent of Total City Taxable Assessed Value	Assessed Value	Rank	Percent of Total City Taxable Assessed Value
PHH Real Estate	\$ 43,143,302	1	0.99%	-	-	-
Freedom Properties Hemet	40,393,658	2	0.93%	-	-	-
Granite Village West LP	40,143,096	3	0.92%	-	-	-
MCS Hemet Valley Center	33,291,017	4	0.76%	-	-	-
FFLP CC	29,511,962	5	0.68%	-	-	-
James J. Femino	28,723,400	6	0.66%	-	-	-
Emeritus Corporation	25,742,429	7	0.59%	-	-	-
Time Warner Cable	25,655,600	8	0.59%	-	-	-
Walmart Real Estate Business Trust	25,406,937	9	0.58%	-	-	-
Esses JMS Acquisition	18,064,357	10	0.41%	-	-	-
Freedom Properties Hemet	-	-	-	\$ 34,777,993	1	1.12%
MCS Hemet Valley Center	-	-	-	27,282,498	2	0.88%
BHI Dover XVI	-	-	-	24,334,178	3	0.79%
Merrill Gardens LLC	-	-	-	23,786,623	4	0.77%
James Femino	-	-	-	23,183,129	5	0.75%
Johns M Sachs Inc	-	-	-	21,992,219	6	0.71%
K Hovnanians Four Seasons at Hemet	-	-	-	17,782,528	7	0.57%
Hensley Properties	-	-	-	16,547,281	8	0.53%
KB Home Coastal Inc	-	-	-	16,196,520	9	0.52%
Western Pacific Housing	-	-	-	15,600,000	10	0.50%
	<u>\$ 310,075,758</u>		<u>7.11%</u>	<u>\$ 221,482,969</u>		<u>7.15%</u>

Source: HDL, Coren & Cone

City of Hemet  
Property Tax Levies and Collections  
Last Ten Fiscal Years  
(amounts expressed in thousands)

Fiscal Year	City Tax Levy	Redevelopment Tax Increment	Successor Agency Tax Increment	Collected within the Fiscal Year of the Levy			Collection of Delinquent taxes	Total Collections to Date	
				City Amount	Redevelopment Amount *	Percentage of Levy		Amount	Percentage of Levy
2005	3,396	7,560		3,170	7,600	98.31%	154	10,925	99.71%
2006	4,099	8,934		4,401	10,011	110.58%	187	14,599	112.01%
2007	4,970	12,127		5,873	13,933	115.84%	245	20,051	117.27%
2008	5,646	14,527		5,705	15,043	102.85%	439	21,187	105.03%
2009	5,491	13,699		4,970	13,979	98.74%	827	19,776	103.05%
2010	4,633	11,308		4,733	10,841	97.70%	118	15,692	98.44%
2011	4,293	10,033		3,993	10,073	98.18%	444	14,511	101.29%
2012	4,218	10,238		4,263	5,997	70.97%	349	4,611	109.32%
2013	4,175	-	10,338	4,524	-	108.36%	337	4,861	116.43%
2014	4,384	-	10,840	4,333	-	98.84%	455	4,788	109.21%

NOTE:

The amounts presented include City property taxes and Redevelopment Agency tax increments. This schedule also includes amounts collected by the City and Redevelopment Agency that were passed-through to other agencies.

\* The Redevelopment amount is Gross Tax Increment received which includes pass through amounts to other agencies. approximately 43% of the Redevelopment amount collected is available for the Redevelopment Agency

\*\*The State of California dissolved all Redevelopment Agencies effective 02/01/2012. All activity for the wind down of the Agencies was moved to a Successor Agency. Since Successor Agency increment is only enough to cover annual costs of the wind down process, these amounts are excluded from the collection data.

Source: Riverside County Auditor Controller  
HDL, Coren & Cone

City of Hemet  
Ratios of Outstanding Debt by Type  
Last Ten Fiscal Years  
(amounts expressed in thousands, except per capita amount)

Fiscal Year	Governmental Activities				Business-Type Activities				Total Primary Government	Percentage of Personal Income	Per Capita
	Certificates of Participation	1999 TAB	2002 TAB	Notes Payable	Water Revenue Bonds	Capital Leases	Certificates of Participation				
2005	294	8,915	7,300	1,329	3,505	-	91	21,434	1.49%	323	
2006	156	8,700	7,195	1,286	3,080	-	45	20,461	1.31%	294	
2007	-	8,475	7,085	-	2,625	3,422	-	21,607	1.27%	302	
2008	-	8,240	6,975	-	2,150	2,986	-	20,351	1.17%	274	
2009	-	7,995	6,860	-	-	2,424	-	17,279	1.09%	231	
2010	-	7,740	6,740	-	-	1,972	-	16,452	1.12%	217	
2011	-	7,475	6,615	-	-	1,503	-	15,593	1.06%	197	
2012	-	*	*	-	-	286	-	286	0.02%	4	
2013	-	*	*	-	-	153	-	153	0.01%	2	
2014	-	*	*	-	-	-	-	-	-	-	

NOTE:

Personal Income data for 2014 is not yet available.

\* 1999 and 2002 Tax Allocation Bonds are no longer reported as part of the primary government.

Sources: City of Hemet Financial Statements  
State of California Franchise Tax Board  
State Department of Finance

City of Hemet  
Ratios of General Bonded Debt Outstanding  
Last Ten Fiscal Years  
(amounts expressed in thousands, except per capita amount)

Fiscal Year	Population	General Obligation Bonds	Tax Allocation Bonds	Total	Percentage of Assessed Value *	Per Capita
2005	66,455	0	16,215	16,215	0.40%	244
2006	69,544	0	15,895	15,895	0.33%	229
2007	71,705	0	15,560	15,560	0.25%	217
2008	74,185	0	15,215	15,215	0.21%	205
2009	74,931	0	14,855	14,855	0.21%	198
2010	75,820	0	14,480	14,480	0.25%	191
2011	79,309	0	14,090	14,090	0.26%	178
2012	80,089	0	**	-	0.00%	-
2013	80,877	0	**	-	0.00%	-
2014	81,537	0	**	0	0.00%	-

General bonded debt is debt payable with governmental fund resources and general obligation bonds recorded in enterprise funds (of which, the City has none).

\* Assessed value has been used because the actual value of taxable property is not readily available in the State of California.

\*\* 1999 and 2002 Tax Allocation Bonds are no longer reported as part of the primary government.

City of Hemet  
Direct and Overlapping Governmental Activities Debt  
as of June 30, 2014

2013-2014 Assessed Valuation: \$ 4,395,724,969

OVERLAPPING TAX AND ASSESSMENT DEBT:	Total Debt 6/30/2014	% Applicable (1)	City's Share of Debt 6/30/14
Metropolitan Water District	\$ 132,275,000	0.199%	\$ 263,227
Eastern Municipal Water District, I.D. No. 20	37,000	100.000%	37,000
Eastern Municipal Water District, I.D. No. 24	467,000	53.017%	247,589
Eastern Municipal Water District, I.D. No. U12	337,000	2.501%	8,428
Eastern Municipal Water District, I.D. No. U17	246,000	100.000%	246,000
Eastern Municipal Water District, I.D. No. U18	1,067,000	100.000%	1,067,000
Eastern Municipal Water District, I.D. No. U19	84,000	4.289%	3,603
Eastern Municipal Water District, I.D. No. U-20	68,000	4.365%	2,968
Eastern Municipal Water District, I.D. No. U21	167,000	13.609%	22,727
Hemet Unified School District	161,300,000	50.345%	81,206,485
San Jacinto Unified School District	43,516,722	6.160%	2,680,630
Hemet Unified School District Community Facilities District No. 2004-1	3,550,000	100.000%	3,550,000
Hemet Unified School District Community Facilities District No. 2005-2, 3 & 4	23,300,000	100.000%	23,300,000
San Jacinto Unified School District Community Facilities District No. 2005-4	2,245,000	29.818%	669,414
Eastern Municipal Water District Community Facilities District No. 2001-02	5,690,000	100.000%	5,690,000
Eastern Municipal Water District Community Facilities District No. 2004-27	8,085,000	100.000%	8,085,000
Eastern Municipal Water District Community Facilities District No. 2005-38	2,650,000	100.000%	2,650,000
City of Hemet Community Facilities District No. 1999-1	11,240,000	100.000%	11,240,000
<b>TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT</b>			<b>\$ 140,970,072</b>
<b>DIRECT AND OVERLAPPING GENERAL FUND DEBT:</b>			
Riverside County General Fund Obligations	\$ 692,656,315	2.097%	\$ 14,525,003
Riverside County Pension Obligations	334,515,000	2.097%	7,014,780
Riverside County board of Education Certificates of Participation	2,700,000	2.097%	56,619
Mt San Jacinto Community College District General Fund Obligations	11,390,000	6.683%	761,194
Hemet Unified School District Certificates of Participation	57,820,000	50.345%	29,109,479
San Jacinto Unified School District Certificates of Participation	41,080,000	6.160%	2,530,528
<b>City of Hemet</b>	<b>0</b>	<b>100.000%</b>	<b>0</b>
TOTAL GROSS DIRECT AND OVERLAPPING GENERAL FUND DEBT			\$ 53,997,602
Less: Riverside County Administrative Center Authority (100% self-supporting from tax increment revenues)			194,672
TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND DEBT			\$ 53,802,930
<b>OVERLAPPING TAX INCREMENT DEBT (Successor Agency):</b>	356,356,777	0.575-100%	17,289,433
<b>TOTAL DIRECT DEBT</b>			<b>\$0</b>
TOTAL GROSS OVERLAPPING DEBT			212,257,107
TOTAL NET OVERLAPPING DEBT			212,062,435
GROSS COMBINED TOTAL DEBT			\$ 212,257,107 (2)
NET COMBINED TOTAL DEBT			\$ 212,062,435

(1) The percentage of overlapping debt applicable to the city is estimated using taxable assessed property value. Applicable percentages were estimated by determining the portion of the overlapping district's assessed value that is within the boundaries of the city divided by the district's total taxable assessed value.

(2) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue, and non-bonded capital lease obligations. Qualified Zone Academy Bonds are included based on principal due at maturity.

Ratios to 2012-13 Assessed Valuations:

Total Overlapping Tax and Assessment Debt	3.44%
<b>Total Direct Debt</b>	<b>0.00%</b>
Gross Combined Total Debt	5.16%
Net Combined Total Debt	5.16%

Ratios to Redevelopment Successor Agencies Incremental Valuation (\$1,091,251,197):

Total Overlapping Tax Increment Debt	1.68%
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Source: California Municipal Statistics, Inc.

City of Hemet  
Legal Debt Margin Information  
Last Ten Years

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Debt Limit	\$ 115,967,000	\$ 140,546,068	\$ 177,431,822	\$ 206,985,772	\$ 202,041,080	\$ 168,329,960	\$ 157,681,797	\$ 155,923,565	\$ 156,603,119	\$ 163,587,451
Total net debt applicable to limit	\$ 115,967,000	\$ 140,546,068	\$ 177,431,822	\$ 206,985,772	\$ 202,041,080	\$ 168,329,960	\$ 157,681,797	\$ 155,923,565	\$ 156,603,119	\$ 163,587,451
Legal debt margin	-	-	-	-	-	-	-	-	-	-
Total net debt applicable to the limit as a percentage of debt limit	-	-	-	-	-	-	-	-	-	-

Legal Debt Margin Calculation for Fiscal Year 2014:

Assessed Value	\$ 4,362,332,023
Debt limit (3.75% of assessed value)	163,587,451
Debt applicable to limit:	
General obligation bonds	0
Legal debt margin	\$ 163,587,451

The Government Code of the State of California provides for a legal debt limit of 15% of gross assessed valuation. However, this provision was enacted when assessed valuation was based upon 25% of market value. Effective with the 1981-82 fiscal year, each parcel is now assessed at 100% of market value (as of the most recent change in ownership for that parcel). Although the statutory debt limit has not been amended by the State since this change, the percentage presented in the above computations have been proportionately modified to 3.75% (25% of 15%) for the purpose of this calculation in order to be consistent with the computational effect of the debt limit at the time of the state's establishment of the limit.

Source: Riverside County Assessor's Office

City of Hemet  
Pledged-Revenue Coverage  
Last Ten Fiscal Years  
(In Thousands)

Fiscal Year Ended June 30	Tax Allocation Bonds				Water Revenue Bonds				Coverage	
	Net Tax Increment	Debt Service		Water Revenue	Less Operating Expenses	Net Available Revenue	Debt Service			
		Principal	Interest				Principal	Interest		
2004	1,931	300	785	5,674	5,525	148	395	215	0.24	
2005	2,271	305	774	5,596	6,060	(465)	405	195	(0.77)	
2006	3,064	320	762	6,067	8,085	(2,018)	425	175	(3.36)	
2007	4,369	335	751	6,540	7,509	(968)	455	154	(1.59)	
2008	4,560	345	736	7,375	6,873	502	475	131	0.83	
2009	4,067	360	722	7,497	6,385	1,111	2,150	106	0.49	
2010	2,825	375	708	7,539	6,794	745	-	-	-	
2011	2,727	385	692	Water Revenue Bond paid off in Fiscal year ending 6/30/2009						
2012	1,401	405	676							
2013	1,033	420	658							
2014	723	445	639							

Source: City of Hemet Financial Statements

City of Hemet  
Demographic and Economic Statistics  
Last Ten Years

Calendar Year	Population (1)	Personal Income (2) (in thousands) Local Area Zip Codes	Per Capita Personal Income Local Area Zip Codes	Unemployment Rate (3)
2005	66,455	\$ 1,439,954 (4)	\$ 21,668	6.80%
2006	69,544	1,567,103 (4)	22,534	6.70%
2007	71,705	1,698,144 (4)	23,682	7.30%
2008	74,185	1,732,764 (4)	23,357	10.60%
2009	74,931	1,558,055 (4)	20,793	17.60%
2010	75,820	1,474,537 (4)	19,448	17.90%
2011	79,309	1,471,637 (4)	18,556	16.20%
2012	80,089	1,477,935 (4)	18,454	14.30%
2013	80,877	1,475,417 (4)	18,243 *	12.80%
2014	81,537	*	- *	10.70%

\*2014 Personal Income Data is not yet available

- Sources:
- 1 State Department of Finance (data shown is for City of Hemet)
  - 2 Franchise Tax Board Adjusted Gross Income for zip codes 92543, 92544, 92545
  - 3 California Labor Market Info, State and Local Info (data shown is for City of Hemet)
  - 4 Franchise Tax Board Information is based upon calendar year. This statistical information became available beginning in 2005.

City of Hemet  
Principal Employers  
2014

Employer	Number of Employees	Percent of Total Employment
Hemet Unified School District	2,962	11.90%
Valley Health System	923	3.71%
TE Connectivity Previously Deutsch Co/Industrial Products	314 *	1.26%
County of Riverside (Various service centers)	469	1.88%
Walmart Supercenter	420	1.69%
Horizon Solar	400	1.61%
Gosch Ford, Toyota, Hyundai & Inland Chevrolet	353	1.42%
City of Hemet	288	1.16%
Manorcare Health Services	278 *	1.12%
Village Healthcare Retirement	230	0.92%
Stater Bros	201	0.81%
McCrometer Inc.	198	0.80%
Home Depot	180	0.72%
Lowe's	144	0.58%
Target	120	0.48%
Winco Foods	115 *	0.46%

\* Number of Employees for 3 noted Employers are estimates from last year.  
Current year data not available.

Source: City of Hemet Telephone Survey  
California Labor Market Info, Data Library  
Numbers are approximate per their Human Resources Department

City of Hemet  
Full-time and Part-time City Employees  
by Function

As of June 30:

Function	2006	2007	2008	2009	2010	2011	2012	2013	2014
General Government	48	48	41	36	35	32	30	30	29
Community Development (Building, Planning, Engineering)	47	51	43	39	39	38	38	35	35
Library	23	27	23	17	16	15	13	13	12
Police									
Sworn	78	85	82	75	68	58	54	61	61
Non-sworn	37	37	33	31	31	31	27	28	28
Fire									
Firefighters and Officers	60	59	56	50	48	49	48	44	44
Civilians	2	4	3	3	1	3	1	3	3
Public Works									
Water	15	15	14	14	16	17	16	19	18
Sewer/Storm Drain/Street Sweeping	9	11	11	2	4	1	4	4	4
Refuse	33	33	25	26	24	24	2	1	1
Streets, Parks, LLMD	33	33	29	31	31	31	33	32	33
Facility & Equipment Maintenance	16	21	17	17	15	14	11	11	11
Clean City Youth	20	11	8	6	4	6	5	4	4
Administration	7	7	15	8	3	4	7	5	8
<b>TOTAL</b>	<b>428</b>	<b>442</b>	<b>400</b>	<b>355</b>	<b>335</b>	<b>323</b>	<b>289</b>	<b>290</b>	<b>291</b>

Source: City of Hemet Payroll Process Report - Active Employees

City of Hemet  
Operating Indicators  
by Function

Function:	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
<b>Police</b>										
Calls for Service (1)	69,405	72,883	71,340	50,022	64,091	57,432	42,616	44,508	45,507	70,599
Arrests (1)	4,074	4,343	5,064	3,318	3,097	3,553	4,205	3,860	2,468	3,222
Sworn Officer's per 1000 population	1	1	1	1	1	1	1	1	1	1
<b>Fire</b>										
Calls for Service (1)	11,591	12,128	12,366	12,028	10,805	12,155	12,620	12,850	11,922	13,613
Fire/Explosion (included in total above)	305	314	282	253	244	288	240	228	224	254
Medical Aid (included in total above)	9,036	9,834	10,220	9,754	8,842	10,167	10,704	10,802	10,064	11,383
<b>Community Development</b>										
Permits: Single Family + Mobile set up	1,609	1,002	469	237	166	149	106	21	93	127
Conditional Use Permits applied/approved	18/4	9/0	21/2	28/12	13/8	9/3	12/11	7/4	8/4	9/2
Site Development Reviews applied/approved	26/22	27/4	19/10	10/2	6/5	1/2	4/1	3/1	9/7	5/4
<b>Library</b>										
Number of items checked out	398,140	463,544	482,110	492,665	437,175	412,718	428,459	428,601	381,047	360,792
Number of Cardholders	55,795	67,122	79,056	88,752	87,834	112,192	116,012	112,000	128,209	133,366
Total items in collection	103,475	104,528	99,423	98,625	82,018	101,752	102,902	106,211	92,680	104,977
<b>Simpson Senior Center</b>										
Citizens served through:										
Simpson Center	49,870	53,000	55,787	58,332	57,693	57,000 *	N/A	N/A	N/A	N/A
Lunch Program	24,000	26,700	28,540	27,872	27,872	28,000 *	N/A	N/A	N/A	N/A
Prime of Life	33,120	35,400	36,200	37,000	23,000	23,000 *	N/A	N/A	N/A	N/A
<b>Public Works</b>										
Trees trimmed	1,132	1,264	1,500	1,837	1,996	1,781	1,537	2,117	2,400	1,300 *
Poured Sidewalk (sq ft)	135,765	150,850	165,500	181,500	150,000	134,450	151,280	164,920	178,742	70,190
Asphalt remove and replace (sq ft)	24,000	32,000	40,000	50,000	3,037,500	306,000	52,426	66,234	73,266	1,358,833
Striping painted (linear ft)	150,000	200,000	210,000	220,500	223,500	218,000	1,044,862	1,056,000	-	1,000,000 *
Equipment CHP 90 day inspections/maint	200	206	211	236	238	224	N/A	N/A	N/A	116
Equipment light duty preventative maint	56	58	61	852	834	861	N/A	N/A	N/A	858
Buildings maintained (sq ft)	267,027	276,393	285,907	285,907	285,907	285,907	285,907	285,907	285,907	285,907
Miscellaneous service requests	3,620	3,906	4,101	4,306	4,507	3,520	4,760	4,753	4,800	1,500 *
<b>Refuse collected:</b>										
Commercial tons	24,849	25,311	28,011	22,864	23,207	17,846	18,038	7,052	N/A	N/A
Residential tons	25,125	25,633	29,605	23,262	23,610	23,056	23,545	12,915	N/A	N/A
Roll-off tons	10,362	10,717	16,055	10,260	10,415	7,375	8,112	3,541	N/A	N/A
Green Waste tons	2,526	3,412	4,905	4,638	4,707	7,725	7,808	2,988	N/A	N/A
Commingled Recyclable tons	3,404	3,380	4,508	4,506	4,504	4,024	2,118	912	N/A	N/A
Cardboard tons	1,043	1,005	1,198	1,035	1,050	1,170	1,890	619	N/A	N/A
<b>Water</b>										
Number of active accounts	9,332	9,405	9,212	8,996	9,001	9,325	9,145	9,112	9,214	9,075
Water introduced into the System (acre ft)	5,365	5,394	5,374	4,576	4,919	4,206	4,293	4,484	3,953	4,597
1 acre foot=325.851 gallons										

\* These numbers are estimated. The estimates for FY13/14 are due to a change in software used to track Service Orders in various Public Works departments. In Fiscal Year 09/10, the City contracted with YMCA and most currently Valley Wide Recreation to run the Simpson Center and all services associated with it.

N/A is data that was not available

Source: Various departments within City of Hemet

City of Hemet  
Capital Asset Statistics  
by Function

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Police Stations	1	1	1	1	1	1	1	1	1	1	1
Fire Stations	3	5	5	5	5	4	4	4	4	4	4
Recreation and Culture:											
Number of parks	9	9	9	9	9	9	10	10	10	10	10
Number of libraries	1	1	1	1	1	1	1	1	1	1	1
Number of volumes	94,484	103,475	104,528	99,423	98,625	82,018	101,752	102,902	106,211	92,680	104,977
Public Works:											
Area of City (square miles)	26	26	26	26	26	26	26	26	26	26	26
Miles of Streets	360	360	360	360	360	360	360	360	360	360	360
Number of Street lights	3,600	3,600	3,600	3,600	3,600	3,600	3,600	3,600	3,600	3,600	3,600
Number of water accounts	9,287	9,332	9,405	9,212	8,996	9,001	9,423	9,145	9,112	9,214	9,075
Miles of water mains	120	120	120	120	120	120	120	120	120	120	120
Number of refuse accounts	N/A	N/A	20,001	20,593	23,504	23,454	23,548	23,548	0	0	0
Number of vehicles (city wide)	283	296	300	300	295	298	300	300	257	238	227

N/A = not available  
Source: Various City Departments

City of Hemet  
Water, Refuse, and Sewer Rates

Effective	7/1/2005	3/1/2007	7/1/2007	7/1/2008	7/1/2009	7/1/2010	7/1/2011	7/1/2012	7/1/2013	7/1/2014
Water	Bimonthly									
Low Water Usage Rates										
0-1000 CF	\$ 42.00	\$ 46.20	\$ 50.80	\$ 56.00	\$ 56.00	\$ 56.00	\$ 56.00	\$ 56.00	\$ 56.00	\$ 56.00
Normal Water Usage Rates										
Base Water Rates										
5/8" Meter	31.76	34.94	38.44	42.28	42.28	42.28	42.28	42.28	42.28	42.28
3/4" Meter	34.26	37.68	41.44	45.58	45.58	45.58	45.58	45.58	45.58	45.58
1" Meter	41.00	45.10	49.62	49.62	54.58	54.58	54.58	54.58	54.58	54.58
2" Meter	106.30	116.94	128.64	141.50	141.50	141.50	141.50	141.50	141.50	141.50
Consumption Water Rates per 100 CF										
0-600 CF	1.73	1.90	2.09	2.30	2.30	2.30	2.30	2.30	2.30	2.30
'601-1200 CF	1.87	2.06	2.27	2.50	2.50	2.50	2.50	2.50	2.50	2.50
'1201-over CF	2.16	2.38	2.62	2.88	2.88	2.88	2.88	2.88	2.88	2.88
<b>Refuse</b>										
Standard cart (60 gallon)	29.20	30.70	30.70	30.70	30.70	30.70	30.70	30.70	-	-
Large cart (90 gallon)	34.70	36.50	36.50	36.50	36.50	36.50	36.50	36.50	-	-
<b>Sewer</b>										
City sewer and storm drain	13.98	15.04	15.04	15.04	15.04	15.04	15.04	15.04	15.04	15.04
Increase February 1, 2004										
Increase February 1, 2005										
Increase February 1, 2006	14.44									

The City of Hemet has a Franchise Agreement in place with CR&R for Refuse services. The City stopped providing Refuse services on 11/30/2011.

Source: City of Hemet Water Department

City of Hemet  
Water Sold by Type of Customer  
Last Nine Years  
(in 100 Cubic Feet)

Type of Customer	Calendar Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Single Family Residential	1,026,988	845,928	793,174	1,240,052	889,529	578,755	656,432	712,947	807,603	787,091
Multi-Family Residential	538,104	461,834	467,397	416,413	498,880	496,734	429,042	513,087	551,677	522,196
Commercial/Institutional	519,968	502,145	503,339	509,716	527,331	444,644	341,292	403,410	475,449	328,247
Landscape Irrigation	139,308	109,111	116,562	178,597	168,463	158,942	76,907	109,569	230,049	264,334
<b>Total</b>	<b>2,224,368</b>	<b>1,919,018</b>	<b>1,880,472</b>	<b>2,344,778</b>	<b>2,084,203</b>	<b>1,679,075</b>	<b>1,503,673</b>	<b>1,739,013</b>	<b>2,064,778</b>	<b>1,901,868</b>

Source: City of Hemet Water Department

December 29, 2014

Ms. Jessica Hurst, Deputy City  
Manager/Administrative Services  
City of Hemet  
445 E. Florida Ave.,  
Hemet, CA 92543

Dear Ms. Hurst:

In planning and performing our audit of the financial statements of the City for the year ended June 30, 2014, we considered its internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control.

During our audit, we noted certain matters involving internal control and other operational matters that are presented for your consideration below. We will review the status of these comments during our next audit engagement.

This letter by its very nature is critical and does not highlight the many positive features of the City's internal control. These comments and recommendations are intended to improve the internal control or result in other operating efficiencies and are summarized as follows:

**(1)**  
**Cash Receipts**

While obtaining an understanding of the internal controls over the payments received and collected at the Fire Administration Building, we noted this department is using a manual receipts system (pre-numbered receipts booklet) to record transactions. Receipt copies, along with cash and checks collected, are then brought to the Finance Department to be deposited and recorded in the general ledger. However, no one independent of the cash collection and receipt issuance process at the Fire Administration Building or in the Finance Department reviews the sequential order of the pre-numbered receipts issued from the receipt booklet.

Because there is no review of the sequential order of the receipts issued, there is a possibility that receipts could be issued and not be deposited or recorded in the general ledger. Therefore, we recommend the City review the cash receipts procedures currently in place at the Fire Administration Building to determine what changes, if any, can be made to improve the internal controls over the cash receipts process.

**(2)**

**General Fund Operating Deficits**

Expenditures in the City's General Fund for the 2013-14 fiscal year exceeded revenues by approximately \$1.8 million. In addition, the City reported operating deficits (expenditures exceeded revenues) of \$147,572 and \$121,320 for the 2011-12 and 2010-11 fiscal years, respectively. Also, if not for one-time revenues in the 2012-13 as a result of the dissolution of redevelopment agencies, the City may have had an operating deficit in the 2012-13 fiscal year as well. Through review of the 2014-15 Annual Operating Budget, the City adopted a budget with an operating deficit of \$2,613,700 in the General Fund, using available fund balance to fund the deficit.

Although the City's General Fund had sufficient fund balance to absorb the operating deficit in the 2013-14 fiscal year and will have sufficient fund balance to fund the operating deficit as budgeted in the 2014-15 fiscal year, the deficit spending appears to be worsening. In addition, the CalPERS contribution rates for the City have been increasing in recent years, which will also cause decreases in the City's Net Position and Fund Balance in the General Fund, unless offset by increased revenues and/or decreases in other expenditures.

Also, the City is not currently funding its obligations for Other Post-Employment Benefits (OPEB), but is instead paying these costs on a pay-as-you-go basis. As of June 30, 2014, the City's financial statements report an OPEB liability of approximately \$8.35 million. This liability increased by \$830,000 during the 2013-14 fiscal year, and will continue to increase in future years unless funded. The above liability represents contributions the City should have made for OPEB, similar to pension contributions, but did not. This results in the City having to make up for past contribution deficiencies at some point in the future.

In light of the above information, we recommend that the City consider its current financial position and related policies, including revenue and expenditure levels in the General Fund, along with the upcoming implementation of new accounting pronouncements as described below, to determine if financial policy and budget revisions are necessary. Financial policies should be established to ensure continued financial solvency in the long term, while maintaining necessary services for the citizens of Hemet.

(3)

**New Accounting Pronouncements**

The Governmental Accounting Standards Board (GASB) has issued GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27*. This statement will be required to be implemented in the City's financial statements for the fiscal year ending June 30, 2015 due to the City's participation in the CalPERS retirement plans. Although the exact effects of this statement on the City's financial statements are not known at this point, it should be noted that the impacts will be based on the City's unfunded actuarial accrued liability from the City's CalPERS pension plans.

In the June 30, 2013 CalPERS actuarial valuations, the combined unfunded actuarial accrued liability from the City's Safety and Miscellaneous plans was approximately \$68 million. This new statement will require the City to report its unfunded pension liability in its financial statements. It is expected that the Net Position of the City will decrease significantly when these new accounting pronouncements are implemented.

**Summation**

We would like to take this opportunity to express our appreciation for the assistance extended us during the course of our audit. If we can be of further assistance, or if you have any questions regarding our recommendations, please call our office. This letter is intended solely for the information and use of management and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

*Van Lant + Fankhaed, LLP*



**Independent Auditor's Report on Internal Control over Financial Reporting and  
on Compliance and Other Matters Based on an Audit of Financial Statements  
Performed in Accordance with *Government Auditing Standards***

City Council  
City of Hemet  
Hemet, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of the City of Hemet (City), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 29, 2014.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any

deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a deficiency in internal control, described in the accompanying schedule of findings and responses as item 2014-1 that we consider to be a significant deficiency.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **City of Hemet's Response to Finding**

The City's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. The City's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Van Lant + Fankhaed, LLP*

December 29, 2014

**CITY OF HEMET**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**Year Ended June 30, 2014**

*2014-1: Formal Policies and Procedures*

Finding:

The following is a continuation from the prior year:

As noted in the prior year, our audit procedures involved obtaining and evaluating various City policies and procedures. During our review we noted the City could benefit from establishing formal policies in certain areas, including the following:

- Capitalization Policy (relating to capital asset purchases, disposals, etc.)
- Accounting Policies and Procedures
- Debt Policies
- Fraud Prevention and Detection Policy

Although the City may have informal policies in these areas, we believe the City could benefit from a more formal and comprehensive policies and procedures manual, approved by the City Council, which would provide detailed guidance to employees and management of the City. This will help to ensure consistency in these areas, even if there is staff turnover.

*Capitalization Policy*

For example, a Capitalization Policy would provide written guidance regarding capitalization thresholds (the level at which capital assets are recorded as assets rather than expensed), as well as depreciation methods and estimated useful lives. GFOA has issued recommended practices in this area which the City should refer to when developing such a policy.

*Accounting Policies and Procedures*

A formal accounting policies and procedures manual should be developed to thoroughly document the accounting process, including month-end and year-end closing procedures, journal entry procedures, and the review and approval process, among others. The manual should clearly demonstrate adequate segregation of duties in the financial reporting and accounting functions.

*Debt Policies*

The City currently has various outstanding debt issuances. However, it appears the City does not have any formal written policies regarding debt. The Government Finance Officers Association (GFOA) has issued a "Recommended Practice" regarding this issue.

**CITY OF HEMET**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**Year Ended June 30, 2014**

*2014-1: Formal Policies and Procedures - Continued*

Specifically, GFOA recommends that all local governments intending to issue debt develop a comprehensive debt policy. Examples of elements that should be addressed in such a policy include:

- The purpose for which the debt may be issued;
- Legal debt limitations established by policy;
- Types of debt permitted to be issued and criteria for issuance;
- Structural features that may be considered, such as maturity of debt, setting the maturities of the debt equal to or less than the useful life of the project; use of zero coupon bonds, discount bonds, premium bonds, etc.;
- Credit objectives;
- Authorized methods of sale;
- Method of selecting outside finance professionals;
- Policy on refunding debt

A debt policy should be formally adopted by the legislative body, and the debt program should be continuously monitored to ensure that it is in compliance with the debt policy. We recommend the City consider establishing a formal debt policy, taking into consideration the recommendations of GFOA.

*Code of Conduct (including fraud prevention and detection policies)*

The City Council and Management are responsible for designing and implementing systems and procedures for the prevention and detection of fraud, and for ensuring a culture and environment that promotes honesty and ethical behavior. This includes the responsibility to develop and implement a formal fraud risk assessment program.

Fraud can range from minor employee theft and unproductive behavior to misappropriation of assets and fraudulent financial reporting. Although external auditors are required to consider the risk of fraud in the audit process, it should be noted that external auditors are not considered part of the City's controls over the prevention and detection of fraud. Rather, external auditors are required to evaluate the City's fraud prevention and detection program, in relation to the audit of the financial statements.

The risk of fraud can be reduced through a combination of prevention, deterrence, and detection measures. However, fraud can be difficult to detect because it often involves concealment through falsification of documents or collusion among management, employees, or third parties. Therefore, it is important to place a strong emphasis on fraud prevention, which may reduce opportunities for fraud to take place, and fraud deterrence, which could persuade individuals

**CITY OF HEMET**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**Year Ended June 30, 2014**

*2014-1: Formal Policies and Procedures - Continued*

that they should not commit fraud because of the likelihood of detection and punishment. Moreover, prevention and deterrence measures are much less costly than the time and expense required for fraud detection and investigation.

During our audit we noted the City has taken steps to address the risk of fraud in certain areas, such as segregation of duties and other internal controls. Although the issue of fraud is addressed to some extent in personnel policies, the City should consider expanding its fraud policies.

For example, the City's current policies do not provide a thorough description of fraud. They also do not provide direction as to what employees should do if they suspect fraud is occurring.

Although the City provides training regarding ethics to management level employees, the City should consider establishing a more formal training program for all employees regarding fraud. New employees should be trained at the time of hiring about the entity's code of conduct (and fraud policies). This training should explicitly cover expectations of all employees regarding (1) their duty to communicate certain matters; (2) a list of the types of matters, including actual or suspected fraud, to be communicated along with specific examples; and (3) information on how to communicate those matters. In addition to the training at the time of hiring, employees should receive refresher training periodically thereafter.

As mentioned above, management needs to provide information to employees on how to communicate fraud related matters. Research has shown that the majority of fraud is detected by fellow employees, and not by outside auditors or internal controls. It is important for the City to establish and communicate to employees a reporting system that is appropriate for the City. The City should consider establishing a confidential reporting mechanism, not only for employees, but also for vendors and customers of the City.

Overall, the City should establish a formal fraud risk assessment program, to ensure that the risk of fraud is being periodically evaluated, monitored, and that appropriate action is taken to address the identified risks.

In summary, the City has established controls over fraud in many areas. However, the City should consider expanding its fraud prevention program as discussed above. The above comments do not address all components of a strong antifraud program. Additional information can be provided to the City's management regarding this issue.

**CITY OF HEMET**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**Year Ended June 30, 2014**

*2014-1: Formal Policies and Procedures - Continued*

Management's Response:

Management concurs with the finding and is in the process of reviewing draft versions of policies to address the areas described above.



December 29, 2014

City Council  
City of Hemet  
Hemet, CA

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Hemet for the year ended June 30, 2014. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards*, and OMB Circular A-133, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated May 29, 2014. Professional standards also require that we communicate to you the following information related to our audit.

#### Significant Audit Findings

##### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the City are described in Note 1 to the financial statements. No new accounting policies were adopted in the current year and the application of existing policies was not changed during the year ended June 30, 2014. We noted no transactions entered into by the City during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

Management's estimate of the fair value of investments is based on information provided by financial institutions. We evaluated the key factors and assumptions used to develop the fair value of investments in determining that it is reasonable in relation to the financial statements as a whole.

Management's estimate of capital assets depreciation is based on historical estimates of each capitalized item's useful life. We evaluated key factors and assumptions used to develop the estimated useful lives in determining that they are reasonable in relation to the financial statements as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements were:

The disclosure of the fair value of investments in Note 2 to the financial statements represents amounts susceptible to market fluctuation.

The disclosure of accumulated depreciation in Note 5 to the financial statements is based on estimated useful lives which could differ from actual useful lives of each capitalized item.

#### *Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

#### *Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. None of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

#### *Disagreements with Management*

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

#### *Management Representations*

We have requested certain representations from management that are included in the management representation letter dated December 29, 2014.

### *Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a “second opinion” on certain situations. If a consultation involves application of an accounting principle to the City’s financial statements or a determination of the type of auditor’s opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

### *Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the City’s auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

### Other Matters

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

### *New Accounting Pronouncements/Financial Condition*

As described in Note 1 to the financial statements, in June of 2012, GASB issued Statement No. 68, Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27. This will have a significant impact on the City’s financial statements; as the implementation will require the City to report the net pension liability for the defined benefit retirement plans. The net pension liability is equal to the difference between the total pension liability and the value of the assets set aside in the pension plan to pay for the benefits. The liability will be reported on the government-wide financial statements. Statement No. 68 is required to be implemented for periods beginning after June 15, 2014 (2014-15 fiscal year for the City of Hemet). As an example of the impact this statement will have on the City’s financial statements, recent CalPERS Actuarial Valuations for the City’s retirement plans report a combined net pension liability of approximately \$68 million. In the past, these unfunded pension liabilities have not been reported in the City’s financial statements, but will be upon implementation of GASB Statement No. 68.

These retirement plan liabilities are in addition to the liabilities the City is currently reporting for other post-employment benefits (OPEB). As of June 30, 2014, the City is reporting an \$8.35 million liability for OPEB, which has been increasing for several years. Although the City is

currently reporting a positive Net Position in its financial statements, these liabilities will most likely cause significant reductions to the City's Net Position in the future.

In addition, the City's General Fund reported an operating deficit of approximately \$1.77 million (expenditures in excess of revenues) in the current year. Additional information was communicated to management in a separate letter dated December 29, 2014.

This information is intended solely for the use of the City Council and management of the City and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

*Van Lant + Fankhaed, LLP*



## INDEPENDENT ACCOUNTANT'S REPORT ON AGREED-UPON PROCEDURES APPLIED TO APPROPRIATIONS LIMIT WORKSHEETS

City Council  
City of Hemet  
Hemet, California

We have performed procedures enumerated below to be the accompanying Appropriations Limit worksheet of the City of Hemet, for the year ended June 30, 2014. These procedures, which were agreed to by the City of Hemet and the League of California Cities (as presented in the publication entitled *Agreed-upon Procedures Applied to the Appropriations Limitation Prescribed by Article XIII B of the California Constitution*), were performed solely to assist the City in meeting the requirements of Section 1.5 of Article XIII B of the California Constitution. The City's management is responsible for the Appropriations Limit worksheet. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested of for any other purpose.

The procedures performed and our findings were as follows:

1. We obtained the completed worksheets and compared the limit and annual adjustment factors included in those worksheets to the limit and annual adjustment factors that were adopted by resolution of the City Council. We also compared the population and inflation options included in the aforementioned documents to those that were selected by a recorded vote of the City Council.

Finding: We were unable to recalculate the growth factor on the accompanying worksheet in accordance with the calculation requirements as described in the publication entitled *Agreed-upon Procedures Applied to the Appropriations Limitation Prescribed by Article XIII B of the California Constitution*.

2. For the accompanying Appropriations Limit worksheet, we added last year's limit to total adjustments and agreed the resulting amount to this year's limit.

Finding: We noted the calculation of the total adjustments in the current year does not take into account the Per Capita Personal Income (CPI) change factor of 5.12%.

3. We agreed the current year information presented in the accompanying Appropriations Limit worksheet to the other documents referenced in #1 above.

Finding: As noted above at procedure 2 above, the City did not use the CPI factor in determining the current year's appropriations limit.

4. We agreed the prior year appropriations limit presented in the accompanying Appropriations Limit worksheet to the prior year appropriations limit adopted by the City Council during the prior year.

Finding: No exceptions were noted as a result of our procedures.

We were not engaged to, and did not, perform an examination, the objective of which would be the expression of an opinion on the accompanying Appropriations Limit worksheet. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you. No procedures have been performed with respect to the determination of the appropriations limit for the base year, as defined by the League publication entitled *Article XIII B of the California Constitution*.

This report is intended solely for the use of the City Council and management of the City of Hemet and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

*Van Lant & Fankhaed, LLP*

December 29, 2014

**CITY OF HEMET**  
**APPROPRIATIONS LIMIT COMPUTATION**  
2013 – 2014

Change in Per Capital Personal Income		5.12%
Population Change		
City Population Growth		0.68%
Change in Per Capita Personal Income Converted to a Ratio		1.0512
Population Change Converted to a Ratio		1.0068
Calculation of Growth Factor		1.00682
2012 - 2013 Appropriations Limit	<u>\$ 84,281,951</u>	
2013 - 2014 Appropriations Limit (\$84,281,951 X 1.00682)	<u>\$ 84,856,918</u>	