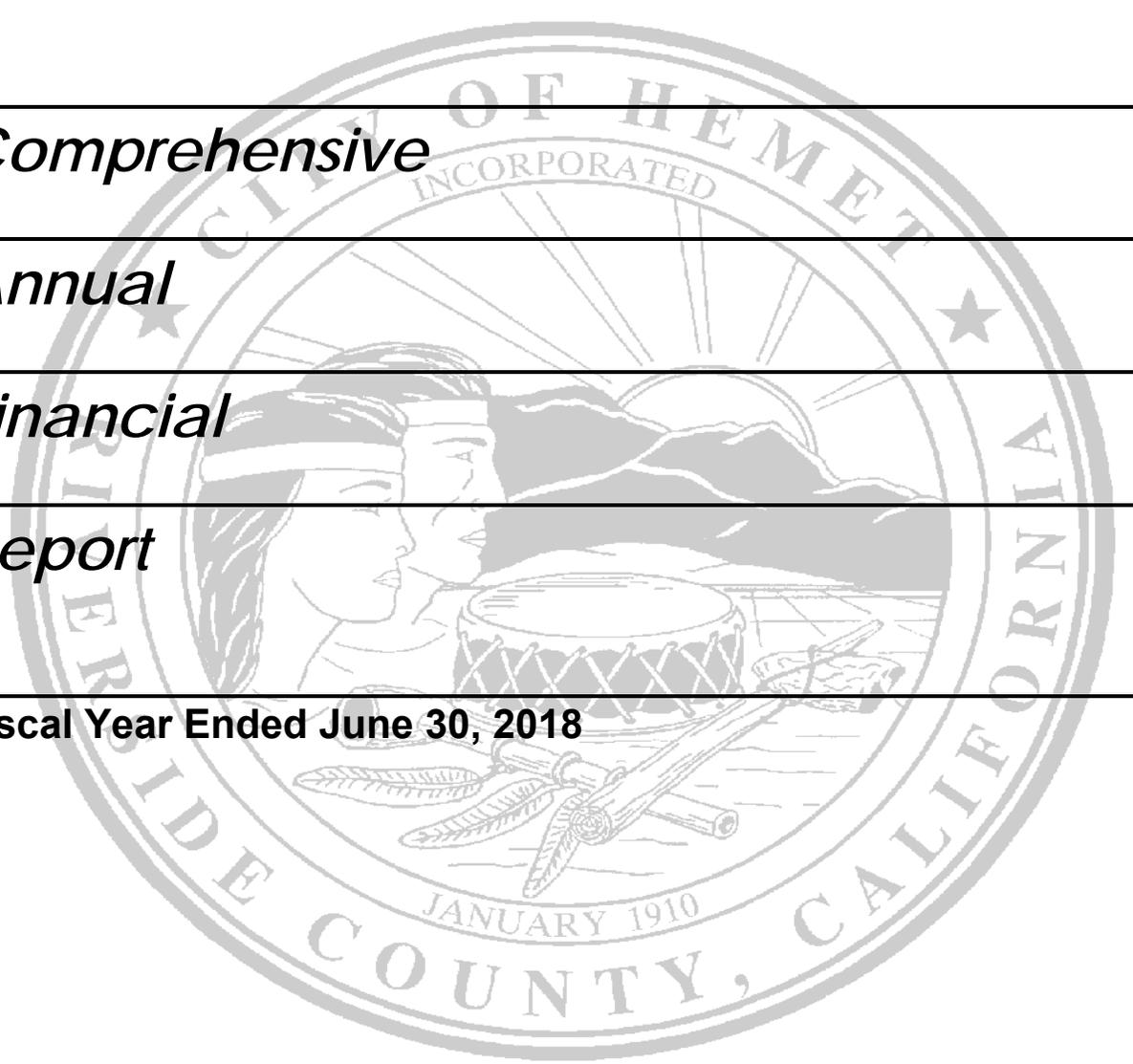

Comprehensive

Annual

Financial

Report

Fiscal Year Ended June 30, 2018



H *City of*
emet
California

COMPREHENSIVE ANNUAL FINANCIAL REPORT

**For The Fiscal Year Ended
June 30, 2018**

**CITY OF HEMET
CALIFORNIA**



Michael Perciful– Mayor

Karlee Meyer – Vice Mayor

Russ Brown – Council Member

Linda Krupa – Council Member

Bonnie Wright – Council Member

Prepared by the City of Hemet Finance Department

City of Hemet
Comprehensive Annual Financial Report
For the Year Ended June 30, 2018

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City of Hemet

445 E FLORIDA AVENUE * HEMET, CALIFORNIA 92543 * (951)765-2330

March 29, 2019

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 Report (CAFR) of the City of Hemet for the fiscal year ended June 30, 2018.

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 The Pun Group, 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, 2018 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, 2017 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 30 square miles and serves an estimated population of 83,000 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 1984. Policymaking and legislative authority are vested in a City Council consisting of the Mayor and four council members elected at-large. Beginning with the election in November 2016, council members are now elected by council districts. 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 departments in March. These requests are the starting point for developing a proposed budget. The City Manager reviews the budget requests with the departments and the finance division in order to compile recommendations. The City Manager then presents these 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 fund. Transfers of appropriations between 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. There have been modest improvements in the real estate and home building sectors as well as Sales Tax. 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 2016-2017 reflected the continued recovery in the national and state economies.

In November 2016, the citizens of Hemet voted to approve Measure U, a general 1% sales tax measure. While this Measure is considered a General Tax, the City’s Council passed a Resolution restricting the use of Measure U revenues to the addition and retention of Public Safety Personnel. Although the funds are housed within the General Fund, by Resolution, they are required to be tracked in separate accounts from General Fund revenues and expenditures. Any Measure U funds not spent at the end of the fiscal year are required to be reserved for future use of the Measure U program.

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 Council has eliminated the highest-costing medical plans in order to stabilize the cost of retiree medical benefits and reviews user fees annually in order to achieve maximum cost recover for those services.

In November 2016, an OPEB Trust fund was established to help lower the future Unfunded Liability of the City Retiree Medical obligation. The City contributes \$200,000 annually to the trust for future use.

Awards and Acknowledgements

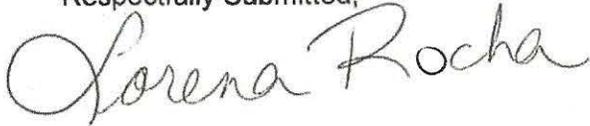
The City of Hemet is regularly recognized for excellence in financial reporting. The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Hemet for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2017. In order to receive this prestigious award, a governmental unit must publish an 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; however, due to the timing of the completion

of the CAFR the City of Hemet will not be 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,

A handwritten signature in cursive script that reads "Lorena Rocha". The signature is written in black ink and is positioned below the typed name.

Lorena Rocha
Finance Director



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

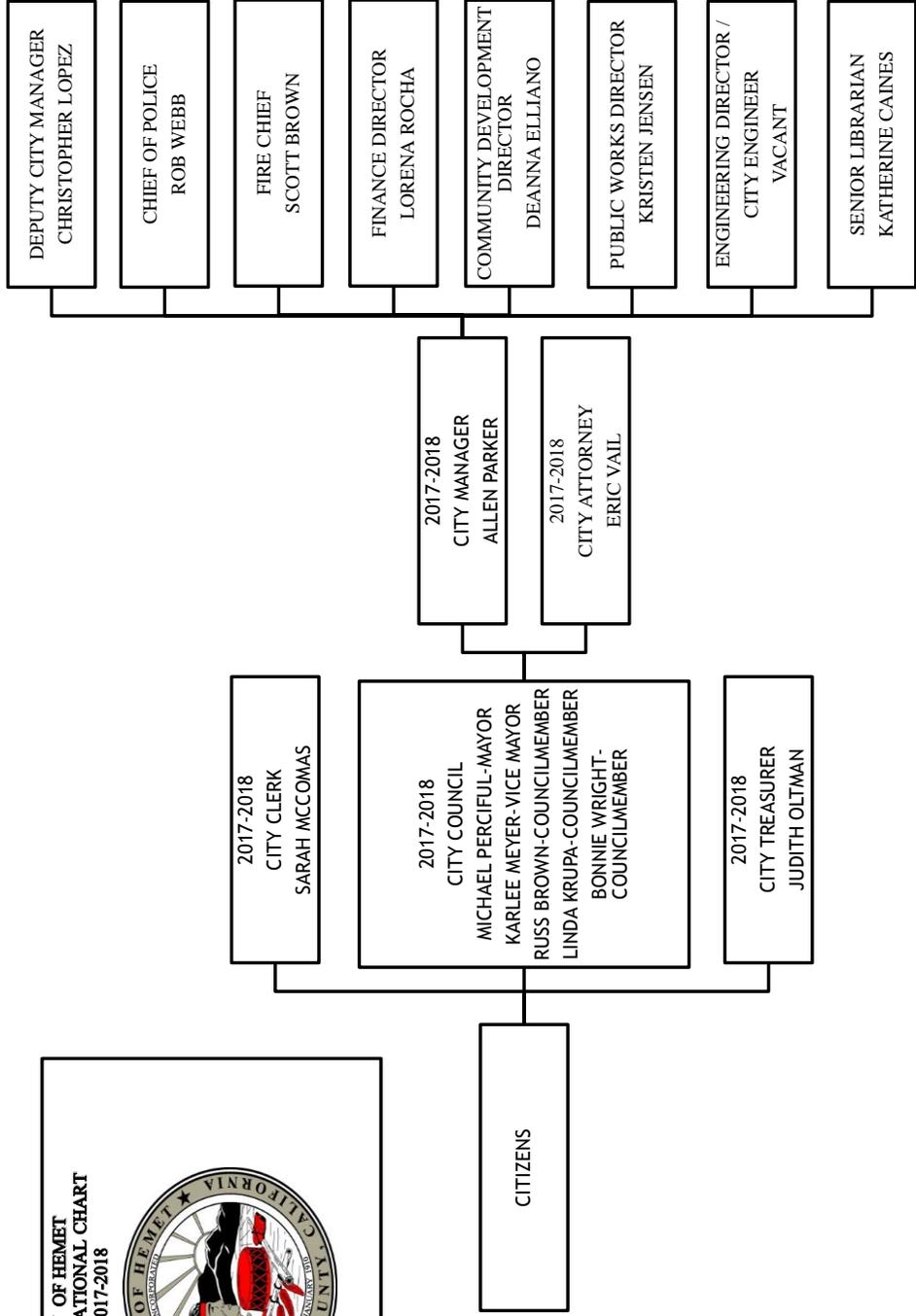
**City of Hemet
California**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2017

Christopher P. Morrill

Executive Director/CEO



PRINCIPAL OFFICIALS OF THE CITY OF HEMET, CALIFORNIA

June 30, 2018

Elected and Administrative Officials

City Council

Michael Perciful
Karlee Meyer
Linda Krupa
Russ Brown
Bonnie Wright

Mayor
Vice Mayor
Councilmember
Councilmember
Councilmember

Other Elected Officials

Judith Oltman

City Treasurer

Administrative Officials

Allen Parker
Eric Vail
Christopher Lopez
Lorena Rocha
Deanna Elliano
Rob Webb
Scott Brown
Kristen Jensen
Katherine Caines

City Manager
City Attorney
Deputy City Manager
Finance Director
Community Services Director
Police Chief
Fire Chief
Public Works Director
Senior Librarian

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INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and Members of the City Council
of the City of Hemet
Hemet, California

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Hemet, California (the "City"), as of and for the year ended June 30, 2018, 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 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.

To the Honorable Mayor and Members of the City Council
of the City of Hemet
Hemet, California
Page 2

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of June 30, 2018, 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.

Emphasis of Matter

Implementation of GASB 75

As discussed in Note 2 to the basic financial statements, the City implemented Governmental Accounting Standards Board (“GASB”) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The adoption of the standard required retrospective application of previously reported net position and reclassification of certain accounts as of July 1, 2017 as described in Note 15 to the basic financial statements. In addition, Net OPEB liability is reported in the Statement of Net Position in the amount of \$47,207,899 as of the measurement date. Net OPEB liability is calculated by actuaries using estimates and actuarial techniques from an actuarial valuation as of January 1, 2017, and the measurement date of June 30, 2018. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management’s Discussion and Analysis, Budgetary Comparison Schedule-General Fund, Budgetary Comparison Schedule-Sewer and Storm Drain Special Revenue Fund, Schedule of Changes in Net Pension Liability and Related Ratios, Schedule of Contributions-Pension, Schedule of Changes in Net Other Postemployment Benefit Liability and Related Ratios and the Schedule of Contributions-Other Postemployment Benefits on pages 5 to 14 and 91 to 99, 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 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.

To the Honorable Mayor and Members of the City Council
of the City of Hemet
Hemet, California
Page 3

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The Introductory Section, Combining and Individual Nonmajor Fund Financial Statements, the Schedules of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual, and the Statistical Section, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Combining and Individual Nonmajor Fund Financial Statements and the Schedules of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual are the responsibility of management and were 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 Combining and Individual Nonmajor Fund Financial Statements and the Schedules of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual are 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report March 29, 2019, 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 compliance.

The PwC Group, LLP

Santa Ana, California
March 29, 2019

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City of Hemet
Management's Discussion and Analysis (Unaudited)
For the Year Ended June 30, 2018

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, 2018. 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.

Significant Change in Financial Reporting

The most significant change in the current fiscal year is the adoption of Measure U, a General Sales Tax measure passed by the voters of the City. By City Resolution, the Council of the City has committed to restrict the use of these funds to increasing and retaining Public Safety employees. Although it was passed as a General Tax, accounting for this measure is tracked separate from all other General Fund revenues and expenditures. At the end of each fiscal year, any un-used Measure U fund balance is reserved for future use of the Police and Fire Measure U departments.

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 implemented GASB No. 68 which is reflected on the City's financial statements and beginning net position.

City of Hemet
Management's Discussion and Analysis (Unaudited) (Continued)
For the Year Ended June 30, 2018

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.

City of Hemet
Management's Discussion and Analysis (Unaudited) (Continued)
For the Year Ended June 30, 2018

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.

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"> • Statement of net position • Statement of activities | <ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures and changes in fund balances | <ul style="list-style-type: none"> • Statement of net position • Statement of revenues, expenses and changes in net position • Statement of cash flows | <ul style="list-style-type: none"> • Statement of fiduciary assets and liabilities • Statement of changes in fiduciary assets and liabilities |
| 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 |

City of Hemet
Management's Discussion and Analysis (Unaudited) (Continued)
For the Year Ended June 30, 2018

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'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 (Unaudited) (Continued)
For the Year Ended June 30, 2018

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>2018</u> | <u>2017</u> | <u>2018</u> | <u>2017</u> | <u>2018</u> | <u>2017</u> |
| | <u>(As Restated)</u> | | <u>(As Restated)</u> | | <u>(As Restated)</u> | |
| Current and other assets | \$ 84.0 | \$ 77.3 | \$ 12.2 | \$ 13.2 | \$ 96.2 | \$ 90.5 |
| Capital assets | 312.7 | 315.9 | 4.2 | 3.9 | 316.9 | 319.8 |
| Total assets | <u>\$ 396.7</u> | <u>\$ 393.2</u> | <u>\$ 16.4</u> | <u>\$ 17.1</u> | <u>\$ 413.1</u> | <u>\$ 410.3</u> |
| Deferred outflows of resources: | | | | | | |
| Pension contribution made after measurement date | \$ 21.0 | \$ 5.7 | \$ 1.2 | \$ 0.3 | \$ 22.2 | \$ 6.0 |
| Total deferred outflows of resources | <u>\$ 21.0</u> | <u>\$ 5.7</u> | <u>\$ 1.2</u> | <u>\$ 0.3</u> | <u>\$ 22.2</u> | <u>\$ 6.0</u> |
| Long-term debt outstanding | \$ 133.2 | \$ 82.1 | \$ 11.7 | \$ 4.3 | \$ 144.9 | \$ 86.4 |
| Other liabilities | 11.6 | 11.0 | 2.3 | 2.4 | 13.9 | 13.4 |
| Total liabilities | <u>\$ 144.8</u> | <u>\$ 93.1</u> | <u>\$ 14.0</u> | <u>\$ 6.7</u> | <u>\$ 158.8</u> | <u>\$ 99.8</u> |
| Deferred inflows of resources: | | | | | | |
| Pension related items | \$ 0.8 | \$ 1.7 | \$ 0.1 | \$ 0.1 | \$ 0.9 | \$ 1.8 |
| Total deferred inflows of resources | <u>\$ 0.8</u> | <u>\$ 1.7</u> | <u>\$ 0.1</u> | <u>\$ 0.1</u> | <u>\$ 0.9</u> | <u>\$ 1.8</u> |
| Net Position: | | | | | | |
| Net Investment in Capital Assets | \$ 312.7 | \$ 315.9 | \$ 4.2 | \$ 3.9 | \$ 316.9 | \$ 319.8 |
| Restricted | 55.3 | 48.2 | - | - | 55.3 | 48.2 |
| Unrestricted | <u>(95.9)</u> | <u>(58.5)</u> | <u>(0.8)</u> | <u>7.1</u> | <u>(96.7)</u> | <u>(51.4)</u> |
| Total net position | <u>\$ 272.1</u> | <u>\$ 305.6</u> | <u>\$ 3.4</u> | <u>\$ 11.0</u> | <u>\$ 275.5</u> | <u>\$ 316.6</u> |

City of Hemet
Management's Discussion and Analysis (Unaudited) (Continued)
For the Year Ended June 30, 2018

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

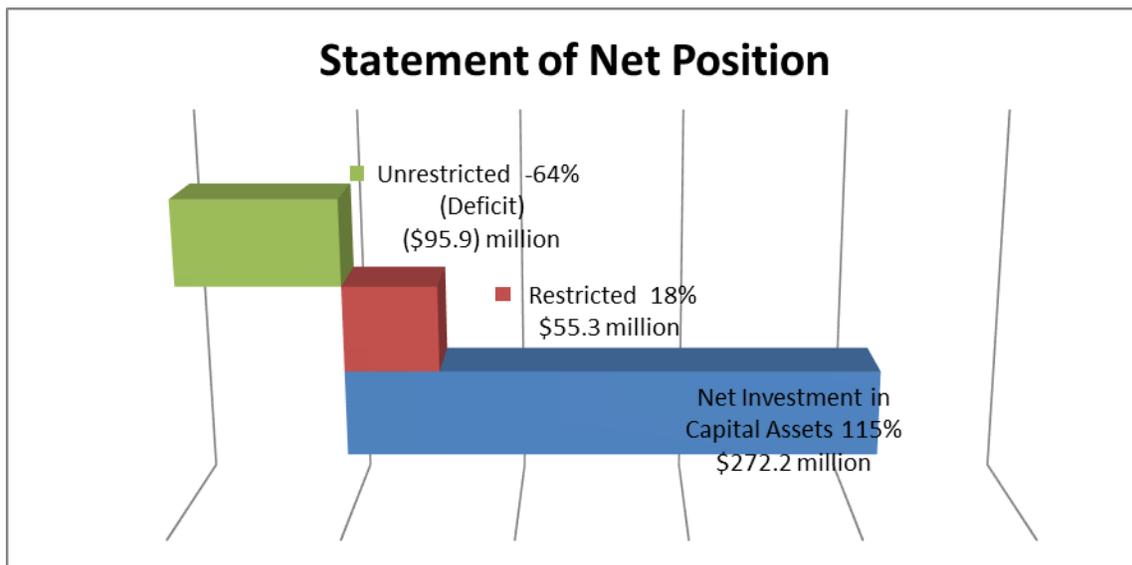
| Table 2 Changes in Net Position (in Millions) | | | | | | |
|---|----------------------------|-------------|-----------------------------|-------------|-----------------------------|-------------|
| | Governmental Activities | | Business-type Activities | | Total Primary Government | |
| | <u>2018</u> | <u>2017</u> | <u>2018</u> | <u>2017</u> | <u>2018</u> | <u>2017</u> |
| Revenues | | | | | | |
| Program revenues: | | | | | | |
| Charges for services | \$ 12.9 | \$ 11.6 | \$ 10.6 | \$ 11.5 | \$ 23.5 | \$ 23.1 |
| Operating grants/contributions | 2.7 | 2.6 | - | - | 2.7 | 2.6 |
| Capital grants/contributions | 6.5 | 6.2 | - | - | 6.5 | 6.2 |
| General revenues: | | | | | | |
| Property taxes | 7.1 | 6.5 | - | - | 7.1 | 6.5 |
| Other taxes | 29.0 | 24.3 | - | - | 29.0 | 24.3 |
| Measure U Sales Tax | 7.0 | 1.9 | - | - | 7.0 | 1.9 |
| Other general revenues | 1.2 | 1.0 | - | (0.3) | 1.2 | 0.7 |
| Total revenues | \$ 66.5 | \$ 54.1 | \$ 10.6 | \$ 11.2 | \$ 77.1 | \$ 65.3 |
| Program expenses | | | | | | |
| General government | \$ 3.5 | \$ 2.8 | \$ - | \$ - | \$ 3.5 | \$ 2.8 |
| Public safety | 37.8 | 34.1 | - | - | 37.8 | 34.1 |
| Public Safety Measure U | 5.3 | | | | | |
| Community development | 5.7 | 4.9 | - | - | 5.7 | 4.9 |
| Public works | 13.8 | 11.7 | - | - | 13.8 | 11.7 |
| Sanitation | 2.2 | 2.0 | - | - | 2.2 | 2.0 |
| Parks and library | 3.5 | 3.3 | - | - | 3.5 | 3.3 |
| Water and refuse | - | - | 12.1 | 10.0 | 12.1 | 10.0 |
| Total expenses | \$ 71.8 | \$ 58.8 | \$ 12.1 | \$ 10.0 | \$ 83.9 | \$ 68.8 |
| Excess (deficiency) before special items and transfers | \$ (5.3) | \$ (4.7) | \$ (1.5) | \$ 1.2 | \$ (6.8) | \$ (3.5) |
| Beginning Net Position, as Restated | \$ 277.6 | \$ 311.1 | \$ 4.8 | \$ 9.8 | \$ 282.4 | \$ 320.9 |
| Ending Net Position | \$ 272.2 | \$ 306.4 | \$ 3.3 | \$ 11.0 | \$ 275.6 | \$ 317.4 |

City of Hemet
Management's Discussion and Analysis (Unaudited) (Continued)
For the Year Ended June 30, 2018

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 2% (from \$277.6 million to \$272.2 million, as stated) in 2018. *Unrestricted* net position – the part of net position that can be used to finance daily operations without constraints established by debt covenants, enabling legislation, or other legal requirements – increased from a deficit of \$58.5 million in 2017 to a deficit of \$95.9 million in 2018. This decrease was primarily due to the implementation of Governmental Accounting Standards Board (GASB) Statement No. 68 which requires government entities to report pension obligations. The City also adopted the 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 decreased by 31.3% (from \$4.8 million to \$3.3 million, as stated) in 2018. 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

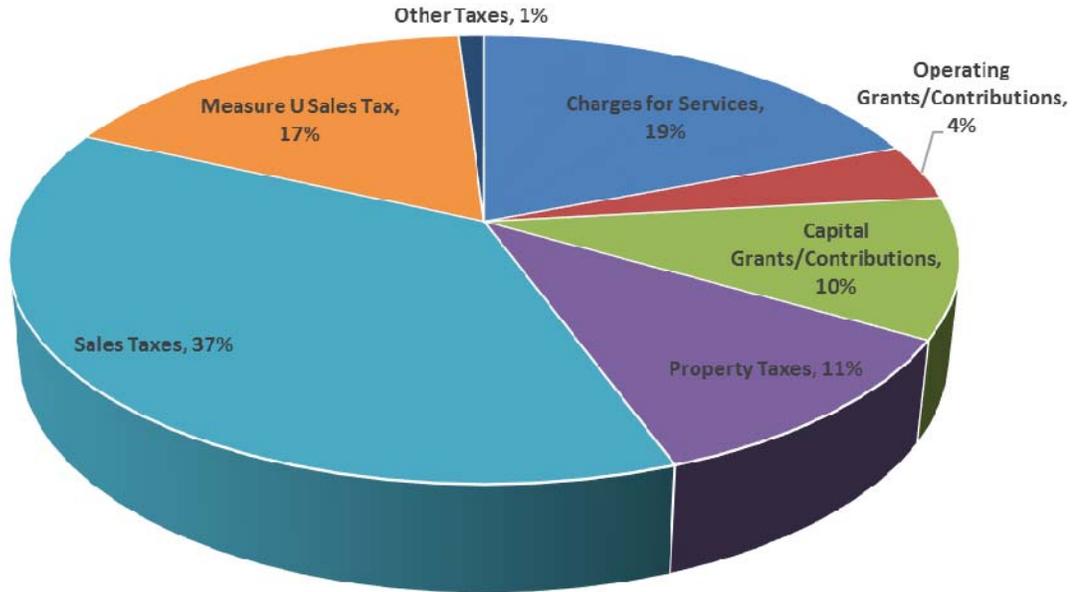
Revenues for the City's governmental activities saw an increase of \$14.2 million in 2018. One major category contributing to revenue increases of \$7.0 million was Measure U taxes. Further discussion related to expenses can be found in the major funds section of this analysis. The cost of all *governmental* activities this year was \$83.5 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 \$36.1 million because some of the cost was paid by those who directly benefited from the programs (\$12.9 million) or by other governments and organizations that subsidized certain programs with grants and contributions (\$9.2 million).

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

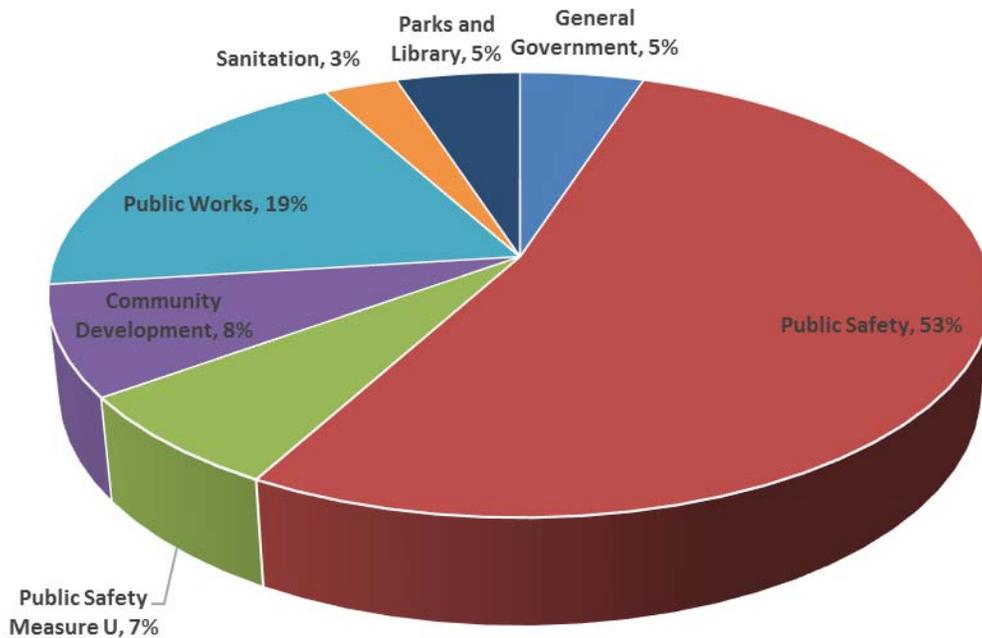
- General revenues increased over the prior year in these categories and amounts: Transient occupancy taxes \$62,960, Motor vehicle in-lieu taxes \$332,170, Property taxes \$264,940, and Measure U tax \$11,096,000.
- Governmental activity Total Program Revenue saw a increase in revenue of \$14.1 million. Most of this increase is attributed to a full year of Measure U sales tax collection.

City of Hemet
Management's Discussion and Analysis (Unaudited) (Continued)
For the Year Ended June 30, 2018

Revenues by Source – Governmental Activities



Expenses by Function – Governmental Activities



City of Hemet
Management's Discussion and Analysis (Unaudited) (Continued)
For the Year Ended June 30, 2018

Business-Type Activities

The City's business-type activities had a slight decrease in revenues of \$600 thousand in 2018 compared to 2017. The City continues to explore tiered rate options for water services.

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, the General Fund's total fund balance was \$16.7 million. Fund balance increased \$4.7 million in 2018 mainly due to Measure U sales tax collection. Any unused Measure U fund balance is reserved for future public safety needs.

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 excluding Measure U increased \$2,059,822 in 2018 from 2017 mainly due to Franchise and other taxes.
- Measure U, implemented in April 2017 collected \$1,876,965 in its first quarter since adoption.
- General Fund expenditures excluding Measure U increased approximately \$700,000 from 2017.

Major Special Revenue Fund. The Sewer and Storm Drain Fund provides Wastewater and Sanitation services through the City. The net position of the Sewer and Storm Drain Fund increased 23% mainly due to a reduction in expenditures.

Major Enterprise Funds. Total net position of the **Water Fund** at the end of the year amounted to \$3.3 million, a decrease of \$7.6 million from 2017. This is mainly due to new GASB standards requiring pension and OPEB liabilities to be included in the net position.

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>2018</u> | <u>2017</u> | <u>2018</u> | <u>2017</u> | <u>2018</u> | <u>2017</u> |
| Land | \$ 12.3 | \$ 12.3 | \$ - | \$ - | \$ 12.3 | \$ 12.3 |
| Rights of way | 190.5 | 190.5 | - | - | 190.5 | 190.5 |
| Buildings and improvements | 13.9 | 14.6 | 2.7 | 3.1 | 16.6 | 17.7 |
| Machinery and equipment | 7.1 | 6.1 | 1.5 | 0.8 | 8.6 | 6.9 |
| Infrastructure | 86.0 | 91.4 | - | - | 86.0 | 91.4 |
| Construction in progress | 2.9 | 1.0 | - | - | 2.9 | 1.0 |
| Total | <u>\$ 312.6</u> | <u>\$ 315.9</u> | <u>\$ 4.2</u> | <u>\$ 3.9</u> | <u>\$ 316.9</u> | <u>\$ 319.8</u> |

No major City infrastructure project were completed in 2018. Additional information on the City's capital assets can be found in the notes to the financial statements. (**Note 6 - Changes in Capital Assets**)

City of Hemet
Management's Discussion and Analysis (Unaudited) (Continued)
For the Year Ended June 30, 2018

LONG-TERM DEBT

| | Outstanding Debt (in millions) | | | | | |
|-----------------------------------|-----------------------------------|------------------------------|-------------------|------------------------------|-----------------|------------------------------|
| | Governmental | | Business-type | | Total | |
| | <u>Activities</u> | | <u>Activities</u> | | | |
| | <u>2018</u> | <u>2017</u> (As Restated) | <u>2018</u> | <u>2017</u> (As Restated) | <u>2018</u> | <u>2017</u> (As Restated) |
| OPEB | \$ 40.6 | 9.7 | 6.60 | - | 47.2 | 9.7 |
| Compensated absences | 2.9 | 2.8 | 0.2 | 0.2 | 3.1 | 3.0 |
| Claims Payable | 1.3 | 1.3 | - | - | 1.3 | 1.3 |
| Aggregate Net Pension liabilities | 91.9 | 83.0 | 5.1 | 4.7 | 97.0 | 87.7 |
| Capital Leases | - | - | - | - | - | - |
| Total Long-Term Liabilities | <u>\$ 136.7</u> | <u>\$ 96.8</u> | <u>\$ 11.9</u> | <u>\$ 4.9</u> | <u>\$ 148.6</u> | <u>\$ 101.7</u> |

The net adjustment to long-term liabilities is an increase of \$40 million mainly due to new GASB standards requiring pension and OPEB liabilities to be included in the net position.

Contacting the City's Financial Management

This financial report is designed to provide 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 City of Hemet Finance Division at 445 E. Florida Avenue, Hemet, California 92543.

BASIC FINANCIAL STATEMENTS

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

City of Hemet
Statement of Net Position
June 30, 2018

| ASSETS | <u>Governmental Activities</u> | <u>Business-type Activities</u> | <u>Total</u> |
|--|------------------------------------|-------------------------------------|--------------------|
| Current assets: | | | |
| Cash and investments | \$ 68,141,812 | \$ 10,529,096 | \$ 78,670,908 |
| Receivables: | | | |
| Accounts | 3,018,993 | 1,575,753 | 4,594,746 |
| Taxes | 918,643 | - | 918,643 |
| Interest | 276,025 | - | 276,025 |
| Due from other governments | 4,956,480 | 78,646 | 5,035,126 |
| Inventories | 158,540 | - | 158,540 |
| Prepaid items | 4,149 | 5,399 | 9,548 |
| Notes receivable, net | 4,464,454 | - | 4,464,454 |
| Land held for resale | 2,076,419 | - | 2,076,419 |
| Total current assets | <u>84,015,515</u> | <u>12,188,894</u> | <u>96,204,409</u> |
| Noncurrent assets: | | | |
| Capital assets: | | | |
| Nondepreciable | 205,738,050 | 32,975 | 205,771,025 |
| Depreciable, net | 107,009,572 | 4,140,817 | 111,150,389 |
| Total capital assets, net | <u>312,747,622</u> | <u>4,173,792</u> | <u>316,921,414</u> |
| Total noncurrent assets | <u>312,747,622</u> | <u>4,173,792</u> | <u>316,921,414</u> |
| Total assets | <u>396,763,137</u> | <u>16,362,686</u> | <u>413,125,823</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | | |
| Pension related deferred outflows of resources | <u>21,009,143</u> | <u>1,155,098</u> | <u>22,164,241</u> |
| Total deferred outflows of resources | <u>21,009,143</u> | <u>1,155,098</u> | <u>22,164,241</u> |

City of Hemet
Statement of Net Position (Continued)
June 30, 2018

| LIABILITIES | <u>Governmental Activities</u> | <u>Business-type Activities</u> | <u>Total</u> |
|---|------------------------------------|-------------------------------------|-----------------------|
| Current liabilities: | | | |
| Accounts payable | 3,851,687 | 709,297 | 4,560,984 |
| Accrued salaries and benefits | 626,583 | 43,420 | 670,003 |
| Accrued liabilities | 110,436 | 5,399 | 115,835 |
| Deposits | 3,352,167 | 1,182,564 | 4,534,731 |
| Unearned revenue | 175,581 | - | 175,581 |
| Accrued interest | - | 202,826 | 202,826 |
| Compensated absences, due within one year | 2,736,346 | 167,621 | 2,903,967 |
| Claims payable, due within one year | 726,876 | - | 726,876 |
| Total current liabilities | <u>11,579,676</u> | <u>2,311,127</u> | <u>13,890,803</u> |
| Noncurrent liabilities: | | | |
| Compensated absences - due in more than one year | 174,660 | 8,822 | 183,482 |
| Claims payable - due in more than one year | 584,832 | - | 584,832 |
| Net Other postemployment benefit liabilities | 40,598,793 | 6,609,106 | 47,207,899 |
| Aggregate net pension liability | 91,872,939 | 5,130,405 | 97,003,344 |
| Total noncurrent liabilities | <u>133,231,224</u> | <u>11,748,333</u> | <u>144,979,557</u> |
| Total liabilities | <u>144,810,900</u> | <u>14,059,460</u> | <u>158,870,360</u> |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Other postemployment benefits related deferred inflows of resources | 5,161 | 840 | 6,001 |
| Pension related deferred inflows of resources | 793,236 | 129,131 | 922,367 |
| Total deferred inflows of resources | <u>798,397</u> | <u>129,971</u> | <u>928,368</u> |
| NET POSITION | | | |
| Investment in capital assets | <u>312,747,622</u> | <u>4,173,792</u> | <u>316,921,414</u> |
| Restricted for: | | | |
| Public access channel | 1,012,459 | - | 1,012,459 |
| Community development | 8,081,429 | - | 8,081,429 |
| Public works | 27,355,669 | - | 27,355,669 |
| Public safety | 1,465,641 | - | 1,465,641 |
| Sanitation | 9,349,274 | - | 9,349,274 |
| Measure U | 6,960,117 | - | 6,960,117 |
| Libraries: | | | |
| Expendable | 54,501 | - | 54,501 |
| Nonexpendable | 1,000,000 | - | 1,000,000 |
| Total restricted | <u>55,279,090</u> | <u>-</u> | <u>55,279,090</u> |
| Unrestricted (Deficit) | <u>(95,863,729)</u> | <u>(845,439)</u> | <u>(96,709,168)</u> |
| Total net position | <u>\$ 272,162,983</u> | <u>\$ 3,328,353</u> | <u>\$ 275,491,336</u> |

City of Hemet
Statement of Activities
For the Year Ended June 30, 2018

| Functions/Programs | Expenses | Program Revenues | | | Total Program Revenues |
|---------------------------------------|----------------------|----------------------------|--|--|------------------------------|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | |
| Primary government: | | | | | |
| Governmental activities: | | | | | |
| General government | \$ 3,510,393 | \$ 759,202 | \$ - | \$ - | \$ 759,202 |
| Public safety | 43,067,474 | 1,288,740 | 2,128,695 | 514,596 | 3,932,031 |
| Community development | 5,729,129 | 2,824,045 | 572,055 | 238,107 | 3,634,207 |
| Public works | 13,765,557 | 3,911,530 | - | 5,664,753 | 9,576,283 |
| Sanitation | 2,248,146 | 4,003,150 | - | - | 4,003,150 |
| Parks | 1,406,594 | - | - | 85,337 | 85,337 |
| Libraries | 2,125,283 | 159,081 | 18,052 | - | 177,133 |
| Total governmental activities | 71,852,576 | 12,945,748 | 2,718,802 | 6,502,793 | 22,167,343 |
| Business-type activities: | | | | | |
| Water | 12,052,310 | 10,602,032 | - | - | 10,602,032 |
| Total business-type activities | 12,052,310 | 10,602,032 | - | - | 10,602,032 |
| Total primary government | \$ 83,904,886 | \$ 23,547,780 | \$ 2,718,802 | \$ 6,502,793 | \$ 32,769,375 |

City of Hemet
Statement of Activities (Continued)
For the Year Ended June 30, 2018

| Functions/Programs | Net (Expense) Revenue and Changes in Net Position | | |
|--|---|-----------------------------|----------------|
| | Governmental Activities | Business-type Activities | Total |
| Primary government: | | | |
| Governmental activities: | | | |
| General government | \$ (2,751,191) | \$ - | \$ (2,751,191) |
| Public safety | (39,135,443) | - | (39,135,443) |
| Community development | (2,094,922) | - | (2,094,922) |
| Public Works | (4,189,274) | - | (4,189,274) |
| Sanitation | 1,755,004 | - | 1,755,004 |
| Parks | (1,321,257) | - | (1,321,257) |
| Libraries | (1,948,150) | - | (1,948,150) |
| Total governmental activities | (49,685,233) | - | (49,685,233) |
| Business-type activities: | | | |
| Water | - | (1,450,278) | (1,450,278) |
| Total business-type activities | - | (1,450,278) | (1,450,278) |
| Total primary government | (49,685,233) | (1,450,278) | (51,135,511) |
| General Revenues: | | | |
| Taxes: | | | |
| Property taxes | 7,123,259 | - | 7,123,259 |
| Transient occupancy taxes | 1,025,994 | - | 1,025,994 |
| Sales taxes | 23,445,863 | - | 23,445,863 |
| Motor vehicle in-lieu taxes | 6,393,094 | - | 6,393,094 |
| Franchise and other taxes | 5,048,433 | - | 5,048,433 |
| Total taxes | 43,036,643 | - | 43,036,643 |
| Investment income | 402,553 | 21,091 | 423,644 |
| Miscellaneous | 648,453 | 81,116 | 729,569 |
| Transfers | 138,481 | (138,481) | - |
| Total general revenues | 44,226,130 | (36,274) | 44,189,856 |
| Change in net position | (5,459,103) | (1,486,552) | (6,945,655) |
| Net position - beginning of year, as restated (Note 15) | 277,622,086 | 4,814,905 | 282,436,991 |
| Net position - end of year | \$ 272,162,983 | \$ 3,328,353 | \$ 275,491,336 |

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FUND FINANCIAL STATEMENTS

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GOVERNMENTAL FUND FINANCIAL STATEMENTS

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GOVERNMENTAL FUND FINANCIAL STATEMENTS

The Governmental Fund of the City is outlined below:

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

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.

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City of Hemet
Balance Sheet
Governmental Funds
June 30, 2018

| | Major Funds | | Nonmajor Governmental Funds | Total |
|--|----------------------|--------------------------|-----------------------------------|----------------------|
| | General Fund | Sewer and Storm Drain | | |
| ASSETS | | | | |
| Cash and investments | \$ 15,756,470 | \$ 9,235,474 | \$ 35,063,135 | \$ 60,055,079 |
| Accounts receivable | 296,928 | 2,430,841 | 282,597 | 3,010,366 |
| Property taxes receivable, net | 918,643 | - | - | 918,643 |
| Interest receivable | 273,733 | - | 2,292 | 276,025 |
| Due from other governments | 3,596,277 | - | 1,360,203 | 4,956,480 |
| Due from other funds | - | - | 145,747 | 145,747 |
| Inventories | 300 | - | - | 300 |
| Prepaid items | 4,149 | - | - | 4,149 |
| Notes receivable, net | - | - | 4,464,454 | 4,464,454 |
| Advances to other funds | - | - | 354,137 | 354,137 |
| Land held for resale | - | - | 2,076,419 | 2,076,419 |
| Total assets | \$ 20,846,500 | \$ 11,666,315 | \$ 43,748,984 | \$ 76,261,799 |
| LIABILITIES AND FUND BALANCES | | | | |
| Liabilities: | | | | |
| Accounts payable | \$ 550,943 | \$ 2,300,717 | \$ 686,028 | \$ 3,537,688 |
| Accrued salaries and benefits | 521,255 | 16,324 | 47,425 | 585,004 |
| Accrued liabilities | 110,436 | - | - | 110,436 |
| Deposits | 2,792,473 | - | 559,694 | 3,352,167 |
| Due to other funds | - | - | 145,747 | 145,747 |
| Advances from other funds | - | - | 354,137 | 354,137 |
| Unearned revenue | 175,581 | - | - | 175,581 |
| Total liabilities | 4,150,688 | 2,317,041 | 1,793,031 | 8,260,760 |
| Fund Balances: | | | | |
| Nonspendable | 4,449 | - | 1,000,000 | 1,004,449 |
| Restricted | 7,972,576 | 9,349,274 | 36,980,525 | 54,302,375 |
| Committed | 8,241,977 | - | - | 8,241,977 |
| Assigned | 220,671 | - | 4,080,500 | 4,301,171 |
| Unassigned (deficit) | 256,139 | - | (180,072) | 76,067 |
| Total fund balances | 16,695,812 | 9,349,274 | 41,880,953 | 67,926,039 |
| Total liabilities and fund balances | \$ 20,846,500 | \$ 11,666,315 | \$ 43,748,984 | \$ 76,261,799 |

City of Hemet
Reconciliation of the Governmental Funds Balance Sheet
to the Government-Wide Statement of Net Position
June 30, 2018

| | | |
|--|----|-----------------------|
| Total Fund Balances - Total Governmental Funds | \$ | 67,926,039 |
| Amounts reported for governmental activities in the Statement of Net Position were reported differently because: | | |
| Capital assets used in governmental activities were not current financial resources. Therefore, they were not reported in the Governmental Funds Balance Sheet. | | |
| Nondepreciable, net of \$0 reported in Internal Service Funds | \$ | 205,738,050 |
| Depreciable, net of \$1,099,690 reported in the Internal Service Funds | | 105,909,882 |
| | | 311,647,932 |
| Compensated absences were not due and payable in the current period; therefore, they were not reported in the Governmental Funds Balance Sheet. | | |
| | | (2,911,006) |
| Net pension liabilities and the related deferred outflows of resources and deferred inflows of resources were not due and payable in the current period or not available for current expenditures and were not reported in the governmental fund financial statements: | | |
| Pension related deferred outflows of resources, net of \$1,237,607 reported in Internal Service Fund. | | 19,771,536 |
| Aggregate net pension liability, net of \$(5,496,863) reported in Internal Service Fund. | | (86,376,076) |
| Pension related deferred inflows of resources, net of \$(138,355) reported in Internal Service Fund. | | (654,881) |
| | | (67,259,421) |
| Net other postemployment benefits liabilities and the related deferred outflows of resources and deferred inflows of resources were not due and payable in the current period or not available for current expenditures and were not reported in the governmental fund financial statements: | | |
| Net OPEB liability, net of \$(7,081,185) reported in Internal Service Fund. | | (33,517,608) |
| OPEB related deferred inflows of resources, net of \$(900) reported in Internal Service Fund. | | (4,261) |
| | | (33,521,869) |
| Internal Service Funds were used by management to charge the costs of certain activities, such as insurance and equipment replacement to individual funds. The assets and liabilities of the Internal Service Funds were included in the governmental activities in the Government-Wide Statement of Net Position. | | |
| | | (3,793,692) |
| Net Position of Governmental Activities | | \$ 272,162,983 |

City of Hemet
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2018

| | Major Fund | | Nonmajor Governmental Funds | Total |
|---|----------------------|--------------------------|-----------------------------------|----------------------|
| | General Fund | Sewer and Storm Drain | | |
| REVENUES: | | | | |
| Taxes | \$ 43,036,643 | \$ - | \$ 1,762,566 | \$ 44,799,209 |
| Licenses and permits | 1,784,043 | - | - | 1,784,043 |
| Intergovernmental revenues | 954,924 | - | 4,998,635 | 5,953,559 |
| Charges for services | 3,359,108 | 4,009,457 | 3,938,294 | 11,306,859 |
| Fines and forfeitures | 491,313 | - | - | 491,313 |
| Investment income | 255,204 | 9,560 | 137,472 | 402,236 |
| Miscellaneous | 245,754 | 4,346 | 1,010,911 | 1,261,011 |
| Total revenues | 50,126,989 | 4,023,363 | 11,847,878 | 65,998,230 |
| EXPENDITURES: | | | | |
| Current: | | | | |
| General government | 2,111,818 | - | 82,723 | 2,194,541 |
| Public safety | 36,940,880 | - | 990,030 | 37,930,910 |
| Community development | 4,279,550 | - | 576,863 | 4,856,413 |
| Public works | - | - | 7,501,192 | 7,501,192 |
| Sanitation | - | 2,179,520 | 13,452 | 2,192,972 |
| Parks | 1,247,748 | - | - | 1,247,748 |
| Libraries | 1,455,662 | - | 143,354 | 1,599,016 |
| Capital outlay | 519,434 | 62,818 | 3,432,413 | 4,014,665 |
| Total expenditures | 46,555,092 | 2,242,338 | 12,740,027 | 61,537,457 |
| REVENUES OVER (UNDER) EXPENDITURES | 3,571,897 | 1,781,025 | (892,149) | 4,460,773 |
| OTHER FINANCING SOURCES (USES): | | | | |
| Transfers in | 276,113 | - | 29,065 | 305,178 |
| Transfers out | (20,004) | - | (492,624) | (512,628) |
| Total other financing sources (uses) | 256,109 | - | (463,559) | (207,450) |
| NET CHANGES IN FUND BALANCES | 3,828,006 | 1,781,025 | (1,355,708) | 4,253,323 |
| FUND BALANCES: | | | | |
| Beginning of year | 12,867,806 | 7,568,249 | 43,236,661 | 63,672,716 |
| End of year | <u>\$ 16,695,812</u> | <u>\$ 9,349,274</u> | <u>\$ 41,880,953</u> | <u>\$ 67,926,039</u> |

City of Hemet
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes
in Fund Balances to the Government-Wide Statement of Activities
For the Year Ended June 30, 2018

Net Change in Fund Balances - Total Governmental Funds \$ 4,253,323

Governmental activities in the Statement of Activities were reported differently because:

Governmental Funds report capital outlay as expenditures. However, in the Government-Wide Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. The amount of capital assets additions reported in the current period is listed below.

| | | |
|---|---------------|-----------|
| Total capital outlay expenditures reported in governmental funds, | \$ 4,014,665 | |
| Less: acquisition of internal service fund capital assets | (345,931) | |
| Less: repair and maintenance expenditures | <u>83,222</u> | 3,751,956 |

Depreciation expense of capital assets is reported in the Government-Wide Statement of Activities, but they do not require the use of current financial resources. Therefore, depreciation expense is not reported as expenditures in the governmental funds except for \$144,734 reported in the Internal Service Fund. (7,151,450)

Revenues in the Government-Wide Statement of Activities that do not provide current financial resources and are not reported as revenue in the governmental funds. 75,000

Changes in net other postemployment benefit obligation reported in the Statement of Activities do not use current financial resources and, therefore, are not reported as an expenditures in governmental funds. (2,329,145)

Compensated absences were reported in the Government-Wide Statement of Activities, but they did not require the use of current financial resources. Therefore, compensated absences were not reported as expenditures in the governmental funds. (141,333)

Certain pension expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. (6,704,192)

Internal Service Funds are used by management to charge the costs of certain activities, such as insurance and equipment replacement, to individual funds. The net revenue of the Internal Service Funds is reported in governmental activities. 2,786,738

Change in Net Position of Governmental Activities \$ (5,459,103)

PROPRIETARY FUND FINANCIAL STATEMENTS

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PROPRIETARY FUND FINANCIAL STATEMENTS

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

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.

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City of Hemet
Statement of Net Position
Proprietary Funds
June 30, 2018

| | Business-type Activities | Governmental Activities |
|---|--------------------------|-------------------------|
| | Water Enterprise Fund | Internal Service Funds |
| ASSETS | | |
| Current assets: | | |
| Cash and investments | \$ 10,529,096 | \$ 8,086,733 |
| Accounts receivable | 1,575,753 | 8,627 |
| Due from other governments | 78,646 | - |
| Due from other funds | - | - |
| Inventories | - | 158,240 |
| Prepaid Items | 5,399 | - |
| Total current assets | <u>12,188,894</u> | <u>8,253,600</u> |
| Noncurrent assets: | | |
| Nondepreciable capital assets | 32,975 | - |
| Depreciable capital assets, net of accumulated depreciation | 4,140,817 | 1,099,690 |
| Total noncurrent assets | <u>4,173,792</u> | <u>1,099,690</u> |
| Total assets | <u>16,362,686</u> | <u>9,353,290</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | |
| Pension related deferred outflows of resources | 1,155,098 | 1,237,607 |
| Total deferred outflows of resources | <u>1,155,098</u> | <u>1,237,607</u> |
| LIABILITIES | | |
| Current liabilities: | | |
| Accounts payable | 709,297 | 313,999 |
| Accrued salaries and benefits | 43,420 | 41,579 |
| Accrued liabilities | 5,399 | - |
| Interest payable | 202,826 | - |
| Deposits | 1,182,564 | - |
| Due to other funds | - | - |
| Compensated absences, due within one year | 167,621 | - |
| Claims payable, due within one year | - | 726,876 |
| Total current liabilities | <u>2,311,127</u> | <u>1,082,454</u> |
| Long-term liabilities: | | |
| Compensated absences, due in more than one year | 8,822 | - |
| Claims payable, due in more than one year | - | 584,832 |
| Aggregate Net pension liabilities | 5,130,405 | 5,496,863 |
| Net other postemployment benefits liabilities | 6,609,106 | 7,081,185 |
| Total long-term liabilities | <u>11,748,333</u> | <u>13,162,880</u> |
| Total liabilities | <u>14,059,460</u> | <u>14,245,334</u> |
| DEFERRED INFLOWS OF RESOURCES | | |
| Pension related deferred inflows of resources | 129,131 | 138,355 |
| Other postemployment benefits related deferred inflows of resources | 840 | 900 |
| Total deferred inflows of resources | <u>129,971</u> | <u>139,255</u> |
| NET POSITION | | |
| Investment in capital assets | 4,173,792 | 1,099,690 |
| Unrestricted (deficit) | (845,439) | (4,893,382) |
| Total net position | <u>\$ 3,328,353</u> | <u>\$ (3,793,692)</u> |

City of Hemet
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
For the Year Ended June 30, 2018

| | Business-type Activities <u>Water Enterprise Fund</u> | Governmental Activities <u>Internal Service Funds</u> |
|---|--|---|
| OPERATING REVENUES: | | |
| Charges for services | \$ 10,602,032 | \$ 14,275,455 |
| Miscellaneous | 81,116 | 181,762 |
| Total operating revenues | <u>10,683,148</u> | <u>14,457,217</u> |
| OPERATING EXPENSES: | | |
| Personal services | 3,510,970 | 2,228,701 |
| Parts and supplies | 887,606 | 1,051,229 |
| Maintenance | 3,389,232 | 1,002,229 |
| Utilities | 337,154 | 687,933 |
| Contracts, rents, and leases | 234,364 | 268,940 |
| Insurance | 131,000 | 2,746,825 |
| Claims and judgments | - | 3,885,819 |
| General office | 320,208 | - |
| Enterprise assessments | 2,609,312 | - |
| Depreciation | 632,464 | 144,734 |
| Total operating expenses | <u>12,052,310</u> | <u>12,016,410</u> |
| OPERATING INCOME (LOSS) | <u>(1,369,162)</u> | <u>2,440,807</u> |
| NONOPERATING REVENUES (EXPENSES): | | |
| Investment income | 21,091 | - |
| Total nonoperating revenues (expenses) | <u>21,091</u> | <u>-</u> |
| INCOME (LOSS) BEFORE TRANSFERS | <u>(1,348,071)</u> | <u>2,440,807</u> |
| TRANSFERS: | | |
| Transfers in | 137,632 | 345,931 |
| Transfers out | (276,113) | - |
| Total transfers | <u>(138,481)</u> | <u>345,931</u> |
| Change in net position | <u>(1,486,552)</u> | <u>2,786,738</u> |
| NET POSITION: | | |
| Beginning of the year, as restated (Note 15) | 4,814,905 | (6,580,430) |
| End of the year | <u>\$ 3,328,353</u> | <u>\$ (3,793,692)</u> |

City of Hemet
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2018

| | Business-type Activities | Governmental Activities |
|--|--------------------------|-------------------------|
| | Water Enterprise Fund | Internal Service Funds |
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Cash received for services from customers or other funds | \$ 11,010,814 | \$ 14,403,814 |
| Cash payments to suppliers for goods and services | (7,701,376) | (3,174,471) |
| Cash payments to employees for services | (2,709,723) | (3,057,531) |
| Cash payment for insurance | (131,000) | (6,585,147) |
| Net cash provided by (used in) operating activities | 468,715 | 1,586,665 |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES: | | |
| Acquisition of capital assets | (908,421) | (345,931) |
| Net cash (used in) capital and related financing activities | (908,421) | (345,931) |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES: | | |
| Cash received from other funds | 137,632 | 345,931 |
| Cash paid to other funds | (276,113) | 50,974 |
| Net cash provided by (used in) noncapital financing activities | (138,481) | 396,905 |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Interest received | 12,458 | - |
| Net cash (used in) investing activities | 12,458 | - |
| Net change in cash and cash equivalents | (565,729) | 1,637,639 |
| CASH AND CASH EQUIVALENTS: | | |
| Beginning of year | 11,094,825 | 6,449,094 |
| End of year | \$ 10,529,096 | \$ 8,086,733 |
| RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES: | | |
| Operating income (loss) | \$ (1,369,162) | \$ 2,440,807 |
| Adjustments to reconcile operating loss to net cash provided by (used in) operating activities: | | |
| Depreciation | 632,464 | 144,734 |
| (Increase) decrease in accounts receivable | 494,248 | (2,429) |
| (Increase) decrease in due from other funds | - | - |
| (Increase) decrease in inventories | - | (44,705) |
| (Increase) decrease in deferred outflows of resources related to pension | (147,818) | (158,378) |
| (Increase) decrease in deferred outflows of resources related to other postemployment benefits | 495,683 | 531,089 |
| Increase (decrease) in accounts payable | 76,500 | (117,748) |
| Increase (decrease) in accrued wages and benefits payable | (417) | (1,991) |
| Increase (decrease) in due to other funds | - | (50,974) |
| Increase (decrease) in deposits | (166,582) | - |
| Increase (decrease) in claims payable | - | 45,810 |
| Increase (decrease) in compensated absences | (19,845) | - |
| Increase (decrease) in net pension liabilities | 453,306 | (1,221,341) |
| Increase (decrease) in net other postemployment benefits liabilities | (37,259) | (39,920) |
| Increase (decrease) in deferred inflows of resources related to pension | 56,757 | 60,811 |
| Increase (decrease) in deferred inflows of resources related to other postemployment benefits | 840 | 900 |
| Total adjustments | 1,837,877 | (854,142) |
| Net cash provided by (used in) operating activities | \$ 468,715 | \$ 1,586,665 |

See accompanying Notes to the Basic Financial Statements

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FIDUCIARY FUND FINANCIAL STATEMENTS

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FIDUCIARY FUND FINANCIAL STATEMENTS

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.

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 pass through fees collected for the County, payroll deposits, and a developer CFD.

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City of Hemet
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2018

| | Successor Agency Private-purpose Trust Fund | Agency Funds |
|---|---|---------------------|
| ASSETS | | |
| Cash and investments | \$ 544,524 | \$ 830,924 |
| Accounts receivable | - | 14,681 |
| Due from other funds | - | 638,069 |
| Notes receivable | 168,309 | - |
| Land held for resale | 2,208,773 | - |
| Restricted Assets: | | |
| Investments with fiscal agent | 40,155 | 1,186,761 |
| Total assets | 2,961,761 | \$ 2,670,435 |
| LIABILITIES | | |
| Current liabilities: | | |
| Accounts payable | 7,498 | \$ 1,098,324 |
| Accrued salaries and benefits | 86 | - |
| Deposits | - | 934,042 |
| Due to other funds | - | 638,069 |
| Interest payable | 128,248 | - |
| Bonds payable, due within one year | 505,000 | - |
| Total current liabilities | 640,832 | 2,670,435 |
| Noncurrent liabilities: | | |
| Bonds payable, due in more than one year | 9,680,939 | - |
| Total noncurrent liabilities | 9,680,939 | - |
| Total liabilities | 10,321,771 | \$ 2,670,435 |
| NET POSITION | | |
| Net position (deficit) held in trust for Successor Agency | \$ (7,360,010) | |

City of Hemet
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Year Ended June 30, 2018

| | Successor Agency Private-purpose Trust Fund |
|---------------------------------------|---|
| | |
| ADDITIONS | |
| Redevelopment property tax trust fund | \$ 1,185,431 |
| Investment income | 216 |
| Total additions | 1,185,647 |
| DEDUCTIONS | |
| Administrative costs | 182,222 |
| Interest and fiscal charges | 399,755 |
| Total deduction | 581,977 |
| CHANGE IN NET POSITION | 603,670 |
| NET POSITION | |
| Beginning of year | (7,963,680) |
| End of year | \$ (7,360,010) |

NOTES TO THE BASIC FINANCIAL STATEMENTS

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City of Hemet
Index to the Notes to the Basic Financial Statements
For the Year Ended June 30, 2018

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City of Hemet
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For the Year Ended June 30, 2018

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City of Hemet
Notes to the Basic Financial Statements
For the Year Ended June 30, 2018

Note 1 – Reporting Entity

The City of Hemet, California (the “City”) 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.

In evaluating how to define the City for financial reporting purposes, management has considered all potential component units. The primary criteria for including a potential component unit within the reporting entity are the governing body’s financial accountability and a financial benefit or burden relationship and whether it is misleading to exclude. A primary government is financially accountable and shares a financial benefit or burden relationship, if it appoints a voting majority of the organization’s governing body and frequently has the ability to affect the organizations operations, or if there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the primary government. A primary government may also be financially accountable if an organization is fiscally dependent on the primary government regardless of whether the organization has a separately elected governing board, a governing board appointed by a higher level of government, or a jointly appointed board, and there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the primary government.

Blended Component Units:

Management determined that the following entities should be reported as blended component units based on the criteria above. Although the following is legally separate from the City, it has been “blended” as though it is part of the City because the component unit’s governing body is substantially the same as the City’s and there is a financial benefit or burden relationship between the City and the component unit; management of the City has operational responsibilities for the component unit; and/or the component unit provides services entirely, or almost entirely, to the City or otherwise exclusively, or almost exclusively, benefits the City, even though it does not provide services directly to it.

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.

Note 2 – Summary of Significant Accounting Policies

A. Basis of Presentation

The financial statements of the City have been prepared in conformity with accounting principal generally accepted in the United States (“U.S. 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.

City of Hemet
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 2 – Summary of Significant Accounting Policy (Continued)

B. Measurement Focus, Basis of Accounting and Financial Statements Presentation

The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts that comprise its assets, deferred outflows of sources, liabilities, deferred inflows of sources, fund balance or net position, revenues and expenditures or expenses, as appropriate. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained in accordance with legal and managerial requirements.

Government-Wide and Fund Financial Statements

The City's Government-Wide Financial Statements include a Statement of Net Position and a Statement of Activities and Changes in Net Position. These statements present summaries of governmental and business-type activities for the City accompanied by a total column. Fiduciary activities of the City are not included in these statements.

These financial statements are presented on an "*economic resources*" measurement focus and the accrual basis of accounting. Accordingly, all of the City's assets, deferred outflows of sources, liabilities, and deferred inflows of sources, including capital assets, as well as infrastructure assets, and long-term liabilities, are included in the accompanying Statement of Net Position. The Statement of Activities presents changes in Net Position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred.

Certain types of transactions are reported as program revenues for the City in three categories:

- Charges for services
- Operating grants and contributions
- Capital grants and contributions

Certain eliminations have been made in regards to interfund activities, payables and receivables. All internal balances in the Statement of Net Position have been eliminated except those representing balances between the governmental activities and the business-type activities, which are presented as internal balances and eliminated in the total primary government column. In the Statement of Activities and Changes in Net Position, internal service fund transactions have been eliminated; however, those transactions between governmental and business-type activities have not been eliminated. The following interfund activities have been eliminated:

- Due to/from other funds
- Advances to/from other funds
- Transfers in/out

City of Hemet
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 2 – Summary of Significant Accounting Policies (Continued)

B. Measurement Focus, Basis of Accounting and Financial Statements Presentation (Continued)

Government Fund Financial Statements (Continued)

Governmental Fund Financial Statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances for all major governmental funds and non-major funds aggregated. An accompanying schedule is presented to reconcile and explain the differences in Net Position as presented in these statements to the Net Position presented in the Government-Wide Financial Statements. The City has presented all major funds that met the applicable criteria.

All governmental funds are accounted for on a spending or "*current financial resources*" measurement focus and the modified accrual basis of accounting. Accordingly, only current assets, current liabilities, and deferred inflows of sources are included on the Balance Sheet. The Statement of Revenues, Expenditures and Changes in Fund Balances presents increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period.

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 as 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. The primary revenue sources, which have been treated as susceptible to accrual by the City, are property taxes, sales tax, intergovernmental revenues and other taxes. Expenditures are recorded in the accounting period in which the related fund liability is incurred.

The Reconciliation of the Fund Financial Statements to the Government-Wide Financial Statements is provided to explain the differences created by the integrated approach of GASB Statement No. 34.

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.

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.

Proprietary Fund Financial Statements

Proprietary Fund Financial Statements include a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Net Position, and a Statement of Cash Flows for each major Proprietary Fund.

A separate column representing internal service funds is also presented in these statements. However, internal service balances and activities have been combined with the governmental activities in the Government-Wide Financial Statements. The City's internal service funds include five individual funds which provide services directly to other City funds. These departments consist of administrative, facility maintenance, vehicle maintenance, workers' compensation, dental, vision, retiree medical and liability insurance.

City of Hemet
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 2 – Summary of Significant Accounting Policies (Continued)

B. Measurement Focus, Basis of Accounting and Financial Statements Presentation (Continued)

Proprietary Fund Financial Statements (Continued)

Proprietary funds are accounted for using the "*economic resources*" measurement focus and the accrual basis of accounting. Accordingly, all assets, deferred outflows of resources, liabilities, and deferred inflows of resources (whether current or noncurrent) are included on the Statement of Net Position. The Statement of Revenues, Expenses and Changes in Fund Net Position presents increases (revenues) and decreases (expenses) in total Net Position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred. In these funds, receivables have been recorded as revenue and provisions have been made for uncollectible amounts.

Operating revenues in the proprietary funds are those revenues that are generated from the primary operations of the fund. All other revenues are reported as non-operating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as non-operating expenses.

The City reports the following major proprietary fund:

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

Fiduciary Fund Financial Statements

Fiduciary fund financial statements include a Statement of Net Position and a Statement of Changes in Fiduciary Net Position. The City's fiduciary funds represent agency funds and private purpose trust funds. Both agency funds and the private purpose trust funds are accounted for on the full accrual basis of accounting.

The City reports the following fiduciary funds:

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.

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 pass through fees collected for the County, payroll deposits, and a developer CFD.

City of Hemet
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 2 – Summary of Significant Accounting Policies (Continued)

C. 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.

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.

Certain disclosure requirements, if applicable, for Deposits and Investment Risks in the following areas:

- Interest Rate Risk
- Credit Risk
 - Overall
 - Custodial Credit Risk
 - Concentration of Credit Risk
- Foreign Currency Risk

In addition, other disclosures are specified including use of certain methods to present deposits and investments, highly sensitive investments, credit quality at year-end and other disclosures.

D. Fair Value Measurement

U.S. GAAP defines fair value, establishes a framework for measuring fair value and establishes disclosures about fair value measurement. Investments, unless otherwise specified, recorded at fair value in the financial statements, are categorized based upon the level of judgment associated with the inputs used to measure their fair value. Levels of inputs are as follows:

The three levels of the fair value measurement hierarchy are described below:

- Level 1 - Inputs are unadjusted, quoted prices for identical assets and liabilities in active markets at the measurement date.
- Level 2 – Inputs, other than quoted prices included in Level 1 that are observable for the assets and liabilities through corroboration with market data at the measurement date.
- Level 3 – Unobservable inputs that reflect management's best estimate of what market participants would use in pricing the assets and liabilities at the measurement date.

City of Hemet
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 2 – Summary of Significant Accounting Policies (Continued)

E. Receivables

Receivables include such items as taxes, intergovernmental revenues, charges for services, miscellaneous accounts receivable, and interest receivable. No allowance for doubtful accounts has been established, as the City believes all amounts are considered to be collectible in the normal course of business

F. Inventories 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 expenditures at the time the individual inventory items are consumed.

Prepaid items are payments made to vendors for services that will benefit periods beyond the fiscal year ended using purchase method.

G. Interfund Transactions

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.

H. 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 the amounts that will not be collected on these loans.

I. 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.

City of Hemet
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 2 – Summary of Significant Accounting Policies (Continued)

J. 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 acquisition 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 |

K. Due to Other Governments

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.

L. Compensated Absences

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

City of Hemet
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 2 – Summary of Significant Accounting Policies (Continued)

M. 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.

N. Long-Term Debt

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. In the Fiduciary Fund Financial Statements, 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.

O. Pension

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the plans and additions to/deductions from the plans' fiduciary net position have been determined on the same basis as they are reported by the plans (Note 9). For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value.

The following timeframes are used for pension reporting:

| | |
|--------------------|-------------------------------|
| Valuation Date | June 30, 2016 |
| Measurement Date | June 30, 2017 |
| Measurement Period | July 1, 2016 to June 30, 2017 |

Gains and losses related to changes in total pension liability and fiduciary net position are recognized in pension expense systematically over time. The first amortized amounts are recognized in pension expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to pensions and are to be recognized in future pension expense. The amortization period differs depending on the source of the gain or loss. The difference between projected and actual earnings is amortized straight-line over 5 years. All other amounts are amortized straight-line over the average expected remaining service lives of all members that are provided with benefits (active, inactive, and retired) as of the beginning of the measurement period.

P. Other Postemployment Benefits (“OPEB”)

For the purpose of measuring total OPEB liability, OPEB expense, the OPEB Plan recognizes benefit payments when due and payable in accordance with the benefit terms.

The following timeframes are used for OPEB reporting:

| | |
|--------------------|-------------------------------|
| Valuation Date | January 1, 2017 |
| Measurement Date | June 30, 2018 |
| Measurement Period | July 1, 2017 to June 30, 2018 |

City of Hemet
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 2 – Summary of Significant Accounting Policies (Continued)

Q. Deferred Outflows/Inflows of Resources

The Statement of Net Position reports separate sections for Deferred Outflows of Resources, and Deferred Inflows of Resources, when applicable.

Deferred Outflows of Resources represent outflows of resources (consumption of net position) that apply to future periods and that, therefore, will not be recognized as an expense until that time.

Deferred Inflows of Resources represent inflows of resources (acquisition of net position) that apply to future periods and that, therefore, are not recognized as revenue until that time.

R. 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 consists 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 - 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.

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.

When expenses are incurred for purposes for which both restricted and unrestricted net position are available, the City's policy is to apply restricted net position first, then unrestricted net position as they are needed.

S. Fund Balances

In governmental fund financial statements, fund balances are categorized as follows:

Nonspendable – Items that cannot be spent because they are not in spendable form, such as prepaid items and inventories, or items that are legally or contractually required to be maintained intact, such as principal of an endowment or revolving loan funds.

Restricted – Restricted fund balances encompass the portion of net fund resources subject to externally enforceable legal restrictions. This includes externally imposed restrictions by creditors, such as through debt covenants, grantors, contributors, laws or regulations of other governments, as well as restrictions imposed by law through constitutional provisions or enabling legislation.

City of Hemet
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 2 – Summary of Significant Accounting Policies (Continued)

S. Fund Balances (Continued)

Committed – Committed fund balances encompass the portion of net fund resources, the use of which is constrained by limitations that the government imposes upon itself at its highest level of decision making, normally the governing body, and that remain binding unless removed in the same manner. The City Council is considered the highest authority for the City. Adoption of a resolution by the City Council is required to commit resources or to rescind the commitment.

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

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 Fund, Special Revenue Funds, and Capital Projects 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.

Assigned – Assigned fund balances encompass the portion of net fund resources reflecting the government's intended use of resources, but are neither restricted or committed. Assignment of resources can be done by the highest level of decision making or by a committee or official designated for that purpose. The City Council has by resolution authorized the City Manager to assign fund balance.

Unassigned – This amount is for any portion of the fund balances that do not fall into one of the above categories. The general fund is the only fund that reports a positive unassigned fund balance amount. In other governmental funds, it is not appropriate to report a positive unassigned fund balance amount. However, in governmental fund other than general fund, if expenditures incurred for specific purposes exceed the amounts that are restricted, committed, or assigned to those purposes, it may be necessary to report a negative unassigned fund balance in that fund.

City of Hemet
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 2 – Summary of Significant Accounting Policies (Continued)

T. Spending Policy

Government-Wide Financial Statements and the Proprietary Fund Financial Statements

When expenses are incurred for purposes for which both restricted and unrestricted components of net position are available, the City's practice is to apply the restricted component of net position first, then use the unrestricted component of net position as needed.

Governmental Fund Financial Statements

When expenditures are incurred for purposes for which both restricted and unrestricted fund balances are available, the City's practice is to apply restricted fund balances first, then use unrestricted fund balances as needed.

When expenditures are incurred for purposes where only unrestricted fund balances are available, the City uses the unrestricted resources in the following order, except for instances wherein an ordinance specifies the fund balance:

- Committed
- Assigned
- Unassigned

U. 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 st Installment February 1, 2 nd Installment |
| Collection Date | December 1, 1 st Installment April 10, 2 nd 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 uncollectable) 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).

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".

City of Hemet
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 2 – Summary of Significant Accounting Policies (Continued)

V. Use of Estimates

The presentation of basic financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts and disclosure. Actual results could differ from these estimates and assumptions.

W. Accounting Changes

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The primary objective of this statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. This statement had an impact on the City's financial statements for the year ended June 30, 2018, see Note 9 for further details.

GASB Statement No. 81, *Irrevocable Split-Interest Agreement*. This Statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, this Statement requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. This Statement requires that a government recognize revenue when the resources become applicable to the reporting period. This statement did not have a significant impact on the City's financial statements for the year ended June 30, 2018.

GASB Statement No. 85, *Omnibus 2017*. This Statement addresses practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits). This Statement did not have a significant impact on the City's financial statements for the year ended June 30, 2018.

GASB Statement No. 86, *Certain Debt Extinguishment Issues Statement No. 7, Advance Refundings Resulting in Defeasance of Debt*, requires that debt be considered defeased in substance when the debtor irrevocably places cash or other monetary assets acquired with refunding debt proceeds in a trust to be used solely for satisfying scheduled payments of both principal and interest of the defeased debt. The trust also is required to meet certain conditions for the transaction to qualify as an in-substance defeasance. This Statement establishes essentially the same requirements for when a government places cash and other monetary assets acquired with only existing resources in an irrevocable trust to extinguish the debt. However, in financial statements using the economic resources measurement focus, governments should recognize any difference between the reacquisition price (the amount required to be placed in the trust) and the net carrying amount of the debt defeased in substance using only existing resources as a separately identified gain or loss in the period of the defeasance. This statement did not have a significant impact on the City's financial statements for the year ended June 30, 2018.

City of Hemet
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 3 – Cash and Investments

At June 30, 2018, Cash and investments are classified in the accompanying financial statements as follows:

| | <u>Government-Wide Statement of Net Position</u> | | | <u>Statement of</u> | |
|-------------------------------|--|----------------------|----------------------|---------------------|----------------------|
| | <u>Governmental</u> | <u>Business-type</u> | <u>Total</u> | <u>Fiduciary</u> | <u>Total</u> |
| | <u>Activities</u> | <u>Activities</u> | | <u>Net Position</u> | |
| Cash and Investments | \$ 68,141,812 | \$ 10,529,096 | \$ 78,670,908 | \$ 1,375,448 | \$ 80,046,356 |
| Investments with Fiscal Agent | - | - | - | 1,226,916 | 1,226,916 |
| Total Cash and Investments | <u>\$ 68,141,812</u> | <u>\$ 10,529,096</u> | <u>\$ 78,670,908</u> | <u>\$ 2,602,364</u> | <u>\$ 81,273,272</u> |

At June 30, 2018, Cash and Investments consist of the following:

| | |
|--------------------------------------|----------------------|
| Cash on Hand | \$ 7,202 |
| Deposits with Financial Institutions | 34,456,791 |
| Investments | 45,582,363 |
| Investments with fiscal agent | <u>1,226,916</u> |
| Total Cash and Investments | <u>\$ 81,273,272</u> |

A. Demand Deposits

The carrying amount of the City's cash deposits were \$34,456,791 at June 30, 2018. Bank balances before reconciling items were \$34,685,723 at that date, the total amount of which was insured or collateralized with securities held by the pledging financial institutions in the City's name as discussed below.

The California Government Code requires California banks and savings and loan associations to secure the City's cash deposits by pledging securities as collateral. This Code states that collateral pledged in this manner shall have the effect of perfecting a security interest in such collateral superior to those of a general creditor. Thus, collateral for cash deposits is considered to be held in the City's name.

The market value of pledged securities must equal at least 110% of the City's cash deposits. California law also allows institutions to secure City deposits by pledging first trust deed mortgage notes having a value of 150% of the City's total cash deposits. The City may waive collateral requirements for cash deposits, which are fully insured up to \$250,000 by the Federal Deposit Insurance Corporation. The City, however, has not waived the collateralization requirements.

City of Hemet
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 3 – Cash and Investments (Continued)

B. 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 Investments In One Issuer* |
|---|----------------------|--|--|
| U.S. Treasury Obligations | None | None | None |
| U.S. Agency's Securities | 5 Years | None | None |
| Banker's Acceptances | 30 days | 40% | None |
| Commercial Paper | 180 days | 15% | 10% |
| Negotiable Certificates of Deposit ("CD") | 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 Fund | N/A | 10% | None |
| Local Agency Investment Fund ("LAIF") | N/A | 90% | None |

*The table is based on state law requirements or investment policy requirements, whichever is more restrictive.

C. Investments Authorized by Debt Agreements

Investments 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.

| Authorized Investment Type | Maximum Maturity | Maximum Percentage Allowed | Maximum Investment In One Issuer |
|---------------------------------------|---------------------|----------------------------------|--|
| U.S. Treasury Obligations | None | None | None |
| U.S. Agency's Securities | None | None | None |
| Banker's Acceptances | 30 days | None | None |
| Commercial Paper | 270 days | None | None |
| Money Market Mutual Fund | 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 |

City of Hemet
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 3 – Cash and Investments (Continued)

D. Fair Value Measurement

At June 30, 2018, investments are reported at fair value. The following table presents the fair value measurement of investments on a recurring basis and the levels within GASB 72 fair value hierarchy in which the fair value measurements fall at June 30, 2018:

| Investment Type | Total | Measurement Input | |
|----------------------------|----------------------|----------------------|----------------------------|
| | | Level 2 | Not subject to measurement |
| U.S. Government Sponsored: | | | |
| Enterprise Securities | \$ 9,717,113 | \$ 9,717,113 | \$ - |
| LAIF | 7,629,969 | - | 7,629,969 |
| Municipal Obligations | 12,750,537 | 12,750,537 | - |
| Negotiable CD | 7,817,606 | 7,817,606 | - |
| Medium-Term Notes | 7,667,105 | 7,667,105 | - |
| Held by Fiscal Agent: | | | |
| Money Market Mutual Funds | 1,226,916 | - | 1,226,916 |
| Total | \$ 46,809,246 | \$ 37,952,361 | \$ 8,856,885 |

E. Risk Disclosures

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:

| Authorized Investment Type | Carrying Amount | Remaining Maturity (in Months) | | | | | |
|----------------------------|----------------------|--------------------------------|---------------------|----------------------|---------------------|---------------------|---------------------|
| | | 12 Months Or Less | 13 to 24 Months | 25 to 36 Months | 36 to 48 Months | 48 to 60 Months | More Than 60 Months |
| U.S. Government Sponsored: | | | | | | | |
| Enterprise Securities | \$ 9,717,113 | \$ - | \$ 987,980 | \$ 2,928,040 | \$ 2,585,573 | \$ 3,215,520 | \$ - |
| LAIF | 7,629,969 | 7,629,969 | - | - | - | - | - |
| Municipal Obligations | 12,750,537 | 2,726,856 | - | 2,678,293 | 2,702,012 | 2,240,474 | 2,402,902 |
| Negotiable CD | 7,817,606 | 1,233,524 | 2,202,072 | 1,957,715 | 485,340 | 1,694,210 | 244,745 |
| Medium-Term Notes | 7,667,105 | 2,490,320 | 1,491,235 | 2,955,350 | - | 730,200 | - |
| Held by Fiscal Agent: | | | | | | | |
| Money Market Mutual Funds | 1,226,916 | 1,226,916 | - | - | - | - | - |
| Total | \$ 46,809,246 | \$ 15,307,585 | \$ 4,681,287 | \$ 10,519,398 | \$ 5,772,925 | \$ 7,880,404 | \$ 2,647,647 |

City of Hemet
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 3 – Cash and Investments (Continued)

E. Risk Disclosures (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 | | | | Not Rated |
|---------------------------|---------------------|--------------|---------------------|----------------------|---------------------|----------------------|
| | | Legal Rating | AAA | AA | A | |
| U.S. Government Sponsored | | | | | | |
| Enterprise Securities | \$ 9,717,113 | N/A | \$ - | \$ 9,717,113 | \$ - | \$ - |
| LAIF | 7,629,969 | N/A | - | - | - | 7,629,969 |
| Municipal Obligations | 12,750,537 | A | 1,485,940 | 6,888,142 | 4,376,455 | - |
| Negotiable CD | 7,817,606 | N/A | - | - | - | 7,817,606 |
| Medium-Term Notes | 7,667,105 | A | - | 3,475,555 | 4,191,550 | - |
| Held by Fiscal Agent: | | | | | | |
| Money Market Mutual Funds | 1,226,916 | AAA | 1,226,916 | - | - | - |
| Total | \$46,809,246 | | \$ 2,712,856 | \$ 20,080,810 | \$ 8,568,005 | \$ 15,447,575 |

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, 2018, 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.

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.

City of Hemet
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 3 – Cash and Investments (Continued)

F. Investment in Local Agency Investment Fund (“LAIF”)

The City is a participant in LAIF which is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The City’s investments in LAIF at June 30, 2018 included a portion of pool funds invested in Structure Notes and Asset-Backed Securities:

Structured Notes are debt securities (other than asset-backed securities) whose cash-flow characteristics (coupon rate, redemption amount, or stated maturity) depend upon one or more indices and/or that have embedded forwards or options.

Asset-Backed Securities, the bulk of which are mortgage-backed securities, entitle their purchasers to receive a share of the cash flows from pool of assets such as principal and interest repayments from a pool of mortgages (such as Collateralized Mortgage Obligations) or credit card receivables.

As of June 30, 2018, the City had \$7,629,969 invested in LAIF, which had invested 2.67% of the pool investment funds in Structured Notes and Asset-Back Securities. LAIF determines fair value on its investment portfolio based on market quotations for those securities where market quotations are readily available and based on amortized cost or best estimate for those securities where market value is not readily available. The City valued its investments in LAIF by multiplying its account balance with LAIF times a fair value factor determined by LAIF. This fair value factor was determined by dividing all LAIF participants’ total aggregate amortized cost by total aggregate fair value. The credit quality rating of LAIF is unrated as of June 30, 2018.

Note 4 – Interfund Transactions

A. Due From and To Other Funds

The following represents the composition of due from and to other funds as of June 30, 2018:

| | Due from Other Funds |
|---------------------------|-----------------------------|
| Due to Other Funds | Other Governmental Funds |
| Other Governmental Funds | \$ 145,747 |
| Total | \$ 145,747 |

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

City of Hemet
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 4 – Interfund Transactions (Continued)

B. Transfers In and Out

| | Transfers Out | | | Total |
|--------------------------|------------------|--------------------------|-----------------------|-------------------|
| | General Fund | Other Governmental Funds | Water Enterprise Fund | |
| Transfers In | | | | |
| General Fund | \$ - | \$ - | \$ 276,113 | \$ 276,113 |
| Water Enterprise Fund | - | 137,632 | - | 137,632 |
| Internal Service Funds | - | 345,931 | - | 345,931 |
| Other Governmental Funds | 20,004 | 9,061 | - | 29,065 |
| Total | <u>\$ 20,004</u> | <u>\$ 492,624</u> | <u>\$ 276,113</u> | <u>\$ 788,741</u> |

During the year, interfund transfers were made for purposes of financing administrative costs, capital improvements and repayment of debt. Specifically, the following transfers were made:

Water Enterprise Fund transferred \$276,113 to General Fund to cover water use at the city parks.

A total of \$137,632 was transferred to the Water Fund to transfer capital assets.

Various funds transferred a total of \$345,931 to cover deficit in the Internal Service Fund. These costs were allocated based upon the affected funds actual and budgeted use of the City Attorney.

Note 5 – Notes Receivables

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 net of the uncollectible amount in the Statement of Net Position and the Governmental Funds Balance Sheet in the governmental funds.

At June 30, 2018 the outstanding balance of notes receivable and the uncollectible balance on the loans that will be forgiven by the City, assuming all requirements are met were as following:

| | |
|--------------------------------------|----------------------------|
| | Governmental Activities |
| Notes Receivables | \$ 9,204,525 |
| Less: Allowance for Forgivable Notes | (5,745,821) |
| Total | <u>\$ 3,458,704</u> |

City of Hemet
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 6 – Capital Assets

A. Governmental Activities

Summary of changes in capital assets for the governmental activities, including internal service funds, for the year ended June 30, 2018 is as follows:

| | Balance July 1, 2017 | Additions | Deletions | Balance June 30, 2018 |
|--|-------------------------|-----------------------|-------------|--------------------------|
| Capital Assets, Not Being Depreciated: | | | | |
| Land and Improvements | \$ 12,348,575 | \$ - | \$ - | \$ 12,348,575 |
| Rights of Way | 190,468,181 | - | - | 190,468,181 |
| CIP - Infrastructure | 974,062 | 1,947,232 | - | 2,921,294 |
| Total Capital Assets, Not Being Depreciated | 203,790,818 | 1,947,232 | - | 205,738,050 |
| Capital Assets Being Depreciated: | | | | |
| Buildings and Improvements | 27,490,325 | - | - | 27,490,325 |
| Buildings and Improvements - ISF | 75,899 | - | - | 75,899 |
| Machinery and Equipment | 35,348,068 | 1,804,723 | - | 37,152,791 |
| Machinery and Equipment - ISF | 5,153,155 | 345,931 | - | 5,499,087 |
| Infrastructure | | | | |
| Pavement | 151,965,545 | - | - | 151,965,545 |
| Medians | 163,384 | - | - | 163,384 |
| Sidewalks | 18,572,936 | - | - | 18,572,936 |
| Curb and Gutter | 16,575,428 | - | - | 16,575,428 |
| Traffic Signal | 6,925,933 | - | - | 6,925,933 |
| Street Lights | 3,862,335 | - | - | 3,862,335 |
| Bridges | 4,326,295 | - | - | 4,326,295 |
| Storm Drain/Retention Basins | 11,458,176 | - | - | 11,458,176 |
| Total Capital Assets being Depreciated | 281,917,479 | 2,150,654 | - | 284,068,134 |
| Less Accumulated Depreciation: | | | | |
| Buildings and Improvements | (12,926,198) | (623,714) | | (13,549,912) |
| Buildings and Improvements - ISF | (70,075) | (857) | | (70,932) |
| Machinery and Equipment | (30,098,092) | (1,045,418) | - | (31,143,510) |
| Machinery and Equipment - ISF | (4,254,159) | (143,877) | - | (4,398,036) |
| Infrastructure | | | | |
| Pavement | (103,561,584) | (4,451,819) | - | (108,013,403) |
| Medians | (62,629) | (5,446) | - | (68,075) |
| Sidewalks | (4,471,080) | (247,639) | - | (4,718,719) |
| Curb and Gutter | (4,099,073) | (221,006) | - | (4,320,079) |
| Traffic Signal | (4,199,877) | (180,839) | - | (4,380,716) |
| Street Lights | (2,533,195) | (150,816) | - | (2,684,011) |
| Bridges | (1,071,339) | (57,684) | - | (1,129,023) |
| Storm Drain/Retention Basins | (2,415,079) | (167,067) | - | (2,582,146) |
| Total Accumulated Depreciation | (169,762,380) | (7,296,182) | - | (177,058,562) |
| Total Capital Assets Being Depreciated, Net | 112,155,099 | (5,145,528) | - | 107,009,572 |
| Capital Assets, Net | \$ 315,945,917 | \$ (3,198,296) | \$ - | \$ 312,747,622 |

City of Hemet
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 6 – Capital Assets (Continued)

A. Governmental Activities (Continued)

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

| | | |
|----------------------------|----|-----------|
| General Government | \$ | 550,362 |
| Public Safety | | 783,348 |
| Community Development | | 125,127 |
| Public works | | 5,391,989 |
| Libraries | | 300,622 |
| Internal Service | | 144,734 |
| | | 144,734 |
| Total depreciation expense | \$ | 7,296,182 |

B. Business-Type Activities

Summary of changes in capital assets for the business-type activities for the year ended June 30, 2018 is as follows:

| | Balance July 1, 2017 | Additions | Deletions | Balance June 30, 2018 |
|--|-------------------------|------------|-----------|--------------------------|
| 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 | 27,870,005 | - | - | 27,870,005 |
| Machinery and Equipment | 5,257,253 | 908,421 | - | 6,165,674 |
| Total Capital Assets being Depreciated | 33,127,258 | 908,421 | - | 34,035,679 |
| Less Accumulated Depreciation: | | | | |
| Buildings and Improvements | (24,849,360) | (311,605) | - | (25,160,965) |
| Machinery and Equipment | (4,413,038) | (320,859) | - | (4,733,897) |
| Total Accumulated Depreciation | (29,262,398) | (632,464) | - | (29,894,862) |
| Total Capital Assets Being Depreciated, Net | 3,864,860 | 275,957 | - | 4,140,817 |
| Capital Assets, Net | \$ 3,897,835 | \$ 275,957 | \$ - | \$ 4,173,792 |

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

| | |
|----------------------------------|------------|
| Business-type Activities: | |
| Water | \$ 632,464 |
| Total depreciation expense | \$ 632,464 |

City of Hemet
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 7 – Long-Term Liabilities

A. Governmental Activities

Summary of changes in long-term liabilities for governmental activities for the year ended June 30, 2018 is as follows:

| | Balance July 1, 2017 | Additions | Deletions | Balance June 30, 2018 | Due Within One Year | Due in More than One Year |
|--|-------------------------|----------------------|------------------------|--------------------------|------------------------|---------------------------------|
| Governmental Activities: | | | | | | |
| Compensated Absences | \$ 2,769,673 | \$ 2,744,826 | \$ (2,603,493) | 2,911,006 | \$ 2,736,346 | \$ 174,660 |
| Claims Payable | 1,265,898 | 7,796,409 | (7,750,599) | 1,311,708 | 726,876 | 584,832 |
| Other Postemployment Benefit | 40,827,670 | 2,868,560 | (3,097,437) | 40,598,793 | - | 40,598,793 |
| Aggregate Net Pension Liabilities (Note 9) | 82,953,505 | 39,059,759 | (30,140,325) | 91,872,939 | - | 91,872,939 |
| Total Governmental Activity Long-Term Liabilities | \$ 127,816,746 | \$ 52,469,554 | \$ (43,591,854) | \$ 136,694,446 | \$ 3,463,222 | \$ 133,231,224 |

*Pension liabilities are liquidated by the General Fund and the Administrative Services Internal Service Fund.

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 liabilities for compensated absences for governmental activities are typically liquidated by the General Fund.

B. Business-Type Activities

Summary of changes in long-term liabilities for governmental activities for the year ended June 30, 2018 is as follows:

| | Balance July 1, 2017 | Additions | Deletions | Balance June 30, 2018 | Due Within One Year | Due in More than One Year |
|---|-------------------------|---------------------|-----------------------|--------------------------|------------------------|---------------------------------|
| Business-type Activities | | | | | | |
| Compensated Absences | \$ 196,288 | \$ 166,629 | \$ (186,474) | 176,443 | \$ 167,621 | \$ 8,822 |
| Other Postemployment Benefit | 6,646,365 | 466,975 | (504,234) | 6,609,106 | - | 6,609,106 |
| Aggregate Net Pension Liabilities (Note 9) | 4,677,099 | 2,388,429 | (1,935,123) | 5,130,405 | - | 5,130,405 |
| Total Business-type Activities Long-term Liabilities | \$ 11,519,752 | \$ 3,022,033 | \$ (2,625,831) | \$ 11,915,954 | \$ 167,621 | \$ 11,748,333 |

*Pension liabilities are liquidated by the Water Enterprise Fund.

Compensated Absences

The liabilities for compensated absences for the business-type activities are typically liquidated by the Water Enterprise Fund.

City of Hemet
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 7 – Long-Term Liabilities (Continued)

C. Fiduciary Fund

Summary of changes in long-term liabilities for Fiduciary Fund for the year ended June 30, 2018 is as follows:

| | Balance July 1, 2017 | Additions | Deletions | Balance June 30, 2018 | Due Within One Year | Due in More than One Year |
|---|-------------------------|-------------|---------------------|--------------------------|------------------------|---------------------------------|
| Fiduciary Fund: | | | | | | |
| Bonds Payable: | | | | | | |
| 2014 Tax Allocation Refunding Bonds | \$ 10,060,000 | \$ - | \$ (485,000) | \$ 9,575,000 | \$ 505,000 | \$ 9,070,000 |
| Total bonds payable | 10,060,000 | - | (485,000) | 9,575,000 | 505,000 | 9,070,000 |
| Bond Premium: | | | | | | |
| 2014 Tax Allocation Refunding Bonds | 657,340 | - | (46,401) | 610,939 | - | 610,939 |
| Total Fiduciary Fund Long-term Liabilities | \$ 10,717,340 | \$ - | \$ (531,401) | \$ 10,185,939 | \$ 505,000 | \$ 9,680,939 |

2014 Tax Allocation Refunding Bonds

In December 2014, the Riverside County Public Financing Authority issued \$11,110,000 Riverside County Public Financing Authority 2014 Tax Allocation Revenue Bonds (Hemet Refunding Project) to 1) refund the Successor Agency Subordinate Tax Allocation Bonds, 1999 Series A and Tax Allocation Bonds, 2002 Series A, 2) to satisfy the reserve requirement and 3) to pay cost of issuance. The refunding resulted in saving of \$1,829,065 in debt service payments and economic gain based on present value of the saving is \$1,588,800. Interest ranges from 3.00% to 5.00% is payable semiannually on March 1 and September 1 of each year, commencing March 1, 2015. Principal is due in annual installments of \$580,000 to \$870,000 through September 1, 2031. The outstanding balance at June 30, 2018 was \$9,575,000.

The debt service to maturity is as follows:

| June 30, | Principal | Interest | Total |
|-----------|---------------------|---------------------|----------------------|
| 2019 | \$ 505,000 | \$ 374,644 | \$ 879,644 |
| 2020 | 530,000 | 353,944 | 883,944 |
| 2021 | 545,000 | 329,719 | 874,719 |
| 2022 | 575,000 | 301,718 | 876,718 |
| 2023 | 610,000 | 272,094 | 882,094 |
| 2024-2028 | 3,505,000 | 891,566 | 4,396,566 |
| 2029-2032 | 3,305,000 | 229,856 | 3,534,856 |
| | \$ 9,575,000 | \$ 2,753,541 | \$ 12,328,541 |

D. Non-Commitment Debt

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, 2018 is \$7,505,000.

City of Hemet
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 8 – 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 | \$ 300,000,000 All risk Various Sub-limits per policy | \$ 5,000 All risk \$10,000 vehicles at actual cash value \$10,000 vehicles at replacement cost value except \$100,000 for vehicle valued at \$250, or more. \$10,000 for mobile equipment \$5,000 boiler and machinery |
| Excess Liability | \$25,000,000 total limit inclusive of SIR \$4,750,000 pool layer inclusive of SIR \$5,000,000 reinsurance layer 1 \$5,000,000 reinsurance layer 2 \$10,000,000 reinsurance layer 3 | \$250,000 SIR per occurrence, offense or wrongful act SIR |
| Primary Workers' Comp | \$125,000 | None |
| Excess Workers' Comp | \$4,875,000 pooled layer (includes \$125,000 limit above) \$45,000,000 excess of \$5,000,000 Statutory excess of \$50,000,000 | \$125,000 |
| Cyber Liability Program | \$2,000,000 per occurrence \$2,000,000 program aggregate various sub-limits apply | \$50,000 SIR |
| Cyber Liability Program Excess Layer | \$3,000,000 excess of \$10,000,000 | Excess limits layer is added |
| Crime | \$1,000,000 | \$2,500 |

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.

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

City of Hemet
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 8 – Risk Management and Self Insurance Programs (Continued)

| Insurance Type | Beginning Balance | Claims Incurred | Claim Payments | Ending Balance | Current Portion | Long Term Portion |
|-------------------|-------------------|-----------------|----------------|----------------|-----------------|-------------------|
| 2015 - 2016 Total | \$ 1,436,083 | \$ 1,362,726 | \$ (1,470,362) | \$ 1,328,457 | \$ 614,844 | \$ 713,613 |
| 2016-2017 | | | | | | |
| Dental - Vision | \$ 40,525 | \$ 3,437 | \$ (3,612) | \$ 40,350 | \$ 40,350 | \$ - |
| Workers' Comp | - | 241,678 | - | 241,678 | 10,000 | 231,678 |
| Liability | 1,287,932 | 7,085,579 | (7,389,641) | 983,870 | 819,892 | 163,978 |
| 2016 - 2017 Total | \$ 1,328,457 | \$ 7,330,694 | \$ (7,393,253) | \$ 1,265,898 | \$ 870,242 | \$ 395,656 |
| 2017-2018 | | | | | | |
| Dental - Vision | \$ 40,350 | \$ 15,806 | \$ (4,602) | \$ 51,554 | \$ 51,554 | \$ - |
| Workers' Comp | 241,678 | 131,380 | - | 373,058 | 10,000 | 363,058 |
| Liability | 983,870 | 7,649,223 | (7,745,997) | 887,096 | 665,322 | 221,774 |
| 2017-2018 Total | \$ 1,265,898 | \$ 7,796,409 | \$ (7,750,599) | \$ 1,311,708 | \$ 726,876 | \$ 584,832 |

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.

Note 9 – City Employees Retirement Plan

Summary of changes in net pension liabilities and the related deferred outflows of resources and deferred inflows of resources for the year ended June 30, 2018 is as follow:

| Governmental Activities | Governmental Activities | Business-type Activities | Total |
|--|-------------------------|--------------------------|----------------------|
| Deferred outflows of resources: | | | |
| Pension contribution made after measurement date | | | |
| Miscellaneous | \$ 2,698,781 | \$ 439,336 | \$ 3,138,117 |
| Safety | 5,493,410 | - | 5,493,410 |
| Difference between Expected and Actual Experience | | | |
| Safety | 360,477 | - | 360,477 |
| Changes of assumptions | | | |
| Miscellaneous | 3,543,355 | 576,825 | 4,120,180 |
| Safety | 6,826,217 | - | 6,826,217 |
| Difference in projected and actual earnings on pension investments | | | |
| Miscellaneous | 853,473 | 138,937 | 992,410 |
| Safety | 1,233,430 | - | 1,233,430 |
| Total deferred outflows of resources | \$ 21,009,143 | \$ 1,155,098 | \$ 22,164,241 |
| Net pension liabilities: | | | |
| Net pension liabilities | | | |
| Miscellaneous | \$ 31,515,346 | \$ 5,130,405 | \$ 36,645,751 |
| Safety | 60,357,593 | - | 60,357,593 |
| Total net pension liabilities | \$ 91,872,939 | \$ 5,130,405 | \$ 97,003,344 |
| Deferred inflows of Resources: | | | |
| Difference between Expected and Actual Experience | | | |
| Miscellaneous | \$ 793,236 | \$ 129,131 | \$ 922,367 |
| Total deferred inflows of Resources | \$ 793,236 | \$ 129,131 | \$ 922,367 |
| Pension expenses: | | | |
| Miscellaneous | \$ 2,225,219 | \$ 362,245 | \$ 2,587,464 |
| Safety | 3,160,066 | - | 3,160,066 |
| | \$ 5,385,285 | \$ 362,245 | \$ 5,747,530 |

City of Hemet
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 9 – City Employees Retirement Plan (Continued)

A. General Information about the Pension Plan

Plan Description

The City contributes to the California Public Employees' Retirement System ("CalPERS"), an agent multiple-employer public employee defined benefit pension plan. CalPERS acts as a common investment and administrative agent for participating public entities within the State of California. Benefit provisions and all other requirements are established by state statute and City ordinance. A full description of the pension plan regarding number of employees covered, benefit provisions, assumptions (for funding, but not accounting purposes), and membership information are listed in the June 30, 2016 Annual Actuarial Valuation Report. This report and CalPERS' audited financial statements are publicly available reports that can be obtained at CalPERS' website under Forms and Publications.

Benefit Provided

CalPERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. A classic CalPERS member or PEPRA Safety member becomes eligible for Service Retirement upon attainment of age 50 with at least 5 years of credited service. PEPRA miscellaneous members become eligible for service retirement upon attainment of age 62 with at least 5 years of service. The service retirement benefit is a monthly allowance equal to the product of the benefit factor, years of service, and final compensation. The final compensation is the monthly average of the member's highest 36 consecutive months' fulltime equivalent monthly pay for PEPRA members or 12 consecutive months' fulltime equivalent monthly pay for Classic members. Retirement benefits for classic miscellaneous employees are calculated as 2% to 2.7% of the average final 12 months compensation. Retirement benefits for PEPRA miscellaneous employees are calculated as 2% of the average final 36 months compensation. Retirement benefits for classic safety employees are calculated as 3% of the average final 12 months compensation. Retirement benefits for PEPRA safety employees are calculated as 2.7% of the average final 36 months compensation.

Participant is eligible for non-industrial disability retirement if becomes disabled and has at least 5 years of credited service. There is no special age requirement. The standard non-industrial disability retirement benefit is a monthly allowance equal to 1.8 percent of final compensation, multiplied by service. Industrial disability benefits are only offered to Safety employees.

An employee's beneficiary may receive the basic death benefit if the employee dies while actively employed. The employee must be actively employed with the City to be eligible for this benefit. An employee's survivor who is eligible for any other pre-retirement death benefit may choose to receive that death benefit instead of this basic death benefit. The basic death benefit is a lump sum in the amount of the employee's accumulated contributions, where interest is currently credited at 7.5 percent per year, plus a lump sum in the amount of one month salary for each completed year of current service, up to a maximum of six months salary. For purposes of this benefit, one month's salary is defined as the member's average monthly full-time rate of compensation during the 12 or 36 months preceding death.

Upon the death of a retiree, a one-time lump sum payment of \$500 will be made to the retiree's designated survivor(s), or to the retiree's estate.

Benefit terms provide for annual cost-of-living adjustments to each employee's retirement allowance. Beginning the second calendar year after the year of retirement, retirement and survivor allowances will be annually adjusted on a compound basis by 2 percent.

City of Hemet
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 9 – City Employees Retirement Plan (Continued)

A. General Information about the Pension Plan (Continued)

Employees Covered by Benefit Terms

At June 30, 2016, the valuation date, the following employees were covered by the benefit terms:

| | Plans | |
|--------------------------------------|---------------|--------|
| | Miscellaneous | Safety |
| Active employees | 170 | 114 |
| Transferred and terminated employees | 95 | 60 |
| Retired Employees and Beneficiaries | 277 | 174 |
| Total | 542 | 348 |

Contributions

Section 20814(c) of the California Public Employees’ Retirement Law (“PERL”) requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through CalPERS’ annual actuarial valuation process. The Public agency cost-sharing plans covered by the miscellaneous risk pools, the Plan’s actuarially determined rate is based on the estimated amount necessary to pay the Plan’s allocated share of the risk pool’s costs of benefits earned by employees during the year, and any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. For the measurement period ended June 30, 2017, the active employee contribution rates were 8.000% and 9.000% of annual pay, and the employer’s contribution rates were 28.555% and 49.874% of the annual payroll for Miscellaneous and Safety Plans, respectively.

B. Net Pension Liability

Actuarial Methods and Assumptions Used to Determine Total Pension Liability

The June 30, 2016 valuation was rolled forward to determine the June 30, 2017 total net pension liability, based on the following actuarial methods and assumptions:

| | |
|----------------------------------|---|
| Actuarial Cost Method | Entry Age Normal |
| Actuarial Assumptions: | |
| Discount Rate | 7.15% |
| Inflation | 2.75% |
| Salary Increases | Varies by Entry Age and Service |
| Investment Rate of Return | 7.50% Net of Pension Plan Investment; includes Inflation |
| Mortality Rate Table | Derived using CalPERS’ Membership Data for all Funds. |
| Post Retirement Benefit Increase | Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter |

¹The mortality table used was developed based on CalPERS’ specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to 2014 experience study report.

City of Hemet
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 9 – City Employees Retirement Plan (Continued)

B. Net Pension Liability (Continued)

Actuarial Methods and Assumptions Used to Determine Total Pension Liability (Continued)

All other actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from 1998 to 2012, including updates to salary increase, mortality and retirement rates. The Experience Study report can be obtained at CalPERS' website under Forms and Publications.

Change of Assumptions

There is a change in assumption dropping the discount rate from 7.65% to 7.15%.

Discount Rate

The discount rate used to measure the total pension liability was 7.15 percent. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing of the plans, the tests revealed the assets would not run out. Therefore, the current 7.15 percent discount rate is appropriate and the use of the municipal bond rate calculation is not deemed necessary. The long-term expected discount rate of 7.15 percent is applied to all plans in the Public Employees Retirement Fund. The stress test results are presented in a detailed report called "GASB Crossover Testing Report" that can be obtained at CalPERS' website under the GASB 68 section.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected PERF pension fund cash flows. Taking into account historical returns of all the Public Employees Retirement Funds' asset classes (which includes the agent plan and two cost-sharing plans or PERF A, B, and C funds), expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each PERF fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equal to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

City of Hemet
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 9 – City Employees Retirement Plan (Continued)

B. Net Pension Liability (Continued)

Discount Rate (Continued)

The table below reflects long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. The target allocation shown was adopted by the Board effective on July 1, 2014.

| Asset Class | New Strategic Allocation | Real Return Years 1 - 10 ¹ | Real Return Years 11+ ² |
|-------------------------------|--------------------------|---------------------------------------|------------------------------------|
| Global Equity | 47.00% | 4.90% | 5.38% |
| Global Fixed Income | 19.00% | 0.80% | 2.27% |
| Inflation Sensitive | 6.00% | 0.60% | 1.39% |
| Private Equity | 12.00% | 6.60% | 6.63% |
| Real Estate | 11.00% | 2.80% | 5.21% |
| Infrastructure and Forestland | 3.00% | 3.90% | 5.36% |
| Liquidity | 2.00% | -0.40% | -0.90% |
| | <u>100.00%</u> | | |

¹ An expected inflation of 2.5% used

² An expected inflation of 3.0% used

C. Changes in the Net Pension Liability

The following table shows the changes in net pension liability recognized over the measurement period.

| | Miscellaneous Plan | | |
|---|--|--|--|
| | Increase (Decrease) | | |
| | Total Pension Liability (a) | Plan Fiduciary Net Position (b) | Net Pension Liability/(Asset) (c) = (a) - (b) |
| Balance at June 30, 2016 (Valuation Date) | \$ 109,989,660 | \$ 76,581,811 | \$ 33,407,849 |
| Changes Recognized for the Measurement Period: | | | |
| Service Cost | 1,931,287 | - | 1,931,287 |
| Interest on the total pension liability | 8,110,383 | - | 8,110,383 |
| Changes of benefit terms | - | - | - |
| Changes of assumptions | 6,866,966 | - | 6,866,966 |
| Difference between expected and actual experience | (1,473,269) | - | (1,473,269) |
| Plan to plan resource movement | - | (38,502) | 38,502 |
| Contributions from the employer | - | 2,990,210 | (2,990,210) |
| Contributions from employees | - | 743,649 | (743,649) |
| Net investment income, net of administrative expense | - | 8,615,176 | (8,615,176) |
| Benefit payments, including refunds of employee contributions | (5,834,147) | (5,834,147) | - |
| Administrative expenses | - | (113,068) | 113,068 |
| Net Changes during July 1, 2016 to June 30, 2017 | <u>9,601,220</u> | <u>6,363,318</u> | <u>3,237,902</u> |
| Balance at June 30, 2017 (Measurement Date) | <u>\$ 119,590,880</u> | <u>\$ 82,945,129</u> | <u>\$ 36,645,751</u> |

City of Hemet
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 9 – City Employees Retirement Plan (Continued)

C. Changes in the Net Pension Liability (Continued)

| | Safety Plan | | |
|---|--|--|--|
| | Increase (Decrease) | | |
| | Total Pension Liability (a) | Plan Fiduciary Net Position (b) | Net Pension Liability/(Asset) (c) = (a) - (b) |
| Balance at June 30, 2016 (Valuation Date) | \$ 151,921,902 | \$ 97,699,147 | \$ 54,222,755 |
| Changes Recognized for the Measurement Period: | | | |
| Service Cost | 2,874,210 | - | 2,874,210 |
| Interest on the total pension liability | 11,326,420 | - | 11,326,420 |
| Changes of benefit terms | - | - | - |
| Changes of assumptions | 10,043,106 | - | 10,043,106 |
| Difference between expected and actual experience | (1,131,468) | - | (1,131,468) |
| Plan to plan resource movement | - | 38,502 | (38,502) |
| Contributions from the employer | - | 4,880,193 | (4,880,193) |
| Contributions from employees | - | 1,142,393 | (1,142,393) |
| Net investment income, net of administrative expense | - | 11,060,588 | (11,060,588) |
| Benefit payments, including refunds of employee contributions | (7,718,359) | (7,718,359) | - |
| Administrative expenses | - | (144,246) | 144,246 |
| Net Changes during July 1, 2016 to June 30, 2017 | <u>15,393,909</u> | <u>9,259,071</u> | <u>6,134,838</u> |
| Balance at June 30, 2017 (Measurement Date) | <u>\$ 167,315,811</u> | <u>\$ 106,958,218</u> | <u>\$ 60,357,593</u> |

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the Plan as of the measurement date, calculated using the discount rate of 7.15%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (6.15%) or 1 percentage-point higher (8.15%) than the current rate:

| | Plan's Net Pension Liability/(Asset) | | |
|--------------------|---|--|---------------------------------------|
| | Discount Rate - 1% (6.15%) | Current Discount Rate (7.15%) | Discount Rate + 1% (8.15%) |
| Miscellaneous Plan | \$ 53,209,487 | \$ 36,645,751 | \$ 23,068,980 |
| Safety Plan | <u>\$ 84,924,686</u> | <u>\$ 60,357,593</u> | <u>\$ 40,483,031</u> |

Pension plan fiduciary net position

Detailed information about the plan's fiduciary net position is available in the separately issued CalPERS financial report.

City of Hemet
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 9 – City Employees Retirement Plan (Continued)

D. Pension Expense and Deferred Outflows and Deferred Inflows of Resources Related to Pensions

For the measurement period ending June 30, 2017, the City incurred a pension expense of \$2,587,464 and \$3,160,066 for the Miscellaneous and Safety Plans, respectively.

The amortization period differs depending on the source of the gain or loss. The difference between projected and actual earnings is amortized over 5-years straight line. All other amounts are amortized straight-line over the average expected remaining service lives of all members that are provided with benefits (active, inactive and retired) as of the beginning of the measurement period.

The expected average remaining service lifetime (“EARSL”) is calculated by dividing the total future service years by the total number of plan participants (active, inactive, and retired) in the risk pool. The EARSL for the miscellaneous plan and the safety plan for the 2016-2017 measurement period are 2.5 years and 3.8, which were obtained by dividing the total service years of 1,549 and 1,348 (the sum of remaining service lifetimes of the active employees) by 615 and 355 (the total number of participants: active, inactive, and retired).

At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | <u>Miscellaneous Plan</u> | | <u>Safety Plan</u> | |
|---|---|--|---|--|
| | <u>Deferred outflows of Resources</u> | <u>Deferred inflows of Resources</u> | <u>Deferred outflows of Resources</u> | <u>Deferred inflows of Resources</u> |
| Contribution made after the measurement date | \$ 3,138,117 | \$ - | \$ 5,493,410 | \$ - |
| Changes of assumptions | 4,120,180 | - | 6,826,217 | - |
| Difference between expected and actual experience | - | (922,367) | 360,477 | - |
| Net difference between projected and actual earning on pension plan investments | 992,410 | - | 1,233,430 | - |
| Total | <u>\$ 8,250,707</u> | <u>\$ (922,367)</u> | <u>\$ 13,913,534</u> | <u>\$ -</u> |

Deferred outflows of resources related to pensions resulting from the City’s contributions made subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| Measurement Period Ended June 30 | <u>Deferred Outflows/(Inflows) of Resources</u> | |
|-------------------------------------|---|---------------------|
| | <u>Miscellaneous Plan</u> | <u>Safety Plan</u> |
| 2018 | \$ 2,058,902 | \$ 2,468,501 |
| 2019 | 2,340,940 | 4,355,416 |
| 2020 | 440,998 | 2,431,159 |
| 2021 | (650,617) | (834,952) |
| 2022 | - | - |
| Thereafter | - | - |
| | <u>\$ 4,190,223</u> | <u>\$ 8,420,124</u> |

City of Hemet
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 9 – City Employees Retirement Plan (Continued)

D. Pension Expense and Deferred Outflows and Deferred Inflows of Resources Related to Pensions (Continued)

CalPERS Discount Rate

On December 16, 2016, the CalPERS Board of Administration (the “Board”) approved lowering the CalPERS discount rate assumption, the long-term rate of return, from 7.50 percent to 7.00 percent the next three years. This will increase the City’s employer contribution costs beginning in fiscal year 2018-19.

Lowering the discount rate means plans will see increases in both normal costs, the cost of pension benefits accruing in one year for active members, and the accrued liabilities. These increases will result in higher required employer contribution.

Note 10 – Other Postemployment Benefits

At June 30, 2018, total OPEB liability and related deferred outflows of resources and deferred inflows of resources are as follow:

| | Governmental Activities | Business-Type Activities | Total |
|---|------------------------------------|-------------------------------------|-------------------|
| Total other postemployment benefit liability | \$ 40,598,793 | \$ 6,609,106 | \$ 47,207,899 |
| Deferred inflows of resources: | | | |
| Investment earnings | \$ 5,161 | \$ 840 | \$ 6,001 |
| Total deferred inflows of resources | \$ 5,161 | \$ 840 | \$ 6,001 |
| OPEB expense | \$ 179,857 | \$ 29,278 | \$ 209,135 |

A. 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 Group Management Services. Eligibility is based on the contract. The City's plan does not issue a publicly available financial report.

City of Hemet
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 10 – Other Postemployment Benefits (Continued)

B. Eligibility

Employees of the city are eligible for retiree health benefits if they are between 50-55 years of age or disability retire directly from the City as of the last day of work prior to retirement and are a vested member of CalPERS. Membership in the plan consisted of the following at January 1, 2017, the date of the latest actuarial valuation:

| <u>Employee Information</u> | |
|--|------------|
| Active plan members | 262 |
| Inactive employees or beneficiaries currently receiving benefit payments | 305 |
| Total | 567 |

C. Contribution

The obligation of the City to contribute to the plan is established and may be amended by the City Council. For the fiscal year ended June 30, 2018, the City’s average contribution rate was not applicable. The initial contribution of \$750,000 was made November 2016. An annual \$200,000 trust contribution begins fiscal year 2018. The City pays benefit payments outside of the trust. Employees are not required to contribute to the plan.

D. Net OPEB Liability

The City's net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of January 1, 2017.

Actuarial Methods and Assumptions

The total OPEB liability is the January 1, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified.

| <u>Actuarial Assumptions</u> | |
|--|--|
| Actuarial Valuation Date | January 1, 2017 |
| Discount Rate | 6.25% |
| Expected Long-Term Investment Rate of Return | 6.25% |
| Inflation | 2.75% |
| Mortality Improvement | Mortality Improvement Scale MP-2016 |
| Mortality, Termination, and Disability | CalPERS 1997-2011 Experience Study |
| Salary Increases | Aggregate - 3% annually Merit - CalPERS 1997-2011 Experience Study |
| Rate of Return on Assets | Expected City contributions projected to keep sufficient plan assets to pay all benefits from trust |
| Medical Trend | Non-Medicare - 6.25% for 2018, decreasing to an ultimate rate of 4.75% in 2021 and later years Medicare - 6.45% for 2018, decreasing to an ultimate rate of 4.75% in 2021 and later years |
| Dental/Vision trend | 2.75% |

The actuarial assumptions used in the January 1, 2017 valuation were based on the results of an actuarial experience study for the period July 1, 2017 through June 30, 2018.

City of Hemet
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 10 – Other Postemployment Benefits (Continued)

D. Net OPEB Liability (Continued)

Discount Rate

The discount rate used to measure the total OPEB liability was 6.25 percent. The projection of cash flows used to determine the discount rate assumed that City contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

| Asset Class Component | Target Allocation PARS-Balance | Expected Real Rate of Return |
|--|---|---|
| Global Equity | 58% | 4.82% |
| Fixed Income | 35% | 1.47% |
| REITs | 2% | 3.76% |
| Cash | 5% | 0.06% |
| Assumed Long-Term Rate of Inflation | | 2.75% |
| Expected Long-Term Net Rate of Return, Rounded | | 6.25% |

Change in the Net OPEB Liability

| | Increase (Decrease) | | |
|---|---|---|---|
| | Total OPEB Liability (a) | Fiduciary Net Position (b) | Net OPEB Liability (c) = (a) - (b) |
| Balance at June 30, 2017 | \$ 48,282,340 | \$ 808,305 | \$ 47,474,035 |
| Changes Recognized for the Measurement Period: | | | |
| Service Cost | 349,223 | - | 349,223 |
| Interest on the total OPEB liability | 2,936,563 | - | 2,936,563 |
| Changes of benefit terms | - | - | - |
| Difference between expected and actual experience | - | - | - |
| Changes of assumptions | - | - | - |
| Contributions from the employer | - | 3,540,596 | (3,540,596) |
| Contributions from the employee | - | - | - |
| Net investment income | - | 61,075 | (61,075) |
| Benefit payments | (3,293,090) | (3,293,090) | - |
| Administrative expenses | - | (49,749) | 49,749 |
| Net Changes | (7,304) | 258,832 | (266,136) |
| Balance at June 30, 2018 | <u>\$ 48,275,036</u> | <u>\$ 1,067,137</u> | <u>\$ 47,207,899</u> |

City of Hemet
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 10 – Other Postemployment Benefits (Continued)

D. Net OPEB Liability (Continued)

Sensitivity of the net OPEB Liability to Changes in the Discount Rate

The following present the total OPEB liability of the city, as well as what the City’s total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.25 percent) or 1-percentage-point higher (7.25 percent) than the current discount rate:

| Plan's Net OPEB Liability / (Asset) | | |
|--|-------------------------|--------------------------|
| Discount Rate -1% | Current Discount | Discount Rate +1% |
| (5.25%) | Rate (6.25%) | (7.25%) |
| \$ 52,747,805 | \$ 47,207,899 | \$ 42,592,515 |

Sensitivity of the Total OPEB Liability to Changes in the Health Care cost Trend Rates

The following presents the total OPEB liability of the City, as well as what the City’s total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

| Plan's Net OPEB Liability / (Asset) | | |
|--|----------------------|--------------------|
| 1% Decrease | Current Trend | 1% Increase |
| \$ 42,611,688 | \$ 47,207,899 | \$ 52,700,416 |

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the measurement period ended June 30, 2018, the City recognized expense of \$3,280,461. At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

| | Deferred outflows of Resources | Deferred inflows of Resources |
|--|---|--|
| Difference between expected and actual experience | \$ - | \$ - |
| Changes of assumptions | - | - |
| Net difference between projected and actual earnings on plan investments | - | (6,001) |
| Employer contributions made subsequent to measurement date | - | - |
| Total | \$ - | \$ (6,001) |

The difference between projected OPEB plan investment earnings and actual earnings is amortized over a five year period. The remaining gains and losses are amortized over the expected average remaining service life. The expected average remaining service life is 5 years, which was determined as of June 30, 2018, the beginning of the measurement period, for employees covered by the OPEB plan benefit terms as of the valuation date.

Other amount reported as deferred inflows of resources related to OPEB will be recognized in the future OPEB expense as follow:

City of Hemet
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 10 – Other Postemployment Benefits (Continued)

D. Net OPEB Liability (Continued)

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued)

| Ended June 30 | Deferred Outflows/(Inflows) of Resources |
|---------------|--|
| 2019 | \$ (1,500) |
| 2020 | (1,500) |
| 2021 | (1,500) |
| 2022 | (1,501) |
| 2023 | - |
| Thereafter | - |
| Total | \$ (6,001) |

Note 11 – Fund Balances

The detail information of the fund balances at June 30, 2018 is as follows:

| | General Fund | Sewer Special Revenue Fund | Other Governmental Funds | Total Governmental Funds |
|--------------------------------|-----------------|----------------------------------|--------------------------------|--------------------------------|
| Nonspendable: | | | | |
| Inventory | \$ 300 | \$ - | \$ - | \$ 300 |
| Prepays | 4,149 | - | - | 4,149 |
| Library Endowment | - | - | 1,000,000 | 1,000,000 |
| Total nonspendable | 4,449 | - | 1,000,000 | 1,004,449 |
| Restricted for: | | | | |
| Public Access Channel | 1,012,459 | - | - | 1,012,459 |
| Low/Mod Housing | - | - | 3,959,214 | 3,959,214 |
| Public Safety | - | - | 574,794 | 574,794 |
| Street Work | - | - | 7,953,616 | 7,953,616 |
| Lighting and Landscaping | - | - | 4,701,977 | 4,701,977 |
| Housing Grants | - | - | 4,050,169 | 4,050,169 |
| Sewer Maintenance | - | 9,349,274 | - | 9,349,274 |
| Indian Gaming Capital Projects | - | - | 6,234 | 6,234 |
| Development Impact Fees | - | - | 15,607,974 | 15,607,974 |
| Library Equipment | - | - | 54,501 | 54,501 |
| General Plan | - | - | 72,046 | 72,046 |
| Measure U | 6,960,117 | - | - | 6,960,117 |
| Total restricted | 7,972,576 | 9,349,274 | 36,980,525 | 54,302,375 |
| Committed to: | | | | |
| Economic Stabilization Reserve | 8,241,977 | - | - | 8,241,977 |
| Total committed | 8,241,977 | - | - | 8,241,977 |
| Assigned to: | | | | |
| Equipment Replacement | - | - | 3,692,687 | 3,692,687 |
| Capital Replacement | - | - | 387,813 | 387,813 |
| Continuing Appropriations | 220,671 | - | - | 220,671 |
| Total assigned | 220,671 | - | 4,080,500 | 4,301,171 |
| Unassigned (deficit) | 256,139 | - | (180,072) | 76,067 |
| Total Fund Balances | \$ 16,695,812 | \$ 9,349,274 | \$ 41,880,953 | \$ 67,926,039 |

City of Hemet
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 12 – Endowment

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. At June 30, 2018, net appreciation on investment of the principal balance amounted to \$132,406, and is reported as restricted net position as expendable. California Senate Bill No. 1329 enacted Uniform Prudent Management of Institutional Funds Act (“UPMIFA”) that governing the ability to spend on the net appreciation of the endowment fund. The City also passed resolution No. 3715 to establish policy on the spending of investment income in that available funds may only be used to supplement normal budgeted City funds appropriated by the City for the operation and maintenance of the library and not to substitute for such funds. Available funds may be used for a variety of library purposes that enhances the functioning of the library after specifically approved on a case by case line-item basis by the City Council in advance of the expenditure.

Note 13 – Individual Fund Disclosure

A. Deficit Net Positions and Fund Balances

In the Government-wide Financial Statements, the City had a deficit unrestricted net position of \$(89,525,147) of which, \$(91,872,939) was attributed to aggregate net pension liabilities and \$(40,598,793) was attributed to other postemployment benefits liabilities.

Funds with deficit net positions and fund balances at June 30, 2018 are as follows:

| | |
|---|-----------------------|
| Fiduciary Fund: | |
| Successor Agency Private Purpose Trust Fund | <u>\$ (7,360,010)</u> |
| Other Governmental Funds: | |
| Special Revenue Funds: | |
| Local Law Enforcement Block Grant | <u>\$ (90,848)</u> |
| Internal Service Fund: | |
| Admin Services Fund | <u>\$ (7,320,760)</u> |

The City plans to eliminate the deficit for Other Governmental Funds and Internal Service Funds through continued effort to keep the costs down. In addition, the deficit net position for the Successor Agency Private Purpose Trust Fund will be eliminated through continued repayment of debt through property tax revenue received. Local Law Enforcement Block Grant Special Revenue Fund will eliminate the deficit once revenue is received.

The City has worked to cut costs by amortizing the CalPERS unfunded liability over 20 years instead of the standard 30 years. The current year’s CalPERS unfunded liability is prepaid each year to realize a savings of approximately 3% when compared to making monthly payments.

City of Hemet
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 13 – Individual Fund Disclosure (Continued)

B. Expenditures in Excess of Appropriations

The following funds report expenditures in excess of appropriations for the year ended June 30, 2018.

| | <u>Appropriation</u> | <u>Expenditures</u> | <u>Overage</u> |
|---|----------------------|---------------------|----------------|
| Other Governmental Funds: | | | |
| Special Revenue Funds: | | | |
| Measure A | \$ - | \$ 1,307,956 | \$ (1,307,956) |
| Article 3 | - | 75,000 | (75,000) |
| Air Pollution Reduction | 5,000 | 5,000 | - |
| Lighting/Landscape Maintenance District | 1,628,267 | 1,678,615 | (50,348) |
| Post Prop. 218 Landscape District | 1,647,060 | 1,829,574 | (182,514) |
| Asset Seizure | - | 23,340 | (23,340) |
| Public Safety Grants | - | 379,881 | (379,881) |
| Public Safety CFD | 559,300 | 559,300 | - |
| Citizen Option for Public Safety Programs | - | 165,039 | (165,039) |
| Law Enforcement Block Grant | - | 102,389 | (102,389) |
| NSP Grant | - | 825 | (825) |
| Flood Control | - | 14,127 | (14,127) |
| Capital Projects | - | 1,914,106 | (1,914,106) |
| Equipment Replacement | 230,000 | 689,812 | (459,812) |
| Fire Facilities | - | 39,230 | (39,230) |
| Bridges/Streets/Traffic Facilities | - | 701,139 | (701,139) |

Note 14 – Commitments and Contingencies

A. Lawsuits

As of June 30, 2018 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.

B. Federal and State Grant Programs

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.

C. Construction Commitments

The estimated amount of remaining construction contract obligations at year-end is \$1,139,636.

City of Hemet
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 15 – Restatement of Net Position

The City implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, during the year ended June 30, 2018. The beginning net positions at July 1, 2017 were restated as follows.

| | <u>Governmental Activities</u> | <u>Business-Type Activities</u> | <u>Water Enterprise Fund</u> | <u>Internal Service Fund</u> |
|-----------------------------------|------------------------------------|-------------------------------------|--------------------------------------|----------------------------------|
| Net Position at July 1, 2017 | | | | |
| as previously reported | \$ 305,694,503 | \$ 10,965,586 | \$ 10,965,586 | \$ 9,586 |
| Net other postemployment benefits | (28,072,417) | (6,150,681) | (6,150,681) | (6,590,016) |
| as restated | <u>\$ 277,622,086</u> | <u>\$ 4,814,905</u> | <u>\$ 4,814,905</u> | <u>\$ (6,580,430)</u> |

REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)

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City of Hemet
Required Supplementary Information (Unaudited)
Budgetary Comparison Schedule - General Fund
For the Year Ended June 30, 2018

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget |
|---|-------------------|-------------------|----------------------|-------------------------------|
| | Original | Final | | |
| REVENUES: | | | | |
| Taxes | \$ 42,380,300 | \$ 42,380,300 | 43,036,643 | \$ 656,343 |
| Licenses and permits | 1,890,860 | 1,890,860 | 1,784,043 | (106,817) |
| Intergovernmental revenues | 667,000 | 667,000 | 954,924 | 287,924 |
| Charges for services | 3,295,800 | 3,415,800 | 3,359,108 | (56,692) |
| Fines and forfeitures | 379,100 | 379,100 | 491,313 | 112,213 |
| Investment income | 632,500 | 632,500 | 255,204 | (377,296) |
| Miscellaneous | 159,300 | 159,300 | 245,754 | 86,454 |
| Total revenues | 49,404,860 | 49,524,860 | 50,126,989 | 602,129 |
| EXPENDITURES: | | | | |
| Current: | | | | |
| General government | 3,857,230 | 3,857,230 | 2,111,818 | 1,745,412 |
| Public safety | 38,658,805 | 38,658,805 | 36,940,880 | 1,717,925 |
| Community development | 4,174,950 | 4,174,950 | 4,279,550 | (104,600) |
| Parks | 1,336,585 | 1,336,585 | 1,247,748 | 88,837 |
| Libraries | 1,452,590 | 1,452,590 | 1,455,662 | (3,072) |
| Capital outlay | - | - | 519,434 | (519,434) |
| Total expenditures | 49,480,160 | 49,480,160 | 46,555,092 | 2,925,068 |
| REVENUES OVER (UNDER) EXPENDITURES | (75,300) | 44,700 | 3,571,897 | 3,527,197 |
| OTHER FINANCING SOURCES (USES): | | | | |
| Transfers in | 559,000 | 559,000 | 276,113 | (282,887) |
| Transfers out | - | - | (20,004) | (20,004) |
| Total other financing sources (uses) | 559,000 | 559,000 | 256,109 | (302,891) |
| NET CHANGES IN FUND BALANCES | \$ 483,700 | \$ 603,700 | 3,828,006 | \$ 3,224,306 |
| FUND BALANCES: | | | | |
| Beginning of year | | | 12,867,806 | |
| End of year | | | <u>\$ 16,695,812</u> | |

City of Hemet
Required Supplementary Information (Unaudited)
Budgetary Comparison Schedule - Sewer and Storm Drain Special Revenue Fund
For the Year Ended June 30, 2018

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget |
|---|-------------------|-------------------|---------------------|-------------------------------|
| | Original | Final | | |
| REVENUES: | | | | |
| Charges for services | \$ 3,727,700 | \$ 3,727,700 | \$ 4,009,457 | \$ 281,757 |
| Investment income (loss) | 32,000 | 32,000 | 9,560 | (22,440) |
| Miscellaneous | - | - | 4,346 | 4,346 |
| Total revenues | <u>3,759,700</u> | <u>3,759,700</u> | <u>4,023,363</u> | <u>263,663</u> |
| EXPENDITURES: | | | | |
| Current: | | | | |
| Sanitation | 2,777,138 | 2,777,138 | 2,179,520 | 597,618 |
| Capital outlay | 110,000 | 110,000 | 62,818 | 47,182 |
| Total expenditures | <u>2,887,138</u> | <u>2,887,138</u> | <u>2,242,338</u> | <u>644,800</u> |
| REVENUES OVER (UNDER) EXPENDITURES | <u>872,562</u> | <u>872,562</u> | <u>1,781,025</u> | <u>908,463</u> |
| NET CHANGES IN FUND BALANCES | <u>\$ 872,562</u> | <u>\$ 872,562</u> | <u>1,781,025</u> | <u>\$ 908,463</u> |
| FUND BALANCES: | | | | |
| Beginning of year | | | <u>7,568,248</u> | |
| End of year | | | <u>\$ 9,349,273</u> | |

City of Hemet
Required Supplementary Information (Unaudited)
Notes to the Budgetary Comparison Schedule
For the Year Ended June 30, 2018

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.

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 accounting principal generally accepted in the United States ("U.S. 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, Article 3, Cal Home Program, Neighborhood Stabilization Program Grant and Indian Gaming Grants Special Revenue Funds; and the General Capital Projects Fund.

City of Hemet
Required Supplementary Information (Unaudited)
Schedule of Changes in Net Pension Liability and Related Ratios
For the Year Ended June 30, 2018

Last Ten Fiscal Years

California Public Employees' Retirement System ("CalPERS") - Miscellaneous Plan

| Measurement period | 2016-17 | 2015-16 | 2014-15 | 2013-14 ¹ |
|---|-----------------------|-----------------------|-----------------------|-----------------------|
| Total pension liability | | | | |
| Service cost | \$ 1,931,287 | \$ 1,729,490 | \$ 1,871,677 | \$ 1,873,983 |
| Interest | 8,110,383 | 7,937,191 | 7,613,775 | 7,253,346 |
| Changes of benefit terms | - | - | - | - |
| Changes of assumptions | 6,866,966 | - | (1,903,393) | - |
| Recognized differences between expected and actual experience | (1,473,269) | (192,030) | 353,826 | - |
| Benefit payments, including refunds of employee contributions | (5,834,147) | (5,132,797) | (4,856,565) | (4,666,256) |
| Net change in total pension liability | 9,601,220 | 4,341,854 | 3,079,320 | 4,461,073 |
| Total pension liability - beginning | 109,989,660 | 105,647,806 | 102,568,486 | 98,107,413 |
| Total pension liability - ending (a) | \$ 119,590,880 | \$ 109,989,660 | \$ 105,647,806 | \$ 102,568,486 |
| Pension fiduciary net position | | | | |
| Contributions - employer | \$ 2,990,210 | \$ 2,647,176 | \$ 2,503,520 | \$ 2,191,066 |
| Contributions - employee | 743,649 | 743,644 | 780,189 | 871,668 |
| Net investment income | 8,615,176 | 396,714 | 1,739,990 | 11,594,247 |
| Benefit payments, including refunds of employee contributions | (5,834,147) | (5,132,797) | (4,856,565) | (4,666,256) |
| Plan to plan resource movement | (38,502) | (382) | (887) | - |
| Administrative expense | (113,068) | (47,522) | (87,854) | - |
| Net change in plan fiduciary net position | 6,363,318 | (1,393,167) | 78,393 | 9,990,725 |
| Plan fiduciary net position - beginning | 76,581,811 | 77,974,978 | 77,896,585 | 67,905,860 |
| Plan fiduciary net position - ending (b) | \$ 82,945,129 | \$ 76,581,811 | \$ 77,974,978 | \$ 77,896,585 |
| Plan net pension liability - ending (a) - (b) | \$ 36,645,751 | \$ 33,407,849 | \$ 27,672,828 | \$ 24,671,901 |
| Plan fiduciary net position as a percentage of the total pension liability | 69.36% | 69.63% | 73.81% | 75.95% |
| Covered payroll | \$ 9,581,222 | \$ 9,353,143 | \$ 9,860,790 | \$ 9,398,580 |
| Plan net pension liability as a percentage of covered payroll | 382.47% | 357.18% | 280.63% | 262.51% |

¹ Historical information is presented only for measurement periods for which GASB 68 is applicable. Additional years of information will be presented as it becomes available.

Notes to Schedule:

Changes of Assumptions: The discount rate was changed from 7.50% (net of administration expense) to 7.65% for the June 30, 2015 measurement date.

City of Hemet
Required Supplementary Information (Unaudited)
Schedule of Changes in Net Pension Liability and Related Ratios (Continued)
For the Year Ended June 30, 2018

Last Ten Fiscal Years

California Public Employees' Retirement System ("CalPERS") - Safety Plan

| Measurement period | 2016-17 | 2015-16 | 2014-15 | 2013-14 ¹ |
|---|-----------------------|-----------------------|-----------------------|-----------------------|
| Total pension liability | | | | |
| Service cost | \$ 2,874,210 | \$ 2,471,569 | \$ 2,394,505 | \$ 2,495,555 |
| Interest | 11,326,420 | 10,976,376 | 10,402,942 | 9,879,182 |
| Changes of benefit terms | - | - | - | - |
| Changes of assumptions | 10,043,106 | - | (2,726,343) | - |
| Differences between expected and actual experience | (1,131,468) | 1,932,999 | 1,323,162 | - |
| Benefit payments, including refunds of employee contributions | (7,718,359) | (7,544,599) | (7,001,597) | (6,313,012) |
| Net change in total pension liability | 15,393,909 | 7,836,345 | 4,392,669 | 6,061,725 |
| Total pension liability - beginning | 151,921,902 | 144,085,557 | 139,692,888 | 133,631,163 |
| Total pension liability - ending (a) | \$ 167,315,811 | \$ 151,921,902 | \$ 144,085,557 | \$ 139,692,888 |
| Pension fiduciary net position | | | | |
| Contributions - employer | \$ 4,880,193 | \$ 4,516,245 | \$ 4,085,934 | \$ 3,816,628 |
| Contributions - employee | 1,142,393 | 1,032,806 | 885,734 | 896,539 |
| Net investment income | 11,060,588 | 516,112 | 2,205,144 | 14,795,183 |
| Benefit payments, including refunds of employee contributions | (7,718,359) | (7,544,599) | (7,001,597) | (6,313,012) |
| Plan to plan resource movement | 38,502 | 382 | 887 | - |
| Administrative expense | (144,246) | (60,481) | (111,835) | - |
| Net change in plan fiduciary net position | 9,259,071 | (1,539,535) | 64,267 | 13,195,338 |
| Plan fiduciary net position - beginning | 97,699,147 | 99,238,682 | 99,174,415 | 85,979,077 |
| Plan fiduciary net position - ending (b) | \$ 106,958,218 | \$ 97,699,147 | \$ 99,238,682 | \$ 99,174,415 |
| Plan net pension liability - ending (a) - (b) | \$ 60,357,593 | \$ 54,222,755 | \$ 44,846,875 | \$ 40,518,473 |
| Plan fiduciary net position as a percentage of the total pension liability | 63.93% | 64.31% | 68.87% | 70.99% |
| Covered payroll | \$ 9,450,596 | \$ 9,039,459 | \$ 8,826,041 | \$ 8,870,562 |
| Plan net pension liability as a percentage of covered payroll | 638.66% | 599.85% | 508.12% | 456.77% |

¹ Historical information is presented only for measurement periods for which GASB 68 is applicable. Additional years of information will be presented as it becomes available.

Notes to Schedule:

Changes of Assumptions: The discount rate was changed from 7.50% (net of administration expense) to 7.65% for the June 30, 2015 measurement date.

City of Hemet
Required Supplementary Information (Unaudited)
Schedule of Contributions
For the Year Ended June 30, 2018

Last Ten Fiscal Years

California Public Employees' Retirement System ("CalPERS") - Miscellaneous Plan

| | 2017-18 | 2016-17 | 2015-16 | 2014-15 | 2013-14 ¹ |
|--|--------------------|--------------------|--------------------|--------------------|----------------------|
| Actuarially determined contribution ¹ | \$ 3,138,117 | \$ 2,990,210 | \$ 2,647,176 | \$ 2,503,520 | \$ 2,191,066 |
| Contributions in relation to the Actuarially determined contribution ¹ | <u>(3,138,117)</u> | <u>(2,990,210)</u> | <u>(2,647,176)</u> | <u>(2,503,520)</u> | <u>(2,191,066)</u> |
| Contribution deficiency (excess) | <u>\$ -</u> |
| Covered payroll ² | \$ 9,868,659 | \$ 9,581,222 | \$ 9,353,143 | \$ 9,860,790 | \$ 9,398,580 |
| Contributions as a percentage of covered payroll | 31.80% | 31.21% | 28.30% | 25.39% | 23.31% |

¹ Historical information is presented only for measurement periods for which GASB 68 is applicable. Additional years of information will be presented as it becomes available.

² Includes one year's payroll growth using 3.00 percent payroll assumption from fiscal year 2016-17

Notes to Schedule:

Valuation date:

The actuarial methods and assumptions used to set the actuarially determined contributions for Fiscal Year 2016-17 are from June 30, 2014 funding valuation report.

Methods and assumptions used to determine contribution rates:

| | |
|---------------------------|---|
| Actuarial cost method | Entry Age Normal Cost Method |
| Amortization method | Level percent of payroll |
| Asset valuation method | Market Value of Assets |
| Inflation | 2.75% |
| Salary increases | Varies by Entry Age and Service |
| Payroll Growth | 3.00% |
| Investment rate of return | 7.50%, Net of Pension Plan and Administrative Expenses; includes inflation |
| Retirement age | The probabilities of retirement are based on the 2014 CalPERS Experience study for the period from 1997 to 2011. |
| Mortality | The probabilities of mortality are based on the 2014 CalPERS Experience Study for the period from 1997 to 2011. Pre-retirement and Post-retirement mortality rates include 5 years of projected mortality improvement using Scale AA published by the Society of Actuaries. |

City of Hemet
Required Supplementary Information (Unaudited)
Schedule of Contributions (Continued)
For the Year Ended June 30, 2018

Last Ten Fiscal Years

California Public Employees' Retirement System ("CalPERS") - Safety Plan

| | 2017-18 | 2016-17 | 2015-16 | 2014-15 | 2013-14 ¹ |
|--|--------------------|--------------------|--------------------|--------------------|----------------------|
| Actuarially determined contribution ¹ | \$ 5,493,410 | \$ 4,880,193 | \$ 4,516,245 | \$ 4,085,934 | \$ 3,816,628 |
| Contributions in relation to the Actuarially determined contribution ¹ | <u>(5,493,410)</u> | <u>(4,880,193)</u> | <u>(4,516,245)</u> | <u>(4,085,934)</u> | <u>(3,816,628)</u> |
| Contribution deficiency (excess) | <u>\$ -</u> |
| Covered-payroll ² | \$ 9,734,114 | \$ 9,450,596 | \$ 9,039,459 | \$ 8,826,041 | \$ 8,870,562 |
| Contributions as a percentage of covered-payroll | 56.43% | 51.64% | 49.96% | 46.29% | 43.03% |

¹ Historical information is presented only for measurement periods for which GASB 68 is applicable. Additional years of information will be presented as it becomes available.

² Includes one year's payroll growth using 3.00 percent payroll assumption from fiscal year 2016-17

Notes to Schedule:

Valuation date:

The actuarial methods and assumptions used to set the actuarially determined contributions for Fiscal Year 2016-17 are from June 30, 2014 funding valuation report.

Methods and assumptions used to determine contribution rates:

| | |
|---------------------------|---|
| Actuarial cost method | Entry Age Normal Cost Method |
| Amortization method | Level percent of payroll |
| Asset valuation method | Market Value of Assets |
| Inflation | 2.75% |
| Salary increases | Varies by Entry Age and Service |
| Payroll Growth | 3.00% |
| Investment rate of return | 7.50%, Net of Pension Plan and Administrative Expenses; includes inflation |
| Retirement age | The probabilities of retirement are based on the 2014 CalPERS Experience study for the period from 1997 to 2011. |
| Mortality | The probabilities of mortality are based on the 2014 CalPERS Experience Study for the period from 1997 to 2011. Pre-retirement and Post-retirement mortality rates include 5 years of projected mortality improvement using Scale AA published by the Society of Actuaries. |

City of Hemet
Required Supplementary Information (Unaudited)
Schedule of Changes in Net Other Postemployment Benefits Liability and Related Ratios
For the Year Ended June 30, 2018

Last Ten Fiscal Years

Other Postemployment Benefits ("OPEB")

| Measurement period | June 30, 2018 ¹ |
|--|----------------------------|
| Total OPEB liability | |
| Service cost | \$ 349,223 |
| Interest | 2,936,563 |
| Changes of benefit terms | - |
| Changes of assumptions | - |
| Differences between expected and actual experience | - |
| Benefit payments, including refunds of employee contributions | (3,293,090) |
| Net change in total OPEB liability | (7,304) |
| Total OPEB liability - beginning | 48,282,340 |
| Total OPEB liability - ending (a) | \$ 48,275,036 |
| OPEB fiduciary net position | |
| Contributions - employer ² | \$ 3,540,596 |
| Contributions - employee | - |
| Net investment income | 61,075 |
| Benefit payments, including refunds of employee contributions | (3,293,090) |
| Plan to plan resource movement | - |
| Administrative expense | (49,749) |
| Net change in plan fiduciary net position | 258,832 |
| Plan fiduciary net position - beginning | 808,305 |
| Plan fiduciary net position - ending (b) | \$ 1,067,137 |
| Plan net OPEB liability - ending (a) - (b) | \$ 47,207,899 |
| Plan fiduciary net position as a percentage of the total OPEB liability | 2.21% |
| Covered payroll | \$ 23,441,109 |
| Plan net OPEB liability as a percentage of covered payroll | 201.39% |

¹ Historical information is presented only for measurement periods for which GASB 75 is applicable.

² Contribution to trust of \$200,000 plus \$3,442,090 cash benefits, (\$149,000) implied subsidy benefits, and \$47,506 administrative expenses paid by the City

City of Hemet
Required Supplementary Information (Unaudited)
Schedule of Contributions - OPEB
For the Year Ended June 30, 2018

Last Ten Fiscal Years

Other Postemployment Benefits ("OPEB")

| | 2017-18 ¹ |
|--|----------------------|
| Actuarially determined contribution ("ADC") ¹ | N/A ³ |
| Contributions in relation to the Actuarially determined contribution ¹ | 3,540,596 |
| Contribution deficiency (excess) | \$ 3,540,596 |
| Covered-payroll ² | \$ 23,441,109 |
| Contributions as a percentage of covered-payroll | 15.10% |

¹ Historical information is presented only for measurement periods for which GASB 68 is applicable. Additional years of information will be presented as it becomes available.

² Includes one year's payroll growth using 3.00 percent payroll assumption from fiscal year 2017-18

³ The GASB 75 valuation report rolled data forward on the funding status. As such there is no ADC for fiscal year 2017-18

Notes to Schedule:

Valuation date: January 1, 2017

The actuarial methods and assumptions used to set the actuarially determined contributions for Fiscal Year 2017-18 are from January 1, 2017 actuarial valuation report.

Methods and assumptions used to determine contribution rates:

| | |
|--|--|
| Contribution Policy | Initial \$750,000 contribution made November 2016. Annual \$200,000 trust contribution beginning 2017/18. City pays benefit payments outside of the trust. |
| Discount rate | 6.25% at June 30, 2018 and 2017 |
| Inflation | 2.75% annually |
| Mortality, retirement, disability, termination | CalPERS 1997-2011 Experience Study |
| Mortality improvement | Mortality Improvement Scale MP-2016 |
| Salary increases | Aggregate 3% annually |
| Medical trend | Non-medicare - 6.25% for 2018, decreasing to 4.75% in 2021 and later years Medicare - 6.45% for 2018, decreasing to 4.75% in 2021 and later years |
| Dental/Vision trend | 2.75% |
| Cap increases | Medical portion: non-Medicare medical trend. Dental/Vision portion: 2.75% |
| Participation at retirement | Full premium or % of premium - 100% Retiree paid - 0% EE only, 60% otherwise GAP plan - 100% |
| GAP plan costs | \$15/month in 2017 based on historical claims Increased by non-Medicare medical trend after 2017 |

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SUPPLEMENTARY INFORMATION

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NONMAJOR GOVERNMENTAL FUNDS

Special Revenue Funds:

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.

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.

Public Safety CFD - 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.

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.

NONMAJOR GOVERNMENTAL FUNDS (Continued)

Special Revenue Funds (Continued):

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.

Home Investment Partnership (HOME) 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.

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

Indian Gaming Grants - This fund accounts for the financial transactions of Indian Gaming Grants received by the city to be spent on specific programs or departments.

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.

NONMAJOR GOVERNMENTAL FUNDS (Continued)

Capital Projects Funds (Continued):

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

Capital Projects - Accounts for the financial transactions for Capital Projects related to the General Fund or General Fund departments.

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.

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.

No budgets were adopted for the General Capital Capital Projects Fund.

City of Hemet
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2018

| | Special Revenue Funds | | | |
|--|--------------------------|---------------------|---------------------|------------------|
| | Public Safety/ Towing | Gas Tax | Measure A | Article 3 |
| ASSETS | | | | |
| Cash and investments | \$ 54,707 | \$ 1,071,758 | \$ 5,564,406 | \$ - |
| Accounts receivable | - | 34,394 | - | - |
| Interest receivables | - | - | - | - |
| Due from other governments | - | 200,785 | 420,295 | 75,000 |
| Due from other funds | - | - | - | - |
| Notes receivable, net | - | - | - | - |
| Advance to other funds | - | - | - | - |
| Land held for resale | - | - | - | - |
| Total assets | \$ 54,707 | \$ 1,306,937 | \$ 5,984,701 | \$ 75,000 |
| LIABILITIES AND FUND BALANCES | | | | |
| Liabilities: | | | | |
| Accounts payable | \$ 30 | \$ 40,353 | \$ 186,837 | \$ 75,000 |
| Accrued salaries and benefits | 283 | 18,595 | 134 | - |
| Deposits | - | - | - | - |
| Due to other funds | - | - | - | - |
| Advance from other funds | - | - | - | - |
| Total liabilities | 313 | 58,948 | 186,971 | 75,000 |
| Deferred Inflows of Resources: | | | | |
| Unavailable revenue | - | - | - | 75,000 |
| Total Inflows of Resources | - | - | - | 75,000 |
| Fund Balances: | | | | |
| Nonspendable | - | - | - | - |
| Restricted | 54,394 | 1,247,989 | 5,797,730 | - |
| Assigned | - | - | - | - |
| Unassigned (deficit) | - | - | - | (75,000) |
| Total fund balances | 54,394 | 1,247,989 | 5,797,730 | (75,000) |
| Total liabilities and fund balances | \$ 54,707 | \$ 1,306,937 | \$ 5,984,701 | \$ 75,000 |

(Continued)

City of Hemet
Combining Balance Sheet (Continued)
Nonmajor Governmental Funds
June 30, 2018

| | Special Revenue Funds | | | |
|--|----------------------------|---|--|---|
| | Air Pollution Reduction | Lighting/Landscape Maintenance District | Post Prop. 218 Lighting District | Post Prop. 218 Landscape District |
| ASSETS | | | | |
| Cash and investments | \$ 880,942 | \$ 2,176,526 | \$ 972,126 | \$ 1,783,937 |
| Accounts receivable | 26,954 | - | 200 | 3,038 |
| Interest receivables | - | - | - | - |
| Due from other governments | - | 42,063 | 6,419 | 24,599 |
| Due from other funds | - | - | - | - |
| Notes receivable, net | - | - | - | - |
| Advance to other funds | - | - | - | - |
| Land held for resale | - | - | - | - |
| Total assets | \$ 907,896 | \$ 2,218,589 | \$ 978,745 | \$ 1,811,574 |
| LIABILITIES AND FUND BALANCES | | | | |
| Liabilities: | | | | |
| Accounts payable | \$ - | \$ 104,918 | \$ 5,885 | \$ 102,318 |
| Accrued salaries and benefits | - | 4,846 | 1,181 | 9,853 |
| Deposits | - | - | - | 77,931 |
| Due to other funds | - | - | - | - |
| Advance from other funds | - | - | - | - |
| Total liabilities | - | 109,764 | 7,066 | 190,102 |
| Deferred Inflows of Resources: | | | | |
| Unavailable revenue | - | - | - | - |
| Total Inflows of Resources | - | - | - | - |
| Fund Balances: | | | | |
| Nonspendable | - | - | - | - |
| Restricted | 907,896 | 2,108,825 | 971,679 | 1,621,472 |
| Assigned | - | - | - | - |
| Unassigned (deficit) | - | - | - | - |
| Total fund balances | 907,896 | 2,108,825 | 971,679 | 1,621,472 |
| Total liabilities and fund balances | \$ 907,896 | \$ 2,218,589 | \$ 978,745 | \$ 1,811,574 |

(Continued)

City of Hemet
Combining Balance Sheet (Continued)
Nonmajor Governmental Funds
June 30, 2018

| | Special Revenue Funds | | | |
|--|-----------------------|-------------------------|----------------------|--|
| | Asset Seizure | Public Safety Grants | Public Safety CFD | Citizen Option for Public Safety Programs (COPS) |
| ASSETS | | | | |
| Cash and investments | \$ 46,294 | \$ 131,544 | \$ - | \$ 230,387 |
| Accounts receivable | - | 91,101 | - | - |
| Interest receivables | - | - | - | - |
| Due from other governments | - | - | 3,837 | 50,258 |
| Due from other funds | - | - | - | 11,116 |
| Notes receivable, net | - | - | - | - |
| Advance to other funds | - | - | - | - |
| Land held for resale | - | - | - | - |
| Total assets | \$ 46,294 | \$ 222,645 | \$ 3,837 | \$ 291,761 |
| LIABILITIES AND FUND BALANCES | | | | |
| Liabilities: | | | | |
| Accounts payable | \$ - | \$ 48,932 | \$ - | \$ - |
| Accrued salaries and benefits | - | - | 6,945 | - |
| Deposits | 427 | - | - | - |
| Due to other funds | - | - | 11,116 | - |
| Advance from other funds | - | - | - | - |
| Total liabilities | 427 | 48,932 | 18,061 | - |
| Deferred Inflows of Resources: | | | | |
| Unavailable revenue | - | - | - | - |
| Total Inflows of Resources | - | - | - | - |
| Fund Balances: | | | | |
| Nonspendable | - | - | - | - |
| Restricted | 45,867 | 173,713 | - | 291,761 |
| Assigned | - | - | - | - |
| Unassigned (deficit) | - | - | (14,224) | - |
| Total fund balances | 45,867 | 173,713 | (14,224) | 291,761 |
| Total liabilities and fund balances | \$ 46,294 | \$ 222,645 | \$ 3,837 | \$ 291,761 |

(Continued)

City of Hemet
Combining Balance Sheet (Continued)
Nonmajor Governmental Funds
June 30, 2018

| | Special Revenue Funds | | | |
|--|---|---|------------------|---------------------|
| | Law Enforcement Block Grant (LLEBG) | Community Development Block Grant | General Plan | HOME Program |
| ASSETS | | | | |
| Cash and investments | \$ - | \$ - | \$ 79,596 | \$ 375,241 |
| Accounts receivable | - | 107,507 | - | 83 |
| Interest receivables | - | - | - | - |
| Due from other governments | - | - | - | - |
| Due from other funds | - | - | - | 134,631 |
| Notes receivable, net | - | - | - | 542,532 |
| Advance to other funds | - | - | - | - |
| Land held for resale | - | - | - | - |
| Total assets | \$ - | \$ 107,507 | \$ 79,596 | \$ 1,052,487 |
| LIABILITIES AND FUND BALANCES | | | | |
| Liabilities: | | | | |
| Accounts payable | \$ - | \$ 49,306 | \$ 7,550 | \$ - |
| Accrued salaries and benefits | - | 5,357 | - | - |
| Deposits | - | - | - | - |
| Due to other funds | 90,848 | 43,783 | - | - |
| Advance from other funds | - | - | - | - |
| Total liabilities | 90,848 | 98,446 | 7,550 | - |
| Deferred Inflows of Resources: | | | | |
| Unavailable revenue | - | - | - | - |
| Total Inflows of Resources | - | - | - | - |
| Fund Balances: | | | | |
| Nonspendable | - | - | - | - |
| Restricted | - | 9,061 | 72,046 | 1,052,487 |
| Assigned | - | - | - | - |
| Unassigned (deficit) | (90,848) | - | - | - |
| Total fund balances | (90,848) | 9,061 | 72,046 | 1,052,487 |
| Total liabilities and fund balances | \$ - | \$ 107,507 | \$ 79,596 | \$ 1,052,487 |

(Continued)

City of Hemet
Combining Balance Sheet (Continued)
Nonmajor Governmental Funds
June 30, 2018

| | Special Revenue Funds | | | |
|--|-----------------------|---------------------------|--|----------------------|
| | CAL HOME Program | 2001-2008 HOME Program | Neighborhood Stabilization Program Grant | Housing Authority |
| ASSETS | | | | |
| Cash and investments | \$ 45,946 | \$ 760,294 | \$ 5,634 | \$ 148,914 |
| Accounts receivable | - | - | - | 3,500 |
| Interest receivables | - | - | - | - |
| Due from other governments | - | - | - | - |
| Due from other funds | - | - | - | - |
| Notes receivable, net | 642,988 | 755,027 | 193,874 | 2,330,033 |
| Advance to other funds | - | - | - | - |
| Land held for resale | - | - | 593,919 | 1,482,500 |
| Total assets | \$ 688,934 | \$ 1,515,321 | \$ 793,427 | \$ 3,964,947 |
| LIABILITIES AND FUND BALANCES | | | | |
| Liabilities: | | | | |
| Accounts payable | \$ - | \$ - | \$ - | \$ - |
| Accrued salaries and benefits | - | - | - | - |
| Deposits | - | - | - | 5,733 |
| Due to other funds | - | - | - | - |
| Advance from other funds | - | - | - | - |
| Total liabilities | - | - | - | 5,733 |
| Deferred Inflows of Resources: | | | | |
| Unavailable revenue | - | - | - | - |
| Total Inflows of Resources | - | - | - | - |
| Fund Balances: | | | | |
| Nonspendable | - | - | - | - |
| Restricted | 688,934 | 1,515,321 | 793,427 | 3,959,214 |
| Assigned | - | - | - | - |
| Unassigned (deficit) | - | - | - | - |
| Total fund balances | 688,934 | 1,515,321 | 793,427 | 3,959,214 |
| Total liabilities and fund balances | \$ 688,934 | \$ 1,515,321 | \$ 793,427 | \$ 3,964,947 |

(Continued)

City of Hemet
Combining Balance Sheet (Continued)
Nonmajor Governmental Funds
June 30, 2018

| | Special Revenue Funds | Capital Projects Funds | | |
|--|--------------------------|------------------------------|---------------------|---------------------|
| | Indian Gaming Grants | Public Meeting Facilities | General Facilities | Flood Control |
| ASSETS | | | | |
| Cash and investments | \$ 6,234 | \$ 563,846 | \$ 1,810,361 | \$ 3,119,212 |
| Accounts receivable | - | - | - | - |
| Interest receivables | - | - | - | - |
| Due from other governments | - | - | - | - |
| Due from other funds | - | - | - | - |
| Notes receivable, net | - | - | - | - |
| Advance to other funds | - | - | - | 354,137 |
| Land held for resale | - | - | - | - |
| Total assets | \$ 6,234 | \$ 563,846 | \$ 1,810,361 | \$ 3,473,349 |
| LIABILITIES AND FUND BALANCES | | | | |
| Liabilities: | | | | |
| Accounts payable | \$ - | \$ - | \$ 2,520 | \$ 675 |
| Accrued salaries and benefits | - | - | - | - |
| Deposits | - | - | - | - |
| Due to other funds | - | - | - | - |
| Advance from other funds | - | - | - | - |
| Total liabilities | - | - | 2,520 | 675 |
| Deferred Inflows of Resources: | | | | |
| Unavailable revenue | - | - | - | - |
| Total Inflows of Resources | - | - | - | - |
| Fund Balances: | | | | |
| Nonspendable | - | - | - | - |
| Restricted | 6,234 | 563,846 | 1,807,841 | 3,472,674 |
| Assigned | - | - | - | - |
| Unassigned (deficit) | - | - | - | - |
| Total fund balances | 6,234 | 563,846 | 1,807,841 | 3,472,674 |
| Total liabilities and fund balances | \$ 6,234 | \$ 563,846 | \$ 1,810,361 | \$ 3,473,349 |

(Continued)

City of Hemet
Combining Balance Sheet (Continued)
Nonmajor Governmental Funds
June 30, 2018

| | Capital Projects Funds | | | |
|--|-------------------------------|---------------------|-------------------------|-----------------------|
| | Law Enforcement Facilities | Park Development | Valley Wide DVL Park | Library Facilities |
| ASSETS | | | | |
| Cash and investments | \$ 84,514 | \$ 1,591,663 | \$ 148,369 | \$ 735,394 |
| Accounts receivable | - | - | - | - |
| Interest receivables | - | - | - | - |
| Due from other governments | - | - | - | - |
| Due from other funds | - | - | - | - |
| Notes receivable, net | - | - | - | - |
| Advance to other funds | - | - | - | - |
| Land held for resale | - | - | - | - |
| Total assets | \$ 84,514 | \$ 1,591,663 | \$ 148,369 | \$ 735,394 |
| LIABILITIES AND FUND BALANCES | | | | |
| Liabilities: | | | | |
| Accounts payable | \$ - | \$ - | \$ - | \$ 5,012 |
| Accrued salaries and benefits | - | - | - | - |
| Deposits | - | - | - | - |
| Due to other funds | - | - | - | - |
| Advance from other funds | - | - | - | - |
| Total liabilities | - | - | - | 5,012 |
| Deferred Inflows of Resources: | | | | |
| Unavailable revenue | - | - | - | - |
| Total Inflows of Resources | - | - | - | - |
| Fund Balances: | | | | |
| Nonspendable | - | - | - | - |
| Restricted | 84,514 | 1,591,663 | 148,369 | 730,382 |
| Assigned | - | - | - | - |
| Unassigned (deficit) | - | - | - | - |
| Total fund balances | 84,514 | 1,591,663 | 148,369 | 730,382 |
| Total liabilities and fund balances | \$ 84,514 | \$ 1,591,663 | \$ 148,369 | \$ 735,394 |

(Continued)

City of Hemet
Combining Balance Sheet (Continued)
Nonmajor Governmental Funds
June 30, 2018

| | Capital Projects Funds | | | |
|--|------------------------|-----------------------|-----------------|---------------------|
| | Capital Projects | Equipment Replacement | General Capital | Fire Facilities |
| ASSETS | | | | |
| Cash and investments | \$ 389,004 | \$ 3,716,396 | \$ 8,564 | \$ 3,585,924 |
| Accounts receivable | - | 788 | - | - |
| Interest receivables | - | - | - | - |
| Due from other governments | - | - | - | - |
| Due from other funds | - | - | - | - |
| Notes receivable, net | - | - | - | - |
| Advance to other funds | - | - | - | - |
| Land held for resale | - | - | - | - |
| Total assets | \$ 389,004 | \$ 3,717,184 | \$ 8,564 | \$ 3,585,924 |
| LIABILITIES AND FUND BALANCES | | | | |
| Liabilities: | | | | |
| Accounts payable | \$ 1,191 | \$ 24,497 | \$ - | \$ 9,889 |
| Accrued salaries and benefits | - | - | - | - |
| Deposits | - | - | - | - |
| Due to other funds | - | - | - | - |
| Advance from other funds | - | - | - | 354,137 |
| Total liabilities | 1,191 | 24,497 | - | 364,026 |
| Deferred Inflows of Resources: | | | | |
| Unavailable revenue | - | - | - | - |
| Total Inflows of Resources | - | - | - | - |
| Fund Balances: | | | | |
| Nonspendable | - | - | - | - |
| Restricted | - | - | 8,564 | 3,221,898 |
| Assigned | 387,813 | 3,692,687 | - | - |
| Unassigned (deficit) | - | - | - | - |
| Total fund balances | 387,813 | 3,692,687 | 8,564 | 3,221,898 |
| Total liabilities and fund balances | \$ 389,004 | \$ 3,717,184 | \$ 8,564 | \$ 3,585,924 |

(Continued)

City of Hemet
Combining Balance Sheet (Continued)
Nonmajor Governmental Funds
June 30, 2018

| | Capital Projects Fund | Permanent Fund | Total Nonmajor Governmental Funds |
|--|--|------------------------------|---|
| | Bridges/Streets/ Traffic Facilities | LaSalle Library Endowment | |
| ASSETS | | | |
| Cash and investments | \$ 3,921,858 | \$ 1,053,544 | \$ 35,063,135 |
| Accounts receivable | 15,032 | - | 282,597 |
| Interest receivables | - | 2,292 | 2,292 |
| Due from other governments | 536,947 | - | 1,360,203 |
| Due from other funds | - | - | 145,747 |
| Notes receivable, net | - | - | 4,464,454 |
| Advance to other funds | - | - | 354,137 |
| Land held for resale | - | - | 2,076,419 |
| Total assets | \$ 4,473,837 | \$ 1,055,836 | \$ 43,748,984 |
| LIABILITIES AND FUND BALANCES | | | |
| Liabilities: | | | |
| Accounts payable | \$ 19,780 | \$ 1,335 | \$ 686,028 |
| Accrued salaries and benefits | 231 | - | 47,425 |
| Deposits | 475,603 | - | 559,694 |
| Due to other funds | - | - | 145,747 |
| Advance from other funds | - | - | 354,137 |
| Total liabilities | 495,614 | 1,335 | 1,793,031 |
| Deferred Inflows of Resources: | | | |
| Unavailable revenue | - | - | 75,000 |
| Total Inflows of Resources | - | - | 75,000 |
| Fund Balances: | | | |
| Nonspendable | - | 1,000,000 | 1,000,000 |
| Restricted | 3,978,223 | 54,501 | 36,980,525 |
| Assigned | - | - | 4,080,500 |
| Unassigned (deficit) | - | - | (180,072) |
| Total fund balances | 3,978,223 | 1,054,501 | 41,880,953 |
| Total liabilities and fund balances | \$ 4,473,837 | \$ 1,055,836 | \$ 43,748,984 |

(Concluded)

City of Hemet
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2018

| | Special Revenue Funds | | | |
|---|--------------------------|---------------------|---------------------|--------------------|
| | Public Safety/ Towing | Gas Tax | Measure A | Article 3 |
| REVENUES: | | | | |
| Taxes | \$ - | \$ - | \$ 1,762,566 | \$ - |
| Intergovernmental revenue | - | 1,488,538 | - | - |
| Charges for services | 15,444 | - | - | - |
| Investment income (loss) | 483 | 1,218 | 6,176 | - |
| Miscellaneous | - | 520,200 | - | - |
| Total revenues | <u>15,927</u> | <u>2,009,956</u> | <u>1,768,742</u> | <u>-</u> |
| EXPENDITURES: | | | | |
| Current: | | | | |
| General government | - | - | - | - |
| Public safety | 22,529 | - | - | - |
| Community development | - | - | - | - |
| Public works | - | 2,256,335 | - | - |
| Sanitation | - | - | - | - |
| Library | - | - | - | - |
| Capital outlay | - | 9,332 | 1,307,954 | 75,000 |
| Total expenditures | <u>22,529</u> | <u>2,265,667</u> | <u>1,307,954</u> | <u>75,000</u> |
| REVENUES OVER (UNDER) EXPENDITURES | <u>(6,602)</u> | <u>(255,711)</u> | <u>460,788</u> | <u>(75,000)</u> |
| OTHER FINANCING SOURCES (USES): | | | | |
| Transfers in | - | 20,004 | - | - |
| Transfers out | - | - | - | - |
| Total other financing sources (uses) | <u>-</u> | <u>20,004</u> | <u>-</u> | <u>-</u> |
| CHANGES IN FUND BALANCES | <u>(6,602)</u> | <u>(235,707)</u> | <u>460,788</u> | <u>(75,000)</u> |
| FUND BALANCES: | | | | |
| Beginning of year | 60,996 | 1,483,696 | 5,336,942 | - |
| End of year | <u>\$ 54,394</u> | <u>\$ 1,247,989</u> | <u>\$ 5,797,730</u> | <u>\$ (75,000)</u> |

(Continued)

City of Hemet
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances (Continued)
Nonmajor Governmental Funds
For the Year Ended June 30, 2018

| | Special Revenue Funds | | | |
|---|----------------------------|---|--|---|
| | Air Pollution Reduction | Lighting/ Landscape Maintenance District | Post Prop. 218 Lighting District | Post Prop. 218 Landscape District |
| REVENUES: | | | | |
| Taxes | \$ - | \$ - | \$ - | \$ - |
| Intergovernmental revenue | 102,447 | 1,868,197 | - | - |
| Charges for services | - | 3,262 | 335,059 | 1,704,258 |
| Investment income (loss) | 9,138 | 1,970 | 9,361 | 1,389 |
| Miscellaneous | - | 141 | 264 | 386,769 |
| Total revenues | 111,585 | 1,873,570 | 344,684 | 2,092,416 |
| EXPENDITURES: | | | | |
| Current: | | | | |
| General government | - | - | - | - |
| Public safety | - | - | - | - |
| Community development | - | - | - | - |
| Public works | 5,000 | 1,678,645 | 200,778 | 1,514,164 |
| Sanitation | - | - | - | - |
| Library | - | - | - | - |
| Capital outlay | - | - | - | 315,410 |
| Total expenditures | 5,000 | 1,678,645 | 200,778 | 1,829,574 |
| REVENUES OVER (UNDER) EXPENDITURES | 106,585 | 194,925 | 143,906 | 262,842 |
| OTHER FINANCING SOURCES (USES): | | | | |
| Transfers in | - | - | - | - |
| Transfers out | - | - | - | - |
| Total other financing sources (uses) | - | - | - | - |
| CHANGES IN FUND BALANCES | 106,585 | 194,925 | 143,906 | 262,842 |
| FUND BALANCES: | | | | |
| Beginning of year | 801,311 | 1,913,900 | 827,773 | 1,358,630 |
| End of year | \$ 907,896 | \$ 2,108,825 | \$ 971,679 | \$ 1,621,472 |

(Continued)

City of Hemet
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances (Continued)
Nonmajor Governmental Funds
For the Year Ended June 30, 2018

| | Special Revenue Funds | | | |
|---|-----------------------|-------------------------|----------------------|--|
| | Asset Seizure | Public Safety Grants | Public Safety CFD | Citizen Option for Public Safety Programs (COPS) |
| REVENUES: | | | | |
| Taxes | \$ - | \$ - | \$ - | \$ - |
| Intergovernmental revenue | 14,786 | 472,204 | - | 213,842 |
| Charges for services | - | - | 514,597 | - |
| Investment income (loss) | 594 | 1,326 | - | 2,385 |
| Miscellaneous | 2,850 | - | - | - |
| Total revenues | 18,230 | 473,530 | 514,597 | 216,227 |
| EXPENDITURES: | | | | |
| Current: | | | | |
| General government | - | - | - | - |
| Public safety | 21,272 | 158,510 | 559,300 | 165,039 |
| Community development | - | - | - | - |
| Public works | - | - | - | - |
| Sanitation | - | - | - | - |
| Library | - | - | - | - |
| Capital outlay | 2,067 | 221,370 | - | - |
| Total expenditures | 23,339 | 379,880 | 559,300 | 165,039 |
| REVENUES OVER (UNDER) EXPENDITURES | (5,109) | 93,650 | (44,703) | 51,188 |
| OTHER FINANCING SOURCES (USES): | | | | |
| Transfers in | - | - | - | - |
| Transfers out | - | - | - | - |
| Total other financing sources (uses) | - | - | - | - |
| CHANGES IN FUND BALANCES | (5,109) | 93,650 | (44,703) | 51,188 |
| FUND BALANCES: | | | | |
| Beginning of year | 50,976 | 80,063 | 30,479 | 240,573 |
| End of year | \$ 45,867 | \$ 173,713 | \$ (14,224) | \$ 291,761 |

(Continued)

City of Hemet
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances (Continued)
Nonmajor Governmental Funds
For the Year Ended June 30, 2018

| | Special Revenue Funds | | | |
|---|---|---|------------------|---------------------|
| | Law Enforcement Block Grant (LLEBG) | Community Development Block Grant | General Plan | HOME Program |
| REVENUES: | | | | |
| Taxes | \$ - | \$ - | \$ - | \$ - |
| Intergovernmental revenue | 92,104 | 546,081 | - | - |
| Charges for services | - | - | 18,300 | - |
| Investment income (loss) | - | - | 920 | 5,632 |
| Miscellaneous | - | - | - | 50 |
| Total revenues | 92,104 | 546,081 | 19,220 | 5,682 |
| EXPENDITURES: | | | | |
| Current: | | | | |
| General government | - | 56,143 | 26,580 | - |
| Public safety | 10,285 | - | - | - |
| Community development | - | 489,938 | - | 4,961 |
| Public works | - | - | - | - |
| Sanitation | - | - | - | - |
| Library | - | - | - | - |
| Capital outlay | 92,104 | - | - | - |
| Total expenditures | 102,389 | 546,081 | 26,580 | 4,961 |
| REVENUES OVER (UNDER) EXPENDITURES | (10,285) | - | (7,360) | 721 |
| OTHER FINANCING SOURCES (USES): | | | | |
| Transfers in | - | 9,061 | - | - |
| Transfers out | - | - | - | - |
| Total other financing sources (uses) | - | 9,061 | - | - |
| CHANGES IN FUND BALANCES | (10,285) | 9,061 | (7,360) | 721 |
| FUND BALANCES: | | | | |
| Beginning of year | (80,563) | - | 79,406 | 1,051,766 |
| End of year | <u>\$ (90,848)</u> | <u>\$ 9,061</u> | <u>\$ 72,046</u> | <u>\$ 1,052,487</u> |

(Continued)

City of Hemet
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances (Continued)
Nonmajor Governmental Funds
For the Year Ended June 30, 2018

| | Special Revenue Funds | | | |
|---|-----------------------|---------------------------|--|----------------------|
| | CAL HOME Program | 2001-2008 HOME Program | Neighborhood Stabilization Program Grant | Housing Authority |
| REVENUES: | | | | |
| Taxes | \$ - | \$ - | \$ - | \$ - |
| Intergovernmental revenue | - | - | 25,975 | - |
| Charges for services | - | - | - | - |
| Investment income (loss) | - | 7,694 | - | 1,604 |
| Miscellaneous | - | - | - | - |
| Total revenues | - | 7,694 | 25,975 | 1,604 |
| EXPENDITURES: | | | | |
| Current: | | | | |
| General government | - | - | - | - |
| Public safety | - | - | - | - |
| Community development | - | - | 825 | - |
| Public works | - | - | - | - |
| Sanitation | - | - | - | - |
| Library | - | - | - | - |
| Capital outlay | - | - | - | - |
| Total expenditures | - | - | 825 | - |
| REVENUES OVER (UNDER) EXPENDITURES | - | 7,694 | 25,150 | 1,604 |
| OTHER FINANCING SOURCES (USES): | | | | |
| Transfers in | - | - | - | - |
| Transfers out | - | - | (9,061) | - |
| Total other financing sources (uses) | - | - | (9,061) | - |
| CHANGES IN FUND BALANCES | - | 7,694 | 16,089 | 1,604 |
| FUND BALANCES: | | | | |
| Beginning of year | 688,934 | 1,507,627 | 777,338 | 3,957,610 |
| End of year | \$ 688,934 | \$ 1,515,321 | \$ 793,427 | \$ 3,959,214 |

(Continued)

City of Hemet
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances (Continued)
Nonmajor Governmental Funds
For the Year Ended June 30, 2018

| | Special Revenue Funds | Capital Projects Funds | | |
|---|--------------------------|------------------------------|-----------------------|----------------|
| | Indian Gaming Grants | Public Meeting Facilities | General Facilities | Flood Control |
| REVENUES: | | | | |
| Taxes | \$ - | \$ - | \$ - | \$ - |
| Intergovernmental revenue | - | - | - | - |
| Charges for services | - | - | 49,436 | 112,445 |
| Investment income (loss) | 69 | 6,202 | 2,041 | 3,476 |
| Miscellaneous | - | - | - | - |
| Total revenues | 69 | 6,202 | 51,477 | 115,921 |
| EXPENDITURES: | | | | |
| Current: | | | | |
| General government | - | - | - | - |
| Public safety | - | - | - | - |
| Community development | - | - | - | - |
| Public works | - | - | 24,312 | - |
| Sanitation | - | - | - | 13,452 |
| Library | - | - | - | - |
| Capital outlay | - | - | - | 675 |
| Total expenditures | - | - | 24,312 | 14,127 |
| REVENUES OVER (UNDER) EXPENDITURES | 69 | 6,202 | 27,165 | 101,794 |
| OTHER FINANCING SOURCES (USES): | | | | |
| Transfers in | - | - | - | - |
| Transfers out | - | - | - | - |
| Total other financing sources (uses) | - | - | - | - |
| CHANGES IN FUND BALANCES | 69 | 6,202 | 27,165 | 101,794 |
| FUND BALANCES: | | | | |
| Beginning of year | 6,165 | 557,644 | 1,780,676 | 3,370,880 |
| End of year | \$ 6,234 | \$ 563,846 | \$ 1,807,841 | \$ 3,472,674 |

(Continued)

City of Hemet
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances (Continued)
Nonmajor Governmental Funds
For the Year Ended June 30, 2018

| | Capital Projects Funds | | | |
|---|-------------------------------|---------------------|-------------------------|-----------------------|
| | Law Enforcement Facilities | Park Development | Valley Wide DVL Park | Library Facilities |
| REVENUES: | | | | |
| Taxes | \$ - | \$ - | \$ - | \$ - |
| Intergovernmental revenue | - | - | - | - |
| Charges for services | 34,641 | 85,336 | 16,623 | 43,171 |
| Investment income (loss) | 677 | 1,749 | 1,502 | 8,395 |
| Miscellaneous | - | - | - | - |
| Total revenues | 35,318 | 87,085 | 18,125 | 51,566 |
| EXPENDITURES: | | | | |
| Current: | | | | |
| General government | - | - | - | - |
| Public safety | - | - | - | - |
| Community development | - | - | - | - |
| Public works | - | - | - | - |
| Sanitation | - | - | - | - |
| Library | - | - | - | 118,868 |
| Capital outlay | - | - | - | 20,404 |
| Total expenditures | - | - | - | 139,272 |
| REVENUES OVER (UNDER) EXPENDITURES | 35,318 | 87,085 | 18,125 | (87,706) |
| OTHER FINANCING SOURCES (USES): | | | | |
| Transfers in | - | - | - | - |
| Transfers out | - | - | - | - |
| Total other financing sources (uses) | - | - | - | - |
| CHANGES IN FUND BALANCES | 35,318 | 87,085 | 18,125 | (87,706) |
| FUND BALANCES: | | | | |
| Beginning of year | 49,196 | 1,504,578 | 130,244 | 818,088 |
| End of year | <u>\$ 84,514</u> | <u>\$ 1,591,663</u> | <u>\$ 148,369</u> | <u>\$ 730,382</u> |

(Continued)

City of Hemet
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances (Continued)
Nonmajor Governmental Funds
For the Year Ended June 30, 2018

| | Capital Projects Funds | | | |
|---|------------------------|--------------------------|--------------------|---------------------|
| | Capital Projects | Equipment Replacement | General Capital | Fire Facilities |
| REVENUES: | | | | |
| Taxes | \$ - | \$ - | \$ - | \$ - |
| Intergovernmental revenue | - | - | - | - |
| Charges for services | - | 732,300 | - | 40,394 |
| Investment income (loss) | 1,379 | 4,238 | - | 39,554 |
| Miscellaneous | - | 80,162 | - | - |
| Total revenues | <u>1,379</u> | <u>816,700</u> | <u>-</u> | <u>79,948</u> |
| EXPENDITURES: | | | | |
| Current: | | | | |
| General government | - | - | - | - |
| Public safety | 17,210 | - | - | 35,885 |
| Community development | 81,139 | - | - | - |
| Public works | 1,815,758 | - | - | - |
| Sanitation | - | - | - | - |
| Library | - | - | - | - |
| Capital outlay | - | 689,812 | - | 3,345 |
| Total expenditures | <u>1,914,107</u> | <u>689,812</u> | <u>-</u> | <u>39,230</u> |
| REVENUES OVER (UNDER) EXPENDITURES | <u>(1,912,728)</u> | <u>126,888</u> | <u>-</u> | <u>40,718</u> |
| OTHER FINANCING SOURCES (USES): | | | | |
| Transfers in | - | - | - | - |
| Transfers out | (345,931) | (137,632) | - | - |
| Total other financing sources (uses) | <u>(345,931)</u> | <u>(137,632)</u> | <u>-</u> | <u>-</u> |
| CHANGES IN FUND BALANCES | <u>(2,258,659)</u> | <u>(10,744)</u> | <u>-</u> | <u>40,718</u> |
| FUND BALANCES: | | | | |
| Beginning of year | 2,646,472 | 3,703,431 | 8,564 | 3,181,180 |
| End of year | <u>\$ 387,813</u> | <u>\$ 3,692,687</u> | <u>\$ 8,564</u> | <u>\$ 3,221,898</u> |

(Continued)

City of Hemet
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances (Continued)
Nonmajor Governmental Funds
For the Year Ended June 30, 2018

| | Capital Projects Fund | Permanent Fund | Total Nonmajor Governmental Funds |
|---|--|------------------------------|---|
| | Bridges/Streets/ Traffic Facilities | LaSalle Library Endowment | |
| REVENUES: | | | |
| Taxes | \$ - | \$ - | \$ 1,762,566 |
| Intergovernmental revenue | 174,461 | - | 4,998,635 |
| Charges for services | 233,028 | - | 3,938,294 |
| Investment income (loss) | 4,588 | 13,712 | 137,472 |
| Miscellaneous | 20,475 | - | 1,010,911 |
| Total revenues | 432,552 | 13,712 | 11,847,878 |
| EXPENDITURES: | | | |
| Current: | | | |
| General government | - | - | 82,723 |
| Public safety | - | - | 990,030 |
| Community development | - | - | 576,863 |
| Public works | 6,200 | - | 7,501,192 |
| Sanitation | - | - | 13,452 |
| Library | - | 24,486 | 143,354 |
| Capital outlay | 694,940 | - | 3,432,413 |
| Total expenditures | 701,140 | 24,486 | 12,740,027 |
| REVENUES OVER (UNDER) EXPENDITURES | (268,588) | (10,774) | (892,149) |
| OTHER FINANCING SOURCES (USES): | | | |
| Transfers in | - | - | 29,065 |
| Transfers out | - | - | (492,624) |
| Total other financing sources (uses) | - | - | (463,559) |
| CHANGES IN FUND BALANCES | (268,588) | (10,774) | (1,355,708) |
| FUND BALANCES: | | | |
| Beginning of year | 4,246,811 | 1,065,275 | 43,236,661 |
| End of year | <u>\$ 3,978,223</u> | <u>\$ 1,054,501</u> | <u>\$ 41,880,953</u> |

(Concluded)

City of Hemet
Schedule of Revenues, Expenditures, and Change in Fund Balance - Budget and Actual
Public Safety/Towing Special Revenue Fund
For the Year Ended June 30, 2018

| | Final Budget | Actual Amounts | Variance with Final Budget Positive (Negative) |
|---------------------------------|-----------------|-------------------|---|
| REVENUES: | | | |
| Charges for services | \$ 58,000 | \$ 15,444 | \$ (42,556) |
| Investment Income | 300 | 483 | 183 |
| Total revenues | <u>58,300</u> | <u>15,927</u> | <u>(42,373)</u> |
| EXPENDITURES: | | | |
| Current: | | | |
| Public safety | 52,100 | 22,529 | 29,571 |
| Total expenditures | <u>52,100</u> | <u>22,529</u> | <u>29,571</u> |
| CHANGES IN FUND BALANCES | <u>\$ 6,200</u> | <u>(6,602)</u> | <u>\$ (12,802)</u> |
| FUND BALANCES: | | | |
| Beginning of year | | 60,996 | |
| End of year | | <u>\$ 54,394</u> | |

City of Hemet
Schedule of Revenues, Expenditures, and Change in Fund Balance - Budget and Actual
Gas Tax Special Revenue Fund
For the Year Ended June 30, 2018

| | Final Budget | Actual Amounts | Variance with Final Budget Positive (Negative) |
|---|---------------------|---------------------|---|
| REVENUES: | | | |
| Intergovernmental revenues | \$ 1,772,200 | \$ 1,488,538 | \$ (283,662) |
| Investment income (loss) | 10,000 | 1,218 | (8,782) |
| Miscellaneous | 461,700 | 520,200 | 58,500 |
| Total revenues | <u>2,243,900</u> | <u>2,009,956</u> | <u>(233,944)</u> |
| EXPENDITURES: | | | |
| Current: | | | |
| Public works | 2,794,120 | 2,256,335 | 537,785 |
| Capital outlay | - | 9,332 | (9,332) |
| Total expenditures | <u>2,794,120</u> | <u>2,265,667</u> | <u>528,453</u> |
| REVENUES OVER (UNDER) EXPENDITURES | <u>(550,220)</u> | <u>(255,711)</u> | <u>294,509</u> |
| OTHER FINANCING SOURCES (USES): | | | |
| Transfers in | 20,000 | 20,004 | 4 |
| Total other financing sources (uses) | <u>20,000</u> | <u>20,004</u> | <u>4</u> |
| NET CHANGES IN FUND BALANCES | <u>\$ (530,220)</u> | <u>(235,707)</u> | <u>\$ 294,513</u> |
| FUND BALANCES: | | | |
| Beginning of year | | <u>1,483,696</u> | |
| End of year | | <u>\$ 1,247,989</u> | |

City of Hemet
Schedule of Revenues, Expenditures, and Change in Fund Balance - Budget and Actual
Measure A Special Revenue Fund
For the Year Ended June 30, 2018

| | Final Budget | Actual Amounts | Variance with Final Budget Positive (Negative) |
|-------------------------------------|---------------------|---------------------|---|
| REVENUES: | | | |
| Taxes | \$ 1,854,300 | \$ 1,762,566 | \$ (91,734) |
| Investment income (loss) | 25,000 | 6,176 | (18,824) |
| Total revenues | <u>1,879,300</u> | <u>1,768,742</u> | <u>(110,558)</u> |
| EXPENDITURES: | | | |
| Capital outlay | - | 1,307,954 | (1,307,954) |
| Total expenditures | <u>-</u> | <u>1,307,954</u> | <u>(1,307,954)</u> |
| NET CHANGES IN FUND BALANCES | <u>\$ 1,879,300</u> | <u>460,788</u> | <u>\$ (1,418,512)</u> |
| FUND BALANCES: | | | |
| Beginning of year | | 5,336,942 | |
| End of year | | <u>\$ 5,797,730</u> | |

City of Hemet
Schedule of Revenues, Expenditures, and Change in Fund Balance - Budget and Actual
Housing Authority Special Revenue Funds
For the Year Ended June 30, 2018

| | Final Budget | Actual Amounts | Variance with Final Budget Positive (Negative) |
|-------------------------------------|-----------------|---------------------|---|
| REVENUES: | | | |
| Investment income | \$ - | \$ 1,604 | \$ 1,604 |
| NET CHANGES IN FUND BALANCES | \$ - | 1,604 | \$ 1,604 |
| FUND BALANCES: | | | |
| Beginning of year | | 3,957,610 | |
| End of year | | <u>\$ 3,959,214</u> | |

City of Hemet
Schedule of Revenues, Expenditures, and Change in Fund Balance - Budget and Actual
Article 3 Special Revenue Fund
For the Year Ended June 30, 2018

| | Final Budget | Actual Amounts | Variance with Final Budget Positive (Negative) |
|-------------------------------------|-----------------|-------------------|---|
| EXPENDITURES: | | | |
| Capital outlay | \$ - | \$ 75,000 | \$ (75,000) |
| Total expenditures | - | 75,000 | (75,000) |
| NET CHANGES IN FUND BALANCES | \$ - | (75,000) | \$ (75,000) |
| FUND BALANCES | | | |
| Beginning of year | | - | |
| End of year | | \$ (75,000) | |

City of Hemet
Schedule of Revenues, Expenditures, and Change in Fund Balance - Budget and Actual
Air Pollution Reduction Special Revenue Fund
For the Year Ended June 30, 2018

| | Final Budget | Actual Amounts | Variance with Final Budget Positive (Negative) |
|---|------------------|-------------------|---|
| REVENUES: | | | |
| Intergovernmental revenues | \$ 100,000 | \$ 102,447 | \$ 2,447 |
| Investment income | 2,000 | 9,138 | 7,138 |
| Total revenues | <u>102,000</u> | <u>111,585</u> | <u>9,585</u> |
| EXPENDITURES: | | | |
| Current: | | | |
| Public works | <u>5,000</u> | <u>5,000</u> | <u>-</u> |
| Total expenditures | <u>5,000</u> | <u>5,000</u> | <u>-</u> |
| REVENUES OVER (UNDER) EXPENDITURES | <u>97,000</u> | <u>106,585</u> | <u>9,585</u> |
| NET CHANGES IN FUND BALANCES | <u>\$ 97,000</u> | <u>106,585</u> | <u>\$ 9,585</u> |
| FUND BALANCES: | | | |
| Beginning of year | | <u>801,311</u> | |
| End of year | | <u>\$ 907,896</u> | |

City of Hemet
Schedule of Revenues, Expenditures, and Change in Fund Balance - Budget and Actual
Lighting/Landscape Maintenance District Special Revenue Fund
For the Year Ended June 30, 2018

| | Final Budget | Actual Amounts | Variance with Final Budget Positive (Negative) |
|---|-------------------|---------------------|---|
| REVENUES: | | | |
| Intergovernmental revenue | \$ 1,900,561 | \$ 1,868,197 | \$ (32,364) |
| Charges for services | - | 3,262 | 3,262 |
| Investment income (loss) | - | 1,970 | 1,970 |
| Miscellaneous | - | 141 | 141 |
| Total revenues | <u>1,900,561</u> | <u>1,873,570</u> | <u>(26,991)</u> |
| EXPENDITURES: | | | |
| Current: | | | |
| Public works | 1,628,267 | 1,678,645 | (50,378) |
| Total expenditures | <u>1,628,267</u> | <u>1,678,645</u> | <u>(50,378)</u> |
| REVENUES OVER (UNDER) EXPENDITURES | <u>272,294</u> | <u>194,925</u> | <u>(77,369)</u> |
| NET CHANGES IN FUND BALANCES | <u>\$ 272,294</u> | 194,925 | <u>\$ (77,369)</u> |
| FUND BALANCES: | | | |
| Beginning of year | | 1,913,900 | |
| End of year | | <u>\$ 2,108,825</u> | |

City of Hemet
Schedule of Revenues, Expenditures, and Change in Fund Balance - Budget and Actual
Post Proposition 218 Lighting District Special Revenue Fund
For the Year Ended June 30, 2018

| | Final Budget | Actual Amounts | Variance with Final Budget Positive (Negative) |
|-------------------------------------|------------------|-------------------|---|
| REVENUES: | | | |
| Charges for services | \$ 338,146 | \$ 335,059 | \$ (3,087) |
| Investment income | 4,000 | 9,361 | 5,361 |
| Miscellaneous | - | 264 | 264 |
| Total revenues | <u>342,146</u> | <u>344,684</u> | <u>2,538</u> |
| EXPENDITURES: | | | |
| Current: | | | |
| Public works | 278,012 | 200,778 | 77,234 |
| Total expenditures | <u>278,012</u> | <u>200,778</u> | <u>77,234</u> |
| NET CHANGES IN FUND BALANCES | <u>\$ 64,134</u> | <u>143,906</u> | <u>\$ 79,772</u> |
| FUND BALANCES: | | | |
| Beginning of year | | 827,773 | |
| End of year | | <u>\$ 971,679</u> | |

City of Hemet
Schedule of Revenues, Expenditures, and Change in Fund Balance - Budget and Actual
Post Proposition 218 Landscape District Special Revenue Fund
For the Year Ended June 30, 2018

| | Final Budget | Actual Amounts | Variance with Final Budget Positive (Negative) |
|---|------------------|---------------------|---|
| REVENUES: | | | |
| Charges for services | \$ 1,732,748 | \$ 1,704,258 | \$ (28,490) |
| Investment income | 5,000 | 1,389 | (3,611) |
| Miscellaneous | - | 386,769 | 386,769 |
| Total revenues | <u>1,737,748</u> | <u>2,092,416</u> | <u>354,668</u> |
| EXPENDITURES: | | | |
| Current: | | | |
| Public works | 1,647,060 | 1,514,164 | 132,896 |
| Capital outlay | - | 315,410 | (315,410) |
| Total expenditures | <u>1,647,060</u> | <u>1,829,574</u> | <u>(182,514)</u> |
| REVENUES OVER (UNDER) EXPENDITURES | <u>90,688</u> | <u>262,842</u> | <u>172,154</u> |
| NET CHANGES IN FUND BALANCES | <u>\$ 90,688</u> | <u>262,842</u> | <u>\$ 172,154</u> |
| FUND BALANCES: | | | |
| Beginning of year | | <u>1,358,630</u> | |
| End of year | | <u>\$ 1,621,472</u> | |

City of Hemet
Schedule of Revenues, Expenditures, and Change in Fund Balance - Budget and Actual
Asset Seizure Special Revenue Fund
For the Year Ended June 30, 2018

| | Final Budget | Actual Amounts | Variance with Final Budget Positive (Negative) |
|-------------------------------------|------------------|-------------------|---|
| REVENUES: | | | |
| Intergovernmental revenues | \$ 10,000 | \$ 14,786 | \$ 4,786 |
| Investment income | 700 | 594 | (106) |
| Miscellaneous | - | 2,850 | 2,850 |
| Total revenues | 10,700 | 18,230 | 7,530 |
| EXPENDITURES: | | | |
| Current: | | | |
| Public safety | - | 21,272 | (21,272) |
| Capital outlay | - | 2,067 | (2,067) |
| Total expenditures | - | 23,339 | (23,339) |
| NET CHANGES IN FUND BALANCES | \$ 10,700 | (5,109) | \$ (15,809) |
| FUND BALANCES: | | | |
| Beginning of year | | 50,976 | |
| End of year | | \$ 45,867 | |

City of Hemet
Schedule of Revenues, Expenditures, and Change in Fund Balance - Budget and Actual
Public Safety Grants Special Revenue Fund
For the Year Ended June 30, 2018

| | Final Budget | Actual Amounts | Variance with Final Budget Positive (Negative) |
|-------------------------------------|-------------------|-------------------|---|
| REVENUES: | | | |
| Intergovernmental revenues | \$ 351,601 | \$ 472,204 | \$ 120,603 |
| Investment income | - | 1,326 | 1,326 |
| Total revenues | <u>351,601</u> | <u>473,530</u> | <u>121,929</u> |
| EXPENDITURES: | | | |
| Current: | | | |
| Public safety | - | 158,510 | (158,510) |
| Capital outlay | - | 221,370 | (221,370) |
| Total expenditures | <u>-</u> | <u>379,880</u> | <u>(379,880)</u> |
| NET CHANGES IN FUND BALANCES | <u>\$ 351,601</u> | 93,650 | <u>\$ (257,951)</u> |
| FUND BALANCES: | | | |
| Beginning of year | | <u>80,063</u> | |
| End of year | | <u>\$ 173,713</u> | |

City of Hemet
Schedule of Revenues, Expenditures, and Change in Fund Balance - Budget and Actual
Public Safety CFD Special Revenue Fund
For the Year Ended June 30, 2018

| | Final Budget | Actual Amounts | Variance with Final Budget Positive (Negative) |
|-------------------------------------|-------------------|--------------------|---|
| REVENUES: | | | |
| Charges for services | \$ 550,000 | \$ 514,597 | \$ (35,403) |
| Total revenues | <u>550,000</u> | <u>514,597</u> | <u>(35,403)</u> |
| EXPENDITURES: | | | |
| Current: | | | |
| Public Safety | 559,300 | 559,300 | - |
| Total expenditures | <u>559,300</u> | <u>559,300</u> | <u>-</u> |
| NET CHANGES IN FUND BALANCES | <u>\$ (9,300)</u> | <u>(44,703)</u> | <u>\$ (35,403)</u> |
| FUND BALANCES: | | | |
| Beginning of year | | 30,479 | |
| End of year | | <u>\$ (14,224)</u> | |

City of Hemet
Schedule of Revenues, Expenditures, and Change in Fund Balance - Budget and Actual
Citizen Option for Public Safety Programs (COPS) Special Revenue Fund
For the Year Ended June 30, 2018

| | Final Budget | Actual Amounts | Variance with Final Budget Positive (Negative) |
|-------------------------------------|-------------------|-------------------|---|
| REVENUES: | | | |
| Intergovernmental revenues | \$ 275,258 | \$ 213,842 | \$ (61,416) |
| Investment income | 1,100 | 2,385 | 1,285 |
| Total revenues | <u>276,358</u> | <u>216,227</u> | <u>(60,131)</u> |
| EXPENDITURES: | | | |
| Current: | | | |
| Public safety | - | 165,039 | (165,039) |
| Total expenditures | <u>-</u> | <u>165,039</u> | <u>(165,039)</u> |
| NET CHANGES IN FUND BALANCES | <u>\$ 276,358</u> | <u>51,188</u> | <u>\$ (225,170)</u> |
| FUND BALANCES: | | | |
| Beginning of year | | 240,573 | |
| End of year | | <u>\$ 291,761</u> | |

City of Hemet
Schedule of Revenues, Expenditures, and Change in Fund Balance - Budget and Actual
Law Enforcement Block Grant (LLEBG) Special Revenue Fund
For the Year Ended June 30, 2018

| | Final Budget | Actual Amounts | Variance with Final Budget Positive (Negative) |
|-------------------------------------|------------------|--------------------|---|
| REVENUES: | | | |
| Intergovernmental revenues | \$ 92,104 | \$ 92,104 | \$ - |
| Total revenues | <u>92,104</u> | <u>92,104</u> | <u>-</u> |
| EXPENDITURES: | | | |
| Current: | | | |
| Public safety | - | 10,285 | (10,285) |
| Capital outlay | - | 92,104 | (92,104) |
| Total expenditures | <u>-</u> | <u>102,389</u> | <u>(102,389)</u> |
| NET CHANGES IN FUND BALANCES | <u>\$ 92,104</u> | <u>(10,285)</u> | <u>\$ (102,389)</u> |
| FUND BALANCES: | | | |
| Beginning of year | | <u>(80,563)</u> | |
| End of year | | <u>\$ (90,848)</u> | |

City of Hemet
Schedule of Revenues, Expenditures, and Change in Fund Balance - Budget and Actual
Community Development Block Grant Special Revenue Fund
For the Year Ended June 30, 2018

| | Final Budget | Actual Amounts | Variance with Final Budget Positive (Negative) |
|---|-------------------|-------------------|---|
| REVENUES: | | | |
| Intergovernmental revenues | \$ 963,733 | \$ 546,081 | \$ (417,652) |
| Total revenues | <u>963,733</u> | <u>546,081</u> | <u>(417,652)</u> |
| EXPENDITURES: | | | |
| Current: | | | |
| General government | 152,400 | 56,143 | 96,257 |
| Community development | 528,952 | 489,938 | 39,014 |
| Capital outlay | 133,800 | - | 133,800 |
| Total expenditures | <u>815,152</u> | <u>546,081</u> | <u>269,071</u> |
| REVENUES OVER (UNDER) EXPENDITURES | <u>148,581</u> | <u>-</u> | <u>(148,581)</u> |
| OTHER FINANCING SOURCES (USES): | | | |
| Transfers in | - | 9,061 | 9,061 |
| Total other financing sources (uses) | <u>-</u> | <u>9,061</u> | <u>9,061</u> |
| NET CHANGES IN FUND BALANCES | <u>\$ 148,581</u> | <u>9,061</u> | <u>\$ (139,520)</u> |
| FUND BALANCES: | | | |
| Beginning of year | | - | |
| End of year | | <u>\$ 9,061</u> | |

City of Hemet
Schedule of Revenues, Expenditures, and Change in Fund Balance - Budget and Actual
General Plan Special Revenue Fund
For the Year Ended June 30, 2018

| | Final Budget | Actual Amounts | Variance with Final Budget Positive (Negative) |
|-------------------------------------|--------------------|-------------------|---|
| REVENUES: | | | |
| Charges for services | \$ - | \$ 18,300 | \$ 18,300 |
| Investment income | 500 | 920 | 420 |
| Total revenues | <u>500</u> | <u>19,220</u> | <u>18,720</u> |
| EXPENDITURES: | | | |
| Current: | | | |
| General government | 40,000 | 26,580 | 13,420 |
| Total expenditures | <u>40,000</u> | <u>26,580</u> | <u>13,420</u> |
| NET CHANGES IN FUND BALANCES | <u>\$ (39,500)</u> | <u>(7,360)</u> | <u>\$ 32,140</u> |
| FUND BALANCES: | | | |
| Beginning of year | | <u>79,406</u> | |
| End of year | | <u>\$ 72,046</u> | |

City of Hemet
Schedule of Revenues, Expenditures, and Change in Fund Balance - Budget and Actual
Home Investment Partnership Program (HOME) Special Revenue Fund
For the Year Ended June 30, 2018

| | Final Budget | Actual Amounts | Variance with Final Budget Positive (Negative) |
|---|-----------------|---------------------|---|
| REVENUES: | | | |
| Investment income | \$ 2,500 | \$ 5,632 | \$ 3,132 |
| Miscellaneous | - | 50 | 50 |
| Total revenues | <u>2,500</u> | <u>5,682</u> | <u>3,182</u> |
| EXPENDITURES: | | | |
| Current: | | | |
| Community development | - | 4,961 | (4,961) |
| Total expenditures | <u>-</u> | <u>4,961</u> | <u>(4,961)</u> |
| REVENUES OVER (UNDER) EXPENDITURES | <u>2,500</u> | <u>721</u> | <u>(1,779)</u> |
| NET CHANGES IN FUND BALANCES | <u>\$ 2,500</u> | <u>721</u> | <u>\$ (1,779)</u> |
| FUND BALANCES: | | | |
| Beginning of year | | 1,051,766 | |
| End of year | | <u>\$ 1,052,487</u> | |

City of Hemet
Schedule of Revenues, Expenditures, and Change in Fund Balance - Budget and Actual
2001-2008 HOME Program Special Revenue Fund
For the Year Ended June 30, 2018

| | Final Budget | Actual Amounts | Variance with Final Budget Positive (Negative) |
|-------------------------------------|-----------------|-------------------|---|
| REVENUES: | | | |
| Investment income | \$ 3,500 | \$ 7,694 | \$ 4,194 |
| Total revenues | 3,500 | 7,694 | 4,194 |
| NET CHANGES IN FUND BALANCES | \$ 3,500 | 7,694 | \$ 4,194 |
| FUND BALANCES | | | |
| Beginning of year | | 1,507,627 | |
| End of year | | \$ 1,515,321 | |

City of Hemet
Schedule of Revenues, Expenditures, and Change in Fund Balance - Budget and Actual
Neighborhood Stabilization Program (NSP) Grant Special Revenue Fund
For the Year Ended June 30, 2018

| | Final Budget | Actual Amounts | Variance with Final Budget Positive (Negative) |
|---|-----------------|-------------------|---|
| REVENUES: | | | |
| Intergovernmental revenues | \$ - | \$ 25,975 | \$ 25,975 |
| Total revenues | <u>-</u> | <u>25,975</u> | <u>25,975</u> |
| EXPENDITURES: | | | |
| Current: | | | |
| Community development | - | 825 | (825) |
| Total expenditures | <u>-</u> | <u>825</u> | <u>(825)</u> |
| REVENUES OVER (UNDER) EXPENDITURES | <u>-</u> | <u>25,150</u> | <u>25,150</u> |
| OTHER FINANCING SOURCES (USES): | | | |
| Transfers in | - | (9,061) | (9,061) |
| Total other financing sources (uses) | <u>-</u> | <u>(9,061)</u> | <u>(9,061)</u> |
| NET CHANGES IN FUND BALANCES | <u>\$ -</u> | <u>16,089</u> | <u>\$ 16,089</u> |
| FUND BALANCES: | | | |
| Beginning of year | | <u>777,338</u> | |
| End of year | | <u>\$ 793,427</u> | |

City of Hemet
Schedule of Revenues, Expenditures, and Change in Fund Balance - Budget and Actual
Indian Gaming Grants Special Revenue Funds
For the Year Ended June 30, 2018

| | Final Budget | Actual Amounts | Variance with Final Budget Positive (Negative) |
|-------------------------------------|-----------------|-------------------|---|
| REVENUES: | | | |
| Investment income | \$ - | \$ 69 | \$ 69 |
| Total revenues | - | 69 | 69 |
| NET CHANGES IN FUND BALANCES | \$ - | 69 | \$ 69 |
| FUND BALANCES: | | | |
| Beginning of year | | 6,165 | |
| End of year | | \$ 6,234 | |

City of Hemet
Schedule of Revenues, Expenditures, and Change in Fund Balance - Budget and Actual
Public Meeting Facilities Capital Projects Fund
For the Year Ended June 30, 2018

| | Final Budget | Actual Amounts | Variance with Final Budget Positive (Negative) |
|-------------------------------------|-----------------|-------------------|---|
| REVENUES: | | | |
| Investment income | \$ 3,800 | \$ 6,202 | \$ 2,402 |
| Total revenues | 3,800 | 6,202 | 2,402 |
| NET CHANGES IN FUND BALANCES | \$ 3,800 | 6,202 | \$ 2,402 |
| FUND BALANCES: | | | |
| Beginning of year | | 557,644 | |
| End of year | | \$ 563,846 | |

City of Hemet
Schedule of Revenues, Expenditures, and Change in Fund Balance - Budget and Actual
General Facilities Capital Projects Fund
For the Year Ended June 30, 2018

| | Final Budget | Actual Amounts | Variance with Final Budget Positive (Negative) |
|---|------------------|---------------------|---|
| REVENUES: | | | |
| Charges for services | \$ 5,000 | \$ 49,436 | \$ 44,436 |
| Investment income (loss) | 10,000 | 2,041 | (7,959) |
| Total revenues | <u>15,000</u> | <u>51,477</u> | <u>36,477</u> |
| EXPENDITURES: | | | |
| Current: | | | |
| Public works | - | 24,312 | (24,312) |
| Total expenditures | <u>-</u> | <u>24,312</u> | <u>(24,312)</u> |
| REVENUES OVER (UNDER) EXPENDITURES | <u>15,000</u> | <u>27,165</u> | <u>12,165</u> |
| NET CHANGES IN FUND BALANCES | <u>\$ 15,000</u> | <u>27,165</u> | <u>\$ 12,165</u> |
| FUND BALANCES: | | | |
| Beginning of year | | <u>1,780,676</u> | |
| End of year | | <u>\$ 1,807,841</u> | |

City of Hemet
Schedule of Revenues, Expenditures, and Change in Fund Balance - Budget and Actual
Flood Control Capital Projects Fund
For the Year Ended June 30, 2018

| | Final Budget | Actual Amounts | Variance with Final Budget Positive (Negative) |
|-------------------------------------|------------------|---------------------|---|
| REVENUES: | | | |
| Charges for services | \$ 22,800 | \$ 112,445 | \$ 89,645 |
| Investment income (loss) | 20,000 | 3,476 | (16,524) |
| Total revenues | <u>42,800</u> | <u>115,921</u> | <u>73,121</u> |
| EXPENDITURES: | | | |
| Current: | | | |
| Sanitation | - | 13,452 | (13,452) |
| Capital outlay | - | 675 | (675) |
| Total expenditures | <u>-</u> | <u>14,127</u> | <u>(14,127)</u> |
| NET CHANGES IN FUND BALANCES | <u>\$ 42,800</u> | <u>101,794</u> | <u>\$ 58,994</u> |
| FUND BALANCES | | | |
| Beginning of year | | <u>3,370,880</u> | |
| End of year | | <u>\$ 3,472,674</u> | |

City of Hemet
Schedule of Revenues, Expenditures, and Change in Fund Balance - Budget and Actual
Law Enforcement Facilities Capital Projects Fund
For the Year Ended June 30, 2018

| | Final Budget | Actual Amounts | Variance with Final Budget Positive (Negative) |
|------------------------------------|-----------------|-------------------|---|
| REVENUES: | | | |
| Charges for services | \$ 8,000 | \$ 34,641 | \$ 26,641 |
| Investment income | - | 677 | 677 |
| Total revenues | 8,000 | 35,318 | 27,318 |
| NET CHANGE IN FUND BALANCES | \$ 8,000 | 35,318 | \$ 27,318 |
| FUND BALANCES | | | |
| Beginning of year | | 49,196 | |
| End of year | | \$ 84,514 | |

City of Hemet
Schedule of Revenues, Expenditures, and Change in Fund Balance - Budget and Actual
Park Development Capital Projects Fund
For the Year Ended June 30, 2018

| | Final Budget | Actual Amounts | Variance with Final Budget Positive (Negative) |
|-------------------------------------|------------------|---------------------|---|
| REVENUES: | | | |
| Charges for services | \$ 12,000 | \$ 85,336 | \$ 73,336 |
| Investment income (loss) | 10,000 | 1,749 | (8,251) |
| NET CHANGES OF FUND BALANCES | \$ 22,000 | 87,085 | \$ 65,085 |
| FUND BALANCES: | | | |
| Beginning of year | | 1,504,578 | |
| End of year | | \$ 1,591,663 | |

City of Hemet
Schedule of Revenues, Expenditures, and Change in Fund Balance - Budget and Actual
Valley Wide DVL Park Capital Projects Fund
For the Year Ended June 30, 2018

| | Final Budget | Actual Amounts | Variance with Final Budget Positive (Negative) |
|-------------------------------------|-----------------|-------------------|---|
| REVENUES: | | | |
| Charges for services | \$ 2,500 | \$ 16,623 | \$ 14,123 |
| Investment income | 500 | 1,502 | 1,002 |
| NET CHANGES IN FUND BALANCES | \$ 3,000 | 18,125 | \$ 15,125 |
| FUND BALANCES: | | | |
| Beginning of year | | 130,244 | |
| End of year | | \$ 148,369 | |

City of Hemet
Schedule of Revenues, Expenditures, and Change in Fund Balance - Budget and Actual
Capital Projects Fund
For the Year Ended June 30, 2018

| | Final Budget | Actual Amounts | Variance with Final Budget Positive (Negative) |
|---|-----------------|--------------------|---|
| REVENUES: | | | |
| Investment income (loss) | \$ - | \$ 1,379 | \$ 1,379 |
| Total revenues | - | 1,379 | 1,379 |
| EXPENDITURES: | | | |
| Current: | | | |
| Public safety | - | 17,210 | (17,210) |
| Community development | - | 81,139 | (81,139) |
| Public works | - | 1,815,758 | (1,815,758) |
| Total expenditures | - | 1,914,107 | (1,914,107) |
| REVENUES OVER (UNDER) EXPENDITURES | - | (1,912,728) | (1,912,728) |
| OTHER FINANCING SOURCES (USES): | | | |
| Transfers out | - | (345,931) | (345,931) |
| Total other financing sources (uses) | - | (345,931) | (345,931) |
| NET CHANGES IN FUND BALANCES | \$ - | (2,258,659) | \$ (2,258,659) |
| FUND BALANCES: | | | |
| Beginning of year | | 2,646,472 | |
| End of year | | <u>\$ 387,813</u> | |

City of Hemet
Schedule of Revenues, Expenditures, and Change in Fund Balance - Budget and Actual
Library Facilities Capital Projects Fund
For the Year Ended June 30, 2018

| | Final Budget | Actual Amounts | Variance with Final Budget Positive (Negative) |
|-------------------------------------|---------------------|-------------------|---|
| REVENUES: | | | |
| Charges for services | \$ 10,000 | \$ 43,171 | \$ 33,171 |
| Investment income (loss) | 5,000 | 8,395 | 3,395 |
| Total revenues | 15,000 | 51,566 | 36,566 |
| EXPENDITURES: | | | |
| Current: | | | |
| Libraries | 164,500 | 118,868 | 45,632 |
| Capital outlay | - | 20,404 | (20,404) |
| Total expenditures | 164,500 | 139,272 | 25,228 |
| NET CHANGES IN FUND BALANCES | \$ (149,500) | (87,706) | \$ 61,794 |
| FUND BALANCES: | | | |
| Beginning of year | | 818,088 | |
| End of year | | \$ 730,382 | |

City of Hemet
Schedule of Revenues, Expenditures, and Change in Fund Balance - Budget and Actual
Equipment Replacement Capital Projects Fund
For the Year Ended June 30, 2018

| | Final Budget | Actual Amounts | Variance with Final Budget Positive (Negative) |
|---|-------------------|---------------------|---|
| REVENUES: | | | |
| Charges for services | \$ 798,300 | \$ 732,300 | \$ (66,000) |
| Investment income (loss) | 20,000 | 4,238 | (15,762) |
| Miscellaneous | - | 80,162 | 80,162 |
| Total revenues | 818,300 | 816,700 | (1,600) |
| EXPENDITURES: | | | |
| Capital outlay | 230,000 | 689,812 | (459,812) |
| Total expenditures | 230,000 | 689,812 | (459,812) |
| REVENUES OVER (UNDER) EXPENDITURES | 588,300 | 126,888 | (461,412) |
| OTHER FINANCING SOURCES (USES): | | | |
| Transfers out | - | (137,632) | (137,632) |
| Total other financing sources (uses) | - | (137,632) | (137,632) |
| NET CHANGES IN FUND BALANCES | \$ 588,300 | (10,744) | \$ (599,044) |
| FUND BALANCES | | | |
| Beginning of year | | 3,703,431 | |
| End of year | | \$ 3,692,687 | |

City of Hemet
Schedule of Revenues, Expenditures, and Change in Fund Balance - Budget and Actual
Fire Facilities Capital Projects Fund
For the Year Ended June 30, 2018

| | Final Budget | Actual Amounts | Variance with Final Budget Positive (Negative) |
|-------------------------------------|------------------|---------------------|---|
| REVENUES: | | | |
| Charges for services | \$ 10,000 | \$ 40,394 | \$ 30,394 |
| Investment income (loss) | 20,000 | 39,554 | 19,554 |
| Total revenues | 30,000 | 79,948 | 49,948 |
| EXPENDITURES: | | | |
| Current: | | | |
| Public safety | - | 35,885 | (35,885) |
| Capital outlay | - | 3,345 | (3,345) |
| Total expenditures | - | 39,230 | (39,230) |
| NET CHANGES IN FUND BALANCES | \$ 30,000 | 40,718 | \$ 10,718 |
| FUND BALANCES | | | |
| Beginning of year | | 3,181,180 | |
| End of year | | \$ 3,221,898 | |

City of Hemet
Schedule of Revenues, Expenditures, and Change in Fund Balance - Budget and Actual
Bridges/Streets/Traffic Facilities Capital Projects Fund
For the Year Ended June 30, 2018

| | Final Budget | Actual Amounts | Variance with Final Budget Positive (Negative) |
|-------------------------------------|-------------------|---------------------|---|
| REVENUES: | | | |
| Intergovernmental revenue | \$ 90,000 | \$ 174,461 | \$ 84,461 |
| Charges for services | 50,000 | 233,028 | 183,028 |
| Investment income | 25,000 | 4,588 | (20,412) |
| Miscellaneous Income (loss) | - | 20,475 | 20,475 |
| Total revenues | 165,000 | 432,552 | 267,552 |
| EXPENDITURES: | | | |
| Current: | | | |
| Public works | - | 6,200 | (6,200) |
| Capital outlay | - | 694,940 | (694,940) |
| Total expenditures | - | 701,140 | (701,140) |
| NET CHANGES IN FUND BALANCES | \$ 165,000 | (268,588) | \$ (433,588) |
| FUND BALANCES | | | |
| Beginning of year | | 4,246,811 | |
| End of year | | \$ 3,978,223 | |

City of Hemet
Schedule of Revenues, Expenditures, and Change in Fund Balance - Budget and Actual
LaSalle Library Endowment Permanent Fund
For the Year Ended June 30, 2018

| | Final Budget | Actual Amounts | Variance with Final Budget Positive (Negative) |
|-------------------------------------|--------------------|----------------------------|---|
| REVENUES: | | | |
| Investment income | \$ - | \$ 13,712 | \$ 13,712 |
| Total revenues | - | 13,712 | 13,712 |
| EXPENDITURES: | | | |
| Current: | | | |
| Library | 30,000 | 24,486 | 5,514 |
| Total expenditures | 30,000 | 24,486 | 5,514 |
| NET CHANGES IN FUND BALANCES | \$ (30,000) | (10,774) | \$ 19,226 |
| FUND BALANCES | | | |
| Beginning of year | | 1,065,275 | |
| End of year | | <u><u>\$ 1,054,501</u></u> | |

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INTERNAL SERVICE FUNDS

Internal Service Funds:

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

Worker's Compensation Admin - Accounts for the financial transactions of a self-insured workers' compensation program.

Medical Insurance Admin - 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.

Other Postemployment Benefit (OPEB) - Accounts for the financial transactions of a self-insured employer retiree medical, dental and vision insurance program.

City of Hemet
Combining Statement of Net Position
All Internal Service Funds
June 30, 2018

| | Administrative Services | Workers' Compensation Admin | Medical Insurance Admin |
|---|----------------------------|-----------------------------------|-------------------------------|
| ASSETS | | | |
| Current assets: | | | |
| Cash and investments | \$ 3,242,652 | \$ 1,601,742 | \$ 102,008 |
| Accounts receivable | 5,165 | - | 2,880 |
| Inventories | 158,240 | - | - |
| Total current assets | <u>3,406,057</u> | <u>1,601,742</u> | <u>104,888</u> |
| Capital assets: | | | |
| Depreciable, net | 1,099,690 | - | - |
| Total capital assets | <u>1,099,690</u> | <u>-</u> | <u>-</u> |
| Total assets | <u>4,505,747</u> | <u>1,601,742</u> | <u>104,888</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | | |
| Pension related deferred outflows of resources | 1,237,607 | - | - |
| Total deferred outflows of resources | <u>1,237,607</u> | <u>-</u> | <u>-</u> |
| LIABILITIES | | | |
| Current liabilities: | | | |
| Accounts payable | 308,202 | 1,260 | - |
| Accrued salaries and benefits | 38,609 | 1,433 | - |
| Claims payable, due within one year | - | 206,728 | 15,712 |
| Total current liabilities | <u>346,811</u> | <u>209,421</u> | <u>15,712</u> |
| Long-term liabilities: | | | |
| Claims payable, due in more than one year | - | 166,330 | 12,641 |
| Net pension liabilities | 5,496,863 | - | - |
| Net other postemployment benefits liabilities | 7,081,185 | - | - |
| Total long-term liabilities | <u>12,578,048</u> | <u>166,330</u> | <u>12,641</u> |
| Total liabilities | <u>12,924,859</u> | <u>375,751</u> | <u>28,353</u> |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Pension related deferred inflows of resources | 138,355 | - | - |
| Other postemployment benefits related deferred inflows of resources | 900 | - | - |
| Total deferred inflows of resources | <u>139,255</u> | <u>-</u> | <u>-</u> |
| NET POSITION | | | |
| Investment in capital assets | 1,099,690 | - | - |
| Unrestricted (deficit) | (8,420,450) | 1,225,991 | 76,535 |
| Total net position | <u>\$ (7,320,760)</u> | <u>\$ 1,225,991</u> | <u>\$ 76,535</u> |

City of Hemet
Combining Statement of Net Position (Continued)
All Internal Service Funds
June 30, 2018

| | Liability Insurance | OPEB | Total |
|---|------------------------|---------------------|-----------------------|
| ASSETS | | | |
| Current assets: | | | |
| Cash and investments | \$ 1,873,287 | \$ 1,267,044 | \$ 8,086,733 |
| Accounts receivable | - | 582 | 8,627 |
| Inventories | - | - | 158,240 |
| Total current assets | <u>1,873,287</u> | <u>1,267,626</u> | <u>8,253,600</u> |
| Capital assets: | | | |
| Depreciable, net | - | - | 1,099,690 |
| Total capital assets | <u>-</u> | <u>-</u> | <u>1,099,690</u> |
| Total assets | <u>1,873,287</u> | <u>1,267,626</u> | <u>9,353,290</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | | |
| Pension related deferred outflows of resources | - | - | 1,237,607 |
| Total deferred outflows of resources | <u>-</u> | <u>-</u> | <u>1,237,607</u> |
| LIABILITIES | | | |
| Current liabilities: | | | |
| Accounts payable | 3,871 | 666 | 313,999 |
| Accrued salaries and benefits | 1,537 | - | 41,579 |
| Claims payable, due within one year | 491,579 | 12,857 | 726,876 |
| Total current liabilities | <u>496,987</u> | <u>13,523</u> | <u>1,082,454</u> |
| Long-term liabilities: | | | |
| Claims payable, due in more than one year | 395,517 | 10,344 | 584,832 |
| Net pension liabilities | - | - | 5,496,863 |
| Net other postemployment benefits liabilities | - | - | 7,081,185 |
| Total long-term liabilities | <u>395,517</u> | <u>10,344</u> | <u>13,162,880</u> |
| Total liabilities | <u>892,504</u> | <u>23,867</u> | <u>14,245,334</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | | |
| Pension related deferred inflows of resources | - | - | 138,355 |
| Other postemployment benefits related deferred inflows of resources | - | - | 900 |
| Total deferred outflows of resources | <u>-</u> | <u>-</u> | <u>139,255</u> |
| NET POSITION | | | |
| Investment in capital assets | - | - | 1,099,690 |
| Unrestricted (deficit) | 980,783 | 1,243,759 | (4,893,382) |
| Total net position | <u>\$ 980,783</u> | <u>\$ 1,243,759</u> | <u>\$ (3,793,692)</u> |

City of Hemet
Combining Statement of Revenues, Expenses, and Changes in Net Position
All Internal Service Funds
For the Year Ended June 30, 2018

| | Administrative Services | Workers' Compensation Admin | Medical Insurance Admin |
|--|----------------------------|-----------------------------------|-------------------------------|
| OPERATING REVENUES: | | | |
| Charges for services | \$ 6,042,232 | \$ 2,958,204 | \$ 343,484 |
| Miscellaneous | 179,205 | - | 1,718 |
| Total operating revenues | 6,221,437 | 2,958,204 | 345,202 |
| OPERATING EXPENSES: | | | |
| Personal services | 1,931,044 | 159,801 | 33,510 |
| Parts and supplies | 1,051,229 | - | - |
| Maintenance | 1,002,229 | - | - |
| Utilities | 687,933 | - | - |
| Contracts, rents, and leases | 238,312 | - | - |
| Insurance | 102,600 | 1,992,906 | 274,207 |
| Claims and judgments | - | 135,757 | - |
| Depreciation | 144,734 | - | - |
| Total operating expenses | 5,158,081 | 2,288,464 | 307,717 |
| OPERATING INCOME (LOSS) | 1,063,356 | 669,740 | 37,485 |
| TRANSFERS: | | | |
| Transfers in | 345,931 | - | - |
| Total transfers | 345,931 | - | - |
| Changes in net position | 1,409,287 | 669,740 | 37,485 |
| NET POSITION: | | | |
| Beginning of the year, as restated (Note 16) | (8,730,047) | 556,251 | 39,050 |
| End of the year | \$ (7,320,760) | \$ 1,225,991 | \$ 76,535 |

City of Hemet
Combining Statement of Revenues, Expenses, and Changes in Net Position (Continued)
All Internal Service Funds
For the Year Ended June 30, 2018

| | Liability Insurance | OPEB | Total |
|--|------------------------|---------------------|-----------------------|
| OPERATING REVENUES: | | | |
| Charges for services | \$ 1,098,996 | \$ 3,832,539 | \$ 14,275,455 |
| Miscellaneous | 839 | - | 181,762 |
| Total operating revenues | 1,099,835 | 3,832,539 | 14,457,217 |
| OPERATING EXPENSES: | | | |
| Personal services | 104,346 | - | 2,228,701 |
| Parts and supplies | - | - | 1,051,229 |
| Maintenance | - | - | 1,002,229 |
| Utilities | - | - | 687,933 |
| Contracts, rents, and leases | 30,628 | - | 268,940 |
| Insurance | 377,112 | - | 2,746,825 |
| Claims and judgments | 260,466 | 3,489,596 | 3,885,819 |
| Depreciation | - | - | 144,734 |
| Total operating expenses | 772,552 | 3,489,596 | 12,016,410 |
| OPERATING INCOME (LOSS) | 327,283 | 342,943 | 2,440,807 |
| TRANSFERS: | | | |
| Transfers in | - | - | 345,931 |
| Total transfers | - | - | 345,931 |
| Changes in net position | 327,283 | 342,943 | 2,786,738 |
| NET POSITION: | | | |
| Beginning of the year, as restated (Note 16) | 653,500 | 900,816 | (6,580,430) |
| End of the year | \$ 980,783 | \$ 1,243,759 | \$ (3,793,692) |

City of Hemet
Combining Statement of Cash Flows
All Internal Service Funds
For the Year Ended June 30, 2018

| | Administrative Services | Workers' Compensation Admin | Medical Insurance Admin |
|--|----------------------------|-----------------------------------|-------------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | | |
| Cash received for services from other funds | \$ 6,169,564 | \$ 2,958,204 | \$ 342,322 |
| Cash payments to suppliers of goods and services | (3,004,278) | (135,757) | - |
| Cash payments to employees for services | (2,758,972) | (161,208) | (33,510) |
| Cash payment for insurance premiums and settlements | (102,600) | (1,863,804) | (267,605) |
| Net cash provided by (used in) operating activities | 303,714 | 797,435 | 41,207 |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES: | | | |
| Acquisition of capital assets | (345,931) | - | - |
| Net cash (used in) capital and related financing activities | (345,931) | - | - |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES: | | | |
| Cash received from other funds | 345,931 | - | - |
| Cash paid to other funds | - | - | - |
| Net cash provided by noncapital financing activities | 345,931 | - | - |
| Net increase (decrease) in cash and cash equivalents | 303,714 | 797,435 | 41,207 |
| CASH AND CASH EQUIVALENTS: | | | |
| Beginning of year | 2,938,938 | 804,307 | 60,801 |
| End of year | <u>\$ 3,242,652</u> | <u>\$ 1,601,742</u> | <u>\$ 102,008</u> |
| RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES: | | | |
| Operating income (loss) | \$ 1,063,356 | \$ 669,740 | \$ 37,485 |
| Adjustments to reconcile net operating income (loss) to net cash provided by (used in) operating activities: | | | |
| Depreciation | 144,734 | - | - |
| (Increase) Decrease in: | | | |
| Accounts receivables | (899) | - | (2,880) |
| Inventories | (44,705) | - | - |
| Deferred outflows of resources related to pension | (158,378) | - | - |
| Deferred outflows of resources related to other postemployment benefits | 531,089 | - | - |
| Increase (Decrease) in: | | | |
| Accounts payable | 20,130 | (2,278) | - |
| Accrued wages and benefits payable | (1,089) | (1,407) | - |
| Due to other funds | (50,974) | - | - |
| Claims payable | - | 131,380 | 6,602 |
| Net pension liabilities | (1,221,341) | - | - |
| Net other postemployment benefits liabilities | (39,920) | - | - |
| Deferred inflows of resources related to pension | 60,811 | - | - |
| Deferred inflows of resources related to other postemployment benefits | 900 | - | - |
| Total adjustments | (759,642) | 127,695 | 3,722 |
| Net cash provided by (used in) operating activities | \$ 303,714 | \$ 797,435 | \$ 41,207 |

City of Hemet
Combining Statement of Cash Flows (Continued)
All Internal Service Funds
For the Year Ended June 30, 2018

| | Liability Insurance | OPEB | Total |
|--|------------------------|---------------------|---------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | | |
| Cash received for services from other funds | \$ 1,099,835 | \$ 3,833,889 | \$ 14,403,814 |
| Cash payments to suppliers of goods and services | (34,436) | - | (3,174,471) |
| Cash payments to employees for services | (103,841) | - | (3,057,531) |
| Cash payment for insurance premiums and settlements | (734,352) | (3,616,786) | (6,585,147) |
| Net cash (used in) operating activities | 227,206 | 217,103 | 1,586,665 |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES: | | | |
| Acquisition of capital assets | - | - | (345,931) |
| Net cash (used in) capital and related financing activities | - | - | (345,931) |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES: | | | |
| Cash received from other funds | - | | 345,931 |
| Cash paid to other funds | - | 50,974 | 50,974 |
| Net cash provided by (used in) noncapital financing activities | - | 50,974 | 396,905 |
| Net increase (decrease) in cash and cash equivalents | 227,206 | 268,077 | 1,637,639 |
| CASH AND CASH EQUIVALENTS: | | | |
| Beginning of year | 1,646,081 | 998,967 | 6,449,094 |
| End of year | <u>\$ 1,873,287</u> | <u>\$ 1,267,044</u> | <u>\$ 8,086,733</u> |
| RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES: | | | |
| Operating income (loss) | \$ 327,283 | \$ 342,943 | \$ 2,440,807 |
| Adjustments to reconcile net operating income (loss) to net cash provided by (used in) operating activities: | | | |
| Depreciation | - | - | 144,734 |
| (Increase) Decrease in: | | | |
| Accounts receivables | - | 1,350 | (2,429) |
| Inventories | - | - | (44,705) |
| Deferred outflows of resources related to pension | - | - | (158,378) |
| Deferred outflows of resources related to other postemployment benefits | - | - | 531,089 |
| Increase (Decrease) in: | | | |
| Accounts payable | (3,808) | (131,792) | (117,748) |
| Accrued wages and benefits payable | 505 | - | (1,991) |
| Due to other funds | - | - | (50,974) |
| Claims payable | (96,774) | 4,602 | 45,810 |
| Net pension liabilities | - | - | (1,221,341) |
| Net other postemployment benefits liabilities | - | - | (39,920) |
| Deferred inflows of resources related to pension | - | - | 60,811 |
| Deferred inflows of resources related to other postemployment benefits | - | - | 900 |
| Total adjustments | (100,077) | (125,840) | (854,142) |
| Net cash provided by (used in) operating activities | \$ 227,206 | \$ 217,103 | \$ 1,586,665 |

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FIDUCIARY FUNDS

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 pass thru fees collected for the County, payroll deposits, and a developer CFD.

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City of Hemet
Combining Statement of Fiduciary Assets and Liabilities
All Agency Funds
June 30, 2018

| | Pass Thru Fees | Payroll Deposits | Heartland CFD 2006 | Total Agency Funds |
|-------------------------------|-------------------|---------------------|-----------------------|-----------------------|
| ASSETS | | | | |
| Cash and investments | \$ 456,866 | \$ 374,058 | \$ - | \$ 830,924 |
| Accounts receivable | - | 2,079 | 12,602 | 14,681 |
| Due from other agency funds | - | 638,069 | - | 638,069 |
| Investments with fiscal agent | - | - | 1,186,761 | 1,186,761 |
| Total assets | \$ 456,866 | \$ 1,014,206 | \$ 1,199,363 | \$ 2,670,435 |
| LIABILITIES | | | | |
| Accounts payable | \$ 84,118 | \$ 1,014,206 | \$ - | \$ 1,098,324 |
| Due to other agency funds | - | - | 638,069 | 638,069 |
| Deposits | 372,748 | - | 561,294 | 934,042 |
| Total liabilities | \$ 456,866 | \$ 1,014,206 | \$ 1,199,363 | \$ 2,670,435 |

City of Hemet
Combining Statement of Changes in Assets and Liabilities
All Agency Funds
For the Year Ended June 30, 2018

| | Balance July 1, 2017 | Additions | Deletions | Balance June 30, 2018 |
|--|-------------------------|----------------------|------------------------|--------------------------|
| Pass Thru Fees Fund | | | | |
| ASSETS | | | | |
| Cash and investments | \$ 267 | \$ 1,032,657 | \$ (576,058) | \$ 456,866 |
| Total assets | \$ 267 | \$ 1,032,657 | \$ (576,058) | \$ 456,866 |
| LIABILITIES | | | | |
| Accounts payable | \$ 267 | \$ 699,474 | \$ (615,623) | \$ 84,118 |
| Deposits | - | 844,212 | (471,464) | 372,748 |
| Total liabilities | \$ 267 | \$ 1,543,686 | \$ (1,087,087) | \$ 456,866 |
| Payroll Deposits Fund | | | | |
| ASSETS | | | | |
| Cash and investments | \$ 967,322 | \$ 60,469,636 | \$ (61,062,900) | \$ 374,058 |
| Accounts receivable | 4,513 | 4,733 | (7,167) | 2,079 |
| Due from other agency funds | - | 638,069 | - | 638,069 |
| Total assets | \$ 971,835 | \$ 61,112,438 | \$ (61,070,067) | \$ 1,014,206 |
| LIABILITIES | | | | |
| Accounts payable | \$ 971,835 | \$ 81,972,040 | \$ (81,929,669) | \$ 1,014,206 |
| Total liabilities | \$ 971,835 | \$ 81,972,040 | \$ (81,929,669) | \$ 1,014,206 |
| Heartland CFD 2006 Fund | | | | |
| ASSETS | | | | |
| Accounts receivable | \$ 10,329 | \$ 12,602 | \$ (10,329) | \$ 12,602 |
| Cash and Investments with fiscal agent | 1,401,600 | 517,979 | (732,818) | 1,186,761 |
| Total assets | \$ 1,411,929 | \$ 530,581 | \$ (743,147) | \$ 1,199,363 |
| LIABILITIES | | | | |
| Due to City of Hemet | \$ 902,468 | \$ 1,823,751 | \$ (2,726,219) | \$ - |
| Due to other agency funds | - | 638,069 | - | 638,069 |
| Deposits | 509,461 | 1,983,072 | (1,931,239) | 561,294 |
| Total liabilities | \$ 1,411,929 | \$ 4,444,892 | \$ (4,657,458) | \$ 1,199,363 |

(Continued)

City of Hemet
Combining Statement of Changes in Assets and Liabilities (Continued)
All Agency Funds
For the Year Ended June 30, 2018

| | Balance July 1, 2017 | Additions | Deletions | Balance June 30, 2018 |
|--|-------------------------|----------------------|------------------------|--------------------------|
| Total Agency Funds | | | | |
| ASSETS | | | | |
| Cash | \$ 967,589 | \$ 61,502,293 | \$ (61,638,958) | \$ 830,924 |
| Accounts receivable | 14,842 | 17,335 | (17,496) | 14,681 |
| Due from other agency funds | - | 638,069 | - | 638,069 |
| Cash and investments with fiscal agent | 1,401,600 | 517,979 | (732,818) | 1,186,761 |
| Total assets | <u>\$ 2,384,031</u> | <u>\$ 62,675,676</u> | <u>\$ (62,389,272)</u> | <u>\$ 2,670,435</u> |
| LIABILITIES | | | | |
| Accounts payable | \$ 972,102 | \$ 82,671,514 | \$ (82,545,292) | \$ 1,098,324 |
| Due to City of Hemet | 902,468 | 1,823,751 | (2,726,219) | - |
| Due to other agency funds | - | 638,069 | - | 638,069 |
| Deposits | 509,461 | 2,827,284 | (2,402,703) | 934,042 |
| Total liabilities | <u>\$ 2,384,031</u> | <u>\$ 87,960,618</u> | <u>\$ (87,674,214)</u> | <u>\$ 2,670,435</u> |

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STATISTICAL SECTION

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City of Hemet
Statistical Section
(Unaudited)

This part of the City of Hemet's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City's overall financial health.

| <u>Contents</u> | <u>Page</u> |
|--|--------------------|
| Financial Trends | |
| <i>These tables contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.</i> | 174 - 183 |
| Revenue Capacity | |
| <i>These tables contain information to help the reader assess the City's most significant local revenue source, the property tax.</i> | 185 - 189 |
| Debt Capacity | |
| <i>These tables present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.</i> | 191 - 200 |
| Demographic and Economic Information | |
| <i>These tables offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.</i> | 201 |
| Operating Information | |
| <i>These tables contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.</i> | 203 - 213 |

Sources: Unless otherwise noted, the information in these tables is derived from the comprehensive annual financial reports for the relevant year.

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

| | Fiscal Year | | | | |
|---|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| | <u>2009</u> | <u>2010</u> | <u>2011</u> | <u>2012</u> | <u>2013</u> |
| Governmental activities | | | | | |
| Net Investment in Capital Assets | \$ 327,965 | \$ 323,329 | \$ 320,323 | \$ 332,523 | \$ 326,964 |
| Restricted | 22,937 | 32,078 | 58,734 | 42,003 | 33,450 |
| Unrestricted | <u>28,462</u> | <u>24,332</u> | <u>327</u> | <u>14,792</u> | <u>24,524</u> |
| Total governmental activities net position | <u><u>\$ 379,364</u></u> | <u><u>\$ 379,739</u></u> | <u><u>\$ 379,384</u></u> | <u><u>\$ 389,318</u></u> | <u><u>\$ 384,938</u></u> |
| Business-type activities | | | | | |
| Net Investment in Capital Assets | \$ 6,657 | \$ 5,281 | \$ 4,624 | \$ 3,694 | \$ 4,114 |
| Restricted | - | - | - | - | - |
| Unrestricted | <u>7,901</u> | <u>10,292</u> | <u>10,985</u> | <u>14,171</u> | <u>7,559</u> |
| Total business-type activities net position | <u><u>\$ 14,558</u></u> | <u><u>\$ 15,573</u></u> | <u><u>\$ 15,609</u></u> | <u><u>\$ 17,865</u></u> | <u><u>\$ 11,673</u></u> |
| Primary government | | | | | |
| Net Investment in Capital Assets | \$ 334,622 | \$ 328,610 | \$ 324,947 | \$ 336,217 | \$ 331,078 |
| Restricted | 22,937 | 32,078 | 58,734 | 42,003 | 33,450 |
| Unrestricted | <u>36,363</u> | <u>34,624</u> | <u>11,312</u> | <u>28,963</u> | <u>32,082</u> |
| Total primary government net position | <u><u>\$ 393,922</u></u> | <u><u>\$ 395,312</u></u> | <u><u>\$ 394,994</u></u> | <u><u>\$ 407,183</u></u> | <u><u>\$ 396,611</u></u> |

* Reflects data since the implementation of GASB 34

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

| | Fiscal Year | | | | |
|---|-------------------|-------------------|-------------------|-------------------|-------------------|
| | <u>2014</u> | <u>2015</u> | <u>2016</u> | <u>2017</u> | <u>2018</u> |
| Governmental activities | | | | | |
| Net Investment in Capital Assets | \$ 325,096 | \$ 324,343 | \$ 321,098 | \$ 315,946 | \$ 312,748 |
| Restricted | 36,986 | 39,006 | 43,671 | 48,220 | 55,279 |
| Unrestricted | <u>20,224</u> | <u>(53,711)</u> | <u>(45,551)</u> | <u>(58,471)</u> | <u>(95,864)</u> |
| Total governmental activities net position | <u>\$ 382,307</u> | <u>\$ 309,638</u> | <u>\$ 319,218</u> | <u>\$ 305,695</u> | <u>\$ 272,163</u> |
| Business-type activities | | | | | |
| Net Investment in Capital Assets | \$ 4,171 | \$ 3,740 | \$ 3,522 | \$ 3,898 | \$ 4,174 |
| Restricted | - | - | - | - | - |
| Unrestricted | <u>7,828</u> | <u>3,606</u> | <u>6,550</u> | <u>7,068</u> | <u>(845)</u> |
| Total business-type activities net position | <u>\$ 12,000</u> | <u>\$ 7,346</u> | <u>\$ 10,072</u> | <u>\$ 10,966</u> | <u>\$ 3,329</u> |
| Primary government | | | | | |
| Net Investment in Capital Assets | \$ 329,267 | \$ 328,083 | \$ 324,620 | \$ 319,844 | \$ 316,922 |
| Restricted | 36,986 | 39,006 | 43,671 | 48,220 | 55,279 |
| Unrestricted | <u>28,053</u> | <u>(50,105)</u> | <u>(39,001)</u> | <u>(51,403)</u> | <u>(96,709)</u> |
| Total primary government net position | <u>\$ 394,307</u> | <u>\$ 316,984</u> | <u>\$ 329,290</u> | <u>\$ 316,661</u> | <u>\$ 275,492</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 | | | | |
|---|------------------|------------------|------------------|------------------|------------------|
| | <u>2009</u> | <u>2010</u> | <u>2011</u> | <u>2012</u> | <u>2013</u> |
| Expenses | | | | | |
| Governmental activities: | | | | | |
| General government | \$ 1,417 | \$ 1,471 | \$ 929 | \$ 1,870 | \$ 2,047 |
| Public Safety | 30,881 | 27,482 | 27,348 | 26,114 | 25,449 |
| Community development | 5,718 | 7,100 | 7,287 | 4,367 | 5,064 |
| Public Works | 11,312 | 13,343 | 12,379 | 11,700 | 15,807 |
| Sanitation | 1,793 | 1,858 | 2,381 | 1,596 | 1,754 |
| Parks | 810 | 849 | 763 | 617 | 790 |
| Libraries | 2,177 | 2,046 | 1,787 | 1,689 | 1,600 |
| Interest and related charges on long-term debt | 1,007 | 934 | 760 | 363 | - |
| Total governmental activities expenses | <u>55,114</u> | <u>55,083</u> | <u>53,633</u> | <u>48,317</u> | <u>52,510</u> |
| Business-type activities: | | | | | |
| Refuse | 10,148 | 10,018 | 10,516 | 5,059 | 276 |
| Water | 6,513 | 6,716 | 7,132 | 8,881 | 8,918 |
| Total business-type activities expenses | <u>16,660</u> | <u>16,735</u> | <u>17,647</u> | <u>13,940</u> | <u>9,194</u> |
| Total primary government expenses | <u>\$ 71,774</u> | <u>\$ 71,818</u> | <u>\$ 71,280</u> | <u>\$ 62,257</u> | <u>\$ 61,704</u> |
| Program Revenues | | | | | |
| Governmental activities: | | | | | |
| Charges for services: | | | | | |
| General government | \$ 1,095 | \$ 3,754 | \$ 2,797 | \$ 1,031 | \$ 1,494 |
| Public safety | 577 | 573 | 964 | 1,185 | 902 |
| Community development | 2,882 | 2,047 | 1,118 | 795 | 602 |
| Public Works | 4,812 | 3,271 | 5,878 | 4,743 | 4,314 |
| Sanitation | 2,977 | 2,555 | 2,794 | 2,788 | 2,758 |
| Other activities | 106 | 82 | 53 | 50 | 36 |
| Operating grants and contributions | 5,837 | 6,645 | 3,503 | 3,219 | 1,981 |
| Capital grants and contributions | 5,458 | 6,275 | 8,718 | 6,445 | 5,321 |
| Total government activities program revenues | <u>23,746</u> | <u>25,201</u> | <u>25,825</u> | <u>20,255</u> | <u>17,409</u> |
| Business-type activities | | | | | |
| Charges for services: | | | | | |
| Refuse | 11,058 | 10,697 | 9,978 | 4,160 | 117 |
| Water | 7,497 | 7,539 | 7,403 | 7,768 | 7,549 |
| Operating grants and contributions | - | - | - | - | - |
| Capital grants and contributions | - | - | - | - | - |
| Total business-type activities program revenues | <u>18,555</u> | <u>18,236</u> | <u>17,381</u> | <u>11,928</u> | <u>7,666</u> |
| Total primary government program revenues | <u>\$ 42,301</u> | <u>\$ 43,437</u> | <u>\$ 43,206</u> | <u>\$ 32,183</u> | <u>\$ 25,076</u> |

(Continued)

*Reflects data since the implementation of GASB 34

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

| | Fiscal Year | | | | |
|---|------------------|------------------|------------------|------------------|------------------|
| | <u>2014</u> | <u>2015</u> | <u>2016</u> | <u>2017</u> | <u>2018</u> |
| Expenses | | | | | |
| Governmental activities: | | | | | |
| General government | \$ 3,082 | \$ 3,053 | \$ 1,142 | \$ 2,777 | \$ 3,511 |
| Public Safety | 28,308 | 28,947 | 21,566 | 34,746 | 43,067 |
| Community development | 6,627 | 5,325 | 3,952 | 4,874 | 5,729 |
| Public Works | 11,804 | 12,139 | 11,652 | 11,696 | 13,766 |
| Sanitation | 1,921 | 2,201 | 2,070 | 2,048 | 2,248 |
| Parks | 906 | 843 | 1,015 | 1,176 | 1,407 |
| Libraries | 1,751 | 1,855 | 1,788 | 2,085 | 2,125 |
| Interest and related charges on long-term debt | - | - | - | - | - |
| Total governmental activities expenses | <u>54,397</u> | <u>54,363</u> | <u>43,186</u> | <u>59,402</u> | <u>71,853</u> |
| Business-type activities: | | | | | |
| Refuse | - | - | - | - | - |
| Water | 7,478 | 7,919 | 7,643 | 9,966 | 12,052 |
| Total business-type activities expenses | <u>7,478</u> | <u>7,919</u> | <u>7,643</u> | <u>9,966</u> | <u>12,052</u> |
| Total primary government expenses | <u>\$ 61,875</u> | <u>\$ 62,282</u> | <u>\$ 50,829</u> | <u>\$ 69,368</u> | <u>\$ 83,905</u> |
| Program Revenues | | | | | |
| Governmental activities: | | | | | |
| Charges for services: | | | | | |
| General government | \$ 1,606 | \$ 600 | \$ 586 | \$ 602 | \$ 759 |
| Public safety | 1,069 | 681 | 760 | 1,207 | 1,289 |
| Community development | 718 | 3,197 | 2,674 | 2,261 | 2,824 |
| Public Works | 4,810 | 2,577 | 2,724 | 3,542 | 3,912 |
| Sanitation | 2,883 | 2,876 | 3,412 | 3,918 | 4,003 |
| Other activities | 35 | 44 | 2,764 | 58 | - |
| Operating grants and contributions | 2,454 | 2,742 | 3,349 | 2,559 | 159 |
| Capital grants and contributions | 5,850 | 7,211 | 7,658 | 6,220 | - |
| Total government activities program revenues | <u>19,425</u> | <u>19,928</u> | <u>23,928</u> | <u>20,367</u> | <u>12,946</u> |
| Business-type activities | | | | | |
| Charges for services: | | | | | |
| Refuse | - | - | - | - | - |
| Water | 7,371 | 7,090 | 10,306 | 11,460 | 10,602 |
| Operating grants and contributions | - | - | - | - | - |
| Capital grants and contributions | - | - | - | - | - |
| Total business-type activities program revenues | <u>7,371</u> | <u>7,090</u> | <u>10,306</u> | <u>11,460</u> | <u>10,602</u> |
| Total primary government program revenues | <u>\$ 26,796</u> | <u>\$ 27,018</u> | <u>\$ 34,234</u> | <u>\$ 31,827</u> | <u>\$ 23,548</u> |

(Concluded)

*Reflects data since the implementation of GASB 34

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

| | Fiscal Year | | | | |
|---|--------------------|--------------------|--------------------|--------------------|--------------------|
| | <u>2009</u> | <u>2010</u> | <u>2011</u> | <u>2012</u> | <u>2013</u> |
| Net (expense)/revenue | | | | | |
| Governmental activities | \$ (31,368) | \$ (29,882) | \$ (27,808) | \$ (28,061) | \$ (35,101) |
| Business-type activities | - | 1,501 | (266) | (2,012) | (1,527) |
| Total primary government net expense | <u>\$ (31,368)</u> | <u>\$ (28,381)</u> | <u>\$ (28,074)</u> | <u>\$ (30,073)</u> | <u>\$ (36,628)</u> |
| | | | | | |
| General Revenues and Other Changes in Net Position | | | | | |
| Governmental activities: | | | | | |
| Taxes | | | | | |
| Property taxes | 15,670 | 12,061 | 10,648 | 7,813 | 7,343 |
| Transient occupancy taxes | 947 | 621 | 603 | 586 | 626 |
| Sales taxes | 10,229 | 7,320 | 9,436 | 9,426 | 10,118 |
| Motor vehicle in lieu taxes | 6,690 | 5,373 | 5,179 | 4,783 | 4,829 |
| Franchise and other taxes | 3,531 | 1,077 | 1,422 | 3,354 | 4,730 |
| Investment income | 1,052 | 510 | 493 | 572 | 132 |
| Miscellaneous | 23 | 7 | 149 | 448 | 264 |
| Gain (loss) on sale/disposal of assets | - | - | - | - | - |
| Capital contributions | - | - | - | - | - |
| Transfers | (18) | 571 | - | (2,185) | 2,527 |
| Total governmental activities | <u>38,124</u> | <u>27,540</u> | <u>27,929</u> | <u>24,797</u> | <u>30,568</u> |
| Business-type activities | | | | | |
| Investment income | 277 | 85 | 56 | 183 | 12 |
| Gain (loss) on sale/disposal of assets | - | - | - | 1,830 | - |
| Capital contributions | - | - | - | - | - |
| Miscellaneous | - | - | 91 | 70 | 59 |
| Transfers | 18 | (571) | - | 2,185 | (4,736) |
| Total business-type activities | <u>295</u> | <u>(486)</u> | <u>146</u> | <u>4,268</u> | <u>(4,665)</u> |
| Total primary government | <u>\$ 38,419</u> | <u>\$ 27,054</u> | <u>\$ 28,075</u> | <u>\$ 29,065</u> | <u>\$ 25,903</u> |
| | | | | | |
| Change in Net Position | | | | | |
| Governmental activities | \$ 16,681 | \$ (2,342) | \$ 121 | \$ 121 | \$ (4,532) |
| Business-type activities | 1,650 | 1,015 | (120) | (120) | (6,192) |
| Total primary government | <u>\$ 18,332</u> | <u>\$ (1,326)</u> | <u>\$ 1</u> | <u>\$ 1</u> | <u>\$ (10,725)</u> |

(Continued)

*Reflects data since the implementation of GASB 34

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

| | Fiscal Year | | | | |
|---|--------------------|--------------------|--------------------|--------------------|--------------------|
| | <u>2014</u> | <u>2015</u> | <u>2016</u> | <u>2017</u> | <u>2018</u> |
| Net (expense)/revenue | | | | | |
| Governmental activities | \$ (34,972) | \$ (34,972) | \$ (30,431) | \$ (39,034) | \$ (49,685) |
| Business-type activities | <u>(107)</u> | <u>(107)</u> | <u>2,410</u> | <u>1,495</u> | <u>(1,450)</u> |
| Total primary government net expense | <u>\$ (35,079)</u> | <u>\$ (35,079)</u> | <u>\$ (28,021)</u> | <u>\$ (37,539)</u> | <u>\$ (51,135)</u> |
| | | | | | |
| General Revenues and Other Changes in Net Position | | | | | |
| Governmental activities: | | | | | |
| Taxes | | | | | |
| Property taxes | 6,207 | 6,207 | 6,208 | 6,485 | 7,123 |
| Transient occupancy taxes | 643 | 643 | 854 | 963 | 1,026 |
| Sales taxes | 11,043 | 11,043 | 12,275 | 14,175 | 23,446 |
| Motor vehicle in lieu taxes | 4,996 | 4,996 | 5,715 | 6,061 | 6,393 |
| Franchise and other taxes | 4,875 | 4,875 | 5,053 | 4,964 | 5,048 |
| Investment income | 565 | 565 | 1,415 | 194 | 403 |
| Miscellaneous | 184 | 184 | 765 | 439 | 648 |
| Gain (loss) on sale/disposal of assets | | | - | - | - |
| Capital contributions | | | - | - | - |
| Transfers | <u>(187)</u> | <u>(187)</u> | <u>205</u> | <u>350</u> | <u>139</u> |
| Total governmental activities | <u>28,327</u> | <u>28,327</u> | <u>32,490</u> | <u>33,631</u> | <u>44,226</u> |
| Business-type activities | | | | | |
| Investment income | 71 | 71 | 166 | (25) | 21 |
| Gain (loss) on sale/disposal of assets | - | - | - | - | - |
| Capital contributions | - | - | - | - | - |
| Miscellaneous | 176 | 176 | 84 | 45 | 81 |
| Transfers | <u>187</u> | <u>187</u> | <u>(205)</u> | <u>(350)</u> | <u>(138)</u> |
| Total business-type activities | <u>434</u> | <u>434</u> | <u>45</u> | <u>(330)</u> | <u>(36)</u> |
| Total primary government | <u>\$ 28,760</u> | <u>\$ 28,760</u> | <u>\$ 32,535</u> | <u>\$ 33,301</u> | <u>\$ 44,190</u> |
| | | | | | |
| Change in Net Position | | | | | |
| Governmental activities | \$ (6,646) | \$ (6,646) | \$ 2,059 | \$ (5,403) | \$ (5,459) |
| Business-type activities | <u>327</u> | <u>327</u> | <u>2,455</u> | <u>1,165</u> | <u>(1,486)</u> |
| Total primary government | <u>\$ (6,319)</u> | <u>\$ (6,319)</u> | <u>\$ 4,514</u> | <u>\$ (4,238)</u> | <u>\$ (6,945)</u> |

(Concluded)

*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 | | | | |
|------------------------------------|------------------|------------------|------------------|------------------|------------------|
| | <u>2009</u> | <u>2010</u> | <u>2011</u> | <u>2012</u> | <u>2013</u> |
| General Fund | | | | | |
| Reserved | \$ 1,261 | \$ 2,364 | \$ - | \$ - | \$ - |
| Unreserved | 2,559 | 209 | - | - | - |
| Nonspendable** | - | - | 1,019 | 3,221 | 1,020 |
| Restricted** | - | - | - | - | 698 |
| Committed** | - | - | - | 7,439 | 7,888 |
| Assigned** | - | - | - | 316 | 4,269 |
| Unassigned** | - | - | 1,679 | 6,724 | 8,163 |
| Total general fund | <u>\$ 3,820</u> | <u>\$ 2,573</u> | <u>\$ 2,697</u> | <u>\$ 17,699</u> | <u>\$ 22,038</u> |
| | | | | | |
| All other governmental funds | | | | | |
| Reserved | \$ 15,677 | \$ 20,189 | \$ - | \$ - | \$ - |
| Unreserved, reported in: | | | | | |
| Special revenue funds | 15,155 | 13,654 | - | - | - |
| Capital projects funds | 16,693 | 22,971 | - | - | - |
| Nonspendable** | - | - | 1,354 | 1,354 | 1,354 |
| Restricted** | - | - | 51,960 | 34,784 | 32,831 |
| Committed** | - | - | - | - | - |
| Assigned** | - | - | 6,309 | 4,181 | 4,452 |
| Unassigned, reported in:** | | | | | |
| Special revenue funds | - | - | (2,468) | (2,029) | (1,225) |
| Total all other governmental funds | <u>\$ 47,526</u> | <u>\$ 56,814</u> | <u>\$ 57,155</u> | <u>\$ 38,289</u> | <u>\$ 37,412</u> |

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

| | Fiscal Year | | | | |
|------------------------------------|------------------|------------------|------------------|------------------|------------------|
| | <u>2014</u> | <u>2015</u> | <u>2016</u> | <u>2017</u> | <u>2018</u> |
| General Fund | | | | | |
| Reserved | \$ - | \$ - | \$ - | \$ - | \$ - |
| Unreserved | - | - | - | - | - |
| Nonspendable** | 12 | 13 | 7 | 7 | 4 |
| Restricted** | 873 | 1,075 | 1,253 | 2,469 | 1,253 |
| Committed** | 7,270 | 7,288 | 7,727 | 8,295 | 9,303 |
| Assigned** | 6,362 | 314 | 215 | 215 | 215 |
| Unassigned** | 4,397 | 8,226 | 6,084 | 1,882 | 5,920 |
| Total general fund | <u>\$ 18,913</u> | <u>\$ 16,916</u> | <u>\$ 15,287</u> | <u>\$ 12,868</u> | <u>\$ 16,695</u> |
| | | | | | |
| All other governmental funds | | | | | |
| Reserved | \$ - | \$ - | \$ - | \$ - | \$ - |
| Unreserved, reported in: | | | | | |
| Special revenue funds | - | - | - | - | - |
| Capital projects funds | - | - | - | - | - |
| Nonspendable** | 1,354 | 1,000 | 1,000 | 1,000 | 1,000 |
| Restricted** | 33,741 | 36,931 | 41,418 | 43,536 | 46,330 |
| Committed** | - | - | - | - | - |
| Assigned** | 4,554 | 4,759 | 6,586 | 6,350 | 4,081 |
| Unassigned, reported in:** | | | | | |
| Special revenue funds | (174) | (276) | (297) | (81) | (180) |
| Total all other governmental funds | <u>\$ 39,476</u> | <u>\$ 42,414</u> | <u>\$ 48,707</u> | <u>\$ 50,805</u> | <u>\$ 51,231</u> |

*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 | | | | |
|--|-----------------|-----------------|-----------------|-----------------|-----------------|
| | <u>2009</u> | <u>2010</u> | <u>2011</u> | <u>2012</u> | <u>2013</u> |
| Revenues | | | | | |
| Taxes | \$ 27,273 | \$ 23,068 | \$ 23,362 | \$ 22,502 | \$ 24,265 |
| Licenses and permits | 1,803 | 1,363 | 2,175 | 1,536 | 1,598 |
| Intergovernmental revenues | 11,099 | 11,787 | 14,710 | 11,113 | 9,322 |
| Charges for services | 14,217 | 12,464 | 11,812 | 9,924 | 9,509 |
| Fines and forfeitures | 327 | 218 | 600 | 511 | 404 |
| Investment income | 1,520 | 877 | 493 | 572 | 132 |
| Other contributions | - | - | - | - | - |
| Miscellaneous | 2,112 | 2,210 | 159 | 468 | 337 |
| Total revenues | <u>58,351</u> | <u>51,987</u> | <u>53,311</u> | <u>46,625</u> | <u>45,566</u> |
| Expenditures | | | | | |
| General government | 1,097 | 1,027 | 1,601 | 1,983 | 1,949 |
| Public safety | 30,027 | 25,883 | 24,807 | 24,610 | 23,967 |
| Community development | 5,707 | 2,630 | 7,196 | 4,617 | 5,064 |
| Public works | 5,481 | 6,138 | 5,651 | 5,501 | 4,919 |
| Sanitation | 1,924 | 1,802 | 1,957 | 1,785 | 1,754 |
| Parks | 805 | 823 | 763 | 647 | 790 |
| Libraries | 1,821 | 1,669 | 1,420 | 1,441 | 1,248 |
| Capital outlay | 4,813 | 3,495 | 6,410 | 3,900 | 6,035 |
| Debt service | | | | | |
| Principal | 360 | 375 | 390 | 405 | - |
| Interest | 1,003 | 937 | 697 | 342 | - |
| SERAF Obligation | - | 4,425 | 911 | - | - |
| Fiscal-administrative charges | 7 | 3 | 3 | 3 | - |
| Total expenditures | <u>53,047</u> | <u>49,208</u> | <u>51,807</u> | <u>45,234</u> | <u>45,725</u> |
| Excess (deficiency) of revenues over expenditures | <u>5,305</u> | <u>2,780</u> | <u>1,504</u> | <u>1,392</u> | <u>(159)</u> |
| Other financing sources (uses) | | | | | |
| Transfers in | 3,034 | 3,569 | 5,038 | 6,696 | 6,933 |
| Transfers out | (3,117) | (2,953) | (4,010) | (8,977) | (3,313) |
| Issuance of debt | - | - | - | - | - |
| Total other financing sources (uses) | <u>(83)</u> | <u>616</u> | <u>1,028</u> | <u>(2,281)</u> | <u>3,620</u> |
| Net change in fund balances | <u>\$ 5,221</u> | <u>\$ 3,396</u> | <u>\$ 2,532</u> | <u>\$ (889)</u> | <u>\$ 3,461</u> |
| Debt service as a percentage of noncapital expenditures | 2.84% | 12.56% | 4.41% | 1.82% | 0.00% |

(Continued)

* Reflects data since the implementation of GASB 34

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

| | <u>2014</u> | <u>2015</u> | <u>2016</u> | <u>2017</u> | <u>2018</u> |
|--|-------------------|-------------------|-----------------|---------------|-----------------|
| Revenues | | | | | |
| Taxes | \$ 24,275 | \$ 30,083 | \$ 31,725 | \$ 34,284 | \$ 44,799 |
| Licenses and permits | 1,996 | 2,119 | 1,974 | 1,679 | 1,784 |
| Intergovernmental revenues | 10,033 | 6,638 | 6,712 | 5,677 | 5,792 |
| Charges for services | 10,107 | 8,966 | 9,988 | 10,393 | 11,307 |
| Fines and forfeitures | 400 | 379 | 412 | 443 | 491 |
| Investment income | 565 | 558 | 1,430 | 197 | 402 |
| Other contributions | - | - | - | - | - |
| Miscellaneous | 184 | 646 | 3,823 | 679 | 1,261 |
| Total revenues | <u>47,561</u> | <u>49,389</u> | <u>56,064</u> | <u>53,352</u> | <u>65,836</u> |
| Expenditures | | | | | |
| General government | 2,412 | 2,812 | 2,307 | 2,103 | 2,195 |
| Public safety | 26,915 | 28,017 | 30,339 | 32,497 | 38,450 |
| Community development | 6,627 | 5,248 | 4,793 | 4,844 | 4,856 |
| Public works | 5,692 | 5,562 | 5,738 | 5,488 | 8,804 |
| Sanitation | 1,921 | 2,162 | 2,035 | 1,999 | 2,193 |
| Parks | 906 | 850 | 1,120 | 1,205 | 1,248 |
| Libraries | 1,399 | 1,419 | 1,506 | 1,642 | 1,600 |
| Capital outlay | 2,422 | 4,776 | 3,772 | 2,457 | 2,193 |
| Debt service | | | | | |
| Principal | - | - | - | - | - |
| Interest | - | - | - | - | - |
| SERAF Obligation | - | - | - | - | - |
| Fiscal-administrative charges | - | - | - | - | - |
| Total expenditures | <u>48,294</u> | <u>50,846</u> | <u>51,611</u> | <u>52,235</u> | <u>61,539</u> |
| Excess (deficiency) of revenues over expenditures | <u>(733)</u> | <u>(1,457)</u> | <u>4,453</u> | <u>1,117</u> | <u>4,297</u> |
| Other financing sources (uses) | | | | | |
| Transfers in | 1,985 | 1,231 | 713 | 325 | 467 |
| Transfers out | (2,313) | (1,231) | (490) | (1,086) | (513) |
| Issuance of debt | - | 8 | 11 | - | - |
| Total other financing sources (uses) | <u>(328)</u> | <u>8</u> | <u>234</u> | <u>(761)</u> | <u>(46)</u> |
| Net change in fund balances | <u>\$ (1,061)</u> | <u>\$ (1,449)</u> | <u>\$ 4,687</u> | <u>\$ 356</u> | <u>\$ 4,251</u> |
| Debt service as a percentage of noncapital expenditures | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |

(Concluded)

* Reflects data since the implementation of GASB 34

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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 |
|----------------|-----------------|
| 2009 | 5,797 |
| 2010 | 4,850 |
| 2011 | 4,437 |
| 2012 | 4,611 |
| 2013 | 7,127 |
| 2014 | 5,946 |
| 2015 | 5,381 |
| 2016 | 5,916 |
| 2017 | 6,136 |
| 2018 | 7,123 |

*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 | | | Taxable Assessed Value |
|-------------|------------------|----------------|------------------|------------------------|
| | Secured | Unsecured | Less Exemptions | |
| 2009 | \$ 5,361,185,825 | \$ 183,698,140 | \$ (157,121,829) | \$ 5,387,762,136 |
| 2010 | 4,481,845,081 | 181,495,343 | (174,541,484) | 4,488,798,940 |
| 2011 | 4,134,062,713 | 193,780,485 | (122,995,288) | 4,204,847,910 |
| 2012 | 4,107,678,820 | 172,163,525 | (121,880,603) | 4,157,961,742 |
| 2013 | 4,115,265,405 | 183,667,394 | (122,849,619) | 4,176,083,180 |
| 2014 | 4,330,049,882 | 165,792,295 | (133,510,154) | 4,362,332,023 |
| 2015 | 4,706,629,409 | 160,264,993 | (145,097,337) | 4,721,797,065 |
| 2016 | 4,989,091,509 | 157,483,240 | (153,462,996) | 4,993,111,753 |
| 2017 | 5,294,563,351 | 166,151,715 | (159,158,493) | 5,301,556,573 |
| 2018 | 5,738,442,456 | 173,750,554 | (152,501,372) | 5,759,691,638 |

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.

Source: Riverside County Auditor-Controller

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

| Fiscal Year | Redevelopment | | | Taxable Assessed Value | Highest Direct Tax Rate |
|-------------|------------------|---------------|-----------------|------------------------|-------------------------|
| | Secured | Unsecured | Less Exemptions | | |
| 2009 | \$ 1,576,142,470 | \$ 87,430,895 | \$ (28,268,577) | \$ 1,635,304,788 | 0.24552 |
| 2010 | 1,347,521,671 | 82,733,031 | (29,470,067) | 1,400,784,635 | 0.24552 |
| 2011 | 1,260,302,405 | 76,584,053 | (45,093,185) | 1,291,793,273 | 0.24552 |
| 2012 | 1,226,300,702 | 77,049,549 | N/A** | 1,303,350,251 | 0.24552 |
| 2013 | 1,238,584,940 | 78,868,067 | N/A** | 1,317,453,007 | 0.24552 |
| 2014 | 1,311,683,769 | 72,346,441 | N/A** | N/A** | 0.24552 |
| 2015 | 1,402,028,714 | 66,989,353 | N/A** | N/A** | 0.24552 |
| 2016 | 1,472,420,756 | 64,336,968 | N/A** | N/A** | 0.24552 |
| 2017 | 1,554,120,090 | 66,302,157 | N/A** | N/A** | 0.24552 |
| 2018 | 1,632,333,531 | 67,103,391 | N/A** | N/A** | 0.24552 |

**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

| | 2009 | 2010 | 2011 | 2012 | 2013 |
|---|----------------|----------------|----------------|----------------|----------------|
| City Direct Rates: | | | | | |
| City of Hemet Basic Area | 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 |
| County General | 0.25433 | 0.25433 | 0.25433 | 0.25433 | 0.25433 |
| Eastern Municipal Water District | 0.04435 | 0.04435 | 0.04435 | 0.04435 | 0.04435 |
| Flood control Zone 4 | 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 |
| Mt. San Jacinto Junior College | 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 |
| Valley Wide Recreation & Park District | 0.01455 | 0.01455 | 0.01455 | 0.01455 | 0.01455 |
| San Jacinto Valley Cemetary | 0.00458 | 0.00458 | 0.00458 | 0.00458 | 0.00458 |
| Flood Control Administration | 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 |
| Proposition 13 Rate | 1.00000 | 1.00000 | 1.00000 | 1.00000 | 1.00000 |
| Bond issues: | | | | | |
| Hemet Unified School District Debt Sv | 0.09156 * | 0.09476 * | 0.11177 | 0.12536 | 0.12525 |
| Metropolitan Water District Debt Sv | 0.0075 * | 0.0043 * | 0.0037 | 0.0037 | 0.0035 |
| Total Rate | 1.09906 | 1.09906 | 1.11547 | 1.12906 | 1.12875 |

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
Property Tax Rates (Continued)
Direct and Overlapping Governments
Per \$100 of Assessed Value
Last Ten Fiscal Years

| | 2014 | 2015 | 2016 | 2017 | 2018 |
|---|----------------|----------------|----------------|----------------|----------------|
| City Direct Rates: | | | | | |
| City of Hemet Basic Area | 0.24552 | 0.24552 | 0.2455 | 0.2455 | 0.2455 |
| Overlapping Rates: | | | | | |
| Hemet Unified School | 0.30653 | 0.30653 | 0.30653 | 0.30653 | 0.30653 |
| County General | 0.25433 | 0.25433 | 0.25431 | 0.25433 | 0.25433 |
| Eastern Municipal Water District | 0.04435 | 0.04435 | 0.04440 | 0.04435 | 0.04435 |
| Flood control Zone 4 | 0.03923 | 0.03923 | 0.03920 | 0.03923 | 0.03923 |
| Riv. Co. Office of Education | 0.03641 | 0.03641 | 0.03640 | 0.03641 | 0.03641 |
| Mt. San Jacinto Junior College | 0.03527 | 0.03527 | 0.03530 | 0.03527 | 0.03527 |
| Eastern Municipal Water Improvement Dist 17 | 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 |
| San Jacinto Valley Cemetary | 0.00458 | 0.00458 | 0.00458 | 0.00458 | 0.00458 |
| Flood Control Administration | 0.00238 | 0.00238 | 0.00238 | 0.00238 | 0.00238 |
| San Jacinto Basin Resource Conservation | 0.00020 | 0.00020 | 0.00020 | 0.00022 | 0.00020 |
| Proposition 13 Rate | 1.00000 | 1.00000 | 1.00000 | 1.00000 | 1.0000 |
| Bond issues: | | | | | |
| Hemet Unified School District Debt Sv | 0.12502 | 0.11991 | 0.13729 | 0.12409 | 0.11019 |
| Metropolitan Water District Debt Sv | 0.0035 | 0.0035 | 0.0035 | 0.0035 | 0.0035 |
| Total Rate | 1.12852 | 1.12341 | 1.14079 | 1.12759 | 1.11367 |

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

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City of Hemet
Principal Property Taxpayers
6/30/2018

| Taxpayer | 2018 | | | 2009 | | |
|-------------------------------------|--------------------|------|-----------------------------------|--------------------|------|-----------------------------------|
| | Assessed Value | Rank | Total City Taxable Assessed Value | Assessed Value | Rank | Total City Taxable Assessed Value |
| PHH Real Estate | \$ 46,322,886 | 1 | 0.80% | - | | - |
| Freedom Properties Hemet | 42,736,328 | 2 | 0.74% | - | | - |
| Granite Village West LP | 37,999,291 | 3 | 0.66% | - | | - |
| MCS Hemet Valley Center | 33,807,109 | 4 | 0.59% | - | | - |
| FFLP CC | 31,313,367 | 5 | 0.54% | - | | - |
| James J. Femino | 31,211,998 | 6 | 0.54% | - | | - |
| Walmart Real Estate Business Trust | 28,080,128 | 7 | 0.49% | - | | - |
| CBYW Hemet ILF PROPCO LP | 27,686,900 | 8 | 0.48% | - | | - |
| PI Properties | 26,347,697 | 9 | 0.46% | - | | - |
| Time Warner Cable | 22,778,857 | 10 | 0.40% | - | | - |
| LBREP L Sunca McSweeny Farms | - | | - | \$ 37,896,494 | 1 | 0.66% |
| Freedom Properties Hemet | - | | - | 37,808,788 | 2 | 0.66% |
| Granite Village West LP | - | | - | 37,026,000 | 3 | 0.64% |
| Pulte Home Corporation | - | | - | 35,201,234 | 4 | 0.61% |
| MCS Hemet Valley Center | - | | - | 34,854,508 | 5 | 0.61% |
| Western Center Community Foundation | - | | - | 31,502,389 | 6 | 0.55% |
| James Femino | - | | - | 27,362,522 | 7 | 0.48% |
| Merrill Gardens LLC | - | | - | 26,047,960 | 8 | 0.45% |
| Walmart Real Estate Business Trust | - | | - | 24,538,376 | 9 | 0.43% |
| Whispering Pines | - | | - | 24,075,216 | 10 | 0.42% |
| | <u>328,284,561</u> | | <u>5.70%</u> | <u>316,313,487</u> | | <u>5.49%</u> |

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 | | |
|-------------|---------------|-----------------------------|--------------------------------|--|------------------------|--------------------|
| | | | | City Amount | Redevelopment Amount * | Percentage of Levy |
| 2009 | 5,491 | 13,699 | - | 4,970 | 13,979 | 98.74% |
| 2010 | 4,633 | 11,308 | - | 4,733 | 10,841 | 97.70% |
| 2011 | 4,293 | 10,033 | - | 3,993 | 10,073 | 98.18% |
| 2012 | 4,218 | 10,238 | - | 4,263 | 5,997 | 70.97% |
| 2013 | 4,175 | - | 10,338 | 4,524 | - | 108.36% |
| 2014 | 4,384 | - | 10,840 | 4,333 | - | 98.84% |
| 2015 | 4,722 | - | 10,589 | 4,709 | - | 99.71% |
| 2016 | 4,965 | - | 10,714 | 4,960 | - | 99.89% |
| 2017 | 5,240 | - | 10,652 | 5,285 | - | 100.86% |
| 2018 | 5,514 | - | 10,683 | 5,552 | - | 100.68% |

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
Property Tax Levies and Collections (Continued)
Last Ten Fiscal Years
(amounts expressed in thousands)

| Fiscal Year | Collection of Delinquent taxes | Total Collections to Date | |
|----------------|-----------------------------------|---------------------------|-----------------------|
| | | Amount | Percentage of Levy |
| 2009 | 827 | 19,776 | 103.05% |
| 2010 | 118 | 15,692 | 98.44% |
| 2011 | 444 | 14,511 | 101.29% |
| 2012 | 349 | 4,611 | 109.32% |
| 2013 | 337 | 4,861 | 116.43% |
| 2014 | 455 | 4,788 | 109.21% |
| 2015 | 240 | 4,949 | 104.79% |
| 2016 | 280 | 5,240 | 105.53% |
| 2017 | 214 | 5,499 | 104.95% |
| 2018 | 255 | 5,806 | 105.30% |

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 | | |
|-------------|-------------------------------|----------|----------|---------------|--------------------------|----------------|-------------------------------|
| | Certificates of Participation | 1999 TAB | 2002 TAB | Notes Payable | Water Revenue Bonds | Capital Leases | Certificates of Participation |
| 2009 | \$ - | \$ 7,995 | \$ 6,860 | \$ - | \$ - | \$ 2,424 | \$ - |
| 2010 | - | 7,740 | 6,740 | - | - | 1,972 | - |
| 2011 | - | 7,475 | 6,615 | - | - | 1,503 | - |
| 2012 | - | * | * | - | - | 286 | - |
| 2013 | - | * | * | - | - | 153 | - |
| 2014 | - | * | * | - | - | - | - |
| 2015 | - | * | * | - | - | - | - |
| 2016 | - | * | * | - | - | - | - |
| 2017 | - | * | * | - | - | - | - |
| 2018 | - | * | * | - | - | - | - |

NOTE:

* 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 Outstanding Debt by Type (Continued)
Last Ten Fiscal Years
(amounts expressed in thousands, except per capita amount)

| Fiscal Year | Total Primary Government | Percentage of Personal Income | Per Capita |
|----------------|--------------------------------|-------------------------------------|---------------|
| 2009 | \$ 17,279 | 1.09% | 231 |
| 2010 | 16,452 | 1.12% | 217 |
| 2011 | 15,593 | 1.06% | 197 |
| 2012 | 286 | 0.02% | 4 |
| 2013 | 153 | 0.01% | 2 |
| 2014 | - | 0.00% | - |
| 2015 | - | 0.00% | - |
| 2016 | - | 0.00% | - |
| 2017 | - | 0.00% | - |
| 2018 | - | 0.00% | - |

NOTE:

* 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 |
|----------------|------------|--------------------------------|----------------------------|-----------|-----------------------------------|---------------|
| 2009 | 74,931 | \$ - | \$ 14,855 | \$ 14,855 | 0.21% | 198 |
| 2010 | 75,820 | - | 14,480 | 14,480 | 0.25% | 191 |
| 2011 | 79,309 | - | 14,090 | 14,090 | 0.26% | 178 |
| 2012 | 80,089 | - | ** | - | 0.00% | - |
| 2013 | 80,877 | - | ** | - | 0.00% | - |
| 2014 | 81,537 | - | ** | - | 0.00% | - |
| 2015 | 82,253 | - | ** | - | 0.00% | - |
| 2016 | 80,070 | - | ** | - | 0.00% | - |
| 2017 | 81,868 | - | ** | - | 0.00% | - |
| 2018 | 83,166 | - | ** | - | 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, 2018

| | | | |
|--|------------------|------------------|---------------------------|
| 2017-2018 Assessed Valuation: | \$ 5,301,324,610 | | |
| | Total Debt | | City's Share of |
| OVERLAPPING TAX AND ASSESSMENT DEBT: | 6/30/2018 | % Applicable (1) | Debt 6/30/18 |
| Metropolitan Water District | \$ 60,600,000 | 0.201% | \$ 121,806 |
| Eastern Municipal Water District, I.D. No. 24 | 321,000 | 53.388% | 171,375 |
| Eastern Municipal Water District, I.D. No. U12 | 298,000 | 1.938% | 5,775 |
| Eastern Municipal Water District, I.D. No. U18 | 733,000 | 100.000% | 733,000 |
| Eastern Municipal Water District, I.D. No. U21 | 147,000 | 13.720% | 20,168 |
| Mt. San Jacinto Community College District | 177,765,000 | 6.562% | 11,664,939 |
| Hemet Unified School District | 164,295,000 | 52.146% | 85,673,271 |
| San Jacinto Unified School District | 66,094,684 | 5.946% | 3,929,990 |
| Hemet Unified School District Community Facilities District No. 2004-1 | 2,870,000 | 100.000% | 2,870,000 |
| Hemet Unified School District Community Facilities District No. 2005-2, 3 & 4 | 19,140,000 | 100.000% | 19,140,000 |
| San Jacinto Unified School District Community Facilities District No. 2005-4 | 2,040,000 | 32.495% | 662,898 |
| Eastern Municipal Water District Community Facilities District No. 2001-02 | 3,470,000 | 100.000% | 3,470,000 |
| Eastern Municipal Water District Community Facilities District No. 2004-27 | 6,626,000 | 100.000% | 6,626,000 |
| Eastern Municipal Water District Community Facilities District No. 2005-38 | 2,360,000 | 100.000% | 2,360,000 |
| Eastern Municipal Water District Community Facilities District No. 2006-56 | 4,570,000 | 100.000% | 4,570,000 |
| City of Hemet Community Facilities District No. 1999-1 | 7,505,000 | 100.000% | 7,505,000 |
| TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT | | | \$ 149,524,223 |
| DIRECT AND OVERLAPPING GENERAL FUND DEBT: | | | |
| Riverside County General Fund Obligations | \$ 812,829,106 | 2.122% | \$ 17,248,234 |
| Riverside County Pension Obligations | 266,365,000 | 2.122% | 5,652,265 |
| Riverside County board of Education Certificates of Participation | - | 0.000% | - |
| Riverside County Flood Control District, Zone No. 4 | 16,750,000 | 11.718% | 1,962,765 |
| Mt San Jacinto Community College District General Fund Obligations | - | 0.000% | - |
| Hemet Unified School District Certificates of Participation | 52,515,000 | 52.146% | 27,384,472 |
| San Jacinto Unified School District Certificates of Participation | 42,595,000 | 5.946% | 2,532,699 |
| City of Hemet | 0 | 100.000% | 0 |
| TOTAL GROSS DIRECT AND OVERLAPPING GENERAL FUND DEBT | | | \$ 54,780,435 |
| Less: Riverside County Administrative Center Authority (100% self-supporting from tax increment revenues) | | | 71,157 |
| TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND DEBT | | | \$ 54,709,278 |
| OVERLAPPING TAX INCREMENT DEBT (Successor Agency): | | | |
| Hemet Redevelopment Agency Tax Allocation Bonds | 9,575,000 | 100.000% | 9,575,000 |
| Riverside County Project Areas Tax Allocation Bonds | 307,593,028 | 0.569-4.641 % | 3,792,695 |
| TOTAL OVERLAPPING TAX INCREMENT DEBT | | | 13,367,695 |
| TOTAL DIRECT DEBT | | | \$ - |
| TOTAL GROSS OVERLAPPING DEBT | | | 217,672,352 |
| TOTAL NET OVERLAPPING DEBT | | | 217,601,195 |
| GROSS COMBINED TOTAL DEBT | | | \$ 217,672,352 (2) |
| NET COMBINED TOTAL DEBT | | | \$ 217,600,195 |

- (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 2016-17 Assessed Valuations:

| | |
|---|--------------|
| Total Overlapping Tax and Assessment Debt | 2.67% |
| Total Direct Debt | 0.00% |
| Gross Combined Total Debt | 3.89% |
| Net Combined Total Debt | 3.89% |

Ratios to Redevelopment Successor Agencies Incremental Valuation (\$1,386,574,693):

| | |
|--------------------------------------|-------|
| Total Overlapping Tax Increment Debt | 0.91% |
|--------------------------------------|-------|

Source: California Municipal Statistics, Inc.

City of Hemet
Legal Debt Margin Information
Last Ten Years

| | 2009 | 2010 | 2011 | 2012 | 2013 |
|---|----------------|----------------|----------------|----------------|----------------|
| Debt Limit | \$ 202,041,080 | \$ 168,329,960 | \$ 157,681,797 | \$ 155,923,565 | \$ 156,603,119 |
| Total net debt applicable to limit | - | - | - | - | - |
| Legal debt margin | \$ 202,041,080 | \$ 168,329,960 | \$ 157,681,797 | \$ 155,923,565 | \$ 156,603,119 |
| Total net debt applicable to the limit as a percentage of debt limit | - | - | - | - | - |

Legal Debt Margin Calculation for Fiscal Year 2018:

Assessed Value

Debt limit (3.75% of assessed value)

Debt applicable to limit:

General obligation bonds

Legal debt margin

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
Legal Debt Margin Information (Continued)
Last Ten Years

| | <u>2014</u> | <u>2015</u> | <u>2016</u> | <u>2017</u> | <u>2018</u> |
|---|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Debt Limit | \$ 163,587,451 | \$ 171,057,453 | \$ 181,336,069 | \$ 192,577,682 | \$ 203,270,441 |
| Total net debt applicable to limit | - | - | - | - | - |
| Legal debt margin | <u>\$ 163,587,451</u> | <u>\$ 171,057,453</u> | <u>\$ 181,336,069</u> | <u>\$ 192,577,682</u> | <u>\$ 203,270,441</u> |
| Total net debt applicable to the limit as a percentage of debt limit | - | - | - | - | - |

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

| Fiscal Year Ended June 30 | Tax Allocation Bonds | | | | Water Revenue Bonds | | | | | |
|---------------------------------|----------------------|--------------|----------|----------|---|-------------------------------|-----------------------------|--------------|----------|----------|
| | Net Tax Increment | Debt Service | | Coverage | Water Revenue | Less Operating Expenses | Net Available Revenue | Debt Service | | Coverage |
| | | Principal | Interest | | | | | Principal | Interest | |
| 2009 | 4,067 | 360 | 722 | 3.76 | 7,497 | 6,385 | 1,111 | 2,150 | 106 | 0.49 |
| 2010 | 2,825 | 375 | 708 | 2.61 | 7,539 | 6,794 | 745 | - | - | - |
| 2011 | 2,727 | 385 | 692 | 2.53 | Water Revenue Bond paid off in Fiscal year ending 6/30/2009 | | | | | |
| 2012 | 1,401 | 405 | 676 | 1.30 | | | | | | |
| 2013 | 1,033 | 420 | 658 | 0.96 | | | | | | |
| 2014 | 723 | 445 | 639 | 0.67 | | | | | | |
| 2015 | 992 | 465 | 619 | 0.92 | | | | | | |
| 2016 | 956 | 580 | 359 | 1.02 | | | | | | |
| 2017 | 1,693 | 470 | 411 | 1.92 | | | | | | |
| 2018 | 935 | 485 | 352 | 1.12 | | | | | | |

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) |
|------------------|-------------------|--|--|-----------------------------|
| 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 | 1,535,426 (4) | 18,831 | 10.70% |
| 2015 | 82,253 | 1,484,696 (4) | 18,050 | 9.70% |
| 2016 | 80,070 | 1,777,480 (4) | 22,199 | 8.70% (3) |
| 2017 | 81,868 | 1,855,529 (4) | 22,665 | 7.80% (3) |
| 2018 | 83,166 | - | - * | 5.60% (3) |

*2018 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.

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**City of Hemet
Principal Employers
2018**

| Employer | Number of Employees | Percent of Total Employment |
|--|------------------------|--------------------------------|
| Hemet Unified School District | 3,642 | 13.95% |
| Physicians For Healthy Hospitals | 1,042 | 3.99% |
| Horizon Solar | 650 * | 2.49% |
| Gosch Ford, Toyota, Hyundai & Inland Chevrolet | 447 | 1.71% |
| County of Riverside (Various service centers) | 509 | 1.95% |
| Walmart Supercenter | 400 | 1.53% |
| TE Connectivity | 380 * | 1.46% |
| Manorcare Health Services | 285 * | 1.09% |
| City of Hemet | 300 | 1.15% |
| Forest River, Inc. | 284 | 1.09% |
| Stater Bros | 242 | 0.93% |
| Village Healthcare Retirement | 230 | 0.88% |
| American Medical Response | 198 | 0.76% |
| McCrometer, Inc. | 180 | 0.69% |
| Home Depot | 178 | 0.68% |
| Winco Foods | 141 | 0.54% |
| Lowe's | 120 * | 0.46% |
| Target | 110 | 0.42% |

* Number of Employees for Employers are estimates from prior years
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
Last Ten Fiscal Years

| Function | <u>As of June 30:</u> | | | | |
|--|-----------------------|------------|------------|------------|------------|
| | 2009 | 2010 | 2011 | 2012 | 2013 |
| General Government | 36 | 35 | 32 | 30 | 30 |
| Community Development (Building, Planning, Engineering) | 39 | 39 | 38 | 38 | 35 |
| Library | 17 | 16 | 15 | 13 | 13 |
| Police | | | | | |
| Sworn | 75 | 68 | 58 | 54 | 61 |
| Non-sworn | 31 | 31 | 31 | 27 | 28 |
| Fire | | | | | |
| Firefighters and Officers | 50 | 48 | 49 | 48 | 44 |
| Civilians | 3 | 1 | 3 | 1 | 3 |
| Public Works | | | | | |
| Water | 14 | 16 | 17 | 16 | 19 |
| Sewer/Storm Drain/Street Sweeping | 2 | 4 | 1 | 4 | 4 |
| Refuse | 26 | 24 | 24 | 2 | 1 |
| Streets, Parks, LLMD | 31 | 31 | 31 | 33 | 32 |
| Facility & Equipment Maintenance | 17 | 15 | 14 | 11 | 11 |
| Clean City Youth | 6 | 4 | 6 | 5 | 4 |
| Administration | 8 | 3 | 4 | 7 | 5 |
| TOTAL | 355 | 335 | 323 | 289 | 290 |

City of Hemet
Full-time and Part-time City Employees (Continued)
by Function
Last Ten Fiscal Years

| Function | <u>As of June 30:</u> | | | | |
|--|-----------------------|------------|------------|------------|------------|
| | 2014 | 2015 | 2016 | 2017 | 2018 |
| General Government | 29 | 31 | 33 | 30 | 30 |
| Community Development (Building, Planning, Engineering) | 35 | 28 | 27 | 28 | 30 |
| Library | 12 | 12 | 12 | 13 | 12 |
| Police | | | | | |
| Sworn | 61 | 70 | 63 | 75 | 90 |
| Non-sworn | 28 | 29 | 29 | 35 | 41 |
| Fire | | | | | |
| Firefighters and Officers | 44 | 39 | 39 | 42 | 58 |
| Civilians | 3 | 2 | 2 | 3 | 3 |
| Public Works | | | | | |
| Water | 18 | 18 | 21 | 20 | 19 |
| Sewer/Storm Drain/Street Sweeping | 4 | 4 | 4 | 8 | 9 |
| Refuse | 1 | 0 | 0 | 0 | 0 |
| Streets, Parks, LLMD | 33 | 31 | 31 | 31 | 29 |
| Facility & Equipment Maintenance | 11 | 11 | 10 | 11 | 12 |
| Clean City Youth | 4 | 0 | 0 | 0 | 0 |
| Administration | 8 | 5 | 5 | 4 | 6 |
| TOTAL | 291 | 280 | 276 | 300 | 339 |

City of Hemet
Operating Indicators
by Function
Last Ten Fiscal Years

| Function: | 2009 | 2010 | 2011 | 2012 | 2013 |
|--|-----------|----------|-----------|-----------|---------|
| Police | | | | | |
| Calls for Service (1) | 64,091 | 57,432 | 42,616 | 44,508 | 45,507 |
| Arrests (1) | 3,097 | 3,553 | 4,205 | 3,860 | 2,468 |
| Sworn Officer's per 1000 population | 1 | 1 | 1 | 1 | 1 |
| Fire | | | | | |
| Calls for Service (1) | 10,805 | 12,155 | 12,620 | 12,850 | 11,922 |
| Fire/Explosion (included in total above) | 244 | 288 | 240 | 228 | 224 |
| Medical Aid (included in total above) | 8,842 | 10,167 | 10,704 | 10,802 | 10,064 |
| Community Development | | | | | |
| Permits: Single Family + Mobile set up | 166 | 149 | 106 | 21 | 93 |
| Conditional Use Permits applied/approved | 13/8 | 9/3 | 12/11 | 7/4 | 8/4 |
| Site Development Reviews applied/approved | 6/5 | 1/2 | 4/1 | 3/1 | 9/7 |
| Library | | | | | |
| Number of items checked out | 437,175 | 412,718 | 428,459 | 428,601 | 381,047 |
| Number of Cardholders | 87,834 | 112,192 | 116,012 | 112,000 | 128,209 |
| Total items in collection | 82,018 | 101,752 | 102,902 | 106,211 | 92,680 |
| Simpson Senior Center | | | | | |
| Citizens served through: | | | | | |
| Simpson Center | 57,693 | 57,000 * | N/A | N/A | N/A |
| Lunch Program | 27,872 | 28,000 * | N/A | N/A | N/A |
| Prime of Life | 23,000 | 23,000 * | N/A | N/A | N/A |
| Public Works | | | | | |
| Trees trimmed | 1,996 | 1,781 | 1,537 | 2,117 | 2,400 |
| Poured Sidewalk (sq ft) | 150,000 | 134,450 | 151,280 | 164,920 | 178,742 |
| Asphalt remove and replace (sq ft) | 3,037,500 | 306,000 | 52,426 | 66,234 | 73,266 |
| Striping painted (linear ft) | 223,500 | 218,000 | 1,044,862 | 1,056,000 | N/A |
| Equipment CHP 90 day inspections/maint | 238 | 224 | N/A | N/A | N/A |
| Equipment light duty preventative maint | 834 | 861 | N/A | N/A | N/A |
| Buildings maintained (sq ft) | 285,907 | 285,907 | 285,907 | 285,907 | 285,907 |
| Miscellaneous service requests | 4,507 | 3,520 | 4,760 | 4,753 | 4,800 |
| Refuse collected: | | | | | |
| Commercial tons | 23,207 | 17,846 | 18,038 | 7,052 | - |
| Residential tons | 23,610 | 23,056 | 23,545 | 12,915 | - |
| Roll-off tons | 10,415 | 7,375 | 8,112 | 3,541 | - |
| Green Waste tons | 4,707 | 7,725 | 7,808 | 2,988 | - |
| Commingled Recyclable tons | 4,504 | 4,024 | 2,118 | 912 | - |
| Cardboard tons | 1,050 | 1,170 | 1,890 | 619 | - |
| Water | | | | | |
| Number of active accounts | 9,001 | 9,325 | 9,145 | 9,112 | 9,214 |
| Water introduced into the System (acre ft) | 4,919 | 4,206 | 4,293 | 4,484 | 3,953 |
| 1 acre foot=325.851 gallons | | | | | |

* These numbers are estimated from historical data. Data was not available.

** 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
Operating Indicators (Continued)
by Function
Last Ten Fiscal Years

| Function: | 2014 | 2015 | 2016 | 2017 | 2018 |
|--|-----------|-----------|-----------|-----------|---------|
| Police | | | | | |
| Calls for Service (1) | 70,599 | 25,000 | 47,800 * | 79,101 * | 81,566 |
| Arrests (1) | 3,222 | 2,109 | 2,666 * | 2,593 * | 3,339 |
| Sworn Officer's per 1000 population | 1 | 1 | 1 * | 1 * | 1 |
| Fire | | | | | |
| Calls for Service (1) | 13,613 | 15,693 | 14,653 * | 17,946 * | 16,918 |
| Fire/Explosion (included in total above) | 254 | 286 | 270 * | 761 * | 333 |
| Medical Aid (included in total above) | 11,383 | 15,407 | 13,395 * | 13,867 * | 13,958 |
| Community Development | | | | | |
| Permits: Single Family + Mobile set up | 127 | 120 | 80 | 2 | 62 |
| Conditional Use Permits applied/approved | 9/2 | 9/11 | 13/6 * | 6/6 * | 6/5 |
| Site Development Reviews applied/approved | 5/4 | 5/4 | 7/4 * | 3/3 * | 7/10 |
| Library | | | | | |
| Number of items checked out | 360,792 | 451,956 | 406,374 * | 680,326 * | 447,775 |
| Number of Cardholders | 133,366 | 138,244 | 135,805 * | 149,965 * | 152,164 |
| Total items in collection | 104,977 | 94,434 | 99,706 * | 101,451 * | 90,082 |
| Simpson Senior Center | | | | | |
| Citizens served through: | | | | | |
| Simpson Center | N/A | N/A | N/A | N/A | N/A |
| Lunch Program | N/A | N/A | N/A | N/A | N/A |
| Prime of Life | N/A | N/A | N/A | N/A | N/A |
| Public Works | | | | | |
| Trees trimmed | 1,300 | 1,000 | 1,800 | 1,750 | 1,750 |
| Poured Sidewalk (sq ft) | 70,190 | 100,000 | 12,000 | 38,050 | 55,000 |
| Asphalt remove and replace (sq ft) | 1,358,833 | 1,000,000 | 158,000 | N/A | N/A |
| Striping painted (linear ft) | 1,000,000 | N/A | 850,000 | N/A | N/A |
| Equipment CHP 90 day inspections/maint | 116 | 112 | 124 | 124 | 128 |
| Equipment light duty preventative maint | 858 | 864 | 766 | 811 | 897 |
| Buildings maintained (sq ft) | 285,907 | 285,907 | 285,907 | 285,907 | 285,907 |
| Miscellaneous service requests | 1,500 | 2,789 | 3,893 * | 1,290 * | 1,318 |
| Refuse collected: | | | | | |
| Commercial tons | - | - | - | - | - |
| Residential tons | - | - | - | - | - |
| Roll-off tons | - | - | - | - | - |
| Green Waste tons | - | - | - | - | - |
| Commingled Recyclable tons | - | - | - | - | - |
| Cardboard tons | - | - | - | - | - |
| Water | | | | | |
| Number of active accounts | 9,075 | 7,761 | 9,304 | 9,317 | 9,226 |
| Water introduced into the System (acre ft) | 4,597 | 5,262 | 3,539 | 3,784 | 3,847 |
| 1 acre foot=325.851 gallons | | | | | |

* These numbers are estimated from historical data. Data was not available.

** 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
Last Ten Fiscal Years**

| | <u>2009</u> | <u>2010</u> | <u>2011</u> | <u>2012</u> | <u>2013</u> |
|--------------------------------|-------------|-------------|-------------|-------------|-------------|
| Police Stations | 1 | 1 | 1 | 1 | 1 |
| Fire Stations | 4 | 4 | 4 | 4 | 4 |
| Recreation and Culture: | | | | | |
| Number of parks | 9 | 10 | 10 | 10 | 10 |
| Number of libraries | 1 | 1 | 1 | 1 | 1 |
| Number of volumes | 82,018 | 101,752 | 102,902 | 106,211 | 92,680 |
| Public Works: | | | | | |
| Area of City (square miles) | 26 | 26 | 26 | 26 | 26 |
| Miles of Streets | 360 | 360 | 360 | 360 | 360 |
| Number of Street lights | 3,600 | 3,600 | 3,600 | 3,600 | 3,600 |
| Number of water accounts | 9,001 | 9,423 | 9,145 | 9,112 | 9,214 |
| Miles of water mains | 120 | 120 | 120 | 120 | 120 |
| Number of refuse accounts | 23,454 | 23,548 | 23,548 | - | - |
| Number of vehicles (city wide) | 298 | 300 | 300 | 257 | 238 |

N/A = not available
Source: Various City Departments

City of Hemet
Capital Asset Statistics (Continued)
by Function
Last Ten Fiscal Years

| | <u>2014</u> | <u>2015</u> | <u>2016</u> | <u>2017</u> | <u>2018</u> |
|--------------------------------|-------------|-------------|-------------|-------------|-------------|
| Police Stations | 1 | 1 | 1 | 1 | 1 |
| Fire Stations | 4 | 5 | 5 | 5 | 5 |
| Recreation and Culture: | | | | | |
| Number of parks | 10 | 12 | 12 | 12 | 12 |
| Number of libraries | 1 | 1 | 1 | 1 | 1 |
| Number of volumes | 104,977 | 111,149 | 88,756 | 80,115 | 80,115 |
| Public Works: | | | | | |
| Area of City (square miles) | 26 | 28 | 28 | 28 | 28 |
| Miles of Streets | 360 | 360 | 360 | 360 | 360 |
| Number of Street lights | 3,600 | 3,600 | 3,600 | 5,479 | 5,479 |
| Number of water accounts | 9,075 | 7,760 | 9,304 | 9,317 | 9,226 |
| Miles of water mains | 120 | 120 | 120 | 130 | 130 |
| Number of refuse accounts | - | - | - | - | - |
| Number of vehicles (city wide) | 227 | 314 | 320 | 314 | 337 |

N/A = not available
Source: Various City Departments

City of Hemet
Water, Refuse, and Sewer Rates
Last Ten Fiscal Years

| Effective | <u>7/1/2009</u> Bimonthly | <u>7/1/2010</u> Bimonthly | <u>7/1/2011</u> Bimonthly | <u>7/1/2012</u> Bimonthly | <u>7/1/2013</u> Bimonthly |
|------------------------------------|------------------------------|------------------------------|------------------------------|------------------------------|------------------------------|
| Water | | | | | |
| Low Water Usage Rates | | | | | |
| 0-1000 CF | \$ 56.00 | \$ 56.00 | \$ 56.00 | \$ 56.00 | \$ 56.00 |
| Normal Water Usage Rates | | | | | |
| Base Water Rates | | | | | |
| 5/8" Meter | 42.28 | 42.28 | 42.28 | 42.28 | 42.28 |
| 3/4" Meter | 45.58 | 45.58 | 45.58 | 45.58 | 45.58 |
| 1" Meter | 54.58 | 54.58 | 54.58 | 54.58 | 54.58 |
| 2" Meter | 141.50 | 141.50 | 141.50 | 141.50 | 141.50 |
| Consumption Water Rates per 100 CF | | | | | |
| 0-600 CF | 2.30 | 2.30 | 2.30 | 2.30 | 2.30 |
| '601-1200 CF | 2.50 | 2.50 | 2.50 | 2.50 | 2.50 |
| '1201-over CF | 2.88 | 2.88 | 2.88 | 2.88 | 2.88 |
| Refuse | | | | | |
| Standard cart (60 gallon) | 30.70 | 30.70 | 30.70 | 30.70 | - |
| Large cart (90 gallon) | 36.50 | 36.50 | 36.50 | 36.50 | - |
| Sewer | | | | | |
| City sewer and storm drain | 15.04 | 15.04 | 15.04 | 15.04 | 15.04 |

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, Refuse, and Sewer Rates (Continued)
Last Ten Fiscal Years

| Effective | 7/1/2014 <u>Bimonthly</u> | 7/1/2015 <u>Bimonthly</u> | 7/1/2016 <u>Monthly</u> | 7/1/2017 <u>Monthly</u> | 7/1/2018 <u>Monthly</u> |
|------------------------------------|------------------------------|------------------------------|----------------------------|----------------------------|----------------------------|
| Water | | | | | |
| Low Water Usage Rates | | | | | |
| 0-1000 CF | \$ 56.00 | \$ 56.00 | N/A | N/A | N/A |
| Normal Water Usage Rates | | | | | |
| Base Water Rates | | | | | |
| 5/8" Meter | 42.28 | 42.28 | 24.95 | 26.25 | 27.55 |
| 3/4" Meter | 45.58 | 45.58 | 27.26 | 28.87 | 30.49 |
| 1" Meter | 54.58 | 54.58 | 32.83 | 34.86 | 36.93 |
| 2" Meter | 141.50 | 141.50 | 81.02 | 85.25 | 89.47 |
| Consumption Water Rates per 100 CF | | | | | |
| 0-600 CF | 2.30 | 2.30 | 6.25 | 4.41 | 4.54 |
| '601-1200 CF | 2.50 | 2.50 | 6.25 | 4.41 | 4.54 |
| '1201-over CF | 2.88 | 2.88 | 6.25 | 4.41 | 4.54 |
| Refuse | | | | | |
| Standard cart (60 gallon) | - | - | - | - | - |
| Large cart (90 gallon) | - | - | - | - | - |
| Sewer | | | | | |
| City sewer and storm drain | 15.04 | 15.04 | 10.30 | 10.80 | 11.30 |

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 Ten Years
(in 100 Cubic Feet)

| Type of Customer | Calendar Year | | | | |
|---------------------------|---------------|-------------|-------------|-------------|-------------|
| | <u>2008</u> | <u>2009</u> | <u>2010</u> | <u>2011</u> | <u>2012</u> |
| Single Family Residential | 889,529 | 578,755 | 656,432 | \$ 712,947 | \$ 807,603 |
| Multi-Family Residential | 498,880 | 496,734 | 429,042 | 513,087 | 551,677 |
| Commercial/Institutional | 527,331 | 444,644 | 341,292 | 403,410 | 475,449 |
| Landscape Irrigation | 168,463 | 158,942 | 76,907 | 109,569 | 230,049 |
| Total | 2,084,203 | 1,679,075 | 1,503,673 | 1,739,013 | 2,064,778 |

Source: City of Hemet Water Department

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

| Type of Customer | Calendar Year | | | | |
|---------------------------|---------------|-------------|-------------|-------------|-------------|
| | <u>2013</u> | <u>2014</u> | <u>2015</u> | <u>2016</u> | <u>2017</u> |
| Single Family Residential | \$ 787,091 | \$ 636,811 | \$ 639,159 | \$ 734,462 | \$ 619,717 |
| Multi-Family Residential | 522,196 | 491,472 | 436,877 | 428,529 | 458,262 |
| Commercial/Institutional | 328,247 | 454,675 | 351,109 | 375,643 | 529,217 |
| Landscape Irrigation | 264,334 | 131,711 | 114,399 | 109,508 | 82,723 |
| Total | 1,901,868 | 1,714,669 | 1,541,545 | 1,648,142 | 1,689,919 |

Source: City of Hemet Water Department

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