

CITY OF DESERT HOT SPRINGS

FINANCIAL STATEMENTS

Year Ended June 30, 2010

City of Desert Hot Springs
Financial Statements
Year Ended June 30, 2010

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FINANCIAL SECTION

Independent Auditors' Report

The Honorable City Council
City of Desert Hot Springs, California

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Desert Hot Springs, as of and for the year June 30, 2010, which collectively comprise the City of Desert Hot Springs' basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Desert Hot Springs' management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Desert Hot Springs, California, as of June 30, 2010, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The City has not presented Management's Discussion and Analysis that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the basic financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 13, 2011 on our consideration of the City of Desert Hot Springs' 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* and should be considered in assessing the results of our audit.

The information identified in the accompanying table of contents as *required supplementary information* is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Desert Hot Springs' basic financial statements. The other supplementary information listed in the table of contents, including combining schedules and additional budgetary comparison schedules, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Teaman Ramirez & Smith, Inc.

January 13, 2011

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BASIC FINANCIAL STATEMENTS

City of Desert Hot Springs
Statement of Net Assets
June 30, 2010

	Governmental Activities
ASSETS	
Cash and Investments	\$ 23,954,218
Receivables:	
Accounts	1,202,585
Interest	22,816
Notes	2,718,098
Special Assessments	10,767
Coachella Valley Housing Coalition	730,267
Deposits	241,088
Prepaid Costs	5,707
Due From Other Governments	1,573,507
Deferred Cost of Issuance	1,138,007
Property Held for Resale	3,174,894
Cash and Investments - Restricted	12,318,946
Capital Assets, Not Being Depreciated:	
Land	1,241,278
Construction in Progress	8,119,343
Capital Assets, Net of Accumulated Depreciation:	
Property and Equipment	5,568,350
Buildings and Improvements	7,349,972
Infrastructure	22,438,841
	91,808,684
Total Assets	
LIABILITIES	
Accounts Payable	1,570,270
Accrued Liabilities	1,135,054
Interest Payable	1,164,949
Deposits Payable	335,568
Unearned Revenue	83,780
Claims Payable	800,911
Noncurrent Liabilities:	
Due Within One Year	1,566,524
Due in More Than One Year	59,697,097
	66,354,153
Total Liabilities	
NET ASSETS	
Invested in Capital Assets	44,717,784
Restricted for:	
Community Development	11,283,007
Public Works	40,286
Debt Service	7,993,011
Unrestricted	(38,579,557)
	\$ 25,454,531
Total Net Assets	

The accompanying notes are an integral part of this statement.

**City of Desert Hot Springs
Statement of Activities
Year Ended June 30, 2010**

Functions/Programs	Expenses	Program Revenues			Net (Expense)
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Change in Net Assets
					Governmental Activities
Governmental Activities					
General Government	\$ 2,443,192	\$ 168,348	\$ 50,350	\$	\$ (2,224,494)
Public Safety	10,066,679	1,163,739	486,906		(8,416,034)
Public Works	2,017,229	60,857	501,601	1,525,240	70,469
Economic Development	13,137,292	2,083,832	1,373,816		(9,679,644)
Culture and Leisure	318,416	5,680			(312,736)
Interest on Long-Term Debt	3,538,758				(3,538,758)
Total Governmental Activities:	\$ 31,521,566	\$ 3,482,456	\$ 2,412,673	\$ 1,525,240	(24,101,197)

General Revenues:

Taxes:

Property Taxes	2,066,568
Property Taxes, Redevelopment Agency	
Tax Increment	5,231,174
Transient Occupancy Taxes	892,477
Franchise Taxes	1,053,919
Sales Tax	4,719,522
Motor Vehicle In-Lieu	78,069
Utility User Taxes	2,529,180
Investment Income	82,084
Miscellaneous	267,084
Gain on Sale of Capital Assets	44,604

Total General Revenues 16,964,681

Change in Net Assets (7,136,516)

Net Assets - Beginning of Year 32,591,047

Net Assets - End of Year \$ 25,454,531

The accompanying notes are an integral part of this statement.

**City of Desert Hot Springs
Balance Sheet
Governmental Funds
June 30, 2010**

	Special Revenue		
	General	Community Safety	RDA Low Income Housing
ASSETS			
Cash and Investments	\$ 4,868,731	\$ 286,147	\$ 4,713,346
Restricted Cash and Investments with Fiscal Agent			1,964
Notes Receivable			3,330,849
Accounts Receivable	799,097	262,214	11,666
Interest Receivable	4,847		4,264
Prepaid Items	5,707		
Due From Other Funds	275,274		
Due From Other Governments	244,161	419,743	15,971
Advance to Other Funds			3,442,921
Property Held for Resale			1,272,364
	<u> </u>	<u> </u>	<u> </u>
Total Assets	<u>\$ 6,197,817</u>	<u>\$ 968,104</u>	<u>\$ 12,793,345</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts Payable	\$ 164,248	\$ 595,639	\$ 108,651
Accrued Liabilities	241,491	111,240	1,803
Deposits	330,105		
Due to Other Funds			
Advance From Other Funds			
Deferred Revenue	358,647	216,098	3,330,849
	<u> </u>	<u> </u>	<u> </u>
Total Liabilities	<u>1,094,491</u>	<u>922,977</u>	<u>3,441,303</u>
Fund Balances:			
Reserved for:			
Prepaid Expenses	5,707		
Debt Service			
Advance to Other Funds			3,442,921
Property Held For Resale			1,272,364
Unreserved, Reported In:			
General Fund	5,097,619		
Special Revenue Funds		45,127	4,636,757
Debt Service Funds			
Capital Project Funds			
	<u> </u>	<u> </u>	<u> </u>
Total Fund Balances	<u>5,103,326</u>	<u>45,127</u>	<u>9,352,042</u>
Total Liabilities and Fund Balances	<u>\$ 6,197,817</u>	<u>\$ 968,104</u>	<u>\$ 12,793,345</u>

The accompanying notes are an integral part of this statement.

Debt Service RDA	Capital Projects RDA	Non-Major Funds	Total Governmental Funds
\$ 6,186,412	\$ 1,899,156	\$ 5,088,252	\$ 23,042,044
8,677,329	3,369,489	270,164	12,318,946
	148,016	730,267	4,209,132
	3,728	125,880	1,202,585
3,614	1,981	7,542	22,248
			5,707
			275,274
63,885		829,747	1,573,507
			3,442,921
	1,902,530		3,174,894
<u>\$ 14,931,240</u>	<u>\$ 7,324,900</u>	<u>\$ 7,051,852</u>	<u>\$ 49,267,258</u>
\$ 719,165	\$ 639,364	\$ 62,368	\$ 1,570,270
	9,267	52,088	1,135,054
	5,463		335,568
		275,274	275,274
3,442,921			3,442,921
	148,016	1,069,619	5,123,229
<u>4,162,086</u>	<u>802,110</u>	<u>1,459,349</u>	<u>11,882,316</u>
4,115,990	3,609,620	267,401	5,707
			7,993,011
			3,442,921
	1,902,530		3,174,894
			5,097,619
		4,264,553	8,946,437
6,653,164		815,795	7,468,959
	1,010,640	244,754	1,255,394
<u>10,769,154</u>	<u>6,522,790</u>	<u>5,592,503</u>	<u>37,384,942</u>
<u>\$ 14,931,240</u>	<u>\$ 7,324,900</u>	<u>\$ 7,051,852</u>	<u>\$ 49,267,258</u>

The accompanying notes are an integral part of this statement.

City of Desert Hot Springs
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Assets
June 30, 2010

Fund balances of governmental funds	\$ 37,384,942
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Revenue is deferred in the governmental funds when it is not received soon enough after year-end to be considered available. The availability criteria does not apply to the Government-wide Statements and therefore, the revenue is not deferred.	4,289,449
Capital assets of governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	43,770,106
Interest expenditures are recognized when due, and therefore, interest payable is not recorded in the governmental funds.	(1,164,949)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as a liability in the governmental funds.	
Compensated Absences	(322,053)
California HFA Loan	(730,267)
Bonds and Certificates Payable	(58,660,000)
Discounts on Bonds and Certificates Payable	1,210,437
Premium on Bonds	(90,032)
Pension Related Debt	(2,671,706)
Issuance costs net of accumulated amortization were reported as expenditures in the governmental funds.	1,138,007
Internal services funds are used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service funds are included in the statement of net assets.	<u>1,300,597</u>
Net assets of governmental activities	<u><u>\$ 25,454,531</u></u>

The accompanying notes are an integral part of this statement.

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City of Desert Hot Springs
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2010

	Special Revenue		
	General	Community Safety	RDA Low Income Housing
REVENUES			
Taxes	\$ 5,496,821	\$ 3,663,552	\$ 1,046,235
Permits and Fees	670,250	1,188,372	
Intergovernmental	78,069	267,408	1,254,412
Licenses		39,347	
Interest	55,235		51,301
Miscellaneous	160,128	54,514	16,879
Total Revenues	6,460,503	5,213,193	2,368,827
EXPENDITURES			
Current:			
General Government	1,207,633		
Public Safety	3,370,871	6,379,856	
Public Works	416,159		
Economic Development	1,130,787		3,368,542
Culture and Leisure	205,758		
Capital Outlay		40,670	13,632
Debt Service:			
Principal			
Interest			251,132
Debt Issuance Costs			213,426
Pass-Through Agreements			
Total Expenditures	6,331,208	6,420,526	3,846,732
Excess (Deficiency) of Revenues over Expenditures	129,295	(1,207,333)	(1,477,905)
OTHER FINANCING SOURCES (USES)			
Transfers In	1,054,036	1,252,497	
Transfers Out	(1,357,951)		(740,375)
Debt Issuance			5,635,000
Premium on Debt Issuance			72,176
Total Other Financing Sources (Uses)	(303,915)	1,252,497	4,966,801
Net Change in Fund Balances	(174,620)	45,164	3,488,896
Fund Balances, Beginning of Year	5,277,946	(37)	5,863,146
Fund Balances, End of Year	<u>\$ 5,103,326</u>	<u>\$ 45,127</u>	<u>\$ 9,352,042</u>

The accompanying notes are an integral part of this statement.

Debt Service RDA	Capital Projects RDA	Non-Major Funds	Total Governmental Funds
\$ 4,184,939	\$	\$ 1,863,708	\$ 16,255,255
		48,393	1,907,015
		2,333,598	3,933,487
			39,347
139,926	137,969	57,545	441,976
	177,760	13,281	422,562
<u>4,324,865</u>	<u>315,729</u>	<u>4,316,525</u>	<u>22,999,642</u>
		140,649	1,348,282
		136,574	9,887,301
		1,469,025	1,885,184
3,532,951	3,388,934	708,851	12,130,065
		112,658	318,416
	7,068,275	4,279,513	11,402,090
1,285,000		140,000	1,425,000
2,480,616		602,325	3,334,073
			213,426
1,096,197			1,096,197
<u>8,394,764</u>	<u>10,457,209</u>	<u>7,589,595</u>	<u>43,040,034</u>
(4,069,899)	(10,141,480)	(3,273,070)	(20,040,392)
7,987,341	1,800,000	732,207	12,826,081
(1,800,000)	(7,826,443)	(1,757,036)	(13,481,805)
			5,635,000
			72,176
<u>6,187,341</u>	<u>(6,026,443)</u>	<u>(1,024,829)</u>	<u>5,051,452</u>
2,117,442	(16,167,923)	(4,297,899)	(14,988,940)
<u>8,651,712</u>	<u>22,690,713</u>	<u>9,890,402</u>	<u>52,373,882</u>
<u>\$ 10,769,154</u>	<u>\$ 6,522,790</u>	<u>\$ 5,592,503</u>	<u>\$ 37,384,942</u>

The accompanying notes are an integral part of this statement.

City of Desert Hot Springs
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
Year Ended June 30, 2010

Net change in fund balances - total governmental fund: \$ (14,988,940)

Amounts reported for governmental activities in the Statement of Activities are different because

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. This is the net change in deferred revenue for the current period. 1,107,482

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of these assets is allocated over their estimated useful lives as depreciation expense or are allocated to the appropriate functional expense when the cost is below the capitalization threshold. This activity is reconciled as follows:

Capital Outlay	12,554,149
Depreciation Expense	(1,621,264)

Governmental funds report only proceeds from the sale of capital assets. The statement of activities reports a gain or loss on disposal based on the net book value at the time of disposal. Disposal activity included the following:

Costs of Assets Disposed	(366,192)
Accumulated Depreciation on Disposed Assets	76,977

Interest expenditures are recognized when paid in the governmental funds. Interest expense is recognized when incurred in the Government-wide Statement of Activities. This amount represents the difference between interest paid and interest incurred (119,505)

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has an effect on net assets. Also governmental funds report the effect of issuance cost premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.

Debt Issuance	(5,635,000)
Premium on Bonds	(72,176)
Amortization of Premium on Tax Allocation Bond	4,221
Amortization of Discounts	(48,080)
Cost of Issuance	213,426
Amortization of Issuance Costs	(52,192)
Principal Paid on Certificates of Participation	140,000
Principal Paid on Tax Allocation Bonds	1,285,000
Decrease in Pension-related Debt	26,781
Decrease in California HFA Loan	489,733

Compensated absences reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds. The following amount represents the net change in compensated absences for the current period 339,421

Internal Service Funds are used by management to charge the costs of insurance to individual funds. The net revenues (expenses) of the Internal Service Funds are reported with governmental activities (470,357)

Change in Net Assets of Governmental Activities: \$ (7,136,516)

The accompanying notes are an integral part of this statement.

**City of Desert Hot Springs
Statement of Net Assets
Proprietary Fund
June 30, 2010**

	<u>Governmental Activities - Internal Service Fund</u>
ASSETS	
Current Assets:	
Cash and Investments	\$ 912,174
Interest Receivable	568
Deposits	<u>241,088</u>
Total Current Assets	<u>1,153,830</u>
Noncurrent Assets:	
Capital Assets:	
Machinery and Equipment	1,146,937
Less accumulated depreciation	<u>(199,259)</u>
Total capital assets (net of accumulated depreciation)	<u>947,678</u>
Total Noncurrent Assets	<u>947,678</u>
Total Assets	<u>2,101,508</u>
LIABILITIES	
Claims Payable	<u>800,911</u>
Total Liabilities	<u>800,911</u>
NET ASSETS	
Unrestricted	<u>1,300,597</u>
Total Net Assets	<u>\$ 1,300,597</u>

The accompanying notes are an integral part of this statement.

City of Desert Hot Springs
Statement of Revenues, Expenses, and Changes in Net Assets
Proprietary Fund
Year Ended June 30, 2010

	Governmental Activities - Internal Service Fund
OPERATING REVENUES	
Other Income	\$ 228,121
Total Operating Revenues	228,121
OPERATING EXPENSES	
Insurance and Claims Expenses	1,254,464
Depreciation	149,543
Total Operating Expenses	1,404,007
Operating Income (Loss)	(1,175,886)
NON-OPERATING REVENUE (EXPENSES)	
Investment Earnings	5,201
Gain on Sale of Capital Assets	44,604
Total Non-operating revenues (expenses)	49,805
Income (Loss) before contributions and transfers	(1,126,081)
Transfers In	655,724
Change in Net Assets	(470,357)
Total Net Assets, Beginning of Year	1,770,954
Total Net Assets, End of Year	\$ 1,300,597

The accompanying notes are an integral part of this statement.

**City of Desert Hot Springs
Statement of Cash Flows
Proprietary Fund
Year Ended June 30, 2010**

	<u>Governmental Activities - Internal Service Fund</u>
Cash Flows from Operating Activities	
Payments to Suppliers for Services	\$ (1,479,622)
Other Income	278,121
	<u>(1,201,501)</u>
Cash Flows from Non-Capital Financing Activities	
Transfers from other funds	<u>655,724</u>
Net Cash Provided (Used) by Non-Capital Financing Activities	<u>655,724</u>
Cash Flows from Capital And Related Financing Activities	
Proceeds from Sales of Capital Assets	44,604
Purchases of Capital Assets	<u>(488,084)</u>
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(443,480)</u>
Cash Flows from Investing Activities	
Interest Received	<u>14,141</u>
Net Cash Provided (Used) by Investing Activities	<u>14,141</u>
Net Increase in Cash and Investments	(975,116)
Cash and Investments, Beginning of Year	<u>1,887,290</u>
Cash and Investments, End of Year	<u><u>\$ 912,174</u></u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities	
Cash Flows from Operating Activities	
Operating income (loss)	\$ (1,175,886)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation Expense	149,543
(Increase) Decrease in Accounts Receivable	50,000
(Increase) Decrease in Deposits	(96,621)
(Increase) Decrease in Prepaids	35,759
Increase (Decrease) in Accounts Payable	(196,424)
Increase (Decrease) in Claims Payable	32,128
	<u>32,128</u>
Net Cash Provided By Operating Activities	<u><u>\$ (1,201,501)</u></u>

City of Desert Hot Springs
Statement of Fiduciary Assets and Liabilities
Agency Fund
June 30, 2010

ASSETS

Cash and Investments	\$	678,629
Cash with Fiscal Agent		514,866
Accounts Receivable		6,231
Interest Receivable		599
		599
Total Assets	\$	1,200,325

LIABILITIES

Accounts Payable	\$	3,500
Accrued Liabilities		54,787
Deposits Payable		295,489
Due to Bondholders		846,549
		846,549
Total Liabilities	\$	1,200,325

The accompanying notes are an integral part of this statement.

**City of Desert Hot Springs
Notes to Financial Statements
Year Ended June 30, 2010**

<u>NOTE</u>	<u>DESCRIPTION</u>	<u>PAGE</u>
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**City of Desert Hot Springs
Notes to Financial Statements
Year Ended June 30, 2010**

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the City of Desert Hot Springs (the City) conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governments. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for governmental accounting and financial reporting principles. The following is a summary of the significant policies.

A) Reporting Entity

The City was incorporated as a Charter City on September 24, 1963 in the State of California. The City operates under a Council-Manager form of government and provides the following services: public safety; cultural and recreational; public improvements; planning, zoning, and, building and safety; street maintenance; and general government/administrative services.

Accounting principles generally accepted in the United States of America require that these financial statements represent the City of Desert Hot Springs and its component units. A component unit is included in the primary government's financial statements if the governing body is substantively the same as that of the City or if the component unit provides services or other benefits almost entirely to the primary government. The component units discussed below are included in the City's reporting entity because of their operational significance or financial relationships with the City. These component units are controlled by common governing boards, which are substantively the same as the City's and are presented as blended component units for financial reporting purposes. The component units have the same fiscal year end as the City. For those that publish separate financial statements, those statements can be obtained from the City's Finance Department.

The Redevelopment Agency of the City of Desert Hot Springs (the Agency) has established two redevelopment project areas. Project Area No. 1 was adopted on July 6, 1982. Its objective is to strengthen land use pattern and utilization through the redevelopment of under utilized land in order to enhance the viability of Commercial, Residential, and Industrial core areas of the City. Project Area No. 2 was adopted on November 20, 1984. Its objectives are to eliminate conditions of blight by providing needed public improvements, by encouraging rehabilitation and repair of deteriorating structures, by facilitating land assembly and by development which will result in employment opportunities and an expanded tax base. On December 16, 1997, the Redevelopment Agency unanimously approved the proposal to merge Redevelopment Project Areas #1 and #2.

City of Desert Hot Springs Financing Corporation (DHSFC) nonprofit public benefit corporation was formed for the purpose of providing public facility financing to the City. The Corporation's Board of Directors is composed of the five elected City Council members. The Corporation may acquire, construct, rehabilitate, remodel, improve, install and finance or lease various facilities, land and equipment for the benefit of the City. DHSFC holds title to various parcels of land as security for the Certificates of Participation issued in its name. The City makes lease payments to DHSFC in an amount equal to the periodic principal and interest payments due on the Certificates.

B) Description of Funds

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 with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures. The following are types of funds used:

City of Desert Hot Springs
Notes to Financial Statements
Year Ended June 30, 2010

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

B) Description of Funds - Continued

Governmental Fund Types

General Fund - Accounts for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds - Accounts for the proceeds of specific revenue sources that are restricted by law or administrative action for a specified purpose.

Capital Project Funds - Accounts for financial resources used for the construction of specific capital projects.

Debt Service Funds - Accounts for property tax increment revenue and related interest income. Disbursements from this fund consist mainly of principal and interest on RDA indebtedness and pass through payments.

C) Basis of Accounting/Measurement Focus

Government-Wide Financial Statements

The City's Government-Wide Financial Statements include a Statement of Net Assets and a Statement of Activities (including changes in net assets). These statements present summaries of governmental activities for the City.

These statements are presented on an "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all of the City's assets and liabilities, including capital assets and infrastructure as well as long-term debt, are included in the accompanying Statement of Net Assets. The Statement of Activities presents changes in net assets. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenditures are recognized in the period in which the liability is incurred. The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. The types of transactions reported as program revenues for the City are reported in three categories: 1) charges for services, 2) operating contributions and grants, and 3) capital grants and contributions. Charges for services include revenues from customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function. Operating grants and contributions include revenues restricted to meeting the requirements of a particular operating function and may include state shared revenues and grants. Capital grants and contributions include revenues restricted to meeting the requirements of a particular capital function and may include grants and developer fees. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Certain eliminations have been made as prescribed by GASB Statement No. 34 in regards to interfund activities, payables, and receivables. All internal balances in the government-wide financial statements have been eliminated.

City of Desert Hot Springs
Notes to Financial Statements
Year Ended June 30, 2010

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

C) **Basis of Accounting/Measurement Focus - Continued**

Governmental Fund Financial Statements

Governmental fund financial statements include a Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balances for all major governmental funds and aggregated non-major funds. An accompanying schedule is presented to reconcile and explain the differences in fund balances as presented in these statements to the net assets presented in the Government-Wide Financial Statements. The City has presented all major funds that met qualifications of GASB Statement No. 34.

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 and current liabilities are included on the Balance Sheets. The Statement of Revenues, Expenditures, and Changes in Fund Balances present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in fund balances. Revenues are recognized in the accounting period in which they become susceptible to accrual, that is, when they become both measurable and available to finance expenditures of the current period. “Measurable” means that the amount of the transaction can be determined, and “available” means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Accrued revenues include property taxes received within 90 days after year-end, taxpayer assessed taxes such as sales taxes, and earnings on investments. Grant funds earned but not received are recorded as a receivable, and grant funds received before the revenue recognition criteria have been met are reported as deferred revenues. Expenditures are recorded when the fund liability is incurred, if measurable, except for interest on long-term debt, which is recognized when due. The City uses a 90 day period for revenue recognition to accurately report revenue in the period earned.

The City reports the following major governmental funds:

The *General Fund* is the City’s primary operating fund. It accounts for all financial resources of the City, except those required to be accounted for in another fund.

The *Community Safety Special Revenue Fund* accounts for community safety expenditures funded by a special tax.

The *RDA Low Income Housing Fund* accounts for redevelopment funds set aside for development and improvements of low and moderate income housing. Twenty percent of the property tax increment from the redevelopment area is set aside for these funds. Such funds can be utilized within and without the Redevelopment project area.

The *RDA Debt Service Fund* accounts for the accumulation of resources for the payment of principal and interest of long-term debt of the Redevelopment Agency.

The *RDA Capital Projects Fund* accounts for community improvements financed from bond proceeds. Liabilities will be paid from tax increment revenues.

Proprietary Fund Financial Statements

Proprietary fund types are accounted for using the “economic resources” measurement focus and accrual basis of accounting. This means that all assets and liabilities (whether current or non-current) associated with the activity are included on the balance sheet. Their reported fund equity presents total net assets. The operating statement of the proprietary funds presents increases (revenues) and decreases (expenses) in total net assets. Revenues are recognized when they are earned and expenses are recognized when the liability is incurred.

City of Desert Hot Springs
Notes to Financial Statements
Year Ended June 30, 2010

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

C) Basis of Accounting/Measurement Focus - Continued

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

The City's internal service funds are presented in the proprietary funds financial statements. Because the principal users of the internal services are the City's governmental activities, the financial statements of the internal service fund are consolidated into the governmental column when presented in the government-wide financial statements. To the extent possible, the cost of these services is reported in the appropriate functional activity (general government, public safety, public works, etc.).

Fiduciary Fund Financial Statements

Fiduciary Fund Financial Statements include a Statement of Net Assets. The fiduciary funds are used to report assets held in a trustee or agency capacity for others and therefore are not available to support City programs. Since these assets are being held for the benefit of a third party, these funds are not incorporated into the government-wide statements.

The City's only fiduciary funds are agency funds, which use the accrual basis of accounting to account for amounts held on behalf of other parties. The Agency funds are custodial in nature (assets equal liabilities) and therefore do not involve measurement of results of operations.

D) Budgetary Data

The City adopts an annual budget prepared on the modified accrual basis for all of its governmental funds. Under Section 31.22 of the Desert Hot Springs Municipal Code, the City Manager is required to prepare and submit to the City Council the annual budget of the City and administer it after adoption. The City Manager is authorized to transfer budgeted amounts between the accounts of any department; however, any revisions that alter the total appropriations of any department must be approved by the City Council. For each fund, total expenditures may not legally exceed total appropriations.

E) Investments

The City considers all highly liquid debt instruments with an original maturity of three months or less to be cash equivalents.

F) Claims and Judgments

The City records a liability for litigation, judgments, and claims when it is probable that an asset has been impaired or a liability has been incurred prior to year-end and the probable amount of loss (net of any insurance coverage) can be reasonably estimated.

City of Desert Hot Springs
Notes to Financial Statements
Year Ended June 30, 2010

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

G) Capital Assets and Depreciation

Capital assets, which include land, machinery and equipment (vehicles, computers, etc), buildings and improvements, and infrastructure assets (street systems, storm drains, sewer systems, etc.), are reported in the governmental activities column of the Government-wide Financial Statements. Capital assets are defined by the City as all land; buildings and improvements with an initial individual cost of more than \$10,000; vehicles, computers and equipment with an initial individual cost of more than \$5,000; and improvement and infrastructure assets with costs of more than \$100,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated or annexed capital assets are recorded at estimated market value at the date of donation or annexation.

The costs of normal maintenance and repair that do not add to the value of the asset or materially extend assets lives are not capitalized. Depreciation is recorded in the Government-wide Financial Statements on a straight-line basis over the useful life of the assets as follows:

Building and Improvements	30 years
Vehicles, Computers, and Equipment	3 to 10 years
Infrastructure Assets	20 years

H) Employee Leave Benefits

Permanent City employees earn from 12 to 21 days per year of annual leave depending upon their length of employment. Upon termination or retirement, permanent employees are entitled to receive compensation at their current base salary for all unused annual leave. To encourage attendance at work, the City allows employees to carry forward up to 750 hours of annual leave and twice per year the City pays out all hours above 550 hours of annual leave. The City's accrued balance of annual leave at June 30, 2010, is recorded as "Compensated Absences" and is included in the Long-term Liability sections of the City's Statement of Net Assets.

I) Long-Term Obligations

In the government-wide financial statements, long-term debt and other obligations are reported as liabilities in the statement of net assets. Bonds payable are reported net of the applicable bond premium or discount. In the fund financial statements, governmental funds recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

J) Use of Restricted Resources

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, and then unrestricted resources as they are needed. Restricted resources are defined as resources received from outside agencies dedicated for specific projects or purposes (grants for example).

**City of Desert Hot Springs
Notes to Financial Statements
Year Ended June 30, 2010**

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

K) Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that effect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates. The most significant of these estimates include the estimate of historical cost of the City’s capital assets.

2) CASH AND INVESTMENTS

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

Governmental Funds:	
Cash and Investments	\$ 23,042,044
Restricted Cash and Investments	12,318,946
Internal Service Funds:	
Cash and Investments	912,174
Agency Funds:	
Cash and Investments	678,629
Restricted Cash and Investments	514,866
	<hr/>
Total Cash and Investments	<u>\$ 37,466,659</u>

Cash and Investments consist of the following:

Cash Deposits with Financial Institutions	\$ 936,028
Petty Cash	4,000
Pooled Investments - LAIF	18,692,819
U.S. Agency Securities	5,000,000
Held by Fiscal Agent:	
Mutual Funds	231,653
Money Market	2,963,080
Certificates of Deposit	7,212,763
LAIF	2,074,880
Municipal Bonds	351,436
	<hr/>
Total Cash and Investments	<u>\$ 37,466,659</u>

Investments Authorized by the City’s Investment Policy

The table below identifies the investment types that are authorized for the City by the California Government Code (or the City’s investment policy, where more restrictive). The City’s investment policy does not contain any specific provisions intended to limit the City’s exposure to interest rate risk, credit risk, and concentration of credit risk.

**City of Desert Hot Springs
Notes to Financial Statements
Year Ended June 30, 2010**

2) CASH AND INVESTMENTS - Continued

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment In One Issuer</u>
U.S. Treasury Obligations	5 years	None	None
U.S. Agency Securities	5 years	None	None
Banker's Acceptance	180 days	40%	30%
Negotiable Certificates of Deposit	5 years	30%	None
Repurchase Agreements	1 year	None	None
Money Market Mutual Funds	N/A	20%	10%
Local Agency Investment Fund (LAIF)	N/A	None	None

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 provision of the California Government Code or the City's investment policy. Authorized investments held by bond trustee are the same as those authorized by the City's investment policy identified above.

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, the greater the sensitivity of its fair value to changes in market interest rate. The City had the following investments:

<u>Investment Type</u>	<u>Maturity Date</u>	
Pooled Investments:		
State Investment Pool (LAIF)	\$ 18,692,819	N/A
U.S. Agency Securities:		
Federal Home Loan Banks	2,000,000	2013
Federal Home Loan Banks	1,000,000	2014
Federal Farm CR BKS Global	1,000,000	2014
Federal National MTG Association	1,000,000	2014
Held by Bond Trustee:		
Mutual Funds	231,653	N/A
Money Market	2,963,080	N/A
Certificates of Deposit	756,880	Less than one year
Certificates of Deposit	831,921	2012
Certificates of Deposit	861,900	2013
Certificates of Deposit	4,762,062	2014
LAIF	2,074,880	N/A
Municipal Bonds	351,436	2023
Total Investments	<u>\$ 36,526,631</u>	

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 rating by a nationally recognized statistical rating organization. All of the investments noted above are unrated with the exception of the U.S. Agency Securities, Mutual Funds, Money Market and the Municipal Bonds. The above rated investments are all rated at AAA, with the exception of the Municipal Bonds which are rated at A.

City of Desert Hot Springs
Notes to Financial Statements
Year Ended June 30, 2010

2) CASH AND INVESTMENTS - Continued

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. There are no investments in any one issuer that represent five percent or more of total investments other than LAIF, Mutual Funds and U.S. Treasury Securities which are exempted.

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 California Government Code and the City's investment policy do not contain legal policy requirements that would limit the exposure to custodial credit risk for deposits, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental 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 percent of the total amount deposited by the public agencies. California law also allows financial institution to secure the City's deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits.

At June 30, 2010, the balances held per bank were \$2,019,568 of which \$1,769,568 was in excess of federal depository insurance limits and held in accounts collateralized by pledging financial institution, but not in the City's name, as discussed above.

The custodial credit risk for investments is the risk that, in the event of the failure of 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 investments. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools (such as LAIF).

Investment in State Investment Pool

The City is a voluntary participant in the LAIF that is regulated by the California Government Code under the oversight of the Treasurer of the State of California. The fair value of the City's investment in this pool is reported in the accompanying financial statements at amounts based upon the City's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. LAIF is a governmental investment pool managed and directed by the California State Treasurer and is not registered with the Securities and Exchange Commission. An oversight committee comprised of California State officials and various participants provide oversight to the management of the fund. The daily operations and responsibilities of LAIF fall under the auspices of the State Treasurer's office. The City is a voluntary participant in the investment pool.

**City of Desert Hot Springs
Notes to Financial Statements
Year Ended June 30, 2010**

3) SPECIAL ASSESSMENT AND NOTES RECEIVABLE

Special Assessment Receivable

During fiscal year ended June 30, 1987, the Capital Projects Fund of the Redevelopment Agency of the City of Desert Hot Springs financed construction of certain public improvements pursuant to the Municipal Act of 1913 and provisions of the Streets and Highway Code of the State of California. At June 30, 2010, the Agency had a receivable for unpaid assessments from the property owners benefited in the amount of \$10,767. The receivables bear interest at a rate not exceeding 12 percent and will be recognized as income when collected. No amounts were repaid during fiscal year ending June 30, 2010.

Notes Receivable

The Redevelopment Agency of the City of Desert Hot Springs operates a housing rehabilitation loan program, which provides loans to borrowers who meet certain qualifications for the purpose of rehabilitating their homes. The loans are secured by a deed of trust and are normally repaid when the home changes ownership. Since the loans are not currently available resources they are offset with deferred revenue in the fund financial statements. The balance of the loans receivable outstanding at June 30, 2010, was \$2,718,098.

On October 6, 2009 the Redevelopment Agency of the City of Desert Hot Springs entered into an Owner Participation and Loan Agreement for \$750,000 with a developer to provide sixty low to moderate income housing units. The term of the loan is fifty-five years and is offset by deferred revenue in the fund financial statements, and an allowance for doubtful accounts in the entity-wide financial statements.

Coachella Valley Housing Coalition

The Redevelopment Agency of the City of Desert Hot Springs has contracted with the Coachella Valley Housing Coalition (CVHC) to use funds from the loan agreement with California Housing Finance Authority to purchase property that will be used to develop low income housing. To date, the Agency has disbursed \$737,267 (less repayments of \$0 to the CVHC). The Agency is the lead agency for these agreements and has fiduciary/reporting responsibilities. The receivable balance owed to the Agency is \$737,267 as of June 30, 2010.

4) INTERFUND TRANSACTIONS

Interfund balances at June 30, 2010, are as follows:

Due To	Due From Non-Major Funds
General Fund	\$ 275,274

These balances resulted from one fund advancing money to another fund to cover operating costs. These balances are expected to be repaid during the 2010-11 fiscal year.

**City of Desert Hot Springs
Notes to Financial Statements
Year Ended June 30, 2010**

4) INTERFUND TRANSACTIONS - Continued

Interfund Advances at June 30, 2010 are as follows:

Advance From	Advance To	Amount
RDA Low Income Housing Fund	RDA Debt Service Fund	\$ 3,442,921

This intragovernmental balance was the result of interfund borrowings to cover the SERAF payment.

With Council approval, resources may be transferred from one City fund to another. Transfers are used to move revenue from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them. Interfund transfers for the year ended June 30, 2010, consisted of the following:

		TRANSFERS FROM					
		General Fund	RDA Low Income Housing Fund	RDA Debt Service Fund	RDA Capital Projects Fund	Non-Major Funds	Total
TRANSFERS TO	General Fund	\$	\$	\$	\$	\$ 1,054,036	\$ 1,054,036
	Community Safety Special Revenue Fund		261,087		288,410	703,000	1,252,497
	RDA Debt Service Fund		479,288		7,508,053		7,987,341
	RDA Capital Projects Fund			1,800,000			1,800,000
	Non-major Funds	702,227			29,980		732,207
	Proprietary Fund	655,724					655,724
	Total	\$ 1,357,951	\$ 740,375	\$ 1,800,000	\$ 7,826,443	\$ 1,757,036	\$13,481,805

Transfers from the General Fund to the Proprietary Fund were for the purposes of insurance expenditures. Transfers made from the Low Income Housing Fund to the Debt Service Fund were for the Low Income Housing Fund's portion of debt payments. Transfers made between the Debt Service Fund and Capital Projects Fund is a result of capital project and investment activity. Transfers from the General Fund to the Non-Major Funds were for operation costs for the fiscal year and were approved as a part of the budget process and there were certain matching requirements for grant funds.

City of Desert Hot Springs
Notes to Financial Statements
Year Ended June 30, 2010

5) CAPITAL ASSETS

In accordance with GASB Statement No. 34, the City has reported all capital assets including infrastructure in the Government-wide Statement of Net Assets (except the retroactive reporting of infrastructure as discussed in Note 1). The City elected to use the basic approach as defined by GASB Statement No. 34 for all infrastructure reporting, whereby depreciation expense and accumulated depreciation have been recorded.

The following table presents the capital assets and depreciation activity for the year ended June 30, 2010:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital Assets, Not Depreciated:				
Land	\$ 1,241,278	\$	\$	\$ 1,241,278
Construction in Progress	<u>10,880,801</u>	<u>6,048,694</u>	<u>(8,810,152)</u>	<u>8,119,343</u>
Total Capital Assets Not Depreciated	<u>12,122,079</u>	<u>6,048,694</u>	<u>(8,810,152)</u>	<u>9,360,621</u>
Capital Assets, Being Depreciated:				
Buildings and Improvements	6,962,585	3,306,946	(193,656)	10,075,875
Machinery and Equipment	5,869,353	1,636,085		7,505,438
Vehicles	1,501,105			1,501,105
Infrastructure	<u>14,022,789</u>	<u>10,860,662</u>	<u>(172,536)</u>	<u>24,710,915</u>
Total Capital Assets Being Depreciated	<u>28,355,832</u>	<u>15,803,693</u>	<u>(366,192)</u>	<u>43,793,333</u>
Less Accumulated Depreciation:				
Buildings and Improvements	(2,544,253)	(212,622)	30,972	(2,725,903)
Machinery and Equipment	(1,372,970)	(685,563)		(2,058,533)
Vehicles	(1,208,177)	(171,483)		(1,379,660)
Infrastructure	<u>(1,616,940)</u>	<u>(701,139)</u>	<u>46,005</u>	<u>(2,272,074)</u>
Total Accumulated Depreciation	<u>(6,742,340)</u>	<u>(1,770,807)</u>	<u>76,977</u>	<u>(8,436,170)</u>
Total Capital Assets Being Depreciated, Net	<u>21,613,492</u>	<u>14,032,886</u>	<u>(289,215)</u>	<u>35,357,163</u>
Governmental Activities Capital Assets, Net	<u>\$ 33,735,571</u>	<u>\$ 20,081,580</u>	<u>\$ (9,099,367)</u>	<u>\$ 44,717,784</u>

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

General Government	\$ 893,168
Public Safety	355,702
Public Works	132,045
Economic Development	<u>389,892</u>
Total Depreciation Expense	<u>\$ 1,770,807</u>

**City of Desert Hot Springs
Notes to Financial Statements
Year Ended June 30, 2010**

6) LONG-TERM LIABILITIES

The following is a summary of changes in long-term liabilities for the year ended June 30, 2010:

	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
Governmental Activities:					
Long-term Bonds and Leases:					
<u>City of Desert Hot Springs</u>					
Certificates of Participation	\$ 2,510,000	\$	\$ (140,000)	\$ 2,370,000	\$ 145,000
Deferred Issuance Discount	(27,234)		4,770	(22,464)	
Judgment Obligation Bonds	9,725,000			9,725,000	
Deferred Issuance Discount	(161,517)		6,101	(155,416)	
<u>Desert Hot Springs Redevelopment Agency</u>					
2006 Tax Allocation Refunding Bonds	6,380,000		(490,000)	5,890,000	500,000
Premium on Bonds	22,077		(1,815)	20,262	
2008 Tax Allocation Bonds A-1	19,965,000		(795,000)	19,170,000	850,000
Deferred Issuance Discount	(865,966)		30,120	(835,846)	
2008 Tax Allocation Bonds A-2	15,870,000			15,870,000	
Deferred Issuance Discount	(203,800)		7,089	(196,711)	
2009 Tax Allocation Bonds		5,635,000		5,635,000	35,000
Premium on Bonds		72,176	(2,406)	69,770	
California HFA Loan	1,220,000		(489,733)	730,267	
	<u>54,433,560</u>	<u>5,707,176</u>	<u>(1,870,874)</u>	<u>58,269,862</u>	<u>1,530,000</u>
Other Long-term Liabilities:					
<u>City of Desert Hot Springs</u>					
Compensated Absences	661,474	887,331	(1,226,752)	322,053	
Pension-Related Debt	2,698,487	-	(26,781)	2,671,706	36,524
	<u>\$ 57,793,521</u>	<u>\$ 6,594,507</u>	<u>\$ (3,124,407)</u>	<u>\$ 61,263,621</u>	<u>\$ 1,566,524</u>

A) Certificates of Participation

On October 14, 2004, the City issued \$3,060,000 of Certificates of Participation to provide additional proceeds for the payment of claims to be satisfied under the Plan as defined above. Total claims to be satisfied under the City's Plan in the Chapter 9 Case are approximately \$11.5 million. The Certificates mature through March 1, 2023 and bear interest, payable semi-annually, at rates ranging from 3.00 percent to 5.75 percent. The Certificates are subject to prepayment at any time prior to maturity. The Certificates are payable from lease payments made by the City to the City of Desert Hot Springs Financing Corporation whereby the City pays lease payments equal to the amount of principal and interest due for the repayment of the Certificates.

**City of Desert Hot Springs
Notes to Financial Statements
Year Ended June 30, 2010**

6) LONG-TERM LIABILITIES

A) Certificates of Participation - Continued

The debt service maturity schedule for the Certificates of Participation is as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2011	\$ 145,000	\$ 120,300	\$ 265,300
2012	150,000	114,138	264,138
2013	160,000	107,387	267,387
2014	165,000	99,788	264,788
2015	175,000	91,950	266,950
2016-2020	1,000,000	319,476	1,319,476
2021-2023	575,000	55,552	630,552
Total	<u>\$ 2,370,000</u>	<u>\$ 908,591</u>	<u>\$ 3,278,591</u>

B) Judgment Obligation Bonds

On October 14, 2004, the City issued \$9,725,000 of Judgment Obligation Bonds to provide payment for the City's obligation to the Judgment Obligees evidenced by the Silver Sage Judgment and the Settlement Agreement as approved in the Confirmation Order. Because the City could not previously satisfy its obligation to the Judgment Obligees and certain order creditors, in December 2001, the City initiated a case under Chapter 9 of the United States Bankruptcy Code (the Chapter 9 Case) by filing a voluntary petition with the United States Bankruptcy Court of the Central District of California, Riverside Division. These Bonds were issued in connection with and in satisfaction of the City's Third Amended Plan for the Adjustment of Debt (the Plan), dated and filed in the Chapter 9 Case on April 28, 2004. In accordance with the plan, the city is required to consummate a bond or private financing transaction that will produce a minimum of \$8.5 million in unrestricted net proceeds available to the city for use in the payment of claims through the Plan and in satisfaction of ongoing obligations (the Exit Financing). The Bonds, and additional financing described below, and certain payments by the City to creditors in the Chapter 9 Case will constitute the City's Exit Financing and the finalization of the pending Chapter 9 Case.

The bonds mature through May 1, 2044 and bear interest, payable semi-annually, at rates ranging from 4.75 percent to 5.08 percent. The bonds maturing on or before March 1, 2014 are not subject to redemption prior to their stated maturity date. The bonds maturing on and after March 1, 2015 shall be subject to optional redemption, in whole or in part, on any Interest Payment Date on or after March 1, 2014, from any source of available funds, at the principal amount thereof, plus accrued interest thereon to the date of redemptions, without premium. The outstanding balance as of June 30, 2010, was \$9,725,000.

**City of Desert Hot Springs
Notes to Financial Statements
Year Ended June 30, 2010**

6) LONG-TERM LIABILITIES - Continued

B) Judgment Obligation Bonds - Continued

The debt service maturity schedule for the Judgment Obligation Bonds is as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2011	\$ -	\$ 476,250	\$ 476,250
2012	-	476,250	476,250
2013	-	476,250	476,250
2014	-	476,250	476,250
2015	-	476,250	476,250
2016-2020	-	2,381,250	2,381,250
2021-2025	725,000	2,352,513	3,077,513
2026-2030	1,650,000	2,059,438	3,709,438
2031-2035	2,080,000	1,628,613	3,708,613
2036-2040	2,640,000	1,066,250	3,706,250
2041-2044	2,630,000	336,750	2,966,750
Total	<u>\$ 9,725,000</u>	<u>\$ 12,206,064</u>	<u>\$ 21,931,064</u>

C) 2006 Tax Allocation Refunding Bonds

In August of 2006, the Redevelopment Agency of the City of Desert Hot Springs issued \$7,025,000 in Merged Redevelopment Project Tax Allocation Refunding Bonds, with interest payments of 3.50% to 4.25% payable semi-annually on September 1 and March 1 of each year to refund \$7,085,000 of outstanding Redevelopment Project No. 1, 1993 Tax Allocation Parity Bonds, Series A and B, and \$1,050,000 Redevelopment Project No. 2, 1993 Tax Allocation Bonds, Series A with interest rates ranging from 3.75% to 6.60%. As a result, the 1993 Series bonds are considered to be defeased and the liability for those bonds has been removed from the City's books.

At June 30, 2010, the amount in the Bond Reserve Fund was sufficient to cover the minimum bond reserve requirement. Annual debt service requirements to maturity are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2011	\$ 500,000	\$ 225,319	\$ 725,319
2012	520,000	204,920	724,920
2013	535,000	184,487	719,487
2014	550,000	163,456	713,456
2015	570,000	141,056	711,056
2016-2020	3,125,000	343,166	3,468,166
2019-2022	90,000	2,338	92,338
Total	<u>\$ 5,890,000</u>	<u>\$ 1,264,742</u>	<u>\$ 7,154,742</u>

**City of Desert Hot Springs
Notes to Financial Statements
Year Ended June 30, 2010**

6) LONG-TERM LIABILITIES - Continued

D) 2008 Tax Allocation Bonds

In April of 2008, the Redevelopment Agency of the City of Desert Hot Springs issued \$19,965,000 in Merged Redevelopment Project Tax Allocation Series A-1 (Taxable) and \$15,870,000 in Merged Redevelopment Project Tax Allocation Series A-2 (Non-Taxable) Bonds. The Series A-1 Bonds pay 7.00% to 7.50% interest semi-annually on September 1 and March 1 to maturity in 2024. The Series A-2 Bonds pay 5.00% to 5.75% interest semi-annually on September 1 and March 1 to maturity in 2039. The Bonds were issued to finance activities within the project area.

The debt service maturity schedule for the 2008 A-1 Tax Allocation Bonds is as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2011	\$ 850,000	\$ 1,312,150	\$ 2,162,150
2012	910,000	1,250,550	2,160,550
2013	975,000	1,184,575	2,159,575
2014	1,040,000	1,114,050	2,154,050
2015	1,115,000	1,038,625	2,153,625
2016	1,190,000	957,950	2,147,950
2017	1,275,000	871,675	2,146,675
2018	1,365,000	779,275	2,144,275
2019	1,460,000	680,400	2,140,400
2020	1,565,000	574,525	2,139,525
2021	1,670,000	461,300	2,131,300
2022	1,790,000	340,200	2,130,200
2023	1,915,000	210,525	2,125,525
2024	2,050,000	71,750	2,121,750
Total	<u>\$ 19,170,000</u>	<u>\$ 10,847,550</u>	<u>\$ 30,017,550</u>

**City of Desert Hot Springs
Notes to Financial Statements
Year Ended June 30, 2010**

6) LONG-TERM LIABILITIES - Continued

D) 2008 Tax Allocation Bonds - Continued

The debt service maturity schedule for the 2008 A-2 Tax Allocation Bonds is as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2011	\$ -	\$ 865,773	\$ 865,773
2012	-	865,772	865,772
2013	-	865,773	865,773
2014	-	865,772	865,772
2015	-	865,773	865,773
2016	-	865,772	865,772
2017	-	865,773	865,773
2018	-	865,772	865,772
2019	-	865,773	865,773
2020	-	865,772	865,772
2021	545,000	852,148	1,397,148
2022	650,000	822,272	1,472,272
2023	690,000	788,773	1,478,773
2024	725,000	753,397	1,478,397
2025	760,000	715,322	1,475,322
2026	800,000	674,373	1,474,373
2027	845,000	631,191	1,476,191
2028	885,000	585,779	1,470,779
2029	935,000	538,004	1,473,004
2030	985,000	485,479	1,470,479
2031	1,040,000	427,950	1,467,950
2032	1,100,000	367,153	1,467,153
2033	1,160,000	302,946	1,462,946
2034	795,000	247,400	1,042,400
2035	840,000	200,938	1,040,938
2036	715,000	156,745	871,745
2037	755,000	114,966	869,966
2038	800,000	70,770	870,770
2039	845,000	24,016	869,016
Total	\$ 15,870,000	\$ 17,417,347	\$ 33,287,347

City of Desert Hot Springs
Notes to Financial Statements
Year Ended June 30, 2010

6) LONG-TERM LIABILITIES - Continued

E) 2009 Tax Allocation Bonds

In July of 2009, the Redevelopment Agency of the City of Desert Hot Springs issued \$5,635,000 in Merged Redevelopment Project Tax Allocation Bonds. The Bonds pay 6.00% to 7.375% interest semi-annually on September 1 and March 1 to maturity in 2040. The Bonds were issued to finance activities within the project area.

The debt service maturity schedule for the 2010 Tax Allocation Bonds is as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2011	\$ 35,000	\$ 408,746	\$ 443,746
2012	100,000	375,474	475,474
2013	105,000	371,624	476,624
2014	105,000	367,293	472,293
2015	110,000	362,531	472,531
2016	115,000	357,270	472,270
2017	120,000	351,419	471,419
2018	130,000	344,789	474,789
2019	135,000	337,499	472,499
2020	145,000	329,550	474,550
2021	150,000	320,881	470,881
2022	160,000	311,581	471,581
2023	170,000	301,681	471,681
2024	180,000	291,181	471,181
2025	190,000	278,775	468,775
2026	205,000	264,209	469,209
2027	220,000	248,538	468,538
2028	235,000	231,759	466,759
2029	255,000	213,691	468,691
2030	275,000	194,147	469,147
2031	295,000	173,128	468,128
2032	315,000	150,634	465,634
2033	340,000	126,481	466,481
2034	215,000	106,016	321,016
2035	230,000	89,606	319,606
2036	250,000	71,906	321,906
2037	190,000	55,681	245,681
2038	205,000	41,116	246,116
2039	220,000	25,444	245,444
2040	235,000	8,666	243,666
Total	\$ 5,635,000	\$ 7,111,316	\$ 12,746,316

**City of Desert Hot Springs
Notes to Financial Statements
Year Ended June 30, 2010**

6) LONG-TERM LIABILITIES – Continued

F) California HFA Loan

The Redevelopment Agency of the City of Desert Hot Springs participates in a revolving loan program with the California Housing Finance Agency (HFA). The loan program allows for the Agency to borrow up to \$1,220,000. These funds are to be used to purchase property that will be used to develop low income housing. As of June 30, 2010, the Agency has drawn \$730,267.

G) Compensated Absences

The City had accrued compensated absences of \$322,053 as of June 30, 2010. The General Fund is expected to incur the majority of expenditures required to liquidate this balance.

H) Pension-Related Debt

As of June 30, 2003, CalPERS implemented risk pooling for the City’s multiple-employer public employee defined benefit pension plan. At that point, in accordance with generally accepted accounting principles, the City’s Miscellaneous and Safety Plans converted from an “agent” multiple-employer plan to a “cost-sharing” multiple-employer plan. Although a portion of the City’s annual required contributions are actuarially determined and shared by all employers of the risk pool, the City is also required to make annual payments on a “Side Fund” which was created when the City entered the risk pool. The responsibility for funding the Side Fund is specific to the City and is not shared by all employers in the plan. Therefore, the Side Fund falls under the definition of pension-related debt, as described in GASB Statement No. 27. The annual payments on the Side Fund represent principal and interest payments on the pension-related debt. Principal and interest are included in the retirement expenditures in the various functions.

The future debt service requirements for the Safety Plan Side Fund are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2011	\$ 12,855	\$ 148,242	\$ 161,097
2012	19,286	147,047	166,333
2013	26,392	145,346	171,738
2014	34,231	143,089	177,320
2015	42,866	140,217	183,083
2016	52,365	136,668	189,033
2017	62,801	132,376	195,177
2018	74,252	127,268	201,520
2019	86,805	121,265	208,070
2020	100,552	114,280	214,832
2021	115,592	106,222	221,814
2022	132,034	96,989	229,023
2023	149,993	86,474	236,467
2024	169,594	74,557	244,151
2025	190,975	61,112	252,087
2026	214,279	46,000	260,279
2027	239,667	29,071	268,738
2028	267,309	10,164	277,473
Total	\$ 1,991,848	\$ 1,866,387	\$ 3,858,235

**City of Desert Hot Springs
Notes to Financial Statements
Year Ended June 30, 2010**

6) LONG-TERM LIABILITIES – Continued

I) Pension-Related Debt - Continued

The future debt service requirements for the Miscellaneous Plan Side Fund are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2011	\$ 23,669	\$ 49,892	\$ 73,561
2012	27,985	47,966	75,951
2013	32,716	45,704	78,420
2014	37,897	43,071	80,968
2015	43,566	40,034	83,600
2016	49,763	36,555	86,318
2017	56,531	32,591	89,122
2018	63,919	28,100	92,019
2019	71,977	23,033	95,010
2020	80,760	17,337	98,097
2021	90,329	10,957	101,286
2022	100,746	3,831	104,577
Total	\$ 679,858	\$ 379,071	\$ 1,058,929

7) PROPERTY TAXES/SPECIAL PARCEL TAXES

Riverside County assesses, bills, collects, and distributes property taxes/special parcel tax and any related interest and penalties to the City. Under California law, property taxes are assessed and collected by the counties to one percent of assessed value, plus other increases approved by the voters. Accordingly, the City of Desert Hot Springs accrues only those taxes, which are received from the County within sixty days after the year-end in the governmental funds statements.

Lien Date	January 1 st
Levy Date	July 1 st
Due Date	November 1 st
	February 1 st
Delinquent Date	December 10 th
	April 10 th

8) RISK MANAGEMENT

The City of Desert Hot Springs manages its risk using several different types of insurance for liability, workers' compensation, property, and earthquake coverage. Each type of insurance is described below, summarizing the coverage maintained by the City of Desert Hot Springs.

A) Workers' Compensation Coverage

The City of Desert Hot Springs is self-insured for the first \$250,000 of each accident. For coverage above \$250,000, the City participates in the Public Entity Risk Management Authority (PERMA). PERMA provides coverage for costs incurred above \$250,000 up to \$500,000 through a risk sharing pool, and costs are shared between seventeen participating members within this pool based upon deposit premium contributions. For costs above \$500,000, PERMA participates in the Local Agency Workers' Compensation Excess Joint Powers Authority (LAWCX) for excess coverage up to the coverage limits of \$200 million per accident for workers' compensation and \$5 million each accident for employers' liability. The City uses a third party claims administrator to process all claims.

**City of Desert Hot Springs
Notes to Financial Statements
Year Ended June 30, 2010**

8) RISK MANAGEMENT - Continued

B) General Liability

The City of Desert Hot Springs is self-insured for the first \$10,000 of each occurrence. For coverage above \$10,000, the City Participates in PERMA. PERMA provides coverage for costs incurred above \$10,000 up to \$1 million through risk sharing pools. Costs are shared between participating members within each pool based upon premium contributions. For costs exceeding \$1 million, PERMA participated in the California Joint Powers Risk Management Authority (CJPRMA) for excess coverage up to the coverage limit of \$40 million. The City uses PERMA to process all claims.

C) Employment Practices Liability Coverage

The City of Desert Hot Springs is self-insured for the first \$25,000 of each occurrence. As a member of PERMA, the City participated in the Employment Risk Management Authority (ERMA) for EPL coverage. ERMA's limit of coverage is \$1 million; however as PERMA is a member of CJPRMA, the City can layer the EPL coverage provided by the CJPRMA pool of \$6 million with ERMA, to bring the total in limits for EPL coverage to \$7 million through a combination of risk sharing pools and reinsurance.

D) Property Insurance

The City of Desert Hot Springs is self insured for the first \$5,000 per occurrence except as follows: \$25,000 for flood, \$25,000 for earthquake sprinkler leakage; \$2,500 electronic data processing; 24 hour service interruption. As a member of PERMA the City's coverage is provided at replacement cost with a limit of \$10 million per occurrence (\$2.5 million for flood).

E) Adequacy of Protection

During the past three fiscal (policy) years, none of the above programs of protection have had settlements or judgments that pooled or insured coverage. There have been no significant reductions in pooled or insured coverage from the prior year.

Complete financial statements may be obtained from the Public Entity Risk Management Authority at 77-670 Springfield Lane, Suite 1A, Palm Desert, CA 92211.

F) Claims Liability

Claims expenditures and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. At June 30, 2010, the amount of these liabilities was \$800,911. This liability is the City's best estimate based on available information. Changes in the balances of claims liabilities during the past two years are as follows:

	Year Ended June 30, 2010	Year Ended June 30, 2009
Claims payable, beginning of fiscal year	\$ 768,783	\$ 805,911
Current year claims and changes in estimates	32,128	(37,128)
Claims payments	-	-
Claims payable, end of fiscal year	<u>\$ 800,911</u>	<u>\$ 768,783</u>

**City of Desert Hot Springs
Notes to Financial Statements
Year Ended June 30, 2010**

9) PUBLIC EMPLOYEES RETIREMENT SYSTEM (PERS)

Plan Description

The City of Desert Hot Springs' defined pension plans, the Miscellaneous Plan and the Safety Plan, provide retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The Miscellaneous Plan and the Safety Plan are a part of the Public Agency portion of the California Public Employees Retirement System (CalPERS), a cost-sharing multiple-employer plan administered by CalPERS, which acts as a common investment and administrative agent for participating public employers within the State of California. A menu of benefit provisions as well as other requirements is established by State statutes within the Public Employees' Retirement Law. The City of Desert Hot Springs selects optional benefit provisions from the benefit menu by contract with CalPERS and adopts those benefits through local ordinance or resolution. CalPERS issue a separate comprehensive annual financial report. Copies of the CalPERS's annual financial report may be obtained from the CalPERS executive Office-400 P Street-Sacramento, California, 95814.

Funding Policy

Active plan members in the Miscellaneous Plan and the Safety Plan are required to contribute between 7 percent and 9 percent of their annual covered salary; however, the City pays both the employee's and employer's share for both plans. The City of Desert Hot Springs' labor contracts requires the City to pay all Miscellaneous Employee Plan PERS contributions and Safety Plan contributions that are required for the actuarially determined amount necessary to fund the benefits for its members. The actuarial methods and assumptions used are those adopted by the CalPERS Board of Administration. The required employer contribution rate for Fiscal Year 2009-2010 was 14.932 percent for Miscellaneous employees and 30.082 percent for Safety employees. The contribution requirements of the plan members are established by State statute and the employer contribution rate is established and may be amended by CalPERS.

The following represents the required contributions for the past three fiscal years:

<u>Fiscal Year</u>	<u>Required Contributions</u>	<u>Percent Contributed</u>
6/30/08	\$ 1,067,207	100%
6/30/09	\$ 961,332	100%
6/30/10	\$ 950,038	100%

10) DEFINED CONTRIBUTION PLAN

The City has a money purchase defined contribution plan for all eligible employees. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. ICMA Retirement Corporation serves as the plan administrator and plan amendments must be authorized by the City Council. Eligibility begins for full-time employees with 6 months or more service. Employees earn a vesting in the benefits at a rate of 10 percent to 20 percent per year with 100 percent vesting after 7 years service. The City contributed 12 percent of annual wages for all covered employees for the year ended June 30, 2010. For the 2009-2010 fiscal year actual contributions were \$261,154 and the plan net assets available were \$1,323,954, all of which was vested.

City of Desert Hot Springs
Notes to Financial Statements
Year Ended June 30, 2010

11) NON-OBLIGATION DEBT

The Desert Hot Springs Public Financing Authority issued the “Health Care Refund and Improvement Certificates of Participation” (the Certificates) for the Heritage Hospital Project on August 15, 1998. The Certificates were issued in two series: Series A was issued for \$13,900,000 and were tax exempt and Series B was issued for \$8,430,000 and was taxable. The Certificates do not constitute a debt or liability of the State of California, the City, or any political subdivision thereof within the meaning of any constitutional or statutory debt limitation. As of June 30, 2009, the Certificates were in default and have been transferred to the Bank of New York as the successor indenture trustee. The outstanding balance of the Certificates at June 30, 2010, was \$6,032,769.

The City of Desert Hot Springs Community Facilities District No 2006-1(the “District”) issued Improvement Area 1 Special Tax Bonds, Series 2008A on October 16, 2008 in the amount of \$2,600,000. The bond proceeds in conjunction with Special Tax collections will be used to finance certain public facilities and fees within the City of Desert Hot Springs necessary for the development of property within Improvement Area 1 of the District. The bonds do not constitute a debt or liability of the City. The outstanding balance at June 30, 2010, was \$2,025,000.

12) ASSESSMENT DISTRICTS

In November 1992, the City issued \$975,062 of municipal limited improvement bonds (Assessment District 92-1) to provide financing for the acquisition of street, sewer, and water drainage utilities for the proposed residential subdivision known as Arroyo Vista. The bonds are subject to optional redemption prior to maturity at par plus accrued interest and a premium of 3 percent. The outstanding balance at June 30, 2010, is \$305,000.

In October 1993, the City issued \$765,320 of municipal limited improvement bonds (Assessment District 93-2) for the acquisition of street, sewer, water, drainage and utilities within, or adjacent to, the proposed Arroyo Vista development. The bonds are subject to optional redemption prior to maturity at par plus accrued interest and a premium of 3 percent. The outstanding balance at June 30, 2010, is \$235,000.

In May 1994, the City issued \$441,044 of municipal limited improvement bonds (Assessment District 91-1) for the acquisition and construction of certain street improvements for Two Bunch Palms Trail. The bonds are subject to optional redemption prior to maturity at par plus accrued interest and a premium of 3 percent. The outstanding balance at June 30, 2010, is \$100,000.

The City is acting only in an agent capacity for collection of principal and interest payments by the property owners and remittance of such monies to the bondholders. The City has no obligation or duty to pay any delinquency from any available funds of the City. For the above noted Assessment Districts, neither the full faith and credit nor the taxing power of the City, the County, the State of California or any political subdivision is pledged to the payment of the aforementioned bonds.

13) NEW PRONOUNCEMENTS

The provisions of Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, will be required to be adopted and implemented by the City for the fiscal year 2010-2011.

**City of Desert Hot Springs
Notes to Financial Statements
Year Ended June 30, 2010**

14) PROPOSITION 1A BORROWING BY THE STATE OF CALIFORNIA

Under the provisions of Proposition 1A and as part of the 2009-10 budget package passed by the California State Legislature on July 28, 2009, the State of California borrowed 8% of the amount of property tax revenue, including those property taxes associated with the in-lieu motor vehicle license fee, the triple flip in-lieu sales tax, and the supplemental property tax, apportioned to cities, counties and special districts (excluding redevelopment agencies). The State is required to repay this borrowing plus interest by June 30, 2013. After repayment of this initial borrowing, the California legislature may consider only one additional borrowing within a ten-year period. The amount of this borrowing pertaining to the City was \$162,287.

Authorized with the 2009-10 State budget package, the Proposition 1A Securitization Program was instituted by the California Statewide Communities Development Authority (“California Communities”), a joint powers authority sponsored by the California State Association of Counties and the League of California Cities, to enable local governments to sell their Proposition 1A receivables to California Communities. Under the Securitization Program, California Communities simultaneously purchased the Proposition 1A receivables and issued bonds (“Prop 1A Bonds”) to provide local agencies with cash proceeds in two equal installments, on January 15, 2010 and May 3, 2010. The purchase price paid to the local agencies equaled 100% of the amount of the property tax reduction. All transaction costs of issuance and interest were paid by the State of California. Participating local agencies have no obligation on the bonds and no credit exposure to the State. The City participated in the securitization program and accordingly property taxes have been recorded in the same manner as if the State had not exercised its right under Proposition 1A. The receivable sale proceeds were equal to the book value and, as a result, no gain or loss was recorded.

15) COMMITMENTS AND CONTINGENCIES

The City is involved in various litigations which, in the opinion of management and legal counsel, the disposition of such will not have a material effect on the City’s financial statements.

The City participates in several federal and state programs. These programs are subject to examination by the grantors and the amount, if any, of expenditures, which may be disallowed by the granting agencies, cannot be determined at this time. The City expects such amounts, if any, to be immaterial. The City is not aware, nor has it been contacted, by granting agencies of any such audit.

16) OTHER FUND DISCLOSURES

The following funds ended the 2009-2010 fiscal year with deficit fund balances in the following amounts:

Non-Major Governmental Funds	
Special Revenue Funds:	
Traffic Safety	\$ 16,041
Quimby Act	48,010
County Service Area	5,215

These deficit balances are expected to be reimbursed with future revenues and/or transfers from other funds.

17) SUBSEQUENT EVENTS

On July 26, 2010 the City authorized the issuance of Special Tax Refunding Bonds, Series 2010 for the principal amount of the City of Desert Hot Springs Community Facilities District No. 2006-1 Improvement Area 1 Bonds.

REQUIRED SUPPLEMENTARY INFORMATION

City of Desert Hot Springs
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - General Fund
Year Ended June 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
REVENUES				
Taxes	\$ 6,206,496	\$ 6,001,898	\$ 5,496,821	\$ (505,077)
Permits and Fees	1,086,072	1,120,690	670,250	(450,440)
Intergovernmental	45,000	53,760	78,069	24,309
Interest	200,004	200,000	55,235	(144,765)
Miscellaneous	38,400	278,040	160,128	(117,912)
Total Revenues	<u>7,575,972</u>	<u>7,654,388</u>	<u>6,460,503</u>	<u>(1,193,885)</u>
EXPENDITURES				
Current:				
General Government	1,800,828	2,503,945	1,207,633	1,296,312
Public Safety	3,627,180	3,627,180	3,370,871	256,309
Public Works	530,659	520,000	416,159	103,841
Economic Development	1,564,346	1,385,700	1,130,787	254,913
Culture and Leisure	231,999	215,875	205,758	10,117
Total Expenditures	<u>7,755,012</u>	<u>8,252,700</u>	<u>6,331,208</u>	<u>1,921,492</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(179,040)</u>	<u>(598,312)</u>	<u>129,295</u>	<u>727,607</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	1,079,040	1,104,036	1,054,036	(50,000)
Transfers Out	(900,000)	(755,724)	(1,357,951)	(602,227)
Total Other Financing Sources (Uses)	<u>179,040</u>	<u>348,312</u>	<u>(303,915)</u>	<u>(652,227)</u>
Net Change in Fund Balances	-	(250,000)	(174,620)	75,380
Fund Balances, Beginning of Year	<u>5,277,946</u>	<u>5,277,946</u>	<u>5,277,946</u>	
Fund Balances, End of Year	<u>\$ 5,277,946</u>	<u>\$ 5,027,946</u>	<u>\$ 5,103,326</u>	<u>\$ 75,380</u>

City of Desert Hot Springs
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - Community Safety Special Revenue Fund
Year Ended June 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 3,620,520	\$ 3,620,520	\$ 3,663,552	\$ 43,032
Permits and Fees	260,868	265,842	1,188,372	922,530
Intergovernmental		135,000	267,408	132,408
Licenses	6,000	13,000	39,347	26,347
Miscellaneous	27,996	28,000	54,514	26,514
	<u>3,915,384</u>	<u>4,062,362</u>	<u>5,213,193</u>	<u>1,150,831</u>
EXPENDITURES				
Current:				
Public Safety	5,288,489	6,379,856	6,379,856	-
Capital Outlay	83,304	50,900	40,670	10,230
	<u>5,371,793</u>	<u>6,430,756</u>	<u>6,420,526</u>	<u>10,230</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(1,456,409)</u>	<u>(2,368,394)</u>	<u>(1,207,333)</u>	<u>1,161,061</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	1,456,409	2,368,394	1,252,497	(1,115,897)
	<u>1,456,409</u>	<u>2,368,394</u>	<u>1,252,497</u>	<u>(1,115,897)</u>
Net Change in Fund Balances	-	-	45,164	45,164
Fund Balance, Beginning of Year	<u>(37)</u>	<u>(37)</u>	<u>(37)</u>	
Fund Balance, End of Year	<u><u>\$ (37)</u></u>	<u><u>\$ (37)</u></u>	<u><u>\$ 45,127</u></u>	<u><u>\$ 45,164</u></u>

City of Desert Hot Springs
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - RDA Low Income Housing Special Revenue Fund
Year Ended June 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 1,264,392	\$ 1,264,392	\$ 1,046,235	\$ (218,157)
Intergovernmental			1,254,412	1,254,412
Interest	140,004	140,004	51,301	(88,703)
Miscellaneous	504	504	16,879	16,375
Total Revenues	<u>1,404,900</u>	<u>1,404,900</u>	<u>2,368,827</u>	<u>963,927</u>
EXPENDITURES				
Current:				
Economic Development	6,942,311	9,907,180	3,368,542	6,538,638
Capital Outlay		13,700	13,632	68
Debt Service				
Interest			251,132	(251,132)
Debt Issuance Costs			213,426	(213,426)
Total Expenditures	<u>6,942,311</u>	<u>9,920,880</u>	<u>3,846,732</u>	<u>6,074,148</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(5,537,411)</u>	<u>(8,515,980)</u>	<u>(1,477,905)</u>	<u>7,038,075</u>
OTHER FINANCING SOURCES (USES)				
Transfers Out	(148,980)	(148,980)	(740,375)	(591,395)
Debt Issuance	5,499,996	5,499,996	5,635,000	135,004
Premium on Debt Issuance			72,176	72,176
Total Other Financing Sources (Uses)	<u>5,351,016</u>	<u>5,351,016</u>	<u>4,966,801</u>	<u>(384,215)</u>
Net Change in Fund Balance	(186,395)	(3,164,964)	3,488,896	6,653,860
Fund Balance, Beginning of Year	<u>5,863,146</u>	<u>5,863,146</u>	<u>5,863,146</u>	
Fund Balance, End of Year	<u>\$ 5,676,751</u>	<u>\$ 2,698,182</u>	<u>\$ 9,352,042</u>	<u>\$ 6,653,860</u>

City of Desert Hot Springs
Notes to Required Supplementary Information
June 30, 2010

1. Budgetary Comparison

Budgetary comparison schedules are presented as required supplementary information for the General Fund and all Major Special Revenue Funds as required by GASB Statement No. 34. The budgetary comparison schedules for the RDA Capital Projects Fund and the RDA Debt Service Fund are presented as supplementary information, and are not a required part of the basic financial statements.

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SUPPLEMENTARY INFORMATION

City of Desert Hot Springs
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - RDA Debt Service Fund
Year Ended June 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 6,322,008	\$ 6,322,008	\$ 4,184,939	\$ (2,137,069)
Interest	399,996	399,996	139,926	(260,070)
Total Revenues	<u>6,722,004</u>	<u>6,722,004</u>	<u>4,324,865</u>	<u>(2,397,139)</u>
EXPENDITURES				
Current:				
Economic Development	95,004	95,004	3,532,951	(3,437,947)
Debt Service:				
Principal	1,932,996	1,932,996	1,285,000	647,996
Interest	2,780,628	2,780,628	2,480,616	300,012
Pass-Through Agreements	<u>2,372,400</u>	<u>2,372,400</u>	<u>1,096,197</u>	<u>1,276,203</u>
Total Expenditures	<u>7,181,028</u>	<u>7,181,028</u>	<u>8,394,764</u>	<u>(1,213,736)</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(459,024)</u>	<u>(459,024)</u>	<u>(4,069,899)</u>	<u>(3,610,875)</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	148,980	148,980	7,987,341	7,838,361
Transfers Out	<u>(4,500,000)</u>	<u>(4,500,000)</u>	<u>(1,800,000)</u>	<u>2,700,000</u>
Total Other Financing Sources (Uses)	<u>(4,351,020)</u>	<u>(4,351,020)</u>	<u>6,187,341</u>	<u>10,538,361</u>
Net Change in Fund Balance	(4,810,044)	(4,810,044)	2,117,442	6,927,486
Fund Balance, Beginning of Year	<u>8,651,712</u>	<u>8,651,712</u>	<u>8,651,712</u>	
Fund Balance, End of Year	<u>\$ 3,841,668</u>	<u>\$ 3,841,668</u>	<u>\$ 10,769,154</u>	<u>\$ 6,927,486</u>

City of Desert Hot Springs
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - RDA Capital Projects Fund
Year Ended June 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Interest	\$ 240,300	\$ 240,300	\$ 137,969	\$ (102,331)
Miscellaneous			177,760	177,760
Total Revenues	<u>240,300</u>	<u>240,300</u>	<u>315,729</u>	<u>75,429</u>
EXPENDITURES				
Current:				
Economic Development	5,791,253	5,817,753	3,388,934	2,428,819
Capital Outlay	15,292,812	15,266,312	7,068,275	8,198,037
Total Expenditures	<u>21,084,065</u>	<u>21,084,065</u>	<u>10,457,209</u>	<u>10,626,856</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(20,843,765)</u>	<u>(20,843,765)</u>	<u>(10,141,480)</u>	<u>10,702,285</u>
OTHER FINANCING SOURCES (USES)				
Tranfers In	4,500,000	4,500,000	1,800,000	(2,700,000)
Transfers Out			(7,826,443)	(7,826,443)
Total Other Financing Sources (Uses)	<u>4,500,000</u>	<u>4,500,000</u>	<u>(6,026,443)</u>	<u>(10,526,443)</u>
Net Change in Fund Balance	(16,343,765)	(16,343,765)	(16,167,923)	175,842
Fund Balance, Beginning of Year	<u>22,690,713</u>	<u>22,690,713</u>	<u>22,690,713</u>	
Fund Balance, End of Year	<u>\$ 6,346,948</u>	<u>\$ 6,346,948</u>	<u>\$ 6,522,790</u>	<u>\$ 175,842</u>

City of Desert Hot Springs Non-Major Governmental Funds

SPECIAL REVENUE FUNDS

Housing and Community Development Fund - The Housing and Community Development Fund accounts for Federal grants under the Emergency Jobs Act and Federal Community Development Entitlements.

Traffic Safety Fund - The Traffic Safety Fund accounts for resources specifically designated for traffic safety. Financing is provided by vehicle code fines. Expenditures are utilized for traffic safety purposes.

Source Reduction Recycling Fund - The Source Reduction Recycling Fund accounts for disposal fees collected and used for programs related to recycling program requirements by AB 939.

Special Gas Tax Fund - The Special Gas Tax Fund accounts for street maintenance activity. The source of funds is the State gasoline tax and related sales tax. Expenditures are restricted to construction, improvement and maintenance of public streets.

Capital Improvement Deposits Fund – The Capital Improvement Deposits Fund accounts for accumulated resources to be used to purchase the protection equipment and facilities, traffic signals, and parks. Financing is provided through a development fee on all new commercial and residential construction.

Municipal Lighting/Landscaping Assessment District Fund - The Municipal Lighting/Landscaping Assessment District Fund accounts for street lighting activity and landscaping maintenance. Financing is provided by assessments against all parcels of real property within the City and landscape assessment district. Expenditures provide for street and palm tree lights citywide, maintenance of park buildings and equipment, and maintenance of all city parkland as designated.

Measure A Fund - The Measure A Fund accounts for one-half cent sales tax collected in Riverside County and distributed to local agencies. Funds are restricted and can only be used for street maintenance and the construction of new streets.

Air Quality Control Fund - The Air Quality Control Fund accounts for resources designated by South Coast Air Quality Management District through the collection of motor vehicle registration fees. These funds can be used for equipment, street sweeping and purchase of vehicles as related to the reduction of air pollution.

Art in Public Places Fund - The Art in Public Places Fund accounts for development fees paid in lieu of acquisition and installation of approved artworks in a development with expenditures restricted to acquisition, installation, maintenance and repair or artworks at approved sites.

Quimby Act Fund – The Quimby Act Fund accounts for the accumulation of developer fees received under the provision of the Quimby Act for park development and improvements.

Drainage Assessment District Fund - The Drainage Assessment District Fund accounts for taxes assessed on property owners within the drainage assessment districts for the maintenance of drainage systems.

County Service Area 152 (CSA-152) - The County Service Area, also known as the County Assessment District Number (152); receives funding through the collection of property tax collected on parcels within the assessment district. Expenditures relate to the EPA requirements for storm water monitoring and the protection of the underground water for all cities in the County of Riverside.

**City of Desert Hot Springs
Non-Major Governmental Funds - Continued**

SPECIAL REVENUE FUNDS - Continued

Cabot's Museum Fund - The Cabot's Museum Fund accounts for various fees and operational costs associated with a museum that was gifted to the City.

Redevelopment Agency Help Program Fund - The Redevelopment Agency Help Program Fund accounts for the Coachella Valley Housing Coalition Self Help Housing Grants. The City provides grant funds to assist families to complete the financing of single family "self help" homes, should unforeseen costs be discovered.

Bicycle/Pedestrian Grant - The Bicycle Grant Fund accounts for a grant funded by the Riverside County Transportation Commission to offset costs for various infrastructure projects in the vicinity of the schools located in the City of Desert Hot Springs.

Indian Gaming Special District Grant - The Indian Gaming Grant Fund accounts for grant funds disbursed by the State Controller's Office. Funds are to be used for a new police vehicle and K-9 vehicle conversion kit.

SLESF - The Supplemental Law Enforcement Service Fund accounts for funds received in connection with the Citizens Option for Public Safety Program (COPS), which supplements expenditures for "front line municipal police services".

DEBT SERVICE FUNDS

City Debt Service - The City established a restricted fund to account for debt service payments on the City's Judgment Bonds and Certificate of Deposit twice annually.

CAPITAL PROJECTS FUNDS

Capital Improvement Program Fund - The Capital Improvement Program Fund tracks the resources and uses for the City's capital improvement projects identified in the 5Year CIP plan.

Assessment District 91-1 Fund - The Assessment District 91-1 Capital Project Fund accounts for improvements to Assessment District 91-1 and is financed from bond proceeds. Liabilities are paid from tax revenues.

**City of Desert Hot Springs
Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2010**

	Special Revenue				
	Housing and Community Development	Traffic Safety	Source Reduction Recycling	Special Gas Tax	Capital Improvement Deposits
ASSETS					
Cash and Investments	\$ 15,312	\$	\$ 11,040	\$ 11,753	\$ 2,620,003
Restricted Cash and Investments Fiscal Agent					
Notes Receivable					
Accounts Receivable					
Interest Receivable				7	4,570
Due From Other Governments	9,034	1,360		44,051	
Total Assets	<u>\$ 24,346</u>	<u>\$ 1,360</u>	<u>\$ 11,040</u>	<u>\$ 55,811</u>	<u>\$ 2,624,573</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts Payable	\$	\$	\$	\$ 20,703	\$ 20,000
Accrued Liabilities				5,862	
Due to Other Funds		17,401			
Deferred Revenue					
Total Liabilities	<u>-</u>	<u>17,401</u>	<u>-</u>	<u>26,565</u>	<u>20,000</u>
Fund Balances:					
Reserved for:					
Debt Service					
Unreserved and Reported In:					
Special Revenue Funds	24,346	(16,041)	11,040	29,246	2,604,573
Debt Service Fund					
Capital Project Funds					
Total Fund Balances	<u>24,346</u>	<u>(16,041)</u>	<u>11,040</u>	<u>29,246</u>	<u>2,604,573</u>
Total Liabilities and Fund Balances	<u>\$ 24,346</u>	<u>\$ 1,360</u>	<u>\$ 11,040</u>	<u>\$ 55,811</u>	<u>\$ 2,624,573</u>

Special Revenue

Municipal Lighting/Landscaping Assessment District	Measure A	Air Quality Control	Art in Public Places	Quimby Act	Drainage Assessment District
\$ 492,838	\$ 531,021	\$ 34,101	\$ 326	\$	\$ 480,457
2,701		8,074			22,106
635	704	50			652
<u>81,843</u>	<u>82,775</u>				<u>8,793</u>
<u>\$ 578,017</u>	<u>\$ 614,500</u>	<u>\$ 42,225</u>	<u>\$ 326</u>	<u>\$</u>	<u>\$ 512,008</u>
\$ 6,552	\$	\$	\$	\$	\$ 3,750
46,226					
<u>55,572</u>				48,010	
<u>108,350</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>48,010</u>	<u>3,750</u>
469,667	614,500	42,225	326	(48,010)	508,258
<u>469,667</u>	<u>614,500</u>	<u>42,225</u>	<u>326</u>	<u>(48,010)</u>	<u>508,258</u>
<u>\$ 578,017</u>	<u>\$ 614,500</u>	<u>\$ 42,225</u>	<u>\$ 326</u>	<u>\$ -</u>	<u>\$ 512,008</u>

Continued

**City of Desert Hot Springs
Combining Balance Sheet
Non-Major Governmental Funds (Continued)
June 30, 2010**

	Special Revenue				
	County Service Area	Cabot's Museum	RDA Help Program	Bicycle/ Pedestrian Grant	Indian Gaming Special District Grant
ASSETS					
Cash and Investments	\$	\$ 22,458	\$	\$ 3,091	\$ 83,780
Restricted Cash and Investments Fiscal Agent					
Notes Receivable			730,267		
Accounts Receivable			9,037		
Interest Receivable			4		
Due From Other Governments					
Total Assets	<u>\$ -</u>	<u>\$ 22,458</u>	<u>\$ 739,308</u>	<u>\$ 3,091</u>	<u>\$ 83,780</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts Payable	\$	\$	\$	\$	\$
Accrued Liabilities					
Due to Other Funds	5,215		4,952		
Deferred Revenue			730,267		83,780
Total Liabilities	<u>5,215</u>	<u>-</u>	<u>735,219</u>	<u>-</u>	<u>83,780</u>
Fund Balances:					
Reserved for:					
Debt Service					
Unreserved and Reported In:					
Special Revenue Funds	(5,215)	22,458	4,089	3,091	
Debt Service Fund					
Capital Project Funds					
Total Fund Balances	<u>(5,215)</u>	<u>22,458</u>	<u>4,089</u>	<u>3,091</u>	<u>-</u>
Total Liabilities and Fund Balances	<u>\$ -</u>	<u>\$ 22,458</u>	<u>\$ 739,308</u>	<u>\$ 3,091</u>	<u>\$ 83,780</u>

Special Revenue	Debt Service	Capital Projects		Total Nonmajor Governmental Funds
		Capital Improvement Program	Assessment District 91-1	
SLESF	City Debt Service			
\$	\$ 730,984	\$	\$ 51,088	\$ 5,088,252
	267,401		2,763	270,164
	83,962			730,267
	849		71	125,880
		601,891		7,542
				829,747
<u>\$ -</u>	<u>\$ 1,083,196</u>	<u>\$ 601,891</u>	<u>\$ 53,922</u>	<u>\$ 7,051,852</u>
\$	\$	\$ 11,363	\$	62,368
				52,088
		199,696		275,274
		200,000		1,069,619
<u>-</u>	<u>-</u>	<u>411,059</u>	<u>-</u>	<u>1,459,349</u>
	267,401			267,401
	815,795			4,264,553
		190,832	53,922	815,795
				244,754
<u>-</u>	<u>1,083,196</u>	<u>190,832</u>	<u>53,922</u>	<u>5,592,503</u>
<u>\$ -</u>	<u>\$ 1,083,196</u>	<u>\$ 601,891</u>	<u>\$ 53,922</u>	<u>\$ 7,051,852</u>

City of Desert Hot Springs
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Non-Major Governmental Funds
June 30, 2010

	Special Revenue				
	Housing and Community Development	Traffic Safety	Source Reduction Recycling	Special Gas Tax	Capital Improvement Deposits
REVENUES					
Taxes	\$	\$	\$	\$	\$
Permits and Fees		21,907			26,486
Intergovernmental	29,034	5,034		435,044	
Interest				581	25,729
Miscellaneous					1,540
Total Revenues	<u>29,034</u>	<u>26,941</u>	<u>-</u>	<u>435,625</u>	<u>53,755</u>
EXPENDITURES					
Current:					
General Government					125,951
Public Safety		42,982			
Public Works			117	554,325	
Economic Development	9,034				
Culture and Leisure					
Capital Outlay	20,000				1,858,191
Debt Service:					
Principal					
Interest					
Total Expenditures	<u>29,034</u>	<u>42,982</u>	<u>117</u>	<u>554,325</u>	<u>1,984,142</u>
Excess (Deficiency) of Revenues over Expenditures	<u>-</u>	<u>(16,041)</u>	<u>(117)</u>	<u>(118,700)</u>	<u>(1,930,387)</u>
OTHER FINANCING SOURCES (USES)					
Transfers In					
Transfers Out					(583,394)
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(583,394)</u>
Net Change in Fund Balances	-	(16,041)	(117)	(118,700)	(2,513,781)
Fund Balances (Deficit), Beginning of Year	<u>24,346</u>	<u>-</u>	<u>11,157</u>	<u>147,946</u>	<u>5,118,354</u>
Fund Balances (Deficit), End of Year	<u>\$ 24,346</u>	<u>\$ (16,041)</u>	<u>\$ 11,040</u>	<u>\$ 29,246</u>	<u>\$ 2,604,573</u>

Special Revenue

Municipal Lighting/Landscaping Assessment District	Measure A	Air Quality Control	Art in Public Places	Quimby Act	Drainage Assessment District
\$ 777,975	\$	\$ 30,064	\$	\$	\$ 126,383
2,535	327,206 3,098	173	326		2,750
<u>780,510</u>	<u>330,304</u>	<u>30,237</u>	<u>326</u>	<u>-</u>	<u>129,133</u>
833,037	978	13,720			81,546
	209,882			48,010	
<u>833,037</u>	<u>210,860</u>	<u>13,720</u>	<u>-</u>	<u>48,010</u>	<u>81,546</u>
(52,527)	119,444	16,517	326	(48,010)	47,587
(75,000)	(18,833)				
(75,000)	(18,833)	-	-	-	-
(127,527)	100,611	16,517	326	(48,010)	47,587
597,194	513,889	25,708			460,671
<u>\$ 469,667</u>	<u>\$ 614,500</u>	<u>\$ 42,225</u>	<u>\$ 326</u>	<u>\$ (48,010)</u>	<u>\$ 508,258</u>

Continued

City of Desert Hot Springs
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Non-Major Governmental Funds (Continued)
June 30, 2010

	Special Revenue				
	County Service Area	Cabot's Museum	RDA Help Program	Bicycle/ Pedestrian Grant	Indian Gaming Special District Grant
REVENUES					
Taxes	\$	\$	\$	\$	\$
Permits and Fees					
Intergovernmental	18,448				93,592
Interest			430		
Miscellaneous			9,037		
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total Revenues	18,448	-	9,467	-	93,592
EXPENDITURES					
Current:					
General Government					
Public Safety					93,592
Public Works					
Economic Development	23,663		510,654		
Culture and Leisure		112,658			
Capital Outlay					
Debt Service:					
Principal					
Interest					
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total Expenditures	23,663	112,658	510,654	-	93,592
Excess (Deficiency) of Revenues over Expenditures	(5,215)	(112,658)	(501,187)	-	-
OTHER FINANCING SOURCES (USES)					
Transfers In		100,000			
Transfers Out					
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total Other Financing Sources (Uses)	-	100,000	-	-	-
Net Change in Fund Balances	(5,215)	(12,658)	(501,187)	-	-
Fund Balances (Deficit), Beginning of Year		35,116	505,276	3,091	
Fund Balances (Deficit), End of Year	<u>\$ (5,215)</u>	<u>\$ 22,458</u>	<u>\$ 4,089</u>	<u>\$ 3,091</u>	<u>\$ -</u>

Special Revenue	Debt Service	Capital Projects		Total Nonmajor Governmental Funds
		Capital Improvement Program	Assessment District 91-1	
SLESF	City Debt Service			
\$	\$ 929,286	\$	\$	\$ 1,863,708
100,000		1,325,240		48,393
773	21,161		315	2,333,598
		2,378		57,545
				13,281
<u>100,773</u>	<u>950,447</u>	<u>1,327,618</u>	<u>315</u>	<u>4,316,525</u>
				140,649
				136,574
	165,500			1,469,025
		2,143,430		708,851
				112,658
				4,279,513
	140,000			140,000
	<u>602,325</u>			<u>602,325</u>
-	<u>907,825</u>	<u>2,143,430</u>	-	<u>7,589,595</u>
<u>100,773</u>	<u>42,622</u>	<u>(815,812)</u>	<u>315</u>	<u>(3,273,070)</u>
		632,207		732,207
<u>(100,773)</u>	<u>(979,036)</u>			<u>(1,757,036)</u>
<u>(100,773)</u>	<u>(979,036)</u>	<u>632,207</u>	-	<u>(1,024,829)</u>
-	(936,414)	(183,605)	315	(4,297,899)
	2,019,610	374,437	53,607	9,890,402
<u>\$ -</u>	<u>\$ 1,083,196</u>	<u>\$ 190,832</u>	<u>\$ 53,922</u>	<u>\$ 5,592,503</u>

City of Desert Hot Springs
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - Housing and Community Development Special Revenue Fund
Year Ended June 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental	\$	\$ 125,000	\$ 29,034	\$ (95,966)
Total Revenues	-	125,000	29,034	(95,966)
EXPENDITURES				
Current:				
Economic Development			9,034	(9,034)
Capital Outlay		125,000	20,000	105,000
Total Expenditures	-	125,000	29,034	95,966
Excess (Deficiency) of Revenues over Expenditures	-	-	-	-
Fund Balance (Deficit), Beginning of Year	24,346	24,346	24,346	
Fund Balance (Deficit), End of Year	\$ 24,346	\$ 24,346	\$ 24,346	-

City of Desert Hot Springs
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - Traffic Safety Special Revenue Fund
Year Ended June 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Permits and Fees	\$	\$ 44,600	\$ 21,907	\$ (22,693)
Intergovernmental			5,034	5,034
Total Revenues	-	44,600	26,941	(17,659)
EXPENDITURES				
Current:				
Public Safety	44,595	44,600	42,982	1,618
Total Expenditures	44,595	44,600	42,982	1,618
Excess (Deficiency) of Revenues over Expenditures	(44,595)	-	(16,041)	(16,041)
Fund Balance, Beginning of Year	-	-	-	
Fund Balance, End of Year	\$ (44,595)	\$ -	\$ (16,041)	\$ (16,041)

City of Desert Hot Springs
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - Source Reduction Recycling Special Revenue Fund
Year Ended June 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Interest	\$	300	\$	(300)
Total Revenues	-	300	-	(300)
EXPENDITURES				
Current:				
Public Works		5,000	117	4,883
Total Expenditures	-	5,000	117	4,883
Excess (Deficiency) of Revenues over Expenditures	-	(4,700)	(117)	4,583
Fund Balance, Beginning of Year	11,157	11,157	11,157	
Fund Balance, End of Year	\$ 11,157	\$ 6,457	\$ 11,040	\$ 4,583

City of Desert Hot Springs
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - Special Gas Tax Special Revenue Fund
Year Ended June 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental	\$ 418,836	\$ 418,836	\$ 435,044	\$ 16,208
Interest	4,188	3,908	581	(3,327)
Total Revenues	<u>423,024</u>	<u>422,744</u>	<u>435,625</u>	<u>12,881</u>
EXPENDITURES				
Current:				
Public Works	<u>518,331</u>	<u>610,000</u>	<u>554,325</u>	<u>55,675</u>
Total Expenditures	<u>518,331</u>	<u>610,000</u>	<u>554,325</u>	<u>55,675</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(95,307)</u>	<u>(187,256)</u>	<u>(118,700)</u>	<u>68,556</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	<u>44,256</u>	<u>44,256</u>	<u> </u>	<u>(44,256)</u>
Total Other Financing Sources (Uses)	<u>44,256</u>	<u>44,256</u>	<u> </u>	<u>(44,256)</u>
Net Change in Fund Balance	(51,051)	(143,000)	(118,700)	24,300
Fund Balance (Deficit), Beginning of Year	<u>147,946</u>	<u>147,946</u>	<u>147,946</u>	<u> </u>
Fund Balance (Deficit), End of Year	<u>\$ 96,895</u>	<u>\$ 4,946</u>	<u>\$ 29,246</u>	<u>\$ 24,300</u>

City of Desert Hot Springs
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - Capital Improvement Deposits Special Revenue Fund
Year Ended June 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Permits and Fees	\$	\$ 18,030	\$ 26,486	\$ 8,456
Interest		5,000	25,729	20,729
Miscellaneous			1,540	1,540
Total Revenues	-	23,030	53,755	30,725
EXPENDITURES				
Current:				
General Government		27,000	125,951	(98,951)
Capital Outlay	1,051,652	5,114,384	1,858,191	3,256,193
Total Expenditures	1,051,652	5,141,384	1,984,142	3,157,242
Excess (Deficiency) of Revenues over Expenditures	(1,051,652)	(5,118,354)	(1,930,387)	3,187,967
OTHER FINANCING SOURCES (USES)				
Transfers Out			(583,394)	(583,394)
Total Other Financing Sources (Uses)	-	-	(583,394)	(583,394)
Net Change in Fund Balances	(1,051,652)	(5,118,354)	(2,513,781)	2,604,573
Fund Balances, Beginning of Year	5,118,354	5,118,354	5,118,354	
Fund Balances, End of Year	\$ 4,066,702	\$ -	\$ 2,604,573	\$ 2,604,573

City of Desert Hot Springs
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - Municipal Lighting/Landscaping Assessment District
Special Revenue Fund
Year Ended June 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 635,292	\$ 635,292	\$ 777,975	\$ 142,683
Interest	7,464	7,464	2,535	(4,929)
Total Revenues	<u>642,756</u>	<u>642,756</u>	<u>780,510</u>	<u>137,754</u>
EXPENDITURES				
Current:				
Public Works	644,560	803,376	833,037	(29,661)
Total Expenditures	<u>644,560</u>	<u>803,376</u>	<u>833,037</u>	<u>(29,661)</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(1,804)</u>	<u>(160,620)</u>	<u>(52,527)</u>	<u>108,093</u>
OTHER FINANCING SOURCES (USES)				
Transfers Out		(25,000)	(75,000)	(50,000)
Total Other Financing Sources (Uses)	<u>-</u>	<u>(25,000)</u>	<u>(75,000)</u>	<u>(50,000)</u>
Net Change in Fund Balance	(1,804)	(185,620)	(127,527)	58,093
Fund Balance, Beginning of Year	<u>597,194</u>	<u>597,194</u>	<u>597,194</u>	
Fund Balance (Deficit), End of Year	<u>\$ 595,390</u>	<u>\$ 411,574</u>	<u>\$ 469,667</u>	<u>\$ 58,093</u>

City of Desert Hot Springs
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - Measure A Special Revenue Fund
Year Ended June 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernment	\$	\$ 250,000	\$ 327,206	\$ 77,206
Interest			3,098	3,098
Total Revenues	-	250,000	330,304	80,304
EXPENDITURES				
Current:				
General Government			978	(978)
Capital Outlay	115,000	763,888	209,882	554,006
Total Expenditures	115,000	763,888	210,860	553,028
Excess (Deficiency) of Revenues over Expenditures	(115,000)	(513,888)	119,444	633,332
OTHER FINANCING SOURCES (USES)				
Transfers Out			(18,833)	(18,833)
Total Other Financing Sources (Uses)	-	-	(18,833)	(18,833)
Net Change in Fund Balance	(115,000)	(513,888)	100,611	614,499
Fund Balance, Beginning of Year	513,889	513,889	513,889	
Fund Balance, End of Year	\$ 398,889	\$ 1	\$ 614,500	\$ 614,499

City of Desert Hot Springs
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - Air Quality Control Special Revenue Fund
Year Ended June 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$	\$ 30,000	\$ 30,064	\$ 64
Interest			173	173
Total Revenues	-	30,000	30,237	237
EXPENDITURES				
Current:				
General Government		55,707	13,720	41,987
Total Expenditures	-	55,707	13,720	41,987
Excess (Deficiency) of Revenues over Expenditures	-	(25,707)	16,517	42,224
Fund Balance, Beginning of Year	25,708	25,708	25,708	
Fund Balance, End of Year	\$ 25,708	\$ 1	\$ 42,225	\$ 42,224

City of Desert Hot Springs
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - Art in Public Places Special Revenue Fund
Year Ended June 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Miscellaneous	\$	\$	\$ 326	\$ 326
Total Revenues	-	-	326	326
EXPENDITURES				
Capital Outlay				-
Total Expenditures	-	-	-	-
Excess (Deficiency) of Revenues over Expenditures	-	-	326	326
Fund Balance (Deficit), Beginning of Year	-	-	-	
Fund Balance (Deficit), End of Year	\$	\$	\$ 326	\$ 326

City of Desert Hot Springs
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - Quimby Act Special Revenue Fund
Year Ended June 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental	\$	\$	\$	\$ -
Interest				-
Total Revenues	-	-	-	-
EXPENDITURES				
Capital Outlay			48,010	(48,010)
Total Expenditures	-	-	48,010	(48,010)
Excess (Deficiency) of Revenues over Expenditures	-	-	(48,010)	(48,010)
Fund Balance, Beginning of Year	-	-	-	
Fund Balance, End of Year	\$ -	\$ -	\$ (48,010)	\$ (48,010)

City of Desert Hot Springs
Schedule of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual - Drainage Assessment District Special Revenue Fund
Year Ended June 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 107,364	\$ 117,848	\$ 126,383	\$ 8,535
Interest	7,452	7,452	2,750	(4,702)
Total Revenues	<u>114,816</u>	<u>125,300</u>	<u>129,133</u>	<u>3,833</u>
EXPENDITURES				
Current:				
General Government	123,976	241,375	81,546	159,829
Total Expenditures	<u>123,976</u>	<u>241,375</u>	<u>81,546</u>	<u>159,829</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(9,160)</u>	<u>(116,075)</u>	<u>47,587</u>	<u>163,662</u>
OTHER FINANCING SOURCES (USES)				
Transfers In		1,555		(1,555)
Total Other Financing Sources (Uses)	<u>-</u>	<u>1,555</u>	<u>-</u>	<u>(1,555)</u>
Net Change in Fund Balances	(9,160)	(114,520)	47,587	162,107
Fund Balances, Beginning of Year	<u>460,671</u>	<u>460,671</u>	<u>460,671</u>	
Fund Balances, End of Year	<u>\$ 451,511</u>	<u>\$ 346,151</u>	<u>\$ 508,258</u>	<u>\$ 162,107</u>

City of Desert Hot Springs
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - County Service Area Special Revenue Fund
Year Ended June 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental	\$	\$ 40,000	\$ 18,448	\$ (21,552)
Total Revenues	-	40,000	18,448	(21,552)
EXPENDITURES				
Current:				
General Government		40,000	23,663	16,337
Total Expenditures	-	40,000	23,663	16,337
Excess (Deficiency) of Revenues over Expenditures	-	-	(5,215)	(5,215)
Fund Balance (Deficit), Beginning of Year	-	-	-	
Fund Balance (Deficit), End of Year	\$	\$ -	\$ (5,215)	\$ (5,215)

City of Desert Hot Springs
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - Cabot's Museum Special Revenue Fund
Year Ended June 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Interest	\$	\$ 100,000	\$	\$ (100,000)
Total Revenues	-	100,000	-	(100,000)
EXPENDITURES				
Current:				
Culture and Leisure	90,849	240,000	112,658	127,342
Total Expenditures	90,849	240,000	112,658	127,342
Excess (Deficiency) of Revenues over Expenditures	(90,849)	(140,000)	(112,658)	27,342
OTHER FINANCING SOURCES (USES)				
Transfers In		135,000	100,000	(35,000)
Total Other Financing Sources (Uses)	-	135,000	100,000	(35,000)
Net Change in Fund Balances	(90,849)	(5,000)	(12,658)	(7,658)
Fund Balance (Deficit), Beginning of Year	35,116	35,116	35,116	
Fund Balance (Deficit), End of Year	\$ (55,733)	\$ 30,116	\$ 22,458	\$ (7,658)

City of Desert Hot Springs
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - RDA Help Program Special Revenue Fund
Year Ended June 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Interest	\$	\$	\$ 430	\$ 430
Miscellaneous			9,037	9,037
Total Revenues	-	-	9,467	9,467
EXPENDITURES				
Current:				
Economic Development	532,576	532,576	510,654	21,922
Debt Service:				
Interest & Fiscal Charges	36,396	36,396		36,396
Total Expenditures	568,972	568,972	510,654	58,318
Excess (Deficiency) of Revenues over Expenditures	(568,972)	(568,972)	(501,187)	67,785
Fund Balance, Beginning of Year	505,276	505,276	505,276	
Fund Balance, End of Year	\$ (63,696)	\$ (63,696)	\$ 4,089	\$ 67,785

City of Desert Hot Springs
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - Bicycle/Pedestrian Grant Special Revenue Fund
Year Ended June 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental	\$	\$	\$	\$ -
Total Revenues	-	-	-	-
EXPENDITURES				
Capital Outlay		3,091		3,091
Total Expenditures	-	3,091	-	3,091
Excess (Deficiency) of Revenues over Expenditures	-	(3,091)	-	3,091
Fund Balance, Beginning of Year	3,091	3,091	3,091	
Fund Balance, End of Year	\$ 3,091	\$ -	\$ 3,091	\$ 3,091

City of Desert Hot Springs
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - Indian Gaming Special District Grant Special Revenue Fund
Year Ended June 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental	\$	\$	\$ 93,592	\$ 93,592
Interest		1,000		(1,000)
Total Revenues	-	1,000	93,592	92,592
EXPENDITURES				
Current:				
Public Safety		178,372	93,592	84,780
Total Expenditures	-	178,372	93,592	84,780
Excess (Deficiency) of Revenues over Expenditures	-	(177,372)	-	177,372
Fund Balance, Beginning of Year	-	-	-	
Fund Balance, End of Year	\$ -	\$ (177,372)	\$ -	\$ 177,372

City of Desert Hot Springs
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - SLESF Special Revenue Fund
Year Ended June 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental	\$	\$ 100,000	\$ 100,000	\$ -
Interest			773	773
Total Revenues	-	100,000	100,773	773
EXPENDITURES				
Current:				
Public Safety				-
Total Expenditures	-	-	-	-
Excess (Deficiency) of Revenues over Expenditures	-	100,000	100,773	773
OTHER FINANCING SOURCES (USES)				
Transfers Out		(100,000)	(100,773)	(773)
Total Other Financing Sources (Uses)	-	(100,000)	(100,773)	(773)
Net Change in Fund Balances	-	-	-	-
Fund Balance, Beginning of Year	-	-	-	-
Fund Balance, End of Year	\$ -	\$ -	\$ -	\$ -

City of Desert Hot Springs
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - City Debt Service Fund
Year Ended June 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 900,000	\$ 900,000	\$ 929,286	\$ 29,286
Investment Earnings	15,000	15,000	21,161	6,161
Total Revenues	<u>915,000</u>	<u>915,000</u>	<u>950,447</u>	<u>35,447</u>
EXPENDITURES				
Current:				
Economic Development		8,000	165,500	(157,500)
Debt Service:				
Principal		140,000	140,000	-
Interest and Fiscal Charges		929,500	602,325	327,175
Total Expenditures	<u>-</u>	<u>1,077,500</u>	<u>907,825</u>	<u>169,675</u>
Excess (Deficiency) of Revenues over Expenditures	<u>915,000</u>	<u>(162,500)</u>	<u>42,622</u>	<u>205,122</u>
OTHER FINANCING SOURCES (USES)				
Transfers Out		(979,036)	(979,036)	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>(979,036)</u>	<u>(979,036)</u>	<u>-</u>
Net Change in Fund Balances	915,000	(1,141,536)	(936,414)	205,122
Fund Balance, Beginning of Year	<u>2,019,610</u>	<u>2,019,610</u>	<u>2,019,610</u>	
Fund Balance, End of Year	<u>\$ 2,934,610</u>	<u>\$ 878,074</u>	<u>\$ 1,083,196</u>	<u>\$ 205,122</u>

City of Desert Hot Springs
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - Capital Improvement Program Capital Projects Fund
Year Ended June 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental	\$	\$	\$ 1,325,240	\$ 1,325,240
Miscellaneous			2,378	2,378
Total Revenues	-	-	1,327,618	1,327,618
EXPENDITURES				
Capital Outlay	30,000	374,437	2,143,430	(1,768,993)
Total Expenditures	30,000	374,437	2,143,430	(1,768,993)
Excess (Deficiency) of Revenues over Expenditures	(30,000)	(374,437)	(815,812)	(441,375)
OTHER FINANCING SOURCES (USES)				
Tranfers In			632,207	632,207
Total Other Financing Sources (Uses)	-	-	632,207	632,207
Net Change in Fund Balance	(30,000)	(374,437)	(183,605)	190,832
Fund Balance, Beginning of Year	374,437	374,437	374,437	
Fund Balance, End of Year	\$ 344,437	\$ -	\$ 190,832	\$ 190,832

City of Desert Hot Springs
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - Assessment District 91-1 Capital Project Fund
Year Ended June 30, 2010

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Interest	\$	\$	\$ 315	\$ 315
Total Revenues	-	-	315	315
EXPENDITURES				
Current:				
General Government				-
Total Expenditures	-	-	-	-
Excess (Deficiency) of Revenues over Expenditures	-	-	315	315
Fund Balance, Beginning of Year	53,607	53,607	53,607	
Fund Balance, End of Year	<u>\$ 53,607</u>	<u>\$ 53,607</u>	<u>\$ 53,922</u>	<u>\$ 315</u>

City of Desert Hot Springs Internal Service Funds

Risk Management - The Risk Management Fund accounts for payment of the City's different types of insurance for liability, workers' compensation, property, and earthquake coverage.

Equipment Replacement - The Equipment Replacement Fund accounts for capital asset purchases.

City of Desert Hot Springs
Combining Statement of Net Assets
Proprietary Funds
June 30, 2010

	<u>Risk Management</u>	<u>Equipment Replacement</u>	<u>Total</u>
ASSETS			
Current Assets:			
Cash and Investments	\$ 912,174	\$	\$ 912,174
Accounts Receivable			-
Interest Receivable	568		568
Due From Other Funds	7,494		7,494
Deposits	241,088		241,088
Prepaid Insurance			-
Total Current Assets	<u>1,161,324</u>	<u>-</u>	<u>1,161,324</u>
Noncurrent Assets:			
Capital Assets:			
Machinery and Equipment		1,146,937	1,146,937
Less accumulated depreciation		<u>(199,259)</u>	<u>(199,259)</u>
Total capital assets (net of accumulated depreciation)	<u>-</u>	<u>947,678</u>	<u>947,678</u>
Total Noncurrent Assets	<u>-</u>	<u>947,678</u>	<u>947,678</u>
Total Assets	<u>1,161,324</u>	<u>947,678</u>	<u>2,109,002</u>
LIABILITIES			
Accounts Payable			-
Due to Other Funds		7,494	7,494
Claims Payable	800,911		800,911
Total Liabilities	<u>800,911</u>	<u>7,494</u>	<u>808,405</u>
NET ASSETS			
Unrestricted	<u>360,413</u>	<u>940,184</u>	<u>1,300,597</u>
Total Net Assets	<u>\$ 360,413</u>	<u>\$ 940,184</u>	<u>\$ 1,300,597</u>

City of Desert Hot Springs
Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds
Year Ended June 30, 2010

	<u>Risk Management</u>	<u>Equipment Replacement</u>	<u>Total</u>
OPERATING REVENUES			
Other Income	<u>\$ 177,771</u>	<u>\$ 50,350</u>	<u>\$ 228,121</u>
Total Operating Revenues	<u>177,771</u>	<u>50,350</u>	<u>228,121</u>
OPERATING EXPENSES			
Insurance and Claims Expenses	1,254,464		1,254,464
Depreciation		<u>149,543</u>	<u>149,543</u>
Total Operating Expenses	<u>1,254,464</u>	<u>149,543</u>	<u>1,404,007</u>
Operating Income (Loss)	<u>(1,076,693)</u>	<u>(99,193)</u>	<u>(1,175,886)</u>
NON-OPERATING REVENUE (EXPENSES)			
Investment Earnings	4,388	813	5,201
Gain on Sale of Capital Assets		<u>44,604</u>	<u>44,604</u>
Total Non-operating revenues (expenses)	<u>4,388</u>	<u>45,417</u>	<u>49,805</u>
Income (Loss) before contributions and transfers	(1,072,305)	(53,776)	(1,126,081)
Transfers In	<u>655,724</u>		<u>655,724</u>
Change in Net Assets	(416,581)	(53,776)	(470,357)
Total Net Assets, Beginning of Year	<u>776,994</u>	<u>993,960</u>	<u>1,770,954</u>
Total Net Assets, End of Year	<u>\$ 360,413</u>	<u>\$ 940,184</u>	<u>\$ 1,300,597</u>

City of Desert Hot Springs
Combining Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2010

	<u>Risk Management</u>	<u>Equipment Replacement</u>	<u>Total</u>
Cash Flows from Operating Activities			
Payments to Suppliers for Services	\$ (1,283,198)	\$ (196,424)	\$ (1,479,622)
Other Income	177,771	100,350	278,121
	<u>(1,105,427)</u>	<u>(96,074)</u>	<u>(1,201,501)</u>
Cash Flows from Non-Capital Financing Activities			
Advance from(to) other funds	(7,494)	7,494	-
Transfers from other funds	655,724		655,724
	<u>648,230</u>	<u>7,494</u>	<u>655,724</u>
Cash Flows from Capital And Related Financing Activities			
Proceeds from Sales of Capital Assets		44,604	44,604
Purchases of Capital Assets		(488,084)	(488,084)
	<u>-</u>	<u>(443,480)</u>	<u>(443,480)</u>
Cash Flows from Investing Activities			
Interest Received	12,034	2,107	14,141
	<u>12,034</u>	<u>2,107</u>	<u>14,141</u>
Net Cash Provided (Used) by Investing Activities	<u>12,034</u>	<u>2,107</u>	<u>14,141</u>
Net Increase in Cash and Investments	(445,163)	(529,953)	(975,116)
Cash and Investments, Beginning of Year	<u>1,357,337</u>	<u>529,953</u>	<u>1,887,290</u>
Cash and Investments, End of Year	<u>\$ 912,174</u>	<u>\$ -</u>	<u>\$ 912,174</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities			
Cash Flows from Operating Activities			
Operating income (loss)	\$ (1,076,693)	\$ (99,193)	\$ (1,175,886)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation Expense		149,543	149,543
(Increase) Decrease in Accounts Receivable		50,000	50,000
(Increase) Decrease in Deposits	(96,621)		(96,621)
(Increase) Decrease in Prepaids	35,759		35,759
Increase (Decrease) in Accounts Payable		(196,424)	(196,424)
Increase (Decrease) in Claims Payable	32,128		32,128
	<u>\$ (1,105,427)</u>	<u>\$ (96,074)</u>	<u>\$ (1,201,501)</u>

City of Desert Hot Springs Agency Funds

Community Services - The Community Services Fund accounts for donations received for various community programs. The monies are held in a bank account until used for the designated purpose.

Assessment District 91-1 - Two Bunch Palms Trail - The Assessment District 91-1 Debt Service Fund accounts for payments of principal and interest for Assessment District 91-1 municipal bonds.

Assessment District 92-1 - The Assessment District 92-1 Debt Service Fund accounts for payments of principal and interest for Assessment District municipal bonds.

Assessment District 93-2 - The Assessment District 93-2 Debt Service Fund accounts for payments of principal and interest for Assessment District municipal bonds.

Community Facilities District 2006-1 – The Community Facilities District 2006-1 Debt Service Fund accounts for payments of principal and interest for Community Facilities District municipal bonds.

City of Desert Hot Springs
Combining Statement of Net Assets
Agency Funds
June 30, 2010

	City Agency Fund Community Services	Assessment District 91-1	Assessment District 92-1	Assessment District 93-2	Community Facilities District 2006-1	Total Agency Funds
ASSETS						
Cash and Investments	\$ 132,288	\$ 26,027	\$ 40,359	\$ 39,896	\$ 440,059	\$ 678,629
Cash with Fiscal Agent		55,709	113,448	145,590	200,119	514,866
Accounts Receivable		1,455	1,966	1,706	1,104	6,231
Interest Receivable		20	29	29	521	599
	<u>132,288</u>	<u>83,211</u>	<u>155,802</u>	<u>187,221</u>	<u>641,803</u>	<u>1,200,325</u>
Total Assets	<u>\$ 132,288</u>	<u>\$ 83,211</u>	<u>\$ 155,802</u>	<u>\$ 187,221</u>	<u>\$ 641,803</u>	<u>\$ 1,200,325</u>
LIABILITIES						
Accounts Payable	\$	\$ 500	\$ 500	\$ 500	\$ 2,000	\$ 3,500
Accrued Liabilities	54,787					54,787
Deposits Payable	77,501				217,988	295,489
Due to Bondholders		82,711	155,302	186,721	421,815	846,549
	<u>132,288</u>	<u>83,211</u>	<u>155,802</u>	<u>187,221</u>	<u>641,803</u>	<u>1,200,325</u>
Total Liabilities	<u>\$ 132,288</u>	<u>\$ 83,211</u>	<u>\$ 155,802</u>	<u>\$ 187,221</u>	<u>\$ 641,803</u>	<u>\$ 1,200,325</u>

City of Desert Hot Springs
Combining Statement of Changes in Assets and Liabilities
Agency Funds
Year Ended June 30, 2010

	Balance at Beginning of Year	Additions	Deletions	Balance at End of Year
<u>COMMUNITY SERVICES</u>				
ASSETS				
Cash and Investments	\$ 69,793	\$ 62,495	\$	\$ 132,288
Accounts Receivable	252		252	-
Total Assets	<u>\$ 70,045</u>	<u>\$ 62,495</u>	<u>\$ 252</u>	<u>\$ 132,288</u>
LIABILITIES				
Accounts Payable	\$	\$	\$	\$
Accrued Liabilities	4,104	50,683		54,787
Deposits Payable	65,941	11,560		77,501
Total Liabilities	<u>\$ 70,045</u>	<u>\$ 62,243</u>	<u>-</u>	<u>\$ 132,288</u>
<u>ASSESSMENT DISTRICT 91-1</u>				
ASSETS				
Cash and Investments	\$ 80,139	\$	\$ 54,112	\$ 26,027
Cash with Fiscal Agent	30,873	24,836		55,709
Accounts Receivable	5,147		3,692	1,455
Interest Receivable		20		20
Total Assets	<u>\$ 116,159</u>	<u>\$ 24,856</u>	<u>\$ 57,804</u>	<u>\$ 83,211</u>
LIABILITIES				
Accounts Payable	\$	\$ 500	\$	\$ 500
Due to Bondholders	116,159		33,448	82,711
Total Liabilities	<u>\$ 116,159</u>	<u>500</u>	<u>\$ 33,448</u>	<u>\$ 83,211</u>
<u>ASSESSMENT DISTRICT 92-1</u>				
ASSETS				
Cash and Investments	\$ 33,714	\$ 6,645	\$	\$ 40,359
Cash with Fiscal Agent	11,244	102,204		113,448
Accounts Receivable	5,646		3,680	1,966
Interest Receivable		29		29
Loans Receivable	160,465		160,465	-
Total Assets	<u>\$ 211,069</u>	<u>\$ 108,878</u>	<u>\$ 164,145</u>	<u>\$ 155,802</u>
LIABILITIES				
Accounts Payable	\$	\$ 500	\$	\$ 500
Due to Bondholders	211,069		55,767	155,302
Total Liabilities	<u>\$ 211,069</u>	<u>\$ 500</u>	<u>\$ 55,767</u>	<u>\$ 155,802</u>

Continued

City of Desert Hot Springs
Combining Statement of Changes in Assets and Liabilities - Continued
Agency Funds
Year Ended June 30, 2010

	Balance at Beginning of Year	Additions	Deletions	Balance at End of Year
<u>ASSESSMENT DISTRICT 93-2</u>				
ASSETS				
Cash and Investments	\$ 74,525	\$	\$ 34,629	\$ 39,896
Cash with Fiscal Agent	76,542	69,048		145,590
Accounts Receivable	37,871		36,165	1,706
Interest Receivable		29		29
Loans Receivable	5,874		5,874	-
	<u>\$ 194,812</u>	<u>\$ 69,077</u>	<u>\$ 76,668</u>	<u>\$ 187,221</u>
Total Assets				
LIABILITIES				
Accrued Liabilities	\$	\$ 500	\$	\$ 500
Due to Bondholders	194,812		8,091	186,721
	<u>\$ 194,812</u>	<u>\$ 500</u>	<u>\$ 8,091</u>	<u>\$ 187,221</u>
Total Liabilities				
<u>COMMUNITY FACILITIES DISTRICT 2006-1</u>				
ASSETS				
Cash and Investments	\$ 424,394	\$ 15,665	\$	\$ 440,059
Cash with Fiscal Agent	202,340		2,221	200,119
Accounts Receivable	13,550		12,446	1,104
Interest Receivable	1,206		685	521
	<u>\$ 641,490</u>	<u>\$ 15,665</u>	<u>\$ 15,352</u>	<u>\$ 641,803</u>
Total Assets				
LIABILITIES				
Accounts Payable	\$ 12,000	\$	\$ 10,000	\$ 2,000
Deposits Payable	217,988			217,988
Due to Bondholders	411,502	10,313		421,815
	<u>\$ 641,490</u>	<u>\$ 10,313</u>	<u>\$ 10,000</u>	<u>\$ 641,803</u>
Total Liabilities				
<u>TOTAL ALL AGENCY FUNDS</u>				
ASSETS				
Cash and Investments	\$ 682,565	\$ 84,805	\$ 88,741	\$ 678,629
Cash with Fiscal Agent	320,999	196,088	2,221	514,866
Accounts Receivable	62,466		56,235	6,231
Interest Receivable	1,206	78	685	599
Loans Receivable	166,339		166,339	-
	<u>\$ 1,233,575</u>	<u>\$ 280,971</u>	<u>\$ 314,221</u>	<u>\$ 1,200,325</u>
Total Assets				
LIABILITIES				
Accounts Payable	\$ 12,000	\$ 1,500	\$ 10,000	\$ 3,500
Accrued Liabilities	4,104	50,683		54,787
Deposits Payable	283,929	11,560		295,489
Due to Bondholders	933,542	10,313	97,306	846,549
	<u>\$ 1,233,575</u>	<u>\$ 74,056</u>	<u>\$ 107,306</u>	<u>\$ 1,200,325</u>
Total Liabilities				