

# **City of Desert Hot Springs**

Desert Hot Springs, California

## **Independent Auditors' Report and Basic Financial Statements**

*For the year ended June 30, 2013*



**City of Desert Hot Springs**  
**Basic Financial Statements**  
**For the year ended June 30, 2013**

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**Basic Financial Statements (Continued)**  
**For the year ended June 30, 2013**

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## INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and Members of the City Council  
of the City of Desert Hot Springs  
Desert Hot Springs, California

### Report on Financial Statements

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, California (the "City"), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

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

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

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

### Opinions

In our opinion, the financial statements referred to previously 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 as of June 30, 2013, and the respective changes in financial position, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Emphasis of Matters**

### **Going Concern**

The accompanying financial statements have been prepared assuming that the City will continue as a going concern. As discussed in Note 20 to the financial statements, the City had a net decrease of its net position in the amount of \$11,283,350 of its Governmental Activities and the General Fund of the City has suffered significant reductions in fund balances from operations and is experiencing cash shortfall. These conditions raised substantial doubt about its ability to continue as a going concern. Management's plans regarding those matters also are described in Note 20. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to this matter.

### **Noncompliance**

As described in Note 12 to the financial statements, the Successor Agency has violated its debt covenants in regards to the Reserve Fund requirements of its 2008 Series A-1 Tax Allocation Bonds.

## **Other Matters**

### *Required Supplementary Information*

Management has omitted the Management's Discussion and Analysis ("MD&A") that accounting principles generally accepted in the United States of America required to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board ("GASB"), who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Accounting principles generally accepted in the United States of America require that the Budgetary Comparison Schedules and Schedules of Funding Progress on pages 74 through 79 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the GASB who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the Required Supplementary Information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The Combining and Individual Nonmajor Fund Financial Statements and Nonmajor Governmental Funds Budgetary Comparison Schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

To the Honorable Mayor and Members of the City Council  
of the City of Desert Hot Springs  
Desert Hot Springs, California  
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The Combining and Individual Nonmajor Fund Financial Statements and Nonmajor Governmental Funds Budgetary Comparison Schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Combining and Individual Nonmajor Fund Financial Statements and Nonmajor Governmental Funds Budgetary Comparison Schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 27, 2014, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Paul J. McGeedy LLP". The signature is written in a cursive style with a large initial "P" and "M".

Irvine, California  
March 27, 2014

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# **BASIC FINANCIAL STATEMENTS**

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# **GOVERNMENT-WIDE FINANCIAL STATEMENTS**

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**City of Desert Hot Springs**  
**Statement of Net Position**  
**June 30, 2013**

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Cash and investments	\$ 5,768,993	\$ 24,615	\$ 5,793,608
Cash and investments with fiscal agents	4,929,550	2,726,800	7,656,350
Receivables, net	7,007,073	15,126,594	22,133,667
Prepaid items	88,591	-	88,591
Deferred charges	223,836	1,356,826	1,580,662
Capital assets:			
Nondepreciable	3,664,837	16,199,910	19,864,747
Depreciable, net of accumulated depreciation	43,592,736	-	43,592,736
Capital assets, net	47,257,573	16,199,910	63,457,483
<b>Total assets</b>	<b>65,275,616</b>	<b>35,434,745</b>	<b>100,710,361</b>
<b>LIABILITIES</b>			
Accounts payable and other liabilities	3,592,793	111,581	3,704,374
Accrued liabilities	252,830	648,924	901,754
Deposits	310,933	-	310,933
Interest payable	167,843	-	167,843
Unearned revenues	200,000	52,000	252,000
Long-term debt - due within one year	1,386,370	-	1,386,370
Long-term debt - due in more than one year	20,435,521	20,697,000	41,132,521
<b>Total liabilities</b>	<b>26,346,290</b>	<b>21,509,505</b>	<b>47,855,795</b>
<b>NET POSITION</b>			
Net investment in capital assets	41,218,938	-	41,218,938
Restricted for:			
Public safety	18,191	-	18,191
Economic development	874,661	-	874,661
Public works	2,770,056	-	2,770,056
Debt service	731,107	-	731,107
Lighting/Landscaping/Drainage	1,134,436	-	1,134,436
Assessment District 91-1	111,468	-	111,468
Health and Wellness Center	-	18,926,710	18,926,710
Total restricted	5,639,919	18,926,710	24,566,629
Unrestricted (deficit)	(7,929,531)	(5,001,470)	(12,931,001)
<b>Total net position</b>	<b>\$ 38,929,326</b>	<b>\$ 13,925,240</b>	<b>\$ 52,854,566</b>

**City of Desert Hot Springs**  
**Statement of Activities**  
**For the year ended June 30, 2013**

<b>Functions/Programs</b>	Expenses	Program Revenues			Total Program Revenues
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
<b>Primary government:</b>					
<b>Governmental activities:</b>					
General government	\$ 5,262,048	\$ 549,975	\$ -	\$ -	\$ 549,975
Public safety	11,298,476	1,107,166	66,866	-	1,174,032
Public works	3,113,902	634,615	-	2,268,536	2,903,151
Economic development	4,038,731	227,756	869,809	-	1,097,565
Culture and leisure	369,502	346,732	126,645	-	473,377
Interest and fiscal charges	795,660	-	-	-	-
Total governmental activities	<u>24,878,319</u>	<u>2,866,244</u>	<u>1,063,320</u>	<u>2,268,536</u>	<u>6,198,100</u>
<b>Business-type activities:</b>					
Health and Wellness Foundation	426,976	69,333	-	5,167,048	5,236,381
Total business-type activities	<u>426,976</u>	<u>69,333</u>	<u>-</u>	<u>5,167,048</u>	<u>5,236,381</u>
<b>Total primary government</b>	<u><u>\$ 25,305,295</u></u>	<u><u>\$ 2,935,577</u></u>	<u><u>\$ 1,063,320</u></u>	<u><u>\$ 7,435,584</u></u>	<u><u>\$ 11,434,481</u></u>

**City of Desert Hot Springs**  
**Statement of Activities (Continued)**  
**For the year ended June 30, 2013**

<b>Functions/Programs</b>	Net (Expense) Revenue and Changes in Net Position		
	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>Primary government:</b>			
<b>Governmental activities:</b>			
General government	\$ (4,712,073)	\$ -	\$ (4,712,073)
Public safety	(10,124,444)	-	(10,124,444)
Public works	(210,751)	-	(210,751)
Recreation and human services	(2,941,166)	-	(2,941,166)
Community development	103,875	-	103,875
Interest and fiscal charges	(795,660)	-	(795,660)
Total governmental activities	<u>(18,680,219)</u>	<u>-</u>	<u>(18,680,219)</u>
<b>Business-type activities:</b>			
Health and Wellness Foundation	-	4,809,405	4,809,405
Total business-type activities	<u>-</u>	<u>4,809,405</u>	<u>4,809,405</u>
<b>Total primary government</b>	<u>(18,680,219)</u>	<u>4,809,405</u>	<u>(13,870,814)</u>
<b>General revenues:</b>			
Taxes:			
Property taxes	3,901,384	-	3,901,384
Sales taxes	3,091,024	-	3,091,024
Utility users taxes	2,830,712	-	2,830,712
Franchise taxes	1,089,995	-	1,089,995
Transient occupancy taxes	1,220,821	-	1,220,821
Total taxes	<u>12,133,936</u>	<u>-</u>	<u>12,133,936</u>
Investment income	105,832	54,457	160,289
Miscellaneous	1,468,479	-	1,468,479
<b>Transfers</b>	<u>(600,703)</u>	<u>600,703</u>	<u>-</u>
<b>Total general revenues and transfers</b>	<u>13,107,544</u>	<u>655,160</u>	<u>13,762,704</u>
<b>Extraordinary Items:</b>			
Desert Hot Spring Health and Wellness Center facility (Note 15)	(8,460,675)	8,460,675	-
CPV Sentinel Energy Project (Note 16)	2,750,000	-	2,750,000
<b>Total extraordinary items</b>	<u>(5,710,675)</u>	<u>8,460,675</u>	<u>2,750,000</u>
<b>Change in net position</b>	(11,283,350)	13,925,240	2,641,890
<b>Net position - beginning of year, as Restated (Note19)</b>	<u>50,212,676</u>	<u>-</u>	<u>50,212,676</u>
<b>Net position - end of year</b>	<u>\$ 38,929,326</u>	<u>\$ 13,925,240</u>	<u>\$ 52,854,566</u>

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# FUND FINANCIAL STATEMENTS

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*Governmental Fund Financial Statements*  
*Proprietary Fund Financial Statements*  
*Fiduciary Fund Financial Statements*

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# GOVERNMENTAL FUND FINANCIAL STATEMENTS

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**General Fund** - As the City's primary operating fund, it accounts for and reports all financial resources of the City, except those required to be accounted for and reported in another fund.

**Public Safety Special Revenue Fund** - To account for and report special taxes and grants for community safety

**Housing Authority Special Revenue Fund** - To account for and report funds set aside for development and improvements of the City's housing activity and operations.

**Parks and Recreation Grant Special Revenue Fund** - To account for and report funds restricted for construction of a new pool and related facilities at the Desert Hot Springs Health and Wellness and Aquatic Center.

**Capital Improvement Capital Projects Fund** - To account for and report expenditures related to various capital projects identified in the City's 5-Year CIP plan.

**2012 Street Bond Capital Projects Fund** - To account for and report expenditures related to the design, acquisition, and construction of specified projects in the Official Statement within the City.

**Nonmajor Governmental Funds** - To account for the aggregate of all the nonmajor governmental funds.

**City of Desert Hot Springs**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2013**

	Major Funds			
	General	Special Revenue Funds		
		Public Safety	Housing Authority	Parks and Recreation Grant
<b>ASSETS</b>				
Cash and investments	\$ 171,457	\$ 770,250	\$ 92	\$ 79
Cash and investments with fiscal agents	-	-	-	-
Receivables:				
Accounts	1,320,041	619,758	-	704,208
Interest	593	-	-	8
Notes	-	-	4,572,847	-
Abatements	304,806	-	-	-
Prepaid items	88,580	-	-	-
Due from other governments	-	-	-	-
Due from other funds	2,206,549	-	-	-
Property held for resale	-	-	207,454	-
<b>Total assets</b>	<b>\$ 4,092,026</b>	<b>\$ 1,390,008</b>	<b>\$ 4,780,393</b>	<b>\$ 704,295</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities:</b>				
Accounts payable	\$ 573,798	\$ 1,098,855	\$ 92	\$ -
Accrued liabilities	88,808	152,840	-	-
Due to other funds	-	-	-	-
Deposits	92,945	-	-	-
Deferred revenue	128,961	138,311	4,572,847	704,208
<b>Total liabilities</b>	<b>884,512</b>	<b>1,390,006</b>	<b>4,572,939</b>	<b>704,208</b>
<b>Fund Balances:</b>				
Nonspendable	88,580	-	207,454	-
Restricted	-	2	-	87
Assigned	3,118,934	-	-	-
Unassigned	-	-	-	-
<b>Total fund balances</b>	<b>3,207,514</b>	<b>2</b>	<b>207,454</b>	<b>87</b>
<b>Total liabilities and fund balances</b>	<b>\$ 4,092,026</b>	<b>\$ 1,390,008</b>	<b>\$ 4,780,393</b>	<b>\$ 704,295</b>

**City of Desert Hot Springs**  
**Balance Sheet (Continued)**  
**Governmental Funds**  
**June 30, 2013**

	Major Funds		Nonmajor Governmental Funds	Total Governmental Funds
	Capital Projects Funds			
	Capital Improvement	2012 Street Bond		
<b>ASSETS</b>				
Cash and investments	\$ 413,874	\$ -	\$ 3,267,020	\$ 4,622,772
Cash and investments with fiscal agents	-	4,662,147	267,403	4,929,550
Receivables:				
Accounts	-	1,179,397	40,000	3,863,404
Interest	-	-	483	1,084
Notes	-	-	-	4,572,847
Abatements	-	-	-	304,806
Prepaid items	-	-	-	88,580
Due from other governments	-	-	412,400	412,400
Due from other funds	1,810,666	-	-	4,017,215
Property held for resale	-	-	-	207,454
<b>Total assets</b>	<b>\$ 2,224,540</b>	<b>\$ 5,841,544</b>	<b>\$ 3,987,306</b>	<b>\$ 23,020,112</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities:</b>				
Accounts payable	\$ 1,786,112	\$ 1,160	\$ 121,592	\$ 3,581,609
Accrued liabilities	-	-	11,182	252,830
Due to other funds	-	3,200,464	787,972	3,988,436
Deposits	217,988	-	-	310,933
Deferred revenue	2,010,666	-	71,084	7,626,077
<b>Total liabilities</b>	<b>4,014,766</b>	<b>3,201,624</b>	<b>991,830</b>	<b>15,759,885</b>
<b>Fund Balances:</b>				
Nonspendable	-	-	-	296,034
Restricted	-	2,639,920	3,003,001	5,643,010
Assigned	-	-	-	3,118,934
Unassigned	(1,790,226)	-	(7,525)	(1,797,751)
<b>Total fund balances</b>	<b>(1,790,226)</b>	<b>2,639,920</b>	<b>2,995,476</b>	<b>7,260,227</b>
<b>Total liabilities and fund balances</b>	<b>\$ 2,224,540</b>	<b>\$ 5,841,544</b>	<b>\$ 3,987,306</b>	<b>\$ 23,020,112</b>

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**City of Desert Hot Springs**  
**Reconciliation of the Governmental Funds Balance Sheet**  
**to the Government-Wide Statement of Net Position**  
**June 30, 2013**

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**Total Fund Balances - Total Governmental Funds** \$ 7,260,227

Amounts reported for governmental activities in the Statement of Net Position are different because:

Bond issuance costs from issuing debt were expenditures in the fund financial statements. However, they were deferred and subject to capitalization and amortization in the Government-Wide Financial Statements. 223,836

Capital assets, including the \$713,715 from the Internal Service Funds, used in governmental activities are not financial resources and are not reported in the funds:

Capital assets, not being depreciated	\$ 3,664,837	
Capital assets, depreciable	57,846,104	
Less accumulated depreciation	<u>(14,967,083)</u>	<u>46,543,858</u>

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 Financial Statements and, therefore, the revenue is not deferred. 4,976,077

Interest expenses are recognized when due, and therefore, interest payable is not recorded in the governmental funds. (167,843)

Long-term liabilities were not due and payable in the current period. Therefore, they were not reported in the Governmental Funds' Balance Sheet.

Long-term debt - due within one year	(860,165)	
Long-term debt - due in more than one year	<u>(20,260,120)</u>	<u>(21,120,285)</u>

Internal service funds are used by management to charge the costs of general liability, workers' compensation and equipment replacement to individual funds. The assets and liabilities of the internal service fund is included in governmental activities in the Government-Wide Statement of Net Position. 1,213,456

**Net Position of Governmental Activities** \$ 38,929,326

**City of Desert Hot Springs**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
**For the year ended June 30, 2013**

	Major Funds			
	General	Special Revenue Funds		
		Public Safety	Housing Authority	Parks and Recreation Grant
<b>REVENUES:</b>				
Taxes	\$ 6,131,684	\$ 4,100,679	\$ -	\$ -
Permits and fees	896,707	1,107,166	-	-
Intergovernmental	11,806	41,866	-	101,927
Licenses	192,876	34,880	-	-
Interest	93,371	-	-	420
Miscellaneous	778,940	351,688	170	-
<b>Total revenues</b>	<b>8,105,384</b>	<b>5,636,279</b>	<b>170</b>	<b>102,347</b>
<b>EXPENDITURES:</b>				
Current:				
General government	2,999,004	-	-	-
Public safety	-	10,938,195	-	-
Public works	494,807	-	-	-
Economic development	1,709,276	-	1,568,863	102,260
Culture and leisure	243,037	-	-	-
Capital outlay	7,100	-	-	-
Debt service:				
Principal retirement	-	-	-	-
Interest and fiscal charges	-	-	-	-
<b>Total expenditures</b>	<b>5,453,224</b>	<b>10,938,195</b>	<b>1,568,863</b>	<b>102,260</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>2,652,160</b>	<b>(5,301,916)</b>	<b>(1,568,693)</b>	<b>87</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Proceed from sale of assets	-	-	-	-
Transfers in	398,993	5,301,916	-	-
Transfers out	(6,744,478)	-	-	-
<b>Total other financing sources (uses)</b>	<b>(6,345,485)</b>	<b>5,301,916</b>	<b>-</b>	<b>-</b>
<b>NET CHANGE IN FUND BALANCES BEFORE EXTRAORDINARY ITEM</b>	<b>(3,693,325)</b>	<b>-</b>	<b>(1,568,693)</b>	<b>87</b>
<b>EXTRAORDINARY ITEM:</b>				
CPV Sentinel Energy Project (Note 16)	2,750,000	-	-	-
<b>Total extraordinary item</b>	<b>2,750,000</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>(943,325)</b>	<b>-</b>	<b>(1,568,693)</b>	<b>87</b>
<b>FUND BALANCES:</b>				
Beginning of year	4,150,839	2	1,776,147	-
End of year	<b>\$ 3,207,514</b>	<b>\$ 2</b>	<b>\$ 207,454</b>	<b>\$ 87</b>

See accompanying Notes to the Basic Financial Statements.



**City of Desert Hot Springs**  
**Statement of Revenues, Expenditures and Changes in Fund Balances (Continued)**  
**Governmental Funds**  
**For the year ended June 30, 2013**

	Major Funds			
	Capital Projects Funds		Nonmajor Governmental Funds	Total Governmental Funds
	Capital Improvement	2012 Street Bond		
<b>REVENUES:</b>				
Taxes	\$ -	\$ -	\$ 2,018,218	\$ 12,250,581
Permits and fees	-	-	241,314	2,245,187
Intergovernmental	782,983	-	1,232,285	2,170,867
Licenses	-	-	-	227,756
Interest	-	7,011	5,030	105,832
Miscellaneous	459,563	-	87,188	1,677,549
<b>Total revenues</b>	<b>1,242,546</b>	<b>7,011</b>	<b>3,584,035</b>	<b>18,677,772</b>
<b>EXPENDITURES:</b>				
Current:				
General government	-	-	96,795	3,095,799
Public safety	-	-	28,975	10,967,170
Public works	179,069	37,702	2,248,309	2,959,887
Economic development	-	-	-	3,380,399
Culture and leisure	-	-	126,465	369,502
Capital outlay	3,280,286	2,619,417	928,743	6,835,546
Debt service:				
Principal retirement	-	110,000	160,000	270,000
Interest and fiscal charges	-	290,879	587,636	878,515
<b>Total expenditures</b>	<b>3,459,355</b>	<b>3,057,998</b>	<b>4,176,923</b>	<b>28,756,818</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(2,216,809)</b>	<b>(3,050,987)</b>	<b>(592,888)</b>	<b>(10,079,046)</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Proceed from sale of assets	1,139,213	-	-	1,139,213
Transfers in	1,020,774	281,000	592,715	7,595,398
Transfers out	(1,060,703)	(569)	(1,265,397)	(9,071,147)
<b>Total other financing sources (uses)</b>	<b>1,099,284</b>	<b>280,431</b>	<b>(672,682)</b>	<b>(336,536)</b>
<b>NET CHANGE IN FUND BALANCES BEFORE EXTRAORDINARY ITEM</b>	<b>(1,117,525)</b>	<b>(2,770,556)</b>	<b>(1,265,570)</b>	<b>(10,415,582)</b>
<b>EXTRAORDINARY ITEM:</b>				
CPV Sentinel Energy Project (Note 16)	-	-	-	2,750,000
<b>Total extraordinary item</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,750,000</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>(1,117,525)</b>	<b>(2,770,556)</b>	<b>(1,265,570)</b>	<b>(7,665,582)</b>
<b>FUND BALANCES:</b>				
Beginning of year	(672,701)	5,410,476	4,261,046	14,925,809
End of year	<u>\$ (1,790,226)</u>	<u>\$ 2,639,920</u>	<u>\$ 2,995,476</u>	<u>\$ 7,260,227</u>

See accompanying Notes to the Basic Financial Statements.

**City of Desert Hot Springs**  
**Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes**  
**in Fund Balances to the Government-Wide Statement of Activities and Changes in Net Position**  
**For the year ended June 30, 2013**

---

**Net Change in Fund Balances - Total Governmental Funds** \$ (7,665,582)

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

Acquisition of capital assets was reported as expenditures in the governmental funds. However, in the Government-Wide Statement of Activities, the cost of those assets was allocated over the estimated useful lives as depreciation expense. The following was the amount of capital assets recorded in the current period:

Capital outlay	6,835,546	
The net effect of disposal of capital assets.	<u>(318,454)</u>	6,517,092

Transfer of Desert Hot Springs Health and Wellness Center facility in the Statement of Activities resulted from the decrease of long-term assets which were not reported in the governmental funds. See Note 7. (9,599,888)

Depreciation expense on capital assets, net of internal service fund depreciation expense of \$236,987, was reported in the Government-Wide Statement of Activities, but they did not require the use of current financial resources. Therefore, depreciation expense was not reported as an expenditure in the governmental funds. (2,640,219)

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the governmental funds. This is the net change in deferred revenue for the current period. 1,228,575

The fund financial statements record interest expenditures on the current financial resources measurement focus whereas the Government-Wide financial statements recognize interest expense on the accrual basis. The reconciling amount was the change in accrued interest from the prior year. 55,193

Long-term compensated absences expense was reported in the Government-Wide Statement of Activities, but it did not require the use of current financial resources. Therefore, the increase in long-term compensated absences was not reported as an expenditure in the governmental funds. (1,646)

Proceeds from long-term debt provided current financial resources to governmental funds, but issuing debt increased long-term liabilities in the Government-Wide Statement of Net Position. Repayment of bond principal was an expenditure in the governmental funds, but the repayment reduced long-term liabilities in the Government-Wide Statement of Net Position.

Principal repayments of long-term debt	270,000	
Principal repayments of pension-related debt	65,189	
Increase in pension-related debt	<u>(129,524)</u>	<u>205,665</u>

Amortization expense was reported in the Government-Wide Statement of Activities, but it did not require the use of current financial resources. Therefore, amortization expense was not reported as an expenditure in the governmental funds.

Amortization of deferred charges	(7,401)	
Amortization of premium/discount	<u>35,063</u>	27,662

Internal service funds were used by management to charge the costs of certain activities, such as insurance, to individual funds. The net revenue of the internal service funds was reported with governmental activities. 589,798

**Change in Net Position of Governmental Activities** \$ (11,283,350)

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# PROPRIETARY FUND FINANCIAL STATEMENTS

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Enterprise Funds are used to account and report activities for which fees are charges to external users for goods and/or services.

**Enterprise Funds include:**

*Health & Wellness Foundation Fund* - To account for the acquisition of real property and completion of buildings and improvements to be operated as a health and wellness center to promote the physical and psychological health and well-being of residents of the City and surrounding area.

Internal Service Funds account for the City's risk management and equipment replacement activities, which are goods and services provided to other Funds of the City.

**City of Desert Hot Springs**  
**Statement of Net Position**  
**Proprietary Funds**  
**June 30, 2013**

	Business-Type Activities	Governmental Activities
	Health & Wellness Foundation	Internal Service Funds
<b>ASSETS</b>		
Current assets:		
Cash and investments	\$ 24,615	\$ 1,146,221
Cash and investments with fiscal agent	2,726,800	-
Receivables, net:		
Accounts	-	95,078
Interest	-	11
Notes	15,126,594	-
Total current assets	<u>17,878,009</u>	<u>1,241,310</u>
Noncurrent assets:		
Deferred charges	1,356,826	-
Capital assets, net	16,199,910	713,715
Total noncurrent assets	<u>17,556,736</u>	<u>713,715</u>
<b>Total assets</b>	<u>35,434,745</u>	<u>1,955,025</u>
<b>LIABILITIES</b>		
Current liabilities:		
Accounts payable	111,581	11,184
Construction payables	648,924	-
Due to other funds	-	28,779
Unearned revenue	52,000	-
Claims payable - due in one year	-	526,205
Total current liabilities	<u>812,505</u>	<u>566,168</u>
Noncurrent liabilities:		
Notes payable - due in more than one year	20,697,000	-
Claims payable - due in more than one year	-	175,401
Total noncurrent liabilities	<u>20,697,000</u>	<u>175,401</u>
<b>Total liabilities</b>	<u>21,509,505</u>	<u>741,569</u>
<b>NET POSITION</b>		
Net investment in capital assets	-	713,715
Restricted	18,926,710	-
Unrestricted	(5,001,470)	499,741
<b>Total net position</b>	<u>\$ 13,925,240</u>	<u>\$ 1,213,456</u>

**City of Desert Hot Springs**  
**Statement of Revenues, Expenses and Changes in Net Position**  
**Proprietary Funds**  
**For the year ended June 30, 2013**

	Business-Type Activities <u>Health &amp; Wellness Foundation</u>	Governmental Activities <u>Internal Service Funds</u>
<b>OPERATING REVENUES:</b>		
Charges for services	\$ 69,333	\$ -
Other	-	246,937
<b>Total operating revenues</b>	<u>69,333</u>	<u>246,937</u>
<b>OPERATING EXPENSES:</b>		
Insurance claims	-	291,838
General and administrative	144,719	-
Depreciation	-	236,897
Other	210,000	3,863
<b>Total operating expenses</b>	<u>354,719</u>	<u>532,598</u>
<b>OPERATING INCOME (LOSS)</b>	<u>(285,386)</u>	<u>(285,661)</u>
<b>NONOPERATING REVENUES (EXPENSES):</b>		
Grant revenue (Note 15)	5,167,048	-
Interest income	54,457	303
Gain on sale of property	-	110
Interest expense	(39,598)	-
Amortization expense	(32,659)	-
<b>Total nonoperating revenues (expenses)</b>	<u>5,149,248</u>	<u>413</u>
<b>INCOME (LOSS) BEFORE TRANSFERS</b>	<u>4,863,862</u>	<u>(285,248)</u>
<b>TRANSFERS:</b>		
Transfers in	600,703	875,046
<b>Total transfers</b>	<u>600,703</u>	<u>875,046</u>
<b>EXTRAORDINARY ITEM:</b>		
Desert Hot Spring Health and Wellness Center facility (Note 15)	8,460,675	-
<b>Total extraordinary items</b>	<u>8,460,675</u>	<u>-</u>
<b>Change in net position</b>	13,925,240	589,798
<b>NET POSITION:</b>		
Beginning of year	-	623,658
End of year	<u>\$ 13,925,240</u>	<u>\$ 1,213,456</u>

**City of Desert Hot Springs**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the year ended June 30, 2013**

	Business-Type Activities Health & Wellness Foundation	Governmental Activities Internal Service Funds
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Receipts from customers and users	\$ 121,333	\$ -
Receipts from claims and recoveries	-	151,859
Receipts from others	-	7,321
Payments to suppliers for goods and services	(243,138)	-
Payments for insurance claims	-	(472,378)
<b>Net cash provided (used) by operating activities</b>	<b>(121,805)</b>	<b>(313,198)</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>		
Cash received from other funds	-	28,779
Transfers from other funds	600,703	875,046
<b>Net cash provided (used) by noncapital financing activities</b>	<b>600,703</b>	<b>903,825</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>		
Acquisition of capital assets	(7,090,311)	(255,200)
Proceeds from sale of capital assets	-	6,975
Proceeds from issuance of notes	20,697,000	-
Payments for debt issuance costs	(1,389,485)	-
Receipts from capital grant	5,167,048	-
Interest paid	(39,598)	-
<b>Net cash provided (used) by capital and related financing activities</b>	<b>17,344,654</b>	<b>(248,225)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Payment for note issuance	(15,126,594)	-
Interest received	54,457	659
<b>Net cash provided (used) by investing activities</b>	<b>(15,072,137)</b>	<b>659</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>2,751,415</b>	<b>343,061</b>
<b>CASH AND CASH EQUIVALENTS:</b>		
Beginning of year	-	803,160
End of year	<u>\$ 2,751,415</u>	<u>\$ 1,146,221</u>
<b>NONCASH FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>		
Transfer of Desert Hot Spring Health and Wellness Center facility	<u>\$ 8,460,675</u>	<u>\$ -</u>

**City of Desert Hot Springs**  
**Statement of Cash Flows (Continued)**  
**Proprietary Funds**  
**For the year ended June 30, 2013**

	Business-Type Activities Health & Wellness Foundation	Governmental Activities Internal Service Funds
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</b>		
Operating income (loss)	\$ (285,386)	\$ (285,661)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation expense	-	236,897
(Increase) decrease in:		
Accounts receivable	-	(95,078)
Unearned revenue	52,000	-
Increase (decrease) in:		
Accounts payable and accrued expenses	111,581	11,184
Claims payable	-	(180,540)
Total adjustments	163,581	(27,537)
<b>Net cash provided (used) by operating activities</b>	<b>\$ (121,805)</b>	<b>\$ (313,198)</b>

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# FIDUCIARY FUND FINANCIAL STATEMENTS

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**Successor Agency Private-Purpose Trust Fund** - To account for the balances and transactions of the Successor Agency to the Redevelopment Agency of the City of Desert Hot Springs.

**Agency Funds** are used to account for assets held by the City in the capacity of agent for individuals. Agency Fund spending is controlled primarily through legal agreements and applicable State and Federal laws.

**City of Desert Hot Springs**  
**Statement of Fiduciary Net Position**  
**Fiduciary Funds**  
**June 30, 2013**

	Successor Agency Private - Purpose Trust Fund	Agency Funds
<b>ASSETS</b>		
Current assets:		
Cash and investments	\$ 3,584,479	\$ 448,607
Cash and investments with fiscal agents	5,407,286	555,932
Accounts receivable	-	4,994
Interest receivable	-	39
Total current assets	8,991,765	1,009,572
Noncurrent assets:		
Notes receivable	112,044	-
Deferred charges	906,354	-
Property held for resale	7,448,942	-
Total noncurrent assets	8,467,340	-
<b>Total assets</b>	17,459,105	\$ 1,009,572
<b>LIABILITIES</b>		
Current liabilities:		
Accounts payable	25,482	\$ 3,697
Accrued liabilities	4,657	-
Deposits payable	8,600	14,218
Interest payable	853,401	-
Bonds payable - due within one year	1,633,680	-
Due to bondholders	-	991,657
Total current liabilities	2,525,820	1,009,572
Noncurrent assets:		
Deferred revenue	1,468,331	-
Bonds payable - due in more than one year	39,702,363	-
Total noncurrent assets	41,170,694	-
<b>Total liabilities</b>	43,696,514	\$ 1,009,572
<b>NET POSITION</b>		
Held in trust	(26,237,409)	
<b>Net position</b>	\$ (26,237,409)	

**City of Desert Hot Springs**  
**Statement of Changes in Fiduciary Net Position**  
**Fiduciary Funds**  
**For the year ended June 30, 2013**

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	Successor Agency Private - Purpose Trust Fund
	Fund
<b>ADDITIONS:</b>	
Redevelopment Property Tax Trust Fund	\$ 3,178,623
Intergovernmental	6,319
Use of money and property	325,307
Other revenue	297,519
Transfer in from the City of Desert Hot Springs	1,600,884
<b>Total additions</b>	5,408,652
 <b>DEDUCTIONS:</b>	
Enforceable obligations	4,501,480
Administration	362,994
Pass-through payments	2,346
Transfer out to the City of Desert Hot Springs	170
Amortization of bond issuance costs	127,269
<b>Total deductions</b>	4,994,259
<b>Change in net position</b>	414,393
 <b>NET POSITION:</b>	
Beginning of period	(26,651,802)
End of period	\$ (26,237,409)

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**City of Desert Hot Springs**  
**Index to Notes to the Basic Financial Statements**  
**For the year ended June 30, 2013**

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**City of Desert Hot Springs**  
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# **NOTES TO THE BASIC FINANCIAL STATEMENTS**

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**City of Desert Hot Springs**  
**Notes to the Basic Financial Statements**  
**For the year ended June 30, 2013**

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**Note 1 – Summary of Significant Accounting Policies**

The basic financial statements of the City of Desert Hot Springs, California (the “City”) have been prepared in conformity with accounting principles generally accepted in the United States (“U.S. GAAP”) as applied to governmental agencies. The Governmental Accounting Standards Board (“GASB”) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the significant policies:

**A. Financial Reporting Entity**

The City was incorporated on September 17, 1963 as a charter city under the laws of the State of California and enjoys all the rights and privileges allowed by its charter. The City is governed by an elected five-member council.

Component units are legally separate entities that meet any one of the following tests:

1. The City appoints the voting majority of the board and:
  - is able to impose its will on the component unit and/or
  - is in a relationship of financial benefit or burden with the component unit.
2. The component unit is fiscally dependent upon the City.
3. The financial statements of the City would be misleading if data from the component unit were omitted.

Management determined that the following component units should be blended based on the criteria above:

City of Desert Hot Springs Financing Corporation (the “Corporation”) – The Corporation is a nonprofit public benefit corporation 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. The Corporation holds title to various parcels of land as security for the Certificates of Participation issued in its name. The City makes lease payments to the Corporation in an amount equal to the periodic principal and interest payments due on the Certificates. The Corporation does not issue separate financial statements.

Desert Hot Springs Housing Authority (the “Housing Authority”) – The Housing Authority was formed on January 18, 2011 and operates as a public authority whose primary goal is to provide decent, safe and sanitary housing in a suitable living environment for families that cannot afford private housing that comply with housing quality standards. The Housing Authority does not issue separate financial statements.

Desert Hot Springs Health & Wellness Foundation (the “Foundation”) – The Foundation is a California nonprofit public benefit corporation which was incorporated on December 1, 2011 as a result of the joint effort of the City of Desert Hot Springs (the “City”) and the Desert Healthcare District (the “District”). Funding of the Foundation came from the New Market Tax Credit which closed on July 13, 2012. The purpose of the Foundation is to embark upon a project consisting of the acquisition of real property and completion of buildings and improvement to be operated as a health and wellness center and to operate a health and wellness center in conjunction with other public agencies and nonprofit organizations to promote the physical and psychological health and well-being of residents of the City and surrounding area. The Foundation is governed by a Board of Directors of five members. Four of the board members were appointed by the City Council of the City and one of the board members was appointed by the District. Separate financial statements can be obtained from the City Hall.



**City of Desert Hot Springs**  
**Notes to the Basic Financial Statements (Continued)**  
**For the year ended June 30, 2013**

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**Note 1 – Summary of Significant Accounting Policies (Continued)**

**A. Financial Reporting Entity (Continued)**

These component units are included in the primary government because of the significance of their financial and operational relationship and due to the governing bodies being appointed by the City Council or the same as City Council.

The City had no discretely presented component units.

**B. Basis of Accounting and Measurement Focus**

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 or expenses, as appropriate. City resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

In 2013, the City implemented GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. The statement of net position reports separate sections for Deferred Outflows of Resources and Deferred Inflows of Resources, when applicable.

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

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

*Government-Wide Financial Statements*

The Government-Wide Financial 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, as well as infrastructure assets, and long-term liabilities, are included in the accompanying Statement of Net Position. The Statement of Activities presents changes in net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred. Fiduciary activities of the City are not included in these statements.

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

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

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

**City of Desert Hot Springs**  
**Notes to the Basic Financial Statements (Continued)**  
**For the year ended June 30, 2013**

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**Note 1 – Summary of Significant Accounting Policies (Continued)**

***B. Basis of Accounting and Measurement Focus (Continued)***

*Government-Wide Financial Statements (Continued)*

The following interfund activities have been eliminated:

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

*Governmental Fund Financial Statements*

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 sheet. The statement of revenues, expenditures and changes in fund balances presents increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period.

An accompanying schedule is presented to reconcile and explain the differences in fund balances as presented in these statements to the net position presented in the government-wide financial statements.

Revenues are recorded when received in cash, except for revenues subject to accrual (generally 90 days after year-end) are recognized when due. The primary revenue sources, which have been treated as susceptible to accrual by the City, are property taxes, sales taxes, citations, intergovernmental revenues and other taxes. Expenditures are recorded in the accounting period in which the related fund liability is incurred.

Deferred revenues arise when potential revenues do not meet both the "*measurable*" and "*available*" criteria for recognition in the current period. Deferred revenues also arise when the government receives resources before it has a legal claim to them, as when grant monies are received prior to incurring qualifying expenditures. In subsequent periods when both revenue recognition criteria are met or when the government has a legal claim to the resources, the deferred revenue is removed from the balance sheet and revenue is recognized.

The City reports the following major governmental funds:

- ***General Fund*** – This 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.
- ***Public Safety Special Revenue Fund*** – This fund was established to account for special taxes and grants for public safety expenditures.
- ***Housing Authority Special Revenue Fund*** – This fund was established to account for funds set aside for development and improvements of the City’s housing activity and operations.
- ***Parks and Recreation Grant Special Revenue Fund*** – This fund was established to account for funds restricted for construction of a new pool and related facilities at the Desert Hot Springs Health and Wellness and Aquatic Center.
- ***Capital Improvement Capital Projects Fund*** – This fund was established to account for expenditures related to various capital projects identified in the City’s 5-Year CIP plan.

**City of Desert Hot Springs**  
**Notes to the Basic Financial Statements (Continued)**  
**For the year ended June 30, 2013**

---

**Note 1 – Summary of Significant Accounting Policies (Continued)**

***B. Basis of Accounting and Measurement Focus (Continued)***

*Governmental Fund Financial Statements (Continued)*

- ***2012 Street Bond Capital Projects Fund*** – This fund was established to account for expenditures related to the design, acquisition, and construction of specified projects in the Official Statement within the City.

*Proprietary Fund Financial Statements*

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

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

A separate column representing internal service funds is also presented in these statements. However, internal service balances and activities have been combined with the governmental activities in the government-wide financial statements. The City's internal service funds include two individual funds which provide services directly to other City funds, which include risk management (combining general liability and workers' compensation activities) and equipment replacement.

The City reports the following major proprietary fund:

- ***Health & Wellness Foundation Enterprise Fund*** – This fund was established to account for 1) the acquisition of real property and completion of buildings and improvements to be operated as a health and wellness center to promote the physical and psychological health and well-being of residents of the City and surrounding area and 2) various funding received for the completion of the health and wellness center as a result of the New Market Tax Credit.

*Fiduciary Fund Financial Statements*

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

Fiduciary fund types are accounted for according to the nature of the fund. The City's agency funds are purely custodial in nature (assets equal liabilities) and thus do not involve measurement of results of operations. These funds are used to account for money and property held by the City as trustee or custodian. They are also used to account for various assessment districts for which the City acts as an agent for debt service activities. The City's private purpose trust fund is a fiduciary fund type used by the City to report assets, liabilities and activities of the Successor Agency to the Redevelopment Agency of the City of Desert Hot Springs. Its results of operations are presented on the Statement of Changes of Fiduciary Net Position.

**City of Desert Hot Springs**  
**Notes to the Basic Financial Statements (Continued)**  
**For the year ended June 30, 2013**

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**Note 1 – Summary of Significant Accounting Policies (Continued)**

**C. Cash, Cash Equivalents and Investments**

The City pools its available cash for investment purposes. The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturity of three months or less from the date of acquisition. Cash and cash equivalents are combined with investments and displayed as Cash and Investments.

Certain disclosure requirements for Deposits and Investment Risks were made in the following areas:

- Interest Rate Risk
- Credit Risk
  - Overall
  - Custodial Credit Risk
  - Concentrations of Credit Risk

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

Highly liquid market investments with maturities of one year or less at time of purchase are stated at amortized cost. All other investments are stated at fair value. Market value is used as fair value for those securities for which market quotations are readily available.

The City participates in an investment pool managed by the State of California titled Local Agency Investment Fund (LAIF), which has invested a portion of the pool funds in Structured Notes and Asset-backed Securities. LAIF's investments are subject to credit risk with the full faith and credit of the State of California collateralizing these investments. In addition, these Structured Notes and Asset-backed Securities are subject to market risk as to change in interest rates.

For purpose of the statement of cash flows, cash equivalents are defined as investments with original maturities of 90 days or less, which are readily convertible to known amounts of cash. The City considers all pooled cash and investments held by the City as cash and cash equivalents because the pool is used essentially as a demand deposit account from the standpoint of the funds. The City also considers all cash and investments with fiscal agent as cash and cash equivalents because investments meet the criteria for cash equivalents defined above.

**D. Cash and Investments with Fiscal Agents**

Certain restricted cash and investments are held by fiscal agents for the redemption of bonded debt and for acquisition and construction of capital projects.

**E. Prepaid Items**

Certain payments to vendors applicable to future accounting periods are recorded as prepaid items. Prepaid items do not reflect current appropriable resources and, thus, an equivalent portion of fund balance is reserved.

**City of Desert Hot Springs**  
**Notes to the Basic Financial Statements (Continued)**  
**For the year ended June 30, 2013**

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**Note 1 – Summary of Significant Accounting Policies (Continued)**

***F. Interfund Transactions***

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

***G. Property Held For Resale***

Property held for resale is carried at the lower of cost or market, but not greater than the estimated net realizable value. On February 1, 2012, all property held for resale was transferred to the Successor Agency Private-Purpose Trust Fund.

***H. Capital Assets***

Capital assets are valued at historical cost or estimated historical cost if actual historical cost was not available. Donated capital assets are valued at their estimated fair market value on the date donated. City policy has set the capitalization threshold for reporting capital assets at \$5,000 (including infrastructure assets). Depreciation is recorded on a straight-line basis over estimated useful lives of the assets as follows:

Building and improvements	30 years
Vehicles, machinery and equipment	3-10 years
Infrastructure	20 years

For all infrastructure systems, the City elected to use the Basic Approach as defined by GASB Statement No. 34 for infrastructure reporting. The City defines infrastructure as the basic physical assets that allow the City to function. The assets include the streets, parks and recreation, lands and improvement system, storm water conveyance system, and buildings combined with the site amenities such as parking and landscaped areas used by the City in the conduct of its business. Each major infrastructure system can be divided into subsystems. For example, the street system can be subdivided into pavement, curb and gutters, sidewalks, medians, streetlights, traffic control devices (signs, signals and pavement markings), landscaping and land.

These subsystems were not delineated in the basic financial statements. The appropriate operating department maintains information regarding the subsystems.

Interest accrued during capital assets construction, if any, is capitalized for the business-type and proprietary funds as part of the asset cost.

***I. Interest Payable***

In the government-wide financial statements, interest payable on long-term debt is recognized as the liability is incurred for governmental activities and business-type activities. In the fund financial statements, only proprietary fund and private-purpose trust fund types recognize the interest payable when the liability is incurred.

**City of Desert Hot Springs**  
**Notes to the Basic Financial Statements (Continued)**  
**For the year ended June 30, 2013**

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**Note 1 – Summary of Significant Accounting Policies (Continued)**

***J. Deferred/Unearned Revenue***

In the government-wide financial statements, unearned revenue is recognized for transactions for which revenue has not yet been earned. Typical transactions recorded as unearned revenues in the government-wide financial statements are prepaid charges for services.

In the fund financial statements, deferred revenue is recorded when transactions have not yet met the revenue recognition criteria based on the modified accrual basis of accounting. The City records deferred revenue for transactions for which revenues have not been earned, or for which funds are not available to meet current financial obligations. Typical transactions for which deferred revenue is recorded are grants received but not yet earned or available, long-term loan receivables, and prepaid charges for services. During the year ended June 30, 2013, \$

***K. Compensated Absences***

Permanent City employees earn from 12 to 21 days per year of annual leave depending on their length of employment. Leave is payable to employees at the time leave is taken or upon termination of employment. To encourage attendance at work, the City allows employees to accrue up to a maximum of 750 hours of annual leave and twice per year, the City pays out all hours above 580 hours of annual leave. The amount of compensated absences at June 30 is accrued when incurred in the government-wide financial statements. Compensated absences are primarily liquidated by the General Fund.

***L. Long-Term Debt***

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the appropriate activities. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges.

In the fund financial statements, with the exception of advances from other funds, the governmental fund financial statements do not present long-term liabilities. Consequently, long term debt is shown as a reconciling item in the reconciliation of the governmental funds balance sheet to the government-wide statement of net position.

***M. Claims and Judgments***

When it is probable that a claim or judgment liability has been incurred at year-end, and the amount of the loss can be reasonably estimated, the City records the estimated loss, net of any insurance coverage. The City is self-insured and has insurance coverage in excess of the self-insured amounts as a member of the Public Entity Risk Management Authority (“PERMA”).

***N. Property Taxes***

Property taxes are levied on March 1 and are payable in two installments: November 1 and February 1 of each year. Property taxes become delinquent on December 10 and April 10, for the first and second installments, respectively. The lien date is January 1. The County of Riverside, California (County) bills and collects property taxes and remits them to the City according to a payment schedule established by the County.

Property tax revenue is recognized in the fiscal year for which the taxes have been levied, provided the taxes are received within 90 days after the end of the fiscal year. Property taxes received after this date are not considered available as a resource that can be used to finance the current year operations of the City and, therefore, are not recorded as revenue until collected. No allowance for doubtful accounts was considered necessary.

**City of Desert Hot Springs**  
**Notes to the Basic Financial Statements (Continued)**  
**For the year ended June 30, 2013**

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**Note 1 – Summary of Significant Accounting Policies (Continued)**

***O. Net Position***

In the government-wide financial statements and proprietary fund financial statements, net position is classified as follows:

*Net Investment in Capital Assets* – This component of net position consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of debt that are attributable to the acquisition, construction, or improvement of those assets.

*Restricted* – This component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets.

*Unrestricted* – This component of net position is the amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

***P. Fund Balances***

In the governmental fund financial statements, fund balances are classified as follows:

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

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

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

*Assigned* – Assigned fund balances encompass the portion of net fund resources reflecting the government's intended use of resources. Assignment of resources can be done by the highest level of decision making or by a committee or official designated for that purpose. The City Council has authorized the City Manager or designee for that purpose.

*Unassigned* – This amount is for any portion of the fund balances that do not fall into one of the above categories.

**City of Desert Hot Springs**  
**Notes to the Basic Financial Statements (Continued)**  
**For the year ended June 30, 2013**

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**Note 1 – Summary of Significant Accounting Policies (Continued)**

**Q. Spending Policy**

*Government-Wide Financial Statements and the Proprietary Fund Financial Statements*

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

*Governmental Fund Financial Statements*

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

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

- Committed
- Assigned
- Unassigned

**R. Use of Estimates**

The preparation of the basic financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**S. Accounting Changes**

GASB has issued Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements* ("SCA"). The requirements of this statement improve financial reporting by establishing recognition, measurement, and disclosure requirements for SCAs for both transferors and governmental operators, requiring governments to account for and report SCAs in the same manner, which improves the comparability of financial statements. This statement became effective for periods beginning after December 15, 2011 and did not have a significant impact on the City's financial statements for the year ended June 30, 2013.

GASB has issued Statement No. 61, *The Financial Reporting Entity: Omnibus – an amendment of GASB Statements No. 14 and No. 34*. The requirements of this statement result in financial reporting entity financial statements being more relevant by improving guidance for including, presenting, and disclosing information about component units and equity interest transactions of a financial reporting entity. This statement became effective for periods beginning after June 15, 2012 and did not have a significant impact on the City's financial statements for year ended June 30, 2013.

GASB has issued Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. This statement combines the authoritative accounting and financial reporting of the FASB and the American Institute of Certified Public Accountants ("AICPA"). The statement eliminates the need for financial statement preparers and auditors to determine which FASB and AICPA pronouncement provisions apply to state and local governments. This statement became effective for period beginning after December 15, 2011 and did not have a significant impact on the City's financial statements for the year ended June 30, 2013.



**City of Desert Hot Springs**  
**Notes to the Basic Financial Statements (Continued)**  
**For the year ended June 30, 2013**

**Note 1 – Summary of Significant Accounting Policies (Continued)**

**S. Accounting Changes (Continued)**

GASB has issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. The requirement of this statement standardizes the presentation of the deferred inflows and outflows of resources and their effects on a government’s net position. This statement became effective for periods beginning after December 15, 2011. The implementation of this statement to the City was limited to renaming of “Net Assets” to “Net Position”.

**Note 2 – Cash and Investments**

The following is a summary of pooled cash and investments, including cash and investments with fiscal agents at June 30, 2013:

	<u>Government-Wide Statement of Net Position</u>			<u>Fiduciary Fund</u>	
	<u>Governmental</u>	<u>Business-Type</u>	<u>Total</u>	<u>Statement of</u>	<u>Total</u>
	<u>Activities</u>	<u>Activities</u>		<u>Net Position</u>	
Cash and investments	\$ 5,768,993	\$ 24,615	\$ 5,793,608	\$ 4,033,086	\$ 9,826,694
Cash and investments with fiscal agents	4,929,550	2,726,800	7,656,350	5,963,218	13,619,568
<b>Total</b>	<b>\$ 10,698,543</b>	<b>\$ 2,751,415</b>	<b>\$ 13,449,958</b>	<b>\$ 9,996,304</b>	<b>\$ 23,446,262</b>

Cash, cash equivalents and investments consisted of the following at June 30, 2013:

<b>Cash and cash equivalents:</b>	
Petty cash	\$ 4,000
Demand deposits	1,555,839
Total cash and cash equivalents	<u>1,559,839</u>
<b>Investments:</b>	
Local Agency Investment Fund	6,266,855
U.S. Government Sponsored Enterprise Securities	2,000,000
Total investments	<u>8,266,855</u>
Total cash and investments	<u>\$ 9,826,694</u>
<b>Cash and Investments with fiscal agents:</b>	
Certificates of deposits	\$ 4,860,288
Money market mutual funds	6,032,480
Cash held by trustee	2,726,800
Total cash and investments with fiscal agents	<u>\$ 13,619,568</u>

**A. Demand Deposits**

The carrying amounts of the City’s demand deposits were \$1,555,839 at June 30, 2013. Bank balances at that date were \$2,675,084, the total amount of which was collateralized or insured with securities held by the pledging financial institutions in the City’s name as discussed below. The difference between the carrying amount and bank balances represents outstanding checks, deposits in transit, and other reconciling items.

**City of Desert Hot Springs**  
**Notes to the Basic Financial Statements (Continued)**  
**For the year ended June 30, 2013**

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**Note 2 – Cash and Investments (Continued)**

**A. Demand Deposits (Continued)**

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

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

The City follows the practice of pooling cash and investments of all funds, except for funds required to be held by fiscal agents under the provisions of bond indentures. Interest income earned on pooled cash and investments is allocated on an accounting period basis to the various funds based on the period-end cash and investment balances. Interest income from cash and investments with fiscal agents is credited directly to the related fund.

**B. Investments**

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

<b>Authorized Investment Type</b>	<b>Maximum Maturity</b>	<b>Maximum Percentage of Portfolio</b>	<b>Maximum Investments In One Issuer</b>
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 Deposits	5 Years	30%	None
Repurchase Agreements	1 Year	None	None
Money Market Mutual Funds	N/A	20%	10%
Local Agency Investment Fund	N/A	None	None

**Investments Authorized by Debt Agreement**

Investments of debt proceeds held by bond trustee are governed by provisions of the debt agreements, rather than the general provisions of the California Government Code or the City’s investment policy. Authorized investments held by bond trustee are the same as those authorized by the City’s investment policy identified above.

**City of Desert Hot Springs**  
**Notes to the Basic Financial Statements (Continued)**  
**For the year ended June 30, 2013**

**Note 2 – Cash and Investments (Continued)**

**C. Risk Disclosures**

**Interest Rate Risk**

As a means of limiting its exposure to fair value losses arising from rising interest rates, the City's investment policy provides that final maturities of securities cannot exceed five years. Specific maturities of investments depend on liquidity needs. At June 30, 2013, the City's investments had the following maturities:

Investment Type	Fair Value	Investment Maturities (in Years)		
		Less than 1	1 to 2	2 to 3
Local Agency Investment Fund (LAIF)	\$ 6,266,855	\$ 6,266,855	\$ -	\$ -
U.S. Government Sponsored Enterprise Securities	2,000,000	1,000,000	1,000,000	-
Investments held with fiscal agents:				
Certificates of deposits	4,860,288	995,000	3,686,288	179,000
Money market mutual funds	6,032,480	6,032,480	-	-
Total	\$ 19,159,623	\$ 14,294,335	\$ 4,686,288	\$ 179,000

**Credit Risk**

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. To be eligible to receive City money, a bank, savings association, federal association, or federally insured industrial loan company shall have received an overall rating of not less than "satisfactory" in its most recent evaluation by the appropriate federal financial supervisory agency of its record of meeting the credit needs of California's communities, including low-and moderate income neighborhoods. The City's investments are rated by the nationally recognized statistical rating organizations as follows:

**Credit Quality Distribution for Securities  
with Credit Exposure as a Percentage of Total Investments**

Investment Type	Fair Value	Moody's	Standard & Poor's	% of Investments with Interest Rate Risk
Local Agency Investment Fund (LAIF)	\$ 6,266,855	Not Rated	Not Rated	32.71%
U.S. Government Sponsored Enterprise Securities	2,000,000	Aaa	AA+	10.44%
Investments held with fiscal agents:				
Certificates of deposits	4,860,288	Not Rated	Not Rated	25.37%
Money market mutual funds	6,032,480	Not Rated	Not Rated	31.49%
Total	\$ 19,159,623			100.00%

**Custodial Credit Risk**

Custodial credit risk is the risk that, in the event of the failure of the counter party (e.g. broker-dealer) to a transaction, the City will not be able to recover the value of its investments or 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 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 investments in securities through these of mutual funds or government investment pools (such as LAIF).

**City of Desert Hot Springs**  
**Notes to the Basic Financial Statements (Continued)**  
**For the year ended June 30, 2013**

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**Note 2 – Cash and Investments (Continued)**

**C. Risk Disclosures (Continued)**

**Concentration of Credit Risk**

The City’s investment policy contains limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. Investments in any one issuer that represent 5% or more of total City’s investments are as follows:

<u>Issuer</u>	<u>Investment Type</u>	<u>Amount</u>
Federal Farm CR BKS Global	U.S. Agency Securities	\$ 2,000,000

**D. Investments in Local Agency Investment Fund**

The City is a participant in LAIF which is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The City’s investments with LAIF at June 30, 2013, included a portion of the pool funds invested in Structured Notes and Asset-Backed Securities:

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

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

As of June 30, 2013, the City had \$6,266,855 invested in LAIF, which had invested 1.96% of the pool investment funds in Structured Notes and Asset-Backed Securities. LAIF determines fair value on its investment portfolio based on market quotations for those securities where market quotations are readily available and based on amortized cost or best estimate for those securities where market value is not readily available. The City valued its investments in LAIF as of June 30, 2013, by multiplying its account balance with LAIF times a fair value factor determined by LAIF. This fair value factor was determined by dividing all LAIF participants’ total aggregate amortized cost by total aggregate fair value. The credit quality rating of LAIF is unrated as of June 30, 2013.

**Note 3 – Special Assessment Receivable**

During fiscal year ended June 30, 1987, the Capital Project Fund of the former 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, 2013, the Successor 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 to exceed 12% and will be recognized as income when collected. No amounts were repaid during fiscal year ending June 30, 2013.

**City of Desert Hot Springs**  
**Notes to the Basic Financial Statements (Continued)**  
**For the year ended June 30, 2013**

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**Note 4 – Notes Receivable**

**A. Government Fund Financial Statements**

Notes receivable, which amounted to \$4,572,847, are reported in the Housing Authority Special Revenue Fund as follows:

Housing Rehabilitation Loan Program	\$ 2,122,847
Owner Participation and Loan Agreement	
Low and Moderate Income Housing Units	750,000
Multifamily Redsidential Housing	1,700,000
<b>Total</b>	<u><u>\$ 4,572,847</u></u>

The former Redevelopment Agency of the City of Desert Hot Springs (“Redevelopment Agency”) operated 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, and an allowance for doubtful accounts in the government-wide financial statements.

On October 6, 2009, the former Redevelopment Agency 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 55 years and is offset by deferred revenue in the fund financial statements, and an allowance for doubtful accounts in the government-wide financial statements.

The former Redevelopment Agency entered into a \$1,700,000 Owner Participation and Grant Agreement with the Coachella Valley Housing Coalition on March 16, 2010 to provide 62-unit multifamily residential housing. The term of the grant agreement is 55 years and is offset by deferred revenue in the fund financial statements, and an allowance for doubtful accounts in the government-wide financial statements.

**B. Proprietary Fund Financial Statements**

On July 13, 2012, the City entered into a Fund Loan Agreement with Desert Hot Springs Investment Fund, LLC, a Missouri limited liability company (the “Investment Fund”) and provided \$15,126,594 to the Investment Fund. The proceeds were used to fund the Investment Fund’s equity investments in New Market Community Capital X, LLC, a Delaware limited liability company (“NMCC”), and LCD New Market Fund XII, LLC, a Delaware limited liability company (“LCD”) in the amount of \$8,300,000 and \$13,000,000, respectively. The note bears an interest rate of 0.5% with maturity date of July 1, 2048. Interest is payable quarterly commencing on October 1, 2012 while principal is not due until January 1, 2020. As of June 30, 2013, the outstanding balance for the note receivable was in the amount of \$15,126,594.

**City of Desert Hot Springs**  
**Notes to the Basic Financial Statements (Continued)**  
**For the year ended June 30, 2013**

**Note 5 – Interfund Transactions**

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

At June 30, 2013, the City had the following short-term interfund receivable/payable:

	<b>Due From Other Funds</b>		
	General Fund	Capital Improvement Fund	Capital Projects Total
<b>Due To Other Funds</b>			
2012 Street Bond Capital Projects Fund	\$ 2,021,067	\$ 1,179,397	\$ 3,200,464
Nonmajor Governmental Funds	156,703	631,269	787,972
Internal Service Funds	28,779	-	28,779
<b>Total</b>	<b>\$ 2,206,549</b>	<b>\$ 1,810,666</b>	<b>\$ 4,017,215</b>

The above interfund balances resulted from temporary reclassifications made at June 30, 2013 to cover cash shortfalls.

**B. Transfers In/Out**

For the year ended June 30, 2013, the City had the following transfers in/out which arise in the normal course of operations:

	<b>Transfers In</b>							Total
	General Fund	Public Safety Special Revenue Fund	Capital Improvement Capital Projects Fund	2012 Street Bond Capital Projects Fund	Nonmajor Governmental Funds	Health & Wellness Foundation Enterprise Fund	Internal Service Funds	
<b>Transfers Out</b>								
General Fund	\$ -	\$ 5,088,524	\$ 449,202	\$ 119,000	\$ 212,706	\$ -	\$ 875,046	\$ 6,744,478
Capital Improvement Capital Projects Fund	79,991	-	-	-	380,009	600,703	-	1,060,703
2012 Street Bond Capital Projects Fund	-	-	569	-	-	-	-	569
Nonmajor Governmental Funds	319,002	213,392	571,003	162,000	-	-	-	1,265,397
<b>Total</b>	<b>\$ 398,993</b>	<b>\$ 5,301,916</b>	<b>\$ 1,020,774</b>	<b>\$ 281,000</b>	<b>\$ 592,715</b>	<b>\$ 600,703</b>	<b>\$ 875,046</b>	<b>\$ 9,071,147</b>

The transfers of \$5,088,524 from General Fund to the Public Safety Special Revenue Fund were to fund public safety expenditures during the year in which there were insufficient revenues to cover.

The transfers of \$449,202 from General Fund to the Capital Improvement Capital Projects Fund were to provide additional funding for various capital improvement projects.

The transfers of \$119,000 from General Fund to the 2012 Street Bond Fund were to fund the debt service payment.

The transfers of \$212,706 from General Fund to the Nonmajor Governmental Funds were budgeted transfers to provide funding for the expenditures of the Lighting and Landscaping Districts and Cabot's Museum and to cover the Gas Tax deficit.

**City of Desert Hot Springs**  
**Notes to the Basic Financial Statements (Continued)**  
**For the year ended June 30, 2013**

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**Note 5 – Interfund Transactions (Continued)**

***B. Transfers In/Out (Continued)***

The transfers of \$875,046 from General Fund to the Internal Service Funds relate to \$414,875 in budgeted transfers for general liability and equipment replacement purposes, as well as \$460,171 to cover the workers' compensation deficit balance and provide a reserve for possible future claims.

The transfers of \$79,991 from the Capital Improvement Capital Projects Fund to the General Fund relate to funding expenditures for the Hacienda Sidewalk project and Verbena improvement traffic congestion project.

The transfers of \$380,009 from the Capital Improvement Capital Projects Fund to the Nonmajor Governmental Funds relate to the Hacienda Sidewalk, annual slurry seal, and Essential Road improvements Phase II projects.

The transfers of \$600,703 from the Capital Improvement Capital Projects Fund to the Health & Wellness Foundation Enterprise Fund relate to funding approved as part of the New Market Tax Credit for the Health and Wellness Center.

The transfer of \$569 from the 2012 Street Bond Capital Projects Fund to the Capital Improvement Capital Projects Fund relates to funding expenditures for the 2012 street rehabilitation program phase 2 project.

The transfers of \$319,002 from the Nonmajor Governmental Funds to the General Fund relate to budgeted transfers to cover expenditures during the year.

The transfers of \$213,392 from the Nonmajor Governmental Funds to the Public Safety Special Revenue Fund relate to assistance in funding public safety expenditures.

The transfers of \$571,003 from the Nonmajor Governmental Funds to the Capital Improvement Capital Projects Fund relate to funding the expenditures of various projects, including the Sonora Drive right-of-way, Palm and Pierson streetscape, community camera – Lockheed, Safe Routes to School Cycle 8, storm disaster repairs and Essential Road improvements Phase II.

The transfers of \$162,000 from the Nonmajor Governmental Funds to the 2012 Street Bond Capital Projects Fund were to cover the debt service payments.

**Note 6 – Transactions Between the City and Successor Agency**

The following transfers took place between the City and the Successor Agency during the year ended June 30, 2013:

The Housing Authority Special Revenue Fund transferred \$1,348,524 to the Successor Agency Private-Purpose Trust Fund to transfer all cash and cash with fiscal agents remaining in the fund to the Successor Agency due to the dissolution of the former Redevelopment Agency.

The Capital Improvement Capital Projects Fund transferred \$149,931 to the Successor Agency Private-Purpose Trust Fund to fund expenditures for the Hacienda Sidewalk project.

The Parks and Recreation Grant Special Revenue Fund transferred \$102,260 to the Successor Agency Private-Purpose Trust Fund for funding costs paid for the Health and Wellness Center.

The Successor Agency Private-Purpose Trust Fund transferred \$170 to the Housing Authority Special Revenue Fund to cover accounts payable at year-end.

**City of Desert Hot Springs**  
**Notes to the Basic Financial Statements (Continued)**  
**For the year ended June 30, 2013**

**Note 7 – Capital Assets**

**A. Governmental Activities**

A summary of changes in the capital assets for the governmental activities for the year ended June 30, 2013 is as follows:

	<b>Balance July 1, 2012, as Restated</b>	<b>Additions</b>	<b>Deletions</b>	<b>Transfers</b>	<b>Balance June 30, 2013</b>
<b>Nondepreciable assets:</b>					
Land	\$ 1,360,742	\$ -	\$ (296,908)	\$ -	\$ 1,063,834
Construction in progress	10,870,501	2,221,538	(21,546)	(10,469,490)	2,601,003
Total nondepreciable assets	<u>12,231,243</u>	<u>2,221,538</u>	<u>(318,454)</u>	<u>(10,469,490)</u>	<u>3,664,837</u>
<b>Depreciable assets:</b>					
Building and improvements	15,654,448	163,743	-	190,941	16,009,132
Machinery and equipment	8,837,825	262,300	(22,883)	-	9,077,242
Vehicles	1,460,608	-	(590,450)	-	870,158
Infrastructure	28,422,224	4,443,165	-	678,661	33,544,050
Total capital assets, being depreciated	<u>54,375,105</u>	<u>4,869,208</u>	<u>(613,333)</u>	<u>869,602</u>	<u>59,500,582</u>
<b>Less accumulated depreciation:</b>					
Building and improvements	(3,531,028)	(503,009)	-	-	(4,034,037)
Machinery and equipment	(3,849,128)	(932,576)	16,019	-	(4,765,685)
Vehicles	(1,371,751)	(20,420)	590,450	-	(801,721)
Infrastructure	(4,885,292)	(1,421,111)	-	-	(6,306,403)
Total accumulated depreciation	<u>(13,637,199)</u>	<u>(2,877,116)</u>	<u>606,469</u>	<u>-</u>	<u>(15,907,846)</u>
Total depreciable assets, net	<u>40,737,906</u>	<u>1,992,092</u>	<u>(6,864)</u>	<u>869,602</u>	<u>43,592,736</u>
<b>Governmental activities capital assets, net</b>	<u>\$ 52,969,149</u>	<u>\$ 4,213,630</u>	<u>\$ (325,318)</u>	<u>\$ (9,599,888)</u>	<u>\$ 47,257,573</u>

Depreciation expense was charged to functions/programs of governmental activities for the fiscal year ended June 30, 2013 as follows:

General government	\$ 1,560,467
Public safety	288,951
Public works	154,015
Economic development	636,786
Equipment replacement	236,897
<b>Total depreciation expense</b>	<u>\$ 2,877,116</u>

**B. Business-Type Activities**

A summary of changes in the capital assets for the business-type activities for the year ended June 30, 2013 is as follows:

	<b>Balance July 1, 2012</b>	<b>Additions</b>	<b>Deletions</b>	<b>Transfers</b>	<b>Balance June 30, 2013</b>
<b>Nondepreciable assets:</b>					
Construction in progress	\$ -	\$ 6,600,022	\$ -	\$ 9,599,888	\$ 16,199,910
Total nondepreciable assets	<u>-</u>	<u>6,600,022</u>	<u>-</u>	<u>9,599,888</u>	<u>16,199,910</u>
<b>Business-type activities capital assets, net</b>	<u>\$ -</u>	<u>\$ 6,600,022</u>	<u>\$ -</u>	<u>\$ 9,599,888</u>	<u>\$ 16,199,910</u>



**City of Desert Hot Springs**  
**Notes to the Basic Financial Statements (Continued)**  
**For the year ended June 30, 2013**

**Note 8 – Long-Term Liabilities**

**A. Governmental Activities**

A summary of changes in long-term liabilities for governmental activities for the year ended June 30, 2013 is as follows:

	<b>Balance July 1, 2012</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance June 30, 2013</b>	<b>Due within One Year</b>	<b>Due in more than One Year</b>
Judgment Obligation Bonds	\$ 9,725,000	\$ -	\$ -	\$ 9,725,000	\$ -	\$ 9,725,000
Certificates of Participation	2,075,000	-	(160,000)	1,915,000	165,000	1,750,000
2012A Certificates of Participation	5,925,000	-	(110,000)	5,815,000	115,000	5,700,000
Subtotal	<u>17,725,000</u>	<u>-</u>	<u>(270,000)</u>	<u>17,455,000</u>	<u>280,000</u>	<u>17,175,000</u>
Add/(less) deferred amounts:						
Bond discount - Judgment Bonds	(143,214)	-	(19,309)	(162,523)	(2,920)	(159,603)
Bond discount - COP	(12,924)	-	(12,734)	(25,658)	(2,555)	(23,103)
Bond premium - 2012A COP	226,655	-	(3,020)	223,635	7,665	215,970
Total bonds payable	<u>17,795,517</u>	<u>-</u>	<u>(305,063)</u>	<u>17,490,454</u>	<u>282,190</u>	<u>17,208,264</u>
Claims and judgments payable	882,146	111,298	(291,838)	701,606	526,205	175,401
Compensated absences	975,939	670,437	(668,791)	977,585	500,000	477,585
Pension-related debt	2,587,911	129,524	(65,189)	2,652,246	77,975	2,574,271
<b>Total</b>	<u><u>\$ 22,241,513</u></u>	<u><u>\$ 911,259</u></u>	<u><u>\$ (1,330,881)</u></u>	<u><u>\$ 21,821,891</u></u>	<u><u>\$ 1,386,370</u></u>	<u><u>\$ 20,435,521</u></u>

**Judgment Obligation Bonds – Original Issue \$9,725,000**

In October 2004, the City issued the Judgment Obligation Bonds (the “Bonds”) in the amount of \$9,725,000. The purpose of the bonds was to: 1) provide money for the payment of the City’s obligations evidenced by the Silver Sage Judgment and Settlement Agreement, as approved in the Confirmation Order, and 2) pay the costs incurred in connection with the authorization and issuance of the Bonds. The Bonds are payable from all legally available money of the City (not limited to any special source of funds).

Because the City could not previously satisfy its obligations to the Judgment Obligees, and certain other 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 (the “Chapter 9 Petition”) with the United States Bankruptcy Court for the Central District of California, Riverside Division. The Bonds are to be issued in connection with and in satisfaction of the City’s Third Amended Plan for the Adjustment of Debts (the “Plan”), dated and filed in the Chapter 9 Case on or about 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 City for use in the payment of claims through the Plan and in the satisfaction of ongoing City obligations (the “Exit Financing”). The Bonds 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 net proceeds of the Bonds will be applied to payment of the Judgment Obligees in payment of claims aggregating approximately \$8.85 million due under the Silver Sage Judgment and Settlement 2 Agreement. Such payment will constitute payment of the Judgment and settlement of all claims involving Silver Sage. Total claims to be satisfied under the City’s Plan in the Chapter 9 Case are approximately \$11.5 million. Remaining claims will be paid under the Plan from earmarked available funds of the City and proceeds of the Certificates of Participation to be delivered concurrently with the Bonds.

**City of Desert Hot Springs**  
**Notes to the Basic Financial Statements (Continued)**  
**For the year ended June 30, 2013**

**Note 8 – Long-Term Liabilities (Continued)**

**A. Governmental Activities (Continued)**

**Judgment Obligation Bonds – Original Issue \$9,725,000 (Continued)**

The Bonds accrue interest at rates between 4.75% and 5.00%, payable semiannually on March 1 and September 1, and mature through March 1, 2044. 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 plus accrued interest, without premium. The Bonds maturing March 1, 2029, March 1, 2034 and March 1, 2044 are subject to mandatory sinking fund redemption in part, on March 1 in each year at a redemption price equal to the principal amount of the bonds redeemed, without premium, plus accrued interest thereon to the date of redemption.

At June 30, 2013, the outstanding balance of the bonds was \$9,725,000. The annual debt service requirements on the Bonds are as follows:

Year Ending June 30,	Principal	Interest	Total
2014	\$ -	\$ 476,250	\$ 476,250
2015	-	476,250	476,250
2016	-	476,250	476,250
2017	-	476,250	476,250
2018	-	476,250	476,250
2019-2023	165,000	2,381,250	2,546,250
2024-2028	1,505,000	2,205,738	3,710,738
2029-2033	1,895,000	1,812,913	3,707,913
2034-2038	2,395,000	1,310,663	3,705,663
2039-2043	3,060,000	650,250	3,710,250
2044	705,000	35,250	740,250
<b>TOTAL</b>	<b>\$ 9,725,000</b>	<b>\$ 10,777,314</b>	<b>\$ 20,502,314</b>

**Certificates of Participation (Interim Cash Flow Financing) – Original Issue \$3,060,000**

In October 2004, the City issued the Certificates of Participation (Interim Cash Flow Financing) (the “Certificates”) in the amount of \$3,060,000. The purpose of the Certificates was to: 1) finance certain claims and/or a cash flow deficit attributable in part to certain claims pending before the Bankruptcy Court, as part of Chapter 9 proceedings, for the benefit of the City, 2) fund a reserve fund for the Certificates, and 3) pay the costs incurred in connection with the execution and delivery of the Certificates. 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.

The Certificates accrue interest at rates between 3.00% and 5.50%, payable semiannually on March 1 and September 1, and mature through March 1, 2023. The Certificates maturing on or before March 1, 2014 are not subject to optional prepayment prior to their stated principal payment dates. The Certificates maturing on and after March 1, 2015, in whole or in part, from and to the extent of prepaid base rental payments paid pursuant to the lease agreement from any source of available funds, at the principal amount plus accrued interest, without premium. The Certificates with stated principal payment dates of March 1, 2014, March 1, 2017, March 1, 2020 and March 1, 2023 are subject to mandatory sinking account prepayment prior to their stated principal payment dates on March 1 of the years and in the aggregate principal amounts, any such mandatory sinking account prepayment to be at a prepayment price equal to the principal evidenced thereby, plus accrued interest evidenced thereby to the date fixed for prepayment, without premium.

**City of Desert Hot Springs**  
**Notes to the Basic Financial Statements (Continued)**  
**For the year ended June 30, 2013**

**Note 8 – Long-Term Liabilities (Continued)**

**A. Governmental Activities (Continued)**

**Certificates of Participation (Interim Cash Flow Financing) – Original Issue \$3,060,000 (Continued)**

At June 30, 2013, the outstanding balance of the Certificates was \$1,915,000. The annual debt service requirements on the Certificates are as follows:

Year Ending June 30,	Principal	Interest	Total
2014	\$ 165,000	\$ 99,788	\$ 264,788
2015	175,000	91,950	266,950
2016	180,000	83,200	263,200
2017	190,000	74,200	264,200
2018	200,000	64,700	264,700
2019-2023	1,005,000	152,928	1,157,928
<b>TOTAL</b>	<b>\$ 1,915,000</b>	<b>\$ 566,766</b>	<b>\$ 2,481,766</b>

**California Communities Transportation Revenue (Installment Sale) Certificates of Participation, Series 2012A (T.R.I.P. – Total Road Improvement Program) – Original Issue \$5,925,000**

In February 2012, the City entered into a trust agreement with the California Statewide Communities Development Authority (the “Authority”), and issued the Certificates of Participation, Series 12A (the “2012A Certificates”) in the amount of \$5,925,000. The purpose of the Certificates was to: 1) finance the design, acquisition, and construction of certain local roadway improvements and street resurfacing projects (the “Project”) within the City, 2) fund a reserve subaccount within the reserve fund for the Certificates, and 3) pay the costs incurred in connection with the execution, sale, and delivery of the Certificates. The Project was to be sold by the Authority to the City pursuant to a 2012 Installment Sale Agreement dated February 1, 2012. The City is required to make installment sale payments to the Authority, which are payable from Gas Tax revenues and Measure A receipts.

The 2012A Certificates accrue interest at rates between 2.00% and 6.00%, payable semiannually on June 1 and December 1, and mature through June 1, 2042.

At June 30, 2013, the outstanding balance of the Certificates was \$5,815,000. The annual debt service requirements on the Certificates are as follows:

Year Ending June 30,	Principal	Interest	Total
2014	\$ 115,000	\$ 285,994	\$ 403,008
2015	115,000	283,694	398,694
2016	120,000	281,394	401,394
2017	120,000	277,794	397,794
2018	125,000	274,194	399,194
2019-2023	685,000	1,311,132	1,996,132
2024-2028	815,000	1,178,900	1,993,900
2029-2033	1,010,000	989,500	1,999,500
2034-2038	1,330,000	663,000	1,993,000
2039-2042	1,380,000	213,000	1,593,000
<b>TOTAL</b>	<b>\$ 5,815,000</b>	<b>\$ 5,758,602</b>	<b>\$ 11,575,616</b>

**City of Desert Hot Springs**  
**Notes to the Basic Financial Statements (Continued)**  
**For the year ended June 30, 2013**

**Note 8 – Long-Term Liabilities (Continued)**

**A. Governmental Activities (Continued)**

**Claims and Judgments Payable**

The amount of claims and judgments payable at June 30, 2013 was \$701,606. Risk Management Internal Service Fund has been used to liquidate the liability for claims and judgments payable. See Note 9 for details.

**Compensated Absences**

The City’s liability for vested and unpaid compensated absences (accrued vacation and sick pay) in the governmental activities has been accrued and amounted to \$977,585. General Fund has been used to liquidate the majority of the liability for compensated absences

**Pension-Related Debt**

As of June 30, 2003, the California Public Employees’ Retirement System (“CalPERS”) implemented a risk pool for the City’s multiple-employer public employee defined benefit pension plan. The City’s Miscellaneous and Safety Plans converted from agent multiple-employer plans to cost-sharing multiple employer plans. In addition to the annual required contributions (see Note 10), the City is also required to make annual payments on a Side Fund, which was created when the City entered the risk pool to account for the difference between the funded status of the pool and the funded status of the City’s plans. The responsibility for funding the Side Fund is specific to the City and is not shared by all employers in the risk pool. The annual payments on the Side Fund represent principal and interest payments on the pension-related debt, which are included in the retirement expenditures in the City’s various functions.

The amount of pension-related debt outstanding at June 30, 2013 totaled \$2,652,246, including \$723,624 for the Miscellaneous Plan and \$1,928,622 for the Safety Plan.

**B. Business-Type Activities**

A summary of changes in long-term liabilities for business-type activities for the year ended June 30, 2013 is as follows:

	<u>Balance</u> <u>July 1, 2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2013</u>	<u>Due within</u> <u>One Year</u>	<u>Due in more</u> <u>than One Year</u>
LCD - Promissory Note A-1	\$ -	\$ 9,207,621	\$ -	\$ 9,207,621	\$ -	\$ 9,207,621
NMCC - Promissory Note A-2	-	3,960,000	-	3,960,000	-	3,960,000
LCD - Promissory Note B-1	-	3,272,379	-	3,272,379	-	3,272,379
NMCC - Promissory Note B-2	-	1,958,973	-	1,958,973	-	1,958,973
NMCC - Promissory Note C-2	-	2,298,027	-	2,298,027	-	2,298,027
<b>Total</b>	<u>\$ -</u>	<u>\$ 20,697,000</u>	<u>\$ -</u>	<u>\$ 20,697,000</u>	<u>\$ -</u>	<u>\$ 20,697,000</u>

In order to finance 1) the required lump sum payment for the ground lease in the amount of \$1,108,168 upon execution of the ground lease agreement, 2) the purchase of 26,000 square foot health and wellness facility upon execution of the Agreement of Purchase and Sale, and 3) the construction of the health and wellness facility, the Foundation entered into loan agreements with NMCC and LCD on July 13, 2012 and executed five promissory notes with NMCC and LCD. The loans constitute “qualified low-income community investment” within the of §45D(d) of the Internal Revenue Code (the “Code”). As a result of such loans, the Investment Fund is expected to generate “new markets tax credits” pursuant to §45D of the Code due to its investments in NMCC and LCD as 99.99% equity owner.

**City of Desert Hot Springs**  
**Notes to the Basic Financial Statements (Continued)**  
**For the year ended June 30, 2013**

**Note 8 – Long-Term Liabilities (Continued)**

**B. Business-Type Activities (Continued)**

**LCD – Promissory Note A-1**

The note bears an interest rate of 0.5% with maturity date of July 31, 2051. The note may not be repaid in whole or in part at any time prior to the seventh anniversary. Interest is payable quarterly on December 26, March 26, June 26 and September 26 of each year commencing on September 26, 2012 for interest accrued through December 31, March 31, June 30 and September 30 of each year, respectively. A one-time principal payment of \$411,163 is due on January 1, 2020, and thereafter, principal payments are payable quarterly with the interest payments. At June 30, 2013, the outstanding balance of the LCD – Promissory Note A-1 was \$9,207,621. The annual debt service requirements are as follows:

Year Ending June 30,	Principal	Interest	Total
2014	\$ -	\$ 46,044	\$ 46,044
2015	-	46,044	46,044
2016	-	46,044	46,044
2017	-	46,044	46,044
2018	-	46,044	46,044
2019-2023	930,125	218,938	1,149,063
2024-2028	903,683	196,815	1,100,498
2029-2033	1,144,117	171,381	1,315,498
2034-2038	1,390,632	139,869	1,530,501
2039-2043	1,643,387	102,111	1,745,498
2044-2048	1,902,538	57,963	1,960,501
2049-2051	1,268,559	10,941	1,279,500
2052	24,580	10	24,590
<b>TOTAL</b>	<b>\$ 9,207,621</b>	<b>\$ 1,128,248</b>	<b>\$ 10,335,869</b>

**NMCC – Promissory Note A-2**

The note bears an interest rate of 0.5% with maturity date of July 31, 2051. The note may not be repaid in whole or in part at any time prior to the seventh anniversary. Interest is payable quarterly on December 26, March 26, June 26 and September 26 of each year commencing on September 26, 2012 for interest accrued through December 31, March 31, June 30 and September 30 of each year, respectively. One time principal payment of \$271,350 is due on January 1, 2020. Thereafter, principal payments are payable quarterly with the interest payments. At June 30, 2013, the outstanding balance of the NMCC – Promissory Note A-2 was \$3,960,000. The annual debt service requirements are as follows:

Year Ending June 30,	Principal	Interest	Total
2014	\$ -	\$ 19,800	\$ 19,800
2015	-	19,800	19,800
2016	-	19,800	19,800
2017	-	19,800	19,800
2018	-	19,800	19,800
2019-2023	461,891	92,810	554,701
2024-2028	349,910	83,598	433,508
2029-2033	465,018	73,482	538,500
2034-2038	583,036	40,465	623,501
2039-2043	704,046	44,454	748,500
2044-2048	828,111	25,392	853,503
2049-2051	557,685	4,815	562,500
2052	10,303	4	10,307
<b>TOTAL</b>	<b>\$ 3,960,000</b>	<b>\$ 464,020</b>	<b>\$ 4,424,020</b>

**City of Desert Hot Springs**  
**Notes to the Basic Financial Statements (Continued)**  
**For the year ended June 30, 2013**

**Note 8 – Long-Term Liabilities (Continued)**

**B. Business-Type Activities (Continued)**

**LCD – Promissory Note B-1**

The note bears an interest rate of 0.5% with maturity date of July 31, 2051. The note may not be repaid in whole or in part at any time prior to the seventh anniversary. Interest is payable quarterly on December 26, March 26, June 26 and September 26 of each year commencing on September 26, 2012 for interest accrued through December 31, March 31, June 30 and September 30 of each year, respectively. Commencing March 26, 2020, principal payments are payable quarterly with the interest payments. At June 30, 2013, the outstanding balance of the LCD – Promissory Note B-1 was \$3,272,379. The annual debt service requirements are as follows:

Year Ending June 30,	Principal	Interest	Total
2014	\$ -	\$ 16,356	\$ 16,356
2015	-	16,356	16,356
2016	-	16,356	16,356
2017	-	16,356	16,356
2018	-	16,356	16,356
2019-2023	171,624	80,406	252,030
2024-2028	313,957	74,046	388,003
2029-2033	412,977	65,025	478,002
2034-2038	514,499	53,502	568,001
2039-2043	618,593	39,405	657,998
2044-2048	725,322	22,677	747,999
2049-2051	487,509	4,491	492,000
2052	27,898	12	27,910
<b>TOTAL</b>	<b>\$ 3,272,379</b>	<b>\$ 421,344</b>	<b>\$ 3,693,723</b>

**NMCC – Promissory Note B-2**

The note bears an interest rate of 0.5% with maturity date of July 31, 2051. The note may not be repaid in whole or in part at any time prior to the seventh anniversary. Interest is payable quarterly on December 26, March 26, June 26 and September 26 of each year commencing on September 26, 2012 for interest accrued through December 31, March 31, June 30 and September 30 of each year, respectively. Commencing March 26, 2020, principal payments are payable quarterly with the interest payments. At June 30, 2013, the outstanding balance of the NMCC – Promissory Note B-2 was \$1,958,973. The annual debt service requirements are as follows:

Year Ending June 30,	Principal	Interest	Total
2014	\$ -	\$ 9,792	\$ 9,792
2015	-	9,792	9,792
2016	-	9,792	9,792
2017	-	9,792	9,792
2018	-	9,792	9,792
2019-2023	74,824	48,363	123,187
2024-2028	158,588	45,417	204,005
2029-2033	233,439	40,560	273,999
2034-2038	310,181	33,816	343,997
2039-2043	388,868	25,125	413,993
2044-2048	469,544	14,454	483,998
2049-2051	321,272	2,730	324,002
2052	2,257	1	2,258
<b>TOTAL</b>	<b>\$ 1,958,973</b>	<b>\$ 259,426</b>	<b>\$ 2,218,399</b>

**City of Desert Hot Springs**  
**Notes to the Basic Financial Statements (Continued)**  
**For the year ended June 30, 2013**

**Note 8 – Long-Term Liabilities (Continued)**

**B. Business-Type Activities (Continued)**

**NMCC – Promissory Note C-2**

The note bears an interest rate of 0.5% with maturity date of July 31, 2051. The note may not be repaid in whole or in part at any time prior to the seventh anniversary. Interest is payable quarterly on December 26, March 26, June 26 and September 26 of each year commencing on September 26, 2012 for interest accrued through December 31, March 31, June 30 and September 30 of each year, respectively. Commencing March 26, 2020, principal payments are payable quarterly with the interest payments. At June 30, 2013, the outstanding balance of the NMCC – Promissory Note C-2 was \$2,298,027. The annual debt service requirements are as follows:

Year Ending June 30,	Principal	Interest	Total
2014	\$ -	\$ 11,496	\$ 11,496
2015	-	11,496	11,496
2016	-	11,496	11,496
2017	-	11,496	11,496
2018	-	11,496	11,496
2019-2023	90,012	56,733	146,745
2024-2028	187,809	53,190	240,999
2029-2033	273,518	47,484	321,002
2034-2038	361,394	39,609	401,003
2039-2043	451,497	29,505	481,002
2044-2048	543,877	17,121	560,998
2049-2051	371,611	3,381	374,992
2052	18,309	8	18,317
<b>TOTAL</b>	<b>\$ 2,298,027</b>	<b>\$ 304,511</b>	<b>\$ 2,602,538</b>

**C. Fiduciary Fund**

A summary of changes in long-term liabilities for fiduciary fund for the year ended June 30, 2013 is as follows:

	<b>Balance July 1, 2012</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance June 30, 2013</b>	<b>Due within One Year</b>	<b>Due in more than One Year</b>
2006 Tax Allocation						
Refunding Bonds	\$ 4,870,000	\$ -	\$ (535,000)	\$ 4,335,000	\$ 550,000	\$ 3,785,000
2008 Tax Allocation Bonds A-1	17,410,000	-	(975,000)	16,435,000	1,040,000	15,395,000
2008 Tax Allocation Bonds A-2	15,870,000	-	-	15,870,000	-	15,870,000
2009 Tax Allocation Bonds	5,500,000	-	(105,000)	5,395,000	105,000	5,290,000
Subtotal	43,650,000	-	(1,615,000)	42,035,000	1,695,000	40,340,000
Add/(less) deferred amounts:						
Bond premium - 2006 Tax						
Allocation Refunding Bonds	16,632	-	(1,989)	14,643	1,825	12,818
Bond discount - 2008 TAB A-1	(775,606)	-	176,793	(598,813)	(58,765)	(540,048)
Bond discount - 2008 TAB A-2	(182,533)	-	5,839	(176,694)	(6,935)	(169,759)
Bond premium - 2009 TAB	64,958	-	(3,051)	61,907	2,555	59,352
<b>Total</b>	<b>\$ 42,773,451</b>	<b>\$ -</b>	<b>\$ (1,437,408)</b>	<b>\$ 41,336,043</b>	<b>\$ 1,633,680</b>	<b>\$ 39,702,363</b>

**City of Desert Hot Springs**  
**Notes to the Basic Financial Statements (Continued)**  
**For the year ended June 30, 2013**

**Note 8 – Long-Term Liabilities (Continued)**

*C. Fiduciary Fund (Continued)*

**Tax Allocation Refunding Bonds, Series 2006 – Original Issue \$7,025,000**

In August 2006, the former Redevelopment Agency issued the Merged Redevelopment Project Tax Allocation Refunding Bonds, Series 2006 (the “Refunding Bonds”) in the amount of \$7,025,000. The purpose of the Refunding Bonds was to: 1) pay the costs of issuing the Refunding Bonds, 2) to fund a reserve account for the Refunding Bonds, and 3) to refund the former Redevelopment Agency’s Redevelopment Project No. 1, 1993 Tax Allocation Parity Bonds, Series A and Redevelopment Project No. 2, 1993 Tax Allocation Bonds, Series A. 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.

The Refunding Bonds due on or before September 1, 2016 are not subject to redemption prior to their respective stated maturities. Bonds maturing on or after September 1, 2017 are subject to redemption, as a whole or in part, within any one maturity if less than all of the Refunding Bonds of such maturity are to be redeemed, prior to their respective maturity dates, at the option of the former Redevelopment Agency, on any date on or after September 1, 2016, from funds derived by the former Redevelopment Agency from any source, at the redemption prices of the principal amount of the Refunding Bonds to be redeemed, together with interest accrued thereon to the date fixed for redemption, without premium. The Refunding Bonds accrue interest at rates between 3.50% and 4.25%, payable semiannually on September 1 and March 1 of each year.

The Refunding Bonds agreement requires the Successor Agency to pledge its annual tax revenues in an amount equal to at least 125% of the annual debt service requirement each fiscal year, through final maturity of the Refunding Bonds on September 1, 2021 or early retirement of the Bonds, whichever occurs first. Revenues received by the Successor Agency from the Redevelopment Property Tax Trust Fund (“RPTTF”) have been pledged for the payment of principal and interest on these bonds. Principal and interest paid for the current year amounted to \$719,487 and total net revenues reported by the Successor Agency was \$4,449,206. The ratio of net revenues to the debt service payments due during the year ended June 30, 2013 was 6.18 (618%).

The amount of Refunding Bonds outstanding at June 30, 2013 totaled \$4,335,000 in the Successor Agency Private-Purpose Trust Fund.

The annual debt service requirements on the Refunding Bonds are as follows:

Year Ending June 30,	Principal	Interest	Total
2014	\$ 550,000	\$ 163,456	\$ 713,456
2015	570,000	141,056	711,056
2016	590,000	117,856	707,856
2017	600,000	94,057	694,057
2018	625,000	69,556	694,556
2019-2022	1,400,000	64,035	1,464,035
TOTAL	<u>\$ 4,335,000</u>	<u>\$ 650,016</u>	<u>\$ 4,985,016</u>



**City of Desert Hot Springs**  
**Notes to the Basic Financial Statements (Continued)**  
**For the year ended June 30, 2013**

**Note 8 – Long-Term Liabilities (Continued)**

**C. Fiduciary Fund (Continued)**

**Tax Allocation Bonds Series 2008A-1 (Taxable) – Original Issue \$19,965,000**

In April 2008, the former Redevelopment Agency issued Tax Allocation Bonds, Series 2008A-1 (Taxable) (the “Series 2008A-1 Bonds”) in the amount of \$19,965,000. The purpose of the Series 2008A-1 Bonds was to: 1) provide funds to finance redevelopment activities including, without limitation, the acquisition of property for the benefit of the Merged Project Area, 2) to fund the reserve account, and 3) to pay certain costs of issuance of the Series 2008A-1 Bonds.

The Series 2008A-1 Bonds are 7% term bonds due September 1, 2023, with interest payable semiannually on September 1 and March 1 of each year. The 2008A-1 Bonds are subject to optional redemption, on any date prior to their maturity, in whole or in part, with maturities to be designated by the Successor Agency, at a redemption price equal to 100 percent of the principal amount of such 2008A-1 Bonds plus the Make-Whole Premium, if any, plus the accrued interest, if any, thereon to the redemption date. The Series 2008A-1 Bonds maturing on September 1, 2023 are also subject to redemption prior to their stated maturity, in part, pro rata, from sinking account installments deposited in the sinking account on September 1 of each year commencing September 1, 2009, at the principal amount thereof and interest accrued thereon to the date fixed for redemption, without premium.

The Series 2008A-1 Bonds agreement requires the Successor Agency to pledge its annual tax revenues in an amount equal to at least 135% of the annual debt service requirement each fiscal year, through final maturity of the Series 2008A-1 Bonds on September 1, 2023 or early retirement of the Series 2008A-1 Bonds, whichever occurs first. Revenues received by the Successor Agency from the RPTTF have been pledged for the payment of principal and interest on these bonds. Principal and interest paid for the current year amounted to \$2,159,575 and total net revenues reported by the Successor Agency was \$4,449,206. The ratio of net revenues to the debt service payments due during the year ended June 30, 2013 was 2.06 (206%).

The amount of Series 2008A-1 Bonds outstanding at June 30, 2013 totaled \$16,435,000 in the Successor Agency Private-Purpose Trust Fund.

The annual debt service requirements on the Series 2008A-1 Bonds are as follows:

Year Ending June 30,	Principal	Interest	Total
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
2019-2023	8,400,000	2,266,950	10,666,950
2024	2,050,000	71,750	2,121,750
TOTAL	<u>\$ 16,435,000</u>	<u>\$ 7,100,275</u>	<u>\$ 23,535,275</u>

**City of Desert Hot Springs**  
**Notes to the Basic Financial Statements (Continued)**  
**For the year ended June 30, 2013**

**Note 8 – Long-Term Liabilities (Continued)**

**C. Fiduciary Fund (Continued)**

**Tax Allocation Bonds Series 2008A-2 – Original Issue \$15,870,000**

In April 2008, the former Redevelopment Agency issued Tax Allocation Bonds, Series 2008A-2 (the “Series 2008A-2 Bonds”) in the amount of \$15,870,000. The purpose of the Series 2008A-2 Bonds was to: 1) provide funds to finance redevelopment activities within or for the benefit of the Merged Project Area, 2) to fund the reserve account, and 3) to pay certain costs of issuance of the Series 2008A-2 Bonds.

The bonds consisted of all term bonds with maturity between September 1, 2023 to September 1, 2038 at interest rates between 5.00% and 5.75%, with interest payable semiannually on September 1 and March 1 of each year. The Series 2008A-2 Bonds maturing on or before September 1, 2018 shall not be subject to optional redemption prior to their respective stated maturities. The Series 2008A-2 Bonds maturing on or after September 1, 2019 shall be subject to redemption as a whole or in part from such maturities as the Successor Agency shall designate, or absent such designation, pro rata among maturities, and by lot within any one maturity if less than all of the Series 2008A-2 Bonds of such maturity are to be redeemed, prior to their respective maturity dates, at the option of the Successor Agency, on any date on or after September 1, 2018, from funds derived by the Successor Agency from any source, at a redemption price equal to the principal amount of Series 2008A-2 Bonds to be redeemed, together with interest accrued thereon to the date fixed for redemption, without premium. The Series 2008A-2 Bonds maturing on September 1, 2023, September 1, 2028 and September 1, 2038 are also subject to redemption prior to their stated maturity, in part by lot, from sinking account installments deposited in the sinking account on September 1 of each year commencing September 1, 2020, September 1, 2024, and September 1, 2029, respectively, at the principal amount thereof and interest accrued thereon to the date fixed for redemption, without premium.

The Series 2008A-2 Bonds agreement requires the Successor Agency to pledge its annual tax revenues in an amount equal to at least 135% of the annual debt service requirement each fiscal year, through final maturity of the Series 2008A-2 Bonds on September 1, 2038 or early retirement of the Series 2008A-2 Bonds, whichever occurs first. Revenues received by the Successor Agency from the RPTTF have been pledged for the payment of principal and interest on these bonds. Principal and interest paid for the current year amounted to \$865,773 and total net revenues reported by the Successor Agency was \$4,449,206. The ratio of net revenues to the debt service payments due during the year ended June 30, 2013 was 5.14 (514%).

The amount of Series 2008A-2 Bonds outstanding at June 30, 2013 totaled \$15,870,000 in the Successor Agency Private-Purpose Trust Fund.

The annual debt service requirements on these bonds are as follows:

Year Ending June 30,	Principal	Interest	Total
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
2019-2023	1,885,000	4,194,738	6,079,738
2024-2028	4,015,000	3,360,062	7,375,062
2029-2033	5,220,000	2,121,532	7,341,532
2034-2038	3,905,000	790,819	4,695,819
2039	845,000	24,016	869,016
<b>TOTAL</b>	<b>\$ 15,870,000</b>	<b>\$ 14,820,029</b>	<b>\$ 30,690,029</b>

**City of Desert Hot Springs**  
**Notes to the Basic Financial Statements (Continued)**  
**For the year ended June 30, 2013**

**Note 8 – Long-Term Liabilities (Continued)**

*C. Fiduciary Fund (Continued)*

**Tax Allocation Bonds Issue of 2009 – Original Issue \$5,635,000**

In July 2009, the former Redevelopment Agency issued Tax Allocation Bonds Issue of 2009 (the “2009 Bonds”) in the amount of \$5,635,000. The purpose of the bonds was to finance the redevelopment activities for the project area.

The 2009 Bonds consisted of all term bonds with maturity between September 1, 2019 to September 1, 2039 at accrued interest rates between 3.000% and 7.375%, payable on March 1 and September 1 of each year. The 2009 Bonds maturing on or before September 1, 2019 are not subject to call or redemption prior to maturity. The 2009 Bonds maturing on or after September 1, 2020 may be called before maturity and redeemed at the option of the Successor Agency, in whole or in part from proceeds of refunding bonds or other available funds, on September 1, 2019 or on any date thereafter, prior to maturity, by such maturities as will be determined by the Successor Agency and by lot within a maturity, at a redemption price equal to the principal amount of the 2009 Bonds to be redeemed together with accrued interest thereon, if any, to the date fixed for redemption, without premium. The 2009 Bonds maturing on September 1, 2023 and September 1, 2039 are subject to mandatory redemption on each September 1, commencing on September 1, 2020 and September 1, 2024, respectively, at a redemption price equal to the principal amount thereof together with accrued interest thereon, if any, to the date fixed for redemption, without premium.

The bond agreement requires the Successor Agency to pledge its annual tax revenues in an amount equal to at least 125% of the annual debt service requirement each fiscal year, through final maturity of the bonds or early retirement of the bonds, whichever occurs first. RPTTF revenues received by the Successor Agency have been pledged for the payment of principal and interest on these bonds. Principal and interest paid for the current year amounted to \$476,624 and total net revenues reported by the Successor Agency were \$4,449,206. The ratio of net revenues to the debt service payments due during the year ended June 30, 2013 was 9.33 (933%).

The amount of the 2009 Bonds outstanding at June 30, 2013 totaled \$5,395,000 in the Successor Agency Private-Purpose Trust Fund.

The annual debt service requirements on these bonds are as follows:

Year Ending June 30,	Principal	Interest	Total
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
2019-2023	760,000	1,601,192	2,361,192
2024-2028	1,030,000	1,314,462	2,344,462
2029-2033	1,480,000	858,081	2,338,081
2034-2038	1,090,000	364,325	1,454,325
2039-2040	455,000	34,110	489,110
TOTAL	<u>\$ 5,395,000</u>	<u>\$ 5,955,472</u>	<u>\$ 11,350,472</u>

**City of Desert Hot Springs**  
**Notes to the Basic Financial Statements (Continued)**  
**For the year ended June 30, 2013**

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**Note 8 – Long-Term Liabilities (Continued)**

***D. Assessment District Debt***

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, 2013 was \$80,000.

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, 2013 was \$235,000.

The City is acting only in an agent capacity for the 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. 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.

***E. Non-City Obligated 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 for \$13,900,000 (tax exempt) and Series B for \$8,430,000 (taxable). The Certificates do not constitute a debt or liability of the City. 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, 2013 was approximately \$6,000,000.

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 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. During fiscal year 2010-11, the District issued 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. The outstanding balance at June 30, 2013 was \$2,220,000.

**Note 9 – Risk Management**

***A. Coverage***

The City retains a level of risk for both general liability and worker’s compensation. The insurance coverage in excess of the self-insured amount is provided by the Public Entity Risk Management Authority (“PERMA”), a public entity risk pool consisting of cities and other public agencies in Southern California established under the provisions of California Government Code Section 65000 et seq. Costs are shared amongst the members based upon deposit premium contributions. PERMA publishes its own annual financial reports, which can be obtained from PERMA at 77-670 Springfield Lane, Suite 1A, Palm Desert, CA 92211.

**City of Desert Hot Springs**  
**Notes to the Basic Financial Statements (Continued)**  
**For the year ended June 30, 2013**

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**Note 9 – Risk Management**

**A. Coverage (Continued)**

General Liability

The City is self-insured for the first \$10,000 on each general liability claim against the City. The City pays an annual premium to PERMA for its excess general liability insurance coverage of \$50,000,000, including errors and omissions and auto liability.

Workers' Compensation and Employers' Liability

The City is self-insured for the first \$250,000 of each occurrence. The insurance coverage in excess of the self-insured amount is provided by PERMA. As a member of PERMA, all participating members share any losses in excess of the City's self-insured amount up to statutory limits for workers' compensation and \$5,000,000 per accident for employers' liability.

Other Coverage

The City also has coverage for other risks of loss, including property insurance, auto physical damage insurance, crime coverage and employment practices liability. The City's property insurance has a \$50,000,000 limit of coverage, including \$2,500,000 for flood, with a \$5,000 deductible per occurrence, except for \$25,000 for flood and earthquake sprinkler leakage. The City's auto physical insurance has a \$5,000,000 limit of coverage, with a \$2,500 deductible for all vehicles, except for \$10,000 for fire trucks valued over \$200,000. The City's crime coverage has limits of coverage of \$500,000 for employee theft, \$1,000,000 for forgery and computer and funds transfer fraud, and \$150,000 for inside theft of money and securities, with deductibles of \$2,500, \$5,000, and \$1,000, respectively. The City is self-insured for the first \$25,000 of each occurrence for employment practices liability, with excess insurance coverage up to a \$1,000,000 limit.

**B. Claims Activity**

Claims expenses 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, 2013, the amount of these liabilities was \$701,606 and was the City's best estimate based on available information.

A summary of the changes in claims liabilities for the past three fiscal years is as follows:

<b>Year Ending June 30,</b>	<b>Claims Payable July 1</b>	<b>Claims Incurred during the Fiscal Year</b>	<b>Claims Payments</b>	<b>Year Ended June 30</b>
2011	\$ 800,911	\$ 504,034	\$ (91,098)	\$ 1,213,847
2012	1,213,847	18,515	(350,216)	882,146
2013	882,146	111,298	(291,838)	701,606

**C. Adequacy of Protection**

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

**City of Desert Hot Springs**  
**Notes to the Basic Financial Statements (Continued)**  
**For the year ended June 30, 2013**

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**Note 10 – Pension Plans**

**A. California Public Employees Retirement System (CalPERS)**

Plan Description

The City contributes to CalPERS, a cost-sharing multiple-employer defined benefit pension plan, for its miscellaneous and safety employees. CalPERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. CalPERS acts as a common investment and administrative agent for participating public entities within the State of California. Benefit provisions and all other requirements are established by State statute and City ordinance. Copies of CalPERS' annual financial report may be obtained from its executive office at 400 "P" Street, Sacramento, California 95814.

Funding Policy

Participants are required to contribute 8% for miscellaneous employees, 7% for 2<sup>nd</sup> Tier Plan miscellaneous employees, and 9% for safety employees and 2<sup>nd</sup> Tier Plan safety employees of their annual covered salary. The City pays the employer contribution for the miscellaneous and safety plans. The City is required to contribute at an actuarially determined rate; the rate is 18.084% for miscellaneous employees, and 34.531% for safety employees, of annual covered payroll for year ended June 30, 2013. The contract with CalPERS was amended in April 2012 by adopting 2<sup>nd</sup> Tier Retirement formulas for new hires of 2% at 60 for miscellaneous employees and 3% at 55 for safety employees. The City is required to contribute at an actuarially determined rate; the rate is 7.846% for 2<sup>nd</sup> Tier Plan miscellaneous employees and 23.726% for 2<sup>nd</sup> Tier Plan safety employees.

The Public Employees' Pension Reform Act ("PEPRA") was enacted in January 2013 and requires PEPRA members to contribute 6.25% for miscellaneous employees and 13.50% for safety employees of their annual covered salary. The City's contribution rate for PEPRA employees is 6.25% for miscellaneous employees and 13.70% for safety employees.

The contribution requirements of plan members and the City are established and may be amended by CalPERS.

Annual Pension Cost

For the current fiscal year, the City's annual pension cost of \$1,362,497 for CalPERS was equal to the City's required and actual contributions. The required contribution was determined as part of the June 30, 2010 actuarial valuation using the entry age normal cost method. The actuarial assumptions included (a) 7.75% investment rate of return (net of administrative expenses), (b) projected salary increases ranging from 3.55% to 14.45% depending on age, service, and type of employment, and (c) 3.25% per year cost-of-living adjustments. Both (a) and (b) included an inflation component of 3.00%. The actuarial value of CalPERS assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a fifteen-year period. CalPERS' unfunded actuarial accrued liability (or surplus) is being amortized as a level percentage of projected payroll on a closed basis. The average remaining amortization period at June 30, 2010 was 19 years for prior and current service unfunded liability.

**City of Desert Hot Springs**  
**Notes to the Basic Financial Statements (Continued)**  
**For the year ended June 30, 2013**

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**Note 10 – Pension Plans**

**A. California Public Employees Retirement System (CalPERS)**

Annual Pension Cost (Continued)

**THREE-YEAR TREND INFORMATION FOR CalPERS**

<b>Miscellaneous Employees</b>			
<b>Fiscal Year Ending</b>	<b>Annual Pension Cost (APC)</b>	<b>Percentage of APC Contributed</b>	<b>Net Pension Obligation</b>
6/30/2011	\$ 343,128	100%	\$ -
6/30/2012	387,946	100%	-
6/30/2013	370,229	100%	-

  

<b>Safety Employees</b>			
<b>Fiscal Year Ending</b>	<b>Annual Pension Cost (APC)</b>	<b>Percentage of APC Contributed</b>	<b>Net Pension Obligation</b>
6/30/2011	\$ 1,046,182	100%	\$ -
6/30/2012	964,107	100%	-
6/30/2013	992,268	100%	-

Funded Status and Funding Progress

In fiscal year ended June 30, 2004, CalPERS established a risk pool for cities and other government entities that have less than 100 active members. Actuarial valuations performed included other participants within the same risk pool. Therefore, stand alone information of the schedules of funding progress for the City’s miscellaneous and safety employees is no longer available nor disclosed.

**B. Deferred Compensation Plan**

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all employees, permits them to defer a portion of their salaries until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency. The plan assets are under the participants control and are held in trust for the exclusive benefit of the participants and their beneficiaries. The plan assets are not included in the accompanying financial statements. At June 30, 2013, the amount held by the trustee for employees is \$1,704,679.

**Note 11 – Jointly Governed Organization**

Eastern Riverside County Interoperable Communications Authority

The City is a member of the Eastern Riverside County Interoperable Communications Authority (“ERICA”), a Joint Powers Authority, created to establish and operate a consolidated communications system which provides emergency call receiving and dispatching services. Other members of ERICA include the Cities of Beaumont, Cathedral City, Indio, and Palm Springs. The members, including the City, are responsible for funding the operations of ERICA through annual assessments. The annual assessments are based on percentages calculated for each member. Audited financial statements of ERICA can be obtained at 100 Civic Center Mall, Indio, CA 92201.

**City of Desert Hot Springs**  
**Notes to the Basic Financial Statements (Continued)**  
**For the year ended June 30, 2013**

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**Note 11 – Jointly Governed Organization (Continued)**

*Eastern Riverside County Interoperable Communications Authority (Continued)*

ERICA and three member agencies, including Indio, Palm Springs, and the City, entered into a reimbursement agreement relating to a municipal lease purchase agreement with Motorola, Inc., in the aggregate principal amount of \$5,557,603. The agreement obligates the three member agencies to pay 33.3% of the annual lease payments, as set forth in the municipal lease purchase agreement with Motorola, Inc. ERICA also entered into a reimbursement agreement with all member agencies, which obligates each member agency to pay 20% of the annual lease payments for a master logging recorder, in the aggregate principal amount of \$202,489.

The following represents the City’s obligation for future lease payments:

Year Ending June 30,		
2014	\$	138,393
2015		138,393
2016		138,393
2017		138,393
2018		138,393
2019-2023		691,965
2024		138,393
	<u>\$</u>	<u>1,522,323</u>

**Note 12 – Noncompliance**

*Debt Covenants*

During the year ended June 30, 2013, the Successor Agency was not in compliance with the Reserve Fund requirements for the 2008A-1 Tax Allocation Bonds. Per the Trust Indenture Section 6.04, the Reserve Fund is required to maintain a minimum balance based on the outstanding bonds. Per the trustee, the deficiency at June 30, 2013 was \$372,844. The Successor Agency has paid back the Reserve Fund during fiscal year 2013-14 with the RPTTF monies received. The Successor Agency had used the monies withdrawn from the Reserve Fund to make the required debt service payment during the year ended June 30, 2013.

*Investment Policy*

The City had two investments that are not in compliance with the City’s investment policy in effect for the year ended June 30, 2013. The City’s policy states that investments should not have a maturity of more than one year. The City held two U.S. Government Sponsored Enterprise Securities with Union Bank that had maturities of more than one year. The Federal Farm Credit Bank investments had maturities of February 18, 2014 and February 18, 2015, respectively.



**City of Desert Hot Springs**  
**Notes to the Basic Financial Statements (Continued)**  
**For the year ended June 30, 2013**

**Note 13 – Classification of Fund Balances**

At June 30, 2013, fund balances are classified as follows:

	<b>Major Funds</b>						<b>Nonmajor Governmental Funds</b>	<b>Total</b>
	<b>General</b>	<b>Public Safety</b>	<b>Housing Authority</b>	<b>Parks and Recreation Grant</b>	<b>Capital Improvement</b>	<b>2012 Street Bond</b>		
<b>Nonspendable:</b>								
Prepaid items	\$ 88,580	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 88,580
Property held for resale	-	-	207,454	-	-	-	-	207,454
<b>Total nonspendable</b>	<b>88,580</b>	<b>-</b>	<b>207,454</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>296,034</b>
<b>Restricted:</b>								
Public safety	-	2	-	-	-	-	18,189	18,191
Economic development	-	-	-	87	-	-	874,574	874,661
Public works	-	-	-	-	-	2,639,920	133,227	2,773,147
Debt service	-	-	-	-	-	-	731,107	731,107
Lighting/Landscaping/Drainage	-	-	-	-	-	-	1,134,436	1,134,436
Assessment District 91-1	-	-	-	-	-	-	111,468	111,468
<b>Total restricted</b>	<b>-</b>	<b>2</b>	<b>-</b>	<b>87</b>	<b>-</b>	<b>2,639,920</b>	<b>3,003,001</b>	<b>5,643,010</b>
<b>Assigned:</b>								
Operations	3,118,934	-	-	-	-	-	-	3,118,934
<b>Total assigned</b>	<b>3,118,934</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,118,934</b>
<b>Unassigned</b>								
	-	-	-	-	(1,790,226)	-	(7,525)	(1,797,751)
<b>Total</b>	<b>\$ 3,207,514</b>	<b>\$ 2</b>	<b>\$ 207,454</b>	<b>\$ 87</b>	<b>\$ (1,790,226)</b>	<b>\$ 2,639,920</b>	<b>\$ 2,995,476</b>	<b>\$ 7,260,227</b>

At June 30, 2013, outstanding encumbrances by major fund are as follows:

<b>Fund</b>	<b>Amount</b>
General Fund	\$ 88,034
Public Safety Special Revenue Fund	33,690
Capital Improvement Capital Projects Fund	801,157
2012 Street Bond Capital Projects Fund	1,290,074
Health & Wellness Foundation Enterprise Fund	16,733
Nonmajor governmental funds	9,737
<b>Total</b>	<b>\$ 2,239,425</b>

**Note 14 – Contingencies and Commitments**

**A. Lawsuits**

The City is presently involved in certain matters of litigation that have arisen in the normal course of conducting City business. City management believes, based upon consultation with the City Attorney, that these cases, in the aggregate, are not expected to result in a material adverse financial impact on the City, except for the lawsuit described below. Additionally, City management believes that the City's insurance programs are sufficient to cover any potential losses should an unfavorable outcome materialize (See Note 9).

In December 2013, the City Council passed a motion to cut most city employee salaries, including the police department, by more than 22 percent. City Council also placed a cumulative cap on all incentive pay and capped salary increases at 3 percent. On February 14, 2014 the Desert Hot Springs Police Union filed a lawsuit against the City for back wages, estimated to be more than \$1 million. There is a hearing scheduled for April 15, 2014.

**City of Desert Hot Springs**  
**Notes to the Basic Financial Statements (Continued)**  
**For the year ended June 30, 2013**

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**Note 14 – Contingencies and Commitments (Continued)**

***B. Federal and State Grant Programs***

The City participates in Federal and State grant programs. These programs were audited in accordance with the provisions of the Federal Single Audit Act of 1984, as amended in 1996 and applicable State requirements. No cost disallowance is expected as a result of these audits; however, these programs are subject to further examination by the grantors. Expenditures which may be disallowed, if any, by the granting agencies, cannot be determined at this time. The City expects such amounts, if any, to be immaterial.

**Note 15 – Related Party Transactions**

On July 13, 2012, the Foundation entered into ground lease agreement with the City consisting of 6.631 acres of land located in the City for a period of ninety-nine years, commencing July 13, 2012 and ending July 13, 2111. The land was appraised at \$1,108,168. The lease payment in the amount of \$1,108,168 was paid in full upon the execution of the lease.

The City entered into this lease for the purpose of providing the land for development of the health and wellness center. The City had commenced the development project prior to execution of the ground lease agreement and expended \$8,460,675 on the 26,000 square foot health and wellness facility. As part of the ground lease agreement and a separate executed Agreement of Purchase and Sale (the “facility sale agreement”) between the City and the Foundation, the City sold the 26,000 square foot health and wellness facility that was still under construction to the Foundation in the amount of \$8,460,675 on July 13, 2012.

The Desert Healthcare District (the “District”) also provided \$5,167,048 grant funding for the construction of the facility and equipment for the health and wellness center.

In addition to the ground lease agreement and facility sale agreement, the City and the Foundation entered into “Development Agreement” on July 13, 2012. The Foundation appointed the City to provide development service for the Foundation with respect to supervising, managing, and overseeing the remaining development of the health and wellness center. In anticipation of the development agreement, the City had begun providing the development service for the health and wellness center on December 1, 2011. The agreed upon development fee was in the amount of \$1,038,883. One third of the development fee in the amount of \$346,294 was paid on July 13, 2012, and the remaining two thirds was paid upon placement in service of the health and wellness center and receipt of a final and unconditional certificate of occupancy on October 9, 2013.

**Note 16 – CPV Sentinel Energy Project**

In 2007, CPV Sentinel, LLC (“CPV Sentinel”) proposed the development of the CPV Sentinel Energy Project. The project includes eight generating units capable of producing approximately 800 megawatts of electricity. It was estimated that the one time sales tax associated with the equipment costs to be paid by CPV Sentinel in connection with the project would be approximately \$25 million, of which approximately \$3 million was allocated to the City. CPV sentinel moved forward with the project and the City received the initial \$250,000 during the year ended June 30, 2012. During the year ended June 30, 2013, the City received its remaining share of sales taxes totaling \$2,750,000.

**City of Desert Hot Springs**  
**Notes to the Basic Financial Statements (Continued)**  
**For the year ended June 30, 2013**

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**Note 17 – Due Diligence Review for the Successor Agency**

**A. Low and Moderate Income Housing Fund Due Diligence Review**

On April 18, 2013, the Successor Agency submitted the Low and Moderate Income Housing Fund (“LMIHF”) Due Diligence Review (“DDR”) to the California Department of Finance (“DOF”) pursuant to Health and Safety Code Section 34179.6(c). The purpose of the review was to determine the amount of cash and cash equivalents available for distributing to the affected taxing entities. The Department of Finance issued a letter to the Successor Agency dated May 20, 2013 determining that \$2,424,855 was considered unencumbered LMIHF cash and cash equivalents and is subject to distribution to the taxing entities. The City disputed the amount, however, and in the DOF’s final determination letter dated June 20, 2013, it was determined that a total of \$402,434 was available to be distributed to taxing entities. On August 15, 2013, the Successor Agency remitted \$402,434 in available funds to the Riverside County Auditor-Controller.

**B. Other Funds and Accounts Due Diligence Review**

On April 24, 2013, the Successor Agency submitted the Other Funds and Accounts (“OFA”) DDR to the DOF pursuant to Health and Safety Code Section 34179.6(c). The purpose of the review was to determine the amount of cash and cash equivalents available for distributing to the affected taxing entities. The Department of Finance issued a letter to the Successor Agency dated June 28, 2013 determining that there was no unencumbered balance subject to distribution to the taxing entities.

**Note 18 – Other Fund Disclosures**

Deficit Fund Balance

The following funds had deficit fund balances at June 30, 2013:

Fund	Amount
<b>Major Funds:</b>	
Capital Improvement Capital Projects Fund	\$ (1,790,226)
<b>Nonmajor Funds:</b>	
County Service Area 152 Special Revenue Fund	(7,525)
<b>Total</b>	<b>\$ (1,797,751)</b>

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

**Note 19 – Prior Period Adjustments**

The beginning net position for the governmental activities in the Statement of Activities was restated from \$49,073,463 to \$50,212,676 to capitalize prior year expenditures to nondepreciable capital assets.

**City of Desert Hot Springs**  
**Notes to the Basic Financial Statements (Continued)**  
**For the year ended June 30, 2013**

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**Note 20 – City’s Financial Condition**

At June 30, 2013, the City had a net decrease of its net position in the amount of \$(11,283,350) for the governmental activities, which raises uncertainties regarding the City’s ability to conduct future operations.

The City made significant cuts to expenses including: pension reform, salary and benefit concessions between 22% and 35%; and some contracts have been terminated or suspended. Many vendors and contractors have been willing to assist the City during this fiscal crisis by reducing their billing rates by 10%, or more. City Hall staff has been reduced by 74% over the last several years; non-safety personnel consist of only twenty-four employees.

The overall financial condition of the City has weakened over the course of the last two years, based on the worst recession in decades, in the economy of the United States, the State of California and the local area. These factors have resulted in declines in revenues to the City, and are reflected in three primary areas:

1. General Fund Reserves, as well as cash, have been significantly depleted.
2. Deficit operations are anticipated for the Health & Wellness Center in the year ended June 30, 2015. The Health & Wellness Center is relying on one-time funding in the years ended June 30, 2013 and 2014.
3. There is an estimated deficit of \$3.5 million in the General Fund for the year ended June 30, 2015. The City’s General Fund subsidized the City’s Public Safety Fund in the amount of \$5.1 million in the year ended June 30, 2013 and is on track to subsidize the City’s Public Safety Fund in the amount of \$5.3 million in the year ended June 30, 2014.

General Fund Reserves

The General Fund is typically the focal point in analyzing the health of the City because it is assumed that the General Fund will be able to cover both its costs and act as a financial backstop for other funds. For the year ended June 30, 2013, the General Fund had a net loss of \$(943,325) which reduces the fund balance to \$3,207,514. Based on the budget forecast prepared by the City’s Administrative Services Department, the City is expecting a net loss of approximately \$2.4 million for the fiscal year ended June 30, 2014 which will reduce the estimated fund balance to a balance of \$807,514. The City’s Administrative Services Department is currently projecting a \$3.5 million deficit in for the year ended June 30, 2015.

The City Council authorized the placement of a measure on the June 3, 2014 election ballot. This measure proposes to raise an additional \$3.8 million in parcel tax revenues, if passed by the registered voters in the City. If this measure passes, and the \$3.8 million in parcel tax revenues are collected, this will provide increased revenues to the City for the year ended June 30, 2015. It will decidedly improve the financial picture for the City and allow the City to end fiscal year 2014/15 with a positive fund balance. Otherwise, the City will have an estimated fund balance deficit of \$(2,692,486).

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**REQUIRED SUPPLEMENTARY  
INFORMATION (Unaudited)**

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**City of Desert Hot Springs**  
**Required Supplementary Information (Unaudited)**  
**For the year ended June 30, 2013**

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**Note 1 – Budgetary Information**

**A. *General Budget Policies***

The City adopts an annual budget prepared on the modified accrual basis for all of its governmental funds, except for the Parks and Recreation Grant Special Revenue Fund. Budgets are developed in accordance with U.S. GAAP. The City Council approves each year's budget submitted by the City Manager prior to the beginning of the new fiscal year. Public hearings are conducted prior to its adoption by the City Council. Budgeted amounts transferred between accounts are approved by the Administrative Services Director. Budgeted amounts transferred between departments are approved by the City Manager. Supplemental appropriations, where required during the period, are approved by the City Council. The level of budgetary control (that is, the level at which expenditures cannot legally exceed the appropriated amount) is established at the fund level. At fiscal year-end, all unencumbered operating budget appropriations lapse with the exception of continuing appropriations.

**B. *Continuing Appropriations***

At fiscal year-end, all unencumbered appropriations lapse, however, certain unexpended capital funds are carried over into the next fiscal year's budget.

**C. *Encumbrances***

Encumbrances are estimations of costs related to unperformed contracts for goods and services. These commitments are recorded for budgetary control purposes in the General, special revenue, and similar governmental funds. Encumbrances outstanding at year-end represent the estimated amount of the expenditure ultimately to result if unperformed contracts in-process at year-end are completed. They do not constitute expenditures or estimated liabilities.

**City of Desert Hot Springs**  
**Required Supplementary Information (Unaudited) (Continued)**  
**For the year ended June 30, 2013**

**Note 1 – Budgetary Information (Continued)**

*Budgetary Comparison Schedule, General Fund*

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES:</b>				
Taxes	\$ 6,248,430	\$ 5,968,466	\$ 6,131,684	\$ 163,218
Permits and fees	1,909,159	1,643,883	896,707	(747,176)
Intergovernmental	250,000	20,000	11,806	(8,194)
Licenses	195,000	176,043	192,876	16,833
Interest	35,000	28,500	93,371	64,871
Miscellaneous	4,400,909	3,490,666	3,528,940	38,274
<b>Total revenues</b>	<u>13,038,498</u>	<u>11,327,558</u>	<u>10,855,384</u>	<u>(472,174)</u>
<b>EXPENDITURES:</b>				
Current:				
General government	3,240,496	2,937,422	3,006,104	(68,682)
Public works	566,118	490,627	494,807	(4,180)
Economic development	1,779,514	1,820,810	1,709,276	111,534
Culture and leisure	800,000	1,038,163	243,037	795,126
<b>Total expenditures</b>	<u>6,386,128</u>	<u>6,287,022</u>	<u>5,453,224</u>	<u>833,798</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<u>6,652,370</u>	<u>5,040,536</u>	<u>5,402,160</u>	<u>361,624</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	175,000	450,000	398,993	(51,007)
Transfers out	(500,000)	(614,875)	(6,744,478)	(6,129,603)
<b>Total other financing sources (uses)</b>	<u>(325,000)</u>	<u>(164,875)</u>	<u>(6,345,485)</u>	<u>(6,180,610)</u>
<b>Net change in fund balance</b>	<u>\$ 6,327,370</u>	<u>\$ 4,875,661</u>	<u>(943,325)</u>	<u>\$ (5,818,986)</u>
<b>FUND BALANCE:</b>				
Beginning of year			<u>4,150,839</u>	
End of year			<u>\$ 3,207,514</u>	

**City of Desert Hot Springs**  
**Required Supplementary Information (Unaudited) (Continued)**  
**For the year ended June 30, 2013**

**Note 1 – Budgetary Information (Continued)**

*Budgetary Comparison Schedule, Public Safety Special Revenue Fund*

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES:</b>				
Taxes	\$ 3,716,741	\$ 3,880,613	\$ 4,100,679	\$ 220,066
Permits and fees	1,215,000	1,222,942	1,107,166	(115,776)
Intergovernmental	250,000	149,861	41,866	(107,995)
Licenses	146,000	409,028	34,880	(374,148)
Miscellaneous	50,000	12,750	351,688	338,938
<b>Total revenues</b>	<u>5,377,741</u>	<u>5,675,194</u>	<u>5,636,279</u>	<u>(38,915)</u>
<b>EXPENDITURES:</b>				
Current:				
Public safety	11,579,738	10,938,196	10,938,195	1
<b>Total expenditures</b>	<u>11,579,738</u>	<u>10,938,196</u>	<u>10,938,195</u>	<u>1</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(6,201,997)</u>	<u>(5,263,002)</u>	<u>(5,301,916)</u>	<u>(38,914)</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	100,000	100,000	5,301,916	5,201,916
<b>Total other financing sources (uses)</b>	<u>100,000</u>	<u>100,000</u>	<u>5,301,916</u>	<u>5,201,916</u>
<b>Net change in fund balance</b>	<u>\$ (6,101,997)</u>	<u>\$ (5,163,002)</u>	<u>-</u>	<u>\$ 5,163,002</u>
<b>FUND BALANCE:</b>				
Beginning of year			<u>2</u>	
End of year			<u>\$ 2</u>	



**City of Desert Hot Springs**  
**Required Supplementary Information (Unaudited) (Continued)**  
**For the year ended June 30, 2013**

**Note 1 – Budgetary Information (Continued)**

*Budgetary Comparison Schedule, Housing Authority Special Revenue Fund*

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES:</b>				
Intergovernmental	\$ 971,700	\$ 971,700	\$ -	\$ (971,700)
Miscellaneous	-	170	170	-
<b>Total revenues</b>	<u>971,700</u>	<u>971,870</u>	<u>170</u>	<u>(971,700)</u>
<b>EXPENDITURES:</b>				
Current:				
Economic development	1,943,247	2,737,988	1,568,863	1,169,125
<b>Total expenditures</b>	<u>1,943,247</u>	<u>2,737,988</u>	<u>1,568,863</u>	<u>1,169,125</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(971,547)</u>	<u>(1,766,118)</u>	<u>(1,568,693)</u>	<u>197,425</u>
<b>Net change in fund balance</b>	<u>\$ (971,547)</u>	<u>\$ (1,766,118)</u>	<u>(1,568,693)</u>	<u>\$ 197,425</u>
<b>FUND BALANCE:</b>				
Beginning of year			<u>1,776,147</u>	
End of year			<u>\$ 207,454</u>	

**City of Desert Hot Springs**  
**Required Supplementary Information (Unaudited) (Continued)**  
**For the year ended June 30, 2013**

**Note 1 – Budgetary Information (Continued)**

*Budgetary Comparison Schedule, Parks and Recreation Grant Special Revenue Fund*

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES:</b>				
Intergovernmental	\$ -	\$ 101,927	\$ 101,927	\$ -
Interest	-	420	420	-
<b>Total revenues</b>	<u>-</u>	<u>102,347</u>	<u>102,347</u>	<u>-</u>
<b>EXPENDITURES:</b>				
Current:				
Economic development	-	-	102,260	(102,260)
<b>Total expenditures</b>	<u>-</u>	<u>-</u>	<u>102,260</u>	<u>(102,260)</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<u>-</u>	<u>102,347</u>	<u>87</u>	<u>(102,260)</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers out	-	(2,162,422)	-	2,162,422
<b>Total other financing sources (uses)</b>	<u>-</u>	<u>(2,162,422)</u>	<u>-</u>	<u>2,162,422</u>
<b>Net change in fund balance</b>	<u>\$ -</u>	<u>\$ (2,060,075)</u>	<u>87</u>	<u>\$ 2,060,162</u>
<b>FUND BALANCE:</b>				
Beginning of year			<u>-</u>	
End of year			<u>\$ 87</u>	

**City of Desert Hot Springs**  
**Required Supplementary Information (Unaudited) (Continued)**  
**For the year ended June 30, 2013**

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**Note 2 – Defined Pension Plan**

In fiscal year ended June 30, 2004, CalPERS established a risk pool for cities and other government entities that have less than 100 active members. Actuarial valuations performed included other participants within the same risk pool. Therefore, stand alone information of the schedules of the funding progress for the City's miscellaneous and safety employees are no longer available nor disclosed.

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# **SUPPLEMENTARY INFORMATION**

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# NONMAJOR GOVERNMENTAL FUNDS

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## SPECIAL REVENUE FUNDS:

***Traffic Safety Special Revenue Fund*** - To account for resources specifically designated for traffic safety. Financing is provided through grants. Expenditures are utilized for traffic safety purposes.

***Special Gas Tax Special Revenue Fund*** - To account 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 Special Revenue Fund*** - To account 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 Special Revenue Fund*** - to account 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 Special Revenue Fund*** - To account 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 Special Revenue Fund*** - To account 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 Special Revenue Fund*** - To account 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 Special Revenue Fund*** - To account for the accumulation of developer fees received under the provision of the Quimby Act for park development and improvements.

***Drainage Assessment District Special Revenue Fund*** - To account for taxes assessed on property owners within the drainage assessment districts for the maintenance of the drainage systems.

***County Service Area 152 (CSA-152) Special Revenue Fund*** - To account for funding received 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.

***Cabot's Museum Special Revenue Fund*** - To account for various fees and operational costs associated with a museum that was gifted to the City.

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# NONMAJOR

## GOVERNMENTAL FUNDS (CONTINUED)

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### **SPECIAL REVENUE FUNDS (Continued):**

*Bicycle / Pedestrian Grant Special Revenue Fund* - To account 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.

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

*Abandoned Vehicle Abatement Special Revenue Fund* - To account for a portion of DMV registration fees that the City receives from the Riverside County Abandoned Vehicle Abatement Service Authority as reimbursement to the City for costs incurred for the administration, removal, and abatement of nuisance vehicles within city limits.

### **DEBT SERVICE FUNDS:**

*City Debt Service Fund* - To account for the debt service payments on the City's Judgment Bonds and Certificate of Participation twice annually.

### **CAPITAL PROJECTS FUNDS:**

*Assessment District 91-1 Capital Projects Fund* - To account for improvements to the Assessment District 91-1, which are financed from bond proceeds. Liabilities are paid from tax revenues.



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**City of Desert Hot Springs  
Combining Balance Sheet  
Nonmajor Governmental Funds  
June 30, 2013**

	Special Revenue					
	Traffic Safety	Special Gas Tax	Capital Improvement Deposits	Municipal Lighting / Landscaping Assessment District	Measure A	Air Quality Control
<b>ASSETS</b>						
Cash and investments	\$ 2,808	\$ -	\$ 1,459,510	\$ 521,579	\$ -	\$ 10,446
Cash and investments with fiscal agent	-	-	-	-	-	-
Receivables:						
Accounts	-	-	-	-	-	-
Interest	-	-	190	60	95	1
Due from other governments	-	57,040	-	71,841	130,422	8,730
<b>Total assets</b>	<b>\$ 2,808</b>	<b>\$ 57,040</b>	<b>\$ 1,459,700</b>	<b>\$ 593,480</b>	<b>\$ 130,517</b>	<b>\$ 19,177</b>
<b>LIABILITIES AND FUND BALANCES</b>						
<b>Liabilities:</b>						
Accounts payable	\$ -	\$ 33,473	\$ 23,282	\$ 45,262	\$ -	\$ 9,405
Accrued liabilities	-	7,431	-	3,254	-	-
Due to other funds	-	16,821	631,269	-	112,826	-
Deferred revenue	-	-	-	46,084	-	-
<b>Total liabilities</b>	<b>-</b>	<b>57,725</b>	<b>654,551</b>	<b>94,600</b>	<b>112,826</b>	<b>9,405</b>
<b>Fund Balances:</b>						
Restricted	2,808	(685)	805,149	498,880	17,691	9,772
Unassigned	-	-	-	-	-	-
<b>Total fund balances</b>	<b>2,808</b>	<b>(685)</b>	<b>805,149</b>	<b>498,880</b>	<b>17,691</b>	<b>9,772</b>
<b>Total liabilities and fund balances</b>	<b>\$ 2,808</b>	<b>\$ 57,040</b>	<b>\$ 1,459,700</b>	<b>\$ 593,480</b>	<b>\$ 130,517</b>	<b>\$ 19,177</b>

(Continued)

**City of Desert Hot Springs**  
**Combining Balance Sheet (Continued)**  
**Nonmajor Governmental Funds**  
**June 30, 2013**

	Special Revenue					
	Art in Public Places	Quimby Act	Drainage Assessment District	County Service Area 152	Cabot's Museum	Bicycle / Pedestrian Grant
<b>ASSETS</b>						
Cash and investments	\$ 69,918	\$ 103,347	\$ 620,987	\$ -	\$ -	\$ 3,091
Cash and investments with fiscal agent	-	-	-	-	-	-
Receivables:						
Accounts	-	-	15,000	-	-	-
Interest	7	11	66	-	-	-
Due from other governments	-	-	4,856	-	20,407	-
<b>Total assets</b>	<u>\$ 69,925</u>	<u>\$ 103,358</u>	<u>\$ 640,909</u>	<u>\$ -</u>	<u>\$ 20,407</u>	<u>\$ 3,091</u>
<b>LIABILITIES AND FUND BALANCES</b>						
<b>Liabilities:</b>						
Accounts payable	\$ 500	\$ -	\$ 5,353	\$ -	\$ 4,317	\$ -
Accrued liabilities	-	-	-	-	-	-
Due to other funds	-	-	-	7,525	16,090	-
Deferred revenue	-	-	-	-	-	-
<b>Total liabilities</b>	<u>500</u>	<u>-</u>	<u>5,353</u>	<u>7,525</u>	<u>20,407</u>	<u>-</u>
<b>Fund Balances:</b>						
Restricted	69,425	103,358	635,556	-	-	3,091
Unassigned	-	-	-	(7,525)	-	-
<b>Total fund balances</b>	<u>69,425</u>	<u>103,358</u>	<u>635,556</u>	<u>(7,525)</u>	<u>-</u>	<u>3,091</u>
<b>Total liabilities and fund balances</b>	<u>\$ 69,925</u>	<u>\$ 103,358</u>	<u>\$ 640,909</u>	<u>\$ -</u>	<u>\$ 20,407</u>	<u>\$ 3,091</u>

(Continued)

**City of Desert Hot Springs**  
**Combining Balance Sheet (Continued)**  
**Nonmajor Governmental Funds**  
**June 30, 2013**

	Special Revenue		Debt Service	Capital Projects	Total Nonmajor Governmental Funds
	SLESF	Abandoned Vehicle Abatement	City Debt Service	Assessment District 91-1	
<b>ASSETS</b>					
Cash and investments	\$ -	\$ -	\$ 364,350	\$ 110,984	\$ 3,267,020
Cash and investments with fiscal agent	-	-	267,403	-	267,403
Receivables:					
Accounts	25,000	-	-	-	40,000
Interest	-	-	41	12	483
Due from other governments	-	19,319	99,313	472	412,400
<b>Total assets</b>	<b>\$ 25,000</b>	<b>\$ 19,319</b>	<b>\$ 731,107</b>	<b>\$ 111,468</b>	<b>\$ 3,987,306</b>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>Liabilities:</b>					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ 121,592
Accrued liabilities	-	497	-	-	11,182
Due to other funds	-	3,441	-	-	787,972
Deferred revenue	25,000	-	-	-	71,084
<b>Total liabilities</b>	<b>25,000</b>	<b>3,938</b>	<b>-</b>	<b>-</b>	<b>991,830</b>
<b>Fund Balances:</b>					
Restricted	-	15,381	731,107	111,468	3,003,001
Unassigned	-	-	-	-	(7,525)
<b>Total fund balances</b>	<b>-</b>	<b>15,381</b>	<b>731,107</b>	<b>111,468</b>	<b>2,995,476</b>
<b>Total liabilities and fund balances</b>	<b>\$ 25,000</b>	<b>\$ 19,319</b>	<b>\$ 731,107</b>	<b>\$ 111,468</b>	<b>\$ 3,987,306</b>

(Concluded)

**City of Desert Hot Springs**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Nonmajor Governmental Funds**  
**For the year ended June 30, 2013**

	Special Revenue					
	Traffic Safety	Special Gas Tax	Capital Improvement Deposits	Municipal Lighting / Landscaping Assessment District	Measure A	Air Quality Control
<b>REVENUES:</b>						
Taxes	\$ -	\$ -	\$ -	\$ 777,801	\$ -	\$ 33,340
Permits and fees	-	-	241,314	-	-	-
Intergovernmental	-	634,615	-	-	456,095	-
Interest	2	-	2,064	612	812	50
Miscellaneous	-	-	-	-	-	-
<b>Total revenues</b>	<b>2</b>	<b>634,615</b>	<b>243,378</b>	<b>778,413</b>	<b>456,907</b>	<b>33,390</b>
<b>EXPENDITURES:</b>						
Current:						
General government	-	-	20,748	-	-	76,047
Public safety	-	-	-	-	-	-
Public works	-	590,832	633,875	664,235	184,342	-
Culture and leisure	-	-	-	-	-	-
Capital outlay	-	-	155,057	8,686	765,000	-
Debt service:						
Principal retirement	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-
<b>Total expenditures</b>	<b>-</b>	<b>590,832</b>	<b>809,680</b>	<b>672,921</b>	<b>949,342</b>	<b>76,047</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>2</b>	<b>43,783</b>	<b>(566,302)</b>	<b>105,492</b>	<b>(492,435)</b>	<b>(42,657)</b>
<b>OTHER FINANCING SOURCES (USES):</b>						
Transfers in	-	20,000	361,176	100,000	18,833	-
Transfers out	-	(128,300)	(561,704)	-	(162,000)	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>(108,300)</b>	<b>(200,528)</b>	<b>100,000</b>	<b>(143,167)</b>	<b>-</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>2</b>	<b>(64,517)</b>	<b>(766,830)</b>	<b>205,492</b>	<b>(635,602)</b>	<b>(42,657)</b>
<b>FUND BALANCES:</b>						
Beginning of year	2,806	63,832	1,571,979	293,388	653,293	52,429
End of year	\$ 2,808	\$ (685)	\$ 805,149	\$ 498,880	\$ 17,691	\$ 9,772

(Continued)

**City of Desert Hot Springs**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances (Continued)**  
**Nonmajor Governmental Funds**  
**For the year ended June 30, 2013**

Special Revenue

	Art in Public Places	Quimby Act	Drainage Assessment District	County Service Area 152	Cabot's Museum	Bicycle / Pedestrian Grant
<b>REVENUES:</b>						
Taxes	\$ -	\$ -	\$ 196,230	\$ -	\$ -	\$ -
Permits and fees	-	-	-	-	-	-
Intergovernmental	33,737	-	-	12,431	20,407	-
Interest	57	121	687	-	-	-
Miscellaneous	-	-	-	-	-	-
<b>Total revenues</b>	<b>33,794</b>	<b>121</b>	<b>196,917</b>	<b>12,431</b>	<b>20,407</b>	<b>-</b>
<b>EXPENDITURES:</b>						
Current:						
General government	-	-	-	-	-	-
Public safety	-	-	-	-	-	-
Public works	4,946	-	170,079	-	-	-
Culture and leisure	-	-	-	-	126,465	-
Capital outlay	-	-	-	-	-	-
Debt service:						
Principal retirement	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-
<b>Total expenditures</b>	<b>4,946</b>	<b>-</b>	<b>170,079</b>	<b>-</b>	<b>126,465</b>	<b>-</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>28,848</b>	<b>121</b>	<b>26,838</b>	<b>12,431</b>	<b>(106,058)</b>	<b>-</b>
<b>OTHER FINANCING SOURCES (USES):</b>						
Transfers in	-	-	-	-	92,706	-
Transfers out	-	-	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>92,706</b>	<b>-</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>28,848</b>	<b>121</b>	<b>26,838</b>	<b>12,431</b>	<b>(13,352)</b>	<b>-</b>
<b>FUND BALANCES:</b>						
Beginning of year	40,577	103,237	608,718	(19,956)	13,352	3,091
End of year	\$ 69,425	\$ 103,358	\$ 635,556	\$ (7,525)	\$ -	\$ 3,091

(Continued)

**City of Desert Hot Springs**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances (Continued)**  
**Nonmajor Governmental Funds**  
**For the year ended June 30, 2013**

	Special Revenue		Debt Service	Capital Projects	
	SLESF	Abandoned Vehicle Abatement	City Debt Service	Assessment District 91-1	Total Nonmajor Governmental Funds
<b>REVENUES:</b>					
Taxes	\$ -	\$ -	\$ 1,010,847	\$ -	\$ 2,018,218
Permits and fees	-	-	-	-	241,314
Intergovernmental	75,000	-	-	-	1,232,285
Interest	-	-	565	60	5,030
Miscellaneous	-	27,258	-	59,930	87,188
<b>Total revenues</b>	<b>75,000</b>	<b>27,258</b>	<b>1,011,412</b>	<b>59,990</b>	<b>3,584,035</b>
<b>EXPENDITURES:</b>					
Current:					
General government	-	-	-	-	96,795
Public safety	-	28,975	-	-	28,975
Public works	-	-	-	-	2,248,309
Culture and leisure	-	-	-	-	126,465
Capital outlay	-	-	-	-	928,743
Debt service:					
Principal retirement	-	-	160,000	-	160,000
Interest and fiscal charges	-	-	587,636	-	587,636
<b>Total expenditures</b>	<b>-</b>	<b>28,975</b>	<b>747,636</b>	<b>-</b>	<b>4,176,923</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>75,000</b>	<b>(1,717)</b>	<b>263,776</b>	<b>59,990</b>	<b>(592,888)</b>
<b>OTHER FINANCING SOURCES (USES):</b>					
Transfers in	-	-	-	-	592,715
Transfers out	(75,000)	-	(338,393)	-	(1,265,397)
<b>Total other financing sources (uses)</b>	<b>(75,000)</b>	<b>-</b>	<b>(338,393)</b>	<b>-</b>	<b>(672,682)</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>-</b>	<b>(1,717)</b>	<b>(74,617)</b>	<b>59,990</b>	<b>(1,265,570)</b>
<b>FUND BALANCES:</b>					
Beginning of year	-	17,098	805,724	51,478	4,261,046
End of year	\$ -	\$ 15,381	\$ 731,107	\$ 111,468	\$ 2,995,476

(Concluded)

**City of Desert Hot Springs**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual**  
**Traffic Safety Special Revenue Fund**  
**For the year ended June 30, 2013**

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	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>REVENUES:</b>				
Interest	\$ -	\$ 4	\$ 2	\$ (2)
<b>Total revenues</b>	<u>-</u>	<u>4</u>	<u>2</u>	<u>(2)</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<u>-</u>	<u>4</u>	<u>2</u>	<u>(2)</u>
<b>Net changes in fund balance</b>	-	4	2	(2)
<b>FUND BALANCE:</b>				
Beginning of year	2,806	2,806	2,806	-
End of year	<u>\$ 2,806</u>	<u>\$ 2,810</u>	<u>\$ 2,808</u>	<u>\$ (2)</u>



**City of Desert Hot Springs**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual**  
**Special Gas Tax Special Revenue Fund**  
**For the year ended June 30, 2013**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>REVENUES:</b>				
Intergovernmental	\$ 602,068	\$ 679,485	\$ 634,615	\$ (44,870)
<b>Total revenues</b>	<u>602,068</u>	<u>679,485</u>	<u>634,615</u>	<u>(44,870)</u>
<b>EXPENDITURES:</b>				
Current:				
Public works	448,681	611,239	590,832	20,407
<b>Total expenditures</b>	<u>448,681</u>	<u>611,239</u>	<u>590,832</u>	<u>20,407</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<u>153,387</u>	<u>68,246</u>	<u>43,783</u>	<u>(24,463)</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	-	-	20,000	20,000
Transfers out	(250,000)	(250,000)	(128,300)	121,700
<b>Total other financing sources (uses)</b>	<u>(250,000)</u>	<u>(250,000)</u>	<u>(108,300)</u>	<u>141,700</u>
<b>Net changes in fund balance</b>	(96,613)	(181,754)	(64,517)	117,237
<b>FUND BALANCE:</b>				
Beginning of year	63,832	63,832	63,832	-
End of year	<u>\$ (32,781)</u>	<u>\$ (117,922)</u>	<u>\$ (685)</u>	<u>\$ 117,237</u>

**City of Desert Hot Springs**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual**  
**Capital Improvement Deposits Special Revenue Fund**  
**For the year ended June 30, 2013**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>REVENUES:</b>				
Permits and fees	\$ 2,477,693	\$ 2,477,693	\$ 241,314	\$ (2,236,379)
Interest	-	2,067	2,064	(3)
<b>Total revenues</b>	<u>2,477,693</u>	<u>2,479,760</u>	<u>243,378</u>	<u>(2,236,382)</u>
<b>EXPENDITURES:</b>				
Current:				
General government	-	108,464	20,748	87,716
Public works	-	-	633,875	(633,875)
Capital outlay	<u>3,392,605</u>	<u>3,284,141</u>	<u>155,057</u>	<u>3,129,084</u>
<b>Total expenditures</b>	<u>3,392,605</u>	<u>3,392,605</u>	<u>809,680</u>	<u>2,582,925</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(914,912)</u>	<u>(912,845)</u>	<u>(566,302)</u>	<u>346,543</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	-	-	361,176	361,176
Transfers out	-	-	(561,704)	(561,704)
<b>Total other financing sources (uses)</b>	<u>-</u>	<u>-</u>	<u>(200,528)</u>	<u>(200,528)</u>
<b>Net changes in fund balance</b>	(914,912)	(912,845)	(766,830)	146,015
<b>FUND BALANCE:</b>				
Beginning of year	<u>1,571,979</u>	<u>1,571,979</u>	<u>1,571,979</u>	<u>-</u>
End of year	<u>\$ 657,067</u>	<u>\$ 659,134</u>	<u>\$ 805,149</u>	<u>\$ 146,015</u>

**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**  
**For the year ended June 30, 2013**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>REVENUES:</b>				
Taxes	\$ 741,065	\$ 769,761	\$ 777,801	\$ 8,040
Interest	-	235	612	377
<b>Total revenues</b>	<u>741,065</u>	<u>769,996</u>	<u>778,413</u>	<u>8,417</u>
<b>EXPENDITURES:</b>				
Current:				
Public works	827,378	899,283	664,235	235,048
Capital outlay	-	8,686	8,686	-
<b>Total expenditures</b>	<u>827,378</u>	<u>907,969</u>	<u>672,921</u>	<u>235,048</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(86,313)</u>	<u>(137,973)</u>	<u>105,492</u>	<u>243,465</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	100,000	100,000	100,000	-
<b>Total other financing sources (uses)</b>	<u>100,000</u>	<u>100,000</u>	<u>100,000</u>	<u>-</u>
<b>Net changes in fund balance</b>	13,687	(37,973)	205,492	243,465
<b>FUND BALANCE:</b>				
Beginning of year	293,388	293,388	293,388	-
End of year	<u>\$ 307,075</u>	<u>\$ 255,415</u>	<u>\$ 498,880</u>	<u>\$ 243,465</u>

**City of Desert Hot Springs**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual**  
**Measure A Special Revenue Fund**  
**For the year ended June 30, 2013**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>REVENUES:</b>				
Intergovernmental	\$ 47,000	\$ 456,095	\$ 456,095	\$ -
Interest	-	812	812	-
<b>Total revenues</b>	<b>47,000</b>	<b>456,907</b>	<b>456,907</b>	<b>-</b>
<b>EXPENDITURES:</b>				
Current:				
Public works	-	197,942	184,342	13,600
Capital outlay	568,248	765,000	765,000	-
<b>Total expenditures</b>	<b>568,248</b>	<b>962,942</b>	<b>949,342</b>	<b>13,600</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(521,248)</b>	<b>(506,035)</b>	<b>(492,435)</b>	<b>13,600</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	-	-	18,833	18,833
Transfers out	-	(162,000)	(162,000)	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>(162,000)</b>	<b>(143,167)</b>	<b>18,833</b>
<b>Net changes in fund balance</b>	<b>(521,248)</b>	<b>(668,035)</b>	<b>(635,602)</b>	<b>32,433</b>
<b>FUND BALANCE:</b>				
Beginning of year	653,293	653,293	653,293	-
End of year	<b>\$ 132,045</b>	<b>\$ (14,742)</b>	<b>\$ 17,691</b>	<b>\$ 32,433</b>

**City of Desert Hot Springs**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual**  
**Air Quality Control Special Revenue Fund**  
**For the year ended June 30, 2013**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>REVENUES:</b>				
Taxes	\$ 25,000	\$ 25,000	\$ 33,340	\$ 8,340
Interest	-	8,390	50	(8,340)
<b>Total revenues</b>	<b>25,000</b>	<b>33,390</b>	<b>33,390</b>	<b>-</b>
<b>EXPENDITURES:</b>				
Current:				
General government	79,143	97,434	76,047	21,387
<b>Total expenditures</b>	<b>79,143</b>	<b>97,434</b>	<b>76,047</b>	<b>21,387</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(54,143)</b>	<b>(64,044)</b>	<b>(42,657)</b>	<b>21,387</b>
<b>Net changes in fund balance</b>	<b>(54,143)</b>	<b>(64,044)</b>	<b>(42,657)</b>	<b>21,387</b>
<b>FUND BALANCE:</b>				
Beginning of year	52,429	52,429	52,429	-
End of year	<u>\$ (1,714)</u>	<u>\$ (11,615)</u>	<u>\$ 9,772</u>	<u>\$ 21,387</u>

**City of Desert Hot Springs**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual**  
**Art in Public Places Special Revenue Fund**  
**For the year ended June 30, 2013**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>REVENUES:</b>				
Intergovernmental	\$ -	\$ 33,737	\$ 33,737	\$ -
Interest	-	57	57	-
<b>Total revenues</b>	<b>-</b>	<b>33,794</b>	<b>33,794</b>	<b>-</b>
<b>EXPENDITURES:</b>				
Capital outlay	42,992	42,992	4,946	38,046
<b>Total expenditures</b>	<b>42,992</b>	<b>42,992</b>	<b>4,946</b>	<b>38,046</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(42,992)</b>	<b>(9,198)</b>	<b>28,848</b>	<b>38,046</b>
<b>FUND BALANCE:</b>				
Beginning of year	40,577	40,577	40,577	-
End of year	\$ (2,415)	\$ 31,379	\$ 69,425	\$ 38,046

**City of Desert Hot Springs**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual**  
**Quimby Act Special Revenue Fund**  
**For the year ended June 30, 2013**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>REVENUES:</b>				
Interest	\$ -	\$ 121	\$ 121	\$ -
<b>Total revenues</b>	<b>-</b>	<b>121</b>	<b>121</b>	<b>-</b>
<b>EXPENDITURES:</b>				
Capital outlay	103,039	103,039	-	103,039
<b>Total expenditures</b>	<b>103,039</b>	<b>103,039</b>	<b>-</b>	<b>103,039</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(103,039)</b>	<b>(102,918)</b>	<b>121</b>	<b>103,039</b>
<b>Net changes in fund balance</b>	<b>(103,039)</b>	<b>(102,918)</b>	<b>121</b>	<b>103,039</b>
<b>FUND BALANCE:</b>				
Beginning of year	103,237	103,237	103,237	-
End of year	<u>\$ 198</u>	<u>\$ 319</u>	<u>\$ 103,358</u>	<u>\$ 103,039</u>

**City of Desert Hot Springs**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual**  
**Drainage Assessment District Special Revenue Fund**  
**For the year ended June 30, 2013**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>REVENUES:</b>				
Taxes	\$ 163,963	\$ 196,070	\$ 196,230	\$ 160
Interest	-	495	687	192
<b>Total revenues</b>	<b>163,963</b>	<b>196,565</b>	<b>196,917</b>	<b>352</b>
<b>EXPENDITURES:</b>				
Current:				
Public works	363,963	373,083	170,079	203,004
<b>Total expenditures</b>	<b>363,963</b>	<b>373,083</b>	<b>170,079</b>	<b>203,004</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	(200,000)	(176,518)	26,838	203,356
<b>Net changes in fund balance</b>	(200,000)	(176,518)	26,838	203,356
<b>FUND BALANCE:</b>				
Beginning of year	608,718	608,718	608,718	-
End of year	<b>\$ 408,718</b>	<b>\$ 432,200</b>	<b>\$ 635,556</b>	<b>\$ 203,356</b>



**City of Desert Hot Springs**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual**  
**County Service Area 152 Special Revenue Fund**  
**For the year ended June 30, 2013**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>REVENUES:</b>				
Intergovernmental	\$ 15,000	\$ 15,000	\$ 12,431	\$ (2,569)
<b>Total revenues</b>	<u>15,000</u>	<u>15,000</u>	<u>12,431</u>	<u>(2,569)</u>
<b>EXPENDITURES:</b>				
Current:				
Economic development	15,000	15,000	-	15,000
<b>Total expenditures</b>	<u>15,000</u>	<u>15,000</u>	<u>-</u>	<u>15,000</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	-	-	12,431	12,431
<b>Net changes in fund balance</b>	-	-	12,431	12,431
<b>FUND BALANCE:</b>				
Beginning of year	(19,956)	(19,956)	(19,956)	-
End of year	<u>\$ (19,956)</u>	<u>\$ (19,956)</u>	<u>\$ (7,525)</u>	<u>\$ 12,431</u>

**City of Desert Hot Springs**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual**  
**Cabot's Museum Special Revenue Fund**  
**For the year ended June 30, 2013**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>REVENUES:</b>				
Intergovernmental	\$ 71,060	\$ 71,060	\$ 20,407	\$ (50,653)
<b>Total revenues</b>	<u>71,060</u>	<u>71,060</u>	<u>20,407</u>	<u>(50,653)</u>
<b>EXPENDITURES:</b>				
Current:				
Culture and leisure	161,910	161,910	126,465	35,445
<b>Total expenditures</b>	<u>161,910</u>	<u>161,910</u>	<u>126,465</u>	<u>35,445</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(90,850)</u>	<u>(90,850)</u>	<u>(106,058)</u>	<u>(15,208)</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	100,000	100,000	92,706	(7,294)
<b>Total other financing sources (uses)</b>	<u>100,000</u>	<u>100,000</u>	<u>92,706</u>	<u>(7,294)</u>
<b>Net changes in fund balance</b>	9,150	9,150	(13,352)	(22,502)
<b>FUND BALANCE:</b>				
Beginning of year	13,352	13,352	13,352	-
End of year	<u>\$ 22,502</u>	<u>\$ 22,502</u>	<u>\$ -</u>	<u>\$ (22,502)</u>

**City of Desert Hot Springs**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual**  
**Bicycle / Pedestrian Grant Special Revenue Fund**  
**For the year ended June 30, 2013**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>EXPENDITURES:</b>				
Current:				
Public works	\$ 3,091	\$ 3,091	\$ -	\$ 3,091
<b>Total expenditures</b>	<u>3,091</u>	<u>3,091</u>	<u>-</u>	<u>3,091</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(3,091)</u>	<u>(3,091)</u>	<u>-</u>	<u>3,091</u>
<b>Net changes in fund balance</b>	(3,091)	(3,091)	-	3,091
<b>FUND BALANCE:</b>				
Beginning of year	3,091	3,091	3,091	-
End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,091</u>	<u>\$ 3,091</u>

**City of Desert Hot Springs**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual**  
**SLESF Special Revenue Fund**  
**For the year ended June 30, 2013**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>REVENUES:</b>				
Intergovernmental	\$ 100,000	\$ 100,000	\$ 75,000	\$ (25,000)
<b>Total revenues</b>	<u>100,000</u>	<u>100,000</u>	<u>75,000</u>	<u>(25,000)</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<u>100,000</u>	<u>100,000</u>	<u>75,000</u>	<u>(25,000)</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers out	(100,000)	(100,000)	(75,000)	25,000
<b>Total other financing sources (uses)</b>	<u>(100,000)</u>	<u>(100,000)</u>	<u>(75,000)</u>	<u>25,000</u>
<b>Net changes in fund balance</b>	-	-	-	-
<b>FUND BALANCE:</b>				
Beginning of year	-	-	-	-
End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**City of Desert Hot Springs**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual**  
**Abandoned Vehicle Abatement Special Revenue Fund**  
**For the year ended June 30, 2013**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>REVENUES:</b>				
Miscellaneous	\$ 12,000	\$ 12,000	\$ 27,258	\$ 15,258
<b>Total revenues</b>	<u>12,000</u>	<u>12,000</u>	<u>27,258</u>	<u>15,258</u>
<b>EXPENDITURES:</b>				
Current:				
Public safety	12,000	32,413	28,975	3,438
<b>Total expenditures</b>	<u>12,000</u>	<u>32,413</u>	<u>28,975</u>	<u>3,438</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<u>-</u>	<u>(20,413)</u>	<u>(1,717)</u>	<u>18,696</u>
<b>Net changes in fund balance</b>	-	(20,413)	(1,717)	18,696
<b>FUND BALANCE:</b>				
Beginning of year	17,098	17,098	17,098	-
End of year	<u>\$ 17,098</u>	<u>\$ (3,315)</u>	<u>\$ 15,381</u>	<u>\$ 18,696</u>

**City of Desert Hot Springs**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual**  
**City Debt Service Fund**  
**For the year ended June 30, 2013**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>REVENUES:</b>				
Taxes	\$ 900,000	\$ 900,000	\$ 1,010,847	\$ 110,847
Interest	-	-	565	565
<b>Total revenues</b>	<b>900,000</b>	<b>900,000</b>	<b>1,011,412</b>	<b>111,412</b>
<b>EXPENDITURES:</b>				
Debt service:				
Principal retirement	160,000	160,000	160,000	-
Interest and fiscal charges	583,638	591,638	587,636	4,002
<b>Total expenditures</b>	<b>743,638</b>	<b>751,638</b>	<b>747,636</b>	<b>4,002</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>156,362</b>	<b>148,362</b>	<b>263,776</b>	<b>115,414</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers out	(200,000)	(338,393)	(338,393)	-
<b>Total other financing sources (uses)</b>	<b>(200,000)</b>	<b>(338,393)</b>	<b>(338,393)</b>	<b>-</b>
<b>Net changes in fund balance</b>	<b>(43,638)</b>	<b>(190,031)</b>	<b>(74,617)</b>	<b>115,414</b>
<b>FUND BALANCE:</b>				
Beginning of year	805,724	805,724	805,724	-
End of year	<b>\$ 762,086</b>	<b>\$ 615,693</b>	<b>\$ 731,107</b>	<b>\$ 115,414</b>

**City of Desert Hot Springs**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual**  
**Assessment District 91-1 Capital Projects Fund**  
**For the year ended June 30, 2013**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>REVENUES:</b>				
Interest	\$ -	\$ -	\$ 60	\$ 60
Miscellaneous	-	-	59,930	59,930
<b>Total revenues</b>	-	-	59,990	59,990
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	-	-	59,990	59,990
<b>Net changes in fund balance</b>	-	-	59,990	59,990
<b>FUND BALANCE:</b>				
Beginning of year	51,478	51,478	51,478	-
End of year	\$ 51,478	\$ 51,478	\$ 111,468	\$ 59,990

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# INTERNAL SERVICE FUNDS

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The Internal Service Fund accounts for financing of goods and services provided by one department to other departments of the City on a cost-reimbursement basis.

**Internal Service Funds include:**

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

***Equipment Replacement Fund*** - To account for capital asset purchases.

**City of Desert Hot Springs**  
**Combining Statement of Net Position**  
**All Internal Service Funds**  
**June 30, 2013**

	Risk Management	Equipment Replacement	Total
<b>ASSETS</b>			
Current assets:			
Cash and investments	\$ 1,146,221	\$ -	\$ 1,146,221
Accounts receivable	55,115	39,963	95,078
Interest receivable	11	-	11
Total current assets	<u>1,201,347</u>	<u>39,963</u>	<u>1,241,310</u>
Capital assets:			
Nondepreciable	-	-	-
Depreciable, net	-	713,715	713,715
Total capital assets	<u>-</u>	<u>713,715</u>	<u>713,715</u>
<b>Total assets</b>	<u>1,201,347</u>	<u>753,678</u>	<u>1,955,025</u>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	-	11,184	11,184
Due to other funds	-	28,779	28,779
Claims payable - due within one year	526,205	-	526,205
Total current liabilities	<u>526,205</u>	<u>39,963</u>	<u>566,168</u>
Noncurrent liabilities:			
Claims payable - due in more than one year	175,401	-	175,401
Total noncurrent liabilities	<u>175,401</u>	<u>-</u>	<u>175,401</u>
<b>Total liabilities</b>	<u>701,606</u>	<u>39,963</u>	<u>741,569</u>
<b>NET POSITION</b>			
Net investment in capital assets	-	713,715	713,715
Unrestricted	499,741	-	499,741
<b>Total net position</b>	<u>\$ 499,741</u>	<u>\$ 713,715</u>	<u>\$ 1,213,456</u>

**City of Desert Hot Springs**  
**Combining Statement of Activities**  
**All Internal Service Funds**  
**For the year ended June 30, 2013**

	Risk Management	Equipment Replacement	Total
<b>OPERATING REVENUES:</b>			
Other	\$ 206,974	\$ 39,963	\$ 246,937
<b>Total operating revenues</b>	<u>206,974</u>	<u>39,963</u>	<u>246,937</u>
<b>OPERATING EXPENSES:</b>			
Insurance and claims	291,838	-	291,838
Depreciation	-	236,897	236,897
Other	-	3,863	3,863
<b>Total operating expenses</b>	<u>291,838</u>	<u>240,760</u>	<u>532,598</u>
<b>OPERATING INCOME (LOSS)</b>	<u>(84,864)</u>	<u>(200,797)</u>	<u>(285,661)</u>
<b>NONOPERATING REVENUES (EXPENSES):</b>			
Interest income	154	149	303
Gain on sale of capital assets	-	110	110
<b>Total nonoperating revenues</b>	<u>154</u>	<u>259</u>	<u>413</u>
<b>INCOME (LOSS) BEFORE TRANSFERS</b>	<u>(84,710)</u>	<u>(200,538)</u>	<u>(285,248)</u>
<b>TRANSFERS:</b>			
Transfers in	860,171	14,875	875,046
<b>Total transfers</b>	<u>860,171</u>	<u>14,875</u>	<u>875,046</u>
<b>Change in net position</b>	<u>775,461</u>	<u>(185,663)</u>	<u>589,798</u>
<b>NET POSITION (DEFICIT):</b>			
Beginning of year	(275,720)	899,378	623,658
End of year	<u>\$ 499,741</u>	<u>\$ 713,715</u>	<u>\$ 1,213,456</u>

**City of Desert Hot Springs**  
**Combining Statement of Cash Flows**  
**All Internal Service Funds**  
**For the year ended June 30, 2013**

	Risk Management	Equipment Replacement	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Receipts from claims recoveries	\$ 151,859	\$ -	\$ 151,859
Payments for insurance claims	(472,378)	-	(472,378)
Receipts from others	-	7,321	7,321
<b>Net cash provided by (used in) operating activities</b>	<b>(320,519)</b>	<b>7,321</b>	<b>(313,198)</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>			
Due from/to other funds	-	28,779	28,779
Transfers from other funds	860,171	14,875	875,046
<b>Net cash provided by (used in) noncapital financing activities</b>	<b>860,171</b>	<b>43,654</b>	<b>903,825</b>
<b>CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:</b>			
Acquisition of capital assets	-	(255,200)	(255,200)
Proceeds from sale of capital assets	-	6,975	6,975
<b>Net cash provided by (used in) noncapital financing activities</b>	<b>-</b>	<b>(248,225)</b>	<b>(248,225)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Interest received	419	240	659
<b>Net cash provided by (used in) investing activities</b>	<b>419</b>	<b>240</b>	<b>659</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>540,071</b>	<b>(197,010)</b>	<b>343,061</b>
<b>CASH AND CASH EQUIVALENTS:</b>			
Beginning of year	606,150	197,010	803,160
End of year	\$ 1,146,221	\$ -	\$ 1,146,221
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:</b>			
Operating income (loss)	\$ (84,864)	\$ (200,797)	\$ (285,661)
Depreciation	-	236,897	236,897
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
(Increase) decrease in accounts receivable	(55,115)	(39,963)	(95,078)
Increase (decrease) in accounts payable	-	11,184	11,184
Increase (decrease) in claims payable	(180,540)	-	(180,540)
Total adjustments	(235,655)	(28,779)	(264,434)
<b>Net cash provided by (used in) operating activities</b>	<b>\$ (320,519)</b>	<b>\$ 7,321</b>	<b>\$ (313,198)</b>

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# FIDUCIARY FUND FINANCIAL STATEMENTS

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*Community Services Agency Fund* - this fund was established to account 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 Agency Fund* - this fund was established to account for payments of principal and interest for the Assessment District 91-1 municipal bonds.

*Assessment District 92-1 Agency Fund* - this fund was established to account for payments of principal and interest for the Assessment District 92-1 municipal bonds.

*Assessment District 93-2 Agency Fund* - this fund was established to account for payments of principal and interest for the Assessment District 93-2 municipal bonds.

*Community Facilities District Skyborne Agency Fund* - this fund was established to account for payments of principal and interest for the Community Facilities District municipal bonds.

**City of Desert Hot Springs**  
**Combining Statement of Fiduciary Net Position**  
**Agency Funds**  
**June 30, 2013**

	Agency Funds					Totals
	Community Services Fund	Assessment District 91-1 - Two Bunch Palms Trail Fund	Assessment District 92-1 Fund	Assessment District 93-2 Fund	Community Facilities District Skyborne Fund	
<b>ASSETS</b>						
Cash and investments	\$ 14,218	\$ -	\$ 22,335	\$ 11,399	\$ 400,655	\$ 448,607
Cash with fiscal agent	-	-	108,285	266,662	180,985	555,932
Accounts receivable	-	-	358	1,307	3,329	4,994
Interest receivable	-	-	2	1	36	39
<b>Total assets</b>	<b>\$ 14,218</b>	<b>\$ -</b>	<b>\$ 130,980</b>	<b>\$ 279,369</b>	<b>\$ 585,005</b>	<b>\$ 1,009,572</b>
<b>LIABILITIES</b>						
Accounts payable	\$ -	\$ -	\$ 490	\$ 490	\$ 2,717	\$ 3,697
Deposits payable	14,218	-	-	-	-	14,218
Due to bondholders	-	-	130,490	278,879	582,288	991,657
<b>Total liabilities</b>	<b>\$ 14,218</b>	<b>\$ -</b>	<b>\$ 130,980</b>	<b>\$ 279,369</b>	<b>\$ 585,005</b>	<b>\$ 1,009,572</b>

**City of Desert Hot Springs**  
**Combining Statement of Changes in Fiduciary Assets and Liabilities**  
**Agency Funds**  
**For the year ended June 30, 2013**

	Balance July 1, 2012	Additions	Deletions	Balance June 30, 2013
<b><u>Community Services Fund</u></b>				
<b>Assets:</b>				
Cash and investments	\$ 15,587	\$ 150,146	\$ (151,515)	\$ 14,218
<b>Total assets</b>	<b>\$ 15,587</b>	<b>\$ 150,146</b>	<b>\$ (151,515)</b>	<b>\$ 14,218</b>
<b>Liabilities:</b>				
Accounts payable	\$ 1,250	\$ 150,765	\$ (152,015)	\$ -
Accrued liabilities	1,464	-	(1,464)	-
Deposits payable	12,873	150,081	(148,736)	14,218
<b>Total liabilities</b>	<b>\$ 15,587</b>	<b>\$ 300,846</b>	<b>\$ (302,215)</b>	<b>\$ 14,218</b>
<b><u>Assessment District 91-1 - Two Bunch Palms Trail Fund</u></b>				
<b>Assets:</b>				
Cash and investments	\$ 56,959	\$ 4,053	\$ (61,012)	\$ -
Accounts receivable	2,629	472	(3,101)	-
Interest receivable	17	6	(23)	-
<b>Total assets</b>	<b>\$ 59,605</b>	<b>\$ 4,531</b>	<b>\$ (64,136)</b>	<b>\$ -</b>
<b>Liabilities:</b>				
Accounts payable	\$ 520	\$ 1,040	\$ (1,560)	\$ -
Due to bondholders	59,085	43,390	(102,475)	-
<b>Total liabilities</b>	<b>\$ 59,605</b>	<b>\$ 44,430</b>	<b>\$ (104,035)</b>	<b>\$ -</b>
<b><u>Assessment District 92-1 Fund</u></b>				
<b>Assets:</b>				
Cash and investments	\$ 110,164	\$ 5,467	\$ (93,296)	\$ 22,335
Cash with fiscal agent	108,090	92,787	(92,592)	108,285
Accounts receivable	3,451	358	(3,451)	358
Interest receivable	34	2	(34)	2
<b>Total assets</b>	<b>\$ 221,739</b>	<b>\$ 98,614</b>	<b>\$ (189,373)</b>	<b>\$ 130,980</b>
<b>Liabilities:</b>				
Accounts payable	\$ 520	\$ 3,483	\$ (3,513)	\$ 490
Due to bondholders	221,219	2,353	(93,082)	130,490
<b>Total liabilities</b>	<b>\$ 221,739</b>	<b>\$ 5,836</b>	<b>\$ (96,595)</b>	<b>\$ 130,980</b>

**City of Desert Hot Springs**  
**Combining Statement of Changes in Fiduciary Assets and Liabilities (Continued)**  
**Agency Funds**  
**For the year ended June 30, 2013**

	Balance July 1, 2012	Additions	Deletions	Balance June 30, 2013
<b><u>Assessment District 93-2 Fund</u></b>				
<b>Assets:</b>				
Cash and investments	\$ 141,173	\$ 4,303	\$ (134,077)	\$ 11,399
Cash with fiscal agent	162,960	124,477	(20,775)	266,662
Accounts receivable	3,274	1,307	(3,274)	1,307
Interest receivable	48	1	(48)	1
<b>Total assets</b>	<b>\$ 307,455</b>	<b>\$ 130,088</b>	<b>\$ (158,174)</b>	<b>\$ 279,369</b>
<b>Liabilities:</b>				
Accounts payable	\$ 520	\$ 12,720	\$ (12,750)	\$ 490
Due to bondholders	306,935	2,290	(30,346)	278,879
<b>Total liabilities</b>	<b>\$ 307,455</b>	<b>\$ 15,010</b>	<b>\$ (43,096)</b>	<b>\$ 279,369</b>
<b><u>Community Facilities District Skyborne Fund</u></b>				
<b>Assets:</b>				
Cash and investments	\$ 338,248	\$ 262,609	\$ (200,202)	\$ 400,655
Cash with fiscal agent	180,986	172,381	(172,382)	180,985
Accounts receivable	2,372	3,329	(2,372)	3,329
Interest receivable	110	36	(110)	36
<b>Total assets</b>	<b>\$ 521,716</b>	<b>\$ 438,355</b>	<b>\$ (375,066)</b>	<b>\$ 585,005</b>
<b>Liabilities:</b>				
Accounts payable	\$ 713	\$ 17,233	\$ (15,229)	\$ 2,717
Due to bondholders	521,003	257,806	(196,521)	582,288
<b>Total liabilities</b>	<b>\$ 521,716</b>	<b>\$ 275,039</b>	<b>\$ (211,750)</b>	<b>\$ 585,005</b>
<b><u>Total All Agency Funds</u></b>				
<b>Assets:</b>				
Cash and investments	\$ 662,131	\$ 426,578	\$ (640,102)	\$ 448,607
Cash with fiscal agent	452,036	389,645	(285,749)	555,932
Accounts receivable	11,726	5,466	(12,198)	4,994
Interest receivable	209	45	(215)	39
<b>Total assets</b>	<b>\$ 1,126,102</b>	<b>\$ 821,734</b>	<b>\$ (938,264)</b>	<b>\$ 1,009,572</b>
<b>Liabilities:</b>				
Accounts payable	\$ 3,523	\$ 185,241	\$ (185,067)	\$ 3,697
Accrued liabilities	1,464	-	(1,464)	-
Deposits payable	12,873	150,081	(148,736)	14,218
Due to bondholders	1,108,242	305,839	(422,424)	991,657
<b>Total liabilities</b>	<b>\$ 1,126,102</b>	<b>\$ 641,161</b>	<b>\$ (757,691)</b>	<b>\$ 1,009,572</b>