

CITY OF DESERT HOT SPRINGS

FINANCIAL STATEMENTS

Year Ended June 30, 2007

City of Desert Hot Springs
Financial Statements
Year Ended June 30, 2007

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Independent Auditors' Report

The Honorable City Council
City of Desert Hot Springs, California

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Desert Hot Springs, as of June 30, 2007, which collectively comprise the City of Desert Hot Springs' financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Desert Hot Springs' management. Our responsibility is to express opinions on these basic financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Desert Hot Springs, California, as of June 30, 2007, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated February 5, 2008 on our consideration of the City of Desert Hot Springs internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

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

Teaman Ramirez & Smith

February 5, 2008

BASIC FINANCIAL STATEMENTS

City of Desert Hot Springs
Statement of Net Assets
June 30, 2007

	Governmental Activities
ASSETS	
Cash and Investments	\$ 31,622,401
Receivables:	
Accounts	3,049,796
Interest	376,162
Notes	1,023,027
Special Assessments	10,767
Coachella Valley Housing Coalition	671,200
Deposits	505,987
Prepaid Costs	6,071
Deferred Cost of Issuance	272,692
Cash and Investments - Restricted	1,039,073
Capital Assets, Not Being Depreciated:	
Land	1,287,331
Construction in Progress	3,815,842
Capital Assets, Net of Accumulated Depreciation:	
Property and Equipment	1,182,789
Buildings and Improvements	3,230,109
Infrastructure	10,328,540
	<u>58,421,787</u>
Total Assets	
LIABILITIES	
Accounts Payable	1,912,984
Accrued Liabilities	1,657,647
Interest Payable	303,562
Deposits Payable	466,123
Deferred Revenue	278,243
Insurance Claims Payable	932,394
Noncurrent Liabilities:	
Due Within One Year	748,565
Due in More Than One Year	20,140,001
	<u>26,439,519</u>
Total Liabilities	
NET ASSETS	
Invested in Capital Assets, Net of Related Debt	12,793,905
Restricted for:	
Community Development	3,623,691
Public Works	350,254
Debt Service	10,849,744
Unrestricted	4,364,674
	<u>31,982,268</u>
Total Net Assets	<u>\$ 31,982,268</u>

The accompanying notes are an integral part of this statement.

**City of Desert Hot Springs
Statement of Activities
Year Ended June 30, 2007**

Functions/Programs	Expenses	Program Revenues			Net (Expense)
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Change in Net Assets
					Governmental Activities
Governmental Activities:					
General Government	\$ 4,727,222	\$ 389,895	\$ 110,071	\$	\$ (4,227,256)
Public Safety	7,063,220	677,191	204,825		(6,181,204)
Public Works	1,689,728	1,089,440	1,954,047		1,353,759
Economic Development	5,620,622	3,809,677	274,321		(1,536,624)
Culture and Leisure	463,143	3,942	220,000		(239,201)
Interest on Long-Term Debt	948,223				(948,223)
Total Governmental Activities	\$ 20,512,158	\$ 5,970,145	\$ 2,763,264	\$ -	(11,778,749)

General Revenues:

Taxes:

Property Taxes	1,465,730
Property Taxes, Redevelopment Agency	
Tax Increment	9,152,805
Transient Occupancy Taxes	967,220
Franchise Taxes	1,120,431
Sales Tax	4,649,000
Motor Vehicle In-Lieu	118,999
Utility User Taxes	1,778,524
Investment Income	1,934,736
Miscellaneous	287,186

Total General Revenues 21,474,631

Change in Net Assets 9,695,882

Net Assets - Beginning of Year 22,498,630

Prior Period Adjustment (212,244)

Net Assets - End of Year \$ 31,982,268

The accompanying notes are an integral part of this statement.

**City of Desert Hot Springs
Balance Sheet
Governmental Funds
June 30, 2007**

	Special Revenue		
	General	Capital Improvement Deposits	Community Safety
ASSETS			
Cash and Investments	\$ 4,321,873	\$ 8,252,866	\$ 418,734
Restricted Cash and Investments with Fiscal Agent			
Notes Receivable			
Accounts Receivable	1,247,215		452,772
Interest Receivable	77,944	112,886	
Prepaid Items	6,071		
Due From Other Funds	482,114		
	<u>\$ 6,135,217</u>	<u>\$ 8,365,752</u>	<u>\$ 871,506</u>
Total Assets			
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts Payable	\$ 846,670	\$ 275,826	\$ 182,538
Accrued Liabilities	44,458		462,712
Deposits	466,123		
Due to Other Funds			
Deferred Revenue	378,487		237,739
	<u>1,735,738</u>	<u>275,826</u>	<u>882,989</u>
Total Liabilities			
Fund Balances:			
Reserved for:			
Prepaid Expenses	6,071		
Debt Service			
Low Income Housing			
Unreserved, Reported In:			
General Fund	4,393,408		
Special Revenue Funds		8,089,926	(11,483)
Debt Service Funds			
Capital Project Funds			
	<u>4,399,479</u>	<u>8,089,926</u>	<u>(11,483)</u>
Total Fund Balances			
Total Liabilities and Fund Balances	<u>\$ 6,135,217</u>	<u>\$ 8,365,752</u>	<u>\$ 871,506</u>

The accompanying notes are an integral part of this statement.

<u>Special Revenue</u> <u>RDA</u> <u>Low Income</u> <u>Housing</u>	<u>Debt Service</u> <u>RDA</u>	<u>Capital Projects</u> <u>RDA</u>	<u>Non-Major</u> <u>Funds</u>	<u>Total</u> <u>Governmental</u> <u>Funds</u>
\$ 3,281,385	\$ 9,348,706	\$ 968,674	\$ 3,839,765	\$ 30,432,003
	716,418		322,655	1,039,073
864,792		169,002	671,200	1,704,994
46,904	187,016	205,947	909,942	3,049,796
35,969	103,524	16,670	10,634	357,627
				6,071
				482,114
<u>\$ 4,229,050</u>	<u>\$ 10,355,664</u>	<u>\$ 1,360,293</u>	<u>\$ 5,754,196</u>	<u>\$ 37,071,678</u>
\$ 44,047	\$ 1,128,734	\$ 220,014	\$ 343,889	\$ 1,912,984
		8,997	12,746	1,657,647
			482,114	466,123
864,792		169,002	1,371,746	482,114
<u>908,839</u>	<u>1,128,734</u>	<u>398,013</u>	<u>2,210,495</u>	<u>3,021,766</u>
				6,071
	702,500		273,298	975,798
3,320,211			303,480	3,623,691
				4,393,408
			503,148	8,581,591
	8,524,430		2,415,020	10,939,450
		962,280	48,755	1,011,035
<u>3,320,211</u>	<u>9,226,930</u>	<u>962,280</u>	<u>3,543,701</u>	<u>29,531,044</u>
<u>\$ 4,229,050</u>	<u>\$ 10,355,664</u>	<u>\$ 1,360,293</u>	<u>\$ 5,754,196</u>	<u>\$ 37,071,678</u>

The accompanying notes are an integral part of this statement.

City of Desert Hot Springs
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Assets
June 30, 2007

Fund balances of governmental funds	\$ 29,531,044
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Revenue is deferred in the governmental funds when it is not received soon enough after year-end to be considered available. The availability criteria does not apply to the Government-wide Statements and therefore, the revenue is not deferred.	2,743,523
Capital assets of governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	19,844,611
Interest expenditures are recognized when due, and therefore, interest payable is not recorded in the governmental funds.	(303,562)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as a liability in the governmental funds.	
Compensated Absences	(587,493)
California HFA Loan	(960,860)
Bonds and Certificates Payable	(19,525,000)
Discounts on Bonds and Certificates Payable	210,493
Premium on Bonds	(25,706)
Issuance costs net of accumulated amortization were reported as expenditures in the governmental funds.	272,692
Internal services funds are used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service funds are included in the statement of net assets.	782,526
Net assets of governmental activities	\$ 31,982,268

The accompanying notes are an integral part of this statement.

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City of Desert Hot Springs
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2007

	General	Special Revenue	
		Capital Improvement Deposits	Community Safety
REVENUES			
Taxes	\$ 6,805,715	\$	\$ 2,167,545
Permits and Fees	2,285,881	1,640,927	404,531
Intergovernmental	138,983		105
Licenses			11,155
Interest	305,475	535,887	263
Miscellaneous	79,377		78,918
Total Revenues	9,615,431	2,176,814	2,662,517
EXPENDITURES			
Current:			
General Government	2,530,697	735,148	
Public Safety			6,834,461
Public Works	234,534		
Economic Development	2,382,317		
Culture and Leisure	248,299		
Capital Outlay		5,521,338	
Debt Service:			
Principal			
Interest			
Bond Issuance Costs			
Pass-Through Agreements			
Total Expenditures	5,395,847	6,256,486	6,834,461
Excess (Deficiency) of Revenues over Expenditures	4,219,584	(4,079,672)	(4,171,944)
OTHER FINANCING SOURCES (USES)			
Bond Proceeds			
Premium on Bonds			
Transfers In	359,939		4,415,646
Transfers Out	(5,644,392)	(301,717)	(225,000)
Total Other Financing Sources (Uses)	(5,284,453)	(301,717)	4,190,646
Net Change in Fund Balances	(1,064,869)	(4,381,389)	18,702
Fund Balances, Beginning of Year	5,218,606	12,471,315	(30,185)
Prior Period Adjustment	245,742		
Fund Balances, End of Year	\$ 4,399,479	\$ 8,089,926	\$ (11,483)

The accompanying notes are an integral part of this statement.

<u>Special Revenue</u> RDA					Total Governmental Funds
Low Income Housing	Debt Service RDA	Capital Projects RDA	Non-Major Funds		
\$ 1,830,561	\$ 7,322,244	\$	\$ 1,657,701	\$	\$ 19,783,766
			219,158		4,550,497
			2,492,456		2,631,544
					11,155
162,151	817,611	39,958	67,424		1,928,769
53,497		612	291,776		504,180
<u>2,046,209</u>	<u>8,139,855</u>	<u>40,570</u>	<u>4,728,515</u>		<u>29,409,911</u>
			897,361		4,163,206
			99,655		6,934,116
			1,228,131		1,462,665
513,536	60,630	1,776,660	76,221		4,809,364
			214,844		463,143
154,230		1,246,788	1,266,855		8,189,211
	8,135,000		161,000		8,296,000
	374,262		629,871		1,004,133
	288,733				288,733
	<u>1,187,718</u>				<u>1,187,718</u>
<u>667,766</u>	<u>10,046,343</u>	<u>3,023,448</u>	<u>4,573,938</u>		<u>36,798,289</u>
<u>1,378,443</u>	<u>(1,906,488)</u>	<u>(2,982,878)</u>	<u>154,577</u>		<u>(7,388,378)</u>
	7,025,000				7,025,000
	27,218				27,218
	160,610	3,829,810	434,228		9,200,233
<u>(160,610)</u>	<u>(3,829,810)</u>	<u>(51,373)</u>	<u>(6,849)</u>		<u>(10,219,751)</u>
<u>(160,610)</u>	<u>3,383,018</u>	<u>3,778,437</u>	<u>427,379</u>		<u>6,032,700</u>
1,217,833	1,476,530	795,559	581,956		(1,355,678)
2,102,378	7,170,491	166,721	3,038,780		30,138,106
	579,909		(77,035)		748,616
<u>\$ 3,320,211</u>	<u>\$ 9,226,930</u>	<u>\$ 962,280</u>	<u>\$ 3,543,701</u>		<u>\$ 29,531,044</u>

The accompanying notes are an integral part of this statement.

City of Desert Hot Springs
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
Year Ended June 30, 2007

Net change in fund balances-total governmental funds \$ (1,355,678)

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

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. This is the net change in deferred revenue for the current period. 673,637

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

Capital Outlay	9,365,683
Depreciation Expense	(544,525)

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

Costs of Assets Disposed	(440,043)
Accumulated Depreciation on Disposed Assets	387,091

Interest expenditures are recognized when paid in the governmental funds. Interest expense is recognized when incurred in the Government-wide Statement of Activities. This amount represents the difference between interest paid and interest incurred. 54,398

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

Bond Proceeds	(7,025,000)
Premium on Bonds	(27,218)
Amortization of Premium on Tax Allocation Bonds	1,512
Amortization of Discounts	(10,871)
Costs of Issuance	288,733
Amortization of Issuance Costs	(746,686)
Principal Paid on Capital Leases	36,000
Principal Paid on Certificate of Participation	125,000
Principal Paid on Tax Allocation Bonds	8,135,000

Increases in compensated absences payable does not result in the use of current financial resources of governmental funds. The expense is recognized in the Government-wide financial statements. This amount represents the net increase in compensated absences payable. 63,213

Internal Service Funds are used by management to charge the costs of insurance to individual funds. The net revenues (expenses) of the Internal Service Funds are reported with governmental activities. 715,636

Change in Net Assets of Governmental Activities \$ 9,695,882

The accompanying notes are an integral part of this statement.

**City of Desert Hot Springs
Statement of Net Assets
Proprietary Fund
June 30, 2007**

	Governmental Activities - Internal Service Fund <u> </u> Risk <u> </u> Management <u> </u>
ASSETS	
Current Assets:	
Cash and Investments	\$ 1,190,398
Interest Receivable	18,535
Deposits	<u>505,987</u>
Total Assets	<u>1,714,920</u>
LIABILITIES	
Claims Payable	<u>932,394</u>
Total Liabilities	<u>932,394</u>
NET ASSETS	
Unrestricted	<u>782,526</u>
Total Net Assets	<u><u>\$ 782,526</u></u>

The accompanying notes are an integral part of this statement.

City of Desert Hot Springs
Statement of Revenues, Expenses, and Changes in Net Assets
Proprietary Fund
Year Ended June 30, 2007

	<u>Governmental Activities - Internal Service Fund Risk Management</u>
OPERATING REVENUES	
Other Income	\$ 86,669
Total Operating Revenues	<u>86,669</u>
OPERATING EXPENSES	
Insurance and Claims Expenses	388,063
Other Expense	<u>40,311</u>
Total Operating Expenses	<u>428,374</u>
Operating Income (Loss)	<u>(341,705)</u>
NON-OPERATING REVENUE (EXPENSES)	
Investment Earnings	<u>37,823</u>
Total Non-operating revenues (expenses)	<u>37,823</u>
Income (Loss) before contributions and transfers	<u>(303,882)</u>
OTHER FINANCING SOURCES (USES)	
Transfers In	<u>1,019,518</u>
Total Other Financing Sources (Uses)	<u>1,019,518</u>
Change in Net Assets	715,636
Total Net Assets, Beginning of Year	<u>66,890</u>
Total Net Assets, End of Year	<u><u>\$ 782,526</u></u>

The accompanying notes are an integral part of this statement.

**City of Desert Hot Springs
Statement of Cash Flows
Proprietary Fund
Year Ended June 30, 2007**

	Governmental Activities - Internal Service Fund <u> </u> Risk <u> </u> Management <u> </u>
Cash Flows from Operating Activities	
Payments to Suppliers for Services	\$ (675,218)
Payments to Employees	(40,311)
Other Income	<u>86,669</u>
Net Cash Provided (Used) by Operating Activities	<u>(628,860)</u>
Cash Flows from Non-Capital Financing Activities	
Transfers from other funds	<u>1,019,518</u>
Net Cash Provided (Used) by Non-Capital Financing Activities	<u>1,019,518</u>
Cash Flows from Investing Activities	
Interest Received	<u>19,288</u>
Net Cash Provided (Used) by Investing Activities	<u>19,288</u>
Net Increase in Cash and Investments	409,946
Cash and Investments, Beginning of Year	<u>780,452</u>
Cash and Investments, End of Year	<u><u>\$ 1,190,398</u></u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities	
Cash Flows from Operating Activities	
Operating income (loss)	\$ (341,705)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Increase in Deposits	(161,851)
Decrease in Accounts Payable	(836)
Increase in Claims Payable	<u>(124,468)</u>
Net Cash Provided By Operating Activities	<u><u>\$ (628,860)</u></u>

City of Desert Hot Springs
Statement of Fiduciary Assets and Liabilities
Agency Fund
June 30, 2007

ASSETS

Cash and Investments	\$ 241,497
Cash with Fiscal Agent	118,392
Accounts Receivable	58,059
Loan Receivable	<u>223,136</u>

Total Assets \$ 641,084

LIABILITIES

Accounts Payable	\$ 137
Accrued Liabilities	4,404
Deposits Payable	63,223
Due to Bondholders	<u>573,320</u>

Total Liabilities \$ 641,084

The accompanying notes are an integral part of this statement.

**City of Desert Hot Springs
Notes to Financial Statements
Year Ended June 30, 2007**

<u>NOTE</u>	<u>DESCRIPTION</u>	<u>PAGE</u>
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**City of Desert Hot Springs
Notes to Financial Statements
Year Ended June 30, 2007**

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A) Reporting Entity

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

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

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

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

B) Description of Funds

The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures. The following are types of funds used:

City of Desert Hot Springs
Notes to Financial Statements
Year Ended June 30, 2007

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

B) Description of Funds - Continued

Governmental Fund Types

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

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

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

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

C) Basis of Accounting/Measurement Focus

Government-Wide Financial Statements

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

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

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

City of Desert Hot Springs
Notes to Financial Statements
Year Ended June 30, 2007

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

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

Governmental Fund Financial Statements

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

All governmental funds are accounted for on a spending or "current financial resources" measurement focus and the modified accrual basis of accounting. Accordingly, only current assets and current liabilities are included on the Balance Sheets. The Statement of Revenues, Expenditures, and Changes in Fund Balances present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in fund balances. Revenues are recognized in the accounting period in which they become susceptible to accrual, that is, when they become both measurable and available to finance expenditures of the current period. "Measurable" means that the amount of the transaction can be determined, and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Accrued revenues include property taxes received within 60 days after year-end, taxpayer assessed taxes such as sales taxes, and earnings on investments. Grant funds earned but not received are recorded as a receivable, and grant funds received before the revenue recognition criteria have been met are reported as deferred revenues. Expenditures are recorded when the fund liability is incurred, if measurable, except for interest on long-term debt, which is recognized when due.

The City reports the following major governmental funds:

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

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

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

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

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

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

City of Desert Hot Springs
Notes to Financial Statements
Year Ended June 30, 2007

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

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

Proprietary Fund Financial Statements

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

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

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

Fiduciary Fund Financial Statements

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

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

D) **Budgetary Data**

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

**City of Desert Hot Springs
Notes to Financial Statements
Year Ended June 30, 2007**

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

E) Encumbrances

Encumbrances accounting, under which purchase orders, contracts, and other commitments for the expenditure of funds are recorded in order to reserve that portion of the fund balance, is employed in the governmental funds. Encumbrances are reported as reservations of fund balances since they do not constitute expenditures or liabilities.

F) Investments

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

G) Claims and Judgments

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

H) Capital Assets and Depreciation

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

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

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

I) Employee Leave Benefits

Permanent City employees earn from 12 to 21 days per year of annual leave depending upon their length of employment. Upon termination or retirement, permanent employees are entitled to receive compensation at their current base salary for all unused annual leave. To encourage attendance at work, the City allows employees to carry forward up to 750 hours of annual leave and twice per year the City pays out all hours above 550 hours of annual leave. The City's accrued balance of annual leave at June 30, 2007, is recorded as "Compensated Absences" and is included in the Long-term Liability sections of the City's Statement of Net Assets.

City of Desert Hot Springs
Notes to Financial Statements
Year Ended June 30, 2007

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

J) Long-Term Obligations

In the government-wide financial statements, long-term debt and other obligations are reported as liabilities in the statement of net assets. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental funds recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

K) Deferred Compensation

In October 1997, GASB Statement No. 32, *Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*, was issued. This Statement establishes accounting and financial reporting standards for Internal Revenue Code (IRC) section 457 deferred compensation plans of state and local governments. Deferred compensation funds are not subject to the claims of the City's general creditors. Under the provision of this Statement, it is no longer considered appropriate to report the Section 457 deferred compensation plan in the City's financial statements.

L) Use of Restricted Resources

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

M) Estimates

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

N) Implementation of Governmental Accounting Standards Board (GASB) Pronouncements

GASB Statement No. 45 - In June 2004, the GASB issued Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. This Statement establishes standards for the measurement, recognition, and display of OPEB expense/expenditures and related liabilities (assets), note disclosures, and, if applicable, required supplementary information (RSI) in the financial reports of state and local governmental employers. This Statement is not effective for fiscal year 2006-07. The City has not determined the impact on the financial statements.

**City of Desert Hot Springs
Notes to Financial Statements
Year Ended June 30, 2007**

2) CASH AND INVESTMENTS

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

Governmental Funds:	
Cash and Investments	\$ 30,432,003
Restricted Cash and Investments	1,039,073
Internal Service Funds:	
Cash and Investments	<u>1,190,398</u>
Total Cash and Investments	<u>\$ 32,661,474</u>

Cash and Investments consist of the following:

Cash Deposits with Financial Institutions	\$ 826,298
Petty Cash	3,175
Investments	1,039,073
Pooled Investments - LAIF	<u>30,792,928</u>
Total Cash and Investments	<u>\$ 32,661,474</u>

Investments Authorized by the City's Investment Policy

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

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

Investments Authorized by Debt Agreements

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

**City of Desert Hot Springs
Notes to Financial Statements
Year Ended June 30, 2007**

2) CASH AND INVESTMENTS - Continued

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rate. The City had the following investments:

Investment Type		Maturity Date
Pooled Investments:		
State Investment Pool	\$ <u>30,792.928</u>	N/A
Total Pooled Investments	<u>30,792.928</u>	
Held by Bond Trustee:		
Money Market Mutual Funds:	<u>1,039.073</u>	N/A
Total Held by Bond Trustee	<u>1,039.073</u>	
Total Investments	<u>\$ 31,832.001</u>	

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of rating by a nationally recognized statistical rating organization. All of the investments noted above are unrated.

Concentration of Credit Risk

The investment policy of the City contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. There are no investment in any one issuer that represent five percent or more of total investments other than LAIF, Mutual Funds and U.S. Treasury Securities which are exempted.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The California Government Code and the City's investment policy do not contain legal policy requirements that would limit the exposure to custodial credit risk for deposits, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agencies. California law also allows financial institution to secure the City's deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits.

At June 30, 2007, the balances held per bank were \$1,461,622 of which \$1,361,622 was in excess of federal depository insurance limits and held in accounts collateralized by pledging financial institution, but not in the City's name, as discussed above.

City of Desert Hot Springs
Notes to Financial Statements
Year Ended June 30, 2007

2) CASH AND INVESTMENTS - Continued

Custodial Credit Risk - Continued

The custodial credit risk for investments is the risk that, in the event of the failure of counterparty (e.g. broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the City's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for investments. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pool (such as LAIF).

Investment in State Investment Pool

The City is a voluntary participant in the LAIF that is regulated by the California Government Code under the oversight of the Treasurer of the State of California. The fair value of the City's investment in this pool is reported in the accompanying financial statements at amounts based upon the City's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

LAIF is a governmental investment pool managed and directed by the California State Treasurer and is not registered with the Securities and Exchange Commission. An oversight committee comprised of California State officials and various participants provide oversight to the management of the fund. The daily operations and responsibilities of LAIF fall under the auspices of the State Treasurer's office. The City is a voluntary participant in the investment pool.

3) SPECIAL ASSESSMENT AND NOTES RECEIVABLE

Special Assessment Receivable

During fiscal year ended June 30, 1987, the Capital Projects Fund of the Redevelopment Agency of the City of Desert Hot Springs financed construction of certain public improvements pursuant to the Municipal Act of 1913 and provisions of the Streets and Highway Code of the State of California. At June 30, 2007, the Agency had a receivable for unpaid assessments from the property owners benefited in the amount of \$10,767. The receivables bear interest at a rate not exceeding 12 percent and will be recognized as income when collected. No amounts were repaid during fiscal year ending June 30, 2007.

Notes Receivable

The Redevelopment Agency of the City of Desert Hot Springs operates a housing rehabilitation loan program, which provides loans to borrowers who meet certain qualifications for the purpose of rehabilitating their homes. The loans are secured by a deed of trust and are normally repaid when the home changes ownership. Since the loans are not currently available resources they are offset with deferred revenue in the fund financial statements. The balance of the loans receivable outstanding at June 30, 2007, was \$1,023,027.

**City of Desert Hot Springs
Notes to Financial Statements
Year Ended June 30, 2007**

3) SPECIAL ASSESSMENT AND NOTES RECEIVABLE - Continued

Coachella Valley Housing Coalition

The Redevelopment Agency of the City of Desert Hot Springs has contracted with the Coachella Valley Housing Coalition (CVHC) to use funds from the loan agreement with California Housing Finance Authority to purchase property that will be used to develop low income housing. To date, the Agency has disbursed \$1,684,060 (less repayments of \$1,012,860) to the CVHC. The Agency is the lead agency for these agreements and has fiduciary/reporting responsibilities. The receivable balance owed to the Agency is \$671,200 as of June 30, 2007.

4) INTERFUND TRANSACTIONS

Interfund balances at June 30, 2007, are as follows:

Due To	Due From Non-Major Funds
General Fund	\$ <u>482,114</u>

These balances resulted from one fund advancing money to another fund to cover operating costs. These balances are expected to be repaid during the 2007-08 fiscal year.

With Council approval, resources may be transferred from one City fund to another. Transfers are used to move revenue from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them. Interfund transfers for the year ended June 30, 2007, consisted of the following:

		TRANSFERS FROM							
		General Fund	Capital Improvement Deposits Fund	Community Safety Fund	RDA Low Income Housing Fund	RDA Debt Service Fund	RDA Capital Projects Fund	Non-Major Funds	Total
TRANSFERS TO	General Fund	\$	\$ 301,717	\$	\$	\$	\$ 51,373	\$ 6,849	\$ 359,939
	Community Safety Special Revenue Fund	4,415,646							4,415,646
	RDA Debt Service Fund				160,610				160,610
	RDA Capital Project Fund					3,829,810			3,829,810
	Non-major Funds	434,228							434,228
	Proprietary Fund	<u>794,518</u>		<u>225,000</u>					<u>1,019,518</u>
Total		<u>\$5,644,392</u>	<u>\$ 301,717</u>	<u>\$ 225,000</u>	<u>\$ 160,610</u>	<u>\$ 3,829,810</u>	<u>\$ 51,373</u>	<u>\$ 6,849</u>	<u>\$ 10,219,751</u>

Transfers were used to move expenses from the fund that statute or budget requires to collect them, to the fund that statute or budget requires to expend them. Transfers from the General Fund to the Community Safety Special Revenue Fund and to the Proprietary Fund were for the purposes of public safety expenditures and insurance expenditures, respectively. Transfers made from the Low Income Housing Fund to the Debt Service Fund were for the Low Income Housing Fund's portion of debt payments. Transfers made from the Debt Service Fund to the Capital Project Fund were for the Redevelopment

City of Desert Hot Springs
Notes to Financial Statements
Year Ended June 30, 2007

4) INTERFUND TRANSACTIONS - Continued

Agency's share of salaries, benefits, non departmental general funds costs, workers compensation and general liability costs, auditing costs, leasing of street lighting, and various approved capital projects.

Transfers from the RDA Capital Project Fund to the General Fund were for reimbursement of costs for insurance and administration.

5) CAPITAL ASSETS

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

The following table presents the capital assets and depreciation activity for the year ended June 30, 2007:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital Assets, Not Depreciated:				
Land	\$ 790,874	\$ 511,457	\$ (15,000)	\$ 1,287,331
Construction in Progress	<u>3,925,645</u>	<u>3,169,839</u>	<u>(3,279,642)</u>	<u>3,815,842</u>
Total Capital Assets Not Depreciated	<u>4,716,519</u>	<u>3,681,296</u>	<u>(3,294,642)</u>	<u>5,103,173</u>
Capital Assets, Being Depreciated:				
Buildings and Improvements	4,424,833	1,015,550		5,440,383
Machinery and Equipment	1,332,047	70,762	(58,013)	1,344,796
Vehicles	1,540,265	314,713	(367,030)	1,487,948
Infrastructure	<u>3,192,789</u>	<u>7,563,004</u>		<u>10,755,793</u>
Total Capital Assets Being Depreciated	<u>10,489,934</u>	<u>8,964,029</u>	<u>(425,043)</u>	<u>19,028,920</u>
Less Accumulated Depreciation:				
Buildings and Improvements	(2,039,122)	(171,152)		(2,210,274)
Machinery and Equipment	(766,820)	(109,968)	58,013	(818,775)
Vehicles	(995,636)	(164,622)	329,078	(831,180)
Infrastructure	<u>(328,470)</u>	<u>(98,783)</u>		<u>(427,253)</u>
Total Accumulated Depreciation	<u>(4,130,048)</u>	<u>(544,525)</u>	<u>387,091</u>	<u>(4,287,482)</u>
Total Capital Assets Being Depreciated, Net	<u>6,359,886</u>	<u>8,419,504</u>	<u>(37,952)</u>	<u>14,741,438</u>
Governmental Activities Capital Assets, Net	<u>\$ 11,076,405</u>	<u>\$ 12,100,800</u>	<u>\$ (3,332,594)</u>	<u>\$ 19,844,611</u>

**City of Desert Hot Springs
Notes to Financial Statements
Year Ended June 30, 2007**

5) CAPITAL ASSETS - Continued

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

General Government	\$ 145,903
Public Safety	129,104
Public Works	227,063
Economic Development	<u>42,455</u>
Total Depreciation Expense	<u>\$ 544,525</u>

6) LONG-TERM LIABILITIES

The following is a summary of changes in long-term liabilities for the year ended June 30, 2007:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities:					
Long-term Bonds and Leases					
<u>City of Desert Hot Springs</u>					
LaSalle Bank Lease	\$ 36,000		\$ (36,000)	\$ -	
Certificate of Participation	2,900,000		(125,000)	2,775,000	130,000
Deferred Issuance Discount	(41,544)		4,770	(36,774)	
Judgment Obligation Bonds	9,725,000			9,725,000	
Deferred Issuance Discount	(179,820)		6,101	(173,719)	
<u>Desert Hot Springs Redevelopment Agency</u>					
1993 Project #1 Series A					
Tax Allocation Bonds	6,625,000		(6,625,000)	-	
1993 Project #1 Series B					
Tax Allocation Bonds	460,000		(460,000)	-	
1993 Project #2					
Tax Allocation Bonds	1,050,000		(1,050,000)	-	
2006 Tax Allocation Refunding Bonds		7,025,000		7,025,000	250,000
Premium on Bonds		27,218	(1,512)	25,706	
California HFA Loan		<u>960,860*</u>		<u>960,860</u>	
Total Long-term Bonds and Leases	<u>20,574,636</u>	<u>8,013,078</u>	<u>(8,286,641)</u>	<u>20,301,073</u>	<u>380,000</u>
Other Long-term Liabilities					
<u>City of Desert Hot Springs</u>					
Compensated Absences	<u>650,706</u>	<u>264</u>	<u>(63,477)</u>	<u>587,493</u>	<u>368,565</u>
Total Long-term Liabilities	<u>\$ 21,225,342</u>	<u>\$ 8,013,342</u>	<u>\$ (8,350,118)</u>	<u>\$ 20,888,566</u>	<u>\$ 748,565</u>

*This is a prior period adjustment to record loan proceeds not previously recorded.

**City of Desert Hot Springs
Notes to Financial Statements
Year Ended June 30, 2007**

6) LONG-TERM LIABILITIES - Continued

A) Certificates of Participation

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

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

Fiscal Year Ending June 30,	Principal	Interest	Total
2008	\$ 130,000	\$ 137,750	\$ 267,750
2009	135,000	132,150	267,150
2010	140,000	126,075	266,075
2011	145,000	120,300	265,300
2012	150,000	114,138	264,138
2013-2017	870,000	456,525	1,326,525
2018-2022	1,110,000	212,400	1,322,400
2023	<u>95,000</u>	<u>5,225</u>	<u>100,225</u>
Total	<u>\$ 2,775,000</u>	<u>\$ 1,304,563</u>	<u>\$ 4,079,563</u>

B) Judgment Obligation Bonds

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

The bonds mature through May 1, 2044 and bear interest, payable semi-annually, at rates ranging from 4.75 percent to 5.08 percent. The bonds maturing on or before March 1, 2014 are not subject to redemption prior to their stated maturity date. The bonds maturing on and after March 1, 2015 shall be subject to optional redemption, in whole or in

**City of Desert Hot Springs
Notes to Financial Statements
Year Ended June 30, 2007**

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

B) **Judgment Obligation Bonds - Continued**

part, on any Interest Payment Date on or after March 1, 2014, from any source of available funds, at the principal amount thereof, plus accrued interest thereon to the date of redemptions, without premium. The outstanding balance as of June 30, 2007, was \$9,725,000.

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

Fiscal Year Ending June 30.	Principal	Interest	Total
2008	\$	\$ 476,250	\$ 476,250
2009		476,250	476,250
2010		476,250	476,250
2011		476,250	476,250
2012		476,250	476,250
2013-2017		2,381,250	2,381,250
2018-2022		2,381,250	2,381,250
2023-2027	1,340,000	2,269,388	3,609,388
2028-2032	1,810,000	1,898,888	3,708,888
2033-2037	2,285,000	1,422,787	3,707,787
2038-2042	2,910,000	795,750	3,705,750
2043-2045	<u>1,380,000</u>	<u>104,250</u>	<u>1,484,250</u>
Total	<u>\$ 9,725,000</u>	<u>\$ 13,634,813</u>	<u>\$ 23,359,813</u>

C) **2006 Tax Allocation Refunding Bonds**

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

The Redevelopment Agency of the City of Desert Hot Springs refunded the 1993 Series bonds to reduce its total debt service payments over the next 15 years by \$1,591,550 and obtain an economic gain of \$492,569.

**City of Desert Hot Springs
Notes to Financial Statements
Year Ended June 30, 2007**

6) LONG-TERM LIABILITIES - Continued

C) 2006 Tax Allocation Refunding Bonds - Continued

At June 30, 2007, the amount in the Bond Reserve Fund was sufficient to cover the minimum bond reserve requirement. Annual debt service requirements to maturity are as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 250,000	\$ 275,094	\$ 525,094
2009	395,000	262,818	657,818
2010	490,000	245,119	735,119
2011	500,000	225,319	725,319
2012	520,000	204,920	724,920
2013-2017	2,845,000	700,911	3,545,911
2018-2022	<u>2,025,000</u>	<u>133,591</u>	<u>2,158,591</u>
Total	<u>\$ 7,025,000</u>	<u>\$ 2,047,772</u>	<u>\$ 9,072,772</u>

D) California HFA Loan

The Redevelopment Agency of the City of Desert Hot Springs participates in a revolving loan program with the California Housing Finance Agency (HFA). The loan program allows for the Agency to borrow up to \$1,200,000. These funds are to be used to purchase property that will be used to develop low income housing. As of June 30, 2007, the Agency has drawn \$960,860.

E) Compensated Absences

The City had accrued compensated absences of \$587,493 as of June 30, 2007. The General Fund is expected to incur the majority of expenditures required to liquidate this balance.

7) PROPERTY TAXES/SPECIAL PARCEL TAXES

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

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

**City of Desert Hot Springs
Notes to Financial Statements
Year Ended June 30, 2007**

8) RISK MANAGEMENT

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

A) Workers' Compensation Coverage

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

B) General Liability

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

C) Employment Practices Liability Coverage

The City of Desert Hot Springs is self-insured for the first \$25,000 of each occurrence. As a member of PERMA, the City participated in the Employment Risk Management Authority (ERMA) for EPL coverage. ERMA's limit of coverage is \$1 million; however as PERMA is a member of CJPRMA, the City can layer the EPL coverage provided by the CJPRMA pool of \$5 million with ERMA, to bring the total in limits for EPL coverage to \$6 million through a combination of risk sharing pools and reinsurance.

D) Property Insurance

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

E) Adequacy of Protection

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

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

**City of Desert Hot Springs
Notes to Financial Statements
Year Ended June 30, 2007**

9) PUBLIC EMPLOYEES RETIREMENT SYSTEM (PERS)

Plan Description

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

Funding Policy

Active plan members in the Miscellaneous Plan and the Safety Plan are required to contribute between 7 percent and 9 percent of their annual covered salary; however, the City pays both the employee's and employer's share for both plans. The City of Desert Hot Springs' labor contract requires the City to pay all Miscellaneous Employee Plan PERS contributions and Safety Plan contributions that are required for the actuarially determined amount necessary to fund the benefits for its members. The actuarial methods and assumptions used are those adopted by the CalPERS Board of Administration. The required employer contribution rate for Fiscal Year 2006-2007 was 16.394 percent for Miscellaneous employees and 24.945 percent for Safety employees. The contribution requirements of the plan members are established by State statute and the employer contribution rate is established and may be amended by CalPERS.

Three Year Trend Information for the Miscellaneous and Safety Plan

THREE YEAR TREND INFORMATION FOR PERS				
Fiscal Year	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation	
6/30/05	\$ 491,520	100%	\$	0
6/30/06	\$ 1,190,114	100%	\$	0
6/30/07	\$ 1,142,042	100%	\$	0

10) DEFINED CONTRIBUTION PLAN

The City has a money purchase defined contribution plan for all eligible employees. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. ICMA Retirement Corporation serves as the plan administrator and plan amendments must be authorized by the City Council. Eligibility begins for full-time employees with 6 months or more service. Employees earn a vesting in the benefits at a rate of 10 percent to 20 percent per year with 100 percent vesting after 7 years service. The City contributed 12 percent of annual wages for all covered employees for the year ended June 30, 2007. For the 2006-2007 fiscal year actual contributions were \$5,579, and the plan net assets available were \$469,566, all of which was vested.

**City of Desert Hot Springs
Notes to Financial Statements
Year Ended June 30, 2007**

11) NON-OBLIGATION DEBT

The Desert Hot Springs Public Financing Authority issued the "Health Care Refund and Improvement Certificates of Participation" (the Certificates) for the Heritage Hospital Project on August 15, 1998. The Certificates were issued in two series: Series A was issued for \$13,900,000 and were tax exempt and Series B was issued for \$8,430,000 and were taxable. The Certificates do not constitute a debt or liability of the State of California, the City, or any political subdivision thereof within the meaning of any constitutional or statutory debt limitation. As of June 30, 2007, 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, 2007, was \$6,032,769.

12) ASSESSMENT DISTRICTS

In November 1992, the City issued \$975,062 of municipal limited improvement bonds (Assessment District 92-1) to provide financing for the acquisition of street, sewer, and water drainage utilities for the proposed residential subdivision known as Arroyo Vista. The bonds are subject to optional redemption prior to maturity at par plus accrued interest and a premium of 3 percent. The outstanding balance at June 30, 2007, is \$485,000. The 92-1 Assessment District was in default as of June 30, 2007, (see Note #13).

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, 2007, is \$390,000.

In May 1994, the City issued \$441,044 of municipal limited improvement bonds (Assessment District 91-1) for the acquisition and construction of certain street improvements for Two Bunch Palms Trail. The bonds are subject to optional redemption prior to maturity at par plus accrued interest and a premium of 3 percent. The outstanding balance at June 30, 2007, is \$205,000.

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

13) ASSESSMENT DISTRICT DEFAULT

On September 1, 2002 and September 1, 2003, Assessment District No. 92 -1 defaulted on the reserve fund requirement on the bonds due to a shortage of funds. The Assessment District has not generated sufficient cash flow to meet the reserve fund requirement per the bond indenture. The bonds have remained in default.

**City of Desert Hot Springs
Notes to Financial Statements
Year Ended June 30, 2007**

14) COMMITMENTS AND CONTINGENCIES

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

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

The City entered into an employment contract which included provisions relating to the determination of compensation, benefits, and other provisions which was subsequently nullified by formal City Council action. If nullification were challenged the financial impact to the City, if any, is not estimable but may be material to the financial statements.

In the years 2003 and 2004, the City did not meet the 50 percent diversion rate of all trash and refuse coming from the City as required by the California Integrated Waste Management Board. Time extensions were applied for and granted for these time periods, the last extension expired December 2005. The City has not received the diversion rate reports for the 2005 time period. If the 50 percent diversion rate was not achieved and if the Board decides to assess the maximum penalty of \$10,000/day, this could have a material impact on the City's financial statements.

The Utility User Tax and the Public Safety Tax will sunset in 2010. The Utility User Tax has a caveat that states that the tax is split 50/50 to pay off bankruptcy debt and to support the Community Safety Fund. The Public Safety tax also directly supports the Community Safety Tax. If these two tax measures are not voter approved again with significant increases; or other replacement revenue approved and implemented it will have a deficit impact to the General Fund in fiscal year 2009-2010 and subsequent fiscal years, which could create a "going concern" with regards to the City's ability to exist financially.

15) OTHER FUND DISCLOSURES

The following funds ended the 2006-2007 fiscal year with deficit fund balances in the following amounts:

Major Funds:	
Special Revenue Fund:	
Community Safety Fund	\$ 11,483
Non-Major Governmental Funds	
Special Revenue Funds:	
Housing and Community Development	86,384
State Transportation Improvement Grant	39,909
Department of Parks and Recreation Grant	44,000
Cabot's Museum	893
CMAQ ISTEPA	23,963
EDA Grant	25,000
Air Quality Grant	19,957
CA Office of Traffic and Safety Grant	12,412
Alcoholic Beverage Control	15,138

These deficit balances are expected to be reimbursed to the City by grantors by future revenues from claims that were still pending after the time period under the modified accrual basis of accounting.

**City of Desert Hot Springs
Notes to Financial Statements
Year Ended June 30, 2007**

15) OTHER FUND DISCLOSURES - Continued

The following funds had expenditures in excess of the budget in the following amounts for the year ended June 30, 2007.

Major Funds:		
Community Safety Special Revenue Fund	\$	143,529
RDA Debt Service Fund		7,921,643
Non-Major Governmental Funds:		
Special Revenue Funds:		
Traffic Safety Special Revenue Fund		2,669
T.U.M.F. Special Revenue Fund		106,090
Cabot's Museum Special Revenue Fund		148,028
Traffic Congestion Relief Special Revenue Fund		1,428
Capital Project Fund:		
Assessment District 91-1 Capital Project Fund		41,200

The expenditures in excess of the budget were a result of not preparing appropriate budgetary adjustments during the year in order to amend the budget to fund the additional expenses. Often at year end, adjustments are made late in the calendar year and the excess expenditures over budget for the Community Safety, RDA Debt Service, T.U.M.F, Cabot's Museum special revenue funds and the Assessment District 91-1 Capital Project fund were taken to the City Council in the form of resolution to approve the additional expenditures. Due to the lateness of the request for additional funding, adjustments were not made to the actual budget.

Excess expenditures over budget for Traffic Safety and Traffic Congestion Relief funds resulted from increase in expenditures which were funded with prior year revenues.

16) SUBSEQUENT EVENTS

Subsequent to June 30, 2007, the City purchased three parcels of land to be used for various redevelopment activities.

In addition, Counsel for the City, subsequent to June 30, 2007, negotiated an imminent settlement agreement with plaintiffs in the federal class action suit entitled Edward Moore, et. al v. City of Desert Hot Springs, et al. Under the agreement, which will be executed by the parties during the week of January 28, 2008, and provide for a structured payment system, the City will pay to the plaintiffs the total sum of \$430,000, \$150,000 of which will be contributed by a successor insurer of the City. The successor insurer came into the case because the City's former insurer became insolvent during the pendency of the case. The settlement will be paid out in two installments, the first of which will be paid within 5 business days of the execution of the agreement by the plaintiffs and the second and final of which will be paid no later than July 30, 2008. The insurer's contribution of \$150,000 will be paid to the City within 14 days of the dismissal of the action, which will occur shortly after execution of the settlement agreement.

**City of Desert Hot Springs
Notes to Financial Statements
Year Ended June 30, 2007**

17) PRIOR PERIOD ADJUSTMENTS

A) Governmental Activities

The prior period adjustment of \$212,244 in the statement of activities consists of the following: In prior years \$579,909 of pass through liability was incorrectly accrued based on an original pass through agreement between the City and the Desert Water Agency. Through further inquires staff was able to determine that when the original areas were established two (2) pass through agreements existed (Desert Water Agency and Mission Springs Water District). Based on the information received the pass through agreement with the Desert Water Agency was non-existent; therefore; creating the additional accrued liability in the amount of \$579,909. The pass through agreement for the Desert Water Agency stated that they must request the funding and identify projects before receiving any pass through payments, which never occurred prompting the City to do further inquiries as the accruals had been on the books for several year. In this fiscal year the accrual for the Desert Water Agency was reversed. In addition, \$960,860 of loan proceeds from the California Housing Finance Authority should have been reported as long-term debt in the Statement of Net Assets, but was not. In the General Fund, \$100,861 was to record prior year sales tax revenue received in the 2006-2007 fiscal year which should have been accrued in prior year since it was received within the availability period but was not. In addition, \$144,881 of deferred revenue recorded in prior years was reversed in the current year. The Cabot's Museum Fund was reclassified from an agency fund to a special revenue fund in the current year resulting in a deficit fund balance adjustment of \$77,035.

B) Fund Financial Statements

The prior period adjustment of \$748,616 in the statement of revenues, expenditures, and changes in fund balances for the governmental funds represents the following: Pass-through liabilities of \$579,909 incorrectly reported in prior years, Sales tax revenue of \$100,861 received within the availability period in prior year but was not accrued, \$144,881 reversal in deferred revenue and a reclassification of \$77,035 deficit fund balance from an agency fund to a special revenue fund.

REQUIRED SUPPLEMENTARY INFORMATION

City of Desert Hot Springs
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - General Fund
Year Ended June 30, 2007

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes	\$ 4,145,000	\$ 4,145,000	\$ 6,805,715	\$ 2,660,715
Permits and Fees	3,384,070	3,421,834	2,285,881	(1,135,953)
Intergovernmental	1,527,850	1,527,850	138,983	(1,388,867)
Interest	320,000	320,025	305,475	(14,550)
Miscellaneous	27,520	85,638	79,377	(6,261)
	<u>9,404,440</u>	<u>9,500,347</u>	<u>9,615,431</u>	<u>115,084</u>
EXPENDITURES				
Current:				
General Government	3,226,190	3,157,325	2,530,697	626,628
Public Works	253,360	335,701	234,534	101,167
Economic Development	2,718,440	3,240,056	2,382,317	857,739
Culture and Leisure	228,060	274,555	248,299	26,256
	<u>6,426,050</u>	<u>7,007,637</u>	<u>5,395,847</u>	<u>1,611,790</u>
Excess (Deficiency) of Revenues over Expenditures	<u>2,978,390</u>	<u>2,492,710</u>	<u>4,219,584</u>	<u>1,726,874</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	1,501,330	1,501,330	359,938	(1,141,392)
Transfers Out	(5,160,660)	(4,979,950)	(5,644,391)	(664,441)
	<u>(3,659,330)</u>	<u>(3,478,620)</u>	<u>(5,284,453)</u>	<u>(1,805,833)</u>
Net Change in Fund Balances	(680,940)	(985,910)	(1,064,869)	(78,959)
Fund Balances, Beginning of Year	5,218,606	5,218,606	5,218,606	
Prior Period Adjustment			<u>245,742</u>	<u>245,742</u>
Fund Balances, End of Year	<u>\$ 4,537,666</u>	<u>\$ 4,232,696</u>	<u>\$ 4,399,479</u>	<u>\$ 166,783</u>

City of Desert Hot Springs
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - Capital Improvement Deposits Special Revenue Fund
Year Ended June 30, 2007

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Permits and Fees	\$ 2,304,000	\$ 2,304,000	\$ 1,640,927	\$ (663,073)
Interest	404,360	404,360	535,887	131,527
Total Revenues	<u>2,708,360</u>	<u>2,708,360</u>	<u>2,176,814</u>	<u>(531,546)</u>
EXPENDITURES				
Current:				
General Government	44,080	1,160,462	735,148	425,314
Capital Outlay	7,860,240	6,397,754	5,521,338	876,416
Total Expenditures	<u>7,904,320</u>	<u>7,558,216</u>	<u>6,256,486</u>	<u>1,301,730</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(5,195,960)</u>	<u>(4,849,856)</u>	<u>(4,079,672)</u>	<u>770,184</u>
OTHER FINANCING SOURCES (USES)				
Transfers Out		(375,870)	(301,717)	74,153
Total Other Financing Sources (Uses)	<u>-</u>	<u>(375,870)</u>	<u>(301,717)</u>	<u>74,153</u>
Net Change in Fund Balances	(5,195,960)	(5,225,726)	(4,381,389)	844,337
Fund Balances, Beginning of Year	<u>12,471,315</u>	<u>12,471,315</u>	<u>12,471,315</u>	
Fund Balances, End of Year	<u>\$ 7,275,355</u>	<u>\$ 7,245,589</u>	<u>\$ 8,089,926</u>	<u>\$ 844,337</u>

City of Desert Hot Springs
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - Community Safety Special Revenue Fund
Year Ended June 30, 2007

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes	\$ 2,239,420	\$ 2,239,420	\$ 2,167,545	\$ (71,875)
Permits and Fees	402,340	416,597	404,531	(12,066)
Intergovernmental	3,000	3,000	105	(2,895)
Licenses	5,900	5,900	11,155	5,255
Investment Earnings			263	263
Miscellaneous	\$ 36,400	62,400	78,918	16,518
Total Revenues	<u>2,687,060</u>	<u>2,727,317</u>	<u>2,662,517</u>	<u>(64,800)</u>
EXPENDITURES				
Current:				
Public Safety	<u>6,607,070</u>	<u>6,690,932</u>	<u>6,834,461</u>	<u>(143,529)</u>
Total Expenditures	<u>6,607,070</u>	<u>6,690,932</u>	<u>6,834,461</u>	<u>(143,529)</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(3,920,010)</u>	<u>(3,963,615)</u>	<u>(4,171,944)</u>	<u>(208,329)</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	3,920,010	3,911,570	4,415,646	504,076
Transfers Out		(225,000)	(225,000)	-
Total Other Financing Sources (Uses)	<u>3,920,010</u>	<u>3,686,570</u>	<u>4,190,646</u>	<u>504,076</u>
Net Change in Fund Balances	-	(277,045)	18,702	295,747
Fund Balance, Beginning of Year	<u>(30,185)</u>	<u>(30,185)</u>	<u>(30,185)</u>	
Fund Balance, End of Year	<u>\$ (30,185)</u>	<u>\$ (307,230)</u>	<u>\$ (11,483)</u>	<u>\$ 295,747</u>

City of Desert Hot Springs
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - RDA Low Income Housing Special Revenue Fund
Year Ended June 30, 2007

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes	\$ 1,424,690	\$ 1,424,690	\$ 1,830,561	\$ 405,871
Interest	83,000	83,000	162,151	79,151
Miscellaneous		4,105	53,497	49,392
Total Revenues	<u>1,507,690</u>	<u>1,511,795</u>	<u>2,046,209</u>	<u>534,414</u>
EXPENDITURES				
Current:				
Economic Development	930,200	1,012,700	513,536	499,164
Capital Outlay		157,500	154,230	3,270
Total Expenditures	<u>930,200</u>	<u>1,170,200</u>	<u>667,766</u>	<u>502,434</u>
Excess (Deficiency) of Revenues over Expenditures	<u>577,490</u>	<u>341,595</u>	<u>1,378,443</u>	<u>1,036,848</u>
OTHER FINANCING SOURCES (USES)				
Transfers Out	<u>(155,700)</u>	<u>(155,700)</u>	<u>(160,610)</u>	<u>(4,910)</u>
Total Other Financing Sources (Uses)	<u>(155,700)</u>	<u>(155,700)</u>	<u>(160,610)</u>	<u>(4,910)</u>
Net Change in Fund Balance	421,790	185,895	1,217,833	1,031,938
Fund Balance, Beginning of Year	<u>2,102,378</u>	<u>2,102,378</u>	<u>2,102,378</u>	
Fund Balance, End of Year	<u>\$ 2,524,168</u>	<u>\$ 2,288,273</u>	<u>\$ 3,320,211</u>	<u>\$ 1,031,938</u>

SUPPLEMENTARY INFORMATION

City of Desert Hot Springs
Major Fund Budgetary Comparison Schedules
June 30, 2007

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

City of Desert Hot Springs
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - RDA Debt Service Fund
Year Ended June 30, 2007

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 5,762,770	\$ 5,762,770	\$ 7,322,244	\$ 1,559,474
Interest	160,000	160,000	817,611	657,611
Total Revenues	<u>5,922,770</u>	<u>5,922,770</u>	<u>8,139,855</u>	<u>2,217,085</u>
EXPENDITURES				
Current:				
Economic Development	49,100	121,620	60,630	60,990
Debt Service:				
Principal	448,540	448,540	8,135,000	(7,686,460)
Interest	385,630	385,630	374,262	11,368
Bond Issuance Costs	227,150	227,150	288,733	(61,583)
Pass-Through Agreements	941,760	941,760	1,187,718	(245,958)
Total Expenditures	<u>2,052,180</u>	<u>2,124,700</u>	<u>10,046,343</u>	<u>(7,921,643)</u>
Excess (Deficiency) of Revenues over Expenditures	<u>3,870,590</u>	<u>3,798,070</u>	<u>(1,906,488)</u>	<u>(5,704,558)</u>
OTHER FINANCING SOURCES (USES)				
Bond Proceeds	227,150	227,150	7,025,000	6,797,850
Premium on Bonds			27,218	27,218
Transfers In	155,700	155,700	160,610	4,910
Transfers Out	(2,357,040)	(3,779,780)	(3,829,810)	(50,030)
Total Other Financing Sources (Uses)	<u>(1,974,190)</u>	<u>(3,396,930)</u>	<u>3,383,018</u>	<u>6,779,948</u>
Net Change in Fund Balance	1,896,400	401,140	1,476,530	1,075,390
Fund Balance, Beginning of Year	7,170,491	7,170,491	7,170,491	
Prior Period Adjustment			(485,595)	(485,595)
Fund Balance, End of Year	<u>\$ 9,066,891</u>	<u>\$ 7,571,631</u>	<u>\$ 8,161,426</u>	<u>\$ 589,795</u>

City of Desert Hot Springs
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - RDA Capital Projects Fund
Year Ended June 30, 2007

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Interest	\$ 60,750	\$ 60,750	\$ 39,958	\$ (20,792)
Miscellaneous		615	612	(3)
Total Revenues	<u>60,750</u>	<u>61,365</u>	<u>40,570</u>	<u>(20,795)</u>
EXPENDITURES				
Current:				
Economic Development	1,813,150	2,861,298	1,776,660	1,084,638
Capital Outlay	235,000	1,284,750	1,246,788	37,962
Total Expenditures	<u>2,048,150</u>	<u>4,146,048</u>	<u>3,023,448</u>	<u>1,122,600</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(1,987,400)</u>	<u>(4,084,683)</u>	<u>(2,982,878)</u>	<u>1,101,805</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	2,357,040	3,779,780	3,829,810	50,030
Transfers Out	(25,000)	(77,900)	(51,373)	26,527
Total Other Financing Sources (Uses)	<u>2,332,040</u>	<u>3,701,880</u>	<u>3,778,437</u>	<u>76,557</u>
Net Change in Fund Balance	344,640	(382,803)	795,559	1,178,362
Fund Balance, Beginning of Year	<u>166,721</u>	<u>166,721</u>	<u>166,721</u>	
Fund Balance, End of Year	<u>\$ 511,361</u>	<u>\$ (216,082)</u>	<u>\$ 962,280</u>	<u>\$ 1,178,362</u>

City of Desert Hot Springs Non-Major Governmental Funds

SPECIAL REVENUE FUNDS

State Homeland Security Grant Fund - The State Homeland Security Grant Fund accounts for Federal grant funds for public safety expenditures, such as communication equipment; technology software; vehicle response equipment and other related public safety equipment.

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

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

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

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

T.U.M.F. Fund - The T.U.M.F. (Transportation Uniform Mitigation Fees) Fund accounts for street improvements funded through development impact fees. Funding is received based upon the City's need for street improvements. Expenditures are restricted to those cities in the Coachella Valley with arterial streets.

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

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

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

State Transportation Improvement Grant Fund - The State Transportation Improvement Grant Fund accounts for grants received for street improvements, unpaved and shoulder improvements. The City must provide a match at 11.47% of the total grant awarded. City match is funded from Measure A Funds.

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

Abandoned Vehicle Replacement Fund - The City receives a portion of DMV registration fees 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.

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

Department of Park and Recreation Grant Fund - Park and Recreation Grant Fund accounts for transactions related to parks and recreation expenditures including equipment, construction of new parks and parkland enhancements.

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

SPECIAL REVENUE FUNDS - Continued

Agua Caliente Donations Fund - The Agua Caliente Donations Fund accounts for donations received to aid public safety and senior center operations. Funding was received to assist the City with the purchase of a new roof at the Senior Center and to support K-9 activities in the Police Department.

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

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

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

JAG Cadet Program Fund - The JAG Cadet Program Fund accounts for grant funds received from the Office of Justice for the formation and training of Police Cadets.

CMAQ ISTEAA Fund - Funding is allotted to each city from the Coachella Valley Association of Governments CMAQ TEA 21 Fund, Phase #4. Grant funding is expended for clean up and paving of streets, wind breaks, wind fences and for chemical stabilization. This funding requires an 11.47% match from the City on all projects.

EDA Grant Fund - The EDA Grant Fund accounts for funds received from the United States Department of Commerce to assist in developing an initial design plan in conjunction with the City's Planning Center.

Air Quality Grant Fund - The Riverside County Air Quality Grant Fund accounts for grant funds for air quality improvement and air quality enhancement. The City requested this funding to offset costs of its CNG vehicles and fueling station at the City corporation year.

Traffic Congestion Relief Fund AB 2928 - The Traffic Congestion Relief Fund was established to account for a grant to eliminate traffic congestion patterns. Expenditures include new street construction, traffic equipment and traffic signalization.

Civic and Community Center Grant - The Civic and Community Center Grant Fund accounts for grant funding provided by the Department of Housing and Urban Development Economic under the Development Initiative (EDI) for certain eligible projects. The project specific for the City of Desert Hot Springs was the design, engineering and construction of a civic center complex.

CA Office of Traffic Safety Grant - The Traffic Enforcement Safety grand funding is provided to local agencies to assist with public safety expenditures. This grant provides for specific traffic safety overtime, equipment, direct costs, education, travel and additional software programs for a two year term between September 30, 2005 and September 30, 2007.

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

Indian Gaming Special District Grant - The Indian Gaming Grant Fund accounts for grant funds disbursed by the State Controller's Office. The term of the grant is for two years, commencing July 1, 2004 through June 30, 2006. Funding was authorized for police officer overtime and traffic enforcement.

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

SPECIAL REVENUE FUNDS - Continued

Alcoholic Beverage Control Fund - The Alcoholic Beverage Control Fund accounts for funds provided by the Department of Alcoholic Beverage Control to pay for overtime associated with sworn personnel working in various areas to reduce alcoholic related crimes and minimize the sale of alcoholic beverages to minors and intoxicated persons.

Regional Access Project (RAP) - Funding was awarded and designated to supplement the Hammes Company contract (Phase II) to provide a comprehensive business plan for a primary and urgent care facility within the city limits.

Desert Healthcare District Grant - Grant funding was approved by the Desert Healthcare District to provide for expenditures in conjunction with the hiring of a project coordination/researcher for the Desert Hot Springs community health plan during initial phase. A city funded match of \$25,000 and a County of Riverside match of \$25,000 is also required.

DEBT SERVICE FUNDS

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

CAPITAL PROJECTS FUNDS

Developer Infrastructure Streets Fund - The Developer Infrastructure Streets Fund accounts for the activities and construction of certain infrastructure agreed upon between the City and a developer.

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

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**City of Desert Hot Springs
Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2007**

	Special Revenue			
	State Homeland Security Grant	Housing and Community Development	Traffic Safety	Source Reduction Recycling
ASSETS				
Cash and Investments	\$	\$	\$ 5,486	\$ 4,987
Restricted Cash and Investments Fiscal Agent				
Notes Receivable				
Accounts Receivable		112,104	1,189	
Interest Receivable				
Total Assets	\$ -	\$ 112,104	\$ 6,675	\$ 4,987
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts Payable	\$	\$ 29,411	\$	\$
Accrued Liabilities				
Due to Other Funds		57,824		
Deferred Revenue		111,253		4,987
Total Liabilities	-	198,488	-	4,987
Fund Balances:				
Reserved for:				
Low Income Housing				
Debt Service				
Unreserved and Reported In:				
Special Revenue Funds		(86,384)	6,675	
Debt Service Fund				
Capital Project Funds				
Total Fund Balances	-	(86,384)	6,675	-
Total Liabilities and Fund Balances	\$ -	\$ 112,104	\$ 6,675	\$ 4,987

Special Revenue

Special Gas Tax	T.U.M.F.	Municipal Lighting/Landscaping Assessment District	Measure A	Air Quality Control	State Transportation Improvement Grant
\$ 57,671	\$ 34,556	\$ 237,959	\$ 183,590	\$ 27,957	\$
43,139		144,781	78,751	6,872	39,909
135		2,194	1,857	361	
<u>\$ 100,945</u>	<u>\$ 34,556</u>	<u>\$ 384,934</u>	<u>\$ 264,198</u>	<u>\$ 35,190</u>	<u>\$ 39,909</u>
\$ 9,927	\$ 31,954	\$ 35,231	\$ 2,062	\$ 2,266	\$
2,900		6,445			39,909
		54,429			39,909
		91,421			
<u>12,827</u>	<u>31,954</u>	<u>187,526</u>	<u>2,062</u>	<u>2,266</u>	<u>79,818</u>
88,118	2,602	197,408	262,136	32,924	(39,909)
<u>88,118</u>	<u>2,602</u>	<u>197,408</u>	<u>262,136</u>	<u>32,924</u>	<u>(39,909)</u>
<u>\$ 100,945</u>	<u>\$ 34,556</u>	<u>\$ 384,934</u>	<u>\$ 264,198</u>	<u>\$ 35,190</u>	<u>\$ 39,909</u>

Continued

City of Desert Hot Springs
Combining Balance Sheet
Non-Major Governmental Funds (Continued)
June 30, 2007

	Special Revenue			
	Law Enforcement Service	Abandoned Vehicle Replacement	Drainage Assessment District	Dept. of Parks and Recreation Grant
ASSETS				
Cash and Investments	\$ 2,163	\$ 1,617	\$ 180,123	\$
Restricted Cash and Investments Fiscal Agent				
Notes Receivable				
Accounts Receivable		7,366	41,250	220,000
Interest Receivable	54		1,412	
Total Assets	\$ 2,217	\$ 8,983	\$ 222,785	\$ 220,000
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts Payable	\$ 854	\$	\$ 2,077	\$ 12,346
Accrued Liabilities	1,363			
Due to Other Funds			7,500	207,654
Deferred Revenue			41,250	44,000
Total Liabilities	2,217	-	50,827	264,000
Fund Balances:				
Reserved for:				
Low Income Housing				
Debt Service				
Unreserved and Reported In:				
Special Revenue Funds		8,983	171,958	(44,000)
Debt Service Fund				
Capital Project Funds				
Total Fund Balances	-	8,983	171,958	(44,000)
Total Liabilities and Fund Balances	\$ 2,217	\$ 8,983	\$ 222,785	\$ 220,000

Special Revenue

Agua Caliente Donations	County Service Area	Cabot's Museum	RDA Help Program	JAG Cadet Program Grant	CMAQ ISTEA
\$ 15,000	\$	\$ 146,495	\$ 299,928	\$	\$
	10,969		671,200	8,673	21,920
			3,662		
<u>\$ 15,000</u>	<u>\$ 10,969</u>	<u>\$ 146,495</u>	<u>\$ 974,790</u>	<u>\$ 8,673</u>	<u>\$ 21,920</u>
\$	\$	\$ 147,388	\$ 110	\$	\$ 2,043
	10,969			499	
15,000			671,200	8,174	21,920
<u>15,000</u>	<u>10,969</u>	<u>147,388</u>	<u>671,310</u>	<u>8,673</u>	<u>45,883</u>
			303,480		
		(893)			(23,963)
-	-	(893)	303,480	-	(23,963)
<u>\$ 15,000</u>	<u>\$ 10,969</u>	<u>\$ 146,495</u>	<u>\$ 974,790</u>	<u>\$ 8,673</u>	<u>\$ 21,920</u>

Continued

**City of Desert Hot Springs
Combining Balance Sheet
Non-Major Governmental Funds (Continued)
June 30, 2006**

	Special Revenue			
	EDA Grant	Air Quality Grant	Traffic Congestion Relief	Civic and Community Center Grant
ASSETS				
Cash and Investments	\$	\$	\$	\$ 60,841
Restricted Cash and Investments:				
Fiscal Agent				
Notes Receivable				
Accounts Receivable	25,000	22,965		
Interest Receivable			401	
	<u>25,000</u>	<u>22,965</u>	<u>401</u>	
Total Assets	<u>\$ 25,000</u>	<u>\$ 22,965</u>	<u>\$ 401</u>	<u>\$ 60,841</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts Payable	\$	\$ 264	\$	\$ 60,841
Accrued Liabilities				
Due to Other Funds	25,000	22,658	401	
Deferred Revenue	<u>25,000</u>	<u>20,000</u>		
	<u>50,000</u>	<u>42,922</u>	<u>401</u>	<u>60,841</u>
Fund Balances:				
Reserved for:				
Low Income Housing				
Debt Service				
Unreserved and Reported In:				
Special Revenue Funds	(25,000)	(19,957)		
Debt Service Fund				
Capital Project Funds				
	<u>(25,000)</u>	<u>(19,957)</u>	<u>-</u>	<u>-</u>
Total Fund Balances	<u>(25,000)</u>	<u>(19,957)</u>	<u>-</u>	<u>-</u>
Total Liabilities and Fund Balances	<u>\$ 25,000</u>	<u>\$ 22,965</u>	<u>\$ 401</u>	<u>\$ 60,841</u>

Special Revenue

CA Office of Traffic Safety Grant	Bicycle/ Pedestrian Grant	Indian Gaming Special District Grant	Alcoholic Beverage Control	Regional Access Project Grant	Desert Healthcare District Grant
\$	\$	\$ 2,805	\$	\$ 15,426	\$ 45,289
12,412			16,654		
<u>\$ 12,412</u>	<u>\$ -</u>	<u>\$ 2,805</u>	<u>\$ 16,654</u>	<u>\$ 15,426</u>	<u>\$ 45,289</u>
\$ 560	\$	\$	\$ 1,291	\$ 3,233	\$ 2,031
11,852			1,539		
12,412		2,805	13,824	12,193	43,258
<u>24,824</u>	<u>-</u>	<u>2,805</u>	<u>31,792</u>	<u>15,426</u>	<u>45,289</u>
(12,412)			(15,138)		
<u>(12,412)</u>	<u>-</u>	<u>-</u>	<u>(15,138)</u>	<u>-</u>	<u>-</u>
<u>\$ 12,412</u>	<u>\$ -</u>	<u>\$ 2,805</u>	<u>\$ 16,654</u>	<u>\$ 15,426</u>	<u>\$ 45,289</u>

Continued

**City of Desert Hot Springs
Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2007**

	<u>Debt Service</u>	<u>Capital Projects</u>		<u>Total Nonmajor Governmental Funds</u>
	<u>City Debt Service</u>	<u>Developer Infrastructure Streets</u>	<u>Assessment District 91-1</u>	
ASSETS				
Cash and Investments	\$ 2,270,843	\$ 200,000	\$ 47,029	\$ 3,839,765
Restricted Cash and Investments:				
Fiscal Agent	321,487		1,168	322,655
Notes Receivable				671,200
Accounts Receivable	95,988			909,942
Interest Receivable			558	10,634
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Assets	<u><u>\$ 2,688,318</u></u>	<u><u>\$ 200,000</u></u>	<u><u>\$ 48,755</u></u>	<u><u>\$ 5,754,196</u></u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts Payable	\$	\$	\$	\$ 343,889
Accrued Liabilities				12,746
Due to Other Funds				482,114
Deferred Revenue		200,000		1,371,746
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Liabilities	<u> -</u>	<u> 200,000</u>	<u> -</u>	<u> 2,210,495</u>
Fund Balances:				
Reserved for:				
Low Income Housing				303,480
Debt Service	273,298			273,298
Unreserved and Reported In:				
Special Revenue Funds				503,148
Debt Service Fund	2,415,020			2,415,020
Capital Project Funds			48,755	48,755
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Fund Balances	<u> 2,688,318</u>	<u> -</u>	<u> 48,755</u>	<u> 3,543,701</u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Liabilities and Fund Balances	<u><u>\$ 2,688,318</u></u>	<u><u>\$ 200,000</u></u>	<u><u>\$ 48,755</u></u>	<u><u>\$ 5,754,196</u></u>

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City of Desert Hot Springs
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Non-Major Governmental Funds
June 30, 2007

	Special Revenue			
	State Homeland Security Grant	Housing and Community Development	Traffic Safety	Source Reduction Recycling
REVENUES				
Taxes	\$	\$	\$	\$
Permits and Fees			23,766	
Intergovernmental	3,217	111,848		215
Interest			655	
Miscellaneous				
Total Revenues	<u>3,217</u>	<u>111,848</u>	<u>24,421</u>	<u>215</u>
EXPENDITURES				
Current:				
General Government		43,327	29,869	215
Public Safety	4,026			
Public Works				
Economic Development				
Culture and Leisure				
Capital Outlay		172,293		
Debt Service:				
Principal				
Interest				
Total Expenditures	<u>4,026</u>	<u>215,620</u>	<u>29,869</u>	<u>215</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(809)</u>	<u>(103,772)</u>	<u>(5,448)</u>	<u>-</u>
OTHER FINANCING SOURCES (USES)				
Transfers In				
Transfers Out				
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	(809)	(103,772)	(5,448)	-
Fund Balances (Deficit), Beginning of Year	809	17,388	12,123	
Prior Period Adjustment				
Fund Balances (Deficit), End of Year	<u>\$ -</u>	<u>\$ (86,384)</u>	<u>\$ 6,675</u>	<u>\$ -</u>

Special Revenue

Special Gas Tax	T.U.M.F.	Municipal Lighting/Landscaping Assessment District	Measure A	Air Quality Control	State Transportation Improvement Grant
\$	\$	\$	\$	\$	\$
456,873	764,323	594,871	412,160	18,934	122,089
1,634		165,000	13,436	2,767	
458,507	764,323	6,695	425,596	21,701	122,089
		20,171			
		786,737			
		530,105		14,055	
407,015	766,090				
			531,106	60,687	127,114
407,015	766,090	530,105	531,106	74,742	127,114
51,492	(1,767)	256,632	(105,510)	(53,041)	(5,025)
94,213	5,200	19,321			
		(5,906)			
94,213	5,200	13,415	-	-	-
145,705	3,433	270,047	(105,510)	(53,041)	(5,025)
(57,587)	(831)	(72,639)	367,646	85,965	(34,884)
\$ 88,118	\$ 2,602	\$ 197,408	\$ 262,136	\$ 32,924	\$ (39,909)

Continued

City of Desert Hot Springs
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Non-Major Governmental Funds
June 30, 2007

	Special Revenue			Dept. of Parks and Recreation Grant
	Law Enforcement Service	Abandoned Vehicle Replacement	Drainage Assessment District	
REVENUES				
Taxes	\$	\$	\$ 155,224	\$
Permits and Fees			30,000	
Intergovernmental	100,000	22,990		176,000
Interest	267	31	4,979	
Miscellaneous				
Total Revenues	<u>100,267</u>	<u>23,021</u>	<u>190,203</u>	<u>176,000</u>
EXPENDITURES				
Current:				
General Government	100,267	25,501	49,093	
Public Safety				
Public Works				
Economic Development				
Culture and Leisure				
Capital Outlay				220,000
Debt Service:				
Principal				
Interest				
Total Expenditures	<u>100,267</u>	<u>25,501</u>	<u>49,093</u>	<u>220,000</u>
Excess (Deficiency) of Revenues over Expenditures	<u>-</u>	<u>(2,480)</u>	<u>141,110</u>	<u>(44,000)</u>
OTHER FINANCING SOURCES (USES)				
Transfers In				
Transfers Out			(943)	
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>(943)</u>	<u>-</u>
Net Change in Fund Balances	<u>-</u>	<u>(2,480)</u>	<u>140,167</u>	<u>(44,000)</u>
Fund Balances (Deficit), Beginning of Year		11,463	31,791	
Prior Period Adjustment				
Fund Balances (Deficit), End of Year	<u>\$ -</u>	<u>\$ 8,983</u>	<u>\$ 171,958</u>	<u>\$ (44,000)</u>

Special Revenue

Agua Caliente Donations	County Service Area	Cabot's Museum	RDA Help Program	JAG Cadet Program Grant	CMAQ ISTEA
\$	\$	\$	\$	\$	\$
	10,969	392		15,111	2,095
		968	13,820 269,501		
-	10,969	1,360	283,321	15,111	2,095
	10,969			15,111	22,552
		214,844			
-	10,969	214,844	-	15,111	22,552
-	-	(213,484)	283,321	-	(20,457)
		289,626			
-	-	289,626	-	-	-
-	-	76,142	283,321	-	(20,457)
			20,159		(3,506)
		(77,035)			
\$ -	\$ -	\$ (893)	\$ 303,480	\$ -	\$ (23,963)

Continued

City of Desert Hot Springs
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Non-Major Governmental Funds
June 30, 2007

	Special Revenue			
	EDA Grant	Air Quality Grant	Traffic Congestion Relief	Civic and Community Center Grant
REVENUES				
Taxes	\$	\$	\$	\$
Permits and Fees				
Intergovernmental	25,000	2,365	129,205	1,220
Interest			5,112	
Miscellaneous				
Total Revenues	<u>25,000</u>	<u>2,365</u>	<u>134,317</u>	<u>1,220</u>
EXPENDITURES				
Current:				
General Government				
Public Safety				
Public Works		2,323	195	
Economic Development	75,000			1,221
Culture and Leisure				
Capital Outlay		20,000	134,563	
Debt Service:				
Principal				
Interest				
Total Expenditures	<u>75,000</u>	<u>22,323</u>	<u>134,758</u>	<u>1,221</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(50,000)</u>	<u>(19,958)</u>	<u>(441)</u>	<u>(1)</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	25,000	868		
Transfers Out				
Total Other Financing Sources (Uses)	<u>25,000</u>	<u>868</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	<u>(25,000)</u>	<u>(19,090)</u>	<u>(441)</u>	<u>(1)</u>
Fund Balances (Deficit), Beginning of Year		(867)	441	1
Prior Period Adjustment				
Fund Balances (Deficit), End of Year	<u>\$ (25,000)</u>	<u>\$ (19,957)</u>	<u>\$ -</u>	<u>\$ -</u>

Special Revenue

CA Office of Traffic Safety Grant	Bicycle/ Pedestrian Grant	Indian Gaming Special District Grant	Alcoholic Beverage Control	Regional Access Project Grant	Desert Healthcare District Grant
\$	\$	\$	\$	\$	\$
17,544	1,092	56,541	8,839	25,307	27,453
<u>17,544</u>	<u>1,092</u>	<u>56,541</u>	<u>8,839</u>	<u>25,307</u>	<u>27,453</u>
29,956		56,541	23,977	25,307	27,453
	1,092				
<u>29,956</u>	<u>1,092</u>	<u>56,541</u>	<u>23,977</u>	<u>25,307</u>	<u>27,453</u>
<u>(12,412)</u>	<u>-</u>	<u>-</u>	<u>(15,138)</u>	<u>-</u>	<u>-</u>
-	-	-	-	-	-
<u>(12,412)</u>	<u>-</u>	<u>-</u>	<u>(15,138)</u>	<u>-</u>	<u>-</u>
<u>\$ (12,412)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (15,138)</u>	<u>\$ -</u>	<u>\$ -</u>

Continued

City of Desert Hot Springs
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Non-Major Governmental Funds
June 30, 2007

	<u>Debt Service</u>	<u>Capital Projects</u>		<u>Total Nonmajor Governmental Funds</u>
	<u>City Debt Service</u>	<u>Developer Infrastructure Streets</u>	<u>Assessment District 91-1</u>	
REVENUES				
Taxes	\$ 888,672	\$	\$	\$ 1,657,701
Permits and Fees				219,158
Intergovernmental				2,492,456
Interest	15,591		2,437	67,424
Miscellaneous			1,136	291,776
				<u>291,776</u>
Total Revenues	<u>904,263</u>	<u>-</u>	<u>3,573</u>	<u>4,728,515</u>
EXPENDITURES				
Current:				
General Government			41,200	\$ 897,361
Public Safety				99,655
Public Works				1,228,131
Economic Development				76,221
Culture and Leisure				214,844
Capital Outlay				1,266,855
Debt Service:				
Principal	161,000			161,000
Interest	629,871			629,871
				<u>629,871</u>
Total Expenditures	<u>790,871</u>	<u>-</u>	<u>41,200</u>	<u>4,573,938</u>
Excess (Deficiency) of Revenues over Expenditures	<u>113,392</u>	<u>-</u>	<u>(37,627)</u>	<u>154,577</u>
OTHER FINANCING SOURCES (USES)				
Transfers In				434,228
Transfers Out				(6,849)
				<u>(6,849)</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>427,379</u>
Net Change in Fund Balances	113,392	-	(37,627)	581,956
Fund Balances (Deficit), Beginning of Year	2,574,926		86,382	3,038,780
Prior Period Adjustment				(77,035)
Fund Balances (Deficit), End of Year	<u>\$ 2,688,318</u>	<u>\$ -</u>	<u>\$ 48,755</u>	<u>\$ 3,543,701</u>

City of Desert Hot Springs
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - State Homeland Security Grant Special Revenue Fund
Year Ended June 30, 2007

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Intergovernmental	\$ 312,300	\$ 312,300	\$ 3,217	\$ (309,083)
Total Revenues	<u>312,300</u>	<u>312,300</u>	<u>3,217</u>	<u>(309,083)</u>
EXPENDITURES				
Public Safety	<u>313,200</u>	<u>313,200</u>	<u>4,026</u>	<u>309,174</u>
Total Expenditures	<u>313,200</u>	<u>313,200</u>	<u>4,026</u>	<u>309,174</u>
Excess (Deficiency) of Revenues over Expenditures	(900)	(900)	(809)	91
Fund Balance (Deficit), Beginning of Year	<u>809</u>	<u>809</u>	<u>809</u>	
Fund Balance (Deficit), End of Year	<u>\$ (91)</u>	<u>\$ (91)</u>	<u>\$ -</u>	<u>\$ 91</u>

City of Desert Hot Springs
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - Housing and Community Development Special Revenue Fund
Year Ended June 30, 2007

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
REVENUES				
Intergovernmental	\$ 519,200	\$ 519,200	\$ 111,848	\$ (407,352)
Total Revenues	<u>519,200</u>	<u>519,200</u>	<u>111,848</u>	<u>(407,352)</u>
EXPENDITURES				
Current:				
General Government	51,960	51,960	43,327	8,633
Capital Outlay	<u>467,240</u>	<u>467,240</u>	<u>172,293</u>	<u>294,947</u>
Total Expenditures	<u>519,200</u>	<u>519,200</u>	<u>215,620</u>	<u>303,580</u>
Excess (Deficiency) of Revenues over Expenditures	-	-	(103,772)	(103,772)
Fund Balance (Deficit), Beginning of Year	<u>17,388</u>	<u>17,388</u>	<u>17,388</u>	
Fund Balance (Deficit), End of Year	<u>\$ 17,388</u>	<u>\$ 17,388</u>	<u>\$ (86,384)</u>	<u>\$ (103,772)</u>

City of Desert Hot Springs
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - Traffic Safety Special Revenue Fund
Year Ended June 30, 2007

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Permits and Fees	\$ 20,000	\$ 20,000	\$ 23,766	\$ 3,766
Interest	300	300	655	355
Total Revenues	<u>20,300</u>	<u>20,300</u>	<u>24,421</u>	<u>4,121</u>
EXPENDITURES				
Current:				
General Government	<u>27,200</u>	<u>27,200</u>	<u>29,869</u>	<u>(2,669)</u>
Total Expenditures	<u>27,200</u>	<u>27,200</u>	<u>29,869</u>	<u>(2,669)</u>
Excess (Deficiency) of Revenues over Expenditures	(6,900)	(6,900)	(5,448)	1,452
Fund Balance, Beginning of Year	<u>12,123</u>	<u>12,123</u>	<u>12,123</u>	
Fund Balance, End of Year	<u>\$ 5,223</u>	<u>\$ 5,223</u>	<u>\$ 6,675</u>	<u>\$ 1,452</u>

City of Desert Hot Springs
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - Source Reduction Recycling Special Revenue Fund
Year Ended June 30, 2007

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Intergovernmental	\$ 5,000	\$ 5,000	\$ 215	\$ (4,785)
Total Revenues	<u>5,000</u>	<u>5,000</u>	<u>215</u>	<u>(4,785)</u>
EXPENDITURES				
Current:				
General Government	<u>5,000</u>	<u>5,000</u>	<u>215</u>	<u>4,785</u>
Total Expenditures	<u>5,000</u>	<u>5,000</u>	<u>215</u>	<u>4,785</u>
Excess (Deficiency) of Revenues over Expenditures	-	-	-	-
Fund Balance, Beginning of Year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance, 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 - Special Gas Tax Special Revenue Fund
Year Ended June 30, 2007

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Intergovernmental	\$ 382,570	\$ 382,570	\$ 456,873	\$ 74,303
Interest	4,400	4,400	1,634	(2,766)
Total Revenues	<u>386,970</u>	<u>386,970</u>	<u>458,507</u>	<u>71,537</u>
EXPENDITURES				
Current:				
Public Works	431,230	450,198	407,015	43,183
Total Expenditures	<u>431,230</u>	<u>450,198</u>	<u>407,015</u>	<u>43,183</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(44,260)</u>	<u>(63,228)</u>	<u>51,492</u>	<u>114,720</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	44,260	44,260	94,213	49,953
Total Other Financing Sources (Uses)	<u>44,260</u>	<u>44,260</u>	<u>94,213</u>	<u>49,953</u>
Net Change in Fund Balance	-	(18,968)	145,705	164,673
Fund Balance (Deficit), Beginning of Year	<u>(57,587)</u>	<u>(57,587)</u>	<u>(57,587)</u>	
Fund Balance (Deficit), End of Year	<u>\$ (57,587)</u>	<u>\$ (76,555)</u>	<u>\$ 88,118</u>	<u>\$ 164,673</u>

City of Desert Hot Spring
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - T.U.M.F. Special Revenue Fund
Year Ended June 30, 2007

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental	\$ 660,000	\$ 660,000	\$ 764,323	\$ 104,323
Total Revenues	<u>660,000</u>	<u>660,000</u>	<u>764,323</u>	<u>104,323</u>
EXPENDITURES				
Current:				
Public Works	<u>660,000</u>	<u>660,000</u>	<u>766,090</u>	<u>(106,090)</u>
Total Expenditures	<u>660,000</u>	<u>660,000</u>	<u>766,090</u>	<u>(106,090)</u>
Excess (Deficiency) of Revenues over Expenditures	<u>-</u>	<u>-</u>	<u>(1,767)</u>	<u>(1,767)</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	<u>-</u>	<u>-</u>	<u>5,200</u>	<u>5,200</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>5,200</u>	<u>5,200</u>
Net Change in Fund Balance	-	-	3,433	3,433
Fund Balance (Deficit), Beginning of Year	<u>(831)</u>	<u>(831)</u>	<u>(831)</u>	
Fund Balance (Deficit), End of Year	<u>\$ (831)</u>	<u>\$ (831)</u>	<u>\$ 2,602</u>	<u>\$ 3,433</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
Year Ended June 30, 2007

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 541,080	\$ 555,130	\$ 594,871	\$ 39,741
Permits and Fees	171,250	188,250	165,000	(23,250)
Interest	500	500	6,695	6,195
Miscellaneous	5,000	5,000	20,171	15,171
Total Revenues	<u>717,830</u>	<u>748,880</u>	<u>786,737</u>	<u>37,857</u>
EXPENDITURES				
Current:				
General Government	<u>688,230</u>	<u>815,819</u>	<u>530,105</u>	<u>285,714</u>
Total Expenditures	<u>688,230</u>	<u>815,819</u>	<u>530,105</u>	<u>285,714</u>
Excess (Deficiency) of Revenues over Expenditures	<u>29,600</u>	<u>(66,939)</u>	<u>256,632</u>	<u>323,571</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	-	-	19,321	19,321
Transfers Out	<u>(16,390)</u>	<u>(16,990)</u>	<u>(5,906)</u>	<u>11,084</u>
Total Other Financing Sources (Uses)	<u>(16,390)</u>	<u>(16,990)</u>	<u>13,415</u>	<u>30,405</u>
Net Change in Fund Balance	13,210	(83,929)	270,047	353,976
Fund Balance, Beginning of Year	<u>(72,639)</u>	<u>(72,639)</u>	<u>(72,639)</u>	
Fund Balance (Deficit), End of Year	<u>\$ (59,429)</u>	<u>\$ (156,568)</u>	<u>\$ 197,408</u>	<u>\$ 353,976</u>

City of Desert Hot Springs
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - Measure A Special Revenue Fund
Year Ended June 30, 2007

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Intergovernment	\$ 300,000	\$ 300,000	\$ 412,160	\$ 112,160
Interest	10,000.0	10,000	13,436	3,436
Total Revenues	<u>310,000.0</u>	<u>310,000</u>	<u>425,596</u>	<u>115,596</u>
EXPENDITURES				
Capital Outlay	<u>620,000.0</u>	<u>620,000</u>	<u>531,106</u>	<u>88,894</u>
Total Expenditures	<u>620,000.0</u>	<u>620,000</u>	<u>531,106</u>	<u>88,894</u>
Excess (Deficiency) of Revenues over Expenditures	(310,000.0)	(310,000)	(105,510)	204,490
Fund Balance, Beginning of Year	<u>367,646.0</u>	<u>367,646</u>	<u>367,646</u>	
Fund Balance, End of Year	<u>\$ 57,646</u>	<u>\$ 57,646</u>	<u>\$ 262,136</u>	<u>\$ 204,490</u>

City of Desert Hot Springs
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - Air Quality Control Special Revenue Fund
Year Ended June 30, 2007

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes	\$ 22,840	\$ 22,840	\$ 18,934	\$ (3,906)
Intergovernmental	-	70,000	-	(70,000)
Interest	2,000	2,000	2,767	767
Total Revenues	<u>24,840</u>	<u>94,840</u>	<u>21,701</u>	<u>(73,139)</u>
EXPENDITURES				
Current:				
General Government	10,780	11,640	14,055	(2,415)
Capital Outlay	<u>83,360</u>	<u>133,500</u>	<u>60,687</u>	<u>72,813</u>
Total Expenditures	<u>94,140</u>	<u>145,140</u>	<u>74,742</u>	<u>70,398</u>
Excess (Deficiency) of Revenues over Expenditures	(69,300)	(50,300)	(53,041)	(2,741)
Fund Balance, Beginning of Year	<u>85,965</u>	<u>85,965</u>	<u>85,965</u>	
Fund Balance, End of Year	<u>\$ 16,665</u>	<u>\$ 35,665</u>	<u>\$ 32,924</u>	<u>\$ (2,741)</u>

City of Desert Hot Springs
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - State Transportation Improvement Grant Special Revenue Fund
Year Ended June 30, 2007

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Intergovernmental	\$ 163,230	\$ 163,230	\$ 122,089	\$ (41,141)
Total Revenues	<u>163,230</u>	<u>163,230</u>	<u>122,089</u>	<u>(41,141)</u>
EXPENDITURES				
Capital Outlay	<u>163,230</u>	<u>164,690</u>	<u>127,114</u>	<u>37,576</u>
Total Expenditures	<u>163,230</u>	<u>164,690</u>	<u>127,114</u>	<u>37,576</u>
Excess (Deficiency) of Revenues over Expenditures	-	(1,460)	(5,025)	(3,565)
Fund Balance (Deficit), Beginning of Year	<u>(34,884)</u>	<u>(34,884)</u>	<u>(34,884)</u>	
Fund Balance (Deficit), End of Year	<u><u>\$ (34,884)</u></u>	<u><u>\$ (36,344)</u></u>	<u><u>\$ (39,909)</u></u>	<u><u>\$ (3,565)</u></u>

City of Desert Hot Springs
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - Law Enforcement Service Special Revenue Fund
Year Ended June 30, 2007

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
REVENUES				
Intergovernmental	\$ 102,000	\$ 102,000	\$ 100,000	\$ (2,000)
Interest	2,670	2,670	267	(2,403)
Total Revenues	<u>104,670</u>	<u>104,670</u>	<u>100,267</u>	<u>(4,403)</u>
EXPENDITURES				
Current:				
General Government	<u>104,670</u>	<u>104,670</u>	<u>100,267</u>	<u>4,403</u>
Total Expenditures	<u>104,670</u>	<u>104,670</u>	<u>100,267</u>	<u>4,403</u>
Excess (Deficiency) of Revenues over Expenditures	-	-	-	-
Fund Balance, Beginning of Year	-	-	-	-
Fund Balance, 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 Replacement Special Revenue Fund
Year Ended June 30, 2007

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Permits and Fees	\$ 2,500	\$ 2,500	\$ -	\$ (2,500)
Intergovernmental	56,940	86,485	22,990	(63,495)
Investment Earnings			31	31
Total Revenues	<u>59,440</u>	<u>88,985</u>	<u>23,021</u>	<u>(65,964)</u>
EXPENDITURES				
Current:				
General Government	<u>59,440</u>	<u>94,067</u>	<u>25,501</u>	<u>68,566</u>
Total Expenditures	<u>59,440</u>	<u>94,067</u>	<u>25,501</u>	<u>68,566</u>
Excess (Deficiency) of Revenues over Expenditures	-	(5,082)	(2,480)	2,602
Fund Balance, Beginning of Year	<u>11,463</u>	<u>11,463</u>	<u>11,463</u>	
Fund Balance, End of Year	<u>\$ 11,463</u>	<u>\$ 6,381</u>	<u>\$ 8,983</u>	<u>\$ 2,602</u>

City of Desert Hot Springs
Schedule of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual - Drainage Assessment District Special Revenue Fund
Year Ended June 30, 2007

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes	\$ 77,720	\$ 85,945	\$ 155,224	\$ 69,279
Permits and Fees	33,750	43,250	30,000	(13,250)
Interest	-	-	4,979	4,979
	<u>111,470</u>	<u>129,195</u>	<u>190,203</u>	<u>61,008</u>
EXPENDITURES				
Current:				
General Government	<u>84,100</u>	<u>95,670</u>	<u>49,093</u>	<u>46,577</u>
	<u>84,100</u>	<u>95,670</u>	<u>49,093</u>	<u>46,577</u>
Excess (Deficiency) of Revenues over Expenditures	<u>27,370</u>	<u>33,525</u>	<u>141,110</u>	<u>107,585</u>
OTHER FINANCING SOURCES (USES)				
Transfers Out	<u>(10,300)</u>	<u>(10,300)</u>	<u>(943)</u>	<u>9,357</u>
	<u>(10,300)</u>	<u>(10,300)</u>	<u>(943)</u>	<u>9,357</u>
Net Change in Fund Balances	17,070	23,225	140,167	116,942
Fund Balances, Beginning of Year	<u>31,791</u>	<u>31,791</u>	<u>31,791</u>	<u>-</u>
Fund Balances, End of Year	<u>\$ 48,861</u>	<u>\$ 55,016</u>	<u>\$ 171,958</u>	<u>\$ 116,942</u>

City of Desert Hot Springs
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - Department of Parks and Recreation Grant Special Revenue Fund
Year Ended June 30, 2007

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
REVENUES				
Intergovernmental	<u>\$ 220,000</u>	<u>\$ 220,000</u>	<u>\$ 176,000</u>	<u>\$ (44,000)</u>
Total Revenues	<u>220,000</u>	<u>220,000</u>	<u>176,000</u>	<u>(44,000)</u>
EXPENDITURES				
Capital Outlay	<u>220,000</u>	<u>220,000</u>	<u>220,000</u>	<u>-</u>
Total Expenditures	<u>220,000</u>	<u>220,000</u>	<u>220,000</u>	<u>-</u>
Excess (Deficiency) of Revenues over Expenditures	-	-	(44,000)	(44,000)
Fund Balance (Deficit), Beginning of Year	<u>-</u>	<u>-</u>	<u>-</u>	
Fund Balance (Deficit), End of Year	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ (44,000)</u></u>	<u><u>\$ (44,000)</u></u>

City of Desert Hot Springs
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - Agua Caliente Donations Special Revenue Fund
Year Ended June 30, 2007

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Intergovernmental	\$ 15,000	\$ 15,000	\$ -	\$ (15,000)
Total Revenues	<u>15,000</u>	<u>15,000</u>	<u>-</u>	<u>(15,000)</u>
EXPENDITURES				
Current:				
Capital Outlay	<u>15,000</u>	<u>15,000</u>	<u>-</u>	<u>15,000</u>
Total Expenditures	<u>15,000</u>	<u>15,000</u>	<u>-</u>	<u>15,000</u>
Excess (Deficiency) of Revenues over Expenditures	-	-	-	-
Fund Balance, Beginning of Year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance, End of Year	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<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 - County Service Area Special Revenue Fund
Year Ended June 30, 2007

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Intergovernmental	<u>\$ 9,000</u>	<u>\$ 9,000</u>	<u>\$ 10,969</u>	<u>\$ 1,969</u>
Total Revenues	<u>9,000</u>	<u>9,000</u>	<u>10,969</u>	<u>1,969</u>
EXPENDITURES				
Current:				
General Government	<u>9,000</u>	<u>15,525</u>	<u>10,969</u>	<u>4,556</u>
Total Expenditures	<u>9,000</u>	<u>15,525</u>	<u>10,969</u>	<u>4,556</u>
Excess (Deficiency) of Revenues over Expenditures	-	(6,525)	-	6,525
Fund Balance (Deficit), Beginning of Year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance (Deficit), End of Year	<u><u>\$ -</u></u>	<u><u>\$ (6,525)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 6,525</u></u>

City of Desert Hot Springs
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - Cabot's Museum Special Revenue Fund
Year Ended June 30, 2007

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Permits and Fees	\$ 5,000	\$ 5,000	\$ 392	\$ (4,608)
Miscellaneous	7,300	8,255	968	(7,287)
Total Revenues	<u>12,300</u>	<u>13,255</u>	<u>1,360</u>	<u>(11,895)</u>
EXPENDITURES				
Current:				
Culture and Leisure	61,800	66,816	214,844	(148,028)
Total Expenditures	<u>61,800</u>	<u>66,816</u>	<u>214,844</u>	<u>(148,028)</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(49,500)</u>	<u>(53,561)</u>	<u>(213,484)</u>	<u>(159,923)</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	49,500	154,690	289,626	134,936
Total Other Financing Sources (Uses)	<u>49,500</u>	<u>154,690</u>	<u>289,626</u>	<u>134,936</u>
Net Change in Fund Balances	-	101,129	76,142	(24,987)
Fund Balance (Deficit), Beginning of Year	-	-	-	
Prior Period Adjustment	<u>(77,035)</u>	<u>(77,035)</u>	<u>(77,035)</u>	
Fund Balance (Deficit), End of Year	<u>\$ (77,035)</u>	<u>\$ 24,094</u>	<u>\$ (893)</u>	<u>\$ (24,987)</u>

City of Desert Hot Springs
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - RDA Help Program Special Revenue Fund
Year Ended June 30, 2007

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Intergovernmental	\$ 1,300,000	\$ 1,300,000	\$ -	\$(1,300,000)
Interest	-	-	13,820	13,820
Miscellaneous	-	-	269,501	269,501
Total Revenues	<u>1,300,000</u>	<u>1,300,000</u>	<u>283,321</u>	<u>(1,016,679)</u>
EXPENDITURES				
Current				
Economic Development	<u>1,300,000</u>	<u>1,300,000</u>	<u>-</u>	<u>1,300,000</u>
Total Expenditures	<u>1,300,000</u>	<u>1,300,000</u>	<u>-</u>	<u>1,300,000</u>
Excess (Deficiency) of Revenues over Expenditures	-	-	283,321	283,321
Fund Balance, Beginning of Year	<u>20,159</u>	<u>20,159</u>	<u>20,159</u>	
Fund Balance, End of Year	<u>\$ 20,159</u>	<u>\$ 20,159</u>	<u>\$ 303,480</u>	<u>\$ 283,321</u>

City of Desert Hot Springs
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - JAG Cadet Program Grant Special Revenue Fund
Year Ended June 30, 2007

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
REVENUES				
Intergovernmental	\$ 23,870	\$ 23,870	\$ 15,111	\$ (8,759)
Total Revenues	<u>23,870</u>	<u>23,870</u>	<u>15,111</u>	<u>(8,759)</u>
EXPENDITURES				
Current:				
Public Safety	<u>23,870</u>	<u>23,870</u>	<u>15,111</u>	<u>8,759</u>
Total Expenditures	<u>23,870</u>	<u>23,870</u>	<u>15,111</u>	<u>8,759</u>
Excess (Deficiency) of Revenues over Expenditures	-	-	-	-
Fund Balance, Beginning of Year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance, 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 - CMAQ ISTE A Special Revenue Fund
Year Ended June 30, 2007

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Intergovernmental	\$ 108,640	\$ 108,640	\$ 2,095	\$ (106,545)
Total Revenues	<u>108,640</u>	<u>108,640</u>	<u>2,095</u>	<u>(106,545)</u>
EXPENDITURES				
Current:				
Public Works	<u>108,640</u>	<u>108,640</u>	<u>22,552</u>	<u>86,088</u>
Total Expenditures	<u>108,640</u>	<u>108,640</u>	<u>22,552</u>	<u>86,088</u>
Excess (Deficiency) of Revenues over Expenditures	-	-	(20,457)	(20,457)
Fund Balance (Deficit), Beginning of Year	<u>(3,506)</u>	<u>(3,506)</u>	<u>(3,506)</u>	
Fund Balance (Deficit), End of Year	<u>\$ (3,506)</u>	<u>\$ (3,506)</u>	<u>\$ (23,963)</u>	<u>\$ (20,457)</u>

City of Desert Hot Springs
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - EDA Grant Special Revenue Fund
Year Ended June 30, 2007

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental	\$ 50,000	\$ 50,000	\$ 25,000	\$ (25,000)
Total Revenues	50,000	50,000	25,000	(25,000)
EXPENDITURES				
Current:				
Economic Development	100,000	100,000	75,000	25,000
Total Expenditures	100,000	100,000	75,000	25,000
Excess (Deficiency) of Revenues over Expenditures	(50,000)	(50,000)	(50,000)	-
OTHER FINANCING SOURCES (USES)				
Transfers In	50,000	100,000	25,000	(75,000)
Total Other Financing Sources (Uses)	50,000	100,000	25,000	(75,000)
Net Change in Fund Balances	-	50,000	(25,000)	(75,000)
Fund Balance (Deficit), Beginning of Year	-	-	-	-
Fund Balance (Deficit), End of Year	\$ -	\$ 50,000	\$ (25,000)	\$ (75,000)

City of Desert Hot Springs
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - Air Quality Grant Special Revenue Fund
Year Ended June 30, 2007

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental	\$ 53,980	\$ 73,980	\$ 2,365	\$ (71,615)
Total Revenues	<u>53,980</u>	<u>73,980</u>	<u>2,365</u>	<u>(71,615)</u>
EXPENDITURES				
Current:				
Public Works	13,980	16,480	2,323	14,157
Capital Outlay	<u>40,000</u>	<u>60,000</u>	<u>20,000</u>	<u>40,000</u>
Total Expenditures	<u>53,980</u>	<u>76,480</u>	<u>22,323</u>	<u>54,157</u>
Excess (Deficiency) of Revenues over Expenditures	<u>-</u>	<u>(2,500)</u>	<u>(19,958)</u>	<u>(17,458)</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	<u>-</u>	<u>868</u>	<u>868</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>868</u>	<u>868</u>	<u>-</u>
Net Change in Fund Balances	-	(1,632)	(19,090)	(17,458)
Fund Balance (Deficit), Beginning of Year	<u>(867)</u>	<u>(867)</u>	<u>(867)</u>	<u>-</u>
Fund Balance (Deficit), End of Year	<u>\$ (867)</u>	<u>\$ (2,499)</u>	<u>\$ (19,957)</u>	<u>\$ (17,458)</u>

City of Desert Hot Springs
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - Traffic Congestion Relief Special Revenue Fund
Year Ended June 30, 2007

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Intergovernmental	\$ 129,200	\$ 129,200	\$ 129,205	\$ 5
Interest	4,130	4,130	5,112	982
Total Revenues	<u>133,330</u>	<u>133,330</u>	<u>134,317</u>	<u>987</u>
EXPENDITURES				
Current:				
Public Works	-	200	195	5
Capital Outlay	133,330	133,130	134,563	(1,433)
Total Expenditures	<u>133,330</u>	<u>133,330</u>	<u>134,758</u>	<u>(1,428)</u>
Excess (Deficiency) of Revenues over Expenditures	-	-	(441)	(441)
Fund Balance, Beginning of Year	<u>441</u>	<u>441</u>	<u>441</u>	
Fund Balance, End of Year	<u>\$ 441</u>	<u>\$ 441</u>	<u>\$ -</u>	<u>\$ (441)</u>

City of Desert Hot Springs
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - Civic and Community Center Grant Special Revenue Fund
Year Ended June 30, 2007

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Intergovernmental	\$ 154,770	\$ 154,770	\$ 1,220	\$ (153,550)
Total Revenues	<u>154,770</u>	<u>154,770</u>	<u>1,220</u>	<u>(153,550)</u>
EXPENDITURES				
Current:				
Economic Development	<u>154,770</u>	<u>154,770</u>	<u>1,221</u>	<u>153,549</u>
Total Expenditures	<u>154,770</u>	<u>154,770</u>	<u>1,221</u>	<u>153,549</u>
Excess (Deficiency) of Revenues over Expenditures	-	-	(1)	(1)
Fund Balance, Beginning of Year	<u>1</u>	<u>1</u>	<u>1</u>	<u></u>
Fund Balance, End of Year	<u>\$ 1</u>	<u>\$ 1</u>	<u>\$ -</u>	<u>\$ (1)</u>

City of Desert Hot Springs
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - California Office of Traffic Safety Grant Special Revenue Fund
Year Ended June 30, 2007

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Intergovernmental	\$ 93,666	\$ 93,666	\$ 17,544	\$ (76,122)
Total Revenues	<u>93,666</u>	<u>93,666</u>	<u>17,544</u>	<u>(76,122)</u>
EXPENDITURES				
Current:				
Public Works	<u>93,666</u>	<u>93,666</u>	<u>29,956</u>	<u>63,710</u>
Total Expenditures	<u>93,666</u>	<u>93,666</u>	<u>29,956</u>	<u>63,710</u>
Excess (Deficiency) of Revenues over Expenditures	-	-	(12,412)	(12,412)
Fund Balance (Deficit), Beginning of Year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance (Deficit), End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (12,412)</u>	<u>\$ (12,412)</u>

City of Desert Hot Springs
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - Bicycle/Pedestrian Grant Special Revenue Fund
Year Ended June 30, 2007

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental	\$ 57,420	\$ 57,420	\$ 1,092	\$ (56,328)
Total Revenues	<u>57,420</u>	<u>57,420</u>	<u>1,092</u>	<u>(56,328)</u>
EXPENDITURES				
Capital Outlay	<u>57,420</u>	<u>57,420</u>	<u>1,092</u>	<u>56,328</u>
Total Expenditures	<u>57,420</u>	<u>57,420</u>	<u>1,092</u>	<u>56,328</u>
Excess (Deficiency) of Revenues over Expenditures	-	-	-	-
Fund Balance, Beginning of Year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance, 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 - Indian Gaming Special District Grant Special Revenue Fund
Year Ended June 30, 2007

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Intergovernmental	\$ 74,350	\$ 74,350	\$ 56,541	\$ (17,809)
Total Revenues	<u>74,350</u>	<u>74,350</u>	<u>56,541</u>	<u>(17,809)</u>
EXPENDITURES				
Public Safety	74,350	74,350	56,541	17,809
Total Expenditures	<u>74,350</u>	<u>74,350</u>	<u>56,541</u>	<u>17,809</u>
Excess (Deficiency) of Revenues over Expenditures	-	-	-	-
Fund Balance, Beginning of Year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance, 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 - Alcoholic Beverage Control Special Revenue Fund
Year Ended June 30, 2007

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Intergovernmental	\$ 66,780	\$ 66,780	\$ 8,839	\$ (57,941)
Total Revenues	<u>66,780</u>	<u>66,780</u>	<u>8,839</u>	<u>(57,941)</u>
EXPENDITURES				
Current:				
Public Safety	<u>66,780</u>	<u>66,780</u>	<u>23,977</u>	<u>42,803</u>
Total Expenditures	<u>66,780</u>	<u>66,780</u>	<u>23,977</u>	<u>42,803</u>
Excess (Deficiency) of Revenues over Expenditures	-	-	(15,138)	(15,138)
Fund Balance (Deficit), Beginning of Year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance (Deficit), End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (15,138)</u>	<u>\$ (15,138)</u>

City of Desert Hot Springs
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - Regional Access Project Grant Special Revenue Fund
Year Ended June 30, 2007

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Intergovernmental	\$ 37,500	\$ 37,500	\$ 25,307	\$ (12,193)
Total Revenues	<u>37,500</u>	<u>37,500</u>	<u>25,307</u>	<u>(12,193)</u>
EXPENDITURES				
Current:				
General Government	<u>37,500</u>	<u>37,500</u>	<u>25,307</u>	<u>12,193</u>
Total Expenditures	<u>37,500</u>	<u>37,500</u>	<u>25,307</u>	<u>12,193</u>
Excess (Deficiency) of Revenues over Expenditures	-	-	-	-
Fund Balance, Beginning of Year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance, 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 - Desert Healthcare District Grant Special Revenue Fund
Year Ended June 30, 2007

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Intergovernmental	\$ 70,145	\$ 78,015	\$ 27,453	\$ (50,562)
Interest	650	1,300	-	(1,300)
Total Revenues	<u>70,795</u>	<u>79,315</u>	<u>27,453</u>	<u>(51,862)</u>
EXPENDITURES				
Current:				
General Government	<u>70,795</u>	<u>70,795</u>	<u>27,453</u>	<u>43,342</u>
Total Expenditures	<u>70,795</u>	<u>70,795</u>	<u>27,453</u>	<u>43,342</u>
Excess (Deficiency) of Revenues over Expenditures	-	8,520	-	(8,520)
Fund Balance, Beginning of Year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ -</u>	<u>\$ 8,520</u>	<u>\$ -</u>	<u>\$ (8,520)</u>

City of Desert Hot Springs
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - City Debt Service Fund
Year Ended June 30, 2007

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes	\$ 772,510	\$ 772,510	\$ 888,672	\$ 116,162
Investment Earnings	-	15,592	15,591	(1)
Total Revenues	<u>772,510</u>	<u>788,102</u>	<u>904,263</u>	<u>116,161</u>
EXPENDITURES				
Debt Service:				
Principal	154,000	166,000	161,000	5,000
Interest and Fiscal Charges	<u>625,760</u>	<u>625,760</u>	<u>629,871</u>	<u>(4,111)</u>
Total Expenditures	<u>779,760</u>	<u>791,760</u>	<u>790,871</u>	<u>889</u>
Excess (Deficiency) of Revenues over Expenditures	(7,250)	(3,658)	113,392	117,050
Fund Balance, Beginning of Year	<u>2,574,926</u>	<u>2,574,926</u>	<u>2,574,926</u>	
Fund Balance, End of Year	<u>\$ 2,567,676</u>	<u>\$ 2,571,268</u>	<u>\$ 2,688,318</u>	<u>\$ 117,050</u>

City of Desert Hot Springs
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - Developer Infrastructure Street Capital Projects Fund
Year Ended June 30, 2007

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Developer Contributions	\$ -	\$ 546,090	\$ -	\$ (546,090)
Total Revenues	<u>-</u>	<u>546,090</u>	<u>-</u>	<u>(546,090)</u>
EXPENDITURES				
Current:				
Capital Outlay	-	546,090	-	546,090
Total Expenditures	<u>-</u>	<u>546,090</u>	<u>-</u>	<u>546,090</u>
Excess (Deficiency) of Revenues over Expenditures	-	-	-	-
Fund Balance, Beginning of Year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance, 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 - Assessment District 91-1 Capital Project Fund
Year Ended June 30, 2007

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Interest	\$ -	\$ 22,000	\$ 2,437	\$ (19,563)
Miscellaneous	-	1,675	1,136	(539)
Total Revenues	<u>-</u>	<u>23,675</u>	<u>3,573</u>	<u>(20,102)</u>
EXPENDITURES				
General Government	-	-	41,200	(41,200)
Total Expenditures	<u>-</u>	<u>-</u>	<u>41,200</u>	<u>(41,200)</u>
Excess (Deficiency) of Revenues over Expenditures	-	23,675	(37,627)	(61,302)
Fund Balance, Beginning of Year	<u>86,382</u>	<u>86,382</u>	<u>86,382</u>	
Fund Balance, End of Year	<u>\$ 86,382</u>	<u>\$ 110,057</u>	<u>\$ 48,755</u>	<u>\$ (61,302)</u>

City of Desert Hot Springs Agency Funds

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

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

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

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

City of Desert Hot Springs
Combining Statement of Net Assets
Agency Funds
June 30, 2007

	<u>Community Services</u>	<u>Assessment District 91-1</u>	<u>Assessment District 92-1</u>	<u>Assessment District 93-2</u>	<u>Total Agency Funds</u>
ASSETS					
Cash and Investments	\$ 67,557	\$ 52,338	\$ 58,898	\$ 62,704	\$ 241,497
Cash with Fiscal Agent		31,237	9,105	78,050	118,392
Accounts Receivable	207	8,741	33,283	15,828	58,059
Loan Receivable			177,965	45,171	223,136
	<u>67,764</u>	<u>92,316</u>	<u>279,251</u>	<u>201,753</u>	<u>641,084</u>
Total Assets	<u>\$ 67,764</u>	<u>\$ 92,316</u>	<u>\$ 279,251</u>	<u>\$ 201,753</u>	<u>\$ 641,084</u>
LIABILITIES					
Accounts Payable	\$ 137	\$	\$	\$	\$ 137
Accrued Liabilities	4,404				4,404
Deposits Payable	63,223				63,223
Due to Bondholders		92,316	279,251	201,753	573,320
	<u>67,764</u>	<u>92,316</u>	<u>279,251</u>	<u>201,753</u>	<u>641,084</u>
Total Liabilities	<u>\$ 67,764</u>	<u>\$ 92,316</u>	<u>\$ 279,251</u>	<u>\$ 201,753</u>	<u>\$ 641,084</u>

City of Desert Hot Springs
Combining Statement of Changes in Assets and Liabilities
Agency Funds
Year Ended June 30, 2007

	Balance at Beginning of Year	Additions	Deletions	Balance at End of Year
<u>COMMUNITY SERVICES</u>				
ASSETS				
Cash and Investments	\$ 11,019	\$ 56,538	\$	\$ 67,557
Accounts Receivable	10,998	207	10,998	207
Total Assets	<u>\$ 22,017</u>	<u>\$ 56,745</u>	<u>\$ 10,998</u>	<u>\$ 67,764</u>
LIABILITIES				
Accounts Payable	\$ 20,846	\$ 137	\$ 20,846	\$ 137
Accrued Liabilities	1,085	3,319		4,404
Deposits Payable	86	63,137		63,223
Total Liabilities	<u>\$ 22,017</u>	<u>\$ 66,593</u>	<u>\$ 20,846</u>	<u>\$ 67,764</u>
<u>ASSESSMENT DISTRICT 91-1</u>				
ASSETS				
Cash and Investments	\$ 50,237	\$ 2,101	\$	\$ 52,338
Cash with Fiscal Agent	33,348		2,111	31,237
Accounts Receivables	3,938	4,803		8,741
Total Assets	<u>\$ 87,523</u>	<u>\$ 6,904</u>	<u>\$ 2,111</u>	<u>\$ 92,316</u>
LIABILITIES				
Accrued Liabilities	\$ 1,227	\$	\$ 1,227	\$ -
Due to Bondholders	86,296	6,020		92,316
Total Liabilities	<u>\$ 87,523</u>	<u>\$ 6,020</u>	<u>\$ 1,227</u>	<u>\$ 92,316</u>
<u>ASSESSMENT DISTRICT 92-1</u>				
ASSETS				
Cash and Investments	\$ 87,406	\$	\$ 28,508	\$ 58,898
Cash with Fiscal Agent	8,649	456		9,105
Accounts Receivables	3,496	29,787		33,283
Loans Receivable	177,965			177,965
Total Assets	<u>\$ 277,516</u>	<u>\$ 30,243</u>	<u>\$ 28,508</u>	<u>\$ 279,251</u>
LIABILITIES				
Accrued Liabilities	\$ 4,158	\$	\$ 4,158	\$ -
Due to Bondholders	273,358	23,731	17,838	279,251
Total Liabilities	<u>\$ 277,516</u>	<u>\$ 23,731</u>	<u>\$ 21,996</u>	<u>\$ 279,251</u>

City of Desert Hot Springs
Combining Statement of Changes in Assets and Liabilities - Continued
Agency Funds
Year Ended June 30, 2007

	Balance at Beginning of Year	Additions	Deletions	Balance at End of Year
<u>ASSESSMENT DISTRICT 93-2</u>				
ASSETS				
Cash and Investments	\$ 66,671	\$	\$ 3,967	\$ 62,704
Cash with Fiscal Agent	77,815	235		78,050
Accounts Receivables	2,201	13,627		15,828
Loans Receivable	45,171			45,171
	<u>191,858</u>	<u>13,862</u>	<u>3,967</u>	<u>201,753</u>
Total Assets	<u>\$ 191,858</u>	<u>\$ 13,862</u>	<u>\$ 3,967</u>	<u>\$ 201,753</u>
LIABILITIES				
Accrued Liabilities	\$ 4,556	\$	\$ 4,556	\$ -
Due to Bondholders	187,302	14,451		201,753
	<u>191,858</u>	<u>14,451</u>	<u>4,556</u>	<u>201,753</u>
Total Liabilities	<u>\$ 191,858</u>	<u>\$ 14,451</u>	<u>\$ 4,556</u>	<u>\$ 201,753</u>
<u>TOTAL ALL AGENCY FUNDS</u>				
ASSETS				
Cash and Investments	\$ 215,333	\$ 58,639	\$ 32,475	\$ 241,497
Cash with Fiscal Agent	119,812	691	2,111	118,392
Accounts Receivables	20,633	48,424	10,998	58,059
Loans Receivable	223,136			223,136
	<u>578,914</u>	<u>107,754</u>	<u>45,584</u>	<u>641,084</u>
Total Assets	<u>\$ 578,914</u>	<u>\$ 107,754</u>	<u>\$ 45,584</u>	<u>\$ 641,084</u>
LIABILITIES				
Accounts Payable	\$ 20,846	\$ 137	\$ 20,846	\$ 137
Deposits	86	63,137		63,223
Accrued Liabilities	11,026	3,319	9,941	4,404
Due to Bondholders	546,956	44,202	17,838	573,320
	<u>578,914</u>	<u>110,795</u>	<u>48,625</u>	<u>641,084</u>
Total Liabilities	<u>\$ 578,914</u>	<u>\$ 110,795</u>	<u>\$ 48,625</u>	<u>\$ 641,084</u>