

CITY OF DESERT HOT SPRINGS

FINANCIAL STATEMENTS

Year Ended June 30, 2012

City of Desert Hot Springs
Financial Statements
Year Ended June 30, 2012

TABLE OF CONTENTS

	Page
I. INDEPENDENT AUDITORS' REPORT	1 - 2
II. BASIC FINANCIAL STATEMENTS	
Government-wide Financial Statements:	
Statement of Net Assets	3
Statement of Activities	4
Fund Financial Statements:	
Balance Sheet - Governmental Funds	5 - 6
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets	7
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	8 - 9
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	10
Statement of Net Assets - Proprietary Fund	11
Statement of Revenues, Expenses and Changes in Net Assets - Proprietary Fund	12
Statement of Cash Flows - Proprietary Fund	13
Statement of Fiduciary Net Assets	14
Statement of Changes in Fiduciary Net Assets	15
Notes to Financial Statements	16 - 47
III. REQUIRED SUPPLEMENTARY INFORMATION	
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual:	
General Fund	48
Community Safety Special Revenue Fund	49
RDA Low Income Housing Special Revenue Fund	50
Notes to Required Supplementary Information	51
IV. SUPPLEMENTARY INFORMATION	
Major Fund Budgetary Comparison Schedules:	
Schedules of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual:	
RDA Debt Service Fund	52
RDA Capital Projects Fund	53
Capital Improvement Program Capital Project Fund	54
2012 Street Bond Capital Projects Fund	55
Non-Major Governmental Funds	56 - 57
Combining Balance Sheet	58 - 61
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	62 - 65
Schedules of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual:	
Housing and Community Development Special Revenue Fund	66
Traffic Safety Special Revenue Fund	67
Special Gas Tax Special Revenue Fund	68
Capital Improvement Deposits Special Revenue Fund	69
Municipal Lighting/Landscaping Assessment District Special Revenue Fund	70
Measure A Special Revenue Fund	71
Air Quality Control Special Revenue Fund	72
Art in Public Places Special Revenue Fund	73

City of Desert Hot Springs
Financial Statements
Year Ended June 30, 2012

TABLE OF CONTENTS

Page

IV. SUPPLEMENTARY INFORMATION - Continued

Quimby Act Special Revenue Fund	74
Drainage Assessment District Special Revenue Fund	75
County Service Area Special Revenue Fund	76
Cabot's Museum Special Revenue Fund	77
Bicycle/Pedestrian Grant Special Revenue Fund	78
Indian Gaming Grant Special Revenue Fund	79
SLESF Special Revenue Fund	80
City Debt Service Fund	81
Assessment District 91-1 Capital Project Fund	82
Internal Service Funds - Proprietary Funds Descriptions	83
Combining Statement of Net Assets	84
Combining Statement of Revenues, Expenses and Changes in Net Assets	85
Combining Statement of Cash Flows	86
Agency Funds - Fiduciary Funds Descriptions	87
Combining Statement of Net Assets	88
Combining Statement of Changes in Assets and Liabilities	89 - 90

FINANCIAL SECTION

Independent Auditors' Report

The Honorable City Council
City of Desert Hot Springs, California

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Desert Hot Springs, as of and for the year June 30, 2012, which collectively comprise the City of Desert Hot Springs' basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Desert Hot Springs' management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Desert Hot Springs, California, as of June 30, 2012, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 15, 2013 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.

As explained in Note 17 the Redevelopment Agency of the City of Desert Hot Springs, previously reported as a blended component unit, was dissolved by State legislation as of February 1, 2012.

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

Accounting principles generally accepted in the United States of America require that the Budget and Actual Comparisons on pages 47 through 49 be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's financial statements as a whole. The supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statement themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation the financial statements as a whole.

Teaman Ramirez & Smith, Inc.

February 12, 2013

BASIC FINANCIAL STATEMENTS

City of Desert Hot Springs
Statement of Net Assets
June 30, 2012

	<u>Governmental Activities</u>
ASSETS	
Cash and Investments	\$ 8,958,594
Receivables:	
Accounts	2,107,776
Interest	5,023
Notes, Net	2,137,948
Prepaid Costs	12,352
Due From Other Governments	1,862,906
Deferred Cost of Issuance	231,237
Property Held for Resale	1,761,973
Cash and Investments - Restricted	5,584,488
Capital Assets, Not Being Depreciated:	
Land	1,360,742
Construction in Progress	9,731,288
Capital Assets, Net of Accumulated Depreciation:	
Property and Equipment	5,077,554
Buildings and Improvements	12,123,420
Infrastructure	23,536,932
Total Assets	<u>74,492,233</u>
LIABILITIES	
Accounts Payable	2,541,397
Accrued Liabilities	304,738
Interest Payable	223,036
Deposits Payable	108,086
Unearned Revenue	
Claims Payable	882,146
Noncurrent Liabilities:	
Due Within One Year	329,108
Due in More Than One Year	21,030,259
Total Liabilities	<u>25,418,770</u>
NET ASSETS	
Invested in Capital Assets	51,829,936
Restricted for:	
Community Development	2,773,399
Parks and Recreation	116,589
Public Works/Street Maintenance	717,125
Public Safety	55,235
Debt Service	267,404
Unrestricted	(6,686,225)
Total Net Assets	<u>\$ 49,073,463</u>

The accompanying notes are an integral part of this statement.

**City of Desert Hot Springs
Statement of Activities
Year Ended June 30, 2012**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Change in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities:					
General Government	\$ 3,042,365	\$ 40,475	\$ 201,010	\$	\$ (2,800,880)
Public Safety	10,897,905	1,636,455	471,825		(8,789,625)
Public Works	2,481,168		1,429,984	3,485,879	2,434,695
Economic Development	8,006,106	440,005	2,209,851		(5,356,250)
Culture and Leisure	437,969	8,055	79,593		(350,321)
Interest on Long-Term Debt	2,370,723				(2,370,723)
Total Governmental Activities	\$ 27,236,236	\$ 2,124,990	\$ 4,392,263	\$ 3,485,879	(17,233,104)

General Revenues:

Taxes:

Property Taxes	1,802,439
Property Taxes, Redevelopment Agency	
Tax Increment	2,187,307
Transient Occupancy Taxes	1,089,364
Franchise Taxes	1,096,654
Sales Tax	4,879,780
Motor Vehicle In-Lieu	8,036
Utility User Taxes	2,711,863
Investment Income	53,921
Miscellaneous	493,170
Gain on Sale of Capital Assets	4,200

Total General Revenues 14,326,734

Extraordinary Item 33,275,299

Change in Net Assets 30,368,929

Net Assets - Beginning of Year 18,704,534

Net Assets - End of Year \$ 49,073,463

The accompanying notes are an integral part of this statement.

City of Desert Hot Springs
Balance Sheet
Governmental Funds
June 30, 2012

	General	Special Revenue		
		Community Safety	RDA Low Income Housing	Housing Authority
ASSETS				
Cash and Investments	\$ 3,163,593	\$ 379,214	\$	\$
Restricted Cash and Investments with Fiscal Agent				
Notes Receivable				4,587,948
Accounts Receivable	1,022,993	747,527		56,345
Interest Receivable	3,763			
Prepaid Items	12,352			
Due From Other Funds	80,443			
Due From Other Governments	470,300			
Advance to Other Funds				
Property Held for Resale				1,761,973
Total Assets	\$ 4,753,444	\$ 1,126,741	\$ -	\$ 6,406,266
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts Payable	\$ 407,158	\$ 680,883	\$	\$ 2,537
Accrued Liabilities	74,810	165,972		39,634
Deposits	20,098			
Due to Other Funds				
Advance From Other Funds				
Deferred Revenue	100,539	279,884		4,587,948
Total Liabilities	602,605	1,126,739	-	4,630,119
Fund Balances:				
Nonspendable	12,352			
Restricted		2		1,776,147
Assigned				
Unassigned	4,138,487			
Total Fund Balances	4,150,839	2	-	1,776,147
Total Liabilities and Fund Balances	\$ 4,753,444	\$ 1,126,741	\$ -	\$ 6,406,266

The accompanying notes are an integral part of this statement.

<u>Special Revenue</u>	<u>Capital Projects</u>					<u>Total</u>
<u>Parks and Recreation Grant</u>	<u>RDA Debt Service</u>	<u>RDA Capital Projects</u>	<u>Capital Improvement Program</u>	<u>2012 Street Bond Fund</u>	<u>Non-Major Funds</u>	<u>Governmental Funds</u>
\$	\$	\$	\$ 726,940	\$ 122,552 5,317,084	\$ 3,763,135 267,404	\$ 8,155,434 5,584,488 4,587,948 2,107,776 4,655 12,352 80,443 1,862,906 -
979,553			151,836		129,075 892	2,107,776 4,655 12,352 80,443 1,862,906 -
979,553	-	-	878,776	5,439,636	4,573,559	1,761,973 24,157,975
\$ 979,553	\$ -	\$ -	\$ 878,776	\$ 5,439,636	\$ 4,573,559	\$ 24,157,975
\$	\$	\$	\$ 1,256,469 7,020 87,988	\$ 29,160	\$ 165,190 17,302	\$ 2,541,397 304,738 108,086 80,443 -
979,553			200,000		80,443	6,197,502
979,553	-	-	1,551,477	29,160	49,578	9,232,166
			(672,701)	5,410,476	3,742,682 538,320 (19,956)	12,352 10,929,307 538,320 3,445,830
-	-	-	(672,701)	5,410,476	4,261,046	14,925,809
\$ 979,553	\$ -	\$ -	\$ 878,776	\$ 5,439,636	\$ 4,573,559	\$ 24,157,975

The accompanying notes are an integral part of this statement.

This page intentionally left blank

City of Desert Hot Springs
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Assets
June 30, 2012

Fund balances of governmental funds	\$	14,925,809
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.		3,747,502
Capital assets of governmental activities are not financial resources and, therefore, are not reported in the governmental funds.		51,127,660
Interest expenditures are recognized when due, and therefore, interest payable is not recorded in the governmental funds.		(223,036)
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		(975,939)
Bonds and Certificates Payable		(17,725,000)
Discounts on Bonds and Certificates Payable		156,138
Premium on Bonds		(226,655)
Pension Related Debt		(2,587,911)
Issuance costs net of accumulated amortization were reported as expenditures in the governmental funds.		231,237
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.		623,658
Net assets of governmental activities	\$	49,073,463

The accompanying notes are an integral part of this statement.

City of Desert Hot Springs
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2012

	Special Revenue			
	General	Community Safety	RDA Low Income Housing	Housing Authority
REVENUES				
Taxes	\$ 5,782,463	\$ 3,811,446	\$ 437,461	\$
Permits and Fees	610,196	1,536,863		
Intergovernmental	145,909	242,631	722,862	763,932
Licenses	170,916	19,964		
Interest	26,410		5,626	2,751
Miscellaneous	364,413	114,095		1,000
Total Revenues	7,100,307	5,724,999	1,165,949	767,683
EXPENDITURES				
Current:				
General Government	1,269,952			
Public Safety	4,872,819	5,637,890		
Public Works	385,469			
Economic Development	1,118,350		1,256,226	631,545
Culture and Leisure	254,649			
Capital Outlay		35,358		
Debt Service:				
Principal			100,000	708,055
Interest			188,612	31,144
Bond Issuance Cost				
Pass-Through Agreements				
Total Expenditures	7,901,239	5,673,248	1,544,838	1,370,744
Excess (Deficiency) of Revenues over Expenditures	<u>(800,932)</u>	<u>51,751</u>	<u>(378,889)</u>	<u>(603,061)</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	300,000	148,251		2,379,208
Transfers Out	(500,000)	(200,000)	(2,654,568)	
Issuance of Bonds				
Bond Premium				
Total Other Financing Sources (Uses)	(200,000)	(51,749)	(2,654,568)	2,379,208
Extraordinary Item			(4,895,877)	
Net Change in Fund Balances	(1,000,932)	2	(7,929,334)	1,776,147
Fund Balances (Deficit), Beginning of Year	5,151,771		7,929,334	
Fund Balances (Deficit), End of Year	<u>\$ 4,150,839</u>	<u>\$ 2</u>	<u>\$ -</u>	<u>\$ 1,776,147</u>

The accompanying notes are an integral part of this statement.

Special Revenue Parks and Recreation Grant	Capital Projects					Total Governmental Funds
	RDA Debt Service	RDA Capital Projects	Capital Improvement Program	2012 Street Bond Fund	Non-Major Funds	
\$	\$ 1,749,845	\$	\$	\$	\$ 1,988,961	\$ 13,770,176
					52,566	2,199,625
			3,676,580		2,092,248	7,644,162
	79,206	18,586	22,213	1	7,650	190,880
		124,137	290,100		62,780	162,443
						956,525
-	1,829,051	142,723	3,988,893	1	4,204,205	24,923,811
				230,414	39,159	1,539,525
					152,685	10,663,394
	80,461	1,815,425			1,998,398	2,383,867
					33,023	4,935,030
		411,746	9,743,594	190,278	183,320	437,969
					265,745	10,646,721
	675,000				150,000	1,633,055
	1,155,321			90,461	590,388	2,055,926
				237,843		237,843
	5,139					5,139
-	1,915,921	2,227,171	9,743,594	748,996	3,412,718	34,538,469
-	(86,870)	(2,084,448)	(5,754,701)	(748,995)	791,487	(9,614,658)
	275,360		624,638		137,753	3,865,210
					(1,083,929)	(4,438,497)
				5,925,000		5,925,000
				234,471		234,471
-	275,360	-	624,638	6,159,471	(946,176)	5,586,184
	(132,128)	(4,393,806)				(9,421,811)
-	56,362	(6,478,254)	(5,130,063)	5,410,476	(154,689)	(13,450,285)
	(56,362)	6,478,254	4,457,362		4,415,735	28,376,094
\$	\$ -	\$ -	\$ (672,701)	\$ 5,410,476	\$ 4,261,046	\$ 14,925,809

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, 2012

Net change in fund balances - total governmental funds \$ (13,450,285)

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. (662,761)

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	8,205,599
Depreciation Expense	(2,546,556)

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. (232,021)

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.

Debt Issuance	(5,925,000)
Premium on Bonds	(234,471)
Amortization of Premium on Tax Allocation Bonds	12,037
Amortization of Discounts	(48,080)
Cost of Issuance	237,843
Amortization of Issuance Costs	(58,798)
Principal Paid on Certificates of Participation	150,000
Principal Paid on Tax Allocation Bonds	775,000
Decrease in Pension-related Debt	47,271
Principal Paid on California HFA Loan	730,267

Compensated absences reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds. The following amount represents the net change in compensated absences for the current period. 345,607

Governmental funds do not report certain long-term assets and long-term liabilities that are reflected in the Statement of Net Assets. This amount represents the difference in the extraordinary loss in the governmental funds and the extraordinary gain in the Statement of Activities, due to the dissolution of the Redevelopment Agency. 42,697,110

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. 326,167

Change in Net Assets of Governmental Activities \$ 30,368,929

City of Desert Hot Springs
Statement of Net Assets
Proprietary Fund
June 30, 2012

	Governmental Activities - Internal Service Fund
ASSETS	
Current Assets:	
Cash and Investments	\$ 803,160
Accounts Receivable	-
Interest Receivable	368
Deposits	-
Prepaid Insurance	-
Total Current Assets	803,528
Noncurrent Assets:	
Capital Assets:	
Machinery and Equipment	1,422,161
Less Accumulated Depreciation	(719,885)
Total capital assets (net of Accumulated Depreciation)	702,276
Total Noncurrent Assets	702,276
Total Assets	1,505,804
LIABILITIES	
Accounts Payable	-
Claims Payable	882,146
Total Liabilities	882,146
NET ASSETS	
Unrestricted	623,658
Total Net Assets	\$ 623,658

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, 2012

	Governmental Activities - Internal Service Fund
OPERATING REVENUES	
Other Income	\$ 362,047
Total Operating Revenues	362,047
OPERATING EXPENSES	
Insurance and Claims Expenses	374,018
Depreciation	236,306
Other Expenses	4,522
Total Operating Expenses	614,846
Operating Income (Loss)	(252,799)
NON-OPERATING REVENUE (EXPENSES)	
Investment Earnings	1,479
Gain on Sale of Capital Assets	4,200
Total Non-operating Revenues (Expenses)	5,679
Income (Loss) before Contributions and Transfers	(247,120)
Transfers In	600,000
Transfers Out	(26,713)
Change in Net Assets	326,167
Total Net Assets, Beginning of Year	297,491
Total Net Assets, End of Year	\$ 623,658

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, 2012**

	<u>Governmental Activities - Internal Service Fund</u>
Cash Flows from Operating Activities	
Payments to Suppliers for Services	\$ (716,261)
Other Income	<u>362,047</u>
Net Cash Provided (Used) by Operating Activities	<u>(354,214)</u>
Cash Flows from Non-Capital Financing Activities	
Cash Paid (to) from other funds	(26,713)
Transfers from other funds	<u>600,000</u>
Net Cash Provided (Used) by Non-Capital Financing Activities	<u>573,287</u>
Cash Flows from Capital And Related Financing Activities	
Proceeds from Sales of Capital Assets	4,200
Purchases of Capital Assets	<u>(179,182)</u>
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(174,982)</u>
Cash Flows from Investing Activities	
Interest Received	<u>1,507</u>
Net Cash Provided (Used) by Investing Activities	<u>1,507</u>
Net Increase in Cash and Investments	45,598
Cash and Investments, Beginning of Year	<u>757,562</u>
Cash and Investments, End of Year	<u><u>\$ 803,160</u></u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities	
Cash Flows from Operating Activities	
Operating income (loss)	\$ (252,799)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation Expense	236,306
(Increase) Decrease in Accounts Receivable	-
(Increase) Decrease in Deposits	-
(Increase) Decrease in Prepaids	-
Increase (Decrease) in Accounts Payable	(6,020)
Increase (Decrease) in Claims Payable	<u>(331,701)</u>
Net Cash Provided By Operating Activities	<u><u>\$ (354,214)</u></u>

City of Desert Hot Springs
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2012

	Successor Agency Private-purpose Trust Fund	Agency Funds
ASSETS		
Cash and Investments	\$ 5,817,084	\$ 662,131
Restricted Cash with Fiscal Agent	1,060,258	452,036
Notes Receivable	132,098	
Accounts Receivable	1,638,662	11,726
Interest Receivable		209
Deferred Charges	1,033,623	
Property Held for Resale	7,747,968	
	17,429,693	\$ 1,126,102
Total Assets		
LIABILITIES		
Accounts Payable	340,888	\$ 3,003
Accrued Liabilities	72,971	1,984
Deposits Payable	9,946	12,873
Interest Payable	884,239	
Bonds Payable	42,773,451	
Due to Bondholders		1,108,242
	44,081,495	\$ 1,126,102
Total Liabilities		
NET ASSETS		
Net Assets Held in Trust for Successor Agency	\$ (26,651,802)	

The accompanying notes are an integral part of this statement.

City of Desert Hot Springs
Statement of Changes in Fiduciary Net Assets
Fiduciary Fund
Year Ended June 30, 2012

	Successor Agency Private-purpose Trust Fund
ADDITIONS	
Taxes	\$ 1,634,589
Intergovernmental	580,000
Investment Income	59,353
Other Revenue	<u>33,165</u>
Total Additions	<u>2,307,107</u>
DEDUCTIONS	
Administrative Costs	119,775
Pass-through Payments	335,118
Interest on Bonds	<u>1,074,155</u>
Total Deductions	<u>1,529,048</u>
Change in Net Assets before Extraordinary Items	778,059
Extraordinary Loss	<u>(27,429,861)</u>
Change in Net Assets	(26,651,802)
Net Assets - Beginning of Year	<u>-</u>
Net Assets - End of Year	<u><u>(26,651,802)</u></u>

The accompanying notes are an integral part of this statement.

**City of Desert Hot Springs
Notes to Financial Statements
Year Ended June 30, 2012**

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. The Agency's activities are reported as governmental funds. Redevelopment Agencies were dissolved in the State of California as a result of the courts upholding AB XI 26 on December 29, 2011. These financial statements include the activity of the former Redevelopment Agency's funds through January 31, 2012. The Fiduciary Successor Agency Private-purpose Trust Fund accounts for the subsequent activity. See Note 17 to these financial statements for more information.

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.

**City of Desert Hot Springs
Notes to Financial Statements
Year Ended June 30, 2012**

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

A) Reporting Entity - Continued

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

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:

Governmental Fund Types

General Fund - Accounts for and reports all financial resources of the City except those required to be accounted for in another fund.

Special Revenue Funds - Accounts for and reports the proceeds of specific revenue sources that are restricted by law or committed to expenditure for specific purposes other than debt service or capital projects.

Capital Project Funds - Accounts for and reports financial resources that are restricted, committed, or assigned to capital outlays, including the acquisition and construction of capital facilities and other capital assets.

Debt Service Funds - Accounts for and reports financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

C) Basis of Accounting/Measurement Focus

Government-Wide Financial Statements

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

These statements are presented on an "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all of the City's assets and liabilities, including capital assets and infrastructure as well as long-term debt, are included in the accompanying Statement of Net Assets. The Statement of Activities presents changes in net assets. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenditures are recognized in the period in which the liability is incurred. The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. The types of transactions reported as program revenues for the City are reported in three categories: 1) charges for services, 2) operating contributions and grants, and 3) capital grants and contributions. Charges for services include revenues from customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function. Operating grants and contributions

City of Desert Hot Springs
Notes to Financial Statements
Year Ended June 30, 2012

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

C) Basis of Accounting/Measurement Focus - Continued

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.

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 include 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. Except for property taxes, the City uses a 90 day period for revenue recognition to accurately report revenue in the period earned.

The City reports the following major governmental funds:

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

The *Community Safety Special Revenue Fund* accounts for special taxes and grants for community safety expenditures.

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.

**City of Desert Hot Springs
Notes to Financial Statements
Year Ended June 30, 2012**

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

C) Basis of Accounting/Measurement Focus - Continued

The *Housing Authority Fund* accounts for funds set aside for development and improvements of the City's housing activity and operations.

The *Parks and Recreation Grant Fund* accounts for funds restricted for construction of a new pool and related facilities at the Desert Hot Springs Health and Wellness and Aquatic Center.

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.

The *Capital Improvement Program Fund* accounts for expenditures related to various capital projects identified in the City's 5 Year CIP Plan.

The *2012 Street Bond Fund* accounts for expenditures related to the design, acquisition, and construction of specified projects in the Official Statement within the City.

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

**City of Desert Hot Springs
Notes to Financial Statements
Year Ended June 30, 2012**

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

C) Basis of Accounting/Measurement Focus - Continued

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 accounting used by fiduciary funds is much like that used for proprietary funds.

The City reports the following fiduciary activities:

The *Private-purpose Trust Fund* accounts for the balances and transactions of the Successor Agency to the Redevelopment Agency of the City of Desert Hot Springs.

The *Agency Funds* accounts for amounts held on behalf of other parties. The Agency funds are custodial in nature (assets equal liabilities) and therefore do not involve measurement of results of operations.

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

Governmental Accounting Standards Board Statement No. 63

In June of 2011, GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. The objective of this Statement is to provide guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related disclosures. The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2011. The City has elected not to early implement GASB No. 63 and has not determined its effect on the City's financial statements.

Governmental Accounting Standards Board Statement No. 65

In March of 2012, GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Statement No. 65 establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. This statement also provides other financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources, such as changes in the determination of the major fund calculations and limiting the use of the term *deferred* in the financial statements. Statement No. 65 is effective for periods beginning after December 15, 2012. The City has elected not to early implement GASB No. 65 and has not determined its effect on the City's financial statements.

**City of Desert Hot Springs
Notes to Financial Statements
Year Ended June 30, 2012**

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

D) Implementation of Governmental Accounting Standards Board (GASB) Pronouncements - Continued

Governmental Accounting Standards Board Statement No. 68

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

E) Budgetary Data

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

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 \$5,000; 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.

**City of Desert Hot Springs
Notes to Financial Statements
Year Ended June 30, 2012**

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

H) Capital Assets and Depreciation - Continued

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 580 hours of annual leave. The City's accrued balance of annual leave at June 30, 2012, is recorded as "Compensated Absences" and is included in the Long-term Liability sections of the City's Statement of Net Assets.

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) Use of Restricted Resources

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

**City of Desert Hot Springs
Notes to Financial Statements
Year Ended June 30, 2012**

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

L) Estimates

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

2) RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Explanation of Certain Differences Between the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances and the Government-Wide Statement of Activities

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net changes in fund balances - total governmental funds* and *changes in net assets of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that "Governmental funds do not report certain long-term assets and long-term liabilities that are reflected in the Statement of Net Assets. This amount represents the difference in extraordinary loss in the governmental funds and the extraordinary gain in the Statement of Activities, due to the dissolution of the Redevelopment Agency." The difference between the extraordinary loss recognized in the fund financial statements and the extraordinary gain recognized in the government-wide financial statements is reconciled as follows:

Deferred charges reported in government-wide financial statements	\$ (1,033,623)
Deferred revenue in fund financial statements is not deferred in the government-wide financial statements	(148,016)
Accrued bond interest reported in the government-wide financial statements	1,105,298
Long-term debt reported in the government-wide financial statements	<u>42,773,451</u>
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes to net assets of governmental activities.	<u>\$ 42,697,110</u>

3) CASH AND INVESTMENTS

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

Governmental Funds:	
Cash and Investments	\$ 8,958,594
Restricted Cash and Investments	5,584,488
Internal Service Funds:	
Cash and Investments	803,160
Fiduciary Funds:	
Cash and Investments	6,479,215
Restricted Cash and Investments	<u>1,512,294</u>
Total Cash and Investments	<u>\$ 22,534,591</u>

**City of Desert Hot Springs
Notes to Financial Statements
Year Ended June 30, 2012**

3) CASH AND INVESTMENTS - Continued

Cash and Investments consist of the following:

Cash Deposits with Financial Institutions	\$ 814,531
Petty Cash	4,000
Pooled Investments - LAIF	6,652,644
U.S. Agency Securities	2,000,000
Held by Fiscal Agent:	
Mutual Funds	1,054,419
Money Market	6,106,710
Certificates of Deposit	<u>5,902,287</u>
 Total Cash and Investments	 <u><u>\$ 22,534,591</u></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.

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.

**City of Desert Hot Springs
Notes to Financial Statements
Year Ended June 30, 2012**

3) CASH AND INVESTMENTS - Continued

Disclosures Relating to Interest Rate Risk

The City had the following investments:

<u>Investment Type</u>		<u>Maturity Date</u>
Pooled Investments:		
State Investment Pool (LAIF)	\$ 6,652,644	N/A
U.S. Agency Securities:		
Federal Farm CR BKS Global	1,000,000	2014
Federal Farm CR BKS Global	1,000,000	2015
Held by Bond Trustee:		
Mutual Funds	1,054,419	N/A
Money Market	6,106,710	N/A
Certificates of Deposit	1,232,953	2012
Certificates of Deposit	503,537	2013
Certificates of Deposit	3,986,797	2014
Certificates of Deposit	179,000	2015
Total Investments	<u>\$ 21,716,060</u>	

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of rating by a nationally recognized statistical rating organization. All of the investments noted above are unrated with the exception of the U.S. Agency Securities, Mutual Funds, and Money Market. The above rated investments are all rated at AAA as of June 30, 2012.

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. Investments in any one issuer (other than external investment pools, Mutual Funds and U.S. Treasury Securities) that represent 5% or more of total investments are as follows:

<u>Investment Type</u>	<u>Carrying Value</u>
U.S. Agency Securities:	
Federal Farm CR BKS Global	2,000,000

City of Desert Hot Springs
Notes to Financial Statements
Year Ended June 30, 2012

3) CASH AND INVESTMENTS – Continued

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, 2012, the balances held per bank were \$2,099,995 of which \$1,849,995 was in excess of federal depository insurance limits and held in accounts collateralized by pledging financial institution, but not in the City's name, as discussed above.

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

Investment in State Investment Pool

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

**City of Desert Hot Springs
Notes to Financial Statements
Year Ended June 30, 2012**

4) 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, 2012, 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, 2012.

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, 2012, was \$2,127,181.

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

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

The above Notes Receivable are currently reported in the Housing Authority special revenue fund.

5) INTERFUND TRANSACTIONS

Interfund balances at June 30, 2012, are as follows:

Due To	Due From Non-Major Funds
General Fund	80,443
	\$ 80,443

These balances resulted from one General Fund advancing money to other funds to cover operating costs. These balances are expected to be repaid during the 2012-13 fiscal year.

**City of Desert Hot Springs
Notes to Financial Statements
Year Ended June 30, 2012**

5) INTERFUND TRANSACTIONS - Continued

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, 2012, consisted of the following:

		TRANSFERS FROM					
		RDA					
		General	Community	Low Income	Proprietary	Non-Major	Total
		Fund	Safety	Housing	Fund	Funds	
		Fund	Fund	Fund	Fund	Funds	Total
TRANSFERS TO	General Fund	\$	\$	\$	\$	\$ 300,000	\$ 300,000
	Community Safety Fund					148,251	148,251
	Housing Authority Fund			2,379,208			2,379,208
	RDA Debt Service Fund			275,360			275,360
	Capital Improvement Program Fund					624,638	624,638
	Non-major Funds	100,000			26,713	11,040	137,753
	Proprietary Fund	400,000	200,000				600,000
	Total	\$ 500,000	\$ 200,000	\$ 2,654,568	\$ 26,713	\$1,083,929	\$ 4,465,210

The transfer from the General Fund to the Non-major and Proprietary Funds were to support various activities. Transfers from the Community Safety Fund to the Proprietary Fund were made to fund the purchase of some vehicles while those from the Proprietary Fund to the Non-major Funds were made to fund vehicle replacement costs. The transfer from the RDA Low Income Housing Fund to the Housing Authority and RDA Debt Service Funds was for the transfer of housing assets due to the dissolution of redevelopment agencies, and for the repayment of debt. Transfers made from the Non-major Funds to the Capital Improvement Fund were to fund various capital projects while those between the Non-major Funds and the General Fund, Community Safety Fund and other Non-Major Funds were for operation costs for the fiscal year that were approved as a part of the budget process.

6) 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. 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.

**City of Desert Hot Springs
Notes to Financial Statements
Year Ended June 30, 2012**

6) CAPITAL ASSETS - Continued

The following table presents the capital assets and depreciation activity for the year ended June 30, 2012:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital Assets, Not Depreciated:				
Land	\$ 1,360,742	\$ -	\$ -	\$ 1,360,742
Construction in Progress	<u>3,886,209</u>	<u>7,941,147</u>	<u>(2,096,068)</u>	<u>9,731,288</u>
Total Capital Assets Not Depreciated	<u>5,246,951</u>	<u>7,941,147</u>	<u>(2,096,068)</u>	<u>11,092,030</u>
Capital Assets, Being Depreciated:				
Buildings and Improvements	15,206,203	448,245	-	15,654,448
Machinery and Equipment	7,651,032	1,186,793	-	8,837,825
Vehicles	1,567,324	35,883	(142,599)	1,460,608
Infrastructure	<u>27,553,443</u>	<u>868,781</u>	<u>-</u>	<u>28,422,224</u>
Total Capital Assets Being Depreciated	<u>51,978,002</u>	<u>2,539,702</u>	<u>(142,599)</u>	<u>54,375,105</u>
Less Accumulated Depreciation:				
Buildings and Improvements	(3,042,960)	(488,068)	-	(3,531,028)
Machinery and Equipment	(2,994,820)	(854,308)	-	(3,849,128)
Vehicles	(1,451,536)	(62,814)	142,599	(1,371,751)
Infrastructure	<u>(3,507,620)</u>	<u>(1,377,672)</u>	<u>-</u>	<u>(4,885,292)</u>
Total Accumulated Depreciation	<u>(10,996,936)</u>	<u>(2,782,862)</u>	<u>142,599</u>	<u>(13,637,199)</u>
Total Capital Assets Being Depreciated, Net	<u>40,981,066</u>	<u>(243,160)</u>	<u>-</u>	<u>40,737,906</u>
Governmental Activities Capital Assets, Net	<u>\$ 46,228,017</u>	<u>\$ 7,697,987</u>	<u>\$ (2,096,068)</u>	<u>\$ 51,829,936</u>

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

General Government	\$ 1,768,817
Public Safety	281,782
Public Works	96,107
Economic Development	<u>636,156</u>
Total Depreciation Expense	<u>\$ 2,782,862</u>

City of Desert Hot Springs
Notes to Financial Statements
Year Ended June 30, 2012

7) LONG-TERM LIABILITIES

The following is a summary of changes in long-term liabilities for the year ended June 30, 2012:

	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
Governmental Activities:					
Long-term Bonds and Leases:					
<u>City of Desert Hot Springs</u>					
Certificates of Participation	\$ 2,225,000	\$ -	\$ (150,000)	\$ 2,075,000	\$ 160,000
Deferred Issuance Discount	(17,694)	-	4,770	(12,924)	-
Judgment Obligation Bonds	9,725,000	-	-	9,725,000	-
Deferred Issuance Discount	(149,315)	-	6,101	(143,214)	-
2012A Certificate of Participation	-	5,925,000	-	5,925,000	110,000
Premium on Bonds	-	234,471	(7,816)	226,655	-
<u>Desert Hot Springs Redevelopment Agency</u>					
2006 Tax Allocation Refunding Bonds	5,390,000	-	(5,390,000)	-	-
Premium on Bonds	18,447	-	(18,447)	-	-
2008 Tax Allocation Bonds A-1	17,565,000	-	(17,565,000)	-	-
Deferred Issuance Discount	(805,726)	-	805,726	-	-
2008 Tax Allocation Bonds A-2	15,870,000	-	(15,870,000)	-	-
Deferred Issuance Discount	(189,622)	-	189,622	-	-
2009 Tax Allocation Bonds	5,600,000	-	(5,600,000)	-	-
Premium on Bonds	67,364	-	(64,958)	-	-
California HFA Loan	730,267	-	(730,267)	-	-
Total Long-term Bonds and Leases	<u>56,028,721</u>	<u>6,159,471</u>	<u>(44,392,675) *</u>	<u>17,795,517</u>	<u>270,000</u>
Other Long-term Liabilities:					
<u>City of Desert Hot Springs</u>					
Compensated Absences	1,321,546	64,920	(410,527)	975,939	-
Pension-Related Debt	2,635,182	-	(47,271)	2,587,911	59,108
Total Long-term Liabilities	<u>\$ 59,985,449</u>	<u>\$ 6,224,391</u>	<u>\$ (44,850,473)</u>	<u>\$ 21,359,367</u>	<u>\$ 329,108</u>

*\$42,773,451 of this amount represents transfers to the Successor Agency of the Redevelopment Agency of the City of Desert Hot Springs.

**City of Desert Hot Springs
Notes to Financial Statements
Year Ended June 30, 2012**

7) 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
2013	\$ 160,000	\$ 107,387	\$ 267,387
2014	165,000	99,788	264,788
2015	175,000	91,950	266,950
2016	180,000	83,200	263,200
2017	190,000	74,200	264,200
2018	200,000	64,700	264,700
2019	210,000	54,200	264,200
2020	220,000	43,175	263,175
2021	235,000	31,625	266,625
2022	245,000	18,700	263,700
2023	95,000	5,228	100,228
Total	<u>\$ 2,075,000</u>	<u>\$ 674,153</u>	<u>\$ 2,749,153</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.

**City of Desert Hot Springs
Notes to Financial Statements
Year Ended June 30, 2012**

7) LONG-TERM LIABILITIES

B) Judgment Obligation Bonds - Continued

The bonds mature through May 1, 2044 and bear interest, payable semi-annually, at rates ranging from 4.75 percent to 5.08 percent. The bonds maturing on or before March 1, 2014 are not subject to redemption prior to their stated maturity date. The bonds maturing on and after March 1, 2015 shall be subject to optional redemption, in whole or in part, on any Interest Payment Date on or after March 1, 2014, from any source of available funds, at the principal amount thereof, plus accrued interest thereon to the date of redemptions, without premium. The outstanding balance as of June 30, 2012, 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
2013	\$ -	\$ 476,250	\$ 476,250
2014	-	476,250	476,250
2015	-	476,250	476,250
2016	-	476,250	476,250
2017	-	476,250	476,250
2018	-	476,250	476,250
2019	-	476,250	476,250
2020	-	476,250	476,250
2021	-	476,250	476,250
2022	-	476,250	476,250
2023	165,000	476,250	641,250
2024	275,000	468,413	743,413
2025	285,000	455,350	740,350
2026	300,000	441,813	741,813
2027	315,000	427,562	742,562
2028	330,000	412,600	742,600
2029	345,000	396,925	741,925
2030	360,000	380,538	740,538
2031	380,000	363,438	743,438
2032	395,000	345,387	740,387
2033	415,000	326,625	741,625
2034	435,000	306,913	741,913
2035	455,000	286,250	741,250
2036	480,000	263,500	743,500
2037	500,000	239,500	739,500
2038	525,000	214,500	739,500
2039	555,000	188,250	743,250
2040	580,000	160,500	740,500
2041	610,000	131,500	741,500
2042	640,000	101,000	741,000
2043	675,000	69,000	744,000
2044	705,000	35,250	740,250
Total	\$ 9,725,000	\$ 11,253,564	\$ 20,978,564

**City of Desert Hot Springs
Notes to Financial Statements
Year Ended June 30, 2012**

7) LONG-TERM LIABILITIES - Continued

C) 2012A Certificate of Participation

On February 1, 2012 the City entered into a Trust Agreement and issued \$5,925,000 of Certificates of Participation to be distributed to assist local agencies in financing projects and programs consisting of certain public improvements or working capital or liability and other insurance needs whenever a local agency determines that there are significant public benefits from doing so. The Certificates mature through June 1, 2042 and bear interest payable semi-annually, at rates ranging from 2.00 percent to 6.00 percent. The Certificates are payable to the California Statewide Communities Development Authority whereby the City pays lease payments equal to the amount of principal and interest due. Such installment sale payments are solely payable from (1) the Gas Tax revenues and (2) the Measure A receipts.

The debt service maturity schedule for the 2012A Certificates of Participation is as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2013	\$ 110,000	\$ 288,194	\$ 398,194
2014	115,000	285,994	400,994
2015	115,000	283,694	398,694
2016	120,000	281,394	401,394
2017	120,000	277,794	397,794
2018	125,000	274,194	399,194
2019	130,000	270,444	400,444
2020	135,000	266,544	401,544
2021	135,000	262,494	397,494
2022	140,000	258,275	398,275
2023	145,000	253,375	398,375
2024	150,000	248,300	398,300
2025	155,000	242,300	397,300
2026	165,000	236,100	401,100
2027	170,000	229,500	399,500
2028	175,000	222,700	397,700
2029	185,000	215,700	400,700
2030	190,000	208,300	398,300
2031	200,000	200,700	400,700
2032	210,000	188,700	398,700
2033	225,000	176,100	401,100
2034	235,000	162,600	397,600
2035	250,000	148,500	398,500
2036	265,000	133,500	398,500
2037	280,000	117,600	397,600
2038	300,000	100,800	400,800
2039	315,000	82,800	397,800
2040	335,000	63,900	398,900
2041	355,000	43,800	398,800
2042	375,000	22,500	397,500
Total	\$ 5,925,000	\$ 6,046,796	\$ 11,971,796

**City of Desert Hot Springs
Notes to Financial Statements
Year Ended June 30, 2012**

7) LONG-TERM LIABILITIES - Continued

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 \$1,220,000. These funds are to be used to purchase property that will be used to develop low income housing. The outstanding balance was paid-off during the 2011-12 fiscal year.

E) Compensated Absences

The City had accrued compensated absences of \$975,939 as of June 30, 2012. The General Fund is expected to incur the majority of expenditures required to liquidate this balance.

F) Pension-Related Debt

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

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

Fiscal Year Ending June 30,	Principal	Interest	Total
2013	\$ 26,392	\$ 145,346	\$ 171,738
2014	34,231	143,089	177,320
2015	42,866	140,217	183,083
2016	52,365	136,668	189,033
2017	62,801	132,376	195,177
2018	74,252	127,268	201,520
2019	86,805	121,265	208,070
2020	100,552	114,280	214,832
2021	115,592	106,222	221,814
2022	132,034	96,989	229,023
2023	149,993	86,474	236,467
2024	169,594	74,557	244,151
2025	190,975	61,112	252,087
2026	214,279	46,000	260,279
2027	239,667	29,071	268,738
2028	267,309	10,164	277,473
Total	\$ 1,959,707	\$ 1,571,098	\$ 3,530,805

**City of Desert Hot Springs
Notes to Financial Statements
Year Ended June 30, 2012**

7) LONG-TERM LIABILITIES – Continued

F) Pension-Related Debt- Continued

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

Fiscal Year Ending June 30,	Principal	Interest	Total
2013	\$ 32,716	\$ 45,704	\$ 78,420
2014	37,897	43,071	80,968
2015	43,566	40,034	83,600
2016	49,763	36,555	86,318
2017	56,531	32,591	89,122
2018	63,919	28,100	92,019
2019	71,977	23,033	95,010
2020	80,760	17,337	98,097
2021	90,329	10,957	101,286
2022	100,746	3,831	104,577
Total	<u>\$ 628,204</u>	<u>\$ 281,213</u>	<u>\$ 909,417</u>

8) FIDUCIARY FUND LONG-TERM DEBT

Fiduciary Fund long-term debt activity for the 2011-12 fiscal year is as follows:

	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
Desert Hot Springs Redevelopment Agency					
2006 Tax Allocation Refunding Bonds	\$ -	\$ 4,870,000	\$ -	\$ 4,870,000	\$ 535,000
Premium on Bonds	-	16,632	-	16,632	-
2008 Tax Allocation Bonds A-1	-	17,410,000	-	17,410,000	975,000
Deferred Issuance Discount	-	(775,606)	-	(775,606)	-
2008 Tax Allocation Bonds A-2	-	15,870,000	-	15,870,000	-
Deferred Issuance Discount	-	(182,533)	-	(182,533)	-
2009 Tax Allocation Bonds	-	5,500,000	-	5,500,000	105,000
Premium on Bonds	-	64,958	-	64,958	-
Total Fiduciary Funds Long-term Liabilities	<u>\$ -</u>	<u>\$ 42,773,451 *</u>	<u>\$ -</u>	<u>\$ 42,773,451</u>	<u>\$ 1,615,000</u>

*This amount represents transfers from the City to the Successor Agency of the Redevelopment Agency.

A) 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.

**City of Desert Hot Springs
Notes to Financial Statements
Year Ended June 30, 2012**

8) FIDUCIARY FUND LONG-TERM DEBT - Continued

A) 2006 Tax Allocation Refunding Bonds - Continued

At June 30, 2012, the amount in the Bond Reserve Fund was sufficient to cover the minimum bond reserve requirement. Annual debt service requirements to maturity are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2013	\$ 535,000	\$ 184,487	\$ 719,487
2014	550,000	163,456	713,456
2015	570,000	141,056	711,056
2016	590,000	117,856	707,856
2017	600,000	94,057	694,057
2018	625,000	69,556	694,556
2019	645,000	44,156	689,156
2020	665,000	17,541	682,541
2021	80,000	2,125	82,125
2022	10,000	213	10,213
Total	<u>\$ 4,870,000</u>	<u>\$ 834,503</u>	<u>\$ 5,704,503</u>

B) 2008 Tax Allocation Bonds

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

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

Fiscal Year Ending June 30,	Principal	Interest	Total
2013	\$ 975,000	\$ 1,184,575	\$ 2,159,575
2014	1,040,000	1,114,050	2,154,050
2015	1,115,000	1,038,625	2,153,625
2016	1,190,000	957,950	2,147,950
2017	1,275,000	871,675	2,146,675
2018	1,365,000	779,275	2,144,275
2019	1,460,000	680,400	2,140,400
2020	1,565,000	574,525	2,139,525
2021	1,670,000	461,300	2,131,300
2022	1,790,000	340,200	2,130,200
2023	1,915,000	210,525	2,125,525
2024	2,050,000	71,750	2,121,750
Total	<u>\$ 17,410,000</u>	<u>\$ 8,284,850</u>	<u>\$ 25,694,850</u>

**City of Desert Hot Springs
Notes to Financial Statements
Year Ended June 30, 2012**

8) FIDUCIARY FUND LONG-TERM DEBT - Continued

B) 2008 Tax Allocation Bonds - Continued

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

Fiscal Year Ending June 30,	Principal	Interest	Total
2013	\$ -	\$ 865,773	\$ 865,773
2014	-	865,772	865,772
2015	-	865,773	865,773
2016	-	865,772	865,772
2017	-	865,773	865,773
2018	-	865,772	865,772
2019	-	865,773	865,773
2020	-	865,772	865,772
2021	545,000	852,148	1,397,148
2022	650,000	822,272	1,472,272
2023	690,000	788,773	1,478,773
2024	725,000	753,397	1,478,397
2025	760,000	715,322	1,475,322
2026	800,000	674,373	1,474,373
2027	845,000	631,191	1,476,191
2028	885,000	585,779	1,470,779
2029	935,000	538,004	1,473,004
2030	985,000	485,479	1,470,479
2031	1,040,000	427,950	1,467,950
2032	1,100,000	367,153	1,467,153
2033	1,160,000	302,946	1,462,946
2034	795,000	247,400	1,042,400
2035	840,000	200,938	1,040,938
2036	715,000	156,745	871,745
2037	755,000	114,966	869,966
2038	800,000	70,770	870,770
2039	845,000	24,016	869,016
Total	\$ 15,870,000	\$ 15,685,802	\$ 31,555,802

C) 2009 Tax Allocation Bonds

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

**City of Desert Hot Springs
Notes to Financial Statements
Year Ended June 30, 2012**

8) FIDUCIARY FUND LONG-TERM DEBT - Continued

C) 2009 Tax Allocation Bonds - Continued

The debt service maturity schedule for the 2009 Tax Allocation Bonds is as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2013	\$ 105,000	\$ 371,624	\$ 476,624
2014	105,000	367,293	472,293
2015	110,000	362,531	472,531
2016	115,000	357,270	472,270
2017	120,000	351,419	471,419
2018	130,000	344,789	474,789
2019	135,000	337,499	472,499
2020	145,000	329,550	474,550
2021	150,000	320,881	470,881
2022	160,000	311,581	471,581
2023	170,000	301,681	471,681
2024	180,000	291,181	471,181
2025	190,000	278,775	468,775
2026	205,000	264,209	469,209
2027	220,000	248,538	468,538
2028	235,000	231,759	466,759
2029	255,000	213,691	468,691
2030	275,000	194,147	469,147
2031	295,000	173,128	468,128
2032	315,000	150,634	465,634
2033	340,000	126,481	466,481
2034	215,000	106,016	321,016
2035	230,000	89,606	319,606
2036	250,000	71,906	321,906
2037	190,000	55,681	245,681
2038	205,000	41,116	246,116
2039	220,000	25,444	245,444
2040	235,000	8,666	243,666
Total	\$ 5,500,000	\$ 6,327,096	\$ 11,827,096

9) 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, 2012**

10) 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 eighteen 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 with statutory limits of coverage 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 participates in the CSAC Excess Insurance Authority (EIA) for excess coverage up to the coverage limit of \$50 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 CSAC Excess Insurance Authority (EIA), the City can layer the EPL coverage provided by the CSAC Excess Insurance Authority (EIA) of \$49 million with ERMA, to bring the total in limits for EPL coverage to \$50 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 \$50 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 exceeded the pooled or insured coverage. There have been no significant reductions in pooled or insured coverage from the prior year.

**City of Desert Hot Springs
Notes to Financial Statements
Year Ended June 30, 2012**

10) RISK MANAGEMENT - Continued

E) Adequacy of Protection - Continued

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

F) Claims Liability

Claims expenditures and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. At June 30, 2012, the amount of these liabilities was \$882,146. This liability is the City's best estimate based on available information. Changes in the balances of claims liabilities during the past two years are as follows:

	Year Ended June 30, 2012	Year Ended June 30, 2011
Claims payable, beginning of fiscal year	\$ 1,213,847	\$ 800,911
Current year claims and changes in estimates	18,515	504,034
Claims payments	(350,216)	(91,098)
Claims payable, end of fiscal year	\$ 882,146	\$ 1,213,847

11) PUBLIC EMPLOYEES RETIREMENT SYSTEM (PERS)

Plan Description

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

Funding Policy

Active plan members in the Miscellaneous Plan and the Safety Plan are required to contribute between 8 percent and 9 percent of their annual covered salary; however, the City pays both the employee's and employer's share for the Safety Plan and only pays the employer's contribution for the Miscellaneous Plan. The City of Desert Hot Springs' labor contracts requires the City to pay all Miscellaneous Employee Plan PERS contributions and Safety Plan contributions that are required for the actuarially determined amount necessary to fund the benefits for its members. The actuarial methods and assumptions used are those adopted by the CalPERS Board of Administration. The required employer contribution rate for Fiscal Year 2011-2012 was 17.405 percent for Miscellaneous employees and 33.519 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.

**City of Desert Hot Springs
Notes to Financial Statements
Year Ended June 30, 2012**

11) PUBLIC EMPLOYEES RETIREMENT SYSTEM (PERS) - Continued

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

Fiscal Year	Required Contributions	Percent Contributed
6/30/10	\$ 950,038	100%
6/30/11	\$ 1,389,310	100%
6/30/12	\$ 1,352,053	100%

12) DEFINED CONTRIBUTION PLAN

The City has a money purchase defined contribution plan for all eligible employees. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. ICMA Retirement Corporation serves as the plan administrator and plan amendments must be authorized by the City Council. Eligibility begins for full-time employees with 6 months or more service. Employees earn a vesting in the benefits at a rate of 10 percent to 20 percent per year with 100 percent vesting after 7 years service. The City contributed 12 percent of annual wages for all covered employees for the year ended June 30, 2010. For the 2011-2012 fiscal year actual contributions were \$121,141 and the plan net assets available were \$1,930,728 all of which was vested.

13) NON-OBLIGATION DEBT

The Desert Hot Springs Public Financing Authority issued the “Health Care Refund and Improvement Certificates of Participation” (the Certificates) for the Heritage Hospital Project on August 15, 1998. The Certificates were issued in two series: Series A was issued for \$13,900,000 and were tax exempt and Series B was issued for \$8,430,000 and was taxable. The Certificates do not constitute a debt or liability of the State of California, the City, or any political subdivision thereof within the meaning of any constitutional or statutory debt limitation. As of June 30, 2009, the Certificates were in default and have been transferred to the Bank of New York as the successor indenture trustee. The outstanding balance of the Certificates at June 30, 2012, was approximately \$6,000,000.

The City of Desert Hot Springs Community Facilities District No 2006-1(the “District”) issued Improvement Area 1 Special Tax Bonds, Series 2008A on October 16, 2008 in the amount of \$2,600,000. The bond proceeds in conjunction with Special Tax collections will be used to finance certain public facilities and fees within the City of Desert Hot Springs necessary for the development of property within Improvement Area 1 of the District. The bonds do not constitute a debt or liability of the City. During the 2010-11 fiscal year, the District issued Special Tax Refunding Bonds, Series 2010 for the principal amount of the City of Desert Hot Springs Community Facilities District No. 2006-1 Improvement Area 1 Bonds. The outstanding balance at June 30, 2012, was \$2,255,000.

14) 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, 2012, is \$165,000.

City of Desert Hot Springs
Notes to Financial Statements
Year Ended June 30, 2012

14) ASSESSMENT DISTRICTS - Continued

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, 2012, is \$235,000.

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.

15) CLASSIFICATION OF NET ASSETS AND FUND BALANCE

A) Net Assets

In the Government-wide financial statements; net assets are classified in the following categories:

Invested in Capital Assets

This category groups all assets, including infrastructure, into one component of net assets. Accumulated depreciation on these assets reduces this category.

Restricted Net Assets

This category presents external restrictions imposed by creditors, grantors, contributors, or laws and regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

Unrestricted Net Assets

This category represents the net assets of the City that are not externally restricted for any project or other purpose.

B) Fund Balance

The City implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* as of June 30, 2011. Fund balances in governmental funds are reported in classifications that comprise a hierarchy based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. The City considers restricted fund balance to have been spent first when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available. Similarly, when an expenditure is incurred for purposes for which amounts in any of the unrestricted classifications of fund balance could be used, the City considers committed amounts to be reduced first, followed by assigned amounts and then unassigned amounts.

**City of Desert Hot Springs
Notes to Financial Statements
Year Ended June 30, 2012**

15) CLASSIFICATION OF NET ASSETS AND FUND BALANCE - Continued

B) Fund Balance - Continued

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

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

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

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

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

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

The City's governmental fund balances at June 30, 2012, are presented below:

	<u>General Fund</u>	<u>Community Safety Fund</u>	<u>Housing Authority</u>	<u>Capital Improvement Program</u>	<u>2012 Street Bond Fund</u>
Nonspendable:					
Prepaid Items	\$ 12,352	\$	\$	\$	\$
Restricted for:					
Community Development			1,776,147		
Parks and Recreation					
Public Works/Street Maintenance					5,410,476
Public Safety		2			
Debt Service					
Lighting/Landscaping/Drainage					
Assigned to:					
Debt Service					
Capital Projects					
Unassigned	<u>4,138,487</u>			<u>(672,701)</u>	
Total Fund Balance	<u>\$ 4,150,839</u>	<u>\$ 2</u>	<u>\$ 1,776,147</u>	<u>\$ (672,701)</u>	<u>\$ 5,410,476</u>

**City of Desert Hot Springs
Notes to Financial Statements
Year Ended June 30, 2012**

15) CLASSIFICATION OF NET ASSETS AND FUND BALANCE - Continued

B) Fund Balance – Continued

	Non-major Governmental Funds	Total
Nonspendable:		
Prepaid Items	\$	\$ 12,352
Restricted for:		
Community Development	1,632,745	3,408,892
Parks and Recreation	116,589	116,589
Public Works/Street Maintenance	717,125	6,127,601
Public Safety	55,235	55,237
Debt Service	267,404	267,404
Lighting/Landscaping/Drainage	953,584	953,584
Assigned to:		
Debt Service	538,320	538,320
Capital Projects		
Unassigned	(19,956)	3,445,830
Total Fund Balance	\$ 4,261,046	\$ 14,925,809

16) 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.

As of June 30, 2012, in the opinion of the City Administration and the City's Attorneys, there are no other outstanding matters which would have a material effect on the financial position of the Agency.

17) OTHER FUND DISCLOSURES

The following fund ended the 2011-2012 fiscal year with deficit fund balance in the following amount:

Non-Major Governmental Funds	
Special Revenue Funds:	
County Service Area	\$ 19,956

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

**City of Desert Hot Springs
Notes to Financial Statements
Year Ended June 30, 2012**

18) JOINT VENTURES

Eastern Riverside County Interoperable Communications Authority (ERICA)

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

In addition, the Authority and member agencies have entered into a Reimbursement Agreement relating to a Municipal Lease Purchase Agreement with Motorola Inc, in the aggregate principal amount of \$5,557,603. The Agreement obligates each member agency to pay 25% of the annual lease payments, as set forth in the Municipal Lease Purchase Agreement with Motorola Inc.

The following represents the City of Desert Hot Spring's obligation for future lease payments:

<u>Fiscal Year Ending June 30,</u>	<u>Annual Lease Payment</u>
2013	\$ 136,495
2014	136,495
2015	136,495
2016	136,495
2017	136,495
2018	136,495
2019	136,495
2020	136,495
2021	136,495
2022	136,495
2023	136,495
2024	136,495

19) SUCCESSOR AGENCY TRUST FOR ASSETS OF FORMER REDEVELOPMENT AGENCY

On December 29, 2011, the California Supreme Court upheld Assembly Bill 1X 26 ("the Bill") that provides for the dissolution of all redevelopment agencies in the State of California. This action impacted the reporting entity of the City of Desert Hot Springs that previously had reported a redevelopment agency within the reporting entity of the City as a blended component unit.

The Bill provides that upon dissolution of a redevelopment agency, either the City or another unit of local government will agree to serve as the "successor agency" to hold the assets until they are distributed to other units of state and local government. On January 9, 2012, the City Council elected to become the Successor Agency for the former redevelopment agency in accordance with the Bill as part of City Resolution No. 2012-003.

City of Desert Hot Springs
Notes to Financial Statements
Year Ended June 30, 2012

19) SUCCESSOR AGENCY TRUST FOR ASSETS OF FORMER REDEVELOPMENT AGENCY - Continued

After enactment of the law, which occurred on June 28, 2011, redevelopment agencies in the State of California cannot enter into new projects, obligations or commitments. Subject to the control of a newly established oversight board, remaining assets can only be used to pay enforceable obligations in existence at the date of dissolution (including the completion of any unfinished projects that were subject to legally enforceable contractual commitments).

In future fiscal years, successor agencies will only be allocated revenue in the amount that is necessary to pay the estimated annual installment payments on enforceable obligations of the former redevelopment agency until all enforceable obligations of the prior redevelopment agency have been paid in full and all assets have been liquidated.

The Bill directs the State Controller of the State of California to review the propriety of any transfers of assets between redevelopment agencies and other public bodies that occurred after January 1, 2011. If the public body that received such transfers is not contractually committed to a third party for the expenditure or encumbrance of those assets, the State Controller is required to order the available assets to be transferred to the public body designated as the successor agency by the Bill.

Management believes, in consultation with legal counsel, that the obligations of the former redevelopment agency due to the City are valid enforceable obligations payable by the successor agency trust under the requirements of the Bill. The City's position on this issue is not a position of settled law and there is considerable legal uncertainty regarding this issue. It is reasonably possible that a legal determination may be made at a later date by an appropriate judicial authority that would resolve this issue unfavorably to the City.

In accordance with the timeline set forth in the Bill (as modified by the California Supreme Court on December 29, 2011) all redevelopment agencies in the State of California were dissolved and ceased to operate as a legal entity as of February 1, 2012.

Prior to that date, the final several months of the activity of the redevelopment agency continued to be reported in the governmental funds of the City. After the date of dissolution, the assets and activities of the dissolved redevelopment agency are reported in a fiduciary fund (private-purpose trust fund) in the financial statements of the City.

The transfer of the assets and liabilities of the former redevelopment agency as of February 1, 2012 (effectively the same date as January 31, 2012) from governmental funds of the City to fiduciary funds was reported in the governmental funds as an extraordinary loss (or gain) in the governmental fund financial statements. The receipt of these assets and liabilities as of January 31, 2012 was reported in the private-purpose trust fund as an extraordinary gain (or loss).

Because of the different measurement focus of the governmental funds (*current financial resources measurement focus*) and the measurement focus of the trust funds (*economic resources measurement focus*), the extraordinary gain (loss) recognized in the governmental funds was not the same amount as the extraordinary gain (loss) that was recognized in the fiduciary fund financial statements.

**City of Desert Hot Springs
Notes to Financial Statements
Year Ended June 30, 2012**

19) SUCCESSOR AGENCY TRUST FOR ASSETS OF FORMER REDEVELOPMENT AGENCY - Continued

The difference between the extraordinary loss recognized in the fund financial statements and the extraordinary gain recognized in the fiduciary fund financial statements is reconciled as follows:

Total extraordinary loss reported in governmental funds - increase to net assets of the Successor Agency Trust Fund.	\$ 9,421,811
Deferred revenue on accounts receivables is not recorded in the government-wide financial statements - increase to net assets of the Successor Agency Trust Fund.	148,016
Accrued bond interest reported in the government-wide financial statements - decrease to net assets of the Successor Agency Trust Fund.	(1,105,298)
Unamortized bond issuance cost reported in the government-wide financial statements - increase to net assets of the Successor Agency Trust Fund.	1,033,623
Long-term debt reported in the government-wide financial statements - decrease to net assets of the Successor Agency Trust Fund.	(42,773,451)
Change in Estimate for Land Held for Resale	<u>5,845,438</u>
Net decrease to net assets of the Successor Agency Trust Fund as a result of initial transfers	<u>\$ (27,429,861)</u>

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, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
REVENUES				
Taxes	\$ 5,839,406	\$ 5,839,406	\$ 5,782,463	\$ (56,943)
Permits and Fees	1,105,906	1,105,906	610,196	(495,710)
Intergovernmental	75,000	363,800	145,909	(217,891)
Licenses	160,000	160,000	170,916	10,916
Interest	110,000	110,000	26,410	(83,590)
Miscellaneous	506,500	513,898	364,413	(149,485)
	<u>7,796,812</u>	<u>8,093,010</u>	<u>7,100,307</u>	<u>(992,703)</u>
EXPENDITURES				
Current:				
General Government	705,522	1,027,527	1,269,952	(242,425)
Public Safety	3,575,974	5,076,711	4,872,819	203,892
Public Works	442,920	363,173	385,469	(22,296)
Economic Development	1,085,989	1,246,615	1,118,350	128,265
Culture and Leisure	471,535	446,318	254,649	191,669
Capital Outlay				
	<u>6,281,940</u>	<u>8,160,344</u>	<u>7,901,239</u>	<u>259,105</u>
Excess (Deficiency) of Revenues over Expenditures	<u>1,514,872</u>	<u>(67,334)</u>	<u>(800,932)</u>	<u>(733,598)</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	225,000	335,841	300,000	(35,841)
Transfers Out	<u>(100,000)</u>	<u>(500,000)</u>	<u>(500,000)</u>	<u>-</u>
	<u>125,000</u>	<u>(164,159)</u>	<u>(200,000)</u>	<u>(35,841)</u>
Net Change in Fund Balances	1,639,872	(231,493)	(1,000,932)	(769,439)
Fund Balances (Deficit), Beginning of Year	<u>5,151,771</u>	<u>5,151,771</u>	<u>5,151,771</u>	
Fund Balances (Deficit), End of Year	<u>\$ 6,791,643</u>	<u>\$ 4,920,278</u>	<u>\$ 4,150,839</u>	<u>\$ (769,439)</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, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 4,056,569	\$ 4,056,569	\$ 3,811,446	\$ (245,123)
Permits and Fees	1,425,200	1,425,200	1,536,863	111,663
Intergovernmental	235,000	385,500	242,631	(142,869)
Licenses	6,120	6,120	19,964	13,844
Interest				
Miscellaneous	34,550	33,000	114,095	81,095
	<u>5,757,439</u>	<u>5,906,389</u>	<u>5,724,999</u>	<u>(181,390)</u>
Total Revenues				
EXPENDITURES				
Current:				
Public Safety	11,079,807	6,029,176	5,637,890	391,286
Capital Outlay	20,085	995	35,358	(34,363)
	<u>11,099,892</u>	<u>6,030,171</u>	<u>5,673,248</u>	<u>356,923</u>
Total Expenditures				
Excess (Deficiency) of Revenues over Expenditures	<u>(5,342,453)</u>	<u>(123,782)</u>	<u>51,751</u>	<u>175,533</u>
OTHER FINANCING SOURCES (USES)				
Transfers In		100,000	148,251	48,251
Transfers Out		(200,000)	(200,000)	-
	<u>-</u>	<u>(100,000)</u>	<u>(51,749)</u>	<u>48,251</u>
Total Other Financing Sources (Uses)				
Net Change in Fund Balances	(5,342,453)	(223,782)	2	223,784
Fund Balance (Deficit), Beginning of Year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance (Deficit), End of Year	<u>\$ (5,342,453)</u>	<u>\$ (223,782)</u>	<u>\$ 2</u>	<u>\$ 223,784</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, 2012

	Final Budget	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES				
Taxes	\$	\$ 990,000	\$ 437,461	\$ (552,539)
Intergovernmental			722,862	722,862
Interest		10,000	5,626	(4,374)
Total Revenues	-	1,000,000	1,165,949	165,949
EXPENDITURES				
Current:				
Economic Development		2,200,999	1,256,226	944,773
Capital Outlay				
Debt Service				
Principal		100,000	100,000	-
Interest		188,612	188,612	-
Total Expenditures	-	2,489,611	1,544,838	944,773
Excess (Deficiency) of Revenues over Expenditures	-	(1,489,611)	(378,889)	1,110,722
OTHER FINANCING SOURCES (USES)				
Transfers In				-
Transfers Out	-	(6,439,723)	(2,654,568)	3,785,155
Total Other Financing Sources (Uses)	-	(6,439,723)	(2,654,568)	3,785,155
Extraordinary Item			(4,895,877)	(4,895,877)
Net Change in Fund Balance	-	(7,929,334)	(7,929,334)	-
Fund Balance (Deficit), Beginning of Year	-	7,929,334	7,929,334	
Fund Balance (Deficit), End of Year	\$ -	\$ -	\$ -	\$ -

City of Desert Hot Springs
Notes to Required Supplementary Information
June 30, 2012

1. Budgetary Comparison

Budgetary comparison schedules are presented as required supplementary information for the General Fund and all Major Special Revenue Funds as required by GASB Statement No. 34. There was no adopted budget for the Housing Authority and Parks and Recreation Grant Special Revenue Funds.

SUPPLEMENTARY INFORMATION

City of Desert Hot Springs
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - RDA Debt Service Fund
Year Ended June 30, 2012

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Taxes	\$ 1,980,000	\$ 1,749,845	\$ (230,155)
Interest	120,000	79,206	(40,794)
Miscellaneous			
Total Revenues	<u>2,100,000</u>	<u>1,829,051</u>	<u>(270,949)</u>
EXPENDITURES			
Current:			
Economic Development		80,461	(80,461)
Debt Service:			
Principal		675,000	(675,000)
Interest		1,155,321	(1,155,321)
Pass-Through Agreements		5,139	(5,139)
Total Expenditures	<u>-</u>	<u>1,915,921</u>	<u>(1,915,921)</u>
Excess (Deficiency) of Revenues over Expenditures	<u>2,100,000</u>	<u>(86,870)</u>	<u>(2,186,870)</u>
OTHER FINANCING SOURCES (USES)			
Transfers In	800,000	275,360	(524,640)
Transfers Out			-
Total Other Financing Sources (Uses)	<u>800,000</u>	<u>275,360</u>	<u>(524,640)</u>
Extraordinary Item		(132,128)	(132,128)
Net Change in Fund Balance	2,900,000	56,362	(2,843,638)
Fund Balance (Deficit), Beginning of Year	<u>(56,362)</u>	<u>(56,362)</u>	
Fund Balance (Deficit), End of Year	<u>\$ 2,843,638</u>	<u>\$ -</u>	<u>\$ (2,843,638)</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, 2012

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Interest	\$ 20,000	\$ 18,586	\$ (1,414)
Miscellaneous	180,000	124,137	(55,863)
Total Revenues	200,000	142,723	(57,277)
EXPENDITURES			
Current:			
Economic Development	2,101,522	1,815,425	286,097
Capital Outlay	1,421,092	411,746	1,009,346
Total Expenditures	3,522,614	2,227,171	1,295,443
Excess (Deficiency) of Revenues over Expenditures	(3,322,614)	(2,084,448)	1,238,166
OTHER FINANCING SOURCES (USES)			
Transfers In	2,000,000		(2,000,000)
Transfers Out	(5,000,000)		5,000,000
Total Other Financing Sources (Uses)	(3,000,000)	-	3,000,000
Extraordinary Item		(4,393,806)	(4,393,806)
Net Change in Fund Balance	(6,322,614)	(6,478,254)	(155,640)
Fund Balance (Deficit), Beginning of Year	6,478,254	6,478,254	
Fund Balance (Deficit), End of Year	\$ 155,640	\$ -	\$ (155,640)

City of Desert Hot Springs
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - Capital Improvement Program Capital Projects Fund
Year Ended June 30, 2012

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Intergovernmental	\$ 20,000,000	\$ 3,676,580	\$ (16,323,420)
Interest	40,000	22,213	(17,787)
Miscellaneous		290,100	290,100
	<u>20,040,000</u>	<u>3,988,893</u>	<u>(16,051,107)</u>
Total Revenues			
EXPENDITURES			
Capital Outlay	<u>26,559,214</u>	<u>9,743,594</u>	<u>16,815,620</u>
	<u>26,559,214</u>	<u>9,743,594</u>	<u>16,815,620</u>
Total Expenditures			
Excess (Deficiency) of Revenues over Expenditures	<u>(6,519,214)</u>	<u>(5,754,701)</u>	<u>764,513</u>
OTHER FINANCING SOURCES (USES)			
Transfers In	1,960,000	624,638	(1,335,362)
Transfers Out			-
	<u>1,960,000</u>	<u>624,638</u>	<u>(1,335,362)</u>
Total Other Financing Sources (Uses)			
Net Change in Fund Balance	(4,559,214)	(5,130,063)	(570,849)
Fund Balance (Deficit), Beginning of Year	<u>4,457,362</u>	<u>4,457,362</u>	
Fund Balance (Deficit), End of Year	<u>\$ (101,852)</u>	<u>\$ (672,701)</u>	<u>\$ (570,849)</u>

City of Desert Hot Springs
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - 2012 Street Bond Capital Projects Fund
Year Ended June 30, 2012

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Interest	\$	\$ 1	\$ 1
Total Revenues	-	1	1
EXPENDITURES			
Current:			
General Government	478,335	230,414	247,921
Capital Outlay	4,951,655	190,278	4,761,377
Debt Service:			
Interest	90,461	90,461	
Bond Issuance Cost	237,477	237,843	(366)
Total Expenditures	5,757,928	748,996	5,008,932
Excess (Deficiency) of Revenues over Expenditures	(5,757,928)	(748,995)	5,008,933
OTHER FINANCING SOURCES (USES)			
Issuance of Bonds	6,159,470	5,925,000	(234,470)
Bond Premium		234,471	234,471
Total Other Financing Sources (Uses)	6,159,470	6,159,471	1
Net Change in Fund Balance	401,542	5,410,476	5,008,934
Fund Balance (Deficit), Beginning of Year	-	-	
Fund Balance (Deficit), End of Year	\$ 401,542	\$ 5,410,476	\$ 5,008,934

City of Desert Hot Springs Non-Major Governmental Funds

SPECIAL REVENUE FUNDS

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

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

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

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

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

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

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

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

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

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

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

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

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.

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

SPECIAL REVENUE FUNDS - Continued

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

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

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

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

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.

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 Participation twice annually.

CAPITAL PROJECTS FUNDS

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

**City of Desert Hot Springs
Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2012**

	Special Revenue				Capital Improvement Deposits
	Housing and Community Development	Traffic Safety	Source Reduction Recycling	Special Gas Tax	
ASSETS					
Cash and Investments	\$	\$ 1,295	\$	\$ 98,612	1,571,303
Restricted Cash and Investments with Fiscal Agent					
Notes Receivable					
Accounts Receivable		1,511			676
Interest Receivable				20	
Due From Other Governments				79,957	
	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
Total Assets	-	2,806	-	178,589	1,571,979
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts Payable	\$	\$	\$	\$ 103,668	\$
Accrued Liabilities				11,089	
Deposits					
Due to Other Funds					
Deferred Revenue					
	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
Total Liabilities	-	-	-	114,757	-
Fund Balances:					
Restricted		2,806		63,832	1,571,979
Assigned					
Unassigned					
	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
Total Fund Balances	-	2,806	-	63,832	1,571,979
	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
Total Liabilities and Fund Balances	-	2,806	-	178,589	1,571,979

Special Revenue

Municipal Lighting/Landscaping Assessment District	Measure A	Air Quality Control	Art in Public Places	Quimby Act	Drainage Assessment District
\$ 253,509	\$ 590,435	\$ 54,160	\$ 40,560	\$ 103,197	\$ 567,128
206	206	12	17	40	228
<u>136,119</u>	<u>63,009</u>	<u>8,478</u>	<u>17</u>	<u>40</u>	<u>49,837</u>
<u>\$ 389,834</u>	<u>\$ 653,650</u>	<u>\$ 62,650</u>	<u>\$ 40,577</u>	<u>\$ 103,237</u>	<u>\$ 617,193</u>
\$ 40,655	\$ 357	\$ 10,221	\$	\$	\$ 8,475
6,213					
<u>49,578</u>					
<u>96,446</u>	<u>357</u>	<u>10,221</u>	<u>-</u>	<u>-</u>	<u>8,475</u>
293,388	653,293	52,429	40,577	103,237	608,718
<u>293,388</u>	<u>653,293</u>	<u>52,429</u>	<u>40,577</u>	<u>103,237</u>	<u>608,718</u>
<u>\$ 389,834</u>	<u>\$ 653,650</u>	<u>\$ 62,650</u>	<u>\$ 40,577</u>	<u>\$ 103,237</u>	<u>\$ 617,193</u>

Continued

**City of Desert Hot Springs
Combining Balance Sheet
Non-Major Governmental Funds (Continued)
June 30, 2012**

	Special Revenue				
	County Service Area	Cabot's Museum	RDA Help Program	Bicycle/ Pedestrian Grant	Indian Gaming Special District Grant
ASSETS					
Cash and Investments	\$	\$	\$	\$ 3,091	\$
Restricted Cash and Investments with Fiscal Agent					
Notes Receivable					
Accounts Receivable					
Interest Receivable					
Due From Other Governments		50,653			
Total Assets	<u>\$ -</u>	<u>\$ 50,653</u>	<u>\$ -</u>	<u>\$ 3,091</u>	<u>\$ -</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts Payable	\$	\$ 1,814	\$	\$	\$
Accrued Liabilities					
Deposits					
Due to Other Funds	19,956	35,487			
Deferred Revenue					
Total Liabilities	<u>19,956</u>	<u>37,301</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances:					
Restricted		13,352		3,091	
Assigned					
Unassigned	(19,956)				
Total Fund Balances	<u>(19,956)</u>	<u>13,352</u>	<u>-</u>	<u>3,091</u>	<u>-</u>
Total Liabilities and Fund Balances	<u>\$ -</u>	<u>\$ 50,653</u>	<u>\$ -</u>	<u>\$ 3,091</u>	<u>\$ -</u>

Special Revenue	Debt Service	Capital Project	Total Nonmajor Governmental Funds	
SLESF	Abandoned Vehicle Replacement	City Debt Service	Assessment District 91-1	
\$	\$	\$ 428,387	\$ 51,458	\$ 3,763,135
		267,404		267,404
	17,098	109,790		-
		143	20	129,075
25,000				892
				413,053
<u>\$ 25,000</u>	<u>\$ 17,098</u>	<u>\$ 805,724</u>	<u>\$ 51,478</u>	<u>\$ 4,573,559</u>
\$	\$	\$	\$	\$ 165,190
				17,302
				-
25,000				80,443
				49,578
<u>25,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>312,513</u>
	17,098	267,404	51,478	3,742,682
		538,320		538,320
				(19,956)
-	17,098	805,724	51,478	4,261,046
<u>\$ 25,000</u>	<u>\$ 17,098</u>	<u>\$ 805,724</u>	<u>\$ 51,478</u>	<u>\$ 4,573,559</u>

City of Desert Hot Springs
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Non-Major Governmental Funds
June 30, 2012

	Special Revenue				
	Housing and Community Development	Traffic Safety	Source Reduction Recycling	Special Gas Tax	Capital Improvement Deposits
REVENUES					
Taxes	\$	\$	\$	\$	\$
Permits and Fees		19,862			30,655
Intergovernmental	613,653			920,756	
Interest				33	3,545
Miscellaneous					
Total Revenues	<u>613,653</u>	<u>19,862</u>	<u>-</u>	<u>920,789</u>	<u>34,200</u>
EXPENDITURES					
Current:					
General Government					9,301
Public Safety		18,351			
Public Works				887,952	
Economic Development					
Culture and Leisure					
Capital Outlay					227,170
Debt Service:					
Principal					
Interest					
Total Expenditures	<u>-</u>	<u>18,351</u>	<u>-</u>	<u>887,952</u>	<u>236,471</u>
Excess (Deficiency) of Revenues over Expenditures	<u>613,653</u>	<u>1,511</u>	<u>-</u>	<u>32,837</u>	<u>(202,271)</u>
OTHER FINANCING SOURCES (USES)					
Transfers In					
Transfers Out	<u>(613,653)</u>		<u>(11,040)</u>		<u>(10,985)</u>
Total Other Financing Sources (Uses)	<u>(613,653)</u>	<u>-</u>	<u>(11,040)</u>	<u>-</u>	<u>(10,985)</u>
Net Change in Fund Balances	-	1,511	(11,040)	32,837	(213,256)
Fund Balances (Deficit), Beginning of Year	<u>-</u>	<u>1,295</u>	<u>11,040</u>	<u>30,995</u>	<u>1,785,235</u>
Fund Balances (Deficit), End of Year	<u>\$ -</u>	<u>\$ 2,806</u>	<u>\$ -</u>	<u>\$ 63,832</u>	<u>\$ 1,571,979</u>

Special Revenue

Municipal Lighting/Landscaping Assessment District	Measure A	Air Quality Control	Art in Public Places	Quimby Act	Drainage Assessment District
\$ 757,844	\$	\$ 40,475	\$	\$ 2,049	\$ 222,235
961	366,171 747	29	84	198	1,014
<u>758,805</u>	<u>366,918</u>	<u>40,504</u>	<u>84</u>	<u>2,247</u>	<u>223,249</u>
929,218	357	26,738			181,228
	27,500		5,000	6,075	
<u>929,218</u>	<u>27,857</u>	<u>26,738</u>	<u>5,000</u>	<u>6,075</u>	<u>181,228</u>
(170,413)	339,061	13,766	(4,916)	(3,828)	42,021
11,040		26,713			
<u>11,040</u>	<u>-</u>	<u>26,713</u>	<u>-</u>	<u>-</u>	<u>-</u>
(159,373)	339,061	40,479	(4,916)	(3,828)	42,021
<u>452,761</u>	<u>314,232</u>	<u>11,950</u>	<u>45,493</u>	<u>107,065</u>	<u>566,697</u>
<u>\$ 293,388</u>	<u>\$ 653,293</u>	<u>\$ 52,429</u>	<u>\$ 40,577</u>	<u>\$ 103,237</u>	<u>\$ 608,718</u>

Continued

City of Desert Hot Springs
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Non-Major Governmental Funds (Continued)
June 30, 2012

	Special Revenue				
	County Service Area	Cabot's Museum	RDA Help Program	Bicycle/ Pedestrian Grant	Indian Gaming Special District Grant
REVENUES					
Taxes	\$	\$	\$	\$	\$
Permits and Fees					
Intergovernmental	5,987	79,593			6,088
Interest					
Miscellaneous		3,519			
Total Revenues	5,987	83,112	-	-	6,088
EXPENDITURES					
Current:					
General Government					
Public Safety					
Public Works					
Economic Development	24,928		4,095		
Culture and Leisure		183,320			
Capital Outlay					
Debt Service:					
Principal					
Interest					
Total Expenditures	24,928	183,320	4,095	-	-
Excess (Deficiency) of Revenues over Expenditures	(18,941)	(100,208)	(4,095)	-	6,088
OTHER FINANCING SOURCES (USES)					
Transfers In		100,000			
Transfers Out					(6,088)
Total Other Financing Sources (Uses)	-	100,000	-	-	(6,088)
Net Change in Fund Balances	(18,941)	(208)	(4,095)	-	-
Fund Balances (Deficit), Beginning of Year	(1,015)	13,560	4,095	3,091	-
Fund Balances (Deficit), End of Year	<u>\$ (19,956)</u>	<u>\$ 13,352</u>	<u>\$ -</u>	<u>\$ 3,091</u>	<u>\$ -</u>

Special Revenue		Debt Service	Capital Project	Total Nonmajor Governmental Funds
SLESF	Abandoned Vehicle Replacement	City Debt Service	Assessment District 91-1	
\$	\$	\$ 968,407	\$	\$ 1,988,961
100,000				52,566
		943	96	2,092,248
	59,261			7,650
				62,780
100,000	59,261	969,350	96	4,204,205
			2,763	39,159
		134,334		152,685
		4,000		1,998,398
				33,023
				183,320
				265,745
		150,000		150,000
		590,388		590,388
-	-	878,722	2,763	3,412,718
100,000	59,261	90,628	(2,667)	791,487
(100,000)	(42,163)	(300,000)		137,753
(100,000)	(42,163)	(300,000)	-	(1,083,929)
-	17,098	(209,372)	(2,667)	(946,176)
-	-	1,015,096	54,145	(154,689)
\$ -	\$ 17,098	\$ 805,724	\$ 51,478	\$ 4,415,735
				4,261,046

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, 2012

	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES			
Intergovernmental	\$ 618,000	\$ 613,653	\$ (4,347)
Total Revenues	<u>618,000</u>	<u>613,653</u>	<u>(4,347)</u>
EXPENDITURES			
Current:			
Economic Development			
Capital Outlay	<u>618,000</u>	<u> </u>	<u>618,000</u>
Total Expenditures	<u>618,000</u>	<u> -</u>	<u>618,000</u>
Excess (Deficiency) of Revenues over Expenditures	<u> -</u>	<u>613,653</u>	<u>613,653</u>
OTHER FINANCING SOURCES (USES)			
Transfers Out	<u> -</u>	<u>(613,653)</u>	<u>(613,653)</u>
Total Other Financing Sources (Uses)	<u> -</u>	<u>(613,653)</u>	<u>(613,653)</u>
Net Change in Fund Balance			
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>\$ -</u></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, 2012

	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES			
Permits and Fees	\$	\$ 19,862	\$ 19,862
Intergovernmental			
Total Revenues	<u>-</u>	<u>19,862</u>	<u>19,862</u>
EXPENDITURES			
Current:			
Public Safety	<u>1,294</u>	<u>18,351</u>	<u>(17,057)</u>
Total Expenditures	<u>1,294</u>	<u>18,351</u>	<u>(17,057)</u>
Excess (Deficiency) of Revenues over Expenditures	(1,294)	1,511	2,805
Fund Balance (Deficit), Beginning of Year	<u>1,295</u>	<u>1,295</u>	
Fund Balance (Deficit), End of Year	<u>\$ 1</u>	<u>\$ 2,806</u>	<u>\$ 2,805</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, 2012

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Intergovernmental	\$ 685,000	\$ 920,756	\$ 235,756
Interest		33	33
Total Revenues	685,000	920,789	235,789
EXPENDITURES			
Current:			
Public Works	715,995	887,952	(171,957)
Total Expenditures	715,995	887,952	(171,957)
Excess (Deficiency) of Revenues over Expenditures	(30,995)	32,837	63,832
Fund Balance (Deficit), Beginning of Year	30,995	30,995	
Fund Balance (Deficit), End of Year	\$ -	\$ 63,832	\$ 63,832

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, 2012

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Permits and Fees	\$ 172,459	\$ 30,655	\$ (141,804)
Interest	5,000	3,545	(1,455)
Miscellaneous			
Total Revenues	<u>177,459</u>	<u>34,200</u>	<u>(143,259)</u>
EXPENDITURES			
Current:			
General Government	106,692	9,301	97,391
Capital Outlay	1,217,044	227,170	989,874
Total Expenditures	<u>1,323,736</u>	<u>236,471</u>	<u>1,087,265</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(1,146,277)</u>	<u>(202,271)</u>	<u>944,006</u>
OTHER FINANCING SOURCES (USES)			
Transfers Out	<u>(6,597)</u>	<u>(10,985)</u>	<u>(4,388)</u>
Total Other Financing Sources (Uses)	<u>(6,597)</u>	<u>(10,985)</u>	<u>(4,388)</u>
Net Change in Fund Balances	(1,152,874)	(213,256)	939,618
Fund Balances (Deficit), Beginning of Year	<u>1,785,235</u>	<u>1,785,235</u>	
Fund Balances (Deficit), End of Year	<u>\$ 632,361</u>	<u>\$ 1,571,979</u>	<u>\$ 939,618</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, 2012

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Taxes	\$ 957,353	\$ 757,844	\$ (199,509)
Interest		961	961
Total Revenues	<u>957,353</u>	<u>758,805</u>	<u>(198,548)</u>
EXPENDITURES			
Current:			
Public Works	<u>473,949</u>	<u>929,218</u>	<u>(455,269)</u>
Total Expenditures	<u>473,949</u>	<u>929,218</u>	<u>(455,269)</u>
Excess (Deficiency) of Revenues over Expenditures	<u>483,404</u>	<u>(170,413)</u>	<u>(653,817)</u>
OTHER FINANCING SOURCES (USES)			
Transfers In		11,040	11,040
Transfers Out	<u>(75,000)</u>		<u>75,000</u>
Total Other Financing Sources (Uses)	<u>(75,000)</u>	<u>11,040</u>	<u>86,040</u>
Net Change in Fund Balance	408,404	(159,373)	(567,777)
Fund Balance (Deficit), Beginning of Year	<u>452,761</u>	<u>452,761</u>	
Fund Balance (Deficit), End of Year	<u><u>\$ 861,165</u></u>	<u><u>\$ 293,388</u></u>	<u><u>\$ (567,777)</u></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, 2012

	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES			
Intergovernment	\$ 320,000	\$ 366,171	\$ 46,171
Interest		747	747
Total Revenues	<u>320,000</u>	<u>366,918</u>	<u>46,918</u>
EXPENDITURES			
Current:			
General Government		357	(357)
Capital Outlay	<u>634,232</u>	<u>27,500</u>	<u>606,732</u>
Total Expenditures	<u>634,232</u>	<u>27,857</u>	<u>606,375</u>
Excess (Deficiency) of Revenues over Expenditures	(314,232)	339,061	653,293
Fund Balance (Deficit), Beginning of Year	<u>314,232</u>	<u>314,232</u>	
Fund Balance (Deficit), End of Year	<u>\$ -</u>	<u>\$ 653,293</u>	<u>\$ 653,293</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, 2012

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Taxes	\$ 30,000	\$ 40,475	\$ 10,475
Interest		29	29
Total Revenues	<u>30,000</u>	<u>40,504</u>	<u>10,504</u>
EXPENDITURES			
Current:			
General Government	<u>41,950</u>	<u>26,738</u>	<u>15,212</u>
Total Expenditures	<u>41,950</u>	<u>26,738</u>	<u>15,212</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(11,950)</u>	<u>13,766</u>	<u>25,716</u>
OTHER FINANCING SOURCES (USES)			
Transfers In		<u>26,713</u>	<u>26,713</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>26,713</u>	<u>26,713</u>
Net Change in Fund Balance	(11,950)	40,479	52,429
Fund Balance (Deficit), Beginning of Year	<u>11,950</u>	<u>11,950</u>	
Fund Balance (Deficit), End of Year	<u>\$ -</u>	<u>\$ 52,429</u>	<u>\$ 52,429</u>

City of Desert Hot Springs
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - Art in Public Places Special Revenue Fund
Year Ended June 30, 2012

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Interest	\$	\$ 84	\$ 84
Miscellaneous			
Total Revenues	-	84	84
EXPENDITURES			
Capital Outlay	45,492	5,000	40,492
Total Expenditures	45,492	5,000	40,492
Excess (Deficiency) of Revenues over Expenditures	(45,492)	(4,916)	40,576
Fund Balance (Deficit), Beginning of Year	45,493	45,493	
Fund Balance (Deficit), End of Year	\$ 1	\$ 40,577	\$ 40,576

City of Desert Hot Springs
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - Quimby Act Special Revenue Fund
Year Ended June 30, 2012

	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES			
Permits and Fees	\$	\$ 2,049	\$ 2,049
Interest		198	198
Total Revenues	-	2,247	2,247
EXPENDITURES			
Capital Outlay		6,075	(6,075)
Total Expenditures	-	6,075	(6,075)
Excess (Deficiency) of Revenues over Expenditures	-	(3,828)	(3,828)
OTHER FINANCING SOURCES (USES)			
Transfers Out	(107,065)		107,065
Total Other Financing Sources (Uses)	(107,065)	-	107,065
Net Change in Fund Balances	(107,065)	(3,828)	103,237
Fund Balance (Deficit), Beginning of Year	107,065	107,065	
Fund Balance (Deficit), End of Year	\$ -	\$ 103,237	\$ 103,237

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, 2012

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Taxes	\$ 197,706	\$ 222,235	\$ 24,529
Interest		1,014	1,014
	<u>197,706</u>	<u>223,249</u>	<u>25,543</u>
Total Revenues			
EXPENDITURES			
Current:			
General Government	103,925	181,228	(77,303)
	<u>103,925</u>	<u>181,228</u>	<u>(77,303)</u>
Total Expenditures			
	<u>93,781</u>	<u>42,021</u>	<u>(51,760)</u>
Excess (Deficiency) of Revenues over Expenditures			
	<u>566,697</u>	<u>566,697</u>	<u></u>
Fund Balances (Deficit), Beginning of Year			
	<u>\$ 660,478</u>	<u>\$ 608,718</u>	<u>\$ (51,760)</u>
Fund Balances (Deficit), End of Year			

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, 2012

	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES			
Intergovernmental	\$ 21,000	\$ 5,987	\$ (15,013)
Total Revenues	<u>21,000</u>	<u>5,987</u>	<u>(15,013)</u>
EXPENDITURES			
Current:			
General Government	<u>19,985</u>	<u>24,928</u>	<u>(4,943)</u>
Total Expenditures	<u>19,985</u>	<u>24,928</u>	<u>(4,943)</u>
Excess (Deficiency) of Revenues over Expenditures	1,015	(18,941)	(19,956)
Fund Balance (Deficit), Beginning of Year	<u>(1,015)</u>	<u>(1,015)</u>	<u> </u>
Fund Balance (Deficit), End of Year	<u><u>\$ -</u></u>	<u><u>\$ (19,956)</u></u>	<u><u>\$ (19,956)</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, 2012

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Interest	\$	\$	\$ -
Intergovernmental		79,593	79,593
Miscellaneous	50,000	3,519	(46,481)
Total Revenues	<u>50,000</u>	<u>83,112</u>	<u>33,112</u>
EXPENDITURES			
Current:			
Culture and Leisure	163,559	183,320	(19,761)
Total Expenditures	<u>163,559</u>	<u>183,320</u>	<u>(19,761)</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(113,559)</u>	<u>(100,208)</u>	<u>13,351</u>
OTHER FINANCING SOURCES (USES)			
Transfers In	100,000	100,000	-
Total Other Financing Sources (Uses)	<u>100,000</u>	<u>100,000</u>	<u>-</u>
Net Change in Fund Balances	(13,559)	(208)	13,351
Fund Balance (Deficit), Beginning of Year	<u>13,560</u>	<u>13,560</u>	<u></u>
Fund Balance (Deficit), End of Year	<u>\$ 1</u>	<u>\$ 13,352</u>	<u>\$ 13,351</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, 2012

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

City of Desert Hot Springs
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - Indian Gaming Special District Grant Special Revenue Fund
Year Ended June 30, 2012

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Intergovernmental	\$ 6,688	\$ 6,088	\$ (600)
Interest			
Total Revenues	<u>6,688</u>	<u>6,088</u>	<u>(600)</u>
EXPENDITURES			
Current:			
Public Safety	<u>6,688</u>		<u>6,688</u>
Total Expenditures	<u>6,688</u>	<u>-</u>	<u>6,688</u>
Excess (Deficiency) of Revenues over Expenditures	<u>-</u>	<u>6,088</u>	<u>6,088</u>
OTHER FINANCING SOURCES (USES)			
Transfers Out		<u>(6,088)</u>	<u>(6,088)</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>(6,088)</u>	<u>(6,088)</u>
Net Change in Fund Balances	-	-	-
Fund Balance (Deficit), Beginning of Year	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance (Deficit), End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

City of Desert Hot Springs
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - SLESF Special Revenue Fund
Year Ended June 30, 2012

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Intergovernmental	\$ 100,000	\$ 100,000	\$ -
Interest			-
Total Revenues	<u>100,000</u>	<u>100,000</u>	<u>-</u>
EXPENDITURES			
Current:			
Public Safety			-
Total Expenditures	<u>-</u>	<u>-</u>	<u>-</u>
Excess (Deficiency) of Revenues over Expenditures	<u>100,000</u>	<u>100,000</u>	<u>-</u>
OTHER FINANCING SOURCES (USES)			
Transfers Out	<u>(100,000)</u>	<u>(100,000)</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>(100,000)</u>	<u>(100,000)</u>	<u>-</u>
Net Change in Fund Balances	-	-	-
Fund Balance (Deficit), Beginning of Year	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance (Deficit), End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</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, 2012

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Taxes	\$ 899,900	\$ 968,407	\$ 68,507
Interest	100	943	843
Total Revenues	<u>900,000</u>	<u>969,350</u>	<u>69,350</u>
EXPENDITURES			
Current:			
Public Safety		134,334	(134,334)
Economic Development	55,591	4,000	51,591
Debt Service:			
Principal	150,000	150,000	-
Interest and Fiscal Charges	609,409	590,388	19,021
Total Expenditures	<u>815,000</u>	<u>878,722</u>	<u>(63,722)</u>
Excess (Deficiency) of Revenues over Expenditures	<u>85,000</u>	<u>90,628</u>	<u>5,628</u>
OTHER FINANCING SOURCES (USES)			
Transfers Out	<u>(100,000)</u>	<u>(300,000)</u>	<u>(200,000)</u>
Total Other Financing Sources (Uses)	<u>(100,000)</u>	<u>(300,000)</u>	<u>(200,000)</u>
Net Change in Fund Balances	(15,000)	(209,372)	(194,372)
Fund Balance (Deficit), Beginning of Year	<u>1,015,096</u>	<u>1,015,096</u>	
Fund Balance (Deficit), End of Year	<u><u>\$ 1,000,096</u></u>	<u><u>\$ 805,724</u></u>	<u><u>\$ (194,372)</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, 2012

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Interest	\$	\$ 96	\$ 96
Total Revenues	-	96	96
EXPENDITURES			
Current:			
General Government		2,763	(2,763)
Capital Outlay	54,145		54,145
Total Expenditures	54,145	2,763	51,382
Excess (Deficiency) of Revenues over Expenditures	(54,145)	(2,667)	51,478
OTHER FINANCING SOURCES (USES)			
Transfers Out			-
Total Other Financing Sources (Uses)	-	-	-
Net Change in Fund Balances	(54,145)	(2,667)	51,478
Fund Balance (Deficit), Beginning of Year	54,145	54,145	
Fund Balance (Deficit), End of Year	\$ -	\$ 51,478	\$ 51,478

City of Desert Hot Springs Internal Service Funds

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

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

City of Desert Hot Springs
Combining Statement of Net Assets
Proprietary Funds
June 30, 2012

	Risk Management	Equipment Replacement	Total
ASSETS			
Current Assets:			
Cash and Investments	\$ 606,150	\$ 197,010	\$ 803,160
Accounts Receivable			-
Interest Receivable	276	92	368
Due From Other Funds			-
Deposits			-
Prepaid Insurance			-
Total Current Assets	606,426	197,102	803,528
Noncurrent Assets:			
Capital Assets:			
Machinery and Equipment		1,422,161	1,422,161
Less Accumulated Depreciation		(719,885)	(719,885)
Total capital assets (Net of Accumulated Depreciation)	-	702,276	702,276
Total Noncurrent Assets	-	702,276	702,276
Total Assets	606,426	899,378	1,505,804
LIABILITIES			
Accounts Payable			
Due to Other Funds			
Claims Payable	882,146		882,146
Total Liabilities	882,146	-	882,146
NET ASSETS			
Unrestricted	(275,720)	899,378	623,658
Total Net Assets	\$ (275,720)	\$ 899,378	\$ 623,658

City of Desert Hot Springs
Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds
Year Ended June 30, 2012

	<u>Risk Management</u>	<u>Equipment Replacement</u>	<u>Total</u>
OPERATING REVENUES			
Other Income	\$ 298,910	\$ 63,137	\$ 362,047
Total Operating Revenues	<u>298,910</u>	<u>63,137</u>	<u>362,047</u>
OPERATING EXPENSES			
Insurance and Claims Expenses	374,018		374,018
Depreciation		236,306	236,306
Other Expenses		4,522	4,522
Total Operating Expenses	<u>374,018</u>	<u>240,828</u>	<u>614,846</u>
Operating Income (Loss)	<u>(75,108)</u>	<u>(177,691)</u>	<u>(252,799)</u>
NON-OPERATING REVENUE (EXPENSES)			
Investment Earnings	1,206	273	1,479
Gain on Sale of Capital Assets		4,200	4,200
Total Non-operating revenues (expenses)	<u>1,206</u>	<u>4,473</u>	<u>5,679</u>
Income (Loss) before contributions and transfers	(73,902)	(173,218)	(247,120)
Transfers In	400,000	200,000	600,000
Transfers Out		(26,713)	(26,713)
Change in Net Assets	326,098	69	326,167
Total Net Assets, Beginning of Year	<u>(601,818)</u>	<u>899,309</u>	<u>297,491</u>
Total Net Assets, End of Year	<u>\$ (275,720)</u>	<u>\$ 899,378</u>	<u>\$ 623,658</u>

City of Desert Hot Springs
Combining Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2012

	Risk Management	Equipment Replacement	Total
Cash Flows from Operating Activities			
Payments to Suppliers for Services	\$ (711,739)	\$ (4,522)	\$ (716,261)
Other Income	298,910	63,137	362,047
Net Cash Provided (Used) by Operating Activities	<u>(412,829)</u>	<u>58,615</u>	<u>(354,214)</u>
Cash Flows from Non-Capital Financing Activities			
Cash Paid (to) from other funds		(26,713)	(26,713)
Transfers from other funds	400,000	200,000	600,000
Net Cash Provided (Used) by Non-Capital Financing Activities	<u>400,000</u>	<u>173,287</u>	<u>573,287</u>
Cash Flows from Capital And Related Financing Activities			
Proceeds from Sales of Capital Assets		4,200	4,200
Purchases of Capital Assets		(179,182)	(179,182)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>-</u>	<u>(174,982)</u>	<u>(174,982)</u>
Cash Flows from Investing Activities			
Interest Received	1,326	181	1,507
Net Cash Provided (Used) by Investing Activities	<u>1,326</u>	<u>181</u>	<u>1,507</u>
Net Increase (Decrease) in Cash and Investments	(11,503)	57,101	45,598
Cash and Investments, Beginning of Year	617,653	139,909	757,562
Cash and Investments, End of Year	<u>\$ 606,150</u>	<u>\$ 197,010</u>	<u>\$ 803,160</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities			
Cash Flows from Operating Activities			
Operating income (loss)	\$ (75,108)	\$ (177,691)	\$ (252,799)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation Expense		236,306	236,306
(Increase) Decrease in Accounts Receivable			-
(Increase) Decrease in Deposits			-
(Increase) Decrease in Prepaids			-
Increase (Decrease) in Accounts Payable	(6,020)		(6,020)
Increase (Decrease) in Claims Payable	(331,701)		(331,701)
Net Cash Provided (Used) By Operating Activities	<u>\$ (412,829)</u>	<u>\$ 58,615</u>	<u>\$ (354,214)</u>

City of Desert Hot Springs Agency Funds

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

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

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

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

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

This page intentionally left blank

City of Desert Hot Springs
Combining Statement of Net Assets
Agency Funds
June 30, 2012

	City Agency Fund Community Services	Assessment District 91-1	Assessment District 92-1	Assessment District 93-2	Community Facilities District Skyborne	Total Agency Funds
ASSETS						
Cash and Investments	\$ 15,587	\$ 56,959	\$ 110,164	\$ 141,173	\$ 338,248	\$ 662,131
Cash with Fiscal Agent			108,090	162,960	180,986	452,036
Accounts Receivable		2,629	3,451	3,274	2,372	11,726
Interest Receivable		17	34	48	110	209
Total Assets	\$ 15,587	\$ 59,605	\$ 221,739	\$ 307,455	\$ 521,716	\$ 1,126,102
LIABILITIES						
Accounts Payable	\$ 1,250	\$ 520	\$ 520		\$ 713	\$ 3,003
Accrued Liabilities	1,464			520		1,984
Deposits Payable	12,873					12,873
Due to Bondholders		59,085	221,219	306,935	521,003	1,108,242
Total Liabilities	\$ 15,587	\$ 59,605	\$ 221,739	\$ 307,455	\$ 521,716	\$ 1,126,102

City of Desert Hot Springs
Combining Statement of Changes in Assets and Liabilities
Agency Funds
Year Ended June 30, 2012

	Balance at Beginning of Year	Additions	Deletions	Balance at End of Year
<u>COMMUNITY SERVICES</u>				
ASSETS				
Cash and Investments	\$ 12,622	\$ 13,983	\$ 11,018	\$ 15,587
Accounts Receivable	-			-
Total Assets	<u>\$ 12,622</u>	<u>\$ 13,983</u>	<u>\$ 11,018</u>	<u>\$ 15,587</u>
LIABILITIES				
Accounts Payable	\$ -	\$ 8,526	\$ 7,276	1,250
Accrued Liabilities	1,939	275	750	1,464
Deposits Payable	10,683	13,208	11,018	12,873
Total Liabilities	<u>\$ 12,622</u>	<u>\$ 22,009</u>	<u>19,044</u>	<u>\$ 15,587</u>
<u>ASSESSMENT DISTRICT 91-1</u>				
ASSETS				
Cash and Investments	\$ 43,272	\$ 56,236	\$ 42,549	\$ 56,959
Cash with Fiscal Agent	48,301	41,617	89,918	-
Accounts Receivable	3,644	2,629	3,644	2,629
Interest Receivable	25	17	25	17
Total Assets	<u>\$ 95,242</u>	<u>\$ 100,499</u>	<u>\$ 136,136</u>	<u>\$ 59,605</u>
LIABILITIES				
Accounts Payable	\$ 510	\$ 6,403	\$ 6,393	\$ 520
Due to Bondholders	94,732	56,491	92,138	\$ 59,085
Total Liabilities	<u>\$ 95,242</u>	<u>62,894</u>	<u>\$ 98,531</u>	<u>\$ 59,605</u>
<u>ASSESSMENT DISTRICT 92-1</u>				
ASSETS				
Cash and Investments	\$ 59,352	\$ 190,986	\$ 140,174	\$ 110,164
Cash with Fiscal Agent	155,486	139,035	186,431	108,090
Accounts Receivable	4,751	3,510	4,810	3,451
Interest Receivable	32	34	32	34
Total Assets	<u>\$ 219,621</u>	<u>\$ 333,565</u>	<u>\$ 331,447</u>	<u>\$ 221,739</u>
LIABILITIES				
Accounts Payable	\$	\$ 4,195	\$ 3,675	\$ 520
Due to Bondholders	219,621	96,828	95,230	221,219
Total Liabilities	<u>\$ 219,621</u>	<u>\$ 101,023</u>	<u>\$ 98,905</u>	<u>\$ 221,739</u>

Continued

City of Desert Hot Springs
Combining Statement of Changes in Assets and Liabilities - Continued
Agency Funds
Year Ended June 30, 2012

	Balance at Beginning of Year	Additions	Deletions	Balance at End of Year
<u>ASSESSMENT DISTRICT 93-2</u>				
ASSETS				
Cash and Investments	\$ 62,314	\$ 87,282	\$ 8,423	\$ 141,173
Cash with Fiscal Agent	180,585	3,150	20,775	162,960
Accounts Receivable	4,088	3,323	4,137	3,274
Interest Receivable	35	48	35	48
Total Assets	<u>\$ 247,022</u>	<u>\$ 93,803</u>	<u>\$ 33,370</u>	<u>\$ 307,455</u>
LIABILITIES				
Accrued Liabilities	\$ 1,020	\$ 7,541	\$ 8,041	\$ 520
Due to Bondholders	246,002	86,289	25,356	306,935
Total Liabilities	<u>\$ 247,022</u>	<u>\$ 93,830</u>	<u>\$ 33,397</u>	<u>\$ 307,455</u>
<u>COMMUNITY FACILITIES DISTRICT - SKYBORNE</u>				
ASSETS				
Cash and Investments	\$ 266,683	\$ 530,924	\$ 459,359	\$ 338,248
Cash with Fiscal Agent	186,240	163,752	169,006	180,986
Accounts Receivable	14,037	2,372	14,037	2,372
Interest Receivable	159	552	601	110
Total Assets	<u>\$ 467,119</u>	<u>\$ 697,600</u>	<u>\$ 643,003</u>	<u>\$ 521,716</u>
LIABILITIES				
Accounts Payable	\$ 2,665	\$ 12,818	\$ 14,770	\$ 713
Deposits Payable	-	-	-	-
Due to Bondholders	464,454	239,372	182,823	521,003
Total Liabilities	<u>\$ 467,119</u>	<u>\$ 252,190</u>	<u>\$ 197,593</u>	<u>\$ 521,716</u>
<u>TOTAL ALL AGENCY FUNDS</u>				
ASSETS				
Cash and Investments	\$ 444,243	\$ 879,411	\$ 661,523	\$ 662,131
Cash with Fiscal Agent	570,612	347,554	466,130	452,036
Accounts Receivable	26,520	11,834	26,628	11,726
Interest Receivable	251	651	693	209
Total Assets	<u>\$ 1,041,626</u>	<u>\$ 1,239,450</u>	<u>\$ 1,154,974</u>	<u>\$ 1,126,102</u>
LIABILITIES				
Accounts Payable	\$ 3,175	\$ 31,942	\$ 32,114	\$ 3,003
Accrued Liabilities	2,959	7,816	8,791	1,984
Deposits Payable	10,683	13,208	11,018	12,873
Due to Bondholders	1,024,809	478,980	395,547	1,108,242
Total Liabilities	<u>\$ 1,041,626</u>	<u>\$ 531,946</u>	<u>\$ 447,470</u>	<u>\$ 1,126,102</u>