

City of Desert Hot Springs

Desert Hot Springs, California

Independent Auditors' Reports and Basic Financial Statements

For the Year Ended June 30, 2015



City of Desert Hot Springs
Basic Financial Statements
For the Year Ended June 30, 2015

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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Desert Hot Springs, California (the "City"), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

Desert Hot Springs, California

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Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of June 30, 2015, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

Financial Condition

As discussed in Note 16 to the basic financial statements, the City has continued to suffer significant reductions in net position from operations for the past years, which raises uncertainties regarding future operations. As of June 30, 2015, the City's governmental activities had an unrestricted net position deficit of \$16,812,375. Management's plans regarding those matters are also described in the Management's Discussion and Analysis. The basic financial statements do not include any adjustments that might result from the outcome of these uncertainties. Our opinion is not modified with respect to this matter.

Implementation of GASB Statement No. 68 and 71

As discussed in Note 1 to the basic financial statements, the City implemented Governmental Accounting Standards Board ("GASB") Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*) and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*. The adoption of these standards required retrospective application of previously reported net position and reclassification of certain accounts as of July 1, 2014 as described in Note 11 to the basic financial statements. In addition, net pension liability is reported in the Statement of Net Position in the amount of \$7,871,359 as of the measurement date. Net pension liability is calculated by actuaries using estimates and actuarial techniques from an actuarial valuation as of June 30, 2013 which was then rolled-forward by the actuaries to June 30, 2014, the measurement date for California Public Employee Retirement System ("CalPERS") plans. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Budgetary Comparison Schedules, Schedule of Proportionate Share of the Net Pension Liability and Related Ratios, and Schedule of Plan Contributions on pages 7 through 14 and pages 100 through 107 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by GASB, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the Required Supplementary Information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

Desert Hot Springs, California

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Other Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 10, 2016 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "The Per Group, LLP". The signature is written in a cursive, flowing style.

Palm Desert, California
February 10, 2016

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS***

Independent Auditors' Report

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

We have audited, in accordance with the 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, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Desert Hot Springs, California (the "City"), as of and for the year ended June 30, 2015, and the related notes to the basic financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated February 10, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting ("internal control") to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, as described in the separately issued AU-C Section 265–*Communicating Internal Control Related Matters Identified in an Audit* letter, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

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

Desert Hot Springs, California

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

The PwC Group, LLP

Palm Desert, California

February 10, 2016

Management's Discussion and Analysis

As the management of the City of Desert Hot Springs, we offer readers of the City of Desert Hot Springs financial statements this narrative, overview and analysis of the financial activities for the fiscal year ended June 30, 2015. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found in an earlier section of the report.

Financial Highlights

- Measure JJ, a one percent sales tax increase was not approved by the voters;
- The City had positive cash flow with revenues exceeding expenditures;
- Development activity within the City has increased;
- The City implanted a priority based budgeting system;
- City Council adopted Desert Hot Springs Recovery Action Plan, a five year financial recovery plan;
- A three year cash-flow model was developed and presented to the City Council;
- Current staffing levels are below standards at a minimum thus the City is service insolvent;
- Property value in the City's industrial area has rapidly increased due to property turnover generated from cultivators of Marijuana;
- The City's continuing structural financial imbalance and two tax measures expiring in 2020 are ongoing issues that, if not corrected, will result in more financial hardship;
- Large expenditure increases are expected from County Fire services and CalPERS in coming years.

Overview of the Financial Statements

The discussion and analysis intended to serve as an introduction to the City of Desert Hot Springs basic financial statements. This annual report consists of four parts: management's discussion and analysis (this section), the basic financial statements, required supplementary information, and supplementary information. The basic financial statements include two statements that present different views of the City.

1. The governmental-wide financial statements provide long-term information about the City's overall financial status.
2. Fund financial statements focus on individual parts of the city government, reporting the city's operations on more detail than the government-wide statements.

Government-wide Financial Statements

The Government-wide Financial Statements are designed to provide readers with a broad overview of the City's financial position, in a manner similar to that of a private-sector business. There are two government-wide financial statements: the Statement of Net Position and the Statement of Activities. They present information for the government as a whole and present a longer term view of the City's finances.

The *Statement of Net Position* presents information on all of the City's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, the differences are reported as *net position*. In time, increases or decreases in net position may serve as a useful indicator of whether the financial standing of the City is improving or deteriorating.

The *Statement of Activities* presents information on how the City's net position changed during the fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Therefore, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (for example, uncollected taxes and earned but unused employee leaves).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include general government, public safety, public works, economic development, and culture and leisure.

The government-wide financial statements can be found on pages 18-21 of this report.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other State and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City maintains (3) major individual governmental funds (General Fund which is consolidated with the Health and Wellness Facility, Public Safety Fund, and Housing Authority). Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund. Data from the other (63) non-major governmental funds are combined into a single, aggregate presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in the report. The following funds are included to make up the non-major governmental funds:

Special Revenue Funds: Special Gas Tax Fund, Capital Improvement Deposit Funds (9), Municipal Lighting and Landscaping Assessment Districts Funds (19), Measure A Fund, SCAQMD Grant Fund, Air Quality Control Fund, Art in Public Places Fund, Quimby Act Fund, Drainage Assessment Districts Funds (18) , County Service Area 152 (CSA-152) Fund, Park and Recreation Grant Fund, Cabot's Museum Fund, , Supplement Law Enforcement Service Fund (SLESF), and Abandoned Vehicle Abatement Fund.

Capital Projects Funds: 2012 Street Bond Fund, Capital Improvement Fund, Assessment District 91-1 Fund, Assessment District 92-1 Fund, and Assessment District 93-2 Fund.

Debt Service Fund: City Debt Service Fund.

Proprietary Funds

Proprietary funds can be broken down into two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses enterprise funds to account for the Health & Wellness Center Foundation acquisition of real property and completion of the buildings and improvements at the Health and Wellness facility center. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses internal service funds to account for the City's risk management and equipment replacement activities associated with City vehicles. Because these vehicle services primarily benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

The basic proprietary fund financial statements can be found on pages 34-37 of this report.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of these funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. Currently the City has two separate Fiduciary Funds reporting financial inflows and outflows for the Successor Agency which is a private purpose trust fund and one Agency Fund. The Agency Fund includes various funding (Community Services Agency Fund and the Community Facilities District Skyborne Agency Funds) which is controlled primarily through legal agreements and applicable State and Federal laws.

The basic fiduciary fund financial statements can be found on pages 40-41 of this report.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found on page 46 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning budgetary comparisons for the general fund. Required supplementary information can be found on pages 101-109 of this report.

The combining statements referred to earlier in connection with non-major governmental funds are presented immediately following the required supplementary information. Combining and individual fund statements and schedules can be found on pages 114-141 of this report.

Government-wide Financial Analysis

Due to the worst recession recent history, the overall financial condition of the City has weakened dramatically over the past decade. Even with the state and nation moving past recovery, the City is still very much in financial risk and is facing a structural deficit in future years. For the past two years, the City has relied heavily on one-time revenues to balance the budget. In response to sharp declines in revenue, the City has had to draw down on all reserve monies, reduce staffing levels, implement a 22.5% pay cut to remaining staff and eliminate and/or reduce a number of programs and services. Even today the City continues to be affected by the recession. Costs continue to outpace revenues. City revenues have been victim to minimal property and transient tax gains and now recently declining sales tax revenue due to declining gas prices.

The City of Desert Hot Springs continues to face structural budget challenges after a declaration of a fiscal emergency in November 2013, but current projections suggest that the immediate risk of a cash shortfall has lessened and seems very unlikely in the short-term. Staff views the City's financial health and liquidity to be the top priority moving forward.

The City has made cuts on a continuing basis year after year to restore liquidity. The city has reported operating deficits as measured by its General and Public Safety Funds combined in each of the last three audited fiscal years. At the end of fiscal 2014, consolidated General Fund and Public Safety Fund cash stood at \$3.3 million and available general fund balance stood at \$1.5 million, or 7.16% of consolidated expenditures. One-time infusions of revenue and salary savings have contributed to positive cash flow for the year. Similarly, fees and permits related to real estate development are playing a large part in the staff's projections of an increase in its General Fund balance to projected General Fund ending cash at \$4.3 million.

Potentially adding to the City's tax base is interest from developers of commercial space for marijuana-related businesses, who could generate a very sizable revenue source. However, staff has not added any projections, due to the high risk of development projects and the potential for laws to change.

Financial Report and Recovery Action Plan

As a part of the City's recovery plan the City worked with Urban Futures Incorporated who are the City's financial advisors to prepare a financial report which contained two primary parts: 1) an estimated month-by-month cash-flow analysis for the remainder of Fiscal Year (FY) 2014-15, projected cash flows for FYs 2015-16 and 2016-17 and annual cash flows for FY 2017-18 and FY 2018-19 (the Financial Report); and analysis and recommendations in association with a recovery action plan (DHSRAP). Staff has continued to update the cash-flow analysis on a rolling three year modal.

The purpose of the cash-flow analysis is to identify and project the City’s cash position in the current fiscal year and two years after. The Plan presents recommendations based on our analysis of the organization in an effort to reduce costs, increase revenues, revise current budget processes and provide an action plan for staff and the City Council to improve fiscal and operational performance.

There are other key provisions of the report that include;

Project	Status
Implement a prioritized budget process	Implemented for FY 2015-2016 budget
Biennial Budget Model	Staff will recommend for FY 2016-2018
Continue Reviewing Revenue Increase Opportunities	Ongoing
Pursue new revenue sources i.e. tax measures	Made recommendation for 2016 ballot measure and that was rejected by the City Council
Restore employee salaries	Additional analysis needed
Address service delivery model changes	Ongoing
Review & amending of leases & debt obligations	Ongoing
Update Economic Development Strategic Plan, Development Impact fee study	Staff will recommend funding in FY 2016-2018 budget

Desert Hot Springs continues to be affected by the serious economic recession, and while staff and the City Council have taken positive steps to produce a balanced budget, more is needed. Expenses continue to rise while revenues remain relatively flat. Very low general fund balances and lower-than-norm non-General Fund balances exacerbate this problem.

Expiring Tax Measures

The City has two revenue ballot measures expiring on June 30, 2020. The Utility User Tax and the Parcel Tax generate approximately \$5 million dollars in revenue per year. If the tax measures are not addressed before they expire the City is at risk of becoming financial insolvent in a relatively short amount of time.

Below are staff estimates on revenue for the next five years for the Parcel Tax and Utility User Tax.

	Parcel Tax	UTT	TOTAL
FY 15/16	\$1,977,669	\$2,933,586	\$4,911,255
FY 16/17	2,002,390	2,970,255	4,972,645
FY 17/18	2,027,420	3,007,384	5,034,804
FY 18/19	2,052,763	3,044,976	5,097,739
FY 19/20	2,078,422	3,083,038	5,161,460

There is no question that over the past year, the City has seen improvement with the City’s financials. Setting aside a ten percent budget contingency, savings from salaries and revenues from building permits and fees have helped to stabilize the City. The City’s current cash position and likelihood of more development have reduced the risk of insolvency. Although the City is moving in the right direction, there are a number of issues that need to be addressed. City staff is projecting deficit spending in FY 2017-2018 and will continue into the foreseeable future. Service levels for the City are extremely low because of high turnover in staff due to current non-competitive salaries being offered and an overall lack of available positions. Infrastructure is continuing to deteriorate with no long-term plan for funding other than regional transportation grant funding, which is unreliable and inconsistent on a year by year basis.

Staff will remain persistent and continue to make strong recommendations towards addressing the concerns mentioned above and keep moving the City forward.

Net Position

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets and deferred outflows of resources exceed liabilities and deferred inflows of resources by approximately \$39.0 million as of June 30, 2015 in the Government activities and Business Type Activities.

The largest portion of the City's net position, \$32.5 million (83.2%), are reflected in its investment in capital assets (e.g., land, street infrastructure, buildings, machinery and equipment) less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt will be provided from future revenues and the remaining (16.8%) of the City's net position, since the capital assets themselves cannot be used to liquidate these liabilities.

Table 1
City of Desert Hot Springs
Net Position
June 30, 2015

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
Current and other assets	\$ 17,549,545	\$ 15,633,230	\$ 15,932,508	\$ 16,246,249	\$ 33,482,053	\$ 31,879,479
Capital assets	43,068,293	46,177,635	15,127,828	15,667,791	58,196,121	61,845,426
Total assets	\$ 60,617,838	\$ 61,810,865	\$ 31,060,336	\$ 31,914,040	\$ 91,678,174	\$ 93,724,905
Deferred outflow of resources	\$ 917,508	\$ 1,075,329	\$ -	\$ -	\$ 917,508	\$ 1,075,329
Total deferred outflow of resources	\$ 917,508	\$ 1,075,329	\$ -	\$ -	\$ 917,508	\$ 1,075,329
Current liabilities	\$ 3,318,739	\$ 5,203,353	\$ 52,000	\$ 76,190	\$ 3,370,739	\$ 5,279,543
Long-term liabilities	27,489,172	29,696,964	20,697,000	20,697,000	48,186,172	50,393,964
Total liabilities	\$ 30,807,911	\$ 34,900,317	\$ 20,749,000	\$ 20,773,190	\$ 51,556,911	\$ 55,673,507
Deferred inflow of resources	\$ 2,020,779	\$ -	\$ -	\$ -	\$ 2,020,779	\$ -
Total deferred inflow of resources	\$ 2,020,779	\$ -	\$ -	\$ -	\$ 2,020,779	\$ -
Net position						
Invested in capital assets	\$ 37,044,552	\$ 39,924,481	\$ (4,787,519)	\$ 11,166,329	\$ 32,257,033	\$ 51,090,810
Restricted	8,474,479	4,730,625	781,653	1,049,971	9,256,132	5,780,596
Unrestricted	(16,812,375)	(16,669,229)	14,317,202	(1,075,450)	(2,495,173)	(17,744,679)
Total net position	\$ 28,706,656	\$ 27,985,877	\$ 10,311,336	\$ 11,140,850	\$ 39,017,992	\$ 39,126,727

An additional portion of the City's net position, \$9.3 million (100%), represents resources that are subject to external restrictions on how they may be used. The unrestricted portion of the net position is negative, which is why the restricted portion of the net position is at 100%.

TABLE 2
City of Desert Hot Springs
Changes in Net Position
June 30, 2015

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
Revenues						
Program revenues:						
Charges for services	\$ 1,892,007	\$ 2,017,352	\$ 104,000	\$ 104,000	\$ 1,996,007	\$ 2,121,352
Operating grants and contributions	896,288	1,401,854	-	-	896,288	1,401,854
Capital grants and contributions	2,130,915	1,615,143	-	-	2,130,915	1,615,143
General revenues					-	-
Property taxes	3,211,768	3,097,310	-	-	3,211,768	3,097,310
Sales taxes	3,154,925	3,180,716	-	-	3,154,925	3,180,716
Transient occupancy taxes	1,351,756	1,313,859	-	-	1,351,756	1,313,859
Other taxes	5,070,619	3,972,234	-	-	5,070,619	3,972,234
Gains on investments	9,792	53,814	75,642	40,617	85,434	94,431
Miscellaneous	819,083	894,991	-	-	819,083	894,991
Transfers	148,551	74,900	(148,551)	(74,900)	-	-
Total revenues	18,685,704	17,622,173	31,091	69,717	18,716,795	17,691,890
Program expenses						
General government	5,121,894	5,444,146	-	-	5,121,894	5,444,146
Public safety	8,302,614	16,962,598	-	-	8,302,614	16,962,598
Public Works	1,524,307	2,476,808	-	-	1,524,307	2,476,808
Economic Development	1,606,877	1,075,939	-	-	1,606,877	1,075,939
Culture and leisure	537,030	1,466,711	-	-	537,030	1,466,711
Interest and fiscal charges	872,203	915,584	-	-	872,203	915,584
Health and wellness foundation			860,605	1,497,281	860,605	1,497,281
Total expenses	17,964,925	28,341,786	860,605	1,497,281	18,825,530	29,839,067
Change in net position	720,779	(10,719,613)	(829,514)	(1,427,564)	(108,735)	(12,147,177)
Net position – beginning of year	27,985,877	38,705,490	11,140,850	12,568,414	39,126,727	51,273,904
Net position – end of year	\$ 28,706,656	\$ 27,985,877	\$ 10,311,336	\$ 11,140,850	\$ 39,017,992	\$ 39,126,727

The City's governmental activities total revenues were \$18.7 million, while the total cost of all programs and services were approximately 18.0 million. Other taxes were the City's largest resource at \$5.1 million (27.1% of total revenue of the governmental activities). Property tax revenue was the second largest revenue source at \$3.2 million (17.2% of total revenue of the governmental activities). Sales tax revenue was the third largest revenue source at \$3.2 million (16.9% of total revenue of the governmental activities). Capital Grants and Contributions fourth at \$2.1 million (11.4% of total revenue of the governmental activities).

Governmental activities

Public safety expenses of \$8,302,614 comprise the largest component of government activities in terms of cost (46% of the total cost of governmental activities this past year). This component was down from the prior year by 1.5 million primarily due to salary and benefit cuts that occurred in 2013-2014 and 2014-2015 and the change moving all Code Enforcement revenues and expenses out of Public Safety to Governmental activities.

General government expenses of \$5,121,894 (includes City Council, City Manager, City Attorney, City Clerk, Finance, Information Systems and Non-Departmental) was the second largest governmental activities (28.5% of the total cost of governmental activities). In comparison to last year there was an increase in the General Government Component as all Code Enforcement revenues and expenses were moved out of the Public Safety component to the General Government component.

Economic Development expenses of \$1,606,877 were the third largest governmental activities (8.9% of the total cost of governmental activities). There was an increase in expenses over the prior fiscal year totaling \$530,938. There was an increase in expenses over the prior fiscal year totaling \$530,938, due to contract services that were provided for vacant and open positions at that the City due to the loss of employees during the cuts. Additionally, there were some salary increases due to settlement agreements. Engineering costs were also increased, due to on-going projects and coverage that was being provided by those contracted employees for the vacant Public Works Manager position.

Public Works expenses of \$1,524,307 were the fourth largest governmental activities (8.5% of the total cost of governmental activities). Compared to the prior year, there was a decrease of \$738,801 again due to loss of staffing and salary and benefit cuts.

Culture and leisure expenses of \$537,030 were the fifth largest governmental activities (3.0% of the total cost of governmental activities), mainly due to the continued operational costs for the H & W Facility and additional repairs and maintenance and costs associated with two swimming programs.

Interest and fiscal charges, at \$872,203, comprised of 4.9% of the total cost of governmental activities.

Business-type activities

Net position for Business-type activities of the City decreased by \$829,514 for the current year. The Business-type activities were all grouped with the Governmental activities in the fiscal year ending June 30, 2015. The combined costs of the City's business-type activities for the Health and Wellness Foundation were primarily financed through reimbursement of interest income, one time grant income and balance of the one time developer fees paid in the prior year and support from the General Governmental activities.

Financial Analysis of the City's Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Capital Improvement Project Fund

This fund is primarily used to record the expenditure of funds for capital projects. The fund had a total of ten Capital Improvement Projects budgeted for during the Fiscal Year 2014-2015. The four most active projects during the year were annual slurry seal and striping of city streets (\$202,995), Safe Routes to School Cycle 2 (\$234,675), Safe Routes to School Cycle 9 (\$270,851) and the ongoing Essential Transportation III Project at (\$270,351). The City continues to work with Mission Springs Water District on the paving of streets after the installation of sewers.

Capital Assets and Debt Administration

At the end of fiscal year 2013 -2014, the City had invested \$81.4 million in a broad range of capital assets before depreciation (see table below). The investment in capital assets includes land, right of way, buildings and improvements, machinery and equipment, streets and bridges, and construction in progress. The investment in capital assets has decreased minimally over the prior fiscal year with increases in Construction in Progress and in vehicle purchases and decreases in machinery and equipment.

Table 3
City of Desert Hot Springs
Capital Assets
As of June 30, 2015

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
Land	\$ 1,455,359	\$ 1,455,359	\$ 370,415	\$ 370,417	\$ 1,825,774	\$ 1,825,776
Construction in progress	420,855	326,556	-	-	420,855	326,556
Building and improvements, net of depreciation	11,385,437	11,908,221	14,525,194	15,015,275	25,910,631	26,923,496
Machinery and equipment, net of depreciation	2,579,134	3,259,851	232,219	282,101	2,811,353	3,541,952
Vehicles, net of depreciation	489,617	653,963	-	-	489,617	653,963
Infrastructure, net of depreciation	26,737,891	28,573,685	-	-	26,737,891	28,573,685
Total	\$ 43,068,293	\$ 46,177,635	\$ 15,127,828	\$ 15,667,793	\$ 58,196,121	\$ 61,845,428

For more detailed information on capital asset activity, please see Capital Assets on page 62 and page 63.

Long Term Debt

As of June 30, 2015 the City had a total of long-term liabilities outstanding of \$40.2 million in bonded debt, Certificates of Participation debt, capital lease payment debt, claims and judgments payable debt, compensated absences and pension-related debt. For more detailed information on each long-term debt liability, please see Note (6) on pages 64 through 77. The Capital Lease Program (for the purchase of several Police Department vehicles) has two more years and the principal balance will be paid in full. The pension related debt has decreased from the prior fiscal by \$102,130.

**Table 4
City of Desert Hot Springs
Long-Term Liabilities
As of June 30, 2015**

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
Judgment obligation bonds	\$ 9,568,317	\$ 9,565,397	\$ -	\$ -	\$ 9,568,317	\$ 9,565,397
Certificate of participation	1,554,452	1,726,897	-	-	1,554,452	1,726,897
2012A certificates of participatior	5,793,305	5,915,970	-	-	5,793,305	5,915,970
Capital Lease Payment	230,436	337,184	-	-	230,436	337,184
Claims and judgments payable	702,990	498,458	-	-	702,990	498,458
Compensated absences	310,646	414,570	-	-	310,646	414,570
Pension related debt	2,482,141	2,584,271	-	-	2,482,141	2,584,271
Promissory Notes	-	-	20,697,000	20,697,000	20,697,000	20,697,000
Total	\$ 20,642,287	\$ 21,042,747	\$ 20,697,000	\$ 20,697,000	\$ 41,339,287	\$ 41,739,747

Economic Factors and Next Year’s Budgets and Rates

There were several factors considered in preparing the City of Desert Hot Springs budget for the Fiscal Year 2015-2016.

- City Council took a proactive approach and continued to make mid-year budget reductions in programs and services either provided or funded by the City in fiscal year ending June 30, 2015. Going forward in the 2015-2016 budget year those same strategies were continued.
- The City will continue to budget payments to CALPERS for the unfunded liability portions of the pension plans.
- There were no COLA’s or increases in benefits for any staffing budgeted in 2015-2016.
- Staffing levels remained the same as the reduced rate from the prior year.
- Minimal build out was projected so revenues were not inflated in building permits, planning fees, Development Impact Fees, and other affected revenues.
- City is actively seeking grant revenue opportunities.
- The City is using one time funding to balance the budget.
- The City still continues to set aside cash flow for the first six months of the year by budgeting that as an operating expenditure.

Request for Information

This financial report is designed to provide a general overview of the City of Desert Hot Springs finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City of Desert Hot Springs, Joe Tanner, Administrative Services Director, 65950 Pierson Blvd, Desert Hot Springs, CA 92240 or by telephone at 760-329-6411 Ext 234.

BASIC FINANCIAL STATEMENTS

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

City of Desert Hot Springs
Statement of Net Position
June 30, 2015

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and investments	\$ 11,028,417	\$ 5,348	\$ 11,033,765
Cash and investments with fiscal agents	1,963,002	781,653	2,744,655
Receivables, net	4,282,701	15,145,507	19,428,208
Prepaid items	67,971	-	67,971
Property held for resale	207,454	-	207,454
Capital assets:			
Not being depreciated	1,876,214	370,415	2,246,629
Depreciable, net of accumulated depreciation	41,192,079	14,757,413	55,949,492
Capital assets, net	43,068,293	15,127,828	58,196,121
Total assets	60,617,838	31,060,336	91,678,174
DEFERRED OUTFLOWS OF RESOURCES			
Pension contribution after measurement date	597,923	-	597,923
Difference between employer actual contribution and employer's proportionate share of contribution	318,892	-	318,892
Adjustment due to difference in proportion	693	-	693
Total deferred outflows of resources	917,508	-	917,508

City of Desert Hot Springs
Statement of Net Position (Continued)
June 30, 2015

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
LIABILITIES			
Current liabilities:			
Accounts payable and other liabilities	1,250,909	-	1,250,909
Accrued liabilities	151,787	-	151,787
Deposits	478,170	-	478,170
Interest payable	213,399	-	213,399
Unearned revenues	200,000	52,000	252,000
Long-term debt - due within one year	1,024,474	-	1,024,474
Total current liabilities	3,318,739	52,000	3,370,739
Noncurrent liabilities:			
Long-term debt - due in more than one year	19,617,813	20,697,000	40,314,813
Net pension liability	7,871,359	-	7,871,359
Total noncurrent liabilities	27,489,172	20,697,000	48,186,172
Total liabilities	30,807,911	20,749,000	51,556,911
DEFERRED INFLOWS OF RESOURCES			
Actual earnings in excess of expected earning on pension			
plan investments	1,584,445	-	1,584,445
Adjustment due to difference in proportion	436,334	-	436,334
Total deferred inflows of resources	2,020,779	-	2,020,779
NET POSITION			
Net investment in capital assets	37,044,552	(4,787,519)	32,257,033
Restricted for:			
Street maintenance and capital improvement	2,226,487	-	2,226,487
Housing authority	2,289,626	-	2,289,626
Health and wellness center	704,644	781,653	1,486,297
Debt service	1,086,840	-	1,086,840
Lighting/Landscaping/Drainage	1,729,481	-	1,729,481
Assessment District 91-1	112,706	-	112,706
Assessment District 92-1	38,309	-	38,309
Assessment District 93-2	28,522	-	28,522
Other	257,864	-	257,864
Total restricted	8,474,479	781,653	9,256,132
Unrestricted (deficit)	(16,812,375)	14,317,202	(2,495,173)
Total net position	\$ 28,706,656	\$ 10,311,336	\$ 39,017,992

See accompanying Notes to the Basic Financial Statements.

City of Desert Hot Springs
Statement of Activities
For the Year Ended June 30, 2015

Functions/Programs	Expenses	Program Revenues			Total Program Revenues
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary government:					
Governmental activities:					
General government	\$ 5,131,148	\$ 273,384	\$ 110,769	\$ 1,307	\$ 385,460
Public safety	8,302,724	540,557	-	40,961	581,518
Public works	1,499,351	73,613	785,519	1,647,164	2,506,296
Economic development	1,606,891	866,881	-	-	866,881
Culture and leisure	552,608	137,572	-	441,483	579,055
Interest and fiscal charges	872,203	-	-	-	-
Total governmental activities	<u>17,964,925</u>	<u>1,892,007</u>	<u>896,288</u>	<u>2,130,915</u>	<u>4,919,210</u>
Business-type activities:					
Health and Wellness Foundation	860,605	104,000	-	-	104,000
Total business-type activities	<u>860,605</u>	<u>104,000</u>	<u>-</u>	<u>-</u>	<u>104,000</u>
Total primary government	<u><u>\$ 18,825,530</u></u>	<u><u>\$ 1,996,007</u></u>	<u><u>\$ 896,288</u></u>	<u><u>\$ 2,130,915</u></u>	<u><u>\$ 5,023,210</u></u>

City of Desert Hot Springs
Statement of Activities (Continued)
For the Year Ended June 30, 2015

Functions/Programs	Net (Expense) Revenue and Changes in Net Position		
	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Primary government:			
Governmental activities:			
General government	\$ (4,745,688)	\$ -	\$ (4,745,688)
Public safety	(7,721,206)	-	(7,721,206)
Public works	1,006,945	-	1,006,945
Economic development	(740,010)	-	(740,010)
Culture and leisure	26,447	-	26,447
Interest and fiscal charges	(872,203)	-	(872,203)
Total governmental activities	<u>(13,045,715)</u>	<u>-</u>	<u>(13,045,715)</u>
Business-type activities:			
Health and Wellness Foundation	-	(756,605)	(756,605)
Total business-type activities	<u>-</u>	<u>(756,605)</u>	<u>(756,605)</u>
Total primary government	<u>(13,045,715)</u>	<u>(756,605)</u>	<u>(13,802,320)</u>
General revenues:			
Taxes:			
Property taxes	3,211,768	-	3,211,768
Sales taxes	3,154,925	-	3,154,925
Vehicle in-lieu taxes	11,475	-	11,475
Utility users taxes	2,897,370	-	2,897,370
Franchise taxes	2,161,774	-	2,161,774
Transient occupancy taxes	1,351,756	-	1,351,756
Total taxes	<u>12,789,068</u>	<u>-</u>	<u>12,789,068</u>
Investment income	9,792	75,642	85,434
Miscellaneous	819,083	-	819,083
Transfers	<u>148,551</u>	<u>(148,551)</u>	<u>-</u>
Total general revenues and transfers	<u>13,766,494</u>	<u>(72,909)</u>	<u>13,693,585</u>
Change in net position	720,779	(829,514)	(108,735)
Net position - beginning of year, as Restated (Note 11)	<u>27,985,877</u>	<u>11,140,850</u>	<u>39,126,727</u>
Net position - end of year	<u>\$ 28,706,656</u>	<u>\$ 10,311,336</u>	<u>\$ 39,017,992</u>

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FUND FINANCIAL STATEMENTS

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

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GOVERNMENTAL FUND FINANCIAL STATEMENTS

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

Public Safety Special Revenue Fund - To account for and report special taxes and grants for community safety expenditures including Police, Fire and Animal Control.

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

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

City of Desert Hot Springs
Balance Sheet
Governmental Funds
June 30, 2015

	Major Funds		
	General	Special Revenue Funds	
		Public Safety	Housing Authority
ASSETS			
Cash and investments	\$ 3,798,666	\$ 497,213	\$ -
Cash and investments with fiscal agents	-	-	-
Receivables:			
Accounts	874,603	413,024	-
Interest	317	-	-
Notes	-	-	2,082,172
Abatements	404,169	-	-
Prepaid items	66,471	1,500	-
Due from other governments	-	-	-
Due from other funds	26,924	-	-
Property held for resale	-	-	207,454
Total assets	\$ 5,171,150	\$ 911,737	\$ 2,289,626
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 419,401	\$ 703,962	\$ -
Accrued liabilities	39,769	105,614	-
Due to other funds	-	-	-
Deposits	260,182	-	-
Unearned revenue	-	-	-
Total liabilities	719,352	809,576	-
Deferred Inflows of Resources:			
Unavailable revenue	524,362	101,703	2,082,172
Fund Balances:			
Nonspendable	66,471	-	207,454
Restricted	-	458	-
Committed	-	-	-
Assigned	3,860,965	-	-
Unassigned	-	-	-
Total fund balances	3,927,436	458	207,454
Total liabilities, deferred inflows of resources, and fund balances	\$ 5,171,150	\$ 911,737	\$ 2,289,626

City of Desert Hot Springs
Balance Sheet (Continued)
Governmental Funds
June 30, 2015

	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS		
Cash and investments	\$ 5,900,347	\$ 10,196,226
Cash and investments with fiscal agents	1,963,002	1,963,002
Receivables:		
Accounts	191,202	1,478,829
Interest	264	581
Notes	-	2,082,172
Abatements	-	404,169
Prepaid items	-	67,971
Due from other governments	287,547	287,547
Due from other funds	578,125	605,049
Property held for resale	-	207,454
Total assets	\$ 8,920,487	\$ 17,293,000
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES		
Liabilities:		
Accounts payable	\$ 127,546	\$ 1,250,909
Accrued liabilities	6,404	151,787
Due to other funds	605,049	605,049
Deposits	217,988	478,170
Unearned revenue	200,000	200,000
Total liabilities	1,156,987	2,685,915
Deferred Inflows of Resources:		
Unavailable revenue	664,628	3,372,865
Fund Balances:		
Nonspendable	-	273,925
Restricted	6,026,237	6,026,695
Committed	1,078,455	1,078,455
Assigned	-	3,860,965
Unassigned	(5,820)	(5,820)
Total fund balances	7,098,872	11,234,220
Total liabilities, deferred inflows of resources, and fund balances	\$ 8,920,487	\$ 17,293,000

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City of Desert Hot Springs
Reconciliation of the Governmental Funds Balance Sheet
to the Government-Wide Statement of Net Position
June 30, 2015

Total Fund Balances - Total Governmental Funds \$ 11,234,220

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

Capital assets, excluding the \$689,579 from the Internal Service Funds, used in governmental activities are not financial resources and are not reported in the funds:

Capital assets, not being depreciated	\$ 1,876,214	
Capital assets, depreciable	<u>40,502,500</u>	<u>42,378,714</u>

Revenue reported as unavailable revenue in the governmental funds when it is not received soon enough after year-end to be considered available. The availability criteria does not apply to the Government-Wide Financial Statements and, therefore, the revenue is recognized when eligibility requirements are met and earned. 3,372,865

Interest expenses are recognized when due, and therefore, interest payable is not recorded in the governmental funds. (213,399)

Long-term liabilities, net of \$933,426 reported in Internal Service funds were not due and payable in the current period. Therefore, they were not reported in the Governmental Funds' Balance Sheet. (19,708,861)

Pension contributions made during the year after the measurement date are reported as pension expense in governmental funds and as deferred outflow of resources in the government-wide financial statements. 597,923

Deferred outflows of resources and deferred inflows of resources related to pension are not reported in the governmental funds.

Employer's actual contributions in excess of the employer's proportionate share of contributions	318,892	
Actual earnings in excess of projected earnings	(1,584,445)	
Net adjustments due to difference in proportionate share	<u>(435,641)</u>	<u>(1,701,194)</u>

Net pension liability is not due and payable in the current period and therefore is not reported in the governmental funds. (7,871,359)

Internal service funds are used by management to charge the costs of general liability, workers' compensation and equipment replacement to individual funds. The assets and liabilities of the internal service fund is included in governmental activities in the Government-Wide Statement of Net Position. 617,747

Net Position of Governmental Activities \$ 28,706,656

City of Desert Hot Springs
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2015

	Major Funds		
	General	Special Revenue Funds	
		Public Safety	Housing Authority
REVENUES:			
Taxes	\$ 7,681,617	\$ 3,878,988	\$ -
Permits and fees	1,426,653	78,542	-
Intergovernmental	24,101	96,713	-
Licenses	192,938	-	-
Interest	1,256	-	-
Miscellaneous	593,767	166,891	-
Total revenues	9,920,332	4,221,134	-
EXPENDITURES:			
Current:			
General government	2,713,423	-	-
Public safety	5,024	7,184,833	-
Public works	203,827	-	-
Economic development	941,549	-	-
Culture and leisure	495,066	-	-
Capital outlay	15,631	25,291	-
Debt service:			
Principal retirement	-	-	-
Interest and fiscal charges	-	-	-
Total expenditures	4,374,520	7,210,124	-
REVENUES OVER (UNDER) EXPENDITURES	5,545,812	(2,988,990)	-
OTHER FINANCING SOURCES (USES):			
Transfers in	175,846	2,989,448	-
Transfers out	(3,441,966)	-	-
Total other financing sources (uses)	(3,266,120)	2,989,448	-
NET CHANGES IN FUND BALANCES	2,279,692	458	-
FUND BALANCES:			
Beginning of year	1,647,744	-	207,454
End of year	\$ 3,927,436	\$ 458	\$ 207,454

City of Desert Hot Springs
Statement of Revenues, Expenditures and Changes in Fund Balances (Continued)
Governmental Funds
For the Year Ended June 30, 2015

	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES:		
Taxes	\$ 2,007,130	\$ 13,567,735
Permits and fees	216,547	1,721,742
Intergovernmental	1,860,336	1,981,150
Licenses	-	192,938
Interest	8,364	9,620
Miscellaneous	58,426	819,084
Total revenues	4,150,803	18,292,269
EXPENDITURES:		
Current:		
General government	260,318	2,973,741
Public safety	-	7,189,857
Public works	1,163,151	1,366,978
Economic development	-	941,549
Culture and leisure	61,986	557,052
Capital outlay	68,079	109,001
Debt service:		
Principal retirement	290,000	290,000
Interest and fiscal charges	860,333	860,333
Total expenditures	2,703,867	14,288,511
REVENUES OVER (UNDER) EXPENDITURES	1,446,936	4,003,758
OTHER FINANCING SOURCES (USES):		
Transfers in	584,196	3,749,490
Transfers out	(620,831)	(4,062,797)
Total other financing sources (uses)	(36,635)	(313,307)
NET CHANGES IN FUND BALANCES	1,410,301	3,690,451
FUND BALANCES:		
Beginning of year	5,688,571	7,543,769
End of year	\$ 7,098,872	\$ 11,234,220

City of Desert Hot Springs
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes
in Fund Balances to the Government-Wide Statement of Activities and Changes in Net Position
For the Year Ended June 30, 2015

Net Change in Fund Balances - Total Governmental Funds \$ 3,690,451

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

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

Capital outlay		124,696
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Depreciation expense on capital assets, net of internal service fund depreciation expense of \$216,389, was reported in the Government-Wide Statement of Activities, but they did not require the use of current financial resources. Therefore, depreciation expense was not reported as an expenditure in the governmental funds.		(3,017,649)
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Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the governmental funds.		204,067
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The fund financial statements record interest expenditures on the current financial resources measurement focus whereas the Government-Wide financial statements recognize interest expense on the accrual basis. The reconciling amount was the change in accrued interest from the prior year.		3,473
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Long-term compensated absences expense was reported in the Government-Wide Statement of Activities, but it did not require the use of current financial resources. Therefore, the decrease in long-term compensated absences was not reported as an expenditure in the governmental funds.		103,924
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Proceeds from long-term debt provided current financial resources to governmental funds, but issuing debt increased long-term liabilities in the Government-Wide Statement of Net Position. Repayment of bond principal was an expenditure in the governmental funds, but the repayment reduced long-term liabilities in the Government-Wide Statement of Net Position.

Principal repayments of long-term debt	290,000	
Principal repayments of pension-related debt	102,130	392,130

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

Amortization of premium/discount		2,190
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Certain pension expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		(605,974)
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Internal service funds were used by management to charge the costs of certain activities, such as insurance, to individual funds. The net loss of the internal service funds was reported with governmental activities.		(176,529)
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Change in Net Position of Governmental Activities		<u>\$ 720,779</u>
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PROPRIETARY FUND FINANCIAL STATEMENTS

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

Enterprise Fund includes:

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

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

City of Desert Hot Springs
Statement of Net Position
Proprietary Funds
June 30, 2015

	Business-Type Activities	Governmental Activities
	Health & Wellness Foundation	Internal Service Funds
ASSETS		
Current assets:		
Cash and investments	\$ 5,348	\$ 832,191
Cash and investments with fiscal agent	781,653	-
Receivables, net:		
Accounts	-	29,385
Interest	18,913	18
Notes	15,126,594	-
Total current assets	<u>15,932,508</u>	<u>861,594</u>
Noncurrent assets:		
Nondepreciable capital assets	370,415	-
Depreciable capital assets, net	<u>14,757,413</u>	<u>689,579</u>
Total noncurrent assets	<u>15,127,828</u>	<u>689,579</u>
Total assets	<u>31,060,336</u>	<u>1,551,173</u>
LIABILITIES		
Current liabilities:		
Unearned revenue	52,000	-
Capital lease payable - due in one year	-	106,748
Claims payable - due in one year	-	239,017
Total current liabilities	<u>52,000</u>	<u>345,765</u>
Noncurrent liabilities:		
Notes payable - due in more than one year	20,697,000	-
Capital lease payable - due in more than one year	-	123,688
Claims payable - due in more than one year	-	463,973
Total noncurrent liabilities	<u>20,697,000</u>	<u>587,661</u>
Total liabilities	<u>20,749,000</u>	<u>933,426</u>
NET POSITION		
Net investment in capital assets	(4,787,519)	459,143
Restricted	781,653	-
Unrestricted	<u>14,317,202</u>	<u>158,604</u>
Total net position	<u>\$ 10,311,336</u>	<u>\$ 617,747</u>

City of Desert Hot Springs
Statement of Revenues, Expenses and Changes in Net Position
Proprietary Funds
For the Year Ended June 30, 2015

	Business-Type Activities <u>Health & Wellness Foundation</u>	Governmental Activities <u>Internal Service Funds</u>
OPERATING REVENUES:		
Charges for services	\$ 104,000	\$ 456
Insurance recovery	-	127,618
Total operating revenues	<u>104,000</u>	<u>128,074</u>
OPERATING EXPENSES:		
Insurance claims	-	545,520
General and administrative	167,197	-
Depreciation	589,923	216,389
Total operating expenses	<u>757,120</u>	<u>761,909</u>
OPERATING (LOSS)	<u>(653,120)</u>	<u>(633,835)</u>
NONOPERATING REVENUES (EXPENSES):		
Interest income	75,642	172
Gain on sale of capital assets	-	12,809
Interest expense	(103,485)	(17,533)
Total nonoperating revenues (expenses)	<u>(27,843)</u>	<u>(4,552)</u>
INCOME (LOSS) BEFORE TRANSFERS	<u>(680,963)</u>	<u>(638,387)</u>
TRANSFERS:		
Transfers in	-	461,858
Transfers out	(148,551)	-
Total transfers	<u>(148,551)</u>	<u>461,858</u>
Changes in net position	(829,514)	(176,529)
NET POSITION:		
Beginning of year	11,140,850	794,276
End of year	<u>\$ 10,311,336</u>	<u>\$ 617,747</u>

City of Desert Hot Springs
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2015

	Business-Type Activities <u>Health & Wellness Foundation</u>	Governmental Activities <u>Internal Service Funds</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from customers and users	\$ 104,653	\$ -
Receipts from interfund charges	-	456
Receipts from claims and recoveries	-	98,233
Payments to suppliers for goods and services	(191,386)	-
Payments for insurance claims	-	(340,988)
Net cash (used in) operating activities	<u>(86,733)</u>	<u>(242,299)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Transfers from (to) other funds	<u>(148,551)</u>	<u>461,858</u>
Net cash (used in) noncapital financing activities	<u>(148,551)</u>	<u>461,858</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Acquisition of capital assets	(49,960)	-
Proceeds from sale of assets	-	12,809
Principal payments on capital lease	-	(106,748)
Interest paid	<u>(103,485)</u>	<u>(17,533)</u>
Net cash (used in) capital and related financing activities	<u>(153,445)</u>	<u>(111,472)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest received	<u>75,701</u>	<u>350</u>
Net cash provided by investing activities	<u>75,701</u>	<u>350</u>
Net (decrease) in cash and cash equivalents	(313,028)	108,437
CASH AND CASH EQUIVALENTS:		
Beginning of year	<u>1,100,029</u>	<u>723,754</u>
End of year	<u>\$ 787,001</u>	<u>\$ 832,191</u>

City of Desert Hot Springs
Statement of Cash Flows (Continued)
Proprietary Funds
For the Year Ended June 30, 2015

	Business-Type Activities Health & Wellness Foundation	Governmental Activities Internal Service Funds
RECONCILIATION OF OPERATING (LOSS) TO NET		
CASH PROVIDED (USED) BY OPERATING ACTIVITIES:		
Operating (loss)	\$ (653,120)	\$ (633,835)
Adjustments to reconcile operating (loss) to net cash (used in) operating activities:		
Depreciation expense	589,923	216,389
(Increase) decrease in:		
Accounts receivable	654	(29,385)
Increase (decrease) in:		
Accounts payable and accrued expenses	(24,190)	-
Claims payable	-	204,532
Total adjustments	566,387	391,536
Net cash (used in) operating activities	\$ (86,733)	\$ (242,299)

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FIDUCIARY FUND FINANCIAL STATEMENTS

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

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

City of Desert Hot Springs
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2015

	Successor Agency Private - Purpose Trust Fund	Agency Funds
ASSETS		
Current assets:		
Cash and investments	\$ 2,562,677	\$ 611,161
Cash and investments with fiscal agents	5,325,283	182,935
Accounts receivable	-	9,847
Interest receivable	-	24
Total current assets	7,887,960	803,967
Noncurrent assets:		
Notes receivable	24,044	-
Property held for resale	7,448,942	-
Total noncurrent assets	7,472,986	-
Total assets	15,360,946	\$ 803,967
LIABILITIES		
Current liabilities:		
Accounts payable	20,491	\$ 79,444
Accrued liabilities	4,744	-
Deposits payable	8,600	29,902
Interest payable	785,010	-
Bonds payable - due within one year	1,833,680	-
Due to bondholders	-	694,621
Total current liabilities	2,652,525	803,967
Noncurrent liabilities:		
Bonds payable - due in more than one year	36,135,003	-
Total noncurrent liabilities	36,135,003	-
Total liabilities	38,787,528	\$ 803,967
NET POSITION (DEFICIT)		
Held in trust	(23,426,582)	
Total net position (deficit)	\$ (23,426,582)	

City of Desert Hot Springs
Statement of Change in Fiduciary Net Position
Fiduciary Fund
For the Year Ended June 30, 2015

	Successor Agency Private - Purpose Trust Fund <hr/>
ADDITIONS:	
Redevelopment Property Tax Trust Fund	\$ 4,300,474
Use of money and property	217,009
Other revenue	10,589
Total additions	<hr/> 4,528,072 <hr/>
DEDUCTIONS:	
Interest expenses	2,434,000
Administration	325,548
Total deductions	<hr/> 2,759,548 <hr/>
Change in net position	1,768,524
NET POSITION:	
Beginning of year	<hr/> (25,195,106)
End of year	<hr/> \$ (23,426,582) <hr/>

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City of Desert Hot Springs
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For the Year Ended June 30, 2015

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City of Desert Hot Springs
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NOTES TO THE BASIC FINANCIAL STATEMENTS

City of Desert Hot Springs
Notes to the Basic Financial Statements
For the Year Ended June 30, 2015

Note 1 – Summary of Significant Accounting Policies

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

A. Financial Reporting Entity

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

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

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

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

City of Desert Hot Springs Financing Corporation (the “Corporation”) – The Corporation is a nonprofit public benefit corporation formed for the purpose of providing public facility financing to the City. The Corporation’s Board of Directors is composed of the five elected City Council members. The Corporation may acquire, construct, rehabilitate, remodel, improve, install and finance or lease various facilities, land and equipment for the benefit of the City. The Corporation holds title to various parcels of land as security for the Certificates of Participation issued in its name. The City makes lease payments to the Corporation in an amount equal to the periodic principal and interest payments due on the Certificates. The Corporation does not issue separate financial statements.

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

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

City of Desert Hot Springs
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2015

Note 1 – Summary of Significant Accounting Policies (Continued)

A. Financial Reporting Entity (Continued)

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

The City has no discretely presented component units.

B. Basis of Accounting and Measurement Focus

The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. City resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

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

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

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

Government-Wide Financial Statements

The Government-Wide Financial Statements are presented on an “*economic resources*” measurement focus and the accrual basis of accounting. Accordingly, all of the City’s assets and liabilities, including capital assets, as well as infrastructure assets, and long-term liabilities, are included in the accompanying Statement of Net Position. The Statement of Activities presents changes in net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred. Fiduciary activities of the City are not included in these statements.

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

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

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

City of Desert Hot Springs
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2015

Note 1 – Summary of Significant Accounting Policies (Continued)

B. Basis of Accounting and Measurement Focus (Continued)

Government-Wide Financial Statements (Continued)

The following interfund activities have been eliminated:

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

Governmental Fund Financial Statements

All governmental funds are accounted for on a spending or "*current financial resources*" measurement focus and the modified accrual basis of accounting. Accordingly, only current assets and current liabilities are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances presents increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in fund balances. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period.

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

Revenues are recognized as soon as they are both "*measurable*" and "*available*". Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For these purposes, the City considers revenues to be available if they are collected within 90 days of the end of the current fiscal period. The primary revenue sources, which have been treated as susceptible to accrual by the City, are property taxes, sales taxes, citations, intergovernmental revenues and other taxes. Expenditures are recorded in the accounting period in which the related fund liability is incurred.

The City reports the following major governmental funds:

- **General Fund** – This fund is the City’s primary operating fund. It accounts for all financial resources of the City, except those required to be accounted for in another fund.
- **Public Safety Special Revenue Fund** – This fund was established to account for special taxes and grants for public safety expenditures.
- **Housing Authority Special Revenue Fund** – This fund was established to account for funds set aside for development and improvements of the City’s housing activity and operations.

City of Desert Hot Springs
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2015

Note 1 – Summary of Significant Accounting Policies (Continued)

B. Basis of Accounting and Measurement Focus (Continued)

Proprietary Fund Financial Statements

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

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

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

The City reports the following major proprietary fund:

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

Fiduciary Fund Financial Statements

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

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

City of Desert Hot Springs
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2015

Note 1 – Summary of Significant Accounting Policies (Continued)

C. Cash, Cash Equivalents and Investments

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

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

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

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

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

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

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

D. Cash and Investments with Fiscal Agents

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

E. Prepaid Items

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

City of Desert Hot Springs
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2015

Note 1 – Summary of Significant Accounting Policies (Continued)

F. Interfund Transactions

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

G. Property Held For Resale

Property held for resale is carried at the lower of cost or market, but not greater than the estimated net realizable value.

H. Capital Assets

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

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

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

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

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

I. Interest Payable

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

J. Unearned Revenue

Unearned revenue is reported for transactions for which revenue has not yet been earned. Typical transactions recorded as unearned revenues are prepaid charges for services.

City of Desert Hot Springs
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2015

Note 1 – Summary of Significant Accounting Policies (Continued)

K. *Compensated Absences*

Permanent City employees earn vacation and sick leave hours per pay period with rates depending on their length of employment. Upon separation from employment the employees are paid for any unused vacation leave accrual balance. The City allows employees to accrue up to a maximum of 300 hours of vacation leave and does not accrue above 300 hours. There is no maximum on the number of sick leave hours that can be accrued. The amount of compensated absences at June 30 is accrued when incurred in the government-wide financial statements. Compensated absences are primarily liquidated by the General Fund.

L. *Pension*

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the plans and additions to/deductions from the plans' fiduciary net position have been determined on the same basis as they are reported by the plans (Note 8). For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value.

The following timeframes are used for pension reporting:

CalPERS

Valuation Date	June 30, 2013
Measurement Date	June 30, 2014
Measurement Period	July 1, 2013 to June 30, 2014

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

M. *Long-Term Debt*

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

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

City of Desert Hot Springs
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2015

Note 1 – Summary of Significant Accounting Policies (Continued)

N. Claims and Judgments

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

O. Property Taxes

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

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

P. Net Position

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

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

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

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

City of Desert Hot Springs
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2015

Note 1 – Summary of Significant Accounting Policies (Continued)

Q. Fund Balances

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

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

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

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

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

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

R. Reclassification

Equipment and vehicles and the associated accumulative depreciation at July 1, 2014 have been reclassified to properly reflect the asset category. There was no effect to the net position at July 1, 2014. Classification was as follows:

	Previously reported	Reclassified
Depreciable assets:		
Machinery and equipment	\$ 9,511,995	\$ 8,064,571
Vehicles	601,315	2,048,739
Less accumulated depreciation:		
Machinery and equipment	(5,646,198)	(4,804,720)
Vehicles	(553,298)	(1,394,776)
	\$ 3,913,814	\$ 3,913,814

City of Desert Hot Springs
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2015

Note 1 – Summary of Significant Accounting Policies (Continued)

S. Spending Policy

Government-Wide Financial Statements and the Proprietary Fund Financial Statements

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

Governmental Fund Financial Statements

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

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

- Committed
- Assigned
- Unassigned

T. Use of Estimates

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

U. Accounting Changes

GASB has issued Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*). This Statement establishes standards for measuring and recognizing liabilities, deferred outflow of resources, deferred inflows of resources, and expense/expenditures for pension plans. This Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. This statement became effective for periods beginning after June 15, 2014. See Note 11 for prior period adjustment as a result of implementation.

GASB has issued Statement No. 69, *Government Combinations and Disposals of Government Operation*. This Statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations. As used in this Statement, the term government combinations includes a variety of transactions referred to as mergers, acquisitions, and transfers of operations. This statement became effective for periods beginning after December 15, 2013 and did not have a significant impact on the City's financial statements for year ended June 30, 2015.

GASB has issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*. This statement establishes standards relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. This statement became effective for periods beginning after June 15, 2014. See Note 11 for prior period adjustment as a result of implementation.

City of Desert Hot Springs
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2015

Note 2 – Cash and Investments

The following is a summary of pooled cash and investments, including cash and investments with fiscal agents at June 30, 2015:

	Government-Wide Statement of Net Position			Fiduciary Fund	
	Governmental Activities	Business-Type Activities	Total	Statement of Net Position	Total
Cash and investments	11,028,417	5,348	\$ 11,033,765	3,173,838	\$ 14,207,603
Cash and investments with fiscal agents	1,963,002	781,653	2,744,655	5,508,218	8,252,873
Total cash and investments	\$ 12,991,419	\$ 787,001	\$ 13,778,420	\$ 8,682,056	\$ 22,460,476

Cash, cash equivalents and investments consisted of the following at June 30, 2015:

Cash and cash equivalents:	
Petty cash	\$ 2,000
Demand deposits	13,327,154
Total cash and cash equivalents	13,329,154
Investments:	
Local Agency Investment Fund	878,451
Cash and investments with fiscal agent:	
Demand deposits	781,653
Certificates of deposit	580,000
Money market mutual funds	6,891,218
Total cash and investments with fiscal agents	8,252,871
Total cash and investments	\$ 22,460,476

A. Demand Deposits

The carrying amounts of the City's demand deposits were \$13,327,154 at June 30, 2015. Bank balances at that date were \$13,474,927, the total amount of which was collateralized or insured with securities held by the pledging financial institutions in the City's name as discussed below. The difference between the carrying amount and bank balances represents outstanding checks, deposits in transit, and other reconciling items.

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

The market value of pledged securities must equal at least 110% of the City's cash deposits. California law also allows institutions to secure City's deposits by pledging first trust deed mortgage notes having a value of 150% of the City's total cash deposits. The City may waive collateral requirements for cash deposits, which are fully insured up to \$250,000 by the Federal Deposit Insurance Corporation ("FDIC").

City of Desert Hot Springs
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2015

Note 2 – Cash and Investments (Continued)

A. Demand Deposits (Continued)

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

B. Investments

Investments Authorized by the City's Investment Policy

The City annually adopted an investment policy to provide guidelines for the deposit and investment of public monies. The investment policy adopted on June 17th, 2014 was consistent with the terms and provisions of California Government Code Section 53600 et seq.

Investments Authorized by Debt Agreement

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

City of Desert Hot Springs
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2015

Note 2 – Cash and Investments (Continued)

C. Risk Disclosures

Interest Rate Risk

As a means of limiting its exposure to fair value losses arising from rising interest rates, the City's investment policy provides that final maturities of securities cannot exceed five years. Specific maturities of investments depend on liquidity needs. At June 30, 2015, the City's investments had the following maturities:

Investment Type	Fair Value	Investment Maturities (in Years)		
		Less than 1	1 to 2	2 to 3
Local Agency Investment Fund (LAIF)	\$ 878,451	\$ 878,451	\$ -	\$ -
Investments held with fiscal agents:				
Certificates of deposits	580,000	179,000	401,000	-
Money market mutual funds	6,891,218	6,891,218	-	-
Total	\$ 8,349,669	\$ 7,948,669	\$ 401,000	\$ -

Credit Risk

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

Credit Quality Distribution for Securities with Credit Exposure as a Percentage of Total Investments				
Investment Type	Fair Value	Moody's Credit Rating	S&P's Credit Rating	% of Investments with Interest Rate Risk
Local Agency Investment Fund (LAIF)	\$ 878,451	Not Rated	Not Rated	10.52%
Investments held with fiscal agents:				
Certificates of deposits	580,000	Not Rated	Not Rated	6.95%
Money market mutual funds	6,891,218	Not Rated	Not Rated	82.53%
Total	\$ 8,349,669			100.00%

Custodial Credit Risk

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

City of Desert Hot Springs
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2015

Note 2 – Cash and Investments (Continued)

D. Investments in Local Agency Investment Fund

The City is a participant in LAIF which is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The City’s investments with LAIF at June 30, 2015, included a portion of the pool funds invested in Structured Notes and Asset-Backed Securities:

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

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

As of June 30, 2015, the City had \$878,451 invested in LAIF, which had invested 2.08% of the pool investment funds in Structured Notes and Asset-Backed Securities. LAIF determines fair value on its investment portfolio based on market quotations for those securities where market quotations are readily available and based on amortized cost or best estimate for those securities where market value is not readily available. The City valued its investments in LAIF as of June 30, 2015, by multiplying its account balance with LAIF times a fair value factor determined by LAIF. This fair value factor was determined by dividing all LAIF participants’ total aggregate amortized cost by total aggregate fair value. The credit quality rating of LAIF is unrated as of June 30, 2015.

Note 3 – Notes Receivable

A. Governmental Fund Financial Statements

Notes receivable, which amounted to \$2,082,172, are reported in the Housing Authority Special Revenue Fund as follows:

Housing Rehabilitation Loan Program	\$ 2,082,172
Owner Participation and Loan Agreement:	
Low and Moderate Income Housing Units	750,000
Multifamily Residential Housing	1,700,000
Subtotal	4,532,172
Less: Allowance for doubtful accounts	(2,450,000)
Total	\$ 2,082,172

The former Redevelopment Agency of the City of Desert Hot Springs (“Redevelopment Agency”) operated a housing rehabilitation loan program, which provides loans to borrowers who meet certain qualifications for the purpose of rehabilitating their homes. The loans are secured by a deed of trust and are normally repaid when the home changes ownership. Since the loans are not currently available resources, they are offset with unavailable revenue in the fund financial statements, and recognized as revenue in the government-wide financial statements.

On October 6, 2009, the former Redevelopment Agency entered into an Owner Participation and Loan Agreement for \$750,000 with a developer to provide sixty low to moderate income housing units. The term of the loan is 55 years and is offset by an allowance for doubtful accounts in both the fund financial statements and in the government-wide financial statements.

City of Desert Hot Springs
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2015

Note 3 – Notes Receivable (Continued)

A. Governmental Fund Financial Statements (Continued)

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

B. Proprietary Fund Financial Statements

On July 13, 2012, the City entered into a Fund Loan Agreement with Desert Hot Springs Investment Fund, LLC, a Missouri limited liability company (the “Investment Fund”) and provided \$15,126,594 to the Investment Fund. The proceeds were used to fund the Investment Fund’s equity investments in New Market Community Capital X, LLC, a Delaware limited liability company (“NMCC”), and LCD New Market Fund XII, LLC, a Delaware limited liability company (“LCD”) in the amount of \$8,300,000 and \$13,000,000, respectively. The note bears an interest rate of 0.5% with maturity date of July 1, 2048. Interest is payable quarterly commencing on October 1, 2012 while principal is not due until January 1, 2020. As of June 30, 2015, the outstanding balance for the note receivable was in the amount of \$15,126,594.

Note 4 – Interfund Transactions

A. Due From/To Other Funds

At June 30, 2015, the City had the following short-term interfund receivable/payable:

Due to Other Funds	Due from Other Funds		Total
	General Fund	Nonmajor Governmental Funds	
Nonmajor Governmental Funds	\$ 26,924	\$ 578,125	\$ 605,049

The above interfund balances resulted from temporary reclassifications made at June 30, 2015 to cover cash shortfalls.

City of Desert Hot Springs
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2015

Note 4 – Interfund Transactions (Continued)

B. Transfers In/Out

For the year ended June 30, 2015, the City had the following transfers in/out which arise in the normal course of operations:

	Transfers In				Total
	General Fund	Public Safety Special Revenue Fund	Nonmajor Governmental Funds	Internal Service Funds	
Transfers Out					
General Fund	\$ -	\$ 2,858,218	\$ 121,890	\$ 461,858	\$ 3,441,966
Nonmajor Governmental Funds	27,295	131,230	462,306	-	620,831
Health & Wellness Foundation Enterprise Fund	148,551	-	-	-	148,551
Total	\$ 175,846	\$ 2,989,448	\$ 584,196	461,858	\$ 4,211,348

The transfer of \$2,858,218 from General Fund to the Public Safety Special Revenue Fund was to fund public safety expenditures during the year in which there were insufficient revenues to cover.

The transfers totaling \$121,890 from General Fund to the Nonmajor Governmental Funds were budgeted transfers to provide funding for the expenditures of the County Service Area 152, Air Quality, and Cabot's Museum.

The transfer of \$461,858 from the General Fund to the Internal Service Funds was to move cash to cover workers compensation liability at year end.

The transfers totaling \$27,295 from the Nonmajor Governmental Funds to the General Fund related reimbursement for expenditures originally subsidized by General Fund.

The transfer of \$131,230 from the Nonmajor Governmental Funds to the Public Safety Special Revenue Fund relate to assistance in funding public safety expenditures.

The transfers totaling \$462,306 within the Nonmajor Governmental Funds were to cover a portion of the expenditures allowable for projects included in the Certificates of Participation, Series 12A and reimbursement for expenditure paid by another fund.

The transfer of \$148,551 from the Health & Wellness Foundation Enterprise Fund to the General Fund relates to Health & Wellness Center operating expenditures during the year.

City of Desert Hot Springs
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2015

Note 5 – Capital Assets

A. Governmental Activities

A summary of changes in the capital assets for the governmental activities for the year ended June 30, 2015 is as follows:

	Governmental Activities			Balance June 30, 2015
	Balance July 1, 2014	Additions	Deletions	
Nondepreciable assets:				
Land	\$ 1,455,359	\$ -	\$ -	\$ 1,455,359
Construction in progress	326,556	94,299	-	420,855
Total nondepreciable assets	<u>1,781,915</u>	<u>94,299</u>	<u>-</u>	<u>1,876,214</u>
Depreciable assets:				
Building and improvements	16,546,940	5,105	-	16,552,045
Machinery and equipment	8,064,571	25,291	-	8,089,862
Vehicles	2,048,739	-	(366,578)	1,682,161
Infrastructure	36,715,882	-	-	36,715,882
Total capital assets, being depreciated	<u>63,376,132</u>	<u>30,396</u>	<u>(366,578)</u>	<u>63,039,950</u>
Less accumulated depreciation:				
Building and improvements	(4,638,719)	(527,889)	-	(5,166,608)
Machinery and equipment	(4,804,720)	(706,008)	-	(5,510,728)
Vehicles	(1,394,776)	(164,346)	366,578	(1,192,544)
Infrastructure	(8,142,197)	(1,835,794)	-	(9,977,991)
Total accumulated depreciation	<u>(18,980,412)</u>	<u>(3,234,037)</u>	<u>366,578</u>	<u>(21,847,871)</u>
Total depreciable assets, net	<u>44,395,720</u>	<u>(3,203,641)</u>	<u>-</u>	<u>41,192,079</u>
Governmental activities capital assets, net	<u>\$ 46,177,635</u>	<u>\$ (3,109,342)</u>	<u>\$ -</u>	<u>\$ 43,068,293</u>

City of Desert Hot Springs
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2015

Note 5 – Capital Assets (Continued)

A. Governmental Activities (Continued)

Depreciation expense was charged to functions/programs of governmental activities for the fiscal year ended June 30, 2015 as follows:

General government	\$ 1,997,534
Public safety	244,411
Public works	143,497
Culture and leisure	632,206
Equipment replacement	216,389
Total depreciation expense	\$ 3,234,037

B. Business-Type Activities

A summary of changes in the capital assets for the business-type activities for the year ended June 30, 2015 is as follows:

	Business-Type Activities			Balance June 30, 2015
	Balance July 1, 2014	Additions	Deletions	
Nondepreciable assets:				
Land	\$ 370,415	\$ -	\$ -	\$ 370,415
Total nondepreciable assets	370,415	-	-	370,415
Depreciable assets:				
Building and improvements	15,731,122	49,960	-	15,781,082
Furniture and fixtures	349,172	-	-	349,172
Total depreciable assets	16,080,294	49,960	-	16,130,254
Less accumulated depreciation:				
Building and improvements	(715,847)	(540,041)	-	(1,255,888)
Furniture and fixtures	(67,071)	(49,882)	-	(116,953)
Total accumulated depreciation	(782,918)	(589,923)	-	(1,372,841)
Total depreciable assets, net	15,297,376	(539,963)	-	14,757,413
Business-type activities capital assets, net	\$ 15,667,791	\$ (539,963)	\$ -	\$ 15,127,828

Depreciation expense was charged to functions/programs of business-type activities for the fiscal year ended June 30, 2015 as follows:

Heath and Wellness Foundation	\$ 587,923
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City of Desert Hot Springs
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2015

Note 6 – Long-Term Liabilities

A. Governmental Activities

A summary of changes in long-term liabilities for governmental activities for the year ended June 30, 2015 is as follows:

	Balance June 30, 2014	Additions	Deletions	Balance June 30, 2015	Due within One Year	Due in more than One Year
Judgment Obligation Bonds	\$ 9,725,000	\$ -	\$ -	\$ 9,725,000	\$ -	\$ 9,725,000
Certificates of Participation	1,750,000	-	(175,000)	1,575,000	180,000	1,395,000
2012A Certificates of Participation	5,700,000	-	(115,000)	5,585,000	120,000	5,465,000
Subtotal	17,175,000	-	(290,000)	16,885,000	300,000	16,585,000
Add/(less) deferred amounts:						
Bond discount - Judgment Bonds	(159,603)	-	2,920	(156,683)	(2,920)	(153,763)
Bond discount - COP	(23,103)	-	2,555	(20,548)	(2,555)	(17,993)
Bond premium - 2012A COP	215,970	-	(7,665)	208,305	7,665	200,640
Total bonds payable	17,208,264	-	(292,190)	16,916,074	302,190	16,613,884
Capital lease payable	337,184		(106,748)	230,436	106,748	123,688
Claims and judgments payable	498,458	608,214	(403,682)	702,990	239,017	463,973
Compensated absences	414,570	219,434	(323,358)	310,646	93,194	217,452
Pension-related debt	2,584,271	-	(102,130)	2,482,141	283,325	2,198,816
Total	\$ 21,042,747	\$ 827,648	\$ (1,228,108)	\$ 20,642,287	\$ 1,024,474	\$ 19,617,813

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

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

Because the City could not previously satisfy its obligations to the Judgment Obligees, and certain other creditors, in December 2001, the City initiated a case under Chapter 9 of the United States Bankruptcy Code (the “Chapter 9 Case”) by filing a voluntary petition (the “Chapter 9 Petition”) with the United States Bankruptcy Court for the Central District of California, Riverside Division. The Bonds are to be issued in connection with and in satisfaction of the City’s Third Amended Plan for the Adjustment of Debts (the “Plan”), dated and filed in the Chapter 9 Case on or about April 28, 2004. In accordance with the Plan, the City is required to consummate a bond or private financing transaction that will produce a minimum of \$8.5 million in unrestricted net proceeds available to City for use in the payment of claims through the Plan and in the satisfaction of ongoing City obligations (the “Exit Financing”). The Bonds and certain payments by the City to creditors in the Chapter 9 Case will constitute the City’s Exit Financing and the finalization of the pending Chapter 9 Case. The net proceeds of the Bonds will be applied to payment of the Judgment Obligees in payment of claims aggregating approximately \$8.85 million due under the Silver Sage Judgment and Settlement 2 Agreement. Such payment will constitute payment of the Judgment and settlement of all claims involving Silver Sage. Total claims to be satisfied under the City’s Plan in the Chapter 9 Case are approximately \$11.5 million. Remaining claims will be paid under the Plan from earmarked available funds of the City and proceeds of the Certificates of Participation to be delivered concurrently with the Bonds.

City of Desert Hot Springs
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2015

Note 6 – Long-Term Liabilities (Continued)

A. Governmental Activities (Continued)

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

The Bonds accrue interest at rates between 4.75% and 5.00%, payable semiannually on March 1 and September 1, and mature through March 1, 2044. The Bonds maturing on or before March 1, 2014 are not subject to redemption prior to their stated maturity date. The Bonds maturing on and after March 1, 2014, shall be subject to optional redemption, in whole or in part, on any interest payment date on or after March 1, 2014, from any source of available funds, at the principal amount plus accrued interest, without premium. The Bonds maturing March 1, 2029, March 1, 2034 and March 1, 2044 are subject to mandatory sinking fund redemption in part, on March 1 in each year at a redemption price equal to the principal amount of the bonds redeemed, without premium, plus accrued interest thereon to the date of redemption.

At June 30, 2015, the outstanding balance of the bonds was \$9,725,000. The annual debt service requirements on the Bonds are as follows:

Year Ending June 30,	Principal	Interest	Total
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
2021-2025	725,000	2,352,513	3,077,513
2026-2030	1,650,000	2,059,438	3,709,438
2031-2035	2,080,000	1,628,613	3,708,613
2036-2040	2,640,000	1,066,250	3,706,250
2041-2044	2,630,000	336,750	2,966,750
TOTAL	<u>\$ 9,725,000</u>	<u>\$ 9,824,814</u>	<u>\$ 19,549,814</u>

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

In October 2004, the City issued the Certificates of Participation (Interim Cash Flow Financing) (the “Certificates”) in the amount of \$3,060,000. The purpose of the Certificates was to: 1) finance certain claims and/or a cash flow deficit attributable in part to certain claims pending before the Bankruptcy Court, as part of Chapter 9 proceedings, for the benefit of the City, 2) fund a reserve fund for the Certificates, and 3) pay the costs incurred in connection with the execution and delivery of the Certificates. The Certificates are payable from lease payments made by the City to the City of Desert Hot Springs Financing Corporation, whereby the City pays lease payments equal to the amount of principal and interest due.

City of Desert Hot Springs
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2015

Note 6 – Long-Term Liabilities (Continued)

A. Governmental Activities (Continued)

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

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

At June 30, 2015, the outstanding balance of the Certificates was \$1,575,000. The annual debt service requirements on the Certificates are as follows:

Year Ending June 30,	Principal	Interest	Total
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
2021-2023	575,000	55,553	630,553
TOTAL	<u>\$ 1,575,000</u>	<u>\$ 375,028</u>	<u>\$ 1,950,028</u>

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

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

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

City of Desert Hot Springs
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2015

Note 6 – Long-Term Liabilities (Continued)

A. Governmental Activities (Continued)

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

At June 30, 2015, the outstanding balance of the Certificates was \$5,585,000. The annual debt service requirements on the Certificates are as follows:

Year Ending June 30,	Principal	Interest	Total
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
2021-2025	725,000	1,264,744	1,989,744
2026-2030	885,000	1,112,300	1,997,300
2031-2035	1,120,000	876,600	1,996,600
2036-2040	1,495,000	498,600	1,993,600
2041-2042	730,000	66,300	796,300
TOTAL	<u>\$ 5,585,000</u>	<u>\$ 5,188,914</u>	<u>\$ 10,773,914</u>

Capital Lease Payable

The City entered into a capital lease agreement during the year ended June 30, 2014 for the acquisition of 13 police vehicles in the amount of \$461,466. The accumulated depreciation at June 30, 2015 was \$184,586. The total principal balance of the leases outstanding at June 30, 2015 was \$230,436.

Future minimum lease payments under the capital lease were as follows:

Year Ending June 30,	
2016	\$ 124,282
2017	124,281
Subtotal	248,563
Less: Interest	(18,127)
Present Value of Future Minimum Lease Payments	<u>\$ 230,436</u>

Claims and Judgments Payable

The amount of claims and judgments payable at June 30, 2015 was \$702,990. The Risk Management Internal Service Fund has been used to liquidate the liability for claims and judgments payable. See Note 7 for details.

City of Desert Hot Springs
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2015

Note 6 – Long-Term Liabilities (Continued)

A. Governmental Activities (Continued)

Compensated Absences

The City’s liability for vested and unpaid compensated absences (accrued vacation and sick pay) in the governmental activities has been accrued and amounted to \$310,646. The General Fund has been used to liquidate the majority of the liability for compensated absences.

Pension-Related Debt

As of June 30, 2003, the California Public Employees’ Retirement System (“CalPERS”) implemented a risk pool for the City’s multiple-employer public employee defined benefit pension plan. The City’s Miscellaneous and Safety Plans converted from agent multiple-employer plans to cost-sharing multiple employer plans. In addition to the annual required contributions (see Note 8), the City is also required to make annual payments on a Side Fund, which was created when the City entered the risk pool to account for the difference between the funded status of the pool and the funded status of the City’s plans. The responsibility for funding the Side Fund is specific to the City and is not shared by all employers in the risk pool. The annual payments on the Side Fund represent principal and interest payments on the pension-related debt, which are included in the retirement expenditures in the City’s various functions.

The amount of pension-related debt outstanding at June 30, 2015 totaled \$2,482,141, including \$639,236 for the Miscellaneous Plan and \$1,842,905 for the Safety Plan.

B. Business-Type Activities

A summary of changes in long-term liabilities for business-type activities for the year ended June 30, 2015 is as follows:

	Balance June 30, 2014	Additions	Deletions	Balance June 30, 2015	Due within One Year	Due in more than One Year
LCD - Promissory Note A-1	\$ 9,207,621	\$ -	\$ -	\$ 9,207,621	\$ -	\$ 9,207,621
NMCC - Promissory Note A-2	3,960,000	-	-	3,960,000	-	3,960,000
LCD - Promissory Note B-1	3,272,379	-	-	3,272,379	-	3,272,379
NMCC - Promissory Note B-2	1,958,973	-	-	1,958,973	-	1,958,973
NMCC - Promissory Note C-2	2,298,027	-	-	2,298,027	-	2,298,027
Total long-term debt	\$ 20,697,000	\$ -	\$ -	\$ 20,697,000	\$ -	\$ 20,697,000

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

City of Desert Hot Springs
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2015

Note 6 – Long-Term Liabilities (Continued)

B. Business-Type Activities (Continued)

LCD – Promissory Note A-1

The note bears an interest rate of 0.5% with maturity date of July 31, 2051. The note may not be repaid in whole or in part at any time prior to the seventh anniversary. Interest is payable quarterly on December 26, March 26, June 26 and September 26 of each year commencing on September 26, 2012 for interest accrued through December 31, March 31, June 30 and September 30 of each year, respectively. A one-time principal payment of \$411,163 is due on January 1, 2020, and thereafter, principal payments are payable quarterly with the interest payments. At June 30, 2015, the outstanding balance of the LCD – Promissory Note A-1 was \$9,207,621.

The annual debt service requirements are as follows:

Year Ending June 30,	Principal	Interest	Total
2016	\$ -	\$ 46,044	\$ 46,044
2017	-	46,044	46,044
2018	-	46,044	46,044
2019	-	46,044	46,044
2020	487,888	45,132	533,020
2021-2025	762,280	209,221	971,501
2026-2030	999,136	187,362	1,186,498
2031-2035	1,241,985	159,515	1,401,500
2036-2040	1,490,977	125,521	1,616,498
2041-2045	1,746,270	85,229	1,831,499
2046-2050	2,008,025	38,477	2,046,502
2051-2052	471,060	1,520	472,580
TOTAL	<u>\$ 9,207,621</u>	<u>\$ 1,036,153</u>	<u>\$ 10,243,774</u>

NMCC – Promissory Note A-2

The note bears an interest rate of 0.5% with maturity date of July 31, 2051. The note may not be repaid in whole or in part at any time prior to the seventh anniversary. Interest is payable quarterly on December 26, March 26, June 26 and September 26 of each year commencing on September 26, 2012 for interest accrued through December 31, March 31, June 30 and September 30 of each year, respectively. One time principal payment of \$271,350 is due on January 1, 2020. Thereafter, principal payments are payable quarterly with the interest payments. At June 30, 2015, the outstanding balance of the NMCC – Promissory Note A-2 was \$3,960,000.

City of Desert Hot Springs
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2015

Note 6 – Long-Term Liabilities (Continued)

B. Business-Type Activities (Continued)

NMCC – Promissory Note A-2 (Continued)

The annual debt service requirements are as follows:

Year Ending June 30,	Principal	Interest	Total
2016	\$ -	\$ 19,800	\$ 19,800
2017	-	19,800	19,800
2018	-	19,800	19,800
2019	-	19,800	19,800
2020	299,684	19,216	318,900
2021-2025	282,211	88,289	370,500
2026-2030	395,609	79,891	475,500
2031-2035	511,871	68,629	580,500
2036-2040	631,079	54,421	685,500
2041-2045	753,299	37,201	790,500
2046-2050	878,613	16,887	895,500
2051-2052	207,634	669	208,303
TOTAL	<u>\$ 3,960,000</u>	<u>\$ 444,403</u>	<u>\$ 4,404,403</u>

LCD – Promissory Note B-1

The note bears an interest rate of 0.5% with maturity date of July 31, 2051. The note may not be repaid in whole or in part at any time prior to the seventh anniversary. Interest is payable quarterly on December 26, March 26, June 26 and September 26 of each year commencing on September 26, 2012 for interest accrued through December 31, March 31, June 30 and September 30 of each year, respectively. Commencing March 26, 2020, principal payments are payable quarterly with the interest payments. At June 30, 2015, the outstanding balance of the LCD – Promissory Note B-1 was \$3,272,379.

City of Desert Hot Springs
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2015

Note 6 – Long-Term Liabilities (Continued)

B. Business-Type Activities (Continued)

LCD – Promissory Note B-1 (Continued)

The annual debt service requirements are as follows:

Year Ending June 30,	Principal	Interest	Total
2016	\$ -	\$ 16,360	\$ 16,360
2017	-	16,360	16,360
2018	-	16,360	16,360
2019	-	16,360	16,360
2020	24,335	16,345	40,680
2021-2025	255,723	78,278	334,001
2026-2030	353,268	70,732	424,000
2031-2035	453,281	60,719	514,000
2036-2040	555,825	48,175	604,000
2041-2045	660,965	33,035	694,000
2046-2050	768,764	15,236	784,000
2051-2052	200,218	679	200,897
TOTAL	<u>\$ 3,272,379</u>	<u>\$ 388,639</u>	<u>\$ 3,661,018</u>

NMCC – Promissory Note B-2

The note bears an interest rate of 0.5% with maturity date of July 31, 2051. The note may not be repaid in whole or in part at any time prior to the seventh anniversary. Interest is payable quarterly on December 26, March 26, June 26 and September 26 of each year commencing on September 26, 2012 for interest accrued through December 31, March 31, June 30 and September 30 of each year, respectively. Commencing March 26, 2020, principal payments are payable quarterly with the interest payments. At June 30, 2015, the outstanding balance of the NMCC – Promissory Note B-2 was \$1,958,973.

City of Desert Hot Springs
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2015

Note 6 – Long-Term Liabilities (Continued)

B. Business-Type Activities (Continued)

NMCC – Promissory Note B-2 (Continued)

The annual debt service requirements are as follows:

Year Ending June 30,	Principal	Interest	Total
2016	\$ -	\$ 9,796	\$ 9,796
2017	-	9,796	9,796
2018	-	9,796	9,796
2019	-	9,796	9,796
2020	10,609	9,789	20,398
2021-2025	114,568	47,432	162,000
2026-2030	188,302	43,698	232,000
2031-2035	263,907	38,093	302,000
2036-2040	341,422	30,578	372,000
2041-2045	420,896	21,104	442,000
2046-2050	502,382	9,618	512,000
2051-2052	116,887	370	117,257
TOTAL	\$ 1,958,973	\$ 239,866	\$ 2,198,839

NMCC – Promissory Note C-2

The note bears an interest rate of 0.5% with maturity date of July 31, 2051. The note may not be repaid in whole or in part at any time prior to the seventh anniversary. Interest is payable quarterly on December 26, March 26, June 26 and September 26 of each year commencing on September 26, 2012 for interest accrued through December 31, March 31, June 30 and September 30 of each year, respectively. Commencing March 26, 2020, principal payments are payable quarterly with the interest payments. At June 30, 2015, the outstanding balance of the NMCC – Promissory Note C-2 was \$2,298,027.

The annual debt service requirements are as follows:

Year Ending June 30,	Principal	Interest	Total
2016	\$ -	\$ 11,492	\$ 11,492
2017	-	11,492	11,492
2018	-	11,492	11,492
2019	-	11,492	11,492
2020	12,762	11,484	24,246
2021-2025	137,402	55,598	193,000
2026-2030	221,836	51,164	273,000
2031-2035	308,405	44,595	353,000
2036-2040	397,165	35,835	433,000
2041-2045	488,172	24,828	513,000
2046-2050	581,482	11,518	593,000
2051-2052	150,803	506	151,309
TOTAL	\$ 2,298,027	\$ 281,496	\$ 2,579,523

City of Desert Hot Springs
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2015

Note 6 – Long-Term Liabilities (Continued)

C. Fiduciary Fund

A summary of changes in long-term liabilities for the fiduciary fund for the year ended June 30, 2015 is as follows:

	Balance June 30, 2014	Additions	Deletions	Balance June 30, 2015	Due within One Year	Due in more than One Year
2006 Tax Allocation						
Refunding Bonds	\$ 3,785,000	\$ -	\$ (570,000)	\$ 3,215,000	\$ 590,000	\$ 2,625,000
2008 Tax Allocation Bonds A-1	15,395,000	-	(1,115,000)	14,280,000	1,190,000	13,090,000
2008 Tax Allocation Bonds A-2	15,870,000	-	-	15,870,000	-	15,870,000
2009 Tax Allocation Bonds	5,290,000	-	(110,000)	5,180,000	115,000	5,065,000
Subtotal	40,340,000	-	(1,795,000)	38,545,000	1,895,000	36,650,000
Add/(less) deferred amounts:						
Bond premium - 2006 Tax						
Allocation Refunding Bonds	12,818	-	(1,825)	10,993	1,825	9,168
Bond discount - 2008 TAB A-1	(540,048)	-	58,765	(481,283)	(58,765)	(422,518)
Bond discount - 2008 TAB A-2	(169,759)	-	6,935	(162,824)	(6,935)	(155,889)
Bond premium - 2009 TAB	59,352	-	(2,555)	56,797	2,555	54,242
Total bonds payable	\$ 39,702,363	\$ -	\$ (1,733,680)	\$ 37,968,683	\$ 1,833,680	\$ 36,135,003

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

In August 2006, the former Redevelopment Agency issued the Merged Redevelopment Project Tax Allocation Refunding Bonds, Series 2006 (the “Refunding Bonds”) in the amount of \$7,025,000. The purpose of the Refunding Bonds was to: 1) pay the costs of issuing the Refunding Bonds, 2) to fund a reserve account for the Refunding Bonds, and 3) to refund the former Redevelopment Agency’s Redevelopment Project No. 1, 1993 Tax Allocation Parity Bonds, Series A and Redevelopment Project No. 2, 1993 Tax Allocation Bonds, Series A. As a result, the 1993 Series bonds are considered to be defeased and the liability for those bonds has been removed from the City’s books.

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

The Refunding Bonds agreement requires the Successor Agency to pledge its annual tax revenues in an amount equal to at least 125% of the annual debt service requirement each fiscal year, through final maturity of the Refunding Bonds on September 1, 2021 or early retirement of the Bonds, whichever occurs first. Revenues received by the Successor Agency from the Redevelopment Property Tax Trust Fund (“RPTTF”) have been pledged for the payment of principal and interest on these bonds. Principal and interest paid for the current year amounted to \$711,056 and a total net revenue reported by the Successor Agency was \$4,300,473. The ratio of net revenues to the debt service payments due during the year ended June 30, 2015 was 6.04 (604%).

The amount of Refunding Bonds outstanding at June 30, 2015 totaled \$3,215,000 in the Successor Agency Private-Purpose Trust Fund.

City of Desert Hot Springs
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2015

Note 6 – Long-Term Liabilities (Continued)

C. Fiduciary Fund (Continued)

Tax Allocation Refunding Bonds, Series 2006 – Original Issue \$7,025,000 (Continued)

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

Year Ending June 30,	Principal	Interest	Total
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
2021-2022	90,000	2,338	92,338
TOTAL	\$ 3,215,000	\$ 345,504	\$ 3,560,504

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

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

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

The Series 2008A-1 Bonds agreement requires the Successor Agency to pledge its annual tax revenues in an amount equal to at least 135% of the annual debt service requirement each fiscal year, through final maturity of the Series 2008A-1 Bonds on September 1, 2023 or early retirement of the Series 2008A-1 Bonds, whichever occurs first. Revenues received by the Successor Agency from the RPTTF have been pledged for the payment of principal and interest on these bonds. Principal and interest paid for the current year amounted to \$2,153,625 and a total net revenue reported by the Successor Agency was \$4,300,473. The ratio of net revenues to the debt service payments due during the year ended June 30, 2015 was 1.99 (199%).

The amount of Series 2008A-1 Bonds outstanding at June 30, 2015 totaled \$14,280,000 in the Successor Agency Private-Purpose Trust Fund.

City of Desert Hot Springs
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2015

Note 6 – Long-Term Liabilities (Continued)

C. Fiduciary Fund (Continued)

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

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

Year Ending June 30,	Principal	Interest	Total
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
2021-2024	7,425,000	1,083,775	8,508,775
TOTAL	<u>\$ 14,280,000</u>	<u>\$ 4,947,600</u>	<u>\$ 19,227,600</u>

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

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

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

The Series 2008A-2 Bonds agreement requires the Successor Agency to pledge its annual tax revenues in an amount equal to at least 135% of the annual debt service requirement each fiscal year, through final maturity of the Series 2008A-2 Bonds on September 1, 2038 or early retirement of the Series 2008A-2 Bonds, whichever occurs first. Revenues received by the Successor Agency from the RPTTF have been pledged for the payment of principal and interest on these bonds. Principal and interest paid for the current year amounted to \$865,773 and a total net revenue reported by the Successor Agency was \$4,300,473. The ratio of net revenues to the debt service payments due during the year ended June 30, 2015 was 4.96 (496%).

The amount of Series 2008A-2 Bonds outstanding at June 30, 2015 totaled \$15,870,000 in the Successor Agency Private-Purpose Trust Fund.

City of Desert Hot Springs
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2015

Note 6 – Long-Term Liabilities (Continued)

C. Fiduciary Fund (Continued)

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

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

Year Ending June 30,	Principal	Interest	Total
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
2021-2025	3,370,000	3,931,912	7,301,912
2026-2030	4,450,000	2,914,826	7,364,826
2031-2035	4,935,000	1,546,387	6,481,387
2036-2038	3,115,000	366,497	3,481,497
TOTAL	\$ 15,870,000	\$ 13,088,484	\$ 28,958,484

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

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

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

The bond agreement requires the Successor Agency to pledge its annual tax revenues in an amount equal to at least 125% of the annual debt service requirement each fiscal year, through final maturity of the bonds or early retirement of the bonds, whichever occurs first. RPTTF revenues received by the Successor Agency have been pledged for the payment of principal and interest on these bonds. Principal and interest paid for the current year amounted to \$472,531 and total net revenues reported by the Successor Agency were \$4,300,473. The ratio of net revenues to the debt service payments due during the year ended June 30, 2015 was 9.10 (910%).

The amount of the 2009 Bonds outstanding at June 30, 2015 totaled \$5,180,000 in the Successor Agency Private-Purpose Trust Fund.

City of Desert Hot Springs
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2015

Note 6 – Long-Term Liabilities (Continued)

C. Fiduciary Fund (Continued)

Tax Allocation Bonds Issue of 2009 – Original Issue \$5,635,000 (Continued)

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

Year Ending June 30,	Principal	Interest	Total
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
2021-2025	850,000	1,504,099	2,354,099
2026-2030	1,190,000	1,152,344	2,342,344
2031-2035	1,395,000	645,865	2,040,865
2036-2039	1,100,000	202,813	1,302,813
TOTAL	<u>\$ 5,180,000</u>	<u>\$ 5,225,648</u>	<u>\$ 10,405,648</u>

D. Non-City 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 for \$13,900,000 (tax exempt) and Series B for \$8,430,000 (taxable). The Certificates do not constitute a debt or liability of the City. As of June 30, 2009, the Certificates were in default and have been transferred to the Bank of New York as the successor indenture trustee. The outstanding balance of the Certificates at June 30, 2015 was approximately \$6,000,000.

The City of Desert Hot Springs Community Facilities District No. 2006-1 (the “District”) issued Improvement Area 1 Special Tax Bonds, Series 2008A on October 16, 2008 in the amount of \$2,600,000. The bond proceeds, in conjunction with special tax collections, will be used to finance certain public facilities and fees within the City necessary for the development of property within Improvement Area 1 of the District. The bonds do not constitute a debt or liability of the City. During fiscal year 2010-11, the District issued Special Tax Refunding Bonds, Series 2010 for the principal amount of the City of Desert Hot Springs Community Facilities District No. 2006-1 Improvement Area 1 Bonds. The outstanding balance at June 30, 2015 was \$2,145,000.

City of Desert Hot Springs
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2015

Note 7 – Risk Management

A. Coverage

The City retains a level of risk for both general liability and worker’s compensation. The insurance coverage in excess of the self-insured amount is provided by the Public Entity Risk Management Authority (“PERMA”), a public entity risk pool consisting of cities and other public agencies in Southern California established under the provisions of California Government Code Section 65000 et seq. Costs are shared amongst the members based upon deposit premium contributions. PERMA publishes its own annual financial reports, which can be obtained from PERMA at 36-951 Cook Street, Suite 101, Palm Desert, CA 92211.

General Liability

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

Workers’ Compensation and Employers’ Liability

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

Other Coverage

The City also has coverage for other risks of loss, including property insurance, auto physical damage insurance, crime coverage and employment practices liability. The City’s property insurance has a \$50,000,000 limit of coverage, including \$2,500,000 for flood, with a \$5,000 deductible per occurrence, except for \$100,000 for flood and \$25,000 for earthquake sprinkler leakage. The City’s auto physical damage insurance has a \$5,000,000 limit of coverage, with a \$2,500 deductible for all vehicles, except for \$10,000 for fire trucks valued over \$200,000. The City’s crime coverage has limits of coverage of \$1,000,000 with a \$2,500 deductible. The City is self-insured for the first \$25,000 of each occurrence for employment practices liability, with excess insurance coverage up to a \$1,000,000 limit.

B. Claims Activity

Claims expenses and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. At June 30, 2015, the amount of these liabilities was \$702,990 and was the City’s best estimate based on available information.

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

Year Ending June 30,	Claims Payable July 1	Claims Incurred during the Fiscal Year	Claims Payments	Year Ended June 30
2013	\$ 882,146	\$ 111,298	\$ (291,838)	\$ 701,606
2014	701,606	541,471	(744,619)	498,458
2015	498,458	608,214	(403,682)	702,990

City of Desert Hot Springs
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2015

Note 7 – Risk Management (Continued)

C. Adequacy of Protection

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

Note 8 – Defined Benefit Pension Plan

	Balance July 1, 2014 (As Restated)	Additions	Deletions	Balance June 30, 2015
Deferred outflows of resources:				
Pension contribution after measurement date:				
Miscellaneous First Tier	\$ 288,172	\$ 190,460	\$ (288,172)	\$ 190,460
Miscellaneous Second Tier	13,102	5,031	(13,102)	5,031
Miscellaneous PEPRA	8,853	21,674	(8,853)	21,674
Safety Police First Tier	723,590	255,644	(723,590)	255,644
Safety Police Second Tier	41,612	77,740	(41,612)	77,740
Safety Police PEPRA	-	47,374	-	47,374
Total pension contribution after measurement date	<u>1,075,329</u>	<u>597,923</u>	<u>(1,075,329)</u>	<u>597,923</u>
Employer's actual contributions in excess of employer's proportionate share of contributions:				
Miscellaneous First Tier	-	94,756	(24,936)	69,820
Miscellaneous Second Tier	-	13,099	(3,447)	9,652
Miscellaneous PEPRA	-	8,853	(2,330)	6,523
Safety Police First Tier	-	274,464	(72,227)	202,237
Safety Police Second Tier	-	41,610	(10,950)	30,660
Total employer's actual contributions in excess of employer's proportionate share of contributions	<u>-</u>	<u>432,782</u>	<u>(113,890)</u>	<u>318,892</u>
Adjustment due to difference in proportion				
Miscellaneous PEPRA	-	940	(247)	693
Total adjustment due to difference in proportion	<u>-</u>	<u>940</u>	<u>(247)</u>	<u>693</u>
Total deferred outflows of resources	<u><u>\$ 1,075,329</u></u>	<u><u>\$ 1,031,645</u></u>	<u><u>\$ (1,189,466)</u></u>	<u><u>\$ 917,508</u></u>

City of Desert Hot Springs
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2015

Note 8 – Defined Benefit Pension Plan (Continued)

	Balance July 1, 2014 (As Restated)	Additions	Deletions	Balance June 30, 2015
Net pension liabilities:				
Miscellaneous First Tier	\$ 2,721,225	\$ 1,033,158	\$ (1,525,709)	\$ 2,228,674
Miscellaneous Second Tier	29	12,777	(12,785)	21
Miscellaneous PEPRAs	6	7,874	(7,876)	4
Safety Police First Tier	6,722,715	2,383,142	(3,463,205)	5,642,652
Safety Police Second Tier	10	16,809	(16,811)	8
Total net pension liabilities	\$ 9,443,985	\$ 3,453,751	\$ (5,026,377)	\$ 7,871,359
Deferred inflows of Resources:				
Difference in projected and actual earnings on pension investments:				
Miscellaneous First Tier	\$ -	\$ 614,120	\$ (122,824)	\$ 491,296
Miscellaneous Second Tier	-	9	(2)	7
Miscellaneous PEPRAs	-	2	-	2
Safety Police First Tier	-	1,366,422	(273,284)	1,093,138
Safety Police Second Tier	-	3	(1)	2
Total difference in projected and actual earnings on pension investments:	-	1,980,556	(396,111)	1,584,445
Adjustment due to difference in proportion				
Miscellaneous First Tier	-	144,317	(37,978)	106,339
Miscellaneous Second Tier	-	1,491	(392)	1,099
Safety Police First Tier	-	444,790	(117,050)	327,740
Safety Police Second Tier	-	1,569	(413)	1,156
Total adjustment due to difference in proportion	-	592,167	(155,833)	436,334
Deferred inflows of Resources:	\$ -	\$ 2,572,723	\$ (551,944)	\$ 2,020,779

General Information about the Pension Plan

Plan Description

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

City of Desert Hot Springs
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2015

Note 8 – Defined Benefit Pension Plan (Continued)

General Information about the Pension Plan (Continued)

Employees Covered by Benefit Terms

At June 30, 2013, the following employees were covered by the benefit terms:

	Plans				
	Miscellaneous	Miscellaneous	Miscellaneous	Safety	Safety
	1st Tier	2nd Tier	PEPRA	Police	Police
	1st Tier	2nd Tier	PEPRA	1st Tier	2nd Tier
Active employees	28	1	1	27	1
Transferred and terminated employees	38	-	-	23	-
Separated	39	-	-	7	-
Retired Employees and Beneficiaries	32	-	-	46	-
Total	137	1	1	103	1

Benefit Provided

CalPERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. A classic CalPERS member becomes eligible for Service Retirement upon attainment of age 55 with at least 5 years of credited service. Public Employee Pension Reform Act (PEPRA) miscellaneous members become eligible for service retirement upon attainment of age 62 with at least 5 years of service. The service retirement benefit is a monthly allowance equal to the product of the benefit factor, years of service, and final compensation. The final compensation is the monthly average of the member's highest 36 full-time equivalent monthly pay.

City of Desert Hot Springs
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2015

Note 8 – Defined Benefit Pension Plan (Continued)

General Information about the Pension Plan (Continued)

Benefit Provided (Continued)

Following are the benefit provisions for each plan:

- Miscellaneous First Tier: 2.0% or 2.7% (at age 55) of the average final 12 months compensation
- Miscellaneous Second Tier : 2.0% (at age 60) of the average final 36 months compensation
- Miscellaneous PEPRA: 2.0% (at age 62) of the average final 36 months compensation
- Safety Police First Tier: 3.0% (at age 50) of the average final 12 months compensation
- Safety Police Second Tier: 3.0% (at age 55) of the average final 36 months compensation
- Safety PEPRA: 2.7% (at age 57) of the average final 36 months compensation.

Participant is eligible for non-industrial disability retirement if becomes disabled and has at least 5 years of credited service. There is no special age requirement. The standard non-industrial disability retirement benefit is a monthly allowance equal to 1.8% of final compensation, multiplied by service. Industrial disability benefits are not offered to miscellaneous employees.

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

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

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

City of Desert Hot Springs
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2015

Note 8 – Defined Benefit Pension Plan (Continued)

General Information about the Pension Plan (Continued)

Contributions

Section 20814(c) of the California Public Employees’ Retirement Law (“PERL”) requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through CalPERS’ annual actuarial valuation process. The Public agency cost-sharing plans covered by the miscellaneous risk pools, the Plan’s actuarially determined rate is based on the estimated amount necessary to pay the Plan’s allocated share of the risk pool’s costs of benefits earned by employees during the year, and any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. For the measurement period ended June 30, 2014 (the measurement date), the contribution rate were as follows:

Plans	Active Employee Contribution Rate	Average Employer Contribution Rate
Miscellaneous First Tier	7.947%	19.480%
Miscellaneous Second Tie	6.880%	8.049%
Miscellaneous PEPRA	6.308%	6.250%
Safety Police First Tier	8.986%	35.282%
Safety Police Second Tier	8.980%	24.358%

Pension Liabilities, Pension Expenses, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension

Actuarial Methods and Assumptions Used to Determine Total Pension Liability

For the measurement period ended June 30, 2014 (the measurement date), the total pension liability was determined by rolling forward the June 30, 2013 total pension liability. Both the June 30, 2013 and the June 30, 2014 total pension liabilities were based on the following actuarial methods and assumptions:

Actuarial Cost Method	Entry Age Normal in accordance with the requirement of GASB Statement No. 68
Actuarial Assumptions:	
Discount Rate	7.50%
Inflation	2.75%
Salary Increases	Varies by Entry Age and Service
Investment Rate of Return	7.50% Net of Pension Plan Investment and Administrative Expenses; includes Inflation
Mortality Rate Table	Derived using CalPERS’ Membership Data for all Funds.
Post Retirement Benefit Increase	Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter

All other actuarial assumptions used in the June 30, 2013 valuation were based on the results of an actuarial experience study for the period from 1997 to 2011, including updates to salary increase, mortality and retirement rates. The Experience Study report can be obtained at CalPERS’ website under Forms and Publications.

City of Desert Hot Springs
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2015

Note 8 – Defined Benefit Pension Plan (Continued)

Pension Liabilities, Pension Expenses, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension (Continued)

Discount Rate

The discount rate used to measure the total pension liability was 7.50%, which is net of administrative expenses. An investment return excluding administrative expenses would have been 7.65%. Management has determined that using the lower discount rate has resulted in a slightly higher total pension liability and net pension liability and the difference was deemed immaterial to the financial statements. The long-term expected rate of return on pension plan investments was determined in which best-estimate ranges of expected future real rates are developed for each major asset class. In determining the long-term expected rate of return, both short-term and long-term market return expectations as well as the expected pension fund cash flows were considered. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years.

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

The table below reflects long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These geometric rates of return are net of administrative expenses.

Asset Class	New Strategic Allocation	Real Return Years 1-10 ¹	Real Return Years 11+ ²
Global Equity	47.00%	5.25%	5.71%
Global Fixed Income	19.00	0.99	2.43
Inflation Sensitive	6.00	0.45	3.36
Private Equity	12.00	6.83	6.95
Real Estate	11.00	4.50	5.13
Infrastructure and Forestland	3.00	4.50	5.09
Liquidity	2.00	-0.55	-1.05

¹An expected inflation of 2.5% used for this period

²An expected inflation of 3.0% used for this period.

City of Desert Hot Springs
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2015

Note 8 – Defined Benefit Pension Plan (Continued)

Pension Liabilities, Pension Expenses, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension (Continued)

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the City's proportionate share of the net pension liability of the Plan as of the measurement date, calculated using the discount rate of 7.5%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (6.50%) or 1 percentage-point higher (8.50%) than the current rate:

	Plan's Net Pension Liability/(Asset)		
	Discount Rate - 1% (6.50%)	Current Discount Rate (7.50%)	Discount Rate + 1% (8.50%)
Miscellaneous First Tier	\$ 3,473,207	\$ 2,228,674	\$ 1,195,830
Miscellaneous Second Tier	\$ 38	\$ 21	\$ 7
Miscellaneous PEPRA	\$ 8	\$ 4	\$ 2
Safety Police First Tier	\$ 8,523,404	\$ 5,642,652	\$ 3,269,036
Safety Police Second Tier	\$ 14	\$ 8	\$ 3

City of Desert Hot Springs
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2015

Note 8 – Defined Benefit Pension Plan (Continued)

Pension Liabilities, Pension Expenses, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension (Continued)

Pension Plan Fiduciary Net Position

Detail information about the plan’s fiduciary net position is available in the separately issued CalPERS financial report and can be obtained from CalPERS’ website under Forms and Publications.

Proportionate Share of Net Pension Liability and Pension Expense

The following table shows the plan’s proportionate share of the risk pool collective net pension liability over the measurement period:

	Increase (Decrease)		
	Plan Total Pension Liability	Plan Fiduciary Net Position	Plan Net Pension Liability/(Asset)
Miscellaneous First Tier			
Balance at: 6/30/13 (Valuation date)	\$ 8,854,267	\$ 6,133,042	\$ 2,721,225
Balance at: 6/30/14 (Measurement date)	\$ 9,381,181	\$ 7,152,507	\$ 2,228,674
Net Changes during 2013-2014	\$ 526,914	\$ 1,019,465	\$ (492,551)
Miscellaneous Second Tier			
Balance at: 6/30/13 (Valuation date)	\$ 25	\$ 19	\$ 6
Balance at: 6/30/14 (Measurement date)	\$ 26	\$ 22	\$ 4
Net Changes during 2013-2014	\$ 1	\$ 3	\$ (2)
Miscellaneous PEPRA			
Balance at: 6/30/13 (Valuation date)	\$ 119	\$ 90	\$ 29
Balance at: 6/30/14 (Measurement date)	\$ 126	\$ 105	\$ 21
Net Changes during 2013-2014	\$ 7	\$ 15	\$ (8)
Safety Police First Tier			
Balance at: 6/30/13 (Valuation date)	\$ 20,511,475	\$ 13,788,760	\$ 6,722,715
Balance at: 6/30/14 (Measurement date)	\$ 21,506,577	\$ 15,863,925	\$ 5,642,652
Net Changes during 2013-2014	\$ 995,102	\$ 2,075,165	\$ (1,080,063)
Safety Police Second Tier			
Balance at: 6/30/13 (Valuation date)	\$ 40	\$ 30	\$ 10
Balance at: 6/30/14 (Measurement date)	\$ 42	\$ 34	\$ 8
Net Changes during 2013-2014	\$ 2	\$ 14	\$ (2)

City of Desert Hot Springs
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2015

Note 8 – Defined Benefit Pension Plan (Continued)

Pension Liabilities, Pension Expenses, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension (Continued)

Proportionate Share of Net Pension Liability and Pension Expense (Continued)

The following is the approach established by the plan actuary to allocate the net pension liability and pension expense to the individual employers within the risk pool.

- (1) In determining a cost-sharing plan's proportionate share, total amounts of liabilities and assets are first calculated for the risk pool as a whole on the valuation date (June 30, 2013). The risk pool's fiduciary net position ("FNP") subtracted from its total pension liability ("TPL") determines the net pension liability ("NPL") at the valuation date.
- (2) Using standard actuarial roll forward methods, the risk pool TPL is then computed at the measurement date (June 30, 2014). Risk pool FNP at the measurement date is then subtracted from this number to compute the NPL for the risk pool at the measurement date. For purposes of FNP in this step and any later reference thereto, the risk pool's FNP at the measurement date denotes the aggregate risk pool's FNP at June 30, 2014 less the sum of all additional side fund (or unfunded liability) contributions made by all employers during the measurement period (2013-14).
- (3) The individual plan's TPL, FNP and NPL are also calculated at the valuation date.
- (4) Two ratios are created by dividing the plan's individual TPL and FNP as of the valuation date from (3) by the amounts in step (1), the risk pool's total TPL and FNP, respectively.
- (5) The plan's TPL as of the Measurement Date is equal to the risk pool TPL generated in (2) multiplied by the TPL ratio generated in (4). The plan's FNP as of the Measurement Date is equal to the FNP generated in (2) multiplied by the FNP ratio generated in (4) plus any additional side fund (or unfunded liability) contributions made by the employer on behalf of the plan during the measurement period.
- (6) The plan's NPL at the Measurement Date is the difference between the TPL and FNP calculated in (5).

City of Desert Hot Springs
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2015

Note 8 – Defined Benefit Pension Plan (Continued)

Pension Liabilities, Pension Expenses, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension (Continued)

Proportionate Share of Net Pension Liability and Pension Expense (Continued)

The City's proportionate share of the net pension liability was as follows:

	Plans		
	Miscellaneous First Tier	Miscellaneous Second Tier	Miscellaneous PEPRA
	June 30, 2013	0.08305%	0.00000%
June 30, 2014	0.09018%	0.00000%	0.00000%
Change - Increase (Decrease)	0.00713%	0.00000%	0.00000%

	Plans	
	Safety Police First Tier	Safety Police Second Tier
	June 30, 2013	0.14052%
June 30, 2014	0.15043%	0.00000%
Change - Increase (Decrease)	0.00991%	0.00000%

For the year ended June 30, 2015, the City recognized pension expense in the amounts of \$1,203,897.

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

The Expected Average Remaining Service Lifetime ("EARSL") is calculated by dividing the total future service years by the total number of plan participants (active, inactive, and retired) in the risk pool. The EARSL for risk pool for the 2013-14 measurement period is 3.8 years, which was obtained by dividing the total service years of 460,700 (the sum of remaining service lifetimes of the active employees) by 122,789 (the total number of participants: active, inactive, and retired).

City of Desert Hot Springs
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2015

Note 8 – Defined Benefit Pension Plan (Continued)

Pension Liabilities, Pension Expenses, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension (Continued)

Proportionate Share of Net Pension Liability and Pension Expense (Continued)

At June 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Miscellaneous First Tier		
	Deferred outflows of Resources	Deferred inflows of Resources
Difference between projected and actual earning on pension plan investments	\$ -	\$ (491,296)
Adjustment due to differences in proportions	-	(106,339)
Difference between City contributions and proportionate share of contributions	69,820	-
Total	<u>\$ 69,820</u>	<u>\$ (597,635)</u>
Miscellaneous Second Tier		
	Deferred outflows of Resources	Deferred inflows of Resources
Difference between projected and actual earning on pension plan investments	\$ -	\$ (7)
Adjustment due to differences in proportions	-	(1,099)
Difference between District contributions and proportionate share of contributions	9,652	-
Total	<u>\$ 9,652</u>	<u>\$ (1,106)</u>
Miscellaneous PEPRA		
	Deferred outflows of Resources	Deferred inflows of Resources
Difference between projected and actual earning on pension plan investments	\$ -	\$ (2)
Adjustment due to differences in proportions	693	
Difference between District contributions and proportionate share of contributions	6,523	-
Total	<u>\$ 7,216</u>	<u>\$ (2)</u>

City of Desert Hot Springs
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2015

Note 8 – Defined Benefit Pension Plan (Continued)

Pension Liabilities, Pension Expenses, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension (Continued)

Proportionate Share of Net Pension Liability and Pension Expense (Continued)

Safety Police First Tier		
	Deferred outflows of Resources	Deferred inflows of Resources
Difference between projected and actual earning on pension plan investments	\$ -	\$ (1,093,138)
Adjustment due to differences in proportions	-	(327,740)
Difference between District contributions and proportionate share of contributions	202,237	-
Total	\$ 202,237	\$ (1,420,878)
Safety Police Second Tier		
	Deferred outflows of Resources	Deferred inflows of Resources
Difference between projected and actual earning on pension plan investments	\$ -	\$ (2)
Adjustment due to differences in proportions	-	(1,156)
Difference between District contributions and proportionate share of contributions	30,660	-
Total	\$ 30,660	\$ (1,158)

City of Desert Hot Springs
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2015

Note 8 – Defined Benefit Pension Plan (Continued)

Pension Liabilities, Pension Expenses, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension (Continued)

Proportionate Share of Net Pension Liability and Pension Expense (Continued)

<u>Year Ended June 30,</u>	<u>Deferred Outflows/ (Inflows) of Resources</u>				
	<u>Miscellaneous First Tier</u>	<u>Miscellaneous Second Tier</u>	<u>Miscellaneous PEPRA</u>	<u>Safety Police First Tier</u>	<u>Safety Police Second Tier</u>
2016	\$ (135,866)	\$ 3,053	\$ 2,576	\$ (318,107)	\$ 10,536
2017	(135,866)	3,053	2,576	(318,107)	10,536
2018	(133,259)	2,441	2,064	(309,141)	8,430
2019	(122,824)	(1)	(2)	(273,286)	1
2020	-	-	-	-	-
Thereafter	-	-	-	-	-
	<u>\$ (527,815)</u>	<u>\$ 8,546</u>	<u>\$ 7,214</u>	<u>\$ (1,218,641)</u>	<u>\$ 29,503</u>

City of Desert Hot Springs
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2015

Note 9 – Jointly Governed Organization

Eastern Riverside County Interoperable Communications Authority

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

On April 10, 2009, ERICA and three member agencies, including Indio, Palm Springs, and the City, entered into a reimbursement agreement relating to a municipal lease purchase agreement with Motorola, Inc., in the aggregate principal amount of \$5,557,603. The agreement obligates the three member agencies to pay 33.3% of the annual lease payments, as set forth in the municipal lease purchase agreement with Motorola, Inc. ERICA also entered into a reimbursement agreement with all member agencies, which obligates each member agency to pay 20% of the annual lease payments for a master logging recorder, in the aggregate principal amount of \$202,489.

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

Year Ending June 30,		
2016	\$	138,393
2017		138,393
2018		138,393
2019		138,393
2020		138,393
2021-2024		553,572
	\$	1,245,537

City of Desert Hot Springs
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2015

Note 10 – Classification of Fund Balances

At June 30, 2015, fund balances are classified as follows:

	Major Funds			Nonmajor	Total
	General	Public Safety	Housing Authority	Governmental Funds	
Nonspendable:					
Prepaid items	\$ 66,471	\$ -	\$ -	\$ -	\$ 66,471
Property held for resale	-	-	207,454	-	207,454
Total nonspendable	66,471	-	207,454	-	273,925
Restricted:					
Public safety	-	458	-	31,342	31,800
Public works	-	-	-	2,307,345	2,307,345
Park development	-	-	-	704,644	704,644
Debt service	-	-	-	1,086,840	1,086,840
Air quality	-	-	-	22,558	22,558
Lighting/Landscaping/Drainage	-	-	-	1,693,971	1,693,971
Assessment District 91-1	-	-	-	112,706	112,706
Assessment District 92-1	-	-	-	38,309	38,309
Assessment District 93-2	-	-	-	28,522	28,522
Total restricted	-	458	-	6,026,237	6,026,695
Committed:					
Art in public places	-	-	-	75,578	75,578
Capital projects	-	-	-	1,002,877	1,002,877
Total assigned	-	-	-	1,078,455	1,078,455
Assigned:					
Operations	3,860,965	-	-	-	3,860,965
Unassigned:					
County Service Area 152	-	-	-	(5,820)	(5,820)
Total	\$ 3,927,436	\$ 458	\$ 207,454	\$ 7,104,692	\$ 11,234,220

The assigned fund balance totaling \$3,860,965 is being held in the General Fund to fund the operations of the City for the fiscal year ending 2014-2015. Assigned fund balances encompass the portion of the net fund resources reflecting the government's intended use of resources. Assignment of resources can be done by the highest level of decision making or by a committee or official designated for the purpose. The City Council has authorized the City Manager or designee for that purpose.

Going forward the City will continue to assign the General Fund's fund balance in the amount of \$1.4 million in fiscal years 2015-2016 until such time as the City is able to build up the reserves through future revenue streams and become more fiscally solvent.

City of Desert Hot Springs
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2015

Note 10 – Classification of Fund Balances (Continued)

At June 30, 2015, outstanding encumbrances by major fund are as follows:

Fund	Amount
General Fund	\$ 1,887
Public Safety Special Revenue Fund	4,649
Total	\$ 6,536

Note 11 – Prior Period Adjustments

As a result of the implementation of GASB Statements No. 68 and 71, net position as of July 1, 2014 was restated as follows:

	Governmental Activities
Beginning Net Position, as previously reported	\$ 36,354,533
Prior period adjustments:	
Report actual pension contributions made during the measurement period as deferred outflows of resources due to implementation of GASB 71	1,075,329
Report net pension liability due to the implementation of GASB 68	(9,443,985)
Beginning Net Position, as restated	\$ 27,985,877

Note 12 – Contingencies and Commitments

A. Lawsuits

The City is presently involved in certain matters of litigation that have arisen in the normal course of conducting City business. City management believes, based upon consultation with the City Attorney, that these cases, in the aggregate, are not expected to result in a material adverse financial impact on the City, except for the lawsuit described below. Additionally, City management believes that the City's insurance programs are sufficient to cover any potential losses should an unfavorable outcome materialize (See Note 7).

B. Federal and State Grant Programs

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

City of Desert Hot Springs
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2015

Note 12 – Contingencies and Commitments (Continued)

C. Dispute with State of California Regarding Use of Gas Tax Monies

The City is involved in a dispute with the State of California regarding the State Gas Tax Compliance Audit (“audit”) that was performed during the year ended June 30, 2014. The audit was conducted by the State Controller’s Office for the City’s Gas Tax activities for the years ended June 30, 2009 through June 30, 2013. There was an audit finding that the City used gas tax monies for an ineligible expenditure for the debt service payment of \$119,000 for the 2012A Certificates (refer to Note 6A). Per the State’s draft audit report dated September 2014, the debt service payment is not an eligible use of gas tax monies under the Street and Highway Code Section 2107.4, as the bonds were not voter-approved and the term of the bond exceeds 25 years. The \$119,000 used for the debt service payment in the year ended June 30, 2013 was requested to be reimbursed to the Gas Tax Special Revenue Fund. The City disputes the finding and responded within the requested time period that the monies were properly used, as the 2012A Certificates are certificates of participation with installment payments and are not bonds. Therefore, the City determined that this debt service payment does not fall under the requirement to meet the voter-approved and 25 year term limit requirements per the State’s audit report. In addition, the City responded that the time limit for the State to dispute the use of gas tax monies has passed as determined by the original judgment when the 2012A Certificates were originally approved. There has been no further progress on this dispute that the City is aware of.

Note 13 – Related Party Transactions

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

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

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

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

City of Desert Hot Springs
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2015

Note 14 – Other Fund Disclosures

Deficit Net Position

The following fund had deficit net position at June 30, 2015:

Fund	Amount
Fiduciary Fund:	
Successor Agency Private-Purpose Trust Fund	\$ (23,426,582)
Total	\$ (23,426,582)

This deficit net position is expected to be eliminated with future payments from the Redevelopment Property Tax Trust Fund to the Successor Agency for its long-term debt.

In addition, the Health & Wellness Foundation Enterprise Fund had a deficit net investment in capital assets in the amount of (\$4,787,519). The deficit was created by the accumulated depreciation for the completed Health & Wellness Center project while the debt is not expected to be repaid until the year ending June 30, 2020.

Note 15 – Desert Valley Disposal, Inc. Franchise Agreement

In March 2014, the City entered into an exclusive franchise agreement with the Desert Valley Disposal, Inc. (“DVD”) for solid waste and recyclable materials collection and diversion services. The City received from DVD a one-time investment payment of \$1,000,000 during the year ended June 30, 2014, which was recognized as revenue during the year ended June 30, 2015. The investment payment was received by the City prior to the agreement becoming effective on July 1, 2014. Each year starting from the year ending June 30, 2015, DVD will pay the City a re-investment payment of \$100,000 for the initial year, with \$10,000 increases for each payment thereafter. The term of the agreement is 15 years, with options for extensions.

Note 16 – City’s Financial Condition

The City ended the 2014-2015 fiscal years with a positive cash flow and Operating Capital needed to sustain the City for the first six months of next fiscal year (2016-2017) totaling 4.1 million. The continued progress to stabilize the City’s overall financial condition and to increase the General Fund reserves is on the forefront of all of the elected and staff to ensure the City’s future and fiscal solvency.

In 2013-2014 the City made significant cuts to expenses including: pension reform, salary and benefit concessions, decrease in staffing and cuts to contracted services.

The elected officials took an even harder look in this past fiscal year at the bottom line by cutting additional operational and contracted services at mid-year by an estimated total of \$200,000 and carried most of those cuts forward into the 2015-2016 budgets for an estimated annual savings for the 2015-2016 budget cycle of \$270,000. Additionally, savings came from unfilled vacant positions in the City and Police Department, increases in business licenses fees, building permit fees, planning service fees, Transient Occupancy Tax Fees and various property tax collection.

City of Desert Hot Springs
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2015

Note 16 – City’s Financial Condition (Continued)

In this fiscal year the City received 7% of increased revenues over budgeted revenues totaling approximately \$7,000,000 due to revenues collected for business license fees, building and planning permit and service fees, increased property taxes, Triple Flip taxes and Transient Occupancy Tax.

It is anticipated that the City will receive increased revenues in 2015-2016 and 2016-2017 for the Marijuana dispensaries and cultivation facilities which are still in the approval and entitlement process. A total of (12) Marijuana dispensary developers were approved to be reviewed by staff within the City limits, but it is anticipated that only 75% of the developers will actually set up shop. Also five Marijuana Cultivation facilities are in process and once approved will bring in not only taxes but one time permitting and Development Impact fees over the next two years.

Although there has been progress, going forward the Council will need to address these critical issues surrounding the continued financial health of the City:

- The sunset of DHS Public Safety Measure Tax and the Utility Users Tax in 2020 have a drastic impact on the Consolidated General Fund as they both directly support the Public Safety departmental costs and debt service payments for the City’s Bankruptcy which was financed in 2004. These revenue streams make up approximately 5.0 million dollars of the Consolidated General Fund and the City’s Debt Service Fund. Without this funding the City will be forced into bankruptcy or simply cease to exist as a viable municipality. Funding in fiscal year 2015-2016 was budgeted to work with a consultant to assist with a special election to continue the collection of these taxes.
- CalPERS Unfunded Liability payments are estimated by CalPERS for both the miscellaneous and public safety classes and in the fiscal year 2015-2016 the annual unfunded liability payments will total \$535,260. for both classes. The Consolidated General Fund historically covers 93% of these total costs and it is estimated that those costs will go up annually by a minimum of 2% per year.
- Contracted County of Riverside Fire Prevention, Rescue and Medical Emergency services are expected to increase in fiscal year 2015-2016 and 2016-2017 by an overall total of 7 – 8%.
- Increase funding to add additional staffing to support new economic growth in Community Development and City services as needed.
- Increased costs for legal and consulting fees associated with the unwinding of the PUT Agreement which is directly associated to the New Market Tax Credit debt for the City.
- Animal Control Services with the County of Riverside, a decision to either stay with that contract or to re-open the City Animal Shelter Facility. A study will need to be done in 2015-2016 to compare costs and benefits associated with proposal.
- Additional funding from other sources for the operational costs of the Health and Wellness Facility until July 2020.
- Additional or increased funding through tax measures to reduce the drain on the General Fund for Public Safety costs for Police, Fire and Animal Control.
- Overtime increase salary and benefits to sworn and non sworn positions throughout the City.

City of Desert Hot Springs
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2015

Note 16 – City’s Financial Condition (Continued)

The City must meet these challenges head on and continue to search out viable solutions to continue to make up the losses over the past few years that have directly hit the General Fund.

The General fund is typically the focal point in analyzing the health of the City because it is assumed that the General fund will be able to cover both its costs and act as a financial backstop for other funds. In fiscal year ending June 30, 2014, the General Fund net loss was \$1,559,770 reducing the ending fund balance to \$1,647,744. In this fiscal year ending June 30, 2015, the City’s General fund had a net gain of \$2,279,692 thus increasing the ending fund balance to \$3,927,436. This was the direct result of the cuts made by the Council and staff from January 2014 through June 30, 2015.

Going forward staff is recommending that funding be budgeted each year to increase the operating capital at a minimum of \$750,000 which will continue to build up the reserves until such time as the new revenue streams for the Marijuana dispensaries and cultivation facilities are collected and reflected in the General Fund.

Note 17 – Subsequent Event

On August 4, 2015, the Successor Agency of the Redevelopment Agency of the City approved and completed the transfer of the real property to the City. On May 5, 2015, the Department of Finance formally approved the Successor Agency’s Long-Range Property Management Plan (the “LRPMP”) which proposes to transfer the property to the City for use as a public park, at no cost, by quitclaim deed. The LRPMP includes 44 parcels of land grouped into 16 separate sites, one of which is designated for governmental use by the City. The designated governmental use property is located at 10901 Palm Drive and is approximately 0.44 acres in size, and is a portion of Desert Hot Springs park.

**REQUIRED SUPPLEMENTARY
INFORMATION (Unaudited)**

City of Desert Hot Springs
Required Supplementary Information (Unaudited)
Budgetary Comparison Schedule, General Fund
For the Year Ended June 30, 2015

	Budget Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES:				
Taxes	\$ 7,655,911	\$ 7,744,666	\$ 7,681,617	\$ (63,049)
Permits and fees	630,200	1,332,630	1,426,653	94,023
Intergovernmental	-	24,102	24,101	(1)
Licenses	180,000	192,939	192,938	(1)
Interest	1,075	1,685	1,256	(429)
Miscellaneous	714,849	598,183	593,767	(4,416)
Total revenues	<u>9,182,035</u>	<u>9,894,205</u>	<u>9,920,332</u>	<u>26,127</u>
EXPENDITURES:				
Current:				
General government	3,976,909	4,513,829	2,729,054	1,784,775
Public safety	41,000	41,000	5,024	35,976
Public works	408,589	377,334	203,827	173,507
Economic development	912,742	1,160,598	941,549	219,049
Culture and leisure	487,333	590,895	495,066	95,829
Total expenditures	<u>5,826,573</u>	<u>6,683,656</u>	<u>4,374,520</u>	<u>2,309,136</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>3,355,462</u>	<u>3,210,549</u>	<u>5,545,812</u>	<u>2,335,263</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	75,030	175,847	175,846	(1)
Transfers out	(107,140)	(3,441,967)	(3,441,966)	1
Total other financing sources (uses)	<u>(32,110)</u>	<u>(3,266,120)</u>	<u>(3,266,120)</u>	<u>-</u>
Net change in fund balance	<u>\$ 3,323,352</u>	<u>\$ (55,571)</u>	<u>2,279,692</u>	<u>\$ 2,335,263</u>
FUND BALANCE:				
Beginning of year			<u>1,647,744</u>	
End of year			<u>\$ 3,927,436</u>	

City of Desert Hot Springs
Required Supplementary Information (Unaudited) (Continued)
Budgetary Comparison Schedule, Public Safety Special Revenue Fund
For the Year Ended June 30, 2015

	Budget Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES:				
Taxes	\$ 3,998,000	\$ 3,878,991	\$ 3,878,988	\$ (3)
Permits and fees	666,000	64,371	78,542	14,171
Intergovernmental	189,000	96,713	96,713	-
Miscellaneous	317,328	148,716	166,891	18,175
Total revenues	<u>5,170,328</u>	<u>4,188,791</u>	<u>4,221,134</u>	<u>32,343</u>
EXPENDITURES:				
Current:				
Public safety	8,823,391	8,119,608	7,208,461	911,147
Capital outlay	10,000	10,000	1,663	8,337
Total expenditures	<u>8,833,391</u>	<u>8,129,608</u>	<u>7,210,124</u>	<u>919,484</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(3,663,063)</u>	<u>(3,940,817)</u>	<u>(2,988,990)</u>	<u>951,827</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	125,000	2,989,449	2,989,448	(1)
Total other financing sources (uses)	<u>125,000</u>	<u>2,989,449</u>	<u>2,989,448</u>	<u>(1)</u>
Net change in fund balance	<u>\$ (3,538,063)</u>	<u>\$ (951,368)</u>	458	<u>\$ 951,826</u>
FUND BALANCE:				
Beginning of year			-	
End of year			<u>\$ 458</u>	

City of Desert Hot Springs
Required Supplementary Information (Unaudited) (Continued)
For the Year Ended June 30, 2015

Budgetary Information

A. General Budget Policies

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

There was no adopted budget for the Housing Authority Special Revenue Fund for the year ended June 30, 2015.

B. Continuing Appropriations

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

C. Encumbrances

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

City of Desert Hot Springs
Required Supplementary Information (Unaudited)
Schedule of the City's Proportionate Share of the Net Pension Liability and Related Ratios
For the Year Ended June 30, 2015

Last Ten Fiscal Years

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

	June 30, 2014 ¹
City's Proportion of the Net Pension Liability/(Asset)	0.03582%
City's Proportionate Share of the net Pension Liability/(Asset)	\$ 2,228,674
City's Covered-Employee Payroll	\$ 1,925,092
City's Proportionate Share of the Net Pension Liability/(Asset) as a Percentage of Its Covered-Employee Payroll	115.77%
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Total Pension Liability	76.24%

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

	June 30, 2014 ¹
City's Proportion of the Net Pension Liability/(Asset)	0.00000%
City's Proportionate Share of the net Pension Liability/(Asset)	\$ 21
City's Covered-Employee Payroll	\$ 89,614
City's Proportionate Share of the Net Pension Liability/(Asset) as a Percentage of Its Covered-Employee Payroll	0.02%
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Total Pension Liability	83.33%

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

	June 30, 2014 ¹
City's Proportion of the Net Pension Liability/(Asset)	0.00000%
City's Proportionate Share of the net Pension Liability/(Asset)	\$ 4
City's Covered-Employee Payroll	\$ 58,916
City's Proportionate Share of the Net Pension Liability/(Asset) as a Percentage of Its Covered-Employee Payroll	0.01%
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Total Pension Liability	84.62%

¹ Historical information is required only for measurement periods for which GASB 68 is applicable.

City of Desert Hot Springs
Required Supplementary Information (Unaudited)
Schedule of the City's Proportionate Share of the Net Pension Liability and Related Ratios
For the Year Ended June 30, 2015

Last Ten Fiscal Years (Continued)

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

	June 30, 2014 ¹
City's Proportion of the Net Pension Liability/(Asset)	0.09068%
City's Proportionate Share of the net Pension Liability/(Asset)	\$ 5,642,652
City's Covered-Employee Payroll	\$ 2,741,135
City's Proportionate Share of the Net Pension Liability/(Asset) as a Percentage of Its Covered-Employee Payroll	205.85%
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Total Pension Liability	73.76%

California Public Employees' Retirement System ("CalPERS") Safety Police Second Tier Plan

	June 30, 2014 ¹
City's Proportion of the Net Pension Liability/(Asset)	0.00000%
City's Proportionate Share of the net Pension Liability/(Asset)	\$ 8
City's Covered-Employee Payroll	\$ 58,914
City's Proportionate Share of the Net Pension Liability/(Asset) as a Percentage of Its Covered-Employee Payroll	0.01%
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Total Pension Liability	80.95%

¹ Historical information is required only for measurement periods for which GASB 68 is applicable.

City of Desert Hot Springs
Required Supplementary Information (Unaudited)
Schedule of the City's Contributions
For the Year Ended June 30, 2015

Last Ten Fiscal Years

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

	2014-15	2013-14 ¹
Actuarially Determined Contribution ²	\$ 190,460	\$ 288,172
Contribution in Relation to the Actuarially Determined Contribution ²	(190,460)	(288,172)
Contribution Deficiency (Excess)	\$ -	\$ -
Covered-Employee Payroll ^{3,4}	\$ 1,982,845	\$ 1,925,092
Contributions as a Percentage of Covered-Employee Payroll	9.61%	14.97%

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

	2014-15	2013-14 ¹
Actuarially Determined Contribution ²	\$ 5,031	\$ 13,102
Contribution in Relation to the Actuarially Determined Contribution ²	(5,031)	(13,102)
Contribution Deficiency (Excess)	\$ -	\$ -
Covered-Employee Payroll ^{3,4}	\$ 92,302	\$ 89,614
Contributions as a Percentage of Covered-Employee Payroll	5.45%	14.62%

California Public Employees' Retirement System ("CalPERS") PEPR Miscellaneou s Plan

	2014-15	2013-14 ¹
Actuarially Determined Contribution ²	\$ 21,674	\$ 8,853
Contribution in Relation to the Actuarially Determined Contribution ²	(21,674)	(8,853)
Contribution Deficiency (Excess)	\$ -	\$ -
Covered-Employee Payroll ^{3,4}	\$ 60,683	\$ 58,916
Contributions as a Percentage of Covered-Employee Payroll	35.72%	15.03%

City of Desert Hot Springs
Required Supplementary Information (Unaudited)
Schedule of the City's Contributions (Continued)
For the Year Ended June 30, 2015

Last Ten Fiscal Years (Continued)

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

	2014-15	2013-14 ¹
Actuarially Determined Contribution ²	\$ 255,644	\$ 723,590
Contribution in Relation to the Actuarially Determined Contribution ²	(255,644)	(723,590)
Contribution Deficiency (Excess)	\$ -	\$ -
Covered-Employee Payroll ^{3,4}	\$ 2,823,369	\$ 2,741,135
Contributions as a Percentage of Covered-Employee Payroll	9.05%	26.40%

California Public Employees' Retirement System ("CalPERS") Safety Police Second Tier Plan

	2014-15	2013-14 ¹
Actuarially Determined Contribution ²	\$ 77,740	\$ 41,612
Contribution in Relation to the Actuarially Determined Contribution ²	(77,740)	(41,612)
Contribution Deficiency (Excess)	\$ -	\$ -
Covered-Employee Payroll ^{3,4}	\$ 60,681	\$ 58,914
Contributions as a Percentage of Covered-Employee Payroll	128.11%	70.63%

California Public Employees' Retirement System ("CalPERS") Safety Police PEPRA

	2014-15	2013-14 ¹
Actuarially Determined Contribution ²	\$ 47,374	\$ -
Contribution in Relation to the Actuarially Determined Contribution ²	(47,374)	-
Contribution Deficiency (Excess)	\$ -	\$ -
Covered-Employee Payroll ^{3,4}	\$ 386,727	\$ -
Contributions as a Percentage of Covered-Employee Payroll	12.25%	0.00%

¹ Historical information is required only for measurement periods for which GASB 68 is applicable.

² Employers are assumed to make contributions equal to the actuarially determined contributions (which is the actuarially determined contribution). However, some employers may choose to make additional contributions towards their side fund or their unfunded liability. Employer contributions for such plans exceed the actuarially determined contributions. CalPERS has determined that employer obligations referred to as "side funds" are not considered separately financed specific liabilities.

³ Covered-Employee Payroll represented above is based on pensionable earnings provided by the employer. However, GASB 68 defines covered-employee payroll as the total payroll of employees that are provided pensions through the pension plan. Accordingly, if pensionable earnings are different than total earnings for covered-employees, the employer should display in the disclosure footnotes the payroll based on total earnings for the covered group and recalculate the required payroll-related ratios.

City of Desert Hot Springs
Required Supplementary Information (Unaudited)
Schedule of the City's Contributions (Continued)
For the Year Ended June 30, 2015

⁴ Payroll from prior year was assumed to increase by the 3.00% payroll growth assumption

	2012-13 covered Employee Payroll
Miscellaneous First Tier	\$ 1,869,021
Miscellaneous Second Tier	87,004
Miscellaneous PEPRA	57,200
Safety Police First Tier	2,661,296
Safety Police Second Tier	57,198

Notes to Schedule

Change in Benefit Terms: The figures above do not include any liability impact that may have resulted from plan changes which occurred after June 30, 2013 as they have minimal cost impact. This applies for voluntary benefit changes as well as any offers of Two Years Additional Service Credit (a.k.a Golden Handshakes).

Changes of Assumptions: There were no changes in assumptions.

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SUPPLEMENTARY INFORMATION

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NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS:

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

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

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

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

SCAQMD Fund - To account for grants for building solar, CHG Fueling Station and CNG vehicles, and PM-10 Mitigation/Cabot's Parking Lot Paving.

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

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

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

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

NONMAJOR

GOVERNMENTAL FUNDS (CONTINUED)

SPECIAL REVENUE FUNDS (Continued):

County Service Area 152 (CSA-152) Special Revenue Fund - To account for funding received through the collection of property tax collected on parcels within the assessment district. Expenditures relate to the EPA requirements for storm water monitoring and the protection of the underground water for all cities in the County of Riverside.

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

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

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

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

DEBT SERVICE FUND:

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

CAPITAL PROJECTS FUNDS:

2012 Street Bond Capital Projects Fund - To account for expenditures related to the design, acquisition, and construction of specified projects within the City in accordance with the 2012 Street Bonds official statement.

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

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

Assessment District 92-1 Capital Projects Fund - To account for improvements to the Assessment District 92-1, which are financed from bond proceeds. Liabilities are paid from tax revenues.

Assessment District 93-2 Capital Projects Fund - To account for improvements to the Assessment District 93-2, which are financed from bond proceeds. Liabilities are paid from tax revenues.

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City of Desert Hot Springs
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2015

	Special Revenue				
	Special Gas Tax	Capital Improvement Deposits	Municipal Lighting / Landscaping Assessment District	Measure A	SCAQMD Grant
ASSETS					
Cash and investments	\$ 286,583	\$ 1,561,467	\$ 1,045,511	\$ -	\$ 4
Cash and investments with fiscal agent	-	-	-	-	-
Receivables:					
Accounts	829	-	-	-	1,807
Interest	12	88	33	6	-
Due from other governments	76,407	-	53,420	134,181	-
Due from other funds	-	-	-	-	-
Total assets	\$ 363,831	\$ 1,561,555	\$ 1,098,964	\$ 134,187	\$ 1,811
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 21,736	\$ -	\$ 50,019	\$ 1,318	\$ 1,151
Accrued liabilities	3,373	-	3,031	-	-
Due to other funds	-	578,125	-	4,397	660
Deposits payable	-	-	-	-	-
Unearned revenue	-	-	-	-	-
Total liabilities	25,109	578,125	53,050	5,715	1,811
Deferred Inflows of Resources					
Unavailable revenue	-	-	35,510	-	-
Fund Balances:					
Restricted	338,722	-	1,010,404	128,472	-
Committed	-	983,430	-	-	-
Unassigned (deficit)	-	-	-	-	-
Total fund balances	338,722	983,430	1,010,404	128,472	-
Total liabilities, deferred inflows of resources, and fund balances	\$ 363,831	\$ 1,561,555	\$ 1,098,964	\$ 134,187	\$ 1,811

(Continued)

City of Desert Hot Springs
Combining Balance Sheet (Continued)
Nonmajor Governmental Funds
June 30, 2015

	Special Revenue				
	Air Quality Control	Art in Public Places	Quimby Act	Drainage Assessment District	County Service Area 152
ASSETS					
Cash and investments	\$ 24,306	\$ 75,574	\$ 103,411	\$ 669,651	\$ 5
Cash and investments with fiscal agent	-	-	-	-	-
Receivables:					
Accounts	-	-	-	15,000	19,538
Interest	1	4	5	34	-
Due from other governments	9,116	-	-	5,610	-
Due from other funds	-	-	-	-	-
Total assets	\$ 33,423	\$ 75,578	\$ 103,416	\$ 690,295	\$ 19,543
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 10,865	\$ -	\$ -	\$ 6,728	\$ 625
Accrued liabilities	-	-	-	-	-
Due to other funds	-	-	-	-	5,200
Deposits payable	-	-	-	-	-
Unearned revenue	-	-	-	-	-
Total liabilities	10,865	-	-	6,728	5,825
Deferred Inflows of Resources					
Unavailable revenue	-	-	-	-	19,538
Fund Balances:					
Restricted	22,558	-	103,416	683,567	-
Committed	-	75,578	-	-	-
Unassigned (deficit)	-	-	-	-	(5,820)
Total fund balances	22,558	75,578	103,416	683,567	(5,820)
Total liabilities, deferred inflows of resources, and fund balances	\$ 33,423	\$ 75,578	\$ 103,416	\$ 690,295	\$ 19,543

(Continued)

City of Desert Hot Springs
Combining Balance Sheet (Continued)
Nonmajor Governmental Funds
June 30, 2015

	Special Revenue			Debt Service	
	Parks and Recreation Grant	Cabot's Museum	SLESF	Abandoned Vehicle Abatement	City Debt Service
ASSETS					
Cash and investments	\$ 704,608	\$ 3,240	\$ -	\$ 23,030	\$ 715,230
Cash and investments with fiscal agent	-	-	-	-	267,402
Receivables:					
Accounts	-	-	16,667	7,227	104,176
Interest	36	-	-	-	32
Due from other governments	-	-	-	8,312	-
Due from other funds	-	-	-	-	-
Total assets	\$ 704,644	\$ 3,240	\$ 16,667	\$ 38,569	\$ 1,086,840
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ -	\$ 3,240	\$ -	\$ -	\$ -
Accrued liabilities	-	-	-	-	-
Due to other funds	-	-	16,667	-	-
Deposits payable	-	-	-	-	-
Unearned revenue	-	-	-	-	-
Total liabilities	-	3,240	16,667	-	-
Deferred Inflows of Resources					
Unavailable revenue	-	-	-	7,227	-
Fund Balances:					
Restricted	704,644	-	-	31,342	1,086,840
Committed	-	-	-	-	-
Unassigned (deficit)	-	-	-	-	-
Total fund balances	704,644	-	-	31,342	1,086,840
Total liabilities, deferred inflows of resources, and fund balances	\$ 704,644	\$ 3,240	\$ 16,667	\$ 38,569	\$ 1,086,840

(Continued)

City of Desert Hot Springs
Combining Balance Sheet (Continued)
Nonmajor Governmental Funds
June 30, 2015

	Capital Projects					Total Nonmajor Governmental Funds
	2012 Street Bond	Capital Improvement	Assessment District 91-1	Assessment District 92-1	Assessment District 93-2	
ASSETS						
Cash and investments	\$ 53,989	\$ 456,441	\$ 112,199	\$ 37,938	\$ 27,160	\$ 5,900,347
Cash and investments with fiscal agent	1,695,600	0	-	-	-	1,963,002
Receivables:						
Accounts	-	24,228	-	369	1,361	191,202
Interest	4	-	6	2	1	264
Due from other governments	-	-	501	-	-	287,547
Due from other funds	-	578,125	-	-	-	578,125
Total assets	\$ 1,749,593	\$ 1,058,794	\$ 112,706	\$ 38,309	\$ 28,522	\$ 8,920,487
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES						
Liabilities:						
Accounts payable	12,858	19,006	\$ -	\$ -	\$ -	\$ 127,546
Accrued liabilities	-	-	-	-	-	6,404
Due to other funds	-	-	-	-	-	605,049
Deposits payable	-	217,988	-	-	-	217,988
Unearned revenue	-	200,000	-	-	-	200,000
Total liabilities	12,858	436,994	-	-	-	1,156,987
Deferred Inflows of Resources						
Unavailable revenue	-	602,353	-	-	-	664,628
Fund Balances:						
Restricted	1,736,735	-	112,706	38,309	28,522	6,026,237
Committed	-	19,447	-	-	-	1,078,455
Unassigned (deficit)	-	-	-	-	-	(5,820)
Total fund balances	1,736,735	19,447	112,706	38,309	28,522	7,098,872
Total liabilities, deferred inflows of resources, and fund balances	\$ 1,749,593	\$ 1,058,794	\$ 112,706	\$ 38,309	\$ 28,522	\$ 8,920,487

(Concluded)

City of Desert Hot Springs
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2015

	Special Revenue				
	Special Gas Tax	Capital Improvement Deposits	Municipal Lighting / Landscaping Assessment District	Measure A	SCAQMD Grant
REVENUES:					
Taxes	\$ -	\$ -	\$ 763,488	\$ -	\$ -
Permits and fees	-	216,547	-	-	-
Intergovernmental	785,519	-	-	477,282	1,307
Interest	41	532	188	14	-
Miscellaneous	-	-	340	-	-
Total revenues	785,560	217,079	764,016	477,296	1,307
EXPENDITURES:					
Current:					
General government	180,443	-	-	-	-
Public works	182,079	65,087	563,405	202,994	-
Culture and leisure	-	-	-	-	1,307
Capital outlay	-	-	-	-	-
Debt service:					
Principal retirement	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-
Total expenditures	362,522	65,087	563,405	202,994	1,307
REVENUES OVER (UNDER) EXPENDITURES	423,038	151,992	200,611	274,302	-
OTHER FINANCING SOURCES (USES):					
Transfers in	-	-	-	-	-
Transfers out	(199,346)	(62,960)	(21,989)	(200,000)	-
Total other financing sources (uses)	(199,346)	(62,960)	(21,989)	(200,000)	-
NET CHANGES IN FUND BALANCES	223,692	89,032	178,622	74,302	-
FUND BALANCES:					
Beginning of year	115,030	894,398	831,782	54,170	-
End of year	\$ 338,722	\$ 983,430	\$ 1,010,404	\$ 128,472	\$ -

(Continued)

City of Desert Hot Springs
Combining Statement of Revenues, Expenditures and Changes in Fund Balances (Continued)
Nonmajor Governmental Funds
For the Year Ended June 30, 2015

	Special Revenue				
	Air Quality Control	Art in Public Places	Quimby Act	Drainage Assessment District	County Service Area 152
REVENUES:					
Taxes	\$ 34,741	\$ -	\$ -	\$ 172,019	\$ -
Permits and fees	-	-	-	-	-
Intergovernmental	-	16,555	-	-	-
Interest	9	20	33	199	2
Miscellaneous	-	-	-	-	-
Total revenues	34,750	16,575	33	172,218	2
EXPENDITURES:					
Current:					
General government	79,875	-	-	-	-
Public works	-	-	-	118,469	30,367
Culture and leisure	-	-	95	-	-
Capital outlay	-	-	-	-	-
Debt service:					
Principal retirement	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-
Total expenditures	79,875	-	95	118,469	30,367
REVENUES OVER (UNDER) EXPENDITURES	(45,125)	16,575	(62)	53,749	(30,365)
OTHER FINANCING SOURCES (USES):					
Transfers in	36,000	-	-	-	20,000
Transfers out	-	-	-	-	-
Total other financing sources (uses)	36,000	-	-	-	20,000
NET CHANGES IN FUND BALANCES	(9,125)	16,575	(62)	53,749	(10,365)
FUND BALANCES:					
Beginning of year	31,683	59,003	103,478	629,818	4,545
End of year	<u>\$ 22,558</u>	<u>\$ 75,578</u>	<u>\$ 103,416</u>	<u>\$ 683,567</u>	<u>\$ (5,820)</u>

(Continued)

City of Desert Hot Springs
Combining Statement of Revenues, Expenditures and Changes in Fund Balances (Continued)
Nonmajor Governmental Funds
For the Year Ended June 30, 2015

	Special Revenue			Debt Service	
	Parks and Recreation Grant	Cabot's Museum	SLESF	Abandoned Vehicle Abatement	City Debt Service
REVENUES:					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ 1,034,651
Permits and fees	-	-	-	-	-
Intergovernmental	432,483	-	106,230	40,960	-
Interest	105	-	-	-	192
Miscellaneous	-	-	-	-	-
Total revenues	432,588	-	106,230	40,960	1,034,843
EXPENDITURES:					
Current:					
General government	-	-	-	-	-
Public works	-	-	-	-	-
Culture and leisure	-	60,584	-	-	-
Capital outlay	-	-	-	-	-
Debt service:					
Principal retirement	-	-	-	-	175,000
Interest and fiscal charges	-	-	-	-	574,000
Total expenditures	-	60,584	-	-	749,000
REVENUES OVER (UNDER) EXPENDITURES	432,588	(60,584)	106,230	40,960	285,843
OTHER FINANCING SOURCES (USES):					
Transfers in	-	65,890	-	-	-
Transfers out	-	(5,306)	(106,230)	(25,000)	-
Total other financing sources (uses)	-	60,584	(106,230)	(25,000)	-
NET CHANGES IN FUND BALANCES	432,588	-	-	15,960	285,843
FUND BALANCES:					
Beginning of year	272,056	-	-	15,382	800,997
End of year	\$ 704,644	\$ -	\$ -	\$ 31,342	\$ 1,086,840

(Continued)

City of Desert Hot Springs
Combining Statement of Revenues, Expenditures and Changes in Fund Balances (Continued)
Nonmajor Governmental Funds
For the Year Ended June 30, 2015

	Capital Projects					Total Nonmajor Governmental Funds
	2012 Street Bond	Capital Improvement	Assessment District 91-1	Assessment District 92-1	Assessment District 93-2	
REVENUES:						
Taxes	\$ -	\$ -	\$ 501	\$ 369	\$ 1,361	\$ 2,007,130
Permits and fees	-	-	-	-	-	216,547
Intergovernmental	-	-	-	-	-	1,860,336
Interest	6,972	-	36	13	8	8,364
Miscellaneous	-	58,086	-	-	-	58,426
Total revenues	6,972	58,086	537	382	1,369	4,150,803
EXPENDITURES:						
Current:						
General government	-	-	-	-	-	260,318
Public works	750	-	-	-	-	1,163,151
Culture and leisure	-	-	-	-	-	61,986
Capital outlay	29,440	38,639	-	-	-	68,079
Debt service:						
Principal retirement	115,000	-	-	-	-	290,000
Interest and fiscal charges	286,333	-	-	-	-	860,333
Total expenditures	431,523	38,639	-	-	-	2,703,867
REVENUES OVER (UNDER) EXPENDITURES	(424,551)	19,447	537	382	1,369	1,446,936
OTHER FINANCING SOURCES (USES):						
Transfers in	462,306	-	-	-	-	584,196
Transfers out	-	-	-	-	-	(620,831)
Total other financing sources (uses)	462,306	-	-	-	-	(36,635)
NET CHANGES IN FUND BALANCES	37,755	19,447	537	382	1,369	1,410,301
FUND BALANCES:						
Beginning of year	1,698,980	-	112,169	37,927	27,153	5,688,571
End of year	\$ 1,736,735	\$ 19,447	\$ 112,706	\$ 38,309	\$ 28,522	\$ 7,098,872

(Concluded)

City of Desert Hot Springs
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
Special Gas Tax Special Revenue Fund
For the Year Ended June 30, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES:				
Intergovernmental	\$ 698,973	\$ 785,520	\$ 785,519	\$ (1)
Interest	-	41	41	-
Total revenues	698,973	785,561	785,560	(1)
EXPENDITURES:				
Current:				
General Government		199,537	180,443	19,094
Public works		267,000	182,079	84,921
Total expenditures	-	466,537	362,522	104,015
REVENUES OVER (UNDER) EXPENDITURES	698,973	319,024	423,038	104,014
OTHER FINANCING SOURCES (USES):				
Transfers out	(199,346)	(199,346)	(199,346)	-
Total other financing sources (uses)	(199,346)	(199,346)	(199,346)	-
Net change in fund balance	499,627	119,678	223,692	104,014
FUND BALANCE:				
Beginning of year	115,030	115,030	115,030	-
End of year	\$ 614,657	\$ 234,708	\$ 338,722	\$ 104,014

City of Desert Hot Springs
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
Capital Improvement Deposits Special Revenue Fund
For the Year Ended June 30, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES:				
Permits and fees	\$ -	\$ 208,420	\$ 216,547	\$ 8,127
Interest	-	355	532	177
Total revenues	-	208,775	217,079	8,304
EXPENDITURES:				
Public works	-	65,085	65,087	(2)
Total expenditures	-	65,085	65,087	(2)
REVENUES OVER (UNDER) EXPENDITURES	-	143,690	151,992	8,302
OTHER FINANCING SOURCES (USES):				
Transfers out	-	(62,960)	(62,960)	-
Total other financing sources (uses)	-	(62,960)	(62,960)	-
NET CHANGES IN FUND BALANCE	-	80,730	89,032	8,302
FUND BALANCE:				
Beginning of year	894,398	894,398	894,398	-
End of year	<u>\$ 894,398</u>	<u>\$ 831,438</u>	<u>\$ 983,430</u>	<u>\$ 8,302</u>

City of Desert Hot Springs
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
Municipal Lighting / Landscaping Assessment District Special Revenue Fund
For the Year Ended June 30, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES:				
Taxes	\$ 776,842	\$ 778,774	\$ 763,488	\$ (15,286)
Interest	360	364	188	(176)
Miscellaneous	-	340	340	-
Total revenues	<u>777,202</u>	<u>779,478</u>	<u>764,016</u>	<u>(15,462)</u>
EXPENDITURES:				
Current:				
Public works	794,059	844,948	563,405	281,543
Total expenditures	<u>794,059</u>	<u>844,948</u>	<u>563,405</u>	<u>281,543</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(16,857)</u>	<u>(65,470)</u>	<u>200,611</u>	<u>266,081</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	50,000	50,000	-	(50,000)
Transfers out	-	(21,990)	(21,989)	1
Total other financing sources (uses)	<u>50,000</u>	<u>28,010</u>	<u>(21,989)</u>	<u>(49,999)</u>
Net change in fund balance	33,143	(37,460)	178,622	216,082
FUND BALANCE:				
Beginning of year	831,782	831,782	831,782	-
End of year	<u>\$ 864,925</u>	<u>\$ 794,322</u>	<u>\$ 1,010,404</u>	<u>\$ 216,082</u>

City of Desert Hot Springs
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
Measure A Special Revenue Fund
For the Year Ended June 30, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES:				
Intergovernmental	\$ 494,000	\$ 493,991	\$ 477,282	\$ (16,709)
Interest	5	14	14	-
Total revenues	494,005	494,005	477,296	(16,709)
EXPENDITURES:				
Public works	-	-	202,994	(202,994)
Capital outlay	270,000	270,000	-	270,000
Total expenditures	270,000	270,000	202,994	67,006
REVENUES OVER (UNDER) EXPENDITURES	224,005	224,005	274,302	50,297
OTHER FINANCING SOURCES (USES):				
Transfers out	(200,000)	(200,000)	(200,000)	-
Total other financing sources (uses)	(200,000)	(200,000)	(200,000)	-
Net change in fund balance	24,005	24,005	74,302	50,297
FUND BALANCE:				
Beginning of year	54,170	54,170	54,170	-
End of year	<u>\$ 78,175</u>	<u>\$ 78,175</u>	<u>\$ 128,472</u>	<u>\$ 50,297</u>

City of Desert Hot Springs
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
SCAQMD Special Revenue Fund
For the Year Ended June 30, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES:				
Intergovernmental	\$ 75,000	\$ 75,000	\$ 1,307	\$ (73,693)
Total revenues	75,000	75,000	1,307	(73,693)
EXPENDITURES:				
Public works	-	1,307	1,307	-
Capital outlay	75,000	73,693	-	-
Total expenditures	75,000	75,000	1,307	73,693
Net change in fund balance	-	-	-	-
FUND BALANCE:				
Beginning of year	-	-	-	-
End of year	\$ -	\$ -	\$ -	\$ -

City of Desert Hot Springs
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
Air Quality Control Special Revenue Fund
For the Year Ended June 30, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES:				
Taxes	\$ 34,500	\$ 34,742	\$ 34,741	\$ (1)
Interest	25	25	9	(16)
Total revenues	<u>34,525</u>	<u>34,767</u>	<u>34,750</u>	<u>(17)</u>
EXPENDITURES:				
Current:				
General government	70,700	79,876	79,875	1
Total expenditures	<u>70,700</u>	<u>79,876</u>	<u>79,875</u>	<u>1</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(36,175)</u>	<u>(45,109)</u>	<u>(45,125)</u>	<u>(16)</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	36,000	36,000	36,000	-
Net change in fund balance	(175)	(9,109)	(9,125)	(16)
FUND BALANCE:				
Beginning of year	31,683	31,683	31,683	-
End of year	<u>\$ 31,508</u>	<u>\$ 22,574</u>	<u>\$ 22,558</u>	<u>\$ (16)</u>

City of Desert Hot Springs
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
Art in Public Places Special Revenue Fund
For the Year Ended June 30, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES:				
Intergovernmental	\$ -	\$ 16,556	\$ 16,555	\$ (1)
Interest	-	20	20	-
Total revenues	-	16,576	16,575	(1)
Net change in fund balance	-	16,576	16,575	(1)
FUND BALANCE:				
Beginning of year	59,003	59,003	59,003	-
End of year	<u>\$ 59,003</u>	<u>\$ 75,579</u>	<u>\$ 75,578</u>	<u>\$ (1)</u>

City of Desert Hot Springs
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
Quimby Act Special Revenue Fund
For the Year Ended June 30, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES:				
Interest	\$ -	\$ 34	\$ 33	\$ (1)
Total revenues	-	34	33	(1)
EXPENDITURES:				
Capital outlay	69,376	69,376	95	69,281
Total expenditures	69,376	69,376	95	69,281
REVENUES OVER (UNDER) EXPENDITURES	(69,376)	(69,342)	(62)	69,280
Net change in fund balance	(69,376)	(69,342)	(62)	69,280
FUND BALANCE:				
Beginning of year	103,478	103,478	103,478	-
End of year	<u>\$ 34,102</u>	<u>\$ 34,136</u>	<u>\$ 103,416</u>	<u>\$ 69,280</u>

City of Desert Hot Springs
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
Drainage Assessment District Special Revenue Fund
For the Year Ended June 30, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES:				
Taxes	\$ 170,596	\$ 172,536	\$ 172,019	\$ (517)
Interest	460	460	199	(261)
Total revenues	<u>171,056</u>	<u>172,996</u>	<u>172,218</u>	<u>(778)</u>
EXPENDITURES:				
Current:				
Public works	179,903	214,445	118,469	95,976
Total expenditures	<u>179,903</u>	<u>214,445</u>	<u>118,469</u>	<u>95,976</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(8,847)</u>	<u>(41,449)</u>	<u>53,749</u>	<u>95,198</u>
Net change in fund balance	(8,847)	(41,449)	53,749	95,198
FUND BALANCE:				
Beginning of year	629,818	629,818	629,818	-
End of year	<u>\$ 620,971</u>	<u>\$ 588,369</u>	<u>\$ 683,567</u>	<u>\$ 95,198</u>

City of Desert Hot Springs
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
County Service Area 152 Special Revenue Fund
For the Year Ended June 30, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES:				
Intergovernmental	\$ 17,000	\$ 16,998	\$ -	\$ (16,998)
Interest	-	2	2	-
Total revenues	17,000	17,000	2	(16,998)
EXPENDITURES:				
Current:				
Public works	37,000	37,000	30,367	6,633
Total expenditures	37,000	37,000	30,367	6,633
REVENUES OVER (UNDER) EXPENDITURES	(20,000)	(20,000)	(30,365)	(10,365)
OTHER FINANCING SOURCES (USES):				
Transfers in	20,000	20,000	20,000	-
Net change in fund balance	-	-	(10,365)	(10,365)
FUND BALANCE:				
Beginning of year	4,545	4,545	4,545	-
End of year	<u>\$ 4,545</u>	<u>\$ 4,545</u>	<u>\$ (5,820)</u>	<u>\$ (10,365)</u>

City of Desert Hot Springs
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
Park and Recreation Grant Special Revenue Fund
For the Year Ended June 30, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES:				
Intergovernmental	\$ 432,484	\$ 432,484	\$ 432,483	\$ (1)
Interest	-	105	105	-
Total revenues	<u>432,484</u>	<u>432,589</u>	<u>432,588</u>	<u>(1)</u>
OTHER FINANCING SOURCES (USES):				
Transfers out	<u>(432,484)</u>	<u>(432,484)</u>	<u>-</u>	<u>432,484</u>
Net change in fund balance	-	105	432,588	(1)
FUND BALANCE:				
Beginning of year	<u>272,056</u>	<u>272,056</u>	<u>272,056</u>	<u>-</u>
End of year	<u>\$ 272,056</u>	<u>\$ 272,161</u>	<u>\$ 704,644</u>	<u>\$ (1)</u>

City of Desert Hot Springs
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
Cabot's Museum Special Revenue Fund
For the Year Ended June 30, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
EXPENDITURES:				
Current:				
Culture and leisure	\$ 65,890	\$ 60,845	\$ 60,584	\$ 261
Total expenditures	65,890	60,845	60,584	261
REVENUES OVER (UNDER) EXPENDITURES	(65,890)	(60,845)	(60,584)	261
OTHER FINANCING SOURCES (USES):				
Transfers in	1,140	65,890	65,890	-
Transfers out	-	(5,307)	(5,306)	1
Total other financing sources (uses)	1,140	60,583	60,584	1
Net change in fund balance	(64,750)	(262)	-	262
FUND BALANCE:				
Beginning of year	-	-	-	-
End of year	\$ (64,750)	\$ (262)	\$ -	\$ 262

City of Desert Hot Springs
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
SLESF Special Revenue Fund
For the Year Ended June 30, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES:				
Intergovernmental	\$ 100,000	\$ 106,230	\$ 106,230	\$ -
Total revenues	100,000	106,230	106,230	-
REVENUES OVER (UNDER) EXPENDITURES	100,000	106,230	106,230	-
OTHER FINANCING SOURCES (USES):				
Transfers out	(100,000)	(106,230)	(106,230)	-
Total other financing sources (uses)	(100,000)	(106,230)	(106,230)	-
Net changes in fund balance	-	-	-	-
FUND BALANCE:				
Beginning of year	-	-	-	-
End of year	\$ -	\$ -	\$ -	\$ -

City of Desert Hot Springs
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
Abandoned Vehicle Abatement Special Revenue Fund
For the Year Ended June 30, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES:				
Intergovernmental	\$ 25,000	\$ 48,189	\$ 40,960	\$ (7,229)
Total revenues	25,000	48,189	40,960	(7,229)
OTHER FINANCING SOURCES (USES):				
Transfers out	(25,000)	(25,000)	(25,000)	-
Total other financing sources (uses)	(25,000)	(25,000)	(25,000)	-
Net changes in fund balance	-	23,189	15,960	(7,229)
FUND BALANCE:				
Beginning of year	15,382	15,382	15,382	-
End of year	<u>\$ 15,382</u>	<u>\$ 38,571</u>	<u>\$ 31,342</u>	<u>\$ (7,229)</u>

City of Desert Hot Springs
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
City Debt Service Fund
For the Year Ended June 30, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES:				
Taxes	\$ 1,000,000	\$ 1,034,651	\$ 1,034,651	\$ -
Interest	300	300	192	(108)
Total revenues	<u>1,000,300</u>	<u>1,034,951</u>	<u>1,034,843</u>	<u>(108)</u>
EXPENDITURES:				
Debt service:				
Principal retirement	175,000	175,000	175,000	-
Interest and fiscal charges	572,250	574,050	574,000	50
Total expenditures	<u>747,250</u>	<u>749,050</u>	<u>749,000</u>	<u>50</u>
Net changes in fund balance	253,050	285,901	285,843	(58)
FUND BALANCE:				
Beginning of year	800,997	800,997	800,997	-
End of year	<u>\$ 1,054,047</u>	<u>\$ 1,086,898</u>	<u>\$ 1,086,840</u>	<u>\$ (58)</u>

City of Desert Hot Springs
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
2012 Street Bond Capital Projects Fund
For the Year Ended June 30, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES:				
Interest	\$ 3,000	\$ 6,972	\$ 6,972	\$ -
Total revenues	3,000	6,972	6,972	-
EXPENDITURES:				
Current:				
General government	-	750	750	-
Capital outlay	800,000	800,000	29,440	770,560
Debt service:				
Principal retirement	115,000	115,000	115,000	-
Interest and fiscal charges	286,379	286,379	286,333	46
Total expenditures	1,201,379	1,202,129	431,523	770,606
REVENUES OVER (UNDER) EXPENDITURES	(1,198,379)	(1,195,157)	(424,551)	770,606
OTHER FINANCING SOURCES (USES):				
Transfers in	399,346	462,306	462,306	-
Total other financing sources (uses)	399,346	462,306	462,306	-
Net changes in fund balance	(799,033)	(732,851)	37,755	770,606
FUND BALANCE:				
Beginning of year	1,698,980	1,698,980	1,698,980	-
End of year	<u>\$ 899,947</u>	<u>\$ 966,129</u>	<u>\$ 1,736,735</u>	<u>\$ 770,606</u>

City of Desert Hot Springs
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
Capital Improvement Capital Projects Fund
For the Year Ended June 30, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES:				
Miscellaneous	\$ 831,530	\$ 831,530	\$ 58,086	\$ (773,444)
Total revenues	831,530	831,530	58,086	(773,444)
EXPENDITURES:				
Capital outlay	649,530	649,530	38,639	610,891
Total expenditures	649,530	649,530	38,639	610,891
Net changes in fund balance	182,000	182,000	19,447	(162,553)
FUND BALANCE:				
Beginning of year	-	-	-	-
End of year	<u>\$ 182,000</u>	<u>\$ 182,000</u>	<u>\$ 19,447</u>	<u>\$ (162,553)</u>

City of Desert Hot Springs
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
Assessment District 91-1 Capital Projects Fund
For the Year Ended June 30, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES:				
Taxes	\$ -	\$ 501	\$ 501	\$ -
Interest	-	36	36	-
Total revenues	<u>-</u>	<u>537</u>	<u>537</u>	<u>-</u>
EXPENDITURES:				
Current:				
Public works	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>-</u>	<u>537</u>	<u>537</u>	<u>-</u>
Net changes in fund balance	-	537	537	-
FUND BALANCE:				
Beginning of year	112,169	112,169	112,169	-
End of year	<u>\$ 112,169</u>	<u>\$ 112,706</u>	<u>\$ 112,706</u>	<u>\$ -</u>

City of Desert Hot Springs
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
Assessment District 92-1 Capital Projects Fund
For the Year Ended June 30, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES:				
Taxes	\$ -	\$ 370	\$ 369	\$ (1)
Interest	-	13	13	-
Total revenues	<u>-</u>	<u>13</u>	<u>382</u>	<u>-</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>-</u>	<u>13</u>	<u>382</u>	<u>369</u>
Net changes in fund balance	-	13	382	369
FUND BALANCE:				
Beginning of year	37,927	37,927	37,927	-
End of year	<u>\$ 37,927</u>	<u>\$ 37,940</u>	<u>\$ 38,309</u>	<u>\$ 369</u>

City of Desert Hot Springs
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
Assessment District 93-2 Capital Projects Fund
For the Year Ended June 30, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES:				
Taxes	\$ -	\$ 1,361	\$ 1,361	\$ -
Interest	-	9	8	(1)
Total revenues	<u>-</u>	<u>1,370</u>	<u>1,369</u>	<u>(1)</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>-</u>	<u>1,370</u>	<u>1,369</u>	<u>(1)</u>
Net changes in fund balance	-	1,370	1,369	(1)
FUND BALANCE:				
Beginning of year	27,153	27,153	27,153	-
End of year	<u>\$ 27,153</u>	<u>\$ 28,523</u>	<u>\$ 28,522</u>	<u>\$ (1)</u>

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INTERNAL SERVICE FUNDS

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

Internal Service Funds include:

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

Equipment Replacement Fund - To account for capital asset purchases.

City of Desert Hot Springs
Combining Statement of Net Position
Internal Service Funds
June 30, 2015

	Risk Management	Equipment Replacement	Total
ASSETS			
Current assets:			
Cash and investments	\$ 779,601	\$ 52,590	\$ 832,191
Accounts receivable	29,385	-	29,385
Interest receivable	16	2	18
Total current assets	<u>809,002</u>	<u>52,592</u>	<u>861,594</u>
Capital assets:			
Depreciable, net	-	689,579	689,579
Total capital assets	<u>-</u>	<u>689,579</u>	<u>689,579</u>
Total assets	<u>809,002</u>	<u>742,171</u>	<u>1,551,173</u>
LIABILITIES			
Current liabilities:			
Capital lease payable - due within one year	-	106,748	106,748
Claims payable - due within one year	239,017	-	239,017
Total current liabilities	<u>239,017</u>	<u>106,748</u>	<u>345,765</u>
Noncurrent liabilities:			
Capital lease payable - due in more than one year	-	123,688	123,688
Claims payable - due in more than one year	463,973	-	463,973
Total noncurrent liabilities	<u>463,973</u>	<u>123,688</u>	<u>587,661</u>
Total liabilities	<u>702,990</u>	<u>230,436</u>	<u>933,426</u>
NET POSITION			
Net investment in capital assets	-	459,143	459,143
Unrestricted	106,012	52,592	158,604
Total net position	<u>\$ 106,012</u>	<u>\$ 511,735</u>	<u>\$ 617,747</u>

City of Desert Hot Springs
Combining Statement of Revenues, Expenses, and Changes in Net Position
Internal Service Funds
For the Year Ended June 30, 2015

	Risk Management	Equipment Replacement	Total
OPERATING REVENUES:			
Charges for services	\$ 456	\$ -	\$ 456
Insurance recovery	127,618	-	127,618
Total operating revenues	128,074	-	128,074
OPERATING EXPENSES:			
Insurance and claims	545,520	-	545,520
Depreciation	-	216,389	216,389
Total operating expenses	545,520	216,389	761,909
OPERATING INCOME (LOSS)	(417,446)	(216,389)	(633,835)
NONOPERATING REVENUES (EXPENSES):			
Interest income	137	35	172
Gain on sale of capital assets	-	12,809	12,809
Interest expenses	-	(17,533)	(17,533)
Total nonoperating revenues (expenses)	137	(4,689)	(4,552)
INCOME (LOSS) BEFORE TRANSFERS	(417,309)	(221,078)	(638,387)
TRANSFERS:			
Transfers in	461,858	-	461,858
Total transfers	461,858	-	461,858
Changes in net position	44,549	(221,078)	(176,529)
NET POSITION:			
Beginning of year	61,463	732,813	794,276
End of year	\$ 106,012	\$ 511,735	\$ 617,747

City of Desert Hot Springs
Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended June 30, 2015

	Risk Management	Equipment Replacement	Total
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts from claims recoveries	\$ 98,233	\$ -	\$ 98,233
Receipts from others	456	-	456
Payments for insurance claims	(340,988)	-	(340,988)
Net cash (used in) operating activities	(242,299)	-	(242,299)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Transfers in from other funds	461,858	-	461,858
Net cash provided by noncapital financing activities	461,858	-	461,858
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Proceeds from sale of assets	-	12,809	12,809
Principal payment on capital leases	-	(106,748)	(106,748)
Interest paid on capital leases	-	(17,533)	(17,533)
Net cash (used in) capital and related financing activities	-	(111,472)	(111,472)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest received	309	41	350
Net cash provided by investing activities	309	41	350
Net increase (decrease) in cash and cash equivalents	219,868	(111,431)	108,437
CASH AND CASH EQUIVALENTS:			
Beginning of year	559,733	164,021	723,754
End of year	\$ 779,601	\$ 52,590	\$ 832,191
RECONCILIATION OF OPERATING (LOSS) TO NET CASH (USED IN) OPERATING ACTIVITIES:			
Operating (loss)	\$ (417,446)	\$ (216,389)	\$ (633,835)
Depreciation	-	216,389	216,389
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
(Increase) decrease in accounts receivable	(29,385)	-	(29,385)
Increase (decrease) in claims payable	204,532	-	204,532
Total adjustments	175,147	-	175,147
Net cash (used in) operating activities	\$ (242,299)	\$ -	\$ (242,299)

AGENCY FUNDS

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

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

City of Desert Hot Springs
Combining Statement of Assets and Liabilities
Agency Funds
June 30, 2015

	Agency Funds		
	Community Services Fund	Community Facilities District Skyborne Fund	Totals
ASSETS			
Cash and investments	\$ 96,373	\$ 514,788	\$ 611,161
Cash with fiscal agent	-	182,935	182,935
Accounts receivable	-	9,847	9,847
Interest receivable	-	24	24
Total assets	\$ 96,373	\$ 707,594	\$ 803,967
LIABILITIES			
Accounts payable	76,471	2,973	\$ 79,444
Deposits payable	19,902	10,000	29,902
Due to bondholders	-	694,621	694,621
Total liabilities	\$ 96,373	\$ 707,594	\$ 803,967

City of Desert Hot Springs
Combining Statement of Changes in Assets and Liabilities
Agency Funds
For the Year Ended June 30, 2015

	Balance July 1, 2014	Additions	Deletions	Balance June 30, 2015
<u>Community Services Fund</u>				
Assets:				
Cash and investments	\$ 12,823	\$ 83,550	\$ -	\$ 96,373
Total assets	\$ 12,823	\$ 83,550	\$ -	\$ 96,373
Liabilities:				
Accounts payable	\$ -	\$ 76,471	\$ -	\$ 76,471
Deposits payable	12,823	7,079	-	19,902
Total liabilities	\$ 12,823	\$ 83,550	\$ -	\$ 96,373
<u>Community Facilities District Skyborne Fund</u>				
Assets:				
Cash and investments	\$ 463,365	\$ 243,235	\$ (191,812)	\$ 514,788
Cash with fiscal agent	180,985	175,706	(173,756)	182,935
Accounts receivable	2,446	9,847	(2,446)	9,847
Interest receivable	85	23	(84)	24
Total assets	\$ 646,881	\$ 428,811	\$ (368,098)	\$ 707,594
Liabilities:				
Accounts payable	\$ 2,915	182,382	(182,324)	\$ 2,973
Deposits payable	-	10,000	-	10,000
Due to bondholders	643,966	236,429	(185,774)	694,621
Total liabilities	\$ 646,881	\$ 428,811	\$ (368,098)	\$ 707,594
<u>Total All Agency Funds</u>				
Assets:				
Cash and investments	\$ 476,188	\$ 326,785	\$ (191,812)	\$ 611,161
Cash with fiscal agent	180,985	175,706	(173,756)	182,935
Accounts receivable	2,446	9,847	(2,446)	9,847
Interest receivable	85	23	(84)	24
Total assets	\$ 659,704	\$ 512,361	\$ (368,098)	\$ 803,967
Liabilities:				
Accounts payable	\$ 2,915	\$ 258,853	\$ (182,324)	\$ 79,444
Deposits payable	12,823	17,079	-	29,902
Due to bondholders	643,966	236,429	(185,774)	694,621
Total liabilities	\$ 659,704	\$ 512,361	\$ (368,098)	\$ 803,967