



COMPREHENSIVE  
ANNUAL  
FINANCIAL  
REPORT



FOR THE  
FISCAL YEAR ENDED  
JUNE 30, 2006

CITY OF PALM SPRINGS, CALIFORNIA

Comprehensive Annual Financial Report

Year ended June 30, 2006

Prepared by

FINANCE DEPARTMENT

Craig A. Graves  
Director of Finance and Treasurer

Nancy E. Klukan  
Accounting Manager

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# INTRODUCTORY SECTION



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# City of Palm Springs

Department of Finance and Treasury

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December 1, 2006

To the citizens of The City of Palm Springs, California:

The comprehensive annual financial report (CAFR) of the City of Palm Springs for the fiscal year ended June 30, 2006, is hereby submitted. Responsibility for both the accuracy of the data, and the completeness and fairness of the presentation, including all disclosures, rests with the City. To the best of our knowledge and belief, the enclosed data are accurate in all material respects and are reported in a manner designed to present fairly the financial position and results of operations of the various funds and account groups of the City. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included. This report has been reformatted to comply with the new financial reporting model outlined in the Governmental Accounting Standards Board (GASB) Statement 34, which significantly changes the content and format of the City's financial statements.

The report includes the City's government-wide financial statements and fund financial statements. The government-wide financial statements include two statements: the Statement of Net Assets showing the total net equity of the City, including infrastructure, and the Statement of Activities that shows the cost of providing government services. Both of these statements have been prepared using the accrual basis of accounting, used by most businesses, as compared to the modified accrual method used in fund financial statements (the traditional governmental financial reports). A reconciliation report is provided to account for the differences between the two reporting methods.

In addition, the reporting model includes an emphasis on the City's major funds as shown in the Governmental fund Statements. The new statements, combined with other information, are further analyzed in a new narrative called Management's Discussion and Analysis (MD & A). MD & A provides "financial highlights" and a financial interpretation of trends, fluctuations and variances in the financial data. The MD & A further discusses any events or decisions that significantly affect the financial condition of the City.

The City of Palm Springs is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act of 1984 and U.S. Office of Management and Budget (OMB) Circular A-133, ***Audits of State, Local Governments, and Non-Profit Organizations***. Information related to this single audit, including the schedule of federal financial assistance, findings and recommendations, and auditor's reports on the internal control structure and compliance with applicable laws and regulations, are included in a separate report.

The City of Palm Springs provides a full range of services including public safety, highways and streets, sanitation, culture and recreation, aviation, public improvements, planning and zoning,

community development and general administrative services. In addition to general government activities, the City is considered to be financially accountable for the Community Redevelopment Agency of the City of Palm Springs, and the Palm Springs Financing Authority; therefore, these activities are included in the reporting entity.

## GENERAL INFORMATION

The City of Palm Springs, incorporated in 1938, is located in the western part of the Coachella Valley, one of the fastest growing regions of the State. The full time population of 45,731 increases substantially in the winter season (approximately November through May) with the influx of part-time residents and hotel visitors.

At 96.2 square miles, the City is one of the largest in area in the State.

## ECONOMIC CONDITION AND OUTLOOK

There were very positive trends in the City's major revenue sources.

Transient Occupancy Tax, was up about 12.7% compared to the prior year.

Sales Tax collections were up about 5.6%, with the opening of Lowe's and a new Super Wal-Mart.

Property Taxes in the General Fund increased by 29.7% over the prior year. This is the result of new commercial and residential development and the double digit increases in the selling prices of new and existing homes. The increase would have been even higher, except for the City's "contribution" to the State's budget solution.

Overall, the combined revenue from the General Fund and Community Promotion Fund went from \$60 million in Fiscal Year 2004-05 to \$ 65.9 million in Fiscal Year 2005-06, an increase of about 9.8%.

Unfortunately, the increased revenue was matched by increases in expenditures, primarily in pension costs, workers compensation, health and liability insurance, and energy costs.

While this last year saw some slowing of building activity, there continues to be a rise in property values which will likely allow revenues to keep pace with the additional expected increases in City costs. With the proper fiscal discipline, this should allow the General and Community Promotion's Funds to continue produce a surplus.

## MAJOR INITIATIVES FOR THE YEAR

The City concluded labor negotiations with five of the six bargaining units. The Management, Professional and Supervisory employees, the Police Management and the General Unit, all have contracts through June 30, 2007. The Police Safety and Fire Safety have signed new contracts through June 30, 2009. The City is currently negotiating with the Fire Management unit.

The Phase II expansion of the Convention Center which started in May, 2004 was completed on time in August, 2005. The \$44 million construction project added 115,000 square feet to the Convention Center, nearly doubling its size. This has allowed the expanded Convention Center to attract a broader array of conferences and seminars thus creating additional revenue opportunities for the City.

The City participates in the Indian Gaming Special Distribution Fund. Tribal owned casinos pay into the State administered fund, and through a vetting process which determines the impacts on local governments, affected cities receive grants. Palm Springs' allocation for FY 05-06 was about \$900,000, and was used exclusively to fund police and fire safety services related to the Agua Caliente Casino. The City has received a 5 year commitment for annual funding at this level.

Quimby Act fees were adopted by the City Council in fiscal year 2003/04. Payments for fiscal year 2005/06 totaled about \$992,550. The fees, which will be assessed on new residential development, will be used for the future costs of building parks and for other recreational activities.

In April of 2005, an ordinance establishing the Office of Neighborhood Involvement was adopted. This provides the framework for the formation and operation of neighborhood groups. The groups provide advice to the City Council, and facilitate the flow of information and ideas between citizens and the elected officials. To date, 8 neighborhood organizations have formed and been recognized.

To help pay for future demands on City services, especially for police and fire safety services, the City adopted a City-wide Community Facilities District for new development in July 2005. The annual tax of \$350 per single family residence (\$295 for multi-family residences) will provide long-term funding for the additional services necessitated by the explosive growth in housing units, both being built and in the planning stages. All future projects of 25 units or more must participate in the CFD before they can be approved.

A Super Wal-Mart was completed in October 2005 at the City's eastern boundary. A Home Depot was approved during the summer of 2005 and construction began in June of 2006. With other major "big box" development already in place (Lowe's Hardware), the City should see significant increases in sales tax revenue by FY 06-07.

Two years ago, future development in Palm Springs faced two major tests on the March 2, 2005 ballot. The first, the Hillside Protection Initiative, proposed to change the zoning for the major portion of undeveloped land in Palm Springs, and severely limited what could be built in the designated areas. The second, the Palm Hills Referendum, would rescind City Council approval of a major hotel, golf course and residential development. The city wide Hillside Protection Initiative was defeated. The Palms Hills Referendum did pass. The proposed project can not go forward as proposed, but may be resubmitted in a different form after a year. The City did adopt a temporary ordinance that has placed some limitations on the amount of development in certain limited hillside areas.

The Cirque Dreams, a combined song and dance theatrical production with gymnastic and aerialist acts opened in January of 2006 in downtown Palm Springs. The show is being housed in the now-vacant Downtown Fashion Plaza for three years, or until the Plaza's plans for

rehabilitations are ready to begin construction. The nightly shows have enhanced, along with the long running Palm Springs Follies in the Plaza Theatre, the nightlife in the entire downtown corridor. The City helped jump start this new attraction with a \$300,000 loan, which will be repaid from ticket sales.

## FOR THE FUTURE

A major residential project east of the Palm Springs International Airport called Escena started in the winter of 2005. The initial phase of the project was the completion of a new golf course, which was completed in August of 2005. Plans for the homes are currently in the planning department with construction of the homes scheduled to start in early 2007. The project includes plans for 800 residential units, and a hotel.

The City Council approved negotiating with Nexus Development to build a Hard Rock Hotel near the Convention Center this past year.

## FINANCIAL INFORMATION

Management of the City is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the City are protected from loss, theft or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

**Single Audit.** As a recipient of federal, state and county financial assistance, the City also is responsible for ensuring that an adequate internal control structure is in place to ensure compliance with applicable laws and regulations related to those programs. This internal control structure is subject to periodic evaluation by management and the internal audit staff of the City.

As a part of the City's single audit, described earlier, tests are made to determine the adequacy of the internal control structure, including that portion related to federal financial assistance programs, as well as to determine that the government has complied with applicable laws and regulations. The results of the government's single audit for the fiscal year ended June 30, 2005 provided no instances of material weaknesses in the internal control structure or signification violations of applicable laws and regulations.

**Budgeting Controls.** In addition, the City maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the City's governing body. The level of budgetary control (that is, the level at which expenditures cannot legally exceed the appropriated amount) is at the fund level. The City maintains an encumbrance accounting system as one technique of accomplishing budgetary control. Encumbered amounts are carried over at year end.

As demonstrated by the statements and schedules included in the financial section of this report, the City continues to meet its responsibility for sound financial management.

**Appropriation Limitation.** As required by Article XIII B of the California Constitution, the City's appropriation limitation for 2005-06 expenditures was calculated at \$101,496,858. Appropriations subject to limitation totaled \$52,662,053 or about \$48,834,805 below the City's legal appropriation limit. All of the City's proprietary funds are exempt as are federal funds.

**Debt Administration.** As of June 30, 2006, the total remaining principal on the long-term debt of the City and its related entities is \$188,615,500.

**Cash Management.** The City had \$60,000,897 available for investment on June 30, 2005 compared to \$57,791,359 as of June 30, 2006. The current year amount does not include \$37,406,680 held by the City's fiscal agent for various long-term debt issues. The City of Palm Springs invests its temporarily pooled idle investments under the Prudent Man Rule (Civil Code Sect. 2261, et seq.), which in essence states that "in investing property for benefit of another, a trustee shall exercise the judgment and care, under circumstances then prevailing, which men of 'prudence', or discretion, and intelligence exercise in the management of their own affairs." This affords the City a broad spectrum of investment opportunities as long as the investment is deemed prudent and is allowable under current legislation of the State of California. The City's investment portfolio consists of certificates of deposit, State of California Local Agency Investment Fund, Bankers Acceptances, United States Government Securities and Corporate Notes.

As stated in Note 3 in the Notes to the Combined Financial Statements, the City's total cash deposits have been broken down into Category 1, 2 or 3. These three categories are provided to comply with the GASB Statement Number 3, which in essence, requires risk disclosures assumed by the entity. A description of each category and the possible risk associated with it is found in Note 3 of the Notes to the Financial Statements.

**Risk Management.** The City is self-insured for general liability in the amount of \$300,000 per occurrence and for worker's compensation in the amount of \$500,000 per occurrence. Individual claims in excess of the self-insured amounts for general liability (up to a maximum of \$10,000,000 per incident) and worker's compensation (up to the statutory limit of \$5,000,000 per claim) fall under the insurance policies purchased by the City.

The City purchased commercial Worker's Compensation Insurance from Employee Reinsurance. This provides workers' compensation coverage for claims in excess of \$1,000,000 with a maximum of \$5,000,000 per claim. Further information can be found in Note 15 of the Notes to the Financial Statements.

A schedule listing the insurance in force is contained in the Statistical Section (Table 16) of the Comprehensive Annual Financial Report.

## OTHER INFORMATION

**Independent Audit.** State statute requires an annual audit by independent certified public accountants. The accounting firm of Conrad and Associates, L.L.P., was selected by the City Council with the recommendation of the Finance Director. Conrad and Associates, LLP has since merged with Mayer Hoffman McCann P.C. as the Conrad Government Services Division. In addition to meeting the requirements set forth in state statutes, the audit was also designed to meet the requirements of the Federal Single Audit Act of 1984 and related OMB Circular A-133.

The auditor's report on the general purpose financial statements and combining, individual fund and account group statements and schedules are included in the financial section of this report. Once again the City's independent auditors, Conrad and Associates, L.L.P., has issued an unqualified opinion. The auditor's reports related specifically to the single audit are included in the Single Audit Report.

**Awards.** The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Palm Springs for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2005. This was the 17th consecutive year that the City has received this prestigious award. In order to be awarded a Certificate of Achievement, the City published an easily readable and efficiently organized comprehensive annual financial report. This report satisfied both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

In addition, the City also received the Certificate of Award for outstanding Financial Reporting from the California Society of Municipal Finance Officers.

**Acknowledgments.** The preparation of this report on a timely basis could not have been accomplished without the efficient and dedicated services of the entire Finance Department staff. Special recognition is given to Nancy Klukan, Assistant Director of Finance; Rita Gustafson, Accounting Supervisor and Kim Hardcastle, Accountant and all the Accounting division staff for their services in the coordination and preparation of this year's report. Our independent auditors, Mayer Hoffman McCann P.C., provided expertise and advice in preparing an outstanding report this year.

Respectfully submitted,



Craig A. Graves  
Director of Finance and Treasurer

CITY OF PALM SPRINGS

List of Principal Officials

June 30, 2006

CITY COUNCIL

Ronald Oden, Mayor  
Ginny Foat, Mayor Pro Tem  
Michael R. McCulloch  
Christopher S. Mills  
Stephen P. Pougnet

EXECUTIVE MANAGEMENT

City Manager	David H. Ready
Assistant City Manager - Administration	Troy L. Butzlaff
Assistant City Manager – Development Services	Thomas Wilson
City Clerk	James L. Thompson
City Librarian	Barbara L. Roberts
Director of Aviation	Richard S. Walsh
Director of Building and Safety	Walter D. Duckworth
Director of Community/Economic Development	John S. Raymond
Director of Finance and Treasurer	Craig A. Graves
Director of Human Resources	Susan E. Mills
Director of Parks, Recreation and Facilities	Paul S. Mikesell
Director of Planning Services	Craig Ewing
Director of Public Works/City Engineer	David J. Barakian
Fire Chief	Blake G. Goetz
Police Chief	Gary M. Jeandron



# Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Palm Springs  
California

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
June 30, 2005

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



President

Executive Director

*California Society of  
Municipal Finance Officers*

Certificate of Award

*Outstanding Financial Reporting 2004-05*

Presented to the

*City of Palm Springs*



*This certificate is issued in recognition of meeting professional standards and criteria in reporting  
which reflect a high level of quality in the annual financial statements  
and in the underlying accounting system from which the reports were prepared.*

*February 24, 2006*

*William A. Shand*

Bill Thomas, Chair  
Professional & Technical Standards Committee

*Dedicated to Excellence in Municipal Financial Management*

# FINANCIAL SECTION





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Conrad Governmental Accounting & Auditing  
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City Council  
City of Palm Springs  
Palm Springs, California

### Independent Auditor's Report

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 Palm Springs, California, as of and for the year ended June 30, 2006, which collectively comprise the City's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the management of the City of Palm Springs. Our responsibility is to express opinions on these financial statements based on our audit. The prior year summarized comparative financial information has been derived from the City's 2005 financial statements which were audited by Conrad and Associates, L.L.P., who merged with Mayer Hoffman McCann P.C. as of January 1, 2006, and whose report dated November 4, 2005 expressed unqualified opinions on the respective financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Palm Springs, California, as of June 30, 2006, and the respective changes in financial position and cash flows, where applicable, of the City of Palm Springs, California for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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

City Council  
City of Palm Springs  
Palm Springs, California

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Palm Springs' basic financial statements. The introductory section, combining and individual nonmajor fund financial statements and schedules and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

In accordance with *Government Auditing Standards*, we have also issued a report dated November 3, 2006 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

*Mayor Hoffman McLean A.C.*

Irvine, California  
November 3, 2006

## MANAGEMENT'S DISCUSSION AND ANALYSIS

The following discussion and analysis of the financial performance of the City of Palm Springs provides an overview of the City's financial activities for the fiscal year ended June 30, 2006. Please read it in conjunction with the financial statements identified in the accompanying table of contents.

### Using the Accompanying Financial Statements

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of the City as a whole and present a longer-term view of the City's finances. Also included in the accompanying report are fund financial statements. For governmental activities, the fund financial statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds. The remaining statements provide financial information about activities for which the City acts solely as a trustee or agent for the benefit of those outside of the government.

## OVERVIEW OF THE FINANCIAL STATEMENTS

The annual report consists of four parts – *management's discussion and analysis* (this section), the *basic financial statements*, *required supplementary information*, and an optional section that presents *combining statements* for nonmajor governmental funds and internal service funds. The basic financial statements include two kinds of statements that present different views of the City:

- The first two statements are *government-wide financial statements* that provide both *long-term* and *short-term* information about the City's overall financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the City government, reporting the City's operations in *more detail* than the government-wide statements.
  - The *governmental funds* statements tell how *general government* uses services like public safety were financed in the *short term* as well as what remains for future spending.
  - *Proprietary fund* statements offer *short- and long-term* financial information about the activities the government operates like businesses, such as the water and sewer system.
  - *Fiduciary fund* statements provide information about the fiduciary relationships – like the agency funds of the City – in which the City acts solely as *agent* or *trustee* for the benefit of others, to whom the resources in question belong.

The financial statements also include *notes* that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that provided additional financial and budgetary information.

Figure A-1 summarizes the major features of the City's financial statements, including the portion of the City government they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

Figure A-1  
Major Features of the City's Government-wide and Fund Financial Statements

	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire City government (except fiduciary funds) and the City's component units	The activities of the City that are not proprietary or fiduciary	Activities the City operates similar to private businesses	Instances in which the City is the trustee or agent for someone else's resources
Required financial statements	<ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues, expenditures and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of revenues, expenses and changes in net assets</li> <li>• Statement of cash flows</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of fiduciary net assets</li> <li>• Statement of changes in fiduciary net assets</li> </ul>
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term debt included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; the City's fiduciary funds do not currently contain capital assets, although they can.
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All revenues and expenses during year, regardless of when cash is received or paid.

## Reporting the City as a Whole

The accompanying **government-wide financial statements** include two statements that present financial data for the City as a whole. One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the City as a whole and about its activities in a way that helps answer this question. These statements include *all* assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the City's net assets and changes in them. The net assets – the difference between assets and liabilities – is one way to measure the City's financial health. Over time, *increases and decreases* in the City's net assets are one indicator of whether its *financial health* is improving or deteriorating. Other nonfinancial factors, however, such as changes in the City's property tax base and the condition of the City's roads should be considered, to assess the *overall health* of the City.

In the Statement of Net Assets and the Statement of Activities, we divide the City into three kinds of activities:

- **Governmental activities** – Most of the City's basic services are reported here. Sales taxes, transient occupancy taxes, property taxes, state subventions, and other revenues finance most of these activities.
- **Business-type activities** – The City charges a fee to customers to help it cover all or most of the cost of the services accounted for in these funds.
- **Component units** – The City includes two separate legal entities in its report – the Community Redevelopment Agency and the Palm Springs Financing Authority. Although legally separate, these "component units" are important because the City is financially accountable for them.

## Reporting the City's Major Funds

The **fund financial statements** provide detailed information about the City's most significant funds – not the City as a whole. Some funds are required to be established by State law or by bond covenants. However, City Council establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting administrative responsibilities for using certain taxes, grants, or other money (like grants received). The City's two kinds of funds – *governmental* and *proprietary* – use different accounting approaches.

- **Governmental funds** – Most of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year end that are available for spending. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other *current financial* assets that can readily be converted to cash. The governmental fund statements provide a detailed *short-term view* of the City's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. We describe the relationship or differences between *governmental activities* (reported in the Statement of Net Assets and the Statement of Activities) and *governmental funds* in a reconciliation at the bottom of the fund financial statements.

- *Proprietary funds* – When the City charges customers for the services it provides – whether to outside customers or to other units of the City – these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities. In fact, the City’s enterprise funds (a component of proprietary funds) are the same as the business-type activities reported in the government-wide statements but provide more detail and additional information, such as cash flows, for proprietary funds. Internal service funds (the other component of proprietary funds) are used to report activities that provide supplies and services for the City’s other programs and activities.

Reporting the City’s Fiduciary Responsibilities

The City is an agent for certain assets held for, and under the control of, other organizations and individuals. All of the City’s fiduciary activities are reported in a separate Statement of Fiduciary Assets. We exclude these activities from the City’s other financial statements because the City cannot use these assets to finance its operations. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

A summary of the government-wide *statement of net assets* follows:

Table 1  
Net Assets (in thousands)

	Governmental Activities		Business Type Activities		Total	
	2006	2005	2006	2005	2006	2005
Current and other assets	108,954	105,900	26,107	23,407	135,061	129,248
Capital assets	222,536	213,144	129,267	130,246	351,803	343,390
<b>Total assets</b>	<b>331,490</b>	<b>319,044</b>	<b>155,374</b>	<b>153,653</b>	<b>486,864</b>	<b>472,638</b>
Long-term debt outstanding	143,009	145,816	40,083	42,049	183,092	187,865
Other liabilities	23,544	19,497	4,747	5,108	28,291	24,605
<b>Total liabilities</b>	<b>166,553</b>	<b>165,313</b>	<b>44,830</b>	<b>47,157</b>	<b>211,383</b>	<b>212,740</b>
<b>Net assets:</b>						
Invested in capital assets (net of debt)	89,545	96,631	93,695	93,598	183,240	190,229
Restricted	47,008	42,685	-	-	47,008	42,685
Unrestricted	28,384	14,415	16,849	12,898	45,233	27,313
<b>Total net assets</b>	<b>164,937</b>	<b>153,731</b>	<b>110,544</b>	<b>106,496</b>	<b>275,481</b>	<b>260,167</b>

A summary of the government-wide statement of activities follows:

Table 2  
Changes in Net Assets (in thousands)

	Governmental Activities		Business Type Activities		Total	
	2006	2005	2006	2005	2006	2005
<b>Revenues</b>						
Program revenues:						
Charges for services	14,495	14,886	23,897	23,404	38,392	38,290
Operating contributions & grants	9,148	8,068	284	275	9,432	8,343
Capital contributions & grants	6,956	4,513	6,005	5,771	12,961	10,284
General revenues						
Property taxes & tax increment	22,933	17,688			22,933	17,688
Sales taxes	8,843	8,376			8,843	8,376
Transient occupancy taxes	14,677	13,025			14,677	13,025
Other taxes	14,404	14,129			14,404	14,129
Gain on sale of capital asset	306	1,751			306	1,751
Other general revenues	2,092	1,501	809	454	2,901	1,955
<b>Total revenues</b>	<b>93,854</b>	<b>83,937</b>	<b>30,995</b>	<b>29,904</b>	<b>124,849</b>	<b>113,841</b>
<b>Program expenses</b>						
General government	12,664	11,013	-	-	12,664	11,013
Culture and convention center	5,894	4,362	-	-	5,894	4,362
Public safety	30,378	29,728	-	-	30,378	29,728
Public Works	15,178	17,602	-	-	15,178	17,602
Parks and recreation	7,057	5,419	-	-	7,057	5,419
Library	2,562	2,402	-	-	2,562	2,402
Interest	8,416	8,073	-	-	8,416	8,073
Airport	-	-	20,154	19,895	20,154	19,895
Wastewater	-	-	3,617	3,960	3,617	3,960
Golf Course	-	-	3,616	3,303	3,616	3,303
<b>Total expenses</b>	<b>82,148</b>	<b>78,599</b>	<b>27,387</b>	<b>27,158</b>	<b>109,535</b>	<b>105,757</b>
Excess (deficiency) before special items and transfers	11,706	5,338	3,608	2,746	15,314	8,084
Transfers	(500)	(500)	500	500	-	-

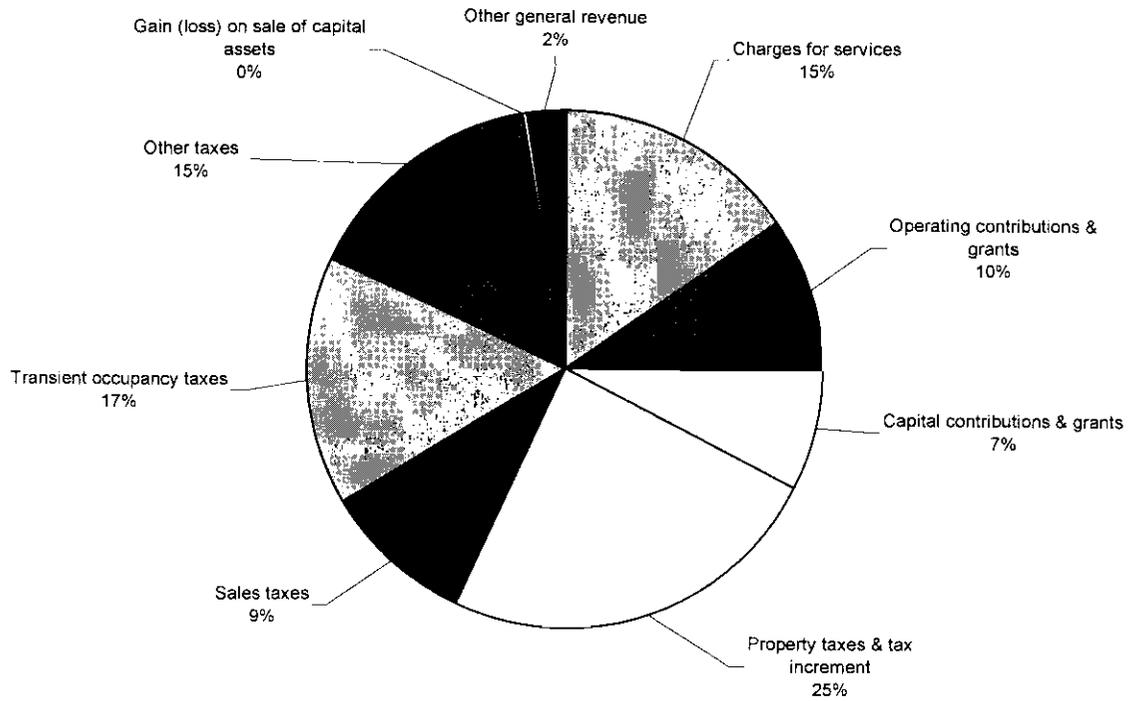
Increase (decrease) in net assets	11,206	4,838	4,108	3,246	15,314	8,084
Beginning net assets	<u>153,731</u>	<u>148,892</u>	<u>106,436</u>	<u>103,250</u>	<u>260,167</u>	<u>252,142</u>
Ending net assets	<u><u>164,937</u></u>	<u><u>153,730</u></u>	<u><u>110,544</u></u>	<u><u>106,496</u></u>	<u><u>275,481</u></u>	<u><u>260,226</u></u>

The increase or decrease in net assets can provide an indication as to whether the overall financial position of the City improved or deteriorated during the year. Net assets of the City's governmental activities increased by about 7.3% (\$164.9 million compared to \$153.7 million).

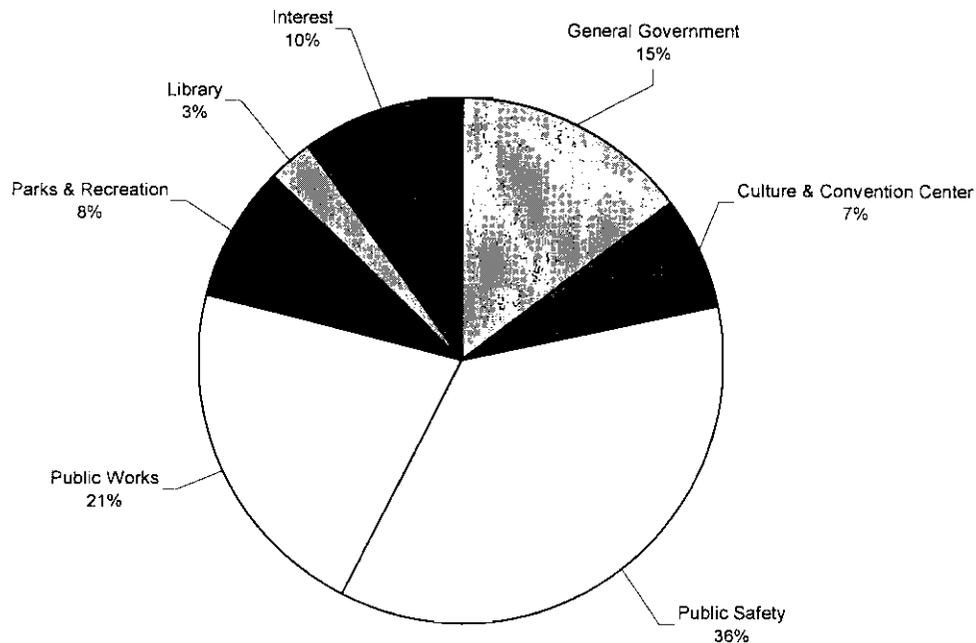
The reasons for significant changes in the revenues and expenses of the City's governmental activities presented above are as follows:

- The City's property tax collections increased by 29.7% over the previous year. The increase was attributable to continued double digit increase in the selling prices of new and existing properties, especially residential properties, and the statutory 2% increase in the value of virtually all other property which did not change hands during the year. Part of the increase was due to the City and the Agency receiving \$1.4 million of back property taxes and tax increment due to the County holding Teeter funds incorrectly. The increase also reflects the increased commercial development of Lowe's and Super Wal-Mart. Property tax revenue would have been higher except for the City's "contribution" of about \$900,000 to the State's budget deficit solution.
- The Transient Occupancy Tax (TOT) collections were up 12.7% compared to the prior year. This increase can be partially attributed to the opening of the City's new Convention Center Expansion which opened in August.
- Sales tax collections increased by nearly 5.6% with the opening of the new Super Wal-Mart.
- Program expenses were up significantly in most categories because of large increases in pension and health insurance costs.
- Public works' Capital Contributions and Grants increased from \$4.5 million last year to \$6.9 million in FY 05-06 because of a new assessment district.

Revenues by Source – Governmental Activities



## Expenses by Function – Governmental Activities



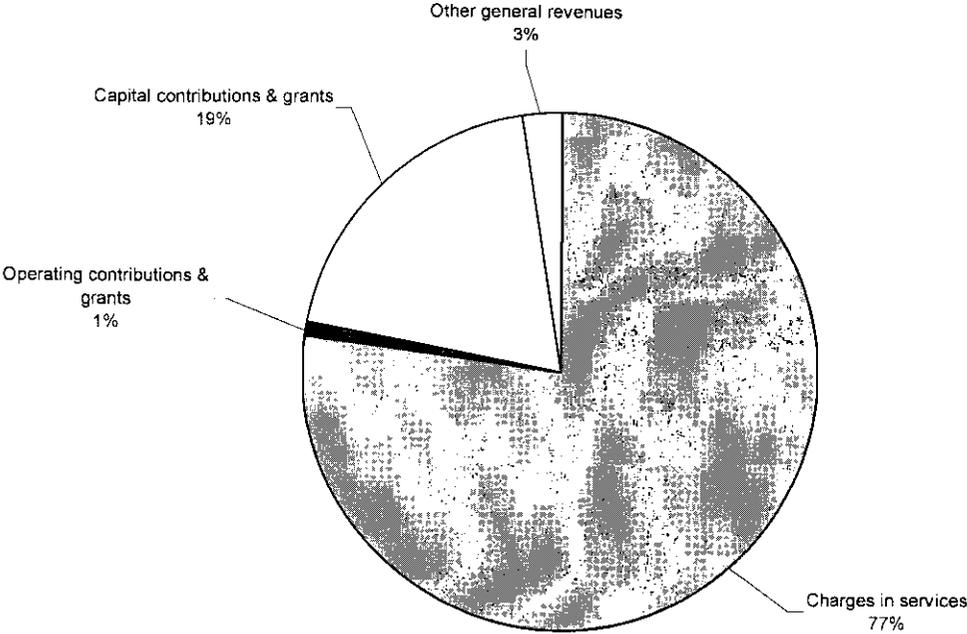
## Business-Type Activities

Revenues of the City's business-type activities (see Table 2) were up slightly from the previous year, from \$29.9 million to \$30.9 million. Expenses increased from \$27.1 million to \$27.4 million.

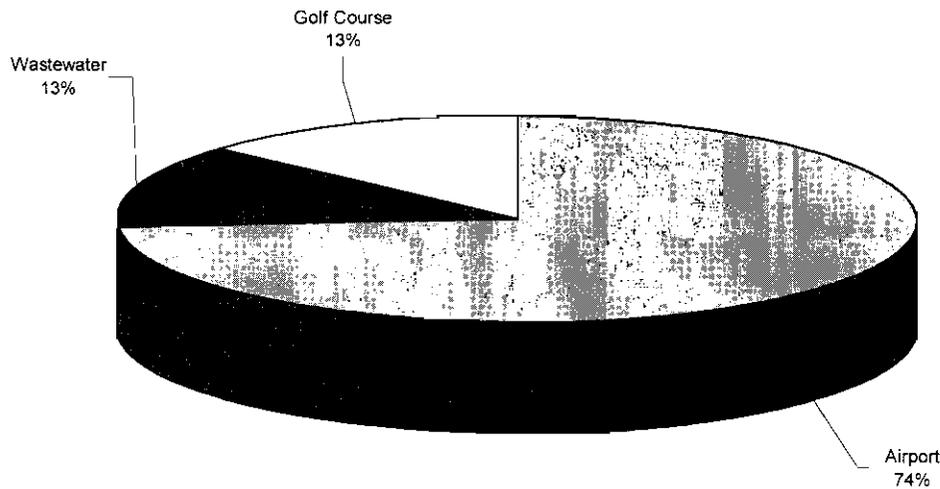
The primary reasons for the changes in revenue:

- Revenue from capital grants in the Airport increased from \$5.5 million to \$6 million. This reflects the initial work on the new regional terminal.
- Operating expenses were impacted by higher personnel costs, especially for pension benefits, health insurance and workers' comp insurance. Energy costs increased by about \$200,000 (from \$1.3 million to \$1.5 million).
- Depreciation expense increased from \$8.4 million to \$8.9 million.

Revenues by Source – Business-type Activities



## Expenses by Function – Business-type Activities



## MAJOR FUNDS

As noted earlier, the City uses fund accounting to provide proper financial management of the City's resources and to demonstrate compliance with finance-related legal requirements.

**Major Governmental Funds.** The **General Fund** is the chief operating fund of the City. At the end of the current fiscal year, unreserved fund balance of the general fund was \$2.4 million, while total fund balance reached \$6.5 million. As a measure of the general fund's liquidity, unreserved fund balance represents 4.7 % of total general fund expenditures, while total fund balance represents 12.8% of that same amount. It should be noted that the Community Promotion Fund has a fund balance of \$7.4 million.

Total General Fund revenue increased from \$52.3 million to \$57.6 million. Most of the categories showed improvement. Among the more significant changes:

- sales taxes went from \$8.4 million to \$8.8 million
- property taxes went from \$12.7 million to \$16.5 million
- licenses and permits (Building and other) decreased from \$4.5 million to \$3.8 million
- charges for services (primarily plan checking fees) decreased from \$4.4 million to \$4.2 million
- utility users taxes increased from \$5.7 million to \$6 million
- transient occupancy tax increased from \$5.7 million to \$6.5 million

The increases were primarily the result of a very active housing market, both in terms of new development and much higher resale prices for existing homes and commercial property. The transient occupancy tax increase was a result of the new convention center expansion opening. The decreases are a result of some slowing of new construction

Total General Fund expenditures increased from \$48.4 million to \$50.6 million. Large changes occurred in:

- PERS pension benefit costs, which increased from \$6.9 million to \$8 million
- health insurance and workers compensation insurance, increasing from \$5.7 million to \$6.4 million.
- Utilities increased from \$1.4 million to \$1.6 million due to increased energy costs

The other Major Governmental Funds include the **Special Assessments Debt Service**, the **Community Redevelopment Agency Debt Service** and **Capital Projects**.

The Special Assessments Debt Service aggregates the City's five 1913/1915 assessment districts.

The revenues increased from \$1.2 million to \$1.3 million with the addition of Assessment District No. 164 and increase interest income. Expenditures increased from \$2 million to \$5.6 million with the substantial completion of the AD 164 improvements during the year.

The Community Redevelopment Agency Debt Service had increase in revenue from \$6.5 million to \$10 million. This was due primarily to increased property tax increment. Its expenditures increased from \$4.7 million to \$5.9 million due to additional pass-through payments required to be made to other agencies because of the increased tax increment to the Agency.

The Capital Projects Fund includes both projects funded by transfers from the General Fund and by grants.

The major change is:

- total expenditures decreased by \$21.5 million, from \$31.7 million to \$10.2 million because of the most of the Convention Center expansion was completed in the previous fiscal year.

**Major Enterprise Funds.** The Unrestricted net assets of the **Airport, Wastewater and Golf Course Funds** total \$16.9 million, an increase of \$4 million from last year's total of \$12.9 million. This increase is because a bond issue in the Wastewater Fund was retired and the last debt service was paid in FY 03-04. There were also no major capital expenditures this past fiscal year.

## GENERAL FUND BUDGET

There was only a minor difference between the original budget and final budget for revenue in the General Fund.

On the expenditure side, the overall budget increased by about \$1.0 million, primarily due to increased personnel costs in Public Safety from the original budget.

Exhibit A-1 shows additional detail.

The actual operating results for revenue compared to the final budget had a positive variance of slightly more than \$3.3 million (\$54.3 million budget vs. \$57.6 million actual). Most revenue categories exceeded budget. Licenses and Permits and Fines and Penalties were down slightly. Charges for Services were down by \$246,216. Most of these decreases were the result of the slowing of new construction. The largest increase was in taxes of \$2.7 million. This was primarily due to increased property taxes. There was also an increase of \$456,974 in transient occupancy taxes.

Most of the categories of expenditures showed a positive variance compared to the final budget, with the actual total \$2 million under budget. The savings were primarily the result of salary savings from vacant positions and various other cost cutting measures.

The above deviations from budget did not significantly affect the City's liquidity, or its ability to provide future services to its residents.

	CAPITAL ASSETS					
	(in thousands, net of depreciation)					
	Governmental Activities		Business Type Activities		Total	
	2006	2005	2006	2005	2006	2005
Buildings	37,886	39,212	12,745	13,656	50,631	52,868
Improvements	53,395	12,477	64,152	66,040	117,547	78,517
Furniture and equipment	2,202	1,977	403	323	2,605	2,300
Vehicles	4,175	3,214	1,750	1,898	5,925	5,112
Infrastructure	90,243	88,637	11,489	11,602	101,732	100,239
Right-of-way	14,614	14,614	-	-	14,614	14,614
Land	15,967	16,027	36,727	36,727	52,694	52,754
Construction in progress	4,054	36,987	2,000		6,054	36,987
<b>Total</b>	<b>222,536</b>	<b>213,145</b>	<b>129,266</b>	<b>130,246</b>	<b>351,802</b>	<b>343,391</b>

The major addition to capital assets during the year ended June 30, 2006 was as follows:

- The completion of the Phase II improvements to the Convention Center, a total of about \$32.5 million.

For more detailed information on capital asset activity, see the Capital Assets Footnote #5 in the Notes to the Basic Financial Statements.

## LONG-TERM DEBT

As of June 30, 2006, the City had bonded debt outstanding of \$188.6 million. The City has no General Obligation debt. The table below summarizes the information presented in Notes 7, 8 and 9 to the financial statements.

	LONG TERM DEBT (in thousands)					
	Governmental Activities		Business Type Activities		Total	
	2006	2005	2006	2005	2006	2005
Certificates of participation (COP's)	16,694	17,120	11,788	12,024	28,482	29,144
Tax Allocation Bonds	26,950	27,660		-	26,950	27,660
Lease Revenue Bonds	91,038	92,402	29,114	30,934	120,152	123,336
Special Assessment Bonds	13,031	9,978		-	13,031	9,978
	<u>147,713</u>	<u>147,160</u>	<u>40,902</u>	<u>42,958</u>	<u>188,615</u>	<u>190,118</u>

There was one 1913/15 Assessment District Bond that was additional new debt added during fiscal year 2005-06. The airport did refund the 1992 Airport Revenue Bonds.

State statutes limit the amount of general obligation debt a city may issue to 15% of its total assessed valuation. The current debt limitation for the City is \$227.5 million. The City has no outstanding general obligation debt. See Tables 8 and 11 in the Statistical Section accompanying the financial statements.

### Contacting the City's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Department of Finance, City of Palm Springs, P.O. Box 2743, Palm Springs, CA 92263; or visit our website at [www.palmsprings-ca.gov](http://www.palmsprings-ca.gov), and click on "Departments" – "Finance & Treasury"; or call us at (760) 323-8229.

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BASIC FINANCIAL STATEMENTS

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CITY OF PALM SPRINGS  
Statement of Net Assets  
June 30, 2006

	Governmental Activities	Business-Type Activities	Totals	
			2006	2005
<b>Assets:</b>				
Cash and investments (note 2)	\$ 59,020,206	22,121,499	81,141,705	58,516,829
Deposits	233,452	-	233,452	238,319
Receivables:				
Accounts	2,216,852	832,133	3,048,985	3,955,460
Accrued interest	1,565,297	207,279	1,772,576	2,717,801
Special assessments	13,147,094	-	13,147,094	10,003,795
Notes	3,595,638	-	3,595,638	2,135,318
Internal balances	2,947,721	(2,947,721)	-	-
Due from other governments	5,200,618	564,345	5,764,963	5,510,861
Inventories	137,126	-	137,126	100,252
Unamortized debt issuance costs	454,363	772,098	1,226,461	1,539,467
Property held for resale	4,871,987	-	4,871,987	7,123,077
Restricted assets:				
Cash and investments with fiscal agent (note 2)	15,563,780	4,557,658	20,121,438	37,406,680
Capital assets (note 5):				
Land and rights of way	30,581,636	36,727,608	67,309,244	67,369,244
Construction in progress	4,053,834	2,000,559	6,054,393	36,987,031
Other capital assets, net	187,900,233	90,538,519	278,438,752	239,033,802
Total assets	<u>331,489,837</u>	<u>155,373,977</u>	<u>486,863,814</u>	<u>472,637,936</u>
<b>Liabilities:</b>				
Accounts payable	5,202,457	883,618	6,086,075	4,873,961
Accrued wages payable	1,060,583	140,183	1,200,766	930,265
Accrued interest payable	1,830,119	1,856,020	3,686,139	3,927,631
Due to other governments	92,442	-	92,442	1,242,611
Deposits payable	174,976	500,000	674,976	668,612
Claims and judgments payable (note 13)	4,250,840	-	4,250,840	4,167,475
Unearned revenue	176,728	-	176,728	47,243
Noncurrent liabilities (notes 7 to 12):				
Due within one year	10,755,446	1,366,800	12,122,246	8,748,395
Due in more than one year	143,009,285	40,083,199	183,092,484	187,864,606
Total liabilities	<u>166,552,876</u>	<u>44,829,820</u>	<u>211,382,696</u>	<u>212,470,799</u>
<b>Net assets:</b>				
Invested in capital assets, net of related debt	89,544,865	93,694,649	183,239,514	190,228,423
Restricted for:				
Public safety	1,161,336	-	1,161,336	570,971
Public works	13,500,822	-	13,500,822	12,303,896
Special assessment debt service	11,017,341	-	11,017,341	11,271,561
Redevelopment agency projects	21,328,670	-	21,328,670	18,538,674
Unrestricted	28,383,927	16,849,508	45,233,435	27,253,612
Total net assets	<u>\$ 164,936,961</u>	<u>110,544,157</u>	<u>275,481,118</u>	<u>260,167,137</u>

See accompanying notes to the basic financial statements.

CITY OF PALM SPRINGS

Statement of Activities

Year ended June 30, 2006

	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Contributions and Grants</u>	<u>Capital Contributions and Grants</u>
Governmental activities:				
General government	\$ 12,664,186	2,985,457	-	-
Cultural and convention center	5,894,286	342,570	124,374	376,941
Public safety	30,377,849	1,387,079	3,255,477	-
Public works	15,178,234	8,064,647	5,465,710	6,578,944
Parks and recreation	7,056,619	1,502,694	218,899	-
Library	2,562,084	212,725	83,943	-
Interest expense	8,416,117	-	-	-
Total governmental activities	<u>82,149,375</u>	<u>14,495,172</u>	<u>9,148,403</u>	<u>6,955,885</u>
Business-type activities:				
Airport	20,154,371	14,581,454	218,822	6,005,185
Wastewater	3,617,124	6,428,919	-	-
Golf course	3,615,866	2,887,216	64,852	-
Total business-type activities	<u>27,387,361</u>	<u>23,897,589</u>	<u>283,674</u>	<u>6,005,185</u>
	<u>\$ 109,536,736</u>	<u>38,392,761</u>	<u>9,432,077</u>	<u>12,961,070</u>

General revenues:

- Property taxes
- Tax increment
- Sales taxes
- Transient occupancy taxes
- Utility users tax
- Other taxes
- Motor vehicle in lieu, unrestricted
- Investment income
- Gain on sale of capital assets
- Miscellaneous revenues

Transfers

Total general revenues and transfers

Change in net assets

Net assets at beginning of year

Net assets at end of year

See accompanying notes to the basic financial statements.

EXHIBIT BB

Net (Expense) Revenue and Changes in Net Assets			
Governmental Activities	Business-type Activities	Totals	
		2006	2005
(9,678,729)	-	(9,678,729)	(8,699,147)
(5,050,401)	-	(5,050,401)	(2,294,818)
(25,735,293)	-	(25,735,293)	(25,637,618)
4,931,067	-	4,931,067	320,557
(5,335,026)	-	(5,335,026)	(4,679,612)
(2,265,416)	-	(2,265,416)	(2,067,265)
(8,416,117)	-	(8,416,117)	(8,073,271)
(51,549,915)	-	(51,549,915)	(51,131,174)
-	651,090	651,090	154,625
-	2,811,795	2,811,795	2,964,504
-	(663,798)	(663,798)	(886,432)
-	2,799,087	2,799,087	2,232,697
(51,549,915)	2,799,087	(48,750,828)	(48,898,477)
15,598,253	-	15,598,253	12,729,642
7,335,285	-	7,335,285	4,958,620
8,842,715	-	8,842,715	8,376,432
14,677,511	-	14,677,511	13,024,611
6,037,643	-	6,037,643	5,708,026
4,967,834	-	4,967,834	5,086,425
3,398,819	-	3,398,819	3,334,178
984,833	808,752	1,793,585	638,044
306,291	-	306,291	1,751,119
1,106,873	-	1,106,873	1,317,121
(500,000)	500,000	-	-
62,756,057	1,308,752	64,064,809	56,924,218
11,206,142	4,107,839	15,313,981	8,025,741
153,730,819	106,436,318	260,167,137	252,141,396
<u>\$ 164,936,961</u>	<u>110,544,157</u>	<u>275,481,118</u>	<u>260,167,137</u>

CITY OF PALM SPRINGS  
Balance Sheet - Governmental Funds  
June 30, 2006

	Debt Service Funds					Total Governmental Funds	
	General Fund	Special Assessments	Community Redevelopment Agency	Capital Projects	Non-Major Governmental	2006	2005
<b>Assets:</b>							
Cash and investments	\$ 872,369	1,309,817	4,688,902	4,765,661	42,251,054	53,887,803	35,850,821
<b>Restricted assets:</b>							
Cash and investments with fiscal agent	-	2,424,757	1,651,599	1,080,990	10,095,217	15,252,563	31,827,910
Deposits	-	-	-	-	233,452	233,452	233,319
<b>Receivables:</b>							
Accounts	1,163,158	-	-	-	1,035,846	2,199,004	2,952,195
Accrued interest	902,495	9,892	-	-	310,735	1,223,122	2,198,219
Special assessments	-	13,147,094	-	-	-	13,147,094	10,003,795
Notes	300,000	-	-	-	3,295,638	3,595,638	2,135,318
Due from other funds (note 3)	-	-	-	-	2,912,709	2,912,709	4,020,257
Due from other governments	2,832,727	65,680	219,889	146,604	1,923,692	5,188,592	4,804,898
Advances to other funds (note 4)	3,443,688	-	-	-	1,915,379	5,359,067	5,588,456
Property held for resale	-	-	-	-	4,871,987	4,871,987	7,123,077
<b>Total assets</b>	<b>\$ 9,514,437</b>	<b>16,957,240</b>	<b>6,560,390</b>	<b>5,993,255</b>	<b>68,845,709</b>	<b>107,871,031</b>	<b>106,738,265</b>
<b>Liabilities and Fund Balance</b>							
<b>Liabilities:</b>							
Accounts payable	\$ 743,485	533,586	-	408,390	1,398,165	3,083,626	3,675,853
Accrued wages payable	953,670	-	-	5,189	46,325	1,005,184	763,163
Due to other funds (note 3)	-	-	-	-	907,177	907,177	2,350,525
Due to other governments	-	-	-	-	92,442	92,442	127,822
Deposits payable	-	-	-	-	174,976	174,976	168,612
Deferred revenue	1,352,210	13,147,094	-	323,332	127,918	14,950,554	13,203,583
Pass-through payable	-	-	1,617,770	-	-	1,617,770	1,114,789
Advances from other funds (notes 4)	-	-	5,376,067	-	-	5,376,067	5,605,456
<b>Total liabilities</b>	<b>3,049,365</b>	<b>13,680,680</b>	<b>6,993,837</b>	<b>736,911</b>	<b>2,747,003</b>	<b>27,207,796</b>	<b>27,009,803</b>
<b>Fund balance:</b>							
<b>Reserved for:</b>							
Encumbrances	301,614	-	-	1,992,393	3,096,429	5,390,436	8,815,415
Deposits	-	-	-	-	233,452	233,452	233,319
Notes	300,000	-	-	-	3,295,638	3,595,638	2,127,530
Advances to other funds	3,443,688	-	-	-	1,915,379	5,359,067	5,588,456
Property held for resale	-	-	-	-	4,871,987	4,871,987	7,123,077
Debt service requirements	-	3,276,560	-	-	11,017,341	14,293,901	15,239,455
Low and moderate housing	-	-	-	-	2,962,280	2,962,280	1,443,315
<b>Unreserved, reported in:</b>							
General fund	2,419,770	-	-	-	-	2,419,770	3,173,725
Special revenue funds	-	-	-	-	20,109,521	20,109,521	28,122,322
Debt service funds	-	-	(433,447)	-	-	(433,447)	(2,204,803)
Capital projects funds	-	-	-	3,263,951	18,596,679	21,860,630	10,066,651
<b>Total fund balance</b>	<b>6,465,072</b>	<b>3,276,560</b>	<b>(433,447)</b>	<b>5,256,344</b>	<b>66,098,706</b>	<b>80,663,235</b>	<b>79,728,462</b>
<b>Total liabilities and     fund balance</b>	<b>\$ 9,514,437</b>	<b>16,957,240</b>	<b>6,560,390</b>	<b>5,993,255</b>	<b>68,845,709</b>	<b>107,871,031</b>	<b>106,738,265</b>

See accompanying notes to the basic financial statements.

CITY OF PALM SPRINGS  
Governmental Funds

Reconciliation of the Balance Sheet of Governmental Funds  
to the Statement of Net Assets

June 30, 2006

	<u>2006</u>	<u>2005</u>
Fund balances of governmental funds	\$ 80,663,235	79,728,462
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets, net of depreciation, have not been included as financial resources in governmental fund activity.		
Capital assets	334,180,260	315,936,416
Accumulated depreciation	(119,054,773)	(109,430,439)
Long term debt and compensated absences that have not been included in the governmental fund activity:		
Long-term debt	(143,096,145)	(142,363,008)
Compensated absences	(5,210,113)	(4,719,450)
Accrued interest payable for the current portion of interest due on bonds payable has not been reported in the governmental funds.	(1,762,400)	(1,711,099)
Revenues that are measurable but not available. Amounts are recorded as deferred revenue under the modified accrual basis of accounting.	14,773,826	13,156,340
Internal service funds are used by management to charge the costs of certain activities, such as equipment management, to individual funds. The assets and liabilities of the internal service funds must be added to the statement of net assets	<u>4,443,071</u>	<u>3,133,597</u>
Net assets of governmental activities	<u>\$ 164,936,961</u>	<u>153,730,819</u>

See accompanying notes to the basic financial statements.

CITY OF PALM SPRINGS  
Statement of Revenues, Expenditures and Changes in Fund Balances -  
Governmental Funds  
Year ended June 30, 2006

EXHIBIT DD-1

	Debt Service Funds				Non-Major Governmental Funds	Total Governmental Funds		
	General Fund	Special Assessments	Community Redevelopment			Capital Projects	2006	2005
			Agency					
<b>Revenues:</b>								
Taxes	\$ 36,095,793	-	9,624,350	-	5,183,189	50,903,332	41,665,775	
Licenses and permits	3,842,567	-	-	250,040	1,006,351	5,098,958	5,876,989	
Fines and penalties	373,456	-	-	-	571,039	944,495	561,376	
Investment income	415,754	136,528	54,485	345,040	1,303,663	2,255,470	1,966,416	
Rental income	567,014	-	-	-	209,331	776,345	488,433	
Intergovernmental	5,089,330	-	-	534,289	3,223,977	8,847,596	7,929,990	
Charges for services	4,221,110	-	-	-	2,265,008	6,486,118	6,518,315	
Transient occupancy taxes	6,456,974	-	-	-	8,220,537	14,677,511	13,024,611	
Special assessments	-	1,022,826	-	-	482,136	1,504,962	1,434,718	
Donations and contributions	7,787	-	-	170,776	1,524,284	1,702,847	1,916,506	
Master lease	-	-	-	-	1,250,728	1,250,728	1,261,766	
Miscellaneous	497,247	115,400	174,847	202,000	238,645	1,228,139	1,569,013	
<b>Total revenues</b>	<b>57,567,032</b>	<b>1,274,754</b>	<b>9,853,682</b>	<b>1,502,145</b>	<b>25,478,888</b>	<b>95,676,501</b>	<b>84,213,908</b>	
<b>Expenditures:</b>								
<b>Current:</b>								
General government	6,882,667	7,743	-	733,229	3,528,313	11,151,952	10,829,652	
Cultural and convention center	-	-	-	8,470,836	1,326,297	9,797,133	32,143,067	
Public safety	28,110,712	-	-	459,394	1,583,448	30,153,554	28,730,331	
Public works	7,696,387	4,011,406	-	258,433	8,224,505	20,190,731	16,774,160	
Parks and recreation	5,494,034	-	-	327,786	1,274,347	7,096,167	5,492,734	
Library	2,439,799	-	-	-	41,493	2,481,292	2,394,708	
Lease	-	-	-	-	1,604,333	1,604,333	1,601,000	
<b>Debt service:</b>								
Principal	-	752,500	495,000	-	2,115,076	3,362,576	3,604,210	
Interest	-	871,745	1,394,386	-	5,485,519	7,751,650	6,772,847	
Pass-through payments	-	-	3,973,940	-	-	3,973,940	2,790,052	
<b>Total expenditures</b>	<b>50,623,599</b>	<b>5,643,394</b>	<b>5,863,326</b>	<b>10,249,678</b>	<b>25,183,331</b>	<b>97,563,328</b>	<b>111,132,761</b>	
Excess (deficiency) of revenues over (under) expenditures	6,943,433	(4,368,640)	3,990,356	(8,747,533)	295,557	(1,886,827)	(26,918,853)	
<b>Other financing sources (uses):</b>								
Transfers in (note 16)	748,103	168,000	-	2,493,522	8,820,317	12,229,942	14,891,974	
Transfers out (note 16)	(8,588,487)	-	(2,219,000)	(80,830)	(2,326,025)	(13,214,342)	(15,391,974)	
Sale of capital assets	-	-	-	-	-	-	1,742,040	
Issuance of bonds	-	3,806,000	-	-	-	3,806,000	1,300,000	
<b>Total other financing sources (uses)</b>	<b>(7,840,384)</b>	<b>3,974,000</b>	<b>(2,219,000)</b>	<b>2,412,692</b>	<b>6,494,292</b>	<b>2,821,600</b>	<b>2,542,040</b>	
Net change in fund balances	(896,951)	(394,640)	1,771,356	(6,334,841)	6,789,849	934,773	(24,376,813)	
Fund balances at beginning of year	7,362,023	3,671,200	(2,204,803)	11,591,185	59,308,857	79,728,462	104,105,275	
Fund balances at end of year	\$ 6,465,072	3,276,560	(433,447)	5,256,344	66,098,706	80,663,235	79,728,462	

See accompanying notes to the basic financial statements.

## CITY OF PALM SPRINGS

Reconciliation of the Statement of Revenues, Expenditures,  
and Changes in Fund Balances of Governmental Funds  
to the Statement of Activities

Year ended June 30, 2006

	<u>2006</u>	<u>2005</u>
Net changes in fund balances - total governmental funds	\$ 934,773	(24,376,813)
Amounts reported for governmental activities in the statement of activities are different because:		
<p>Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.</p>		
Capital outlay	18,301,871	33,599,592
Depreciation expense	(9,682,361)	(7,836,935)
<p>Proceeds from the issuance of bonds is reported as other financing sources in governmental funds. The issuance of bonds increases liabilities in the statement of net assets, but does not result in an increase in net assets in the statement of activities.</p>		
	(3,806,000)	(1,300,000)
<p>Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.</p>		
Principal	3,362,576	3,604,210
Amortization	(289,713)	(348,284)
<p>The statement of net assets includes accrued interest on long term debt.</p>		
	(51,301)	(599,699)
<p>To record as an expense (reduction of expense) the net change in compensated absences in the statement of activities.</p>		
	(490,663)	682,765
<p>Revenues that are measurable but not available. Amounts are not recorded as revenue under the modified accrual basis of accounting.</p>		
	1,617,486	2,234,326
<p>Internal service funds are used by management to charge the costs of certain activities, such as equipment management, to individual funds. The net revenues (expenses) of the internal service funds is reported with governmental activities</p>		
	<u>1,309,474</u>	<u>(820,460)</u>
Change in net assets of governmental activities	<u>\$ 11,206,142</u>	<u>4,838,702</u>

See accompanying notes to the basic financial statements.

CITY OF PALM SPRINGS  
Statement of Net Assets - Proprietary Funds  
June 30, 2006

	Business-Type Activities-Enterprise Funds				Governmental Activities - Internal Service Funds		
	Airport	Wastewater	Golf Course	Totals		Totals	
				2006	2005	2006	2005
<u>Assets</u>							
Current assets:							
Cash and investments	\$ 9,422,515	12,698,984	-	22,121,499	18,319,190	5,132,403	4,346,818
Deposits	-	-	-	-	-	-	5,000
Receivables:							
Accounts	826,461	5,672	-	832,133	953,718	17,848	49,547
Accrued interest	83,514	105,526	18,239	207,279	153,469	342,175	366,113
Due from other funds (note 3)	-	-	-	-	-	-	646,034
Due from other governments	277,614	286,731	-	564,345	694,660	12,026	11,303
Inventories	-	-	-	-	-	137,126	100,252
Total current assets	<u>10,610,104</u>	<u>13,096,913</u>	<u>18,239</u>	<u>23,725,256</u>	<u>20,121,037</u>	<u>5,641,578</u>	<u>5,525,067</u>
Noncurrent assets:							
Restricted assets:							
Cash and investments with fiscal agents	<u>3,330,237</u>	<u>-</u>	<u>1,227,421</u>	<u>4,557,658</u>	<u>5,245,224</u>	<u>311,217</u>	<u>333,546</u>
Capital assets:							
Land	19,473,881	12,581,502	4,672,225	36,727,608	36,727,608	-	-
Buildings	15,987,291	18,821,753	292,972	35,102,016	35,102,016	8,442,135	8,442,135
Improvements other than buildings	124,625,985	3,149,093	10,829,758	138,604,836	133,466,061	236,202	236,202
Machinery and equipment	1,498,068	206,137	88,995	1,793,200	1,571,975	731,205	721,975
Motor vehicles	2,237,923	47,923	-	2,285,846	2,285,815	11,382,402	10,640,827
Subsurface lines	-	26,291,171	-	26,291,171	25,908,048	-	-
Construction in progress	2,000,556	-	-	2,000,556	-	-	-
Accumulated depreciation	<u>(78,850,839)</u>	<u>(27,514,508)</u>	<u>(7,173,200)</u>	<u>(113,538,547)</u>	<u>(104,815,597)</u>	<u>(13,381,728)</u>	<u>(13,402,965)</u>
Net capital assets	<u>86,972,865</u>	<u>33,583,071</u>	<u>8,710,750</u>	<u>129,266,686</u>	<u>130,245,926</u>	<u>7,410,216</u>	<u>6,638,174</u>
Other assets:							
Advances to other funds (note 4)	-	1,227,000	-	1,227,000	1,227,000	1,430,000	1,430,000
Unamortized debt issuance cost	<u>431,305</u>	<u>-</u>	<u>340,793</u>	<u>772,098</u>	<u>1,064,362</u>	<u>151,651</u>	<u>159,232</u>
Total other assets	<u>431,305</u>	<u>1,227,000</u>	<u>340,793</u>	<u>1,999,098</u>	<u>2,291,362</u>	<u>1,581,651</u>	<u>1,589,232</u>
Total noncurrent assets	<u>90,303,102</u>	<u>33,583,071</u>	<u>9,938,171</u>	<u>133,824,344</u>	<u>135,491,150</u>	<u>7,721,433</u>	<u>6,971,720</u>
Total assets	<u>101,344,511</u>	<u>47,906,984</u>	<u>10,297,203</u>	<u>159,548,698</u>	<u>157,903,549</u>	<u>14,944,662</u>	<u>14,086,019</u>

(Continued)

CITY OF PALM SPRINGS  
Statement of Net Assets - Proprietary Funds  
(Continued)

	Business-Type Activities-Enterprise Funds					Governmental Activities - Internal Service Funds	
	Airport	Wastewater	Golf	Totals		Totals	
			Course	2006	2005	2006	2005
<u>Liabilities and Net Assets</u>							
Liabilities:							
Current liabilities:							
Accounts payable	495,521	369,962	18,135	883,618	713,765	501,061	484,343
Accrued wages payable	138,101	-	2,082	140,183	122,899	55,399	44,203
Accrued interest payable	584,418	-	1,271,602	1,856,020	2,142,283	67,719	74,249
Due to other funds (note 3)	-	-	1,534,721	1,534,721	1,669,732	470,811	646,034
Compensated absences payable - current portion	251,800	-	-	251,800	414,527	-	117,506
Capital leases - current portion	-	-	-	-	-	-	186,571
Bonds payable - current portion	770,000	-	-	770,000	885,000	-	-
Certificates of participation - current portion	-	-	345,000	345,000	330,000	215,000	200,000
Total current liabilities	<u>2,239,840</u>	<u>369,962</u>	<u>3,171,540</u>	<u>5,781,342</u>	<u>6,278,206</u>	<u>1,309,990</u>	<u>1,752,906</u>
Long-term liabilities:							
Deposits payable	-	-	500,000	500,000	500,000	-	-
Compensated absences payable - long-term portion	296,406	-	-	296,406	306,135	143,004	38,736
Claims and judgments payable	-	-	-	-	-	4,250,840	4,167,475
Advances from other funds (note 4)	-	-	2,640,000	2,640,000	2,640,000	-	-
Capital leases - long-term portion	-	-	-	-	-	563,297	563,465
Bonds payable - long-term portion	28,343,602	-	-	28,343,602	30,048,810	-	-
Certificates of participation - long-term portion	-	-	11,443,191	11,443,191	11,694,080	4,234,460	4,429,840
Total long-term liabilities	<u>28,640,008</u>	<u>-</u>	<u>14,583,191</u>	<u>43,223,199</u>	<u>45,189,025</u>	<u>9,191,601</u>	<u>9,199,516</u>
Total liabilities	<u>30,879,848</u>	<u>369,962</u>	<u>17,754,731</u>	<u>49,004,541</u>	<u>51,467,231</u>	<u>10,501,591</u>	<u>10,952,422</u>
Net assets:							
Invested in capital assets, net of related debt	61,620,805	33,583,071	(1,509,227)	93,694,649	93,597,622	2,860,327	1,751,076
Unrestricted	8,843,858	13,953,951	(5,948,301)	16,849,508	12,838,696	1,582,744	1,382,521
Total net assets (deficit)	<u>\$ 70,464,663</u>	<u>47,537,022</u>	<u>(7,457,528)</u>	<u>110,544,157</u>	<u>106,436,318</u>	<u>4,443,071</u>	<u>3,133,597</u>

See accompanying notes to the basic financial statements.

CITY OF PALM SPRINGS  
Statement of Revenues, Expenses and Changes in Fund Net Assets - Proprietary Funds  
Year ended June 30, 2006

	Business-Type Activities-Enterprise Funds					Governmental Activities - Internal Service Funds	
	Airport	Wastewater	Golf	Totals		Totals	
			Course	2006	2005	2006	2005
Operating revenues:							
Charges for services:							
Rentals	\$ 9,171,047	-	277,763	9,448,810	9,185,509	-	-
Landing fees	1,580,163	-	-	1,580,163	1,571,063	-	-
Concessions	488,180	-	-	488,180	539,961	-	-
Green fees and cart rentals	-	-	2,661,630	2,661,630	1,884,775	-	-
Sewer service charges	-	4,726,801	-	4,726,801	4,942,909	-	-
Sewer connection and main charges	-	1,702,118	-	1,702,118	1,981,440	-	-
Passenger facility charge	2,906,554	-	-	2,906,554	2,684,312	-	-
Internal service charges	-	-	-	-	-	29,829,705	26,514,456
Sale of electricity	-	-	-	-	-	148,219	168,726
Miscellaneous	611,312	-	12,675	623,987	835,097	4,249	28,621
Total operating revenues	14,757,256	6,428,919	2,952,068	24,138,243	23,625,066	29,982,173	26,711,803
Operating expenses:							
Personnel services	6,077,441	27,691	80,180	6,185,312	6,219,447	15,454,160	14,414,401
Material and supplies	190,651	-	-	190,651	138,012	-	-
Heat, light and power	1,443,564	-	-	1,443,564	1,268,803	-	-
Other charges and services	2,862,067	2,479,340	2,183,835	7,525,242	7,533,051	3,316	6,369
Administration	893,800	2,182	11,726	907,708	875,359	1,173,047	1,312,436
Cogeneration	-	-	-	-	-	2,882,528	2,074,676
Facilities maintenance	-	-	-	-	-	2,870,545	2,583,324
Maintenance shop operations	-	-	-	-	-	1,985,398	1,866,457
Workers' compensation	-	-	-	-	-	1,984,127	3,579,729
Other claims and insurance	-	-	-	-	-	2,308,004	1,284,503
Depreciation	7,139,209	1,107,911	475,830	8,722,950	8,428,469	707,991	735,222
Total operating expenses	18,606,732	3,617,124	2,751,571	24,975,427	24,463,141	29,369,116	27,857,117
Operating income (loss)	(3,849,476)	2,811,795	200,497	(837,184)	(838,075)	613,057	(1,145,314)
Nonoperating revenues (expenses):							
Investment income	401,302	342,598	64,852	808,752	682,900	154,715	217,730
Interest expense	(1,547,639)	-	(864,295)	(2,411,934)	(2,694,570)	(323,453)	(352,441)
Gain (loss) on sale of assets	-	-	-	-	-	88,233	50,993
Total nonoperating revenues (expenses)	(1,146,337)	342,598	(799,443)	(1,603,182)	(2,011,670)	(80,505)	(83,718)
Income (loss) before transfers and capital contributions	(4,995,813)	3,154,393	(598,946)	(2,440,366)	(2,849,745)	532,552	(1,229,032)
Transfers in (note 17)	-	-	500,000	500,000	500,000	700,000	-
Transfers out (note 17)	-	-	-	-	-	(215,600)	-
Capital contributions:							
Capital grants	6,048,205	-	-	6,048,205	5,536,784	-	10,000
Assets contributed from other funds	-	-	-	-	-	292,522	398,572
Change in net assets	1,052,392	3,154,393	(98,946)	4,107,839	3,187,039	1,309,474	(820,460)
Net assets (deficit) at beginning of year	69,412,271	44,382,629	(7,358,582)	106,436,318	103,249,279	3,133,597	3,954,057
Net assets (deficit) at end of year	\$ 70,464,663	47,537,022	(7,457,528)	110,544,157	106,436,318	4,443,071	3,133,597

See accompanying notes to the basic financial statements.

CITY OF PALM SPRINGS  
Statement of Cash Flows-Proprietary Funds  
Year ended June 30, 2006

	Business-Type Activities-Enterprise Funds					Governmental Activities - Internal Service Funds	
	Airport	Wastewater	Golf Course	Totals		Totals	
				2006	2005	2006	2005
Cash flows from operating activities:							
Cash received from customers	\$ 14,975,593	6,462,482	2,952,068	24,390,143	23,497,443	-	-
Cash received from user departments	-	-	-	-	-	30,018,149	27,251,168
Cash payments to suppliers for goods and services	(5,375,626)	(2,332,013)	(2,189,673)	(9,897,312)	(9,825,083)	(26,659,225)	(23,328,515)
Cash payments to employees for services	(6,232,944)	(27,690)	(79,848)	(6,340,482)	(6,009,957)	(1,940,732)	(2,207,021)
Net cash provided by (used for) operating activities	<u>3,367,023</u>	<u>4,102,779</u>	<u>682,547</u>	<u>8,152,349</u>	<u>7,662,403</u>	<u>1,418,192</u>	<u>1,715,632</u>
Cash flows from noncapital financing activities:							
Cash received from other funds	-	-	500,000	500,000	2,816,970	1,638,556	875,446
Cash paid to other funds	-	-	(135,011)	(135,011)	(647,238)	(390,823)	(875,446)
Net cash provided by (used for) noncapital financing activities	<u>-</u>	<u>-</u>	<u>364,989</u>	<u>364,989</u>	<u>2,169,732</u>	<u>1,247,733</u>	<u>-</u>
Cash flows from capital and related financing activities:							
Cash paid for acquisition and construction of capital assets	(7,360,587)	(383,124)	(25,516)	(7,769,227)	(6,228,121)	(1,493,148)	(928,070)
Proceeds from sale of capital assets	-	-	-	-	-	101,347	50,993
Capital contributions received	6,048,205	-	-	6,048,205	5,558,040	-	408,572
Principal paid on debt	(1,544,982)	-	(218,851)	(1,763,833)	(1,155,001)	(180,380)	(175,381)
Interest paid on debt	(1,829,777)	-	(868,420)	(2,698,197)	(2,554,792)	(322,402)	(349,997)
Repayment on capital lease obligations	-	-	-	-	-	(186,739)	(521,147)
Net cash proved by (used for) capital and related financing activities	<u>(4,687,141)</u>	<u>(383,124)</u>	<u>(1,112,787)</u>	<u>(6,183,052)</u>	<u>(4,379,874)</u>	<u>(2,081,322)</u>	<u>(1,515,030)</u>
Cash flows from investing activities:							
Proceeds from sale and maturities of investments	1,207,600	-	-	1,207,600	-	22,329	33,679
Interest received on investments	392,244	297,446	65,251	754,941	609,523	178,653	169,691
Net cash provided by (used for) investing activities	<u>1,599,844</u>	<u>297,446</u>	<u>65,251</u>	<u>1,962,541</u>	<u>609,523</u>	<u>200,982</u>	<u>203,370</u>
Net increase (decrease) in cash and cash equivalents	279,726	4,017,101	-	4,296,827	6,061,784	785,585	403,972
Cash and cash equivalents at beginning of year	<u>11,062,077</u>	<u>8,681,883</u>	<u>86,575</u>	<u>19,830,535</u>	<u>13,768,751</u>	<u>4,346,818</u>	<u>3,942,846</u>
Cash and cash equivalents at end of year	<u>\$ 11,341,803</u>	<u>12,698,984</u>	<u>86,575</u>	<u>24,127,362</u>	<u>19,830,535</u>	<u>5,132,403</u>	<u>4,346,818</u>

(Continued)

CITY OF PALM SPRINGS  
Statement of Cash Flows-Proprietary Funds  
(Continued)

	Business-Type Activities-Enterprise Funds					Governmental Activities - Internal Service Funds	
	Airport	Wastewater	Golf Course	Totals		Totals	
				2006	2005	2006	2005
Reconciliation of cash and cash equivalents to amounts reported on the Statement of Net Assets:							
Reported on Statement of Net Assets:							
Cash and investments	\$ 9,422,515	12,698,984	-	22,121,499	18,319,190	5,132,403	4,346,818
Cash and investments with fiscal agent	3,330,237	-	1,227,421	4,557,658	5,245,224	311,217	333,546
Cash and investments reported on Statement of Net Assets	12,752,752	12,698,984	1,227,421	26,679,157	23,564,414	5,443,620	4,680,364
Less non-cash equivalents	(1,410,949)	-	(1,140,846)	(2,551,795)	(3,733,879)	(311,217)	(333,546)
Cash and cash equivalents at end of year	\$ 11,341,803	12,698,984	86,575	24,127,362	19,830,535	5,132,403	4,346,818
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:							
Operating income (loss)	\$ (3,849,476)	2,811,795	200,497	(837,184)	(838,075)	613,057	(1,145,314)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:							
Depreciation	7,139,209	1,107,911	475,830	8,722,950	8,428,469	707,991	735,222
(Increase) decrease in accounts receivable	70,199	51,386	-	121,585	(146,292)	31,699	578,977
(Increase) decrease in deposits	-	-	-	-	-	5,000	-
(Increase) decrease in due from other governments	148,138	(17,823)	-	130,315	18,669	(723)	3,622
(Increase) decrease in inventories	-	-	-	-	-	(36,874)	(6,745)
Increase (decrease) in accounts payable	14,457	149,510	5,888	169,855	(9,858)	16,719	(67,647)
Increase (decrease) in accrued wages payable	16,952	-	332	17,284	9,856	11,196	(11,324)
Increase (decrease) in deferred revenue	-	-	-	-	-	-	(43,234)
Increase (decrease) in compensated absences	(172,456)	-	-	(172,456)	199,634	(13,238)	(6,453)
Increase (decrease) in claims and judgments payable	-	-	-	-	-	83,365	1,678,528
Total adjustments	7,216,499	1,290,984	482,050	8,989,533	8,500,478	805,135	2,860,946
Net cash provided by (used for) operating activities	\$ 3,367,023	4,102,779	682,547	8,152,349	7,662,403	1,418,192	1,715,632
Noncash capital, financing and investing activities:							
Capital assets contributed by other funds	\$ -	-	-	-	-	-	398,572
Change in market value of investments	(64,943)	(85,139)	-	(150,082)	(8,213)	(28,155)	(3,393)
Total noncash capital, financing and investing activities	\$ (64,943)	(85,139)	-	(150,082)	(8,213)	(28,155)	395,179

See accompanying notes to the basic financial statements.

CITY OF PALM SPRINGS  
Statement of Fiduciary Net Assets  
June 30, 2006

<u>Assets</u>	<u>Private-Purpose Trust Fund</u> <u>Historical Society</u>	<u>Agency Fund</u> <u>Special Deposits</u>
Cash and investments (note 2)	\$ 250,000	1,454,847
Total assets	<u>250,000</u>	<u>1,454,847</u>
<u>Liabilities and Net Assets</u>		
Liabilities:		
Deposits payable	-	1,454,847
Total liabilities	<u>-</u>	<u>1,454,847</u>
Net assets:		
Restricted for historical society	<u>250,000</u>	<u>-</u>
Total net assets	<u>\$ 250,000</u>	<u>-</u>

See accompanying notes to the basic financial statements.

CITY OF PALM SPRINGS  
Fiduciary Funds

Statement of Changes in Fiduciary Net Assets

Year ended June 30, 2006

	<u>Private-Purpose Trust Fund</u>	
	<u>Historical Society</u>	
	<u>2006</u>	<u>2005</u>
Additions:		
Investment income	\$ <u>10,051</u>	<u>5,671</u>
Total additions	<u>10,051</u>	<u>5,671</u>
Deductions:		
Library	<u>10,051</u>	<u>5,671</u>
Total deductions	<u>10,051</u>	<u>5,671</u>
Changes in net assets	-	-
Net assets at beginning of year	<u>250,000</u>	<u>250,000</u>
Net assets at end of year	<u>\$ 250,000</u>	<u>250,000</u>

See accompanying notes to the basic financial statements.

## CITY OF PALM SPRINGS

### Notes to the Basic Financial Statements

Year ended June 30, 2006

#### (1) Summary of Significant Accounting Policies

The basic financial statements of the City of Palm Springs, California (City) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the City's accounting policies are described below.

##### (a) Reporting Entity

The City of Palm Springs was incorporated in 1938 under the general laws of the State of California. Effective July 12, 1994, the City of Palm Springs became a Charter City which was approved by the citizens of the City of Palm Springs on June 7, 1994. The City operates under the Council-Manager form of government.

As required by generally accepted accounting principles, these financial statements present the City of Palm Springs and its component units, entities for which the City is considered to be financially accountable. The City is considered to be financially accountable for an organization if the City appoints a voting majority of that organization's governing body and the City is able to impose its will on that organization or there is a potential for that organization to provide specific financial benefits to or impose specific financial burdens on the City. The City is also considered to be financially accountable for an organization if that organization is fiscally dependent (i.e., it is unable to adopt its budget, levy taxes, set rates or charges, or issue bonded debt without approval from the City). In certain cases, other organizations are included as component units if the nature and significance of their relationship with the City are such that their exclusion would cause the City's financial statements to be misleading or incomplete.

Included within the financial reporting entity of the City of Palm Springs are the Community Redevelopment Agency of the City of Palm Springs, and the Palm Springs Financing Authority because each component unit meets the above-mentioned criteria.

## CITY OF PALM SPRINGS

### Notes to the Basic Financial Statements

(Continued)

#### (1) Summary of Significant Accounting Policies, (Continued)

A brief description of each component unit follows:

##### Community Redevelopment Agency of the City of Palm Springs

The Community Redevelopment Agency's financial activity commenced in September, 1972. The primary purpose of the Agency is to eliminate blighted areas by encouraging development of residential, commercial, industrial, recreational and public facilities. The City Council appoints the Agency director and has full accountability for the Agency's fiscal matters. The Agency's financial data and transactions are included with the special revenue fund type, debt service fund type and capital projects fund type. Revenues of the Agency consist primarily of property tax allocations on the incremental increase of property values in the redevelopment area and interest income.

##### City of Palm Springs Financing Authority

The City of Palm Springs Financing Authority was created by a joint exercise of joint powers agreement between the City of Palm Springs and the Community Redevelopment Agency of the City of Palm Springs on February 1, 1991. The purpose of the Authority is to provide, through the issuance of debt, financing necessary for various capital improvements. The Authority is administered by the Board who are the members of the City Council and the Mayor. The Authority's sole source of income is installment sale, loan and lease payments received from the City and Community Redevelopment Agency which are used to meet the debt service requirements on debt issues. The Authority is blended into various funds of the City.

Since the City Council serves as the governing board for these component units, all of the City's component units are considered to be blended component units. Blended component units, although legally separate entities, are in substance, part of the City's operations and so data from these units are reported with the interfund data of the primary government. The Community Redevelopment Agency of the City of Palm Springs and the Palm Springs Financing Authority issue separate component unit financial statements. Upon their completion, financial statements of these component units can be obtained at City Hall.

#### (b) Basis of Accounting and Measurement Focus

The *basic financial statements* of the City are composed of the following:

- Government-wide financial statements
- Fund financial statements
- Notes to the basic financial statements

# CITY OF PALM SPRINGS

## Notes to the Basic Financial Statements

(Continued)

### (1) Summary of Significant Accounting Policies, (Continued)

#### (b) Basis of Accounting and Measurement Focus, (Continued)

Financial reporting is based upon all GASB pronouncements, as well as the FASB Statements and Interpretations, APB Opinions, and Accounting Research Bulletins that were issued on or before November 30, 1989 that do not conflict with or contradict GASB pronouncements. FASB pronouncements issued after November 30, 1989 are not followed in the preparation of the accompanying financial statements.

#### Government-wide Financial Statements

Government-wide financial statements display information about the reporting government as a whole, except for its fiduciary activities. These statements include separate columns for the governmental and business-type activities of the primary government (including its blended component units). Governmental activities include governmental funds and proprietary internal service funds. Business-type activities include proprietary enterprise funds. Eliminations have been made in the Statement of Activities so that certain allocated expenses are recorded only once (by the function to which they were allocated). However, general government expenses have not been allocated as indirect expenses to the various functions of the City.

Government-wide financial statements are presented using the *economic resources measurement focus* and the *accrual basis of accounting*. Under the economic resources measurement focus, all (both current and long-term) economic resources and obligations of the reporting government are reported in the government-wide financial statements. *Basis of accounting* refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Under the accrual basis of accounting, revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets and liabilities resulting from nonexchange transaction are recognized in accordance with the requirements of GASB Statement No. 33 which requires that local governments defer grant revenue that is not received within 60 days after the fiscal year ended to meet the “available” criteria of revenue recognition.

CITY OF PALM SPRINGS

Notes to the Basic Financial Statements

(Continued)

(1) Summary of Significant Accounting Policies, (Continued)

Government-wide Financial Statements, (Continued)

Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Program revenues are netted with program expenses in the statement of activities to present the net cost of each program. Taxes and other items not included among program revenues are reported instead as *general revenues*.

Amounts paid to acquire capital assets are capitalized as assets in the government-wide financial statements, rather than reported as an expenditure. The issuance of long-term debt is recorded as a liability in the government-wide financial statements, rather than as an other financing source. Amounts paid to reduce long-term indebtedness of the reporting government are reported as a reduction of the related liability, rather than as an expenditure.

Fund Financial Statements

The underlying accounting system of the City is organized and operated on the basis of separate funds, each of which is considered to be 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. Governmental 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.

Fund financial statements for the primary government's governmental, proprietary, and fiduciary funds are presented after the government-wide financial statements. These statements display information about the major fund individually and nonmajor funds in the aggregate for governmental and enterprise funds. Fiduciary statements include financial information for fiduciary funds and similar component units. Fiduciary funds of the City primarily represent assets held by the City in a custodial capacity for other individuals or organizations.

# CITY OF PALM SPRINGS

## Notes to the Basic Financial Statements

(Continued)

### (1) Summary of Significant Accounting Policies, (Continued)

#### Governmental Funds

In the fund financial statements, governmental funds are presented using the *modified-accrual basis of accounting*. Their revenues are recognized when they become *measurable* and *available* as net current assets. *Measurable* means that the amounts can be estimated, or otherwise determined. *Available* means that the amounts were collected during the reporting period or soon enough thereafter to be available to finance the expenditures accrued for the reporting period. The City uses an availability period of 60 days.

Revenue recognition is subject to the *measurable* and *availability* criteria for the governmental funds in the fund financial statements. *Exchange transactions* are recognized as revenues in the period in which they are earned (i.e., the related goods or services are provided). *Locally imposed derived tax revenues* are recognized as revenues in the period in which the underlying exchange transaction upon which they are based takes place. *Imposed nonexchange* transactions are recognized as revenues in the period for which they were imposed. If the period of use is not specified, they are recognized as revenues when an enforceable legal claim to the revenues arises or when they are received, whichever occurs first. *Government-mandated and voluntary nonexchange transactions* are recognized as revenues when all applicable eligibility requirements have been met.

In the fund financial statements, governmental funds are presented using the *current financial resources measurement focus*. This means that only current assets and current liabilities are generally included on their balance sheets. The reported fund balance (net current assets) is considered to be a measure of “available spendable resources.” Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of “available spendable resources” during a period.

Non-current portions of long-term receivables due to governmental funds are reported on their balance sheets in spite of their spending measurement focus. Special reporting treatments are used to indicate, however, that they should not be considered “available spendable resources,” since they do not represent net current assets.

Revenues, expenses, assets, and liabilities resulting from nonexchange transactions are recognized in accordance with the requirements of GASB Statement No. 33 which requires that local governments defer grant revenue that is not received within 60 days after the fiscal year end to meet the “available” criteria of revenue recognition. In the past, the industry practice for grants was to recognize revenue in the fiscal year in which the related expense was incurred.

CITY OF PALM SPRINGS  
Notes to the Basic Financial Statements  
(Continued)

(1) Summary of Significant Accounting Policies, (Continued)

Governmental Funds (Continued)

Therefore recognition of governmental fund type revenue represented by non-current receivables are deferred until they become current receivables. Non-current portions of other long-term receivables are offset by fund balance reserve accounts.

Sales taxes, property taxes, franchise taxes, intergovernmental, rental income, transient occupancy taxes and special assessments are all considered to be susceptible to accrual and have been recognized as revenues in the current fiscal period to the extent normally collected within the availability period. Other revenue items are considered to be measurable and available when cash is received by the government.

Due to the nature of their spending measurement focus, expenditure recognition for governmental fund types excludes amounts represented by noncurrent liabilities. Since they do not affect net current assets, such long-term amounts are not recognized as governmental fund type expenditures or fund liabilities.

Amounts expended to acquire capital assets are recorded as *expenditures* in the year that resources were expended, rather than as fund assets. The issuance of long-term debt is recorded as *other financing sources* rather than as a fund liability. Amounts paid to reduce long-term indebtedness are reported as fund expenditures.

When both restricted and unrestricted resources are combined in a fund, expenses are considered to be paid first from restricted resources, and then from unrestricted resources.

Proprietary and Fiduciary Funds

The City's enterprise and internal service funds are proprietary funds. In the fund financial statements, the proprietary funds and fiduciary funds are presented using the *accrual basis of accounting*. Revenues are recognized when they are earned and expenses are recognized when the related goods or services are delivered. In the fund financial statements, proprietary funds are presented using the *economic resources measurement focus*. This means that all assets and all liabilities (whether current or noncurrent) associated with their activity are included on their balance sheets. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in total net assets.

CITY OF PALM SPRINGS

Notes to the Basic Financial Statements

(Continued)

(1) Summary of Significant Accounting Policies, (Continued)

Proprietary and Fiduciary Funds (Continued)

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as subsidies, taxes, and investment earnings result from nonexchange transactions or ancillary activities. Amounts paid to acquire capital assets are capitalized as assets in the enterprise fund financial statements, rather than reported as an expenditure. Proceeds of long-term debt are recorded as a liability in the enterprise fund financial statements, rather than as an other financing source. Amounts paid to reduce long-term indebtedness of the enterprise fund are reported as a reduction of the related liability, rather than as an expenditure. Agency funds are custodial in nature (assets equal liabilities) and do not involve the recording of City revenues and expenses.

(c) Fund Classifications

The City reports the following major governmental funds:

General Fund This is the primary operating fund of the City. It accounts for all activities of the general government, except those required to be accounted for in another fund.

Special Assessments Fund This debt service fund is used to account for the payment of principal and interest on 1915 Act Assessment District bond issues.

Community Redevelopment Agency Fund This fund is used to account for the payment of principal and interest on general long-term debt of the Community Redevelopment Agency.

Capital Projects Fund This fund is used to account for the acquisition and construction of major capital facilities other than those financed by proprietary and trust funds.

CITY OF PALM SPRINGS

Notes to the Basic Financial Statements

(Continued)

(1) Summary of Significant Accounting Policies, (Continued)

(c) Fund Classifications, (Continued)

The City of Palm Springs reports the following major enterprise funds:

Airport Fund Used to account for operations of the City's international airport.

Wastewater Fund Used to account for operation of the City's wastewater treatment plan and related capital expenditures, such as trunk lines.

Golf Course Fund Used to account for operations of the City's two municipal golf courses.

Additionally, the City reports the following fund types:

Internal Service Funds These funds are used to account for motor vehicle replacement, facilities maintenance, employee benefits, risk management and the City's cogeneration plan. Departments of the City are charged for the services provided or benefits received from these funds.

Private-Purpose Trust Fund Used to account for monies held in trust by the City for various purposes related to the Palm Springs Historical Society.

Agency Funds. Used to account for monies held for various purposes ranging from bid bonds to donations for animal shelter activities.

(d) Encumbrances

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

(e) Cash and Investments

Investments are reported in the accompanying balance sheet at fair value, except for certain certificates of deposit and investment contracts that are reported at cost because they are not transferable and they have terms that are not affected by changes in market interest rates.

CITY OF PALM SPRINGS

Notes to the Basic Financial Statements

(Continued)

(1) Summary of Significant Accounting Policies, (Continued)

(e) Cash and Investments, (Continued)

Changes in fair value that occur during a fiscal year are recognized as *investment income* reported for that fiscal year. *Investment income* includes interest earnings, changes in fair value, and any gains or losses realized upon the liquidation or sale of investments.

The City pools cash and investments of all funds, except for assets held by fiscal agents. Each fund's share in this pool is displayed in the accompanying financial statements as *cash and investments*.

(f) Cash Equivalents

For purposes of the statement of cash flows, cash equivalents are defined as short-term, highly liquid investments that are both readily convertible to known amounts of cash or so near their maturity that they present insignificant risk of changes in value because of changes in interest rates, and have an original maturity date of 3 months or less. Cash equivalents represent the proprietary funds' share in the cash and investment pool of the City of Palm Springs. Certain restricted assets and deposits of proprietary funds consist of investments which are not considered to be cash equivalents as defined above and therefore excluded from the statements of cash flows.

(g) Inventories

Inventories are stated at average cost. Physical counts of inventory are taken on a cyclical basis during each fiscal year with perpetual records adjusted to actual at that time. The City uses the consumption method of accounting for inventories.

(h) Property Held for Resale

Property held for resale represents land, structures, and their related improvements that were acquired for resale in accordance with the objective of the Redevelopment Project. These costs will be charged to current year project expenditures when the related land and structures are sold. Property held for resale is valued at the lower of cost or the sales price per contract with the developer. A portion of fund balance is reserved for property held for resale to indicate that a portion of fund balance is not available for future expenditures.

CITY OF PALM SPRINGS

Notes to the Basic Financial Statements

(Continued)

(1) Summary of Significant Accounting Policies, (Continued)

(i) Property Taxes

Under California law, property taxes are assessed and collected by the counties up to 1% of assessed value, plus other increases approved by the voters. The property taxes go into a pool, and are then allocated to the cities based on complex formulas. Accordingly, the City of Palm Springs accrues only those taxes which are received within 60 days after year end.

The property tax calendar is as follows:

Lien Date:	January 1
Levy Date:	July 1
Due Date:	First Installment - November 1 Second Installment - February 1
Delinquent Date:	First Installment - December 11 Second Installment - April 11

Taxes are collected by Riverside County and are remitted to the City periodically. Dates and percentages are as follows:

December 10	30% Advance
January 16	Collection No. 1
April 10	10% Advance
May 15	Collection No. 2
July 31	Collection No. 3

(j) Claims and Judgments

The City records a liability for litigation, judgments, and claims when it is probable that an asset has been impaired or a liability (including incurred but not reported) has been incurred prior to year end and the probable amount of loss (net of any insurance coverage) can be reasonably estimated. This liability is recorded in the internal service fund that account for the City's self insurance activities.

(k) Advances to Other Funds

Noncurrent portions of long-term interfund loan receivables are reported as advances and are offset equally by a fund balance reserve account which indicates that they do not constitute expendable available financial resources and therefore are not available for appropriation.

CITY OF PALM SPRINGS

Notes to the Basic Financial Statements

(Continued)

(1) Summary of Significant Accounting Policies, (Continued)

(l) Employee Leave Benefits

In accordance with GASB Statement No. 16, a liability is recorded for unused vacation and similar compensatory leave balances since the employees' entitlement to these balances are attributable to services already rendered and it is probable that virtually all of these balances will be liquidated by either paid time off or payments upon termination or retirement.

Under GASB Statement No. 16, a liability is recorded for unused sick leave balances only to the extent that it is probable that the unused balances will result in termination payments. This is estimated by including in the liability the unused balances of employees currently entitled to receive termination payment, as well as those who are expected to become eligible to receive termination benefits as a result of continuing their employment with the City. Other amounts of unused sick leave are excluded from the liability since their payment is contingent solely upon the occurrence of a future event (illness) which is outside the control of the City and the employee.

If material, a proprietary fund liability is accrued for all leave benefits relating to the operations of the proprietary funds. A current liability is accrued in the governmental funds for material leave benefits due on demand to governmental fund employees that have terminated prior to year end. All other amounts are recorded in the government-wide financial statements. These non-current amounts will be recorded as fund expenditures in the year in which they are paid or become due on demand to terminated employees.

(m) Capital Assets

Capital assets (including infrastructure) greater than \$5,000 are capitalized and recorded at cost or at the estimated fair value of the assets at the time of acquisition where complete historical records have not been maintained. Contributed capital assets are valued at their estimated fair market value at the date of the contribution. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Capital assets include public domain (infrastructure) general capital assets consisting of certain improvements including roads, bridges, curbs and gutters, streets and sidewalks, medians, sewer and storm drains.

Depreciation has been provided using the straight-line method over the estimated useful life of the asset in the government-wide financial statements and in the fund financial statements of the proprietary funds.

CITY OF PALM SPRINGS  
Notes to the Basic Financial Statements  
(Continued)

(1) Summary of Significant Accounting Policies, (Continued)

(m) Capital Assets, (Continued)

Interest is capitalized on proprietary fund assets acquired with tax-exempt debt. The amount of interest to be capitalized is calculated by offsetting interest expense incurred from the date of the borrowing until completion of the project with interest earned on invested proceeds over the same period.

The following schedule summarizes capital asset useful lives:

Governmental Funds:

Infrastructure - pavement	25 years
Infrastructure – curbs and gutters	50 years
Infrastructure – sidewalks	50 years
Infrastructure – other	25-75 years
Buildings and improvements	15-50 years
Furniture and equipment	3-10 years

Airport Fund:

Buildings	3-60 years
Improvements	5-30 years
Machinery and Equipment	3-10 years
Motor Vehicles	5-12 years

Golf Course Fund:

Building	10-25 years
Improvements	5-20 years
Machinery and Equipment	5 years

Wastewater Fund:

Buildings	12-50 years
Meters, metering vaults, subsurface lines	50 years
Improvements	10-20 years
Machinery and Equipment	4-15 years
Motor Vehicles	5-10 years

Motor Vehicle Replacement Fund:

Buildings	10-30 years
Improvements	10 years
Machinery and Equipment	5-20 years
Motor vehicles	3-30 years

Facilities Maintenance Fund:

Machinery and Equipment	5-10 years
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CITY OF PALM SPRINGS

Notes to the Basic Financial Statements

(Continued)

(1) Summary of Significant Accounting Policies, (Continued)

(m) Capital Assets, (Continued)

Risk Management Fund:

Machinery and Equipment 3-5 years

Cogeneration Plant Fund:

Buildings 60 years  
Improvements 10 years  
Machinery and Equipment 3-15 years

(n) Bond Discounts/Issuance Costs

In governmental fund types, bond discounts and issuance costs are recognized in the current period for fund financial statements. Bond discounts and issuance costs for proprietary fund types are deferred and amortized over the term of the bonds using the straight-line method, which materially approximates the effective interest method. Bond discounts are presented as a reduction of the face amount of bonds payable whereas issuance costs are recorded as an asset, unamortized debt issuance costs.

(o) Allowance for Doubtful Accounts

For certain receivables, it has been determined that some amounts may not be collectable and, therefore, an allowance for doubtful accounts was recorded. The allowance is presented as a reduction of the receivable.

(p) Post-Retirement Benefits

The City provides post-retirement health insurance for employees who retire with at least 20 years of continuous employment with the City. Partial coverage is available for employees who retire with service years ranging between 7½ and 20 years. All employee groups are covered.

CITY OF PALM SPRINGS  
Notes to the Basic Financial Statements  
(Continued)

(1) Summary of Significant Accounting Policies, (Continued)

(q) Comparative Data

Comparative total data for the prior year have been presented in the accompanying financial statements in order to provide an understanding of changes in the City's financial position and operations. However, comparative (i.e., presentation of prior year amounts by major fund) data have not been presented in each of the statements since their inclusion would make the statements unduly complex and difficult to read. Certain minor reclassifications of prior year data have been made in order to enhance their comparability with current year figures.

(r) Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses, during the reporting period. Actual results could differ from those estimates.

(2) Cash and Investments

Cash and investments as of June 30, 2006 are classified in the accompanying financial statements as follows:

Statement of net assets:	
Cash and investments	\$ 81,141,705
Cash and investments with fiscal agent	20,121,438
Fiduciary funds:	
Cash and investments	<u>1,704,847</u>
Total cash and investments	<u>\$102,967,990</u>

Cash and investments as of June 30, 2006 consist of the following:

Cash on hand	\$ 2,875
Deposits with financial institutions	5,725,659
Investments	<u>97,239,456</u>
Total cash and investments	<u>\$102,967,990</u>

CITY OF PALM SPRINGS

Notes to the Basic Financial Statements

(Continued)

(2) Cash and Investments, (Continued)

Investments Authorized by the California Government Code and the City's Investment Policy

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

<u>Investment Types Authorized by State Law</u>	<u>Authorized By Investment Policy</u>	<u>*Maximum Maturity</u>	<u>*Maximum Percentage Of Portfolio</u>	<u>*Maximum Investment in One Issuer</u>
Local Agency Bonds	Yes	5 years	None	None
U.S. Treasury Obligations	Yes	5 years	None	None
U.S. Agency Securities	Yes	5 years	50%	None
Banker's Acceptances	No	180 days	40%	20%
Commercial Paper	No	270 days	15%	10%
Negotiable Certificates of Deposit	Yes	5 years	30%	None
Repurchase Agreements	No	1 year	None	None
Reverse Repurchase Agreements	No	92 days	20% of base value	None
Medium-Term Notes	Yes	5 years	20%	None
Mutual Funds	No	N/A	20%	10%
Money Market Mutual Funds	Yes	N/A	10%	10%
Mortgage Pass-Through Securities	Yes	5 years	10%	None
County Pooled Investment Funds	Yes	N/A	None	None
Local Agency Investment Fund(LAIF)	Yes	N/A	None	None
JPA Pools (other investment pools)	No	N/A	None	None

\*Based on state law requirements or investment policy requirements, whichever is more restrictive.

CITY OF PALM SPRINGS  
Notes to the Basic Financial Statements  
(Continued)

(2) Cash and Investments, (Continued)

Investments Authorized by Debt Agreements

Investment 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. The table below identifies the investment types that are authorized for investments held by bond trustee. The table also identifies certain provisions of these debt agreements that address interest rate risk and concentration of credit risk.

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>
U.S. Treasury Obligations	None
U.S. Agency Securities	None
Banker's Acceptances	30 days
Commercial Paper	180 days
Money Market Mutual Funds	None
Investment Contracts	None
Local Agency Bonds	None
Corporate Notes	None
Medium Term Notes	None
Repurchase Agreements	None
Financial Futures / Option Contracts	None
California Arbitrage Management Pool	None
Negotiable Certificate of Deposits	None
Local Agency Investment Fund (LAIF)	None

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the City manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

CITY OF PALM SPRINGS

Notes to the Basic Financial Statements

(Continued)

(2) Cash and Investments, (Continued)

Disclosures Relating to Interest Rate Risk, (Continued)

Information about the sensitivity of the fair values of the City's investments (including investments held by bond trustee) to market interest rate fluctuations is provided by the following table that shows the distribution of the City's investments by maturity. For purposes of the schedule shown below, any callable securities are assumed to be held to maturity.

<u>Investment Type</u>		<u>Remaining Maturity (in Months)</u>			
		<u>12 Months Or Less</u>	<u>13 to 24 Months</u>	<u>25-60 Months</u>	<u>More Than 60 Months</u>
Negotiable certificates of deposit	\$ 2,500,000	2,500,000	-	-	-
Local Agency Investment Fund	38,120,717	38,120,717	-	-	-
Federal agency securities	33,846,770	7,937,709	7,850,147	18,058,914	-
U.S treasury notes	1,971,600	1,477,830	493,770	-	-
Medium term notes	1,940,962	-	-	1,940,962	-
Fiscal agent:					
Investment agreements	11,090,607	-	-	-	11,090,607
Mutual funds – money market	<u>7,768,800</u>	<u>7,768,800</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$97,239,456</u>	<u>57,805,056</u>	<u>8,343,917</u>	<u>19,999,876</u>	<u>11,090,607</u>

CITY OF PALM SPRINGS

Notes to the Basic Financial Statements

(Continued)

(2) Cash and Investments, (Continued)

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the California Government Code, the City's investment policy, or debt agreements, and the actual rating as of year end for each investment type.

<u>Investment Type</u>		<u>Minimum Legal Rating</u>	<u>Exempt From Disclosure</u>	<u>Rating as of Year End</u>		
				<u>AAA</u>	<u>AA1/AA</u>	<u>Not Rated</u>
Negotiable certificates of deposit	\$ 2,500,000	N/A	-	2,500,000	-	-
Local Agency Investment Fund	38,120,717	N/A	-	-	-	38,120,717
Federal agency securities	33,846,770	N/A	-	33,846,770	-	-
U.S treasury notes	1,971,600	N/A	1,971,600	-	-	-
Medium term notes	1,940,962	A	-	-	1,940,962	-
Fiscal agent:						
Investment agreements	11,090,607	N/A	-	9,360,607	1,730,000	-
Mutual funds – money market	<u>7,768,800</u>	AAA	-	<u>7,768,800</u>	-	-
<b>Total</b>	<b>\$ <u>97,239,456</u></b>		<b><u>1,971,600</u></b>	<b><u>53,476,177</u></b>	<b><u>3,670,962</u></b>	<b><u>38,120,717</u></b>

Concentration of Credit Risk

The investment policy of the Entity contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. Investments in any one issuer (other than U.S. Treasury securities, mutual funds, and external investment pools) that represent 5% or more of total City investments are as follows:

<u>Issuer</u>	<u>Investment Type</u>	<u>Reported Amount</u>
Federal Home Loan Bank	Federal agency securities	\$ 19,115,816
Federal National Mtg, Assn.	Federal agency securities	5,569,395
Federal Home Loan Mtg. Corp.	Federal agency securities	5,569,842
MBIA Investment Agreement	Investment agreement	4,951,858

## CITY OF PALM SPRINGS

### Notes to the Basic Financial Statements

(Continued)

#### (2) Cash and Investments, (Continued)

##### Concentration of Credit Risk, (Continued)

Investments in any one issuer that represent 5% or more of total investments by report unit (primary government, discretely presented component unit, governmental activities, major fund, nonmajor funds in the aggregate, etc.) are as follows. Generally, this is applicable for investments held by bond trustee.

##### Custodial Credit Risk

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

For investments identified herein as held by bond trustee, the bond trustee selects the investment under the terms of the applicable trust agreement, acquires the investment, and holds the investment on behalf of the reporting government.

##### Investment in State Investment Pool

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

CITY OF PALM SPRINGS  
Notes to the Basic Financial Statements  
(Continued)

(3) Due From and To Other Funds

Interfund receivable and payable balances at June 30, 2006 are as follows:

<u>Due from Other Funds</u>	<u>Due to Other Funds</u>	<u>Amount</u>
Non-Major Governmental Funds	Golf Course Fund	\$ 1,534,721
	Non-Major Governmental Funds	907,177
	Internal Service Funds	<u>470,811</u>
Total		<u>\$2,912,709</u>

Interfund balances are the result of short-term borrowing to cover negative cash balances at June 30, 2006.

(4) Interfund Advances

The City has authorized several interfund advances to be used for the operations of the funds receiving the advances. At June 30, 2006 the outstanding advances are:

<u>Receivable Fund</u>	<u>Payable Funds</u>	<u>Amount</u>
General Fund	Golf Course Fund	\$1,210,000 (a)
	Community Redevelopment Agency	
	Debt Service Fund	<u>2,233,688 (c)</u>
	Total General Fund	3,443,688
Wastewater Fund	Community Redevelopment Agency	
	Debt Service Fund	1,227,000 (c)
Internal Service Funds	Golf Course Fund	1,430,000 (b)
Non-Major Governmental Funds	Community Redevelopment Agency	
	Debt Service Fund	<u>1,915,379 (c)</u>
	Total	<u>\$8,016,067</u>

(a) The Golf Course Fund initially received \$2,000,000 from the General Fund at 6% over 20 years. At June 30, 2006, the outstanding balance is \$1,210,000.

CITY OF PALM SPRINGS

Notes to the Basic Financial Statements

(Continued)

(4) Interfund Advances, (Continued)

- (b) The Employee Benefits Fund advanced \$1,430,000 to the Golf Course Fund to provide funds for the operation and debt service of the Golf Course. There are no stipulated interest rates or repayment dates.
- (c) Various funds of the City of Palm Springs have advanced monies to the Community Redevelopment Agency Debt Service Fund at interest rates of 6%. The outstanding advances totaling \$3,460,688 have no stipulated due dates. The Community Redevelopment Agency Debt Service Fund received tax increment monies totaling \$1,915,379 that are owed to the Low and Moderate Housing Special Revenue Fund. There are no stipulated interest rates or repayment dates.

CITY OF PALM SPRINGS

Notes to the Basic Financial Statements

(Continued)

(5) Capital Assets

Capital asset activity for the year ended June 30, 2006 is as follows:

	<u>Balance at June 30, 2005</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at June 30, 2006</u>
Governmental activities:				
Buildings	\$ 67,269,730	-	-	67,269,730
Improvements	23,793,005	43,623,332	-	67,416,337
Furniture and equipment	7,907,812	773,830	(63,395)	8,618,247
Vehicles	10,640,827	1,478,550	(736,975)	11,382,402
Infrastructure:				
Pavement	92,838,407	1,747,760	-	94,586,167
Curbs and gutters	33,638,258	3,019,410	-	36,657,668
Sidewalks	17,243,913	160,965	-	17,404,878
Other	<u>15,016,936</u>	<u>1,984,367</u>	<u>-</u>	<u>17,001,303</u>
Subtotal	<u>268,348,888</u>	<u>52,788,214</u>	<u>(800,370)</u>	<u>320,336,732</u>
Less accumulated depreciation:				
Buildings	(28,058,085)	(1,325,520)	-	(29,383,606)
Improvements	(11,315,961)	(2,707,423)	-	(14,023,384)
Furniture and equipment	(5,931,231)	(548,312)	63,395	(6,416,148)
Vehicles	(7,427,193)	(516,592)	736,975	(7,206,811)
Infrastructure:				
Pavement	(50,916,898)	(3,696,864)	-	(54,613,762)
Curbs and gutters	(9,460,305)	(673,496)	-	(10,133,801)
Sidewalks	(4,465,766)	(346,116)	-	(4,811,882)
Other	<u>(5,257,965)</u>	<u>(589,142)</u>	<u>-</u>	<u>(5,847,107)</u>
Total accumulated depreciation	<u>(122,833,404)</u>	<u>(10,403,465)</u>	<u>800,370</u>	<u>(132,436,501)</u>
Net depreciable assets	<u>145,515,484</u>	<u>42,384,749</u>	<u>-</u>	<u>187,900,233</u>
Capital assets not depreciated:				
Right-of-way	14,614,496	-	-	14,614,496
Land	16,027,140	-	(60,000)	15,967,140
Construction in progress	<u>36,987,031</u>	<u>3,664,278</u>	<u>(36,597,475)</u>	<u>4,053,834</u>
	<u>67,628,667</u>	<u>3,664,278</u>	<u>(36,657,475)</u>	<u>34,635,470</u>
Capital assets, net	<u>\$213,144,151</u>	<u>46,049,027</u>	<u>(36,657,475)</u>	<u>222,535,703</u>

CITY OF PALM SPRINGS

Notes to the Basic Financial Statements

(Continued)

(5) Capital Assets. (Continued)

Depreciation expense was charged in the following functions in the Statement of Activities:

General government	\$ 281,361
Cultural and convention center	2,799,119
Public safety	953,816
Public works	5,844,740
Parks and recreation	403,495
Library	<u>120,934</u>
	<u>\$10,403,465</u>

	<u>Balance at June 30, 2005</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at June 30, 2006</u>
Business-type activities:				
Buildings	\$ 35,102,016	-	-	35,102,016
Improvements other than buildings	133,466,061	5,138,775	-	138,604,836
Machinery and equipment	1,571,975	221,225	-	1,793,200
Motor vehicles	2,285,816	30	-	2,285,846
Subsurface lines	<u>25,908,048</u>	<u>383,123</u>	<u>-</u>	<u>26,291,171</u>
Total cost of depreciable assets	<u>198,333,916</u>	<u>5,743,153</u>	<u>-</u>	<u>204,077,069</u>
Less accumulated depreciation:				
Buildings	(21,445,700)	(911,759)	-	(22,357,459)
Improvements other than buildings	(67,426,387)	(7,026,942)	-	(74,453,329)
Machinery and equipment	(1,248,631)	(141,147)	-	(1,389,778)
Motor vehicles	(388,282)	(147,072)	-	(535,354)
Subsurface lines	<u>(14,306,598)</u>	<u>(496,030)</u>	<u>-</u>	<u>(14,802,628)</u>
Total accumulated depreciation	<u>(104,815,598)</u>	<u>(8,722,950)</u>	<u>-</u>	<u>(113,538,548)</u>
Net depreciable assets	93,518,318	(2,979,797)	-	90,538,521
Capital assets not depreciated:				
Land	36,727,608	-	-	36,727,608
Construction in progress	<u>-</u>	<u>2,000,559</u>	<u>-</u>	<u>2,000,559</u>
Capital assets, net	<u>\$130,245,926</u>	<u>(979,238)</u>	<u>-</u>	<u>129,266,688</u>

CITY OF PALM SPRINGS  
Notes to the Basic Financial Statements  
(Continued)

(5) Capital Assets, (Continued)

Depreciation expense was charged in the following programs of the primary government:

Airport	\$7,139,209
Wastewater	1,107,911
Golf course	<u>475,830</u>
	<u>\$8,722,950</u>

(6) Accumulated Fund Deficits

The following funds reported deficits in fund balances/net assets as of June 30, 2006:

	<u>Deficit Balance</u>
Major Funds:	
Golf Course Fund	\$(7,457,528)
Community Redevelopment Agency Debt Service	(433,447)
Internal Service Funds:	
Risk Management Fund	(281,240)
Cogeneration Plant Fund	(1,827,405)
Special Revenue Funds:	
Parking	(112,434)
Community Development Block Grant	(30,350)

CITY OF PALM SPRINGS  
Notes to the Basic Financial Statements  
(Continued)

(6) Accumulated Fund Deficits, (Continued)

Management's explanation for the resolution of accumulated fund deficits are summarized as follows:

Golf Course Enterprise Fund:

The deficit in net assets of \$7,457,528 was a result of prior years deficit and current year shortfalls. The course did not open until early 1995 and was closed shortly thereafter due to a series of storms. The course re-opened during 1996 and it is anticipated that the losses will be recovered in future years.

Community Redevelopment Agency Debt Service Fund:

The \$433,447 deficit in fund balance is due to advances from other funds and reclassification of bond funds. This deficit will decrease as the advances are repaid.

Risk Management Internal Service Fund:

The deficit in net assets of \$281,240 is due to an increase in the estimated cost of worker's compensation claims. This increase reflects projected future costs not actual claim expenses. It is anticipated that these costs will decrease in future years.

Cogeneration Plant Internal Service Fund:

The \$1,827,405 deficit in net assets constitutes a cumulative loss of \$222,159 since the opening of the plant and a one-time non-cash loss and expense related to the advance refunding of the 1984 Cogeneration Facilities and Police Building Certificates of Participation of \$1,605,246. The advance refunding of the 1984 Cogeneration Facilities and Police Building Certificates of Participation by the City in April 1987 decreases its total debt service by \$1,841,305 over the remaining 18 years of the issue. In management's opinion, the accumulated deficit will be recovered in future years through the reduction of interest payments.

Parking Special Revenue Fund:

The \$112,434 is a result of expected revenue from leasing of parking spaces to downtown employers for their employees' use did not occur. The City anticipates that losses will be recovered in future years through either increased revenues or increased transfer from the General fund.

Community Development Block Grant Fund:

The \$30,350 is a result of expected revenue from timing differences between qualifying grant expenditures and the receipt of grant reimbursements.

CITY OF PALM SPRINGS  
Notes to the Basic Financial Statements  
(Continued)

(7) Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2006 (including unamortized discounts and refunding costs) are as follows:

	<u>Balance at June 30, 2005</u>	<u>Additions/ Accretion</u>	<u>Deletions</u>	<u>Balance at June 30, 2006</u>	<u>Due within one year</u>	<u>Due in more than one year</u>
Governmental activities:						
Compensated absences payable	\$ 4,875,692	3,555,176	(3,077,753)	5,353,115	3,372,522	1,980,593
Special assessment debt with government commitment	9,977,500	3,806,000	(752,500)	13,031,000	815,000	12,216,000
Capital lease obligations	750,036	-	(186,571)	563,465	191,931	371,534
Notes payable	149,658	-	(15,075)	134,583	15,993	118,590
Certificates of participation:						
1996 Multiple Capital Facilities Refunding Certificates of Participation	6,799,841	19,619	(255,000)	6,564,460	270,000	6,294,460
1998 Multiple Capital Facilities Refunding Certificates of Participation	2,320,000	-	(190,000)	2,130,000	200,000	1,930,000
2002 Taxable Variable Rate Certificates of Participation	8,000,000	-	-	8,000,000	-	8,000,000
	<u>17,119,841</u>	<u>19,619</u>	<u>(445,000)</u>	<u>16,694,460</u>	<u>470,000</u>	<u>16,224,460</u>
Bonds payable:						
2001 Housing Tax Allocation Bonds	5,210,000	-	(215,000)	4,995,000	220,000	4,775,000
2004 Tax Allocation Bonds, Series A	13,630,000	-	(360,000)	13,270,000	370,000	12,290,000
2004 Tax Allocation Bonds, Series B	8,820,000	-	(135,000)	8,685,000	140,000	8,545,000
1991 Lease Revenue Bonds	4,226,722	276,386	(1,210,000)	3,293,108	1,215,000	2,178,108
2001 Lease Revenue Bonds	26,230,000	-	-	26,230,000	-	26,230,000
2004 Lease Revenue Bonds	61,945,000	-	(430,000)	61,515,000	3,945,000	57,570,000
	<u>120,061,722</u>	<u>276,386</u>	<u>(2,350,000)</u>	<u>117,988,108</u>	<u>5,890,000</u>	<u>111,588,108</u>
Total governmental long-term liabilities	<u>\$152,934,449</u>	<u>7,657,181</u>	<u>(6,826,899)</u>	<u>153,764,731</u>	<u>10,755,446</u>	<u>143,009,285</u>

CITY OF PALM SPRINGS  
Notes to the Basic Financial Statements  
(Continued)

(7) Long-Term Liabilities, (Continued)

The above schedule includes \$563,465 of capital lease obligations, \$143,002 of compensated absences payable and \$4,449,460 of certificates of participation recorded in the City's internal services funds.

Governmental compensated absences are generally liquidated by the general fund.

Changes in long-term liabilities for business-type activities for the year ended June 30, 2006 (including unamortized discounts and refunding costs) are as follows:

	<u>Balance at June 30, 2005</u>	<u>Accretion/ Additions</u>	<u>Deletions</u>	<u>Balance at June 30, 2006</u>	<u>Due within one year</u>	<u>Due in more than one year</u>
Business-type activities:						
Compensated absences payable	\$ 720,662	158,556	(331,012)	548,206	251,800	296,406
Bonds payable:						
1992 Airport Revenue Bonds	12,615,000	-	(12,615,000)	-	-	-
1998 Airport revenue Bonds	7,290,845	8,442	(175,000)	7,124,287	185,000	6,939,287
1998 Airport PFC Revenue Bonds	11,027,966	8,567	(265,000)	10,771,533	275,000	10,496,533
2006 Airport PFC Revenue Bonds	<u>-</u>	<u>12,170,441</u>	<u>(952,659)</u>	<u>11,217,782</u>	<u>310,000</u>	<u>10,907,782</u>
	<u>30,933,811</u>	<u>12,187,450</u>	<u>(14,007,659)</u>	<u>29,113,602</u>	<u>770,000</u>	<u>28,343,602</u>
Certificates of participation:						
1996 Multiple Capital Facilities Refunding Certificates	<u>12,024,079</u>	<u>94,112</u>	<u>(330,000)</u>	<u>11,788,191</u>	<u>345,000</u>	<u>11,443,191</u>
	<u>12,024,079</u>	<u>94,112</u>	<u>(330,000)</u>	<u>11,788,191</u>	<u>345,000</u>	<u>11,443,191</u>
Business-type long-term liabilities	<u>\$43,678,552</u>	<u>12,440,118</u>	<u>(14,668,671)</u>	<u>41,449,999</u>	<u>1,366,800</u>	<u>40,083,199</u>

(8) Special Assessment Debt with Government Commitment

At June 30, 2006, the City of Palm Springs has five outstanding Assessment District (A.D.) Improvement Bonds ("Bonds") issued in the aggregate amount of \$13,031,000 pursuant to the Improvement Bond Act of 1915. The proceeds of the Bonds were used to fund construction of street improvements, sewage collection systems and other public improvements within the A.D. If a delinquency occurs in the payment of any assessment installment, the City, at or before the end of the fiscal year of delinquency, has a duty to transfer into the redemption fund the amount of the delinquency out of available funds of the City.

CITY OF PALM SPRINGS

Notes to the Basic Financial Statements

(Continued)

(8) Special Assessment Debt with Government Commitment, (Continued)

Outstanding at  
June 30, 2006

A.D. 155

\$5,100,000 Bonds issued 3/2/98; Bonds mature between 9/2/98 and 9/2/09 in amounts ranging from \$405,000 through \$585,000; Bonds maturing on any March 2 or September 2 may be redeemed prior to its fixed maturity date, at the option of the City Treasurer, at a redemption price equal to the principal amount thereof, plus accrued interest to the date of redemption, plus a premium; secured by tax bills sent to property owners; interest rates range between 4.0% and 5.4%; reserve of \$283,300 is required which is fully funded at June 30, 2006.

\$2,035,000

A.D. 157/158

\$2,345,000 Bonds issued 8/9/01; Bonds mature between 9/2/02 and 9/2/12 in amounts ranging from \$95,000 through \$290,000; Bonds maturing on any March 2 or September 2 may be redeemed prior to its fixed maturity date, at the option of the City Treasurer, at 102% of principal amount; secured by tax bills sent to property owners; interest rates range between 3.80% and 5.70%; reserve of \$160,000 is required which is fully funded at June 30, 2006.

The 2001 Bonds were issued to refund the Assessment District 157 Bonds issued in 1992 and the Assessment District 158 Bonds issued in 1990.

1,255,000

A.D. 161

\$4,752,500 Bonds issued 2/5/04; Bonds mature between 9/2/05 and 9/2/24 in amounts ranging from \$117,500 through \$245,000; Bonds maturing on any March 2 or September 2 may be redeemed prior to its fixed maturity date, at the option of the City Treasurer, at 102% of principal amount; secured by tax bills sent to property owners; interest rates range between 1.65% and 5.65%; reserve of \$349,988 is required which is fully funded at June 30, 2006.

4,635,000

CITY OF PALM SPRINGS

Notes to the Basic Financial Statements

(Continued)

(8) Special Assessment Debt with Government Commitment, (Continued)

A.D. 162

\$1,300,000 bonds issued 11/10/04; bonds mature between 9/2/06 and 9/2/22 in amounts ranging from \$39,000 through \$65,000; bonds maturing on any March 2 or September 2 may be redeemed prior to its fixed maturity date, at the option of the City Treasurer, at 102% of principal amount; secured by tax bills sent to property owners; interest rates range between 2.60% and 5.60%; reserve of \$99,298 is required which is fully funded at June 30, 2006.

1,300,000

A.D. 164

\$3,806,000 bonds issued 7/12/05; bonds mature between 9/2/07 and 9/2/30 in amounts ranging from \$95,000 through \$215,000; bonds maturing on any September 2 may be redeemed prior to its fixed maturity date, at the option of the City Treasurer, at 103% of principal amount; secured by tax bills sent to property owners; interest rates range between 3.00% and 5.15%; reserve of \$277,144 is required which is fully funded at June 30, 2006.

3,806,000

Total special assessment debt with government commitment

\$13,031,000

CITY OF PALM SPRINGS

Notes to the Basic Financial Statements

(Continued)

(8) Special Assessment Debt with Government Commitment, (Continued)

Annual requirements to amortize outstanding special assessment debt as of June 30, 2006 are as follows:

June 30	A.D. 155		A.D. 157/158		A.D. 161		A.D. 162		A.D. 164	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2007	\$ 465,000	95,167	200,000	62,660	120,000	228,638	30,000	64,448	-	206,303
2008	485,000	70,700	210,000	52,305	120,000	225,728	35,000	63,550	96,000	181,144
2009	500,000	44,839	220,000	41,230	120,000	222,368	35,000	62,474	95,000	178,264
2010	585,000	15,795	230,000	29,300	125,000	218,505	35,000	61,275	100,000	175,129
2011	-	-	240,000	16,490	130,000	214,102	35,000	59,971	105,000	171,429
2012	-	-	85,000	7,510	135,000	209,130	40,000	58,478	105,000	167,334
2013	-	-	70,000	2,565	135,000	203,697	40,000	56,798	110,000	163,081
2014	-	-	-	-	145,000	197,706	40,000	55,048	115,000	158,461
2015	-	-	-	-	150,000	191,066	40,000	53,238	120,000	153,516
2016	-	-	-	-	160,000	183,815	45,000	51,260	125,000	148,236
2017	-	-	-	-	165,000	175,972	45,000	49,122	130,000	142,611
2018	-	-	-	-	175,000	167,555	50,000	46,792	140,000	136,631
2019	-	-	-	-	180,000	158,590	50,000	44,267	145,000	130,051
2020	-	-	-	-	190,000	149,060	55,000	41,576	150,000	123,091
2021	-	-	-	-	200,000	138,820	55,000	38,716	160,000	115,741
2022	-	-	-	-	215,000	127,715	60,000	35,667	165,000	107,821
2023	-	-	-	-	225,000	115,722	65,000	32,291	175,000	99,571
2024	-	-	-	-	235,000	103,013	65,000	28,700	185,000	90,821
2025	-	-	-	-	245,000	89,632	70,000	24,920	195,000	81,479
2026	-	-	-	-	260,000	75,427	75,000	20,860	205,000	71,534
2027	-	-	-	-	275,000	60,313	80,000	16,520	215,000	61,028
2028	-	-	-	-	295,000	44,211	80,000	12,040	225,000	49,955
2029	-	-	-	-	310,000	27,120	85,000	7,420	235,000	38,368
2030	-	-	-	-	325,000	9,181	90,000	2,520	250,000	26,265
2031	-	-	-	-	-	-	-	-	260,000	13,390
<b>Total</b>	<b>\$2,035,000</b>	<b>226,501</b>	<b>1,255,000</b>	<b>213,060</b>	<b>4,635,000</b>	<b>3,537,086</b>	<b>1,300,000</b>	<b>987,951</b>	<b>3,806,000</b>	<b>2,991,254</b>

CITY OF PALM SPRINGS  
Notes to the Basic Financial Statements  
(Continued)

(9) Obligations Under Capital Leases

The following represents governmental activity obligation under capital leases:

Fire Equipment Lease (Master Lease #1)

In November 1998, the City entered into a lease agreement for the financing of the acquisition of two aerial fire apparatuses. This lease agreement qualifies as a capital lease for accounting purposes (title transfers at end of lease) and, therefore, has been recorded at the present value of the future minimum lease payments as of the date of inception. The assets acquired under this lease agreement are recorded in the Motor Vehicle Replacement Fund.

The financing was obtained from CaLease Public Funding Corporation during November 1999 for \$1,091,953 with an interest rate of 4.78% and semi-annual payments of \$69,724 through the end of the lease (December 2008). The outstanding balance at June 30, 2006 is \$324,955.

Fire Vehicles Lease (Master Lease #4)

In September 1999, the City entered into a lease agreement for the financing of the acquisition of one paramedic unit and two fire trucks. This lease agreement qualifies as a capital lease for accounting purposes (title transfers at end of lease) and, therefore, has been recorded at the present value of future minimum lease payments as of the date of inception. The vehicles acquired under this lease agreement are recorded in the Motor Vehicle Replacement Fund.

The financing was obtained from CaLease Public Funding Corporation in September 1999 for \$614,572 with an interest rate of 5.58% and semi-annual payments ranging from \$41,542 to \$37,327 through the end of the lease (September 2009). The outstanding balance at June 30, 2006 is \$238,510.

The calculation of the present value of the future lease payments is as follows:

Year ending June 30	Master Lease #1	Master Lease #4	Total
2007	\$139,449	78,869	218,318
2008	139,449	74,654	214,103
2009	69,724	74,654	144,378
2010	<u>-</u>	<u>37,327</u>	<u>37,327</u>
Subtotal	348,622	265,504	614,126
Less amount representing interest	<u>(23,667)</u>	<u>(26,944)</u>	<u>(50,661)</u>
Present value of future lease payments	<u>\$324,955</u>	<u>238,510</u>	<u>563,465</u>

CITY OF PALM SPRINGS

Notes to the Basic Financial Statements

(Continued)

(10) Notes Payable

Outstanding at  
June 30, 2006

Governmental activities:

The City entered into an agreement in November 2001 with the California Energy Commission to borrow \$183,763. The note accrues interest at 6% per annum. Semi-annual payments of \$11,916 are required through the end of the note in June 2013.

\$134,583

Annual requirements to amortize outstanding notes payable as of June 30, 2006 is as follows:

<u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$ 15,993	7,840	23,833
2008	16,949	6,884	23,833
2009	17,999	5,833	23,832
2010	19,096	4,737	23,833
2011	20,258	3,574	23,832
2012	21,487	2,346	23,833
2013	<u>22,801</u>	<u>1,032</u>	<u>23,833</u>
Total	<u>\$134,583</u>	<u>32,246</u>	<u>166,829</u>

(11) Bonds Payable

Governmental activities:

2001 Housing Tax Allocation Bonds

On July 19, 2001, the Redevelopment Agency issued \$5,805,000 of 2001 Housing Tax Allocation Bonds to provide funds to refund the 1991 Series B Tax Allocation Bonds issued by the Palm Springs Financing Authority. Proceeds from the 1991 bonds were used to make six loans to the Agency. The refunding met the requirements of an in-substance defeasance, and, consequently, the old debt has been removed from the financial statements. The new bonds consist of \$4,550,000 of serial bonds and \$1,255,000 of term bonds. The serial bonds accrue interest at rates between 3.50% and 5.375% and mature between August 1, 2002 and August 1, 2018. The term bonds accrue interest at a rate of 5.50% and mature on August 1, 2021.

CITY OF PALM SPRINGS

Notes to the Basic Financial Statements

(Continued)

(11) Bonds Payable, (Continued)

2001 Housing Tax Allocation Bonds, (Continued)

The required reserve for the 2001 Housing Tax Allocation Bonds is \$468,105 and as of June 30, 2006 the reserve was fully funded. The amount of bonds outstanding at June 30, 2006 is \$4,995,000.

2004 Tax Allocation Bonds, Series A and B

The Redevelopment Agency issued \$14,240,000 of Tax Allocation Bonds, 2004 Series A and \$9,075,000 of Tax Allocation Bonds, 2004 Series B on June 4, 2004. The bond proceeds were used to advance refund the 1994 Tax Allocation Bonds, Series A and B of the Palm Springs Financing Authority (a component unit of the City of Palm Springs) and to finance additional redevelopment activities of the Agency.

The 2004 Series A bonds consist of \$9,200,000 of serial bonds and \$5,040,000 of term bonds. The serial bonds accrue interest at rates between 3% and 5.30% and mature between September 1, 2004 and September 1, 2021. The first portion of term bonds with principal of \$1,560,000 accrues interest at a rate of 5.50% and matures on September 1, 2023. The second portion of term bonds with principal of \$3,480,000 accrues interest at a rate of 5.50% and matures on September 1, 2034.

The 2004 Series B bonds consist of \$4,195,000 of serial bonds and \$4,880,000 of term bonds. The serial bonds accrue interest at rates between 2% and 5.60% and mature between September 1, 2004 and September 1, 2023. The term bond accrues interest at a rate of 5.75% and matures through September 1, 2034.

The required reserve for the 2004 Series A and B bonds is \$1,037,200 and \$614,256, respectively. As of June 30, 2006, both reserves were fully funded. The amount of bonds outstanding at June 30, 2006 for the 2004 Series A and B bonds is \$13,270,000 and \$8,685,000, respectively.

A portion of the proceeds of the bonds, along with a portion of the reserves of the 1994 Series A and B Tax Allocation Bonds, were deposited into an irrevocable trust with an escrow agent to provide for all future debt service payments on the 1994 Series A and B Tax Allocation Bonds. As a result, the 1994 bonds are considered defeased and the liability has been removed from the financial statements.

CITY OF PALM SPRINGS

Notes to the Basic Financial Statements

(Continued)

(11) Bonds Payable, (Continued)

Convention Center Lease Revenue Bonds

On April 1, 1991, the Palm Springs Financing Authority (a component unit of the City of Palm Springs) issued \$50,668,512 of Lease Revenue Bonds, 1991 Series A, to provide funds for the advance refunding of the 1988 refunding issue of certificates of participation and to finance the construction and acquisition of certain additional improvements and land relating to the convention center facilities.

The 1991 issue was partially refunded twice (in 1997 and 2001) by the issuance of two subsequent lease revenue bonds. On October 1, 1997, the Authority issued \$12,300,000 of Lease Revenue Refunding Bonds, 1997 Series A, to refinance a portion of the 1991 Lease Revenue Bonds. On September 20, 2001, the Authority issued \$28,540,000 of Lease Refunding Bonds, 2001 Series A, to provide for the advance refunding of \$28,650,000 of the 1991 Series A Lease Revenue Bonds. On May 13, 2004, the Authority issued \$62,395,000 of Lease Revenue Bonds, 2004 Series A to provide for the advance refunding of the outstanding 1997 Lease Revenue Bonds and to finance certain Convention Center improvements.

1991 Convention Center Lease Revenue Bonds

After the refundings, the 1991 lease revenue bonds only consist of capital appreciation bonds, which have a face value of \$6,140,000. By their nature, there are no regular interest payments associated with capital appreciation bonds. The “interest” on the debt results from the difference between the amounts paid by the investors when the debt was issued and the significantly larger value at maturity. The \$6,140,000 of face value capital appreciation bonds were initially recorded at the amount of proceeds received, \$2,125,540. Each year, the outstanding balance is increased for the accretion of interest associated with the bonds. The amount of bonds outstanding at June 30, 2006 is \$3,293,108.

2001 Convention Center Lease Revenue Bonds

The 2001 bonds consist of \$14,315,000 of serial bonds and \$14,225,000 of term bonds. The serial bonds accrue interest at rates between 3.50% and 5.25% and mature between November 1, 2002 and November 1, 2019. The first portion of term bonds with principal of \$5,600,000 accrue interest at a rate of 5.00% and mature on November 1, 2022. The second portion of term bonds with principal of \$2,735,000 accrue interest at 4.75% and mature on November 1, 2023. The third portion of term bonds with principal of \$5,890,000 accrue interest at a rate of 5.00% and mature on November 1, 2025.

CITY OF PALM SPRINGS

Notes to the Basic Financial Statements

(Continued)

(11) Bonds Payable, (Continued)

2001 Convention Center Lease Revenue Bonds, (Continued)

The proceeds of the 2001 refunding bonds, along with a portion of the reserves of the 1991 Convention Center bonds, were deposited into an irrevocable trust with an escrow agent to provide for all future debt service payments on the refunded portion of the 1991 Convention Center bonds. As a result, these certain bonds are considered defeased and the liability has been removed from the financial statements. The amount of bonds outstanding at June 30, 2006 is \$26,230,000.

2004 Convention Center Lease Revenue Bonds

On May 13, 2004, the Palm Springs Financing Authority issued \$62,395,000 Lease Revenue Bonds, 2004 Series A to finance the Convention Center Expansion Project and to provide funds for the advance refunding of the 1997 Convention Center Bonds. The bonds accrue interest at rates between 3.00% and 5.25%. The principal amounts mature between November 1, 2004 and November 1, 2020 in amounts ranging from \$450,000 to \$1,105,000.

A portion of the proceeds of the bonds, along with a portion of the reserves of the 1997 Convention Center Bonds, were deposited into an irrevocable trust with an escrow agent to provide for all future debt service payments on the 1997 Convention Center bonds. As a result, the 1997 bonds are considered defeased and the liability has been removed from the financial statements.

The required reserve for the 1991, 2001 and 2004 Convention Center Lease Revenue Bonds is \$9,706,412. At June 30, 2006, the reserve fund was fully funded. The amount of bonds outstanding at June 30, 2006 is \$61,515,000.

CITY OF PALM SPRINGS

Notes to the Basic Financial Statements

(Continued)

(11) Bonds Payable, (Continued)

Annual requirements to amortize outstanding bonds payable (excluding unamortized accretion of \$426,892) as of June 30, 2006 are as follows:

Fiscal Year Ending June 30	2001 Housing Bond		Convention Center Lease Revenue Bonds		2004 Series A and B Revenue Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2007	220,000	241,510	5,160,000	4,546,412	510,000	1,129,484
2008	230,000	233,070	1,680,000	4,388,612	525,000	1,111,584
2009	235,000	224,000	1,770,000	4,370,012	545,000	1,091,134
2010	245,000	214,094	1,495,000	4,333,612	570,000	1,068,834
2011	255,000	203,278	1,555,000	4,273,112	590,000	1,045,634
2012	270,000	191,593	1,625,000	4,203,513	610,000	1,020,509
2013	280,000	178,868	1,700,000	4,130,913	640,000	991,184
2014	295,000	165,027	1,795,000	4,051,838	675,000	958,309
2015	310,000	150,086	1,880,000	3,962,982	710,000	923,684
2016	325,000	134,049	1,975,000	3,864,269	740,000	887,434
2017	340,000	116,921	2,075,000	3,761,001	780,000	849,434
2018	360,000	98,631	2,250,000	3,650,488	820,000	809,204
2019	375,000	79,103	2,315,000	3,530,656	855,000	766,031
2020	395,000	58,163	2,435,000	3,407,150	905,000	719,677
2021	420,000	35,750	2,565,000	3,279,301	950,000	670,494
2022	440,000	12,100	2,705,000	3,146,412	1,000,000	618,446
2023	-	-	2,845,000	2,978,562	1,055,000	562,653
2024	-	-	2,985,000	2,835,281	1,115,000	502,820
2025	-	-	3,130,000	2,684,825	570,000	455,913
2026	-	-	3,290,000	2,523,275	600,000	422,888
2027	-	-	3,435,000	2,432,925	635,000	388,025
2028	-	-	3,625,000	2,244,000	670,000	351,187
2029	-	-	3,825,000	2,044,625	710,000	312,231
2030	-	-	4,035,000	1,834,250	745,000	271,157
2031	-	-	4,255,000	1,612,325	790,000	227,824
2032	-	-	4,490,000	1,378,300	840,000	181,812
2033	-	-	4,735,000	1,131,350	880,000	133,256
2034	-	-	5,000,000	870,925	930,000	82,156
2035	-	-	5,270,000	595,925	990,000	27,950
2036	-	-	5,565,000	306,075	-	-
Totals	<u>\$4,995,000</u>	<u>2,336,243</u>	<u>91,465,000</u>	<u>88,372,926</u>	<u>21,955,000</u>	<u>18,580,948</u>

CITY OF PALM SPRINGS

Notes to the Basic Financial Statements

(Continued)

(11) Bonds Payable, (Continued)

Business-type activities:

1998 Airport Revenue Bonds

On June 1, 1998, the Authority issued \$8,260,000 Airport Revenue Bonds, Series 1998 to provide funds to finance certain improvements to the airport. These bonds were issued simultaneously with the 1998 Airport Passenger Facility Charge Revenue Bonds which were also issued to finance certain improvements to the airport.

The bonds consist of \$2,210,000 of serial bonds and \$6,050,000 of term bonds. The serial bonds accrue interest at rates between 4.25% and 5.10% and mature between January 1, 2001 and January 1, 2012 in amounts ranging from \$140,000 to \$235,000. The first portion of term bonds with principal of \$1,705,000 accrue interest at a rate of 5.125% and mature on January 1, 2018. The second portion of term bonds with principal of \$4,345,000 accrue interest at a rate of 5.25% and mature on January 1, 2028.

Bonds maturing on January 1, 2018 and January 1, 2028 are subject to mandatory redemption, without premium, prior to their maturity date, in part by lot, on January 1 in each year commencing January 1, 2013 with respect to bonds maturing January 1, 2018, and commencing January 1, 2019 with respect to bonds maturing January 1, 2028, from mandatory sinking account payments at a redemption price equal to the principal amount thereof to be redeemed, without premium, plus accrued interest thereon to the date fixed for redemption in the aggregate respective principal amounts and on January 1 in the respective years.

The required reserve for the 1998 Airport Revenue Bonds is \$561,221. At June 30, 2006, the reserve fund was fully funded. The amount of bonds outstanding at June 30, 2006 is \$7,124,287, which includes \$185,713 of unamortized discount.

1998 Airport Passenger Facility Charge Revenue Bonds

On June 1, 1998, the Authority issued \$12,720,000 Airport Passenger Facility Charge Revenue Bonds, Series 1998 (1998 PFC Bonds) to provide funds to finance certain improvements to the airport. These bonds were issued simultaneously with the 1998 Airport Revenue Bonds which were also issued to finance certain improvements to the airport.

The Bonds consist of \$3,640,000 of serial bonds and \$9,080,000 of term bonds. The serial bonds accrue interest at rates between 4.25% and 5.10% and mature between January 1, 2001 and January 1, 2012 in amounts ranging from \$145,000 to \$355,000.

CITY OF PALM SPRINGS

Notes to the Basic Financial Statements

(Continued)

(11) Bonds Payable, (Continued)

The first portion of term bonds with principal of \$2,550,000 accrue interest at 5.125% and mature on January 1, 2018. The second portion of term bonds with principal of \$2,200,000 accrue interest at a rate of 5.25% and mature on January 1, 2022. The third portion of term bonds with principal of \$4,330,000 accrue interest at a rate of 5.50% and mature on January 1, 2028.

Bonds maturing on January 1, 2018, January 1, 2022 and January 1, 2028 are subject to mandatory redemption, in part by lot, on January 1 in each year commencing January 1, 2013 with respect to bonds maturing January 1, 2018, commencing January 1, 2019 with respect to bonds maturing January 1, 2022, and commencing January 1, 2023 with respect to bonds maturing January 1, 2028, from mandatory sinking account payments at a redemption price equal to the principal amount thereof to be redeemed, without premium, plus accrued interest thereon to the date fixed for redemption in the aggregate respective principal amounts and on January 1 in the respective years; provided, however, that (i) in lieu of redemption thereof, the bonds may be purchased pursuant to the provisions of the Indenture, and (ii) if some but not all of the bonds have been redeemed pursuant to the optional or special redemption provisions, the total amount of sinking accounts payments to be made subsequent to such redemption will be reduced in an amount equal to the principal amount of the bonds so redeemed, by reducing each such future sinking account payment in integral multiples of \$5,000, in a manner designated by the Authority, in the case of an optional redemption, or in inverse order, in the case of a special redemption.

The bonds maturing January 1, 2028 are subject to special mandatory redemption, in part by lot each January 1 from certain excess revenues at a redemption price equal to the principal amount thereof to be redeemed, plus a premium, together with accrued interest thereon to the date fixed for redemption. The redemption price relating to redemption dates January 1, 1999 to January 1, 2007 is 103%; January 1, 2008 is 102%; January 1, 2009 is 101%; and January 1, 2010 and thereafter is 100%.

The required reserve for the 1998 Airport Passenger Facility Charge Revenue Bonds is \$851,908. At June 30, 2006, the reserve fund was fully funded. The amount of bonds outstanding at June 30, 2006 is \$10,771,533, which includes \$188,467 of unamortized discount.

2006 Airport Passenger Facility Charge Revenue Bonds

On April 19, 2006, the Authority issued \$12,115,000 Airport Passenger Facility Charge Revenue Bonds, Series 2006 (2006 PFC Bonds) to provide funds to finance certain improvements to the airport.

CITY OF PALM SPRINGS

Notes to the Basic Financial Statements

(Continued)

(11) Bonds Payable, (Continued)

The Bonds consist of \$3,865,000 of serial bonds and \$8,250,000 of term bonds. The serial bonds accrue interest at rates between 4.40% and 5.40% and mature between July 1, 2007 and July 1, 2016 in amounts ranging from \$310,000 to \$480,000.

The first portion of term bonds with principal of \$2,185,000 accrue interest at 5.45% and mature on July 1, 2020. The second portion of term bonds with principal of \$6,065,000 accrue interest at a rate of 5.55% and mature on July 1, 2028.

Bonds maturing on July 1, 2028 are subject to mandatory redemption, in part by lot, on July 1 of each year commencing July 1, 2007 from certain excess PFC Revenues at a redemption price equal to the principal amount thereof to be redeemed, plus a premium and accrued interest thereon to the date fixed for redemption as follows:

<u>Redemption Dates</u>	<u>Redemption Prices</u>
Each July 1 prior to July 1, 2014	103.0%
July 1, 2014	102.0%
July 1, 2015	101.0%
July 1, 2016 and thereafter	100.0%

The bonds are subject to special mandatory redemption, in whole, on any date as a result of actions taken by the Federal Aviation Administration (“FAA”) to reduce the City’s authority to collect passenger facility charges under the special agreement with the FAA from proceeds of refunding obligations of from any available funds of the Airport at a redemption price equal to the principal amount thereof together with accrued interest thereon to the date fixed for redemption.

Bonds maturing on or after July 1, 2015 are subject to redemption prior to maturity on any date on or after July 1, 2014, in whole or in part, in a manner determined by the City, from prepayments made at the option of the City pursuant to the at a redemption price equal to the principal amount thereof to be redeemed, plus a premium and accrued interest thereon to the date fixed for redemption as follows:

<u>Redemption Dates</u>	<u>Redemption Prices</u>
July 1, 2014 through June 30, 2015	102.0%
July 1, 2015 through June 30, 2016	101.0%
July 1, 2016 and thereafter	100.0%

The required reserve for the 2006 Airport Passenger Facility Charge Revenue Bonds is \$962,168. At June 30, 2006, the reserve fund was fully funded. The amount of bonds outstanding at June 30, 2006 is \$11,217,782, which includes \$229,626 of unamortized discount and \$667,594 of deferred refunding charges.

CITY OF PALM SPRINGS

Notes to the Basic Financial Statements

(Continued)

(11) Bonds Payable, (Continued)

Future requirements to amortize outstanding business-type bonds payable (excluding \$603,806 of unamortized discounts and \$667,594 of deferred refunding charges) as of June 30, 2006 are as follows:

Year Ending June 30	2006 Airport Bonds		1998 Airport Bonds		1998 PFC Airport Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2007	\$ 310,000	650,758	185,000	377,969	275,000	577,563
2008	325,000	637,118	195,000	369,089	290,000	564,363
2009	340,000	622,168	205,000	359,729	305,000	550,443
2010	355,000	605,848	215,000	349,479	320,000	535,193
2011	370,000	588,453	225,000	338,729	335,000	519,193
2012	390,000	569,953	235,000	327,479	355,000	502,443
2013	410,000	550,063	250,000	315,494	375,000	484,338
2014	430,000	528,743	265,000	302,681	390,000	465,119
2015	455,000	505,953	275,000	289,100	415,000	445,131
2016	480,000	481,610	290,000	275,006	435,000	423,863
2017	505,000	455,690	305,000	260,144	455,000	401,569
2018	530,000	428,168	320,000	244,513	480,000	378,250
2019	560,000	399,283	340,000	228,113	505,000	353,650
2020	590,000	368,763	360,000	210,263	535,000	327,138
2021	625,000	336,608	375,000	191,363	565,000	299,050
2022	655,000	301,920	395,000	171,675	595,000	269,388
2023	695,000	265,568	420,000	150,938	625,000	238,150
2024	730,000	226,995	440,000	128,888	660,000	203,775
2025	775,000	186,480	465,000	105,788	700,000	167,475
2026	815,000	143,468	490,000	81,375	740,000	128,975
2027	860,000	98,235	515,000	55,650	780,000	88,275
2028	<u>910,000</u>	<u>50,505</u>	<u>545,000</u>	<u>28,613</u>	<u>825,000</u>	<u>45,375</u>
Total	<u>\$12,115,000</u>	<u>9,002,350</u>	<u>7,310,000</u>	<u>5,362,078</u>	<u>10,960,000</u>	<u>7,968,719</u>

CITY OF PALM SPRINGS

Notes to the Basic Financial Statements

(Continued)

(12) Certificates of Participation

1996 Multiple Capital Facilities

On October 9, 1996, the Palm Springs Financing Authority ( a component unit of the City of Palm Springs) issued \$24,135,000 Multiple Capital Facilities Refunding Certificates of Participation to defease the remaining \$14,050,000 of 1991 Golf Course Expansion Certificates of Participation and the remaining \$9,075,000 of 1987 Certificates of Participation Cogeneration Facilities and Police Building.

The certificates consist of \$7,080,000 of serial certificates and \$17,055,000 of term certificates. The serial certificates will accrue interest at rates between 4.00% and 5.375% and the principal amounts mature between April 1, 1998 and April 1, 2010 in amounts ranging from \$410,000 to \$715,000. The term certificates accrue interest at 5.50% to 5.75% and mature between April 1, 2013 and April 1, 2027.

Serial certificates maturing on or after April 1, 2008 may be redeemed prior to maturity on any payment date on or after April 1, 2007 at redemption prices ranging from 100% to 102%. The term certificates that mature on or after April 1, 2013 mature at a redemption price equal to the principal amount to be redeemed, together with accrued interest to the date fixed for redemption without premium.

The activities associated with the police building project and cogeneration plant are governmental activities while the activities of the golf course are business-type activities.

The outstanding 1996 Multiple Capital Facilities Refunding Certificates of Participation at June 30, 2006 are reflected in the accompanying financial statements as follows:

	<u>Balance at June 30, 2006</u>
Governmental activities:	
Police building project	\$ 2,115,000
Cogeneration plant fund	4,520,000
Less unamortized discount	<u>(70,540)</u>
Total governmental activities	<u>\$ 6,564,460</u>
Business-type activities:	
Golf Course Fund	\$13,075,000
Less unamortized discount	<u>(1,286,809)</u>
Total business-type activities	<u>\$11,788,191</u>

CITY OF PALM SPRINGS

Notes to the Basic Financial Statements

(Continued)

(12) Certificates of Participation, (Continued)

1998 Multiple Capital Facilities Certificates

On September 17, 1998, the Palm Springs Financing Authority (a component unit of the City of Palm Springs) issued \$3,065,000 Multiple Capital Facilities Refunding Certificates of Participation to refund a portion of the Palm Springs Public Facility Corporation's 1989 Wastewater Certificates of Participation.

The serial certificates accrue interest at rates between 3.70% and 4.90% with principal amounts maturing between April 1, 1999 and April 1, 2015 in amounts ranging from \$10,000 to \$280,000. Certificates maturing on or after April 1, 2008 may be redeemed prior to maturity on any interest payment date on or after April 1, 2007 at redemption prices ranging from 100% to 102%.

The required reserve for the 1996 and 1998 Multiple Capital Facilities Certificates is \$2,029,539. At June 30, 2006, the reserve fund was fully funded. The entire amount of 1998 certificates outstanding are reflected as governmental activities at June 30, 2006 in the amount of \$2,130,000.

2002 Taxable Variable Rate Certificates of Participation

On July 29, 2002, the Financing Authority issued \$8,000,000 Taxable Variable Rate Demand Certificates of Participation to provide funds to reimburse the City for the costs of acquisition of the downtown parking projects site and to provide funds to construct, furnish, equip, and improve the site.

The certificates accrue interest at variable rates not to exceed 12%. The interest rate to be payable may be converted to a fixed rate at the election of the City. Principal amounts mature between August 2010 and August 2027 in amounts ranging from \$190,000 to \$755,000.

The certificates are subject to mandatory sinking account redemption from lease payments made by the City at a redemption price equal to the principal amount to be redeemed, together with accrued interest to the redemption date, without premium. At June 30, 2006, the outstanding balance is \$8,000,000.

CITY OF PALM SPRINGS

Notes to the Basic Financial Statements

(Continued)

(12) Certificates of Participation, (Continued)

Future requirements to amortize outstanding certificates of participation as of June 30, 2006 are as follows:

Year Ending June 30	1996 Multiple Capital Facilities		1998 Multiple Capital Facilities		2002 Taxable Variable Rate	
	Principal	Interest	Principal	Interest	Principal	Interest
2007	\$ 615,000	1,113,723	200,000	98,145	-	112,000
2008	645,000	1,082,359	210,000	89,645	-	112,000
2009	680,000	1,048,819	220,000	80,720	-	112,000
2010	715,000	1,013,119	225,000	71,040	190,000	112,000
2011	755,000	974,687	230,000	60,915	205,000	109,340
2012	795,000	933,162	240,000	50,335	215,000	106,470
2013	840,000	889,437	255,000	39,055	230,000	103,460
2014	710,000	843,237	270,000	26,815	245,000	100,240
2015	750,000	802,412	280,000	13,720	355,000	96,810
2016	795,000	759,287	-	-	375,000	91,840
2017	840,000	713,575	-	-	400,000	86,590
2018	890,000	665,275	-	-	430,000	80,990
2019	940,000	614,100	-	-	455,000	74,970
2020	995,000	560,050	-	-	485,000	68,600
2021	1,050,000	502,837	-	-	520,000	61,810
2022	1,110,000	442,462	-	-	550,000	54,530
2023	1,175,000	378,637	-	-	590,000	46,830
2024	1,240,000	311,075	-	-	625,000	38,570
2025	1,310,000	239,775	-	-	665,000	29,820
2026	1,390,000	164,450	-	-	710,000	20,510
2027	1,470,000	84,525	-	-	755,000	10,570
Totals	<u>\$19,710,000</u>	<u>14,137,003</u>	<u>2,130,000</u>	<u>530,390</u>	<u>8,000,000</u>	<u>1,629,950</u>

CITY OF PALM SPRINGS

Notes to the Basic Financial Statements

(Continued)

(13) Claims and Judgments

The City is exposed to various risks of loss related to its operation, including losses associated with errors and omissions, injuries to employees and members of the public. The City's Internal Service Risk Management Fund is used to account for and finance its uninsured risks of loss. The City purchases commercial insurance from The Insurance Company of the State of Pennsylvania (ICSP) for general liability claims. Under this policy, ICSP covers claims in excess of the City's self-insured retention of \$300,000 per occurrence and provides general liability coverage up to \$10,000,000 per claim.

The City of Palm Springs purchases commercial workers' compensation insurance from National Union Fire Insurance Company of PA. Under this policy, employers recover claims in excess of the City's self insured retention of \$1,000,000 and provides employer liability coverage up to \$1,000,000 in addition to workers' compensation statutory limits.

Certain settled claims for worker's compensation exceeded the self insurance retention level in 2004, 2005 and 2006. These claims exceeded the self-insurance retention level, but did not exceed the excess insurance coverage limits.

The claims and judgments liability reported in the Internal Service Risk Management Fund is based on the requirements of Governmental Accounting Standards Board Statement No. 10, which requires that a liability for claims and judgments be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of loss can be reasonably estimated. As of June 30, 2006, claims and judgments payable, including estimated claims for incurred but not reported claims, amounted to \$4,250,840.

Changes in the claims and judgments payable amounts in fiscal years ended June 30, 2005 and 2006 for the Risk Management Fund are as follows:

	<u>Beginning of Fiscal Year Liability</u>	<u>Current Year Claims and Changes in Estimates</u>	<u>Claim Payments</u>	<u>Balance at Fiscal Year End</u>
2004-05	\$2,488,947	4,280,923	(2,602,395)	4,167,475
2005-06	4,167,475	2,311,877	(2,228,512)	4,250,840

CITY OF PALM SPRINGS

Notes to the Basic Financial Statements

(Continued)

(14) Defined Benefit Pension Plan (PERS)

The City of Palm Springs contributes to the California Public Employees Retirement System (PERS), an agent multiple-employer public employee defined benefit pension plan. PERS provides retirement, disability benefits, and death benefits to plan members and beneficiaries. PERS acts as a common investment and administrative agent for participating public entities within the State of California. Copies of PERS' annual financial report may be obtained from its executive office at 400 "P" Street, Sacramento, California 95814.

Participants are required to contribute 8% of their annual covered salary (9% for safety employees). The City makes the contributions required of City employees on their behalf and for their account. Benefit provisions and all other requirements are established by state statute and town contract with employee bargaining groups.

Under GASB 27, an employer reports an annual pension cost (APC) equal to the annual required contribution (ARC) plus an adjustment for the cumulative difference between the APC and the employer's actual plan contributions for the year. The cumulative difference is called the net pension obligation (NPO). The ARC for the period July 1, 2005 to June 30, 2006 has been determined by an actuarial valuation of the plan as of June 30, 2003. The contribution rate indicated for the period is 38.842% of payroll for the safety plan and 23.557% of payroll for the miscellaneous plan. These rates do not include the employee rate of 9% which the City pays on their behalf. In order to calculate the dollar value of the ARC for inclusion in financial statements prepared as of June 30, 2006, this contribution rate would be multiplied by the payroll of covered employees that was actually paid during the period July 1, 2005 to June 30, 2006.

CITY OF PALM SPRINGS

Notes to the Basic Financial Statements

(Continued)

(14) Defined Benefit Pension Plan (PERS), (Continued)

A summary of principle assumptions and methods used to determine the ARC is shown below.

	<u>Miscellaneous Plan</u>	<u>Safety Plan</u>
Valuation Date	June 30, 2003	June 30, 2003
Actuarial Cost Method	Entry Age Actuarial Cost Method	Entry Age Actuarial Cost Method
Amortization Method	Level Percent of Payroll	Level Percent of Payroll
Average Remaining Period	13 Years as of the Valuation Date	14 Years as of the Valuation Date
Asset Valuation Method	3 Year Smoothed Market	3 Year Smoothed Market
Actuarial Assumptions		
Investment Rate of Return	7.75% (net of administrative expenses)	7.75% (net of administrative expenses)
Projected Salary Increases	3.25% to 14.45% depending on Age, Service, and type of employment	3.25% to 13.15% depending on Age, Service, and type of employment
Inflation	3.00%	3.00%
Payroll Growth	3.25%	3.25%
Individual Salary Growth	A merit scale varying by duration of employment coupled with an assumed annual inflation component of 3.0% and an annual production growth of 0.25%	A merit scale varying by duration of employment coupled with an assumed annual inflation component of 3.0% and an annual production growth of 0.25%

Initial unfunded liabilities are amortized over a closed period that depends on the plan's date of entry into CalPERS. Subsequent plan amendments are amortized as a level percentage of pay over a closed 20-year period. Gains and losses that occur in the operation of the plan are amortized over a rolling period, which results in an amortization of 10% of unamortized gains and losses each year. If the plan's accrued liability exceeds the actuarial value of plan assets, then the amortization period may not be lower than the payment calculated over a 30 year amortization period.

For the safety plan, the unfunded actuarial liability is amortized over a period ending June 30, 2034. For the miscellaneous plan, the unfunded actuarial liability is amortized over a period ending June 30, 2034.

The Schedule of Funding Progress below shows the recent history of the actuarial value of assets, actuarial accrued liability, their relationship, and the relationship of the unfunded accrued liability to payroll.

CITY OF PALM SPRINGS

Notes to the Basic Financial Statements

(Continued)

(14) Defined Benefit Pension Plan (PERS), (Continued)

*Required Supplementary Information – Miscellaneous (\$ Amount in Thousands)*

<u>Valuation Date</u>	<u>Entry Age Normal Accrued Liability</u>	<u>Actuarial Value of Assets</u>	<u>Unfunded Liability/ (Excess Assets)</u>	<u>Funded Status</u>	<u>Annual Covered Payroll</u>	<u>UAAL As a % of Payroll</u>
6/30/03	\$ 98,809	82,500	16,309	83.5%	15,499	105.2%
6/30/04	104,092	86,338	17,754	82.9%	15,567	114.1%
6/30/05	110,862	92,467	18,395	83.4%	15,692	117.2%

*Required Supplementary Information – Safety (\$ Amount in Thousands)*

<u>Valuation Date</u>	<u>Entry Age Normal Accrued Liability</u>	<u>Actuarial Value of Assets</u>	<u>Unfunded Liability/ (Excess Assets)</u>	<u>Funded Status</u>	<u>Annual Covered Payroll</u>	<u>UAAL As a % of Payroll</u>
6/30/03	\$116,506	94,103	22,403	80.8%	10,132	221.1%
6/30/04	122,667	99,485	23,182	81.1%	10,642	217.8%
6/30/05	129,917	107,401	22,516	82.7%	9,806	229.6%

*Three-Year Trend Information*

Annual Pension Cost (Employer Contribution)

<u>Fiscal Year</u>	<u>Safety</u>	<u>Miscellaneous</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/04	\$2,073,340	581,803	100%	-
6/30/05	3,830,603	2,667,544	100%	-
6/30/06	4,088,922	3,843,601	100%	-

(15) Leasehold Interest

SENCA Palm Springs, Inc., a California Corporation, was the lessee under Business Lease No. PSL-315 and a certain letter dated May 1, 1984, which are collectively referred to as the “Master Lease.” Under this Master Lease, the Agua Caliente (Palm Springs) Reservation was the “lessor” while SENCA was the “lessee.”

CITY OF PALM SPRINGS

Notes to the Basic Financial Statements

(Continued)

(15) Leasehold Interest, (Continued)

On September 28, 1989 the City of Palm Springs entered into an agreement with SENCA to assume SENCA's lease. The agreement provided for, among other things, the assignment by SENCA to the City of all of SENCA's right, title and interest in and to the Master Lease and the three subleases in exchange for \$3,000,000. In addition, the City subleased to SENCA the remainder of the Master Lease Property (the "New Sublease Property"). SENCA's interest in that sublease was eventually sold, and is now owned by Tom and Jacqueline Suitt. Until the site is developed, the rent is \$1 per year. The City assumed the responsibility of collecting the rent of the three remaining subleases: Wyndham Hotel, Convention Center and Voss Properties. Voss Properties eventually went into foreclosure, and the sublease was turned into a direct lease with the Bureau of Indian Affairs. The basic rent of \$470,450 for the Wyndham Hotel has been adjusted by increases in the Consumer Price Index to \$860,766. The Convention Center's basic rent of \$225,000 is now \$401,000. The rents paid to the City are due each December 20<sup>th</sup> for the succeeding calendar year. The next CPI adjustment will affect the December 20, 2008 payment for the fiscal year ending June 30, 2009. The subleases expire in 2059.

Subsequently, the City pays the lessor in accordance with the Master Lease. Basic rent is adjusted every five years using the "Base Index" (Price Index of December, 1984) issued by the Bureau of Labor Statistics of the United States Department of Labor. The current annual rent is \$1,200,000. In addition to the basic rent, sublessees may pay additional rent equal to any and all rent or percentage rent payable under the Master Lease relating to any and all business activities conducted on the leased property. The Master Lease and subleases are considered for accounting purposes to be operating leases.

(16) Transfers In/Transfers Out

The following schedule summarizes the City's transfer activity:

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
General Fund	Non-Major Governmental Funds	\$748,103 (a)
Special Assessment Debt Service	General Fund	168,000
Capital Projects Fund	General Fund	1,200,000 (b)
	Non-Major Governmental Funds	1,293,522 (c)
Non-Major Governmental Funds	General Fund	7,220,487 (d)
	Capital Projects Fund	80,830
	Community RDA Debt Service Fund	2,424,000 (e)
Golf Course Fund	Non-Major Governmental Funds	<u>500,000 (f)</u>
	Total	<u>\$13,634,942</u>

CITY OF PALM SPRINGS

Notes to the Basic Financial Statements

(Continued)

(16) Transfers In/Transfers Out, (Continued)

- (a) The Gas Tax Special Revenue Fund transferred \$600,000 to the General Fund for reimbursement for street and traffic related costs and other Non-Major Governmental Funds transferred \$148,103 to the General Fund.
- (b) The General Fund transferred \$900,000 to the Capital Projects Fund for reimbursement of general capital projects expenditures and updates to the City's general plan, and \$300,000 for Measure Y.
- (c) Various non-major governmental funds transferred a total of 1,293,522 to the Capital Projects Fund to cover costs of improvements to the Convention Center.
- (d) The General Fund transferred \$2,000,000 to the Debt Service Fund for reimbursement of Convention Center expansion costs, \$3,456,745 for the Convention Center debt service payment, and \$495,742 for various other debt service payments. Additionally, the General Fund transferred \$700,000 to the Retiree Health Insurance Fund to cover payment of retiree health insurance. \$568,000 was also transferred to various other non-major funds of the City to cover operating costs.
- (e) The Community Redevelopment Agency Debt Service Fund transferred \$2,424,000 to the Debt Service Fund in repayment of advances made to the Community Redevelopment Agency.
- (f) Non-Major Governmental Funds transferred \$500,000 to the Golf Course Fund to fund the operations of the Golf Course.

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REQUIRED  
SUPPLEMENTARY  
INFORMATION



CITY OF PALM SPRINGS  
General Fund

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual  
Year ended June 30, 2006

	Budget		Actual	Variance- Positive (Negative)	Prior Year Actual
	Original	Final			
<b>Revenues:</b>					
Taxes	\$ 36,277,058	33,401,694	36,095,793	2,694,099	31,563,427
Licenses and permits	6,731,100	3,851,025	3,842,567	(8,458)	4,533,614
Fines and penalties	430,000	377,000	373,456	(3,544)	358,187
Investment income	250,000	250,000	415,754	165,754	174,561
Rental income	275,000	275,000	567,014	292,014	269,696
Intergovernmental	629,238	4,716,853	5,089,330	372,477	4,690,879
Charges for services	3,702,325	4,467,326	4,221,110	(246,216)	4,439,285
Transient occupancy taxes	6,000,000	6,000,000	6,456,974	456,974	5,719,257
Donations and contributions	-	7,647	7,787	140	120,000
Miscellaneous	-	289,500	497,247	207,747	415,964
Total revenues	<u>54,294,721</u>	<u>53,636,045</u>	<u>57,567,032</u>	<u>3,930,987</u>	<u>52,284,870</u>
<b>Expenditures:</b>					
<b>Current:</b>					
General government	8,535,907	7,989,704	6,882,667	1,107,037	7,023,822
Public safety	27,353,915	28,037,317	28,110,712	(73,395)	26,491,397
Public works	8,328,540	8,558,394	7,696,387	862,007	8,227,006
Parks and recreation	4,739,837	5,380,599	5,494,034	(113,435)	4,357,292
Library	2,645,744	2,696,039	2,439,799	256,240	2,298,401
Total expenditures	<u>51,603,943</u>	<u>52,662,053</u>	<u>50,623,599</u>	<u>2,038,454</u>	<u>48,397,918</u>
Excess (deficiency) of revenues over (under) expenditures	<u>2,690,778</u>	<u>973,992</u>	<u>6,943,433</u>	<u>5,969,441</u>	<u>3,886,952</u>
<b>Other financing sources (uses):</b>					
Transfers in	748,103	748,103	748,103	-	610,233
Transfers out	(8,588,487)	(8,588,487)	(8,588,487)	-	(7,252,337)
Sale of capital assets	5,000	-	-	-	-
Total other financing sources (uses)	<u>(7,835,384)</u>	<u>(7,840,384)</u>	<u>(7,840,384)</u>	<u>-</u>	<u>(6,642,104)</u>
Net change in fund balances	<u>(5,144,606)</u>	<u>(6,866,392)</u>	<u>(896,951)</u>	<u>5,969,441</u>	<u>(2,755,152)</u>
Fund balances at beginning of year	<u>7,362,023</u>	<u>7,362,023</u>	<u>7,362,023</u>	<u>-</u>	<u>10,117,175</u>
Fund balances at end of year	<u>\$ 2,217,417</u>	<u>495,631</u>	<u>6,465,072</u>	<u>5,969,441</u>	<u>7,362,023</u>

## CITY OF PALM SPRINGS

### Notes to the Required Supplementary Information

Year ended June 30, 2006

#### (1) Budgets and Budgetary Data

The adopted budget of the City consists of a resolution specifying the total appropriation for each departmental activity, (e.g., Police Administration, Airport Administration, Street Maintenance, etc.).

Total appropriations for each fund may only be increased or decreased by the City Council by passage of a resolution amending the budget, with the exception of budget adjustments which involve offsetting revenues and expenditures. In cases involving offsetting revenues and expenditures, the Finance Director is authorized to increase or decrease an appropriation for a specific purpose where said appropriation is offset by unbudgeted revenue which is designated for said specific purpose. During the year, there were supplemental budgetary appropriations amounting to \$20,806,356. This included \$3,563,752 for the AD164 Bonds.

The City Manager and Assistant City Manager have authority to adjust the amounts appropriated between the departments and activities of a fund, objects within each departmental activity and between accounts within the objects, provided, however, that the total appropriations for each fund may not exceed the amounts provided in the budget resolution.

The level on which expenditures may not legally exceed appropriations is the fund level.

All appropriations lapse at fiscal year-end unless City Council takes formal action in the form of a resolution to continue the appropriation into the following fiscal year.

Budgets for the various funds are adopted on a basis consistent with generally accepted accounting principles (GAAP). Annual appropriated budgets are legally adopted for the general, special revenue, debt service, capital projects, and proprietary fund types.

# SUPPLEMENTARY SCHEDULES



CITY OF PALM SPRINGS  
Combining Balance Sheet - Non-Major Governmental Funds  
June 30, 2006

	Special	Debt	Capital	Totals	
	Revenue	Service	Projects	2006	2005
<u>Assets</u>					
Cash and investments	\$ 32,678,442	4,138,923	5,433,689	42,251,054	30,401,884
Restricted assets:					
Cash and investments					
with fiscal agent	705,188	6,173,213	3,216,816	10,095,217	12,549,667
Deposits	233,452	-	-	233,452	233,319
Receivables:					
Accounts	1,035,746	-	100	1,035,846	949,219
Accrued interest	233,848	2,948	73,939	310,735	214,119
Notes	3,295,638	-	-	3,295,638	2,135,318
Due from other funds	2,912,709	-	-	2,912,709	4,020,257
Due from other governments	1,923,692	-	-	1,923,692	1,361,810
Advances to other funds	1,915,379	-	-	1,915,379	1,963,826
Property held for resale	676,207	-	4,195,780	4,871,987	7,123,077
Total assets	<u>45,610,301</u>	<u>10,315,084</u>	<u>12,920,324</u>	<u>68,845,709</u>	<u>60,952,496</u>
<u>Liabilities and Fund Balances</u>					
Liabilities:					
Accounts payable	1,327,752	2,931	67,482	1,398,165	972,387
Accrued wages payable	46,325	-	-	46,325	34,911
Due to other funds	907,177	-	-	907,177	298,748
Due to other governments	92,442	-	-	92,442	127,822
Deposits payable	172,534	-	2,442	174,976	166,969
Deferred revenue	127,918	-	-	127,918	42,802
Total liabilities	<u>2,674,148</u>	<u>2,931</u>	<u>69,924</u>	<u>2,747,003</u>	<u>1,643,639</u>
Fund balances:					
Reserved for:					
Encumbrances	2,596,987	-	499,442	3,096,429	1,662,759
Deposits	233,452	-	-	233,452	233,319
Notes	3,295,638	-	-	3,295,638	2,127,530
Advances to other funds	1,915,379	-	-	1,915,379	1,963,826
Property held for resale	676,207	-	4,195,780	4,871,987	7,123,077
Debt service requirements	705,188	10,312,153	-	11,017,341	11,568,255
Low and moderate housing	2,962,280	-	-	2,962,280	1,443,315
Unreserved-designated, reported in:					
Special revenue funds	33,119,140	-	-	33,119,140	28,285,886
Capital project funds	10,441,501	-	8,155,178	18,596,679	5,064,454
Unreserved-undesignated, reported in:					
Special revenue funds	(13,009,619)	-	-	(13,009,619)	(163,564)
Total fund balances	<u>42,936,153</u>	<u>10,312,153</u>	<u>12,850,400</u>	<u>66,098,706</u>	<u>59,308,857</u>
Total liabilities and fund balances	<u>\$ 45,610,301</u>	<u>10,315,084</u>	<u>12,920,324</u>	<u>68,845,709</u>	<u>60,952,496</u>

CITY OF PALM SPRINGS  
Combining Statement of Revenues, Expenditures and Changes in Fund Balances -  
Non-Major Governmental Funds  
Year ended June 30, 2006

	Special	Debt	Capital	Totals	
	Revenue	Service	Projects	2006	2005
Revenues:					
Taxes	\$ 5,183,189	-	-	5,183,189	3,919,411
Licenses and permits	1,006,351	-	-	1,006,351	1,343,375
Fines and penalties	571,039	-	-	571,039	203,189
Investment income	764,956	207,484	331,223	1,303,663	1,119,221
Rental income	10,000	-	199,331	209,331	218,737
Intergovernmental	3,223,977	-	-	3,223,977	2,566,867
Charges for services	2,265,008	-	-	2,265,008	2,079,030
Transient occupancy taxes	8,220,537	-	-	8,220,537	7,305,354
Special assessments	482,136	-	-	482,136	406,079
Donations and contributions	1,524,284	-	-	1,524,284	995,824
Master lease	1,250,728	-	-	1,250,728	1,261,766
Miscellaneous	234,400	-	4,245	238,645	738,614
Total revenues	<u>24,736,605</u>	<u>207,484</u>	<u>534,799</u>	<u>25,478,888</u>	<u>22,157,467</u>
Expenditures:					
Current:					
General government	3,056,638	3,000	468,675	3,528,313	3,291,507
Cultural and convention center	1,326,297	-	-	1,326,297	1,698,985
Public safety	1,583,448	-	-	1,583,448	1,764,604
Public works	7,864,445	-	360,060	8,224,505	7,645,090
Parks and recreation	1,274,347	-	-	1,274,347	989,593
Library	41,493	-	-	41,493	96,307
Lease	1,203,333	401,000	-	1,604,333	1,601,000
Debt service:					
Principal	360,605	1,754,471	-	2,115,076	2,114,210
Interest	336,816	5,148,703	-	5,485,519	5,059,679
Total expenditures	<u>17,047,422</u>	<u>7,307,174</u>	<u>828,735</u>	<u>25,183,331</u>	<u>24,260,975</u>
Excess (deficiency) of revenues over (under) expenditures	<u>7,689,183</u>	<u>(7,099,690)</u>	<u>(293,936)</u>	<u>295,557</u>	<u>(2,103,508)</u>
Other financing sources (uses):					
Transfers in	480,830	6,550,487	1,789,000	8,820,317	13,524,577
Transfers out	(2,326,025)	-	-	(2,326,025)	(1,224,906)
Sale of property	-	-	-	-	1,742,040
Total other financing sources (uses)	<u>(1,845,195)</u>	<u>6,550,487</u>	<u>1,789,000</u>	<u>6,494,292</u>	<u>14,041,711</u>
Net change in fund balances	5,843,988	(549,203)	1,495,064	6,789,849	11,938,203
Fund balances at beginning of year	<u>37,092,165</u>	<u>10,861,356</u>	<u>11,355,336</u>	<u>59,308,857</u>	<u>47,370,654</u>
Fund balances at end of year	<u>\$ 42,936,153</u>	<u>10,312,153</u>	<u>12,850,400</u>	<u>66,098,706</u>	<u>59,308,857</u>

## NON-MAJOR SPECIAL REVENUE FUNDS

Special Revenue Funds are used to account for specific revenues that are legally restricted to expenditure for particular purposes.

The City of Palm Springs has the following Non-Major Special Revenue Funds:

Community Promotion Fund – To account for revenues and costs related to the promotional effects of the City with regards to tourism and related activities.

Forfeiture Fund - To account for revenues and costs related to special narcotics investigations and seizure of assets as a result of these investigations.

Safety Augmentation Fund - To account for revenues and costs related to Proposition 172, which authorized a special ½% sales tax to be used for safety purposes only.

Indian Gaming Special Distribution Fund – To account for revenues and costs related to SB621 Grant Awards. This grant is funded by payments from the Indian casinos into a statewide fund to mitigate the impact on City services from the Indian casinos.

Special Development Fund – To account for revenues and costs related to special building fees assessed on tracts in Specific Plan I in the South Palm Canyon area.

CSA 152 Fund - To account for revenues and costs related to the implementation of the National Pollutant Discharge Elimination System. This program is designed to reduce pollutants entering the various storm channels and washes throughout the community.

Recycling - AB 939 Fund - To account for revenues and expenditures related to the operations of the City's recycling activities.

Villagefest Fund - To account for revenues and costs related to the Palm Springs Villagefest.

Neighborhood Involvement – To account for revenues and costs related to specific neighborhood improvement groups.

Parking Fund - To account for revenues and costs related to the parking lot facilities located within the City.

Gas Tax Fund - To account for revenue received from the State of California and other sources to be used for street maintenance and improvements only.

Measure A Improvements Fund - To account for revenue received from the State of California from a special 1/2% sales tax to be used for street maintenance and improvements only.

Drainage Construction Fund - To account for revenue received from fees assessed on new construction for the purpose of building and maintaining a drainage and flood control system within the City.

Community Development Block Grant Fund - To account for revenue and costs related to the activities approved and funded by the Block Grant Program.

Master Lease Fund - To account for revenue and expenditures related to the Master Lease held by the City on land adjacent to the Convention Center.

Air Quality Management Fund - To account for revenue received from the County for enacting air quality improvement policies.

Public Arts Fund - To account for revenue and expenditures related to fees collected on new construction for the purpose of procuring art objects for public benefit.

Library Fund - To account for revenues received for various purposes related to the library activities.

Quimby Act Fees - To account for revenues and costs related to Quimby Act Park Fees which are intended to pay for future parks and recreational facilities.

Special Projects Fund - To account for revenue and expenditures of deposits received from developers on a project specific basis.

Low and Moderate Housing Fund - To account for revenue and expenditures related to the development of facilities within the City for citizens of low or moderate means.

CITY OF PALM SPRINGS  
Special Revenue Funds  
Combining Balance Sheet  
June 30, 2006

<u>Assets</u>	<u>Community Promotion</u>	<u>Forfeiture</u>	<u>Safety Augmentation</u>	<u>Indian Gaming Special Distribution</u>	<u>Special Development</u>	<u>CSA 152</u>	<u>Recycling AB 939</u>
Cash and investments	\$ 6,506,435	678,965	464,872	117,616	331,360	-	2,926,878
Restricted assets:							
Cash and investments with fiscal agents	-	-	-	-	-	-	-
Deposits	200,000	-	-	-	-	-	-
Receivables:							
Accounts	902,687	-	-	-	-	-	103,408
Accrued interest	-	5,133	3,637	1,499	2,588	-	50,124
Notes	-	-	-	-	-	-	-
Due from other funds	-	-	-	-	-	-	2,912,709
Due from other governments	-	-	62,280	-	-	250,094	-
Advances to other funds	-	-	-	-	-	-	-
Property held for resale	-	-	-	-	-	-	-
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total assets	<u>\$ 7,609,122</u>	<u>684,098</u>	<u>530,789</u>	<u>119,115</u>	<u>333,948</u>	<u>250,094</u>	<u>5,993,119</u>
 <u>Liabilities and Fund Balances</u>							
Liabilities:							
Accounts payable	\$ 32,983	35,465	5,192	-	-	36,110	8,429
Accrued wages payable	-	-	12,894	-	-	668	698
Due to other funds	-	-	-	-	-	210,945	-
Due to other governments	-	-	-	-	-	-	-
Deposits payable	172,534	-	-	-	-	-	-
Deferred revenue	-	10,027	-	-	-	-	-
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total liabilities	<u>205,517</u>	<u>45,492</u>	<u>18,086</u>	<u>-</u>	<u>-</u>	<u>247,723</u>	<u>9,127</u>
Fund balances (deficit):							
Reserved for:							
Encumbrances	12,955	8,805	20,056	119,115	-	45,352	10,000
Deposits	200,000	-	-	-	-	-	-
Notes receivable	-	-	-	-	-	-	-
Advances to other funds	-	-	-	-	-	-	-
Property held for resale	-	-	-	-	-	-	-
Debt service requirements	-	-	-	-	-	-	-
Low and moderate housing	-	-	-	-	-	-	-
Unreserved:							
Designated for:							
Special purposes	1,861,341	-	-	-	104,649	-	5,455,847
Continuing appropriations	5,329,309	730,058	927,749	908,098	229,299	525,116	518,145
Undesignated	-	(100,257)	(435,102)	(908,098)	-	(568,097)	-
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total fund balances (deficit)	<u>7,403,605</u>	<u>638,606</u>	<u>512,703</u>	<u>119,115</u>	<u>333,948</u>	<u>2,371</u>	<u>5,983,992</u>
Total liabilities and fund balances	<u>\$ 7,609,122</u>	<u>684,098</u>	<u>530,789</u>	<u>119,115</u>	<u>333,948</u>	<u>250,094</u>	<u>5,993,119</u>

<u>Villagefest</u>	<u>Neighborhood Involvement</u>	<u>Parking</u>	<u>Gas Tax</u>	<u>Measure A Improvements</u>	<u>Drainage Construction</u>	<u>Community Development Block Grant</u>	<u>Master Lease</u>	<u>Air Quality Management</u>
109,877	11,164	-	567,813	6,238,434	5,407,763	-	76,686	23,960
-	-	-	-	-	-	-	232,824	-
-	-	-	-	-	-	-	-	-
-	96	-	4,668	53,487	51,953	-	-	219
-	-	-	-	-	-	-	-	-
-	-	73	466,183	436,593	-	674,489	-	14,301
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
<u>109,877</u>	<u>11,260</u>	<u>73</u>	<u>1,038,664</u>	<u>6,728,514</u>	<u>5,459,716</u>	<u>674,489</u>	<u>309,510</u>	<u>38,480</u>
8,086	1,636	24,668	114,464	595,679	184,421	93,353	-	6,555
7,751	-	488	4,159	1,563	-	2,605	-	1,116
-	-	87,351	-	-	-	608,881	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	117,891	-	-	-	-
-	-	-	-	-	-	-	-	-
<u>15,837</u>	<u>1,636</u>	<u>112,507</u>	<u>118,623</u>	<u>715,133</u>	<u>184,421</u>	<u>704,839</u>	<u>-</u>	<u>7,671</u>
36,560	1,636	-	27,162	1,271,698	677,344	126,904	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	232,824	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
447,536	11,134	332,217	1,581,750	9,683,295	5,907,571	1,686,300	1,433,093	50,957
(390,056)	(3,146)	(444,651)	(688,871)	(4,941,612)	(1,309,620)	(1,843,554)	(1,356,407)	(20,148)
<u>94,040</u>	<u>9,624</u>	<u>(112,434)</u>	<u>920,041</u>	<u>6,013,381</u>	<u>5,275,295</u>	<u>(30,350)</u>	<u>309,510</u>	<u>30,809</u>
<u>109,877</u>	<u>11,260</u>	<u>73</u>	<u>1,038,664</u>	<u>6,728,514</u>	<u>5,459,716</u>	<u>674,489</u>	<u>309,510</u>	<u>38,480</u>

(Continued)

CITY OF PALM SPRINGS  
Special Revenue Funds  
Combining Balance Sheet  
June 30, 2006  
(Continued)

	Public Arts	Library	Quimby Act Fees	Special Projects	Low and Moderate Housing	Totals	
						2006	2005
<u>Assets</u>							
Cash and investments	981,398	2,460,499	1,668,666	1,009,316	3,096,740	32,678,442	26,348,180
Restricted assets:							
Cash and investments with fiscal agents	-	-	-	-	472,364	705,188	706,899
Deposits	-	-	-	-	33,452	233,452	233,319
Receivables:							
Accounts	-	-	-	29,651	-	1,035,746	930,686
Accrued interest	8,348	14,977	13,398	-	23,721	233,848	180,870
Notes	-	-	-	-	3,295,638	3,295,638	2,135,318
Due from other funds	-	-	-	-	-	2,912,709	4,020,257
Due from other governments	-	9,197	-	10,482	-	1,923,692	1,361,810
Advances to other funds	-	-	-	-	1,915,379	1,915,379	1,963,826
Property held for resale	-	-	-	-	676,207	676,207	832,195
<b>Total assets</b>	<b>989,746</b>	<b>2,484,673</b>	<b>1,682,064</b>	<b>1,049,449</b>	<b>9,513,501</b>	<b>45,610,301</b>	<b>38,713,360</b>
<u>Liabilities and Fund Balances</u>							
Liabilities:							
Accounts payable	2,106	2,953	-	124,700	50,952	1,327,752	950,443
Accrued wages payable	6,202	-	-	1,478	6,703	46,325	34,911
Due to other funds	-	-	-	-	-	907,177	298,748
Due to other governments	-	-	-	-	92,442	92,442	127,822
Deposits payable	-	-	-	-	-	172,534	166,469
Deferred revenue	-	-	-	-	-	127,918	42,802
<b>Total liabilities</b>	<b>8,308</b>	<b>2,953</b>	<b>-</b>	<b>126,178</b>	<b>150,097</b>	<b>2,674,148</b>	<b>1,621,195</b>
Fund balances (deficit):							
Reserved for:							
Encumbrances	44,931	6,725	-	179,660	8,084	2,596,987	1,662,759
Deposits	-	-	-	-	33,452	233,452	233,319
Notes receivable	-	-	-	-	3,295,638	3,295,638	2,127,530
Advances to other funds	-	-	-	-	1,915,379	1,915,379	1,963,826
Property held for resale	-	-	-	-	676,207	676,207	832,195
Debt service requirements	-	-	-	-	472,364	705,188	706,899
Low and moderate housing	-	-	-	-	2,962,280	2,962,280	1,443,315
Unreserved:							
Designated for:							
Special purposes	366,245	2,226,204	1,682,064	(1,254,849)	-	10,441,501	16,655,343
Continuing appropriations	570,262	248,791	-	1,998,460	-	33,119,140	11,630,543
Undesignated	-	-	-	-	-	(13,009,619)	(163,564)
<b>Total fund balances (deficit)</b>	<b>981,438</b>	<b>2,481,720</b>	<b>1,682,064</b>	<b>923,271</b>	<b>9,363,404</b>	<b>42,936,153</b>	<b>37,092,165</b>
<b>Total liabilities and fund balances</b>	<b>989,746</b>	<b>2,484,673</b>	<b>1,682,064</b>	<b>1,049,449</b>	<b>9,513,501</b>	<b>45,610,301</b>	<b>38,713,360</b>

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CITY OF PALM SPRINGS  
Special Revenue Funds

Combining Statement of Revenues, Expenditures and Changes in Fund Balances  
Year ended June 30, 2006

	Community Promotion	Forfeiture	Safety Augmentation	Indian Gaming Special Distribution	Special Development	CSA 152	Recycling AB 939
<b>Revenues:</b>							
Taxes	\$ -	-	776,127	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Fines and penalties	-	492,923	-	-	-	-	-
Investment income	-	15,988	12,105	11,839	7,631	-	143,256
Rental income	10,000	-	-	-	-	-	-
Intergovernmental	-	-	-	896,259	-	-	12,096
Charges for services	5,680	-	11,962	-	193,324	-	421,894
Transient occupancy taxes	8,220,537	-	-	-	-	-	-
Special assessments	-	-	-	-	-	482,136	-
Donations and contributions	124,374	-	77,638	-	-	-	-
Master lease	-	-	-	-	-	-	-
Miscellaneous	18,709	-	-	-	-	-	59
<b>Total revenues</b>	<u>8,379,300</u>	<u>508,911</u>	<u>877,832</u>	<u>908,098</u>	<u>200,955</u>	<u>482,136</u>	<u>577,305</u>
<b>Expenditures:</b>							
<b>Current:</b>							
General government	2,696,240	-	-	-	-	-	-
Cultural and convention center	1,326,297	-	-	-	-	-	-
Public safety	-	117,049	677,416	788,983	-	-	-
Public works	-	-	-	-	-	479,765	249,270
Parks and recreation	896,601	-	-	-	-	-	-
Library	-	-	-	-	-	-	-
Lease	-	-	-	-	-	-	-
<b>Debt service:</b>							
Principal	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-
<b>Total expenditures</b>	<u>4,919,138</u>	<u>117,049</u>	<u>677,416</u>	<u>788,983</u>	<u>-</u>	<u>479,765</u>	<u>249,270</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<u>3,460,162</u>	<u>391,862</u>	<u>200,416</u>	<u>119,115</u>	<u>200,955</u>	<u>2,371</u>	<u>328,035</u>
<b>Other financing sources (uses):</b>							
Transfers in	-	-	-	-	-	-	-
Transfers out	(1,577,922)	-	-	-	-	-	-
Sale of property	-	-	-	-	-	-	-
<b>Total other financing sources (uses)</b>	<u>(1,577,922)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Net change in fund balances</b>	<u>1,882,240</u>	<u>391,862</u>	<u>200,416</u>	<u>119,115</u>	<u>200,955</u>	<u>2,371</u>	<u>328,035</u>
<b>Fund balances (deficit) at beginning of year</b>	<u>5,521,365</u>	<u>246,744</u>	<u>312,287</u>	<u>-</u>	<u>132,993</u>	<u>-</u>	<u>5,655,957</u>
<b>Fund balances (deficit) at end of year</b>	<u>\$ 7,403,605</u>	<u>638,606</u>	<u>512,703</u>	<u>119,115</u>	<u>333,948</u>	<u>2,371</u>	<u>5,983,992</u>

<u>Villagefest</u>	<u>Neighborhood Involvement</u>	<u>Parking</u>	<u>Gas Tax</u>	<u>Measure A Improvements</u>	<u>Drainage Construction</u>	<u>Community Development Block Grant</u>	<u>Master Lease</u>	<u>Air Quality Management</u>
-	-	-	-	2,000,975	-	-	-	-
321,906	-	-	-	-	684,445	-	-	-
-	-	78,116	-	-	-	-	-	-
-	366	-	20,524	148,507	157,185	2,665	4,910	751
-	-	-	-	-	-	-	-	-
-	-	-	1,403,717	168,614	-	688,892	-	54,399
-	-	44,555	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	1,250,728	-
<u>14,618</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>119,488</u>	<u>-</u>	<u>-</u>
<u>336,524</u>	<u>366</u>	<u>122,671</u>	<u>1,424,241</u>	<u>2,318,096</u>	<u>841,630</u>	<u>811,045</u>	<u>1,255,638</u>	<u>55,150</u>
-	-	-	-	-	-	-	837	-
-	-	-	-	-	-	-	-	-
-	1,981	289,796	654,275	1,848,419	1,356,265	993,846	-	50,956
<u>377,746</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	-	-	-	-	-	-	1,203,333	-
-	-	-	-	-	-	-	145,605	-
-	-	-	-	-	-	-	83,318	-
<u>377,746</u>	<u>1,981</u>	<u>289,796</u>	<u>654,275</u>	<u>1,848,419</u>	<u>1,356,265</u>	<u>993,846</u>	<u>1,433,093</u>	<u>50,956</u>
<u>(41,222)</u>	<u>(1,615)</u>	<u>(167,125)</u>	<u>769,966</u>	<u>469,677</u>	<u>(514,635)</u>	<u>(182,801)</u>	<u>(177,455)</u>	<u>4,194</u>
-	-	200,000	-	-	-	-	200,000	-
-	-	-	(600,000)	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	<u>200,000</u>	<u>(600,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>200,000</u>	<u>-</u>
<u>(41,222)</u>	<u>(1,615)</u>	<u>32,875</u>	<u>169,966</u>	<u>469,677</u>	<u>(514,635)</u>	<u>(182,801)</u>	<u>22,545</u>	<u>4,194</u>
<u>135,262</u>	<u>11,239</u>	<u>(145,309)</u>	<u>750,075</u>	<u>5,543,704</u>	<u>5,789,930</u>	<u>152,451</u>	<u>286,965</u>	<u>26,615</u>
<u>94,040</u>	<u>9,624</u>	<u>(112,434)</u>	<u>920,041</u>	<u>6,013,381</u>	<u>5,275,295</u>	<u>(30,350)</u>	<u>309,510</u>	<u>30,809</u>

(Continued)

CITY OF PALM SPRINGS  
Special Revenue Funds

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Year ended June 30, 2006

	Public		Quimby	Special	Low and	Totals	
	Arts	Library	Act Fees	Projects	Moderate Housing	2006	2005
<b>Revenues:</b>							
Taxes	-	-	-	-	2,406,087	5,183,189	3,919,411
Licenses and permits	-	-	-	-	-	1,006,351	1,343,375
Fines and penalties	-	-	-	-	-	571,039	203,189
Investment income	24,360	68,561	33,533	-	112,775	764,956	622,424
Rental income	-	-	-	-	-	10,000	18,479
Intergovernmental	-	-	-	-	-	3,223,977	2,566,867
Charges for services	447,444	12,308	992,550	135,291	-	2,265,008	2,079,030
Transient occupancy taxes	-	-	-	-	-	8,220,537	7,305,354
Special assessments	-	-	-	-	-	482,136	406,079
Donations and contributions	-	14,431	-	1,307,841	-	1,524,284	995,824
Master lease	-	-	-	-	-	1,250,728	1,261,766
Miscellaneous	-	951	-	-	80,575	234,400	691,027
<b>Total revenues</b>	<b>471,804</b>	<b>96,251</b>	<b>1,026,083</b>	<b>1,443,132</b>	<b>2,599,437</b>	<b>24,736,605</b>	<b>21,412,825</b>
<b>Expenditures:</b>							
<b>Current:</b>							
General government	-	-	-	-	359,561	3,056,638	2,699,096
Cultural and convention cente	-	-	-	-	-	1,326,297	1,698,985
Public safety	-	-	-	-	-	1,583,448	1,764,604
Public works	410,785	-	-	1,063,724	465,363	7,864,445	4,732,724
Parks and recreation	-	-	-	-	-	1,274,347	989,593
Library	-	41,493	-	-	-	41,493	96,307
Lease	-	-	-	-	-	1,203,333	1,200,000
<b>Debt service:</b>							
Principal	-	-	-	-	215,000	360,605	346,710
Interest	-	-	-	-	253,498	336,816	348,472
<b>Total expenditures</b>	<b>410,785</b>	<b>41,493</b>	<b>-</b>	<b>1,063,724</b>	<b>1,293,422</b>	<b>17,047,422</b>	<b>13,876,491</b>
Excess (deficiency) of revenues over (under) expenditures	<u>61,019</u>	<u>54,758</u>	<u>1,026,083</u>	<u>379,408</u>	<u>1,306,015</u>	<u>7,689,183</u>	<u>7,536,334</u>
<b>Other financing sources (uses):</b>							
Transfers in	-	-	-	80,830	-	480,830	434,884
Transfers out	-	(148,103)	-	-	-	(2,326,025)	(1,132,715)
Sale of property	-	-	-	-	-	-	1,742,040
<b>Total other financing sources (uses)</b>	<u>-</u>	<u>(148,103)</u>	<u>-</u>	<u>80,830</u>	<u>-</u>	<u>(1,845,195)</u>	<u>1,044,209</u>
<b>fund balances</b>	<b>61,019</b>	<b>(93,345)</b>	<b>1,026,083</b>	<b>460,238</b>	<b>1,306,015</b>	<b>5,843,988</b>	<b>8,580,543</b>
Fund balances (deficit) at beginning of year	<u>920,419</u>	<u>2,575,065</u>	<u>655,981</u>	<u>463,033</u>	<u>8,057,389</u>	<u>37,092,165</u>	<u>28,511,622</u>
Fund balances (deficit) at end of year	<u>981,438</u>	<u>2,481,720</u>	<u>1,682,064</u>	<u>923,271</u>	<u>9,363,404</u>	<u>42,936,153</u>	<u>37,092,165</u>

CITY OF PALM SPRINGS  
Community Promotion Fund

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual  
Year ended June 30, 2006

	<u>Budget</u>	<u>Actual</u>	<u>Variance- Positive (Negative)</u>	<u>Prior Year Actual</u>
Revenues:				
Investment income	\$ 15,000	-	(15,000)	-
Rental income	-	10,000	10,000	12,487
Charges for services	46,500	5,680	(40,820)	39,096
Transient occupancy taxes	8,040,800	8,220,537	179,737	7,305,354
Donations and contributions	124,332	124,374	42	244,060
Miscellaneous	<u>55,200</u>	<u>18,709</u>	<u>(36,491)</u>	<u>73,446</u>
Total revenues	<u>8,281,832</u>	<u>8,379,300</u>	<u>97,468</u>	<u>7,674,443</u>
Expenditures:				
Current:				
General government	2,725,647	2,696,240	29,407	2,448,908
Cultural and convention center	1,611,419	1,326,297	285,122	1,698,985
Parks and recreation	<u>992,243</u>	<u>896,601</u>	<u>95,642</u>	<u>695,975</u>
Total expenditures	<u>5,329,309</u>	<u>4,919,138</u>	<u>410,171</u>	<u>4,843,868</u>
Excess (deficiency) of revenues over (under) expenditures	<u>2,952,523</u>	<u>3,460,162</u>	<u>507,639</u>	<u>2,830,575</u>
Other financing sources (uses):				
Transfers out	<u>(500,000)</u>	<u>(1,577,922)</u>	<u>(1,077,922)</u>	<u>(500,000)</u>
Total other financing sources (uses)	<u>(500,000)</u>	<u>(1,577,922)</u>	<u>(1,077,922)</u>	<u>(500,000)</u>
Net change in fund balances	2,452,523	1,882,240	(570,283)	2,330,575
Fund balances at beginning of year	<u>5,521,365</u>	<u>5,521,365</u>	<u>-</u>	<u>3,190,790</u>
Fund balances at end of year	<u>\$ 7,973,888</u>	<u>7,403,605</u>	<u>(570,283)</u>	<u>5,521,365</u>

CITY OF PALM SPRINGS  
Forfeiture Fund

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual  
Year ended June 30, 2006

	<u>Budget</u>	<u>Actual</u>	<u>Variance- Positive (Negative)</u>	<u>Prior Year Actual</u>
Revenues:				
Fines and penalties	\$ 492,923	492,923	-	61,947
Investment income	<u>-</u>	<u>15,988</u>	<u>15,988</u>	<u>6,518</u>
Total revenues	<u>492,923</u>	<u>508,911</u>	<u>15,988</u>	<u>68,465</u>
Expenditures:				
Current:				
Public safety	<u>730,058</u>	<u>117,049</u>	<u>613,009</u>	<u>134,756</u>
Total expenditures	<u>730,058</u>	<u>117,049</u>	<u>613,009</u>	<u>134,756</u>
Net change in fund balances	(237,135)	391,862	628,997	(66,291)
Fund balances at beginning of year	<u>246,744</u>	<u>246,744</u>	<u>-</u>	<u>313,035</u>
Fund balances at end of year	<u>\$ 9,609</u>	<u>638,606</u>	<u>628,997</u>	<u>246,744</u>

CITY OF PALM SPRINGS  
Safety Augmentation Fund

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual  
Year ended June 30, 2006

	<u>Budget</u>	<u>Actual</u>	<u>Variance- Positive (Negative)</u>	<u>Prior Year Actual</u>
Revenues:				
Taxes	\$ 600,000	776,127	176,127	675,308
Fines and penalties	-	-	-	20,671
Investment income	5,000	12,105	7,105	5,301
Charges for services	12,622	11,962	(660)	14,231
Donations and contributions	77,248	77,638	390	61,971
Miscellaneous	-	-	-	4,903
Total revenues	<u>694,870</u>	<u>877,832</u>	<u>182,962</u>	<u>782,385</u>
Expenditures:				
Current:				
Public safety	<u>927,749</u>	<u>677,416</u>	<u>250,333</u>	<u>705,000</u>
Total expenditures	<u>927,749</u>	<u>677,416</u>	<u>250,333</u>	<u>705,000</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(232,879)</u>	<u>200,416</u>	<u>433,295</u>	<u>77,385</u>
Other financing sources (uses):				
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>(22,482)</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>(22,482)</u>
Net change in fund balances	(232,879)	200,416	433,295	54,903
Fund balances at beginning of year	<u>312,287</u>	<u>312,287</u>	<u>-</u>	<u>257,384</u>
Fund balances at end of year	<u>\$ 79,408</u>	<u>512,703</u>	<u>433,295</u>	<u>312,287</u>

CITY OF PALM SPRINGS  
Indian Gaming Special Distribution Fund

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual  
Year ended June 30, 2006

	<u>Budget</u>	<u>Actual</u>	<u>Variance- Positive (Negative)</u>	<u>Prior Year Actual</u>
Revenues:				
Investment income	\$ 13,036	11,839	(1,197)	5,304
Intergovernmental	<u>897,062</u>	<u>896,259</u>	<u>(803)</u>	<u>897,062</u>
Total revenues	<u>910,098</u>	<u>908,098</u>	<u>(2,000)</u>	<u>902,366</u>
Expenditures:				
Current:				
Public safety	<u>908,098</u>	<u>788,983</u>	<u>119,115</u>	<u>924,848</u>
Total expenditures	<u>908,098</u>	<u>788,983</u>	<u>119,115</u>	<u>924,848</u>
Excess (deficiency) of revenues over (under) expenditures	<u>2,000</u>	<u>119,115</u>	<u>117,115</u>	<u>(22,482)</u>
Other financing sources (uses):				
Transfers in	<u>-</u>	<u>-</u>	<u>-</u>	<u>22,482</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>22,482</u>
Net change in fund balances	2,000	119,115	117,115	-
Fund balances at beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances at end of year	<u>\$ 2,000</u>	<u>119,115</u>	<u>117,115</u>	<u>-</u>

CITY OF PALM SPRINGS  
Special Development Fund

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual  
Year ended June 30, 2006

	<u>Budget</u>	<u>Actual</u>	<u>Variance- Positive (Negative)</u>	<u>Prior Year Actual</u>
Revenues:				
Investment income	\$ -	7,631	7,631	1,243
Charges for services	<u>97,549</u>	<u>193,324</u>	<u>95,775</u>	<u>131,750</u>
Total revenues	<u>97,549</u>	<u>200,955</u>	<u>103,406</u>	<u>132,993</u>
Expenditures:				
Current:				
Public works	<u>229,299</u>	<u>-</u>	<u>229,299</u>	<u>-</u>
Total expenditures	<u>229,299</u>	<u>-</u>	<u>229,299</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(131,750)</u>	<u>200,955</u>	<u>332,705</u>	<u>132,993</u>
Net change in fund balances	(131,750)	200,955	332,705	132,993
Fund balances at beginning of year	<u>132,993</u>	<u>132,993</u>	<u>-</u>	<u>-</u>
Fund balances at end of year	<u>\$ 1,243</u>	<u>333,948</u>	<u>332,705</u>	<u>132,993</u>

CITY OF PALM SPRINGS  
CSA 152 Fund

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual

Year ended June 30, 2006

	<u>Budget</u>	<u>Actual</u>	<u>Variance- Positive (Negative)</u>	<u>Prior Year Actual</u>
Revenues:				
Special assessments	\$ 506,861	482,136	(24,725)	406,079
Total revenues	<u>506,861</u>	<u>482,136</u>	<u>(24,725)</u>	<u>406,079</u>
Expenditures:				
Current:				
Public works	525,116	479,765	45,351	406,079
Total expenditures	<u>525,116</u>	<u>479,765</u>	<u>45,351</u>	<u>406,079</u>
Net change in fund balances	(18,255)	2,371	20,626	-
Fund balances at beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances at end of year	<u><u>\$ (18,255)</u></u>	<u><u>2,371</u></u>	<u><u>20,626</u></u>	<u><u>-</u></u>

CITY OF PALM SPRINGS  
Recycling - AB 939 Fund

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual  
Year ended June 30, 2006

	<u>Budget</u>	<u>Actual</u>	<u>Variance- Positive (Negative)</u>	<u>Prior Year Actual</u>
Revenues:				
Investment income	\$ 90,000	143,256	53,256	127,000
Intergovernmental	-	12,096	12,096	12,210
Charges for services	653,190	421,894	(231,296)	534,901
Miscellaneous	-	59	59	92
	<u>743,190</u>	<u>577,305</u>	<u>(165,885)</u>	<u>674,203</u>
Expenditures:				
Current:				
Public works	<u>518,145</u>	<u>249,270</u>	<u>268,875</u>	<u>331,550</u>
Total expenditures	<u>518,145</u>	<u>249,270</u>	<u>268,875</u>	<u>331,550</u>
Net change in fund balances	225,045	328,035	102,990	342,653
Fund balances at beginning of year	<u>5,655,957</u>	<u>5,655,957</u>	<u>-</u>	<u>5,313,304</u>
Fund balances at end of year	<u><u>\$ 5,881,002</u></u>	<u><u>5,983,992</u></u>	<u><u>102,990</u></u>	<u><u>5,655,957</u></u>

CITY OF PALM SPRINGS  
Villagefest Fund

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual  
Year ended June 30, 2006

	<u>Budget</u>	<u>Actual</u>	<u>Variance- Positive (Negative)</u>	<u>Prior Year Actual</u>
Revenues:				
Licenses and permits	\$ 350,000	321,906	(28,094)	317,008
Miscellaneous	<u>6,000</u>	<u>14,618</u>	<u>8,618</u>	<u>12,567</u>
Total revenues	<u>356,000</u>	<u>336,524</u>	<u>(19,476)</u>	<u>329,575</u>
Expenditures:				
Current:				
Parks and recreation	<u>447,536</u>	<u>377,746</u>	<u>69,790</u>	<u>293,618</u>
Total expenditures	<u>447,536</u>	<u>377,746</u>	<u>69,790</u>	<u>293,618</u>
Net change in fund balances	(91,536)	(41,222)	50,314	35,957
Fund balances at beginning of year	<u>135,262</u>	<u>135,262</u>	<u>-</u>	<u>99,305</u>
Fund balances at end of year	<u>\$ 43,726</u>	<u>94,040</u>	<u>50,314</u>	<u>135,262</u>

CITY OF PALM SPRINGS  
Neighborhood Involvement Fund

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual

Year ended June 30, 2006

	<u>Budget</u>	<u>Actual</u>	<u>Variance- Positive (Negative)</u>	<u>Prior Year Actual</u>
Revenues:				
Investment income	\$ -	366	366	105
Total revenues	<u>-</u>	<u>366</u>	<u>366</u>	<u>105</u>
Expenditures:				
Current:				
Public works	11,134	1,981	9,153	1,268
Total expenditures	<u>11,134</u>	<u>1,981</u>	<u>9,153</u>	<u>1,268</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(11,134)</u>	<u>(1,615)</u>	<u>9,519</u>	<u>(1,163)</u>
Other financing sources (uses):				
Transfers in	-	-	-	12,402
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>12,402</u>
Net change in fund balances	(11,134)	(1,615)	9,519	11,239
Fund balances at beginning of year	<u>11,239</u>	<u>11,239</u>	<u>-</u>	<u>-</u>
Fund balances at end of year	<u>\$ 105</u>	<u>9,624</u>	<u>9,519</u>	<u>11,239</u>

CITY OF PALM SPRINGS  
Parking Fund

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual

Year ended June 30, 2006

	Budget	Actual	Variance- Positive (Negative)	Prior Year Actual
Revenues:				
Fines and penalties	\$ 120,000	78,116	(41,884)	120,571
Investment income	-	-	-	1,053
Charges for services	2,000	44,555	42,555	3,530
Total revenues	122,000	122,671	671	125,154
Expenditures:				
Current:				
Public works	332,217	289,796	42,421	286,499
Total expenditures	332,217	289,796	42,421	286,499
Excess (deficiency) of revenues over (under) expenditures	(210,217)	(167,125)	43,092	(161,345)
Other financing sources (uses):				
Transfers in	200,000	200,000	-	200,000
Total other financing sources (uses)	200,000	200,000	-	200,000
Net change in fund balances	(10,217)	32,875	43,092	38,655
Fund balances (deficit) at beginning of year	(145,309)	(145,309)	-	(183,964)
Fund balances (deficit) at end of year	\$ (155,526)	(112,434)	43,092	(145,309)

CITY OF PALM SPRINGS  
Gas Tax Fund

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual

Year ended June 30, 2006

	<u>Budget</u>	<u>Actual</u>	<u>Variance- Positive (Negative)</u>	<u>Prior Year Actual</u>
Revenues:				
Investment income	\$ 20,000	20,524	524	14,161
Intergovernmental	<u>1,416,502</u>	<u>1,403,717</u>	<u>(12,785)</u>	<u>845,042</u>
Total revenues	<u>1,436,502</u>	<u>1,424,241</u>	<u>(12,261)</u>	<u>859,203</u>
Expenditures:				
Current:				
Public works	<u>1,581,750</u>	<u>654,275</u>	<u>927,475</u>	<u>108,453</u>
Total expenditures	<u>1,581,750</u>	<u>654,275</u>	<u>927,475</u>	<u>108,453</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(145,248)</u>	<u>769,966</u>	<u>915,214</u>	<u>750,750</u>
Other financing sources (uses):				
Transfers out	<u>(600,000)</u>	<u>(600,000)</u>	<u>-</u>	<u>(600,000)</u>
Total other financing sources (uses)	<u>(600,000)</u>	<u>(600,000)</u>	<u>-</u>	<u>(600,000)</u>
Net change in fund balances	(745,248)	169,966	915,214	150,750
Fund balances at beginning of year	<u>750,075</u>	<u>750,075</u>	<u>-</u>	<u>599,325</u>
Fund balances at end of year	<u>\$ 4,827</u>	<u>920,041</u>	<u>915,214</u>	<u>750,075</u>

CITY OF PALM SPRINGS  
Measure A Improvements Fund

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual

Year ended June 30, 2006

	<u>Budget</u>	<u>Actual</u>	<u>Variance- Positive (Negative)</u>	<u>Prior Year Actual</u>
Revenues:				
Taxes	\$ 1,800,000	2,000,975	200,975	1,698,369
Investment income	70,000	148,507	78,507	122,256
Intergovernmental	<u>106,100</u>	<u>168,614</u>	<u>62,514</u>	<u>520,991</u>
Total revenues	<u>1,976,100</u>	<u>2,318,096</u>	<u>341,996</u>	<u>2,341,616</u>
Expenditures:				
Current:				
Public works	<u>9,683,295</u>	<u>1,848,419</u>	<u>7,834,876</u>	<u>1,347,659</u>
Total expenditures	<u>9,683,295</u>	<u>1,848,419</u>	<u>7,834,876</u>	<u>1,347,659</u>
Net change in fund balances	(7,707,195)	469,677	8,176,872	993,957
Fund balances at beginning of year	<u>5,543,704</u>	<u>5,543,704</u>	<u>-</u>	<u>4,549,747</u>
Fund balances at end of year	<u>\$ (2,163,491)</u>	<u>6,013,381</u>	<u>8,176,872</u>	<u>5,543,704</u>

CITY OF PALM SPRINGS  
Drainage Construction Fund

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual

Year ended June 30, 2006

	<u>Budget</u>	<u>Actual</u>	<u>Variance- Positive (Negative)</u>	<u>Prior Year Actual</u>
Revenues:				
Licenses and permits	\$ 79,623	684,445	604,822	1,026,367
Investment income	51,000	157,185	106,185	127,051
Donations and contributions	<u>-</u>	<u>-</u>	<u>-</u>	<u>40,000</u>
Total revenues	<u>130,623</u>	<u>841,630</u>	<u>711,007</u>	<u>1,193,418</u>
Expenditures:				
Current:				
Public works	<u>5,907,571</u>	<u>1,356,265</u>	<u>4,551,306</u>	<u>60,012</u>
Total expenditures	<u>5,907,571</u>	<u>1,356,265</u>	<u>4,551,306</u>	<u>60,012</u>
Net change in fund balances	(5,776,948)	(514,635)	5,262,313	1,133,406
Fund balances at beginning of year	<u>5,789,930</u>	<u>5,789,930</u>	<u>-</u>	<u>4,656,524</u>
Fund balances at end of year	<u>\$ 12,982</u>	<u>5,275,295</u>	<u>5,262,313</u>	<u>5,789,930</u>

CITY OF PALM SPRINGS  
Community Development Block Grant Fund

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual

Year ended June 30, 2006

	<u>Budget</u>	<u>Actual</u>	<u>Variance- Positive (Negative)</u>	<u>Prior Year Actual</u>
Revenues:				
Investment income	\$ 49,398	2,665	(46,733)	9,691
Intergovernmental	574,718	688,892	114,174	238,092
Miscellaneous	<u>72,869</u>	<u>119,488</u>	<u>46,619</u>	<u>477,712</u>
Total revenues	<u>696,985</u>	<u>811,045</u>	<u>114,060</u>	<u>725,495</u>
Expenditures:				
Current:				
Public works	<u>1,686,300</u>	<u>993,846</u>	<u>692,454</u>	<u>617,867</u>
Total expenditures	<u>1,686,300</u>	<u>993,846</u>	<u>692,454</u>	<u>617,867</u>
Net change in fund balances	(989,315)	(182,801)	806,514	107,628
Fund balances at beginning of year	<u>152,451</u>	<u>152,451</u>	<u>-</u>	<u>44,823</u>
Fund balances (deficit) at end of year	<u><u>\$ (836,864)</u></u>	<u><u>(30,350)</u></u>	<u><u>806,514</u></u>	<u><u>152,451</u></u>

CITY OF PALM SPRINGS  
Master Lease Fund

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual

Year ended June 30, 2006

	<u>Budget</u>	<u>Actual</u>	<u>Variance- Positive (Negative)</u>	<u>Prior Year Actual</u>
Revenues:				
Investment income	\$ 1,000	4,910	3,910	2,487
Master lease	<u>1,262,000</u>	<u>1,250,728</u>	<u>(11,272)</u>	<u>1,261,766</u>
Total revenues	<u>1,263,000</u>	<u>1,255,638</u>	<u>(7,362)</u>	<u>1,264,253</u>
Expenditures:				
Current:				
General government	3,660	837	2,823	3,196
Lease	1,200,000	1,203,333	(3,333)	1,200,000
Debt service:				
Principal	145,605	145,605	-	141,710
Interest	<u>83,828</u>	<u>83,318</u>	<u>510</u>	<u>89,194</u>
Total expenditures	<u>1,433,093</u>	<u>1,433,093</u>	<u>-</u>	<u>1,434,100</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(170,093)</u>	<u>(177,455)</u>	<u>(7,362)</u>	<u>(169,847)</u>
Other financing sources (uses):				
Transfers in	<u>200,000</u>	<u>200,000</u>	<u>-</u>	<u>200,000</u>
Total other financing sources (uses)	<u>200,000</u>	<u>200,000</u>	<u>-</u>	<u>200,000</u>
Net change in fund balances	29,907	22,545	(7,362)	30,153
Fund balances at beginning of year	<u>286,965</u>	<u>286,965</u>	<u>-</u>	<u>256,812</u>
Fund balances at end of year	<u>\$ 316,872</u>	<u>309,510</u>	<u>(7,362)</u>	<u>286,965</u>

CITY OF PALM SPRINGS  
Air Quality Management Fund

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual  
Year ended June 30, 2006

	<u>Budget</u>	<u>Actual</u>	<u>Variance- Positive (Negative)</u>	<u>Prior Year Actual</u>
Revenues:				
Investment income	\$ 1,000	751	(249)	497
Intergovernmental	<u>54,957</u>	<u>54,399</u>	<u>(558)</u>	<u>53,470</u>
Total revenues	<u>55,957</u>	<u>55,150</u>	<u>(807)</u>	<u>53,967</u>
Expenditures:				
Current:				
Public works	<u>50,957</u>	<u>50,956</u>	<u>1</u>	<u>50,148</u>
Total expenditures	<u>50,957</u>	<u>50,956</u>	<u>1</u>	<u>50,148</u>
Net change in fund balances	5,000	4,194	(808)	3,819
Fund balances at beginning of year	<u>26,615</u>	<u>26,615</u>	<u>-</u>	<u>22,796</u>
Fund balances at end of year	<u><u>\$ 31,615</u></u>	<u><u>30,809</u></u>	<u><u>(808)</u></u>	<u><u>26,615</u></u>

CITY OF PALM SPRINGS  
Public Arts Fund

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual  
Year ended June 30, 2006

	<u>Budget</u>	<u>Actual</u>	<u>Variance- Positive (Negative)</u>	<u>Prior Year Actual</u>
Revenues:				
Investment income	\$ 10,000	24,360	14,360	20,073
Charges for services	<u>280,621</u>	<u>447,444</u>	<u>166,823</u>	<u>566,410</u>
Total revenues	<u>290,621</u>	<u>471,804</u>	<u>181,183</u>	<u>586,483</u>
Expenditures:				
Current:				
Public works	<u>570,262</u>	<u>410,785</u>	<u>159,477</u>	<u>264,126</u>
Total expenditures	<u>570,262</u>	<u>410,785</u>	<u>159,477</u>	<u>264,126</u>
Net change in fund balances	(279,641)	61,019	340,660	322,357
Fund balances at beginning of year	<u>920,419</u>	<u>920,419</u>	<u>-</u>	<u>598,062</u>
Fund balances at end of year	<u><u>\$ 640,778</u></u>	<u><u>981,438</u></u>	<u><u>340,660</u></u>	<u><u>920,419</u></u>

CITY OF PALM SPRINGS  
Library Fund

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual

Year ended June 30, 2006

	<u>Budget</u>	<u>Actual</u>	<u>Variance- Positive (Negative)</u>	<u>Prior Year Actual</u>
Revenues:				
Investment income	\$ 30,000	68,561	38,561	60,028
Charges for services	26,500	12,308	(14,192)	21,026
Donations and contributions	25,000	14,431	(10,569)	69,858
Miscellaneous	<u>12,000</u>	<u>951</u>	<u>(11,049)</u>	<u>-</u>
Total revenues	<u>93,500</u>	<u>96,251</u>	<u>2,751</u>	<u>150,912</u>
Expenditures:				
Current:				
Library	<u>248,791</u>	<u>41,493</u>	<u>207,298</u>	<u>96,307</u>
Total expenditures	<u>248,791</u>	<u>41,493</u>	<u>207,298</u>	<u>96,307</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(155,291)</u>	<u>54,758</u>	<u>210,049</u>	<u>54,605</u>
Other financing sources (uses):				
Transfers out	<u>(148,103)</u>	<u>(148,103)</u>	<u>-</u>	<u>(10,233)</u>
Total other financing sources (uses)	<u>(148,103)</u>	<u>(148,103)</u>	<u>-</u>	<u>(10,233)</u>
Net change in fund balances	(303,394)	(93,345)	210,049	44,372
Fund balances at beginning of year	<u>2,575,065</u>	<u>2,575,065</u>	<u>-</u>	<u>2,530,693</u>
Fund balances at end of year	<u>\$ 2,271,671</u>	<u>2,481,720</u>	<u>210,049</u>	<u>2,575,065</u>

CITY OF PALM SPRINGS  
Quimby Act Fees Fund

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual

Year ended June 30, 2006

	<u>Budget</u>	<u>Actual</u>	<u>Variance- Positive (Negative)</u>	<u>Prior Year Actual</u>
Revenues:				
Investment income	\$ -	33,533	33,533	10,931
Charges for services	<u>-</u>	<u>992,550</u>	<u>992,550</u>	<u>645,050</u>
Total revenues	<u>-</u>	<u>1,026,083</u>	<u>1,026,083</u>	<u>655,981</u>
Net change in fund balances	-	1,026,083	1,026,083	655,981
Fund balances at beginning of year	<u>655,981</u>	<u>655,981</u>	<u>-</u>	<u>-</u>
Fund balances at end of year	<u>\$ 655,981</u>	<u>1,682,064</u>	<u>1,026,083</u>	<u>655,981</u>

CITY OF PALM SPRINGS  
Special Projects Fund

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual

Year ended June 30, 2006

	<u>Budget</u>	<u>Actual</u>	<u>Variance- Positive (Negative)</u>	<u>Prior Year Actual</u>
Revenues:				
Charges for services	\$ 140,100	135,291	(4,809)	123,036
Donations and contributions	<u>1,314,597</u>	<u>1,307,841</u>	<u>(6,756)</u>	<u>579,935</u>
Total revenues	<u>1,454,697</u>	<u>1,443,132</u>	<u>(11,565)</u>	<u>702,971</u>
Expenditures:				
Current:				
Public works	<u>1,998,460</u>	<u>1,063,724</u>	<u>934,736</u>	<u>569,544</u>
Total expenditures	<u>1,998,460</u>	<u>1,063,724</u>	<u>934,736</u>	<u>569,544</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(543,763)</u>	<u>379,408</u>	<u>923,171</u>	<u>133,427</u>
Other financing sources (uses):				
Transfers in	<u>-</u>	<u>80,830</u>	<u>80,830</u>	<u>-</u>
Total other financing sources (uses)	<u>-</u>	<u>80,830</u>	<u>80,830</u>	<u>-</u>
Net change in fund balances	(543,763)	460,238	1,004,001	133,427
Fund balances at beginning of year	<u>463,033</u>	<u>463,033</u>	<u>-</u>	<u>329,606</u>
Fund balances at end of year	<u>\$ (80,730)</u>	<u>923,271</u>	<u>1,004,001</u>	<u>463,033</u>

CITY OF PALM SPRINGS  
Low and Moderate Housing Fund

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual

Year ended June 30, 2006

	<u>Budget</u>	<u>Actual</u>	Variance- Positive (Negative)	Prior Year Actual
Revenues:				
Taxes	\$ 1,503,905	2,406,087	902,182	1,545,734
Investment income	25,000	112,775	87,775	108,725
Rental income	10,000	-	(10,000)	5,992
Miscellaneous	<u>1,000</u>	<u>80,575</u>	<u>79,575</u>	<u>122,307</u>
Total revenues	<u>1,539,905</u>	<u>2,599,437</u>	<u>1,059,532</u>	<u>1,782,758</u>
Expenditures:				
Current:				
General government	408,597	359,561	49,036	246,992
Public works	2,196,195	465,363	1,730,832	689,519
Debt service:				
Principal	215,000	215,000	-	205,000
Interest	<u>253,343</u>	<u>253,498</u>	<u>(155)</u>	<u>259,278</u>
Total expenditures	<u>3,073,135</u>	<u>1,293,422</u>	<u>1,779,713</u>	<u>1,400,789</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,533,230)</u>	<u>1,306,015</u>	<u>2,839,245</u>	<u>381,969</u>
Other financing sources (uses):				
Sale of property	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,742,040</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,742,040</u>
Net change in fund balances	(1,533,230)	1,306,015	2,839,245	2,124,009
Fund balances at beginning of year	<u>8,057,389</u>	<u>8,057,389</u>	<u>-</u>	<u>5,933,380</u>
Fund balances at end of year	<u>\$ 6,524,159</u>	<u>9,363,404</u>	<u>2,839,245</u>	<u>8,057,389</u>

## MAJOR AND NON-MAJOR DEBT SERVICE FUNDS

Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest.

The City of Palm Springs has the following Major Debt Service Funds:

Special Assessments Fund - To account for the payment of principal and interest on 1915 Act Assessment District bond issues.

Community Redevelopment Agency Fund - To account for the payment of principal and interest on general long-term debt of the Community Redevelopment Agency.

The City also has the following Non-Major Debt Service Fund:

General Debt Service Fund - To account for the payment of principal and interest on the City's general debt issues.

CITY OF PALM SPRINGS  
Debt Service Funds  
Combining Balance Sheet  
June 30, 2006

	General Debt Service	<u>Totals</u>	
		<u>2006</u>	<u>2005</u>
<u>Assets</u>			
Cash and investments	\$ 4,138,923	4,138,923	2,131,430
Restricted assets:			
Cash and investments with fiscal agents	6,173,213	6,173,213	8,728,868
Receivables:			
Accrued interest	<u>2,948</u>	<u>2,948</u>	<u>3,012</u>
Total assets	<u>\$ 10,315,084</u>	<u>10,315,084</u>	<u>10,863,310</u>
 <u>Liabilities and Fund Balances</u>			
Liabilities:			
Accounts payable	<u>2,931</u>	<u>2,931</u>	<u>1,954</u>
Total liabilities	<u>2,931</u>	<u>2,931</u>	<u>1,954</u>
Fund balances:			
Reserved for:			
Debt service requirements	<u>10,312,153</u>	<u>10,312,153</u>	<u>10,861,356</u>
Total fund balances	<u>10,312,153</u>	<u>10,312,153</u>	<u>10,861,356</u>
Total liabilities and fund balances	<u>\$ 10,315,084</u>	<u>10,315,084</u>	<u>10,863,310</u>

CITY OF PALM SPRINGS  
Debt Service Funds

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Year ended June 30, 2006

	General	Totals	
	Debt Service	2006	2005
Revenues:			
Investment income	\$ 207,484	207,484	353,411
Total revenues	<u>207,484</u>	<u>207,484</u>	<u>353,411</u>
Expenditures:			
Current:			
General government	3,000	3,000	3,000
Lease	401,000	401,000	401,000
Debt service:			
Principal	1,754,471	1,754,471	1,767,500
Interest	<u>5,148,703</u>	<u>5,148,703</u>	<u>4,643,522</u>
Total expenditures	<u>7,307,174</u>	<u>7,307,174</u>	<u>6,815,022</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(7,099,690)</u>	<u>(7,099,690)</u>	<u>(6,461,611)</u>
Other financing sources (uses):			
Transfers in	6,550,487	6,550,487	6,474,994
Transfers out	<u>-</u>	<u>-</u>	<u>(92,164)</u>
Total other financing sources (uses)	<u>6,550,487</u>	<u>6,550,487</u>	<u>6,382,830</u>
Net change in fund balances	(549,203)	(549,203)	(78,781)
Fund balances at beginning of year	<u>10,861,356</u>	<u>10,861,356</u>	<u>10,940,137</u>
Fund balances at end of year	<u>\$ 10,312,153</u>	<u>10,312,153</u>	<u>10,861,356</u>

CITY OF PALM SPRINGS  
Special Assessment Fund

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual

Year ended June 30, 2006

	<u>Budget</u>	<u>Actual</u>	<u>Variance- Positive (Negative)</u>	<u>Prior Year Actual</u>
<b>Revenues:</b>				
Investment income	\$ 85,671	136,528	50,857	48,999
Special assessments	1,037,300	1,022,826	(14,474)	1,018,100
Miscellaneous	<u>115,400</u>	<u>115,400</u>	<u>-</u>	<u>115,400</u>
Total revenues	<u>1,238,371</u>	<u>1,274,754</u>	<u>36,383</u>	<u>1,182,499</u>
<b>Expenditures:</b>				
Current:				
General government	5,000	7,743	(2,743)	9,743
Public works	4,521,635	4,011,406	510,229	754,319
Debt service:				
Principal	752,500	752,500	-	625,000
Interest	<u>1,040,933</u>	<u>871,745</u>	<u>169,188</u>	<u>636,348</u>
Total expenditures	<u>6,320,068</u>	<u>5,643,394</u>	<u>676,674</u>	<u>2,025,410</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(5,081,697)</u>	<u>(4,368,640)</u>	<u>713,057</u>	<u>(842,911)</u>
<b>Other financing sources (uses):</b>				
Transfers in	168,000	168,000	-	100,000
Transfers out	-	-	-	-
Issuance of bonds	<u>3,528,856</u>	<u>3,806,000</u>	<u>277,144</u>	<u>1,300,000</u>
Total other financing sources (uses)	<u>3,696,856</u>	<u>3,974,000</u>	<u>277,144</u>	<u>1,400,000</u>
Net change in fund balances	(1,384,841)	(394,640)	990,201	557,089
Fund balances at beginning of year	<u>3,671,200</u>	<u>3,671,200</u>	<u>-</u>	<u>3,114,111</u>
Fund balances at end of year	<u>\$ 2,286,359</u>	<u>3,276,560</u>	<u>990,201</u>	<u>3,671,200</u>

CITY OF PALM SPRINGS  
General Debt Service Fund

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual

Year ended June 30, 2006

	<u>Budget</u>	<u>Actual</u>	<u>Variance- Positive (Negative)</u>	<u>Prior Year Actual</u>
<b>Revenues:</b>				
Investment income	\$ 235,000	207,484	(27,516)	353,411
Total revenues	<u>235,000</u>	<u>207,484</u>	<u>(27,516)</u>	<u>353,411</u>
<b>Expenditures:</b>				
Current:				
General government	3,000	3,000	-	3,000
Lease	401,000	401,000	-	401,000
Debt service:				
Principal	993,018	1,754,471	(761,453)	1,767,500
Interest	3,125,892	5,148,703	(2,022,811)	4,643,522
Payment to bond escrow	103,000	-	103,000	-
Total expenditures	<u>4,625,910</u>	<u>7,307,174</u>	<u>(2,681,264)</u>	<u>6,815,022</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(4,390,910)</u>	<u>(7,099,690)</u>	<u>(2,708,780)</u>	<u>(6,461,611)</u>
<b>Other financing sources (uses):</b>				
Transfers in	6,420,487	6,550,487	130,000	6,474,994
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>(92,164)</u>
Total other financing sources (uses)	<u>6,420,487</u>	<u>6,550,487</u>	<u>130,000</u>	<u>6,382,830</u>
Net change in fund balances	2,029,577	(549,203)	(2,578,780)	(78,781)
Fund balances at beginning of year	<u>10,861,356</u>	<u>10,861,356</u>	<u>-</u>	<u>10,940,137</u>
Fund balances at end of year	<u>\$ 12,890,933</u>	<u>10,312,153</u>	<u>(2,578,780)</u>	<u>10,861,356</u>

CITY OF PALM SPRINGS  
Community Redevelopment Agency Fund

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual

Year ended June 30, 2006

	<u>Budget</u>	<u>Actual</u>	<u>Variance- Positive (Negative)</u>	<u>Prior Year Actual</u>
<b>Revenues:</b>				
Taxes	\$ 8,408,912	9,624,350	1,215,438	6,182,937
Investment income	500	54,485	53,985	46,096
Miscellaneous	<u>-</u>	<u>174,847</u>	<u>174,847</u>	<u>261,180</u>
Total revenues	<u>8,409,412</u>	<u>9,853,682</u>	<u>1,444,270</u>	<u>6,490,213</u>
<b>Expenditures:</b>				
Debt service:				
Principal	822,876	495,000	327,876	865,000
Interest	1,521,712	1,394,386	127,326	1,076,820
Pass-through payments	<u>3,994,211</u>	<u>3,973,940</u>	<u>20,271</u>	<u>2,790,052</u>
Total expenditures	<u>6,338,799</u>	<u>5,863,326</u>	<u>475,473</u>	<u>4,731,872</u>
Excess (deficiency) of revenues over (under) expenditures	<u>2,070,613</u>	<u>3,990,356</u>	<u>1,919,743</u>	<u>1,758,341</u>
<b>Other financing sources (uses):</b>				
Transfers out	<u>(1,754,942)</u>	<u>(2,219,000)</u>	<u>(464,058)</u>	<u>(6,914,699)</u>
Total other financing sources (uses)	<u>(1,754,942)</u>	<u>(2,219,000)</u>	<u>(464,058)</u>	<u>(6,914,699)</u>
Net change in fund balances	315,671	1,771,356	1,455,685	(5,156,358)
Fund balances (deficit) at beginning of year	<u>(2,204,803)</u>	<u>(2,204,803)</u>	<u>-</u>	<u>2,951,555</u>
Fund balances (deficit) at end of year	<u>\$ (1,889,132)</u>	<u>(433,447)</u>	<u>1,455,685</u>	<u>(2,204,803)</u>

## MAJOR AND NON-MAJOR CAPITAL PROJECTS FUNDS

Capital Projects Funds are used to account for the purchase or construction of major capital facilities which are not financed by Proprietary Funds or Trust Funds. Capital Projects Funds are ordinarily not used to account for the acquisition of furniture, fixtures, machinery, equipment and other relatively minor or comparatively short-lived capital assets.

The City of Palm Springs has the following Major Capital Projects Fund:

Capital Projects Fund - To account for the acquisition and construction of major capital facilities other than those financed by proprietary funds and trust funds.

The City also has the following Non-Major Capital Projects Funds:

Parking Projects Fund – To account for payments into the Fund from In Lieu parking fee charges, and to account for the Capital expenditures for parking improvements.

Community Redevelopment Agency Fund - To account for the economic revitalization and redevelopment of the City through acquisition and development of City property determined to be in a declining condition.

CITY OF PALM SPRINGS  
Capital Projects Funds  
Combining Balance Sheet  
June 30, 2006

	Parking Projects	Community Redevelopment Agency	<u>Totals</u>	
			<u>2006</u>	<u>2005</u>
<u>Assets</u>				
Cash and investments	\$ 409,265	5,024,424	5,433,689	1,922,274
Restricted assets:				
Cash and investments with fiscal agents	-	3,216,816	3,216,816	3,113,900
Receivables:				
Accounts	-	100	100	18,533
Accrued interest	3,505	70,434	73,939	30,237
Property held for resale	-	4,195,780	4,195,780	6,290,882
Total assets	<u>\$ 412,770</u>	<u>12,507,554</u>	<u>12,920,324</u>	<u>11,375,826</u>
<u>Liabilities and Fund Balances</u>				
Liabilities:				
Accounts payable	\$ -	67,482	67,482	19,990
Deposits payable	-	2,442	2,442	500
Total liabilities	<u>-</u>	<u>69,924</u>	<u>69,924</u>	<u>20,490</u>
Fund balances:				
Reserved for:				
Encumbrances	-	499,442	499,442	-
Property held for resale	-	4,195,780	4,195,780	-
Unreserved:				
Designated for:				
Continuing appropriations	49,486	-	49,486	-
Capital projects	<u>363,284</u>	<u>7,742,408</u>	<u>8,105,692</u>	<u>11,355,336</u>
Total fund balances	<u>412,770</u>	<u>12,437,630</u>	<u>12,850,400</u>	<u>11,355,336</u>
Total liabilities and fund balances	<u>\$ 412,770</u>	<u>12,507,554</u>	<u>12,920,324</u>	<u>11,375,826</u>

CITY OF PALM SPRINGS  
Capital Projects Funds

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Year ended June 30, 2006

	Parking Projects	Community Redevelopment Agency	Totals	
			2006	2005
Revenues:				
Investment income	\$ 13,286	317,937	331,223	143,386
Rental income	-	199,331	199,331	200,258
Miscellaneous	-	4,245	4,245	47,587
Total revenues	<u>13,286</u>	<u>521,513</u>	<u>534,799</u>	<u>391,231</u>
Expenditures:				
Current:				
General government	-	468,675	468,675	589,411
Public works	2,200	357,860	360,060	2,912,366
Debt service:				
Interest	-	-	-	67,685
Total expenditures	<u>2,200</u>	<u>826,535</u>	<u>828,735</u>	<u>3,569,462</u>
Excess (deficiency) of revenues over (under) expenditures	<u>11,086</u>	<u>(305,022)</u>	<u>(293,936)</u>	<u>(3,178,231)</u>
Other financing sources (uses):				
Transfers in	-	1,789,000	1,789,000	6,614,699
Transfers out	-	-	-	(27)
Total other financing sources (uses)	<u>-</u>	<u>1,789,000</u>	<u>1,789,000</u>	<u>6,614,672</u>
Net change in fund balances	11,086	1,483,978	1,495,064	3,436,441
Fund balances at beginning of year	<u>401,684</u>	<u>10,953,652</u>	<u>11,355,336</u>	<u>7,918,895</u>
Fund balances at end of year	<u>\$ 412,770</u>	<u>12,437,630</u>	<u>12,850,400</u>	<u>11,355,336</u>

CITY OF PALM SPRINGS  
Capital Projects Fund

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual  
Year ended June 30, 2006

	<u>Budget</u>	<u>Actual</u>	<u>Variance- Positive (Negative)</u>	<u>Prior Year Actual</u>
Revenues:				
Licenses and permits	\$ 270,300	250,040	(20,260)	-
Investment income	376,188	345,040	(31,148)	577,539
Intergovernmental	1,758,634	534,289	(1,224,345)	672,244
Special assessments	-	-	-	10,539
Donations and contributions	170,776	170,776	-	800,682
Miscellaneous	202,000	202,000	-	37,855
Total revenues	<u>2,777,898</u>	<u>1,502,145</u>	<u>(1,275,753)</u>	<u>2,098,859</u>
Expenditures:				
Current:				
General government	2,991,543	733,229	2,258,314	504,580
Cultural and convention center	9,272,875	8,470,836	802,039	30,444,082
Public safety	994,503	459,394	535,109	474,330
Public works	3,739,087	258,433	3,480,654	147,745
Parks and recreation	1,056,558	327,786	728,772	145,849
Total expenditures	<u>18,054,566</u>	<u>10,249,678</u>	<u>7,804,888</u>	<u>31,716,586</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(15,276,668)</u>	<u>(8,747,533)</u>	<u>6,529,135</u>	<u>(29,617,727)</u>
Other financing sources (uses):				
Transfers in	1,415,600	2,493,522	1,077,922	657,164
Transfers out	-	(80,830)	(80,830)	(32)
Total other financing sources (uses)	<u>1,415,600</u>	<u>2,412,692</u>	<u>997,092</u>	<u>657,132</u>
Net change in fund balances	(13,861,068)	(6,334,841)	7,526,227	(28,960,595)
Fund balances at beginning of year	<u>11,591,185</u>	<u>11,591,185</u>	<u>-</u>	<u>40,551,780</u>
Fund balances at end of year	<u>\$ (2,269,883)</u>	<u>5,256,344</u>	<u>7,526,227</u>	<u>11,591,185</u>

CITY OF PALM SPRINGS  
 Parking Projects Fund  
 Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual  
 Year ended June 30, 2006

	<u>Budget</u>	<u>Actual</u>	<u>Variance- Positive (Negative)</u>	<u>Prior Year Actual</u>
Revenues:				
Investment income	\$ -	13,286	13,286	11,941
Total revenues	<u>-</u>	<u>13,286</u>	<u>13,286</u>	<u>11,941</u>
Expenditures:				
Current:				
Public works	49,486	2,200	47,286	35,408
Debt service:				
Interest	-	-	-	67,685
Total expenditures	<u>49,486</u>	<u>2,200</u>	<u>47,286</u>	<u>103,093</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(49,486)</u>	<u>11,086</u>	<u>60,572</u>	<u>(91,152)</u>
Other financing sources (uses):				
Transfers out	-	-	-	(27)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>(27)</u>
Net change in fund balances	(49,486)	11,086	60,572	(91,179)
Fund balances at beginning of year	<u>401,684</u>	<u>401,684</u>	<u>-</u>	<u>492,863</u>
Fund balances at end of year	<u>\$ 352,198</u>	<u>412,770</u>	<u>60,572</u>	<u>401,684</u>

CITY OF PALM SPRINGS  
Community Redevelopment Agency Fund

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual  
Year ended June 30, 2006

	<u>Budget</u>	<u>Actual</u>	<u>Variance- Positive (Negative)</u>	<u>Prior Year Actual</u>
Revenues:				
Investment income	\$ 191,816	317,937	126,121	131,445
Rental income	148,800	199,331	50,531	200,258
Miscellaneous	<u>289,000</u>	<u>4,245</u>	<u>(284,755)</u>	<u>47,587</u>
Total revenues	<u>629,616</u>	<u>521,513</u>	<u>(108,103)</u>	<u>379,290</u>
Expenditures:				
Current:				
General government	831,089	468,675	362,414	589,411
Public works	<u>4,815,064</u>	<u>357,860</u>	<u>4,457,204</u>	<u>2,876,958</u>
Total expenditures	<u>5,646,153</u>	<u>826,535</u>	<u>4,819,618</u>	<u>3,466,369</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(5,016,537)</u>	<u>(305,022)</u>	<u>4,711,515</u>	<u>(3,087,079)</u>
Other financing sources (uses):				
Transfers in	<u>-</u>	<u>1,789,000</u>	<u>1,789,000</u>	<u>6,614,699</u>
Total other financing sources (uses)	<u>-</u>	<u>1,789,000</u>	<u>1,789,000</u>	<u>6,614,699</u>
Net change in fund balances	(5,016,537)	1,483,978	6,500,515	3,527,620
Fund balances at beginning of year	<u>10,953,652</u>	<u>10,953,652</u>	<u>-</u>	<u>7,426,032</u>
Fund balances at end of year	<u>\$ 5,937,115</u>	<u>12,437,630</u>	<u>6,500,515</u>	<u>10,953,652</u>

## INTERNAL SERVICE FUNDS

Internal Service Funds are used to account for the financing of goods or services provided by one department or agency of a government to other departments or agencies on a cost reimbursement basis.

The City of Palm Springs has the following Internal Service Funds:

Motor Vehicle Replacement Fund - To account for costs related to operations of the central garage and fleet maintenance system, which provides vehicles for most of the City departments. Costs are recovered through a monthly user fee charged to City departments.

Facilities Maintenance Fund - To account for costs related to operation and maintenance of City facilities. Costs are recovered through a monthly user fee charged to City departments using the service.

Employee Benefits Fund - To account for costs and liabilities related to public employees' retirement system and federal taxes. Costs are recovered through a monthly employee benefit charge based upon gross payroll.

Risk Management Fund - To account for costs and liabilities related to health, life, dental, disability, and public liability insurance coverage paid by the City on behalf of City employees and the City operating funds. Costs are recovered via monthly charges based upon gross payroll and benefits derived from insurance coverage.

Retiree Health Insurance Fund - To account for the costs of providing health insurance to qualifying retirees.

Cogeneration Plant Fund - To account for costs of the two cogeneration plants located in the City. Costs are recovered through a user fee based upon electrical consumption. These fees are charged to each department on a monthly basis.

CITY OF PALM SPRINGS  
Internal Service Funds

Combining Statement of Net Assets

June 30, 2006

	Motor	Facilities	Employee	Risk	Retiree	Cogeneration	Totals	
	Vehicle Replacement	Maintenance	Benefits	Management	Health Insurance	Plant	2006	2005
<u>Assets</u>								
Current assets								
Cash and investments	\$ 722,366	206,167	137,581	4,035,956	30,333	-	5,132,403	4,346,818
Deposits	-	-	-	-	-	-	-	5,000
Receivables:								
Accounts	-	4,885	-	3,310	3,654	5,999	17,848	49,547
Accrued interest	7,973	-	296,526	30,572	-	7,104	342,175	366,113
Due from other funds	-	-	-	-	-	-	-	646,034
Due from other governments	6,693	-	-	-	-	5,333	12,026	11,303
Inventories	137,126	-	-	-	-	-	137,126	100,252
<b>Total current assets</b>	<b>874,158</b>	<b>211,052</b>	<b>434,107</b>	<b>4,069,838</b>	<b>33,987</b>	<b>18,436</b>	<b>5,641,578</b>	<b>5,525,067</b>
Noncurrent assets:								
Restricted assets:								
Cash and investments with fiscal agents	-	-	-	-	-	311,217	311,217	333,546
Property, plant and equipment:								
Buildings	959,276	-	-	-	-	7,482,859	8,442,135	8,442,135
Improvements other than buildings	206,242	-	-	-	-	29,960	236,202	236,202
Machinery and equipment	610,494	44,585	-	76,126	-	-	731,205	721,975
Motor vehicles	11,382,402	-	-	-	-	-	11,382,402	10,640,827
Accumulated depreciation	(8,626,604)	(34,616)	-	(76,126)	-	(4,644,382)	(13,381,728)	(13,402,965)
<b>Net property, plant and equipment</b>	<b>4,531,810</b>	<b>9,969</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,868,437</b>	<b>7,410,216</b>	<b>6,638,174</b>
Other assets:								
Advances to other funds	-	-	1,430,000	-	-	-	1,430,000	1,430,000
Unamortized debt issuance costs	-	-	-	-	-	151,651	151,651	159,232
<b>Total other assets</b>	<b>-</b>	<b>-</b>	<b>1,430,000</b>	<b>-</b>	<b>-</b>	<b>151,651</b>	<b>1,581,651</b>	<b>1,589,232</b>
<b>Total noncurrent assets</b>	<b>4,531,810</b>	<b>9,969</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,179,654</b>	<b>7,721,433</b>	<b>6,971,720</b>
<b>Total assets</b>	<b>5,405,968</b>	<b>221,021</b>	<b>1,864,107</b>	<b>4,069,838</b>	<b>33,987</b>	<b>3,349,741</b>	<b>14,944,662</b>	<b>14,086,019</b>

(Continued)

CITY OF PALM SPRINGS  
Internal Service Funds  
Combining Statement of Net Assets  
(Continued)

	Motor	Facilities	Employee	Risk	Retiree	Cogeneration	Totals	
	Vehicle	Maintenance	Benefits	Management	Health	Plant	2006	2005
	Replacement				Insurance			
<b>Liabilities:</b>								
Current liabilities:								
Accounts payable	116,498	120,122	-	70,849	-	193,592	501,061	484,343
Accrued wages payable	20,001	25,199	-	10,199	-	-	55,399	44,203
Accrued interest payable	4,436	-	-	-	-	63,283	67,719	74,249
Due to other funds	-	-	-	-	-	470,811	470,811	646,034
Compensated absences payable - current portion	-	-	-	-	-	-	-	117,506
Obligations under capital leases - current portion	-	-	-	-	-	-	-	186,571
Certificates of participation - current portion	-	-	-	-	-	215,000	215,000	200,000
<b>Total current liabilities</b>	<b>140,935</b>	<b>145,321</b>	<b>-</b>	<b>81,048</b>	<b>-</b>	<b>942,686</b>	<b>1,309,990</b>	<b>1,752,906</b>
Long-term liabilities:								
Compensated absences payable - long-term portion	48,123	75,691	-	19,190	-	-	143,004	38,736
Claims and judgments payable	-	-	-	4,250,840	-	-	4,250,840	4,167,475
Obligation under capital leases - long-term portion	563,297	-	-	-	-	-	563,297	563,465
Certificates of participation - long-term portion	-	-	-	-	-	4,234,460	4,234,460	4,429,840
<b>Total long-term liabilities</b>	<b>611,420</b>	<b>75,691</b>	<b>-</b>	<b>4,270,030</b>	<b>-</b>	<b>4,234,460</b>	<b>9,191,601</b>	<b>9,199,516</b>
<b>Total liabilities</b>	<b>752,355</b>	<b>221,012</b>	<b>-</b>	<b>4,351,078</b>	<b>-</b>	<b>5,177,146</b>	<b>10,501,591</b>	<b>10,952,422</b>
Net assets:								
Invested in capital assets, net of related debt	3,968,513	9,969	-	-	-	(1,118,155)	2,860,327	1,751,076
Unrestricted	685,100	(9,960)	1,864,107	(281,240)	33,987	(709,250)	1,582,744	1,382,521
<b>Total net assets</b>	<b>\$ 4,653,613</b>	<b>9</b>	<b>1,864,107</b>	<b>(281,240)</b>	<b>33,987</b>	<b>(1,827,405)</b>	<b>4,443,071</b>	<b>3,133,597</b>

CITY OF PALM SPRINGS  
Internal Service Funds  
Combining Statement of Revenues, Expenses and Changes in Net Assets  
Year ended June 30, 2006

	Motor	Facilities	Employee	Risk	Retiree	Cogeneration	Totals	
	Vehicle Replacement	Maintenance	Benefits	Management	Health Insurance	Plant	2006	2005
Operating revenues:								
Charges for services	\$ 2,940,339	2,972,371	10,319,397	10,167,654	162,766	3,267,178	29,829,705	26,514,456
Sale of electricity	-	-	-	-	-	148,219	148,219	168,726
Miscellaneous	4,249	-	-	-	-	-	4,249	28,621
<b>Total operating revenues</b>	<b>2,944,588</b>	<b>2,972,371</b>	<b>10,319,397</b>	<b>10,167,654</b>	<b>162,766</b>	<b>3,415,397</b>	<b>29,982,173</b>	<b>26,711,803</b>
Operating expenses:								
Other charges and services	3,316	-	-	-	-	-	3,316	6,369
Administration	72,713	77,935	-	1,019,399	-	3,000	1,173,047	1,312,436
Cogeneration	-	-	-	-	-	2,882,528	2,882,528	2,074,676
Retirement	-	-	10,249,130	-	-	-	10,249,130	8,999,180
Medical, life and health insurance	-	-	-	5,205,030	-	-	5,205,030	5,415,221
Facilities maintenance	-	2,870,545	-	-	-	-	2,870,545	2,583,324
Maintenance shop operations	1,985,398	-	-	-	-	-	1,985,398	1,866,457
Worker's compensation	-	-	-	1,984,127	-	-	1,984,127	3,579,729
Other claims and insurance	30,780	41,970	-	1,373,278	828,779	33,197	2,308,004	1,284,503
Depreciation	579,315	3,961	-	-	-	124,715	707,991	735,222
<b>Total operating expenses</b>	<b>2,671,522</b>	<b>2,994,411</b>	<b>10,249,130</b>	<b>9,581,834</b>	<b>828,779</b>	<b>3,043,440</b>	<b>29,369,116</b>	<b>27,857,117</b>
Operating income (loss)	273,066	(22,040)	70,267	585,820	(666,013)	371,957	613,057	(1,145,314)
Nonoperating revenues (expenses):								
Investment income	29,806	-	9,737	80,596	-	34,576	154,715	217,730
Interest expense	(34,716)	-	-	-	-	(288,737)	(323,453)	(352,441)
Gain (loss) on sale of assets	88,233	-	-	-	-	-	88,233	50,993
<b>Total nonoperating revenues (expenses)</b>	<b>83,323</b>	<b>-</b>	<b>9,737</b>	<b>80,596</b>	<b>-</b>	<b>(254,161)</b>	<b>(80,505)</b>	<b>(83,718)</b>
Income (loss) before transfers and capital contributions	356,389	(22,040)	80,004	666,416	(666,013)	117,796	532,552	(1,229,032)
Transfers in	-	-	-	-	700,000	-	700,000	-
Transfers out	-	-	-	(215,600)	-	-	(215,600)	-
Capital contributions:								
Capital grants	-	-	-	-	-	-	-	10,000
Assets contributed from other funds	292,522	-	-	-	-	-	292,522	398,572
<b>Change in net assets</b>	<b>648,911</b>	<b>(22,040)</b>	<b>80,004</b>	<b>450,816</b>	<b>33,987</b>	<b>117,796</b>	<b>1,309,474</b>	<b>(820,460)</b>
Net assets (deficit) at beginning of year	4,004,702	22,049	1,784,103	(732,056)	-	(1,945,201)	3,133,597	3,954,057
Net assets (deficit) at end of year	\$ 4,653,613	9	1,864,107	(281,240)	33,987	(1,827,405)	4,443,071	3,133,597

CITY OF PALM SPRINGS  
Internal Service Funds  
Combining Statement of Cash Flows  
Year ended June 30, 2006

	Motor	Facilities	Employee	Risk	Retiree	Cogeneration	Totals	
	Vehicle Replacement	Maintenance	Benefits	Management	Health Insurance	Plant	2006	2005
Cash flows from operating activities:								
Cash received from user departments	\$ 2,941,757	2,967,486	10,322,965	10,178,618	159,112	3,448,211	30,018,149	27,251,168
Cash payments to suppliers for goods and services	(1,388,415)	(1,922,034)	(10,250,501)	(9,406,268)	(828,779)	(2,863,228)	(26,659,225)	(23,328,515)
Cash payments to employees for services	(820,869)	(1,041,203)	-	(78,660)	-	-	(1,940,732)	(2,207,021)
Net cash provided by (used for) operating activities	732,473	4,249	72,464	693,690	(669,667)	584,983	1,418,192	1,715,632
Cash flows from noncapital financing activities:								
Cash received from other funds	938,556	-	-	-	700,000	-	1,638,556	875,446
Cash paid to other funds	-	-	-	(215,600)	-	(175,223)	(390,823)	(875,446)
Net cash provided by (used for) noncapital financing activities	938,556	-	-	(215,600)	700,000	(175,223)	1,247,733	-
Cash flows from capital and related financing activities:								
Cash paid for acquisition of capital assets	(1,493,148)	-	-	-	-	-	(1,493,148)	(928,070)
Proceeds from sale of capital assets	101,347	-	-	-	-	-	101,347	50,993
Capital contributions received	-	-	-	-	-	-	-	408,572
Principal paid on debt	-	-	-	-	-	(180,380)	(180,380)	(175,381)
Interest paid on debt	(35,962)	-	-	-	-	(286,440)	(322,402)	(349,997)
Repayment on obligation under capital lease	(186,739)	-	-	-	-	-	(186,739)	(521,147)
Net cash proved by (used for) capital and related financing activities	(1,614,502)	-	-	-	-	(466,820)	(2,081,322)	(1,515,030)
Cash flows from investing activities:								
Proceeds from sale and maturities of investments	-	-	-	-	-	22,329	22,329	33,679
Interest received on investments	31,502	-	35,449	76,971	-	34,731	178,653	169,691
Net cash provided by (used for) investing activities	31,502	-	35,449	76,971	-	57,060	200,982	203,370
Net increase (decrease) in cash and cash equivalents	88,029	4,249	107,913	555,061	30,333	-	785,585	403,972
Cash and cash equivalents at beginning of year	634,337	201,918	29,668	3,480,895	-	-	4,346,818	3,942,846
Cash and cash equivalents at end of year	\$ 722,366	206,167	137,581	4,035,956	30,333	-	5,132,403	4,346,818

(Continued)

CITY OF PALM SPRINGS  
Internal Service Funds  
Combining Statement of Cash Flows  
(Continued)

	Motor	Facilities	Employee	Risk	Retiree	Cogeneration	Totals	
	Vehicle	Maintenance	Benefits	Management	Health		2006	2005
	Replacement				Insurance	Plant		
Reconciliation of cash and cash equivalents to amounts reported on the Statement of Net Assets:								
Reported on Statement of Net Assets:								
Cash and investments	\$ 722,366	206,167	137,581	4,035,956	30,333	-	5,132,403	4,346,818
Cash and investments with fiscal agent	-	-	-	-	-	311,217	311,217	333,546
Cash and investments reported on Statement of Net Assets	722,366	206,167	137,581	4,035,956	30,333	311,217	5,443,620	4,680,364
Less non-cash equivalents	-	-	-	-	-	(311,217)	(311,217)	(333,546)
Cash and cash equivalents at end of year	\$ 722,366	206,167	137,581	4,035,956	30,333	-	5,132,403	4,346,818
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:								
Operating income (loss)	\$ 273,066	(22,040)	70,267	585,820	(666,013)	371,957	613,057	(1,145,314)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:								
Depreciation	579,315	3,961	-	-	-	124,715	707,991	735,222
(Increase) decrease in accounts receivable	-	(4,885)	3,568	5,940	(3,654)	30,730	31,699	578,977
(Increase) decrease in deposits	-	-	-	5,000	-	-	5,000	-
(Increase) decrease in due from other governments	(2,831)	-	-	24	-	2,084	(723)	3,622
(Increase) decrease in inventory	(36,874)	-	-	-	-	-	(36,874)	(6,745)
Increase (decrease) in accounts payable	(69,314)	17,559	(1,371)	14,348	-	55,497	16,719	(67,647)
Increase (decrease) in accrued wages payable	3,385	3,952	-	3,859	-	-	11,196	(11,324)
Increase (decrease) in deferred revenue	-	-	-	-	-	-	-	(43,234)
Increase (decrease) in compensated absences	(14,274)	5,702	-	(4,666)	-	-	(13,238)	(6,453)
Increase (decrease) in claims and judgments payable	-	-	-	83,365	-	-	83,365	1,678,528
Total adjustments	459,407	26,289	2,197	107,870	(3,654)	213,026	805,135	2,860,946
Net cash provided by (used for) operating activities	\$ 732,473	4,249	72,464	693,690	(669,667)	584,983	1,418,192	1,715,632
Noncash capital, financing and investing activities:								
Fixed assets contributed by other funds	\$ -	-	-	-	-	-	-	398,572
Change in fair value of investments	(5,249)	-	-	(22,906)	-	-	(28,155)	(3,393)
Total noncash capital, financing and investing activities	\$ (5,249)	-	-	(22,906)	-	-	(28,155)	395,179

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## AGENCY FUNDS

Agency Funds are used to account for assets held by a government in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds.

The City of Palm Springs has one Agency Fund:

Special Deposits Agency Fund - To account for monies held in trust by the City for various purposes ranging from bid bonds to donations for animal shelter activities.

CITY OF PALM SPRINGS  
Agency Fund

Statement of Changes in Assets and Liabilities

Year ended June 30, 2006

	<u>Balance at</u> <u>July 1, 2005</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at</u> <u>June 30, 2006</u>
<u>SPECIAL DEPOSITS AGENCY FUND</u>				
<u>Assets</u>				
Cash and investments	<u>\$ 1,234,068</u>	<u>220,779</u>	<u>-</u>	<u>1,454,847</u>
<u>Liabilities</u>				
Deposits payable	<u>\$ 1,234,068</u>	<u>220,779</u>	<u>-</u>	<u>1,454,847</u>

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# STATISTICAL SECTION



TABLE 1

CITY OF PALM SPRINGS  
 Net Assets by Component  
 Last Fiscal Year  
 (accrual basis of accounting)

	Fiscal Year
	2006
Governmental activities:	
Invested in capital assets, net of related debt	89,544,865
Restricted	47,008,169
Unrestricted	28,383,927
Total governmental activities net assets	164,936,961
Business-type activities:	
Invested in capital assets, net of related debt	93,694,649
Restricted	-
Unrestricted	16,849,508
Total business-type activities net assets	110,544,157
Primary government:	
Invested in capital assets, net of related debt	183,239,514
Restricted	47,008,169
Unrestricted	45,233,435
Total primary government net assets	275,481,118

*The City of Palm Springs has elected to show only one year of data for this schedule.*

TABLE 2

CITY OF PALM SPRINGS  
Changes in Net Assets  
Last Fiscal Year  
(accrual basis of accounting)

	Fiscal Year
	2006
Expenses:	
Governmental activities:	
General government	12,664,186
Cultural and convention center	5,894,286
Public safety	30,377,849
Public works	15,178,234
Parks and recreation	7,056,619
Library	2,562,084
Interest on long-term debt	8,416,117
Total governmental activities expenses	82,149,375
Business-type activities:	
Airport	20,154,371
Wastewater	3,617,124
Golf Course	3,615,866
Total business-type activities expenses	27,387,361
Total primary government expenses	109,536,736
Program revenues:	
Governmental activities:	
Charges for services:	
General government	2,985,457
Cultural and convention center	342,570
Public safety	1,387,079
Public works	8,064,647
Parks and recreation	1,502,694
Library	212,725
Operating grants and contributions	9,148,403
Capital grants and contributions	6,955,885
Total governmental activities program revenues	30,599,460
Business-type activities:	
Charges for services:	
Airport	14,581,454
Wastewater	6,428,919
Golf Course	2,887,216
Operating grants and contributions	283,674
Capital grants and contributions	6,005,185
Total business-type activities program revenues	30,186,448

TABLE 2

CITY OF PALM SPRINGS  
Changes in Net Assets  
Last Fiscal Year  
(accrual basis of accounting)

	Fiscal Year
	2006
Total primary government program revenues	60,785,908
Net revenues (expenses):	
Governmental activities	(51,549,915)
Business-type activities	2,799,087
Total net revenues (expenses)	(48,750,828)
General revenues and other changes in net assets:	
Governmental activities:	
Taxes:	
Property taxes	22,933,538
Sales tax	8,842,715
Transient occupancy taxes	14,677,511
Other taxes	11,005,477
Motor vehicle in lieu, unrestricted	3,398,819
Investment income	984,833
Other general revenues	1,413,164
Transfers	(500,000)
Total governmental activities	62,756,057
Business-type activities:	
Investment income	808,752
Transfers	500,000
Total business-type activities	1,308,752
Total primary government	64,064,809
Changes in net assets	
Governmental activities	11,206,142
Business-type activities	4,107,839
Total primary government	15,313,981

*The City of Palm Springs has elected to show only one year of data for this schedule.*

TABLE 3

CITY OF PALM SPRINGS  
Fund Balances of Governmental Funds  
Last Fiscal Year  
(modified accrual basis of accounting)

	Fiscal Year
	2006
General fund:	
Reserved	4,045,302
Unreserved	2,419,770
Total general fund	6,465,072
All other governmental funds:	
Reserved	39,126,531
Unreserved, reported in:	
Special revenue funds	20,109,521
Debt service funds	(433,447)
Capital projects funds	21,860,630
Total all other governmental funds	80,663,235

*The City of Palm Springs has elected to show only one year of data for this schedule.*

TABLE 4

CITY OF PALM SPRINGS  
 Changes in Fund Balances of Governmental Funds  
 Last Fiscal Year  
 (modified accrual basis of accounting)

	<u>Fiscal Year</u>
	<u>2006</u>
Revenues:	
Taxes	67,085,805
Licenses and permits	5,098,958
Fines and forfeitures	944,495
Investment income	2,255,470
Rental income	776,345
Intergovernmental	8,847,596
Charges for services	6,486,118
Other	<u>4,181,714</u>
Total revenues	<u>95,676,501</u>
Expenditures	
Current:	
General government	12,756,285
Cultural and convention center	9,797,133
Public safety	30,153,554
Public works	20,190,731
Parks and recreation	7,096,167
Library	2,481,292
Debt service:	
Principal retirement	3,362,576
Interest and fiscal charges	7,751,650
Pass-through payments	<u>3,973,940</u>
Total expenditures	<u>97,563,328</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,886,827)</u>
Other financing sources (uses):	
Transfers in	12,229,942
Transfers out	(13,214,342)
Issuance of bonds	<u>3,806,000</u>
Total other financing sources (uses)	<u>2,821,600</u>
Net change in fund balances	<u><u>934,773</u></u>
Debt service as a percentage of noncapital expenditures	22.3%

*The City of Palm Springs has elected to show only one year of data for this schedule.*

## CITY OF PALM SPRINGS

## Assessed Value and Estimated Actual Value of Taxable Property

Last Fiscal Year  
(in thousands of dollars)

Fiscal Year Ended June 30	City		Taxable Assessed Value	Redevelopment Agency		Taxable Assessed Value	Total Direct Tax Rate
	Secured	Unsecured		Secured	Unsecured		
2006	9,064,335	700,432	9,764,767	1,294,533	170,615	1,465,148	0.275%

## NOTE:

In 1978 the voters of the State of California passed Proposition 13 which limited property taxes to a total maximum rate of 1% based upon the assessed value of the property being taxed. Each year, the assessed value of property may be increased by an "inflation factor" (limited to a maximum increase of 2%). With few exceptions, property is only re-assessed at the time that it is sold to a new owner. At that point, the new assessed value is reassessed at the purchase price of the property sold. The assessed valuation data shown above represents the only data currently available with respect to the actual market value of taxable property and is subject to the limitations described above. Only one year of information has been presented.

Source: Riverside County Assessor's Office

TABLE 6

CITY OF PALM SPRINGS  
 Direct and Overlapping Property Tax Rates  
 (Rate per \$100 of assessed value)  
 Last Fiscal Year

	2006
City Direct Rates:	
City basic rate	0.26445
Redevelopment agency	0.01060
Total City Direct Rate	0.27505
Overlapping Rates:	
Desert Water Agency	0.07784
County Flood Control	0.04231
Palm Springs Cemetery	0.00148
C.V. Mosquito Abatement	0.01299
Riverside County Recreation Park and Open Space District	0.00404
College of the Desert	0.09131
Desert Hospital	0.01893
Palm Springs Unified School District	0.30013
School Equalization Aid	0.03882
County of Riverside	0.26715
Total Direct Rate	1.13005

## NOTE:

In 1978, California voters passed Proposition 13 which sets the property tax rate at a 1.00% fixed amount. This 1.00% is shared by all taxing agencies for which the subject property resides within. In addition to the 1.00% fixed amount, property owners are charged taxes as a percentage of assessed property values for the payment of certain other bonds. Only one year of information has been presented.

Source: Riverside County Assessor's Office

TABLE 7

CITY OF PALM SPRINGS  
Principal Property Tax Payers  
Current Year

Taxpayer	2006	
	Taxable Assessed Value	Percent of Total City Taxable Assessed Value
Tenet Healthsystem Desert Inc.	\$ 94,019,177	0.84%
San Gorgonio Westwinds II LLC	51,301,041	0.46%
Windpower Partners 1993 Limited Partnership	46,869,587	0.42%
Agua Caliente Band of Cahuilla Indians	44,349,153	0.39%
Wessman Holdings	42,258,548	0.38%
Skywest Airlines Inc.	41,781,056	0.37%
Albert & Lillia Mercado	38,173,680	0.34%
AP APH Palm Springs	37,555,819	0.33%
Palm Springs Desert Museum	33,487,463	0.30%
Mountain View Power Partners III	<u>31,771,324</u>	<u>0.28%</u>
	<u>\$ 461,566,848</u>	<u>4.11%</u>

The amounts shown above include assessed value data for both the City and the Redevelopment Agency. Information for the year ended June 30, 1997 is not available.

Source: Riverside County Assessor's Office

CITY OF PALM SPRINGS  
 Property Tax Levies and Collections  
 Last Fiscal Year

Fiscal Year Ended June 30	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percent of Levy		Amount	Percent of Levy
2006	30,887,881	22,933,538	74.25%	-	22,933,538	74.25%

NOTE:

The amounts presented include City property taxes and Redevelopment Agency tax increment. This schedule also includes amounts collected by the City and Redevelopment Agency that were passed-through to other agencies. Only one year of information has been presented.

Source: Riverside County Auditor Controller's Office

CITY OF PALM SPRINGS  
 Ratios of Outstanding Debt by Type  
 Last Fiscal Year

Fiscal Year Ended June 30	Governmental Activities			Total Governmental Activities
	General Obligation Bonds	Tax Allocation Bonds	Loans	
2006	107,732,568	26,950,000	134,583	134,817,151

Notes: Details regarding the City's outstanding debt can be found in the notes to the financial statements. Only one year of information has been presented.

<sup>1</sup> These ratios are calculated using personal income and population for the prior calendar year.

Business-type Activities			Total Primary Government	Percentage of Personal Income <sup>1</sup>	Debt Per Capita <sup>1</sup>
Airport Revenue Bonds	Certificates of Participation	Total Business-type Activities			
29,113,602	11,788,191	40,901,793	175,718,944	0.003554	3,784

CITY OF PALM SPRINGS  
 Ratio of General Bonded Debt Outstanding  
 Last Fiscal Year  
 (In Thousands, except Per Capita)

Fiscal Year Ended June 30	Outstanding General Bonded Debt			Percent of Assessed Value <sup>1</sup>	Per Capita
	General Obligation Bonds	Tax Allocation Bonds	Total		
2006	107,733	26,950	134,683	1.20%	2,320

<sup>1</sup> Assessed value has been used because the actual value of taxable property is not readily available in the State of California. Only one year of information has been presented.

TABLE 11

## CITY OF PALM SPRINGS

## Direct and Overlapping Debt

June 30, 2006

City Assessed Valuation		\$ 9,764,767	
Redevelopment Agency Incremental Valuation		<u>1,465,148</u>	
Total Assessed Valuation		<u>\$ 11,229,915</u>	
	Percentage	Outstanding	Estimated
	Applicable <sup>1</sup>	Debt 6/30/06	Share of
			Overlapping
			Debt
Overlapping Debt Repaid with Property Taxes:			
Desert Community College District	25.955%	\$ 69,111,886	17,937,990
Banning Unified School District	0.333%	11,589,712	38,594
Palm Springs Unified School District	58.863%	205,160,000	120,763,331
City of Palm Springs 1915 Act Bonds	100.000%	<u>9,225,000</u>	<u>9,225,000</u>
Total overlapping debt repaid with property taxes		<u>295,086,598</u>	<u>147,964,915</u>
Overlapping Other Debt:			
Riverside County General Fund Obligations	5.251%	\$ 630,525,566	33,108,897
Riverside County Pension Obligations	5.251%	396,895,000	20,840,956
Riverside County Board of Education Certificates of Participation	5.251%	11,240,000	590,212
Mt. San Jacinto Community College District General Fund Obligation	0.008%	7,480,000	598
City of Palm Springs General Fund Obligations	100.000%	118,779,000	118,779,000
Coachella Valley County Water District Storm Water Unit Certificates of Participation	0.362%	<u>8,530,000</u>	<u>30,879</u>
Total overlapping other debt		<u>1,173,449,566</u>	<u>173,350,543</u>
Total overlapping debt		<u>\$1,173,449,566</u>	<u>173,350,543</u>
City direct debt			<u>134,817,151</u>
Total direct and overlapping debt			<u>\$308,167,694</u>

## Notes:

<sup>1</sup> For debt repaid with property taxes, the percentage of overlapping debt applicable is estimated using taxable assessed property values. Applicable percentages were estimated by determining the portion of another governmental unit's taxable assessed value that is within the city's boundaries and dividing it by each unit's total taxable assessed value.

Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the City. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the City. This process recognizes that, when considering the City's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt, of each overlapping government.

Source: California Municipal Statistics, Inc.

TABLE 12

CITY OF PALM SPRINGS  
 Legal Debt Margin Information  
 Last Fiscal Year  
 (in thousands of dollars)

	2006
Assessed valuation	11,229,915
Conversion percentage	25%
Adjusted assessed valuation	2,807,479
Debt limit percentage	15%
Debt limit	421,122
Total net debt applicable to limit: General obligation bonds	107,733
Legal debt margin	313,389
Total debt applicable to the limit as a percentage of debt limit	25.6%

The Government Code of the State of California provides for a legal debt limit of 15% of gross assessed valuation. However, this provision was enacted when assessed valuation was based upon 25% of market value. Effective with the 1981-82 fiscal year, each parcel is now assessed at 100% of market value (as of the most recent change in ownership for that parcel). The computations shown above reflect a conversion of assessed valuation data for each fiscal year from the current full valuation perspective to the 25% level that was in effect at the time that the legal debt margin was enacted by the State of California for local governments located within the state. Only one year of information has been

Source: City Finance Department  
 Riverside County Tax Assessor's Office

TABLE 13

CITY OF PALM SPRINGS  
Pledged-Revenue Coverage  
Last Fiscal Year  
(In Thousands)

Fiscal Year Ended June 30	<u>Tax Allocation Bonds</u>			
	Tax Increment	Debt Service		Coverage
		Principal	Interest	
2006	7,335,285	710,000	1,394,602	3.49

Note: Details regarding the city's outstanding debt can be found in the notes to the financial statements. Operating expenses do not include interest or depreciation expenses. Only one year of information has been presented.

Airport Revenue Bonds					
<u>Airport Revenue</u>	<u>Less Operating Expenses</u>	<u>Net Available Revenue</u>	<u>Debt Service</u>		<u>Coverage</u>
			<u>Principal</u>	<u>Interest</u>	
21,207	11,468	9,739	885	1,733	3.72

CITY OF PALM SPRINGS  
Demographic and Economic Statistics  
Last Calendar Year

<u>Calendar Year</u>	<u>Population (1)</u>	<u>Personal Income (in thousands) (2)</u>	<u>Per Capita Personal Income (2)</u>	<u>Unemployment Rate (3)</u>
2006	46,437	49,443,185	26,448	3.5%

Only one year of information has been presented.

- Sources:
- (1) State Department of Finance
  - (2) State of California Employment Development Department - County of Riverside, 2004.
  - (3) State of California Employment Development Department

TABLE 15

## CITY OF PALM SPRINGS

## Principal Employers

Current Year

<u>Employer</u>	2006	
	<u>Number of Employees</u>	<u>Percent of Total Employment</u>
Palm Springs United School District	2,193	4.90%
Desert Regional Medical Center	1,372	3.06%
Agua Caliente Gaming Casino	926	2.07%
City of Palm Springs	464	1.04%
Desert Sun	381	0.85%
Viasys Health Care	342	0.76%
Lowe's	215	0.48%
Walmart	282	0.63%
Wyndham Hotel	143	0.32%
Hilton Hotel	110	0.25%

"Total Employment" as used above represents the total employment of all employers located within City limits.

Source: State Employment Development Department  
City of Palm Springs  
InfoUSA

TABLE 16

CITY OF PALM SPRINGS  
Full-time Equivalent City Employees  
by Department  
Last Fiscal Year

<u>Department</u>	<u>2006</u>
Administration	50.9
Growth management	37.9
Quality of life	48.9
Public safety	195.5
Public works & engineering	30.1
Airport	67.0
Golf course	0.5
Motor vehicle replacement	10.0
Facilities maintenance	14.0
Risk management	<u>3.2</u>
Total	<u>457.9</u>

Only one year of information has been presented.

Source: City Budget Office

CITY OF PALM SPRINGS

Operating Indicators  
by Function

Last Fiscal Year

	<u>Fiscal Year</u>
	<u>2006</u>
Police:	
Arrests	3,897
Parking citations issued	2,875
Fire:	
Number of emergency calls	6,772
Inspections	576
Public works:	
Street resurfacing (sq. feet)	2,759,517
Parks and recreation:	
Number of recreation classes	1,423
Number of facility rentals	163
Airport:	
Passengers serviced	1,478,616
Flights	92,668
Sewer:	
New connections	566
Average daily sewage treatment (thousands of gallons)	6,500
Golf course:	
Golf rounds played	44,039

Only one year of information has been presented.

Source: City of Palm Springs

TABLE 18

## CITY OF PALM SPRINGS

Capital Asset Statistics  
by Function

Last Fiscal Year

	<u>2006</u>
Police:	
Stations	1
Fire:	
Fire stations	5
Public works:	
Streets (miles)	800
Streetlights	218
Traffic signals	76
Parks and recreation:	
Parks	8
Community centers	2
Airport:	
Runway (miles)	14,952
Gates	11
Wastewater:	
Sanitary sewers (miles)	260
Storm sewers (miles)	0.66
Maximum daily treatment capacity (thousands of gallons)	10,900
Water:	
Service connections	21,153
Average annual consumption per consumer	1,809
Cogeneration:	
Cogeneration plants	1
Golf Course:	
Municipal golf courses	2
Convention Center	
Square feet	135,000
Meeting rooms	13

Only one year of information has been presented.

Source: City of Palm Springs