

COMPREHENSIVE ANNUAL FINANCIAL REPORT



New Convention Center



FISCAL
YEAR ENDED
JUNE 30, 2007

CITY OF PALM SPRINGS, CALIFORNIA

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

For the Fiscal Year Ended June 30, 2007

Prepared By:

Finance Department

**Craig Graves
Director of Finance and Treasurer**

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Assistant Director of Finance**

INTRODUCTORY SECTION



New Convention Center



CITY OF PALM SPRINGS
Comprehensive Annual Financial Report
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City of Palm Springs

Department of Finance and Treasury

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December 1, 2007

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, 2007, 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 46,858 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 most of the City's major revenue sources.

Sales Tax collections continued to increase about 10.8%. Retail Sales and Restaurants continue to show strong increases.

Property Taxes in the General Fund increased by 16.4% 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.

Transient Occupancy Tax, was down about 1.4% compared to the prior year which was an all time high. The partial closing of the Ramada and the closing of the Riviera Resort for remodeling removed 600 rooms from the City's hotel stock. The Ramada re-opened November of 2007 while the Riviera is projected to open by fall of 2008.

Overall, the combined revenue from the General Fund and Community Promotion Fund went from \$65.9 million in Fiscal Year 2005-06 to \$71.3 million in Fiscal Year 2006-07, an increase of about 8.2%.

Unfortunately, the increased revenue was matched by increases in expenditures, primarily in personnel 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 had not concluded labor negotiations with three of the six bargaining units by June 30, 2007. 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 and Fire Management have signed new contracts through June 30, 2009.

With the Phase II expansion of the Convention Center completed in August, 2005 the City Council took additional action to control the development of the area around the Center this past year. In September 2007 the City Council secured the leasehold for the property in front of the Convention Center to allow the City to develop it to enhance the entrance of the Convention Center. In June of 2007 the Redevelopment Agency bought the leasehold to the land behind the center in order to have additional parking and possible expansion in the future.

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 was able to increase both police and fire personnel this past fiscal year and also purchase a new 105 foot ladder truck. The proposed new gaming compacts would eliminate the Indian Gaming Special Distribution Fund and if passed, the City would then need to negotiate directly with the tribe concerning the impacts of the Casino and Hotel on City Services.

Quimby Act fees were adopted by the City Council in fiscal year 2003/04. Payments for fiscal year 2006/07 totaled about \$1,360,844. 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, 14 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.

Construction began in June of 2006 on "The Springs Development" which includes a Home Depot. The development is scheduled to be completed in February 2008. The Smoketree retail development has also been started and the expansion of the BMW dealership is also proceeding on schedule. With other major "big box" development already in place (Lowe's Hardware, Super Walmart); the City should continue to see significant increases in sales tax revenue by FY 07-08.

FOR THE FUTURE

The City Council approved the building of two major hotels this past year. The development of A Hard Rock Hotel west of the Convention Center and a Mondrian Hotel just north of the Convention Center has been approved and both projects are proceeding. These developments

would add another 750 rooms and villas to the City and increase the room capacity of the Convention Center.

The City was also selected as the site for the western campus for the College of the Desert expansion. This will allow for greater educational opportunities for the citizens of Palm Springs and their children. It will also bring additional development to north Palm Springs.

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, 2006 provided no instances of material weaknesses in the internal control structure or significant 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 2006-07 expenditures was calculated at \$106,518,537. Appropriations subject to limitation totaled \$58,992,090 or about \$47,526,447 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, 2007, the total remaining principal on the long-term debt of the City and its related entities is \$207,993,983.

Cash Management. The City had \$98,709,869 available for investment on June 30, 2007 compared to \$81,141,705 as of June 30, 2006. The current year amount does not include \$19,019,852 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.

OTHER INFORMATION

Independent Audit. State statute requires an annual audit by independent certified public accountants. The accounting firm of Moreland and Associates was selected by the City Council with the recommendation of the Finance Director and a Review Committee after a formal Request for Proposal process. 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, Moreland and Associates, have issued an unqualified opinion. The auditor's reports related specifically to the single audit are included in the Single Audit Report.

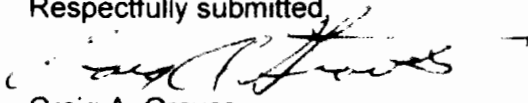
Awards. The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Palm Springs for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2006. This was the 18th consecutive year that the City has 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.

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, Cindy Gosselin and Kim Hardcastle, Accountants and all the Accounting division staff for their services in the coordination and preparation of this year's report. Our independent auditors, Moreland and Associates 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, 2007

CITY COUNCIL

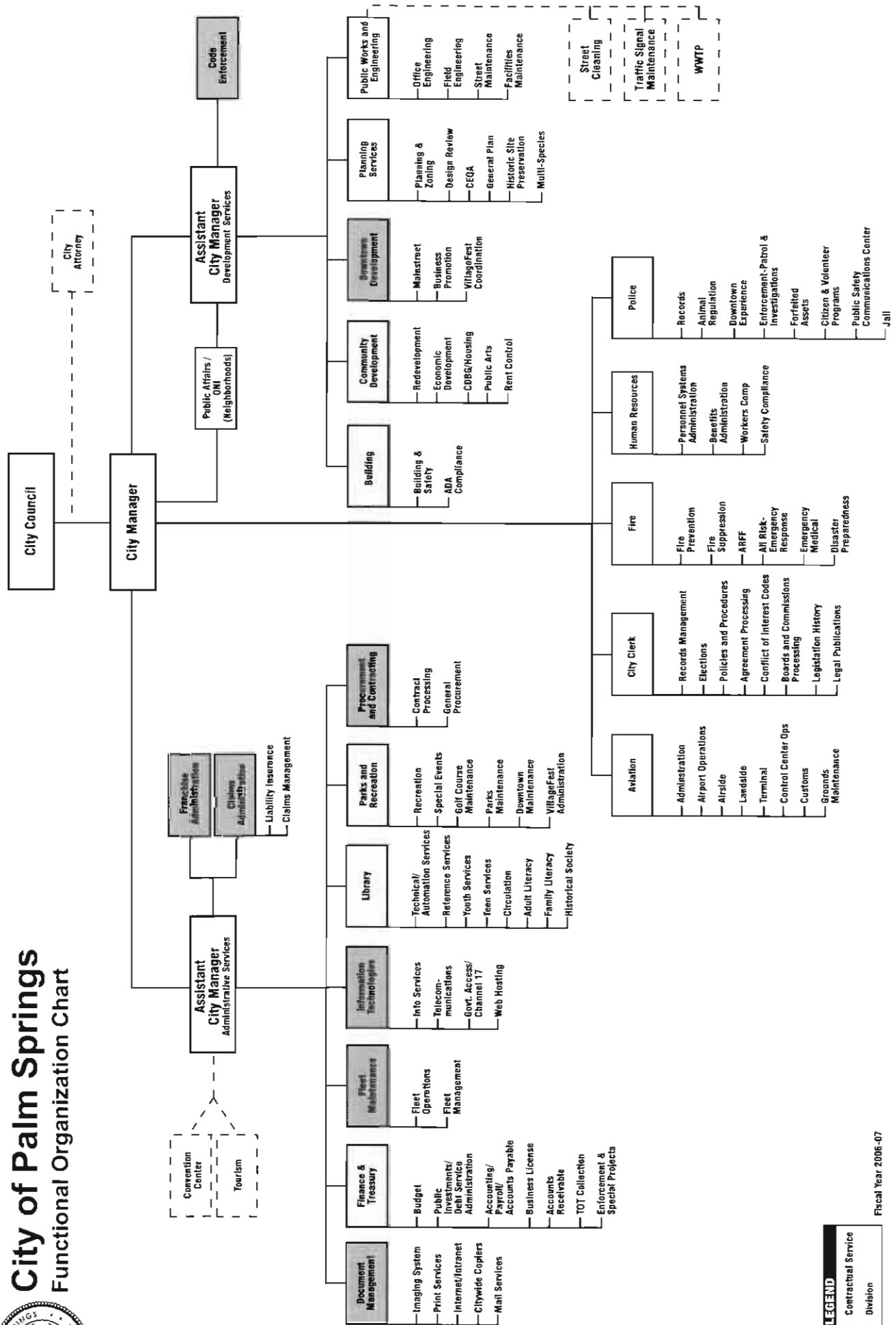
Ronald Oden, Mayor
Stephen P. Pougnet, Mayor Pro Tem
Ginny Foat
Michael R. McCulloch
Christopher S. Mills

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
Interim Director of Aviation	Craig A. Toms
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	Sharon Heider
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



City of Palm Springs Functional Organization Chart



Fiscal Year 2006-07

LEGEND

- = Contractual Service
- = Division

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, 2006

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

FINANCIAL SECTION



New Convention Center



December 17, 2007

The Honorable City Council of
the City of Palm Springs, California

Independent Auditors' 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, (City) as of and for the year ended June 30, 2007, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Palm Spring's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

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

In accordance with Government Auditing Standards, we have also issued our report dated December 17, 2007 on our consideration of the City of Palm Spring'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.

The management's discussion and analysis and other required supplementary information identified in the accompanying table of contents are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying introductory section, the major fund budgetary comparison schedules and the combining and individual nonmajor fund financial statements and schedules listed as supplementary information in the table of contents, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The major fund budgetary comparison schedules and 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 section 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.

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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, 2007. 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 non-major 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**

	<u>Government-wide Statements</u>	<u>Fund Statements</u>		
		<u>Governmental Funds</u>	<u>Proprietary Funds</u>	<u>Fiduciary Funds</u>
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"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net assets • Statement of revenues, expenses and changes in net assets • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net assets • Statement of changes in fiduciary net assets
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 non-financial 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	
	2007	2006	2007	2006	2007	2006
Current and other assets	142,817	108,964	33,165	26,107	175,982	135,061
Capital assets	217,254	222,536	139,049	129,267	356,303	351,803
Total assets	360,071	331,490	172,214	155,374	532,285	486,864
Long-term debt outstanding	160,003	143,009	39,419	40,083	199,422	183,092
Other liabilities	23,257	23,544	5,600	4,746	28,857	28,290
Total liabilities	183,260	166,553	45,019	44,829	228,279	211,382
Net assets:						
Invested in capital assets (net of debt)	68,392	89,545	98,786	93,695	167,178	183,240
Restricted	51,462	47,008	3,837	-	55,299	47,008
Unrestricted	56,957	28,384	24,572	16,849	81,529	45,233
Total net assets	176,811	164,937	127,195	110,544	304,006	275,481

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

Table 2
Changes in Net Assets (in thousands)

	Governmental Activities		Business Type Activities		Total	
	2007	2006	2007	2006	2007	2006
Revenues						
Program revenues:						
Charges for services	13,957	14,495	28,606	23,897	42,563	38,392
Operating contributions & grants	9,595	9,148	300	284	9,895	9,432
Capital contributions & grants	5,136	6,956	16,394	6,005	21,530	12,961
General revenues						
Property taxes & tax increment	28,272	22,933			28,272	22,933
Sales taxes	9,798	8,843			9,798	8,843
Transient occupancy taxes	14,466	14,677			14,466	14,677
Other taxes	15,711	14,404			15,711	14,404
Gain on sale of capital asset	(20)	306			(20)	306
Other general revenues	5,503	2,297	1,499	809	7,002	3,106
Total revenues	102,418	94,059	46,799	30,995	149,217	113,841
Program expenses						
General government	12,278	12,664	-	-	12,278	12,664
Culture and convention center	7,580	5,894	-	-	5,979	5,894
Public safety	33,968	30,378	-	-	33,968	30,378
Public Works	19,330	18,332	-	-	19,330	18,332
Parks and recreation	7,275	7,057	-	-	7,275	7,057
Library	2,333	2,563	-	-	2,333	2,563
Interest	7,764	8,416	-	-	7,764	8,416
Airport	-	-	21,632	20,154	21,632	20,154
Wastewater	-	-	4,659	3,617	4,659	3,617
Golf Course	-	-	3,872	3,616	3,872	3,616

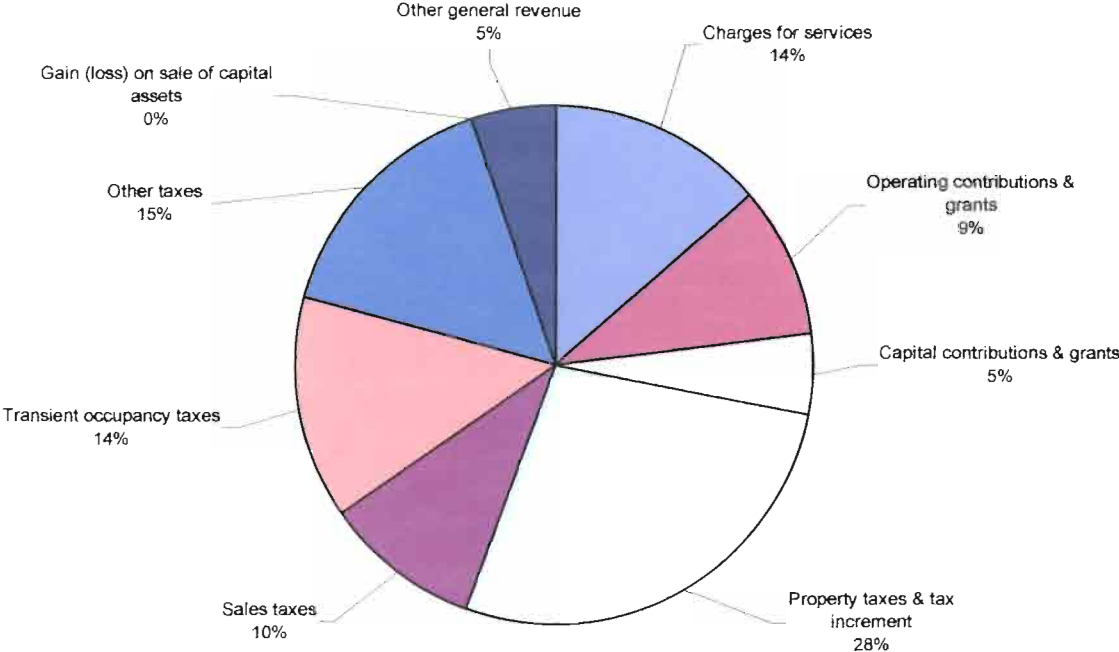
Total expenses	90,528	85,304	30,163	27,387	120,691	112,691
Excess (deficiency) before special items and transfers	11,890	8,755	16,636	3,608	28,526	12,363
Transfers	(14)	(500)	14	500	-	-
Increase (decrease) in net assets	11,876	8,255	16,650	4,108	28,526	12,363
Beginning net assets	161,985	153,730	110,604	106,496	272,589	260,226
Ending net assets	173,861	161,985	127,254	110,604	301,115	272,589

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 7.4% (\$173.8 million compared to \$164.9 million).

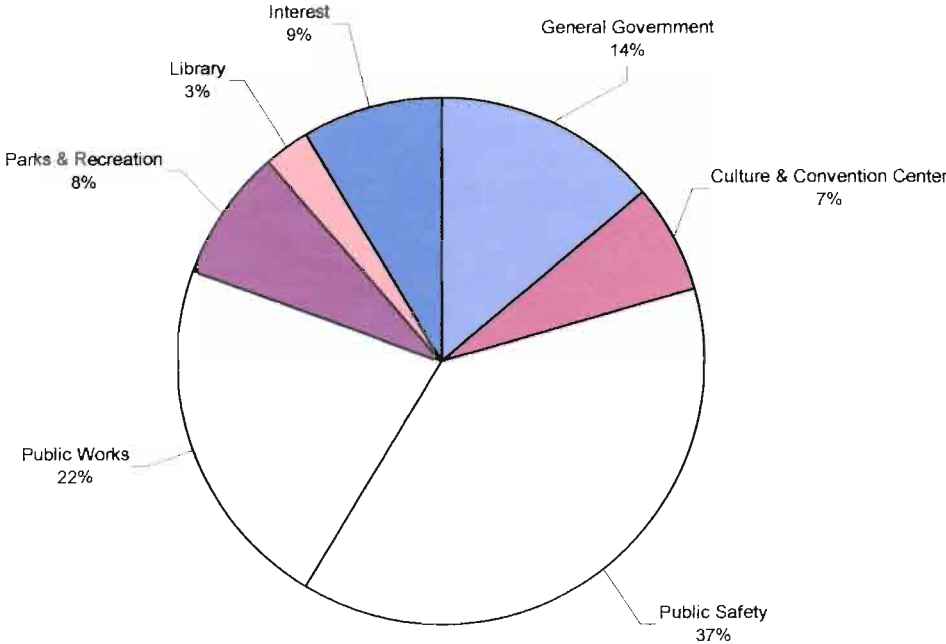
The reasons for significant changes in the revenues and expenses of the City's governmental activities presented above are as follows:

- The City's property tax and tax increment collections increased by 23.3% 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 again receiving \$900,000 of property taxes that had been diverted to the State to deal with the State budget deficit.
- The Transient Occupancy Tax (TOT) collections were down 1.4% compared to the prior year. This decrease is because the Ramada and Riviera Resort both closed temporarily for remodeling and removed 600 rooms from the City's hotel room supply. The Ramada is reopening at the end of 2007 with the Riviera scheduled to open in the fall of 2008.
- Sales tax collections increased by nearly 10.8% with a full year of the new Super Wal-Mart being open.
- Program expenses were up significantly in most categories because of large increases in personnel, worker's compensation and health insurance costs.
- The Enterprise Capital Contributions and Grants increased from \$6 million last year to \$16.4 million in FY 06-07 because major grants to due improvements at the Palm Springs International Airport including a new regional concourse.

Revenues by Source – Governmental Activities



Expenses by Function – Governmental Activities



Business-Type Activities

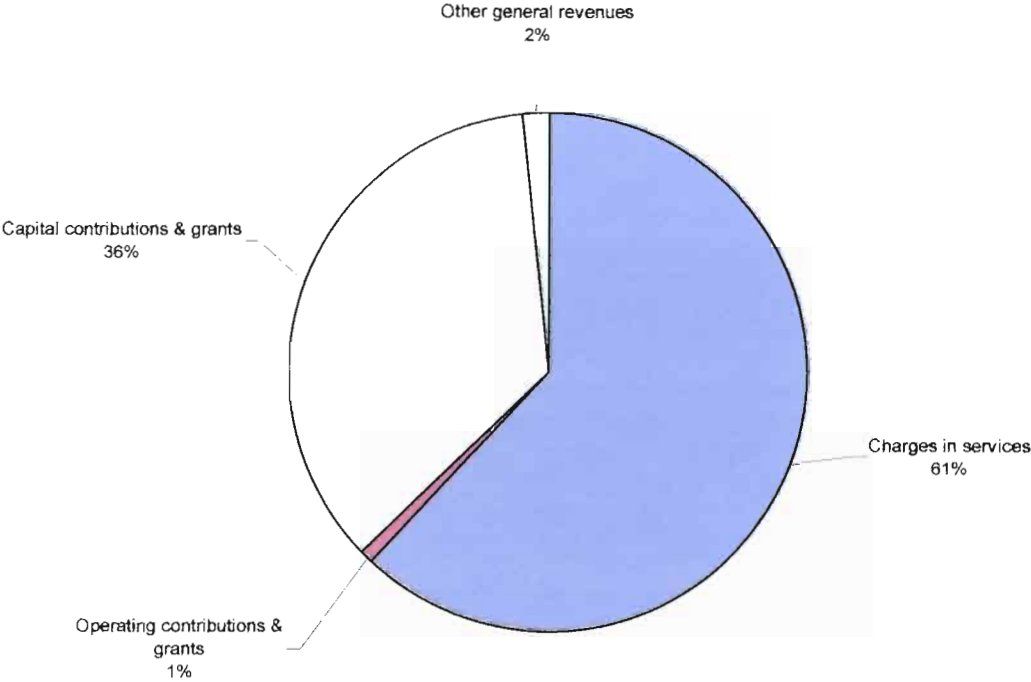
Revenues of the City’s business-type activities (see Table 2) were up slightly from the previous year, from \$30.9 million to \$46.8 million. Expenses increased from \$27.4 million to \$30.2 million.

The primary reasons for the changes in revenue:

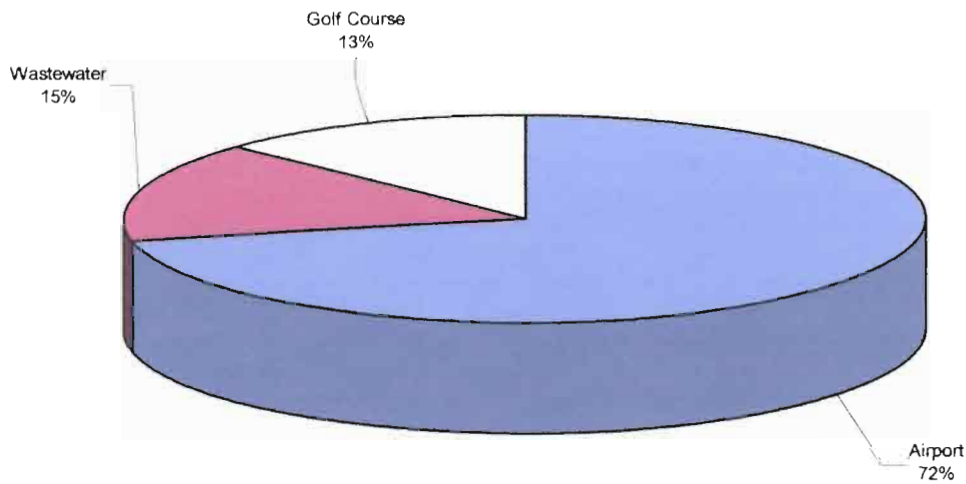
- Revenue from capital grants in the Airport increased from \$6 million to \$16.4 million. This reflects the construction of the new regional concourse. Operating revenues increased \$4.8 million due to increased income from rental car fees and parking fees.
- Operating expenses were impacted by higher personnel costs, especially for personnel costs, health insurance and workers’ comp insurance. Energy costs increased from \$1.4 million to \$1.7 million for a \$300,000 increase.

- Depreciation expense increased from \$8.7 million to \$8.85 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 \$9.2 million, while total fund balance reached \$13.2 million. As a measure of the general fund's liquidity, unreserved fund balance represents 17.1 % of total general fund expenditures, while total fund balance represents 24.5% of that same amount. It should be noted that the Community Promotion Fund has a fund balance of \$2.5 million.

Total General Fund revenue increased from \$57.6 million to \$62.9 million. Most of the categories showed improvement. Among the more significant changes:

- sales taxes went from \$8.8 million to \$9.7 million
- property taxes went from \$16.5 million to \$18.1 million
- licenses and permits (Building and other) decreased from \$3.8 million to \$3.6 million
- charges for services (primarily plan checking fees) increased from \$4.2 million to \$5.3 million
- utility users taxes increased from \$6 million to \$7.3 million
- transient occupancy tax decreased from \$6.5 million to \$6.4 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 decreases was a result of the two hotels closing temporarily for major remodeling. The decreases development revenue is a result of some slowing of new construction

Total General Fund expenditures increased from \$50.6 million to \$53.9 million. Large changes occurred in:

- PERS pension benefit costs, which decreased from \$8 million to \$6.7 million due to a rate reduction
- Employee salaries and overtime costs increased by \$1.85 from the previous year.
- Utilities increased from \$1.6 million to \$1.85 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 Community Redevelopment Agency Debt Service had increase in revenue from \$10 million to \$12 million. This was due primarily to increased property tax increment. Its expenditures increased from \$5.9 million to \$7.3 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 changes are:

- a reduction in grant reimbursements and the final major payments on the construction of the Convention Center Expansion were made last fiscal year.

Major Enterprise Funds. The Unrestricted net assets of the **Airport, Wastewater and Golf Course Funds** total \$24.6 million, an increase of \$7.7 million from last year's total of \$16.9 million. This increase is due to an increase in capital assets mainly from the capital improvements at the airport.

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 \$3.2 million, due to new Police Department grants which were awarded during the year, increase of personnel costs due to new bargaining unit agreements and a revision of service contracts in parks maintenance. However final expenditures were only slightly over the original budget.

The actual operating results for revenue compared to the final budget had a positive variance of slightly more than \$3.3 million (\$62.9 million budget vs. \$59.6 million actual). All revenue categories exceeded their budget projections. The largest increase was in taxes of \$1.9 million. This was primarily due to increased property taxes and sales tax.

All categories of expenditures, except for Parks and recreation, showed a positive variance compared to the final budget, with the actual total \$2.3 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.

	<u>CAPITAL ASSETS</u>					
	(in thousands, net of depreciation)					
	<u>Governmental Activities</u>		<u>Business Type Activities</u>		<u>Total</u>	
	2007	2006	2007	2006	2007	2006
Buildings	36,594	37,886	12,861	12,745	49,455	50,631
Improvements	51,900	49,004	74,469	64,152	126,369	113,156
Furniture and equipment	2,451	2,202	288	403	2,739	2,605
Vehicles	4,310	4,716	1,740	1,750	6,050	6,466
Infrastructure	91,028	90,633	10,963	11,489	101,991	102,122
Right-of-way	14,614	14,614	-	-	14,614	14,614
Land	15,967	15,967	36,727	36,727	52,694	52,694
Construction in progress	390	4,922	2,000	2,000	2,390	6,922
Total	217,254	219,944	139,048	129,266	356,302	349,210

The major addition to capital assets during the year ended June 30, 2007 was as follows:

- The final work of the convention center expansion was completed and construction was started on the new regional concourse.

For more detailed information on capital asset activity, see the Capital Assets Footnote #4 in the Notes to the Basic Financial Statements.

LONG-TERM DEBT

As of June 30, 2007, the City had bonded debt outstanding of \$200.85 million. The City has no General Obligation debt. The table below summarizes the information presented in Note 6 to the financial statements.

	LONG TERM DEBT (in thousands)					
	Governmental Activities		Business Type Activities		Total	
	2007	2006	2007	2006	2007	2006
Certificates of participation (COP's)	16,228	16,694	11,537	11,788	27,765	28,482
Tax Allocation Bonds	26,220	26,950		-	26,220	26,950
Lease Revenue Bonds	86,091	91,038	28,726	29,114	114,817	120,152
Special Assessment Bonds	12,216	13,031		-	12,216	13,031
Pension Obligation Bonds	19,832	-	-	-	19,832	-
	<u>160,587</u>	<u>147,713</u>	<u>40,263</u>	<u>40,902</u>	<u>200,850</u>	<u>188,615</u>

The City issued \$19.8 million in Pension Obligation Bonds through the California Community Financing Authority in fiscal year 2006-07.

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 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, and click on "Departments" – "Finance & Treasury"; or call us at (760) 323-8229.

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CITY OF PALM SPRINGS
Statement of Net Assets
June 30, 2007

	Governmental Activities	Business-type Activities	Total
<u>Assets</u>			
Cash and investments	\$ 70,778,542	\$ 27,931,327	\$ 98,709,869
Deposits	233,545		233,545
Receivables:			
Accounts	4,315,594	1,387,005	5,702,599
Accrued interest	1,635,790	309,021	1,944,811
Special assessments	12,355,145		12,355,145
Notes	5,992,530		5,992,530
Internal balances	2,654,531	(2,654,531)	
Due from other governments	4,712,784	296,535	5,009,319
Inventories	134,823		134,823
Unamortized debt issuance costs	883,775	735,036	1,618,811
Prepaid PERS expense	19,382,434		19,382,434
Land held for resale	5,879,332		5,879,332
Restricted Assets:			
Cash and investments with fiscal agent	13,858,632	5,161,220	19,019,852
Capital Assets:			
Not being depreciated	30,971,192	38,728,167	69,699,359
Being depreciated, net	186,283,004	100,320,984	286,603,988
Total Assets	<u>360,071,653</u>	<u>172,214,764</u>	<u>532,286,417</u>
<u>Liabilities</u>			
Accounts payable	4,757,779	1,425,546	6,183,325
Accrued wages payable	1,138,821	149,585	1,288,406
Accrued interest payable	1,669,031	2,059,307	3,728,338
Due to other governments	92,535		92,535
Deposits payable	444,535	500,000	944,535
Pass-through payable	2,866,559		2,866,559
Claims and Judgments Payable:			
Due within one year	1,036,536		1,036,536
Due in more than one year	4,146,145		4,146,145
Noncurrent Liabilities:			
Due within one year	7,105,786	1,466,019	8,571,805
Due in more than one year	160,002,803	39,419,375	199,422,178
Total Liabilities	<u>183,260,530</u>	<u>45,019,832</u>	<u>228,280,362</u>
<u>Net Assets</u>			
Invested in capital assets, net of related debt	68,392,428	98,785,796	167,178,224
Restricted for:			
Public safety	1,522,651		1,522,651
Public works	13,957,224		13,957,224
Debt service requirement	10,461,674	3,836,949	14,298,623
Redevelopment agency projects	25,520,034		25,520,034
Unrestricted	56,957,112	24,572,187	81,529,299
Total Net Assets	<u>\$ 176,811,123</u>	<u>\$ 127,194,932</u>	<u>\$ 304,006,055</u>

See Accompanying Notes to Financial Statements.

CITY OF PALM SPRINGS
Statement of Activities
For the Year Ended June 30, 2007

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Contributions and Grants	Capital Contributions and Grants
Governmental Activities:				
General government	\$ 12,278,124	\$ 1,527,808		
Cultural and convention center	7,580,033	1,644,443	\$ 124,697	\$ 208,809
Public safety	33,968,442	1,614,245	4,471,027	
Public works	19,329,974	7,968,799	4,851,195	4,926,976
Parks and recreation	7,275,052	814,512		
Library	2,332,577	386,807	148,094	
Interest expense	7,764,472			
Total Governmental Activities	90,528,674	13,956,614	9,595,013	5,135,785
Business-type Activities:				
Airport	21,631,538	17,938,788	242,996	16,394,397
Wastewater	4,658,947	7,456,041		
Golf course	3,872,346	3,210,941	56,722	
Total Business-type Activities	30,162,831	28,605,770	299,718	16,394,397
Total	\$ 120,691,505	\$ 42,562,384	\$ 9,894,731	\$ 21,530,182

General Revenue:

Taxes:

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

Total General Revenue and Transfers

Change in Net Assets

Net Assets, Beginning

Net Assets, Ending

See Accompanying Notes to Financial Statements.

Net (Expense) Revenue and
Changes in Net Assets

Governmental Activities	Business-type Activities	Total
\$ (10,750,316)		\$ (10,750,316)
(5,602,084)		(5,602,084)
(27,883,170)		(27,883,170)
(1,583,004)		(1,583,004)
(6,460,540)		(6,460,540)
(1,797,676)		(1,797,676)
(7,764,472)		(7,764,472)
(61,841,262)		(61,841,262)
	\$ 12,944,643	12,944,643
	2,797,094	2,797,094
	(604,683)	(604,683)
	15,137,054	15,137,054
(61,841,262)	15,137,054	(46,704,208)
18,146,784		18,146,784
10,125,911		10,125,911
9,798,032		9,798,032
14,465,639		14,465,639
7,336,436		7,336,436
4,733,964		4,733,964
1,678,144	1,498,991	3,177,135
842,909		842,909
3,640,542		3,640,542
(20,278)		(20,278)
2,982,071		2,982,071
(14,730)	14,730	
73,715,424	1,513,721	75,229,145
11,874,162	16,650,775	28,524,937
164,936,961	110,544,157	275,481,118
\$ 176,811,123	\$ 127,194,932	\$ 304,006,055

CITY OF PALM SPRINGS
Balance Sheet
Governmental Funds
June 30, 2007

	Debt Service Funds		
	General	Special Assessments	Community Redevelopment Agency
<u>Assets</u>			
Cash and investments	\$ 8,034,239	\$ 1,916,119	\$ 8,358,834
Restricted Assets:			
Cash and investments with fiscal agent		1,494,323	1,651,700
Deposits			
Receivables:			
Accounts	1,905,490	61,615	
Accrued interest	793,259	15,098	
Special assessments		12,355,145	
Notes	300,000		
Due from other funds			
Due from other governments	3,133,325	85,386	600,157
Advances to other funds	3,221,785		
Land held for resale			
Total Assets	\$ 17,388,098	\$ 15,927,686	\$ 10,610,691
<u>Liabilities and Fund Balances</u>			
Liabilities:			
Accounts payable	\$ 1,736,144		
Accrued wages payable	1,017,702		
Due to other funds			
Due to other governments			
Deposits payable			
Deferred revenue	1,442,223	\$ 12,355,145	
Pass-through payable			\$ 2,866,559
Advances from other funds			5,102,811
Total Liabilities	4,196,069	12,355,145	7,969,370
Fund Balances:			
Reserved for:			
Encumbrances	450,877		
Deposits			
Notes	300,000		
Advances to other funds	3,221,785		
Land held for resale			
Debt service requirements		3,572,541	
Low and moderate housing			
Unreserved, designated:			
General fund	9,219,367		
Debt service funds			2,641,321
Capital projects funds			
Special revenue funds			
Unreserved-undesignated:			
Capital projects funds			
Special revenue funds			
Total Fund Balances	13,192,029	3,572,541	2,641,321
Total Liabilities and Fund Balances	\$ 17,388,098	\$ 15,927,686	\$ 10,610,691

Debt Service Funds		
General Debt Service	Nonmajor Governmental Funds	Total
	\$ 45,061,085	\$ 63,370,277
\$ 6,181,618	4,246,997	13,574,638
	233,545	233,545
	2,265,158	4,232,263
2,948	451,922	1,263,227
		12,355,145
	5,692,530	5,992,530
	1,406,286	1,406,286
	870,001	4,688,869
	1,864,026	5,085,811
	5,879,332	5,879,332
<u>\$ 6,184,566</u>	<u>\$ 67,970,882</u>	<u>\$ 118,081,923</u>
\$ 977	\$ 2,531,499	\$ 4,268,620
	68,585	1,086,287
	164,755	164,755
	92,535	92,535
	444,535	444,535
	2,139,020	15,936,388
		2,866,559
		5,102,811
<u>977</u>	<u>5,440,929</u>	<u>29,962,490</u>
	2,949,971	3,400,848
	233,545	233,545
	5,692,530	5,992,530
	1,864,026	5,085,811
	5,879,332	5,879,332
6,183,589	705,544	10,461,674
	4,177,586	4,177,586
		9,219,367
		2,641,321
	10,608,470	10,608,470
	34,422,419	34,422,419
	2,328,009	2,328,009
	(6,331,479)	(6,331,479)
<u>6,183,589</u>	<u>62,529,953</u>	<u>88,119,433</u>
<u>\$ 6,184,566</u>	<u>\$ 67,970,882</u>	<u>\$ 118,081,923</u>

CITY OF PALM SPRINGS
 Reconciliation of the Balance Sheet of Governmental Funds
 to the Statement of Net Assets
 June 30, 2007

Fund balance - total governmental funds \$ 88,119,433

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. The internal service fund capital assets of \$7,465,030 are included in the internal service fund adjustment below.

Capital assets	\$ 339,187,107	
Accumulated depreciation	<u>(129,397,941)</u>	209,789,166

Long-term debt and compensated absences that have not been included in the governmental fund activity; the long-term liabilities of internal service funds of \$24,610,433 are included in the internal service fund adjustment below:

Long-term debt	\$ (136,056,550)	
Compensated absences	<u>(5,862,500)</u>	(141,919,050)

Amortization of Bond Issuance Costs, Bond Discounts and Requisition Cost in excess of the carrying value of the refunded bond is not recorded in the governmental fund statements. (289,553)

Accrued interest payable for the current portion of interest due on bonds payable has not been reported in the governmental funds. (1,602,549)

Revenues that are measurable but not available. Amounts are recorded as deferred revenue under the modified accrual basis of accounting. 15,936,388

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. 6,777,288

Net Assets of Governmental Activities \$ 176,811,123

See Accompanying Notes to Financial Statements.

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CITY OF PALM SPRINGS
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2007

	General Fund	Debt Service Funds	
		Special Assessments	Community Redevelopment Agency
Revenues:			
Taxes	\$ 39,853,321		\$ 12,027,457
Licenses and permits	3,629,406		
Fines and penalties	501,950		
Investment income	545,365	\$ 133,073	111,381
Rental income	615,285		
Intergovernmental	5,589,720		
Charges for services	5,391,377		
Transient occupancy taxes	6,324,004		
Special assessments		1,509,159	
Donations and contributions	37,637		
Master lease			
Miscellaneous	422,079	358,768	568,771
Total Revenues	<u>62,910,144</u>	<u>2,001,000</u>	<u>12,707,609</u>
Expenditures:			
Current:			
General government	8,084,032	60,783	
Cultural and convention center			
Public safety	29,894,888		
Public works	8,045,078	359,901	
Parks and recreation	5,646,410		
Library	2,202,037		
Lease			
Debt service:			
Principal		815,000	510,000
Interest		619,335	1,305,620
Pass-through payments			5,505,436
Total Expenditures	<u>53,872,445</u>	<u>1,855,019</u>	<u>7,321,056</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>9,037,699</u>	<u>145,981</u>	<u>5,386,553</u>
Other Financing Sources (Uses):			
Transfers in	600,000	150,000	
Transfers out	(2,910,742)		(2,311,785)
Total Other Financing Sources (Uses)	<u>(2,310,742)</u>	<u>150,000</u>	<u>(2,311,785)</u>
Net Change in Fund Balances	6,726,957	295,981	3,074,768
Fund Balances, Beginning	6,465,072	3,276,560	(433,447)
Fund Balances, Ending	<u>\$ 13,192,029</u>	<u>\$ 3,572,541</u>	<u>\$ 2,641,321</u>

See Accompanying Notes to Financial Statements.

Debt Service Funds		Nonmajor Governmental Funds	Total
General Debt Service			
	\$	5,747,231	\$ 57,628,009
		1,414,835	5,044,241
		665,905	1,167,855
\$ 195,920		2,486,784	3,472,523
		239,624	854,909
		4,061,387	9,651,107
		2,746,973	8,138,350
		8,141,635	14,465,639
		298,104	1,807,263
		1,135,018	1,172,655
		1,256,252	1,256,252
		441,705	1,791,323
<u>195,920</u>		<u>28,635,453</u>	<u>106,450,126</u>
2,000		4,909,997	13,056,812
		3,718,373	3,718,373
		3,543,913	33,438,801
		7,900,764	16,305,743
		1,595,746	7,242,156
		30,000	2,232,037
401,000		1,200,000	1,601,000
5,277,726		373,268	6,975,994
5,135,416		322,205	7,382,576
			5,505,436
<u>10,816,142</u>		<u>23,594,266</u>	<u>97,458,928</u>
(10,620,222)		5,041,187	8,991,198
6,491,658		3,787,785	11,029,443
		(7,341,916)	(12,564,443)
<u>6,491,658</u>		<u>(3,554,131)</u>	<u>(1,535,000)</u>
(4,128,564)		1,487,056	7,456,198
10,312,153		61,042,897	80,663,235
<u>\$ 6,183,589</u>	<u>\$</u>	<u>62,529,953</u>	<u>\$ 88,119,433</u>

CITY OF PALM SPRINGS
 Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances
 Governmental Funds to the Statement of Activities
 For the Year Ended June 30, 2007

Net change in fund balances - total governmental funds \$ 7,456,198

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

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.

Capital outlay	\$ 5,006,849	
Depreciation expense	<u>(10,343,168)</u>	(5,336,319)

Repayment of bond principal is an expenditure in the governmental
 funds but the repayment reduces long-term liabilities in the
 statement of net assets.

Principal	\$ 6,975,993	
Amortization	<u>(226,119)</u>	6,749,874

The statement of net assets includes accrued interest on long-term
 debt. 159,851

To record as an expense (reduction of expense) the net change in
 compensated absences in the statement of activities. (652,389)

Revenues that are measurable but not available. Amounts are not
 recorded as revenue under the modified accrual basis of
 accounting. 1,162,730

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. 2,334,217

Change in Net Assets of Governmental Activities	<u><u>\$ 11,874,162</u></u>
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See Accompanying Notes to Financial Statements.

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CITY OF PALM SPRINGS
Statement of Net Assets
Proprietary Funds
June 30, 2007

	Business-Type Activities - Enterprise Funds		
	Airport	Wastewater	Golf Course
<u>Assets</u>			
Current Assets:			
Cash and investments	\$ 12,023,515	\$ 15,907,812	
Accounts receivable	1,377,439	9,516	\$ 50
Accrued interest	123,512	167,270	18,239
Due from other funds			
Due from other governments		296,535	
Prepaid PERS expense			
Inventories			
Total Current Assets	13,524,466	16,381,133	18,289
Noncurrent Assets:			
Restricted assets:			
Cash and investments with fiscal agents	3,906,060		1,255,160
Capital Assets, Net of accumulated depreciation	97,231,737	33,582,494	8,234,920
Advances to other funds		1,227,000	
Unamortized debt issuance cost	411,280		323,756
Total Noncurrent Assets	101,549,077	34,809,494	9,813,836
Total Assets	115,073,543	51,190,627	9,832,125
<u>Liabilities and Net Assets</u>			
Liabilities:			
Current Liabilities:			
Accounts payable	691,377	728,123	6,046
Accrued wages payable	146,760	572	2,253
Accrued interest payable	792,104		1,267,203
Due to other funds			1,241,531
Compensated absences	311,019		
Claims and judgements payable			
Bonds payable	795,000		
Certificates of participation			360,000
Total Current Liabilities	2,736,260	728,695	2,877,033
Noncurrent Liabilities:			
Deposits payable			500,000
Compensated absences payable	311,020		
Claims and judgments payable			
Advances from other funds			2,640,000
Capital lease obligations			
Bonds payable	27,931,052		
Certificates of participation			11,177,303
Total Noncurrent Liabilities	28,242,072		14,317,303
Total Liabilities	30,978,332	728,695	17,194,336
Net Assets:			
Invested in capital assets, net of related debt	68,505,685	33,582,494	(3,302,383)
Restricted	3,525,236		311,713
Unrestricted	12,064,290	16,879,438	(4,371,541)
Total Net Assets (Deficits)	\$ 84,095,211	\$ 50,461,932	\$ (7,362,211)

See Accompanying Notes to Financial Statements.

Business-type Activities Enterprise Funds Total	Governmental Activities Internal Service Funds
\$ 27,931,327	\$ 7,408,265
1,387,005	83,331
309,021	372,563
	1,696
296,535	23,915
	19,382,434
	134,823
<u>29,923,888</u>	<u>27,407,027</u>
5,161,220	283,994
139,049,151	7,465,030
1,227,000	1,430,000
735,036	594,222
<u>146,172,407</u>	<u>9,773,246</u>
<u>176,096,295</u>	<u>37,180,273</u>
1,425,546	489,159
149,585	52,534
2,059,307	66,482
1,241,531	1,696
311,019	
	1,036,536
795,000	
360,000	230,000
<u>6,341,988</u>	<u>1,876,407</u>
500,000	
311,020	168,323
	4,146,145
2,640,000	
	371,535
27,931,052	19,832,588
11,177,303	4,007,987
<u>42,559,375</u>	<u>28,526,578</u>
<u>48,901,363</u>	<u>30,402,985</u>
98,785,796	2,855,508
3,836,949	361,580
24,572,187	3,560,200
<u>\$ 127,194,932</u>	<u>\$ 6,777,288</u>

CITY OF PALM SPRINGS
Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended June 30, 2007

	Business-Type Activities - Enterprise Funds		
	Airport	Wastewater	Golf Course
Operating Revenues:			
Charges for services:			
Rentals	\$ 11,311,123		\$ 434,266
Landing fees	1,744,493		
Concessions	589,547		
Green fees and car rentals			2,764,700
Sewer service charges		\$ 5,193,833	
Sewer connection and main charges		2,262,208	
Passenger facility charge	3,068,865		
Internal service charges			
Sale of electricity			
Miscellaneous	1,384,399		11,975
Total Operating Revenues	<u>18,098,427</u>	<u>7,456,041</u>	<u>3,210,941</u>
Operating Expenses:			
Personnel services	6,276,516	20,334	60,729
Material and supplies	186,759		
Heat, light and power	1,721,980		
Other charges and services	3,707,060	3,529,658	2,474,404
Administration	863,378	1,854	13,861
Cogeneration			
Facilities maintenance			
Maintenance shop operations			
Workers' compensation			
Other claims and insurance			
Depreciation	7,264,820	1,107,101	475,830
Total Operating Expenses	<u>20,020,513</u>	<u>4,658,947</u>	<u>3,024,824</u>
Operating Income (Loss)	<u>(1,922,086)</u>	<u>2,797,094</u>	<u>186,117</u>
Nonoperating Revenues (Expenses):			
Investment income	685,905	813,086	56,722
Interest expense	(1,611,025)		(847,522)
Gain (loss) on sale of assets			
Total Nonoperating Revenues (Expenses)	<u>(925,120)</u>	<u>813,086</u>	<u>(790,800)</u>
Income (Loss) Before Contributions and Transfers	<u>(2,847,206)</u>	<u>3,610,180</u>	<u>(604,683)</u>
Transfers in			700,000
Transfers out		(685,270)	
Capital contributions	16,477,754		
Change in Net Assets	<u>13,630,548</u>	<u>2,924,910</u>	<u>95,317</u>
Net Assets (Deficits), Beginning	70,464,663	47,537,022	(7,457,528)
Net Assets (Deficits), Ending	<u>\$ 84,095,211</u>	<u>\$ 50,461,932</u>	<u>\$ (7,362,211)</u>

See Accompanying Notes to Financial Statements.

Business-Type Activities Enterprise Funds	Governmental Activities Internal Service Funds
<u>Total</u>	<u>Total</u>
\$ 11,745,389	
1,744,493	
589,547	
2,764,700	
5,193,833	
2,262,208	
3,068,865	\$ 30,724,542
	150,620
1,396,374	71,400
<u>28,765,409</u>	<u>30,946,562</u>
6,357,579	14,289,260
186,759	
1,721,980	1,716,330
9,711,122	14,371
879,093	1,484,790
	1,012,492
	3,592,484
	2,146,286
	2,439,692
	2,647,378
8,847,751	784,217
<u>27,704,284</u>	<u>30,127,300</u>
<u>1,061,125</u>	<u>819,262</u>
1,555,713	330,591
(2,458,547)	(315,628)
	(20,278)
<u>(902,834)</u>	<u>(5,315)</u>
158,291	813,947
700,000	1,520,270
(685,270)	
16,477,754	
<u>16,650,775</u>	<u>2,334,217</u>
110,544,157	4,443,071
<u>\$ 127,194,932</u>	<u>\$ 6,777,288</u>

CITY OF PALM SPRINGS
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2007

	<u>Business-Type Activities - Enterprise Funds</u>		
	<u>Airport</u>	<u>Wastewater</u>	<u>Golf Course</u>
Cash Flows From Operating Activities:			
Cash received from customers	\$ 17,825,063	\$ 7,442,393	\$ 3,210,891
Cash received from user departments			
Cash payments to suppliers for goods and services	(6,283,321)	(3,173,351)	(2,793,544)
Cash payments to employees for services	(6,194,024)	(19,762)	(60,558)
Net Cash Provided by (Used)			
Operating Activities	5,347,718	4,249,280	356,789
Cash Flows from Noncapital Financing Activities:			
Cash received from other funds			700,000
Cash paid to other funds		(685,270)	
Net Cash Provided by (Used for) Noncapital			
Financing Activities		(685,270)	700,000
Cash Flows from Capital and Related Financing Activities:			
Cash paid for acquisition and construction			
of capital assets	(17,523,691)	(1,106,524)	
Proceeds from sale of capital assets			
Capital contributions received	16,477,754		
Principal paid on debt	(369,106)		(233,849)
Interest paid on debt	(1,401,558)		(851,923)
Repayment on capital lease obligations			
Net Cash Provided by (Used for) Capital and			
Related Financing Activities	(2,816,601)	(1,106,524)	(1,085,772)
Cash Flows from Investing Activities:			
Proceeds from sale and maturities of investments	1,410,748		
Interest received on investments	645,907	751,342	56,722
Net Cash Provided by (Used for)			
Investing Activities	2,056,655	751,342	56,722
Net Increase (Decrease) in Cash and			
Cash Equivalents	4,587,772	3,208,828	27,739
Cash and Cash Equivalents, Beginning	11,341,803	12,698,984	86,575
Cash and Cash Equivalents, Ending	<u>\$ 15,929,575</u>	<u>\$ 15,907,812</u>	<u>\$ 114,314</u>

See Accompanying Notes to Financial Statements.

Business-Type Activities Enterprise Funds	Governmental - Activities Internal Service
<u>Total</u>	<u>Total</u>
\$ 28,478,347	\$ 30,867,494
(12,250,216)	(18,977,878)
<u>(6,274,344)</u>	<u>(9,889,624)</u>
9,953,787	1,999,992
700,000	1,520,270
<u>(685,270)</u>	
14,730	1,520,270
(18,630,215)	(866,814)
16,477,754	7,505
(602,955)	(215,000)
(2,253,481)	(305,755)
	<u>(191,762)</u>
<u>(5,008,897)</u>	<u>(1,571,826)</u>
1,410,748	27,223
<u>1,453,971</u>	<u>300,203</u>
2,864,719	327,426
7,824,339	2,275,862
<u>24,127,362</u>	<u>5,132,403</u>
<u>\$ 31,951,701</u>	<u>\$ 7,408,265</u>

(Continued)

CITY OF PALM SPRINGS
Statement of Cash Flows
Proprietary Funds (Continued)
For the Year Ended June 30, 2007

	Business-Type Activities - Enterprise Funds		
	Airport	Wastewater	Golf Course
Reconciliation of Cash and Cash Equivalents to Amounts Reported on the Statement of Net Assets:			
Reported on the statement of net assets:			
Cash and investments	\$ 12,023,515	\$ 15,907,812	
Cash and investments with fiscal agent	3,906,060		\$ 1,255,160
Cash and Investments Reported on Statement of Net Assets	<u>15,929,575</u>	<u>15,907,812</u>	<u>1,255,160</u>
Less Noncash Equivalents			<u>(1,140,846)</u>
Cash and Cash Equivalents, Ending	<u>\$ 15,929,575</u>	<u>\$ 15,907,812</u>	<u>\$ 114,314</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for)			
Operating Activities:			
Operating Income (Loss)	<u>\$ (1,922,086)</u>	<u>\$ 2,797,094</u>	<u>\$ 186,117</u>
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:			
Depreciation	7,264,820	1,107,101	475,830
(Increase) Decrease in accounts receivable	(550,978)	(3,844)	(50)
(Increase) Decrease in due from other funds			
(Increase) Decrease in due from other governments	277,614	(9,804)	
(Increase) Decrease in inventories			
Increase (Decrease) in accounts payable	195,856	358,161	(12,089)
Increase (Decrease) in accrued wages payable	8,659	572	171
Increase (Decrease) in due to other funds			(293,190)
Increase (Decrease) in compensated absences	73,833		
Increase (Decrease) in claims and judgments payable			
Total Adjustments	<u>7,269,804</u>	<u>1,452,186</u>	<u>170,672</u>
Net Cash Provided by (Used for) Operating Activities	<u>\$ 5,347,718</u>	<u>\$ 4,249,280</u>	<u>\$ 356,789</u>
Noncash Capital, Financing and Investing Activities:			
Prepaid PERS Expense	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See Accompanying Notes to Financial Statements.

Business-Type Activities Enterprise Funds	Governmental - Activities Internal Service
<u>Total</u>	<u>Total</u>
\$ 27,931,327	\$ 7,408,265
<u>5,161,220</u>	<u>283,994</u>
33,092,547	7,692,259
<u>(1,140,846)</u>	<u>(283,994)</u>
<u>\$ 31,951,701</u>	<u>\$ 7,408,265</u>
<u>\$ 1,061,125</u>	<u>\$ 819,262</u>
8,847,751	784,217
(554,872)	(65,483)
267,810	(11,889)
	2,303
541,928	(11,902)
9,402	(2,865)
(293,190)	
73,833	25,319
	931,841
<u>8,892,662</u>	<u>1,180,730</u>
<u>\$ 9,953,787</u>	<u>\$ 1,999,992</u>
<u>\$ -</u>	<u>\$ 19,382,434</u>

CITY OF PALM SPRINGS
Statement of Fiduciary Funds
June 30, 2007

	Private-Purpose Trust Fund Historical Society	Agency Fund Special Deposits
<u>Assets</u>		
Cash and investments	\$ 250,000	\$ 1,614,249
<u>Liabilities and Net Assets</u>		
Liabilities:		
Deposits payable		\$ 1,614,249
Net Assets:		
Restricted for historical society	\$ 250,000	

See Accompanying Notes to Financial Statements.

CITY OF PALM SPRINGS
Statement of Changes in Fiduciary Net Assets
Private Purpose Trust Fund - Historical Society
For the Year Ended June 30, 2007

	<u>Private-Purpose Trust Fund Historical Society</u>
Additions:	
Investment income	<u>\$ 14,016</u>
Deletions:	
Library	<u>14,016</u>
Change in Net Assets	<u> </u>
Net Assets, Beginning	<u>250,000</u>
Net Assets, Ending	<u><u>\$ 250,000</u></u>

See Accompanying Notes to Financial Statements.

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CITY OF PALM SPRINGS
Notes to Financial Statements
June 30, 2007

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 principles are described below.

A. Description of 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, the financial statements of the City of Palm Springs include the financial activities of the City (the primary government), the Community Redevelopment Agency (Agency) of the City of Palm Springs, and the Palm Springs Financing Authority (Authority). These blended component units are discussed below and are included in the reporting entity because of the significance of their operation and financial relationship with the City.

Blended Component Units:

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

CITY OF PALM SPRINGS
Notes to Financial Statements (Continued)
June 30, 2007

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. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements and eliminations have been made to minimize the double counting of internal activities. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. 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 or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and the major individual enterprise fund are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when the liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

CITY OF PALM SPRINGS
Notes to Financial Statements (Continued)
June 30, 2007

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers tax revenues to be available if they are collected within 60 days of the end of the current fiscal year and other revenues when collected within one year of the end of the current fiscal year. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments are recorded only when payment is due.

The primary revenue sources susceptible to accrual are property taxes, sales taxes, highway user taxes, state gas tax subventions, franchise fees, transient occupancy tax, charges for services, and interest associated with the current fiscal period and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The City's fiduciary funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The Private Purpose Trust Fund and the Agency fund are reported using accrual basis of accounting.

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

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

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

Airport Fund - This fund is used to account for operations of the City's international airport.

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

CITY OF PALM SPRINGS
Notes to Financial Statements (Continued)
June 30, 2007

Golf Course Fund – This fund is used to account for operations of the City's two municipal golf courses.

Additionally, the City reports the following fund types:

Special Revenue Funds – Their funds are used to account for proceeds of specific revenue sources that are legally restricted or otherwise designated for specific purposes.

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

Fiduciary Funds:

Private-Purpose Trust Fund – This fund is used to account for monies held in trust by the City for various purposes related to the Palm Springs Historical Society.

Agency Fund – This fund is used to account for monies held for various purposes ranging from bid bonds to donations for animal shelter activities.

D. 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:	November 1, February 1
Delinquent Date	December 11, 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

CITY OF PALM SPRINGS
Notes to Financial Statements (Continued)
June 30, 2007

E. Budgetary Control and Accounting

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 \$20,656,005.

The City Manager and Assistant City Manager have authority to adjust the amounts appropriated between the departments and activities of a fund, objects with 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.

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. Expenditures exceeded appropriations in the Community Redevelopment Agency Debt Service Fund by \$1,291,592.

F. Cash and 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 three 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. Cash and Investments

Investments are reported 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. Changes in fair value that occur during a fiscal year are recognized as investment income reported for

CITY OF PALM SPRINGS
Notes to Financial Statements (Continued)
June 30, 2007

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.

H. 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.

I. 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 property, plant, equipment, infrastructure assets (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. 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:

Buildings and Improvements	3-60 Years
Machinery, Furniture and Equipment	3-20 Years
Motor Vehicles	5-30 Years
Meters, Metering vaults, Subsurface lines	50 Years
Infrastructure:	
Pavement	25 Years
Curbs and gutters	50 Years
Sidewalks	50 Years
Other	25-75 Years

CITY OF PALM SPRINGS
Notes to Financial Statements (Continued)
June 30, 2007

J. Land Held for Resale

Land held for resale represents land, structures, and their related improvements that were acquired for resale in accordance with the objective of the Redevelopment Project. Land held for resale is valued at the lower of cost or the estimated realizable value. A portion of fund balance is reserved for land held for resale to indicate that a portion of fund balance is not available for future expenditures.

K. Compensated Absences

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.

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 will be recorded in the government-wide financial statements. These noncurrent amounts will be recorded as fund expenditures in the year in which they paid or become due on demand to terminated employees.

L. 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.

M. Other Post-Employment 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 7.5 and 20 years. All employee groups are covered.

CITY OF PALM SPRINGS
Notes to Financial Statements (Continued)
June 30, 2007

N. 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, 2007 are classified in the accompanying financial statements as follows:

Statement of Net Assets:	
Cash and investments	\$ 98,709,869
Cash and investments held by fiscal agent	19,019,852
Fiduciary Funds:	
Cash and investments	<u>1,864,249</u>
Total Cash and Investments	<u><u>\$ 119,593,970</u></u>

Cash and investments as of June 30, 2007 consist of the following:

Cash on hand	\$ 2,925
Deposits with financial institutions	3,828,438
Investments	<u>115,762,607</u>
Total Cash and Investments	<u><u>\$ 119,593,970</u></u>

The City follows the practice of pooling cash and investments of all funds except for funds required to be held by outside fiscal agents under the provisions of bond indentures.

Interest income earned on pooled cash and investments is allocated quarterly to the general fund, certain designated Special Revenue Funds and Capital Projects funds based on the month-end cash and investment balances. Proceeds obtained from long-term debt issuances including construction, lease payment and reserve fund balances are held by the City or by fiscal agents on behalf of the City and invested in the City's name. Interest income on proceeds of debt is credited directly to the related fund, as defined by the Bond Indenture.

CITY OF PALM SPRINGS
Notes to Financial Statements (Continued)
June 30, 2007

Deposits

At June 30, 2007, the carrying amount of the City's demand deposits was \$1,837,068 and the bank balance was \$2,506,916. The \$669,848 difference represents outstanding checks, deposits in transit, and other reconciling items.

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

Under provisions of the City's investment policy and in accordance with Section 53601 of the California Government Code, the City may invest in the types of investments listed in the table below. The table also identifies certain provisions intended to limit the City's exposure to interest rate risk, credit risk, and concentration of credit risk.

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

<u>Authorized Investment Type</u>	<u>* Authorized by Investment Policy</u>	<u>*Maximum Maturity</u>	<u>* Maximum Percentages 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
Bankers' 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	30%
Reverse Purchase 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 Financial Statements (Continued)
June 30, 2007

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
Bankers' 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 Certificates of Deposit	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.

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.

CITY OF PALM SPRINGS
Notes to Financial Statements (Continued)
June 30, 2007

Investment Type	Fair Value	Remaining Maturity (in Months)			
		12 Months Or Less	13 to 24 Months	25-60 Months	More than 60 months
Negotiable Certificates of Deposit	\$ 4,000,000	\$ 4,000,000			
Local Agency Investment Fund	50,190,000	50,190,000			
Federal Agency Securities	37,094,648	8,748,952	\$ 23,911,355	\$ 4,434,341	
U.S. Treasury Notes	1,484,115	1,484,115			
Medium Term Notes	3,974,030	1,983,760		1,990,270	
Fiscal Agent: Investment Agreements	11,131,274				\$ 11,131,274
Mutual Funds - Money Market	7,888,540	7,888,540			
	<u>\$ 115,762,607</u>	<u>\$ 74,295,367</u>	<u>\$ 23,911,355</u>	<u>\$ 6,424,611</u>	<u>\$ 11,131,274</u>

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of 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.

Investment Type	Fair Value	Minimum Credit Rating	Rating as of Year End		
			AAA	AA1/AA	Not Rated
Negotiable Certificates of Deposit	\$ 4,000,000	N/A	\$ 4,000,000		
Local Agency Investment Fund	50,190,000	N/A			\$ 50,190,000
Federal Agency Securities	37,094,648	N/A	37,094,648		
U.S. Treasury Notes	1,484,115	N/A			1,484,115
Medium Term Notes	3,974,030	A		\$ 3,974,030	
Fiscal Agent: Investment Agreements	11,131,274	N/A	9,401,585	1,729,689	
Mutual Funds - Money Market	7,888,540	AAA	7,888,540		
Total	<u>\$ 115,762,607</u>		<u>\$ 58,384,773</u>	<u>\$ 5,703,719</u>	<u>\$ 51,674,115</u>

CITY OF PALM SPRINGS
Notes to Financial Statements (Continued)
June 30, 2007

Concentration of Credit Risk

The investment policy of the Entity contains no limitations on the amount that can be invested in anyone issuer beyond that stipulated by the California Government Code. Investments in anyone 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:

Issuer	Investment Type	Reported Amount
Federal Home Loan Bank	Federal Agency Securities	\$ 18,064,913
Federal National Mortgage Assn.	Federal Agency Securities	5,664,766
Federal Home Loan Mortgage Corp.	Federal Agency Securities	10,866,376
Federal Farm Credit Bank	Federal Agency Securities	2,000,000
Financing Corporation	Federal Agency Securities	498,593

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.

CITY OF PALM SPRINGS
Notes to Financial Statements (Continued)
June 30, 2007

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.

3. Interfund Receivables, Payables and Transfers

Interfund receivable and payable balances at June 30, 2007 are as follows:

	Due from Other Funds	Due to Other Funds
Nonmajor governmental funds	\$ 1,406,286	\$ 164,755
Proprietary Funds:		
Golf Course Enterprise Fund		1,241,531
Internal Service Fund	1,696	1,696
	\$ 1,407,982	\$ 1,407,982

Interfund balances are the result of short-term borrowing to cover negative cash balances at June 30, 2007.

CITY OF PALM SPRINGS
Notes to Financial Statements (Continued)
June 30, 2007

The City has authorized several interfund advances to be used for the operations of the funds receiving the advances. At June 30, 2007 the outstanding advances are:

	Advances to Other Funds	Advances from Other Funds
General Fund	\$ 3,221,785	
Debt Service Fund:		
Community Redevelopment Agency		\$ 5,102,811 (c)(d)
Internal Service Fund:		
Employee Benefits	1,430,000 (b)	
Enterprise Fund:		
Wastewater Treatment Plant	1,227,000	
Golf Course		2,640,000 (a)(b)
Nonmajor Special Revenue Fund:		
Low/Mod Housing Fund	1,864,026 (d)	
Totals	\$ 7,742,811	\$ 7,742,811

- (a) The Golf Course Fund initially received \$2,000,000 from the General Fund at 6% over 20 years. At June 30, 2007, the outstanding balance is \$1,210,000. The remaining balance of \$1,430,000 is owed to the Retiree Health fund and as of June 30, 2007 there has not been any repayment of this loan to the Retiree Health Fund.
- (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%. Of the outstanding advances totaling \$3,238,785, only the Low and Moderate Housing Loan of \$331,357 has a payment schedule.
- (d) The Community Redevelopment Agency Debt Service Fund received tax increment monies totaling \$1,864,026 that are owed to the Low and Moderate Housing Special Revenue Fund.

CITY OF PALM SPRINGS
Notes to Financial Statements (Continued)
June 30, 2007

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	Nonmajor Special Revenue Funds	\$ 600,000 (a)
Special Assessment		
Debt Service Fund	General Fund	150,000 (b)
General Debt Service Fund	General Fund	585,742 (c)
	Community Redevelopment Agency	
	Debt Service Fund	300,000 (d)
	Nonmajor Special Revenue Fund	5,605,916 (e)
Golf Course Enterprise Fund	Nonmajor Special Revenue Fund	700,000 (f)
Nonmajor Special Revenue Fund	General Fund	500,000 (g)
Nonmajor Capital Projects Fund	General Fund	840,000 (h)
	Community Redevelopment Agency	
	Debt Service Fund	2,011,785 (i)
	Nonmajor Special Revenue Fund	436,000 (j)
Internal Service Funds	General Fund	835,000 (k)
	Water Enterprise Fund	685,270 (l)
		<u>\$ 13,249,713</u>

- (a) The Gas Tax Special Revenue Fund transferred \$600,000 to the General Fund for reimbursement for street and traffic related costs.
- (b) The General Fund transferred \$150,000 to Special Assessment Debt Service to cover Series B debt service.
- (c) The General Fund transferred \$585,742 to the Debt Service Fund for various debt service costs.
- (d) The Community Redevelopment Debt Service Fund transferred \$300,000 to the General Debt Service Fund for the Convention Center debt service payment.
- (e) A Nonmajor special revenue fund transferred \$5,605,916 to the General Debt Service Fund for the Convention Center debt service payment.
- (f) Nonmajor Special Revenue Fund transferred \$700,000 to the Golf Course Fund to fund the operations of the golf course.
- (g) The General Fund transferred \$140,000 to the Masterlease Fund and \$360,000 to the Parking Fund to cover operational expenses.
- (h) The General Fund transferred \$540,000 to the Capital Projects Fund for reimbursement of general capital projects expenditures and \$300,000 for Measure Y.
- (i) The Community Redevelopment Debt Service Fund transferred \$2,011,785 to the Capital Project Fund to cover operating and capital expenditures.
- (j) Nonmajor Special Revenue Fund transferred \$436,000 to the Capital Projects Fund for reimbursement of capital projects expenditures.

CITY OF PALM SPRINGS
Notes to Financial Statements (Continued)
June 30, 2007

- (k) The General Fund transferred \$835,000 to the Retiree Health Insurance Fund to cover the cost of retiree health insurance.
- (l) The Wastewater Enterprise Fund transferred \$685,270 to the Motor Vehicle internal service fund for the purchase of vehicles.

4. Capital Assets

A summary of changes in capital assets activity for the year ended June 30, 2007 is as follows:

Governmental Activities	Balance at June 30, 2006	Increases	Decreases	Balance at June 30, 2007
Capital Assets not Being Depreciated:				
Land	\$ 15,967,140			\$ 15,967,140
Construction in progress	4,053,834		\$ (3,664,278)	389,556
Right-of-way	14,614,496			14,614,496
Total Capital Assets, not Being Depreciated	<u>34,635,470</u>		<u>(3,664,278)</u>	<u>30,971,192</u>
Capital Assets being Depreciated:				
Buildings	67,269,730			67,269,730
Improvements	67,416,337	\$ 1,637,721		69,054,058
Furniture and equipment	8,618,247	789,761		9,408,008
Vehicles	11,382,402	755,843	(102,245)	12,036,000
Infrastructure:				
Pavement	94,586,167	1,458,666		96,044,833
Curbs and gutters	36,657,668	123,382		36,781,050
Sidewalks	17,404,878	25,086		17,429,964
Other	17,001,303	4,747,481		21,748,784
Total Capital Assets, Being Depreciated	<u>320,336,732</u>	<u>9,537,940</u>	<u>(102,245)</u>	<u>329,772,427</u>
Less Accumulated Depreciation for:				
Buildings	(29,383,606)	(1,292,208)		(30,675,814)
Improvements	(14,023,384)	(3,131,139)		(17,154,523)
Furniture and equipment	(6,416,148)	(540,515)		(6,956,663)
Vehicles	(7,206,811)	(593,552)	74,463	(7,725,900)
Infrastructure:				
Pavement	(54,613,762)	(3,783,199)		(58,396,961)
Curbs and gutters	(10,133,801)	(678,863)		(10,812,664)
Sidewalks	(4,811,882)	(351,521)		(5,163,403)
Other	(5,847,107)	(756,387)		(6,603,494)
Total Accumulated Depreciation	<u>(132,436,501)</u>	<u>(11,127,385)</u>	<u>74,463</u>	<u>(143,489,423)</u>
Total Capital Assets, Being Depreciated, Net	<u>187,900,231</u>	<u>(1,589,445)</u>	<u>(27,782)</u>	<u>186,283,004</u>
Governmental Activities Capital Assets, Net	<u>\$ 222,535,701</u>	<u>\$ (1,589,445)</u>	<u>\$ (3,692,060)</u>	<u>\$ 217,254,196</u>

CITY OF PALM SPRINGS
Notes to Financial Statements (Continued)
June 30, 2007

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

General government	\$ 323,440
Cultural and convention center	3,189,179
Public safety	965,260
Public works	6,100,696
Parks and recreation	393,838
Library	<u>154,972</u>
Total Depreciation	<u><u>\$ 11,127,385</u></u>

Business-type Activities	Balance at June 30, 2006	Increases	Decreases	Balance at June 30, 2007
Capital Assets, not Being Depreciated:				
Land	\$ 36,727,608			\$ 36,727,608
Construction in progress	<u>2,000,559</u>			<u>2,000,559</u>
Total Capital Assets, not Being Depreciated	<u>38,728,167</u>			<u>38,728,167</u>
Capital assets Being Depreciated:				
Buildings	35,102,016	\$ 1,106,524		36,208,540
Improvements	138,604,836	17,378,308		155,983,144
Machinery and equipment	1,793,200	8,800		1,802,000
Motor vehicles	2,285,846	136,582		2,422,428
Subsurface lines	<u>26,291,171</u>			<u>26,291,171</u>
Total Capital Assets Being Depreciated	<u>204,077,069</u>	<u>18,630,214</u>		<u>222,707,283</u>
Less Accumulated Depreciation for:				
Buildings	(22,357,459)	(989,802)		(23,347,261)
Improvements	(74,453,329)	(7,060,838)		(81,514,167)
Machinery and equipment	(1,389,778)	(124,216)		(1,513,994)
Motor vehicles	(535,354)	(147,072)		(682,426)
Subsurface lines	<u>(14,802,628)</u>	<u>(525,823)</u>		<u>(15,328,451)</u>
Total Accumulated Depreciation	<u>(113,538,548)</u>	<u>(8,847,751)</u>		<u>(122,386,299)</u>
Total Capital Assets, Being Depreciated, Net	<u>90,538,521</u>	<u>9,782,463</u>		<u>100,320,984</u>
Business-type Activities, Capital Assets, Net	<u><u>\$ 129,266,688</u></u>	<u><u>\$ 9,782,463</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 139,049,151</u></u>

CITY OF PALM SPRINGS
Notes to Financial Statements (Continued)
June 30, 2007

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

Airport	\$	7,264,820
Wastewater		1,107,101
Golf course		475,830
Total Depreciation	\$	8,847,751

5. Accumulated Fund Deficits

The following funds reported deficits in fund balances/net assets as of June 30, 2007:

		Deficit Balance
Major Funds:		
Golf Course Fund	\$	(7,362,211)
Internal Service Funds:		
Risk Management Fund		(313,690)
Cogeneration Plant Fund		(1,305,212)

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

Golf Course Enterprise Fund

The deficit in net assets of \$7,362,211 was a result of prior year's 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.

Risk Management Internal Service Fund:

The deficit in net assets of \$313,690 is due to an increase in the estimated cost of workers' 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 \$1,305,212 deficit in net assets constitutes a cumulative gain of \$316,126 since the opening of the plant and a one-time noncash loss and expense related to the advance refunding of the 1984 Cogeneration Facilities and Police Building

CITY OF PALM SPRINGS
Notes to Financial Statements (Continued)
June 30, 2007

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.

6. Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2007 (including unamortized discounts and refunding costs) are as follows:

Governmental Activities	Balance at June 30, 2006	Additions	Deletions	Balance at June 30, 2007	Due within One Year
Compensated absences payable	\$ 5,353,115	\$ 4,062,058	\$ (3,384,352)	\$ 6,030,821	\$ 3,015,410
Special assessment debt with government commitment	13,031,000		(815,000)	12,216,000	946,000
Capital lease obligations	563,465		(191,930)	371,535	197,427
Notes payable	134,583		(15,993)	118,590	16,949
Bonds Payable:					
2001 Housing Tax Allocation Bonds	4,995,000		(220,000)	4,775,000	230,000
2004 Tax Allocation Bonds, Series A	13,270,000		(370,000)	12,900,000	380,000
2004 Tax Allocation Bonds, Series B	8,685,000		(140,000)	8,545,000	145,000
1991 Lease Revenue Bonds	3,293,108	212,960	(1,215,000)	2,291,068	1,215,000
2001 Lease Revenue Bonds	26,230,000			26,230,000	
2004 Lease Revenue Bonds	61,515,000		(3,945,000)	57,570,000	465,000
2007 Pension Obligation Bonds		19,832,588		19,832,588	
Certificates of Participation:					
1996 Multiple Capital Facilities Refunding Certificates of Participation	6,635,000		(270,000)	6,365,000	285,000
Unamortized discount	(70,540)	3,527		(67,013)	
1998 Multiple Capital Facilities Refunding Certificates of Participation	2,130,000		(200,000)	1,930,000	210,000
2002 Taxable Variable Rate Certificates of Participation	8,000,000			8,000,000	
Total Governmental Long-term Liabilities, Net	<u>\$ 153,764,731</u>	<u>\$ 24,111,133</u>	<u>\$ (10,767,275)</u>	<u>\$ 167,108,589</u>	<u>\$ 7,105,786</u>

The above schedule includes \$371,535 of capital lease obligations, \$168,323 of compensated absences payable, \$4,237,987 of certificates of participation and \$19,832,588 of pension obligation bonds recorded in the City's internal service funds. Governmental compensated absences are generally liquidated by the general fund.

CITY OF PALM SPRINGS
Notes to Financial Statements (Continued)
June 30, 2007

<u>Business-type Activities</u>	<u>Balance at June 30, 2006</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at June 30, 2007</u>	<u>Due in One Year</u>
Compensated Absences	\$ 548,206	\$ 416,023	\$ (342,190)	\$ 622,039	\$ 311,019
Bonds Payable:					
1998 Airport Revenue Bonds	7,310,000		(185,000)	7,125,000	\$ 195,000
1998 Airport PFC Revenue Bonds	10,960,000		(275,000)	10,685,000	290,000
2006 Airport PFC Revenue Bonds	12,115,000			12,115,000	310,000
	30,385,000		(460,000)	29,925,000	795,000
Unamortized Discount	(603,805)	27,945		(575,860)	
Unamortized Refund Charge	(667,594)	44,506		(623,088)	
Bonds Payable, Net	29,113,601	72,451	(460,000)	28,726,052	795,000
Certificates of Participation:					
1996 Multiple Capital Facilities Refunding Certificates of Participation	13,075,000		(345,000)	12,730,000	360,000
Unamortized Discount	(181,106)	9,056		(172,050)	
Unamortized Refund Charge	(1,105,703)	85,056		(1,020,647)	
1996 MCF- Certificates of Participation, Net	11,788,191	94,112	(345,000)	11,537,303	360,000
Total Business-type Long-term Liabilities	<u>\$ 41,449,998</u>	<u>\$ 582,586</u>	<u>\$ (1,147,190)</u>	<u>\$ 40,885,394</u>	<u>\$ 1,466,019</u>

Special Assessment Debt with Government Commitment

At June 30, 2007, the City of Palm Springs has five outstanding Assessment District (A.D.) Improvement Bonds ("Bonds") issued in the aggregate amount of \$12,216,000 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.

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, 2007.

\$1,570,000

CITY OF PALM SPRINGS
Notes to Financial Statements (Continued)
June 30, 2007

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 30,2007.

1,055,000

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, 2007.

4,515,000

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, 2007.

1,270,000

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, 2007.

3,806,000

Total Special Assessment Debt with Government Commitment

\$12,216,000

CITY OF PALM SPRINGS
Notes to Financial Statements (Continued)
June 30, 2007

Annual requirements to amortize outstanding special assessment debt as of June 30, 2007 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
2008	\$ 485,000	\$ 70,700	\$ 210,000	\$ 51,220	\$ 120,000	\$ 225,728	\$ 35,000	\$ 63,550	\$ 96,000	\$ 179,704
2009	500,000	44,839	215,000	40,275	120,000	222,368	35,000	62,474	95,000	176,696
2010	585,000	15,795	225,000	28,610	125,000	218,505	35,000	61,275	100,000	173,279
2011			235,000	16,073	130,000	214,102	35,000	59,971	105,000	169,381
2012			80,000	7,370	135,000	209,130	40,000	58,478	105,000	165,208
2013-2017			90,000	2,565	755,000	952,256	210,000	265,466	600,000	752,681
2018-2022					960,000	741,740	270,000	207,018	760,000	594,806
2023-2027					1,240,000	444,107	355,000	123,291	975,000	379,624
2028-2031					930,000	80,512	255,000	21,980	970,000	103,000
Total	\$ 1,570,000	\$ 131,334	\$ 1,055,000	\$ 146,113	\$ 4,515,000	\$ 3,308,448	\$ 1,270,000	\$ 923,503	\$ 3,806,000	\$ 2,694,379

Capital Lease Obligations

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, 2007 is \$199,560.

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, 2007 is \$171,975.

CITY OF PALM SPRINGS
Notes to Financial Statements (Continued)
June 30, 2007

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

Year Ending <u>June 30</u>	Master <u>Lease # 1</u>	Master <u>Lease # 4</u>	<u>Total</u>
2008	\$ 139,449	\$ 74,654	\$ 214,103
2009	69,724	74,654	144,378
2010		37,327	37,327
Subtotal	209,173	186,635	395,808
Less: Amount representing interest	<u>(9,613)</u>	<u>(14,660)</u>	<u>(24,273)</u>
Total	<u>\$ 199,560</u>	<u>\$ 171,975</u>	<u>\$ 371,535</u>

Notes Payable

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.

\$118,590

Annual requirements to amortize outstanding notes payable as of June 30, 2007 is as follows:

Year Ending <u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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>\$ 118,590</u>	<u>\$ 24,406</u>	<u>\$ 142,996</u>

CITY OF PALM SPRINGS
Notes to Financial Statements (Continued)
June 30, 2007

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.

The required reserve for the 2001 Housing Tax Allocation Bonds is \$468,105 and as of June 30, 2007 the reserve was fully funded. The amount of bonds outstanding at June 30, 2007 is \$4,775,000.

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, 2007, both reserves were fully funded. The amount of bonds outstanding at June 30, 2007 for the 2004 Series A and B bonds is \$12,900,000 and \$8,545,000 respectively.

CITY OF PALM SPRINGS
Notes to Financial Statements (Continued)
June 30, 2007

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

The remaining 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, 2007 is \$2,291,068.

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. The amount of bonds outstanding at June 30, 2007 is \$26,230,000.

CITY OF PALM SPRINGS
Notes to Financial Statements (Continued)
June 30, 2007

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. The required reserve for the 1991, 2001 and 2004 Convention Center Lease Revenue Bonds is \$5,871,080. At June 30, 2007, the reserve fund was fully funded. The amount of bonds outstanding at June 20, 2007 is \$57,570,000.

Annual requirements to amortize outstanding bonds payable (excluding unamortized accretion of \$213,932) as of June 30, 2007 are as follows:

Fiscal Year Ending June 30	2001 Housing Bond		2004 Series A and B Revenue Bonds		Convention Center Lease Revenue Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2008	\$ 230,000	\$ 233,070	\$ 525,000	\$ 1,111,584	\$ 1,680,000	\$ 4,379,313
2009	235,000	224,000	545,000	1,091,134	1,770,000	4,360,412
2010	245,000	214,094	570,000	1,068,834	1,495,000	4,320,913
2011	255,000	203,278	590,000	1,045,634	1,555,000	4,256,612
2012	270,000	191,593	610,000	1,020,509	1,625,000	4,186,263
2013-2017	1,550,000	744,951	3,545,000	4,610,045	9,425,000	19,668,269
2018-2022	1,990,000	283,747	4,530,000	3,583,852	12,270,000	16,872,893
2023-2027			3,975,000	2,332,299	15,685,000	13,332,357
2028-2032			3,755,000	1,344,211	20,230,000	8,557,175
2033-2036			2,800,000	243,362	20,570,000	2,338,600
Total	<u>\$ 4,775,000</u>	<u>\$ 2,094,733</u>	<u>\$ 21,445,000</u>	<u>\$ 17,451,464</u>	<u>\$ 86,305,000</u>	<u>\$ 82,272,807</u>

2007 Taxable Pension Obligation Bonds

On April 1, 2007, the City of Palm Springs pursuant to an Agreement with the California Statewide Communities Development Authority issued \$19,832,588 of Pension Obligation Bonds. The aggregate total amount of the bonds for all agencies were \$87,475,699 which includes \$65,140,000 of Series A-1 current interest and \$22,335,699 of Series A-2 capital appreciation bonds. The issuance of the bonds will provide monies to meet the City's obligation to pay the City's unfunded accrued actuarial liability ("UAAL") to the California Public Employees Retirement System ("PERS"). The City's obligation includes, among others, the requirement to amortize the unfunded accrued liability over a multi-year period. On April 1, 2007, the City contributed \$19,382,434 of the bond proceeds to PERS to fund a portion of the unfunded liability for the Miscellaneous and Safety Plans that provides retirement benefits to the City employees and public safety officers.

CITY OF PALM SPRINGS
Notes to Financial Statements (Continued)
June 30, 2007

Interest on Series A-1 Current Interest Bonds of \$14,790,000, is payable on June 1 and December 1, commencing December 1, 2007. The rate of interest varies from 5.37% to 5.56% per annum. Principal is payable in annual installments ranging from \$605,000 to \$2,430,000 commencing on June 1, 2019 and ending on June 1, 2035. The balance outstanding as of June 30, 2007 was \$19,832,588.

Optional Redemption: The Series A-1 Current Interest Bonds maturing on or before June 1, 2017 will not be subject to optional redemption. The bonds maturing on June 2, 2021, June 1, 2026 and June 1, 2035 are subject to optional redemption prior to maturity at the option of the Authority, or in part on any date at a redemption price equal to the greater of (1) 100% of principal to be redeemed or (2) present value of the remaining debt service discounted at Treasury Rate plus 12.5 basis points, plus accrued and unpaid interest on the Redeemable Term Bonds being redeemed to the date fixed for redemption.

Year Ending June 30	Series A-1		Series A-2	
	Principal	Interest	Principal	Interest
2008		\$ 914,216		
2009		814,648	\$ 121,165	\$ 13,835
2010		814,648	153,529	26,471
2011		814,648	174,273	40,727
2012		814,648	200,182	59,818
2013-2017		4,073,238	1,292,927	712,073
2018-2022	\$ 2,090,000	3,858,706	683,061	756,949
2023-2027	4,205,000	2,990,818	584,207	1,145,793
2028-2032	1,835,000	2,359,062	1,833,244	4,696,756
2033-2035	6,660,000	762,842		
Total	\$ 14,790,000	\$ 18,217,471	\$ 5,042,588	\$ 7,452,422

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.

CITY OF PALM SPRINGS
Notes to Financial Statements (Continued)
June 30, 2007

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, 2007 are reflected in the accompanying financial statements as follows:

	<u>Balance at June 30, 2007</u>
Governmental Activities:	
Police building project	\$ 2,060,000
Cogeneration plant fund	4,305,000
Less Unamortized Discount	<u>(67,013)</u>
Total Governmental Activities	<u>\$ 6,297,987</u>
Business-type Activities:	
Golf Course fund	\$ 12,730,000
Less Unamortized Discount and Refunding Charges	<u>(1,192,699)</u>
Total Business-type Activities	<u>\$ 11,537,301</u>

CITY OF PALM SPRINGS
Notes to Financial Statements (Continued)
June 30, 2007

1998 Multiple Capital Facilities Certificates

On September 17, 1998, the Palm Springs Financing Authority 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, 2007, the reserve fund was fully funded. The entire amount of 1998 certificates outstanding are reflected as governmental activities at June 30, 2007 in the amount of \$1,930,000.

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 variable interest rate 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, 2007, the outstanding balance is \$8,000,000.

CITY OF PALM SPRINGS
Notes to Financial Statements (Continued)
June 30, 2007

Future requirements to amortize outstanding certificates of participation as of June 30, 2007 are as follows:

Fiscal Year Ending June 30	1996 Multiple Capital Facilities		1998 Multiple Capital Facilities		2002 Taxable Variable Rate	
	Principal	Interest	Principal	Interest	Principal	Interest
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
2013-2017	3,935,000	4,007,948	805,000	79,590	1,605,000	478,940
2018-2022	4,985,000	2,784,724			2,440,000	340,900
2023-2027	6,585,000	1,178,462			3,345,000	146,300
Total	<u>\$ 19,095,000</u>	<u>\$ 13,023,280</u>	<u>\$ 1,930,000</u>	<u>\$ 432,245</u>	<u>\$ 8,000,000</u>	<u>\$ 1,517,950</u>

Business-type Activities:

Bonds Payable

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 accrues interest at a rate of 5.25% and matures 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.

CITY OF PALM SPRINGS
Notes to Financial Statements (Continued)
June 30, 2007

The required reserve for the 1998 Airport Revenue Bonds is \$561,221. At June 30, 2007, the reserve fund was fully funded. The amount of bonds outstanding at June 30, 2007 is \$6,947,729, plus \$177,271 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.

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

CITY OF PALM SPRINGS
Notes to Financial Statements (Continued)
June 30, 2007

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, 2007, the reserve fund was fully funded. The amount of bonds outstanding at June 30, 2007 is \$10,505,100, plus \$179,900 of unamortized discount.

2006 Airport Passenger Facility Charge Revenue Bonds

On April 19, 2006, the City 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.

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:

Redemption Dates	Redemption Prices
Each July 1 prior to July 1, 2014	103%
July 1, 2014	102%
July 1, 2015	101%
July 1, 2016 and thereafter	100%

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

CITY OF PALM SPRINGS
Notes to Financial Statements (Continued)
June 30, 2007

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:

Redemption Dates	Redemption Prices
July 1, 2014 through June 30, 2015	102%
July 1, 2015 through June 30, 2016	101%
July 1, 2016 and thereafter	100%

The required reserve for the 2006 Airport Passenger Facility Charge Revenue Bonds is \$962,168. At June 30, 2007, the reserve fund was fully funded. The amount of bonds outstanding at June 30, 2007 is \$11,273,223, plus \$218,689 of unamortized discount and \$623,088 of deferred refunding charges.

Future requirements to amortize outstanding business-type bonds payable (excluding \$575,860 of unamortized discounts and \$623,088 of deferred refunding charges) as of June 30, 2007 are as follows:

Fiscal Year Ending June 30	1998 Airport Bonds		1998 PFC Airport Bonds		2006 PFC Airport Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2008	\$ 195,000	\$ 369,089	\$ 290,000	\$ 564,363	\$ 310,000	\$ 643,938
2009	205,000	359,729	305,000	550,443	325,000	629,643
2010	215,000	349,479	320,000	535,193	340,000	614,007
2011	225,000	338,729	335,000	519,193	355,000	597,150
2012	235,000	327,479	355,000	502,443	370,000	579,203
2013-2017	1,385,000	1,442,425	2,070,000	2,220,020	2,165,000	2,579,189
2018-2022	1,790,000	1,045,927	2,680,000	1,627,476	2,810,000	1,911,625
2023-2027	2,330,000	522,639	3,505,000	826,650	3,670,000	1,022,586
2028-2029	545,000	28,613	825,000	45,375	1,770,000	99,622
Total	\$ 7,125,000	\$ 4,784,109	\$ 10,685,000	\$ 7,391,156	\$ 12,115,000	\$ 8,676,963

7. 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 Everest National Insurance Company (ENIC) or general liability claims. Under this policy, ENIC 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.

CITY OF PALM SPRINGS
Notes to Financial Statements (Continued)
June 30, 2007

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

The claims and judgments liability reported in the Internal Service Risk Management Fund is based on the requirements of Governmental Accounting Standards Board Statements 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, 2007, claims and judgments payable, including estimated claims for incurred but not reported claims, amounted to \$5,182,681, of which \$1,036,536 represents the current portion.

Changes in the claims and judgments payable amounts in fiscal years ended June 30, 2006 and 2007 for the Risk Management Fund are as follows:

Fiscal Year Ending	Beginning of Fiscal Year Liability	Claims and Change in Estimates	Claims Payments	Balance at Fiscal Year End
2005-2006	\$ 4,167,475	\$ 2,311,877	\$ (2,228,512)	\$ 4,250,840
2006-2007	4,250,840	3,448,540	(2,516,699)	5,182,681

8. Defined Benefit Pension Plan (PERS)

A. California Public Employees' Retirement System Plan Description

The City contributes to the California Public Employees' Retirement System (PERS), an agent multiple-employer public employee defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, 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. Benefit provisions and all other requirements are established by state statute and city ordinance. Copies of PERS' annual financial report may be obtained from their Executive Office – 400 P Street – Sacramento, CA 95814.

CITY OF PALM SPRINGS
Notes to Financial Statements (Continued)
June 30, 2007

Participants are required to contribute 8% (9% for safety employees) of their annual covered salary. The City makes the contributions required of City employees on their behalf and for their account. The City is required to contribute at an actuarially determined rate; the current rate is 7.649% for non-safety employees, and 22.84% for safety employees, of annual covered payroll. The contribution requirements of plan members and the City are established and may be amended by PERS.

For fiscal year 2006-2007, the City's annual pension cost was \$8,556,922. The required contribution was determined as part of the June 30, 2006, actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) 7.75% investment rate of return (net of administrative expenses), (b) projected annual salary increases that vary by duration of service, and (c) 3.25% per year cost-of-living adjustments. Both (a) and (b) included an inflation component of 3%.

The actuarial value of PERS assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a three-year period (smoothed market value). PERS unfunded actuarial accrued liability is being amortized as a level percent of projected payroll on a closed basis. The amortization period was 32 years for both miscellaneous plan and safety plan.

TREND INFORMATION FOR PERS

Schedule of Employer Contributions (\$ Amount in Thousands)

<u>Fiscal Year</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/05	\$ 6,498	100%	\$ -
6/30/06	7,933	100%	-
6/30/07	8,557	100%	-

9. Leasehold Interest

SENCA Palm Springs, Inc., a California Corporation, was the lessee under Business Lease No. PSL-315 and a certain letter dated May I, 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 Financial Statements (Continued)
June 30, 2007

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 SENCA'S right, title and interest in and to 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 20th 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.

10. Subsequent Events

In July of 2007 the City issued \$20,365,000 Refunding Lease Revenue Bonds through the City of Palm Springs Financing Authority. The bonds were used to refund the 1996 and 1998 Refunding Certificates of Participation (Multiple Capital Facilities Project). The Community Redevelopment Agency issued \$12,770,000 in Tax Allocation Bonds (Series A) for various public facility improvements in September of 2007. Also in September of 2007, the Community Redevelopment Agency also issued \$8,405,000 in Taxable Tax Allocation Bonds (Series B & C) for the purchase of the leasehold interest of property next to the Convention Center.

REQUIRED SUPPLEMENTARY INFORMATION



New Convention Center



REQUIRED SUPPLEMENTARY INFORMATION
(Unaudited)

CITY OF PALM SPRINGS
Required Supplementary Information (Unaudited)
June 30, 2007

1. California Public Employees' Retirement System (PERS): - most recent data available

Schedule of Funding Progress (\$ Amount in Thousands)

Actuarial Valuation Date	Entry Age Actuarial Accrued Liability (a)	Actuarial Asset Value (b)	Unfunded AAL (UAAL) [(a) - (b)]	Funded Ratio [(a)/(b)]	Covered Payroll (c)	UAAL as a % of Covered Payroll {(b)-(a)/(c)}
06/30/04						
Misc.	\$ 104,092	\$ 86,338	\$ 17,754	82.9%	\$ 15,567	114.0%
Safety	122,667	99,485	23,182	81.1%	10,642	217.8%
Total	<u>\$ 226,759</u>	<u>\$ 185,823</u>	<u>\$ 40,936</u>	<u>93.0%</u>	<u>\$ 26,209</u>	<u>156.2%</u>
06/30/05						
Misc.	\$ 110,863	\$ 92,477	\$ 18,386	83.4%	\$ 15,692	117.2%
Safety	129,917	107,401	22,516	82.7%	9,806	229.6%
Total	<u>\$ 240,780</u>	<u>\$ 199,878</u>	<u>\$ 40,902</u>	<u>93.0%</u>	<u>\$ 25,498</u>	<u>160.4%</u>
06/30/06						
Misc.	\$ 117,385	\$ 99,789	\$ 17,596	85.0%	\$ 16,733	105.2%
Safety	138,621	115,168	23,453	83.1%	11,006	213.1%
Total	<u>\$ 256,006</u>	<u>\$ 214,957</u>	<u>\$ 41,049</u>	<u>93.0%</u>	<u>\$ 27,739</u>	<u>148.0%</u>

CITY OF PALM SPRINGS
 Budgetary Comparison Schedule
 General Fund
 For the Year Ended June 30, 2007

	Budget Original	Budget Final	Actual	Variance Positive (Negative)
Revenues:				
Taxes	\$ 37,904,760	\$ 37,904,760	\$ 39,853,321	\$ 1,948,561
Licenses and permits	3,546,300	3,579,837	3,629,406	49,569
Fines and penalties	363,800	383,800	501,950	118,150
Investment income	215,000	215,000	545,365	330,365
Rental income	509,500	509,500	615,285	105,785
Intergovernmental	4,665,186	5,033,694	5,589,720	556,026
Charges for services	5,336,796	5,387,208	5,391,377	4,169
Transient occupancy taxes	6,290,000	6,290,000	6,324,004	34,004
Donations and contributions		34,575	37,637	3,062
Miscellaneous	215,000	239,255	422,079	182,824
Total Revenues	59,046,342	59,577,629	62,910,144	3,332,515
Expenditures:				
Current:				
General government	8,760,168	8,781,809	8,084,032	697,777
Public safety	28,506,810	30,403,232	29,894,888	508,344
Public works	8,525,945	9,021,130	8,045,078	976,052
Parks and recreation	5,435,856	5,525,788	5,646,410	(120,622)
Library	2,411,726	2,503,073	2,202,037	301,036
Total Expenditures	53,640,505	56,235,032	53,872,445	2,362,587
Excess (Deficiency) of Revenues Over (Under) Expenditures	5,405,837	3,342,597	9,037,699	5,695,102
Other Financing Sources (Uses):				
Transfers in	600,000	600,000	600,000	
Transfers out	(2,910,742)	(2,910,742)	(2,910,742)	
Total Other Financing Sources (Uses)	(2,310,742)	(2,310,742)	(2,310,742)	
Net Change in Fund Balance	3,095,095	1,031,855	6,726,957	5,695,102
Fund Balance, Beginning	6,465,072	6,465,072	6,465,072	
Fund Balance, Ending	\$ 9,560,167	\$ 7,496,927	\$ 13,192,029	\$ 5,695,102

See Accompanying Note to Required Supplementary Information.

CITY OF PALM SPRINGS
Note to Required Supplementary Information
June 30, 2007

1. Budgetary Control and Accounting

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.

The City Manager and Assistant City Manager have authority to adjust the amounts appropriated between the departments and activities of a fund, objects with 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.

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



New Convention Center



SUPPLEMENTARY INFORMATION

CITY OF PALM SPRINGS
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Special Assessment Debt Service Fund
For the Year Ended June 30, 2007

	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
Revenues:			
Investment income	\$ 70,224	\$ 133,073	\$ 62,849
Special assessments	1,109,658	1,509,159	399,501
Miscellaneous	208,000	358,768	150,768
Total Revenues	<u>1,387,882</u>	<u>2,001,000</u>	<u>613,118</u>
Expenditures:			
Current:			
General government	87,188	60,783	26,405
Public works	1,103,459	359,901	743,558
Debt service:			
Principal	815,000	815,000	
Interest	681,147	619,335	61,812
Total Expenditures	<u>2,686,795</u>	<u>1,855,019</u>	<u>831,776</u>
Excess (Deficiency) of Revenues Over Expenditures	(1,298,913)	145,981	1,444,894
Other Financing Sources (Uses):			
Transfers in		150,000	150,000
Net Change in Fund Balance	(1,298,913)	295,981	1,594,894
Fund Balance, Beginning of Year	<u>3,276,560</u>	<u>3,276,560</u>	
Fund Balance, End of Year	<u>\$ 1,977,647</u>	<u>\$ 3,572,541</u>	<u>\$ 1,594,894</u>

CITY OF PALM SPRINGS
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Community Redevelopment Agency Debt Service Fund
For the Year Ended June 30, 2007

	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
Revenues:			
Taxes	\$ 13,609,000	\$ 12,027,457	\$ (1,581,543)
Investment income	80,000	111,381	31,381
Miscellaneous		568,771	568,771
Total Revenues	<u>13,689,000</u>	<u>12,707,609</u>	<u>(981,391)</u>
Expenditures:			
Current:			
General government	4,086,444		4,086,444
Debt service:			
Principal		510,000	(510,000)
Interest		1,305,620	(1,305,620)
Pass-through payments	4,949,884	5,505,436	(555,552)
Total Expenditures	<u>9,036,328</u>	<u>7,321,056</u>	<u>1,715,272</u>
Excess (Deficiency) of Revenues Over Expenditures	4,652,672	5,386,553	733,881
Other Financing Sources (Uses):			
Transfers out		(2,311,785)	(2,311,785)
Net Change in Fund Balance	4,652,672	3,074,768	(1,577,904)
Fund Balance (Deficit), Beginning of Year	<u>(433,447)</u>	<u>(433,447)</u>	
Fund Balance, End of Year	<u>\$ 4,219,225</u>	<u>\$ 2,641,321</u>	<u>\$ (1,577,904)</u>

CITY OF PALM SPRINGS
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
General Debt Service
For the Year Ended June 30, 2007

	<u>Budget Final</u>	<u>Actual Amount</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Investment income	\$ 235,000	\$ 195,920	\$ (39,080)
Total Revenues	<u>235,000</u>	<u>195,920</u>	<u>(39,080)</u>
Expenditures:			
Current:			
General government	3,000	2,000	1,000
Lease	401,000	401,000	
Debt service:			
Principal	5,277,726	5,277,726	
Interest	<u>5,156,966</u>	<u>5,135,416</u>	<u>21,550</u>
Total Expenditures	<u>10,838,692</u>	<u>10,816,142</u>	<u>22,550</u>
Excess (Deficiency) of Revenues Over Expenditures	(10,603,692)	(10,620,222)	(16,530)
Other Financing Sources (Uses):			
Transfers in	<u>6,491,658</u>	<u>6,491,658</u>	
Net Change in Fund Balances	(4,112,034)	(4,128,564)	(16,530)
Fund Balances, Beginning	<u>10,312,153</u>	<u>10,312,153</u>	
Fund Balances, Ending	<u><u>\$ 6,200,119</u></u>	<u><u>\$ 6,183,589</u></u>	<u><u>\$ (16,530)</u></u>

DESCRIPTIONS OF NONMAJOR GOVERNMENTAL FUNDS

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 Nonmajor 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 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 areas.

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 – AB939 Fund – To account for revenues and costs 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 revenues 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 ½ % sales tax to be used for street maintenance and improvements only.

DESCRIPTIONS OF NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)

SPECIAL REVENUE FUNDS

Drainage Construction Fund – To account for revenue received from fees assessed on new construction for the purposes 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 the Quimby Act Park Fees which are intended to pay for future parks and recreational activities.

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.

CFD Public Safety #1 – To account for revenues and related costs pertaining to special taxes levied in a community facilities district within the City.

DESCRIPTIONS OF NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)

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.

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

Parking Projects Fund – To account for payments into the Fund from In Lieu parking fees 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
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2007

	Special Revenue Funds		
<u>Assets</u>	Community Promotion	Forfeiture	Safety Augmentation
Cash and investments	\$ 2,764,846	\$ 782,411	\$ 665,555
Cash and investments with fiscal agent			
Deposits	200,000		
Receivables:			
Accounts	1,155,380		
Accrued interest		8,543	7,378
Notes			
Due from other funds			
Due from other governments			77,999
Advances to other funds			
Land held for resale			
Total Assets	\$ 4,120,226	\$ 790,954	\$ 750,932
<u>Liabilities and Fund Balances</u>			
Liabilities:			
Accounts payable	\$ 1,456,859	\$ 3,774	\$ 4,237
Accrued wages payable			16,333
Due to other funds			
Due to other governments			
Deposits payable	182,036		
Deferred revenue		10,027	
Total Liabilities	1,638,895	13,801	20,570
Fund Balances:			
Reserved for:			
Encumbrances	4,222	28,677	12,512
Deposits	200,000		
Notes receivable			
Advances to other funds			
Land held for resale			
Debt service requirements			
Low and moderate housing			
Unreserved-designated for:			
Special purposes			
Continuing appropriations	375,226	690,180	230,352
Capital projects			
Unreserved-undesignated	1,901,883	58,296	487,498
Total Fund Balances	2,481,331	777,153	730,362
Total Liabilities and Fund Balances	\$ 4,120,226	\$ 790,954	\$ 750,932

Special Revenue Funds

Indian Gaming Special Distribution	Special Development	CSA 152	Recycling AB 939	Villagefest	Neighborhood Involvements
\$ 1,073,060	\$ 649,922		\$ 3,086,518	\$ 81,944	\$ 8,053
5,258	6,222	\$ 142,171	95,033 50,466 1,260,000 1,406,286		87
<u>\$ 1,078,318</u>	<u>\$ 656,144</u>	<u>\$ 142,171</u>	<u>\$ 5,898,303</u>	<u>\$ 81,944</u>	<u>\$ 8,140</u>
\$ 4,322		\$ 17,423 5,071 117,306	\$ 4,662 1,988	\$ 2,613 8,213	
1,068,887					
<u>1,073,209</u>		<u>139,800</u>	<u>6,650</u>	<u>10,826</u>	
5,109		41,396	517,493 1,260,000	2,375	
	\$ 128,592 527,552		4,114,160		\$ 7,280
		(39,025)		68,743	860
<u>5,109</u>	<u>656,144</u>	<u>2,371</u>	<u>5,891,653</u>	<u>71,118</u>	<u>8,140</u>
<u>\$ 1,078,318</u>	<u>\$ 656,144</u>	<u>\$ 142,171</u>	<u>\$ 5,898,303</u>	<u>\$ 81,944</u>	<u>\$ 8,140</u>

(Continued)

CITY OF PALM SPRINGS
Combining Balance Sheet
Nonmajor Governmental Funds (Continued)
June 30, 2007

<u>Assets</u>	<u>Special Revenue Funds</u>		
	<u>Parking</u>	<u>Gas Tax</u>	<u>Measure A Improvements</u>
Cash and investments	\$ 137,879	\$ 467,579	\$ 6,643,697
Cash and investments with fiscal agent			
Deposits			
Receivables:			
Accounts			
Accrued interest		7,948	70,539
Notes			
Due from other funds			
Due from other governments	2,332	81,510	604,038
Advances to other funds			
Land held for resale			
Total Assets	\$ 140,211	\$ 557,037	\$ 7,318,274
<u>Liabilities and Fund Balances</u>			
Liabilities:			
Accounts payable	\$ 23,533	\$ 69,908	\$ 438,247
Accrued wages payable	715	7,495	1,095
Due to other funds			
Due to other governments			
Deposits payable			
Deferred revenue			262,032
Total Liabilities	24,248	77,403	701,374
Fund Balances:			
Reserved for:			
Encumbrances	6,120	20,854	878,107
Deposits			
Notes receivable			
Advances to other funds			
Land held for resale			
Debt service requirements			
Low and moderate housing			
Unreserved-designated for:			
Special purposes			
Continuing appropriations		410,477	14,162,359
Capital projects			
Unreserved-undesignated	109,843	48,303	(8,423,566)
Total Fund Balances	115,963	479,634	6,616,900
Total Liabilities and Fund Balances	\$ 140,211	\$ 557,037	\$ 7,318,274

Special Revenue Funds

Drainage Construction	Community Development Block Grant	Master Lease	Air Quality Management	Public Arts	Library
\$ 5,811,302		\$ 233,199	\$ 37,655	\$ 954,521	\$ 2,825,729
62,223			341	10,270	8,377
	\$ 64,302		14,496		25,324
<u>\$ 5,873,525</u>	<u>\$ 64,302</u>	<u>\$ 233,199</u>	<u>\$ 52,492</u>	<u>\$ 964,791</u>	<u>\$ 2,859,430</u>
\$ 81,760 69	\$ 14,172 1,424 47,449		\$ 12,857 542	\$ 1,505 4,746	\$ 649
					250,000
<u>81,829</u>	<u>63,045</u>		<u>13,399</u>	<u>6,251</u>	<u>250,649</u>
64,298				169,142	
		\$ 233,199			
1,841,374 3,886,024	586,679			776,210 13,188	2,167,296 441,485
	(585,422)		39,093		
<u>5,791,696</u>	<u>1,257</u>	<u>233,199</u>	<u>39,093</u>	<u>958,540</u>	<u>2,608,781</u>
<u>\$ 5,873,525</u>	<u>\$ 64,302</u>	<u>\$ 233,199</u>	<u>\$ 52,492</u>	<u>\$ 964,791</u>	<u>\$ 2,859,430</u>

(Continued)

CITY OF PALM SPRINGS
Combining Balance Sheet
Nonmajor Governmental Funds (Continued)
June 30, 2007

<u>Assets</u>	Special Revenue Funds		
	Quimby Act Fees	Special Projects	Low and Moderate Housing
Cash and investments	\$ 3,102,282	\$ 1,332,016	\$ 4,250,643
Cash and investments with fiscal agent			472,345
Deposits			33,545
Receivables:			
Accounts		24,114	
Accrued interest	31,518		41,122
Notes			4,432,530
Due from other funds			
Due from other governments			
Advances to other funds			1,864,026
Land held for resale			799,731
Total Assets	\$ 3,133,800	\$ 1,356,130	\$ 11,893,942
<u>Liabilities and Fund Balances</u>			
Liabilities:			
Accounts payable	\$ 14,441	\$ 55,479	\$ 5,829
Accrued wages payable		4,608	7,731
Due to other funds			
Due to other governments			92,535
Deposits payable			
Deferred revenue			
Total Liabilities	14,441	60,087	106,095
Fund Balances:			
Reserved for:			
Encumbrances	201,194	151,057	8,084
Deposits			33,545
Notes receivable			4,432,530
Advances to other funds			1,864,026
Land held for resale			799,731
Debt service requirements			472,345
Low and moderate housing			4,177,586
Unreserved-designated for:			
Special purposes	2,347,983		
Continuing appropriations	570,182	1,145,820	
Capital projects			
Unreserved-undesignated		(834)	
Total Fund Balances	3,119,359	1,296,043	11,787,847
Total Liabilities and Fund Balances	\$ 3,133,800	\$ 1,356,130	\$ 11,893,942

Special Revenue Funds	Capital Projects Funds			Total Nonmajor Governmental Funds
CFD Public Safety #1	Capital Projects	Parking Projects	Community Redevelopment Agency	
\$ 11,045	\$ 4,138,936	\$ 424,598	\$ 5,810,894	\$ 45,061,085
	274,406		3,267,047	4,246,997
				233,545
9,470	838,990			2,265,158
			141,630	451,922
				5,692,530
				1,406,286
				870,001
				1,864,026
		4,580	5,075,021	5,879,332
<u>\$ 20,515</u>	<u>\$ 5,252,332</u>	<u>\$ 429,178</u>	<u>\$ 14,294,592</u>	<u>\$ 67,970,882</u>
\$ 625	\$ 241,043		\$ 77,561	\$ 2,531,499
6,788	1,767			68,585
				164,755
				92,535
			12,499	444,535
	798,074			2,139,020
<u>7,413</u>	<u>1,040,884</u>		<u>90,060</u>	<u>5,440,929</u>
10,253	768,965		60,113	2,949,971
				233,545
				5,692,530
				1,864,026
		\$ 4,580	5,075,021	5,879,332
				705,544
				4,177,586
				11,375,615
				23,046,804
	5,766,285	424,598	4,417,587	10,608,470
2,849	(2,323,802)		4,651,811	(4,003,470)
<u>13,102</u>	<u>4,211,448</u>	<u>429,178</u>	<u>14,204,532</u>	<u>62,529,953</u>
<u>\$ 20,515</u>	<u>\$ 5,252,332</u>	<u>\$ 429,178</u>	<u>\$ 14,294,592</u>	<u>\$ 67,970,882</u>

CITY OF PALM SPRINGS
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2007

	Special Revenue Funds		
	Community Promotion	Forfeiture	Safety Augmentation
Revenues:			
Taxes			\$ 829,831
Licenses and permits			
Fines and penalties		\$ 562,402	
Investment income		32,341	27,413
Rental income	\$ 12,000		
Intergovernmental			
Charges for services	26,500		27,849
Transient occupancy taxes	8,141,635		
Special assessments			
Donations and contributions	124,697		106,697
Master lease			
Miscellaneous	72,330		
Total Revenues	<u>8,377,162</u>	<u>594,743</u>	<u>991,790</u>
Expenditures:			
Current:			
General government	2,812,283		
Cultural and convention center	2,954,766		
Public safety		456,196	774,131
Public works			
Parks and recreation	839,642		
Library			
Lease			
Debt service:			
Principal			
Interest			
Total Expenditures	<u>6,606,691</u>	<u>456,196</u>	<u>774,131</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>1,770,471</u>	<u>138,547</u>	<u>217,659</u>
Other Financing Sources (Uses):			
Transfers in			
Transfers out	(6,692,745)		
Total Other Financing Sources (Uses)	<u>(6,692,745)</u>		
Net Change in Fund Balances	(4,922,274)	138,547	217,659
Fund Balances (Deficit), Beginning	7,403,605	638,606	512,703
Fund Balances (Deficit), Ending	<u>\$ 2,481,331</u>	<u>\$ 777,153</u>	<u>\$ 730,362</u>

Special Revenue Funds

Indian Gaming Special Distribution	Special Development	CSA 152	Recycling AB 939	Villagefest	Neighborhood Involvements
				\$ 359,199	
\$ 26,528	\$ 23,823		\$ 264,439		\$ 389
1,385,190	298,373		12,271 381,801		
		\$ 298,104			
<u>1,411,718</u>	<u>322,196</u>	<u>298,104</u>	<u>658,511</u>	<u>17,684</u> <u>376,883</u>	<u>389</u>
1,525,724		298,104	750,850	399,805	1,873
<u>1,525,724</u>		<u>298,104</u>	<u>750,850</u>	<u>399,805</u>	<u>1,873</u>
(114,006)	322,196		(92,339)	(22,922)	(1,484)
<u>(114,006)</u>	<u>322,196</u>		<u>(92,339)</u>	<u>(22,922)</u>	<u>(1,484)</u>
119,115	333,948	2,371	5,983,992	94,040	9,624
<u>\$ 5,109</u>	<u>\$ 656,144</u>	<u>\$ 2,371</u>	<u>\$ 5,891,653</u>	<u>\$ 71,118</u>	<u>\$ 8,140</u>

(Continued)

CITY OF PALM SPRINGS
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds (Continued)
For the Year Ended June 30, 2007

	Special Revenue Funds		
	Parking	Gas Tax	Measure A Improvements
Revenues:			
Taxes			\$ 1,910,536
Licenses and permits			
Fines and penalties	\$ 103,503		
Investment income		\$ 36,060	330,291
Rental income			
Intergovernmental		862,277	347,814
Charges for services	2,166		
Transient occupancy taxes			
Special assessments			
Donations and contributions			
Master lease			
Miscellaneous			
Total Revenues	<u>105,669</u>	<u>898,337</u>	<u>2,588,641</u>
Expenditures:			
Current:			
General government			
Cultural and convention center			
Public safety			
Public works	237,272	738,744	1,985,122
Parks and recreation			
Library			
Lease			
Debt service:			
Principal			
Interest			
Total Expenditures	<u>237,272</u>	<u>738,744</u>	<u>1,985,122</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(131,603)</u>	<u>159,593</u>	<u>603,519</u>
Other Financing Sources (Uses):			
Transfers in	360,000		
Transfers out		(600,000)	
Total Other Financing Sources (Uses)	<u>360,000</u>	<u>(600,000)</u>	
Net Change in Fund Balances	228,397	(440,407)	603,519
Fund Balances (Deficit), Beginning	<u>(112,434)</u>	<u>920,041</u>	<u>6,013,381</u>
Fund Balances (Deficit), Ending	<u>\$ 115,963</u>	<u>\$ 479,634</u>	<u>\$ 6,616,900</u>

Special Revenue Funds

Drainage Construction	Community Development Block Grant	Master Lease	Air Quality Management	Public Arts	Library
\$ 845,665					
290,937	\$ 1,323	\$ 10,919	\$ 1,282	\$ 50,389	\$ 138,339
	655,978		55,714	408,343	8,967
		1,256,252			9,755
	72,309				
<u>1,136,602</u>	<u>729,610</u>	<u>1,267,171</u>	<u>56,996</u>	<u>458,732</u>	<u>157,061</u>
		3,233			
620,201	698,003		48,712	481,630	
		1,200,000			30,000
		153,268			
		77,810			
<u>620,201</u>	<u>698,003</u>	<u>1,434,311</u>	<u>48,712</u>	<u>481,630</u>	<u>30,000</u>
<u>516,401</u>	<u>31,607</u>	<u>(167,140)</u>	<u>8,284</u>	<u>(22,898)</u>	<u>127,061</u>
		140,000			
		(49,171)			
		90,829			
516,401	31,607	(76,311)	8,284	(22,898)	127,061
<u>5,275,295</u>	<u>(30,350)</u>	<u>309,510</u>	<u>30,809</u>	<u>981,438</u>	<u>2,481,720</u>
<u>\$ 5,791,696</u>	<u>\$ 1,257</u>	<u>\$ 233,199</u>	<u>\$ 39,093</u>	<u>\$ 958,540</u>	<u>\$ 2,608,781</u>

(Continued)

CITY OF PALM SPRINGS
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds (Continued)
For the Year Ended June 30, 2007

	Special Revenue Funds		
	Quimby Act Fees	Special Projects	Low and Moderate Housing
Revenues:			
Taxes			\$ 3,006,864
Licenses and permits			
Fines and penalties			
Investment income	\$ 130,075		213,022
Rental income			
Intergovernmental			
Charges for services	1,360,844	\$ 232,130	
Transient occupancy taxes			
Special assessments			
Donations and contributions		805,245	10,000
Master lease			
Miscellaneous			78,865
Total Revenues	<u>1,490,919</u>	<u>1,037,375</u>	<u>3,308,751</u>
Expenditures:			
Current:			
General government			419,913
Cultural and convention center			
Public safety			
Public works		664,603	
Parks and recreation	53,624		
Library			
Lease			
Debt service:			
Principal			220,000
Interest			244,395
Total Expenditures	<u>53,624</u>	<u>664,603</u>	<u>884,308</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>1,437,295</u>	<u>372,772</u>	<u>2,424,443</u>
Other Financing Sources (Uses):			
Transfers in			
Transfers out			
Total Other Financing Sources (Uses)			
Net Change in Fund Balances	1,437,295	372,772	2,424,443
Fund Balances (Deficit), Beginning	1,682,064	923,271	9,363,404
Fund Balances (Deficit), Ending	<u>\$ 3,119,359</u>	<u>\$ 1,296,043</u>	<u>\$ 11,787,847</u>

Special Revenue Funds		Capital Projects Funds			
CFD Public Safety #1	Capital Projects	Parking Projects	Community Redevelopment Agency	Total	
					\$ 5,747,231
	\$ 209,971				1,414,835
					665,905
\$ 166	238,106	\$ 19,005	\$ 651,937		2,486,784
			227,624		239,624
	742,143				4,061,387
					2,746,973
					8,141,635
					298,104
	78,624				1,135,018
					1,256,252
162,498	1,019		37,000		441,705
<u>162,664</u>	<u>1,269,863</u>	<u>19,005</u>	<u>916,561</u>		<u>28,635,453</u>
	1,188,591		485,977		4,909,997
	763,607				3,718,373
149,562	638,300				3,543,913
	697,586	2,597	675,467		7,900,764
	302,675				1,595,746
					30,000
					1,200,000
					373,268
					322,205
<u>149,562</u>	<u>3,590,759</u>	<u>2,597</u>	<u>1,161,444</u>		<u>23,594,266</u>
<u>13,102</u>	<u>(2,320,896)</u>	<u>16,408</u>	<u>(244,883)</u>		<u>5,041,187</u>
	1,276,000		2,011,785		3,787,785
					(7,341,916)
	1,276,000		2,011,785		(3,554,131)
13,102	(1,044,896)	16,408	1,766,902		1,487,056
	5,256,344	412,770	12,437,630		61,042,897
<u>\$ 13,102</u>	<u>\$ 4,211,448</u>	<u>\$ 429,178</u>	<u>\$ 14,204,532</u>		<u>\$ 62,529,953</u>

CITY OF PALM SPRINGS
Schedule of Revenues, Expenditures and Changes in Fund Balance-Budget and Actual
Community Promotion Special Revenue Fund
For the Year Ended June 30, 2007

	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
Revenues:			
Rental income	\$ 10,000	\$ 12,000	\$ 2,000
Charges for services	40,000	26,500	(13,500)
Transient occupancy taxes	8,301,000	8,141,635	(159,365)
Donations and contributions	124,479	124,697	218
Miscellaneous	45,200	72,330	27,130
Total Revenues	8,520,679	8,377,162	(143,517)
Expenditures:			
Current:			
General government	2,833,500	2,812,283	21,217
Cultural and convention center	3,248,369	2,954,766	293,603
Parks and recreation	1,079,920	839,642	240,278
Total Expenditures	7,161,790	6,606,691	555,099
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,358,889	1,770,471	411,582
Other Financing Sources (Uses):			
Transfers out		(6,692,745)	(6,692,745)
Net Change in Fund Balance	1,358,889	(4,922,274)	(6,281,163)
Fund Balance, Beginning	7,403,605	7,403,605	
Fund Balance, Ending	\$ 8,762,494	\$ 2,481,331	\$ (6,281,163)

CITY OF PALM SPRINGS
Schedule of Revenues, Expenditures and Changes in Fund Balance-Budget and Actual
Forfeiture Special Revenue Fund
For the Year Ended June 30, 2007

	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
Revenues:			
Fines and penalties	\$ 562,402	\$ 562,402	
Investment income		32,341	\$ 32,341
	<u>562,402</u>	<u>594,743</u>	<u>32,341</u>
Total Revenues	562,402	594,743	32,341
Expenditures:			
Current:			
Public safety	<u>1,175,410</u>	<u>456,196</u>	<u>719,214</u>
Net Change in Fund Balance	(613,008)	138,547	751,555
Fund Balance, Beginning	<u>638,606</u>	<u>638,606</u>	
Fund Balance, Ending	<u><u>\$ 25,598</u></u>	<u><u>\$ 777,153</u></u>	<u><u>\$ 751,555</u></u>

CITY OF PALM SPRINGS
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
Safety Augmentation Special Revenue Fund
For the Year Ended June 30, 2007

	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:			
Taxes	\$ 650,000	\$ 829,831	\$ 179,831
Investment income	5,000	27,413	22,413
Charges for services	26,549	27,849	1,300
Donations and contributions	<u>106,667</u>	<u>106,697</u>	<u>30</u>
Total Revenues	788,215	991,790	203,575
Expenditures:			
Current:			
Public safety	<u>1,014,270</u>	<u>774,131</u>	<u>240,139</u>
Net Change in Fund Balance	(226,054)	217,659	443,713
Fund Balance, Beginning	<u>512,703</u>	<u>512,703</u>	
Fund Balance, Ending	<u>\$ 286,649</u>	<u>\$ 730,362</u>	<u>\$ 443,713</u>

CITY OF PALM SPRINGS
Schedule of Revenues, Expenditures and Changes in Fund Balance-Budget and Actual
Indian Gaming Special Distribution Special Revenue Fund
For the Year Ended June 30, 2007

	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
Revenues:			
Investment income	\$ 26,528	\$ 26,528	
Intergovernmental	1,385,190	1,385,190	
Total Revenues	1,411,718	1,411,718	
Expenditures:			
Current:			
Public safety	1,530,833	1,525,724	\$ 5,109
Net Change in Fund Balance	(119,115)	(114,006)	5,109
Fund Balance, Beginning	119,115	119,115	
Fund Balance (Deficit), Ending	<u>\$ -</u>	<u>\$ 5,109</u>	<u>\$ 5,109</u>

CITY OF PALM SPRINGS
Schedule of Revenues, Expenditures and Changes in Fund Balance-Budget and Actual
Special Development Special Revenue Fund
For the Year Ended June 30, 2007

	Final Budget	Actual Budget	Variance with Final Budget Positive (Negative)
Revenues:			
Investment income	\$	\$ 23,823	\$ 23,823
Charges for services	296,018	298,373	2,355
Total Revenues	296,018	322,196	26,178
Expenditures:			
Current:			
Public works	527,552		527,552
Net Change in Fund Balance	(231,534)	322,196	553,730
Fund Balance, Beginning	333,948	333,948	
Fund Balance, Ending	\$ 102,414	\$ 656,144	\$ 553,730

CITY OF PALM SPRINGS
 Schedule of Revenues, Expenditures and Changes in Fund Balance-Budget and Actual
 CSA 152 Special Revenue Fund
 For the Year Ended June 30, 2007

	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
Revenues:			
Special assessments	\$ 565,895	\$ 298,104	\$ (267,791)
Expenditures:			
Current:			
Public works	611,247	298,104	313,143
Net Change in Fund Balance	(45,352)		45,352
Fund Balance, Beginning	2,371	2,371	
Fund Balance (Deficit), Ending	<u>\$ (42,981)</u>	<u>\$ 2,371</u>	<u>\$ 45,352</u>

CITY OF PALM SPRINGS
Schedule of Revenues, Expenditures and Change in Fund Balance-Budget and Actual
Recycling - AB 939 Special Revenue Fund
For the Year Ended June 30, 2007

	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
Revenues:			
Investment income	\$ 100,000	\$ 264,439	\$ 164,439
Intergovernmental	12,271	12,271	
Charges for services	550,000	381,801	(168,199)
Total Revenues	662,271	658,511	(3,760)
Expenditures:			
Current:			
Public works	1,744,541	750,850	993,691
Net Change in Fund Balance	(1,082,270)	(92,339)	989,931
Fund Balance, Beginning	5,983,992	5,983,992	
Fund Balance, Ending	\$ 4,901,722	\$ 5,891,653	\$ 989,931

CITY OF PALM SPRINGS
 Schedule of Revenues, Expenditures and Change in Fund Balance-Budget and Actual
 Villagefest Special Revenue Fund
 For the Year Ended June 30, 2007

	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
Revenues:			
Licenses and permits	\$ 366,000	\$ 359,199	\$ (6,801)
Miscellaneous	14,250	17,684	3,434
Total Revenues	380,250	376,883	(3,367)
Expenditures:			
Current:			
Parks and recreation	441,378	399,805	41,573
Net Change in Fund Balance	(61,128)	(22,922)	38,206
Fund Balance, Beginning	94,040	94,040	
Fund Balance, Ending	<u>\$ 32,912</u>	<u>\$ 71,118</u>	<u>\$ 38,206</u>

CITY OF PALM SPRINGS
 Schedule of Revenues, Expenditures and Change in Fund Balance-Budget and Actual
 Neighborhood Involvements Special Revenue Fund
 For the Year Ended June 30, 2007

	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
Revenues:			
Investment income		\$ 389	\$ 389
Expenditures:			
Current:			
Public works	\$ 9,153	1,873	7,280
Net Change in Fund Balance	(9,153)	(1,484)	7,669
Fund Balance, Beginning	9,624	9,624	
Fund Balance, Ending	<u>\$ 471</u>	<u>\$ 8,140</u>	<u>\$ 7,669</u>

CITY OF PALM SPRINGS
Schedule of Revenues, Expenditures and Change in Fund Balance-Budget and Actual
Parking Special Revenue Fund
For the Year Ended June 30, 2007

	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
Revenues:			
Fines and penalties	\$ 90,000	\$ 103,503	\$ 13,503
Charges for services	32,000	2,166	(29,834)
Total Revenues	122,000	105,669	(16,331)
Expenditures:			
Current:			
Public works	326,025	237,272	88,753
Excess (Deficiency) of Revenues Over Expenditures	(204,025)	(131,603)	72,422
Other Financing Sources (Uses):			
Transfers in		360,000	360,000
Net Change in Fund Balance	(204,025)	228,397	432,422
Fund Balance (Deficit), Beginning	(112,434)	(112,434)	
Fund Balance (Deficit), Ending	\$ (316,459)	\$ 115,963	\$ 432,422

CITY OF PALM SPRINGS
Schedule of Revenues, Expenditures and Change in Fund Balance-Budget and Actual
Gas Tax Special Revenue Fund
For the Year Ended June 30, 2007

	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
Revenues:			
Investment income	\$ 18,531	\$ 36,060	\$ 17,529
Intergovernmental revenues	838,000	862,277	24,277
Total Revenues	856,531	898,337	41,806
Expenditures:			
Current:			
Public works	1,170,242	738,744	431,498
Excess (Deficiency) of Revenues Over Expenditures	(313,711)	159,593	473,304
Other Financing Uses:			
Transfer out		(600,000)	(600,000)
Net Change in Fund Balance	(313,711)	(440,407)	(126,696)
Fund Balance, Beginning	920,041	920,041	
Fund Balance, Ending	\$ 606,330	\$ 479,634	\$ (126,696)

CITY OF PALM SPRINGS
Schedule of Revenues, Expenditures and Change in Fund Balance-Budget and Actual
Measure A Improvements Special Revenue Fund
For the Year Ended June 30, 2007

	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:			
Taxes	\$ 1,968,000	\$ 1,910,536	\$ (57,464)
Investment income	70,000	330,291	260,291
Intergovernmental	<u>595,220</u>	<u>347,814</u>	<u>(247,406)</u>
Total Revenues	2,633,220	2,588,641	(44,579)
Expenditures:			
Current:			
Public works	<u>10,466,996</u>	<u>1,985,122</u>	<u>8,481,874</u>
Net Change in Fund Balance	(7,833,776)	603,519	8,437,295
Fund Balance, Beginning	<u>6,013,381</u>	<u>6,013,381</u>	<u> </u>
Fund Balance (Deficit), Ending	<u><u>\$ (1,820,395)</u></u>	<u><u>\$ 6,616,900</u></u>	<u><u>\$ 8,437,295</u></u>

CITY OF PALM SPRINGS
Schedule of Revenues, Expenditures and Change in Fund Balance-Budget and Actual
Drainage Construction Special Revenue Fund
For the Year Ended June 30, 2007

	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
Revenues:			
Licenses and permits	\$ 59,220	\$ 845,665	\$ 786,445
Investment income	51,000	290,937	239,937
Total Revenues	110,220	1,136,602	1,026,382
Expenditures:			
Current:			
Public works	4,570,525	620,201	3,950,324
Net Change in Fund Balance	(4,460,305)	516,401	4,976,706
Fund Balance, Beginning	5,275,295	5,275,295	
Fund Balance, Ending	\$ 814,990	\$ 5,791,696	\$ 4,976,706

CITY OF PALM SPRINGS
 Schedule of Revenues, Expenditures and Change in Fund Balance-Budget and Actual
 Community Development Block Grant Special Revenue Fund
 For the Year Ended June 30, 2007

	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
Revenues:			
Investment income	\$ 40,735	\$ 1,323	\$ (39,412)
Intergovernmental	518,598	655,978	137,380
Miscellaneous	32,897	72,309	39,412
Total Revenues	592,230	729,610	137,380
Expenditures:			
Current:			
Public works	1,284,681	698,003	586,678
Net Change in Fund Balance	(692,452)	31,607	724,059
Fund Balance, Beginning	(30,350)	(30,350)	
Fund Balance, Ending	\$ (722,802)	\$ 1,257	\$ 724,059

CITY OF PALM SPRINGS
Schedule of Revenues, Expenditures and Change in Fund Balance-Budget and Actual
Master Lease Special Revenue Fund
For the Year Ended June 30, 2007

	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
Revenues:			
Investment income	\$ 1,000	\$ 10,919	\$ 9,919
Master lease	1,262,000	1,256,252	(5,748)
Total Revenues	1,263,000	1,267,171	4,171
Expenditures:			
Current:			
General government	3,633	3,233	400
Lease	1,200,000	1,200,000	
Debt service:			
Principal	153,268	153,268	
Interest	77,713	77,810	(97)
Total Expenditures	1,434,614	1,434,311	303
Excess (Deficiency) of Revenues Over Expenditures	(171,614)	(167,140)	4,474
Other Financing Sources (Uses):			
Transfers in		140,000	140,000
Transfers out		(49,171)	(49,171)
Total Other Financing Sources (Uses)		90,829	90,829
Net Change in Fund Balance	(171,614)	(76,311)	95,303
Fund Balance, Beginning	309,510	309,510	
Fund Balance, Ending	\$ 137,896	\$ 233,199	\$ 95,303

CITY OF PALM SPRINGS
Schedule of Revenues, Expenditures and Change in Fund Balance-Budget and Actual
Air Quality Management Special Revenue Fund
For the Year Ended June 30, 2007

	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
Revenues:			
Investment income	\$ 1,000	\$ 1,282	\$ 282
Intergovernmental	52,725	55,714	2,989
Total Revenues	53,725	56,996	3,271
Expenditures:			
Current:			
Public works	48,725	48,712	13
Net Change in Fund Balance	5,000	8,284	3,284
Fund Balance, Beginning	30,809	30,809	
Fund Balance, Ending	\$ 35,809	\$ 39,093	\$ 3,284

CITY OF PALM SPRINGS
 Schedule of Revenues, Expenditures and Change in Fund Balance-Budget and Actual
 Public Arts Special Revenue Fund
 For the Year Ended June 30, 2007

	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
Revenues:			
Investment income	\$ 15,000	\$ 50,389	\$ 35,389
Charges for services	338,608	408,343	69,735
Total Revenues	353,608	458,732	105,124
Expenditures:			
Current:			
Public works	691,499	481,630	209,869
Net Change in Fund Balance	(337,891)	(22,898)	314,993
Fund Balance, Beginning	981,438	981,438	
Fund Balance, Ending	<u>\$ 643,547</u>	<u>\$ 958,540</u>	<u>\$ 314,993</u>

CITY OF PALM SPRINGS
Schedule of Revenues, Expenditures and Change in Fund Balance-Budget and Actual
Library Special Revenue Fund
For the Year Ended June 30, 2007

	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
Revenues:			
Investment income	\$ 40,000	\$ 138,339	\$ 98,339
Charges for services	26,500	8,967	(17,533)
Donations and contributions	25,000	9,755	(15,245)
Miscellaneous	1,000		(1,000)
Total Revenues	92,500	157,061	64,561
Expenditures:			
Current:			
Library	485,502	30,000	455,502
Net Change in Fund Balance	(393,002)	127,061	520,063
Fund Balance, Beginning	2,481,720	2,481,720	
Fund Balance, Ending	<u>\$ 2,088,718</u>	<u>\$ 2,608,781</u>	<u>\$ 520,063</u>

CITY OF PALM SPRINGS
Schedule of Revenues, Expenditures and Change in Fund Balance-Budget and Actual
Quimby Act Fees Special Revenue Fund
For the Year Ended June 30, 2007

	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
Revenues:			
Investment income		\$ 130,075	\$ 130,075
Charges for services		1,360,844	1,360,844
Total Revenues		1,490,919	1,490,919
Expenditures:			
Current:			
Parks and recreation	\$ 825,000	53,624	771,376
Net Change in Fund Balance	(825,000)	1,437,295	2,262,295
Fund Balance, Beginning	1,682,064	1,682,064	
Fund Balance, Ending	\$ 857,064	\$ 3,119,359	\$ 2,262,295

CITY OF PALM SPRINGS
Schedule of Revenues, Expenditures and Change in Fund Balance-Budget and Actual
Special Projects Special Revenue Fund
For the Year Ended June 30, 2007

	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
Revenues:			
Charges for services	\$ 232,130	\$ 232,130	
Donations and contributions	799,321	805,245	\$ 5,924
Total Revenues	1,031,451	1,037,375	5,924
Expenditures:			
Current:			
Public works	1,961,498	664,603	1,296,895
Net Change in Fund Balance	(930,047)	372,772	1,302,820
Fund Balance, Beginning	923,271	923,271	
Fund Balance, Ending	<u>\$ (6,776)</u>	<u>\$ 1,296,043</u>	<u>\$ 1,302,820</u>

CITY OF PALM SPRINGS
Schedule of Revenues, Expenditures and Changes in Fund Balance-Budget and Actual
Low and Moderate Housing Special Revenue Fund
For the Year Ended June 30, 2007

	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
Revenues:			
Taxes	\$ 2,115,200	\$ 3,006,864	\$ 891,664
Investment income	50,000	213,022	163,022
Donations and contributions	10,000	10,000	
Miscellaneous	50,000	78,865	28,865
Total Revenues	2,225,200	3,308,751	1,083,551
Expenditures:			
Current:			
General government	453,327	419,913	33,414
Public works	2,261,894		2,261,894
Debt service:			
Principal	220,000	220,000	
Interest	245,510	244,395	1,115
Total Expenditures	3,180,731	884,308	2,296,423
Net Change in Fund Balance	(955,531)	2,424,443	3,379,974
Fund Balance, Beginning	9,363,404	9,363,404	
Fund Balance, Ending	\$ 8,407,873	\$ 11,787,847	\$ 3,379,974

CITY OF PALM SPRINGS
Schedule of Revenues, Expenditures and Changes in Fund Balance-Budget and Actual
CFD Public Safety #1 Special Revenue Fund
For the Year Ended June 30, 2007

	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
Revenues:			
Investment income	\$	\$ 166	\$ 166
Miscellaneous	260,081	162,498	(97,583)
Total Revenues	260,081	162,664	(97,417)
Expenditures:			
Current:			
Public safety	260,081	149,562	110,519
Net Change in Fund Balance		13,102	13,102
Fund Balance, Beginning			
Fund Balance, Ending	\$ -	\$ 13,102	\$ 13,102

CITY OF PALM SPRINGS
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
Capital Projects Capital Project Fund
For the Year Ended June 30, 2007

	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
Revenues:			
Licenses and permits	\$ 270,300	\$ 209,971	\$ (60,329)
Investment income	208,884	238,106	29,222
Intergovernmental	4,304,424	742,143	(3,562,281)
Donations and contributions	78,624	78,624	
Miscellaneous		1,019	1,019
Total Revenues	4,862,232	1,269,863	(3,592,369)
Expenditures:			
Current:			
General government	3,057,096	1,188,591	1,868,505
Cultural and convention center	1,010,924	763,607	247,317
Public safety	1,329,755	638,300	691,455
Public works	5,764,483	697,586	5,066,897
Parks and recreation	1,299,372	302,675	996,697
Total Expenditures	12,461,629	3,590,759	8,870,870
Excess (Deficiency) of Revenues Over Expenditures	(7,599,397)	(2,320,896)	5,278,501
Other Financing Sources (Uses):			
Transfers in		1,276,000	1,276,000
Net Change in Fund Balance	(7,599,397)	(1,044,896)	6,554,501
Fund Balance, Beginning of Year	5,256,344	5,256,344	
Fund Balance (Deficit), End of Year	\$ (2,343,053)	\$ 4,211,448	\$ 6,554,501

CITY OF PALM SPRINGS
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
Parking Projects Capital Projects Fund
For the Year Ended June 30, 2007

	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:			
Investment income		\$ 19,005	\$ 19,005
Expenditures:			
Current:			
Public works	\$ 22,302	2,597	19,705
Net Change in Fund Balance	(22,302)	16,408	38,710
Fund Balance, Beginning of Year	<u>412,770</u>	<u>412,770</u>	
Fund Balance, End of Year	<u>\$ 390,468</u>	<u>\$ 429,178</u>	<u>\$ 38,710</u>

CITY OF PALM SPRINGS
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
Community Redevelopment Agency Capital Projects Fund
For the Year Ended June 30, 2007

	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
Revenues:			
Investment income	\$ 257,183	\$ 651,937	\$ 394,754
Rental income	178,099	227,624	49,525
Miscellaneous	8,744	37,000	28,256
Total Revenues	<u>444,027</u>	<u>916,561</u>	<u>472,534</u>
Expenditures:			
Current:			
General government	2,499,997	485,977	2,014,020
Public works	4,815,929	675,467	4,140,462
Total Expenditures	<u>7,315,926</u>	<u>1,161,444</u>	<u>6,154,482</u>
Excess (Deficiency) of Revenues Over Expenditures	(6,871,899)	(244,883)	6,627,016
Other Financing Sources (Uses):			
Transfers in	<u>2,406,291</u>	<u>2,011,785</u>	<u>(394,506)</u>
Net Change in Fund Balance	(4,465,608)	1,766,902	6,232,510
Fund Balance, Beginning of Year	<u>12,437,630</u>	<u>12,437,630</u>	
Fund Balance, End of Year	<u><u>\$ 7,972,022</u></u>	<u><u>\$ 14,204,532</u></u>	<u><u>\$ 6,232,510</u></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
Combining Statement of Net Assets
Internal Service Funds
June 30, 2007

<u>Assets</u>	<u>Motor Vehicle Replacement</u>	<u>Facilities Maintenance</u>	<u>Employee Benefits</u>
Current Assets:			
Cash and investments	\$ 1,766,532	\$ 377,721	\$ 301,721
Accounts receivable			
Accrued interest	19,741		296,332
Due from other funds			
Due from other governments	23,915		
Inventories	134,823		
Prepaid PERS expense			19,382,434
Total Current Assets	1,945,011	377,721	19,980,487
Noncurrent Assets:			
Restricted assets:			
Cash and investments with fiscal agents			
Capital Assets,			
Net of accumulated depreciation	4,713,928	7,379	
Advances to other funds			1,430,000
Unamortized debt issuance costs			450,154
Total Noncurrent Assets	4,713,928	7,379	1,880,154
Total Assets	6,658,939	385,100	21,860,641
<u>Liabilities</u>			
Current Liabilities:			
Accounts payable	188,245	49,116	
Accrued wages payable	18,154	26,733	
Accrued interest payable	3,199		
Due to other funds			
Claims and judgements payable			
Certificates of participation			
Total Current Liabilities	209,598	75,849	
Noncurrent Liabilities:			
Compensated absences payable	49,450	88,397	
Claims and judgments payable			
Capital lease obligations	371,535		
Certificates of participation			
Pension obligation bonds			19,832,588
Total Noncurrent Liabilities	420,985	88,397	19,832,588
Total Liabilities	630,583	164,246	19,832,588
<u>Net Assets</u>			
Invested in capital assets, net of related debt	4,342,393	7,379	
Restricted	(3,199)		
Unrestricted	1,689,162	213,475	2,028,053
Total Net Assets (Deficits)	\$ 6,028,356	\$ 220,854	\$ 2,028,053

<u>Risk Management</u>	<u>Retiree Health Insurance</u>	<u>Cogeneration Plant</u>	<u>Total</u>
\$ 4,850,259	\$ 112,032		\$ 7,408,265
26,565	6,895	\$ 49,871	83,331
49,386		7,104	372,563
1,696			1,696
			23,915
			134,823
			19,382,434
<u>4,927,906</u>	<u>118,927</u>	<u>56,975</u>	<u>27,407,027</u>
		283,994	283,994
		2,743,723	7,465,030
			1,430,000
		144,068	594,222
		<u>3,171,785</u>	<u>9,773,246</u>
<u>4,927,906</u>	<u>118,927</u>	<u>3,228,760</u>	<u>37,180,273</u>
		231,006	489,159
20,792			52,534
7,647		63,283	66,482
		1,696	1,696
1,036,536			1,036,536
		230,000	230,000
<u>1,064,975</u>		<u>525,985</u>	<u>1,876,407</u>
30,476			168,323
4,146,145			4,146,145
			371,535
		4,007,987	4,007,987
			19,832,588
<u>4,176,621</u>		<u>4,007,987</u>	<u>28,526,578</u>
<u>5,241,596</u>		<u>4,533,972</u>	<u>30,402,985</u>
		(1,494,264)	2,855,508
		364,779	361,580
(313,690)	118,927	(175,727)	3,560,200
<u>\$ (313,690)</u>	<u>\$ 118,927</u>	<u>\$ (1,305,212)</u>	<u>\$ 6,777,288</u>

CITY OF PALM SPRINGS
Combining Statement of Revenues, Expenses, and Changes in Net Assets
Internal Service Funds
For the Year Ended June 30, 2007

	Motor Vehicle Replacement	Facilities Maintenance	Employee Benefits
Operating Revenues:			
Charges for services	\$ 3,574,105	\$ 3,573,311	\$ 8,766,893
Sale of electricity			
Miscellaneous	17,545		4,900
Total Operating Revenues	<u>3,591,650</u>	<u>3,573,311</u>	<u>8,771,793</u>
Operating Expenses:			
Heat, light and power			
Other charges and services	3,657		
Administration	90,968	83,589	
Cogeneration			
Retirement			8,621,355
Medical life and health insurance			
Facilities maintenance		3,214,835	
Maintenance shop operations	2,146,286		
Worker's compensation			
Other claims and insurance	38,336	51,452	
Depreciation	656,913	2,590	
Total Operating Expenses	<u>2,936,160</u>	<u>3,352,466</u>	<u>8,621,355</u>
Operating Income (Loss)	<u>655,490</u>	<u>220,845</u>	<u>150,438</u>
Nonoperating Revenues (Expenses):			
Investment income	79,579		13,508
Interest expense	(25,318)		
Gain (loss) on sale of assets	(20,278)		
Total Nonoperating Revenues (Expenses)	<u>33,983</u>		<u>13,508</u>
Income (Loss) Before Transfers	689,473	220,845	163,946
Transfers in	685,270		
Change in Net Assets	1,374,743	220,845	163,946
Net Assets (Deficits), Beginning	4,653,613	9	1,864,107
Net Assets (Deficits), Ending	<u>\$ 6,028,356</u>	<u>\$ 220,854</u>	<u>\$ 2,028,053</u>

<u>Risk Management</u>	<u>Retiree Health Insurance</u>	<u>Cogeneration Plant</u>	<u>Total</u>
\$ 10,773,073	\$ 144,866	\$ 3,892,294	\$ 30,724,542
		150,620	150,620
29,863		19,092	71,400
<u>10,802,936</u>	<u>144,866</u>	<u>4,062,006</u>	<u>30,946,562</u>
		1,716,330	1,716,330
457		10,257	14,371
1,307,985		2,248	1,484,790
		1,012,492	1,012,492
			8,621,355
5,667,905			5,667,905
		377,649	3,592,484
			2,146,286
2,439,692			2,439,692
1,629,467	894,926	33,197	2,647,378
		124,714	784,217
<u>11,045,506</u>	<u>894,926</u>	<u>3,276,887</u>	<u>30,127,300</u>
<u>(242,570)</u>	<u>(750,060)</u>	<u>785,119</u>	<u>819,262</u>
210,120		27,384	330,591
		(290,310)	(315,628)
			(20,278)
<u>210,120</u>		<u>(262,926)</u>	<u>(5,315)</u>
(32,450)	(750,060)	522,193	813,947
	835000		1,520,270
(32,450)	84,940	522,193	2,334,217
<u>(281,240)</u>	<u>33,987</u>	<u>(1,827,405)</u>	<u>4,443,071</u>
<u>\$ (313,690)</u>	<u>\$ 118,927</u>	<u>\$ (1,305,212)</u>	<u>\$ 6,777,288</u>

CITY OF PALM SPRINGS
Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended June 30, 2007

	<u>Motor Vehicle Replacement</u>	<u>Facilities Maintenance</u>	<u>Employee Benefits</u>
Cash Flows from Operating Activities:			
Cash receipts from interfund services provided	\$ 3,574,428	\$ 3,578,196	\$ 8,771,793
Cash payment to suppliers for goods and services	(2,114,229)	(3,337,293)	(8,621,355)
Cash payment to employees for services	(91,488)	(69,349)	
Net Cash Provided by (Used for) Operating Activities	<u>1,368,711</u>	<u>171,554</u>	<u>150,438</u>
Cash Flows from Noncapital Financing Activities:			
Cash received from other funds	<u>685,270</u>		
Net Cash Provided by (Used for) Noncapital Financing Activities	<u>685,270</u>		
Cash Flows from Capital and Related Financing Activities:			
Cash paid for acquisition of capital assets	(866,814)		
Proceeds from sale of capital assets	7,505		
Principal paid on debt			
Interest paid on debt	(26,555)		
Repayment on obligation under capital lease	(191,762)		
Net Cash Provided by (Used for) Capital and Related Financing Activities	<u>(1,077,626)</u>		
Cash Flows from Investing Activities:			
Proceeds from sale and maturities of investments			
Interest received on investments	<u>67,811</u>		<u>13,702</u>
Net Cash Provided by (Used for) Investing Activities	<u>67,811</u>		<u>13,702</u>
Net Increase (Decrease) in Cash and Cash Equivalents	1,044,166	171,554	164,140
Cash and Cash Equivalents, Beginning	<u>722,366</u>	<u>206,167</u>	<u>137,581</u>
Cash and Cash Equivalents, Ending	<u>\$ 1,766,532</u>	<u>\$ 377,721</u>	<u>\$ 301,721</u>

<u>Risk Management</u>	<u>Retiree Health Insurance</u>	<u>Cogeneration Plant</u>	<u>Total</u>
\$ 10,777,985	\$ 141,625	\$ 4,023,467	\$ 30,867,494
(426,201)	(894,926)	(3,583,874)	(18,977,878)
<u>(9,728,787)</u>			<u>(9,889,624)</u>
<u>622,997</u>	<u>(753,301)</u>	<u>439,593</u>	<u>1,999,992</u>
	<u>835,000</u>		<u>1,520,270</u>
	<u>835,000</u>		<u>1,520,270</u>
			(866,814)
			7,505
		(215,000)	(215,000)
		(279,200)	(305,755)
			<u>(191,762)</u>
		<u>(494,200)</u>	<u>(1,571,826)</u>
		27,223	27,223
191,306		27,384	300,203
<u>191,306</u>		<u>54,607</u>	<u>327,426</u>
814,303	81,699		2,275,862
4,035,956	30,333		5,132,403
<u>\$ 4,850,259</u>	<u>\$ 112,032</u>	<u>\$ -</u>	<u>\$ 7,408,265</u>

(Continued)

CITY OF PALM SPRINGS
Combining Statement of Cash Flows
Internal Service Funds (Continued)
For the Year Ended June 30, 2007

	<u>Motor Vehicle Replacement</u>	<u>Facilities Maintenance</u>	<u>Employee Benefits</u>
Reconciliation of Cash and Cash Equivalents to			
Amounts Reported on Statement of Net Assets:			
Reported on Statement of Net Assets:			
Cash and investments	\$ 1,766,532	\$ 377,721	\$ 301,721
Cash and investments with fiscal agent			
Cash and Investments Reported on Statement of Net Assets	1,766,532	377,721	301,721
Less Noncash Equivalents			
Cash and Cash Equivalents, Ending	\$ 1,766,532	\$ 377,721	\$ 301,721
Reconciliation of operating income (Loss) to Net Cash			
Provided by (Used for) Operating Activities:			
Operating income (loss)	\$ 655,490	\$ 220,845	\$ 150,438
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:			
Depreciation	656,913	2,590	
(Increase) Decrease in accounts receivable		4,885	
(Increase) Decrease in due from other funds			
(Increase) Decrease in due from other governments	(17,222)		
(Increase) Decrease in inventory	2,303		
Increase (Decrease) in accounts payable	71,747	(71,006)	
Increase (Decrease) in accrued wages payable	(1,847)	1,534	
Increase (Decrease) in due to other funds			
(Increase) Decrease in compensated absences	1,327	12,706	
Increase (Decrease) in claims and judgments payable			
Total Adjustments	713,221	(49,291)	
Net Cash Provided by (Used for) Operating Activities	\$ 1,368,711	\$ 171,554	\$ 150,438
Noncash Capital, Financing and Investing Activities:			
Prepaid PERS expense	\$ 19,382,434	\$ -	\$ -

<u>Risk Management</u>	<u>Retiree Health Insurance</u>	<u>Cogeneration Plant</u>	<u>Total</u>
\$ 4,850,259	\$ 112,032	\$ 283,994	\$ 7,408,265
			283,994
4,850,259	112,032	283,994	7,692,259
		(283,994)	(283,994)
<u>\$ 4,850,259</u>	<u>\$ 112,032</u>	<u>\$ -</u>	<u>\$ 7,408,265</u>
<u>\$ (242,570)</u>	<u>\$ (750,060)</u>	<u>\$ 785,119</u>	<u>\$ 819,262</u>
		124,714	784,217
(23,255)	(3,241)	(43,872)	(65,483)
(1,696)			(1,696)
		5,333	(11,889)
			2,303
(50,057)		37,414	(11,902)
(2,552)			(2,865)
		(469,115)	(469,115)
11,286			25,319
931,841			931,841
865,567	(3,241)	(345,526)	1,180,730
<u>\$ 622,997</u>	<u>\$ (753,301)</u>	<u>\$ 439,593</u>	<u>\$ 1,999,992</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 19,382,434</u>

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AGENCY FUND

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
Statement of Changes in Assets and Liabilities
Special Deposits Agency Fund
For the Year Ended June 30, 2007

	<u>Balance</u> <u>July 1, 2006</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2007</u>
<u>Assets</u>				
Cash and investments	\$ 1,454,847	\$ 159,402	\$ -	\$ 1,614,249
<u>Liabilities</u>				
Deposits payable	\$ 1,454,847	\$ 159,402	\$ -	\$ 1,614,249

STATISTICAL SECTION



New Convention Center



STATISTICAL SECTION

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CITY OF PALM SPRINGS
Comprehensive Annual Financial Report
Year Ended June 30, 2007

STATISTICAL SECTION

This part of the City of Palm Springs comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the government's overall financial health.

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Financial Trends <i>These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.</i>	140
Revenue Capacity <i>These schedules contain trend information to help the reader assess the government's most significant current local revenue source, the property tax.</i>	146
Debt Capacity <i>These schedules contain present information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future.</i>	152
Demographic and Economic Information <i>These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.</i>	160
Operating Information <i>These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs.</i>	163

CITY OF PALM SPRINGS
Net Assets by Component
Last Two Fiscal Years
(Accrual Basis of Accounting)

	Fiscal Year	
	2007	2006
Governmental Activities:		
Invested in capital assets, net of related debt	\$ 68,392,428	\$ 89,544,865
Restricted	51,461,583	47,008,169
Invested in capital assets,	56,957,112	28,383,927
Total Governmental Activities Net Assets	\$ 176,811,123	\$ 164,936,961
Business-type Activities:		
Invested in capital assets net of related debt	\$ 98,785,796	\$ 93,694,649
Restricted	3,836,949	
Invested in capital assets,	24,572,187	16,849,508
Total Business-type Activities Net Assets	\$ 127,194,932	\$ 110,544,157
Primary Government:		
Invested in capital assets net of related debt	\$ 167,178,224	\$ 183,239,514
Restricted	55,298,532	47,008,169
Invested in capital assets,	81,529,299	45,233,435
Total Primary Government Net Assets	\$ 304,006,055	\$ 275,481,118

The City of Palm Springs has elected to show only two years of data for this schedule.

Source: City of Palm Springs, Finance Department

CITY OF PALM SPRINGS
Changes in Net Assets
Last Two Fiscal Years
(Accrual Basis of Accounting)

	Fiscal Year	
	2007	2006
Expenses:		
Governmental activities:		
General government	\$ 12,278,124	\$ 12,664,186
Cultural and convention center	7,580,033	5,894,286
Public safety	33,968,442	30,377,849
Public works	19,329,974	15,178,234
Parks and recreation	7,275,052	7,056,619
Library	2,332,577	2,562,084
Interest on long-term debt	7,764,472	8,416,117
Total Governmental Activities Expenses	<u>90,528,674</u>	<u>82,149,375</u>
Business-type activities:		
Airport	21,631,538	20,154,371
Wastewater	4,658,947	3,617,124
Golf course	3,872,346	3,615,866
Total Business-type Activities Expenses	<u>30,162,831</u>	<u>27,387,361</u>
Total Primary Government Expenses	<u>120,691,505</u>	<u>109,536,736</u>
Program Revenues:		
Governmental activities:		
Charges for services:		
General government	1,527,808	2,985,457
Cultural and convention center	1,644,443	342,570
Public safety	1,614,245	1,387,079
Public works	7,968,799	8,064,647
Parks and recreation	814,512	1,502,694
Library	386,807	212,725
Operating grants and contributions	9,595,013	9,148,403
Capital grants and contributions	5,135,785	6,955,885
Total Governmental Activities Program Revenues	<u>28,687,412</u>	<u>30,599,460</u>
Business-type Activities:		
Charges for services:		
Airport	17,938,788	14,581,454
Wastewater	7,456,041	6,428,919
Golf course	3,210,941	2,887,216
Operating grants and contributions	299,718	283,674
Capital grants and contributions	16,394,397	6,005,185
Total Business-type Activities Program Revenues	<u>45,299,885</u>	<u>30,186,448</u>
Total Primary Government Revenues	<u>73,987,297</u>	<u>60,785,908</u>

(Continued)

CITY OF PALM SPRINGS
Changes in Net Assets (Continued)
Last Two Fiscal Years
(Accrual Basis of Accounting)

	Fiscal Year	
	2007	2006
Net Revenues (Expenses):		
Governmental activities	(61,841,262)	(51,549,915)
Business-type activities	15,137,054	2,799,087
Total Net Revenues (Expenses)	<u>(46,704,208)</u>	<u>(48,750,828)</u>
General Revenues and Other Changes in Net Assets:		
Governmental activities:		
Taxes:		
Property taxes	28,272,695	22,933,538
Sales tax	9,798,032	8,842,715
Transient occupancy taxes	14,465,639	14,677,511
Other taxes	12,070,400	11,005,477
Motor vehicle in lieu, restricted	3,640,542	3,398,819
Investment income	1,678,144	984,833
Other general revenues	3,804,702	1,413,164
Transfers	(14,730)	(500,000)
Total Governmental Activities	<u>73,715,424</u>	<u>62,756,057</u>
Business-type activities:		
Investment income	1,498,991	808,752
Transfers	14,730	500,000
Total Business-type Activities	<u>1,513,721</u>	<u>1,308,752</u>
Total Primary Activities	<u>75,229,145</u>	<u>64,064,809</u>
Change in Net Assets:		
Governmental Activities	11,874,162	11,206,142
Business-type Activities	16,650,775	4,107,839
Total Primary Activities	<u>\$ 28,524,937</u>	<u>\$ 15,313,981</u>

The City of Palm Springs has elected to show only two years of data for this schedule.

Source: City of Palm Springs, Finance Department

CITY OF PALM SPRINGS
Fund Balances of Governmental Funds
Last Two Fiscal Years
(Modified Accrual Basis of Accounting)

	Fiscal Year	
	2007	2006
General Fund:		
Reserved	\$ 3,972,662	\$ 4,045,302
Unreserved	9,219,367	2,419,770
 Total General Fund	 \$ 13,192,029	 \$ 6,465,072
 All Other Governmental Funds:		
Reserved	\$ 31,258,664	\$ 39,126,531
Unreserved, reported in:		
Debt service	2,641,321	(433,447)
Special revenue funds	28,090,940	20,109,521
Capital projects funds	12,936,479	21,860,630
 Total All Other Governmental Funds	 \$ 74,927,404	 \$ 80,663,235

The City of Palm Springs has elected to show only two years of data for this schedule.

Source: City of Palm Springs, Finance Department

CITY OF PALM SPRINGS
Changes in Fund Balances of Governmental Funds
Last Two Fiscal Years
(Modified Accrual Basis of Accounting)

	Fiscal Year	
	2007	2006
Revenues:		
Taxes	\$ 72,093,648	\$ 67,085,805
Licenses and permits	5,044,241	5,098,958
Fines and penalties	1,167,855	944,495
Investment income	3,472,523	2,255,470
Rental income	854,909	776,345
Intergovernmental	9,651,107	8,847,596
Charges for services	8,138,350	6,486,118
Other	6,027,493	4,181,714
Total General Fund	106,450,126	95,676,501
Expenditures:		
Current:		
General government	13,056,812	12,756,285
Cultural and convention center	5,319,373	9,797,133
Public safety	33,438,801	30,153,554
Public works	16,305,743	20,190,731
Parks and recreation	7,242,156	7,096,167
Library	2,232,037	2,481,292
Debt service:		
Principal retirement	6,975,994	3,362,576
Interest and fiscal charges	7,382,576	7,751,650
Pass-through payments	5,505,436	3,973,940
Total Expenditures	97,458,928	97,563,328
Excess (Deficiency) of Revenues		
Over (Under) Expenditures	8,991,198	(1,886,827)
Other Financing Sources (Uses):		
Transfers in	11,029,443	12,229,942
Transfers out	(12,564,443)	(13,214,342)
Issuance of bonds		3,806,000
Total Other Financing Sources (Uses)	(1,535,000)	2,821,600
Net Change in Fund Balances	\$ 7,456,198	\$ 934,773
Debt Service as a Percentage of Noncapital Expenditures	19.8%	22.3%

The City of Palm Springs has elected to show only two years of data for this schedule.

Source: City of Palm Springs, Finance Department

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CITY OF PALM SPRINGS
 Assessed and Estimated Actual Value of Taxable Property
 Last Two Fiscal Years
 (in Thousands of Dollars)

Fiscal Year Ended June 30	City		Taxable Assessed Value
	Secured	Unsecured	
2006	\$ 9,064,335	\$ 700,432	\$ 9,764,767
2007	10,731,983	701,688	11,433,671

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 the property may be increased by an "inflation factor" (limited to a maximum increase of 2%). With few exceptions, property is only reassessed 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 two years of information has been presented, prior years are unavailable.

Source: Riverside County Assessor's Office

Redevelopment Agency			
Secured	Unsecured	Taxable Assessed Value	Total Direct Tax Rate
\$ 1,294,533	\$ 170,615	\$ 1,465,148	0.275%
2,100,577	241,413	2,341,990	0.275%

CITY OF PALM SPRINGS
 Direct and Overlapping Property Tax Rates
 Last Two Fiscal Years
 (Rate per \$100 of Assessed Value)

	Fiscal Year	
	2007	2006
City Direct Rates:		
City basic rate	0.26445	0.26445
Redevelopment Agency	0.01060	0.01060
Total City Direct Rate	0.27505	0.27505
Overlapping Rates:		
Desert Water Agency	0.09784	0.07784
County Flood Control	0.04232	0.04231
Palm Springs Cemetery	0.00148	0.00148
Coachella Valley Mosquito Abatement	0.01299	0.01299
Riverside County Park and Recreation	0.00404	0.00404
College of the Desert	0.09132	0.09131
Desert Hospital	0.01893	0.01893
Palm Springs Unified School District	0.30913	0.30013
School Equalization Aid	0.03882	0.03882
County of Riverside	0.26715	0.26715
Total Direct Rate	1.15907	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 two years of information has been presented, prior years are unavailable.

Source: Riverside County Assessor's Office

CITY OF PALM SPRINGS
Principal Property Taxpayers
Current Year

Taxpayer	2007	
	Taxable Assessed Value	Percent of Total City Taxable Assessed Value
Tenet Health System Desert Inc.	\$ 98,858,547	0.72%
San Grogonio Westwinds II LLC	32,229,000	0.23%
Wessman Holdings	48,300,150	0.35%
Skywest Arilines	35,587,792	0.26%
AP APH Palm Springs	34,415,631	0.25%
Palm Springs Desert Museum	45,507,302	0.33%
MW Housing	43,157,745	0.31%
USA BIA	39,221,868	0.28%
VI Network Inc.	33,445,318	0.24%
Pacific Monarch Resorts Inc.	39,203,603	0.28%
	<u>\$ 449,926,956</u>	<u>3.27%</u>

The amounts shown above include assessed value data for both the City and the Redevelopment Agency.

Source: Riverside County Assessor's Office

CITY OF PALM SPRINGS
Property Tax Levies and Collections
Last Two Fiscal Years

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	\$ 14,798,548	\$ 13,930,235	94.13%	\$ 591,281	\$ 14,521,516	98.13%
2007	16,810,790	15,325,800	91.17%	756,370	16,082,170	95.67%

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 two years of information has been presented, prior years are unavailable.

Source: Riverside County Auditor Controller's Office

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

Fiscal Year Ended June 30	Governmental Activities				Total Governmental Activities
	Pension Obligation Bond (1)	General Obligation Bonds	Bonds	Loans	
2006		\$ 107,732,568	\$ 26,950,000	\$ 134,583	\$ 134,817,151
2007	\$ 19,832,588	102,319,055	26,220,000	118,590	148,490,233

(1) This is a new bond issued in April 2007.

Notes: Details regarding the City's outstanding debt can be found in the notes to the financial statements. Only two years of information has been presented, prior years are unavailable.

Source: City Finance Department

Business-type Activities

<u>Airport Revenue Bonds</u>	<u>Certificates of Participation</u>	<u>Total Business-type Activities</u>	<u>Total Primary Government</u>	<u>Percentage of Personal Income (1)</u>	<u>Debt Per Capita *</u>
\$ 29,113,602	\$ 11,788,191	\$ 40,901,793	\$ 175,718,944	0.00355	3,784
28,726,052	11,537,303	40,263,355	188,753,588	0.00382	4,028

(1) * Personal Income 49,443,185,000

* Total Population 46,858

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

Fiscal Year Ended June 30	Outstanding General Bonded Debt			Percent of Assessed Value ⁽¹⁾	Per Capita	
	Pension Obligation Bond (2)	General Obligation Bonds	Tax Allocation Bonds			Total
2006		\$ 107,733	\$ 26,950	\$ 134,683	1.20%	\$ 2,320
2007	\$ 198,325	102,320	262,200	562,845	4.09%	3,166

(1) Assessed value has been used because the actual value of taxable property is not readily available in the State of California. Only two years of information has been presented, prior years are unavailable.

(2) This is a new bond issued in April 2007.

Source: City Finance Department

CITY OF PALM SPRINGS
Direct and Overlapping Debt
June 20, 2007

City Assessed Valuation		\$ 11,433,691	
Redevelopment Agency Incremental Valuation		<u>2,341,990</u>	
Total Assesed Valuation		<u><u>\$ 13,775,681</u></u>	
	<u>Percentage</u>	<u>Outstanding</u>	<u>Estimated</u>
	<u>Applicable (1)</u>	<u>Debt 6/30/07</u>	<u>Share of</u>
			<u>Overlapping</u>
			<u>Debt</u>
Overlapping Debt Repaid with Property Taxes:			
Desert Community College District	24.1870%	\$ 63,006,886	\$ 15,239,476
Banning Unified School District	0.367%	24,989,712	91,712
Palm Springs Unified School District	56.30%	201,015,000	113,179,486
City of Palm Springs 1915 Act Bonds	0.099%	25,000,000	24,750
	100%	<u>12,216,000</u>	<u>12,216,000</u>
Total overlapping debt repaid with property taxes		<u><u>\$ 326,227,598</u></u>	<u><u>\$ 140,751,424</u></u>
Overlapping Other Debt:			
Riverside County General Fund Obligations	4.874%	\$ 643,021,333	\$ 31,340,860
Riverside County Pension Obligations	4.874%	392,890,000	19,149,459
Riverside County Board of Education Certificates of Participati	4.874%	10,275,000	500,804
Mt. San Jacinto Community College District General Fund Obli	0.008%	7,310,000	585
City of Palm Springs General Fund Obligations	100%	113,856,357	113,856,357
City of Palm Springs Pension Obligations	100%	19,832,588	19,832,588
Coachella Valley County Water District Storm Water Unit	0.243%	<u>7,485,000</u>	<u>18,189</u>
Total overlapping other debt		<u><u>\$ 1,194,670,278</u></u>	<u><u>184,698,842</u></u>
City direct debt			<u>148,490,233</u>
Total direct and overlapping debt			<u><u>\$ 333,189,075</u></u>

NOTES:

(1) 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.

CITY OF PALM SPRINGS
 Legal Debt Margin Information
 Last Two Fiscal Years
 (in Thousands of Dollars)

	2007	2006
Assessed Valuation	\$ 13,775,661	\$ 11,229,915
Conversion percentage	25.00%	25.00%
Adjusted assessed valuation	3,443,915	2,807,479
Debt limit percentage	15.00%	15.00%
Debt limit	516,587	421,122
Total net debt applicable to limit: General Obligation Bonds	102,319	107,733
Legal Debt Margin	\$ 414,268	\$ 313,389
Total debt applicable to the limit as a percentage of debt limit	19.81%	25.58%

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 two years of information has been provided, prior years are unavailable.

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

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CITY OF PALM SPRINGS
Pledged-Revenue Coverage
Last Two Fiscal Years

Fiscal Year Ended June 30	Tax Allocation Bonds			
	Tax Increment	Debt Service		Coverage
		Principal	Interest	
2006	\$ 7,335,285	\$ 710,000	\$ 1,394,621	3.49
2007	9,580,238	730,000	1,370,994	4.56

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 two years of information has been presented, prior years are unavailable.

Airport Revenue Bonds

Airport Revenue	Less Operating Expenses	Net Available Revenue	Debt Service		Coverage
			Principal	Interest	
\$ 21,206,763	\$ 11,467,523	\$ 9,739,240	\$ 888,000	\$ 1,733,111	3.72
35,262,086	12,755,693	22,506,393	460,000	1,387,562	12.18

CITY OF PALM SPRINGS
Demographic and Economic Statistics
Last Two Calendar Years

Calendar Year	Population (1)	Personal Income (In Thousands) (2)	Per Capita Personal Income (2)	Unemployment Rate (3)
2006	46,437	49,443,185	26,448	3.5%
2007	46,858	49,443,185	35,973	3.9%

Only two years have been presented, prior years are unavailable.

Sources:

- (1) State Department of Finance
- (2) State of California Employment Development Department - County of Riverside
- (3) State of California Employment Development Department

**CITY OF PALM SPRINGS
Principal Employers
Current Year**

Employer	2007	
	Number of Employees	Percent of Total Employment
Palm Springs Unified School District	1,998	6.30%
Desert Regional Medical Center	1,500	4.73%
Agua Caliente Gaming Casino	700	2.21%
City of Palm Springs	471	1.48%
Desert Sun	400	1.26%
Walmart	315	0.99%
Viasys Health Care	250	0.79%
Lowe's	200	0.63%
Hilton Hotel	170	0.54%
Wyndham Hotel	150	0.47%

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

Information not available from 1998.

Sources: State Employment Development Department
City of Palm Springs
Info USA

CITY OF PALM SPRINGS
 Full-time Equivalent City Employees
 by Function
 Last Two Fiscal Years

Department	2007	2006
Administration	49.8	50.9
Growth Management	37.8	37.9
Quality of Life	58.3	48.9
Public Safety	216.5	195.5
Public Works & Engineering	23.0	30.1
Airport	60.0	67.0
Golf Course	0.5	0.5
Motor Vehicle	9.0	10.0
Facilities Maintenance	14.0	14.0
Risk Management	2.5	3.2
Total	<u>471.3</u>	<u>458.0</u>

Only two years has been presented, prior years unavailable.

Source: City Budget Department

CITY OF PALM SPRINGS
 Operating Indicators
 By Function
 Last Two Fiscal Years

Department	Fiscal Years	
	2007	2006
Police:		
Arrests	4,152	3,897
Parking Citations	3,125	2,875
Fire:		
Number of Emergency Calls	6,876	6,772
Inspections	2,025	576
Public Works:		
Street resurfacing (square feet)	4,025,450	2,759,517
Parks and Recreation:		
Number of recreation classes	1,055	1,423
Number of facility rentals	165	163
Airport:		
Passengers serviced	1,595,417	1,478,616
Flights	93,201	92,668
Sewer:		
New connections	258	566
Average daily sewage treatment	6,491	6,500
Golf Course:		
Golf rounds played	83,979	44,039

Only two years of information has been presented, prior years are unavailable.

Source: City of Palm Springs

CITY OF PALM SPRINGS
 Capital Asset Statistics
 By Function
 Last Two Fiscal Years

	Fiscal Years	
	2007	2006
Police:		
Stations	1	1
Fire:		
Fire stations	5	5
Public Works:		
Streets (miles)	800	800
Streetlights	218	218
Traffic signals	76	76
Parks and recreation:		
Parks	8	8
Community centers	2	2
Airport:		
Runway (miles)	14,952	14,952
Gates	11	11
Wastewater:		
Sanitary sewers (miles)	260	260
Storm sewers (miles)	1	1
Maximum daily treatment capacity (thousands of gallons)	10,900	10,900
Water:		
Service connections	21,153	21,153
Average annual consumption per consumer	1,809	1,809
Cogeneration:		
Cogeneration plants	1	1
Golf Course:		
Municipal golf courses	2	2
Convention Center:		
Square feet	135,000	135,000
Meeting rooms	13	13

Only two years of information has been presented, prior years are not available.

Source: City of Palm Springs