

CITY OF PALM SPRINGS, CALIFORNIA

Comprehensive Annual Financial Report

Year ended June 30, 2005

Prepared by

FINANCE DEPARTMENT

Craig A. Graves
Director of Finance and Treasurer

Nancy E. Klukan
Accounting Manager

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City of Palm Springs

Department of Finance and Treasury

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December 1, 2005

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, 2005, is hereby submitted. Responsibility for both the accuracy of the data, and the completeness and fairness of the presentation, including all disclosures, rests with the City. To the best of our knowledge and belief, the enclosed data are accurate in all material respects and are reported in a manner designed to present fairly the financial position and results of operations of the various funds and account groups of the City. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included. This report has been reformatted to comply with the new financial reporting model outlined in the Governmental Accounting Standards Board (GASB) Statement 34, which significantly changes the content and format of the City's financial statements.

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

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

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

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

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

GENERAL INFORMATION

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

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

ECONOMIC CONDITION AND OUTLOOK

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

Transient Occupancy Tax, was up about 5.7% compared to the prior year.

Sales Tax collections were up about 6.5%, primarily because of the strong new housing market.

Property Taxes in the General Fund increased by 2.1% over the prior year. The increase would have been substantially higher, up to about 9%, except for the City's "contribution" to the State's budget solution.

Overall, the combined revenue from the General Fund and Community Promotion Fund went from \$54.1 million in Fiscal Year 2003-04 to \$ 60 million in Fiscal Year 2004-05, an increase about 10.8%.

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

The continued high level of building activity combined with a rapid rise in property values will likely allow revenues to keep pace with the additional expected increases in City costs. After the current fiscal year, the expense side of the ledger should stabilize, and the General Fund should produce a surplus.

MAJOR INITIATIVES FOR THE YEAR

The City concluded labor negotiations with all six of the bargaining units. The Management, Professional and Supervisory employees, the Police Management and the General Unit, all have contracts through June 30, 2007. The agreements for Police Safety, Fire Safety, and Fire Management units extend until June 30, 2006.

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

Convention Center, nearly doubling its size. This will enable the expanded Convention Center to attract a broader array of conferences and seminars.

The City began to participate 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 04-05 was about \$900,000, and was used exclusively to fund police and fire safety services related to the Agua Caliente Casino. The City has received a 5 year commitment for annual funding at this level.

Quimby Act fees were adopted by the City Council last fiscal year. Payments through June 30, 2005 totaled about \$650,000. 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.

FOR THE FUTURE

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

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

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

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

Downtown Palm Springs will soon host the Cirque Dreams, a combined song and dance theatrical production with gymnastic and aerialist acts. The show will be housed in the now-vacant Downtown Fashion Plaza for three years, or until the Plaza's plans for rehabilitations are ready to begin construction. The nightly shows will enhance, along with the long running Palm

Springs Follies in the Plaza Theatre, the nightlife in the entire downtown corridor. The City helped jump start this new attraction with a \$300,000 loan, which will be repaid from ticket sales.

A major residential project east of the Palm Springs International Airport called Escena started in the winter of 2005. The initial phase of the project was the completion of a new golf course, which was completed in August of 2005. Plans for the homes are currently in the planning department with construction of the homes scheduled to start in early 2006. The project includes plans for 800 residential units, and a hotel.

FINANCIAL INFORMATION

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

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

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

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

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

Appropriation Limitation. As required by Article XIII B of the California Constitution, the City's appropriation limitation for 2004-05 expenditures was calculated at \$94,962,486. Appropriations subject to limitation totaled \$49,121,252 or about \$45,841,234 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, 2005, the total remaining principal on the long-term debt of the City and its related entities is \$192,682,500.

Cash Management. The City had \$60,000,897 available for investment on June 30, 2005 compared to \$50,779,401 as of June 30, 2004. The current year amount does not include \$37,406,680 held by the City's fiscal agent for various long-term debt issues. The City of Palm Springs invests its temporarily pooled idle investments under the Prudent Man Rule (Civil Code Sect. 2261, et seq.), which in essence states that "in investing property for benefit of another, a trustee shall exercise the judgment and care, under circumstances then prevailing, which men of 'prudence', or discretion, and intelligence exercise in the management of their own affairs." This affords the City a broad spectrum of investment opportunities as long as the investment is deemed prudent and is allowable under current legislation of the State of California. The City's investment portfolio consists of certificates of deposit, State of California Local Agency Investment Fund, Bankers Acceptances, United States Government Securities and Corporate Notes.

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

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

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

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

OTHER INFORMATION

Independent Audit. State statute requires an annual audit by independent certified public accountants. The accounting firm of Conrad and Associates, L.L.P., was selected by the City Council with the recommendation of the Finance Director. In addition to meeting the requirements set forth in state statutes, the audit was also designed to meet the requirements of the Federal Single Audit Act of 1984 and related OMB Circular A-133. The auditor's report on the general purpose financial statements and combining, individual fund and account group statements and schedules are included in the financial section of this report. Once again the City's independent auditors, Conrad and Associates, L.L.P., has issued an unqualified opinion. The auditor's reports related specifically to the single audit are included in the Single Audit Report.

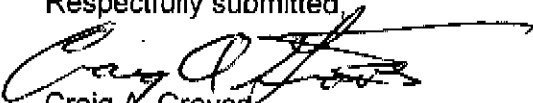
Awards. The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Palm Springs for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2004. This was the 16th consecutive year that the City has received this prestigious award. In order to be awarded a Certificate of Achievement, the City published an easily readable and efficiently organized comprehensive annual financial report. This report satisfied both generally accepted accounting principles and applicable legal requirements.

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

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

Acknowledgments. The preparation of this report on a timely basis could not have been accomplished without the efficient and dedicated services of the entire Finance Department staff. Special recognition is given to Nancy Klukan, Accounting Manager; Rita Gustafson, Senior Accountant; and all the Accounting division staff for their services in the coordination and preparation of this year's report. Our independent auditors, Conrad and Associates, L.L.P., provided expertise and advice in preparing an outstanding report this year. In closing, I would also like to acknowledge the dedicated service of former Director of Finance and Treasurer Thomas M. Kanarr who retired in December, 2004 after serving as the Director of Finance and Treasurer for fourteen years and providing the citizens of Palm Springs with over 32 years of service.

Respectfully submitted,



Craig A. Graves
Director of Finance and Treasurer

CITY OF PALM SPRINGS

List of Principal Officials

June 30, 2005

CITY COUNCIL

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

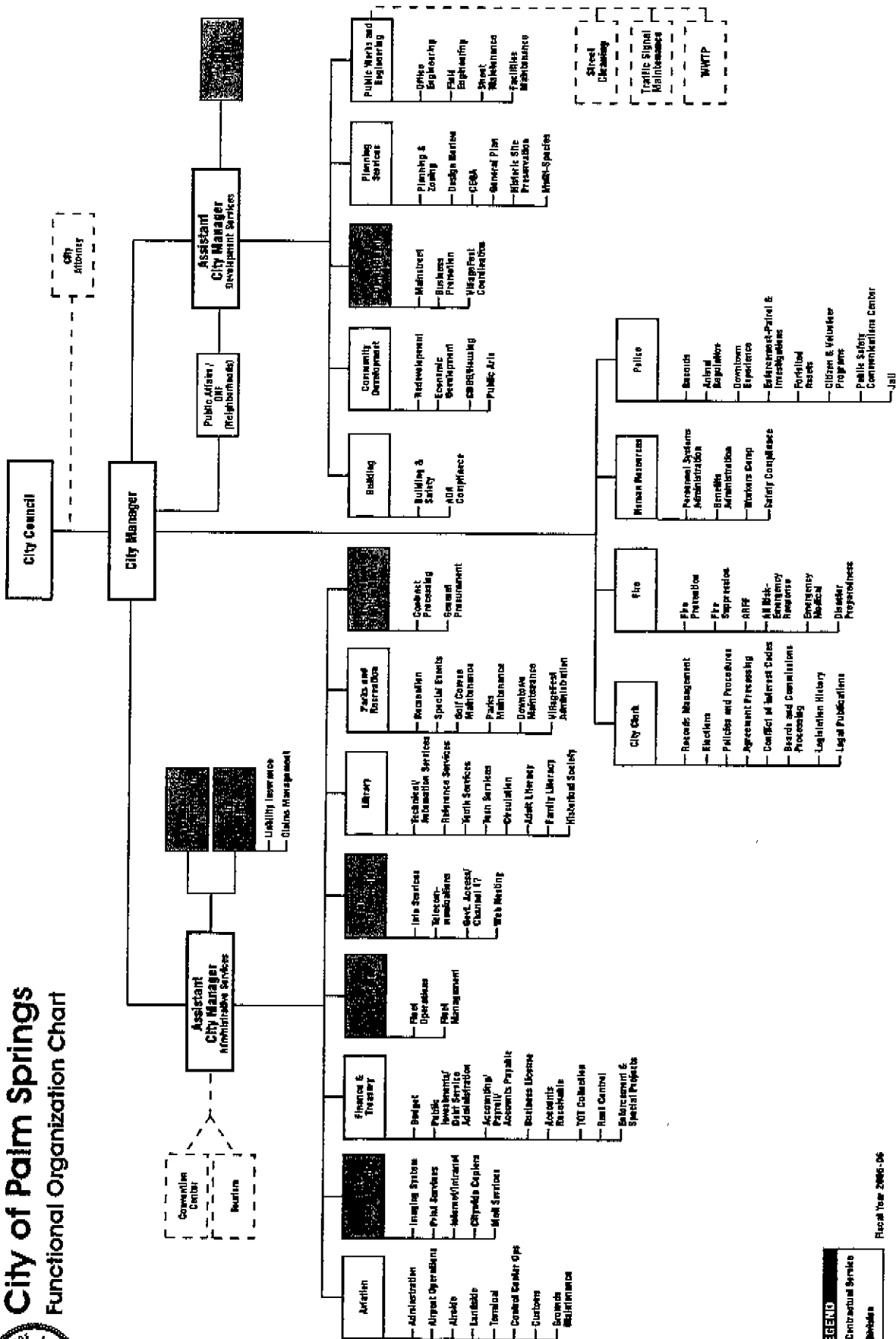
EXECUTIVE MANAGEMENT

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



City of Palm Springs

Functional Organization Chart



LEGEND
 = Contractual Services
 = Reimburse

Fiscal Year 2006-06

California Society of Municipal Finance Officers

Certificate of Award

Outstanding Financial Reporting 2003-04

Presented to the

City of Palm Springs

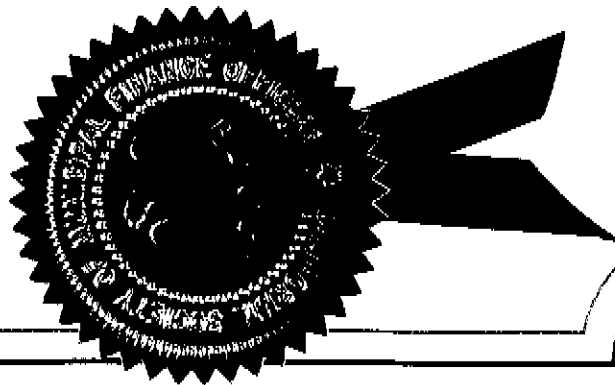
*This certificate is issued in recognition of meeting professional standards and criteria in reporting
which reflect a high level of quality in the annual financial statements
and in the underlying accounting system from which the reports were prepared.*

February 24, 2005

William A. Stumpf

Bill Thomas, Chair
Professional & Technical Standards Committee

Dedicated to Excellence in Municipal Financial Management



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, 2004

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.



Nancy L. Zielle

President

Jeffrey R. Emer

Executive Director

City Council
City of Palm Springs
Palm Springs, California

Independent Auditor's Report

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Palm Springs, California, as of and for the year ended June 30, 2005, which collectively comprise the City's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the management of the City of Palm Springs. Our responsibility is to express opinions on these financial statements based on our audit.

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, 2005, and the respective changes in financial position and cash flows, where applicable, of the City of Palm Springs, California for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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

City Council
City of Palm Springs
Palm Springs, California

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

In accordance with *Government Auditing Standards*, we have also issued a report dated November 4, 2005 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 read in conjunction with this report in assessing the results of our audit.

Conrad and Associates, L.L.P.

November 4, 2005

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, 2005. Please read it in conjunction with the financial statements identified in the accompanying table of contents.

Using the Accompanying Financial Statements

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

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

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

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

	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire City government (except fiduciary funds) and the City's component units	The activities of the City that are not proprietary or fiduciary	Activities the City operates similar to private businesses	Instances in which the City is the trustee or agent for someone else's resources
Required financial statements	<ul style="list-style-type: none"> • 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 nonfinancial factors, however, such as changes in the City’s property tax base and the condition of the City’s roads should be considered, to assess the *overall health* of the City.

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

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

Reporting the City’s Major Funds

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

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

information, such as cash flows, for proprietary funds. Internal service funds (the other component of proprietary funds) are used to report activities that provide supplies and services for the City's other programs and activities.

Reporting the City's Fiduciary Responsibilities

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

	Governmental Activities		Business Type Activities		Total	
	2005	2004	2005	2004	2005	2004
Current and other assets	105,900	126,520	23,407	18,831	129,307	145,351
Capital assets	213,144	187,211	130,246	132,466	343,390	319,677
Total assets	319,044	313,731	153,653	151,297	472,697	465,028
Long-term debt outstanding	145,816	148,938	42,049	42,944	187,865	191,882
Other liabilities	19,497	15,901	5,108	5,103	24,605	21,004
Total liabilities	165,313	164,839	47,157	48,047	212,470	212,886
Net assets:						
Invested in capital assets (net of debt)	96,631	97,402	93,598	94,767	190,229	192,169
Restricted	42,685	30,157	-	-	42,685	30,157
Unrestricted	14,415	21,333	12,898	8,483	27,313	29,816
Total net assets	153,731	148,892	106,496	103,250	260,227	252,142

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

Table 2
Changes in Net Assets (in thousands)

	Governmental Activities		Business Type Activities		Total	
	2005	2004	2005	2004	2005	2004
Revenues						
Program revenues:						
Charges for services	14,886	11,773	23,404	23,057	38,290	34,830
Operating contributions & grants	8,068	5,951	275	6,263	8,343	12,214
Capital contributions & grants	4,513	7,516	5,771	9,504	10,284	17,020
General revenues						
Property taxes & tax increment	17,688	16,670	-	-	17,688	16,670
Sales taxes	8,376	7,866	-	-	8,376	7,866
Transient occupancy taxes	13,025	12,318	-	-	13,025	12,318
Other taxes	14,129	12,380	-	-	14,129	12,380
Gain on sale of capital asset	1,751	-	-	-	1,751	-
Other general revenues	1,501	1,947	454	204	1,955	2,151
Total revenues	83,937	76,421	29,904	39,028	113,841	115,449
Program expenses						
General government	8,265	10,464	-	-	8,265	10,464
Culture and convention center	4,362	3,050	-	-	4,362	3,050
Public safety	29,728	25,983	-	-	29,728	25,983
Public Works	20,350	18,345	-	-	20,350	18,345
Parks and recreation	5,419	5,363	-	-	5,419	5,363
Library	2,402	2,263	-	-	2,402	2,263
Interest	8,073	6,696	-	-	8,073	6,696
Airport	-	-	19,895	18,353	19,895	18,353
Wastewater	-	-	3,960	4,358	3,960	4,358
Golf Course	-	-	3,303	3,437	3,303	3,437
Total expenses	78,599	72,164	27,158	26,148	105,757	98,312
Excess (deficiency) before special items and transfers	5,338	4,257	2,746	12,880	8,084	17,137
Transfers	(500)	(784)	500	784	-	-

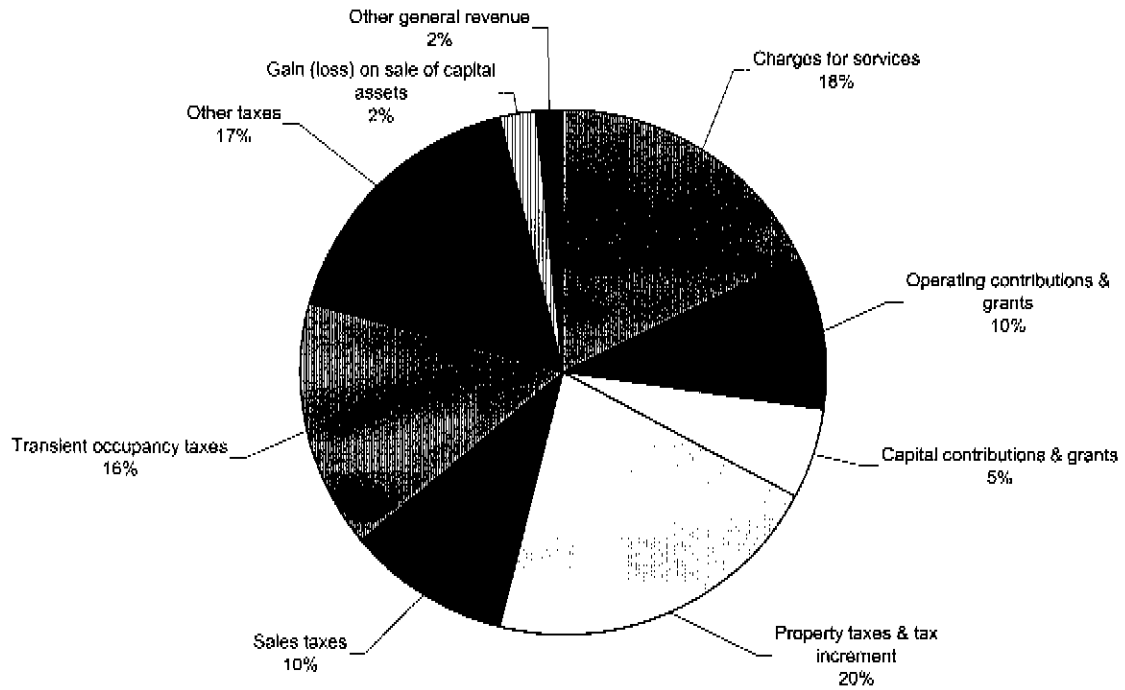
Increase (decrease) in net assets	4,838	3,473	3,246	13,664	8,084	17,137
Beginning net assets	<u>148,892</u>	<u>145,419</u>	<u>103,250</u>	<u>89,588</u>	<u>252,142</u>	<u>235,005</u>
Ending net assets	<u>153,730</u>	<u>148,892</u>	<u>106,496</u>	<u>103,250</u>	<u>260,226</u>	<u>252,142</u>

The increase or decrease in net assets can provide an indication as to whether the overall financial position of the City improved or deteriorated during the year. Net assets of the City's governmental activities increased by about 3.3% (\$153.7 million compared to \$148.9 million).

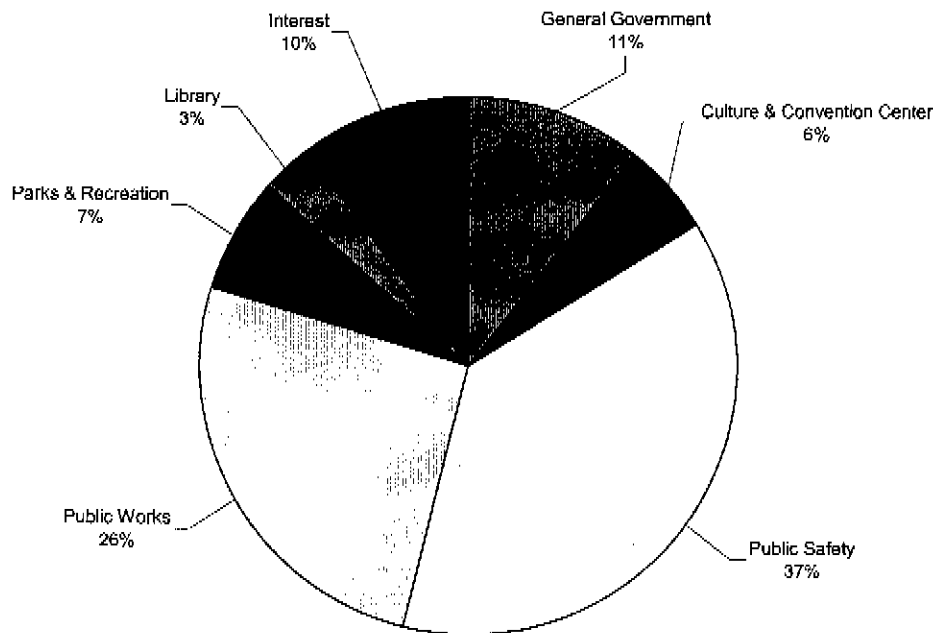
The reasons for significant changes in the revenues and expenses of the City's governmental activities presented above are as follows:

- The City's property tax collections increased by 6.0% with most of the gain coming from Redevelopment Tax Increment. 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. Property tax revenue would have been substantially higher except for the City's "contribution" of about \$900,000 to the State's budget deficit solution.
- The Transient Occupancy Tax (TOT) rate was increased effective January 1, 2004 from 12.5% to 13.5% for Group Meeting Hotels (generally, hotels with more than 125 units). The rate remained at 11.5% for all other hotels. TOT collections were up 5.7% compared to the prior year. Without the rate increase, collections would have been up about 3.6%.
- Sales tax collections increased by nearly 6.5%.
- Program expenses were up significantly in most categories because of large increases in pension and health insurance costs.
- Public works' Capital Contributions and Grants declined from \$7.5 million last year to \$3.9 million in FY 04-05 because \$2.8 million of costs of a new assessment district were in the prior year's total.

Revenues by Source Governmental Activities



Expenses by Function – Governmental Activities



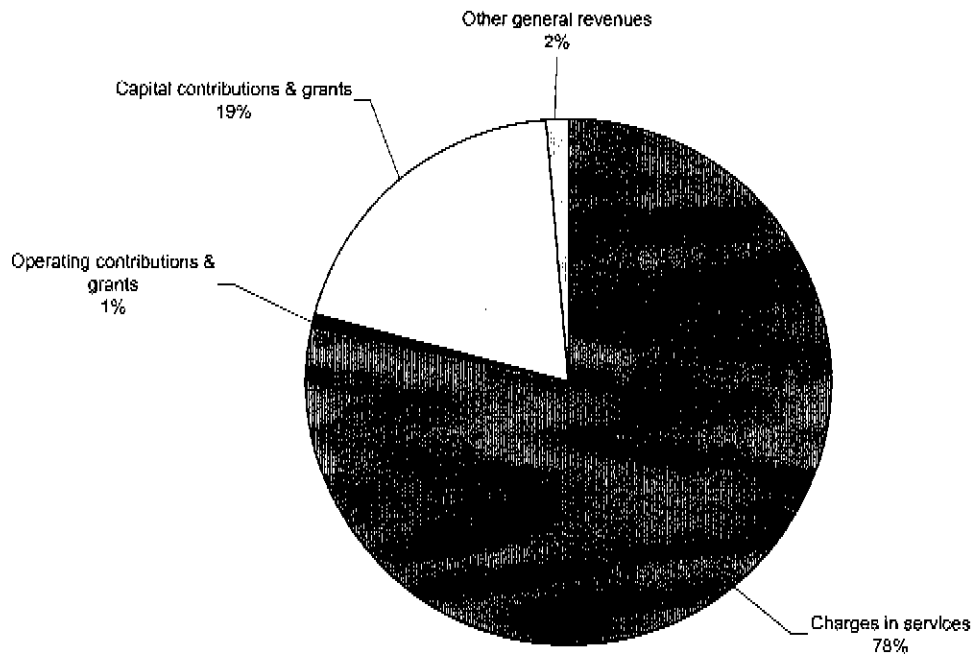
Business-Type Activities

Revenues of the City's business-type activities (see Table 2) decreased substantially from the previous year, from \$39 million to \$29.9 million. Expenses increased from \$26.1 million to \$27.1 million.

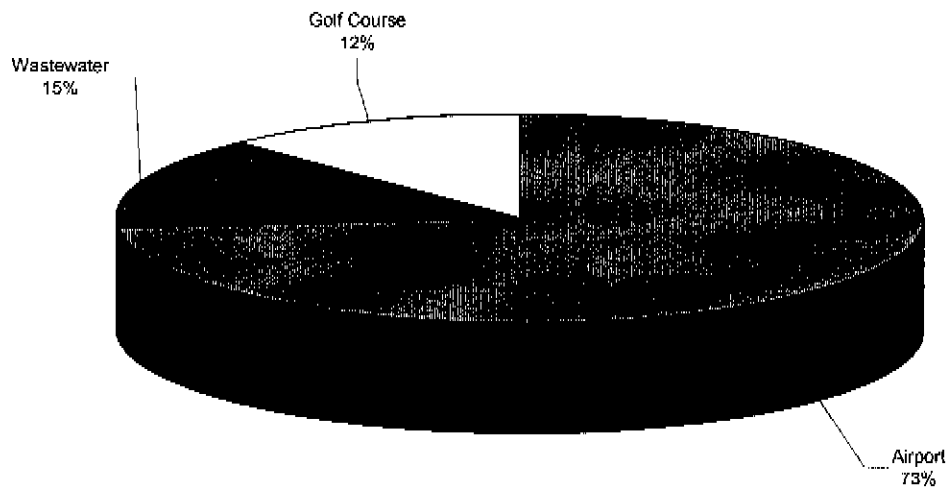
The primary reasons for the changes in revenue:

- Revenue from capital grants in the Airport decreased from \$9.1 million to \$5.5 million. This reflects the completion in the prior fiscal year of security enhancements and improvements to the terminal.
- The proceeds from a land sale, \$5.8 million, were included in the Airport's revenues last fiscal year.
- Operating expenses were impacted by higher personnel costs, especially for pension benefits, health insurance and workers' comp insurance. Total personnel services increased from \$5.7 million to \$6.2 million. Most of the increase was in the Airport, which was also impacted by the cost of additional security personnel.
- Energy costs increased by about \$200,000 (from \$1.1 million to \$1.3 million).
- Depreciation expense increased from \$7.6 million to \$8.4 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 \$3.1 million, while total fund balance reached \$11.5 million. As a measure of the general fund's liquidity, unreserved fund balance represents 6.4 % of total general fund expenditures, while total fund balance represents 15.2% of that same amount. It should be noted that the Community Promotion Fund has a fund balance of \$5.5 million.

Total General Fund revenue increased from \$46.4 million to \$52.3 million. Most of the categories showed improvement. Among the more significant changes:

- sales taxes went from \$7.9 million to \$8.4 million
- licenses and permits (Building and other) improved from \$3 million to \$4.5 million
- charges for services (primarily plan checking fees) increased from \$3.7 million to \$4.4 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.

Total General Fund expenditures increased from \$43.3 million to \$48.4 million. Large changes occurred in:

- PERS pension benefit costs, which increased from \$4 million to \$6.9 million
- health insurance and workers compensation insurance, increasing from \$5.5 million to \$5.7 million.

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

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

The revenues increased from \$.8 million to \$1.2 million with the addition of Assessment District No. 161. Expenditures decreased from \$4.1 million to \$2 million with the substantial completion of the AD 161 improvements in the prior year.

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, primarily because the City's Skate Park was completed last year.
- total expenditures increased by \$23.5 million, from \$8.2 million to \$31.7 million because of the Convention Center expansion.

Major Enterprise Funds. The Unrestricted net assets of the **Airport, Wastewater and Golf Course Funds** total \$12.9 million, an increase of \$4.4 million from last year's total of \$8.5 million. This increase is because a bond issue in the Wastewater Fund was retired and the last debt service was paid in FY 03-04. There were also no major capital expenditures this past fiscal year.

GENERAL FUND BUDGET

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

On the expenditure side, the overall budget increased by about \$2.0 million, primarily due to new Police Department grants which were awarded during the year and the costs of street repairs due to the winter rain storms.

Exhibit A-1 shows additional detail.

The actual operating results for revenue compared to the final budget had a positive variance of slightly more than \$3.3 million (\$49 million budget vs. \$52.3 million actual). Most revenue categories exceeded budget. Investment Income (\$250,000 budget compared to \$175,000 actual) was the only significant decline. The biggest percentage increase was in Licenses and Permits, which exceeded the \$3.4 million budget by \$1.1 million, an increase of more than 32%. Most of the increase in this category was building fee related.

All categories of expenditures showed a positive variance compared to the final budget, with the actual total \$2.6 million under budget. The savings were primarily the result of a freeze on hiring for most of the year, and various other cost cutting measures.

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

	CAPITAL ASSETS					
	(in thousands, net of depreciation)					
	Governmental Activities		Business Type Activities		Total	
	2005	2004	2005	2004	2005	2004
Buildings	39,212	40,537	13,656	14,570	52,868	55,107
Improvements	12,477	13,079	66,040	66,711	78,517	79,790
Furniture and equipment	1,977	2,264	323	338	2,300	2,602
Vehicles	3,214	2,854	1,898	2,000	5,112	4,854
Infrastructure	88,637	92,814	11,602	12,120	100,239	104,934
Right-of-way	14,614	14,614	-	-	14,614	14,614
Land	16,027	15,366	36,727	36,727	52,754	52,093
Construction in progress	36,987	5,683	-	-	36,987	5,683
Total	213,145	187,211	130,246	132,466	343,391	319,677

The major addition to capital assets during the year ended June 30, 2005 was as follows:

- The substantial completion of the Phase II improvements to the Convention Center, a total of about \$23.5 million.

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

LONG-TERM DEBT

As of June 30, 2005, the City had bonded debt outstanding of \$190.1 million. The City has no General Obligation debt. The table below summarizes the information presented in Notes 7, 8 and 9 to the financial statements.

	LONG TERM DEBT					
	(in thousands)					
	Governmental Activities		Business Type Activities		Total	
	2005	2004	2005	2004	2005	2004
Certificates of participation (COP's)	17,120	17,530	12,024	12,245	29,144	29,775
Tax Allocation Bonds	27,660	28,730	-	-	27,660	28,730
Lease Revenue Bonds	92,402	93,727	30,934	31,757	123,336	125,484
Special Assessment Bonds	9,978	9,303	-	-	9,978	9,303
	<u>147,160</u>	<u>149,290</u>	<u>42,958</u>	<u>44,002</u>	<u>190,118</u>	<u>193,292</u>

The only addition to the total debt in the current fiscal year was \$1.3 million for Assessment District No. 162.

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

Contacting the City's Financial Management

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

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BASIC FINANCIAL STATEMENTS

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CITY OF PALM SPRINGS
Statement of Net Assets
June 30, 2005

	Governmental Activities	Business-Type Activities	Totals	
			2005	2004
Assets:				
Cash and investments (note 2)	\$ 40,197,639	18,319,190	58,516,829	49,595,813
Deposits	238,319	-	238,319	238,044
Receivables:				
Accounts	3,001,742	953,718	3,955,460	3,740,628
Accrued interest	2,564,332	153,469	2,717,801	1,486,060
Special assessments	10,003,795	-	10,003,795	9,365,054
Notes	2,135,318	-	2,135,318	302,109
Internal balances	3,082,732	(3,082,732)	-	-
Due from other governments	4,816,201	754,022	5,570,223	5,464,843
Inventories	100,252	-	100,252	93,507
Unamortized debt issuance costs	475,105	1,064,362	1,539,467	1,614,910
Property held for resale	7,123,077	-	7,123,077	7,199,572
Restricted assets:				
Cash and investments with fiscal agent (note 2)	32,161,456	5,245,224	37,406,680	66,249,752
Capital assets (note 5):				
Land and rights of way	30,641,636	36,727,608	67,369,244	66,707,947
Construction in progress	36,987,031	-	36,987,031	5,683,406
Other capital assets, net	145,515,484	93,518,318	239,033,802	247,285,775
Total assets	319,044,119	153,653,179	472,697,298	465,027,420
Liabilities:				
Accounts payable	4,160,196	713,765	4,873,961	3,627,667
Accrued wages payable	807,366	122,899	930,265	864,432
Accrued interest payable	1,785,348	2,142,283	3,927,631	3,359,111
Due to other governments	1,242,611	-	1,242,611	932,182
Deposits payable	168,612	500,000	668,612	671,115
Claims and judgments payable (note 14)	4,167,475	-	4,167,475	2,488,947
Unearned revenue	47,243	-	47,243	130,488
Noncurrent liabilities (notes 7 to 13):				
Due within one year	7,118,868	1,629,527	8,748,395	8,930,001
Due in more than one year	145,815,581	42,049,025	187,864,606	191,882,081
Total liabilities	165,313,300	47,157,499	212,470,799	212,886,024
Net assets:				
Invested in capital assets, net of related debt	96,630,801	93,597,622	190,228,423	185,833,252
Restricted for:				
Public safety	570,971	-	570,971	596,919
Public works	12,303,896	-	12,303,896	10,529,995
Special assessment debt service	11,271,561	-	11,271,561	12,479,165
Redevelopment agency projects	18,538,674	-	18,538,674	12,887,266
Unrestricted	14,414,916	12,898,058	27,312,974	29,814,799
Total net assets	\$ 153,730,819	106,495,680	260,226,499	252,141,396

See accompanying notes to the basic financial statements.

CITY OF PALM SPRINGS

Statement of Activities

Year ended June 30, 2005

	Expenses	Program Revenues		
		Charges for Services	Operating Contributions and Grants	Capital Contributions and Grants
Governmental activities:				
General government	\$ 11,012,824	2,313,677	-	-
Cultural and convention center	4,361,794	1,232,031	244,060	590,885
Public safety	29,727,888	1,838,317	2,196,953	55,000
Public works	17,601,738	8,668,066	5,393,269	3,860,960
Parks and recreation	5,418,993	635,050	104,331	-
Library	2,401,695	198,544	129,886	6,000
Interest expense	8,073,271	-	-	-
Total governmental activities	<u>78,598,203</u>	<u>14,885,685</u>	<u>8,068,499</u>	<u>4,512,845</u>
Business-type activities:				
Airport	19,894,924	14,127,189	210,524	5,771,198
Wastewater	3,959,845	6,924,349	-	-
Golf course	3,302,942	2,352,003	64,507	-
Total business-type activities	<u>27,157,711</u>	<u>23,403,541</u>	<u>275,031</u>	<u>5,771,198</u>
	<u>\$ 105,755,914</u>	<u>38,289,226</u>	<u>8,343,530</u>	<u>10,284,043</u>

General revenues:

Property taxes

Tax increment

Sales taxes

Transient occupancy taxes

Utility users tax

Other taxes

Motor vehicle in lieu, unrestricted

Investment income

Gain on sale of capital assets

Miscellaneous revenues

Transfers

Total general revenues and transfers

Change in net assets

Net assets at beginning of year

Net assets at end of year

See accompanying notes to the basic financial statements.

EXHIBIT BB

Net (Expense) Revenue and Changes in Net Assets			
Governmental Activities	Business-type Activities	Totals	
		2005	2004
(8,699,147)	-	(8,699,147)	(8,962,756)
(2,294,818)	-	(2,294,818)	(1,885,052)
(25,637,618)	-	(25,637,618)	(23,259,909)
320,557	-	320,557	128,702
(4,679,612)	-	(4,679,612)	(4,267,114)
(2,067,265)	-	(2,067,265)	(1,981,843)
(8,073,271)	-	(8,073,271)	(6,695,622)
<u>(51,131,174)</u>	<u>-</u>	<u>(51,131,174)</u>	<u>(46,923,594)</u>
-	213,987	213,987	10,937,444
-	2,964,504	2,964,504	2,500,967
<u>-</u>	<u>(886,432)</u>	<u>(886,432)</u>	<u>(762,462)</u>
<u>-</u>	<u>2,292,059</u>	<u>2,292,059</u>	<u>12,675,949</u>
<u>(51,131,174)</u>	<u>2,292,059</u>	<u>(48,839,115)</u>	<u>(34,247,645)</u>
12,729,642	-	12,729,642	12,462,200
4,958,620	-	4,958,620	4,207,746
8,376,432	-	8,376,432	7,866,291
13,024,611	-	13,024,611	12,318,252
5,708,026	-	5,708,026	5,731,152
5,086,425	-	5,086,425	4,633,600
3,334,178	-	3,334,178	2,015,040
183,702	454,342	638,044	473,986
1,751,119	-	1,751,119	-
1,317,121	-	1,317,121	1,675,968
<u>(500,000)</u>	<u>500,000</u>	<u>-</u>	<u>-</u>
<u>55,969,876</u>	<u>954,342</u>	<u>56,924,218</u>	<u>51,384,235</u>
4,838,702	3,246,401	8,085,103	17,136,590
<u>148,892,117</u>	<u>103,249,279</u>	<u>252,141,396</u>	<u>235,004,806</u>
<u>\$ 153,730,819</u>	<u>106,495,680</u>	<u>260,226,499</u>	<u>252,141,396</u>

CITY OF PALM SPRINGS
Balance Sheet - Governmental Funds
June 30, 2005

	General Fund	Special Assessments Debt Service	Capital Projects	Non-Major Governmental	Total Governmental Funds	
					2005	2004
Assets:						
Cash and investments	\$ 1,575,398	1,171,772	-	33,103,651	35,850,821	33,334,774
Restricted assets:						
Cash and investments with fiscal agent	-	2,403,434	15,223,122	14,201,354	31,827,910	60,698,090
Deposits	-	-	-	233,319	233,319	233,044
Receivables:						
Accounts	2,002,908	-	68	949,219	2,952,195	2,304,678
Accrued interest	1,255,138	7,750	-	935,331	2,198,219	1,087,894
Special assessments	-	10,003,795	-	-	10,003,795	9,365,054
Notes	-	-	-	2,135,318	2,135,318	302,109
Due from other funds (note 3)	-	-	-	4,020,257	4,020,257	679,906
Due from other governments	3,035,111	88,244	157,745	1,523,798	4,804,898	4,715,333
Advances to other funds (note 4)	3,624,630	-	-	1,963,826	5,588,456	5,385,662
Property held for resale	-	-	-	7,123,077	7,123,077	7,199,572
Total assets	\$ 11,493,185	13,674,995	15,380,935	66,189,150	106,738,265	125,306,116
Liabilities and Fund Balance						
Liabilities:						
Accounts payable	\$ 1,149,094	-	1,554,372	972,387	3,675,853	2,309,846
Accrued wages payable	723,561	-	4,691	34,911	763,163	695,862
Due to other funds (note 3)	-	-	2,051,777	298,748	2,350,525	679,906
Due to other governments	-	-	-	127,822	127,822	146,653
Deposits payable	1,643	-	-	166,969	168,612	171,115
Deferred revenue	2,256,864	10,003,795	178,910	764,014	13,203,583	11,009,268
Pass-through payable	-	-	-	1,114,789	1,114,789	785,529
Advances from other funds (notes 4)	-	-	-	5,605,456	5,605,456	5,402,662
Total liabilities	4,131,162	10,003,795	3,789,750	9,085,096	27,009,803	21,200,841
Fund balance:						
Reserved for:						
Encumbrances	563,668	-	6,588,988	1,662,759	8,815,415	13,923,225
Deposits	-	-	-	233,319	233,319	233,044
Notes	-	-	-	2,127,530	2,127,530	294,081
Advances to other funds	3,624,630	-	-	1,963,826	5,588,456	5,385,662
Property held for resale	-	-	-	7,123,077	7,123,077	7,199,572
Debt service requirements	-	3,671,200	-	11,568,255	15,239,455	17,711,905
Low and moderate housing	-	-	-	1,443,315	1,443,315	1,132,284
Unreserved, reported in:						
General fund	3,173,725	-	-	-	3,173,725	6,626,137
Special revenue funds	-	-	-	28,122,322	28,122,322	21,669,586
Debt service funds	-	-	-	(2,204,803)	(2,204,803)	-
Capital projects funds	-	-	5,002,197	5,064,454	10,066,651	29,929,779
Total fund balance	7,362,023	3,671,200	11,591,185	57,104,054	79,728,462	104,105,275
Total liabilities and fund balance	\$ 11,493,185	13,674,995	15,380,935	66,189,150	106,738,265	125,306,116

See accompanying notes to the basic financial statements.

CITY OF PALM SPRINGS
Governmental Funds

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

June 30, 2005

	<u>2005</u>	<u>2004</u>
Fund balances of governmental funds	\$ 79,728,462	104,105,275
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets, net of depreciation, have not been included as financial resources in governmental fund activity.		
Capital assets	315,936,416	282,336,824
Accumulated depreciation	(109,430,439)	(101,593,504)
Long term debt and compensated absences that have not been included in the governmental fund activity:		
Long-term debt	(142,363,008)	(144,318,934)
Compensated absences	(4,719,450)	(5,402,215)
Accrued interest payable for the current portion of interest due on bonds payable has not been reported in the governmental funds.	(1,711,099)	(1,111,400)
Revenues that are measurable but not available. Amounts are recorded as deferred revenue under the modified accrual basis of accounting.	13,156,340	10,922,014
Internal service funds are used by management to charge the costs of certain activities, such as equipment management, to individual funds. The assets and liabilities of the internal service funds must be added to the statement of net assets	<u>3,133,597</u>	<u>3,954,057</u>
Net assets of governmental activities	<u>\$ 153,730,819</u>	<u>148,892,117</u>

See accompanying notes to the basic financial statements.

CITY OF PALM SPRINGS
Statement of Revenues, Expenditures and Changes in Fund Balances -
Governmental Funds
Year ended June 30, 2005

EXHIBIT D-1

	General Fund	Special Assessments Debt Service	Capital Projects	Non-Major Governmental Funds	Total Governmental Funds	
					2005	2004
Revenues:						
Taxes	\$ 31,563,427	-	-	10,102,348	41,665,775	38,757,283
Licenses and permits	4,533,614	-	-	1,343,375	5,876,989	4,470,867
Fines and penalties	358,187	-	-	203,189	561,376	698,223
Investment income	174,561	48,999	577,539	1,165,317	1,966,416	1,060,940
Rental income	269,696	-	-	218,737	488,433	473,116
Intergovernmental	4,690,879	-	672,244	2,566,867	7,929,990	7,536,093
Charges for services	4,439,285	-	-	2,079,030	6,518,315	5,276,081
Transient occupancy taxes	5,719,257	-	-	7,305,354	13,024,611	12,318,252
Special assessments	-	1,018,100	10,539	406,079	1,434,718	1,066,029
Donations and contributions	120,000	-	800,682	995,824	1,916,506	1,529,967
Master lease	-	-	-	1,261,766	1,261,766	1,078,389
Miscellaneous	415,964	115,400	37,855	999,794	1,569,013	839,301
Total revenues	<u>52,284,870</u>	<u>1,182,499</u>	<u>2,098,859</u>	<u>28,647,680</u>	<u>84,213,908</u>	<u>75,104,541</u>
Expenditures:						
Current:						
General government	7,023,822	9,743	504,580	3,291,507	10,829,652	10,493,460
Cultural and convention center	-	-	30,444,082	1,698,985	32,143,067	6,209,451
Public safety	26,491,397	-	474,330	1,764,604	28,730,331	26,334,589
Public works	8,227,006	754,319	147,745	7,645,090	16,774,160	15,875,528
Parks and recreation	4,357,292	-	145,849	989,593	5,492,734	6,895,649
Library	2,298,401	-	-	96,307	2,394,708	2,236,790
Lease	-	-	-	1,601,000	1,601,000	1,221,382
Debt service:						
Principal	-	625,000	-	2,979,210	3,604,210	3,390,898
Interest	-	636,348	-	6,136,499	6,772,847	4,848,792
Bond issuance costs	-	-	-	-	-	295,618
Pass-through payments	-	-	-	2,790,052	2,790,052	2,001,988
Payment to bond escrow	-	-	-	-	-	3,284,353
Total expenditures	<u>48,397,918</u>	<u>2,025,410</u>	<u>31,716,586</u>	<u>28,992,847</u>	<u>111,132,761</u>	<u>83,088,498</u>
Excess (deficiency) of revenues over (under) expenditures	<u>3,886,952</u>	<u>(842,911)</u>	<u>(29,617,727)</u>	<u>(345,167)</u>	<u>(26,918,853)</u>	<u>(7,983,957)</u>
Other financing sources (uses):						
Transfers in (note 17)	610,233	100,000	657,164	13,524,577	14,891,974	11,218,927
Transfers out (note 17)	(7,252,337)	-	(32)	(8,139,605)	(15,391,974)	(11,518,927)
Sale of capital assets	-	-	-	1,742,040	1,742,040	-
Issuance of bonds	-	1,300,000	-	-	1,300,000	90,462,500
Payment to bond escrow	-	-	-	-	-	(26,028,446)
Total other financing sources (uses)	<u>(6,642,104)</u>	<u>1,400,000</u>	<u>657,132</u>	<u>7,127,012</u>	<u>2,542,040</u>	<u>64,134,054</u>
Net change in fund balances	(2,755,152)	557,089	(28,960,595)	6,781,845	(24,376,813)	56,150,097
Fund balances at beginning of year	<u>10,117,175</u>	<u>3,114,111</u>	<u>40,551,780</u>	<u>50,322,209</u>	<u>104,105,275</u>	<u>47,955,178</u>
Fund balances at end of year	<u>\$ 7,362,023</u>	<u>3,671,200</u>	<u>11,591,185</u>	<u>57,104,054</u>	<u>79,728,462</u>	<u>104,105,275</u>

See accompanying notes to the basic financial statements.

CITY OF PALM SPRINGS

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

Year ended June 30, 2005

	2005	2004
Net changes in fund balances - total governmental funds	\$ (24,376,813)	56,150,097
Amounts reported for governmental activities in the statement of activities are different because:		
<p>Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.</p>		
Capital outlay	33,599,592	10,021,980
Depreciation expense	(7,836,935)	(7,675,575)
<p>Proceeds from the issuance of bonds is reported as other financing sources in governmental funds. The issuance of bonds increases liabilities in the statement of net assets, but does not result in an increase in net assets in the statement of activities.</p>		
	(1,300,000)	(64,434,054)
<p>Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.</p>		
Principal	3,604,210	6,675,251
Amortization	(348,284)	(1,293,234)
<p>The statement of net assets includes accrued interest on long term debt.</p>		
	(599,699)	128,985
<p>To record as an expense the net change in compensated absences in the statement of activities.</p>		
	682,765	188,705
<p>Revenues that are measurable but not available. Amounts are not recorded as revenue under the modified accrual basis of accounting.</p>		
	2,234,326	3,466,047
<p>Internal service funds are used by management to charge the costs of certain activities, such as equipment management, to individual funds. The net revenues (expenses) of the internal service funds is reported with governmental activities.</p>		
	(820,460)	244,667
Change in net assets of governmental activities	\$ 4,838,702	3,472,869

See accompanying notes to the basic financial statements.

CITY OF PALM SPRINGS
Proprietary Funds
Statement of Net Assets
June 30, 2005

	Business-Type Activities-Enterprise Funds				Governmental Activities - Internal Service Funds		
	Airport	Wastewater	Golf Course	Totals		Totals	
				2005	2004	2005	2004
<u>Assets</u>							
Current assets:							
Cash and investments	\$ 9,637,307	8,681,883	-	18,319,190	12,318,193	4,346,818	3,942,846
Deposits	-	-	-	-	-	5,000	5,000
Receivables:							
Accounts	896,660	57,058	-	953,718	807,426	49,547	628,524
Accrued interest	74,456	60,375	18,638	153,469	80,092	366,113	318,074
Due from other funds (note 3)	-	-	-	-	2,316,970	646,034	875,446
Due from other governments	425,752	268,908	-	694,660	734,585	11,303	14,925
Inventories	-	-	-	-	-	100,252	93,507
Total current assets	<u>11,034,175</u>	<u>9,068,224</u>	<u>18,638</u>	<u>20,121,037</u>	<u>16,257,266</u>	<u>5,525,067</u>	<u>5,878,322</u>
Noncurrent assets:							
Restricted assets:							
Cash and investments with fiscal agents	4,043,319	-	1,201,905	5,245,224	5,184,437	333,546	367,225
Capital assets:							
Land	19,473,881	12,581,502	4,672,225	36,727,608	36,727,608	-	-
Buildings	15,987,291	18,821,753	292,972	35,102,016	35,102,016	8,442,135	8,442,135
Improvements other than buildings	119,487,210	3,149,093	10,829,758	133,466,061	127,409,268	236,202	236,202
Machinery and equipment	1,276,843	206,137	88,995	1,571,975	1,460,009	721,975	707,206
Motor vehicles	2,237,892	47,923	-	2,285,815	2,397,231	10,640,827	10,055,809
Subsurface lines	-	25,908,048	-	25,908,048	25,908,048	-	-
Accumulated depreciation	(71,711,629)	(26,406,598)	(6,697,370)	(104,815,597)	(96,538,470)	(13,402,965)	(12,973,254)
Net capital assets	<u>86,751,488</u>	<u>34,307,858</u>	<u>9,186,580</u>	<u>130,245,926</u>	<u>132,465,710</u>	<u>6,638,174</u>	<u>6,468,098</u>
Other assets:							
Advances to other funds (note 4)	-	1,227,000	-	1,227,000	1,227,000	1,430,000	1,430,000
Unamortized debt issuance cost	706,531	-	357,831	1,064,362	1,119,061	159,232	166,815
Total other assets	<u>706,531</u>	<u>1,227,000</u>	<u>357,831</u>	<u>2,291,362</u>	<u>2,346,061</u>	<u>1,589,232</u>	<u>1,596,815</u>
Total noncurrent assets	<u>90,794,807</u>	<u>34,307,858</u>	<u>10,388,485</u>	<u>135,491,150</u>	<u>137,650,147</u>	<u>6,971,720</u>	<u>6,835,323</u>
Total assets	<u>102,535,513</u>	<u>44,603,082</u>	<u>10,764,954</u>	<u>157,903,549</u>	<u>156,253,474</u>	<u>14,086,019</u>	<u>14,310,460</u>

(Continued)

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

	Business-Type Activities-Enterprise Funds				Governmental Activities - Internal Service Funds		
	Airport	Wastewater	Golf	Totals		Totals	
			Course	2005	2004	2005	2004
Liabilities and Net Assets							
Liabilities:							
Current liabilities:							
Accounts payable	481,065	220,453	12,247	713,765	743,059	484,343	574,762
Accrued wages payable	121,149	-	1,750	122,899	113,043	44,203	55,527
Accrued interest payable	866,556	-	1,275,727	2,142,283	2,168,323	74,249	79,388
Due to other funds (note 3)	-	-	1,669,732	1,669,732	2,316,970	646,034	875,446
Unearned revenue	-	-	-	-	-	-	43,234
Compensated absences payable - current portion	414,527	-	-	414,527	423,346	117,506	145,580
Capital leases - current portion	-	-	-	-	-	186,571	521,147
Bonds payable - current portion	885,000	-	-	885,000	840,000	-	-
Certificates of participation - current portion	-	-	330,000	330,000	315,000	200,000	195,000
Total current liabilities	2,768,297	220,453	3,289,456	6,278,206	6,919,741	1,752,906	2,490,084
Long-term liabilities:							
Deposits payable	-	-	500,000	500,000	500,000	-	-
Compensated absences payable - long-term portion	306,135	-	-	306,135	97,682	38,736	17,115
Claims and judgments payable	-	-	-	-	-	4,167,475	2,488,947
Advances from other funds (note 4)	-	-	2,640,000	2,640,000	2,640,000	-	-
Capital leases - long-term portion	-	-	-	-	-	563,465	750,036
Bonds payable - long-term portion	30,048,810	-	-	30,048,810	30,916,802	-	-
Certificates of participation - long-term portion	-	-	11,694,080	11,694,080	11,929,970	4,429,840	4,610,221
Total long-term liabilities	30,354,945	-	14,834,080	45,189,025	46,084,454	9,199,516	7,866,319
Total liabilities	33,123,242	220,453	18,123,536	51,467,231	53,004,195	10,952,422	10,356,403
Net assets:							
Invested in capital assets, net of related debt	60,567,528	34,307,858	(1,277,764)	93,597,622	94,767,436	1,751,076	925,734
Unrestricted	8,844,743	10,074,771	(6,080,818)	12,838,696	8,481,843	1,382,521	3,028,323
Total net assets (deficit)	\$ 69,412,271	44,382,629	(7,358,582)	106,436,318	103,249,279	3,133,597	3,954,057

See accompanying notes to the basic financial statements.

CITY OF PALM SPRINGS
Statement of Revenues, Expenses and Changes in Fund Net Assets - Proprietary Funds
Year ended June 30, 2005

	Business-Type Activities-Enterprise Funds				Governmental Activities - Internal Service Funds		
	Airport	Wastewater	Golf Course	Totals		Totals	
				2005	2004	2005	2004
Operating revenues:							
Charges for services:							
Rentals	\$ 8,730,453	-	455,056	9,185,509	9,313,474	-	-
Landing fees	1,571,063	-	-	1,571,063	1,535,792	-	-
Concessions	539,961	-	-	539,961	502,015	-	-
Green fees and cart rentals	-	-	1,884,775	1,884,775	2,090,995	-	-
Sewer service charges	-	4,942,909	-	4,942,909	4,871,831	-	-
Sewer connection and main charge	-	1,981,440	-	1,981,440	1,881,734	-	-
Passenger facility charge	2,684,312	-	-	2,684,312	2,574,521	-	-
Internal service charges	-	-	-	-	-	26,514,456	21,174,843
Sale of electricity	-	-	-	-	-	168,726	170,053
Miscellaneous	811,924	-	23,173	835,097	583,494	28,621	53,340
Total operating revenues	14,337,713	6,924,349	2,363,004	23,625,066	23,353,856	26,711,803	21,398,236
Operating expenses:							
Personnel services	6,125,806	16,131	77,510	6,219,447	5,698,884	14,414,401	9,794,535
Material and supplies	138,012	-	-	138,012	180,457	-	-
Heat, light and power	1,268,803	-	-	1,268,803	1,054,299	-	-
Other charges and services	2,868,940	2,809,662	1,854,449	7,533,051	7,341,144	6,369	4,029
Administration	835,317	24,649	15,393	875,359	1,196,309	1,312,436	1,419,904
Cogeneration project costs	-	-	-	-	-	2,074,676	2,084,598
Facilities maintenance	-	-	-	-	-	2,583,324	2,370,537
Maintenance shop operations	-	-	-	-	-	1,866,457	1,657,420
Worker's compensation	-	-	-	-	-	3,579,729	805,700
Other claims and insurance	-	-	-	-	-	1,284,503	1,545,899
Depreciation	6,843,236	1,109,403	475,830	8,428,469	7,648,539	735,222	845,620
Total operating expenses	18,080,114	3,959,845	2,423,182	24,463,141	23,119,632	27,857,117	20,528,242
Operating income (loss)	(3,742,401)	2,964,504	(60,178)	(838,075)	234,224	(1,145,314)	869,994
Nonoperating revenues (expenses):							
Investment income	389,427	239,966	53,507	682,900	554,838	217,730	39,384
Interest expense	(1,814,810)	-	(879,760)	(2,694,570)	(3,028,390)	(352,441)	(386,963)
Gain (loss) on sale of assets	-	-	-	-	5,843,000	50,993	-
Total nonoperating revenues (expenses)	(1,425,383)	239,966	(826,253)	(2,011,670)	3,369,448	(83,718)	(347,579)
Income (loss) before transfers and capital contributions	(5,167,784)	3,204,470	(886,431)	(2,849,745)	3,603,672	(1,229,032)	522,415
Transfers in (note 17)	-	-	500,000	500,000	783,813	-	-
Transfers out (note 17)	-	-	-	-	-	-	(483,813)
Capital contributions:							
Capital grants	5,536,784	-	-	5,536,784	9,152,771	10,000	161,559
Assets contributed from other funds	-	-	-	-	123,465	398,572	44,506
Change in net assets	369,000	3,204,470	(386,431)	3,187,039	13,663,721	(820,460)	244,667
Net assets (deficit) at beginning of year	69,043,271	41,178,159	(6,972,151)	103,249,279	89,585,558	3,954,057	3,709,390
Net assets (deficit) at end of year	\$ 69,412,271	44,382,629	(7,358,582)	106,436,318	103,249,279	3,133,597	3,954,057

See accompanying notes to the basic financial statements.

CITY OF PALM SPRINGS
Statement of Cash Flows-Proprietary Funds
Year ended June 30, 2005

	Business-Type Activities-Enterprise Funds					Governmental Activities - Internal Service Funds	
	Airport	Wastewater	Golf Course	Totals		Totals	
				2005	2004	2005	2004
Cash flows from operating activities:							
Cash received from customers	\$ 14,199,924	6,887,631	2,409,888	23,497,443	23,230,044	-	-
Cash received from user departments	-	-	-	-	-	27,251,168	21,305,661
Cash payments to suppliers for goods and services	(5,140,076)	(2,826,741)	(1,858,266)	(9,825,083)	(10,489,489)	(23,328,515)	(18,406,444)
Cash payments to employees for services	(5,916,459)	(16,131)	(77,367)	(6,009,957)	(5,689,058)	(2,207,021)	(1,988,558)
Net cash provided by (used for) operating activities	<u>3,143,389</u>	<u>4,044,759</u>	<u>474,255</u>	<u>7,662,403</u>	<u>7,051,497</u>	<u>1,715,632</u>	<u>910,659</u>
Cash flows from noncapital financing activities:							
Cash received from other funds	-	2,316,970	500,000	2,816,970	1,423,822	875,446	235,437
Cash paid to other funds	-	-	(647,238)	(647,238)	(148,485)	(875,446)	(1,359,259)
Net cash provided by (used for) noncapital financing activities	<u>-</u>	<u>2,316,970</u>	<u>(147,238)</u>	<u>2,169,732</u>	<u>1,275,337</u>	<u>-</u>	<u>(1,123,822)</u>
Cash flows from capital and related financing activities:							
Cash paid for acquisition and construction of capital assets	(6,228,121)	-	-	(6,228,121)	(17,321,231)	(928,070)	(274,808)
Proceeds from sale of capital assets	-	-	-	-	5,843,000	50,993	-
Capital contributions received	5,558,040	-	-	5,558,040	10,076,271	408,572	206,065
Principal paid on debt	(840,001)	-	(315,000)	(1,155,001)	(3,320,000)	(175,381)	(165,382)
Interest paid on debt	(1,782,401)	-	(772,391)	(2,554,792)	(2,709,123)	(349,997)	(385,864)
Repayment on capital lease obligations	-	-	-	-	-	(521,147)	(495,690)
Net cash proved by (used for) capital and related financing activities	<u>(3,292,483)</u>	<u>-</u>	<u>(1,087,391)</u>	<u>(4,379,874)</u>	<u>(7,431,083)</u>	<u>(1,515,030)</u>	<u>(1,115,679)</u>
Cash flows from investing activities:							
Proceeds from sale and maturities of investments	-	-	-	-	-	33,679	31,747
Interest received on investments	347,109	202,862	59,552	609,523	549,659	169,691	46,804
Net cash provided by (used for) investing activities	<u>347,109</u>	<u>202,862</u>	<u>59,552</u>	<u>609,523</u>	<u>549,659</u>	<u>203,370</u>	<u>78,551</u>
Net increase (decrease) in cash and cash equivalents	198,015	6,564,591	(700,822)	6,061,784	1,445,410	403,972	(1,250,291)
Cash and cash equivalents at beginning of year	<u>10,864,062</u>	<u>2,117,292</u>	<u>787,397</u>	<u>13,768,751</u>	<u>12,323,341</u>	<u>3,942,846</u>	<u>5,193,137</u>
Cash and cash equivalents at end of year	<u>\$ 11,062,077</u>	<u>8,681,883</u>	<u>86,575</u>	<u>19,830,535</u>	<u>13,768,751</u>	<u>4,346,818</u>	<u>3,942,846</u>

(Continued)

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

	Business-Type Activities-Enterprise Funds					Governmental Activities - Internal Service Funds	
	Airport	Wastewater	Golf Course	Totals		Totals	
				2005	2004	2005	2004
Reconciliation of cash and cash equivalents to amounts reported on the Statement of Net Assets:							
Reported on Statement of Net Assets:							
Cash and investments	\$ 9,637,307	8,681,883	-	18,319,190	12,318,193	4,346,818	3,942,846
Cash and investments with fiscal agent	<u>4,043,319</u>	<u>-</u>	<u>1,201,905</u>	<u>5,245,224</u>	<u>5,184,437</u>	<u>333,546</u>	<u>367,225</u>
Cash and investments reported on Statement of Net Assets	13,680,626	8,681,883	1,201,905	23,564,414	17,502,630	4,680,364	4,310,071
Less non-cash equivalents	<u>(2,618,549)</u>	<u>-</u>	<u>(1,115,330)</u>	<u>(3,733,879)</u>	<u>(3,733,879)</u>	<u>(333,546)</u>	<u>(367,225)</u>
Cash and cash equivalents at end of year	<u>\$ 11,062,077</u>	<u>8,681,883</u>	<u>86,575</u>	<u>19,830,535</u>	<u>13,768,751</u>	<u>4,346,818</u>	<u>3,942,846</u>
Reconciliation of operating income (loss) to net cash provided by (used for)							
operating activities:							
Operating income (loss)	\$ (3,742,401)	2,964,504	(60,178)	(838,075)	234,224	(1,145,314)	869,994
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:							
Depreciation	6,843,236	1,109,403	475,830	8,428,469	7,648,539	735,222	845,620
(Increase) decrease in accounts receivable	(137,789)	(55,387)	46,884	(146,292)	(205,365)	578,977	(100,719)
(Increase) decrease in due from other governments	-	18,669	-	18,669	81,554	3,622	8,144
(Increase) decrease in inventories	-	-	-	-	-	(6,745)	(6,238)
Increase (decrease) in accounts payable	(29,004)	7,570	11,576	(9,858)	(717,281)	(67,647)	(27,214)
Increase (decrease) in accrued wages payable	9,713	-	143	9,856	31,332	(11,324)	19,313
Increase (decrease) in deferred revenue	-	-	-	-	-	(43,234)	-
Increase (decrease) in compensated absences	199,634	-	-	199,634	(21,506)	(6,453)	13,063
Increase (decrease) in claims and judgments payable	-	-	-	-	-	1,678,528	(711,304)
Total adjustments	<u>6,885,790</u>	<u>1,080,255</u>	<u>534,433</u>	<u>8,500,478</u>	<u>6,817,273</u>	<u>2,860,946</u>	<u>40,665</u>
Net cash provided by (used for) operating activities	<u>\$ 3,143,389</u>	<u>4,044,759</u>	<u>474,255</u>	<u>7,662,403</u>	<u>7,051,497</u>	<u>1,715,632</u>	<u>910,659</u>
Noncash capital, financing and investing activities:							
Capital assets contributed by other funds	\$ -	-	-	-	123,165	398,572	44,506
Change in market value of investments	<u>(8,977)</u>	<u>764</u>	<u>-</u>	<u>(8,213)</u>	<u>(89,258)</u>	<u>(3,393)</u>	<u>(39,020)</u>
Total noncash capital, financing and investing activities	<u>\$ (8,977)</u>	<u>764</u>	<u>-</u>	<u>(8,213)</u>	<u>34,207</u>	<u>395,179</u>	<u>5,486</u>

See accompanying notes to the basic financial statements.

CITY OF PALM SPRINGS
Statement of Fiduciary Net Assets
June 30, 2005

	<u>Private-Purpose Trust Fund</u>	<u>Agency Fund</u>
	<u>Historical Society</u>	<u>Special Deposits</u>
<u>Assets</u>		
Cash and investments (note 2)	\$ 250,000	1,234,068
Total assets	<u>250,000</u>	<u>1,234,068</u>
<u>Liabilities and Net Assets</u>		
Liabilities:		
Deposits payable	<u>-</u>	<u>1,234,068</u>
Total liabilities	<u>-</u>	<u>1,234,068</u>
Net assets:		
Restricted for historical society	<u>250,000</u>	<u>-</u>
Total net assets	<u>\$ 250,000</u>	<u>-</u>

See accompanying notes to the basic financial statements.

CITY OF PALM SPRINGS
Fiduciary Funds

Statement of Changes in Fiduciary Net Assets

Year ended June 30, 2005

	<u>Private-Purpose Trust Fund</u>	
	<u>Historical Society</u>	
	<u>2005</u>	<u>2004</u>
Additions:		
Investment income	\$ 5,671	4,806
Total additions	<u>5,671</u>	<u>4,806</u>
Deductions:		
Library	<u>5,671</u>	<u>5,717</u>
Total deductions	<u>5,671</u>	<u>5,717</u>
Changes in net assets	-	(911)
Net assets at beginning of year	<u>250,000</u>	<u>250,911</u>
Net assets at end of year	<u>\$ 250,000</u>	<u>250,000</u>

See accompanying notes to the basic financial statements.

CITY OF PALM SPRINGS

Notes to the Basic Financial Statements

Year ended June 30, 2005

(1) Summary of Significant Accounting Policies

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

(a) Reporting Entity

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

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

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

CITY OF PALM SPRINGS

Notes to the Basic Financial Statements

(Continued)

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

A brief description of each component unit follows:

Community Redevelopment Agency of the City of Palm Springs

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

City of Palm Springs Financing Authority

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

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

(b) Basis of Accounting and Measurement Focus

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

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

Notes to the Basic Financial Statements

(Continued)

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

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

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

Government-wide Financial Statements

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

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

CITY OF PALM SPRINGS

Notes to the Basic Financial Statements

(Continued)

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

Government-wide Financial Statements, (Continued)

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

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

Fund Financial Statements

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

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

CITY OF PALM SPRINGS

Notes to the Basic Financial Statements

(Continued)

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

Governmental Funds

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

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

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

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

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

CITY OF PALM SPRINGS

Notes to the Basic Financial Statements

(Continued)

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

Governmental Funds (Continued)

recognize revenue in the fiscal year in which the related expense was incurred. Therefore recognition of governmental fund type revenue represented by non-current receivables are deferred until they become current receivables. Non-current portions of other long-term receivables are offset by fund balance reserve accounts.

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

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

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

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

Proprietary and Fiduciary Funds

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

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

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

Proprietary and Fiduciary Funds (Continued)

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

(c) Fund Classifications

The City reports the following major governmental funds:

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

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

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

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

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

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

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

Additionally, the City reports the following fund types:

CITY OF PALM SPRINGS

Notes to the Basic Financial Statements

(Continued)

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

(c) Fund Classifications, (Continued)

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

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

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

(d) Encumbrances

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

(e) Cash and Investments

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

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

The City pools cash and investments of all funds, except for assets held by fiscal agents. Each fund's share in this pool is displayed in the accompanying financial statements as *cash and investments*. Investment income earned by the pooled investments is allocated to the various funds based on each fund's average cash and investment balance, except for approximately \$24,626 of investment income (associated with funds not legally required to receive pooled investment income) that has been assigned to and recorded as revenue of the general fund, as provided by California Government Code Section 53647.

CITY OF PALM SPRINGS

Notes to the Basic Financial Statements

(Continued)

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

(f) Cash Equivalents

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

(g) Inventories

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

(h) Property Held for Resale

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

(i) Property Taxes

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

CITY OF PALM SPRINGS

Notes to the Basic Financial Statements

(Continued)

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

(i) Property Taxes, (Continued)

The property tax calendar is as follows:

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

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

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

(j) Claims and Judgments

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

(k) Advances to Other Funds

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

(l) Employee Leave Benefits

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

CITY OF PALM SPRINGS

Notes to the Basic Financial Statements

(Continued)

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

(l) Employee Leave Benefits, (Continued)

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

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

(m) Capital Assets

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

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

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

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.

CITY OF PALM SPRINGS

Notes to the Basic Financial Statements

(Continued)

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

(m) Capital Asscts, (Continued)

The following schedule summarizes capital asset useful lives:

Governmental Funds:		
Infrastructure - pavement		25 years
Infrastructure – curbs and gutters		50 years
Infrastructure – sidewalks		50 years
Infrastructure other		25-75 years
Buildings and improvements		15-50 years
Furniture and equipment		3-10 years
Airport Fund:		
Buildings		3-60 years
Improvements		5-30 years
Machinery and Equipment		3-10 years
Motor Vehicles		5-12 years
Golf Course Fund:		
Building		10-25 years
Improvements		5-20 years
Machinery and Equipment		5 years
Wastewater Fund:		
Buildings		12-50 years
Meters, metering vaults, subsurface lines		50 years
Improvements		10-20 years
Machinery and Equipment		4-15 years
Motor Vehicles		5-10 years
Motor Vehicle Replacement Fund:		
Buildings		10-30 years
Improvements		10 years
Machinery and Equipment		5-20 years
Motor vehicles		3-30 years
Facilities Maintenance Fund:		
Machinery and Equipment		5-10 years
Risk Management Fund:		
Machinery and Equipment		3-5 years

CITY OF PALM SPRINGS

Notes to the Basic Financial Statements

(Continued)

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

Cogeneration Plant Fund:

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

(n) Bond Discounts/Issuance Costs

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

(o) Allowance for Doubtful Accounts

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

(p) Post-Retirement Benefits

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

(q) Comparative Data

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

CITY OF PALM SPRINGS

Notes to the Basic Financial Statements

(Continued)

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

(r) Use of Estimates

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

(2) Cash and Investments

Cash and investments as of June 30, 2005 are classified in the accompanying financial statements as follows:

Statement of net assets:	
Cash and investments	\$58,516,829
Cash and investments with fiscal agent	37,406,680
Fiduciary funds:	
Cash and investments	<u>1,484,068</u>
Total cash and investments	<u>\$97,407,577</u>

Cash and investments as of June 30, 2005 consist of the following:

Cash on hand	\$ 2,875
Deposits with financial institutions	2,306,663
Investments	<u>95,098,039</u>
Total cash and investments	<u>\$97,407,577</u>

CITY OF PALM SPRINGS

Notes to the Basic Financial Statements

(Continued)

(2) Cash and Investments, (Continued)

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

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

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

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

CITY OF PALM SPRINGS

Notes to the Basic Financial Statements

(Continued)

(2) Cash and Investments, (Continued)

Investments Authorized by Debt Agreements

Investment of debt proceeds held by bond trustee are governed by provisions of the debt agreements, rather than the general provisions of the California Government Code or the City's investment policy. The table below identifies the investment types that are authorized for investments held by bond trustee. The table also identifies certain provisions of these debt agreements that address interest rate risk and concentration of credit risk.

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

Disclosures Relating to Interest Rate Risk

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

CITY OF PALM SPRINGS

Notes to the Basic Financial Statements

(Continued)

(2) Cash and Investments, (Continued)

Disclosures Relating to Interest Rate Risk, (Continued)

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

<u>Investment Type</u>		<u>Remaining Maturity (in Months)</u>			
		<u>12 Months Or Less</u>	<u>13 to 24 Months</u>	<u>25-60 Months</u>	<u>More Than 60 Months</u>
Certificates of deposit	\$ 2,000,000	2,000,000	-	-	-
Local Agency Investment Fund	32,183,849	32,183,849	-	-	-
Federal agency securities	20,031,848	2,477,253	7,938,647	8,947,498	668,450
U.S treasury notes	497,812	-	497,812	-	-
Medium term notes	2,977,850	998,690	-	1,979,160	-
Fiscal agent:					
Bank investment agreements	1,207,600	-	-	-	1,207,600
Investment agreements	28,926,544	17,794,959	-	-	11,131,585
Mutual funds – money market	<u>7,272,536</u>	<u>7,272,536</u>	-	-	-
Total	<u>\$95,098,039</u>	<u>62,727,287</u>	<u>8,436,459</u>	<u>10,926,658</u>	<u>13,007,635</u>

CITY OF PALM SPRINGS

Notes to the Basic Financial Statements

(Continued)

(2) Cash and Investments, (Continued)

Disclosures Relating to Credit Risk

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

<u>Investment Type</u>		<u>Minimum Legal Rating</u>	<u>Exempt From Disclosure</u>	<u>Rating as of Year End</u>		
				<u>AAA</u>	<u>AA1/AA</u>	<u>Not Rated</u>
Certificates of deposit	\$ 2,000,000	N/A	-	2,000,000	-	-
Local Agency Investment Fund	32,183,849	N/A	-	-	-	32,183,849
Federal agency securities	20,031,848	N/A	-	20,031,848	-	-
U.S treasury notes	497,812	N/A	497,812	-	-	-
Medium term notes	2,977,850	A	-	998,690	1,979,160	-
Fiscal agent:						
Bank investment agreements	1,207,600	N/A	-	1,207,600	-	-
Investment agreements	28,926,544	N/A	-	27,196,544	1,730,000	-
Mutual funds - money market	<u>7,272,536</u>	AAA	-	<u>7,272,536</u>	-	-
Total	<u>\$95,098,039</u>		<u>497,812</u>	<u>58,707,218</u>	<u>3,709,160</u>	<u>32,183,849</u>

Concentration of Credit Risk

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

<u>Issuer</u>	<u>Investment Type</u>	<u>Reported Amount</u>
Federal Home Loan Bank	Federal agency securities	\$ 11,435,466
AIG Investment Agreement	Investment agreement	22,244,686
MBIA Investment Agreement	Investment agreement	4,951,858

CITY OF PALM SPRINGS

Notes to the Basic Financial Statements

(Continued)

(2) Cash and Investments, (Continued)

Concentration of Credit Risk, (Continued)

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

<u>Issuer</u>	<u>Investment Type</u>	<u>Reported Amount</u>
<u>Capital Projects Fund</u>		
AIG Investment Agreement	Investment agreement	\$ 15,222,209
<u>Airport Fund</u>		
Bayerische Investment Agreement	Bank investment agreement	1,207,600
AIG Investment Agreement	Investment agreement	1,410,949
<u>Golf Course Fund</u>		
AMBAC Investment Agreement	Investment agreement	1,201,905
<u>General Debt Service Fund</u>		
AIG Investment Agreement	Investment agreement	5,143,423
MBIA Investment Agreement	Investment agreement	3,300,402
<u>Community Redevelopment Agency Debt Service Fund</u>		
MBIA Investment Agreement	Investment agreement	1,651,687
<u>Cogeneration Plant Fund</u>		
AMBAC Investment Agreement	Investment agreement	333,546

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

CITY OF PALM SPRINGS

Notes to the Basic Financial Statements

(Continued)

(2) Cash and Investments, (Continued)

Custodial Credit Risk, (Continued)

contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure City deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

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

Investment in State Investment Pool

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

CITY OF PALM SPRINGS

Notes to the Basic Financial Statements

(Continued)

(3) Due From and To Other Funds

Interfund receivable and payable balances at June 30, 2005 are as follows:

<u>Due from Other Funds</u>	<u>Due to Other Funds</u>	<u>Amount</u>
Non-Major Governmental Funds	Capital Projects Fund	\$2,051,777
	Golf Course Fund	1,669,732
	Non-Major Governmental Funds	<u>298,748</u>
	Subtotal	4,020,257
Internal Service Funds	Internal Service Funds	<u>646,034</u>
Total		<u>\$4,666,291</u>

Interfund balances are a result of short-term borrowing to cover negative cash balances at June 30, 2005.

(4) Interfund Advances

The City has authorized several interfund advances to be used for the operations of the funds receiving the advances. At June 30, 2005 the outstanding advances are:

<u>Receivable Fund</u>	<u>Payable Funds</u>	<u>Amount</u>
General Fund	Golf Course Fund	\$1,210,000 (a)
	Non-Major Governmental Funds	<u>2,414,630 (c)</u>
	Total General Fund	3,624,630
Wastewater Fund	Non-Major Governmental Funds	1,227,000 (c)
Internal Service Funds	Golf Course Fund	1,430,000 (b)
Non-Major Governmental Funds	Non-Major Governmental Funds	<u>1,963,826 (d)</u>
	Total	<u>\$8,245,456</u>

(a) The Golf Course Fund initially received \$2,000,000 from the General Fund at 6% over 20 years. At June 30, 2005, the outstanding balance is \$1,210,000.

CITY OF PALM SPRINGS

Notes to the Basic Financial Statements

(Continued)

(4) Interfund Advances, (Continued)

- (b) The Employee Benefits Fund advanced \$1,430,000 to the Golf Course Fund to provide funds for the operation and debt service of the Golf Course. There is no stipulated repayment date.
- (c) Various funds of the City of Palm Springs have advanced monies to the Community Redevelopment Agency Capital Projects Fund at interest rates of 6%. The outstanding advances totaling \$3,641,630 have no stipulated due dates.
- (d) The Community Redevelopment Agency Debt Service Fund received tax increment monies totaling \$1,532,669 that are owed to the Low and Moderate Housing Special Revenue Fund. There is no stipulated interest rates or repayment dates.

The Low and Moderate Housing Fund has an outstanding advance to the Community Redevelopment Agency Debt Service Fund in the amount of \$431,157. The interest rate is 6% and the loan is scheduled to be paid by May 6, 2013.

CITY OF PALM SPRINGS

Notes to the Basic Financial Statements

(Continued)

(5) Capital Assets

Capital asset activity for the year ended June 30, 2005 is as follows:

	<u>Balance at</u> <u>June 30, 2004</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at</u> <u>June 30, 2005</u>
Governmental activities:				
Buildings	\$ 67,269,730	-	-	67,269,730
Improvements	23,502,604	290,401	-	23,793,005
Furniture and equipment	7,632,786	280,675	(5,649)	7,907,812
Vehicles	10,055,809	907,652	(322,634)	10,640,827
Infrastructure:				
Pavement	92,254,579	583,828	-	92,838,407
Curbs and gutters	33,604,565	33,693	-	33,638,258
Sidewalks	17,121,953	121,960	-	17,243,913
Other	<u>14,672,405</u>	<u>344,531</u>	<u>-</u>	<u>15,016,936</u>
Subtotal	<u>266,114,431</u>	<u>2,562,740</u>	<u>(328,283)</u>	<u>268,348,888</u>
Less accumulated depreciation:				
Buildings	(26,732,565)	(1,325,520)	-	(28,058,085)
Improvements	(10,423,832)	(892,129)	-	(11,315,961)
Furniture and equipment	(5,369,111)	(567,769)	5,649	(5,931,231)
Vehicles	(7,201,735)	(525,320)	299,862	(7,427,193)
Infrastructure:				
Pavement	(47,243,387)	(3,673,511)	-	(50,916,898)
Curbs and gutters	(8,788,157)	(672,148)	-	(9,460,305)
Sidewalks	(4,123,309)	(342,457)	-	(4,465,766)
Other	<u>(4,684,662)</u>	<u>(573,303)</u>	<u>-</u>	<u>(5,257,965)</u>
Total accumulated depreciation	<u>(114,566,758)</u>	<u>(8,572,157)</u>	<u>305,511</u>	<u>(122,833,404)</u>
Net depreciable assets	<u>151,547,673</u>	<u>(6,009,417)</u>	<u>(22,772)</u>	<u>145,515,484</u>
Capital assets not depreciated:				
Right-of-way	14,614,496	-	-	14,614,496
Land	15,365,843	2,748,297	(2,087,000)	16,027,140
Construction in progress	<u>5,683,406</u>	<u>31,303,625</u>	<u>-</u>	<u>36,987,031</u>
	<u>35,663,745</u>	<u>34,051,922</u>	<u>(2,087,000)</u>	<u>67,628,667</u>
Capital assets, net	<u>\$187,211,418</u>	<u>28,042,505</u>	<u>(2,109,772)</u>	<u>213,144,151</u>

CITY OF PALM SPRINGS

Notes to the Basic Financial Statements

(Continued)

(5) Capital Assets, (Continued)

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

General government	\$ 280,623
Cultural and convention center	979,765
Public safety	995,659
Public works	850
Parks and recreation	412,019
Library	<u>111,241</u>
	<u>\$8,572,157</u>

	Balance at June 30, 2004	Additions	Deletions	Balance at June 30, 2005
Business-type activities:				
Buildings	\$ 35,102,016	-	-	35,102,016
Improvements other than buildings	127,409,268	6,056,793	-	133,466,061
Machinery and equipment	1,460,009	111,966	-	1,571,975
Motor vehicles	2,397,231	59,362	(170,777)	2,285,816
Subsurface lines	<u>25,908,048</u>	<u>-</u>	<u>-</u>	<u>25,908,048</u>
Total cost of depreciable assets	<u>192,276,572</u>	<u>6,228,121</u>	<u>(170,777)</u>	<u>198,333,916</u>
Less accumulated depreciation:				
Buildings	(20,532,281)	(913,419)	-	(21,445,700)
Improvements other than buildings	(60,698,516)	(6,727,871)	-	(67,426,387)
Machinery and equipment	(1,122,451)	(126,180)	-	(1,248,631)
Motor vehicles	(396,785)	(142,838)	151,341	(388,282)
Subsurface lines	<u>(13,788,437)</u>	<u>(518,161)</u>	<u>-</u>	<u>(14,306,598)</u>
Total accumulated depreciation	<u>(96,538,470)</u>	<u>(8,428,469)</u>	<u>151,341</u>	<u>(104,815,598)</u>
Net depreciable assets	95,738,102	(2,200,348)	(19,436)	93,518,318
Capital assets not depreciated:				
Land	<u>36,727,608</u>	<u>-</u>	<u>-</u>	<u>36,727,608</u>
Capital assets, net	<u>\$132,465,710</u>	<u>(2,200,348)</u>	<u>(19,436)</u>	<u>130,245,926</u>

CITY OF PALM SPRINGS

Notes to the Basic Financial Statements

(Continued)

(5) Capital Assets, (Continued)

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

Airport	\$6,843,236
Wastewater	1,109,403
Golf course	<u>475,830</u>
	<u>\$8,428,469</u>

Construction in progress as of June 30, 2005 in the amount of \$36,987,031 related to the Convention Center Phase II project, the Assessment District 161 – Mountain Gate project and the Indian Canyon Way/I-10 Bridge renovation. A summary of the projects as of June 30, 2005 is as follows:

Convention Center Phase II Project

Total project budget	\$42,071,043
Cumulative expenditures at June 30, 2005	<u>(34,548,243)</u>
Estimated expenditures to complete	<u>\$ 7,522,800</u>

Assessment District 161 – Mountain Gate Project

Total project budget	\$2,449,341
Cumulative expenditures at June 30, 2005	<u>(2,049,232)</u>
Estimated expenditures to complete	<u>\$ 400,109</u>

Indian Canyon Way/I-10 Bridge Renovation

Total project budget	\$1,119,670
Cumulative expenditures at June 30, 2005	<u>(389,556)</u>
Estimated expenditures to complete	<u>\$ 730,114</u>

CITY OF PALM SPRINGS

Notes to the Basic Financial Statements

(Continued)

(6) Accumulated Fund Deficits

The following funds reported deficits in fund balances/net assets as of June 30, 2005:

	<u>Deficit Balance</u>
Major Funds:	
Golf Course Fund	\$(7,358,582)
Internal Service Funds:	
Risk Management Fund	(732,056)
Cogeneration Plant Fund	(1,945,201)
Special Revenue Funds:	
Parking	(145,309)
Debt Service Funds:	
Community Redevelopment Agency	(2,204,803)

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

Golf Course Enterprise Fund:

The deficit in net assets of \$7,358,582 was a result of prior years deficit and current year shortfalls. The course did not open until early 1995 and was closed shortly thereafter due to a series of storms. The course re-opened during 1996 and it is anticipated that the losses will be recovered in future years.

Risk Management Internal Service Fund:

The deficit in net assets of \$732,056 is due to an increase in the estimated cost of worker's compensation claims. This increase reflects projected future costs not actual claim expenses. It is anticipated that these costs will decrease in future years.

CITY OF PALM SPRINGS

Notes to the Basic Financial Statements

(Continued)

(6) Accumulated Fund Deficits, (Continued)

Cogeneration Plant Internal Service Fund:

The \$1,945,201 deficit in net assets constitutes a cumulative loss of \$339,955 since the opening of the plant and a one-time non-cash loss and expense related to the advance refunding of the 1984 Cogeneration Facilities and Police Building Certificates of Participation of \$1,605,246. The advance refunding of the 1984 Cogeneration Facilities and Police Building Certificates of Participation by the City in April 1987 decreases its total debt service by \$1,841,305 over the remaining 18 years of the issue. In management's opinion, the accumulated deficit will be recovered in future years through the reduction of interest payments.

Parking Special Revenue Fund:

The \$145,309 is a result of expected revenue from leasing of parking spaces to downtown employers for their employees' use did not occur. The City anticipates that losses will be recovered in future years through either increased revenues or increased transfer from the General fund.

Community Redevelopment Agency Debt Service Fund:

The \$2,204,803 deficit in fund balance is due to advances from other funds and reclassification of bond funds. This deficit will decrease as the advances are repaid.

CITY OF PALM SPRINGS

Notes to the Basic Financial Statements

(Continued)

(7) Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2005 (including unamortized discounts and refunding costs) are as follows:

Governmental activities:	Balance at June 30, 2004	Additions/ Accretion	Deletions	Balance at June 30, 2005	Due within One year	Due in More Than One year
Compensated absences payable	\$ 5,564,910	3,155,857	(3,845,075)	4,875,692	3,369,722	1,505,970
Special assessment debt with government commitment	9,302,500	1,300,000	(625,000)	9,977,500	752,500	9,225,000
Capital lease obligations	1,271,183	-	(521,147)	750,036	186,571	563,465
Notes payable	163,868	-	(14,210)	149,658	15,075	134,583
Certificates of participation:						
1996 Multiple Capital Facilities Refunding Certificates of Participation	7,025,222	19,619	(245,000)	6,799,841	255,000	6,544,841
1998 Multiple Capital Facilities Refunding Certificates of Participation	2,505,000	-	(185,000)	2,320,000	190,000	2,130,000
2002 Taxable Variable Rate Certificates of Participation	8,000,000	-	-	8,000,000	-	8,000,000
	<u>17,530,222</u>	<u>19,619</u>	<u>(430,000)</u>	<u>17,119,841</u>	<u>445,000</u>	<u>16,674,841</u>
Bonds payable:						
2001 Housing Tax Allocation Bonds	5,415,000	-	(205,000)	5,210,000	215,000	4,995,000
2004 Tax Allocation Bonds, Series A	14,240,000	-	(610,000)	13,630,000	360,000	13,270,000
2004 Tax Allocation Bonds, Series B	9,075,000	-	(255,000)	8,820,000	135,000	8,685,000
1991 Lease Revenue Bonds	5,101,599	335,123	(1,210,000)	4,226,722	1,210,000	3,016,722
2001 Lease Revenue Bonds	26,230,000	-	-	26,230,000	-	26,230,000
2004 Lease Revenue Bonds	62,395,000	-	(450,000)	61,945,000	430,000	61,515,000
	<u>122,456,599</u>	<u>335,123</u>	<u>(2,730,000)</u>	<u>120,061,722</u>	<u>2,350,000</u>	<u>117,711,722</u>
Total governmental long-term liabilities	\$156,289,282	4,810,599	(8,165,432)	152,934,449	7,118,868	145,815,581

CITY OF PALM SPRINGS

Notes to the Basic Financial Statements

(Continued)

(7) Long-Term Liabilities, (Continued)

The above schedule includes \$750,036 of capital lease obligations, \$156,242 of compensated absences payable and \$4,629,841 of certificates of participation recorded in the City's internal services funds.

Changes in long-term liabilities for business-type activities for the year ended June 30, 2005 (including unamortized discounts and refunding costs) are as follows:

Business-type activities:	Balance at June 30, 2004	Accretion/ Additions	Deletions	Balance at June 30, 2005	Due within One year	Due in more than One year
Compensated absences payable	\$ 521,028	499,331	(299,697)	720,662	414,527	306,135
Bonds payable:						
1992 Airport Revenue Bonds	13,035,000	-	(420,000)	12,615,000	445,000	12,170,000
1998 Airport Revenue Bonds	7,452,403	8,442	(170,000)	7,290,845	175,000	7,115,845
1998 Airport PFC Revenue Bonds	11,269,399	8,567	(250,000)	11,027,966	265,000	10,762,966
	<u>31,756,802</u>	<u>17,009</u>	<u>(840,000)</u>	<u>30,933,811</u>	<u>885,000</u>	<u>30,048,811</u>
Certificates of participation:						
1996 Multiple Capital Facilities Refunding Certificates	12,244,970	94,109	(315,000)	12,024,079	330,000	11,694,079
	<u>12,244,970</u>	<u>94,109</u>	<u>(315,000)</u>	<u>12,024,079</u>	<u>330,000</u>	<u>11,694,079</u>
Business-type long-term liabilities	<u>\$44,522,800</u>	<u>610,449</u>	<u>(1,454,697)</u>	<u>43,678,552</u>	<u>1,629,527</u>	<u>42,049,025</u>

(8) Special Assessment Debt with Government Commitment

At June 30, 2005, the City of Palm Springs has four outstanding Assessment District (A.D.) Improvement Bonds ("Bonds") issued in the aggregate amount of \$9,977,500 pursuant to the Improvement Bond Act of 1915. The proceeds of the Bonds were used to fund construction of street improvements, sewage collection systems and other public improvements within the A.D. If a delinquency occurs in the payment of any assessment installment, the City, at or before the end of the fiscal year of delinquency, has a duty to transfer into the redemption fund the amount of the delinquency out of available funds of the City.

CITY OF PALM SPRINGS

Notes to the Basic Financial Statements

(Continued)

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

Outstanding at
June 30, 2005

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, 2005.

\$2,480,000

A.D. 157/158

\$2,345,000 Bonds issued 8/9/01; Bonds mature between 9/2/02 and 9/2/12 in amounts ranging from \$95,000 through \$290,000; Bonds maturing on any March 2 or September 2 may be redeemed prior to its fixed maturity date, at the option of the City Treasurer, at 102% of principal amount; secured by tax bills sent to property owners; interest rates range between 3.80% and 5.70%; reserve of \$160,000 is required which is fully funded at June 30, 2005.

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

1,445,000

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, 2005.

4,752,500

CITY OF PALM SPRINGS

Notes to the Basic Financial Statements

(Continued)

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

A.D. 162

\$1,300,000 bonds issued 11/10/04; bonds mature between 9/2/06 and 9/2/22 in amounts ranging from \$39,000 through \$65,000; bonds maturing on any March 2 or September 2 may be redeemed prior to its fixed maturity date, at the option of the City Treasurer, at 102% of principal amount; secured by tax bills sent to property owners; interest rates range between 2.60% and 5.60%; reserve of \$99,298 is required which is fully funded at June 30, 2005.

1,300,000

Total special assessment debt with government commitment

\$9,977,500

Annual requirements to amortize outstanding special assessment debt as of June 30, 2005 are as follows:

June 30	A.D. 155		A.D. 157/158		A.D. 161		A.D. 162	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2006	\$ 445,000	118,150	190,000	72,172	117,500	230,957	-	81,227
2007	465,000	95,167	200,000	62,660	120,000	228,638	30,000	64,448
2008	485,000	70,700	210,000	52,305	120,000	225,728	35,000	63,550
2009	500,000	44,839	220,000	41,230	120,000	222,368	35,000	62,474
2010	585,000	15,795	230,000	29,300	125,000	218,505	35,000	61,275
2011	-	-	240,000	16,490	130,000	214,102	35,000	59,971
2012	-	-	85,000	7,510	135,000	209,130	40,000	58,478
2013	-	-	70,000	2,565	135,000	203,697	40,000	56,798
2014	-	-	-	-	145,000	197,706	40,000	55,048
2015	-	-	-	-	150,000	191,066	40,000	53,238
2016	-	-	-	-	160,000	183,815	45,000	51,260
2017	-	-	-	-	165,000	175,972	45,000	49,122
2018	-	-	-	-	175,000	167,555	50,000	46,792
2019	-	-	-	-	180,000	158,590	50,000	44,267
2020	-	-	-	-	190,000	149,060	55,000	41,576
2021	-	-	-	-	200,000	138,820	55,000	38,716
2022	-	-	-	-	215,000	127,715	60,000	35,667
2023	-	-	-	-	225,000	115,722	65,000	32,291
2024	-	-	-	-	235,000	103,013	65,000	28,700
2025	-	-	-	-	245,000	89,632	70,000	24,920
2026	-	-	-	-	260,000	75,427	75,000	20,860
2027	-	-	-	-	275,000	60,313	80,000	16,520
2028	-	-	-	-	295,000	44,211	80,000	12,040
2029	-	-	-	-	310,000	27,120	85,000	7,420
2030	-	-	-	-	325,000	9,181	90,000	2,520
Total	<u>\$2,480,000</u>	<u>344,651</u>	<u>1,445,000</u>	<u>284,232</u>	<u>4,752,500</u>	<u>3,768,043</u>	<u>1,300,000</u>	<u>1,069,178</u>

CITY OF PALM SPRINGS

Notes to the Basic Financial Statements

(Continued)

(9) Obligation Under Capital Leases

The following represents governmental activity obligation under capital leases:

Fire Equipment Lease (Master Lease #1)

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

The financing was obtained from CaLease Public Funding Corporation during November 1999 for \$1,091,953 with an interest rate of 4.78% and semi-annual payments of \$69,724 through the end of the lease (December 2008). The outstanding balance at June 30, 2005 is \$444,566.

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, 2005 is \$305,470.

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

(9) Obligation Under Capital Leases, (Continued)

Fire Vehicles Lease (Master Lease #4), (Continued)

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

<u>Year ending June 30</u>	<u>Master Lease #1</u>	<u>Master Lease #4</u>	<u>Total</u>
2006	\$139,449	83,084	222,533
2007	139,449	78,869	218,318
2008	139,449	74,654	214,103
2009	69,724	74,654	144,378
2010	<u>-</u>	<u>37,327</u>	<u>37,327</u>
Subtotal	488,071	348,588	836,659
Less amount representing interest	<u>(43,505)</u>	<u>(43,118)</u>	<u>(86,623)</u>
Present value of future lease payments	<u>\$444,566</u>	<u>305,470</u>	<u>750,036</u>

CITY OF PALM SPRINGS

Notes to the Basic Financial Statements

(Continued)

(10) Notes Payable

Outstanding at
June 30, 2005

Governmental activities:

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

\$149,658

Annual requirements to amortize outstanding notes payable as of June 30, 2005 is as follows:

<u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$ 15,075	8,758	23,833
2007	15,993	7,840	23,833
2008	16,949	6,884	23,833
2009	17,999	5,833	23,832
2010	19,096	4,737	23,833
2011	20,258	3,574	23,832
2012	21,487	2,346	23,833
2013	<u>22,801</u>	<u>1,032</u>	<u>23,833</u>
Total	<u>\$149,658</u>	<u>41,004</u>	<u>190,662</u>

(11) Bonds Payable

Governmental activities:

2001 Housing Tax Allocation Bonds

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

CITY OF PALM SPRINGS

Notes to the Basic Financial Statements

(Continued)

(11) Bonds Payable, (Continued)

2001 Housing Tax Allocation Bonds, (Continued)

The required reserve for the 2001 Housing Tax Allocation Bonds is \$468,105 and as of June 30, 2005 the reserve was fully funded. The amount of bonds outstanding at June 30, 2005 is \$5,210,000.

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, 2005, both reserves were fully funded. The amount of bonds outstanding at June 30, 2005 for the 2004 Series A and B bonds is \$13,630,000 and \$8,820,000, respectively.

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

CITY OF PALM SPRINGS

Notes to the Basic Financial Statements

(Continued)

(11) Bonds Payable, (Continued)

Convention Center Lease Revenue Bonds

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

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

1991 Convention Center Lease Revenue Bonds

After the refundings, the 1991 lease revenue bonds only consist of capital appreciation bonds, which have a face value of \$6,140,000. By their nature, there are no regular interest payments associated with capital appreciation bonds. The "interest" on the debt results from the difference between the amounts paid by the investors when the debt was issued and the significantly larger value at maturity. The \$6,140,000 of face value capital appreciation bonds were initially recorded at the amount of proceeds received, \$2,125,540. Each year, the outstanding balance is increased for the accretion of interest associated with the bonds. The amount of bonds outstanding at June 30, 2005 is \$4,226,722.

2001 Convention Center Lease Revenue Bonds

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

CITY OF PALM SPRINGS

Notes to the Basic Financial Statements

(Continued)

(11) Bonds Payable, (Continued)

2001 Convention Center Lease Revenue Bonds, (Continued)

The proceeds of the 2001 refunding bonds, along with a portion of the reserves of the 1991 Convention Center bonds, were deposited into an irrevocable trust with an escrow agent to provide for all future debt service payments on the refunded portion of the 1991 Convention Center bonds. As a result, these certain bonds are considered defeased and the liability has been removed from the financial statements. The amount of bonds outstanding at June 30, 2005 is \$26,230,000.

2004 Convention Center Lease Revenue Bonds

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

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

The required reserve for the 1991, 2001 and 2004 Convention Center Lease Revenue Bonds is \$9,706,412. At June 30, 2005, the reserve fund was fully funded. The amount of bonds outstanding at June 30, 2005 is \$61,945,000.

CITY OF PALM SPRINGS

Notes to the Basic Financial Statements

(Continued)

(11) Bonds Payable, (Continued)

Annual requirements to amortize outstanding bonds payable (excluding unamortized accretion of \$703,278) as of June 30, 2005 are as follows:

Fiscal Year Ending June 30	<u>2001 Housing Bond</u>		<u>Convention Center Lease Revenue Bonds</u>		<u>2004 Series A and B Revenue Bonds</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2006	\$ 215,000	249,343	1,640,000	4,563,612	495,000	1,145,259
2007	220,000	241,510	5,160,000	4,546,412	510,000	1,129,484
2008	230,000	233,070	1,680,000	4,388,612	525,000	1,111,584
2009	235,000	224,000	1,770,000	4,370,012	545,000	1,091,134
2010	245,000	214,094	1,495,000	4,333,612	570,000	1,068,834
2011	255,000	203,278	1,555,000	4,273,112	590,000	1,045,634
2012	270,000	191,593	1,625,000	4,203,513	610,000	1,020,509
2013	280,000	178,868	1,700,000	4,130,913	640,000	991,184
2014	295,000	165,027	1,795,000	4,051,838	675,000	958,309
2015	310,000	150,086	1,880,000	3,962,982	710,000	923,684
2016	325,000	134,049	1,975,000	3,864,269	740,000	887,434
2017	340,000	116,921	2,075,000	3,761,001	780,000	849,434
2018	360,000	98,631	2,250,000	3,650,488	820,000	809,204
2019	375,000	79,103	2,315,000	3,530,656	855,000	766,031
2020	395,000	58,163	2,435,000	3,407,150	905,000	719,677
2021	420,000	35,750	2,565,000	3,279,301	950,000	670,494
2022	440,000	12,100	2,705,000	3,146,412	1,000,000	618,446
2023	-	-	2,845,000	2,978,562	1,055,000	562,653
2024	-	-	2,985,000	2,835,281	1,115,000	502,820
2025	-	-	3,130,000	2,684,825	570,000	455,913
2026	-	-	3,290,000	2,523,275	600,000	422,888
2027	-	-	3,435,000	2,432,925	635,000	388,025
2028	-	-	3,625,000	2,244,000	670,000	351,187
2029	-	-	3,825,000	2,044,625	710,000	312,231
2030	-	-	4,035,000	1,834,250	745,000	271,157
2031	-	-	4,255,000	1,612,325	790,000	227,824
2032	-	-	4,490,000	1,378,300	840,000	181,812
2033	-	-	4,735,000	1,131,350	880,000	133,256
2034	-	-	5,000,000	870,925	930,000	82,156
2035	-	-	5,270,000	595,925	990,000	27,950
2036	-	-	5,565,000	306,075	-	-
Totals	<u>\$5,210,000</u>	<u>2,585,586</u>	<u>93,105,000</u>	<u>92,936,538</u>	<u>22,450,000</u>	<u>19,726,207</u>

CITY OF PALM SPRINGS

Notes to the Basic Financial Statements

(Continued)

(11) Bonds Payable, (Continued)

Business-type activities:

1992 Airport Revenue Bonds

To provide funds for the payment of certain outstanding revenue bond anticipation notes and to finance the construction and acquisition of certain additional improvements relating to the airport system, the Palm Springs Financing Authority (a component unit of the City of Palm Springs) sold \$16,265,000 Airport Revenue Bonds, Series 1992 on August 1, 1992.

The bonds consist of \$3,230,000 of serial bonds and \$13,035,000 of term bonds. The serial bonds accrue interest at rates between 4.10% and 5.50% and the principal amounts mature between January 1, 1995 and January 1, 2004 in amounts ranging from \$260,000 to \$400,000. Term bonds of \$4,175,000 accrue interest at 6.00% and mature on January 1, 2012. Term bonds of \$8,860,000 accrue interest at 6.00% and mature on January 1, 2022.

The required reserve for the 1992 Airport Revenue Bonds is \$1,207,600 and as of June 30, 2005 the reserve fund was fully funded. The amount of bonds outstanding at June 30, 2005 is \$12,615,000.

1998 Airport Revenue Bonds

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

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

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

CITY OF PALM SPRINGS

Notes to the Basic Financial Statements

(Continued)

(11) Bonds Payable, (Continued)

The required reserve for the 1998 Airport Revenue Bonds is \$561,221. At June 30, 2005, the reserve fund was fully funded. The amount of bonds outstanding at June 30, 2005 is \$7,290,845, which includes \$194,155 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 account 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.

CITY OF PALM SPRINGS

Notes to the Basic Financial Statements

(Continued)

(11) Bonds Payable, (Continued)

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

The required reserve for the 1998 Airport Passenger Facility Charge Revenue Bonds is \$851,908. At June 30, 2005, the reserve fund was fully funded. The amount of bonds outstanding at June 30, 2005 is \$11,027,966, which includes \$197,034 of unamortized discount.

Future requirements to amortize outstanding business-type bonds payable (excluding \$391,189 of unamortized discounts) as of June 30, 2005 are as follows:

Year Ending June 30	1992 Airport Bonds		1998 Airport Bonds		1998 PFC Airport Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2006	\$ 445,000	756,900	175,000	386,194	265,000	590,018
2007	475,000	730,200	185,000	377,969	275,000	577,563
2008	505,000	701,700	195,000	369,089	290,000	564,363
2009	530,000	671,400	205,000	359,729	305,000	550,443
2010	565,000	639,600	215,000	349,479	320,000	535,193
2011	600,000	605,700	225,000	338,729	335,000	519,193
2012	635,000	569,700	235,000	327,479	355,000	502,443
2013	670,000	531,600	250,000	315,494	375,000	484,338
2014	715,000	491,400	265,000	302,681	390,000	465,119
2015	755,000	448,500	275,000	289,100	415,000	445,131
2016	800,000	403,200	290,000	275,006	435,000	423,863
2017	850,000	355,200	305,000	260,144	455,000	401,569
2018	900,000	304,200	320,000	244,513	480,000	378,250
2019	950,000	250,200	340,000	228,113	505,000	353,650
2020	1,010,000	193,200	360,000	210,263	535,000	327,138
2021	1,075,000	132,600	375,000	191,363	565,000	299,050
2022	1,135,000	68,100	395,000	171,675	595,000	269,388
2023	-	-	420,000	150,938	625,000	238,150
2024	-	-	440,000	128,888	660,000	203,775
2025	-	-	465,000	105,788	700,000	167,475
2026	-	-	490,000	81,375	740,000	128,975
2027	-	-	515,000	55,650	780,000	88,275
2028	-	-	545,000	28,613	825,000	45,375
Total	\$12,615,000	7,853,400	7,485,000	5,548,272	11,225,000	8,558,737

CITY OF PALM SPRINGS

Notes to the Basic Financial Statements

(Continued)

(12) Certificates of Participation

1996 Multiple Capital Facilities

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

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

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

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

The outstanding 1996 Multiple Capital Facilities Refunding Certificates of Participation at June 30, 2005 are reflected in the accompanying financial statements as follows:

	<u>Balance at June 30, 2005</u>
Governmental activities:	
Police building project	\$ 2,170,000
Cogeneration plant fund	4,720,000
Less unamortized discount	<u>(90,159)</u>
Total governmental activities	<u>\$ 6,799,841</u>
Business-type activities:	
Golf Course Fund	\$13,405,000
Less unamortized discount	<u>(1,380,921)</u>
Total business-type activities	<u>\$12,024,079</u>

CITY OF PALM SPRINGS

Notes to the Basic Financial Statements

(Continued)

(12) Certificates of Participation, (Continued)

1998 Multiple Capital Facilities Certificates

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

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

The required reserve for the 1996 and 1998 Multiple Capital Facilities Certificates is \$2,029,539. At June 30, 2005, the reserve fund was fully funded. The entire amount of 1998 certificates outstanding are reflected as governmental activities at June 30, 2005 in the amount of \$2,320,000.

2002 Taxable Variable Rate Certificates of Participation

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

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

The certificates are subject to mandatory sinking account redemption from lease payments made by the City at a redemption price equal to the principal amount to be redeemed, together with accrued interest to the redemption date, without premium. At June 30, 2005, the outstanding balance is \$8,000,000.

CITY OF PALM SPRINGS

Notes to the Basic Financial Statements

(Continued)

(12) Certificates of Participation, (Continued)

Future requirements to amortize outstanding certificates of participation as of June 30, 2005 are as follows:

Year Ending June 30	1996 Multiple Capital Facilities		1998 Multiple Capital Facilities		2002 Taxable Variable Rate	
	Principal	Interest	Principal	Interest	Principal	Interest
2006	\$ 585,000	1,142,974	190,000	106,125	-	112,000
2007	615,000	1,113,723	200,000	98,145	-	112,000
2008	645,000	1,082,359	210,000	89,645	-	112,000
2009	680,000	1,048,819	220,000	80,720	-	112,000
2010	715,000	1,013,119	225,000	71,040	190,000	112,000
2011	755,000	974,687	230,000	60,915	205,000	109,340
2012	795,000	933,162	240,000	50,335	215,000	106,470
2013	840,000	889,437	255,000	39,055	230,000	103,460
2014	710,000	843,237	270,000	26,815	245,000	100,240
2015	750,000	802,412	280,000	13,720	355,000	96,810
2016	795,000	759,287	-	-	375,000	91,840
2017	840,000	713,575	-	-	400,000	86,590
2018	890,000	665,275	-	-	430,000	80,990
2019	940,000	614,100	-	-	455,000	74,970
2020	995,000	560,050	-	-	485,000	68,600
2021	1,050,000	502,837	-	-	520,000	61,810
2022	1,110,000	442,462	-	-	550,000	54,530
2023	1,175,000	378,637	-	-	590,000	46,830
2024	1,240,000	311,075	-	-	625,000	38,570
2025	1,310,000	239,775	-	-	665,000	29,820
2026	1,390,000	164,450	-	-	710,000	20,510
2027	1,470,000	84,525	-	-	755,000	10,570
Totals	<u>\$20,295,000</u>	<u>15,279,977</u>	<u>2,320,000</u>	<u>636,515</u>	<u>8,000,000</u>	<u>1,741,950</u>

(13) Tax and Revenue Anticipation Notes

On July 1, 2004, the California Statewide Communities Development Authority issued \$803,750,000 of 2004 Tax and Revenue Anticipation Notes for the purpose of providing funding for the prepayment of the PERS obligation. The City of Palm Springs participation in the original issue amount is \$6,660,000. The term of the note was twelve months. The City received approximately a 4% discount by prepaying the PERS obligation. After the cost of issuance and interest expense, the net savings to the City is approximately \$200,000. By statute, the notes are obligations of the City payable solely

CITY OF PALM SPRINGS

Notes to the Basic Financial Statements

(Continued)

(13) Tax and Revenue Anticipation Notes, (Continued)

from taxes, income, revenues, cash receipts and other moneys legally available for payment thereof. The notes were repaid in June 2005 and the outstanding balance at June 30, 2005 was \$0. Following is a summary of changes in short-term debt for the year ended June 30, 2005:

	<u>Balance at</u> <u>July 1, 2004</u>	<u>Additions</u>	<u>Repayments</u>	<u>Balance at</u> <u>June 30, 2005</u>
2004 Tax and Revenue Anticipation Notes	\$ <u>-</u>	<u>6,660,000</u>	<u>(6,600,000)</u>	<u>-</u>

(14) Claims and Judgments

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

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

Certain settled claims for worker's compensation exceeded the self insurance retention level in 2003, 2004 and 2005. These claims exceeded the self-insurance retention level, but did not exceed the excess insurance coverage limits.

The claims and judgments liability reported in the Internal Service Risk Management Fund is based on the requirements of Governmental Accounting Standards Board Statement No. 10, which requires that a liability for claims and judgments be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of loss can be reasonably estimated. As of June 30, 2005, claims and judgments payable, including estimated claims for incurred but not reported claims, amounted to \$4,167,475.

CITY OF PALM SPRINGS

Notes to the Basic Financial Statements

(Continued)

(14) Claims and Judgments, (Continued)

Changes in the claims and judgments payable amounts in fiscal years ended June 30, 2004 and 2005 for the Risk Management Fund are as follows:

	<u>Beginning of Fiscal Year Liability</u>	<u>Current Year Claims and Changes in Estimates</u>	<u>Claim Payments</u>	<u>Balance at Fiscal Year End</u>
2003-04	\$3,200,251	981,615	(1,692,919)	2,488,947
2004-05	2,488,947	4,280,923	(2,602,395)	4,167,475

(15) Defined Benefit Pension Plan (PERS)

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

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

Under GASB 27, an employer reports an annual pension cost (APC) equal to the annual required contribution (ARC) plus an adjustment for the cumulative difference between the APC and the employer's actual plan contributions for the year. The cumulative difference is called the net pension obligation (NPO). The ARC for the period July 1, 2004 to June 30, 2005 has been determined by an actuarial valuation of the plan as of June 30, 2002. The contribution rate indicated for the period is 37.510% of payroll for the safety plan and 17.193% of payroll for the miscellaneous plan. These rates do not include the employee rate of 9% which the City pays on their behalf. In order to calculate the dollar value of the ARC for inclusion in financial statements prepared as of June 30, 2005, this contribution rate would be multiplied by the payroll of covered employees that was actually paid during the period July 1, 2004 to June 30, 2005.

CITY OF PALM SPRINGS

Notes to the Basic Financial Statements

(Continued)

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

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

	<u>Miscellaneous Plan</u>	<u>Safety Plan</u>
Valuation Date	June 30, 2002	June 30, 2002
Actuarial Cost Method	Entry Age Actuarial Cost Method	Entry Age Actuarial Cost Method
Amortization Method	Level Percent of Payroll	Level Percent of Payroll
Average Remaining Period	9 Years as of the Valuation Date	14 Years as of the Valuation Date
Asset Valuation Method	3 Year Smoothed Market	3 Year Smoothed Market
Actuarial Assumptions		
Investment Rate of Return	8.25% (net of administrative expenses)	8.25% (net of administrative expenses)
Projected Salary Increases	3.75% to 14.20% depending on Age, Service, and type of employment	4.27% to 11.59% depending on Age, Service, and type of employment
Inflation	3.50%	3.50%
Payroll Growth	3.75%	3.75%
Individual Salary Growth	A merit scale varying by duration of employment coupled with an assumed annual inflation component of 3.5% and an annual production growth of 0.25%	A merit scale varying by duration of employment coupled with an assumed annual inflation component of 3.5% and an annual production growth of 0.25%

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

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

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

CITY OF PALM SPRINGS

Notes to the Basic Financial Statements

(Continued)

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

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

<u>Valuation Date</u>	<u>Entry Age Normal Accrued Liability</u>	<u>Actuarial Value of Assets</u>	<u>Unfunded Liability/ (Excess Assets)</u>	<u>Funded Status</u>	<u>Annual Covered Payroll</u>	<u>UAAL As a % of Payroll</u>
6/30/02	\$85,481	83,122	2,359	97.2%	14,503	16.3%
6/30/03	98,809	82,500	16,309	83.5%	15,499	105.2%
6/30/04	104,092	86,338	17,754	82.9%	15,567	114.1%

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

<u>Valuation Date</u>	<u>Entry Age Normal Accrued Liability</u>	<u>Actuarial Value of Assets</u>	<u>Unfunded Liability/ (Excess Assets)</u>	<u>Funded Status</u>	<u>Annual Covered Payroll</u>	<u>UAAL As a % of Payroll</u>
6/30/02	\$111,274	94,259	17,015	84.7%	9,941	171.2%
6/30/03	116,506	94,103	22,403	80.8%	10,132	221.1%
6/30/04	122,667	99,485	23,182	81.1%	10,642	217.8%

Three-Year Trend Information

Annual Pension Cost (Employer Contribution)

<u>Fiscal Year</u>	<u>Safety</u>	<u>Miscellaneous</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/03	\$ 484,837	-	100%	-
6/30/04	2,073,340	581,803	100%	-
6/30/05	3,830,603	2,667,544	100%	-

(16) Leasehold Interest

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

CITY OF PALM SPRINGS

Notes to the Basic Financial Statements

(Continued)

(16) Leasehold Interest, (Continued)

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

(17) Transfers In/Transfers Out

The following schedule summarizes the City's transfer activity:

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
General Fund	Non-Major Governmental Funds	\$610,233 (a)
Special Assessment Debt Service	General Fund	100,000
Capital Projects Fund	General Fund	565,000 (b)
	Non-Major Governmental Funds	92,164
Non-Major Governmental Funds	General Fund	6,587,337 (c)
	Capital Projects Fund	32
	Non-Major Governmental Funds	6,937,208 (d)
Golf Course Fund	Non-Major Governmental Funds	<u>500,000 (e)</u>
	Total	<u>\$15,391,974</u>

CITY OF PALM SPRINGS

Notes to the Basic Financial Statements

(Continued)

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

- (a) The Gas Tax Special Revenue Fund transferred \$600,000 to the General Fund for reimbursement for street and traffic related costs and other Non-Major Governmental Funds transferred \$10,233 to the General Fund.
- (b) The General Fund transferred \$265,000 to the Capital Projects Fund for technology enhancement related costs and \$300,000 for Measure Y.
- (c) The General Fund transferred \$5,661,193 to the General Debt Service Fund for Convention Center debt service payments and \$513,742 for other debt service payments and \$412,402 to other Non-Major Governmental Funds for reimbursement for operational costs.
- (d) The Community Redevelopment Agency Capital Projects Fund transferred \$6,914,699 to the Community Redevelopment Agency Debt Service Fund. The Community Redevelopment Agency Capital Projects Fund receives the proceeds of new advances and the Community Redevelopment Agency Debt Service Fund is responsible for repaying the advances. The transfer is to reimburse the Community Redevelopment Debt Service Fund for the repayments. Other Non-Major Governmental Funds transferred \$22,509 to other Non-Major Governmental Funds.
- (e) Non-Major Governmental Funds transferred \$500,000 to the Golf Course Fund to fund the operations of the Golf Course.

(18) Subsequent Events

In July 2005, the City of Palm Springs issued \$3,806,000 of 2005 Limited Obligation Improvement Bonds for Assessment District No. 164 (Mountain Gate II). The proceeds of the bonds will be used to finance the costs of acquisition of certain public improvements serving property within Assessment District No. 164 of the City.

REQUIRED SUPPLEMENTARY INFORMATION

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CITY OF PALM SPRINGS

Notes to the Required Supplementary Information

Year Ended June 30, 2005

(1) Budgets and Budgetary Data

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

Total appropriations for each fund may only be increased or decreased by the City Council by passage of a resolution amending the budget, with the exception of budget adjustments which involve offsetting revenues and expenditures. In cases involving offsetting revenues and expenditures, the Finance Director is authorized to increase or decrease an appropriation for a specific purpose where said appropriation is offset by unbudgeted revenue which is designated for said specific purpose. During the year, there were supplemental budgetary appropriations amounting to \$10,561,093. This included \$1,211,711 for the ADI62 Bonds.

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

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

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

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

CITY OF PALM SPRINGS

General Fund

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Year ended June 30, 2005

	Budget		Actual	Variance- Positive (Negative)	Prior Year Actual
	Original	Final			
Revenues:					
Taxes	\$ 31,237,000	31,237,000	31,563,427	326,427	30,039,422
Licenses and permits	4,197,600	3,416,589	4,533,614	1,117,025	2,988,061
Fines and penalties	430,000	377,000	358,187	(18,813)	433,792
Investment income	250,000	250,000	174,561	(75,439)	116,162
Rental income	280,000	280,000	269,696	(10,304)	272,791
Intergovernmental	1,997,000	3,726,128	4,690,879	964,751	3,124,563
Charges for services	4,760,995	3,747,232	4,439,285	692,053	3,718,268
Transient occupancy taxes	5,500,000	5,500,000	5,719,257	219,257	5,303,405
Donations and contributions	542,402	124,100	120,000	(4,100)	55,814
Miscellaneous	210,000	331,585	415,964	84,379	348,984
Total revenues	49,404,997	48,989,634	52,284,870	3,295,236	46,401,262
Expenditures:					
Current:					
General government	7,954,463	7,372,880	7,023,822	349,058	6,317,028
Public safety	27,089,199	27,703,267	26,491,397	1,211,870	24,789,729
Public works	7,343,616	9,137,409	8,227,006	910,403	6,162,944
Parks and recreation	4,230,603	4,377,924	4,357,292	20,632	3,990,209
Library	2,347,755	2,447,582	2,298,401	149,181	2,048,888
Total expenditures	48,965,636	51,039,062	48,397,918	2,641,144	43,308,798
Excess (deficiency) of revenues over (under) expenditures	439,361	(2,049,428)	3,886,952	5,936,380	3,092,464
Other financing sources (uses):					
Transfers in	760,233	760,233	610,233	(150,000)	1,000,000
Transfers out	(7,239,935)	(7,239,935)	(7,252,337)	(12,402)	(5,537,156)
Sale of capital assets	5,000	-	-	-	-
Total other financing sources (uses)	(6,474,702)	(6,479,702)	(6,642,104)	(162,402)	(4,537,156)
Net change in fund balances	(6,035,341)	(8,529,130)	(2,755,152)	5,773,978	(1,444,692)
Fund balances at beginning of year	10,117,175	10,117,175	10,117,175	-	11,561,867
Fund balances at end of year	\$ 4,081,834	1,588,045	7,362,023	5,773,978	10,117,175

SUPPLEMENTARY SCHEDULES

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CITY OF PALM SPRINGS
Combining Balance Sheet - Non-Major Governmental Funds
June 30, 2005

	Special Revenue	Debt Service	Capital Projects	Totals	
				2005	2004
Assets					
Cash and investments	\$ 26,348,180	4,833,197	1,922,274	33,103,651	26,984,934
Restricted assets:					
Cash and investments with fiscal agent	706,899	10,380,555	3,113,900	14,201,354	18,908,770
Deposits	233,319	-	-	233,319	233,044
Receivables:					
Accounts	930,686	-	18,533	949,219	1,135,315
Accrued interest	180,870	724,224	30,237	935,331	99,516
Notes	2,135,318	-	-	2,135,318	302,109
Due from other funds	4,020,257	-	-	4,020,257	-
Due from other governments	1,361,810	161,988	-	1,523,798	1,238,567
Advances to other funds	1,963,826	-	-	1,963,826	2,115,992
Property held for resale	832,195	-	6,290,882	7,123,077	7,199,572
Total assets	38,713,360	16,099,964	11,375,826	66,189,150	58,217,819
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	950,443	1,954	19,990	972,387	658,430
Accrued wages payable	34,911	-	-	34,911	32,652
Due to other funds	298,748	-	-	298,748	679,906
Due to other governments	127,822	-	-	127,822	146,653
Deposits payable	166,469	-	500	166,969	163,278
Deferred revenue	42,802	721,212	-	764,014	26,500
Pass-through payable	-	1,114,789	-	1,114,789	785,529
Advances from other funds	-	5,605,456	-	5,605,456	5,402,662
Total liabilities	1,621,195	7,443,411	20,490	9,085,096	7,895,610
Fund balances:					
Reserved for:					
Encumbrances	1,662,759	-	-	1,662,759	1,483,828
Deposits	233,319	-	-	233,319	233,044
Notes	2,127,530	-	-	2,127,530	294,081
Advances to other funds	1,963,826	-	-	1,963,826	2,115,992
Property held for resale	832,195	-	6,290,882	7,123,077	7,199,572
Debt service requirements	706,899	10,861,356	-	11,568,255	14,597,794
Low and moderate housing	1,443,315	-	-	1,443,315	1,132,284
Unreserved-designated, reported in:					
Special revenue funds	28,285,886	-	-	28,285,886	21,895,676
Capital project funds	-	-	5,064,454	5,064,454	1,596,028
Unreserved-undesignated, reported in:					
Special revenue funds	(163,564)	-	-	(163,564)	(226,090)
Debt service funds	-	(2,204,803)	-	(2,204,803)	-
Total fund balances	37,092,165	8,656,553	11,355,336	57,104,054	50,322,209
Total liabilities and fund balances	\$ 38,713,360	16,099,964	11,375,826	66,189,150	58,217,819

CITY OF PALM SPRINGS
Combining Statement of Revenues, Expenditures and Changes in Fund Balances -
Non-Major Governmental Funds
Year ended June 30, 2005

	Special Revenue	Debt Service	Capital Projects	Totals	
				2005	2004
Revenues:					
Taxes	\$ 3,919,411	6,182,937	-	10,102,348	8,324,123
Licenses and permits	1,343,375	-	-	1,343,375	1,482,806
Fines and penalties	203,189	-	-	203,189	264,431
Investment income	622,424	399,507	143,386	1,165,317	978,735
Rental income	18,479	-	200,258	218,737	200,325
Intergovernmental	2,566,867	-	-	2,566,867	2,143,764
Charges for services	2,079,030	-	-	2,079,030	1,557,813
Transient occupancy taxes	7,305,354	-	-	7,305,354	7,014,847
Special assessments	406,079	-	-	406,079	361,889
Donations and contributions	995,824	-	-	995,824	1,223,577
Master lease	1,261,766	-	-	1,261,766	1,078,389
Miscellaneous	691,027	261,180	47,587	999,794	372,917
Total revenues	21,412,825	6,843,624	391,231	28,647,680	25,003,616
Expenditures:					
Current:					
General government	2,699,096	3,000	589,411	3,291,507	3,853,584
Cultural and convention center	1,698,985	-	-	1,698,985	1,732,643
Public safety	1,764,604	-	-	1,764,604	860,277
Public works	4,732,724	-	2,912,366	7,645,090	5,847,308
Parks and recreation	989,593	-	-	989,593	1,183,270
Library	96,307	-	-	96,307	187,902
Lease	1,200,000	401,000	-	1,601,000	1,221,382
Capital outlay	-	-	-	-	-
Debt service:					
Principal	346,710	2,632,500	-	2,979,210	2,630,898
Interest	348,472	5,720,342	67,685	6,136,499	4,582,589
Bond issuance costs	-	-	-	-	-
Pass-through payments	-	2,790,052	-	2,790,052	2,001,988
Payment to bond escrow	-	-	-	-	3,284,353
Total expenditures	13,876,491	11,546,894	3,569,462	28,992,847	27,386,194
Excess (deficiency) of revenues over (under) expenditures	7,536,334	(4,703,270)	(3,178,231)	(345,167)	(2,382,578)
Other financing sources (uses):					
Transfers in	434,884	6,474,994	6,614,699	13,524,577	8,278,859
Transfers out	(1,132,715)	(7,006,863)	(27)	(8,139,605)	(5,881,771)
Sale of property	1,742,040	-	-	1,742,040	-
Issuance of bonds	-	-	-	-	41,559,863
Payment to bond escrow	-	-	-	-	(26,028,446)
Total other financing sources (uses)	1,044,209	(531,869)	6,614,672	7,127,012	17,928,505
Net change in fund balances	8,580,543	(5,235,139)	3,436,441	6,781,845	15,545,927
Fund balances at beginning of year	28,511,622	13,891,692	7,918,895	50,322,209	34,776,282
Fund balances at end of year	\$ 37,092,165	8,656,553	11,355,336	57,104,054	50,322,209

NON-MAJOR SPECIAL REVENUE FUNDS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

CITY OF PALM SPRINGS
Special Revenue Funds
Combining Balance Sheet
June 30, 2005

<u>Assets</u>	Community Promotion	Forfeiture	Safety Augmentation	Indian Gaming Special Distribution	Special Development	CSA 152	Recycling AB 939
Cash and investments	\$ 4,646,269	258,158	246,729	-	132,323	-	1,500,682
Restricted assets:							
Cash and investments with fiscal agents	-	-	-	-	-	-	-
Deposits	200,000	-	-	-	-	-	-
Receivables:							
Accounts	918,682	-	220	-	-	-	-
Accrued interest	-	1,961	1,788	-	670	-	41,720
Notes	-	-	-	-	-	-	-
Due from other funds	-	-	-	-	-	-	4,020,257
Due from other governments	114,911	-	80,709	-	-	219,524	112,727
Advances to other funds	-	-	-	-	-	-	-
Property held for resale	-	-	-	-	-	-	-
Total assets	\$ 5,879,862	260,119	329,446	-	132,993	219,524	5,675,386
 <u>Liabilities and Fund Balances</u>							
Liabilities:							
Accounts payable	\$ 191,996	1,435	3,954	-	-	21,228	16,404
Accrued wages payable	32	-	13,205	-	-	2,055	3,025
Due to other funds	-	-	-	-	-	196,241	-
Due to other governments	-	-	-	-	-	-	-
Deposits payable	166,469	-	-	-	-	-	-
Deferred revenue	-	11,940	-	-	-	-	-
Total liabilities	358,497	13,375	17,159	-	-	219,524	19,429
Fund balances (deficit):							
Reserved for:							
Encumbrances	9,180	43,460	-	-	-	18,255	18,715
Deposits	200,000	-	-	-	-	-	-
Notes receivable	-	-	-	-	-	-	-
Advances to other funds	-	-	-	-	-	-	-
Property held for resale	-	-	-	-	-	-	-
Debt service requirements	-	-	-	-	-	-	-
Low and moderate housing	-	-	-	-	-	-	-
Unreserved:							
Designated for:							
Special purposes	4,541,370	9,609	92,331	-	1,243	-	5,583,414
Continuing appropriations	770,815	193,675	219,956	-	131,750	-	53,828
Undesignated	-	-	-	-	-	(18,255)	-
Total fund balances (deficit)	5,521,365	246,744	312,287	-	132,993	-	5,655,957
Total liabilities and fund balances	\$ 5,879,862	260,119	329,446	-	132,993	219,524	5,675,386

<u>Villagefest</u>	<u>Neighborhood Involvement</u>	<u>Parking</u>	<u>Gas Tax</u>	<u>Measure A Improvements</u>	<u>Drainage Construction</u>	<u>Community Development Block Grant</u>	<u>Master Lease</u>	<u>Air Quality Management</u>
144,881	11,182	-	671,296	5,130,190	5,757,281	392,725	52,433	18,365
-	-	-	-	-	-	-	234,532	-
-	-	-	-	-	-	-	-	-
142	-	-	-	-	-	-	-	-
-	57	-	4,971	41,009	42,810	2,482	-	166
-	-	-	-	-	-	7,788	-	-
-	-	-	-	-	-	-	-	-
-	-	1,272	79,701	714,343	-	-	-	14,698
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
<u>145,023</u>	<u>11,239</u>	<u>1,272</u>	<u>755,968</u>	<u>5,885,542</u>	<u>5,800,091</u>	<u>402,995</u>	<u>286,965</u>	<u>33,229</u>
5,759	-	43,636	5,658	310,089	10,161	239,328	-	6,614
4,002	-	438	235	887	-	3,428	-	-
-	-	102,507	-	-	-	-	-	-
-	-	-	-	-	-	7,788	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	30,862	-	-	-	-
<u>9,761</u>	<u>-</u>	<u>146,581</u>	<u>5,893</u>	<u>341,838</u>	<u>10,161</u>	<u>250,544</u>	<u>-</u>	<u>6,614</u>
6,884	-	-	64,595	1,282,166	32,696	43,092	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	234,532	-
-	-	-	-	-	-	-	-	-
114,541	105	-	154,827	-	2,191,982	-	52,433	26,615
13,837	11,134	-	530,653	4,261,538	3,565,252	109,359	-	-
-	-	(145,309)	-	-	-	-	-	-
<u>135,262</u>	<u>11,239</u>	<u>(145,309)</u>	<u>750,075</u>	<u>5,543,704</u>	<u>5,789,930</u>	<u>152,451</u>	<u>286,965</u>	<u>26,615</u>
<u>145,023</u>	<u>11,239</u>	<u>1,272</u>	<u>755,968</u>	<u>5,885,542</u>	<u>5,800,091</u>	<u>402,995</u>	<u>286,965</u>	<u>33,229</u>

(Continued)

CITY OF PALM SPRINGS
Special Revenue Funds
Combining Balance Sheet
June 30, 2005
(Continued)

	Public Arts	Library	Quimby Act Fees	Special Projects	Low and Moderate Housing	Totals	
						2005	2004
<u>Assets</u>							
Cash and investments	919,077	2,550,620	651,049	529,180	2,735,740	26,348,180	23,454,689
Restricted assets:							
Cash and investments with fiscal agents	-	-	-	-	472,367	706,899	706,102
Deposits	-	-	-	-	33,319	233,319	233,044
Receivables:							
Accounts	-	8,173	-	3,469	-	930,686	1,082,695
Accrued interest	6,641	13,740	4,932	-	17,923	180,870	83,793
Notes	-	-	-	-	2,127,530	2,135,318	302,109
Due from other funds	-	-	-	-	-	4,020,257	-
Due from other governments	-	6,401	-	17,524	-	1,361,810	1,167,548
Advances to other funds	-	-	-	-	1,963,826	1,963,826	2,115,992
Property held for resale	-	-	-	-	832,195	832,195	908,690
Total assets	<u>925,718</u>	<u>2,578,934</u>	<u>655,981</u>	<u>550,173</u>	<u>8,182,900</u>	<u>38,713,360</u>	<u>30,054,662</u>
<u>Liabilities and Fund Balances</u>							
<u>Liabilities:</u>							
Accounts payable	3,481	3,869	-	85,562	1,269	950,443	634,417
Accrued wages payable	1,818	-	-	1,578	4,208	34,911	32,652
Due to other funds	-	-	-	-	-	298,748	540,040
Due to other governments	-	-	-	-	120,034	127,822	146,653
Deposits payable	-	-	-	-	-	166,469	162,778
Deferred revenue	-	-	-	-	-	42,802	26,500
Total liabilities	<u>5,299</u>	<u>3,869</u>	<u>-</u>	<u>87,140</u>	<u>125,511</u>	<u>1,621,195</u>	<u>1,543,040</u>
<u>Fund balances (deficit):</u>							
Reserved for:							
Incumbrances	20,359	28,568	-	86,147	8,642	1,662,759	1,451,843
Deposits	-	-	-	-	33,319	233,319	233,044
Notes receivable	-	-	-	-	2,127,530	2,127,530	294,081
Advances to other funds	-	-	-	-	1,963,826	1,963,826	2,115,992
Property held for resale	-	-	-	-	832,195	832,195	908,690
Debt service requirements	-	-	-	-	472,367	706,899	706,102
Low and moderate housing	-	-	-	-	1,443,315	1,443,315	1,132,284
Unreserved:							
Designated for:							
Special purposes	793,377	2,347,274	655,981	90,241	-	16,655,343	13,433,102
Continuing appropriations	106,683	199,223	-	286,645	1,176,195	11,630,543	8,462,574
Undesignated	-	-	-	-	-	(163,564)	(226,090)
Total fund balances (deficit)	<u>920,419</u>	<u>2,575,065</u>	<u>655,981</u>	<u>463,033</u>	<u>8,057,389</u>	<u>37,092,165</u>	<u>28,511,622</u>
Total liabilities and fund balances	<u>925,718</u>	<u>2,578,934</u>	<u>655,981</u>	<u>550,173</u>	<u>8,182,900</u>	<u>38,713,360</u>	<u>30,054,662</u>

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CITY OF PALM SPRINGS
Special Revenue Funds

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Year ended June 30, 2005

	Community Promotion	Forfeiture	Safety Augmentation	Indian Gaming Special Distribution	Special Development	CSA 152	Recycling AB 939
Revenues:							
Taxes	\$ -	-	675,308	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Fines and penalties	-	61,947	20,671	-	-	-	-
Investment income	-	6,518	5,301	5,304	1,243	-	127,000
Rental income	12,487	-	-	-	-	-	-
Intergovernmental	-	-	-	897,062	-	-	12,210
Charges for services	39,096	-	14,231	-	131,750	-	534,901
Transient occupancy taxes	7,305,354	-	-	-	-	-	-
Special assessments	-	-	-	-	-	406,079	-
Donations and contributions	244,060	-	61,971	-	-	-	-
Master lease	-	-	-	-	-	-	-
Miscellaneous	73,446	-	4,903	-	-	-	92
Total revenues	<u>7,674,443</u>	<u>68,465</u>	<u>782,385</u>	<u>902,366</u>	<u>132,993</u>	<u>406,079</u>	<u>674,203</u>
Expenditures:							
Current:							
General government	2,448,908	-	-	-	-	-	-
Cultural and convention center	1,698,985	-	-	-	-	-	-
Public safety	-	134,756	705,000	924,848	-	-	-
Public works	-	-	-	-	-	406,079	331,550
Parks and recreation	695,975	-	-	-	-	-	-
Library	-	-	-	-	-	-	-
Lease	-	-	-	-	-	-	-
Debt service:							
Principal	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-
Total expenditures	<u>4,843,868</u>	<u>134,756</u>	<u>705,000</u>	<u>924,848</u>	<u>-</u>	<u>406,079</u>	<u>331,550</u>
Excess (deficiency) of revenues over (under) expenditures	<u>2,830,575</u>	<u>(66,291)</u>	<u>77,385</u>	<u>(22,482)</u>	<u>132,993</u>	<u>-</u>	<u>342,653</u>
Other financing sources (uses):							
Transfers in	-	-	-	22,482	-	-	-
Transfers out	(500,000)	-	(22,482)	-	-	-	-
Sale of property	-	-	-	-	-	-	-
Total other financing sources (uses)	<u>(500,000)</u>	<u>-</u>	<u>(22,482)</u>	<u>22,482</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>2,330,575</u>	<u>(66,291)</u>	<u>54,903</u>	<u>-</u>	<u>132,993</u>	<u>-</u>	<u>342,653</u>
Fund balances (deficit) at beginning of year	<u>3,190,790</u>	<u>313,035</u>	<u>257,384</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,313,304</u>
Fund balances (deficit) at end of year	<u>\$5,521,365</u>	<u>246,744</u>	<u>312,287</u>	<u>-</u>	<u>132,993</u>	<u>-</u>	<u>5,655,957</u>

<u>Villagefest</u>	<u>Neighborhood Involvement</u>	<u>Parking</u>	<u>Gas Tax</u>	<u>Measure A Improvements</u>	<u>Drainage Construction</u>	<u>Community Development Block Grant</u>	<u>Master Lease</u>	<u>Air Quality Management</u>	<u>Public Arts</u>
-	-	-	-	1,698,369	-	-	-	-	-
317,008	-	-	-	-	1,026,367	-	-	-	-
-	-	120,571	-	-	-	-	-	-	-
-	105	1,053	14,161	122,256	127,051	9,691	2,487	497	20,073
-	-	-	845,042	520,991	-	238,092	-	53,470	-
-	-	3,530	-	-	-	-	-	-	566,410
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	40,000	-	-	-	-
-	-	-	-	-	-	-	1,261,766	-	-
<u>12,567</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>477,712</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>329,575</u>	<u>105</u>	<u>125,154</u>	<u>859,203</u>	<u>2,341,616</u>	<u>1,193,418</u>	<u>725,495</u>	<u>1,264,253</u>	<u>53,967</u>	<u>586,483</u>
-	-	-	-	-	-	-	3,196	-	-
-	-	-	-	-	-	-	-	-	-
-	1,268	286,499	108,453	1,347,659	60,012	617,867	-	50,148	264,126
293,618	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	1,200,000	-	-
-	-	-	-	-	-	-	141,710	-	-
-	-	-	-	-	-	-	89,194	-	-
<u>293,618</u>	<u>1,268</u>	<u>286,499</u>	<u>108,453</u>	<u>1,347,659</u>	<u>60,012</u>	<u>617,867</u>	<u>1,434,100</u>	<u>50,148</u>	<u>264,126</u>
<u>35,957</u>	<u>(1,163)</u>	<u>(161,345)</u>	<u>750,750</u>	<u>993,957</u>	<u>1,133,406</u>	<u>107,628</u>	<u>(169,847)</u>	<u>3,819</u>	<u>322,357</u>
-	12,402	200,000	-	-	-	-	200,000	-	-
-	-	-	(600,000)	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	12,402	200,000	(600,000)	-	-	-	200,000	-	-
35,957	11,239	38,655	150,750	993,957	1,133,406	107,628	30,153	3,819	322,357
99,305	-	(183,964)	599,325	4,549,747	4,656,524	44,823	256,812	22,796	598,062
<u>135,262</u>	<u>11,239</u>	<u>(145,309)</u>	<u>750,075</u>	<u>5,543,704</u>	<u>5,789,930</u>	<u>152,451</u>	<u>286,965</u>	<u>26,615</u>	<u>920,419</u>

(Continued)

CITY OF PALM SPRINGS
Special Revenue Funds

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Year ended June 30, 2005
(Continued)

	Library	Quimby Act Fees	Special Projects	Low and Moderate Housing	Totals	
					2005	2004
Revenues:						
Taxes	-	-	-	1,545,734	3,919,411	3,410,347
Licenses and permits	-	-	-	-	1,343,375	1,482,806
Fines and penalties	-	-	-	-	203,189	264,431
Investment income	60,028	10,931	-	108,725	622,424	278,063
Rental income	-	-	-	5,992	18,479	30,325
Intergovernmental	-	-	-	-	2,566,867	2,143,764
Charges for services	21,026	645,050	123,036	-	2,079,030	1,453,813
Transient occupancy taxes	-	-	-	-	7,305,354	7,014,847
Special assessments	-	-	-	-	406,079	361,889
Donations and contributions	69,858	-	579,935	-	995,824	1,222,485
Master lease	-	-	-	-	1,261,766	1,078,389
Miscellaneous	-	-	-	122,307	691,027	143,241
Total revenues	<u>150,912</u>	<u>655,981</u>	<u>702,971</u>	<u>1,782,758</u>	<u>21,412,825</u>	<u>18,884,400</u>
Expenditures:						
Current:						
General government	-	-	-	246,992	2,699,096	3,228,648
Cultural and convention center	-	-	-	-	1,698,985	1,732,643
Public safety	-	-	-	-	1,764,604	860,277
Public works	-	-	569,544	689,519	4,732,724	5,037,686
Parks and recreation	-	-	-	-	989,593	1,183,270
Library	96,307	-	-	-	96,307	187,902
Lease	-	-	-	-	1,200,000	872,687
Debt service:						
Principal	-	-	-	205,000	346,710	307,240
Interest	-	-	-	259,278	348,472	358,333
Total expenditures	<u>96,307</u>	<u>-</u>	<u>569,544</u>	<u>1,400,789</u>	<u>13,876,491</u>	<u>13,768,686</u>
Excess (deficiency) of revenues over (under) expenditures	<u>54,605</u>	<u>655,981</u>	<u>133,427</u>	<u>381,969</u>	<u>7,536,334</u>	<u>5,115,714</u>
Other financing sources (uses):						
Transfers in	-	-	-	-	434,884	50,000
Transfers out	(10,233)	-	-	-	(1,132,715)	(1,200,000)
Sale of property	-	-	-	1,742,040	1,742,040	-
Total other financing sources (uses)	<u>(10,233)</u>	<u>-</u>	<u>-</u>	<u>1,742,040</u>	<u>1,044,209</u>	<u>(1,150,000)</u>
fund balances	<u>44,372</u>	<u>655,981</u>	<u>133,427</u>	<u>2,124,009</u>	<u>8,580,543</u>	<u>3,965,714</u>
Fund balances (deficit) at beginning of year	<u>2,530,693</u>	<u>-</u>	<u>329,606</u>	<u>5,933,380</u>	<u>28,511,622</u>	<u>24,545,908</u>
Fund balances (deficit) at end of year	<u>2,575,065</u>	<u>655,981</u>	<u>463,033</u>	<u>8,057,389</u>	<u>37,092,165</u>	<u>28,511,622</u>

CITY OF PALM SPRINGS
Community Promotion Fund

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Year ended June 30, 2005

	<u>Budget</u>	<u>Actual</u>	<u>Variance- Positive (Negative)</u>	<u>Prior Year Actual</u>
Revenues:				
Rental income	\$ 15,000	12,487	(2,513)	9,308
Charges for services	50,356	39,096	(11,260)	79,058
Transient occupancy taxes	7,860,800	7,305,354	(555,446)	7,014,847
Donations and contributions	243,500	244,060	560	558,600
Miscellaneous	55,200	73,446	18,246	50,719
Total revenues	<u>8,224,856</u>	<u>7,674,443</u>	<u>(550,413)</u>	<u>7,712,532</u>
Expenditures:				
Current:				
General government	2,676,079	2,448,908	227,171	3,009,416
Cultural and convention center	2,326,023	1,698,985	627,038	1,732,643
Parks and recreation	786,260	695,975	90,285	911,005
Total expenditures	<u>5,788,362</u>	<u>4,843,868</u>	<u>944,494</u>	<u>5,653,064</u>
Excess (deficiency) of revenues over (under) expenditures	<u>2,436,494</u>	<u>2,830,575</u>	<u>394,081</u>	<u>2,059,468</u>
Other financing sources (uses):				
Transfers out	<u>(500,000)</u>	<u>(500,000)</u>	<u>-</u>	<u>(600,000)</u>
Total other financing sources (uses)	<u>(500,000)</u>	<u>(500,000)</u>	<u>-</u>	<u>(600,000)</u>
Net change in fund balances	1,936,494	2,330,575	394,081	1,459,468
Fund balances at beginning of year	<u>3,190,790</u>	<u>3,190,790</u>	<u>-</u>	<u>1,731,322</u>
Fund balances at end of year	<u>\$ 5,127,284</u>	<u>5,521,365</u>	<u>394,081</u>	<u>3,190,790</u>

CITY OF PALM SPRINGS
Forfeiture Fund

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Year ended June 30, 2005

	<u>Budget</u>	<u>Actual</u>	<u>Variance- Positive (Negative)</u>	<u>Prior Year Actual</u>
Revenues:				
Fines and penalties	\$ 61,946	61,947	1	109,076
Investment income	3,000	6,518	3,518	6,747
Donations and contributions	-	-	-	5,000
Total revenues	<u>64,946</u>	<u>68,465</u>	<u>3,519</u>	<u>120,823</u>
Expenditures:				
Current:				
Public safety	<u>371,890</u>	<u>134,756</u>	<u>237,134</u>	<u>172,918</u>
Total expenditures	<u>371,890</u>	<u>134,756</u>	<u>237,134</u>	<u>172,918</u>
Net change in fund balances	(306,944)	(66,291)	240,653	(52,095)
Fund balances at beginning of year	<u>313,035</u>	<u>313,035</u>	-	<u>365,130</u>
Fund balances at end of year	<u>\$ 6,091</u>	<u>246,744</u>	<u>240,653</u>	<u>313,035</u>

CITY OF PALM SPRINGS
Safety Augmentation Fund

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Year ended June 30, 2005

	<u>Budget</u>	<u>Actual</u>	<u>Variance- Positive (Negative)</u>	<u>Prior Year Actual</u>
Revenues:				
Taxes	\$ 543,102	675,308	132,206	584,209
Fines and penalties	20,671	20,671	-	20,762
Investment income	5,000	5,301	301	2,923
Charges for services	14,231	14,231	-	5,446
Donations and contributions	61,821	61,971	150	101,395
Miscellaneous	4,903	4,903	-	-
Total revenues	<u>649,728</u>	<u>782,385</u>	<u>132,657</u>	<u>714,735</u>
Expenditures:				
Current:				
Public safety	924,112	705,000	219,112	687,359
Total expenditures	<u>924,112</u>	<u>705,000</u>	<u>219,112</u>	<u>687,359</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(274,384)</u>	<u>77,385</u>	<u>351,769</u>	<u>27,376</u>
Other financing sources (uses):				
Transfers out	(22,482)	(22,482)	-	-
Total other financing sources (uses)	<u>(22,482)</u>	<u>(22,482)</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(296,866)	54,903	351,769	27,376
Fund balances at beginning of year	<u>257,384</u>	<u>257,384</u>	<u>-</u>	<u>230,008</u>
Fund balances at end of year	<u>\$ (39,482)</u>	<u>312,287</u>	<u>351,769</u>	<u>257,384</u>

CITY OF PALM SPRINGS
Indian Gaming Special Distribution Fund

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Year ended June 30, 2005

	<u>Budget</u>	<u>Actual</u>	<u>Variance- Positive (Negative)</u>	<u>Prior Year Actual</u>
Revenues:				
Investment income	\$ 10,000	5,304	(4,696)	-
Intergovernmental	<u>897,062</u>	<u>897,062</u>	<u>-</u>	<u>-</u>
Total revenues	<u>907,062</u>	<u>902,366</u>	<u>(4,696)</u>	<u>-</u>
Expenditures:				
Current:				
Public safety	<u>927,893</u>	<u>924,848</u>	<u>3,045</u>	<u>-</u>
Total expenditures	<u>927,893</u>	<u>924,848</u>	<u>3,045</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(20,831)</u>	<u>(22,482)</u>	<u>(1,651)</u>	<u>-</u>
Other financing sources (uses):				
Transfers in	<u>22,482</u>	<u>22,482</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>22,482</u>	<u>22,482</u>	<u>-</u>	<u>-</u>
Net change in fund balances	1,651	-	(1,651)	-
Fund balances at beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances at end of year	<u>\$ 1,651</u>	<u>-</u>	<u>(1,651)</u>	<u>-</u>

CITY OF PALM SPRINGS
Special Development Fund

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Year ended June 30, 2005

	<u>Budget</u>	<u>Actual</u>	<u>Variance- Positive (Negative)</u>	<u>Prior Year Actual</u>
Revenues:				
Investment income	\$ -	1,243	1,243	-
Charges for services	<u>131,750</u>	<u>131,750</u>	<u>-</u>	<u>-</u>
Total revenues	<u>131,750</u>	<u>132,993</u>	<u>1,243</u>	<u>-</u>
Expenditures:				
Current:				
Public works	<u>131,750</u>	<u>-</u>	<u>131,750</u>	<u>-</u>
Total expenditures	<u>131,750</u>	<u>-</u>	<u>131,750</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>132,993</u>	<u>132,993</u>	<u>-</u>
Net change in fund balances	-	132,993	132,993	-
Fund balances at beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances at end of year	<u>\$ -</u>	<u>132,993</u>	<u>132,993</u>	<u>-</u>

CITY OF PALM SPRINGS
CSA 152 Fund

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

Year ended June 30, 2005

	<u>Budget</u>	<u>Actual</u>	<u>Variance- Positive (Negative)</u>	<u>Prior Year Actual</u>
Revenues:				
Special assessments	\$ 436,252	406,079	(30,173)	361,889
Total revenues	<u>436,252</u>	<u>406,079</u>	<u>(30,173)</u>	<u>361,889</u>
Expenditures:				
Current:				
Public works	442,025	406,079	35,946	357,180
Total expenditures	<u>442,025</u>	<u>406,079</u>	<u>35,946</u>	<u>357,180</u>
Net change in fund balances	(5,773)	-	5,773	4,709
Fund balances (deficit) at beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>(4,709)</u>
Fund balances (deficit) at end of year	<u>\$ (5,773)</u>	<u>-</u>	<u>5,773</u>	<u>-</u>

CITY OF PALM SPRINGS
Recycling - AB 939 Fund

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Year ended June 30, 2005

	<u>Budget</u>	<u>Actual</u>	Variance- Positive (Negative)	Prior Year Actual
Revenues:				
Investment income	\$ 90,000	127,000	37,000	53,154
Intergovernmental	-	12,210	12,210	12,324
Charges for services	750,000	534,901	(215,099)	684,299
Donations and contributions	-	-	-	49,750
Miscellaneous	-	92	92	3,131
Total revenues	<u>840,000</u>	<u>674,203</u>	<u>(165,797)</u>	<u>802,658</u>
Expenditures:				
Current:				
Public works	<u>486,837</u>	<u>331,550</u>	<u>155,287</u>	<u>294,475</u>
Total expenditures	<u>486,837</u>	<u>331,550</u>	<u>155,287</u>	<u>294,475</u>
Net change in fund balances	353,163	342,653	(10,510)	508,183
Fund balances at beginning of year	<u>5,313,304</u>	<u>5,313,304</u>	<u>-</u>	<u>4,805,121</u>
Fund balances at end of year	<u>\$ 5,666,467</u>	<u>5,655,957</u>	<u>(10,510)</u>	<u>5,313,304</u>

CITY OF PALM SPRINGS
Villagefest Fund

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Year ended June 30, 2005

	<u>Budget</u>	<u>Actual</u>	<u>Variance- Positive (Negative)</u>	<u>Prior Year Actual</u>
Revenues:				
Licenses and permits	\$ 325,000	317,008	(7,992)	345,106
Miscellaneous	<u>6,000</u>	<u>12,567</u>	<u>6,567</u>	<u>11,037</u>
Total revenues	<u>331,000</u>	<u>329,575</u>	<u>(1,425)</u>	<u>356,143</u>
Expenditures:				
Current:				
Parks and recreation	<u>317,234</u>	<u>293,618</u>	<u>23,616</u>	<u>272,265</u>
Total expenditures	<u>317,234</u>	<u>293,618</u>	<u>23,616</u>	<u>272,265</u>
Net change in fund balances	13,766	35,957	22,191	83,878
Fund balances at beginning of year	<u>99,305</u>	<u>99,305</u>	-	<u>15,427</u>
Fund balances at end of year	<u>\$ 113,071</u>	<u>135,262</u>	<u>22,191</u>	<u>99,305</u>

CITY OF PALM SPRINGS
Neighborhood Involvement Fund

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Year ended June 30, 2005

	<u>Budget</u>	<u>Actual</u>	<u>Variance- Positive (Negative)</u>	<u>Prior Year Actual</u>
Revenues:				
Investment income	\$ -	105	105	-
Total revenues	-	105	105	-
Expenditures:				
Current:				
Public works	12,402	1,268	11,134	-
Total expenditures	12,402	1,268	11,134	-
Excess (deficiency) of revenues over (under) expenditures	(12,402)	(1,163)	11,239	-
Other financing sources (uses):				
Transfers in	-	12,402	12,402	-
Total other financing sources (uses)	-	12,402	12,402	-
Net change in fund balances	(12,402)	11,239	23,641	-
Fund balances at beginning of year	-	-	-	-
Fund balances at end of year	\$ (12,402)	11,239	23,641	-

CITY OF PALM SPRINGS
Parking Fund

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

Year ended June 30, 2005

	<u>Budget</u>	<u>Actual</u>	<u>Variance- Positive (Negative)</u>	<u>Prior Year Actual</u>
Revenues:				
Fines and penalties	\$ 100,000	120,571	20,571	127,533
Investment income	-	1,053	1,053	2,528
Charges for services	6,000	3,530	(2,470)	14,587
Total revenues	<u>106,000</u>	<u>125,154</u>	<u>19,154</u>	<u>144,648</u>
Expenditures:				
Current:				
Public works	327,000	286,499	40,501	284,793
Total expenditures	<u>327,000</u>	<u>286,499</u>	<u>40,501</u>	<u>284,793</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(221,000)</u>	<u>(161,345)</u>	<u>59,655</u>	<u>(140,145)</u>
Other financing sources (uses):				
Transfers in	200,000	200,000	-	50,000
Total other financing sources (uses)	<u>200,000</u>	<u>200,000</u>	<u>-</u>	<u>50,000</u>
Net change in fund balances	(21,000)	38,655	59,655	(90,145)
Fund balances (deficit) at beginning of year	<u>(183,964)</u>	<u>(183,964)</u>	<u>-</u>	<u>(93,819)</u>
Fund balances (deficit) at end of year	<u>\$ (204,964)</u>	<u>(145,309)</u>	<u>59,655</u>	<u>(183,964)</u>

CITY OF PALM SPRINGS
Gas Tax Fund

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Year ended June 30, 2005

	<u>Budget</u>	<u>Actual</u>	<u>Variance- Positive (Negative)</u>	<u>Prior Year Actual</u>
Revenues:				
Investment income	\$ 20,000	14,161	(5,839)	4,332
Intergovernmental	866,000	845,042	(20,958)	835,013
Total revenues	<u>886,000</u>	<u>859,203</u>	<u>(26,797)</u>	<u>839,345</u>
Expenditures:				
Current:				
Public works	<u>730,579</u>	<u>108,453</u>	<u>622,126</u>	<u>511,507</u>
Total expenditures	<u>730,579</u>	<u>108,453</u>	<u>622,126</u>	<u>511,507</u>
Excess (deficiency) of revenues over (under) expenditures	<u>155,421</u>	<u>750,750</u>	<u>595,329</u>	<u>327,838</u>
Other financing sources (uses):				
Transfers out	<u>(600,000)</u>	<u>(600,000)</u>	<u>-</u>	<u>(600,000)</u>
Total other financing sources (uses)	<u>(600,000)</u>	<u>(600,000)</u>	<u>-</u>	<u>(600,000)</u>
Net change in fund balances	(444,579)	150,750	595,329	(272,162)
Fund balances at beginning of year	<u>599,325</u>	<u>599,325</u>	<u>-</u>	<u>871,487</u>
Fund balances at end of year	<u>\$ 154,746</u>	<u>750,075</u>	<u>595,329</u>	<u>599,325</u>

CITY OF PALM SPRINGS
Measure A Improvements Fund

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

Year ended June 30, 2005

	<u>Budget</u>	<u>Actual</u>	<u>Variance- Positive (Negative)</u>	<u>Prior Year Actual</u>
Revenues:				
Taxes	\$ 1,560,000	1,698,369	138,369	1,597,695
Investment income	70,000	122,256	52,256	42,913
Intergovernmental	<u>3,007,112</u>	<u>520,991</u>	<u>(2,486,121)</u>	<u>317,947</u>
Total revenues	<u>4,637,112</u>	<u>2,341,616</u>	<u>(2,295,496)</u>	<u>1,958,555</u>
Expenditures:				
Current:				
Public works	<u>9,100,222</u>	<u>1,347,659</u>	<u>7,752,563</u>	<u>1,203,624</u>
Total expenditures	<u>9,100,222</u>	<u>1,347,659</u>	<u>7,752,563</u>	<u>1,203,624</u>
Net change in fund balances	(4,463,110)	993,957	5,457,067	754,931
Fund balances at beginning of year	<u>4,549,747</u>	<u>4,549,747</u>	<u>-</u>	<u>3,794,816</u>
Fund balances at end of year	<u>\$ 86,637</u>	<u>5,543,704</u>	<u>5,457,067</u>	<u>4,549,747</u>

CITY OF PALM SPRINGS
Drainage Construction Fund

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Year ended June 30, 2005

	<u>Budget</u>	<u>Actual</u>	<u>Variance- Positive (Negative)</u>	<u>Prior Year Actual</u>
Revenues:				
Licenses and permits	\$ 40,000	1,026,367	986,367	1,137,700
Investment income	51,000	127,051	76,051	51,313
Donations and contributions	<u>40,000</u>	<u>40,000</u>	<u>-</u>	<u>-</u>
Total revenues	<u>131,000</u>	<u>1,193,418</u>	<u>1,062,418</u>	<u>1,189,013</u>
Expenditures:				
Current:				
Public works	<u>3,657,960</u>	<u>60,012</u>	<u>3,597,948</u>	<u>70,188</u>
Total expenditures	<u>3,657,960</u>	<u>60,012</u>	<u>3,597,948</u>	<u>70,188</u>
Net change in fund balances	(3,526,960)	1,133,406	4,660,366	1,118,825
Fund balances at beginning of year	<u>4,656,524</u>	<u>4,656,524</u>	<u>-</u>	<u>3,537,699</u>
Fund balances at end of year	<u>\$ 1,129,564</u>	<u>5,789,930</u>	<u>4,660,366</u>	<u>4,656,524</u>

CITY OF PALM SPRINGS
Community Development Block Grant Fund

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Year ended June 30, 2005

	<u>Budget</u>	<u>Actual</u>	<u>Variance- Positive (Negative)</u>	<u>Prior Year Actual</u>
Revenues:				
Investment income	\$ 9,687	9,691	4	7,909
Intergovernmental	606,000	238,092	(367,908)	860,459
Miscellaneous	<u>477,712</u>	<u>477,712</u>	<u>-</u>	<u>36,914</u>
Total revenues	<u>1,093,399</u>	<u>725,495</u>	<u>(367,904)</u>	<u>905,282</u>
Expenditures:				
Current:				
Public works	<u>1,607,182</u>	<u>617,867</u>	<u>989,315</u>	<u>1,030,269</u>
Total expenditures	<u>1,607,182</u>	<u>617,867</u>	<u>989,315</u>	<u>1,030,269</u>
Net change in fund balances	(513,783)	107,628	621,411	(124,987)
Fund balances at beginning of year	<u>44,823</u>	<u>44,823</u>	<u>-</u>	<u>169,810</u>
Fund balances at end of year	<u>\$ (468,960)</u>	<u>152,451</u>	<u>621,411</u>	<u>44,823</u>

CITY OF PALM SPRINGS
Master Lease Fund

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

Year ended June 30, 2005

	<u>Budget</u>	<u>Actual</u>	<u>Variance- Positive (Negative)</u>	<u>Prior Year Actual</u>
Revenues:				
Investment income	\$ 1,000	2,487	1,487	740
Master lease	<u>1,220,000</u>	<u>1,261,766</u>	<u>41,766</u>	<u>1,078,389</u>
Total revenues	<u>1,221,000</u>	<u>1,264,253</u>	<u>43,253</u>	<u>1,079,129</u>
Expenditures:				
Current:				
General government	3,696	3,196	500	3,292
Lease	1,200,000	1,200,000	-	872,687
Debt service:				
Principal	141,774	141,710	64	107,240
Interest	<u>90,141</u>	<u>89,194</u>	<u>947</u>	<u>89,233</u>
Total expenditures	<u>1,435,611</u>	<u>1,434,100</u>	<u>1,511</u>	<u>1,072,452</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(214,611)</u>	<u>(169,847)</u>	<u>44,764</u>	<u>6,677</u>
Other financing sources (uses):				
Transfers in	<u>200,000</u>	<u>200,000</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>200,000</u>	<u>200,000</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(14,611)	30,153	44,764	6,677
Fund balances at beginning of year	<u>256,812</u>	<u>256,812</u>	<u>-</u>	<u>250,135</u>
Fund balances at end of year	<u>\$ 242,201</u>	<u>286,965</u>	<u>44,764</u>	<u>256,812</u>

CITY OF PALM SPRINGS
Air Quality Management Fund

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Year ended June 30, 2005

	<u>Budget</u>	<u>Actual</u>	<u>Variance- Positive (Negative)</u>	<u>Prior Year Actual</u>
Revenues:				
Investment income	\$ 1,000	497	(503)	253
Intergovernmental	<u>52,148</u>	<u>53,470</u>	<u>1,322</u>	<u>51,531</u>
Total revenues	<u>53,148</u>	<u>53,967</u>	<u>819</u>	<u>51,784</u>
Expenditures:				
Current:				
Public works	<u>50,148</u>	<u>50,148</u>	<u>-</u>	<u>47,194</u>
Total expenditures	<u>50,148</u>	<u>50,148</u>	<u>-</u>	<u>47,194</u>
Net change in fund balances	3,000	3,819	819	4,590
Fund balances at beginning of year	<u>22,796</u>	<u>22,796</u>	<u>-</u>	<u>18,206</u>
Fund balances at end of year	<u>\$ 25,796</u>	<u>26,615</u>	<u>819</u>	<u>22,796</u>

CITY OF PALM SPRINGS
Public Arts Fund

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Year ended June 30, 2005

	<u>Budget</u>	<u>Actual</u>	<u>Variance- Positive (Negative)</u>	<u>Prior Year Actual</u>
Revenues:				
Investment income	\$ 10,000	20,073	10,073	9,335
Charges for services	201,000	566,410	365,410	515,336
Donations and contributions	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,000</u>
Total revenues	<u>211,000</u>	<u>586,483</u>	<u>375,483</u>	<u>529,671</u>
Expenditures:				
Current:				
Public works	<u>394,603</u>	<u>264,126</u>	<u>130,477</u>	<u>202,292</u>
Total expenditures	<u>394,603</u>	<u>264,126</u>	<u>130,477</u>	<u>202,292</u>
Net change in fund balances	(183,603)	322,357	505,960	327,379
Fund balances at beginning of year	<u>598,062</u>	<u>598,062</u>	<u>-</u>	<u>270,683</u>
Fund balances at end of year	<u>\$ 414,459</u>	<u>920,419</u>	<u>505,960</u>	<u>598,062</u>

CITY OF PALM SPRINGS
Library Fund

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

Year ended June 30, 2005

	<u>Budget</u>	<u>Actual</u>	<u>Variance- Positive (Negative)</u>	<u>Prior Year Actual</u>
Revenues:				
Fines and penalties	\$ -	-	-	7,060
Investment income	30,000	60,028	30,028	26,228
Intergovernmental	-	-	-	66,490
Charges for services	26,500	21,026	(5,474)	155,087
Donations and contributions	25,000	69,858	44,858	45,063
Miscellaneous	-	-	-	12,332
Total revenues	<u>81,500</u>	<u>150,912</u>	<u>69,412</u>	<u>312,260</u>
Expenditures:				
Current:				
Library	<u>373,019</u>	<u>96,307</u>	<u>276,712</u>	<u>187,902</u>
Total expenditures	<u>373,019</u>	<u>96,307</u>	<u>276,712</u>	<u>187,902</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(291,519)</u>	<u>54,605</u>	<u>346,124</u>	<u>124,358</u>
Other financing sources (uses):				
Transfers out	<u>(10,233)</u>	<u>(10,233)</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>(10,233)</u>	<u>(10,233)</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(301,752)	44,372	346,124	124,358
Fund balances at beginning of year	<u>2,530,693</u>	<u>2,530,693</u>	<u>-</u>	<u>2,406,335</u>
Fund balances at end of year	<u>\$ 2,228,941</u>	<u>2,575,065</u>	<u>346,124</u>	<u>2,530,693</u>

CITY OF PALM SPRINGS
 Quimby Act Fees Fund

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

Year ended June 30, 2005

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

CITY OF PALM SPRINGS
Special Projects Fund

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

Year ended June 30, 2005

	<u>Budget</u>	<u>Actual</u>	<u>Variance- Positive (Negative)</u>	<u>Prior Year Actual</u>
Revenues:				
Charges for services	\$ 123,300	123,036	(264)	-
Donations and contributions	579,935	579,935	-	457,677
Total revenues	<u>703,235</u>	<u>702,971</u>	<u>(264)</u>	<u>457,677</u>
Expenditures:				
Current:				
Library	1,032,590	569,544	463,046	128,071
Total expenditures	<u>1,032,590</u>	<u>569,544</u>	<u>463,046</u>	<u>128,071</u>
Net change in fund balances	(329,355)	133,427	462,782	329,606
Fund balances at beginning of year	<u>329,606</u>	<u>329,606</u>	<u>-</u>	<u>-</u>
Fund balances at end of year	<u>\$ 251</u>	<u>463,033</u>	<u>462,782</u>	<u>329,606</u>

CITY OF PALM SPRINGS
Low and Moderate Housing Fund

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

Year ended June 30, 2005

	<u>Budget</u>	<u>Actual</u>	<u>Variance- Positive (Negative)</u>	<u>Prior Year Actual</u>
Revenues:				
Taxes	\$ 1,257,344	1,545,734	288,390	1,228,443
Investment income	50,000	108,725	58,725	69,688
Rental income	23,000	5,992	(17,008)	21,017
Miscellaneous	51,000	122,307	71,307	29,108
Total revenues	<u>1,381,344</u>	<u>1,782,758</u>	<u>401,414</u>	<u>1,348,256</u>
Expenditures:				
Current:				
General government	307,725	246,992	60,733	215,940
Public works	2,296,854	689,519	1,607,335	908,093
Debt service:				
Principal	205,000	205,000	-	200,000
Interest	260,693	259,278	1,415	269,100
Total expenditures	<u>3,070,272</u>	<u>1,400,789</u>	<u>1,669,483</u>	<u>1,593,133</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,688,928)</u>	<u>381,969</u>	<u>2,070,897</u>	<u>(244,877)</u>
Other financing sources (uses):				
Sale of property	<u>-</u>	<u>1,742,040</u>	<u>1,742,040</u>	<u>-</u>
Total other financing sources (uses)	<u>-</u>	<u>1,742,040</u>	<u>1,742,040</u>	<u>-</u>
Net change in fund balances	(1,688,928)	2,124,009	3,812,937	(244,877)
Fund balances at beginning of year	<u>5,933,380</u>	<u>5,933,380</u>	<u>-</u>	<u>6,178,257</u>
Fund balances at end of year	<u>\$ 4,244,452</u>	<u>8,057,389</u>	<u>3,812,937</u>	<u>5,933,380</u>

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MAJOR AND NON-MAJOR DEBT SERVICE FUNDS

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

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

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

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

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

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

CITY OF PALM SPRINGS

Debt Service Funds

Combining Balance Sheet

June 30, 2005

	General	Community	Totals	
	Debt Service	Redevelopment Agency	2005	2004
<u>Assets</u>				
Cash and investments	\$ 2,131,430	2,701,767	4,833,197	2,009,659
Restricted assets:				
Cash and investments with fiscal agents	8,728,868	1,651,687	10,380,555	18,135,082
Receivables:				
Accrued interest	3,012	721,212	724,224	3,989
Due from other governments	-	161,988	161,988	71,019
 Total assets	<u>\$ 10,863,310</u>	<u>5,236,654</u>	<u>16,099,964</u>	<u>20,219,749</u>
<u>Liabilities and Fund Balances</u>				
Liabilities:				
Accounts payable	\$ 1,954	-	1,954	-
Due to other funds	-	-	-	139,866
Deferred revenue	-	721,212	721,212	-
Pass-through payable	-	1,114,789	1,114,789	785,529
Advances from other funds	-	5,605,456	5,605,456	5,402,662
 Total liabilities	<u>1,954</u>	<u>7,441,457</u>	<u>7,443,411</u>	<u>6,328,057</u>
Fund balances (deficit):				
Reserved for:				
Debt service requirements	10,861,356	-	10,861,356	13,891,692
Unreserved:				
Undesignated	-	(2,204,803)	(2,204,803)	-
 Total fund balances	<u>10,861,356</u>	<u>(2,204,803)</u>	<u>8,656,553</u>	<u>13,891,692</u>
 Total liabilities and fund balances	<u>\$ 10,863,310</u>	<u>5,236,654</u>	<u>16,099,964</u>	<u>20,219,749</u>

CITY OF PALM SPRINGS
Debt Service Funds

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Year ended June 30, 2005

	General Debt Service	Community Redevelopment Agency	Totals	
			2005	2004
Revenues:				
Taxes	\$ -	6,182,937	6,182,937	4,913,776
Investment income	353,411	46,096	399,507	670,178
Miscellaneous	-	261,180	261,180	201,635
Total revenues	<u>353,411</u>	<u>6,490,213</u>	<u>6,843,624</u>	<u>5,785,589</u>
Expenditures:				
Current:				
General government	3,000	-	3,000	1,000
Lease	401,000	-	401,000	348,695
Debt service:				
Principal	1,767,500	865,000	2,632,500	2,323,658
Interest	4,643,522	1,076,820	5,720,342	4,030,489
Pass-through payments	-	2,790,052	2,790,052	2,001,988
Payment to bond escrow	-	-	-	3,284,353
Total expenditures	<u>6,815,022</u>	<u>4,731,872</u>	<u>11,546,894</u>	<u>11,990,183</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(6,461,611)</u>	<u>1,758,341</u>	<u>(4,703,270)</u>	<u>(6,204,594)</u>
Other financing sources (uses):				
Transfers in	6,474,994	-	6,474,994	3,847,088
Transfers out	(92,164)	(6,914,699)	(7,006,863)	(4,681,771)
Issuance of bonds	-	-	-	41,559,863
Payment to bond escrow	-	-	-	(26,028,446)
Total other financing sources (uses)	<u>6,382,830</u>	<u>(6,914,699)</u>	<u>(531,869)</u>	<u>14,696,734</u>
Net change in fund balances	<u>(78,781)</u>	<u>(5,156,358)</u>	<u>(5,235,139)</u>	<u>8,492,140</u>
Fund balances at beginning of year	<u>10,940,137</u>	<u>2,951,555</u>	<u>13,891,692</u>	<u>5,399,552</u>
Fund balances (deficit) at end of year	<u>\$ 10,861,356</u>	<u>(2,204,803)</u>	<u>8,656,553</u>	<u>13,891,692</u>

CITY OF PALM SPRINGS
Special Assessment Fund

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Year ended June 30, 2005

	<u>Budget</u>	<u>Actual</u>	<u>Variance- Positive (Negative)</u>	<u>Prior Year Actual</u>
Revenues:				
Investment income	\$ 36,093	48,999	12,906	16,185
Special assessments	688,200	1,018,100	329,900	704,140
Miscellaneous	115,400	115,400	-	115,400
Total revenues	<u>839,693</u>	<u>1,182,499</u>	<u>342,806</u>	<u>835,725</u>
Expenditures:				
Current:				
General government	5,303	9,743	(4,440)	1,812
Public works	2,140,054	754,319	1,385,735	2,830,901
Debt service:				
Principal	640,000	625,000	15,000	760,000
Interest	750,446	636,348	114,098	266,203
Bond issuance costs	9,433	-	9,433	295,618
Total expenditures	<u>3,545,236</u>	<u>2,025,410</u>	<u>1,519,826</u>	<u>4,154,534</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(2,705,543)</u>	<u>(842,911)</u>	<u>1,862,632</u>	<u>(3,318,809)</u>
Other financing sources (uses):				
Transfers in	100,000	100,000	-	100,000
Issuance of bonds	928,684	1,300,000	371,316	4,752,500
Total other financing sources (uses)	<u>1,028,684</u>	<u>1,400,000</u>	<u>371,316</u>	<u>4,852,500</u>
Net change in fund balances	(1,676,859)	557,089	2,233,948	1,533,691
Fund balances at beginning of year	<u>3,114,111</u>	<u>3,114,111</u>	<u>-</u>	<u>1,580,420</u>
Fund balances at end of year	<u>\$ 1,437,252</u>	<u>3,671,200</u>	<u>2,233,948</u>	<u>3,114,111</u>

CITY OF PALM SPRINGS
General Debt Service Fund

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Year ended June 30, 2005

	<u>Budget</u>	<u>Actual</u>	<u>Variance- Positive (Negative)</u>	<u>Prior Year Actual</u>
Revenues:				
Investment income	\$ 447,870	353,411	(94,459)	541,838
Total revenues	<u>447,870</u>	<u>353,411</u>	<u>(94,459)</u>	<u>541,838</u>
Expenditures:				
Current:				
General government	3,000	3,000	-	1,000
Lease	401,000	401,000	-	348,695
Debt service:				
Principal	1,767,436	1,767,500	(64)	1,753,658
Interest	7,333,925	4,643,522	2,690,403	2,065,804
Payment to bond escrow	-	-	-	972,379
Total expenditures	<u>9,505,361</u>	<u>6,815,022</u>	<u>2,690,339</u>	<u>5,141,536</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(9,057,491)</u>	<u>(6,461,611)</u>	<u>2,595,880</u>	<u>(4,599,698)</u>
Other financing sources (uses):				
Transfers in	6,474,935	6,474,994	59	3,847,088
Transfers out	-	(92,164)	(92,164)	-
Issuance of bonds	-	-	-	18,244,863
Payment to bond escrow	-	-	-	(10,340,086)
Total other financing sources (uses)	<u>6,474,935</u>	<u>6,382,830</u>	<u>(92,105)</u>	<u>11,751,865</u>
Net change in fund balances	(2,582,556)	(78,781)	2,503,775	7,152,167
Fund balances at beginning of year	<u>10,940,137</u>	<u>10,940,137</u>	<u>-</u>	<u>3,787,970</u>
Fund balances at end of year	<u>\$ 8,357,581</u>	<u>10,861,356</u>	<u>2,503,775</u>	<u>10,940,137</u>

CITY OF PALM SPRINGS
Community Redevelopment Agency Fund

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

Year ended June 30, 2005

	<u>Budget</u>	<u>Actual</u>	<u>Variance- Positive (Negative)</u>	<u>Prior Year Actual</u>
Revenues:				
Taxes	\$ 5,900,307	6,182,937	282,630	4,913,776
Investment income	500	46,096	45,596	128,340
Miscellaneous	-	261,180	261,180	201,635
Total revenues	<u>5,900,807</u>	<u>6,490,213</u>	<u>589,406</u>	<u>5,243,751</u>
Expenditures:				
Debt service:				
Principal	865,000	865,000	-	570,000
Interest	1,095,403	1,076,820	18,583	1,964,685
Pass-through payments	2,807,296	2,790,052	17,244	2,001,988
Payment to bond escrow	-	-	-	2,311,974
Total expenditures	<u>4,767,699</u>	<u>4,731,872</u>	<u>35,827</u>	<u>6,848,647</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,133,108</u>	<u>1,758,341</u>	<u>625,233</u>	<u>(1,604,896)</u>
Other financing sources (uses):				
Transfers out	-	(6,914,699)	(6,914,699)	(4,681,771)
Issuance of bonds	-	-	-	23,315,000
Payment to bond escrow	-	-	-	(15,688,360)
Total other financing sources (uses)	<u>-</u>	<u>(6,914,699)</u>	<u>2,944,869</u>	<u>2,944,869</u>
Net change in fund balances	1,133,108	(5,156,358)	(6,289,466)	1,339,973
Fund balances at beginning of year	<u>2,951,555</u>	<u>2,951,555</u>	<u>-</u>	<u>1,611,582</u>
Fund balances (deficit) at end of year	<u>\$ 4,084,663</u>	<u>(2,204,803)</u>	<u>(6,289,466)</u>	<u>2,951,555</u>

MAJOR AND NON-MAJOR CAPITAL PROJECTS FUNDS

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

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

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

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

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

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

CITY OF PALM SPRINGS
 Capital Projects Funds
 Combining Balance Sheet
 June 30, 2005

	Parking Projects	Community Redevelopment Agency	<u>Totals</u>	
			<u>2005</u>	<u>2004</u>
<u>Assets</u>				
Cash and investments	\$ 398,668	1,523,606	1,922,274	1,520,586
Restricted assets:				
Cash and investments with fiscal agents	-	3,113,900	3,113,900	67,586
Receivables:				
Accounts	-	18,533	18,533	52,620
Accrued interest	3,016	27,221	30,237	11,734
Property held for resale	-	6,290,882	6,290,882	6,290,882
Total assets	<u>\$ 401,684</u>	<u>10,974,142</u>	<u>11,375,826</u>	<u>7,943,408</u>
<u>Liabilities and Fund Balances</u>				
Liabilities:				
Accounts payable	\$ -	19,990	19,990	24,013
Deposits payable	-	500	500	500
Total liabilities	<u>-</u>	<u>20,490</u>	<u>20,490</u>	<u>24,513</u>
Fund balances:				
Reserved for:				
Encumbrances	-	-	-	31,985
Property held for resale	-	6,290,882	6,290,882	6,290,882
Unreserved:				
Designated for:				
Continuing appropriations	-	-	-	75,972
Capital projects	401,684	4,662,770	5,064,454	1,520,056
Total fund balances	<u>401,684</u>	<u>10,953,652</u>	<u>11,355,336</u>	<u>7,918,895</u>
Total liabilities and fund balances	<u>\$ 401,684</u>	<u>10,974,142</u>	<u>11,375,826</u>	<u>7,943,408</u>

CITY OF PALM SPRINGS
Capital Projects Funds

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Year ended June 30, 2005

	Parking Projects	Community Redevelopment Agency	Totals	
			2005	2004
Revenues:				
Investment income	\$ 11,941	131,445	143,386	30,494
Rental income	-	200,258	200,258	170,000
Charges for services	-	-	-	104,000
Donations and contributions	-	-	-	1,092
Miscellaneous	-	47,587	47,587	28,041
Total revenues	<u>11,941</u>	<u>379,290</u>	<u>391,231</u>	<u>333,627</u>
Expenditures:				
Current:				
General government	-	589,411	589,411	623,936
Public works	35,408	2,876,958	2,912,366	809,622
Debt service:				
Interest	<u>67,685</u>	<u>-</u>	<u>67,685</u>	<u>193,767</u>
Total expenditures	<u>103,093</u>	<u>3,466,369</u>	<u>3,569,462</u>	<u>1,627,325</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(91,152)</u>	<u>(3,087,079)</u>	<u>(3,178,231)</u>	<u>(1,293,698)</u>
Other financing sources (uses):				
Transfers in	-	6,614,699	6,614,699	4,381,771
Transfers out	<u>(27)</u>	<u>-</u>	<u>(27)</u>	<u>-</u>
Total other financing sources (uses)	<u>(27)</u>	<u>6,614,699</u>	<u>6,614,672</u>	<u>4,381,771</u>
Net change in fund balances	(91,179)	3,527,620	3,436,441	3,088,073
Fund balances at beginning of year	<u>492,863</u>	<u>7,426,032</u>	<u>7,918,895</u>	<u>4,830,822</u>
Fund balances at end of year	<u>\$ 401,684</u>	<u>10,953,652</u>	<u>11,355,336</u>	<u>7,918,895</u>

CITY OF PALM SPRINGS
Capital Projects Fund

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Year ended June 30, 2005

	Budget	Actual	Variance- Positive (Negative)	Prior Year Actual
Revenues:				
Taxes	\$ -	-	-	393,738
Investment income	673,655	577,539	(96,116)	(50,142)
Intergovernmental	1,161,154	672,244	(488,910)	2,267,766
Special assessments	-	10,539	10,539	-
Donations and contributions	827,107	800,682	(26,425)	250,576
Miscellaneous	35,398	37,855	2,457	2,000
Total revenues	<u>2,697,314</u>	<u>2,098,859</u>	<u>(598,455)</u>	<u>2,863,938</u>
Expenditures:				
Current:				
General government	934,132	504,580	429,552	321,036
Cultural and convention center	39,340,770	30,444,082	8,896,688	4,476,808
Public safety	1,099,912	474,330	625,582	684,583
Public works	2,398,435	147,745	2,250,690	1,034,375
Parks and recreation	811,566	145,849	665,717	1,722,170
Total expenditures	<u>44,584,815</u>	<u>31,716,586</u>	<u>12,868,229</u>	<u>8,238,972</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(41,887,501)</u>	<u>(29,617,727)</u>	<u>12,269,774</u>	<u>(5,375,034)</u>
Other financing sources (uses):				
Transfers in	565,000	657,164	92,164	1,840,068
Transfers out	-	(32)	(32)	(100,000)
Issuance of bonds	-	-	-	44,150,137
Total other financing sources (uses)	<u>565,000</u>	<u>657,132</u>	<u>92,132</u>	<u>45,890,205</u>
Net change in fund balances	<u>(41,322,501)</u>	<u>(28,960,595)</u>	<u>12,361,906</u>	<u>40,515,171</u>
Fund balances at beginning of year	<u>40,551,780</u>	<u>40,551,780</u>	<u>-</u>	<u>36,609</u>
Fund balances at end of year	<u>\$ (770,721)</u>	<u>11,591,185</u>	<u>12,361,906</u>	<u>40,551,780</u>

CITY OF PALM SPRINGS
Parking Projects Fund

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Year ended June 30, 2005

	<u>Budget</u>	<u>Actual</u>	<u>Variance- Positive (Negative)</u>	<u>Prior Year Actual</u>
Revenues:				
Investment income	\$ 100	11,941	11,841	1,295
Charges for services	-	-	-	104,000
Donations and contributions	-	-	-	1,092
Miscellaneous	-	-	-	13,600
Total revenues	<u>100</u>	<u>11,941</u>	<u>11,841</u>	<u>119,987</u>
Expenditures:				
Current:				
Public works	62,692	35,408	27,284	439,396
Debt service:				
Interest	67,686	67,685	1	193,767
Total expenditures	<u>130,378</u>	<u>103,093</u>	<u>27,285</u>	<u>633,163</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(130,278)</u>	<u>(91,152)</u>	<u>39,126</u>	<u>(513,176)</u>
Other financing sources (uses):				
Transfers out	-	(27)	(27)	-
Total other financing sources (uses)	<u>-</u>	<u>(27)</u>	<u>(27)</u>	<u>-</u>
Net change in fund balances	(130,278)	(91,179)	39,099	(513,176)
Fund balances at beginning of year	<u>492,863</u>	<u>492,863</u>	<u>-</u>	<u>1,006,039</u>
Fund balances at end of year	<u>\$ 362,585</u>	<u>401,684</u>	<u>39,099</u>	<u>492,863</u>

CITY OF PALM SPRINGS
Community Redevelopment Agency Fund

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Year ended June 30, 2005

	<u>Budget</u>	<u>Actual</u>	<u>Variance- Positive (Negative)</u>	<u>Prior Year Actual</u>
Revenues:				
Investment income	\$ 15,000	131,445	116,445	29,199
Rental income	158,800	200,258	41,458	170,000
Miscellaneous	<u>39,000</u>	<u>47,587</u>	<u>8,587</u>	<u>14,441</u>
Total revenues	<u>212,800</u>	<u>379,290</u>	<u>166,490</u>	<u>213,640</u>
Expenditures:				
Current:				
General government	721,724	589,411	132,313	623,936
Public works	<u>6,544,647</u>	<u>2,876,958</u>	<u>3,667,689</u>	<u>370,226</u>
Total expenditures	<u>7,266,371</u>	<u>3,466,369</u>	<u>3,800,002</u>	<u>994,162</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(7,053,571)</u>	<u>(3,087,079)</u>	<u>3,966,492</u>	<u>(780,522)</u>
Other financing sources (uses):				
Transfers in	<u>-</u>	<u>6,614,699</u>	<u>6,614,699</u>	<u>4,381,771</u>
Total other financing sources (uses)	<u>-</u>	<u>6,614,699</u>	<u>6,614,699</u>	<u>4,381,771</u>
Net change in fund balances	(7,053,571)	3,527,620	10,581,191	3,601,249
Fund balances at beginning of year	<u>7,426,032</u>	<u>7,426,032</u>	<u>-</u>	<u>3,824,783</u>
Fund balances at end of year	<u>\$ 372,461</u>	<u>10,953,652</u>	<u>10,581,191</u>	<u>7,426,032</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.

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

CITY OF PALM SPRINGS
Internal Service Funds
Combining Statement of Net Assets
June 30, 2005

	Motor Vehicle	Facilities	Employee	Risk	Cogeneration	Totals	
	Replacement	Maintenance	Benefits	Management	Plant	2005	2004
<u>Assets</u>							
Current assets							
Cash and investments	\$ 634,337	201,918	29,668	3,480,895	-	4,346,818	3,942,846
Deposits	-	-	-	5,000	-	5,000	5,000
Receivables:							
Accounts	-	-	3,568	9,250	36,729	49,547	628,524
Accrued interest	9,669	-	322,238	26,947	7,259	366,113	318,074
Due from other funds	646,034	-	-	-	-	646,034	875,446
Due from other governments	3,862	-	-	24	7,417	11,303	14,925
Inventories	100,252	-	-	-	-	100,252	93,507
Total current assets	1,394,154	201,918	355,474	3,522,116	51,405	5,525,067	5,878,322
Noncurrent assets:							
Restricted assets:							
Cash and investments with fiscal agents	-	-	-	-	333,546	333,546	367,225
Property, plant and equipment:							
Buildings	959,276	-	-	-	7,482,859	8,442,135	8,442,135
Improvements other than buildings	206,242	-	-	-	29,960	236,202	236,202
Machinery and equipment	601,264	44,585	-	76,126	-	721,975	707,206
Motor vehicles	10,640,827	-	-	-	-	10,640,827	10,055,809
Accumulated depreciation	(8,776,518)	(30,654)	-	(76,126)	(4,519,667)	(13,402,965)	(12,973,254)
Net property, plant and equipment	3,631,091	13,931	-	-	2,993,152	6,638,174	6,468,098
Other assets:							
Advances to other funds	-	-	1,430,000	-	-	1,430,000	1,430,000
Unamortized debt issuance costs	-	-	-	-	159,232	159,232	166,815
Total other assets	-	-	1,430,000	-	159,232	1,589,232	1,596,815
Total noncurrent assets	3,631,091	13,931	-	-	3,326,698	6,971,720	6,835,323
Total assets	5,025,245	215,849	1,785,474	3,522,116	3,537,335	14,086,019	14,310,460

(Continued)

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

	Motor	Facilities	Employee	Risk	Cogeneration	Totals	
	Vehicle Replacement	Maintenance	Benefits	Management	Plant	2005	2004
Liabilities:							
Current liabilities:							
Accounts payable	185,812	102,564	1,371	56,501	138,095	484,343	574,762
Accrued wages payable	16,616	21,247	-	6,340	-	44,203	55,527
Accrued interest payable	5,682	-	-	-	68,567	74,249	79,388
Due to other funds	-	-	-	-	646,034	646,034	875,446
Deferred revenue	-	-	-	-	-	-	43,234
Compensated absences payable - current portion	46,927	52,637	-	17,942	-	117,506	145,580
Obligations under capital leases - current portion	186,571	-	-	-	-	186,571	521,147
Certificates of participation - current portion	-	-	-	-	200,000	200,000	195,000
Total current liabilities	441,608	176,448	1,371	80,783	1,052,696	1,752,906	2,490,084
Long-term liabilities:							
Compensated absences payable - long-term portion	15,470	17,352	-	5,914	-	38,736	17,115
Claims and judgments payable	-	-	-	4,167,475	-	4,167,475	2,488,947
Obligation under capital leases - long-term portion	563,465	-	-	-	-	563,465	750,036
Certificates of participation - long-term portion	-	-	-	-	4,429,840	4,429,840	4,610,221
Total long-term liabilities	578,935	17,352	-	4,173,389	4,429,840	9,199,516	7,866,319
Total liabilities	1,020,543	193,800	1,371	4,254,172	5,482,536	10,952,422	10,356,403
Net assets:							
Invested in capital assets, net of related debt	2,881,055	13,931	-	-	(1,143,910)	1,751,076	925,734
Unrestricted	1,123,647	8,118	1,784,103	(732,056)	(801,291)	1,382,521	3,028,323
Total net assets	\$ 4,004,702	22,049	1,784,103	(732,056)	(1,945,201)	3,133,597	3,954,057

CITY OF PALM SPRINGS
Internal Service Funds
Combining Statement of Revenues, Expenses and Changes in Net Assets
Year ended June 30, 2005

	Motor	Facilities	Employee	Risk	Cogeneration	Totals	
	Vehicle Replacement	Maintenance	Benefits	Management	Plant	2005	2004
Operating revenues:							
Charges for services	\$ 2,750,867	2,629,559	8,908,468	9,677,494	2,548,068	26,514,456	21,174,843
Sale of electricity	-	-	-	-	168,726	168,726	170,053
Miscellaneous	25,579	-	3,042	-	-	28,621	53,340
Total operating revenues	<u>2,776,446</u>	<u>2,629,559</u>	<u>8,911,510</u>	<u>9,677,494</u>	<u>2,716,794</u>	<u>26,711,803</u>	<u>21,398,236</u>
Operating expenses:							
Other charges and services	6,369	-	-	-	-	6,369	4,029
Administration	62,057	71,240	-	1,176,139	3,000	1,312,436	1,419,904
Cogeneration project costs	-	-	-	-	2,074,676	2,074,676	2,084,598
Retirement	-	-	8,999,180	-	-	8,999,180	4,876,261
Medical, life and health insurance	-	-	-	5,415,221	-	5,415,221	4,918,274
Facilities maintenance	-	2,583,324	-	-	-	2,583,324	2,370,537
Maintenance shop operations	1,866,457	-	-	-	-	1,866,457	1,657,420
Worker's compensation	-	-	-	3,579,729	-	3,579,729	805,700
Other claims and insurance	35,426	44,106	-	1,177,305	27,666	1,284,503	1,545,899
Depreciation	607,580	2,928	-	-	124,714	735,222	845,620
Total operating expenses	<u>2,577,889</u>	<u>2,701,598</u>	<u>8,999,180</u>	<u>11,348,394</u>	<u>2,230,056</u>	<u>27,857,117</u>	<u>20,528,242</u>
Operating income (loss)	<u>198,557</u>	<u>(72,039)</u>	<u>(87,670)</u>	<u>(1,670,900)</u>	<u>486,738</u>	<u>(1,145,314)</u>	<u>869,994</u>
Nonoperating revenues (expenses):							
Investment income	29,865	-	86,772	74,957	26,136	217,730	39,384
Interest expense	(54,117)	-	-	-	(298,324)	(352,441)	(386,963)
Gain (loss) on sale of assets	50,993	-	-	-	-	50,993	-
Total nonoperating revenues (expenses)	<u>26,741</u>	<u>-</u>	<u>86,772</u>	<u>74,957</u>	<u>(272,188)</u>	<u>(83,718)</u>	<u>(347,579)</u>
Income (loss) before transfers and capital contributions	<u>225,298</u>	<u>(72,039)</u>	<u>(898)</u>	<u>(1,595,943)</u>	<u>214,550</u>	<u>(1,229,032)</u>	<u>522,415</u>
Transfers out	-	-	-	-	-	-	(483,813)
Capital contributions:							
Capital grants	10,000	-	-	-	-	10,000	161,559
Assets contributed from other funds	398,572	-	-	-	-	398,572	44,506
Change in net assets	<u>633,870</u>	<u>(72,039)</u>	<u>(898)</u>	<u>(1,595,943)</u>	<u>214,550</u>	<u>(820,460)</u>	<u>244,667</u>
Net assets (deficit) at beginning of year	<u>3,370,832</u>	<u>94,088</u>	<u>1,785,001</u>	<u>863,887</u>	<u>(2,159,751)</u>	<u>3,954,057</u>	<u>3,709,390</u>
Net assets (deficit) at end of year	<u>\$ 4,004,702</u>	<u>22,049</u>	<u>1,784,103</u>	<u>(732,056)</u>	<u>(1,945,201)</u>	<u>3,133,597</u>	<u>3,954,057</u>

CITY OF PALM SPRINGS
Internal Service Funds
Combining Statement of Cash Flows
Year ended June 30, 2005

	Motor	Facilities	Employee	Risk	Cogeneration	Totals	
	Vehicle Replacement	Maintenance	Benefits	Management	Plant	2005	2004
Cash flows from operating activities:							
Cash received from user departments	\$ 2,782,274	2,629,559	8,907,942	10,209,683	2,721,710	27,251,168	21,305,661
Cash payments to suppliers for goods and services	(1,071,984)	(1,631,144)	(9,267,021)	(9,273,427)	(2,084,939)	(23,328,515)	(18,406,444)
Cash payments to employees for services	(794,249)	(1,030,602)	-	(382,170)	-	(2,207,021)	(1,988,558)
Net cash provided by (used for) operating activities	916,041	(32,187)	(359,079)	554,086	636,771	1,715,632	910,659
Cash flows from noncapital financing activities:							
Cash received from other funds	-	-	-	875,446	-	875,446	235,437
Cash paid to other funds	(646,034)	-	-	-	(229,412)	(875,446)	(1,359,259)
Net cash provided by (used for) noncapital financing activities	(646,034)	-	-	875,446	(229,412)	-	(1,123,822)
Cash flows from capital and related financing activities:							
Cash paid for acquisition of capital assets	(922,908)	(5,162)	-	-	-	(928,070)	(274,808)
Proceeds from sale of capital assets	50,993	-	-	-	-	50,993	-
Capital contributions received	408,572	-	-	-	-	408,572	206,065
Principal paid on debt	-	-	-	-	(175,381)	(175,381)	(165,382)
Interest paid on debt	(58,204)	-	-	-	(291,793)	(349,997)	(385,864)
Repayment on obligation under capital lease	(521,147)	-	-	-	-	(521,147)	(495,690)
Net cash proved by (used for) capital and related financing activities	(1,042,694)	(5,162)	-	-	(467,174)	(1,515,030)	(1,115,679)
Cash flows from investing activities:							
Proceeds from sale and maturities of investments	-	-	-	-	33,679	33,679	31,747
Interest received on investments	26,042	-	57,684	59,829	26,136	169,691	46,804
Net cash provided by (used for) investing activities	26,042	-	57,684	59,829	59,815	203,370	78,551
Net increase (decrease) in cash and cash equivalents	(746,645)	(37,349)	(301,395)	1,489,361	-	403,972	(1,250,291)
Cash and cash equivalents at beginning of year	1,380,982	239,267	331,063	1,991,534	-	3,942,846	5,193,137
Cash and cash equivalents at end of year	\$ 634,337	201,918	29,668	3,480,895	-	4,346,818	3,942,846

(Continued)

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

	Motor	Facilities	Employee	Risk	Cogeneration	Totals	
	Vehicle Replacement	Maintenance	Benefits	Management	Plant	2005	2004
Reconciliation of cash and cash equivalents to amounts reported on the Statement of Net Assets:							
Reported on Statement of Net Assets:							
Cash and investments	\$ 634,337	201,918	29,668	3,480,895	-	4,346,818	3,942,846
Cash and investments with fiscal agent	-	-	-	-	333,546	333,546	367,225
Cash and investments reported on Statement of Net Assets	634,337	201,918	29,668	3,480,895	333,546	4,680,364	4,310,071
Less non-cash equivalents	-	-	-	-	(333,546)	(333,546)	(367,225)
Cash and cash equivalents at end of year	\$ 634,337	201,918	29,668	3,480,895	-	4,346,818	3,942,846
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:							
Operating income (loss)	\$ 198,557	(72,039)	(87,670)	(1,670,900)	486,738	(1,145,314)	869,994
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:							
Depreciation	607,580	2,928	-	-	124,714	735,222	845,620
(Increase) decrease in accounts receivable	-	-	(3,568)	575,447	7,098	578,977	(100,719)
(Increase) decrease in due from other governments	5,828	-	-	(24)	(2,182)	3,622	8,144
(Increase) decrease in inventory	(6,745)	-	-	-	-	(6,745)	(6,238)
Increase (decrease) in accounts payable	101,390	45,593	(267,841)	32,808	20,403	(67,647)	(27,214)
Increase (decrease) in accrued wages payable	1,306	2,049	-	(14,679)	-	(11,324)	19,313
Increase (decrease) in deferred revenue	-	-	-	(43,234)	-	(43,234)	-
Increase (decrease) in compensated absences	8,125	(10,718)	-	(3,860)	-	(6,453)	13,063
Increase (decrease) in claims and judgments payable	-	-	-	1,678,528	-	1,678,528	(711,304)
Total adjustments	717,484	39,852	(271,409)	2,224,986	150,033	2,860,946	40,665
Net cash provided by (used for) operating activities	\$ 916,041	(32,187)	(359,079)	554,086	636,771	1,715,632	910,659
Noncash capital, financing and investing activities:							
Fixed assets contributed by other funds	\$ 398,572	-	-	-	-	398,572	44,506
Change in fair value of investments	(1,432)	-	-	(1,961)	-	(3,393)	(39,020)
Total noncash capital, financing and investing activities	\$ 397,140	-	-	(1,961)	-	395,179	5,486

AGENCY FUNDS

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

The City of Palm Springs has one Agency Fund:

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

CITY OF PALM SPRINGS
Agency Fund

Statement of Changes in Assets and Liabilities

Year ended June 30, 2005

	<u>Balance at July 1, 2004</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at June 30, 2005</u>
<u>SPECIAL DEPOSITS AGENCY FUND</u>				
<u>Assets</u>				
Cash and investments	<u>\$ 933,588</u>	<u>1,391,965</u>	<u>(1,091,485)</u>	<u>1,234,068</u>
<u>Liabilities</u>				
Deposits payable	<u>\$ 933,588</u>	<u>1,391,965</u>	<u>(1,091,485)</u>	<u>1,234,068</u>

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CITY OF PALM SPRINGS
 Combined Balance Sheet - Governmental Funds
 June 30, 2005

<u>Assets</u>	<u>General Fund</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total</u>
Assets:					
Cash and investments	\$ 1,575,398	26,348,180	6,004,969	1,922,274	35,850,821
Restricted assets:					
Cash and investments with fiscal agent	-	706,899	12,783,989	18,337,022	31,827,910
Deposits	-	233,319	-	-	233,319
Receivables:					
Accounts	2,002,908	930,686	-	18,601	2,952,195
Accrued interest	1,255,138	180,870	731,974	30,237	2,198,219
Special assessments	-	-	10,003,795	-	10,003,795
Notes	-	2,135,318	-	-	2,135,318
Due from other funds	-	4,020,257	-	-	4,020,257
Due from other governments	3,035,111	1,361,810	250,232	157,745	4,804,898
Advances to other funds	3,624,630	1,963,826	-	-	5,588,456
Property held for resale	-	832,195	-	6,290,882	7,123,077
	-	-	-	-	-
Total assets	<u>\$ 11,493,185</u>	<u>38,713,360</u>	<u>29,774,959</u>	<u>26,756,761</u>	<u>106,738,265</u>
Liabilities and Fund Balance					
Liabilities:					
Accounts payable	\$ 1,149,094	950,443	1,954	1,574,362	3,675,853
Accrued wages payable	723,561	34,911	-	4,691	763,163
Due to other funds	-	298,748	-	2,051,777	2,350,525
Due to other governments	-	127,822	-	-	127,822
Deposits payable	1,643	166,469	-	500	168,612
Unearned revenue	2,256,864	42,802	10,725,007	178,910	13,203,583
Pass-through payable	-	-	1,114,789	-	1,114,789
Advances from other funds	-	-	5,605,456	-	5,605,456
	-	-	-	-	-
Total liabilities	<u>4,131,162</u>	<u>1,621,195</u>	<u>17,447,206</u>	<u>3,810,240</u>	<u>27,009,803</u>
Fund balance:					
Reserved for:					
Encumbrances	-	1,662,759	-	-	1,662,759
Deposits	-	233,319	-	-	233,319
Notes	-	2,127,530	-	-	2,127,530
Advances to other funds	3,624,630	1,963,826	-	-	5,588,456
Property held for resale	-	832,195	-	6,290,882	7,123,077
Debt service requirements	-	706,899	12,327,753	-	13,034,652
Low and moderate housing	-	1,443,315	-	-	1,443,315
Unreserved-designated, reported in:					
General fund	3,737,393	-	-	-	3,737,393
Special revenue funds	-	30,449,377	-	-	30,449,377
Capital projects fund	-	-	-	16,655,639	16,655,639
Unreserved-undesignated, reported in:					
Special revenue funds	-	(2,327,055)	-	-	(2,327,055)
	-	-	-	-	-
Total fund balance	<u>7,362,023</u>	<u>37,092,165</u>	<u>12,327,753</u>	<u>22,946,521</u>	<u>79,728,462</u>
Total liabilities and fund balance	<u>\$ 11,493,185</u>	<u>38,713,360</u>	<u>29,774,959</u>	<u>26,756,761</u>	<u>106,738,265</u>

CITY OF PALM SPRINGS
 Combined Statement of Revenues, Expenditures and Changes in Fund Balances -
 Governmental Fund Types
 Year ended June 30, 2005

	General Fund	Special Revenue	Debt Service	Capital Projects	Total
Revenues:					
Taxes	\$ 31,563,427	3,919,411	6,182,937	-	41,665,775
Licenses and permits	4,533,614	1,343,375	-	-	5,876,989
Fines and penalties	358,187	203,189	-	-	561,376
Investment income	174,561	622,424	448,506	720,925	1,966,416
Rental income	269,696	18,479	-	200,258	488,433
Intergovernmental	4,690,879	2,566,867	-	672,244	7,929,990
Charges for services	4,439,285	2,079,030	-	-	6,518,315
Transient occupancy taxes	5,719,257	7,305,354	-	-	13,024,611
Special assessments	-	406,079	1,018,100	10,539	1,434,718
Donations and contributions	120,000	995,824	-	800,682	1,916,506
Master lease	-	1,261,766	-	-	1,261,766
Miscellaneous	415,964	691,027	376,580	85,442	1,569,013
Total revenues	52,284,870	21,412,825	8,026,123	2,490,090	84,213,908
Expenditures:					
Current:					
General government	7,023,822	2,699,096	12,743	1,093,991	10,829,652
Cultural and convention center	-	1,698,985	-	30,444,082	32,143,067
Public safety	26,491,397	1,764,604	-	474,330	28,730,331
Public works	8,227,006	4,732,724	754,319	3,060,111	16,774,160
Parks and recreation	4,337,292	989,593	-	145,849	5,492,734
Library	2,298,401	96,307	-	-	2,394,708
Lease	-	1,200,000	401,000	-	1,601,000
Debt service:					
Principal	-	346,710	3,257,500	-	3,604,210
Interest	-	348,472	6,356,690	67,685	6,772,847
Pass-through payments	-	-	2,790,052	-	2,790,052
Total expenditures	48,397,918	13,876,491	13,572,304	35,286,048	111,132,761
Excess (deficiency) of revenues over (under) expenditures	<u>3,886,952</u>	<u>7,536,334</u>	<u>(5,546,181)</u>	<u>(32,795,958)</u>	<u>(26,918,853)</u>
Other financing sources (uses):					
Transfers in	610,233	434,884	6,574,994	7,271,863	14,891,974
Transfers out	(7,252,337)	(1,132,715)	(7,006,863)	(59)	(15,391,974)
Sale of capital assets	-	1,742,040	-	-	1,742,040
Issuance of bonds	-	-	1,300,000	-	1,300,000
Total other financing sources (uses)	(6,642,104)	1,044,209	868,131	7,271,804	2,542,040
Net change in fund balances	(2,755,152)	8,580,543	(4,678,050)	(25,524,154)	(24,376,813)
Fund balances at beginning of year	<u>10,117,175</u>	<u>28,511,622</u>	<u>17,005,803</u>	<u>48,470,675</u>	<u>104,105,275</u>
Fund balances at end of year	\$ 7,362,023	37,092,165	12,327,753	22,946,521	79,728,462

City of Palm Springs
 Combined Debt to Maturity Requirements
 June 30, 2005

June 30	Special Assessment Debt	Certificates of Participation	Redevelopment Agency	Lease Revenue Bonds	Airport Revenue Bonds	Total
2006	\$ 1,255,006	2,136,099	2,104,602	6,203,612	2,618,112	14,317,431
2007	1,265,913	2,138,868	2,100,994	9,706,412	2,620,732	17,832,919
2008	1,262,283	2,139,004	2,099,654	6,068,612	2,625,152	14,194,705
2009	1,245,911	2,141,539	2,095,134	6,140,012	2,621,572	14,244,168
2010	1,299,875	2,326,159	2,097,928	5,828,612	2,624,272	14,176,846
2011	695,563	2,334,942	2,093,912	5,828,112	2,623,622	13,576,151
2012	535,118	2,339,967	2,092,102	5,828,513	2,624,622	13,420,322
2013	508,060	2,356,952	2,090,052	5,830,913	2,626,432	13,412,409
2014	437,754	2,195,292	2,093,336	5,846,838	2,629,200	13,202,420
2015	434,304	2,297,942	2,093,770	5,842,982	2,627,731	13,296,729
2016	440,075	2,021,127	2,086,483	5,839,269	2,627,069	13,014,023
2017	435,094	2,040,165	2,086,355	5,836,001	2,626,913	13,024,528
2018	439,347	2,066,265	2,087,835	5,900,488	2,626,963	13,120,898
2019	432,857	2,084,070	2,075,134	5,845,656	2,626,963	13,064,680
2020	435,636	2,108,650	2,077,840	5,842,150	2,635,601	13,099,877
2021	432,536	2,134,647	2,076,244	5,844,301	2,638,013	13,125,741
2022	438,382	2,156,992	2,070,546	5,851,412	2,634,163	13,151,495
2023	438,013	2,190,467	1,617,653	5,823,562	1,434,088	11,503,783
2024	431,713	2,214,645	1,617,820	5,820,281	1,432,663	11,517,122
2025	429,552	2,244,595	1,025,913	5,814,825	1,438,263	10,953,148
2026	431,287	2,284,960	1,022,888	5,813,275	1,440,350	10,992,760
2027	431,833	2,320,095	1,023,025	5,867,925	1,438,925	11,081,803
2028	431,251	-	1,021,187	5,869,000	1,443,988	8,765,426
2029	429,540	-	1,022,231	5,869,625	-	7,321,396
2030	426,701	-	1,016,157	5,869,250	-	7,312,108
2031	-	-	1,017,824	5,867,325	-	6,885,149
2032	-	-	1,021,812	5,868,300	-	6,890,112
2033	-	-	1,013,256	5,866,350	-	6,879,606
2034	-	-	1,012,156	5,870,925	-	6,883,081
2035	-	-	1,017,950	5,865,925	-	6,883,875
2036	-	-	-	5,871,075	-	5,871,075
Total debt service	15,443,604	48,273,442	49,971,793	186,041,538	53,285,409	353,015,786
Less interest payments	(5,466,104)	(17,658,442)	(22,311,793)	(92,936,538)	(21,960,409)	(160,333,286)
Outstanding principal	\$ 9,977,500	30,615,000	27,660,000	93,105,000	31,325,000	192,682,500

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CITY OF PALM SPRINGS

General Governmental Expenditures by Function Governmental Funds

Last Ten Fiscal Years

Fiscal Year	General Government	Cultural and Convention Center	Public Safety	Public Works	Parks and Recreation
1996	\$ 9,058,499	1,895,489	15,269,858	9,749,131	2,888,608
1997	8,924,565	1,794,146	16,367,984	14,170,134	3,001,343
1998	9,350,088	1,798,890	17,392,868	14,821,033	3,264,149
1999	8,786,101	1,618,624	18,451,229	9,747,236	3,707,569
2000	9,160,246	1,475,203	20,122,517	10,165,471	4,052,217
2001	9,252,934	633,742	20,747,085	12,890,695	4,523,705
2002	10,071,905	2,141,082	22,983,352	13,746,718	5,207,980
2003	9,931,145	5,715,514 (5)	23,053,352	11,415,396	5,196,953
2004	10,493,460	6,209,451 (6)	26,334,589	15,875,528	6,895,649
2005	10,829,652	32,143,067 (7)	28,730,331	16,774,160	5,492,734

(1) Includes \$582,800 for library expansion

(2) Includes \$5,880,000 for refinancing A.D. 155 Bonds

(3) Includes \$4,138,411 of payment to bond escrow for refinancing

(4) Includes \$3,284,353 of payment to bond escrow for refinancing

(5) Includes \$4,379,086 for Convention Center expansion

(6) Includes \$4,476,808 for Convention Center expansion

(7) Includes \$30,444,082 for Convention Center expansion

Source: City of Palm Springs

TABLE 1

<u>Library</u>	<u>Lease/ Debt Service</u>	<u>ERAF / Pass-thru</u>	<u>Cost of Property Sold / Capital Outlay</u>	<u>Total</u>
2,279,555 (1)	10,546,098	1,224,795	1,441,655	54,353,688
1,839,639	10,293,194	1,088,333	366,228	57,845,566
2,105,923	15,411,590 (2)	1,008,214	2,143,798	67,296,553
1,998,072	11,759,291	1,161,161	-	57,229,283
2,335,579	9,058,198	1,149,013	-	57,518,444
2,237,410	8,847,188	1,445,349	-	60,578,108
2,313,712	13,556,277 (3)	1,843,956	-	71,864,982
2,479,866	9,227,563	1,910,074	6,011,842	74,941,705
2,236,790	13,041,043 (4)	2,001,988	-	83,088,498
2,394,708	11,978,057	2,790,052	-	111,132,761

TABLE 2

CITY OF PALM SPRINGS
General Governmental Revenues by Source
Last Ten Fiscal Years

Fiscal Year Ending June 30	Taxes	Licenses and Permits	Intergovernmental	Charges for Services	Fines and Penalties	Investment and Rental Income	Special Assessments	Miscellaneous	Total
1996	33,276,549	1,663,251	6,154,844(2)	4,370,671	350,898	2,158,943	1,810,753	3,904,963(1)	53,690,872
1997	34,549,429	1,541,113	10,146,616(3)	4,655,433(4)	359,580	2,363,409	2,201,651(5)	2,726,187	58,543,418
1998	35,021,390	1,716,689	11,086,767(7)	4,849,132	309,428	2,147,883	1,529,433	5,811,835(6)	62,472,557
1999	36,866,645	1,810,230	5,526,097	5,349,351	400,270	2,065,544	1,292,155	2,553,046	55,863,338
2000	39,745,361	2,129,693	7,143,870	5,979,223	583,181	2,123,309	1,173,894	2,457,096	61,335,627
2001	42,018,263	2,189,014	8,705,435	4,332,370	627,357	3,029,140	1,112,079	2,868,220	64,881,878
2002	45,741,315	2,146,073	6,005,046	4,498,177	711,256	2,157,846	1,045,821	2,406,969	64,712,503
2003	47,779,601	2,782,782	5,629,915	4,483,641	659,795	1,736,210	1,029,461	2,586,918	66,688,323
2004	51,075,535	4,470,867	7,536,093	5,276,081	698,223	1,534,056	1,066,029	3,447,657	75,104,541
2005	54,690,386	5,876,989	7,929,990	6,518,315	561,375	2,454,849	1,434,718	4,747,286	84,213,908

- (1) Includes \$796,310 from sale of property, \$446,500 donation from developer and \$348,800 donation for electrical municipalization.
- (2) Includes \$1,951,487 from CVAG for Mid Valley Parkway Project.
- (3) Includes \$5,501,657 from CVAG for Mid Valley Parkway Project.
- (4) Includes increase of \$552,955 from Recycling Surcharge.
- (5) Includes increase of \$370,000 for prior years delinquent assessments.
- (6) Includes sale of land for \$2,698,878.
- (7) Includes \$6,382,154 from CVAG for Mid Valley Parkway Project.

Source: City of Palm Springs

TABLE 2A

CITY OF PALM SPRINGS
 General Governmental Tax Revenues by Source
 Last Ten Fiscal Years

Fiscal Year Ending June 30	Property Tax	Sales Tax	Franchise Tax	Transient Occupancy Tax	Documentary Stamp Tax	New Development Tax	Utility Users Tax	Total
1996	12,454,225	6,012,081	1,823,831	8,342,036	148,732	170,322	4,325,322	33,276,549
1997	12,633,368	6,224,328	1,852,826	9,093,167	162,053	113,688	4,469,999	34,549,429
1998	12,087,375	6,679,333	1,938,728	9,676,062	215,568	133,848	4,290,476	35,021,390
1999	12,424,642	7,211,872	1,932,118	10,901,809	293,130	152,085	3,950,989 (1)	36,866,645
2000	13,108,229	8,141,890	2,057,129	11,822,423	322,467	319,714	3,973,509 (2)	39,745,361
2001	13,786,074	8,740,416	2,206,391	11,728,029	370,678	332,498	4,854,177	42,018,263
2002	16,293,149	8,619,555	2,456,645	12,095,019	350,469	242,513	5,683,965	45,741,315
2003	17,098,633	9,179,359	2,537,910	12,421,094	411,399	366,827	5,764,379	47,779,601
2004	18,730,710	10,048,196	2,572,297	12,318,252	707,246	967,682	5,731,152	51,075,535
2005	20,516,308	10,750,108	2,652,740	13,024,611	1,019,250	1,019,343	5,708,026	54,690,386

(1) Tax allocation rate reduced to 4.5%

(2) Tax allocation rate increased to 5.0%

Source: City of Palm Springs

TABLE 3

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

<u>Fiscal Year Ending June 30</u>	<u>Total Levy</u>	<u>Current Tax Collections</u>	<u>Percent of Levy Collected</u>	<u>Delinquent Tax Collections</u>	<u>Total Tax Collections</u>	<u>Percent of Total Collections to Tax Levy</u>
1996	\$8,510,719	8,441,471	99.2%	36,390	8,477,861	99.6%
1997	8,669,779	8,507,695	98.1%	27,018	8,534,713	98.4%
1998	8,569,830	8,282,787	96.7%	17,045	8,299,832	96.8%
1999	8,599,682	8,832,897	102.7%	14,892	8,847,789	102.9%
2000	8,970,462	9,380,157	104.6%	10,079	9,390,236	104.7%
2001	9,081,713	9,375,427	103.2%	19,393	9,394,820	103.4%
2002	9,891,339	10,294,659	104.1%	33,057	10,327,716	104.4%
2003	10,510,350	11,081,119	105.4%	40,974	11,122,093	105.8%
2004	10,704,042	12,413,524	116.0%	48,675	12,462,199	116.4%
2005	11,663,398	12,627,615	108.3%	32,383	12,659,998	108.5%

Note: Levies and collections are for General Fund only, excluding no-low property taxes. Current tax collections include supplemental taxes.

Source: County of Riverside

TABLE 4

CITY OF PALM SPRINGS
 Schedule of Assessed Valuation
 Last Ten Fiscal Years

Fiscal Year Ending June 30	Secured Property	Unsecured Property	Less Property Exemptions	Total	Homeworker's Exemption	Net Taxable Value
1996	\$3,986,962,679	203,074,016	130,870,949	4,059,165,746	59,229,952	3,999,935,794
1997	3,959,292,566	326,052,171	153,838,121	4,131,506,616	59,442,092	4,072,064,524
1998	3,915,130,408	306,614,276	170,118,280	4,051,626,404	59,858,896	3,991,767,508
1999	3,785,884,254	346,639,341	89,166,450	4,043,357,145	59,962,721	3,983,394,424
2000	3,924,812,414	359,445,300	49,781,470	4,234,476,244	59,290,951	4,175,185,293
2001	4,261,469,866	454,672,215	93,437,453	4,622,704,628	59,801,407	4,562,903,221
2002	4,722,211,022	449,759,661	75,996,320	5,095,974,363	60,436,168	5,035,538,195
2003	5,059,415,432	458,041,213	116,541,098	5,400,915,547	61,894,883	5,339,020,664
2004	5,508,503,039	486,531,457	128,218,586	5,866,815,910	64,794,535	5,802,021,375
2005	5,919,332,334	529,315,024	146,962,657	6,301,684,701	64,379,893	6,237,304,808

Source: County of Riverside

TABLE 5

CITY OF PALM SPRINGS

Property Tax Rates - Direct and Overlapping Governments

Last Ten Fiscal Years

(Rate per \$100 of assessed valuation)

Fiscal Year Ending June 30	County of Riverside General Purpose	County of Riverside Debt Service	City of Palm Springs Debt Service	Palm Springs Unified School District	Coachella Valley Community College	Desert Hospital	Desert Water Agency	Totals
1996	1.000	-	-	.03414	-	-	.08000	1.11414
1997	1.000	-	-	.04041	-	-	.08000	1.12041
1998	1.000	-	-	.05110	-	-	.08000	1.13110
1999	1.000	-	-	.05620	-	-	.07700	1.1332
2000	1.000	-	-	.06050	-	-	.07000	1.13050
2001	1.000	-	-	.05609	-	-	.07000	1.12609
2002	1.000	-	-	.06192	-	-	.07000	1.13192
2003	1.000	-	-	.06002	-	-	.07000	1.13002
2004	1.000	-	-	.05052	-	-	.07000	1.12052
2005	1.000	-	-	.05013	-	-	.07000	1.12013

Source: County of Riverside

TABLE 6

CITY OF PALM SPRINGS

Principal Taxpayers

June 30, 2005

<u>Taxpayer</u>	<u>Type of Activity</u>
Walter Hotel Corp. (Hilton)	Hotel and Retail
AP APH Palm Springs (Wyndham Hotel)	Hotel and Retail
Desert Regional Medical Center - Tenet Corp.	Medical Services
Desert Sun Publishing Co.	Newspaper
PHS Holdings (Hyatt Regency Hotel)	Hotel and Retail
Wessman Development	Retail Development
Pacific Monarch Resorts, Inc. (Palm Canyon Resort)	Hotel and Retail
RPS Resort Corp. (Riviera Hotel)	Hotel and Retail
San Geronio Westwinds II Inc.	Energy (Windmills)
Lowe's Hardware, Inc.	Retail

Source: City of Palm Springs

TABLE 7

CITY OF PALM SPRINGS
Special Assessment Billings and Collections
Last Ten Fiscal Years

<u>Fiscal Year Ended June 30</u>	<u>Special Assessment Billings</u>	<u>Special Assessment Collected</u>
1996	\$5,694,025	5,531,295
1997	5,959,096	6,173,885
1998	5,630,693	5,729,511
1999	5,563,065	5,795,613
2000	4,775,117	5,013,573
2001	5,525,936	5,988,923
2002	5,455,898	6,160,496
2003	5,354,669	5,602,891
2004	5,579,018	6,153,470
2005	5,893,186	6,107,170

Source: County of Riverside

TABLE 8

CITY OF PALM SPRINGS
Computation of Legal Debt Margin
June 30, 2005

Assessed Valuations (1):	
Assessed Value	\$1,479,833,084
Add back: exempt real property	<u>36,740,664</u>
Total assessed value	<u>\$1,516,573,748</u>
Legal Debt Margin:	
Debt limitation - 15 percent of total assessed value	\$ 227,486,062
Amount of debt applicable to debt limitation	<u> -</u>
Legal debt margin	<u>\$ 227,486,062</u>

(1) Assessed valuations from Table 4 are divided by 4 for purposes of this computation.

Source: City of Palm Springs

TABLE 9

CITY OF PALM SPRINGS

Ratio of Net General Obligation Bonded Debt to Assessed Value
and Net General Obligation Bonded Debt Per Capita

Last Ten Fiscal Years

Fiscal Year Ending June 30	Population	Assessed Value (1)	Gross Bonded Debt (2)	Less Debt Service Fund (3)	Debt Payable from Enterprise Revenues (4)	Net Bonded Debt	Ratio of Net Bonded Debt to Assessed Value	Net Bonded Debt Per Capita
1996	41,702	4,059,165,746	675,000	-	-	675,000	.02	16
1997	41,275	4,131,506,616	350,000	-	-	350,000	.01	8
1998	42,638	4,051,626,404	-	-	-	-	-	-
1999	42,876	4,043,357,145	-	-	-	-	-	-
2000	43,494	4,234,176,244	-	-	-	-	-	-
2001	43,819	4,622,704,628	-	-	-	-	-	-
2002	43,715	5,095,974,363	-	-	-	-	-	-
2003	43,997	5,400,915,547	-	-	-	-	-	-
2004	44,200	5,866,815,910	-	-	-	-	-	-
2005	45,731	6,301,684,701	-	-	-	-	-	-

(1) From Table 4.

(2) Amount does not include special assessment bonds.

(3) Amount available for repayment of general obligation bonds.

(4) These amounts include general obligation bonds that are being repaid from the airport and golf course revenues.

Source: County of Riverside
City of Palm Springs

TABLE 10

CITY OF PALM SPRINGS

Ratio of Annual Debt Service Expenditures for General Obligation Bonded Debt
To Total General Governmental Expenditures

Last Ten Fiscal Years

Fiscal Year Ending June 30	Principal	Interest (1)	Total Debt Service	Total General Governmental Expenditures (2)	Ratio of Debt Service To General Governmental Expenditures
1996	\$325,000	50,325	375,325	54,353,688	.69%
1997	325,000	33,750	358,750	57,845,566	.62%
1998	350,000	17,500	367,500	67,296,553	.55%
1999	-	-	-	57,229,283	-
2000	-	-	-	57,518,444	-
2001	-	-	-	60,578,108	-
2002	-	-	-	71,864,982	-
2003	-	-	-	74,941,705	-
2004	-	-	-	83,088,498	-
2005	-	-	-	111,132,761	-

(1) Excludes bond issuance and other costs.

(2) Includes general, special revenue, debt service and capital projects funds.

Source: City of Palm Springs

TABLE 11

CITY OF PALM SPRINGS

Computation of Direct and Overlapping Bonded Debt

June 30, 2005

2004-05 Assessed Valuation:	\$6,436,752,910
Redevelopment Incremental Valuation:	<u>736,505,993</u>
Adjusted Assessed Valuation:	<u>\$5,700,246,917</u>

<u>OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	<u>% Applicable</u>	<u>Debt 6/30/05</u>
Desert Community College District	26.804%	\$18,863,821
Riverside County Flood Control and Water Conservation District, Zone No. 6	77.179	250,832
Banning Unified School District	0.312	36,940
Palm Springs Unified School District	59.680	76,509,760
City of Palm Springs 1915 Act Bonds	100.	<u>9,977,500</u>
TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT		<u>\$105,638,853</u>

<u>DIRECT AND OVERLAPPING GENERAL FUND OBLIGATION DEBT:</u>		
Riverside County General Fund Obligations	5.492%	\$ 34,124,517
Riverside County Board of Education Certificates of Participation	5.492	670,848
Mt. San Jacinto Community College General Fund Obligations	0.009	689
City of Palm Springs General Fund Obligations	100.	120,433,000
Coachella Valley County Water District Storm Water Unit Certificates of Participation	0.446	<u>42,504</u>
TOTAL GROSS DIRECT AND OVERLAPPING GENERAL FUND OBLIGATION DEBT		\$155,271,558

Less: Riverside County Administrative Center Project Authority (100% self-supporting from tax increment revenues) 1,127,632

TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND OBLIGATION DEBT \$154,143,926

GROSS COMBINED TOTAL DEBT	\$260,910,411	(1)
NET COMBINED TOTAL DEBT	\$259,782,779	

(1) Excludes tax revenue anticipation notes, revenue, mortgage revenue and tax allocation bonds and non-bonded capital lease obligations.

<u>Ratios to 2004-05 Assessed Valuation:</u>	
Total Overlapping Tax and Assessment Debt	1.64%

<u>Ratios to Adjusted Assessed Valuation:</u>	
Combined Direct Debt (\$120,433,000)	2.11%
Gross Combined Total Debt	4.58%
Net Combined Total Debt	4.56%

STATE SCHOOL BUILDING AID REPAYABLE AS OF 6/30/05: \$0

Source: California Municipal Statistics, Inc.

TABLE 12

CITY OF PALM SPRINGS
Revenue Bond Coverage-Airport
Last Ten Fiscal Years

Fiscal Year	Gross Revenue (1)	Operating Expenses (2)	Net Revenue Available for Debt Service	Debt Service Requirements (3)			
				Principal	Interest	Total	Coverage
1996	\$ 8,680,372	5,646,465	3,033,907	270,000	933,150	1,203,150	2.52
1997	8,980,298	6,050,056	2,930,242	285,000	921,270	1,206,270	2.43
1998	10,087,218	6,452,595	3,634,623	295,000	907,875	1,202,875	3.02
1999	10,393,872	6,286,436	4,107,436	455,000	1,521,226	1,976,226	2.07
2000	10,949,832	7,789,078	3,160,754	525,000	1,947,787	2,472,787	1.28
2001	11,997,329	8,507,580	3,489,749	695,000	1,922,711	2,617,711	1.33
2002	11,869,797	8,584,936	3,284,861	730,000	1,889,897	2,619,897	1.25
2003	13,124,344	9,464,848	3,659,496	765,000	1,855,072	2,620,072	1.40
2004	14,239,720	10,451,418	3,788,302	800,000	1,817,632	2,617,632	1.50
2005	14,765,950	13,977,614	788,336	840,000	1,777,631	2,614,631	0.30

(1) Total revenues (including interest).

(2) Total operating expenses exclusive of depreciation.

(3) Includes principal and interest of revenue bonds only.

Source: City of Palm Springs

TABLE 13

CITY OF PALM SPRINGS

Major Employers

June 30, 2005

<u>Employer</u>	<u>Employees</u>	<u>Activity</u>
Hotels	2,390	Lodging/Restaurants
Desert Regional Medical Center	1,408	Medical Facility
Palm Springs Unified School District	2,171	Public School System
Agua Caliente Gaming Casino	949	Casino
City of Palm Springs	462	Municipal Government
Bird Corporation	351	Medical Supplies and Equipment
Desert Sun Publishing	389	Newspaper
13 Banks and Savings and Loans	214	Financial Services
County of Riverside	165	Municipal Government

Source: City of Palm Springs

TABLE 14

CITY OF PALM SPRINGS

Demographic Statistics

<u>Year</u>	<u>Square Miles</u>	<u>Population</u>	<u>% Change From Previous Year</u>	<u>Student Enrollment</u>	<u>% Change From Previous Year</u>
1996	96.2	41,702	(1.8)	18,295	4.8
1997	96.2	41,275	(1.0)	18,619	1.8
1998	96.2	42,638	3.3	19,302	3.7
1999	96.2	42,876	0.6	19,201	(0.5)
2000	96.2	43,494	1.4	19,354	0.8
2001	96.2	43,819	0.7	20,667	6.4
2002	96.2	43,715	(0.2)	21,175	2.5
2003	96.2	43,997	0.6	21,598	1.02
2004	96.2	44,200	.4	22,500	4.17
2005	96.2	45,731	3.34	23,012	2.22

Source: City of Palm Springs
Palm Springs Unified School District
California Department of Finance

TABLE 15

CITY OF PALM SPRINGS
 Property Value, Construction and Business Activity
 Last Ten Fiscal Years

Year Ended June 30	Property Value (1)	Commercial Construction		Residential Construction		Business Licenses Issued
		Units (2)	Value	Units (2)	Value	
1996	\$4,059,165,746	175	13,307,294	1,628	16,075,604	631,491
1997	4,131,506,616	367	12,794,545	1,609	21,777,032	599,856
1998	4,051,626,404	168	21,894,998	2,048	25,688,470	637,515
1999	4,043,357,145	188	10,373,824	1,909	28,432,046	641,281
2000	4,234,476,244	139	16,509,407	2,240	60,146,973	685,170
2001	4,622,704,628	141	15,033,824	2,586	53,128,217	675,230
2002	5,095,974,363	112	16,516,939	2,506	50,491,869	733,164
2003	5,400,915,547	132	21,200,894	2,624	52,622,786	770,442
2004	5,866,815,910	135	34,831,545	3,529	221,429,389	836,829
2005	5,919,332,334	163	44,376,874	3,225	184,930,336	932,829

(1) Estimated assessed value from Table 4.

(2) Total building permits.

Source: City of Palm Springs

TABLE 16

CITY OF PALM SPRINGS
 Schedule of Insurance in Force
 June 30, 2005

<u>Company Name</u>	<u>Policy No.</u>	<u>Coverage</u>	<u>Limits</u>	<u>Effective Date</u>	<u>Expiration Date</u>	<u>Premium</u>
Insurance Company of the State of Pennsylvania	42041928	Excess Comprehensive General and Auto Liability per Special Public Entity Form / Employment Practices	\$10,000,000 excess of \$400,000 SIR / \$10,000,000 excess of \$800,000 SIR	7/1/04	6/30/05	\$ 202,416
Hartford Fire Insurance	72BPBET0180	Crime Shield	See policy	7/1/04	6/30/05	4,198
Fidelity and Deposit Co. MD	08490858 & 08490857	City Clerk & Asst. Clerk	\$10,000 each	4/21/03	4/20/07	178
Fidelity and Deposit Co. MD	POB503268811	Treasurer's Bond	\$10,000	1/6/05	1/5/06	70
Affiliated FM	TE944	Boiler and machinery - Property	\$40,000,000 per occurrence	7/1/04	6/30/05	9,500
National Union Fire Insurance Company of PA	3757409	Worker's Compensation	W.C. Statutory Liability: \$25,000,000 Employer's Liability: \$1,000,000	7/1/04	6/30/05	229,987
Affiliated FM	TE944	All Risk Property	\$225,000,000	7/1/04	6/30/05	148,318
Affiliated FM	TE944	Earthquake/Flood DIC Primary Layer	\$2,500,000	7/1/04	6/30/05	128,110
Great American Assurance Co.	CPP55501117	Earthquake and Flood DIC Layer 1 Excess	\$5,000,000 Excess of \$2,500,000 per occurrence	11/20/04	11/19/05	95,000
Lloyds of London	NN080590D	Earthquake and Flood DIC Layer 2 Excess	\$25,000,000 excess of \$7,500,000 per occurrence	11/20/04	11/19/05	154,838

(Continued)

TABLE 16

CITY OF PALM SPRINGS

Schedule of Insurance in Force

(Continued)

<u>Company Name</u>	<u>Policy No.</u>	<u>Coverage</u>	<u>Limits</u>	<u>Effective Date</u>	<u>Expiration Date</u>	<u>Premium</u>
Westchester Fire Insurance Excess Insurance Co.	AACN0098391 3-001	Police Aero Squadron BI/Property/All Risk Ground & Flight Hull/Medical Payments	\$5,000,000 liability owned & non-owned CSL / \$75,000 Hull	7/1/04	6/30/05	6,811
ACE USA/Westchester Fire	AAPN00983901 001	Airport Liability	\$50,000,000 BI and property damage CSL each aircraft/occurrence	7/1/04	6/30/05	50,412
Landmark American Ins. Co.	LHR803438	Multi Media Professional Liability	\$1,000,000 each wrongful act	11/9/04	11/8/05	8,641
Pending	GL04502667	VillageFest Liability	\$2,000,000 General \$1,000,000 Prods/Completed Ops \$1,000,000 personal / advertising \$1,000,000 each occurrence \$50,000 premises damage	10/18/04	10/18/05	13,467
Travelers Indemnity Co. of Illinois	QT6603526A38 5	Auto Physical Damage including Comp. and Collision per schedule	\$3,798,878 schedule	7/1/04	6/30/05	15,955
Diversified Risk Insurance Brokers/Axis Surplus Insurance Co./Genesis Indemnity Ins. Co.	ELP707041-05/ZXB300938 B	TULIP (Tenant's/User's Liability) Class I, II, III, IV, & V	\$1,000,000 per occurrence, \$1,500,000 aggregate	1/1/05	12/31/05	Paid by tenant

(Continued)

CITY OF PALM SPRINGS

Schedule of Insurance in Force

(Continued)

<u>Company Name</u>	<u>Policy No.</u>	<u>Coverage</u>	<u>Limits</u>	<u>Effective Date</u>	<u>Expiration Date</u>	<u>Premium</u>
Essex Ins. Co. (Municipality Insurance Services)	3CP9774	Commerical General Liability offered to consultants and contractors	\$1,000,000 per occurrence \$2,000,000 BI & PD, Products/Completed Ops, Personal & Advertising \$50,000 fire, no medical payments	11/22/04	11/21/05	516
St. Paul Travelers	IM06100727	Builders Risk - Convention Center Phase I	\$34,000,000 at jobsite, \$100,000 at temp. jobsite, \$100,000 in transit	4/1/04	10/15/05	project complete
St. Paul Travelers	8176B040	Builders Risk - Airport Renovation	\$8,836,157 limit, \$100,000 temp. storage, \$100,000 in transit	4/1/05	10/1/06	13,255
VIS - Volunteer Ins. Svc. (CIMA Companies, Inc.)	VIS THCZ91528630 0113	Volunteer Liability & Auto Liability	\$25,000 medical, \$1,000,000 personal each occurrence, \$3,000,000 annual aggregate, \$500,000 auto CSL	7/1/04	6/30/05	2,813

CITY OF PALM SPRINGS

TABLE 17

Miscellaneous Statistics

June 30, 2005

Year of Incorporation	1938
Form of Government	Council/Manager
Number of employees (excluding police and fire):	
Classified	121
Exempt	86
Area in square miles	96.2
Name of Government facilities and services:	
Lane miles of streets	800
Culture and Recreation:	
Community Centers	2
Parks	8
Skate Park	1
Park acreage	154.5
Golf courses	2
Swimming pools	1
Tennis Courts	12
Visitors Information Center	1
Fire Protection:	
Number of stations	5
Number of fire personnel and officers	57
Number of calls answered	6,380
Number of inspections conducted	3,927
Police Protection:	
Number of stations	1
Number of police personnel and officers	136
Number of patrol units	62
Number of law violations:	
Physical arrests	5,103
Traffic violations	3,619
Parking violations	5,371
Sewer System:	
Feet of sanitary sewers	1,372,800
Miles of storm drains	.66
Number of treatment plants	1
Number of service connections	36,426
Daily average treatment in gallons	8,800,000
Maximum daily capacity of treatment plant in gallons	10,900,000
Airport:	
Runway length in feet	14,952
Aircraft operations	93,683
Annual passengers	1,403,969
Air Carriers:	
Major	6
Commuters	6
Convention Center:	
Square feet under roof	135,000
Meeting rooms	13
Square feet of outdoor function area	20,000
Construction – Expansion square feet	115,000

Source: City of Palm Springs

CITY OF PALM SPRINGS

Schedule of Credits

June 30, 2005

<u>Name</u>	<u>Area of Contribution</u>
Craig Graves, Director of Finance and Treasurer	General Overview Management's Discussion and Analysis Letter of Transmittal Notes to Financial Statements
Nancy E. Klukan, Accounting Manager	Combined Statements Fiscal Year Closing Combining Statements Statistical Tables
Rita K. Gustafson, Senior Accountant	Fiscal Year Closing Statistical Tables
Kimberly A. Hardcastle, Accountant	Statistical Tables

Source: City of Palm Springs