



CITY OF PALM SPRINGS

FISCAL YEAR ENDED JUNE 30, 2016

COMPREHENSIVE ANNUAL
FINANCIAL REPORT

Focused
on YOU



CITY OF PALM SPRINGS, CALIFORNIA
COMPREHENSIVE ANNUAL
FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Prepared By:
Finance Department

Geoffrey Kiehl

Director of Finance and Treasurer

Nancy E. Klukan

Assistant Director of Finance

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FINANCIAL STATEMENTS

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City of Palm Springs

Department of Finance & Treasury

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December 29, 2016

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, 2016, 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 is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds 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 Position 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 narrative called **Management's Discussion and Analysis** (MD&A). The 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) Uniform Guidance, **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 serves as the Successor Agency for the former Community Redevelopment Agency of the City of Palm Springs, and is considered to be financially accountable for the Palm Springs Financing Authority; therefore, these activities are included in the reporting entity.

GENERAL INFORMATION

The City of Palm Springs, incorporated in 1938, is located in the western part of the Coachella Valley, one of the fastest growing regions of the State. The full time population of 46,654 increases substantially in the tourist 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

As with most municipalities, the City of Palm Springs struggled to ride the wave of this 'Great Recession' which is deep and persistent. After experiencing almost across-the-board decreases in most of our revenue categories for the past several years, we have seen a rebound in what are now our top two revenue categories: transient occupancy taxes and sales taxes. These revenue increases are evidence of the multi-year recovery of our tourist industry which is the financial lifeblood of our City. Finally, in 2015-2016 property tax revenues exceeded pre-recession levels as a result of the on-going rebound in the real estate market locally, statewide, and throughout the nation. Thanks to new development and the strengthening of property values, this important revenue category is expected to continue on a moderate path for growth.

Transient Occupancy Tax (TOT), or 'hotel, motel and vacation rental tax,' is now the City's #1 revenue source. TOT has consistently been the bright spot each of the last few years, with the 2015-2016 fiscal year collections up 102% compared to the 2008-2009 fiscal year. This significant increase can be attributed to the combination of increased marketing efforts internationally, nationally and to the drive market, increased airline routes and seat capacity made through the City's and Conventional and Visitor Bureau's Airline Incentive Programs, the recent remodeling of several hotels accomplished in conjunction with the City's Hotel Incentive Program, and continuing TOT audits of hotels, motels, and vacation rental properties.

The traditional Bradley-Burns Sales Tax is estimated at \$12.0 million for the 2016-2017 fiscal year. This represents a 25% increase over the 2009-2010 fiscal year. Retail sales and restaurants continue to show strong numbers. The 2016-2017 fiscal year estimate relates to the visible growth in the economy with most businesses experiencing increases, and with new businesses emerging. Although the overall economy is coming out of a slowdown phase, the City continues to experience an earlier and a more rapid recovery than other parts of the County and anticipates a growth in sales tax as the construction of the Downtown Revitalization Project, which will include restaurants, retail establishments, and the Kimpton Rowan and Virgin Palm Springs Hotels, which are expected to open between the spring of 2017 and 2019.

On November 8, 2011, Palm Springs voters approved Measure J, a local revenue measure increasing the local sales and use tax by one percent (1%), to maintain local community services and economically revitalize the downtown area. With the strong support of the business

and tourism sectors, resulting in a 57.58% 'Yes' vote, the approval of Measure J means for each dollar spent in Palm Springs, the sales tax increases by one cent. To date, \$53.7 million in funds have been collected. A special nine-member citizens' oversight commission was created to review revenues and expenditures, and make capital projects recommendations to the City Council. Measure J helps finance a bond to pay for the City's purchase of assets as part of the planned implementation of the Downtown Revitalization Project. This project is going to be a major boon to business activity and employment for the downtown area, the City of Palm Springs, and the Coachella Valley as a whole. Of note, approximately two-thirds of all sales taxes come from people who are not citizens of Palm Springs.

Property Taxes in the General Fund, which represent 20% of all operating fund revenue, increased by \$1.2 million, or 6.3% over the prior year. Though property taxes have traditionally been the City's largest source of General Fund revenue, four years ago in fiscal year 2012-2013 it dropped behind transient occupancy taxes and sales taxes. This year, secured roll property taxes, as projected, are expected to increase \$750,000, which is a 3.7% increase over the prior year's actuals before one-time revenues related to the dissolution of redevelopment. These three years of increases is due to new construction activity, modest increases in assessed valuations, and a decline in the numbers of residential properties subject to AB-8 reassessments. Additional planned new construction and the continued strengthening of existing property values is expected to provide additional revenue growth in the coming years.

Overall, the total revenue from the General Fund increased from \$97.3 million in the 2014-2015 fiscal year to \$100.8 million in the 2015-2016 fiscal year. Most of the increases are due to higher property taxes and net hotel (TOT) taxes after incentive rebates. Bradley-Burns sales taxes were up \$1 million, but only due to the \$1.3 close-out payment due to the ending of the Triple-Flip. The City's Measure J add-on sales tax was also down this year. Lower gasoline prices were the main cause of this decline. All Measure J revenues have been transferred to the special Measure J Capital Projects Fund. \$500K of the increase is also attributed to this being the second full year of the medical cannabis taxes.

Other than property taxes, TOT and Medical Cannabis Taxes, revenue increases have been relatively modest compared to the steady increases in a variety of areas such as pensions, health care, and utilities costs over the last several years. Fortunately, even with the Federal Reserve starting to gradually increase interest rates, inflation increases continue to be very modest which has kept many expense increases moderately low.

MAJOR INITIATIVES FOR THE YEAR

As part of the Palm Springs Downtown Revitalization Conceptual Master Plan, proceeds from \$44,965,000 in lease revenue bonds have been used to acquire parking structures of mostly subterranean parking totaling 1,042 parking spaces; two parcels designated for future expansion of the Palm Springs Art Museum; and to develop the infrastructure of newly acquired streets and pedestrian thoroughfares. Additionally, \$31,750,000 was used for the purchase of assets including the parking structure; \$10,750,000 was set aside for the cost of renovating and improving the public improvements; and \$500,000 was set aside in a reserve account. Phase I Improvements are expected to be completed by the developer in the fall of 2017, and final construction on the project is anticipated to be complete by the spring of 2018. An additional parcel for a new outdoor public event space has been acquired and will be developed into an

arena for concerts, movie showings, and other events. This public park and event space is being funded by a combination of Measure J sales taxes and Quimby funds.

Plans are being finalized for two new hotels that will be anchors for the Downtown Project. Currently under construction, the Kimpton's 6-story, 155-room Rowan Hotel will be at the corner of Tahquitz Canyon Way and Belardo, and is set to open in May 2017 and will have the first rooftop pool in Palm Springs. The Virgin Hotel Palms Springs, with 150-rooms and suites, multiple dining and drinking outlets, meeting spaces and a rooftop terrace and pool, is expected to open in 2019 across from the Palm Springs Museum. Plans are also progressing on the development of a public park and event space on the site. One more hotel, the V Hotel, is a possibility for the same site. This will bring the expected site development to a number between a total of 305 and 450 new hotel rooms. Restaurants, businesses, and mixed-use commercial / residential space are also planned on the site. The West Elm furniture store already opened in September 2016.

The following is a summary of new developments or programs that are coming to or have recently been completed in Palm Springs. The City continues to advance, as various new developments become part of Palm Springs. The City is fortunate to have had a positive impact with regards to development during the past few years of economic flux.

The Arrive Hotel, is a new 32-room boutique hotel on north Palm Canyon which was completed and opened in February 2016. In addition to the Downtown Revitalization Project, there are several hotel projects that are in the works. The Dolce [Selene Palms] Hotel is a planned 210-room hotel that will be next to the Convention Center, helping to increase the number of convention hotel rooms that are in high demand. The Hyatt Andaz on the Port Lawrence site is a mixed-use project in the uptown on North Palm Canyon that will have a 150-room luxury boutique hotel and retail space. Other developments include 750 Lofts, a 38-room boutique hotel with eight, two-story lofts, along with retail and a restaurant on the ground floor, and spa in the trendy North Palm Canyon area. The Orchid Tree Resort and Spa, on the site of the former Community Church of Palm Springs, will add a five-story, 52-room luxury room boutique resort and spa.

Much of this recent and proposed activity is due in part to the highly successful Hotel Incentive Program. This program was created as an economic jumpstart, incentivizing hoteliers to refurbish older properties or build new hotels. The basic premise of the program is that a hotel developer or owner commits a certain expenditure amount per hotel room, and the City may then agree to a partial return of Transient Occupancy Taxes (TOT) over a period of time. There are approximately 14 active participants in the program at this time that have already accounted for the capital investment of \$200+ million to these hotel projects. A total of eleven hotels received a partial return of TOT amounting to \$1.2 million in 2015-2016, with the Palm Springs Hotel joining the list following the completion of their renovations. This is the fifth year of partial returns of TOT and has brought in a cumulative total of \$3.5 million in net addition TOT revenue.

In an effort to bolster our local economy, the Palm Springs International Airport continues to implement a \$1 million marketing support program as an incentive for airlines to add new routes or extend the current length of existing routes. The addition of two new airlines in 2015 has added new routes with direct service to New York's JFK from Jet Blue and to Toronto Pearson International Airports from Air Canada. The addition of these new routes and added capacity

from current carriers has helped add 10% to the airlines' overall seat capacity at Palm Springs International Airport this year. Jet Blue re-launched their seasonal, non-stop service from New York's JFK to PSP two months early in November 2016, and Air Canada launched their seasonal, non-stop service from Toronto to PSP in December 2016.

Service began in December 2014 for the new downtown trolley called 'The Buzz' – a group of four free trolleys that continuously travel a circular route on Thursdays through Sundays going from the Riviera Hotel in the uptown area, through the downtown area and Spencer's Restaurant along the mountainside, down south to the Saguaro Hotel & Smoke Tree, and back to the north side. As expected, the Buzz has become a popular means for tourists and locals to get to the major hot spots in Palm Springs in a relaxing manner while helping to reduce urban vehicle traffic, and recently gained City Council approval for another 12-month contract extension.

FOR THE FUTURE

In addition to funding the Downtown Revitalization Project, the Measure J sales tax revenues are funding about \$10 million per year in various capital projects throughout the City. Chief among these is the funding of greatly needed streets resurfacing, repairs, and reconstruction. The City has also bonded Measure A funds to accelerate these street projects, making a total of \$17 million in funds available for these projects over the next year and a half. Over the coming 20 years, the use of these general revenue sales taxes are planned to go towards a variety of areas including but not limited to police, fire, library renovation, park safety and improvements, street resurfacing, repair, and reconstruction, bicycle lanes, property acquisition for preservation, public parking, vehicle replacement, a variety of public works projects and a variety of projects suggested by Palm Springs citizens.

For the 2016-2017 fiscal year, with the addition of the Alcazar Hotel (formerly the Peppertree), it is anticipated that 15 hotels will be qualified to receive partial returns of their TOT amounting to an estimated \$1.5 million under the Hotel Incentive Program. Two planned new hotels, 750 Lofts and Orchid Tree, are eligible to qualify to receive returns of TOT in future years if they begin construction by December 31, 2017. And new hotels mentioned previously which may be qualified to participate in the program in future years are the Kimpton Rowan, the Virgin Hotel, the Dolce Dream Hotel across from the convention center, and the Hyatt Andaz on the Port Lawrence site and planned to join the program in future years.

The College of the Desert's plans for a West Valley campus has shifted from building an all new facility on the north side of town, to the acquisition and redevelopment of the nearly vacant Palm Springs Mall. The Camelot Theatres, Kaplan College, and a Jack in the Box restaurant are the remaining businesses on the site. Located across from Palm Springs High School to the south, East Tahquitz Canyon Way to the north, and Farrell Drive to the east, this property is in the heart of the City and would be an ideal, centrally-located site for a new community college. Also, the City and COD are in discussions regarding the possible creation of a shared library. In November 2016, by a 71% 'yes' vote throughout the Coachella Valley, voters approved Measure CC, a \$577 million COD bond which will include the acquisition, design, and construction of the Palm Springs campus and as well as a variety of other projects throughout the Coachella Valley. Additionally, COD currently has an additional \$37 million in Measure B bond funds set aside for this West Valley campus project.

Progress on the Airport Master Plan environmental impact review of the airport's expansion plans was completed in July 2016. Driven by increases in tourism and population growth in the Coachella Valley, projections indicate a 12% increase in airline passengers over the next five years, and a 25% increase over the next ten years. Airline passenger traffic has increased 30% over the last five years, and has increased 25% over the last ten years. The airport is serviced by ten (10) major airlines, with direct flights to eighteen (18) cities throughout the United States and Canada.

The Tribe is also planning the development and construction of the Vision Caliente Spa Hotel on the site of the former Spa Resort which is estimated to have up to 350 rooms. Also, a master plan for the development of 22 acres in downtown Palm Springs at Tahquitz Canyon Way and Indian Canyon is in progress.

As the general national and local economic conditions continues to improve, the City should see an increase in revenues in a number of categories including property taxes, sales taxes, transient occupancy taxes, new development and permit fees, etc. Thanks to Measure J, sales taxes alone should be in the \$25 - 26 million range in the 2017-2018 fiscal year, which is nearly double what was received in the 2012-2013 fiscal year.

FINANCIAL INFORMATION

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

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

As a part of the City's single audit, described earlier, tests are made to determine the adequacy of the internal control structure, including that portion related to federal financial assistance programs, as well as to determine that the government has complied with applicable laws and regulations. The results of the government's single audit for the fiscal year ended June 30, 2015 provided no instances of material weaknesses in the internal control structure or significant violations of applicable laws and regulations.

Financial and Budgetary Controls. In addition, the City maintains financial and 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. Purchase orders that would result in an overrun of a department line item account may not be processed until either a budget transfer from another account is processed, or after a budget amendment is processed which requires City Council approval. Encumbered amounts and unspent budgeted appropriations are reviewed and carried over at year end at the discretion of the City Manager. Additional year-end transfers between funds may be processed as needed at the City Manager's discretion.

As part of the passage of the Measure J increase of 1% to the sales, transactions and use tax, the City formed a nine-member citizens' oversight commission to review all projected revenues and recommended expenditures, oversee and monitor Measure J expenditures, and review the independent audit of revenues and expenditures from Measure J. Also, a separate financial review is prepared and presented by a second independent accounting firm to the City Council.

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 2015-2016 expenditures was calculated at \$142,685,527. Appropriations subject to limitation totaled \$92,213,278, or \$50,472,279 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, 2016, the total remaining principal on the long-term debt of the City and its related entities is \$249,292,103.

OTHER INFORMATION

Independent Audit. State statute requires an annual audit by independent certified public accountants. The accounting firm of Lance, Soll & Lunghard was selected by the City Council with the recommendation of the Finance Director and a Review Committee after a formal Request for Proposal process. Subsequently, a contract was entered into with Lance, Soll & Lunghard, LLP to perform audit services for the City and Redevelopment Agency. 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 the related OMB Uniform Guidance. The auditor's report on the general purpose financial statements and combining, individual fund and schedules are included in the financial section of this report. The City's independent auditors, Lance, Soll & Lunghard, LLP, have issued an unmodified 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, 2015. This was the 27th 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.

Letter of Transmittal
December 29, 2016
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A Certificate of Achievement is valid for one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

Acknowledgments. The preparation of this report on a timely basis could not have been accomplished without the efficient and dedicated services of the entire Finance Department staff. Special recognition is given to Nancy Klukan, Assistant Director of Finance, Rita Gustafson, Accounting Supervisor, and all the Accounting Division staff for their services in the coordination and preparation of this year's report. Our independent auditors, Lance, Soll, & Lunghard, provided expertise and advice in preparing an outstanding report this year.

Respectfully submitted,

A handwritten signature in black ink, reading "Geoffrey S. Kiehl". The signature is written in a cursive style with a prominent initial "G".

Geoffrey S. Kiehl
Director of Finance and Treasurer

CITY OF PALM SPRINGS

List of Principal Officials

June 30, 2016

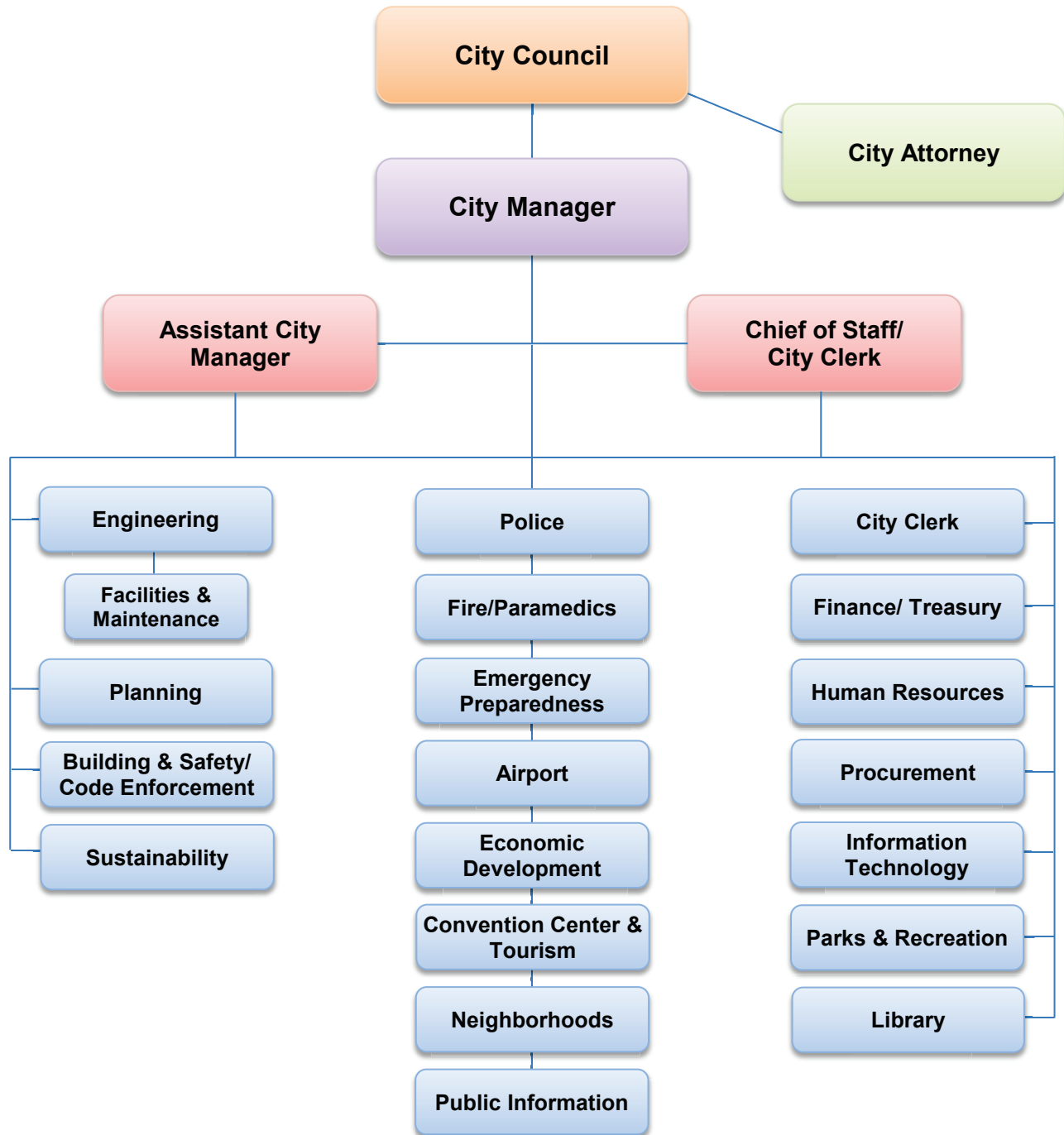
CITY COUNCIL

Robert Moon, Mayor
Chris Mills, Mayor Pro Tem
Ginny Foat
Geoff Kors
J.R. Roberts

EXECUTIVE MANAGEMENT

City Manager	David H. Ready
Chief of Staff/City Clerk	James L. Thompson
Assistant City Manager/Engineer	Marcus Fuller
Director of Animal Control	Leslie Tisdale
Director of Building and Safety	James Zicaro
Director of Community/Economic Dev	Lauri Aylaian
Director of Finance and Treasurer	Geoffrey S. Kiehl
Director of Human Resources	Perry Madison
Director of Library Services	Regina Kays
Director of Maintenance and Facilities	Staci Shafer
Director of Recreation	Vicki Oltean
Director of Planning Services	Flinn Fagg
Executive Director of PS Int'l Airport	Thomas Nolan
Fire Chief	Kevin Nalder
Police Chief	Bryan Reyes

City of Palm Springs Organizational Chart





Government Finance Officers Association

**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, 2015

Executive Director/CEO

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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Palm Springs, California, (the City) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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



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

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, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the budgetary comparison schedules for the General Fund, Measure A Improvements Fund, and Housing Fund, the schedules of changes in net pension liability and related ratios, and the schedules of plan contributions be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, schedules and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.



CPAs AND ADVISORS

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 28, 2016 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Lance, Soll & Lughard, LLP

Brea, California
December 28, 2016

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CITY OF PALM SPRINGS
Management's Discussion and Analysis
June 30, 2016

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, 2016. 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 Position and the Statement of Activities provide information about the activities of the City as a whole and present a longer-term view of the City's finances. Also included in the accompanying report are fund financial statements. For governmental activities, the fund financial statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds. The remaining statements provide financial information about activities for which the City acts solely as a trustee or agent for the benefit of those outside of the government.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

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

CITY OF PALM SPRINGS
Management's Discussion and Analysis (Continued)
June 30, 2016

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

	Government-wide <u>Statements</u>	<u>Fund Statements</u>		
		<u>Governmental Funds</u>	<u>Proprietary Funds</u>	<u>Fiduciary Funds</u>
Scope	Entire City government (except fiduciary funds) and the City's component units	The activities of the City that are not proprietary or fiduciary	Activities the City operates similar to private businesses	Instances in which the City is the trustee or agent for someone else's resources
Required financial statements	<ul style="list-style-type: none"> • Statement of net position • 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 position • Statement of revenues, expenses and changes in net position • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net position • Statement of changes in fiduciary net position
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.

CITY OF PALM SPRINGS
Management's Discussion and Analysis (Continued)
June 30, 2016

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 Position 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 position and changes in them. The net position – 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 position are one indicator of whether its *financial health* is improving or deteriorating. Other non-financial factors, however, such as changes in the City's property tax base and the condition of the City's roads should be considered, to assess the *overall health* of the City.

In the Statement of Net Position 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 Successor Agency to the Community Redevelopment Agency and the City of 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.

CITY OF PALM SPRINGS
Management's Discussion and Analysis (Continued)
June 30, 2016

- *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 Position and the Statement of Activities) and *governmental funds* in the 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 Position 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 Net Position. 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.

CITY OF PALM SPRINGS
Management's Discussion and Analysis (Continued)
June 30, 2016

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

Table 1
Net Position (in thousands)

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Current and other assets	\$ 134,971	\$ 131,260	\$ 58,474	\$ 50,867	\$ 193,445	\$ 182,127
Capital assets	267,988	258,181	122,327	116,464	390,315	374,645
Total assets	<u>402,959</u>	<u>389,441</u>	<u>180,801</u>	<u>167,331</u>	<u>583,760</u>	<u>556,772</u>
Deferred Outflows	11,815	10,917	2,231	2,056	14,046	12,973
Long-term debt outstanding	328,575	316,993	41,930	42,035	370,505	359,028
Other liabilities	14,935	11,010	5,594	7,474	20,529	18,484
Total liabilities	<u>343,510</u>	<u>328,003</u>	<u>47,524</u>	<u>49,509</u>	<u>391,034</u>	<u>377,512</u>
Deferred Inflows	6,824	18,450	1,001	3,262	7,825	21,712
Net position:						
Invested in capital assets (net of debt)	126,124	106,476	98,281	90,468	224,405	196,944
Restricted	41,633	50,160	5,308	4,125	46,941	54,285
Unrestricted	<u>(103,317)</u>	<u>(102,731)</u>	<u>30,918</u>	<u>22,023</u>	<u>(72,399)</u>	<u>(80,708)</u>
Total net position	<u>\$ 64,440</u>	<u>\$ 53,905</u>	<u>\$ 134,507</u>	<u>\$ 116,616</u>	<u>\$ 198,947</u>	<u>\$ 170,521</u>

CITY OF PALM SPRINGS
Management's Discussion and Analysis (Continued)
June 30, 2016

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

Table 2
Changes in Net Position (in thousands)

Government-wide Statement of Activities

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Revenues						
Program revenues:						
Charges for services	\$ 15,184	\$ 13,705	\$ 39,255	\$ 38,262	\$ 54,439	\$ 51,967
Operating contributions & grants	4,082	3,470	-	-	4,082	3,470
Capital contributions & grants	6,823	2,936	13,405	2,180	20,228	5,116
General revenues:						
Property taxes & tax increment	22,245	21,295	-	-	22,245	21,295
Sales taxes	27,681	25,368	-	-	27,681	25,368
Transient occupancy taxes	25,815	24,696	-	-	25,815	24,696
Other taxes	12,939	14,688	-	-	12,939	14,688
Gain on sale of capital asset	-	86	-	-	-	86
Other general revenues	6,471	6,186	1,232	1,287	7,703	7,473
Total revenues	<u>\$ 121,240</u>	<u>\$ 112,430</u>	<u>\$ 53,892</u>	<u>\$ 41,729</u>	<u>\$ 175,132</u>	<u>\$ 154,159</u>
Program expenses						
General government	\$ 11,760	\$ 14,354	\$ -	\$ -	\$ 11,760	\$ 14,354
Culture and convention center	8,294	8,042	-	-	8,294	8,042
Public safety	45,219	42,911	-	-	45,219	42,911
Public Works	27,299	26,800	-	-	27,299	26,800
Parks and recreation	7,756	9,009	-	-	7,756	9,009
Library	2,910	2,308	-	-	2,910	2,308
Interest	6,657	7,154	-	-	6,657	7,154
Airport	-	-	25,300	25,811	25,300	25,811
Wastewater	-	-	6,539	6,693	6,539	6,693
Golf Course	-	-	4,973	5,371	4,973	5,371
Total expenses	<u>\$ 109,895</u>	<u>\$ 110,578</u>	<u>\$ 36,812</u>	<u>\$ 37,875</u>	<u>\$ 146,707</u>	<u>\$ 148,453</u>
Excess (deficiency) before special items and transfers	11,345	1,852	17,080	3,854	28,425	5,706
Transfers	(810)	(412)	810	412	-	-
Increase (decrease) in net position	<u>10,535</u>	<u>1,440</u>	<u>17,890</u>	<u>4,266</u>	<u>28,425</u>	<u>5,706</u>
Beginning net position	53,905	180,725	116,617	129,048	170,522	309,773
Restatement of net position	-	(128,260)	-	(16,697)	-	(144,957)
Ending net position	<u>\$ 64,440</u>	<u>\$ 53,905</u>	<u>\$ 134,507</u>	<u>\$ 116,617</u>	<u>\$ 198,947</u>	<u>\$ 170,522</u>

CITY OF PALM SPRINGS
Management's Discussion and Analysis (Continued)
June 30, 2016

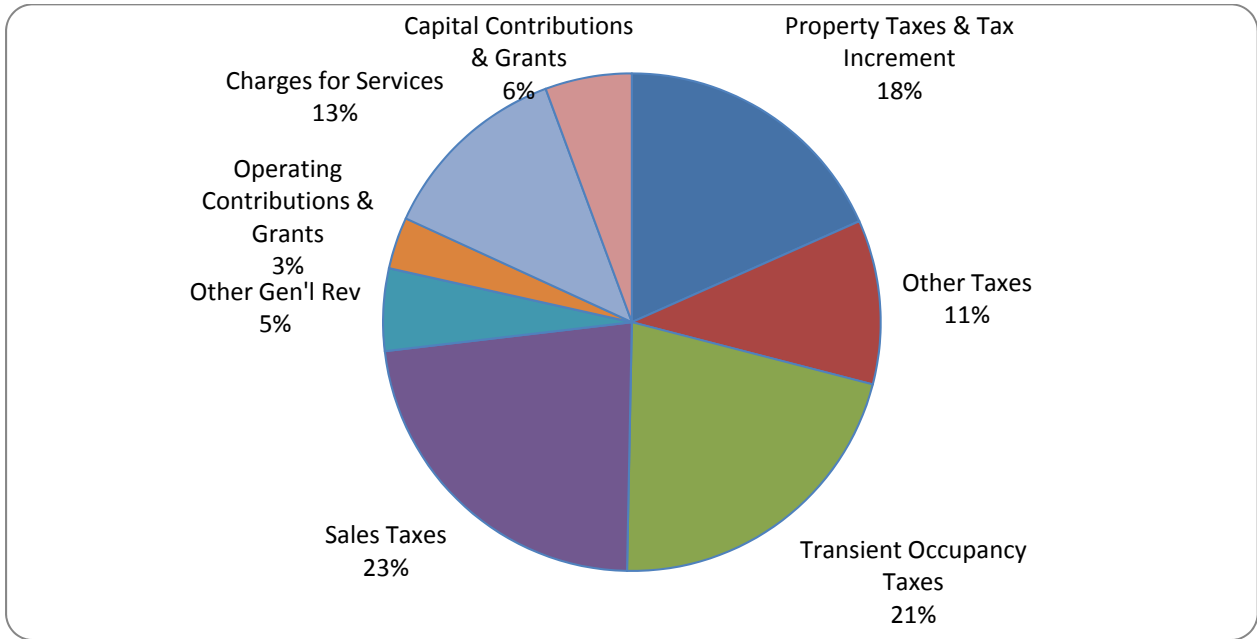
The increase or decrease in net position can provide an indication as to whether the overall financial position of the City improved or deteriorated during the year. The net position of the City's governmental activities increased by about 19.5% (\$64.4 million compared to \$53.9 million for the 2014-2015 fiscal year).

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

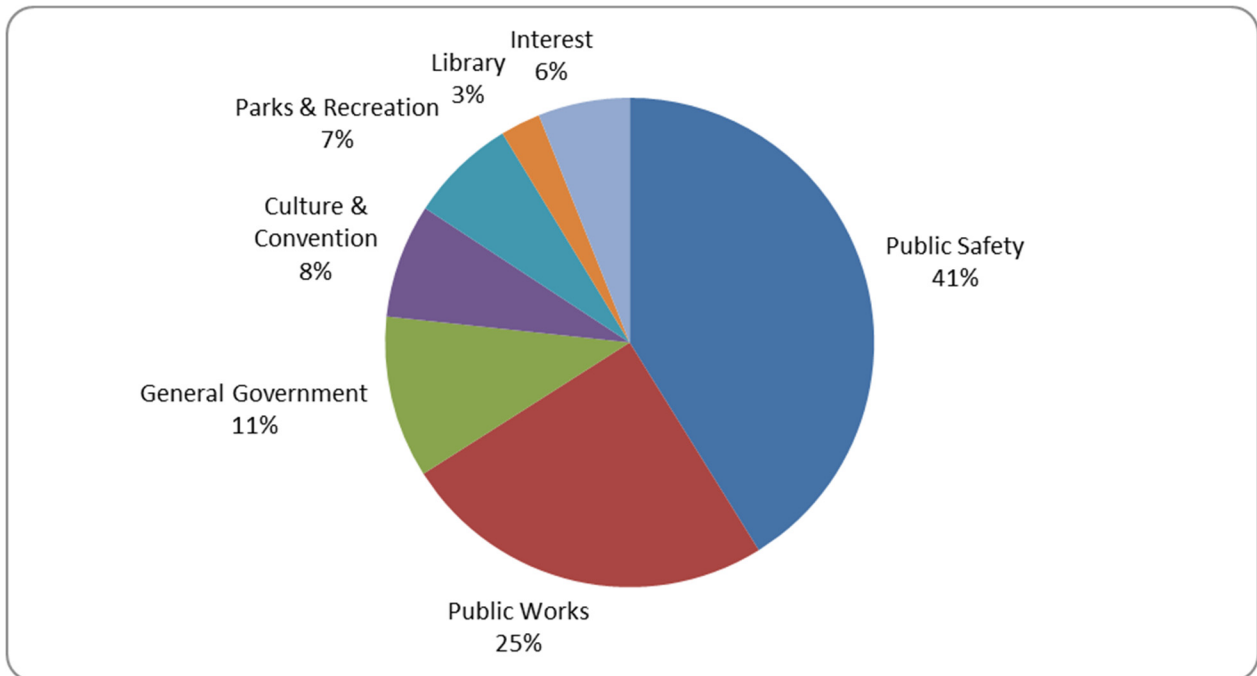
- The Transient Occupancy Tax (TOT) collections were up 5% compared to the prior fiscal year due to higher occupancy per room and higher revenue per room rates, and increased vacation rental activity. This continues to be the city's top source of revenue. TOT increases are also reflective of the success of the City's Hotel Incentive Program, which has incentivized hoteliers to refurbish older properties or build new hotels in exchange for the partial return of their TOT. Seventeen hotels are currently at some stage of the participation process and eleven hotels received the partial return of their TOT in the 2015-2016 fiscal year. This is the fifth year of partial TOT returns.
- The decrease in the voter-approved 1% add-on sales tax revenue is offset dollar-for-dollar in the form of interfund transfers out to a special capital fund to spend and manage these funds. By itself, the normal Bradley-Burns Sales Tax was down 3%. However, due to the one-time \$1.3 million payment relating to the end of the 'Triple-Flip' mechanism which was imposed by the State in 2004, a net increase resulted.
- Program expenses were almost flat, down just a total of 0.6%. Modest increases across the board for employee compensation and capital costs were the primary cause of this change.

CITY OF PALM SPRINGS
Management's Discussion and Analysis (Continued)
June 30, 2016

Revenues by Source – Governmental Activities



Expenses by Function – Governmental Activities



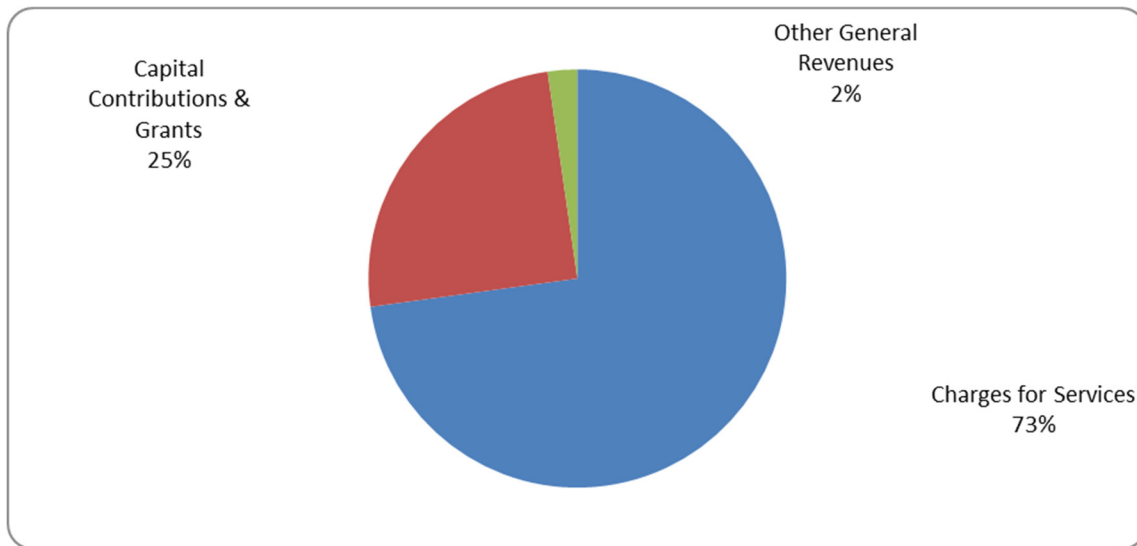
CITY OF PALM SPRINGS
Management's Discussion and Analysis (Continued)
June 30, 2016

Business-Type Activities

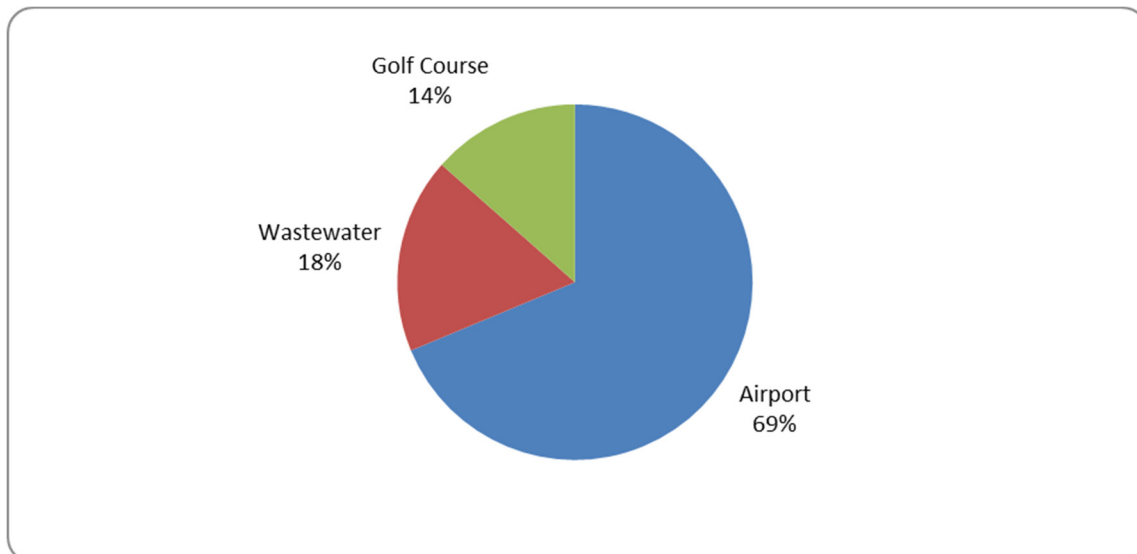
Revenues of the City's business-type activities (see Table 2) were higher than the previous year, increasing 29.2% from \$41.7 million to \$53.9 million, mainly due to a \$11.1 million capital grant increase at the airport. Increased air traffic, helped by the City's and CVB's airline incentive programs, led to record revenues. Wastewater Treatment Plant service charges were also significantly higher.

Expenses were lower than the previous year, decreasing 2.8% from \$37.9 million to \$36.8 million. Lower energy costs and depreciation expenses offset higher personnel costs.

Revenues by Source – Business-type Activities



Expenses by Function – Business-type Activities



CITY OF PALM SPRINGS
Management's Discussion and Analysis (Continued)
June 30, 2016

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, unassigned fund balance of the general fund was \$18.5 million, while total fund balance reached \$29.5 million. As a measure of the general fund's liquidity, unreserved fund balance represents 20.0% of total general fund expenditures and interfund transfers out (excluding Measure J sales tax), while total fund balance represents 31.8% of that same amount.

Total General Fund revenue increased from \$97.3 million to \$100.8 million. Among the more significant changes:

- The Measure J add-on sales tax decreased from \$12.9 million to \$12.5 million. All of these monies have been transferred to a Measure J Capital Projects special fund.
- Transient Occupancy Tax (TOT) increased from \$24.7 million to \$25.8 million. The one-year increase is 5%, the two-year increase is 20%, and the three-year increase is 41%. These amounts are after the reduction of TOT for rebates to Hotel Incentive Program participants.
- The regular Bradley-Burns sales tax increased from \$11.4 million to \$12.4 million, which includes a \$1.3 million final settlement payment due to the ending of the 'Triple-Flip' mechanism.
- Normal property taxes increased from \$18.9 million to \$20.1 million.
- The City's new Medical Cannabis tax, now in its second full fiscal year, increased from \$0.9 million to \$1.4 million.
- Utility user taxes decreased from \$7.4 million to \$7.1 million.
- Charges for services increased from \$5.3 million to \$5.5 million.
- Licenses and permits (Building and other) increased from \$3.3 million to \$3.7 million.

The general trend of positive increases in all of our major revenue categories point to the end of what we call 'The Great Recession' which has economically devastated most sectors of our economy over the last eight years. This year the City set record levels for transient occupancy and sales taxes, even after strong increases in each of the last six fiscal years, which points to a full-on recovery of our tourism industry which is the lifeblood of the Coachella Valley. Also, the building industry continues to show signs of healthy recovery as evidenced by the increases various building and planning permit fees and licenses, indicating a gradual recovery in the real estate market. Even property taxes, our hardest hit revenue source during the recession, have shown significant increases recently. Residential and commercial real estate markets are showing good signs of recovery, and this has finally translated into property tax revenues returning to historic high levels. The one revenue category that continues to languish is investment earnings. And historically low interest rates have limited the City's ability to generate interest income on permissible fixed income securities that are a key component of funding debt service obligations.

Total General Fund non-depreciation expenditures and transfers out increased from \$97.2 million to \$98.0 million. This is reflective of increases in legal costs and CalPERS, as well as some modest increases in employee salary and health care costs due to compensation agreements with our seven employee bargaining groups. Programatically, the area of Public Safety, Public Works and General Government had the largest increases.

CITY OF PALM SPRINGS
Management's Discussion and Analysis (Continued)
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The other Major Governmental Funds include the **Measure A Improvements, Housing, Capital Projects, Measure J, General Debt Service and Special Assessments.**

There was a decrease of \$9.0 million and \$2.8 million from last year in fund balance for the Measure A Improvements Fund and Capital Projects Fund, respectively, mainly due to capital project costs in the current fiscal year. The increase of \$2.6 million in fund balance in the Measure J Fund from last year is mainly due to the approved current Measure J projects. Fund balance for the other Major Governmental Funds remained consistent to last year.

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

The financial effects on the City as a result of the dissolution of the Community Redevelopment Agency are nearing a completion as the State Department of Finance and the City's Oversight Board continue the unwinding of the Agency. Most of the issues associated with the dissolution of the Agency were resolved during the 2012-2013 fiscal year, and some final cash payments were being made during the 2013-2014 fiscal year. A finding of completion has been received and a property disposition plan has been approved, so the City is disposing of its remaining assets. The Successor Housing Fund will remain. However, it is unlikely that any new housing projects will be permitted by the State to be initiated for a few years.

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

Major Enterprise Funds. The Unrestricted net position of the **Airport, Wastewater and Golf Course Funds** totals \$30.9 million, representing an increase of \$8.9 million from last year's total.

GENERAL FUND BUDGET

There was only a minor difference between the original budget and final budget for revenue in the General Fund. The increase was \$0.8 million. It was mainly from mid-year increases in charges for services and various taxes.

Mostly due to various regular and one-time property taxes of \$3.9 million more than budgeted, actual revenues received were \$4.1 million over the adopted budget in the General Fund. Transient occupancy taxes (TOT), the combination of regular Bradley-Burns sales taxes and Add-On (aka Measure J) sales taxes continue to be the City's largest revenue sources. TOT and sales taxes have a symbiotic relationship driven by the tourist industry, the City's top economic driver. Tourism was again at record levels in 2015-2016 and the increased numbers of tourists helped fuel business activity with the City's restaurants, retail establishments, and art galleries, all of which helped bolster the City's regular sales tax and Measure J sales taxes. The increase in tourism is explained in part from the marketing efforts of the City's Hotel Incentive Program, Economic Recovery Program, joint City and Convention and Visitor Bureau Airline Incentive Programs, and PS Resorts efforts and programs directed at promoting tourism in the downtown and uptown areas.

On the expenditure side, the overall budget increased by about \$10.8 million, mostly due to the addition of funds due to the carry-forward of encumbrances and continuing appropriations. The final non-depreciation expenditures were about \$10.3 million under budget. All categories of expenditures showed a positive variance compared to the final budget, with the actual total \$10.3 million under the

CITY OF PALM SPRINGS
Management's Discussion and Analysis (Continued)
June 30, 2016

final budget. The savings were primarily the result of anticipated revenue increase not being allocated, salary savings from position vacancies and various cost cutting measures.

In 2014-2015 the City Council approved 4-year negotiated salary agreements with all represented and non-represented employee groups. This is a summary of the net compensation increases by fiscal year.

Negotiated Net Compensation Increases By Bargaining Group	Actual for FY 14-15	Actual for FY 15-16	Actual for FY 16-17	Actual for FY 17-18
Police - Regular	+1%	+0%	+1%	+1%
Police - Management	+1%	+0%	+2%	+1%
Fire - Regular	+0%	+2%	+0%	+1%
Fire - Management	+0%	+2%	+0%	+2%
General Unit	+0%	+2%	+0%	+2%
Management Association of Palm Springs	+0%	+2%	+0%	+2%
Executive / Non-Represented	+0%	+2%	+0%	+2%

After employee salaries, employee pension costs are the next largest expense category for the City. Employer rates for all public agencies are determined annually for the upcoming fiscal year by the State's CalPERS Board and the summary of known and estimated rate increases for Palm Springs is as follows:

Employer PERS Rate Increases By Group	Actual for FY 14-15	Actual for FY 15-16	Actual for FY 16-17	Actual for FY 17-18
Police & Fire (Safety)	+4.555%	+2.846%	+4.728%	+3.214%
Non-Safety (Miscellaneous)	+2.574%	+2.262%	+1.628%	+1.182%

CAPITAL ASSETS

There was an increase in total capital assets from one fiscal year to the next fiscal year representing a net increase of \$15.6 million to \$390.3 million.

Capital Assets
(in thousands, net of depreciation)

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Buildings	\$ 53,219	\$ 54,185	\$ 18,839	\$ 18,977	\$ 72,058	\$ 73,162
Improvements	31,873	32,390	56,958	49,993	88,831	82,383
Furniture and equipment	14,457	13,967	1,578	1,794	16,035	15,761
Vehicles	3,620	4,167	1,050	1,250	4,670	5,417
Infrastructure	107,814	100,495	7,164	7,712	114,978	108,207
Right-of-way	16,680	16,680	-	-	16,680	16,680
Land	33,647	30,654	36,738	36,738	70,385	67,392
Construction in progress	6,678	5,643	-	-	6,678	5,643
Total	<u>\$ 267,988</u>	<u>\$ 258,181</u>	<u>\$ 122,327</u>	<u>\$ 116,464</u>	<u>\$ 390,315</u>	<u>\$ 374,645</u>

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

CITY OF PALM SPRINGS
Management's Discussion and Analysis (Continued)
June 30, 2016

LONG-TERM DEBT

As of June 30, 2016, the City's total outstanding debt long-term debt was \$370.5 million, which is \$11.5 million greater than the prior year primarily due to the increase in net unfunded liabilities per Governmental Standards Board Statement No. 68 (GASB 68), which shows the City's net pension liabilities on the Statement of Net Position. The City has no General Obligation debt. During the fiscal year, the City converted \$6.56 million outstanding variable rate demand certificates of participation to fixed rate debt through the issuance of \$5.68 million in lease revenue bonds. In July 2014, Standard & Poor's raised the City's issuer rating from AA- to AA+ and raised the City's general fund lease rating from A+ to AA and as of December 2016 the ratings have not changed. The table below summarizes the information presented in Note 5 in the Notes to the Basic Financial Statements.

Long Term Debt
(in thousands)

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Compensated absences	\$ 6,221	\$ 5,915	\$ 781	\$ 730	\$ 7,002	\$ 6,645
Claims and judgments	9,776	6,499	-	-	9,776	6,499
Leases	1,406	1,874	-	7	1,406	1,881
Certificates of participation (COPS)	-	6,915	16,694	18,161	16,694	25,076
Lease Revenue Bonds	143,016	141,545	7,947	8,502	150,963	150,047
Special Assessment Bonds	6,169	6,585	-	-	6,169	6,585
Pension Obligation Bonds	19,223	19,572	-	-	19,223	19,572
Total	\$ 185,811	\$ 188,905	\$ 25,422	\$ 27,400	\$ 211,233	\$ 216,305

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 \$381.6 million and the legal debt margin is \$250.5 million. See the Statistical Section accompanying the financial statements. The City's total outstanding long-term debt at June 30, 2016, was \$249.3 million, which reflects the implementation of Governmental Accounting Standards Board Statement No. 68 (GASB 68), which shows the City's net pension liabilities on the statement of net position.

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, 3200 E. Tahquitz Canyon Way, Palm Springs, CA 92263; or visit our website at www.ci.palm-springs.ca.us or call us at (760) 323-8229.

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CITY OF PALM SPRINGS

STATEMENT OF NET POSITION
JUNE 30, 2016

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets:			
Cash and investments	\$ 85,607,001	\$ 52,451,088	\$ 138,058,089
Receivables:			
Accounts	20,030,201	2,785,362	22,815,563
Notes and loans	7,038,432	-	7,038,432
Accrued interest	1,161,865	72,689	1,234,554
Special assessments	6,230,974	-	6,230,974
Internal balances	2,640,000	(2,640,000)	-
Deposits	200,000	-	200,000
Due from other governments	-	481,898	481,898
Advances to Successor Agency	5,134,153	-	5,134,153
Inventories	125,341	15,674	141,015
Land held for resale	638,904	-	638,904
Restricted assets:			
Cash and investments	1,840,411	-	1,840,411
Cash with fiscal agent	4,323,705	5,307,758	9,631,463
Capital assets not being depreciated	57,005,097	36,737,609	93,742,706
Capital assets, net of depreciation	210,983,134	85,589,166	296,572,300
Total Assets	402,959,218	180,801,244	583,760,462
Deferred Outflows of Resources:			
Deferred charge on refunding	2,557,553	595,383	3,152,936
Deferred pension related items	9,257,554	1,635,711	10,893,265
Total Deferred Outflows of Resources	11,815,107	2,231,094	14,046,201
Liabilities:			
Accounts payable	11,215,344	3,071,996	14,287,340
Accrued liabilities	1,132,523	197,320	1,329,843
Accrued interest	1,000,412	1,662,866	2,663,278
Unearned revenue	1,518,184	161,939	1,680,123
Deposits payable	47,344	500,000	547,344
Due to other governments	21,762	-	21,762
Noncurrent liabilities:			
Due within one year	15,833,352	2,434,255	18,267,607
Due in more than one year	169,977,385	22,987,742	192,965,127
Net OPEB liability	38,059,369	-	38,059,369
Net pension liability	104,704,718	16,508,215	121,212,933
Total Liabilities	343,510,393	47,524,333	391,034,726
Deferred Inflows of Resources:			
Deferred pension related items	6,823,960	1,001,034	7,824,994
Total Deferred Inflows of Resources	6,823,960	1,001,034	7,824,994
Net Position:			
Net investment in capital assets	126,124,062	98,280,993	224,405,055
Restricted for:			
Community development projects	10,829,789	-	10,829,789
Public safety grants and programs	2,818,140	-	2,818,140
Parks and recreation activities	2,630,515	-	2,630,515
Public works projects	15,518,326	-	15,518,326
Villagefest	128,550	-	128,550
Debt service	4,849,647	5,307,758	10,157,405
Library	238,192	-	238,192
Lease	2,294,387	-	2,294,387
Special projects	2,325,827	-	2,325,827
Unrestricted	(103,317,463)	30,918,220	(72,399,243)
Total Net Position	\$ 64,439,972	\$ 134,506,971	\$ 198,946,943

CITY OF PALM SPRINGS

STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2016

	Expenses	Program Revenues		
		Charges for Services	Operating Contributions and Grants	Capital Contributions and Grants
Functions/Programs				
Primary Government:				
Governmental Activities:				
General government	\$ 11,734,573	\$ 4,019,379	\$ 317,673	\$ -
Public safety	45,219,115	3,401,378	2,050,297	105,694
Cultural and convention center	8,293,582	113	-	-
Parks and recreation	7,756,225	1,747,440	65,920	851,575
Public works	27,324,832	5,972,587	1,648,076	5,865,928
Library	2,909,766	42,655	120	-
Interest on long-term debt	6,657,372	-	-	-
Total Governmental Activities	109,895,465	15,183,552	4,082,086	6,823,197
Business-Type Activities:				
Airport	25,300,163	24,352,244	-	13,405,121
Wastewater	6,539,225	10,667,824	-	-
Golf Course	4,972,995	4,234,555	-	-
Total Business-Type Activities	36,812,383	39,254,623	-	13,405,121
Total Primary Government	\$ 146,707,848	\$ 54,438,175	\$ 4,082,086	\$ 20,228,318

General Revenues:

Taxes:

Property taxes, levied for general purpose

Transient occupancy taxes

Sales taxes

Franchise taxes

Utility users tax

Other taxes

Motor vehicle in lieu - unrestricted

Use of money and property

Other

Transfers

Total General Revenues and Transfers

Change in Net Position

Net Position at Beginning of Year

Net Position at End of Year

Net (Expenses) Revenues and Changes in Net Position
Primary Government

Governmental Activities	Business-Type Activities	Total
\$ (7,397,521)	\$ -	\$ (7,397,521)
(39,661,746)	-	(39,661,746)
(8,293,469)	-	(8,293,469)
(5,091,290)	-	(5,091,290)
(13,838,241)	-	(13,838,241)
(2,866,991)	-	(2,866,991)
(6,657,372)	-	(6,657,372)
(83,806,630)	-	(83,806,630)
-	12,457,202	12,457,202
-	4,128,599	4,128,599
-	(738,440)	(738,440)
-	15,847,361	15,847,361
(83,806,630)	15,847,361	(67,959,269)
22,245,363	-	22,245,363
25,814,526	-	25,814,526
27,681,241	-	27,681,241
3,143,452	-	3,143,452
7,082,024	-	7,082,024
2,713,985	-	2,713,985
4,209,089	-	4,209,089
2,176,122	323,896	2,500,018
85,881	909,116	994,997
(810,030)	810,030	-
94,341,653	2,043,042	96,384,695
10,535,023	17,890,403	28,425,426
53,904,949	116,616,568	170,521,517
\$ 64,439,972	\$ 134,506,971	\$ 198,946,943

CITY OF PALM SPRINGS

**BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2016**

	Special Revenue Funds			Capital Projects Funds	
	General	Measure A Improvements	Housing	Capital Projects	Measure J
Assets					
Pooled cash and investments	\$ 22,737,025	\$ 8,985,831	\$ 1,089,495	\$ 870,911	\$ 12,117,027
Receivables:					
Accounts	9,575,562	806,746	-	6,912,374	2,000,100
Notes and loans	381,914	-	6,556,518	-	-
Accrued interest	793,259	13,659	1,539	-	17,379
Special assessments	-	-	-	-	-
Deposits	200,000	-	-	-	-
Due from other funds	-	-	-	-	-
Advances to other funds	1,210,000	-	49,950	-	-
Land held for resale	49,950	-	588,954	-	-
Restricted assets:					
Cash and investments	-	1,840,411	-	-	-
Cash and investments with fiscal agents	-	-	-	-	-
Advance to Successor Agency	1,609,428	-	2,612,628	-	-
Total Assets	\$ 36,557,138	\$ 11,646,647	\$ 10,899,084	\$ 7,783,285	\$ 14,134,506
Liabilities, Deferred Inflows of Resources, and Fund Balances					
Liabilities					
Accounts payable	\$ 4,396,399	\$ 3,141,066	\$ 7,130	\$ 572,221	\$ 914,619
Accrued liabilities	1,004,550	6,679	6,458	662	5,870
Unearned revenues	-	-	-	1,515,779	-
Deposits payable	13,399	-	33,945	-	-
Due to other governments	-	-	21,762	-	-
Due to other funds	-	-	-	-	-
Advances from other funds	49,950	-	-	-	-
Total Liabilities	5,464,298	3,147,745	69,295	2,088,662	920,489
Deferred Inflows of Resources					
Unavailable revenues	1,642,739	469,465	-	5,173,120	-
Total Deferred Inflows of Resources	1,642,739	469,465	-	5,173,120	-
Fund Balances					
Nonspendable:					
Advances to other funds	1,210,000	-	-	-	-
Deposits	200,000	-	-	-	-
Advance to Successor Agency	1,609,428	-	-	-	-
Restricted for:					
Community development projects	-	-	10,829,789	-	-
Public safety grants and programs	-	-	-	-	-
Parks and recreation activities	-	-	-	-	-
Public works projects	-	8,029,437	-	-	-
Villagefest	-	-	-	-	-
Debt service	-	-	-	-	-
Library	-	-	-	-	-
Lease	-	-	-	-	-
Special projects	-	-	-	-	-
Assigned to:					
Public safety programs	62,849	-	-	-	-
Parks and recreation programs	42,788	-	-	-	-
Public works projects	60,216	-	-	-	13,214,017
Capital Projects	-	-	-	521,503	-
Continuing appropriations	4,169,346	-	-	-	-
General purposes	340,773	-	-	-	-
Library	21,600	-	-	-	-
Deficit reduction	2,201,531	-	-	-	-
PEG fees	985,591	-	-	-	-
Unassigned	18,545,979	-	-	-	-
Total Fund Balances	29,450,101	8,029,437	10,829,789	521,503	13,214,017
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 36,557,138	\$ 11,646,647	\$ 10,899,084	\$ 7,783,285	\$ 14,134,506

CITY OF PALM SPRINGS

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2016

	Debt Service Funds		Other Governmental Funds	Total Governmental Funds
	General Debt Service	Special Assessments		
Assets				
Pooled cash and investments	\$ -	\$ 1,232,655	\$ 17,410,417	\$ 64,443,361
Receivables:				
Accounts	-	8,524	696,885	20,000,191
Notes and loans	-	-	100,000	7,038,432
Accrued interest	-	1,640	19,105	846,581
Special assessments	-	6,230,974	-	6,230,974
Deposits	-	-	-	200,000
Due from other funds	-	-	185,036	185,036
Advances to other funds	-	-	-	1,259,950
Land held for resale	-	-	-	638,904
Restricted assets:				
Cash and investments	-	-	-	1,840,411
Cash and investments with fiscal agents	3,332,490	274,338	-	3,606,828
Advance to Successor Agency	-	-	912,097	5,134,153
Total Assets	\$ 3,332,490	\$ 7,748,131	\$ 19,323,540	\$ 111,424,821
Liabilities, Deferred Inflows of Resources, and Fund Balances				
Liabilities				
Accounts payable	\$ -	\$ -	\$ 595,273	\$ 9,626,708
Accrued liabilities	-	-	49,051	1,073,270
Unearned revenues	-	-	-	1,515,779
Deposits payable	-	-	-	47,344
Due to other governments	-	-	-	21,762
Due to other funds	-	-	185,036	185,036
Advances from other funds	-	-	-	49,950
Total Liabilities	-	-	829,360	12,519,849
Deferred Inflows of Resources				
Unavailable revenues	-	6,230,974	100,771	13,617,069
Total Deferred Inflows of Resources	-	6,230,974	100,771	13,617,069
Fund Balances				
Nonspendable:				
Advances to other funds	-	-	-	1,210,000
Deposits	-	-	-	200,000
Advance to Successor Agency	-	-	-	1,609,428
Restricted for:				
Community development projects	-	-	-	10,829,789
Public safety grants and programs	-	-	2,818,140	2,818,140
Parks and recreation activities	-	-	2,630,515	2,630,515
Public works projects	-	-	7,488,889	15,518,326
Villagefest	-	-	128,550	128,550
Debt service	3,332,490	1,517,157	-	4,849,647
Library	-	-	238,192	238,192
Lease	-	-	2,294,387	2,294,387
Special projects	-	-	2,325,827	2,325,827
Assigned to:				
Public safety programs	-	-	-	62,849
Parks and recreation programs	-	-	-	42,788
Public works projects	-	-	-	13,274,233
Capital Projects	-	-	492,065	1,013,568
Continuing appropriations	-	-	-	4,169,346
General purposes	-	-	-	340,773
Library	-	-	-	21,600
Deficit reduction	-	-	-	2,201,531
PEG fees	-	-	-	985,591
Unassigned	-	-	(23,156)	18,522,823
Total Fund Balances	3,332,490	1,517,157	18,393,409	85,287,903
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 3,332,490	\$ 7,748,131	\$ 19,323,540	\$ 111,424,821

See Notes to Financial Statements

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CITY OF PALM SPRINGS

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
JUNE 30, 2016

Fund balances of governmental funds		\$ 85,287,903
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets net of depreciation have not been included as financial resources in governmental fund activity.		250,838,091
Deferred outflows of resources related to the following long-term activities:		
Deferred charge on refunding of bonds		2,557,553
Deferred pension contributions made after the actuarial measurement date for the net pension liability.		8,615,240
Differences between expected and actual experience.		204,116
Deferred inflows of resources related to the following long-term activities:		
Deferred difference between projected and actual earnings on pension investments		(2,426,721)
Deferred changes in actuarial assumptions.		(4,082,960)
Long-term debt, net pension liability and compensated absences that have not been included in the governmental fund activity:		
Bonds payable	\$ (122,866,146)	
Unamortized bond premiums/discounts	(7,532,120)	
Net pension liability	(99,897,691)	
Compensated Absences	<u>(6,025,528)</u>	(236,321,485)
Governmental funds report all OPEB contributions as expenditures, however in the statement of net position any excesses or deficiencies in contributions in relation to the Annual Required Contribution (ARC) are recorded as a asset or liability.		(38,059,369)
Accrued interest payable for the current portion of interest due on Bonds has not been reported in the governmental funds.		(791,422)
Revenues reported as unavailable revenue in the governmental funds and recognized in the statement of activities. These are included in the intergovernmental revenues in the governmental fund activity.		13,617,069
Internal service funds are used by management to charge the costs of certain activities, such as equipment management and self-insurance, to individual funds. The assets and liabilities of the internal service funds must be added to the statement of net position.		<u>(14,998,043)</u>
Net Position of governmental activities		<u>\$ 64,439,972</u>

CITY OF PALM SPRINGS

STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2016

	Special Revenue Funds			Capital Projects Funds	
	General	Measure A Improvements	Housing	Capital Projects	Measure J
Revenues					
Taxes	\$ 85,811,748	\$ 1,939,198	\$ -	\$ -	\$ -
Assessments	-	-	-	-	-
Licenses and permits	3,652,263	-	-	357,029	-
Intergovernmental	4,810,493	56,112	-	1,677,655	-
Charges for services	5,913,898	-	-	-	-
Use of money and property	307,375	65,358	9,180	-	78,366
Fines and forfeitures	-	-	-	-	-
Contributions	11,280	-	-	-	-
Miscellaneous	306,658	-	-	8,000	-
Total Revenues	100,813,715	2,060,668	9,180	2,042,684	78,366
Expenditures					
Current:					
General government	13,713,652	-	214,968	331,716	-
Public safety	36,241,536	-	-	415,287	-
Cultural and convention center	3,070,145	-	-	-	-
Parks and recreation	7,211,162	-	-	362,684	-
Public works	10,260,351	9,939,240	-	7,306,353	6,712,312
Library	2,559,897	-	-	-	-
Debt service:					
Principal retirement	1,905,000	865,000	-	-	-
Interest and fiscal charges	2,779,919	237,200	-	-	-
Total Expenditures	77,741,662	11,041,440	214,968	8,416,040	6,712,312
Excess (Deficiency) of Revenues Over (Under) Expenditures	23,072,053	(8,980,772)	(205,788)	(6,373,356)	(6,633,946)
Other Financing Sources (Uses)					
Transfers in	887,500	-	-	3,615,159	12,461,899
Transfers out	(20,264,556)	-	-	-	(3,189,719)
Refunding bonds issued	-	-	-	-	-
Bond premium	-	-	-	-	-
Total Other Financing Sources (Uses)	(19,377,056)	-	-	3,615,159	9,272,180
Net Change in Fund Balances	3,694,997	(8,980,772)	(205,788)	(2,758,197)	2,638,234
Fund Balances, Beginning of Year	25,755,104	17,010,209	11,035,577	3,279,700	10,575,783
Fund Balances, End of Year	\$ 29,450,101	\$ 8,029,437	\$ 10,829,789	\$ 521,503	\$ 13,214,017

CITY OF PALM SPRINGS

STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2016

	Debt Service Funds		Other Governmental Funds	Total Governmental Funds
	General Debt Service	Special Assessments		
Revenues				
Taxes	\$ -	\$ -	\$ 929,645	\$ 88,680,591
Assessments	-	585,159	780,704	1,365,863
Licenses and permits	-	-	725,108	4,734,400
Intergovernmental	-	-	1,731,382	8,275,642
Charges for services	-	-	2,929,340	8,843,238
Use of money and property	2,442	6,088	1,601,146	2,069,955
Fines and forfeitures	-	-	122,741	122,741
Contributions	-	-	1,456,274	1,467,554
Miscellaneous	-	-	46,835	361,493
Total Revenues	2,442	591,247	10,323,175	115,921,477
Expenditures				
Current:				
General government	251,735	-	2,050	14,514,121
Public safety	-	-	3,223,429	39,880,252
Cultural and convention center	-	-	2,070,265	5,140,410
Parks and recreation	-	-	1,201,852	8,775,698
Public works	-	26,950	2,773,155	37,018,361
Library	-	-	134,856	2,694,753
Debt service:				
Principal retirement	8,655,248	420,000	421,390	12,266,638
Interest and fiscal charges	2,621,692	159,492	90,270	5,888,573
Total Expenditures	11,528,675	606,442	9,917,267	126,178,806
Excess (Deficiency) of Revenues Over (Under) Expenditures	(11,526,233)	(15,195)	405,908	(10,257,329)
Other Financing Sources (Uses)				
Transfers in	4,880,864	-	998,823	22,844,245
Transfers out	-	-	(738,900)	(24,193,175)
Refunding bonds issued	5,680,000	-	-	5,680,000
Bond premium	1,006,277	-	-	1,006,277
Total Other Financing Sources (Uses)	11,567,141	-	259,923	5,337,347
Net Change in Fund Balances	40,908	(15,195)	665,831	(4,919,982)
Fund Balances, Beginning of Year	3,291,582	1,532,352	17,727,578	90,207,885
Fund Balances, End of Year	\$ 3,332,490	\$ 1,517,157	\$ 18,393,409	\$ 85,287,903

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, 2016**

Net change in fund balances - total governmental funds \$ (4,919,982)

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the costs of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Capital outlay	\$ 20,251,033	
Depreciation	(12,215,529)	
Transfers from Successor Agency	2,658,328	
Loss on sale of capital assets	<u>(10,738)</u>	10,683,094

Repayment on long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.

Principal and lease repayments	11,951,312	
Amortization of bond premiums/discounts	488,884	
Amortization of deferred charge on refunding of bonds	(127,876)	
Refunding bonds issued	(5,680,000)	
Premiums/discounts on new debt	<u>(1,006,277)</u>	5,626,043

Accrued interest for long-term liabilities. This is the net change in accrued interest for the current period. (82,685)

Compensated absences expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. (313,328)

Governmental funds report all contributions in relation to the annual required contribution (ARC) for OPEB as expenditures, however in the statement of activities only the ARC is an expense. (4,362,949)

Pension obligation expenses is an expenditure in the governmental funds, but reduce the Net Pension Liability in the statement of net position. 2,183,751

Revenues reported as unavailable revenue in the governmental funds and recognized in the statement of activities. These are included in the intergovernmental revenues in the governmental fund activity. 5,021,812

Internal service funds are used by management to charge the costs of certain activities, such as equipment management and self-insurance, to individual funds. The net revenues (expenses) of the internal service funds is reported with governmental activities. (3,300,733)

Change in net position of governmental activities \$ 10,535,023

CITY OF PALM SPRINGS

STATEMENT OF NET POSITION
 PROPRIETARY FUNDS
 JUNE 30, 2016

	Business-Type Activities - Enterprise Funds				Governmental Activities- Internal Service Funds
	Airport	Wastewater	Golf Course	Totals	
Assets					
Current:					
Cash and investments	\$ 29,607,626	\$ 22,843,462	\$ -	\$ 52,451,088	\$ 21,163,640
Receivables:					
Accounts	2,545,997	18,914	220,451	2,785,362	30,010
Accrued interest	41,735	30,954	-	72,689	315,284
Due from other governments	-	481,898	-	481,898	-
Inventories	15,674	-	-	15,674	125,341
Restricted:					
Cash with fiscal agent	5,307,758	-	-	5,307,758	716,877
Total Current Assets	37,518,790	23,375,228	220,451	61,114,469	22,351,152
Noncurrent:					
Advances to other funds	-	-	-	-	1,430,000
Capital assets, net of accumulated depreciation	81,204,870	35,784,651	5,337,254	122,326,775	17,150,140
Total Noncurrent Assets	81,204,870	35,784,651	5,337,254	122,326,775	18,580,140
Total Assets	118,723,660	59,159,879	5,557,705	183,441,244	40,931,292
Deferred Outflows of Resources					
Deferred charge on refunding	222,534	-	372,849	595,383	-
Deferred pension related items	1,623,368	12,343	-	1,635,711	438,198
Total Deferred Outflows of Resources	1,845,902	12,343	372,849	2,231,094	438,198
Liabilities					
Current:					
Accounts payable	1,650,189	1,199,396	222,411	3,071,996	1,588,636
Accrued liabilities	197,320	-	-	197,320	59,253
Accrued interest	485,796	-	1,177,070	1,662,866	208,990
Unearned revenues	138,235	23,704	-	161,939	2,405
Deposits payable	-	-	500,000	500,000	-
Accrued compensated absences	618,882	-	-	618,882	179,710
Accrued claims and judgments	-	-	-	-	5,402,811
Bonds, notes, and capital leases	1,240,000	-	575,373	1,815,373	921,276
Total Current Liabilities	4,330,422	1,223,100	2,474,854	8,028,376	8,363,081
Noncurrent:					
Advances from other funds	-	-	2,640,000	2,640,000	-
Accrued compensated absences	161,950	-	-	161,950	15,467
Accrued claims and judgments	-	-	-	-	4,373,667
Bonds, notes, and capital leases	15,454,038	-	7,371,754	22,825,792	38,494,012
Net pension liability	16,508,215	-	-	16,508,215	4,807,027
Total Noncurrent Liabilities	32,124,203	-	10,011,754	42,135,957	47,690,173
Total Liabilities	36,454,625	1,223,100	12,486,608	50,164,333	56,053,254
Deferred Inflows of Resources					
Deferred pension related items	1,001,034	-	-	1,001,034	314,279
Total Deferred Inflows of Resources	1,001,034	-	-	1,001,034	314,279
Net Position					
Net investment in capital assets	64,733,366	35,784,651	(2,237,024)	98,280,993	3,442,019
Restricted for debt service	5,307,758	-	-	5,307,758	-
Unrestricted	13,072,779	22,164,471	(4,319,030)	30,918,220	(18,440,062)
Total Net Position	\$ 83,113,903	\$ 57,949,122	\$ (6,556,054)	\$ 134,506,971	\$ (14,998,043)

CITY OF PALM SPRINGS

STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2016

	Business-Type Activities - Enterprise Funds				Governmental Activities- Internal Service Funds
	Airport	Wastewater	Golf Course	Totals	
Operating Revenues					
Sales and service charges	\$ -	\$ 10,667,824	\$ -	\$ 10,667,824	\$ 40,346,810
Landing fees	3,581,583	-	-	3,581,583	-
Miscellaneous	2,902,987	-	23,866	2,926,853	-
Green fees and cart rentals	-	-	4,234,555	4,234,555	-
Rentals	14,043,583	-	-	14,043,583	-
Concessions	904,251	-	-	904,251	-
Passenger facility charges	3,805,090	-	-	3,805,090	-
Total Operating Revenues	25,237,494	10,667,824	4,258,421	40,163,739	40,346,810
Operating Expenses					
Administration and general	985,482	1,587	2,875	989,944	2,739,744
Personnel services	10,069,242	58,649	-	10,127,891	17,053
Materials and supplies	273,990	19,215	-	293,205	-
Maintenance shop operations	-	-	-	-	2,470,053
Facilities maintenance	-	-	-	-	3,877,999
Retirement	-	-	-	-	13,432,882
Other claims and insurance	-	550,000	-	550,000	7,036,877
Depreciation expense	7,406,943	1,735,544	101,302	9,243,789	1,417,279
Heat, light and power	1,125,846	321,132	-	1,446,978	1,410,906
Other charges and services	4,363,706	3,853,098	4,455,631	12,672,435	1,296
Cogeneration	-	-	-	-	816,642
Medical, health, and life insurance	-	-	-	-	7,033,059
Workers compensation	-	-	-	-	3,498,086
Total Operating Expenses	24,225,209	6,539,225	4,559,808	35,324,242	43,751,876
Operating Income (Loss)	1,012,285	4,128,599	(301,387)	4,839,497	(3,405,066)
Nonoperating Revenues (Expenses)					
Interest revenue	187,595	136,301	-	323,896	106,167
Interest expense	(1,074,954)	-	(413,187)	(1,488,141)	(1,047,122)
Total Nonoperating Revenues (Expenses)	(887,359)	136,301	(413,187)	(1,164,245)	(940,955)
Income (Loss) Before Transfers and Contributions	124,926	4,264,900	(714,574)	3,675,252	(4,346,021)
Transfers in	-	-	1,097,530	1,097,530	538,900
Transfers out	(287,500)	-	-	(287,500)	-
Capital contribution	13,405,121	-	-	13,405,121	506,388
Changes in Net Position	13,242,547	4,264,900	382,956	17,890,403	(3,300,733)
Net Position, Beginning of Year	69,871,356	53,684,222	(6,939,010)	116,616,568	(11,697,310)
Net Position, End of Year	\$ 83,113,903	\$ 57,949,122	\$ (6,556,054)	\$ 134,506,971	\$ (14,998,043)

CITY OF PALM SPRINGS

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2016

	Business-Type Activities - Enterprise Funds				Governmental Activities- Internal Service Funds
	Airport	Wastewater	Golf Course	Totals	
Cash Flows from Operating Activities					
Cash received from customers and users	\$ 22,317,193	\$ 10,522,189	\$ 4,303,798	\$ 37,143,180	\$ (10,261)
Cash received from/(paid to) interfund service provided	-	-	-	-	12,736,019
Cash paid to suppliers for goods and services	(17,845,823)	(4,620,682)	(4,441,867)	(26,908,372)	(11,887,436)
Cash paid to employees for services	(1,562,426)	(13,929)	(2,875)	(1,579,230)	(2,895,925)
Cash received from others	2,902,987	-	23,866	2,926,853	3,277,777
Net Cash Provided (Used) by Operating Activities	5,811,931	5,887,578	(117,078)	11,582,431	1,220,174
Cash Flows from Non-Capital Financing Activities					
Cash transfers in	-	-	1,097,530	1,097,530	538,900
Cash transfers out	(287,500)	-	-	(287,500)	-
Principal paid on non-capital debt	-	-	-	-	(349,275)
Interest paid on non-capital debt	-	-	-	-	(918,513)
Net Cash Provided (Used) by Non-Capital Financing Activities	(287,500)	-	1,097,530	810,030	(728,888)
Cash Flows from Capital and Related Financing Activities					
Acquisition and construction of capital assets	(14,177,805)	(928,608)	-	(15,106,413)	(541,307)
Principal paid on capital debt	(1,505,000)	-	(561,715)	(2,066,715)	(575,032)
Interest paid on capital debt	(1,034,280)	-	(418,737)	(1,453,017)	(131,979)
Contribution	13,405,121	-	-	13,405,121	506,388
Net Cash Provided (Used) by Capital and Related Financing Activities	(3,311,964)	(928,608)	(980,452)	(5,221,024)	(741,930)
Cash Flows from Investing Activities					
Interest received	185,987	129,225	-	315,212	99,755
Net Cash Provided (Used) by Investing Activities	185,987	129,225	-	315,212	99,755
Net Increase (Decrease) in Cash and Cash Equivalents	2,398,454	5,088,195	-	7,486,649	(150,889)
Cash and Cash Equivalents at Beginning of Year	32,516,930	17,755,267	-	50,272,197	22,031,406
Cash and Cash Equivalents at End of Year	\$ 34,915,384	\$ 22,843,462	\$ -	\$ 57,758,846	\$ 21,880,517
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities					
Operating income (loss)	\$ 1,012,285	\$ 4,128,599	\$ (301,387)	\$ 4,839,497	\$ (3,405,066)
Adjustments to Reconcile Operating Income (Loss) Net Cash Provided (Used) by Operating Activities					
Depreciation	7,406,943	1,735,545	101,302	9,243,790	1,417,279
(Increase) decrease in accounts receivable	(16,404)	(13,213)	69,243	39,626	88,363
(Increase) decrease in due from other governments	-	(152,784)	-	(152,784)	-
(Increase) decrease in inventory	923	-	-	923	(12,666)
(Increase) decrease in deferred outflows	(240,749)	(12,343)	-	(253,092)	(33,064)
(Increase) decrease in deferred inflows	(2,260,578)	-	-	(2,260,578)	(641,434)
Increase (decrease) in accounts payable	(2,053,035)	181,412	(20,132)	(1,891,755)	7,164
Increase (decrease) in accrued liabilities	39,996	-	-	39,996	9,239
Increase (decrease) in customer deposits	-	-	33,896	33,896	-
Increase (decrease) in unearned revenue	(1,833)	20,362	-	18,529	1,020
Increase (decrease) in net pension liability	1,873,675	-	-	1,873,675	518,833
Increase (decrease) in claims and judgments	-	-	-	-	3,277,777
Increase (decrease) in compensated absences	50,708	-	-	50,708	(7,271)
Total Adjustments	4,799,646	1,758,979	184,309	6,742,934	4,625,240
Net Cash Provided (Used) by Operating Activities	\$ 5,811,931	\$ 5,887,578	\$ (117,078)	\$ 11,582,431	\$ 1,220,174

CITY OF PALM SPRINGS

STATEMENT OF FIDUCIARY NET POSITION
 FIDUCIARY FUNDS
 JUNE 30, 2016

	<u>Agency Funds</u>	<u>Private Purpose Trust Funds</u> <u>Successor Agency</u>
Assets		
Pooled cash and investments	\$ 2,006,904	\$ 3,200,004
Receivables:		
Accounts	-	5,500
Accrued interest	-	1,812
Land held for resale	-	1,482,346
Restricted assets:		
Cash and investments with fiscal agents	-	1,179,193
Capital assets:		
Capital assets, not being depreciated	-	2,585,890
Total Assets	<u>\$ 2,006,904</u>	<u>8,454,745</u>
Liabilities		
Accounts payable	\$ -	1,858,879
Accrued interest	-	592,224
Deposits payable	2,006,904	-
Long-term liabilities:		
Due in one year	-	1,100,000
Due in more than one year	-	41,670,620
Total Liabilities	<u>\$ 2,006,904</u>	<u>45,221,723</u>
Net Position		
Held in trust for other purposes		<u>(36,766,978)</u>
Total Net Position		<u>\$ (36,766,978)</u>

CITY OF PALM SPRINGS

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
 FIDUCIARY FUNDS
 YEAR ENDED JUNE 30, 2016

	<u>Private Purpose Trust Funds</u>
	<u>Successor Agency</u>
Additions	
Taxes	\$ 5,123,216
Interest and change in fair value of investments	9,418
Miscellaneous	283,000
Total Additions	<u>5,415,634</u>
Deductions	
Program costs	1,042,126
Administrative expenses	250,000
Interest and fiscal charges	1,808,060
DOF due diligence review payments	326,091
Loss on disposal of land held for resale	2,658,329
Total Deductions	<u>6,084,606</u>
Changes in Net Position	<u>(668,972)</u>
Net Position, Beginning of Year	<u>(36,098,006)</u>
Net Position, End of Year	<u>\$ (36,766,978)</u>

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I. SIGNIFICANT ACCOUNTING POLICIES

Note 1: Summary of Significant Accounting Policies

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

a. Description of Reporting Entity

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

As required by generally accepted accounting principles, the financial statements of the City of Palm Springs include the financial activities of the City (the primary government), and the Palm Springs Financing Authority (the Authority). These blended components units are discussed below and are included in the reporting entity because of the significance of their operation and financial relationship with the City.

Blended Component Units

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 Former 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 Former 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. The dissolution of the Former Agency, and the assignment of the joint powers agreement to the City acting as successor agency to the Former Agency, will not affect the validity of the joint powers agreement.

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 primary government. The Palm Springs Financing Authority issues separate component unit financial statements. Upon completion, the financial statements of this component unit can be obtained at City Hall.

b. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its component unit. For the most part, the effect of interfund activity has been removed from these statements and eliminations have been made to minimize the double counting of internal activities. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported

Note 1: Summary of Significant Accounting Policies (Continued)

separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

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

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. 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. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue when all eligibility requirements have been met.

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

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

The City's agency funds are custodial in nature and do not involve measurement of results of operations. The Private Purpose Trust Funds and the Agency Fund are reported using accrual basis of accounting.

Note 1: Summary of Significant Accounting Policies (Continued)

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.

Measure A Improvements Fund - To account for revenue received from the State of California from a special ½ % sales tax to be used for street maintenance and improvements only.

Housing Fund - To account for housing revenues from the former redevelopment agency and expenditures related to the development of facilities within the City for citizens of low or moderate income means as required by California Redevelopment Law.

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

Measure J Fund - To account for the costs related to various Measure J Projects.

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

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

The City reports the following major enterprise funds:

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

Wastewater Fund - This fund is used to account for operation of the City's wastewater treatment plant and related capital expenditures.

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

Additionally, the City reports the following fund types:

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

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.

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.

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

Fiduciary Funds/Accounts

Private-Purpose Trust Funds - The City has Private-Purpose Trust Funds.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

Note 1: Summary of Significant Accounting Policies (Continued)

- Successor Agency of the Former Redevelopment Agency – This fund is used to account for the assets and liabilities of the former redevelopment agency and is allocated revenue until the obligations of the former redevelopment agency are paid in full and any assets have been liquidated.

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

As a general rule the effect of inter fund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the government's enterprise funds and various other governmental funds. Elimination of these charges would distort the direct costs and program revenues reported for the function concerned.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) fines, forfeits and penalties, 3) grants and contributions that are restricted to meeting the operational or capital requirement of a particular function and 4) other miscellaneous revenues that directly benefit a particular function and do not fit into any other category. General revenues include all taxes.

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

d. Property Taxes

Under California law, property taxes are assessed and collected by the counties up to 1% of assessed value, plus the increases approved by the voters. The property taxes go into a pool, and are then allocated to the cities based on complex formulas. City property tax revenues are recognized when levied on the government-wide statements, and to the extent that they result in current receivables within 60 days in the governmental funds financial statements.

The property tax calendar is as follows:

Lien Date	January 1
Levy Date:	July 1
Due Date:	November 1, February 1
Delinquent Date:	December 11, April 11

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

December 10-13	30% Advance
January 21-24	Collection No. 1
April 8-12	10% Advance
May 20-23	Collection No. 2
August 5-8	Collection No. 3

Note 1: Summary of Significant Accounting Policies (Continued)

e. Cash and Cash Equivalents

For purposes of the statement of cash flows, cash equivalents are defined as short-term, highly liquid investments that are both readily convertible to known amounts of cash or so near their maturity that they present insignificant risk of changes in value because of changes in interest rates, and have an original maturity date of three months or less.

Cash equivalents represent the proprietary funds' share in the cash and investment pool of the City of Palm Springs.

f. Investments

Investments are reported at fair value, except for certain certificates of deposit and investment agreements 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.

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.

h. Capital Assets

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

Capital assets include property, plant, equipment, and infrastructure assets (roads, bridges, curbs and gutters, streets and sidewalks, medians, sewer and storm drains). Depreciation has been provided using the straight-line method over the estimated useful life of the asset in the government-wide financial statements and in the fund financial statements of the proprietary funds. Interest is capitalized on proprietary fund assets acquired with tax-exempt debt. The amount of interest to be capitalized is calculated by offsetting interest expense incurred from the date of the borrowing until completion of the project with interest earned on invested proceeds over the same period.

Note 1: Summary of Significant Accounting Policies (Continued)

The following schedule summarizes capital asset useful lives:

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

i. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position and governmental balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position or fund balance that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/ expenditure) until then. The government reports the deferred charge on refunding in the statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. In addition, the government reports deferred outflows of resources for pension contributions made after the actuarial measurement date which will be expensed in the following year.

In addition to liabilities, the statement of net position and governmental balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position or fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has one item that arises only under a modified accrual basis of accounting, which qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from multiple sources: property taxes, special assessments, accrued interest and amounts due from other governments. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. In addition, the government has deferred inflows relating to the net pension liability reported in the government-wide statement of net position. These inflows are the result of the net difference between projected and actual earnings on pension plan investments. This amount is deferred and amortized straight-line over a five-year period.

j. Net Position Flow Assumption

Sometimes the government will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government’s policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

Note 1: Summary of Significant Accounting Policies (Continued)

k. Fund Balance Flow Assumptions

Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

l. Land Held for Resale

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

m. Compensated Absences

A liability is recorded for unused vacation and similar compensatory leave balances since the employees' entitlement to these balances are attributable to services already rendered and it is probable that virtually all of these balances will be liquidated by either paid time off or payments upon termination or retirement.

A liability is recorded for unused sick leave balances only to the extent that it is probable that the unused balances will result in termination payments. This is estimated by including in the liability the unused balances of employees currently entitled to receive termination payment, as well as those who are expected to become eligible to receive termination benefits as a result of continuing their employment with the City.

Other amounts of unused sick leave are excluded from the liability since their payment is contingent solely upon the occurrence of a future event (illness) which is outside the control of the City and the employee.

If material, a proprietary fund liability is accrued for all leave benefits relating to the operations of the proprietary funds. A current liability is accrued in the governmental funds for material leave benefits due on demand to governmental fund employees that have terminated prior to year end.

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

Note 1: Summary of Significant Accounting Policies (Continued)

n. 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 accounts for the City's self insurance activities.

o. Fund Equity

The City Council adopted resolution 22928 in conformity with Governmental Accounting Auditing Standards Board (GASB) Statement 54. In the fund financial statements, governmental funds report the following fund balance classifications:

Nonspendable include amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

Restricted include amounts that are constrained on the use of resources by either (a) external editors, grantors, contributors, or laws of regulations of other governments or (b) by law through constitutional provisions or enabling legislation.

Committed include amounts that can only be used only for the specific purposes determined by a formal action of the City's highest level of decision-making authority. City Council is the highest level of decision-making authority for the City that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Assigned include amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed. The Finance Director and/or Treasurer is authorized to assign amounts to a specific purpose, which was established by the governing body in resolution.

Unassigned include the residual amounts that have not been restricted, committed, or assigned to specific purposes. The General Fund is the only fund that should report this category of fund balance, unless a negative fund balance exists.

An individual governmental fund could include nonspendable resources and amounts that are restricted or unrestricted (committed, assigned, or unassigned) or any combination of those classifications. Restricted or unrestricted amounts are to be considered spent when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available and committed, assigned, then unassigned amounts are considered to have been spent when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications can be used.

p. 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.

CITY OF PALM SPRINGS

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2016

Note 1: Summary of Significant Accounting Policies (Continued)

q. Deficit Fund Equity /Net Position

The following funds reported a deficit in fund balances/net position as of June 30, 2016:

Fund	Deficit
CSA 152	\$ (17,220)
Special Grants	(5,936)
Golf Course	(6,556,054)
Facilities Maintenance	(1,144,139)
Employee Benefits	(16,918,796)
Cogeneration Plant	(2,796,351)
Successor Agency	(36,766,978)
Risk Management	(837,068)

The deficits will be recovered through future revenues and transfers.

r. Effective New Accounting Standards

The City implemented GASB Statement No. 72, *Fair Value Measurement and Application*, during the year ended June 30, 2016. The changes resulting from this implementation are reflected in Note 2.

Note 2: Cash and Investments

Cash and investments as of June 30, 2016, are classified in the accompanying financial statements as follows:

Governmental activities	\$ 91,771,117
Business-type activities	57,758,846
Fiduciary activities	6,386,101
Total cash and investments	<u>\$ 155,916,064</u>

Cash and investments as of June 30, 2016, consist of the following:

Cash on hand	\$ 8,450
Deposits with financial institutions	10,186,256
Investments	145,721,358
Total cash and investments	<u>\$ 155,916,064</u>

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

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

CITY OF PALM SPRINGS

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016**

Note 2: Cash and Investments (Continued)

Deposits

At June 30, 2016, the carrying amount of the City's demand deposits was \$10,186,256 and the bank balance was \$11,114,482. The \$928,626 difference represents outstanding checks, deposits in transit, and other reconciling items.

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

Authorized Investment Type	*Authorized by Investment Policy	*Maximum Maturity	*Maximum Percentages of Portfolio	*Maximum Investment in One Issuer
Local Agency Bonds	Yes	5 years	15%	5%
U.S. Treasury Obligations	Yes	5 years	100%	None
U.S. Agency Securities	Yes	5 years	60%	None
Bankers' Acceptances	Yes	180 Days	20%	5%
Commercial Paper	Yes	270 Days	15%	None
Negotiable Certificates of Deposit	Yes	5 years	30%	5%
Repurchase Agreements	No	1 Year	None	5%
Reverse Purchase Agreements	No	92 Days	20% of base	None
Certificates of Deposits	Yes	5 years	20%	5%
Mutual Funds investing in eligible securities	No	N/A	10%	5%
Money Market Mutual Funds	Yes	N/A	10%	None
County Pooled Investment Funds	No	N/A	None	None
Local Agency Investment Fund (LAIF)	Yes	N/A	100%	None
JPA Pools (other investment pools)	Yes	N/A	50%	None

* Based on State Law requirements or investment policy requirements, whichever is more restrictive.

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.

Authorized Investment Type	Maximum Maturity
U.S. Treasury Obligations	5 Years
U.S. Agency Securities	5 Years
Bankers' Acceptances	180 Days
Commercial Paper	270 Days
Money Market Mutual Funds	None
Investment Agreements	None
Local Agency Bonds	None
Certificates of Deposit	5 Years
Repurchase Agreements	1 Year
Financial Futures/Option Contracts	None
Negotiable Certificates of Deposit	None
Local Agency Investment Fund (LAIF)	None

CITY OF PALM SPRINGS

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

Note 2: Cash and Investments (Continued)

Disclosures Relating to Interest Rate Risk

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

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

Investment Type	Fair Value	Remaining Maturity (in Months)		
		12 Months or Less	13-24 Months	25-60 Months
Local Agency Investment Fund	\$ 49,725,450	\$ 49,725,450	\$ -	\$ -
Federal Agency Securities	32,540,345	500,075	16,531,410	15,508,860
Certificates of Deposit	804,556	400,138	404,418	-
Money Market Mutual Funds	50,123,231	44,558,159	5,565,072	-
Fiscal Agent Mutual Funds -Money Market	12,527,776	12,527,776	-	-
	<u>\$ 145,721,358</u>	<u>\$ 107,711,598</u>	<u>\$ 22,500,900</u>	<u>\$ 15,508,860</u>

Disclosures Relating to Credit Risk

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

Investment Type:	Fair Value	Minimum Credit Rating	Rating as of Year End		
			AAA	AA+	Not Rated
Local Agency Investment Fund	\$ 49,725,450	N/A	\$ -	\$ -	\$ 49,725,450
Federal Agency Securities	32,540,345	AA+	-	32,540,345	-
Certificates of Deposit	804,556	A	804,556	-	-
Mutual Funds -Money Market	62,651,007	AAA	62,651,007	-	-
	<u>\$145,721,358</u>		<u>\$63,455,563</u>	<u>\$32,540,345</u>	<u>\$ 49,725,450</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

Note 2: Cash and Investments (Continued)**Concentration of Credit Risk**

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

Issuer	Investment Type	Reported Amount
Federal Home Loan Bank	Federal Agency Securities	\$ 8,003,225
Federal Home Loan Mortgage Corp.	Federal Agency Securities	7,506,905
Federal National Mortgage Assoc.	Federal Agency Securities	12,522,455

Fair Value Hierarchy

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The City has the following recurring fair value measurements as of June 30, 2016:

Investment Type	Totals	Level		
		1	2	3
Federal Agencies Security	\$ 32,540,345	\$ -	\$ 32,540,345	\$ -
Certificates of Deposit	804,556	804,556	-	-
Money Market Mutual Funds	50,123,231	-	50,123,231	-
Local Agency Investment Fund (LAIF)	49,725,450	-	49,725,450	-
Held by Fiscal Agent:	-	-	-	-
Money Market Mutual Funds	12,527,776	-	12,527,776	-
Total Investments	<u>\$ 145,721,358</u>	<u>\$ 804,556</u>	<u>\$ 144,916,802</u>	<u>\$ -</u>

Local Agency Investment Funds are classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Certificates of Deposit and Money Market Mutual Funds are classified in Level 2 of the fair value hierarchy are value using institutional bond quotes or specified fair market value factors.

Custodial Credit Risk

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

CITY OF PALM SPRINGS

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

Note 2: Cash and Investments (Continued)

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 City's designee selects the investment under the terms of the applicable trust agreement, acquires the investment, and delivers to the Trustee the investment on behalf of the reporting government.

The City Treasurer may waive the collateral requirement for deposits that are fully insured up to \$250,000 by the FDIC.

Investment in State Investment Pool

The City is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 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.

Note 3: Interfund Receivables, Payables and Transfers

Due To/Due From

Interfund receivable and payable balances at June 30, 2016, are as follows:

	<u>Due to other Nonmajor Funds</u>
Governmental Funds:	
Nonmajor Governmental Funds	<u>\$ 185,036</u>
Totals	<u><u>\$ 185,036</u></u>

Interfund balances are the result of short-term borrowing to cover negative cash balances at June 30, 2016.

CITY OF PALM SPRINGS

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2016

Note 3: Interfund Receivables, Payables and Transfers (Continued)

Advances

The City has authorized several interfund advances to be used for the operations of the funds receiving the advances. At June 30, 2016, the outstanding advances are:

	<u>Advances to Other Funds</u>	<u>Advances from Other Funds</u>
Governmental Funds:		
General Fund	\$ 1,210,000 (a)	\$ 49,950 (c)
Housing Fund	49,950 (c)	-
Enterprise Funds:		
Golf Course	-	2,640,000 (a) (b)
Internal Service Funds	1,430,000 (b)	-
Totals	<u>\$ 2,689,950</u>	<u>\$ 2,689,950</u>

- (a) The Golf Course Fund initially received \$2,000,000 from the General Fund payable at 6% over 20 years. The City has elected to not accrue any interest and the Golf Course has not made any interest payments. At June 30, 2016, the outstanding balance is \$1,210,000.
- (b) The Employee Benefits Internal Service Fund advanced \$1,430,000 to the Golf Course Fund to provide funds for the operation and debt service of the Golf Course. There are no stipulated interest rates or repayment dates.
- (c) The Housing Fund advanced \$49,950 to the General Fund for the purchase of two pieces of land held for resale.

CITY OF PALM SPRINGS

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

Note 3: Interfund Receivables, Payables and Transfers (Continued)

Transfers In/Transfers Out

The following schedule summarizes the City's transfer activity:

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
General Fund	Nonmajor Governmental Funds	\$ 600,000 (a)
	Airport Enterprise Fund	287,500 (c)
Measure J Fund	General Fund	12,461,899 (f)
General Debt Service Fund	Measure J Fund	3,189,719 (e)
	General Fund	1,691,145 (e)
Nonmajor Governmental Funds	General Fund	998,823 (b)
Capital Projects Fund	General Fund	3,615,159 (g)
Internal Service Fund	General Fund	400,000 (i)
	Nonmajor Governmental Funds	138,900 (h)
Golf Course Enterprise Fund	General Fund	1,097,530 (d)
		<u>\$ 24,480,675</u>

- (a) Transfers from Nonmajor Governmental Funds to the General Fund were for reimbursement of costs and other transfers.
- (b) Transfers from the General Fund to Nonmajor Governmental Funds were for debt service and operational costs.
- (c) Transfers from the Airport Fund to the General Fund were for reimbursement of operational costs.
- (d) Transfers from the General Fund to the Golf Course were for operational costs.
- (e) Transfers from the Measure J fund and the General Fund to General Debt Service Fund were for debt service.
- (f) Transfers from the General Fund to the Measure J fund were for capital projects.
- (g) Transfers from the General Fund to Capital Projects Fund were for capital projects.
- (h) Transfers from the Nonmajor Governmental Funds to the Internal Service Fund were for the costs of investigating new energy development processes.
- (i) Transfers from the General Fund to Internal Service Funds were for the purchase of vehicles and to cover future risk management costs.

CITY OF PALM SPRINGS

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2016

Note 4: Capital Assets

Governmental Activities	Beginning Balance	Transfers from Successor Agency	Balance	Transfers	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:							
Land	\$ 30,653,923	\$ 1,917,457	\$ 32,571,380	\$ -	\$ 1,075,395	\$ -	\$ 33,646,775
Construction in progress	5,642,988	-	5,642,988	(1,832,058)	2,866,946	-	6,677,876
Right-of-way	16,680,446	-	16,680,446	-	-	-	16,680,446
Total Capital Assets, Not Being Depreciated	<u>52,977,357</u>	<u>1,917,457</u>	<u>54,894,814</u>	<u>(1,832,058)</u>	<u>3,942,341</u>	<u>-</u>	<u>57,005,097</u>
Capital assets, being depreciated:							
Buildings	94,442,224	1,543,483	95,985,707	-	-	-	95,985,707
Improvements	75,494,846	-	75,494,846	-	3,024,876	-	78,519,722
Furniture and equipment	24,098,110	-	24,098,110	673,301	747,701	98,325	25,420,787
Vehicles	14,790,775	-	14,790,775	21,579	367,548	-	15,179,902
Infrastructure	230,135,162	-	230,135,162	1,155,114	12,709,874	-	244,000,150
Total capital assets, being depreciated	<u>438,961,117</u>	<u>1,543,483</u>	<u>440,504,600</u>	<u>1,849,994</u>	<u>16,849,999</u>	<u>98,325</u>	<u>459,106,268</u>
Less accumulated depreciation for:							
Buildings	(40,257,421)	(802,612)	(41,060,033)	-	(1,707,211)	-	(42,767,244)
Improvements	(43,104,811)	-	(43,104,811)	-	(3,542,094)	-	(46,646,905)
Furniture and equipment	(10,130,992)	-	(10,130,992)	3,643	(923,573)	(87,587)	(10,963,335)
Vehicles	(10,624,435)	-	(10,624,435)	(21,579)	(913,749)	-	(11,559,763)
Infrastructure	(129,639,706)	-	(129,639,706)	-	(6,546,181)	-	(136,185,887)
Total accumulated depreciation	<u>(233,757,365)</u>	<u>(802,612)</u>	<u>(234,559,977)</u>	<u>(17,936)</u>	<u>(13,632,808)</u>	<u>(87,587)</u>	<u>(248,123,134)</u>
Total capital assets, being depreciated, net	<u>205,203,752</u>	<u>740,871</u>	<u>205,944,623</u>	<u>1,832,058</u>	<u>3,217,191</u>	<u>10,738</u>	<u>210,983,134</u>
Governmental activities capital assets, net	<u>\$ 258,181,109</u>	<u>\$ 2,658,328</u>	<u>\$ 260,839,437</u>	<u>\$ -</u>	<u>\$ 7,159,532</u>	<u>\$ 10,738</u>	<u>\$ 267,988,231</u>

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

General government	\$ 708,108
Cultural and convention center	1,432,622
Public safety	3,235,880
Public works	454,535
Parks and recreation	6,229,743
Library	154,641
Internal Service	<u>1,417,279</u>
Total depreciation	<u>\$ 13,632,808</u>

CITY OF PALM SPRINGS

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2016

Note 4: Capital Assets (Continued)

<u>Business-type Activities</u>	<u>Beginning Balance</u>	<u>Adjustment</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets, not being depreciated:					
Land	\$ 36,737,609	\$ -	\$ -	\$ -	\$ 36,737,609
Capital assets, being depreciated:					
Buildings	50,323,439	-	928,608	-	51,252,047
Improvements	196,545,829	-	14,083,175	-	210,629,004
Machinery and equipment	4,648,168	1,713	83,478	-	4,733,359
Motor vehicles	3,099,320	-	11,152	-	3,110,472
Subsurface lines	27,387,700	-	-	-	27,387,700
Total capital assets, being depreciated	282,004,456	1,713	15,106,413	-	297,112,582
Less accumulated depreciation for:					
Buildings	(31,345,729)	-	(1,067,593)	-	(32,413,322)
Improvements	(146,553,366)	-	(7,117,557)	-	(153,670,923)
Machinery and equipment	(2,853,657)	(1,713)	(299,779)	-	(3,155,149)
Motor vehicles	(1,849,382)	-	(211,107)	-	(2,060,489)
Subsurface lines	(19,675,780)	-	(547,753)	-	(20,223,533)
Total accumulated depreciation	(202,277,914)	(1,713)	(9,243,789)	-	(211,523,416)
Total capital assets, being depreciated, net	79,726,542	-	5,862,624	-	85,589,166
Business-type activities capital assets, net	\$ 116,464,151	\$ -	\$ 5,862,624	\$ -	\$ 122,326,775

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

Airport	\$ 7,406,943
Wastewater	1,735,544
Golf course	101,302
Total depreciation	<u>\$ 9,243,789</u>

CITY OF PALM SPRINGS

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2016

Note 5: Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2016, (including unamortized discounts and refunding costs) are as follows:

Governmental Activities	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
Compensated absences payable	\$ 5,914,648	\$ 4,397,881	\$ 4,091,825	\$ 6,220,704	\$ 4,215,408
Claims and Judgments payable	6,498,701	7,099,494	3,821,716	9,776,479	5,402,811
Special assessment debt	6,645,000	-	420,000	6,225,000	370,000
Capital lease-CaLease/OshKosh	353,478	-	111,709	241,769	111,708
Capital lease-Motorola	1,520,415	-	356,182	1,164,233	371,675
Notes payable:					
Capital One Public Financing - Chevron	18,122,793	-	315,326	17,807,467	362,835
Chino Cinega Foundation Note Payable	371,279	-	65,209	306,070	69,448
Bonds Payable, net:					
2012A Lease Revenue Bonds	20,395,000	-	1,255,000	19,140,000	1,305,000
2007 Refunding Lease Revenue Bonds	3,687,965	-	240,092	3,447,873	249,627
2007 Pension Obligation Bonds	19,572,184	-	349,275	19,222,909	289,840
2012B Measure J Lease Revenue Bonds	41,300,000	-	1,335,000	39,965,000	1,390,000
2014 Lease Revenue Bonds	44,375,000	-	650,000	43,725,000	665,000
2015 Measure A Sales Tax Revenue Bonds	6,245,000	-	865,000	5,380,000	905,000
2015 Lease Revenue Bonds	-	5,680,000	-	5,680,000	125,000
Certificates of Participation:					
2002A Taxable Variable Rate Certificates of Participation	6,915,000	-	6,915,000	-	-
Unamortized Premiums/(Discounts)					
Special Assessment Debt	(59,946)	-	(3,868)	(56,078)	-
2012A Lease Revenue Bonds	390,253	-	60,819	329,434	-
2014 Lease Revenue Bonds	4,841,701	-	225,196	4,616,505	-
2007 Refunding Lease Revenue	(26,059)	-	(2,171)	(23,888)	-
2012B Measure J	1,307,432	-	72,248	1,235,184	-
2015 Measure A	535,287	-	76,470	458,817	-
2015 Lease Revenue Bonds	-	1,006,277	58,018	948,259	-
Total governmental long-term liabilities, net	<u>\$ 188,905,131</u>	<u>\$ 18,183,652</u>	<u>\$ 21,278,046</u>	<u>\$ 185,810,737</u>	<u>\$ 15,833,352</u>

The liability for pension-related debt and compensated absences are fully liquidated by the general fund.

Business-type Activities	Beginning Balance (restated)	Additions	Deletions	Ending Balance	Due Within One Year
Compensated absences	\$ 730,124	\$ 629,399	\$ 578,691	\$ 780,832	\$ 618,882
Capital leases payable	6,807	-	6,807	-	-
Airport Revenue bonds payable:					
1998 Airport PFC Revenue Bonds	5,555,000	-	435,000	5,120,000	455,000
2006 Airport PFC Revenue Bonds	8,010,000	-	655,000	7,355,000	480,000
2008 Airport PFC Revenue Bonds	5,040,000	-	415,000	4,625,000	305,000
Unamortized discount	(443,773)	-	(37,811)	(405,962)	-
Airport Revenue bonds payable, net	18,161,227	-	1,467,189	16,694,038	1,240,000
2007 Refunding Lease	8,502,035	-	554,908	7,947,127	575,373
Total business-type long-term liabilities, net	<u>\$ 27,400,193</u>	<u>\$ 629,399</u>	<u>\$ 2,607,595</u>	<u>\$ 25,421,997</u>	<u>\$ 2,434,255</u>

CITY OF PALM SPRINGS

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2016

Note 5: Long-Term Liabilities (Continued)

Special Assessment Debt with Government Commitment

At June 30, 2016, the City of Palm Springs has one outstanding Assessment District (A.D.) Improvement Refunding Bond ("Bonds") originally issued in the amount of \$6,645,000 pursuant to the Improvement Bond Act of 1915. The proceeds of the Bond were used to refund outstanding obligations of the City of Palm Springs with respect to its Assessment District No. 161, Assessment District No. 162 and Assessment District No 164, to pay costs related to the issuance of the Bonds, and make a deposit to a Reserve Fund for the Bonds.

A.D. 2015-1

\$6,645,000 bonds issued April 1, 2015, bonds mature between September 2, 2016 and September 2, 2030 in amounts ranging from \$210,000 through \$520,000, bonds maturing on any September 2 may be redeemed prior to its fixed maturity date, at the option of the City, at rates ranging from 100% to 103% of the principal amount. The balance of this bond at June 30, 2016 is:

\$6,225,000

Total Special Assessment Debt with Government Commitment

\$6,225,000

Annual requirements to amortize outstanding special assessment debt as of June 30, 2016, are as follows:

June 30	A.D. 2015-1	
	Principal	Interest
2017	\$ 370,000	\$ 170,420
2018	380,000	164,863
2019	385,000	157,213
2020	385,000	149,513
2021	395,000	141,713
2022-2026	2,130,000	540,378
2027-2031	2,180,000	173,459
Total	<u>\$ 6,225,000</u>	<u>\$ 1,497,559</u>

The City in effect reduced its aggregate debt service payments by \$1,566,755 over the remaining maturity period of the A.D. 2015-1 bonds to obtain an economic gain of \$2,835,418 (difference between the present values of the debt service payments on the old and new debt).

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

Note 5: Long-Term Liabilities (Continued)**Capital Lease Obligations****Fire Vehicles Lease (OshKosh #2)**

In 2008, the City entered into a lease agreement for the financing of the acquisition of two Pierce Quantum fire apparatus. 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 were acquired under this lease agreement are recorded in the Motor Vehicle Replacement Fund, as motor vehicles for total cost of \$993,592.

The financing was obtained from OshKosh Capital, for \$913,648 with an interest rate of 5.38% and annual payments of \$130,725 through the end of the lease (October 2017). The outstanding balance at June 30, 2016, is \$241,769.

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

Year Ending June 30	OshKosh#2
2017	\$ 130,725
2018	130,725
Subtotal	261,450
Less: Amount representing interest	(19,681)
Total	<u>\$ 241,769</u>

Motorola Communications Equipment

In December 2008, the City entered into a lease agreement for the financing of the acquisition of Motorola communications equipment. 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 total cost of the equipment acquired under the lease agreement was \$3,366,478.

The financing was obtained from Municipal Finance Corporation in December 2008, for \$3,366,478 with an interest rate of 4.35% and annual payments of \$422,319 through the end of the lease (December 2019). The outstanding balance at June 30, 2016, is \$1,164,233.

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

Year Ending June 30	
2017	\$ 422,319
2018	422,319
2019	422,319
2020	211,160
Subtotal	1,478,117
Less: Amount representing interest	(313,884)
Total	<u>\$ 1,164,233</u>

CITY OF PALM SPRINGS

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2016

Note 5: Long-Term Liabilities (Continued)

Notes Payable

Capital One Public Financing

The City entered into an agreement with Chevron Energy Solutions Co., In July 2013, for the amount of \$18,402,793 for the purpose of financing the energy conservation measures project. The equipment portion of the agreement of \$6,000,000 matures on August 1, 2029 and has an annual interest rate at 3.34% annum. The property and land portion of the project matures on August 1, 2033 and has an interest rate at 4.2% annum.

\$17,807,467

Chino Cinega Foundation

To purchase property, the City entered into an agreement on September 10, 2012 with the Chino Cinega Foundation to borrow \$490,000. The note accrues interest at 6.5% per annum. Annual payments of \$89,342 are required through 2019 and a final payment of \$83,890 is required for 2020.

\$306,070

Annual requirements to amortize outstanding notes payable as of June 30, 2016, is as follows:

Year Ending June 30	Capital One Note		Chino Cinega Note		Total
	Principal	Interest	Principal	Interest	
2017	\$ 362,835	\$ 693,470	\$ 69,448	\$ 19,894	\$ 1,145,647
2018	413,605	679,745	73,962	15,380	1,182,692
2019	467,677	664,053	78,770	10,573	1,221,073
2020	525,387	646,262	83,890	5,453	1,260,992
2021	586,694	626,234	-	-	1,212,928
2022-2027	5,028,071	3,193,674	-	-	8,221,745
2028-2032	6,784,215	1,547,298	-	-	8,331,513
2033	3,638,983	145,595	-	-	3,784,578
	<u>\$ 17,807,467</u>	<u>\$ 8,196,330</u>	<u>\$ 306,070</u>	<u>\$ 51,300</u>	<u>\$ 26,361,167</u>

Note 5: Long-Term Liabilities (Continued)

Bonds Payable

Governmental Activities:

2012 A Convention Center Lease Revenue Bonds

On February 1, 2012, the City of Palm Springs Financing Authority issued \$23,980,000 Lease Revenue Bonds, Series A to provide funds to provide for the current refunding of the Lease Revenue Bonds, 2001 Series A. The bonds are payable from the revenues pledged under the Indenture of Trust, consisting primarily of lease payments to be made by the City of Palm Springs to the Authority as rental for City owned Convention Center and from certain funds held under the Indenture of Trust and insurance or condemnation awards.

The bonds accrue interest at rates between 2.00% and 5.00%. The principal amounts mature between November 1, 2012 and November 1, 2025, in amounts ranging from \$500,000 to \$2,865,000. The required reserve for the 2004A and 2012A Convention Center Lease Revenue Bonds is \$5,646,097. At June 30, 2016, the reserve fund was fully funded. The amount of bonds outstanding at June 30, 2016, is \$19,140,000.

2014 A Convention Center Lease Revenue Bonds

On July 24, 2014, the City of Palm Springs Financing Authority issued \$45,550,000 Lease Revenue Bonds, Series A to provide funds to provide for the current refunding of the Lease Revenue Bonds, 2004. The bonds are payable from the revenues pledged under the Indenture of Trust, consisting primarily of lease payments to be made by the City of Palm Springs to the Authority as rental for City owned Convention Center and from certain funds held under the Indenture of Trust and insurance or condemnation awards.

The bonds accrue interest at rates between 3.50% and 5.00%. The principal amounts mature between November 1, 2014 and August 1, 2035, in amounts ranging from \$650,000 to \$4,825,000. The required reserve for the 2014A Convention Center Lease Revenue Bonds is \$5,005,938. At June 30, 2016, the reserve fund was fully funded. The amount of bonds outstanding at June 30, 2016, is \$43,725,000.

The City in effect reduced its aggregate debt service payments by \$22,528,329 over the remaining maturity period of the 2014 A Convention Center Lease Revenue Bonds to obtain an economic gain of \$17,974,052 (difference between the present values of the debt service payments on the old and new debt).

The total convention center bonds outstanding at June 30, 2016, were \$62,865,000.

Future requirements to amortize outstanding convention center bonds as of June 30, 2016, are as follows:

CITY OF PALM SPRINGS

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2016

Note 5: Long-Term Liabilities (Continued)

June 30	2012 Convention Center Lease Revenue Bonds		2014 Convention Center Lease Revenue Refunding Bonds	
	Principal	Interest	Principal	Interest
2017	\$ 1,305,000	\$ 659,938	\$ 665,000	\$ 2,055,281
2018	1,280,000	621,163	760,000	2,022,981
2019	1,370,000	581,413	750,000	1,985,231
2020	1,420,000	539,563	780,000	1,946,981
2021	1,460,000	496,363	825,000	1,906,856
2022-2026	12,305,000	1,357,206	870,000	9,235,406
2027-2031	-	-	17,175,000	7,252,781
2032-2036	-	-	21,900,000	2,529,891
Total	<u>\$ 19,140,000</u>	<u>\$ 4,255,646</u>	<u>\$ 43,725,000</u>	<u>\$ 28,935,408</u>

2007 Refunding Lease Revenue Bonds

On July 25, 2007, the City of Palm Springs Financing Authority issued \$20,365,000 Refunding Lease Revenue Bonds, Series 2007 to defease the remaining \$19,095,000 and \$1,930,000 of 1996 Multiple Capital Facilities Refunding Certificates of Participation and 1998 Multiple Capital Facilities Refunding Certificates of Participation respectively.

The Bonds consist of \$17,840,000 of serial bonds and \$2,525,000 of term bonds. The serial bonds accrue interest at rates between 4.00% and 5.00% and mature between April 1, 2008 and April 1, 2027, in amounts ranging from \$795,000 and \$1,205,000. The only portion of the term bonds with principal of \$2,525,000 accrues interest at a rate of 4.50% and matures on April 1, 2017.

The Bonds maturing on April 1, 2017, (Term Bonds) are subject to mandatory redemption, in part by lot, from sinking fund payments commencing on April 1, 2026.

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 2007 Refunding Lease Revenue Bonds at June 30, 2016, are reflected in the accompanying financial statements as follows:

	Balance at June 30, 2016
Governmental activities:	
Police building project & master lease	\$ 1,280,843
Cogeneration plant fund	2,167,030
	<u>3,447,873</u>
Less unamortized discount	(23,888)
Total governmental activities	<u>\$ 3,423,985</u>
Business-type activities	
Golf Course fund	<u>\$ 7,947,127</u>

CITY OF PALM SPRINGS

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2016

Note 5: Long-Term Liabilities (Continued)

The bonds relating to the Golf Course fund had deferred refunding charges of \$372,850 at June 30, 2016.

Future requirements to amortize outstanding 2007 Refunding Lease Revenue Bonds as of June 30, 2016, are as follows:

June 30	2007 Refunding Lease Revenue Bonds	
	Principal	Interest
2017	\$ 825,000	\$ 519,938
2018	860,000	486,938
2019	895,000	451,678
2020	935,000	414,088
2021	980,000	367,338
2022-2026	5,610,000	1,114,000
2027-2031	1,290,000	58,050
Total	\$ 11,395,000	\$ 3,412,030

2015 Local Measure A Sales Tax Revenue Bonds

On July 24, 2014, the City of Palm Springs Public Financing Authority issued \$6,245,000 Leave Revenue Series A Refunding Bonds. The proceeds from the issuance were used to refund a portion of the Leave Revenue Bonds, 2004 series, which were used to fund capital projects related to the expansion of the convention center project. Interest on the bonds range between 3.5% to 5.0% and the final maturity date is August 1, 2035.

The total Sales Tax Revenue bonds outstanding at June 30, 2016, is \$5,380,000 including \$458,817 of unamortized premium.

Fiscal Year	Principal	Interest
June 30		
2017	\$ 905,000	\$ 193,700
2018	930,000	166,550
2019	950,000	147,950
2020	990,000	109,950
2021	1,015,000	80,250
2022-2026	590,000	29,500
Totals	\$ 5,380,000	\$ 727,900

CITY OF PALM SPRINGS

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

Note 5: Long-Term Liabilities (Continued)

2012 Lease Revenue Refunding Bonds, Series B

On June 6, 2012, the City of Palm Springs Financing Authority issued \$44,965,000 Lease Revenue Bonds, Series B to provide funds for the financing and acquisition and construction of public improvements. The bonds are payable from the revenues pledged under the Indenture of Trust, consisting primarily of lease payments to be made by the City of Palm Springs to the Authority as rental for certain City owned property and from certain funds held under the Indenture of Trust and insurance or condemnation awards.

The bonds accrue interest at rates between 2.00% and 5.25%. The principal amounts mature between June 1, 2013 and June 1, 2035, in amounts ranging from \$1,135,000 to \$3,050,000.

The total Lease Revenue bonds outstanding at June 30, 2016, is \$39,965,000 including \$1,235,184 of unamortized premium.

Fiscal Year June 30	Principal	Interest
2017	\$ 1,390,000	\$ 1,797,162
2018	1,445,000	1,741,563
2019	1,500,000	1,683,762
2020	1,560,000	1,623,763
2021	1,625,000	1,561,362
2022-2026	9,265,000	6,662,075
2027-2031	11,755,000	4,180,173
2032-2036	11,425,000	1,321,225
Totals	<u>\$ 39,965,000</u>	<u>\$ 20,571,085</u>

2015 Lease Revenue Refunding Bonds

On December 1, 2015, the City of Palm Springs Public Financing Authority issued \$5,680,000 Lease Revenue Refunding Bonds. The proceeds from the issuance were used to refund the 2002A Certificates of Participation, which were used to fund capital projects related to the downtown parking structure. Interest on the bonds range between 2.0% to 5.0% and the final maturity date is November 1, 2027.

The total bonds outstanding at June 30, 2016, is \$5,680,000 including \$948,259 of unamortized premium.

The refunding of the 2002A Certificates of Participation resulted in a cash flow difference of \$301,517.

CITY OF PALM SPRINGS

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

Note 5: Long-Term Liabilities (Continued)

Fiscal Year June 30	Principal	Interest
2017	\$ 125,000	\$ 362,966
2018	295,000	258,900
2019	340,000	249,150
2020	365,000	235,050
2021	425,000	217,125
2022-2026	2,730,000	714,000
2026-2030	1,400,000	70,500
Totals	<u>\$ 5,680,000</u>	<u>\$ 2,107,691</u>

2007 Taxable Pension Obligation Bonds

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

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

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

The balance outstanding as of June 30, 2016, was \$19,222,909 including accreted interest of \$1,042,557.

CITY OF PALM SPRINGS

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016**

Note 5: Long-Term Liabilities (Continued)

Year Ending June 30	Series A-1		Series A-2	
	Principal	Interest	Principal	Interest
2017	\$ -	\$ 814,648	\$ 289,840	\$ 191,483
2018	-	814,648	299,827	175,657
2019	605,000	814,648	-	159,077
2020	695,000	782,159	-	159,077
2021	790,000	744,838	-	159,077
2022-2026	4,205,000	3,221,421	497,090	689,441
2027-2031	-	2,359,062	2,303,595	390,373
2032-2036	8,495,000	1,234,654	-	-
Total	<u>\$ 14,790,000</u>	<u>\$ 10,786,078</u>	<u>\$ 3,390,352</u>	<u>\$ 1,924,185</u>

Certificates of Participation

2002A Taxable Variable Rate Certificates of Participation

On July 29, 2002, pursuant to a lease agreement with the City of Palm Springs Financing Authority, the City executed and delivered \$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 a parking structure and furnish, equip, and improve the site.

The certificates accrue interest at variable rates not to exceed 12%. The variable interest rate may be converted to a fixed rate at the election of the City. Principal amounts mature between August 2010 and August 2027, in amounts ranging from \$190,000 to \$755,000. The certificates are subject to mandatory sinking account redemption from lease payments made by the City at a redemption price equal to the principal amount to be redeemed, together with accrued interest to the redemption date, without premium. Under an irrevocable letter of credit issued by Union Bank of California in the amount of \$8,152,548, the trustee or the remarketing agent is entitled to draw an amount sufficient to pay the purchase price of the Demand Certificates delivered to it. The letter of credit was valid through July 31, 2012. On June 29, 2012 the letter of credit was amended to expire on July 31, 2015, with a change in the amount to \$7,750,016. The City is required to pay Union Bank a quarterly commitment fee for the letter of credit of 1.25% of the amount. California State Teachers' Retirement System (STRS) has provided a confirming letter of credit in the same amount, which renews annually each July. The City is required to pay STRS an annual commitment fee of 0.25% of the amount, per annum based on 365 days. The current interest rate on these certificates ranged between 1.35% - 2.5%. At June 30, 2016, the bonds were refunded with the fiscal year 2015-2016 Lease Revenue Bonds.

Note 5: Long-Term Liabilities (Continued)

Compensated Absences

This liability represents the total unpaid vacation and compensation time earned by employees of the City in its general fund to be paid from future resources.

Business-type Activities:

Capital Lease Obligation

Golf Course Maintenance Equipment

In 2011, the City entered into a lease agreement for the financing of the acquisition of 33 pieces of maintenance equipment for service at the Tahquitz Creek Legends and Resort Golf Courses. 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 equipment was acquired under this lease agreement and is recorded in the Golf Course Fund.

The financing was obtained from Turf Star Inc., for \$294,452 with an interest rate of 5.42% and annual payments ranging from \$13,675 to \$82,049 through the end of the lease. The final payment of \$6,807 was made during the current year.

Note 5: Long-Term Liabilities (Continued)

Bonds Payable

1998 Airport Passenger Facility Charge Revenue Bonds

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

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

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

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2016

Note 5: Long-Term Liabilities (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 \$849,497. At June 30, 2016, the reserve fund was fully funded. The amount of bonds outstanding at June 30, 2016, is \$5,120,000. The bonds had \$99,576 of unamortized discount.

2006 Airport Passenger Facility Charge Revenue Bonds

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

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

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

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

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

A special redemption was made on July 1, 2015, with the redemption price at 103% for the amount of \$200,000.

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

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

Note 5: Long-Term Liabilities (Continued)

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

The required reserve for the 2006 Airport Passenger Facility Charge Revenue Bonds is \$961,610. At June 30, 2016, the reserve fund was fully funded. The amount of bonds outstanding at June 30, 2016, is \$7,355,000. The bonds had \$123,388 of unamortized discount and \$372,850 deferred refunding charges.

2008 Airport Passenger Facility Charge Revenue Bonds

On May 14, 2008, the City issued \$6,895,000 Airport Passenger Facility Charge Revenue Bonds, to refund in their entirety the remaining \$7,125,000 of the Authority Airport Revenue Bonds, Series 1998 (1998 GAR Bonds), issued to finance certain improvements to the Airport.

The Bonds consist of \$6,895,000 of term bonds. The first portion of term bonds with principal of \$1,145,000 accrues interest at 5.30% and matures on July 1, 2013. The second portion of term bonds with principal of \$1,540,000 accrues interest of 6.00% and matures on July 1, 2018. The third portion of term bonds with principal of \$2,050,000 accrues interest at 6.40% and matures on July 1, 2023. The fourth portion of the term bonds with principal of \$2,160,000 accrues interest of 6.50% and matures on July 1, 2027.

The Bonds are subject to special mandatory redemption, in part by lot each July 1, beginning July 1, 2009, from certain excess PFC Revenues, defined herein as "Remaining Revenues", in inverse order of maturity, pro-rata with the 2006 PFC Bonds, 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 as follows:

<u>Redemption Dates</u>	<u>Redemption Prices</u>
Each July 1 prior to July 1, 2014	103%
July 1, 2014	102%
July 1, 2015	101%
July 1, 2016 and each July 1 thereafter	100%

A special redemption was made on July 1, 2015, with the redemption price at 103% for the amount of \$130,000.

The Bonds maturing on or after July 1, 2018, are subject to redemption prior to maturity on any date on or after July 1, 2014, in whole or in part, in a manner determined by the City, from prepayments made at the option of the City pursuant to the Indenture 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 as follows:

CITY OF PALM SPRINGS

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

Note 5: Long-Term Liabilities (Continued)

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

The required reserve for the 2008 Airport Passenger Facility Charge Revenue Bonds is \$644,000. At June 30, 2016, the reserve fund was fully funded. The amount of bonds outstanding at June 30, 2016, is \$4,625,000, including \$182,998 unamortized discount and \$222,533 deferred refunding charges.

Future requirements to amortize outstanding business-type bonds payable (excluding \$405,962 of unamortized discounts and \$595,383 of deferred refunding charges) as of June 30, 2016, are as follows:

Fiscal Year Ending June 30	<u>1998 PFC Airport Bonds</u>		<u>2006 PFC Airport Bonds</u>		<u>2008 PFC Airport Bonds</u>	
	Principal	Interest	Principal	Interest	Principal	Interest
2017	\$ 455,000	\$ 272,594	\$ 480,000	\$ 405,298	\$ 305,000	\$ 293,700
2018	480,000	249,275	505,000	379,378	325,000	275,400
2019	505,000	224,675	530,000	351,855	345,000	255,900
2020	535,000	198,163	560,000	322,970	365,000	235,200
2021	565,000	170,075	590,000	292,450	385,000	211,840
2022-2026	2,580,000	362,888	3,480,000	936,008	2,315,000	657,745
2027-2031	-	-	1,210,000	89,078	585,000	39,975
Total	<u>\$ 5,120,000</u>	<u>\$ 1,477,670</u>	<u>\$ 7,355,000</u>	<u>\$ 2,777,035</u>	<u>\$ 4,625,000</u>	<u>\$ 1,969,760</u>

Pledged Revenues

The PFC Bonds are payable from the revenues pledged under the Indenture consisting primarily of Installment Payments to be made by the City of Palm Springs. The City's obligation to make installment payments is payable solely from Passenger Facilities charges ("PFC Revenues") imposed by the City under the authority of its Federal Aviation Act and regulation. As of June 30, 2016, principal and interest remaining on the PFC bonds was \$23,324,465. For the current year, principal and interest paid and total PFC revenues were \$2,209,157 and \$3,805,090 respectively.

Note 6: Claims and Judgments

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

The City of Palm Springs purchases commercial workers' compensation insurance from Safety National Casualty Corporation. Under this policy, employers recover claims in excess of the City's self insured retention of \$1,000,000 and provides employer's liability coverage up to \$50,000,000 in addition to workers' compensation statutory limits.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2016

Note 6: Claims and Judgments (Continued)

The claims and judgments liability reported in the Internal Service Risk Management Fund is based on the requirements of Governmental Accounting Standards Board Statements No. 10 and 30, 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, 2016, claims and judgments payable, including estimated claims for incurred but not reported claims, amounted to \$9,776,479, of which \$5,402,811 represents the current portion.

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

Changes in the claims and judgments payable amounts in fiscal years ended June 30, 2015 and 2016, for the Risk Management Fund are as follows:

Fiscal Year Ending	Beginning of Fiscal Year Liability	Current Year Claims and Change in Estimates	Claims Payments	Balance at Fiscal Year End
2014-2015	\$ 5,053,838	\$ 3,816,003	\$ (2,371,140)	\$ 6,498,701
2015-2016	6,498,701	7,099,494	(3,821,716)	9,776,479

Note 7: Defined Benefit Pension Plan (PERS)

a. Agent Multiple-Employer Defined Benefit Plans

General Information about the Pension Plans

Plan Description, Benefits Provided and Employees Covered

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 and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. PERS acts as a common investment and administrative agent for participating public entities within the State of California. Benefit provisions and all other requirements are established by state statute and city ordinance. Copies of PERS' annual financial report may be obtained from its executive office: 400 P Street, Sacramento, California 95814.

Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

CITY OF PALM SPRINGS

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2016

Note 7: Defined Benefit Pension Plan (PERS) (Continued)

The Plan's provisions and benefits in effect at June 30, 2016, are summarized as follows:

	Miscellaneous Plan*	Safety Plan*
Hire date	Prior to January 1, 2013	Prior to January 1, 2013
Benefit formula	2.7% @ 55	3.0% @ 50
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	minimum 50 yrs	minimum 50 yrs
Monthly benefits, as a % of eligible compensation	2.000% - 2.700%, 50 yrs - 55+ yrs, respectively	3.000%, 50+ yrs
Required employee contribution rates	8.000%	9.000%
Required employer contribution rates	25.330%	41.476%

* Closed to new entrants.

Employees Covered

At June 30, 2016, the following employees were covered by the benefit terms of the Plan:

Description	Number of members	
	Miscellaneous	Safety
Active members	258	128
Transferred members	121	255
Terminated members	171	33
Retired members and beneficiaries	453	20
Total	1,003	436

Contribution Description

Section 20814(c) of the California Public Employees' Retirement Law (PERL) requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through the CalPERS' annual actuarial valuation process. The actuarially determined rate is based on the estimated amount necessary to pay the Plan's allocated share of the risk pool's costs of benefits earned by employees during the year, and any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

For the year ended June 30, 2016, the employer contributions recognized as a reduction to the net pension liability for the Miscellaneous and Safety Plan were \$4,343,728 and \$5,270,514, respectively.

Note 7: Defined Benefit Pension Plan (PERS) (Continued)

Net Pension Liability

The City's net pension liability for each Plan is measured as the total pension liability, less the pension plan's fiduciary net position. The net pension liability of each of the Plans is measured as of June 30, 2015, using an annual actuarial valuation as of June 30, 2014 rolled forward to June 30, 2015 using standard update procedures. A summary of principal assumptions and methods used to determine the net pension liability is shown below.

The total pension liabilities in the June 30, 2014 actuarial valuations were determined using the following actuarial assumptions:

Actuarial Cost Method	Entry Age Normal in accordance with the requirements of GASB Statement No. 68
Actuarial Assumptions	
Discount Rate	7.65%
Inflation	2.75%
Salary Increases	Varies by Entry Age and Service
Investment Rate of Return	7.65% Net of Pension Plan Investment and Administrative Expenses; includes Inflation
Mortality Rate Table (1)	Derived using CalPERS' Membership Data for all Funds
Post Retirement Benefit Increase	Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter

(1) The mortality table used was developed based on CalPERS' specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the 2014 experience study report.

All other actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period from 1997 to 2011, including updates to salary increase, mortality and retirement rates. The Experience Study report can be obtained at CalPERS' website under Forms and Publications.

Change of Assumptions

GASB 68, paragraph 68 states that the long-term expected rate of return should be determined net of pension plan investment expense but without reduction for pension plan administrative expense. The discount rate of 7.50 percent used for the June 30, 2014 measurement date was net of administrative expenses. The discount rate of 7.65 percent used for the June 30, 2015 measurement date is without reduction of pension plans administrative expenses.

Note 7: Defined Benefit Pension Plan (PERS) (Continued)

Discount Rate

The discount rate used to measure the total pension liability was 7.65 percent. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.65 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long-term expected discount rate of 7.65 percent is applied to all plans in the Public Employees Retirement Fund. The stress test results are presented in a detailed report called "GASB Crossover Testing Report" that can be obtained at CalPERS' website under the GASB 68 section.

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

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

Note 7: Defined Benefit Pension Plan (PERS) (Continued)

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

Asset Class	New Strategic Allocation	Real Return Years 1 - 10 (1)	Real Return Years 11+ (2)
Global Equity	51.0%	5.25%	5.71%
Global Fixed Income	19.0	0.99	2.43
Inflation Sensitive	6.0	0.45	3.36
Private Equity	10.0	6.83	6.95
Real Estate	10.0	4.50	5.13
Infrastructure and Forestland	2.0	4.50	5.09
Liquidity	2.0	(0.55)	(1.05)

(1) An expected inflation of 2.5% used for this period

(2) An expected inflation of 3.0% used for this period

Changes in the Net Pension Liability

The following table shows the changes in net pension liability recognized over the measurement period for the Miscellaneous agent multiple-employer plan:

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability/(Assets) (c)=(a)-(b)
Balance at: 6/30/2013 (Valuation Date) (1)	\$ 195,448,394	\$ 149,471,548	\$ 45,976,846
Changes Recognized for the Measurement Period:			
Service Cost	3,638,462	-	3,638,462
Interest on the Total Pension Liability	14,462,203	-	14,462,203
Changes of Benefit Terms	-	-	-
Changes of Assumptions	(3,373,293)	-	(3,373,293)
Differences between Expected and Actual Experience	165,779		165,779
Plan to Plan Resource Management	-	123	(123)
Contribution from the Employer	-	4,332,593	(4,332,593)
Contributions from Employees	-	1,635,767	(1,635,767)
Net Investment Income (2)	-	3,336,784	(3,336,784)
Benefit Payments including Refunds of Employee Contributions	(10,023,409)	(10,023,409)	-
Administrative Expense	-	(167,261)	167,261
Net Changes During 2014-15	4,869,742	(885,403)	5,755,145
Balance at: 6/30/2015 (Measurement Date) (1)	\$ 200,318,136	\$ 148,586,145	\$ 51,731,991

CITY OF PALM SPRINGS

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2016

Note 7: Defined Benefit Pension Plan (PERS) (Continued)

The following table shows the changes in net pension liability recognized over the measurement period for the Safety agent multiple-employer plan:

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability/(Assets) (c)=(a)-(b)
Balance at: 6/30/2013 (Valuation Date) (1)	\$ 228,270,186	\$ 165,220,693	\$ 63,049,493
Changes Recognized for the Measurement Period:			
Service Cost	3,579,202	-	3,579,202
Interest on the Total Pension Liability	16,817,588	-	16,817,588
Changes of Benefit Terms	-	-	-
Difference between Expected and Actual Experience	207,093	-	207,093
Changes of Assumptions	(4,117,429)	-	(4,117,429)
Contribution from the Employer	-	5,272,145	(5,272,145)
Contributions from Employees	-	1,348,094	(1,348,094)
Net Investment Income (2)	-	3,617,828	(3,617,828)
Benefit Payments including Refunds of Employee Contributions	(12,623,417)	(12,623,417)	-
Administrative Expense		(183,062)	183,062
Net Changes During 2013-14	<u>3,863,037</u>	<u>(2,568,412)</u>	<u>6,431,449</u>
Balance at: 6/30/2014 (Measurement Date) (1)	<u>\$ 232,133,223</u>	<u>\$ 162,652,281</u>	<u>\$ 69,480,942</u>

(1) The fiduciary net position includes receivables for employee service buybacks, deficiency reserves, fiduciary self-insurance and OPEB expense. This may differ from the plan assets reported in the funding actuarial valuation report.

(2) Net of administrative expenses.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the Plan as of the measurement date, calculated using the discount rate of 7.65 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (6.65 percent) or 1 percentage-point higher (8.65 percent) than the current rate:

	Discount Rate - 1% (6.65%)	Current Discount Rate (7.65%)	Discount Rate +1% (8.65%)
Miscellaneous Plan:			
Plan's Net Pension Liability/(Assets)	\$ 77,167,369	\$ 51,731,991	\$ 30,616,372
Safety Plan:			
Plan's Net Pension Liability/(Assets)	100,476,701	69,480,942	44,052,402
Total	<u>\$ 177,644,070</u>	<u>\$ 121,212,933</u>	<u>\$ 74,668,774</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

Note 7: Defined Benefit Pension Plan (PERS) (Continued)***Pension Plan Fiduciary Net Position***

The plan fiduciary net position disclosed in the GASB 68 accounting valuation report may differ from the plan assets reported in the funding actuarial valuation report due to several reasons. First, for the accounting valuations, CalPERS must keep items such as deficiency reserves, fiduciary self-insurance and OPEB expense included as assets. These amounts are excluded for rate setting purposes in the funding actuarial valuation. In addition, differences may result from early Comprehensive Annual Financial Report closing and final reconciled reserves. Detailed information about the plans' fiduciary net position is available in the separately issued CalPERS financial reports. See CalPERS website for additional information.

Pension Expense and Deferred Outflows and Deferred Inflows of Resources Related to Pensions

For the Miscellaneous agent multiple-employer plan, as of the start of the measurement period (July 1, 2014), the net pension liability was \$45,976,846. For the measurement period ending June 30, 2014 (the measurement date), the City incurred a pension expense/(income) of \$167,261 for the Plan.

As of June 30, 2016, the City has deferred outflows and deferred inflows of resources related to pensions as follows:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between Expected and Actual Experience	\$ 90,425	\$ -
Change in Assumptions	-	(1,839,978)
Net Difference between Projected and Actual Earnings on Pension Plan Investments	-	(1,396,100)
City contributions subsequent to the measurement date	\$ 4,915,444	\$ -
Total	\$ 5,005,869	\$ (3,236,078)

The amount of \$4,915,444 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows or deferred inflows of resources related to pensions will be recognized as pension expense as follows:

<u>Measurement Period ended June 30:</u>	<u>Deferred Outflows/(Inflows) of Resources</u>
2015	\$ (2,447,416)
2016	(1,281,047)
2017	(989,457)
2018	1,572,267
Total	<u>\$ (3,145,653)</u>

CITY OF PALM SPRINGS

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016**

Note 7: Defined Benefit Pension Plan (PERS) (Continued)

For the Safety agent multiple-employer plan, as of the start of the measurement period (July 1, 2014), the net pension liability was \$63,049,493. For the measurement period ending June 30, 2015 (the measurement date), the City incurred a pension expense/(income) of \$6,431,449 for the Plan.

As of June 30, 2016, the City has deferred outflows and deferred inflows of resources related to pensions as follows:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between Expected and Actual Experience	\$ 151,122	\$ -
Change in Assumptions	-	(3,004,610)
Net Difference between Projected and Actual Earnings on Pension Plan Investments	-	(1,584,306)
City contributions subsequent to the measurement date	5,736,274	-
Total	<u>\$ 5,887,396</u>	<u>\$ (4,588,916)</u>

The amount of \$5,736,274 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows or deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Measurement Period ended June 30:	Deferred Outflows/(Inflows) of Resources
2016	\$ (2,169,491)
2017	(2,169,491)
2018	(1,852,437)
2019	1,753,625
Total	<u>\$ (4,437,794)</u>

Note 8: Other Post-Retirement Health Care Benefits

Plan Description

The City provides retiree medical benefits under the CalPERS health plan which provides medical insurance benefits to eligible retirees and their spouses in accordance with various labor agreements. Copies of the CalPERS' annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, CA 95814.

Eligibility

Employees are eligible for retiree health benefits if they retire from the City on or after age 50 (unless disabled) and are eligible for a PERS pension. The benefits are available only to employees who retire from the City. Membership of the plan consisted of 450 eligible active employees and 179 enrolled eligible retirees at June 30, 2016. These amounts do not reflect current retirees not enrolled in the CalPERS health plan who are eligible to enroll in the plan at a later date.

CITY OF PALM SPRINGS

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2016

Note 8: Other Post-Retirement Health Care Benefits (Continued)

Funding Policy

The contribution requirements of plan members and the City are established and may be amended by the City Council. The City must agree to make a defined monthly payment towards the cost of each retiree's coverage. The actual contribution is based on projected pay-as-you-go financing requirements.

Annual OPEB Cost and Net OPEB Obligation. The City's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the *annual required contribution of the employer* (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) not to exceed thirty years.

As of June 30, 2015, the most recent actuarial valuation date, the City did not use the trust fund to administer the financing and payment of benefits for its OPEB. Instead the City paid \$1,757,362 in benefits on a pay-as-you-go basis during the fiscal year. The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City's net OPEB obligation:

	<u>June 30, 2016</u>
Annual required contribution	\$ 7,775,069
Interest on net OPEB obligation	2,423,749
Adjustment to annual required contributions	<u>(4,078,507)</u>
Annual OPEB cost (expense)	6,120,311
Contributions made & Implicit Subsidy	<u>(1,757,362)</u>
Increase in net OPEB obligation	4,362,949
Net OPEB Obligation, Beginning of Year	<u>33,696,420</u>
Net OPEB Obligation, End of Year	<u><u>\$ 38,059,369</u></u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for the year ended June 30, 2016, were as follows:

<u>Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
6/30/2014	\$ 7,222,728	34.4%	\$ 29,450,205
6/30/2015	7,073,763	39.9%	33,696,420
6/30/2016	6,120,311	28.7%	38,059,369

Funding Status and Progress

As of June 30, 2015, the most recent actuarial valuation date, the actuarial accrued liability for benefits was \$107,153,093, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$107,153,093 million and a funded ratio (actuarial value of assets as a percentage of the actuarial accrued liability) of 0 percent. The annual covered payroll was \$30,169,887 and UAAL as a % of covered payroll was 355.2%.

CITY OF PALM SPRINGS

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016**

Note 8: Other Post-Retirement Health Care Benefits (Continued)

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for the benefits.

Schedule of Funding Progress

Actuarial Valuation Date	Entry Age Actuarial Accrued Liability (a)	Actuarial Asset Value (b)	Unfunded AAL (UAAL) [(a) - (b)]	Funded Ratio [(a)/(b)]	Covered Payroll (c)	UAAL as a % of Covered Payroll [((b)-(a))/(c)]
6/30/2011	\$ 99,590,050	\$ -	\$ 99,590,050	0.0%	\$ 26,309,954	378.5%
6/30/2013	106,506,259	-	106,506,259	0.0%	34,035,753	312.9%
6/30/2015	107,153,093	-	107,153,093	0.0%	30,169,887	355.2%

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial assets, consistent with the long-term perspective of the calculations.

The actuarial cost method used for determining the benefit obligations is the entry age normal cost method. The actuarial assumptions included a 4.0% investment rate of return, which is based on assumed long-term investment returns on plan assets and on the City's assets, as appropriate, and an annual healthcare cost trend rate of 8.0% graded down by .5% per year with an ultimate rate of 6%. The UAAL is being amortized as a level percentage of projected payroll over 30 years, on a closed amortization period. The remaining amortization period at June 30, 2016, is 23 years. It is assumed the City's payroll will increase 3.25% per year.

Note 9: Leasehold Interest

SENCA Palm Springs, Inc., a California Corporation, was the lessee under Business Lease No. PSL-315 and a certain letter dated May 1, 1984, which are collectively referred to as the "Master Lease," which totaled 30.85 acres. Under this Master Lease, the Agua Caliente (Palm Springs) Reservation was the "lessor" while SENCA was the "lessee."

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"). The swap saved the City hundreds of thousands of dollars per year in lease payments and allowed SENCA to

Note 9: Leasehold Interest (Continued)

not have to make any lease payments on the undeveloped portion of land until it developed. The City assumed the responsibility of collecting the rent of the three remaining subleases: Wyndham Hotel, Convention Center and Voss Properties. However, SENCA's interest in that sublease was eventually sold to Tom and Jacqueline Suitt. Until the site is developed, the rent was \$1 per year, with a percentage lease calculated in the original 1989 lease amendment applied once the property developed. It was anticipated in the original (1984) and amended (1989) leases that the allottees would be entitled to rental income from the property once developed. 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 Renaissance Palm Springs Hotel, formerly the Wyndham Hotel has been adjusted by increases in the Consumer Price Index to \$981,077.

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, 2014, payment for the fiscal year ending June 30, 2015. 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 \$1,489,200. In April 2004, the City and the Indian allottees approved a Settlement Agreement and new lease amendment that changed how the overall lease was calculated. These actions were intended to settle potential litigation brought by the allottees against the City for an alleged³ underpayment of rent as it related to the calculation of the percentage rent. The 2004 amendment reduced or eliminated most or all of the rent percentages in favor of a higher Guaranteed Annual Rent (GAR) of \$1,200,000 in 2004, and traded a substantial immediate increase in the GAR in return for receiving no additional rent from the Suitt parcel when it developed.

The pre-amendment rent for the whole 30 acres would have been about \$900,000. Just as in the 1989 amendment, the rent should be adjusted in five years (2010) by CPI in an amount not to exceed 30%. Most importantly, the new lease requires a reappraisal of the property (as defined in Addendum 2 and referenced in Article 2 of the original and amended leases) in the year 2014, with the new GAR to be calculated at 8% of the new value.

In late 2004, Suitt entered negotiations with Enterprise California ("Enterprise") for Enterprise to acquire Suitt's position in the sublease and negotiate a new sublease with the City. Enterprise and Suitt then approached the City regarding a lease assumption. Suitt was not a party to any of the 2003-04 negotiations between the allottees and the City that resulted in the Master Lease amendment and their original negotiations with Enterprise were based on their understanding of the terms of the controlling Master Lease (essentially, the 1989 lease) and their sublease.

The City and PS Venture Caballeros/Amado, LLC (a partnership including Enterprise) entered into an Amended and Restated Sublease, dated February 9, 2006, where the City as the Master Lessee and sublandord subleased to PS Venture the Suitt portion of the Master Lease Property, specifically a 9.62-acre parcel of land ("Sublease Land") located at the southeast corner of Avenida Caballeros and Amado Road. Enterprise proposed to construct 234 mid-rise condominiums and town homes on the site and spent over \$7,600,000 on acquisition of the lease and entitlement over the previous two years.

CITY OF PALM SPRINGS

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

Note 9: Leasehold Interest (Continued)

At its June 27, 2007, meeting, the Former Community Redevelopment Agency of the City of Palm Springs approved acquiring the sublease of a 9.62 acre parcel for future development of public and/or private facilities and paid \$7,804,000 for the parcel, which was the fair market value of the land. The transaction was finalized prior to the deadline of October 4, 2007, using 2007 Tax Allocation bonds. The Successor Agency now leases the parcel from the City of Palm Springs.

The Master Lease and subleases are considered for accounting purposes to be operating leases.

Note 10: Construction Commitments

The City has active construction projects as of June 30, 2016. The projects include streets and drainage, facilities and equipment, traffic signal projects, landscapes and bridges. At fiscal year end, the City's encumbrances with contractors were as follows:

	<u>Spent-to-date</u>	<u>Remaining Commitment</u>
Streets and drainage	\$ 30,275,683	\$ 5,083,733
Wastewater Treatment Plant	3,364,987	6,422,090
Opterra/Energy/Cogen	2,150,585	250,963
Airport	3,857,118	466,249
Bridges	1,279,035	565,099
Downtown Parking	350,571	2,042,784
Fire	51,276	181,195
Police	181,447	86,663
Furniture & Equipment	279,679	611,494
Convention Center Parking	879,077	83,792
Entryway Sign	22,215	501,154
Tahquitz Creek Plan	167,235	236,059
	<u>\$ 42,858,908</u>	<u>\$ 16,531,275</u>

Note 11: Successor Agency Trust for Assets of Former Redevelopment Agency

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

The Bill provides that upon dissolution of a redevelopment agency, either the city or another unit of local government will agree to serve as the "successor agency" to hold the assets until they are distributed to other units of state and local government. On January 4, 2012, the City Council elected to become the Successor Agency for the former redevelopment agency in accordance with the Bill as part of City resolution number 23071.

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

Note 11: Successor Agency Trust for Assets of Former Redevelopment Agency (Continued)

Successor agencies are only allocating revenue in the amount that is necessary to pay the estimated annual installment payments on enforceable obligations of the former redevelopment agency until all enforceable obligations of the prior redevelopment agency have been paid in full and all assets have been liquidated.

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

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

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

a. Cash and Investments

Cash and investments reported in the accompanying financial statements consisted of the following:

Cash and investments pooled with the City	\$ 3,200,004
Cash and investments with fiscal agent	<u>1,179,193</u>
	<u>\$ 4,379,197</u>

CITY OF PALM SPRINGS

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016**

Note 11: Successor Agency Trust for Assets of Former Redevelopment Agency (Continued)

b. Capital Assets

Capital Assets reported in the accompanying financial statements consisted of the following:

	Beginning Balance	Transfer to City	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:					
Land	\$ 4,503,347	\$ (1,917,457)	\$ -	\$ -	\$ 2,585,890
Total capital assets, not being depreciated	4,503,347	(1,917,457)	-	-	2,585,890
Capital assets, being depreciated:					
Buildings	1,543,483	(1,543,483)	-	-	-
Total capital assets, being depreciated	1,543,483	(1,543,483)	-	-	-
Less accumulated depreciations for:					
Buildings	(802,612)	802,612	-	-	-
Total accumulated depreciation	(802,612)	802,612	-	-	-
Total capital assets, being depreciated, net	740,871	(740,871)	-	-	-
Total Capital Assets, Net	\$ 5,244,218	\$ (2,658,328)	\$ -	\$ -	\$ 2,585,890

c. Long-Term Debt

A description of long-term debt outstanding (excluding defeased debt) of the Successor Agency as of June 30, 2016, follows:

Fiduciary Activities	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
Advances from the City of Palm Springs	\$ 6,873,284	\$ -	\$ 1,109,000	\$ 5,764,284	\$ -
2007 Tax Allocation Bonds, Series A, B, C	20,520,000	-	155,000	20,365,000	160,000
2014 Tax Allocation Refunding Bonds	15,635,000	-	870,000	14,765,000	940,000
Unamortized Bond Premium	1,975,086	-	98,750	1,876,336	-
Total	\$ 45,003,370	\$ -	\$ 2,232,750	\$ 42,770,620	\$ 1,100,000

Advances from the City of Palm Springs

The Successor Agency has an advance from the City of Palm Springs Housing Fund in the amount of \$5,764,284 as of June 30, 2016. \$1,055,456 of the balance relates to a loan from the Housing Fund to pay the County "Supplemental" Educational Revenue Augmentation Fund (SERAF) from fiscal years 2009-2010 and 2010-2011.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

Note 11: Successor Agency Trust for Assets of Former Redevelopment Agency (Continued)

2007 Tax Allocation Bonds Series A, B, C

On September 7, 2007, the Former Community Redevelopment Agency issued \$12,770,000 TAB Series A, \$1,910,000 TAB Series B, and \$6,495,000 Series C. The Bonds were issued to finance redevelopment activities of the Agency within, or of benefit to, the Agency's Merged Project Area No. 1, capitalize interest in the Series A Bonds, satisfy a portion of the reserve requirement for the Bonds, and provide for the costs of issuing the Bonds.

The Series A Bonds consist of \$2,715,000 of serial bonds and \$10,055,000 of term bonds. The serial bonds accrue interest at rates between 4.00% and 4.50% and mature between September 1, 2017 and September 1, 2025 in amounts ranging from \$150,000 to \$615,000. The first portion of the term bonds with principal of \$5,000,000 accrues interest at a rate of 5.00% and matures on September 1, 2030. The second portion of the term bonds with principal of \$5,055,000 accrues interest at a rate of 5.00% and matures on September 1, 2034.

The Series B Bonds consist of \$1,910,000 in term bonds. The first portion of the term bonds with principal of \$1,910,000 accrues interest at a rate of 6.141% and matures on September 1, 2034.

The Series C Bonds consist of \$6,495,000 in term bonds. The term bonds with principal of \$1,140,000 accrues interest at a rate of 5.59% and matures on September 1, 2017. The second portion of the term bonds with principal of \$5,355,000 accrues interest at a rate of 6.411% and matures on September 1, 2034.

The Series A, B and C Bonds shall also be subject to redemption, in part by lot, on September 1 in each year, from Sinking Account payments made by the Agency pursuant to the Indenture, at a redemption price equal to the principal amount thereof to be redeemed together with accrued interest thereon to the redemption date, without premium, or in lieu thereof shall be purchased pursuant to the Indenture.

The balance outstanding as of June 30, 2016, is \$20,365,000. Future requirements to amortize are as follows:

June 30	Series A		Series B		Series C	
	Principal	Interest	Principal	Interest	Principal	Interest
2017	\$ -	\$ 619,225	\$ -	\$ 117,293	\$ 160,000	\$ 357,284
2018	350,000	619,225	60,000	115,451	170,000	348,061
2019	340,000	598,213	65,000	111,613	185,000	337,379
2020	345,000	584,084	70,000	107,468	195,000	325,198
2021	345,000	569,638	75,000	103,015	210,000	312,216
2022-2026	1,335,000	2,676,253	435,000	439,849	1,250,000	1,336,694
2027-2031	5,000,000	1,913,750	585,000	284,175	1,710,000	866,447
2032-2036	5,055,000	520,875	620,000	79,219	1,805,000	239,932
Total	<u>\$ 12,770,000</u>	<u>\$ 8,101,263</u>	<u>\$ 1,910,000</u>	<u>\$ 1,358,083</u>	<u>\$ 5,685,000</u>	<u>\$ 4,123,211</u>

CITY OF PALM SPRINGS

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

Note 11: Successor Agency Trust for Assets of Former Redevelopment Agency (Continued)

2014 Subordinate Tax Allocation Refunding Bonds

On July 22, 2014, the Successor Agency to the Palm Springs Community Redevelopment Agency issued \$15,635,000 Subordinate Tax Allocation Refunding Bonds. The proceeds from the issuance were used to refund the 2001 and 2004 Series A and B Housing Tax Allocation Bonds. Interest on the bonds range between 3.0% and 5.0% and the final maturity date is August 1, 2034.

The total bond balance outstanding at June 30, 2016, is \$14,765,000 including \$1,876,336 of unamortized premium.

Fiscal Year June 30	Principal	Interest
2017	\$ 940,000	\$ 659,600
2018	985,000	621,100
2019	1,010,000	576,150
2020	1,070,000	524,150
2021	1,120,000	480,600
2022 - 2026	3,905,000	1,790,625
2027 - 2031	2,870,000	1,088,750
2032 - 2036	2,865,000	295,625
Totals	<u>\$ 14,765,000</u>	<u>\$ 6,036,600</u>

Note 11: Successor Agency Trust for Assets of Former Redevelopment Agency (Continued)

Pledged Revenues

The City has pledged a portion, as security for bonds issued, either directly or through the Palm Springs Financing Authority, a portion of future tax increment revenue (including Low and Moderate Income Housing set-aside and pass through allocations) that it receives. The bonds issued were to provide financing for various capital projects and accomplish Low and Moderate Income Housing projects. Assembly Bill 1X 26 provided that upon dissolution of the Redevelopment Agency, property taxes allocated to redevelopment agencies no longer are deemed tax increment but rather property tax revenues and will be allocated first to successor agencies to make payments on the indebtedness incurred by the dissolved redevelopment agency. Total principal and interest remaining on the various bonds is \$54,749,157, payable through September 2034. For the current year, principal and interest paid and total property tax revenues were \$2,823,406 and \$5,123,216, respectively.

d. Insurance

The Successor Agency is covered under the City of Palm Springs's insurance policies. Therefore, the limitation and self-insured retentions applicable to the City also apply to the Successor Agency. Additional information as to coverage and self-insured retentions can be found in Note 6.

e. Commitments and Contingencies

Developer Agreement

In January 2000, the Former Community Redevelopment Agency entered into a Disposition and Development Agreement with VIP Motor Cars, the operators of an auto dealership, to provide rehabilitation assistance to expand and upgrade the dealership. The developer is required to make improvements to the site at a cost of at least \$2,000,000. After improvements are made, the agreement obligates the Agency to pay up to \$1,000,000 based on sales tax revenues generated in excess of a base sales tax revenue threshold. The payments are due annually commencing on the first anniversary of the agreement and ending the earlier of either a period of twelve years or until the \$1,000,000 has been expended.

In May 2003, the Disposition and Development Agreement with VIP Motor Cars was amended. The amendment recalculates the financial assistance formula for the renovation and expansion of the auto dealership and extends the term of the agreement for twelve years for property improvements. The developer is required to make improvements to the site at the cost of \$1,700,000. The agreement is for a period of twelve years or until the \$1,700,000 is rebated, whichever is sooner.

No liability has been reflected in the accompanying financial statements at June 30, 2016, for this agreement.

CITY OF PALM SPRINGS

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2016

Note 12: Hotel Incentive Program Payment Obligations

The City has a Hotel Incentive Program, which has incentivized hoteliers to refurbish older properties or build new hotels in exchange for the partial return of their TOT. During the year ended June 30, 2016, TOT revenues were reduced by \$1,215,944 under agreements entered into by the City with the following ten hotels:

Hotel Incentive Payment Obligations:	Incentive Amount	End of Agreement
Colony Palms	\$ 172,818	February 28, 2021
Skylark	5,959	February 28, 2024
Hyatt	135,244	April 30, 2022
Saguaro	228,819	April 30, 2022
Hilton	140,412	April 30, 2023
Riviera	241,549	May 31, 2022
Hard Rock	150,944	September 30, 2023
Sparrows	64,059	September 30, 2023
Triada	30,201	October 31, 2019
Barefoot Inn	9,573	December 31, 2022
Palm Springs Hotel	36,366	December 31, 2025
Total	\$ 1,215,944	

Note 13: Subsequent Events

On December 7, 2016, the City Council approved to finance the construction of the Wastewater Treatments Plant Upgrade through a low-interest loan provided by the State of California, acting by and through the State Water Resources Control Board, through the Clean Water State Revolving Fund, with an expected maximum principal of \$29,917,266.

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CITY OF PALM SPRINGS

MISCELLANEOUS PLAN - AGENT MULTIPLE-EMPLOYER PLAN
 SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
 AS OF JUNE 30, FOR THE LAST TEN FISCAL YEARS (1)

MEASUREMENT PERIOD (1)	2015	2016
TOTAL PENSION LIABILITY		
Service Cost	\$ 3,620,370	\$ 3,638,462
Interest	13,835,783	14,462,203
Difference Between expected and Actual Experience	-	165,779
Changes in Assumptions	-	(3,373,293)
Benefit Payments, Including Refunds of employee Contributions	(9,349,367)	(10,023,409)
Net Change in Total Pension Liability	8,106,786	4,869,742
Total Pension Liability - Beginning	187,341,608	195,448,394
Total Pension Liability - Ending (a)	\$ 195,448,394	\$ 200,318,136
PLAN FIDUCIARY NET POSITION		
Contribution - Employer	\$ 3,834,378	\$ 4,332,593
Contribution - Employee	1,523,877	1,635,767
Plan to Plan Resource Movement	-	123
Net Investment Income	22,411,505	3,336,784
Benefit Payments, Including Refunds of Employee Contributions	(9,349,367)	(10,023,409)
Administrative Expense	-	(167,261)
Net Change in Fiduciary Net Position	18,420,393	(885,403)
Plan Fiduciary Net Position - Beginning	131,051,155	149,471,548
Plan Fiduciary Net Position - Ending (b)	\$ 149,471,548	\$ 148,586,145
Plan Net Pension Liability/(Assets) - Ending (a) - (b)	\$ 45,976,846	\$ 51,731,991
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	76.48%	74.18%
Covered-Employee Payroll	\$ 18,377,720	\$ 18,830,077
Plan Net Pension Liability/(Asset) as a Percentage of Covered-Employee Payroll	250.18%	274.73%

(1) Historical information is required only for measurement for which GASB 68 is applicable. Fiscal Year 2015 was the first year of implementation, therefore only two years are shown.

Notes to Schedule:

Benefit Changes: The figures above do not include any liability impact that may have resulted from plan changes which occurred after June 30, 2014. This applies for voluntary benefit changes as well as any offers of Two Years Additional Service Credit.

Changes of Assumptions: The discount rate was changed from 7.5 percent (net of administrative expense) to 7.65 percent.

CITY OF PALM SPRINGS

**PENSION PLAN
SCHEDULE OF PLAN CONTRIBUTIONS
AS OF JUNE 30, FOR THE LAST TEN FISCAL YEARS (1)**

	2015	2016
Actuarially Determined Contribution	\$ 4,343,728	\$ 4,915,444
Contribution in Relation to the Actuarially Determined Contribution	(4,343,728)	(4,915,444)
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>
Covered-Employee Payroll (3) (4)	\$ 18,830,077	\$ 19,505,914
Contributions as a Percentage of Covered-Employee Payroll (3)	23.07%	25.20%

(1) Historical information is required only for measurement for which GASB 68 is applicable. Fiscal Year 2015 was the first year of implementation, therefore only one year is shown.

Note to Schedule:

Valuation Date:	June 30, 2013
Methods and assumptions used to determine contribution rates:	
Actuarial cost method	Entry age normal cost method
Amortization method/period	Level percentage of payroll,
Assets valuation method	Market Value
Inflation	2.75%
Salary Increases	3.30% to 14.20%
Payroll Growth	3.00%
Investment rate of return	7.65% net of pension plan investment and administrative expenses, including inflation.
Retirement age	The probabilities of retirement are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007.
Mortality	The probabilities of mortality are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007. Pre-retirement and post-retirement mortality rates include 5 years of projected mortality improvement using Scale AA published by the Society of Actuaries.

CITY OF PALM SPRINGS

**SAFETY PLAN - AGENT MULTIPLE-EMPLOYER PLAN
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
AS OF JUNE 30, FOR THE LAST TEN FISCAL YEARS (1)**

MEASUREMENT PERIOD (1)	2015	2016
TOTAL PENSION LIABILITY		
Service Cost	\$ 3,785,830	\$ 3,579,202
Interest	16,202,972	16,817,588
Difference Between expected and Actual Experience	-	207,093
Changes in Assumptions	-	(4,117,429)
Benefit Payments, Including Refunds of employee Contributions	(11,730,688)	(12,623,417)
Net Change in Total Pension Liability	8,258,114	3,863,037
Total Pension Liability - Beginning	220,012,072	228,270,186
Total Pension Liability - Ending (a)	\$ 228,270,186	\$ 232,133,223
PLAN FIDUCIARY NET POSITION		
Contribution - Employer	\$ 4,602,200	\$ 5,272,145
Contribution - Employee	1,392,329	1,348,094
Net Investment Income (2)	25,042,700	3,617,828
Benefit Payments, Including Refunds of Employee Contributions	(11,730,688)	(12,623,417)
Administrative Expense	-	(183,062)
Net Change in Fiduciary Net Position	19,306,541	(2,568,412)
Plan Fiduciary Net Position - Beginning	145,914,152	165,220,693
Plan Fiduciary Net Position - Ending (b)	\$ 165,220,693	\$ 162,652,281
Plan Net Pension Liability/(Assets) - Ending (a) - (b)	\$ 63,049,493	\$ 69,480,942
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	72.38%	70.07%
Covered-Employee Payroll	\$ 13,414,624	\$ 13,643,575
Plan Net Pension Liability/(Asset) as a Percentage of Covered-Employee Payroll	470.01%	509.26%

(1) Historical information is required only for measurement for which GASB 68 is applicable. Fiscal Year 2015 was the first year of implementation, therefore only two years are shown.

(2) 2015 balance is net of administrative expenses.

Notes to Schedule:

Benefit Changes: The figures above do not include any liability impact that may have resulted from plan changes which occurred after June 30, 2013. This applies for voluntary benefit changes as well as any offers of Two Years Additional Service Credit.

Changes of Assumptions: The discount rate was changed from 7.5 percent (net of administrative expense) to 7.65 percent.

CITY OF PALM SPRINGS

**PENSION PLAN
SCHEDULE OF PLAN CONTRIBUTIONS
AS OF JUNE 30, FOR THE LAST TEN FISCAL YEARS (1)**

	<u>2015</u>	<u>2016</u>
Actuarially Determined Contribution	\$ 5,270,514	\$ 5,736,274
Contribution in Relation to the Actuarially Determined Contribution	(5,270,514)	(5,736,274)
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>
Covered-Employee Payroll (3) (4)	\$ 13,643,575	\$ 14,289,971
Contributions as a Percentage of Covered-Employee Payroll (3)	38.63%	40.14%

(1) Historical information is required only for measurement for which GASB 68 is applicable. Fiscal Year 2015 was the first year of implementation, therefore only one year is shown.

Note to Schedule:

Valuation Date:	June 30, 2013
Methods and assumptions used to determine contribution rates:	
Actuarial cost method	Entry age normal cost method
Amortization method/period	Level percentage of payroll, closed
Remaining amortization period	25 Years as of Valuation Date
Assets valuation method	Market Value
Inflation	2.75%
Salary Increases	3.30% to 14.20%
Payroll Growth	3.00%
Investment rate of return	7.65% net of pension plan investment and administrative expenses, including inflation.
Retirement age	The probabilities of retirement are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007.
Mortality	The probabilities of mortality are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007. Pre-retirement and post-retirement mortality rates include 5 years of projected mortality improvement using Scale AA published by the Society of Actuaries.

CITY OF PALM SPRINGS

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED JUNE 30, 2016**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 25,755,104	\$25,755,104	\$ 25,755,104	\$ -
Resources (Inflows)				
Taxes	82,387,217	82,772,631	85,811,748	3,039,117
Licenses and permits	3,728,528	3,729,476	3,652,263	(77,213)
Intergovernmental	3,753,240	3,933,276	4,810,493	877,217
Charges for services	6,369,247	6,598,502	5,913,898	(684,604)
Use of money and property	218,500	218,500	307,375	88,875
Contributions	-	11,280	11,280	-
Miscellaneous	170,364	172,506	306,658	134,152
Transfers in	887,500	887,500	887,500	-
Amounts Available for Appropriations	123,269,700	124,078,775	127,456,319	3,377,544
Charges to Appropriation (Outflow)				
General government	14,883,957	18,170,303	13,713,652	4,456,651
Public safety	38,339,690	39,795,994	36,241,536	3,554,458
Cultural and convention center	3,046,905	3,112,417	3,070,145	42,272
Parks and recreation	6,816,537	8,121,566	7,211,162	910,404
Public works	10,832,810	11,333,279	10,260,351	1,072,928
Library	2,525,604	2,773,555	2,559,897	213,658
Debt service:				
Principal retirement	1,905,000	1,905,000	1,905,000	-
Interest and fiscal charges	2,779,920	2,779,920	2,779,919	1
Transfers out	16,418,489	20,264,556	20,264,556	-
Total Charges to Appropriations	97,548,912	108,256,590	98,006,218	10,250,372
Budgetary Fund Balance, June 30	\$ 25,720,788	\$15,822,185	\$ 29,450,101	\$ 13,627,916

CITY OF PALM SPRINGS

**BUDGETARY COMPARISON SCHEDULE
MEASURE A IMPROVEMENTS
YEAR ENDED JUNE 30, 2016**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 17,010,209	\$ 17,010,209	\$ 17,010,209	\$ -
Resources (Inflows):				
Taxes	2,035,000	2,035,000	1,939,198	(95,802)
Intergovernmental	-	-	56,112	56,112
Use of money and property	35,000	35,000	65,358	30,358
Amounts Available for Appropriations	19,080,209	19,080,209	19,070,877	(9,332)
Charges to Appropriations (Outflow):				
Public works				
Engineering	2,070,000	24,568,258	9,939,240	14,629,018
Debt service:				
Principal retirement	-	-	865,000	(865,000)
Interest and fiscal charges	-	1,103,145	237,200	865,945
Total Charges to Appropriations	2,070,000	25,671,403	11,041,440	14,629,963
Budgetary Fund Balance, June 30	\$ 17,010,209	\$ (6,591,194)	\$ 8,029,437	\$ 14,620,631

CITY OF PALM SPRINGS

BUDGETARY COMPARISON SCHEDULE
 HOUSING
 YEAR ENDED JUNE 30, 2016

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1, as restated	\$ 11,035,577	\$ 11,035,577	\$ 11,035,577	\$ -
Resources (Inflows):				
Use of money and property	7,500	7,500	9,180	1,680
Amounts Available for Appropriations	11,043,077	11,043,077	11,044,757	1,680
Charges to Appropriations (Outflow):				
General government				
Housing	239,867	239,867	214,968	24,899
Total Charges to Appropriations	239,867	239,867	214,968	24,899
Budgetary Fund Balance, June 30	\$ 10,803,210	\$ 10,803,210	\$ 10,829,789	\$ 26,579

Note 1: Budgets and Budgetary Accounting

a. Budgetary Control and Accounting

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

Total appropriations for each fund may only be increased or decreased by the City Council by passage of a resolution amending the budget, with the exception of budget adjustments which involve offsetting revenues and expenditures. In cases involving offsetting revenues and expenditures, the City Manager is authorized to increase or decrease an appropriation for a specific purpose where said appropriation is offset by unbudgeted revenue which is designated for said specific purpose.

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

The level on which expenditures may not legally exceed appropriations is the fund level. Budgets for the various funds are adopted on a basis consistent with generally accepted accounting principles (GAAP). Annual appropriated budgets are legally adopted for the general, special revenue, debt service, capital projects, and proprietary fund types.

DESCRIPTIONS OF NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

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

The City of Palm Springs has the following Nonmajor Special Revenue Funds:

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.

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

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

Recycling AB 929 Fund – To account for revenues and costs related to the operations of the City's recycling activities.

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

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

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

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

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

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

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

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

DESCRIPTIONS OF NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)

SPECIAL REVENUE FUNDS

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 health.

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

Quimby Act Fees Fund – To account for revenues and costs related to the Quimby Act Park Fees which are intended to pay for future parks and recreational activities.

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

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

Business Improvement District Fund – The Business District was established as a “special benefit assessment district” which allows the City to assess business within a defined geographic area for specific purpose. The BID Program, originally initiated by the downtown and uptown business association & Main Street Palm Springs, to improve the quality of life and economic vitality of the area.

Park Maintenance District Fund – To account for revenues and related costs for the special assessments levied for the various Landscape, Lighting and Parkway Maintenance Districts within the City.

Energy Efficiency Loan Fund – To account for revenues and costs of the Energy Efficient Loan Program.

Emergency Response Fund – To account for revenues and expenditures for 911 emergency responses.

Sustainability Fund – To account for revenues and related costs for sustainability.

Special Grants Fund - To account for grant revenues and related costs of special grants.

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.

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

CITY OF PALM SPRINGS

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2016

	Special Revenue Funds			
	Forfeiture	Safety Augmentation	Special Development	CSA 152
Assets				
Pooled cash and investments	\$ 307,225	\$ 644,834	\$ 1,644,600	\$ -
Receivables:				
Accounts	-	80,538	-	122,066
Notes and loans	-	-	-	-
Accrued interest	471	898	2,565	-
Due from other funds	-	-	185,036	-
Advance to Successor Agency	-	-	-	-
Total Assets	\$ 307,696	\$ 726,270	\$ 1,832,201	\$ 122,066
Liabilities, Deferred Inflows of Resources, and Fund Balances				
Liabilities				
Accounts payable	\$ 435	\$ -	\$ -	\$ 24,663
Accrued liabilities	-	17,606	-	823
Due to other funds	-	-	-	113,800
Total Liabilities	435	17,606	-	139,286
Deferred Inflows of Resources				
Unavailable revenues	7,814	5,090	-	-
Total Deferred Inflows of Resources	7,814	5,090	-	-
Fund Balances				
Restricted for:				
Public safety grants and programs	299,447	703,574	-	-
Parks and recreation activities	-	-	-	-
Public works projects	-	-	1,832,201	-
Villagefest	-	-	-	-
Leases	-	-	-	-
Library	-	-	-	-
Special projects	-	-	-	-
Assigned to:				
Capital Projects	-	-	-	-
Unassigned	-	-	-	(17,220)
Total Fund Balances	299,447	703,574	1,832,201	(17,220)
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 307,696	\$ 726,270	\$ 1,832,201	\$ 122,066

CITY OF PALM SPRINGS

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2016

(CONTINUED)

	Special Revenue Funds			
	Recycling AB 929	Villagefest	Neighborhood Involvements	Parking
Assets				
Pooled cash and investments	\$ 902,994	\$ 141,994	\$ 9,719	\$ 364,039
Receivables:				
Accounts	32,839	555	-	54
Notes and loans	-	-	-	-
Accrued interest	1,293	-	-	-
Due from other funds	-	-	-	-
Advance to Successor Agency	-	-	-	-
Total Assets	\$ 937,126	\$ 142,549	\$ 9,719	\$ 364,093
Liabilities, Deferred Inflows of Resources, and Fund Balances				
Liabilities				
Accounts payable	\$ 10,654	\$ 4,758	\$ -	\$ 27,965
Accrued liabilities	2,759	9,241	-	511
Due to other funds	-	-	-	-
Total Liabilities	13,413	13,999	-	28,476
Deferred Inflows of Resources				
Unavailable revenues	-	-	-	-
Total Deferred Inflows of Resources	-	-	-	-
Fund Balances				
Restricted for:				
Public safety grants and programs	-	-	-	-
Parks and recreation activities	-	-	-	-
Public works projects	923,713	-	9,719	335,617
Villagefest	-	128,550	-	-
Leases	-	-	-	-
Library	-	-	-	-
Special projects	-	-	-	-
Assigned to:				
Capital Projects	-	-	-	-
Unassigned	-	-	-	-
Total Fund Balances	923,713	128,550	9,719	335,617
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 937,126	\$ 142,549	\$ 9,719	\$ 364,093

CITY OF PALM SPRINGS

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2016

	Special Revenue Funds			
	Gas Tax	Drainage Construction	Community Development Block Grant	Master Lease
Assets				
Pooled cash and investments	\$ 888,372	\$ 1,205,067	\$ -	\$ 466,882
Receivables:				
Accounts	-	-	105,856	-
Notes and loans	-	-	-	-
Accrued interest	1,200	1,686	-	-
Due from other funds	-	-	-	-
Advance to Successor Agency	-	-	-	-
Total Assets	\$ 889,572	\$ 1,206,753	\$ 105,856	\$ 466,882
Liabilities, Deferred Inflows of Resources, and Fund Balances				
Liabilities				
Accounts payable	\$ 157,844	\$ -	\$ 78,240	\$ 228,690
Accrued liabilities	2,488	163	621	-
Due to other funds	-	-	26,395	-
Total Liabilities	160,332	163	105,256	228,690
Deferred Inflows of Resources				
Unavailable revenues	-	-	600	-
Total Deferred Inflows of Resources	-	-	600	-
Fund Balances				
Restricted for:				
Public safety grants and programs	-	-	-	-
Parks and recreation activities	-	-	-	-
Public works projects	729,240	1,206,590	-	-
Villagefest	-	-	-	-
Leases	-	-	-	238,192
Library	-	-	-	-
Special projects	-	-	-	-
Assigned to:				
Capital Projects	-	-	-	-
Unassigned	-	-	-	-
Total Fund Balances	729,240	1,206,590	-	238,192
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 889,572	\$ 1,206,753	\$ 105,856	\$ 466,882

CITY OF PALM SPRINGS

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2016

(CONTINUED)

	Special Revenue Funds			
	Air Quality Management	Public Arts	Library	Quimby Act Fees
Assets				
Pooled cash and investments	\$ 90,746	\$ 364,990	\$ 2,203,147	\$ 2,635,637
Receivables:				
Accounts	15,948	91	-	-
Notes and loans	-	-	100,000	-
Accrued interest	124	491	2,771	3,690
Due from other funds	-	-	-	-
Advance to Successor Agency	-	-	-	-
Total Assets	\$ 106,818	\$ 365,572	\$ 2,305,918	\$ 2,639,327
Liabilities, Deferred Inflows of Resources, and Fund Balances				
Liabilities				
Accounts payable	\$ 9,569	\$ 3,417	\$ 10,961	\$ 8,812
Accrued liabilities	-	1,646	570	-
Due to other funds	-	-	-	-
Total Liabilities	9,569	5,063	11,531	8,812
Deferred Inflows of Resources				
Unavailable revenues	-	91	-	-
Total Deferred Inflows of Resources	-	91	-	-
Fund Balances				
Restricted for:				
Public safety grants and programs	-	-	-	-
Parks and recreation activities	-	-	-	2,630,515
Public works projects	97,249	360,418	-	-
Villagefest	-	-	-	-
Leases	-	-	-	-
Library	-	-	2,294,387	-
Special projects	-	-	-	-
Assigned to:				
Capital Projects	-	-	-	-
Unassigned	-	-	-	-
Total Fund Balances	97,249	360,418	2,294,387	2,630,515
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 106,818	\$ 365,572	\$ 2,305,918	\$ 2,639,327

CITY OF PALM SPRINGS

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2016

	Special Revenue Funds			
	Special Projects	CFD Public Safety #1	Business Improvement District	Energy Efficiency Loan
Assets				
Pooled cash and investments	\$ 2,321,918	\$ 574,825	\$ 2,059	\$ 500,000
Receivables:				
Accounts	100,679	10,644	-	-
Notes and loans	-	-	-	-
Accrued interest	-	730	-	-
Due from other funds	-	-	-	-
Advance to Successor Agency	-	-	-	-
Total Assets	\$ 2,422,597	\$ 586,199	\$ 2,059	\$ 500,000
Liabilities, Deferred Inflows of Resources, and Fund Balances				
Liabilities				
Accounts payable	\$ 11,639	\$ -	\$ -	\$ -
Accrued liabilities	1,489	8,375	-	-
Due to other funds	-	-	-	-
Total Liabilities	13,128	8,375	-	-
Deferred Inflows of Resources				
Unavailable revenues	83,642	-	-	-
Total Deferred Inflows of Resources	83,642	-	-	-
Fund Balances				
Restricted for:				
Public safety grants and programs	-	577,824	-	-
Parks and recreation activities	-	-	-	-
Public works projects	-	-	2,059	500,000
Villagefest	-	-	-	-
Leases	-	-	-	-
Library	-	-	-	-
Special projects	2,325,827	-	-	-
Assigned to:				
Capital Projects	-	-	-	-
Unassigned	-	-	-	-
Total Fund Balances	2,325,827	577,824	2,059	500,000
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 2,422,597	\$ 586,199	\$ 2,059	\$ 500,000

CITY OF PALM SPRINGS

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2016

(CONTINUED)

	Special Revenue Funds			
	Park Maintenance District	Emergency Response	Sustainability	Special Grants
Assets				
Pooled cash and investments	\$ 328,619	\$ 1,159,630	\$ 161,755	\$ -
Receivables:				
Accounts	7,479	80,473	100,408	39,255
Notes and loans	-	-	-	-
Accrued interest	-	1,549	937	-
Due from other funds	-	-	-	-
Advance to Successor Agency	-	-	912,097	-
Total Assets	\$ 336,098	\$ 1,241,652	\$ 1,175,197	\$ 39,255
Liabilities, Deferred Inflows of Resources, and Fund Balances				
Liabilities				
Accounts payable	\$ 3,316	\$ 4,357	\$ 9,603	\$ 350
Accrued liabilities	-	-	2,759	-
Due to other funds	-	-	-	44,841
Total Liabilities	3,316	4,357	12,362	45,191
Deferred Inflows of Resources				
Unavailable revenues	3,534	-	-	-
Total Deferred Inflows of Resources	3,534	-	-	-
Fund Balances				
Restricted for:				
Public safety grants and programs	-	1,237,295	-	-
Parks and recreation activities	-	-	-	-
Public works projects	329,248	-	1,162,835	-
Villagefest	-	-	-	-
Leases	-	-	-	-
Library	-	-	-	-
Special projects	-	-	-	-
Assigned to:				
Capital Projects	-	-	-	-
Unassigned	-	-	-	(5,936)
Total Fund Balances	329,248	1,237,295	1,162,835	(5,936)
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 336,098	\$ 1,241,652	\$ 1,175,197	\$ 39,255

CITY OF PALM SPRINGS

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2016

	Capital Projects Funds	Total Other Governmental Funds
	Parking Projects	
Assets		
Pooled cash and investments	\$ 491,365	\$ 17,410,417
Receivables:		
Accounts	-	696,885
Notes and loans	-	100,000
Accrued interest	700	19,105
Due from other funds	-	185,036
Advance to Successor Agency	-	912,097
Total Assets	\$ 492,065	\$ 19,323,540
Liabilities, Deferred Inflows of Resources, and Fund Balances		
Liabilities		
Accounts payable	\$ -	\$ 595,273
Accrued liabilities	-	49,051
Due to other funds	-	185,036
Total Liabilities	-	829,360
Deferred Inflows of Resources		
Unavailable revenues	-	100,771
Total Deferred Inflows of Resources	-	100,771
Fund Balances		
Restricted for:		
Public safety grants and programs	-	2,818,140
Parks and recreation activities	-	2,630,515
Public works projects	-	7,488,889
Villagefest	-	128,550
Leases	-	238,192
Library	-	2,294,387
Special projects	-	2,325,827
Assigned to:		
Capital Projects	492,065	492,065
Unassigned	-	(23,156)
Total Fund Balances	492,065	18,393,409
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 492,065	\$ 19,323,540

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CITY OF PALM SPRINGS

COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2016

	Special Revenue Funds			
	Forfeiture	Safety Augmentation	Special Development	CSA 152
Revenues				
Taxes	\$ -	\$ 929,645	\$ -	\$ -
Assessments	-	-	-	292,496
Licenses and permits	-	-	-	-
Intergovernmental	-	-	-	-
Charges for services	-	41,412	106,456	-
Use of money and property	2,013	4,205	11,786	-
Fines and forfeitures	-	-	-	-
Contributions	-	-	-	-
Miscellaneous	-	-	-	-
Total Revenues	2,013	975,262	118,242	292,496
Expenditures				
Current:				
General government	-	-	-	-
Public safety	40,320	945,472	-	-
Cultural and convention center	-	-	-	-
Parks and recreation	-	-	-	297,579
Public works	-	-	-	-
Library	-	-	-	-
Debt service:				
Principal retirement	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total Expenditures	40,320	945,472	-	297,579
Excess (Deficiency) of Revenues Over (Under) Expenditures	(38,307)	29,790	118,242	(5,083)
Other Financing Sources (Uses)				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-
Net Change in Fund Balances	(38,307)	29,790	118,242	(5,083)
Fund Balances, Beginning of Year	337,754	673,784	1,713,959	(12,137)
Fund Balances, End of Year	\$ 299,447	\$ 703,574	\$ 1,832,201	\$ (17,220)

CITY OF PALM SPRINGS

COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2016

(CONTINUED)

	Special Revenue Funds			
	Recycling AB 929	Villagefest	Neighborhood Involvements	Parking
Revenues				
Taxes	\$ -	\$ -	\$ -	\$ -
Assessments	-	-	-	-
Licenses and permits	-	521,065	-	-
Intergovernmental	22,041	-	-	-
Charges for services	121,004	-	-	2,436
Use of money and property	5,558	-	-	-
Fines and forfeitures	-	-	-	122,741
Contributions	-	-	7,962	-
Miscellaneous	-	15,350	-	-
Total Revenues	148,603	536,415	7,962	125,177
Expenditures				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Cultural and convention center	249,903	-	-	-
Parks and recreation	-	562,106	9,584	-
Public works	-	-	-	343,692
Library	-	-	-	-
Debt service:				
Principal retirement	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total Expenditures	249,903	562,106	9,584	343,692
Excess (Deficiency) of Revenues Over (Under) Expenditures	(101,300)	(25,691)	(1,622)	(218,515)
Other Financing Sources (Uses)				
Transfers in	-	-	-	298,767
Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	298,767
Net Change in Fund Balances	(101,300)	(25,691)	(1,622)	80,252
Fund Balances, Beginning of Year	1,025,013	154,241	11,341	255,365
Fund Balances, End of Year	\$ 923,713	\$ 128,550	\$ 9,719	\$ 335,617

CITY OF PALM SPRINGS

COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2016

	Special Revenue Funds			
	Gas Tax	Drainage Construction	Community Development Block Grant	Master Lease
Revenues				
Taxes	\$ -	\$ -	\$ -	\$ -
Assessments	-	-	-	-
Licenses and permits	-	204,043	-	-
Intergovernmental	1,010,676	-	243,303	-
Charges for services	-	-	-	-
Use of money and property	4,590	8,317	338	1,513,808
Fines and forfeitures	-	-	-	-
Contributions	-	-	-	-
Miscellaneous	-	-	-	-
Total Revenues	1,015,266	212,360	243,641	1,513,808
Expenditures				
Current:				
General government	-	-	-	2,050
Public safety	-	-	-	-
Cultural and convention center	-	-	-	1,603,545
Parks and recreation	-	-	-	-
Public works	1,152,635	4,102	243,641	-
Library	-	-	-	-
Debt service:				
Principal retirement	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total Expenditures	1,152,635	4,102	243,641	1,605,595
Excess (Deficiency) of Revenues Over (Under) Expenditures	(137,369)	208,258	-	(91,787)
Other Financing Sources (Uses)				
Transfers in	-	-	-	-
Transfers out	(600,000)	-	-	-
Total Other Financing Sources (Uses)	(600,000)	-	-	-
Net Change in Fund Balances	(737,369)	208,258	-	(91,787)
Fund Balances, Beginning of Year	1,466,609	998,332	-	329,979
Fund Balances, End of Year	\$ 729,240	\$ 1,206,590	\$ -	\$ 238,192

CITY OF PALM SPRINGS

COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2016

(CONTINUED)

	Special Revenue Funds			
	Air Quality Management	Public Arts	Library	Quimby Act Fees
Revenues				
Taxes	\$ -	\$ -	\$ -	\$ -
Assessments	-	-	-	-
Licenses and permits	-	-	-	-
Intergovernmental	59,052	-	-	-
Charges for services	-	332,968	-	317,355
Use of money and property	502	1,707	13,008	16,773
Fines and forfeitures	-	-	-	-
Contributions	-	2,560	66,040	-
Miscellaneous	-	-	-	-
Total Revenues	59,554	337,235	79,048	334,128
Expenditures				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Cultural and convention center	-	216,817	-	-
Parks and recreation	-	-	-	-
Public works	42,700	-	-	-
Library	-	-	57,233	-
Debt service:				
Principal retirement	-	-	-	65,209
Interest and fiscal charges	-	-	-	24,132
Total Expenditures	42,700	216,817	57,233	89,341
Excess (Deficiency) of Revenues Over (Under) Expenditures	16,854	120,418	21,815	244,787
Other Financing Sources (Uses)				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-
Net Change in Fund Balances	16,854	120,418	21,815	244,787
Fund Balances, Beginning of Year	80,395	240,000	2,272,572	2,385,728
Fund Balances, End of Year	\$ 97,249	\$ 360,418	\$ 2,294,387	\$ 2,630,515

CITY OF PALM SPRINGS

COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2016

	Special Revenue Funds			
	Special Projects	CFD Public Safety #1	Business Improvement District	Energy Efficiency Loan
Revenues				
Taxes	\$ -	\$ -	\$ -	\$ -
Assessments	-	488,008	200	-
Licenses and permits	-	-	-	-
Intergovernmental	-	-	-	-
Charges for services	335,225	-	-	-
Use of money and property	1,893	2,427	-	-
Fines and forfeitures	-	-	-	-
Contributions	1,379,712	-	-	-
Miscellaneous	-	-	-	-
Total Revenues	1,716,830	490,435	200	-
Expenditures				
Current:				
General government	-	-	-	-
Public safety	387,082	610,094	-	-
Cultural and convention center	-	-	-	-
Parks and recreation	332,583	-	-	-
Public works	430,507	-	-	-
Library	-	-	-	-
Debt service:				
Principal retirement	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total Expenditures	1,150,172	610,094	-	-
Excess (Deficiency) of Revenues Over (Under) Expenditures	566,658	(119,659)	200	-
Other Financing Sources (Uses)				
Transfers in	-	347,193	-	-
Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	-	347,193	-	-
Net Change in Fund Balances	566,658	227,534	200	-
Fund Balances, Beginning of Year	1,759,169	350,290	1,859	500,000
Fund Balances, End of Year	\$ 2,325,827	\$ 577,824	\$ 2,059	\$ 500,000

CITY OF PALM SPRINGS

COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2016

(CONTINUED)

	Special Revenue Funds			
	Park Maintenance District	Emergency Response	Sustainability	Special Grants
Revenues				
Taxes	\$ -	\$ -	\$ -	\$ -
Assessments	-	-	-	-
Licenses and permits	-	-	-	-
Intergovernmental	-	-	-	396,310
Charges for services	279,592	1,022,548	370,344	-
Use of money and property	-	7,036	4,263	-
Fines and forfeitures	-	-	-	-
Contributions	-	-	-	-
Miscellaneous	-	-	31,485	-
Total Revenues	279,592	1,029,584	406,092	396,310
Expenditures				
Current:				
General government	-	-	-	-
Public safety	-	955,813	-	284,648
Cultural and convention center	-	-	-	-
Parks and recreation	-	-	-	-
Public works	97,962	-	457,606	-
Library	-	-	-	77,623
Debt service:				
Principal retirement	-	356,181	-	-
Interest and fiscal charges	-	66,138	-	-
Total Expenditures	97,962	1,378,132	457,606	362,271
Excess (Deficiency) of Revenues Over (Under) Expenditures	181,630	(348,548)	(51,514)	34,039
Other Financing Sources (Uses)				
Transfers in	-	352,863	-	-
Transfers out	-	-	(138,900)	-
Total Other Financing Sources (Uses)	-	352,863	(138,900)	-
Net Change in Fund Balances	181,630	4,315	(190,414)	34,039
Fund Balances, Beginning of Year	147,618	1,232,980	1,353,249	(39,975)
Fund Balances, End of Year	\$ 329,248	\$ 1,237,295	\$ 1,162,835	\$ (5,936)

CITY OF PALM SPRINGS

COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2016

	<u>Capital Projects Funds</u>	<u>Total Other Governmental Funds</u>
	<u>Parking Projects</u>	
Revenues		
Taxes	\$ -	\$ 929,645
Assessments	-	780,704
Licenses and permits	-	725,108
Intergovernmental	-	1,731,382
Charges for services	-	2,929,340
Use of money and property	2,922	1,601,146
Fines and forfeitures	-	122,741
Contributions	-	1,456,274
Miscellaneous	-	46,835
	<u>2,922</u>	<u>10,323,175</u>
Total Revenues		
Expenditures		
Current:		
General government	-	2,050
Public safety	-	3,223,429
Cultural and convention center	-	2,070,265
Parks and recreation	-	1,201,852
Public works	310	2,773,155
Library	-	134,856
Debt service:		
Principal retirement	-	421,390
Interest and fiscal charges	-	90,270
	<u>310</u>	<u>9,917,267</u>
Total Expenditures		
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>2,612</u>	<u>405,908</u>
Other Financing Sources (Uses)		
Transfers in	-	998,823
Transfers out	-	(738,900)
	<u>-</u>	<u>259,923</u>
Total Other Financing Sources (Uses)		
Net Change in Fund Balances	<u>2,612</u>	<u>665,831</u>
Fund Balances, Beginning of Year	<u>489,453</u>	<u>17,727,578</u>
Fund Balances, End of Year	<u>\$ 492,065</u>	<u>\$ 18,393,409</u>

CITY OF PALM SPRINGS

BUDGETARY COMPARISON SCHEDULE
 FORFEITURE
 YEAR ENDED JUNE 30, 2016

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 337,754	\$ 337,754	\$ 337,754	\$ -
Resources (Inflows)				
Use of money and property	2,000	2,000	2,013	13
Amounts Available for Appropriations	339,754	339,754	339,767	13
Charges to Appropriations (Outflow)				
Public safety	2,000	338,855	40,320	298,535
Total Charges to Appropriations	2,000	338,855	40,320	298,535
Budgetary Fund Balance, June 30	\$ 337,754	\$ 899	\$ 299,447	\$ 298,548

CITY OF PALM SPRINGS

BUDGETARY COMPARISON SCHEDULE
 SAFETY AUGMENTATION
 YEAR ENDED JUNE 30, 2016

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 673,784	\$ 673,784	\$ 673,784	\$ -
Resources (Inflows)				
Taxes	866,085	921,085	929,645	8,560
Charges for services	-	41,412	41,412	-
Use of money and property	1,000	3,000	4,205	1,205
Amounts Available for Appropriations	1,540,869	1,639,281	1,649,046	9,765
Charges to Appropriations (Outflow)				
Public safety	867,085	979,151	945,472	33,679
Total Charges to Appropriations	867,085	979,151	945,472	33,679
Budgetary Fund Balance, June 30	\$ 673,784	\$ 660,130	\$ 703,574	\$ 43,444

CITY OF PALM SPRINGS

BUDGETARY COMPARISON SCHEDULE
 SPECIAL DEVELOPMENT
 YEAR ENDED JUNE 30, 2016

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 1,713,959	\$ 1,713,959	\$ 1,713,959	\$ -
Resources (Inflows)				
Charges for services	-	106,456	106,456	-
Use of money and property	-	-	11,786	11,786
Amounts Available for Appropriations	1,713,959	1,820,415	1,832,201	11,786
Charges to Appropriations (Outflow)				
General government	-	9,360	-	9,360
Public works	-	1,677,076	-	1,677,076
Total Charges to Appropriations	-	1,686,436	-	1,686,436
Budgetary Fund Balance, June 30	\$ 1,713,959	\$ 133,979	\$ 1,832,201	\$ 1,698,222

CITY OF PALM SPRINGS

BUDGETARY COMPARISON SCHEDULE
 CSA 152
 YEAR ENDED JUNE 30, 2016

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ (12,137)	\$ (12,137)	\$ (12,137)	\$ -
Resources (Inflows)				
Assessments	636,085	636,085	292,496	(343,589)
Amounts Available for Appropriations	623,948	623,948	280,359	(343,589)
Charges to Appropriations (Outflow)				
Parks and recreation	636,085	740,141	297,579	442,562
Total Charges to Appropriations	636,085	740,141	297,579	442,562
Budgetary Fund Balance, June 30	\$ (12,137)	\$ (116,193)	\$ (17,220)	\$ 98,973

CITY OF PALM SPRINGS

BUDGETARY COMPARISON SCHEDULE
 RECYCLING AB 929
 YEAR ENDED JUNE 30, 2016

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 1,025,013	\$ 1,025,013	\$ 1,025,013	\$ -
Resources (Inflows)				
Intergovernmental	-	12,390	22,041	9,651
Charges for services	148,000	148,000	121,004	(26,996)
Use of money and property	7,000	7,000	5,558	(1,442)
Amounts Available for Appropriations	1,180,013	1,192,403	1,173,616	(18,787)
Charges to Appropriations (Outflow)				
Cultural and convention center	285,624	1,287,132	249,903	1,037,229
Total Charges to Appropriations	285,624	1,287,132	249,903	1,037,229
Budgetary Fund Balance, June 30	\$ 894,389	\$ (94,729)	\$ 923,713	\$ 1,018,442

CITY OF PALM SPRINGS

BUDGETARY COMPARISON SCHEDULE
 VILLAGEFEST
 YEAR ENDED JUNE 30, 2016

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 154,241	\$ 154,241	\$ 154,241	\$ -
Resources (Inflows)				
Licenses and permits	462,000	520,510	521,065	555
Miscellaneous	-	5,000	15,350	10,350
Amounts Available for Appropriations	616,241	679,751	690,656	10,905
Charges to Appropriations (Outflow)				
Parks and recreation	521,291	603,715	562,106	41,609
Total Charges to Appropriations	521,291	603,715	562,106	41,609
Budgetary Fund Balance, June 30	\$ 94,950	\$ 76,036	\$ 128,550	\$ 52,514

CITY OF PALM SPRINGS

BUDGETARY COMPARISON SCHEDULE
 NEIGHBORHOOD INVOLVEMENTS
 YEAR ENDED JUNE 30, 2016

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 11,341	\$ 11,341	\$ 11,341	\$ -
Resources (Inflows)				
Contributions	-	7,962	7,962	-
Amounts Available for Appropriations	11,341	19,303	19,303	-
Charges to Appropriations (Outflow)				
Cultural and convention center	-	1,500	-	1,500
Parks and recreation	-	17,753	9,584	8,169
Total Charges to Appropriations	-	19,253	9,584	9,669
Budgetary Fund Balance, June 30	\$ 11,341	\$ 50	\$ 9,719	\$ 9,669

CITY OF PALM SPRINGS

BUDGETARY COMPARISON SCHEDULE
 PARKING
 YEAR ENDED JUNE 30, 2016

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 255,365	\$ 255,365	\$ 255,365	\$ -
Resources (Inflows)				
Charges for services	2,000	2,000	2,436	436
Fines and forfeitures	76,000	76,000	122,741	46,741
Transfers in	298,767	298,767	298,767	-
Amounts Available for Appropriations	632,132	632,132	679,309	47,177
Charges to Appropriations (Outflow)				
Public works	376,767	377,569	343,692	33,877
Total Charges to Appropriations	376,767	377,569	343,692	33,877
Budgetary Fund Balance, June 30	\$ 255,365	\$ 254,563	\$ 335,617	\$ 81,054

CITY OF PALM SPRINGS

BUDGETARY COMPARISON SCHEDULE
 GAS TAX
 YEAR ENDED JUNE 30, 2016

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 1,466,609	\$ 1,466,609	\$ 1,466,609	\$ -
Resources (Inflows)				
Intergovernmental	1,019,610	1,019,610	1,010,676	(8,934)
Use of money and property	6,000	6,000	4,590	(1,410)
Amounts Available for Appropriations	2,492,219	2,492,219	2,481,875	(10,344)
Charges to Appropriations (Outflow)				
Public works	425,610	1,887,710	1,152,635	735,075
Transfers out	600,000	600,000	600,000	-
Total Charges to Appropriations	1,025,610	2,487,710	1,752,635	735,075
Budgetary Fund Balance, June 30	\$ 1,466,609	\$ 4,509	\$ 729,240	\$ 724,731

CITY OF PALM SPRINGS

BUDGETARY COMPARISON SCHEDULE
 DRAINAGE CONSTRUCTION
 YEAR ENDED JUNE 30, 2016

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 998,332	\$ 998,332	\$ 998,332	\$ -
Resources (Inflows)				
Licenses and permits	130,000	130,000	204,043	74,043
Use of money and property	3,500	3,500	8,317	4,817
Amounts Available for Appropriations	1,131,832	1,131,832	1,210,692	78,860
Charges to Appropriations (Outflow)				
Public works	133,500	819,352	4,102	815,250
Total Charges to Appropriations	133,500	819,352	4,102	815,250
Budgetary Fund Balance, June 30	\$ 998,332	\$ 312,480	\$ 1,206,590	\$ 894,110

CITY OF PALM SPRINGS

BUDGETARY COMPARISON SCHEDULE
 COMMUNITY DEVELOPMENT BLOCK GRANT
 YEAR ENDED JUNE 30, 2016

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ -	\$ -	\$ -	\$ -
Resources (Inflows)				
Intergovernmental	343,175	343,175	243,303	(99,872)
Use of money and property	-	337	338	1
Amounts Available for Appropriations	343,175	343,512	243,641	(99,871)
Charges to Appropriations (Outflow)				
General government	343,175	386,161	243,641	142,520
Total Charges to Appropriations	343,175	386,161	243,641	142,520
Budgetary Fund Balance, June 30	\$ -	\$ (42,649)	\$ -	\$ 42,649

CITY OF PALM SPRINGS

BUDGETARY COMPARISON SCHEDULE
 MASTER LEASE
 YEAR ENDED JUNE 30, 2016

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 329,979	\$ 329,979	\$ 329,979	\$ -
Resources (Inflows)				
Use of money and property	1,520,385	1,520,385	1,513,808	(6,577)
Amounts Available for Appropriations	1,850,364	1,850,364	1,843,787	(6,577)
Charges to Appropriations (Outflow)				
General government	3,850	3,850	2,050	1,800
Cultural and convention center	1,516,535	1,614,535	1,603,545	10,990
Total Charges to Appropriations	1,520,385	1,618,385	1,605,595	12,790
Budgetary Fund Balance, June 30	\$ 329,979	\$ 231,979	\$ 238,192	\$ 6,213

CITY OF PALM SPRINGS

BUDGETARY COMPARISON SCHEDULE
 AIR QUALITY MANAGEMENT
 YEAR ENDED JUNE 30, 2016

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 80,395	\$ 80,395	\$ 80,395	\$ -
Resources (Inflows)				
Intergovernmental	56,600	56,600	59,052	2,452
Use of money and property	500	500	502	2
Amounts Available for Appropriations	137,495	137,495	139,949	2,454
Charges to Appropriations (Outflow)				
Public works	57,100	137,279	42,700	94,579
Total Charges to Appropriations	57,100	137,279	42,700	94,579
Budgetary Fund Balance, June 30	\$ 80,395	\$ 216	\$ 97,249	\$ 97,033

CITY OF PALM SPRINGS

BUDGETARY COMPARISON SCHEDULE
 PUBLIC ARTS
 YEAR ENDED JUNE 30, 2016

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 240,000	\$ 240,000	\$ 240,000	\$ -
Resources (Inflows)				
Charges for services	328,648	336,272	332,968	(3,304)
Use of money and property	1,000	1,000	1,707	707
Contributions	-	2,560	2,560	-
Amounts Available for Appropriations	569,648	579,832	577,235	(2,597)
Charges to Appropriations (Outflow)				
Cultural and convention center	329,648	406,997	216,817	190,180
Total Charges to Appropriations	329,648	406,997	216,817	190,180
Budgetary Fund Balance, June 30	\$ 240,000	\$ 172,835	\$ 360,418	\$ 187,583

CITY OF PALM SPRINGS

BUDGETARY COMPARISON SCHEDULE
 LIBRARY
 YEAR ENDED JUNE 30, 2016

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 2,272,572	\$ 2,272,572	\$ 2,272,572	\$ -
Resources (Inflows)				
Use of money and property	8,500	8,500	13,008	4,508
Contributions	100	66,140	66,040	(100)
Amounts Available for Appropriations	2,281,172	2,347,212	2,351,620	4,408
Charges to Appropriations (Outflow)				
Library	8,600	2,340,185	57,233	2,282,952
Total Charges to Appropriations	8,600	2,340,185	57,233	2,282,952
Budgetary Fund Balance, June 30	\$ 2,272,572	\$ 7,027	\$ 2,294,387	\$ 2,287,360

CITY OF PALM SPRINGS

BUDGETARY COMPARISON SCHEDULE
 QUIMBY ACT FEES
 YEAR ENDED JUNE 30, 2016

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 2,385,728	\$ 2,385,728	\$ 2,385,728	\$ -
Resources (Inflows)				
Charges for services	189,400	326,087	317,355	(8,732)
Use of money and property	-	10,357	16,773	6,416
Amounts Available for Appropriations	2,575,128	2,722,172	2,719,856	(2,316)
Charges to Appropriations (Outflow)				
Parks and recreation	100,000	985,733	-	985,733
Debt service:				
Principal retirement	-	-	65,209	(65,209)
Interest and fiscal charges	89,400	89,400	24,132	65,268
Total Charges to Appropriations	189,400	1,075,133	89,341	985,792
Budgetary Fund Balance, June 30	\$ 2,385,728	\$ 1,647,039	\$ 2,630,515	\$ 983,476

CITY OF PALM SPRINGS

BUDGETARY COMPARISON SCHEDULE
 SPECIAL PROJECTS
 YEAR ENDED JUNE 30, 2016

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 1,759,169	\$ 1,759,169	\$ 1,759,169	\$ -
Resources (Inflows)				
Charges for services	100,000	335,225	335,225	-
Use of money and property	-	-	1,893	1,893
Contributions	100,000	1,379,712	1,379,712	-
Amounts Available for Appropriations	1,959,169	3,474,106	3,475,999	1,893
Charges to Appropriations (Outflow)				
Public safety	100,000	1,076,228	387,082	689,146
Parks and recreation	100,000	571,460	332,583	238,877
Public works	-	1,825,082	430,507	1,394,575
Total Charges to Appropriations	200,000	3,472,770	1,150,172	2,322,598
Budgetary Fund Balance, June 30	\$ 1,759,169	\$ 1,336	\$ 2,325,827	\$ 2,324,491

CITY OF PALM SPRINGS

BUDGETARY COMPARISON SCHEDULE
 CFD PUBLIC SAFETY #1
 YEAR ENDED JUNE 30, 2016

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 350,290	\$ 350,290	\$ 350,290	\$ -
Resources (Inflows)				
Assessments	366,000	366,000	488,008	122,008
Use of money and property	1,000	1,000	2,427	1,427
Transfers in	347,193	347,193	347,193	-
Amounts Available for Appropriations	1,064,483	1,064,483	1,187,918	123,435
Charges to Appropriations (Outflow)				
Public safety	714,193	733,158	610,094	123,064
Total Charges to Appropriations	714,193	733,158	610,094	123,064
Budgetary Fund Balance, June 30	\$ 350,290	\$ 331,325	\$ 577,824	\$ 246,499

CITY OF PALM SPRINGS

BUDGETARY COMPARISON SCHEDULE
 BUSINESS IMPROVEMENT DISTRICT
 YEAR ENDED JUNE 30, 2016

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 1,859	\$ 1,859	\$ 1,859	\$ -
Resources (Inflows)				
Assessments	-	200	200	-
Amounts Available for Appropriations	1,859	2,059	2,059	-
Charges to Appropriations (Outflow)				
Cultural and convention center	-	2,059	-	2,059
Total Charges to Appropriations	-	2,059	-	2,059
Budgetary Fund Balance, June 30	\$ 1,859	\$ -	\$ 2,059	\$ 2,059

CITY OF PALM SPRINGS

BUDGETARY COMPARISON SCHEDULE
 PARK MAINTENANCE DISTRICT
 YEAR ENDED JUNE 30, 2016

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 147,618	\$ 147,618	\$ 147,618	\$ -
Resources (Inflows)				
Charges for services	283,439	283,439	279,592	(3,847)
Miscellaneous	66,755	66,755	-	(66,755)
Amounts Available for Appropriations	497,812	497,812	427,210	(70,602)
Charges to Appropriations (Outflow)				
Public works	350,194	497,815	97,962	399,853
Total Charges to Appropriations	350,194	497,815	97,962	399,853
Budgetary Fund Balance, June 30	\$ 147,618	\$ (3)	\$ 329,248	\$ 329,251

CITY OF PALM SPRINGS

BUDGETARY COMPARISON SCHEDULE
 EMERGENCY RESPONSE
 YEAR ENDED JUNE 30, 2016

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 1,232,980	\$ 1,232,980	\$ 1,232,980	\$ -
Resources (Inflows)				
Charges for services	1,071,847	1,071,847	1,022,548	(49,299)
Use of money and property	3,000	3,000	7,036	4,036
Transfers in	352,863	352,863	352,863	-
Amounts Available for Appropriations	2,660,690	2,660,690	2,615,427	(45,263)
Charges to Appropriations (Outflow)				
Public safety	1,005,389	1,055,389	955,813	99,576
Debt service:				
Principal retirement	356,182	356,182	356,181	1
Interest and fiscal charges	66,139	66,139	66,138	1
Total Charges to Appropriations	1,427,710	1,477,710	1,378,132	99,578
Budgetary Fund Balance, June 30	\$ 1,232,980	\$ 1,182,980	\$ 1,237,295	\$ 54,315

CITY OF PALM SPRINGS

BUDGETARY COMPARISON SCHEDULE
 SUSTAINABILITY
 YEAR ENDED JUNE 30, 2016

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 1,353,249	\$ 1,353,249	\$ 1,353,249	\$ -
Resources (Inflows)				
Charges for services	417,500	417,500	370,344	(47,156)
Use of money and property	5,000	5,000	4,263	(737)
Miscellaneous	-	31,485	31,485	-
Amounts Available for Appropriations	1,775,749	1,807,234	1,759,341	(47,893)
Charges to Appropriations (Outflow)				
Public works	537,776	657,722	457,606	200,116
Transfers out	138,900	138,900	138,900	-
Total Charges to Appropriations	676,676	796,622	596,506	200,116
Budgetary Fund Balance, June 30	\$ 1,099,073	\$ 1,010,612	\$ 1,162,835	\$ 152,223

CITY OF PALM SPRINGS

BUDGETARY COMPARISON SCHEDULE
 SPECIAL GRANTS
 YEAR ENDED JUNE 30, 2016

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ (39,975)	\$ (39,975)	\$ (39,975)	\$ -
Resources (Inflows)				
Intergovernmental	175,000	407,672	396,310	(11,362)
Amounts Available for Appropriations	135,025	367,697	356,335	(11,362)
Charges to Appropriations (Outflow)				
Public safety	175,000	469,763	284,648	185,115
Library	-	78,516	77,623	893
Total Charges to Appropriations	175,000	548,279	362,271	186,008
Budgetary Fund Balance, June 30	\$ (39,975)	\$ (180,582)	\$ (5,936)	\$ 174,646

CITY OF PALM SPRINGS

BUDGETARY COMPARISON SCHEDULE
 CAPITAL PROJECTS
 YEAR ENDED JUNE 30, 2016

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Budgetary Fund Balance, July 1	\$ 3,279,700	\$ 3,279,700	\$ 3,279,700	\$ -
Resources (Inflows)				
Licenses and permits	86,500	361,117	357,029	(4,088)
Intergovernmental	-	1,309,528	1,677,655	368,127
Use of money and property	-	-	-	-
Miscellaneous	-	8,000	8,000	-
Transfers in	-	3,615,159	3,615,159	-
Amounts Available for Appropriations	3,366,200	8,573,504	8,937,543	364,039
Charges to Appropriations (Outflow)				
General government	86,500	1,489,818	331,716	1,158,102
Public safety	-	1,303,810	415,287	888,523
Cultural and convention center	-	3,014,100	-	3,014,100
Parks and recreation	-	454,872	362,684	92,188
Public works	-	16,016,305	7,306,353	8,709,952
Total Charges to Appropriations	86,500	22,278,905	8,416,040	13,862,865
Budgetary Fund Balance, June 30	\$ 3,279,700	\$ (13,705,401)	\$ 521,503	\$ 14,226,904

CITY OF PALM SPRINGS

BUDGETARY COMPARISON SCHEDULE
 PARKING PROJECTS
 YEAR ENDED JUNE 30, 2016

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 489,453	\$ 489,453	\$ 489,453	\$ -
Resources (Inflows)				
Use of money and property	2,000	2,000	2,922	922
Amounts Available for Appropriations	491,453	491,453	492,375	922
Charges to Appropriations (Outflow)				
Public works	2,000	216,081	310	215,771
Total Charges to Appropriations	2,000	216,081	310	215,771
Budgetary Fund Balance, June 30	\$ 489,453	\$ 275,372	\$ 492,065	\$ 216,693

CITY OF PALM SPRINGS

BUDGETARY COMPARISON SCHEDULE
 MEASURE J
 YEAR ENDED JUNE 30, 2016

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 10,575,783	\$ 10,575,783	\$ 10,575,783	\$ -
Resources (Inflows)				
Use of money and property	-	20,546	78,366	57,820
Transfers in	13,300,000	12,461,899	12,461,899	-
Amounts Available for Appropriations	23,875,783	23,058,228	23,116,048	57,820
Charges to Appropriations (Outflow)				
Public works	10,100,000	19,926,331	6,712,312	13,214,019
Transfers out	3,200,000	3,189,719	3,189,719	-
Total Charges to Appropriations	13,300,000	23,116,050	9,902,031	13,214,019
Budgetary Fund Balance, June 30	\$ 10,575,783	\$ (57,822)	\$ 13,214,017	\$ 13,271,839

CITY OF PALM SPRINGS

BUDGETARY COMPARISON SCHEDULE
 GENERAL DEBT SERVICE
 YEAR ENDED JUNE 30, 2016

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 3,291,582	\$ 3,291,582	\$ 3,291,582	\$ -
Resources (Inflows)				
Use of money and property	4,692,923	4,692,923	2,442	(4,690,481)
Transfers in	4,891,145	4,880,864	4,880,864	-
Refunding bonds issued	-	-	5,680,000	5,680,000
Bond premium	-	-	1,006,277	1,006,277
Amounts Available for Appropriations	12,875,650	12,865,369	14,861,165	1,995,796
Charges to Appropriations (Outflow)				
General government	156,937	157,437	251,735	(94,298)
Debt service:				
Principal retirement	5,431,831	4,000,249	8,655,248	(4,654,999)
Interest and fiscal charges	3,995,300	5,426,882	2,621,692	2,805,190
Total Charges to Appropriations	9,584,068	9,584,568	11,528,675	(1,944,107)
Budgetary Fund Balance, June 30	\$ 3,291,582	\$ 3,280,801	\$ 3,332,490	\$ 51,689

CITY OF PALM SPRINGS

BUDGETARY COMPARISON SCHEDULE
 SPECIAL ASSESSMENTS
 YEAR ENDED JUNE 30, 2016

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Budgetary Fund Balance, July 1	\$ 1,532,352	\$ 1,532,352	\$ 1,532,352	\$ -
Resources (Inflows)				
Assessments	630,492	630,492	585,159	(45,333)
Use of money and property	-	-	6,088	6,088
Amounts Available for Appropriations	2,162,844	2,162,844	2,123,599	(39,245)
Charges to Appropriations (Outflow)				
Public works	51,000	765,800	26,950	738,850
Debt service:				
Principal retirement	420,000	420,000	420,000	-
Interest and fiscal charges	159,492	159,492	159,492	-
Total Charges to Appropriations	630,492	1,345,292	606,442	738,850
Budgetary Fund Balance, June 30	\$ 1,532,352	\$ 817,552	\$ 1,517,157	\$ 699,605

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 operations and maintenance of City facilities. Costs are recovered through a monthly user fee charged to City departments using the service.

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

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

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

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

CITY OF PALM SPRINGS

COMBINING STATEMENT OF NET POSITION
INTERNAL SERVICE FUNDS
JUNE 30, 2016

	<u>Motor Vehicle Replacement</u>	<u>Facilities Maintenance</u>	<u>Employee Benefits</u>	<u>Risk Management</u>
Assets				
Current:				
Cash and investments	\$ 3,556,643	\$ 1,717,110	\$ 647,988	\$ 10,219,027
Receivables:				
Accounts	4,880	-	-	12,688
Accrued interest	5,007	-	294,425	15,852
Inventories	125,341	-	-	-
Restricted:				
Cash with fiscal agent	-	-	-	-
Total Current Assets	3,691,871	1,717,110	942,413	10,247,567
Noncurrent:				
Advances to other funds	-	-	1,430,000	-
Capital assets, net of accumulated depreciation	3,677,031	6,757	-	-
Total Noncurrent Assets	3,677,031	6,757	1,430,000	-
Total Assets	7,368,902	1,723,867	2,372,413	10,247,567
Deferred Outflows of Resources				
Deferred pension related items	131,605	206,372	-	100,221
Total Deferred Outflows of Resources	131,605	206,372	-	100,221
Liabilities				
Current:				
Accounts payable	212,606	262,519	413	310,088
Accrued liabilities	13,310	32,239	-	13,704
Accrued interest	-	-	67,887	-
Unearned revenues	2,405	-	-	-
Accrued compensated absences	34,799	109,616	-	35,295
Accrued claims and judgments	-	-	-	5,402,811
Bonds, notes, and capital leases	111,708	-	289,840	-
Total Current Liabilities	374,828	404,374	358,140	5,761,898
Noncurrent:				
Accrued compensated absences	-	-	-	15,467
Accrued claims and judgments	-	-	-	4,373,667
Bonds, notes, and capital leases	130,061	-	18,933,069	-
Net pension liability	1,349,775	2,492,609	-	964,643
Total Noncurrent Liabilities	1,479,836	2,492,609	18,933,069	5,353,777
Total Liabilities	1,854,664	2,896,983	19,291,209	11,115,675
Deferred Inflows of Resources				
Deferred pension related items	67,703	177,395	-	69,181
Total Deferred Inflows of Resources	67,703	177,395	-	69,181
Net Position				
Net investment in capital assets	3,435,262	6,757	-	-
Unrestricted	2,142,878	(1,150,896)	(16,918,796)	(837,068)
Total Net Position	\$ 5,578,140	\$ (1,144,139)	\$ (16,918,796)	\$ (837,068)

CITY OF PALM SPRINGS

COMBINING STATEMENT OF NET POSITION
INTERNAL SERVICE FUNDS
JUNE 30, 2016

	Retiree Health Insurance	Cogeneration Plant	Totals
Assets			
Current:			
Cash and investments	\$ 1,108,267	\$ 3,914,605	\$ 21,163,640
Receivables:			
Accounts	12,442	-	30,010
Accrued interest	-	-	315,284
Inventories	-	-	125,341
Restricted:			
Cash with fiscal agent	-	716,877	716,877
Total Current Assets	1,120,709	4,631,482	22,351,152
Noncurrent:			
Advances to other funds	-	-	1,430,000
Capital assets, net of accumulated depreciation	-	13,466,352	17,150,140
Total Noncurrent Assets	-	13,466,352	18,580,140
Total Assets	1,120,709	18,097,834	40,931,292
Deferred Outflows of Resources			
Deferred pension related items	-	-	438,198
Total Deferred Outflows of Resources	-	-	438,198
Liabilities			
Current:			
Accounts payable	538	802,472	1,588,636
Accrued liabilities	-	-	59,253
Accrued interest	-	141,103	208,990
Unearned revenues	-	-	2,405
Accrued compensated absences	-	-	179,710
Accrued claims and judgments	-	-	5,402,811
Bonds, notes, and capital leases	-	519,728	921,276
Total Current Liabilities	538	1,463,303	8,363,081
Noncurrent:			
Accrued compensated absences	-	-	15,467
Accrued claims and judgments	-	-	4,373,667
Bonds, notes, and capital leases	-	19,430,882	38,494,012
Net pension liability	-	-	4,807,027
Total Noncurrent Liabilities	-	19,430,882	47,690,173
Total Liabilities	538	20,894,185	56,053,254
Deferred Inflows of Resources			
Deferred pension related items	-	-	314,279
Total Deferred Inflows of Resources	-	-	314,279
Net Position			
Net investment in capital assets	-	-	3,442,019
Unrestricted	1,120,171	(2,796,351)	(18,440,062)
Total Net Position	\$ 1,120,171	\$ (2,796,351)	\$ (14,998,043)

CITY OF PALM SPRINGS

COMBINING STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
INTERNAL SERVICE FUNDS
YEAR ENDED JUNE 30, 2016

	<u>Motor Vehicle Replacement</u>	<u>Facilities Maintenance</u>	<u>Employee Benefits</u>	<u>Risk Management</u>
Operating Revenues				
Sales and service charges	\$ 3,382,618	\$ 4,020,038	\$ 15,073,878	\$ 12,782,822
Total Operating Revenues	3,382,618	4,020,038	15,073,878	12,782,822
Operating Expenses				
Administration and general	72,582	6,183	-	2,658,479
Source of supply	-	-	-	-
Maintenance shop operations	2,470,053	-	-	-
Facilities maintenance	-	3,876,749	1,250	-
Retirement	-	-	13,432,882	-
Other claims and insurance	5,000	24,504	-	4,495,077
Depreciation expense	920,027	410	-	-
Heat, light and power	-	-	-	-
Other charges and services	1,296	-	-	-
Cogeneration	-	-	-	-
Medical, health, and life insurance	-	-	-	7,033,059
Workers compensation	-	-	-	3,498,086
Total Operating Expenses	3,468,958	3,907,846	13,434,132	17,684,701
Operating Income (Loss)	(86,340)	112,192	1,639,746	(4,901,879)
Nonoperating Revenues (Expenses)				
Interest revenue	23,685	1,261	2,378	74,570
Interest expense	(19,017)	-	(918,513)	-
Total Nonoperating Revenues (Expenses)	4,668	1,261	(916,135)	74,570
Income (Loss) Before Transfers and contributions	(81,672)	113,453	723,611	(4,827,309)
Transfers in	-	-	-	200,000
Capital contribution	72,601	-	-	-
Changes in Net Position	(9,071)	113,453	723,611	(4,627,309)
Net Position, Beginning of Year	5,587,211	(1,257,592)	(17,642,407)	3,790,241
Net Position, End of Year	\$ 5,578,140	\$ (1,144,139)	\$ (16,918,796)	\$ (837,068)

CITY OF PALM SPRINGS

COMBINING STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
INTERNAL SERVICE FUNDS
YEAR ENDED JUNE 30, 2016

	<u>Retiree Health Insurance</u>	<u>Cogeneration Plant</u>	<u>Totals</u>
Operating Revenues			
Sales and service charges	\$ 2,712,150	\$ 2,375,304	\$ 40,346,810
Total Operating Revenues	<u>2,712,150</u>	<u>2,375,304</u>	<u>40,346,810</u>
Operating Expenses			
Administration and general	-	2,500	2,739,744
Source of supply	17,053	-	17,053
Maintenance shop operations	-	-	2,470,053
Facilities maintenance	-	-	3,877,999
Retirement	-	-	13,432,882
Other claims and insurance	2,466,677	45,619	7,036,877
Depreciation expense	-	496,842	1,417,279
Heat, light and power	-	1,410,906	1,410,906
Other charges and services	-	-	1,296
Cogeneration	-	816,642	816,642
Medical, health, and life insurance	-	-	7,033,059
Workers compensation	-	-	3,498,086
Total Operating Expenses	<u>2,483,730</u>	<u>2,772,509</u>	<u>43,751,876</u>
Operating Income (Loss)	<u>228,420</u>	<u>(397,205)</u>	<u>(3,405,066)</u>
Nonoperating Revenues (Expenses)			
Interest revenue	1,545	2,728	106,167
Interest expense	-	(109,592)	(1,047,122)
Total Nonoperating Revenues (Expenses)	<u>1,545</u>	<u>(106,864)</u>	<u>(940,955)</u>
Income (Loss) Before Transfers and contributions	<u>229,965</u>	<u>(504,069)</u>	<u>(4,346,021)</u>
Transfers in	-	338,900	538,900
Capital contribution	-	433,787	506,388
Changes in Net Position	<u>229,965</u>	<u>268,618</u>	<u>(3,300,733)</u>
Net Position, Beginning of Year	<u>890,206</u>	<u>(3,064,969)</u>	<u>(11,697,310)</u>
Net Position, End of Year	<u>\$ 1,120,171</u>	<u>\$ (2,796,351)</u>	<u>\$ (14,998,043)</u>

CITY OF PALM SPRINGS

COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
YEAR ENDED JUNE 30, 2016

	Motor Vehicle Replacement	Facilities Maintenance	Employee Benefits	Risk Management
Cash Flows from Operating Activities				
Cash received from customers and users	\$ (10,261)	\$ -	\$ -	\$ -
Cash received from/(paid to) interfund service provided	3,377,738	287,133	1,640,159	2,257,190
Cash paid to suppliers for goods and services	(2,548,470)	(24,504)	-	(4,501,844)
Cash paid to employees for services	(146,192)	(56,827)	-	(2,690,406)
Cash received from (payments to) others	-	-	-	3,277,777
Net Cash Provided (Used) by Operating Activities	672,815	205,802	1,640,159	(1,657,283)
Cash Flows from Non-Capital Financing Activities				
Cash transfers in	-	-	-	200,000
Principal paid on non-capital debt	-	-	(349,275)	-
Interest paid on non-capital debt	-	-	(918,513)	-
Net Cash Provided (Used) by Non-Capital Financing Activities	-	-	(1,267,788)	200,000
Cash Flows from Capital and Related Financing Activities				
Acquisition and construction of capital assets	(415,497)	(7,167)	-	-
Principal paid on capital debt	(111,709)	-	-	-
Interest paid on capital debt	(19,017)	-	-	-
Contribution	72,601	-	-	-
Net Cash Provided (Used) by Capital and Related Financing Activities	(473,622)	(7,167)	-	-
Cash Flows from Investing Activities				
Interest received	22,015	1,261	1,416	70,790
Net Cash Provided (Used) by Investing Activities	22,015	1,261	1,416	70,790
Net Increase (Decrease) in Cash and Cash Equivalents	221,208	199,896	373,787	(1,386,493)
Cash and Cash Equivalents at Beginning of Year	3,335,435	1,517,214	274,201	11,605,520
Cash and Cash Equivalents at End of Year	\$ 3,556,643	\$ 1,717,110	\$ 647,988	\$ 10,219,027
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities				
Operating income (loss)	\$ (86,340)	\$ 112,192	\$ 1,639,746	\$ (4,901,879)
Adjustments to Reconcile Operating Income (Loss) Net Cash Provided (Used) by Operating Activities				
Depreciation	920,027	410	-	-
(Increase) decrease in accounts receivable	(4,880)	-	-	5,513
(Increase) decrease in inventory	(12,666)	-	-	-
(Increase) decrease in deferred outflows	(20,126)	5,305	-	(18,243)
(Increase) decrease in deferred inflows	(195,277)	(321,952)	-	(124,205)
Increase (decrease) in accounts payable	(71,378)	143,844	413	(9,994)
Increase (decrease) in accrued liabilities	(743)	6,755	-	3,227
Increase (decrease) in deferred revenue	2,405	-	-	-
Increase (decrease) in net pension liability	169,812	252,085	-	96,936
Increase (decrease) in claims and judgments	-	-	-	3,277,777
Increase (decrease) in compensated absences	(28,019)	7,163	-	13,585
Total Adjustments	759,155	93,610	413	3,244,596
Net Cash Provided (Used) by Operating Activities	\$ 672,815	\$ 205,802	\$ 1,640,159	\$ (1,657,283)

CITY OF PALM SPRINGS

COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
YEAR ENDED JUNE 30, 2016

	Retiree Health Insurance	Cogeneration Plant	Totals
Cash Flows from Operating Activities			
Cash received from customers and users	\$ -	\$ -	\$ (10,261)
Cash received from/(paid to) interfund service provided	2,717,201	2,456,598	12,736,019
Cash paid to suppliers for goods and services	(2,483,704)	(2,328,914)	(11,887,436)
Cash paid to employees for services	-	(2,500)	(2,895,925)
Cash received from (payments to) others	-	-	3,277,777
Net Cash Provided (Used) by Operating Activities	233,497	125,184	1,220,174
Cash Flows from Non-Capital Financing Activities			
Cash transfers in	-	338,900	538,900
Principal paid on non-capital debt	-	-	(349,275)
Interest paid on non-capital debt	-	-	(918,513)
Net Cash Provided (Used) by Non-Capital Financing Activities	-	338,900	(728,888)
Cash Flows from Capital and Related Financing Activities			
Acquisition and construction of capital assets	-	(118,643)	(541,307)
Principal paid on capital debt	-	(463,323)	(575,032)
Interest paid on capital debt	-	(112,962)	(131,979)
Contribution	-	433,787	506,388
Net Cash Provided (Used) by Capital and Related Financing Activities	-	(261,141)	(741,930)
Cash Flows from Investing Activities			
Interest received	1,545	2,728	99,755
Net Cash Provided (Used) by Investing Activities	1,545	2,728	99,755
Net Increase (Decrease) in Cash and Cash Equivalents	235,042	205,671	(150,889)
Cash and Cash Equivalents at Beginning of Year	873,225	4,425,811	22,031,406
Cash and Cash Equivalents at End of Year	\$ 1,108,267	\$ 4,631,482	\$ 21,880,517
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities			
Operating income (loss)	\$ 228,420	\$ (397,205)	\$ (3,405,066)
Adjustments to Reconcile Operating Income (Loss) Net Cash Provided (Used) by Operating Activities			
Depreciation	-	496,842	1,417,279
(Increase) decrease in accounts receivable	6,436	81,294	88,363
(Increase) decrease in inventory	-	-	(12,666)
(Increase) decrease in deferred outflows	-	-	(33,064)
(Increase) decrease in deferred inflows	-	-	(641,434)
Increase (decrease) in accounts payable	26	(55,747)	7,164
Increase (decrease) in accrued liabilities	-	-	9,239
Increase (decrease) in deferred revenue	(1,385)	-	1,020
Increase (decrease) in net pension liability	-	-	518,833
Increase (decrease) in claims and judgments	-	-	3,277,777
Increase (decrease) in compensated absences	-	-	(7,271)
Total Adjustments	5,077	522,389	4,625,240
Net Cash Provided (Used) by Operating Activities	\$ 233,497	\$ 125,184	\$ 1,220,174

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FIDUCIARY FUNDS

Fiduciary Funds account for assets held by a governmental entity for other parties, as trustee or as an agent, which cannot be used to finance a governmental entity's own operating programs. Fiduciary Funds include the following:

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

COMBINING STATEMENT OF NET POSITION
ALL AGENCY FUNDS
JUNE 30, 2016

	<u>Special Deposits</u>
Assets	
Pooled cash and investments	\$ 2,006,904
Total Assets	<u>\$ 2,006,904</u>
Liabilities	
Deposits payable	\$ 2,006,904
Total Liabilities	<u>\$ 2,006,904</u>

CITY OF PALM SPRINGS

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 ALL AGENCY FUNDS
 YEAR ENDED JUNE 30, 2016

	<u>Balance 7/1/2015</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 6/30/2016</u>
<u>Special Deposits</u>				
Assets				
Pooled cash and investments	\$ 1,154,263	\$ 1,124,056	\$ 271,415	\$ 2,006,904
Total Assets	<u>\$ 1,154,263</u>	<u>\$ 1,124,056</u>	<u>\$ 271,415</u>	<u>\$ 2,006,904</u>
Liabilities				
Deposits payable	\$ 1,154,263	\$ 1,124,056	\$ 271,415	\$ 2,006,904
Total Liabilities	<u>\$ 1,154,263</u>	<u>\$ 1,124,056</u>	<u>\$ 271,415</u>	<u>\$ 2,006,904</u>

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CITY OF PALM SPRINGS
FINANCIAL STATEMENTS
JUNE 30, 2016
STATISTICAL SECTION

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

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CITY OF PALM SPRINGS

**Net Position by Component
Last Ten Fiscal Years
(accrual basis of accounting)**

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Governmental activities:										
Net investment in capital assets	\$ 126,124,062	\$ 106,475,801	\$ 107,217,515	\$ 119,129,764	\$ 124,797,484	\$ 92,188,168	\$ 73,197,631	\$ 73,048,922	\$ 74,644,178	\$ 68,392,428
Restricted	41,633,373	50,159,957	64,475,152	59,250,531	53,290,867	59,544,531	63,883,617	65,682,688	68,039,523	51,461,583
Unrestricted	(103,317,463)	(102,730,809)	9,032,025	8,263,055	7,603,335	10,785,032	19,934,024	34,860,168	43,003,704	56,957,112
Total governmental activities net position	\$ 64,439,972	\$ 53,904,949	\$ 180,724,692	\$ 186,643,350	\$ 185,691,686	\$ 162,517,731	\$ 157,015,272	\$ 173,591,778	\$ 185,687,405	\$ 176,811,123
Business-type activities:										
Net investment in capital assets	\$ 98,280,993	\$ 90,467,867	\$ 90,775,976	\$ 82,089,205	\$ 86,255,293	\$ 88,813,375	\$ 94,457,741	\$ 102,404,738	\$ 98,206,074	\$ 98,785,796
Restricted	5,307,758	4,125,236	4,038,239	4,777,681	4,024,930	4,026,199	4,288,145	3,633,197	3,517,715	3,836,949
Unrestricted	30,918,220	22,023,465	34,234,038	29,620,437	25,605,934	27,502,074	27,247,535	24,737,228	23,222,716	24,572,187
Total business-type activities net position	\$ 134,506,971	\$ 116,616,568	\$ 129,048,253	\$ 116,487,323	\$ 115,886,157	\$ 120,341,648	\$ 125,993,421	\$ 130,775,163	\$ 124,946,505	\$ 127,194,932
Primary government:										
Net investment in capital assets	\$ 224,405,055	\$ 196,943,668	\$ 197,993,491	\$ 201,218,969	\$ 211,052,777	\$ 181,001,543	\$ 167,655,372	\$ 175,453,660	\$ 172,850,252	\$ 167,178,224
Restricted	46,941,131	54,285,193	68,513,391	64,028,212	57,315,797	63,570,730	68,171,762	69,315,885	71,557,238	55,298,532
Unrestricted	(72,399,243)	(80,707,344)	43,266,063	37,883,492	33,209,269	38,287,106	47,181,559	59,597,396	66,226,420	81,529,299
Total primary government net position	\$ 198,946,943	\$ 170,521,517	\$ 309,772,945	\$ 303,130,673	\$ 301,577,843	\$ 282,859,379	\$ 283,008,693	\$ 304,366,941	\$ 310,633,910	\$ 304,006,055

Source: City of Palm Springs, Finance Department

CITY OF PALM SPRINGS

**Changes in Net Position
Last Ten Fiscal Years
(accrual basis of accounting)**

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Expenses:										
Governmental activities:										
General government	\$ 11,759,819	\$ 14,353,882	\$ 17,734,430	\$ 11,981,549	\$ 11,680,752	\$ 10,149,638	\$ 11,784,609	\$ 15,700,926	\$ 10,720,946	\$ 12,278,124
Public safety	45,219,115	42,911,251	42,041,061	38,070,130	36,489,937	36,069,196	39,310,585	38,382,590	35,442,942	33,968,442
Cultural and convention center	8,293,582	8,041,954	6,884,266	7,482,648	7,638,730	7,651,982	7,369,435	7,693,125	5,511,222	7,580,033
Parks and recreation	7,756,225	9,008,961	8,832,666	12,150,464	9,728,209	8,903,287	7,052,825	9,532,099	9,433,992	7,275,052
Public works	27,299,586	26,799,641	26,594,799	14,674,398	36,660,915	22,102,401	25,469,426	21,959,270	21,749,956	19,329,974
Library	2,909,766	2,308,501	2,718,241	2,125,382	2,168,904	2,265,212	2,041,643	2,937,321	2,772,268	2,332,577
Interest on long-term debt	6,657,372	7,153,434	5,435,432	5,565,437	7,553,342	9,183,561	11,967,641	14,636,613	11,609,448	7,764,472
Total governmental activities expenses	109,895,465	110,577,624	110,240,895	92,050,008	111,920,789	96,325,277	104,996,164	110,841,944	97,240,774	90,528,674
Business-type activities:										
Airport	25,300,163	25,811,396	25,580,134	25,581,945	24,990,169	24,526,812	24,586,610	24,637,583	23,842,294	21,631,538
Wastewater	6,539,225	6,093,464	7,118,541	5,711,562	5,967,510	5,863,229	6,126,747	5,854,655	5,191,967	4,658,947
Golf Course	4,972,995	5,370,771	5,527,984	5,948,442	5,662,881	5,441,285	5,153,882	5,374,561	4,664,759	3,872,346
Total business-type activities expenses	36,812,383	37,875,631	38,226,659	37,241,949	36,620,560	35,831,326	35,867,239	35,866,799	33,699,020	30,162,831
Total primary government expenses	146,707,848	148,453,255	148,467,554	129,291,957	148,541,349	132,156,603	140,863,403	146,708,743	130,939,794	120,691,505
Program revenues:										
Governmental activities:										
Charges for services:										
General government	4,019,379	4,151,215	3,640,512	3,552,667	3,517,758	3,606,184	3,904,814	1,868,359	1,811,973	1,527,808
Public safety	3,401,378	3,256,962	2,930,416	2,843,908	2,878,838	2,847,413	3,072,280	1,922,028	1,922,714	1,614,245
Cultural and convention center	113	-	-	-	-	-	-	359,103	402,890	1,644,443
Parks and recreation	1,747,440	1,911,290	1,775,662	1,614,526	1,370,673	1,376,238	1,223,793	1,823,445	2,033,797	814,512
Public works	5,972,587	4,344,298	6,339,972	4,582,804	4,045,121	4,359,177	2,644,951	3,249,898	6,367,211	7,968,799
Lease	-	-	-	-	-	-	-	-	-	-
Library	42,655	41,075	38,517	38,172	59,501	42,727	42,126	124,726	222,349	386,807
Operating grants and contributions	4,082,086	3,469,962	5,861,447	5,192,616	7,381,835	6,886,447	6,425,017	9,480,506	11,559,384	9,595,013
Capital grants and contributions	6,823,197	2,936,236	1,448,409	5,093,264	16,382,186	13,271,770	3,212,335	6,269,961	4,202,582	5,135,785
Total governmental activities program revenues	26,088,835	20,111,038	22,034,935	22,917,957	35,635,912	32,389,956	20,525,316	25,098,026	28,522,900	28,687,412
Business-type activities:										
Charges for services:										
Airport	24,352,244	23,900,962	23,017,582	21,745,074	20,342,504	18,747,127	18,998,409	18,465,121	19,531,818	17,938,788
Wastewater	10,667,824	9,524,542	8,220,813	7,019,449	5,965,340	6,045,209	5,928,827	6,006,812	6,007,109	7,456,041
Golf Course	4,234,555	4,836,445	4,519,169	4,850,343	5,046,766	4,832,305	4,687,694	4,130,497	2,261,723	3,210,941
Operating grants and contributions	-	-	-	-	-	29,056	-	-	-	299,718
Capital grants and contributions	13,405,121	2,180,401	11,788,567	2,290,385	2,315,123	483,618	523,239	10,051,905	2,446,831	16,394,397
Total business-type activities program revenues	52,659,744	40,442,350	47,546,131	35,905,251	33,669,733	30,137,315	30,138,169	38,654,335	30,247,481	45,299,885
Total primary government program revenues	78,748,579	60,553,388	69,581,066	58,823,208	69,305,645	62,527,271	50,663,485	63,752,361	58,770,381	73,987,297

CITY OF PALM SPRINGS

**Changes in Net Position
Last Ten Fiscal Years
(accrual basis of accounting)**

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Net revenues (expenses):										
Governmental activities	(83,806,630)	(90,466,586)	(88,205,960)	(69,132,051)	(76,284,877)	(63,935,321)	(84,470,848)	(85,743,918)	(68,717,874)	(61,841,262)
Business-type activities	15,847,361	2,566,719	9,319,472	(1,336,698)	(2,950,827)	(5,694,011)	(5,729,070)	2,787,536	(3,451,539)	15,137,054
Total net revenues (expenses)	<u>(67,959,269)</u>	<u>(87,899,867)</u>	<u>(78,886,488)</u>	<u>(70,468,749)</u>	<u>(79,235,704)</u>	<u>(69,629,332)</u>	<u>(90,199,918)</u>	<u>(82,956,382)</u>	<u>(72,169,413)</u>	<u>(46,704,208)</u>
General revenues and other changes in net position:										
Governmental activities:										
Taxes:										
Property taxes	22,245,363	21,294,978	21,065,170	18,655,013	24,229,315	25,786,509	24,547,656	30,747,373	32,558,462	28,272,695
Sales tax	27,681,241	25,367,807	24,113,415	21,948,058	12,130,059	9,633,250	8,221,763	8,796,538	9,138,355	9,798,032
Transient occupancy taxes	25,814,526	24,695,585	22,249,462	19,396,331	17,874,173	15,731,036	13,370,831	12,753,078	14,464,485	14,465,639
Other taxes	12,939,461	14,687,706	14,142,596	13,840,763	13,070,963	12,533,135	12,185,850	10,709,406	11,201,740	12,070,400
Motor vehicle in lieu, unrestricted	4,209,089	3,920,259	3,673,718	3,537,631	3,505,007	3,797,122	3,942,507	4,180,689	4,056,920	3,640,542
Use of money and property	2,176,122	2,211,049	2,336,973	1,217,844	1,583,805	860,532	5,537,407	1,610,201	4,580,865	1,678,144
Other general revenues	85,881	54,954	80,795	178,958	117,096	203,793	28,328	7,241,006	2,293,329	3,804,702
Gain on sale of capital asset	-	86,492	(238,179)	161,770	-	-	-	-	-	-
Extraordinary gain/(loss)	-	-	(2,585,890)	(6,935,586)	31,771,682	589,848	(500,000)	(2,140,000)	(700,000)	-
Transfers	<u>(810,030)</u>	<u>(412,270)</u>	<u>(2,550,758)</u>	<u>(1,952,165)</u>	<u>2,450</u>	<u>69,135,225</u>	<u>(500,000)</u>	<u>(2,140,000)</u>	<u>(700,000)</u>	<u>(14,730)</u>
Total governmental activities	94,341,653	91,906,560	82,287,302	70,048,617	104,284,550	69,135,225	67,334,342	73,898,291	77,594,156	73,715,424
Business-type activities:										
Use of money and property	323,896	299,716	526,158	(122,318)	333,192	336,189	436,926	900,328	1,625,626	1,498,991
Other revenue	909,116	986,504	164,542	182,232	161,417	295,897	10,402	1,150	317,460	-
Extraordinary gain/(loss)	-	-	-	(74,215)	(1,227,000)	-	-	-	-	-
Transfers	810,030	412,270	2,550,758	1,952,165	(2,450)	(589,848)	500,000	2,140,000	700,000	14,730
Total business-type activities	2,043,042	1,698,490	3,241,458	1,937,864	(734,841)	42,238	947,328	3,041,478	2,643,076	1,513,721
Total primary government	96,384,695	93,605,050	85,528,760	71,986,481	103,549,709	69,177,463	68,281,670	76,939,769	80,237,232	75,229,145
Changes in net position										
Governmental activities	10,535,023	1,439,974	(5,918,658)	916,566	27,999,673	5,199,904	(17,136,506)	(11,845,627)	8,876,282	11,874,162
Business-type activities	17,890,403	4,265,209	12,560,930	601,166	(3,685,668)	(5,651,773)	(4,781,742)	5,829,014	(808,463)	16,650,775
Total primary government	<u>\$ 28,425,426</u>	<u>\$ 5,705,183</u>	<u>\$ 6,642,272</u>	<u>\$ 1,517,732</u>	<u>\$ 24,314,005</u>	<u>\$ (451,869)</u>	<u>\$ (21,918,248)</u>	<u>\$ (6,016,613)</u>	<u>\$ 8,067,819</u>	<u>\$ 28,524,937</u>

Source: City of Palm Springs, Finance Department

CITY OF PALM SPRINGS

Fund Balances of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

	2016	2015	2014	2013	2012	2011 *	2010	2009	2008	2007
General fund:										
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,913,779	\$ 5,664,944	\$ 5,402,822	\$ 3,972,662
Unreserved	-	-	-	-	-	-	6,730,561	7,055,671	11,882,037	9,219,367
Nonspendable	3,019,428	3,919,428	3,019,428	3,670,535	1,410,000	3,015,000	-	-	-	-
Assigned	7,884,694	6,850,022	7,060,894	6,442,546	5,333,035	3,932,735	-	-	-	-
Unassigned	18,545,979	14,985,654	13,199,370	12,803,298	13,041,689	11,779,373	-	-	-	-
Total general fund	\$ 29,450,101	\$ 25,755,104	\$ 23,279,692	\$ 22,916,379	\$ 19,784,724	\$ -	\$ 10,644,340	\$ 12,720,615	\$ 17,284,859	\$ 13,192,029
All other governmental funds:										
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 66,575,321	\$ 55,281,667	\$ 71,505,398	\$ 31,258,664
Unreserved, reported in:										
Debt Service	-	-	-	-	-	-	(4,740,053)	-	-	2,641,321
Special revenue funds	-	-	-	-	-	-	11,031,984	7,903,147	9,168,338	28,090,940
Capital projects funds	-	-	-	-	-	-	1,299,214	23,370,030	10,244,630	12,936,479
Nonspendable	-	-	-	11,188,905	12,324,620	13,290,989	-	-	-	-
Restricted	41,633,373	50,159,957	64,475,152	48,061,626	40,966,247	46,253,542	-	-	-	-
Committed	-	-	-	-	-	1,568,370	-	-	-	-
Assigned	14,227,585	14,344,936	2,446,752	3,657,054	1,216,595	2,961,717	-	-	-	-
Unassigned	(23,156)	(52,112)	(23,463)	(184,499)	(154,048)	(5,352,857)	-	-	-	-
Total all other governmental funds	\$ 55,837,802	\$ 64,452,781	\$ 66,898,441	\$ 62,723,086	\$ 54,353,414	\$ 58,721,761	\$ 74,166,466	\$ 86,554,844	\$ 90,918,366	\$ 74,927,404

* The City implemented GASB 54 in 2011 and as a result has classified fund balance differently than in previous years.

Source: City of Palm Springs, Finance Department

CITY OF PALM SPRINGS

**Changes in Fund Balances of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)**

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Revenues:										
Taxes	\$ 88,680,591	\$ 86,046,076	\$ 83,019,658	\$ 75,222,872	\$ 68,653,101	\$ 72,408,230	\$ 72,253,106	\$ 72,269,596	\$ 75,916,291	\$ 72,093,648
Licenses and permits	4,734,400	4,338,884	4,223,695	3,066,526	2,913,367	3,119,482	2,714,339	3,068,452	3,858,530	5,044,241
Fines and penalties	122,741	283,767	127,672	98,971	104,838	107,824	270,853	824,131	781,656	1,167,855
Use of money and property	2,069,955	2,130,949	2,214,740	1,287,277	2,006,106	2,349,620	5,004,081	7,485,174	7,237,922	4,327,432
Intergovernmental	8,275,642	9,881,576	8,499,575	13,397,351	27,064,100	20,914,362	10,338,051	15,049,300	15,936,047	9,651,107
Charges for services	8,843,238	8,671,389	8,632,034	7,750,886	7,036,034	7,068,669	6,715,640	5,038,889	6,190,461	8,138,350
Other	3,194,910	2,817,116	873,125	1,322,686	1,292,222	3,265,240	2,929,498	5,496,259	5,849,485	6,027,493
Total revenues	<u>115,921,477</u>	<u>114,169,757</u>	<u>107,590,499</u>	<u>102,146,569</u>	<u>109,269,768</u>	<u>109,233,427</u>	<u>100,225,568</u>	<u>109,231,801</u>	<u>115,770,392</u>	<u>106,450,126</u>
Expenditures										
Current:										
General government	14,514,121	12,639,548	17,145,827	10,885,046	10,863,967	9,562,837	11,362,793	14,090,558	14,217,987	13,056,812
Public safety	39,880,252	38,169,200	36,640,786	35,327,922	35,192,757	32,864,416	38,472,546	38,116,499	34,720,156	33,438,801
Cultural and convention center	5,140,410	4,912,242	3,946,726	4,342,391	4,437,725	4,450,885	4,235,131	6,357,377	3,946,989	5,319,373
Parks and recreation	8,775,698	8,664,379	8,423,471	11,958,245	8,969,751	8,772,280	7,725,705	8,608,714	8,023,314	7,242,156
Public works	37,018,361	30,083,326	20,799,856	15,474,824	74,063,752	40,578,391	23,473,774	23,788,035	29,593,755	16,305,743
Library	2,694,753	3,194,262	2,552,786	2,428,937	2,073,757	2,290,305	2,177,906	2,924,851	2,744,643	2,232,037
Debt service:										
Principal retirement	12,266,638	5,219,260	4,444,570	4,264,596	3,799,784	3,799,956	4,264,044	3,793,289	4,209,378	6,975,994
Interest and fiscal charges	5,888,573	5,587,476	4,647,051	4,618,428	6,579,560	7,966,940	10,710,691	13,088,973	9,963,603	7,382,576
Bond issuance costs	-	-	-	-	-	-	-	-	887,426	-
Payment to bond escrow	-	7,145,057	-	-	-	-	-	-	-	3,661,948
Pass-through payments	-	-	-	-	1,948,429	7,201,757	12,027,631	7,440,446	7,087,437	5,505,436
Total expenditures	<u>126,178,806</u>	<u>115,614,750</u>	<u>98,601,073</u>	<u>89,300,389</u>	<u>147,929,482</u>	<u>117,487,767</u>	<u>114,450,221</u>	<u>118,208,742</u>	<u>119,056,636</u>	<u>97,458,928</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(10,257,329)</u>	<u>(1,444,993)</u>	<u>8,989,426</u>	<u>12,846,180</u>	<u>(38,659,714)</u>	<u>(8,254,340)</u>	<u>(14,224,653)</u>	<u>(8,976,941)</u>	<u>(3,286,244)</u>	<u>8,991,198</u>
Other financing sources (uses):										
Transfers in	22,844,245	20,793,279	18,329,676	15,850,073	8,756,658	9,726,647	28,298,755	20,150,156	11,938,365	11,029,443
Transfers out	(24,193,175)	(25,785,113)	(22,780,434)	(17,802,238)	(8,754,208)	(9,136,799)	(29,098,755)	(23,140,156)	(13,538,365)	(12,564,443)
Debt issued	5,680,000	58,440,000	-	490,000	68,945,000	-	-	3,366,478	24,935,036	-
Bond premium	1,006,277	5,376,988	-	-	2,361,102	-	-	-	-	-
Bond discount	-	(59,946)	-	-	-	-	-	-	-	-
Proceeds from sale of asset	-	-	-	-	-	-	-	(77,303)	35,000	-
Payment to refunded bond escrow agent	-	-	-	-	(24,264,400)	-	-	-	-	-
Total other financing sources (uses)	<u>5,337,347</u>	<u>2,974,745</u>	<u>(4,450,758)</u>	<u>(1,462,165)</u>	<u>47,044,152</u>	<u>589,848</u>	<u>(800,000)</u>	<u>299,175</u>	<u>23,370,036</u>	<u>(1,535,000)</u>
Extraordinary gain/loss	-	-	-	(323,409)	(11,303,318)	-	-	-	-	-
Net change in fund balances	<u>\$ (4,919,982)</u>	<u>\$ 1,529,752</u>	<u>\$ 4,538,668</u>	<u>\$ 11,060,606</u>	<u>\$ (2,918,880)</u>	<u>\$ (7,664,492)</u>	<u>\$ (15,024,653)</u>	<u>\$ (8,677,766)</u>	<u>\$ 20,083,792</u>	<u>\$ 7,456,198</u>
Debt service as a percentage of noncapital expenditures	15.5%	10.1%	10.1%	21.7%	8.6%	10.7%	14.3%	13.6%	15.5%	11.7%

Source: City of Palm Springs, Finance Department

CITY OF PALM SPRINGS

Assessed Value and Estimated Actual Value of Taxable Property Last Ten Fiscal Years (in thousands of dollars)

Fiscal Year Ended June 30	Residential	Commercial	Industrial	Other (Note 2)	Total Net Taxable Assessed Value	Total Direct Rate
2007	\$ 4,972,103	\$ 855,103	\$ 149,627	\$ 2,634,657	\$ 8,611,490	0.34905
2008	5,749,317	964,864	180,165	2,950,286	9,844,632	0.36904
2009	5,889,013	1,099,120	197,160	3,062,564	10,247,857	0.37569
2010	5,527,341	1,168,445	196,399	2,839,637	9,731,822	0.38182
2011	5,239,135	1,034,191	193,415	2,728,132	9,194,873	0.37482
2012	5,143,126	962,594	193,140	2,562,149	8,861,009	0.36581
2013	5,190,305	995,874	192,704	2,522,431	8,901,314	0.35452
2014	5,664,830	1,008,814	188,103	2,845,274	9,707,021	0.22399
2015	6,255,962	1,014,168	182,092	2,523,552	9,975,774	0.22389
2016	7,914,314	1,915,819	640	345,403	10,176,176	0.22716

NOTE:

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

Note 2: Includes government owned, institutional, miscellaneous, recreational, vacant, SBE Nonunitary, cross reference, unsecured, exempt, and unknown.

Source: Riverside County Assessor data, MuniServices, LLC

Source: 2007-08 thru 2014-15 prior published CAFR

CITY OF PALM SPRINGS

**Direct and Overlapping Property Tax Rates
Last Ten Fiscal Years
(Rate per \$100 of Assessed Value)**

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Basic Levy (Note 1)	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000
Overlapping Rates (Note 2)										
Coachella Valley Water District	0.10000	0.10000	0.10000	0.08000	0.08000	0.08000	0.06000	0.04000	0.04000	0.02080
Desert Community College	0.02087	0.02325	0.01995	0.01995	0.01995	0.01995	0.01995	0.01995	0.01995	0.01995
Palm Springs Unified B & I 1992-A	0.08978	0.10160	0.12961	0.09351	0.10451	0.13224	0.12628	0.06007	0.05468	0.05912
Total Direct and Overlapping Tax Rates	1.21065	1.22485	1.24956	1.19346	1.20446	1.23219	1.20623	1.12002	1.11463	1.09987
City Share of 1% Levy (Note 3)	0.27505	0.27505	0.27505	0.27505	0.27505	0.27505	0.27505	0.27505	0.27505	0.27505
Redevelopment Rate (Note 4)	-	-	-	-	1.08000	1.08000	1.08000	1.08000	1.08000	1.06000
Total Direct Rate (Note 5)	0.22716	0.22389	0.22399	0.35452	0.36581	0.37482	0.38182	0.37569	0.36904	0.34905

Note 1: In 1978, California voters passed Proposition 13 which set the property tax rate at a 1.00% fixed amount. The 1.00% is shared by all taxing agencies for which the subject property resides within. In addition to the 1.00% fixed amount, property owners are charged taxes as a percentage of assessed property values for the payment of any voter approved bonds.

Note 2: Overlapping rates are those of local and county governments that apply to property owners within the City. Not all overlapping rates apply to all City property owners.

Note 3: City's share of 1% Levy is based on the City's share of the general fund tax rate area within the largest net taxable value within the City. ERAF general fund tax shifts may not be included in tax ratio figures.

Note 4: RDA Rate is based on the largest RDA tax rate area (TRA) and includes only rate(s) from indebtedness adopted prior to 1989 per California statute. RDA direct and overlapping rates are applied only to the incremental property values.

Note 5: Total Direct Rate is the weighted average of all individual direct rates applied to by the government preparing the statistical section information and excludes revenues derived from aircraft. Beginning in 2013/14 the Total Direct Rate no longer includes revenue generated from the former redevelopment tax rate areas. Challenges to recognized enforceable obligations are assumed

Source: County Auditor/Controller data, MuniServices, LLC

CITY OF PALM SPRINGS

**Principal Property Tax Payers
Current Year and Nine Years ago**

<u>Taxpayer</u>	<u>2016</u>		<u>2007</u>	
	<u>Taxable Assessed Value</u>	<u>Percent of Total City Taxable Assessed Value</u>	<u>Taxable Assessed Value</u>	<u>Percent of Total City Taxable Assessed Value</u>
Tenet Health System Desert Inc.	\$ 112,146,240	1.05%	\$ -	0.00%
Mountain View Power Partners I	64,884,953	0.61	-	0.00%
TKG Smoke Tree Commons LLC	62,913,902	0.59	21,315,295	0.25%
Windpower Partners 1993 LP	59,641,193	0.56	-	0.00%
Riviera Reincarnate	55,065,074	0.51	-	0.00%
Endure Inv	49,249,639	0.46	-	0.00%
Palm Springs Art Museum	42,796,231	0.40	-	0.00%
HH Palm Springs	40,827,988	0.38	-	0.00%
Skywest Airlines INC	37,349,972	0.35	-	0.00%
Walmart Real Estate Business Trust	32,587,017	0.30	21,627,483	0.26%
Walter Hotel Corp	21,361,000	0.20	98,858,547	1.80%
MW Housing Partners III	-	0.00	51,518,137	0.61%
Toll Ca II	14,757,981	0.14	50,687,141	0.60%
Wessman Holdings	30,180,918	0.28	39,117,959	0.47%
Parker Palm Springs II	<u>21,942,958</u>	0.20	<u>35,587,792</u>	0.42%
	<u>\$ 645,705,066</u>	4.99%	<u>\$ 318,712,354</u>	4.41%

The amounts shown above include assessed value data for the City

Source: MuniServices, LLC

CITY OF PALM SPRINGS

**Property Tax Levies and Collections
Last Ten Fiscal Years**

Fiscal Year Ended June 30	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percent of Levy		Amount	Percent of Levy
2007	\$ 16,810,790	\$ 15,325,800	91.17%	\$ 756,370	\$ 16,082,170	95.67%
2008	17,805,189	1	0.00%	1		0.00%
2009		1	0.00%	1		0.00%
2010	37,164,518	34,897,314	1	1,377,973	36,275,287	97.61%
2011	36,589,289	33,749,104	92.24%	617,134	34,366,238	93.92%
2012	31,699,331	26,581,718	83.86%	1,613,650	28,195,368	88.95%
2013	34,832,425	27,301,032	78.38%	1,440,591	28,741,623	82.51%
2014	35,213,010	33,764,807	95.89%	1,432,979	35,197,786	99.96%
2015	34,215,678	32,782,699	95.81%	1,452,247	34,234,946	100.06%
2016	38,459,265	37,007,018	96.22%	1,635,157	38,642,175	100.48%

NOTE:

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

Source: City of Palm Springs, Finance Department

1 - County of Riverside was unable to provide this information.

CITY OF PALM SPRINGS
HISTORICAL SALES TAX AMOUNTS BY BENCHMARK YEAR
 Last Ten Fiscal Years

CATEGORY NAME	2016 Q1	2015 Q1	2014 Q1	2013 Q1	2012 Q1	2011 Q1	2010 Q1	2009 Q1	2008 Q1	2007 Q1
All Other Outlets	\$ 2,261,963	\$ 2,374,317	\$ 2,278,841	\$ 2,259,863	\$ 2,162,206	\$ 1,970,071	\$ 1,834,841	\$ 1,884,751	\$ 1,982,138	\$ 1,896,905
Apparel Stores	486,905	512,097	505,858	477,445	421,559	390,731	392,863	285,646	304,668	331,999
Auto Dealers & Auto	782,852	693,539	690,229	676,460	568,418	489,717	468,648	474,294	536,889	549,776
Bldg. Matr'l. & Farm	1,005,832	977,180	908,527	894,594	824,033	767,459	759,344	822,088	864,586	1,139,575
Drug Stores	307,681	296,572	255,087	209,563	207,378	182,437	156,650	169,748	167,497	146,449
Eating & Drinking Pl	2,264,336	2,157,733	1,992,724	1,786,460	1,716,640	1,526,810	1,477,980	1,529,346	1,478,909	1,489,325
Food Stores	590,156	547,120	510,779	518,111	455,394	423,396	405,711	392,394	458,761	453,350
General Merchandise	537,023	548,434	574,045	575,338	578,886	586,429	620,706	674,389	696,874	756,559
Home Furnishings & A	99,233	94,171	91,660	74,699	66,326	127,175	94,752	98,658	120,531	130,598
Other Retail Stores	1,125,306	1,060,025	1,024,946	990,999	970,512	913,391	793,240	793,477	891,334	984,539
Packaged Liquor Stor	43,896	42,808	42,240	46,260	37,949	39,386	38,870	42,967	44,295	46,603
Service Station	906,560	1,092,583	1,208,315	1,167,026	1,060,906	897,678	836,837	1,020,826	1,046,094	964,868
TOTAL	\$10,411,743	\$10,396,579	\$10,083,251	\$9,666,818	\$9,070,207	\$8,314,680	\$7,880,442	\$8,188,584	\$8,592,576	\$8,890,546

Source: Muni Services LLP

City of Palm Springs
Principal Sales Tax Producers
Last Fiscal Year and Nine Years Ago

2015-16		2006-07	
Taxpayer	Business Type	Taxpayer	Business Type
Ace Hotel & Swim Club	Restaurants	Alamo National Car Rental	Leasing
Albertson's Food Centers	Food Markets	Arco AM/PM Mini Marts	Service Stations
Arco AM/PM Mini Marts	Service Stations	Avis Rent-a-Car	Leasing
Builders Home Center	Bldg.Matis-Retail	Builders Home Center	Bldg.Matis-Retail
Chevron Service Stations	Service Stations	Chevron Service Stations	Service Stations
Enterprise Rent-a-Car	Leasing	Desert Electric Supply	Bldg.Matis-Whsle
Hertz Rent-a-Car	Leasing	Enterprise Rent-a-Car	Leasing
Home Depot	Bldg.Matis-Retail	Financial Svcs Vehicle Trust	Leasing
Las Casuelas Terraza Restaurant	Restaurants	Gottschalks Department Store	Department Stores
Le Parker Meridien	Restaurants	Hajoca Corporation	Bldg.Matis-Whsle
Lowe's Home Centers	Bldg.Matis-Retail	Hertz Rent-a-Car	Leasing
Lulu California Bistro	Restaurants	Las Casuelas Terraza Restaurant	Restaurants
Marshall's Stores	Apparel Stores	Le Parker Meridien	Restaurants
Organic Solutions of the Deser	Drug Stores	Lowe's Home Centers	Bldg.Matis-Retail
Pilot Travel Center	Service Stations	Million Air	Misc. Vehicle Sales
Ralph's Grocery Company	Food Markets	Pilot Travel Center	Service Stations
Rite Aid Drug Stores	Drug Stores	Ralph's Grocery Company	Food Markets
Ross Stores	Apparel Stores	Rite Aid Drug Stores	Drug Stores
Ryder Truck Rentals	Leasing	Roofing Wholesale	Bldg.Matis-Whsle
The Desert Sun	Light Industry	Ross Stores	Apparel Stores
TJMaxx	Apparel Stores	Ryder Truck Rentals	Leasing
VIP Motor Cars	Auto Sales - New	Stein Mart	Apparel Stores
Vons Service Stations	Service Stations	VIP Motor Cars	Auto Sales - New
Wal Mart Stores	Department Stores	Vons Grocery Company	Food Markets
Walgreen's Drug Stores	Drug Stores	Wal Mart Stores	Department Stores

Source: MuniServices, LLC

CITY OF PALM SPRINGS

**Ratios of Outstanding Debt by Type
Last Ten Fiscal Years**

Fiscal Year Ended June 30	Governmental Activities				Total Governmental Activities
	Pension Obligation Bond (1)	General Obligation Bonds	Tax Allocation Bonds	Loans and Leases	
2007	\$ 19,832,588	\$ 102,319,055	\$ 26,220,000	\$ 490,125	\$ 148,861,768
2008	19,832,588	99,938,944	46,640,000	275,748	166,687,280
2009	20,328,619	97,667,830	45,860,000	3,486,462	167,342,911
2010	20,349,536	95,654,919	45,045,000	4,327,846	165,377,301
2011	20,312,658	93,372,989	44,080,000	3,854,251	161,619,898
2012	20,221,505	136,394,186	-	3,358,621	159,974,312
2013	20,067,568	132,552,058	-	3,329,912	155,949,538
2014	19,851,587	128,647,806	-	21,156,532	169,655,925
2015	19,572,184	136,551,633	-	20,367,964	176,491,781
2016	19,222,909	131,071,115	-	19,519,529	169,813,553

Notes: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

CITY OF PALM SPRINGS

**Ratios of Outstanding Debt by Type
Last Ten Fiscal Years
(Continued)**

Business-type Activities				Total Business-type Activities	Total Primary Govt	Percentage of Personal Income (1)	Debt Per Capita (1)
Airport Revenue Bonds	Certificates of Participation	Leases					
\$ 28,907,043	\$ 11,537,303	\$ -	\$ 40,444,346	\$ 189,306,114	0.13727	\$ 4,448	
29,095,000	11,846,058	-	40,941,058	207,628,338	0.15072	4,884	
27,965,000	11,422,169	-	39,387,169	206,730,080	0.14773	4,787	
27,305,000	10,980,081	-	38,285,081	203,662,382	0.14487	4,184	
25,995,000	10,522,011	-	36,517,011	198,136,909	0.11245	4,054	
25,030,000	10,045,814	238,248	35,314,062	195,288,374	114.65268	4,233	
24,020,000	9,547,944	167,372	33,735,316	189,684,854	111.36289	4,112	
20,915,000	9,037,194	92,556	30,044,750	199,700,675	117.24312	4,329	
18,161,227	8,502,035	6,807	26,670,069	203,161,850	118.38924	4,355	
16,694,038	7,947,127	-	24,641,165	194,454,718	113.31530	4,168	
* Personal Income				1,716,050			
* Total Population				46,654			

CITY OF PALM SPRINGS

**Ratio of General Bonded Debt Outstanding
Last Ten Fiscal Years
(In Thousands, except Per Capita)**

Fiscal Year Ended June 30	Outstanding General Bonded Debt			Total	Percent of Assessed Value (1)	Per Capita
	Pension Obligation Bond	General Obligation Bonds	Tax Allocation Bonds			
2007	\$ 19,832	\$ 102,320	\$ 26,200	\$ 148,352	1.51%	\$ 3,493
2008	19,832	99,938	46,640	166,410	1.62%	3,918
2009	20,328	97,667	45,860	163,855	1.68%	3,858
2010	20,350	95,655	45,045	161,050	1.75%	3,380
2011	20,313	93,373	44,080	157,766	1.78%	3,484
2012	20,222	136,394	-	156,616	1.76%	3,395
2013	20,068	132,552	-	152,620	1.57%	3,308
2014	19,852	128,648	-	148,500	1.53%	3,219
2015	19,572	136,552	-	156,124	1.57%	3,346
2016	19,223	131,071	-	150,294	1.48%	3,221

(1) Assessed value has been used because the actual value of taxable property is not readily available in the State of California.

CITY OF PALM SPRINGS
Direct and Overlapping Debt
June 30, 2016

City Assessed Valuation	\$ 9,981,059,009																																																																																																																																																
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	<table style="width: 100%; border-collapse: collapse; margin-top: 10px;"> <thead> <tr> <th style="width: 30%;"></th> <th style="width: 20%; text-align: center;">Percentage Applicable (1)</th> <th style="width: 20%; text-align: center;">Outstanding Debt 6/30/16</th> <th style="width: 30%; text-align: center;">Estimated Share of Overlapping Debt</th> </tr> </thead> <tbody> <tr> <td colspan="4">Overlapping Debt Repaid with Property Taxes:</td> </tr> <tr> <td>Desert Community College District</td> <td style="text-align: center;">14.989%</td> <td style="text-align: right;">\$ 283,391,384</td> <td style="text-align: right;">\$ 42,477,535</td> </tr> <tr> <td>Mt. San Jacinto Community College District General Fund Obligation</td> <td style="text-align: center;">0.006%</td> <td style="text-align: right;">70,000,000</td> <td style="text-align: right;">4,200</td> </tr> <tr> <td>Banning Unified School District</td> <td style="text-align: center;">0.167%</td> <td style="text-align: right;">41,211,999</td> <td style="text-align: right;">68,824</td> </tr> <tr> <td>Palm Springs Unified School District</td> <td style="text-align: center;">41.052%</td> <td style="text-align: right;">340,580,707</td> <td style="text-align: right;">139,815,192</td> </tr> <tr> <td>San Geronio Memorial Hospital District</td> <td style="text-align: center;">0.061%</td> <td style="text-align: right;">114,135,000</td> <td style="text-align: right;">69,622</td> </tr> <tr> <td>Riverside County Assessment District No. 167</td> <td style="text-align: center;">100%</td> <td style="text-align: right;">145,000</td> <td style="text-align: right;">145,000</td> </tr> <tr> <td>City of Palm Springs 1915 Act Bonds</td> <td style="text-align: center;">100%</td> <td style="text-align: right;">6,225,000</td> <td style="text-align: right;">6,225,000</td> </tr> <tr> <td>California Statewide Communities Development Authority 1915 Act Bonds</td> <td style="text-align: center;">100%</td> <td style="text-align: right;">690,004</td> <td style="text-align: right;">690,004</td> </tr> <tr> <td></td> <td></td> <td style="text-align: right; 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border-top: 1px solid black;">1,333,372,096</td> <td style="text-align: right; border-top: 1px solid black;">191,692,593</td> </tr> <tr> <td colspan="4">Total Net Direct and Overlapping General Fund Debt</td> </tr> <tr> <td colspan="4">Overlapping Tax Increment Debt (Successor Agencies)</td> </tr> <tr> <td>Riverside County Tax Allocation Bonds</td> <td style="text-align: center;">.239-100%</td> <td style="text-align: right;">\$ 222,658,028</td> <td style="text-align: right;">\$ 36,558,669</td> </tr> <tr> <td></td> <td></td> <td style="text-align: right; border-top: 1px solid black;">\$ 222,658,028</td> <td style="text-align: right; border-top: 1px solid black;">\$ 36,558,669</td> </tr> <tr> <td colspan="4">Total Overlapping Tax Increment Debt</td> </tr> <tr> <td>Total Direct Debt</td> <td></td> <td></td> <td style="text-align: right;">\$ 194,454,718</td> </tr> <tr> <td>Total Gross Overlapping Debt</td> <td></td> <td></td> <td style="text-align: right;">279,841,950</td> </tr> <tr> <td>Total Net Overlapping Debt</td> <td></td> <td></td> <td style="text-align: right;">279,661,288</td> </tr> <tr> <td>Gross Combined Total Debt</td> <td></td> <td></td> <td style="text-align: right;">474,296,668</td> </tr> <tr> <td>Net Combined Total Debt</td> <td></td> <td></td> <td style="text-align: right;">474,116,006</td> </tr> <tr> <td colspan="4"><u>Ratios to Adjusted Assessed Valuation:</u></td> </tr> <tr> <td>Total Overlapping Tax and Assessment Debt</td> <td style="text-align: center;">1.77%</td> <td></td> <td></td> </tr> <tr> <td>Total Direct Debt (\$156,404,021)</td> <td style="text-align: center;">1.29%</td> <td></td> <td></td> </tr> <tr> <td>Gross Combined Total Debt</td> <td style="text-align: center;">3.90%</td> <td></td> <td></td> </tr> <tr> <td>Net Combined Total Debt</td> <td style="text-align: center;">3.90%</td> <td></td> <td></td> </tr> <tr> <td colspan="4"><u>Ratios to Redevelopment Successor Agencies Incremental Valuation (\$1,805,141,762)</u></td> </tr> <tr> <td>Total Overlapping Tax Increment Debt</td> <td style="text-align: center;">2.03%</td> <td></td> <td></td> </tr> </tbody> </table>		Percentage Applicable (1)	Outstanding Debt 6/30/16	Estimated Share of Overlapping Debt	Overlapping Debt Repaid with Property Taxes:				Desert Community College District	14.989%	\$ 283,391,384	\$ 42,477,535	Mt. San Jacinto Community College District General Fund Obligation	0.006%	70,000,000	4,200	Banning Unified School District	0.167%	41,211,999	68,824	Palm Springs Unified School District	41.052%	340,580,707	139,815,192	San Geronio Memorial Hospital District	0.061%	114,135,000	69,622	Riverside County Assessment District No. 167	100%	145,000	145,000	City of Palm Springs 1915 Act Bonds	100%	6,225,000	6,225,000	California Statewide Communities Development Authority 1915 Act Bonds	100%	690,004	690,004			856,379,094	189,495,377	Total overlapping debt repaid with property taxes				Direct and Overlapping General Fund Debt:				Riverside County General Fund Obligations	4.500%	889,831,745	40,042,429	Riverside County Pension Obligations	4.500%	304,520,000	13,703,400	Riverside County Board of Education Certificates of Participation	4.500%	935,000	42,075	City of Palm Springs General Fund Obligations	100%	119,905,000	119,905,000	City of Palm Springs Pension Obligations	100%	18,180,351	18,180,351			1,333,372,096	191,692,593	Total Net Direct and Overlapping General Fund Debt				Overlapping Tax Increment Debt (Successor Agencies)				Riverside County Tax Allocation Bonds	.239-100%	\$ 222,658,028	\$ 36,558,669			\$ 222,658,028	\$ 36,558,669	Total Overlapping Tax Increment Debt				Total Direct Debt			\$ 194,454,718	Total Gross Overlapping Debt			279,841,950	Total Net Overlapping Debt			279,661,288	Gross Combined Total Debt			474,296,668	Net Combined Total Debt			474,116,006	<u>Ratios to Adjusted Assessed Valuation:</u>				Total Overlapping Tax and Assessment Debt	1.77%			Total Direct Debt (\$156,404,021)	1.29%			Gross Combined Total Debt	3.90%			Net Combined Total Debt	3.90%			<u>Ratios to Redevelopment Successor Agencies Incremental Valuation (\$1,805,141,762)</u>				Total Overlapping Tax Increment Debt	2.03%		
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Riverside County Pension Obligations	4.500%	304,520,000	13,703,400																																																																																																																																														
Riverside County Board of Education Certificates of Participation	4.500%	935,000	42,075																																																																																																																																														
City of Palm Springs General Fund Obligations	100%	119,905,000	119,905,000																																																																																																																																														
City of Palm Springs Pension Obligations	100%	18,180,351	18,180,351																																																																																																																																														
		1,333,372,096	191,692,593																																																																																																																																														
Total Net Direct and Overlapping General Fund Debt																																																																																																																																																	
Overlapping Tax Increment Debt (Successor Agencies)																																																																																																																																																	
Riverside County Tax Allocation Bonds	.239-100%	\$ 222,658,028	\$ 36,558,669																																																																																																																																														
		\$ 222,658,028	\$ 36,558,669																																																																																																																																														
Total Overlapping Tax Increment Debt																																																																																																																																																	
Total Direct Debt			\$ 194,454,718																																																																																																																																														
Total Gross Overlapping Debt			279,841,950																																																																																																																																														
Total Net Overlapping Debt			279,661,288																																																																																																																																														
Gross Combined Total Debt			474,296,668																																																																																																																																														
Net Combined Total Debt			474,116,006																																																																																																																																														
<u>Ratios to Adjusted Assessed Valuation:</u>																																																																																																																																																	
Total Overlapping Tax and Assessment Debt	1.77%																																																																																																																																																
Total Direct Debt (\$156,404,021)	1.29%																																																																																																																																																
Gross Combined Total Debt	3.90%																																																																																																																																																
Net Combined Total Debt	3.90%																																																																																																																																																
<u>Ratios to Redevelopment Successor Agencies Incremental Valuation (\$1,805,141,762)</u>																																																																																																																																																	
Total Overlapping Tax Increment Debt	2.03%																																																																																																																																																

AB (\$475)

Notes:

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

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

Source: Muni Services LLP

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CITY OF PALM SPRINGS

**Legal Debt Margin Information
Last Ten Fiscal Years
(in Thousands of Dollars)**

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Assessed Valuation	\$ 10,176,176	\$ 9,975,774	\$ 9,320,889	\$ 8,901,314	\$ 8,861,010	\$ 9,194,873	\$ 9,731,822	\$ 10,247,857	\$ 9,844,632	\$ 8,611,490
Conversion percentage	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%
Adjusted assessed valuation	2,544,044	2,493,944	2,330,222	2,225,329	2,215,253	2,298,718	2,432,956	2,561,964	2,461,158	2,152,873
Debt limit percentage	15%	15%	15%	15%	15%	15%	15%	15%	15%	15%
Debt limit	381,607	374,092	349,533	333,799	332,288	344,808	364,943	384,295	369,174	322,931
Total net debt applicable to limit: General Obligation Bonds	131,071	136,552	128,648	132,552	136,394	93,373	95,655	97,668	99,939	107,733
Legal debt Margin	\$ 250,536	\$ 237,540	\$ 220,885	\$ 201,247	\$ 195,894	\$ 251,435	\$ 269,288	\$ 286,627	\$ 269,235	\$ 215,198
Total Debt applicable to the limit as a percentage of debt limit	34.3%	36.5%	36.8%	39.7%	41.0%	27.1%	26.2%	25.4%	27.1%	33.4%

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

Source: City of Palm Springs, Finance Department

CITY OF PALM SPRINGS

**Pledged-Revenue Coverage
Last Ten Fiscal Years**

Fiscal Year Ended June 30	Tax Allocation Bonds			
	Tax Increment	Debt Service		Coverage
		Principal	Interest	
2007	\$ 9,580,238	\$ 730,000	\$ 1,370,994	4.56
2008	12,308,827	755,000	1,862,249	4.70
2009	14,093,345	780,000	2,458,686	4.35
2010	18,376,003	815,000	2,426,481	5.67
2011	16,214,162	965,000	2,389,109	4.83
2012	-	-	-	-
2013	-	-	-	-
2014	-	-	-	-
2015	-	-	-	-
2016	-	-	-	-

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements. Operating expenses do not include interest or depreciation expenses.

CITY OF PALM SPRINGS

**Pledged-Revenue Coverage
Last Ten Fiscal Years
(Continued)**

Airport Revenue Bonds						
Airport Revenue	Less Operating Expenses	Net Available Revenue	Debt Service		Coverage	
			Principal	Interest		
\$ 34,659,634	\$ 17,493,314	\$ 17,166,320	\$ 460,000	\$ 1,387,562	9.29	
26,418,356	19,854,497	6,563,859	1,310,000	1,616,318	2.24	
28,958,090	14,493,317	14,464,773	1,130,000	1,629,824	5.24	
19,769,064	14,245,793	5,523,271	660,000	1,546,136	2.50	
19,724,924	14,612,198	5,112,726	1,310,000	1,502,770	1.82	
23,023,302	15,418,648	7,604,654	965,000	1,438,003	3.16	
24,109,169	16,143,466	7,965,703	1,010,000	1,387,851	3.32	
35,290,038	16,666,876	18,623,162	3,105,000	1,332,020	4.20	
24,793,762	24,630,467	163,295	2,310,000	1,180,929	0.05	
25,237,494	24,225,209	1,012,285	1,505,000	1,074,954	0.39	

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

Calendar Year	Population	Personal Income (in thousands)	Per Capita Personal Income	Unemployment Rate
2006	46,638	\$ 1,334,743	\$ 28,619	3.8%
2007	46,795	1,363,589	29,140	4.6%
2008	46,992	1,374,982	29,260	6.5%
2009	47,653	1,376,376	28,883	10.6%
2010	48,040	1,728,191	35,974	11.5%
2011	45,279	1,669,663	36,875	10.6%
2012	45,712	1,714,109	37,498	7.4%
2013	46,135	1,703,304	36,920	6.4%
2014	46,135	1,612,280	34,947	6.8%
2015	46,654	1,716,050	36,782	5.5%

Source: MuniServices, LLC

Source: 2006-2014 Demographics from previously posted CAFR

Note: This statistic is a year behind due to the nature of the demographic study

CITY OF PALM SPRINGS
Principal Employers
Current Year

Employer	2016	
	Number of Employees	Percent of Total Employment
Desert Regional Medical Center	1,000-4,999	2.67 - 13.34%
Spa Resort Casino	1,000-4,999	2.67 - 13.34%
Hard Rock Hotel - Palm Springs	500-999	1.33 - 2.67%
Care Fusion	250-499	0.67 - 1.33%
City of Palm Springs City Hall	250-499	0.67 - 1.33%
Desert Sun	250-499	0.67 - 1.33%
Kaplan College	250-499	0.67 - 1.33%
Palm Springs Personnel	250-499	0.67 - 1.33%
Palm Springs Riviera Resort	250-499	0.67 - 1.33%
Savoury's Inc	250-499	0.67 - 1.33%
Walmart Supercenter	250-499	0.67 - 1.33%
Ace Hotel & Swim Club	100-249	0.27 - 0.66%
Agua Caliente Band of Indians	100-249	0.27 - 0.66%
Airport Terminal Service Inc	100-249	0.27 - 0.66%
California Nursing & Rehab Center	100-249	0.27 - 0.66%
Circa 59	100-249	0.27 - 0.66%
Hilton - Palm Springs	100-249	0.27 - 0.66%
Home Depot	100-249	0.27 - 0.66%
Hyatt - Palm Springs	100-249	0.27 - 0.66%
Las Casuelas Terraza	100-249	0.27 - 0.66%
Le Parker Meridien - Palm Springs	100-249	0.27 - 0.66%
Lowe's Home Improvement	100-249	0.27 - 0.66%
Palm Canyon Resort & Spa	100-249	0.27 - 0.66%
Palm Springs Health Care	100-249	0.27 - 0.66%
Palm Springs High School	100-249	0.27 - 0.66%
Palm Springs Police Dept	100-249	0.27 - 0.66%
Parker Palm Springs Hotel	100-249	0.27 - 0.66%
Premier Care Center	100-249	0.27 - 0.66%
Renaissance - Palm Springs	100-249	0.27 - 0.66%
Riverside County Civil Court	100-249	0.27 - 0.66%
Stater Bros Markets	100-249	0.27 - 0.66%
Triada Palm Springs	100-249	0.27 - 0.66%
UPS Customer Center	100-249	0.27 - 0.66%
US Post Office	100-249	0.27 - 0.66%
V I P Motor Cars	100-249	0.27 - 0.66%
Western Pacific Roofing Corp	100-249	0.27 - 0.66%
Wet 'n' Wild	100-249	0.27 - 0.66%

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

Information is presented as a range as specific employer and percentage totals are not available

Source: State Employment Development Department

* Year 2007 information not available.

CITY OF PALM SPRINGS

**Full - Time Equivalent City Employees By Department
Last Ten Fiscal Years**

<u>Department</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Administration	44.20	36.25	36.25	35.75	34.25	34.75	43.25	48.75	46.30	44.70
Growth Management	31.39	24.29	24.29	20.80	20.20	22.20	28.45	34.95	34.95	34.85
Quality of Life	53.50	54.50	54.50	53.25	37.25	38.25	46.00	56.25	53.90	52.65
Public Safety	189.00	174.50	174.50	178.50	172.50	184.50	208.50	214.50	215.50	207.50
Public Works & Engineering	22.86	20.33	20.33	20.00	27.50	27.00	32.00	32.75	30.60	30.10
Airport	70.00	67.00	67.00	66.50	66.50	64.50	63.50	69.50	69.65	68.15
Golf Course	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.50	0.50	0.50
Motor Vehicle	8.00	8.00	8.00	7.00	7.00	7.00	8.00	9.00	9.00	9.00
Facilities Maintenance	13.00	13.00	13.00	13.50	13.50	12.50	14.50	14.50	14.50	14.00
Risk Management	4.25	3.25	3.25	3.25	2.75	3.25	3.25	3.25	3.25	3.25
Low & Moderate Income Housing	2.80	3.38	3.38	3.70	4.30	4.30	4.55	4.55	6.80	6.50
Wastewater Treatment Plant	0.52	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.05	0.05
Total	<u>439.52</u>	<u>404.50</u>	<u>404.50</u>	<u>402.25</u>	<u>385.75</u>	<u>398.25</u>	<u>452.00</u>	<u>488.50</u>	<u>485.00</u>	<u>471.25</u>

Source: City of Palm Springs, Finance Department

CITY OF PALM SPRINGS

**Operating Indicators by Function
Last Ten Fiscal Years**

	Fiscal Year 2016	Fiscal Year 2015	Fiscal Year 2014	Fiscal Year 2013	Fiscal Year 2012	Fiscal Year 2011	Fiscal Year 2010	Fiscal Year 2009	Fiscal Year 2008	Fiscal Year 2007
Police:										
Arrests	3,566	3,608	4,257	3,090	3360	3528	4564	4319	4908	4,152
Parking Citations	5,424	3,826	3,178	2,796	2585	1936	2977	2896	2987	3,125
Fire:										
Number of Emergency Calls	10,071	9,753	8,798	8,455	8263	7777	7400	7054	6,928	6,876
Inspections	3,666	3,389	3,902	3,385	1425	4204	3808	2907	3,889	2,025
Public Works:										
Street resurfacing (sq feet)	11,111,269	2,875,700	3,136,862	2,638,360	2,468,300	3,049,441	3,286,000	3,580,270	3,688,258	4,025,450
Parks and Recreation:										
Number of recreation classes	5,385	2,642	2,964	3,715	3229	3171	1755	2001	1,331	1,055
Number of facility rentals	3,908	144	167	160	195	276	955	968	1,138	165
Airport:										
Passengers serviced	1,917,702	1,914,402	1,852,606	1,751,973	1,668,554	1,483,051	1,499,637	1,453,921	1,591,458	1,595,417
Flights	55,977	55,823	52,993	51,586	58,792	61,584	68,772	68,805	77,859	93,201
Sewer:										
New Connections	165	175	120	114	112	62	102	122	166	258
Ave Daily sewage treatment	5,845	6,042	6,042	6,033	5698	5700	6491	6491	6491	6,491
Golf Course:										
Golf rounds played	89,020	98,866	87,981	95,177	103,653	99,592	80,699	82,966	83,705	83,979

Source: City of Palm Springs, Finance Department

CITY OF PALM SPRINGS

Capital Asset Statistics
By Function

Last Ten Fiscal Years

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Police: Stations	1	1	1	1	1	1	1	1	1	1
Fire: Fire Stations	4	4	4	4	4	5	5	5	5	5
Public Works: Streets (miles)	270	270	270	270	270	270	270	270	270	270
Streetslights	405	405	405	367	367	367	367	365	360	218
Traffic signals	84	84	84	84	84	84	84	81	81	76
Parks and recreation: Parks	10	10	10	10	10	10	9	8	8	8
Community centers	3	3	3	3	3	3	2	2	2	2
Airport: Runway (feet)	14,952	14,952	14,952	14,952	14,952	14,952	14,952	14,952	14,952	14,952
Gates	16	16	16	16	16	16	16	16	16	11
Wastewater: Sanitary sewers (miles)	264	264	264	264	264	250	260	260	260	260
Storm sewers (miles)	52	52	52	52	52	50	50	50	50	50
Maximum daily treatment capacity (thousands of gallons)	10,900	10,900	10,900	10,900	10,900	10,900	10,900	10,900	10,900	10,900
Cogeneration: Cogeneration plants	1	1	1	2	2	1	1	1	1	1
Golf Course: Municipal golf courses	2	2	2	2	2	2	2	2	2	2
Convention Center: Square feet	261,000	261,000	261,000	261,000	261,000	261,000	250,000	250,000	250,000	250,000
Meeting rooms	19	19	19	19	19	19	13	13	13	13

Source: City of Palm Springs, Finance Department