

CITY OF DESERT HOT SPRINGS

FINANCIAL STATEMENTS

Year Ended June 30, 2009

City of Desert Hot Springs
Financial Statements
Year Ended June 30, 2009

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Independent Auditors' Report

The Honorable City Council
City of Desert Hot Springs, California

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Desert Hot Springs, as of June 30, 2009, which collectively comprise the City of Desert Hot Springs' financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Desert Hot Springs' management. Our responsibility is to express opinions on these basic financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Desert Hot Springs, California, as of June 30, 2009, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The City has not presented Management's Discussion and Analysis that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the basic financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 12, 2009 on our consideration of the City of Desert Hot Springs internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The other supplementary information listed in the table of contents, including combining schedules and additional budgetary comparison schedules, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Teaman Ramirez & Smith

January 12, 2009

BASIC FINANCIAL STATEMENTS

City of Desert Hot Springs
Statement of Net Assets
June 30, 2009

	Governmental Activities
ASSETS	
Cash and Investments	\$ 40,858,108
Receivables:	
Accounts	2,968,525
Interest	100,921
Notes	1,242,424
Special Assessments	10,767
Coachella Valley Housing Coalition	727,420
Deposits	144,467
Prepaid Costs	55,557
Deferred Cost of Issuance	976,773
Property Held for Resale	1,972,364
Cash and Investments - Restricted	17,249,675
Capital Assets, Not Being Depreciated:	
Land	1,241,278
Construction in Progress	10,880,801
Capital Assets, Net of Accumulated Depreciation:	
Property and Equipment	4,789,311
Buildings and Improvements	4,418,332
Infrastructure	12,405,849
	100,042,572
Total Assets	
LIABILITIES	
Accounts Payable	5,296,449
Accrued Liabilities	1,642,897
Interest Payable	1,045,442
Deposits Payable	493,704
Unearned Revenue	410,729
Claims Payable	768,783
Noncurrent Liabilities:	
Due Within One Year	1,580,363
Due in More Than One Year	56,213,158
	67,451,525
Total Liabilities	
NET ASSETS	
Invested in Capital Assets, Net of Related Debt	33,735,571
Restricted for:	
Community Development	7,092,768
Public Works	159,103
Debt Service	3,901,415
Unrestricted	(12,297,810)
	\$ 32,591,047
Total Net Assets	

The accompanying notes are an integral part of this statement.

City of Desert Hot Springs
Statement of Activities
Year Ended June 30, 2009

Functions/Programs	Expenses	Program Revenues			Net (Expense)
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Change in Net Assets
					Governmental Activities
Governmental Activities:					
General Government	\$ 5,735,415	\$ 332,962	\$ 389,123	\$	\$ (5,013,330)
Public Safety	7,420,096	469,725	171,369		(6,779,002)
Public Works	924,814	1,043,239	1,254,888		1,373,313
Economic Development	17,522,067	1,631,994	1,595,437		(14,294,636)
Culture and Leisure	316,041	5,452	12,500		(298,089)
Interest on Long-Term Debt	3,086,723				(3,086,723)
Total Governmental Activities	\$ 35,005,156	\$ 3,483,372	\$ 3,423,317	\$ -	(28,098,467)
General Revenues:					
Taxes:					
					1,678,261
					9,712,845
					983,416
					1,089,842
					5,386,322
					88,952
					1,845,627
					214,801
					153,888
					37,400
					<u>21,191,354</u>
					(6,907,113)
					<u>39,498,160</u>
					<u>\$ 32,591,047</u>

The accompanying notes are an integral part of this statement.

**City of Desert Hot Springs
Balance Sheet
Governmental Funds
June 30, 2009**

	General	Special Revenue	
		Community Safety	RDA Low Income Housing
ASSETS			
Cash and Investments	\$ 4,989,180	\$ 486,594	\$ 4,635,354
Restricted Cash and Investments with Fiscal Agent			
Notes Receivable			1,105,175
Accounts Receivable	1,232,943	534,337	17,278
Interest Receivable	4,236		10,711
Prepaid Items	19,798		
Due From Other Funds	724,593		
Property Held for Resale			1,272,364
Total Assets	\$ 6,970,750	\$ 1,020,931	\$ 7,040,882
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts Payable	\$ 735,199	\$ 544,202	\$ 72,561
Accrued Liabilities	64,548	140,329	
Deposits	493,704		
Due to Other Funds			
Deferred Revenue	399,353	336,400	1,105,175
Total Liabilities	1,692,804	1,020,931	1,177,736
Fund Balances:			
Reserved for:			
Prepaid Expenses	19,798		
Debt Service			
Capital Projects			
Property Held For Resale			1,272,364
Unreserved, Reported In:			
General Fund	5,258,148		
Special Revenue Funds			4,590,782
Debt Service Funds			
Capital Project Funds			
Total Fund Balances	5,277,946	-	5,863,146
Total Liabilities and Fund Balances	\$ 6,970,750	\$ 1,020,931	\$ 7,040,882

The accompanying notes are an integral part of this statement.

Debt Service RDA	Capital Projects RDA	Non-Major Funds	Total Governmental Funds
\$ 9,323,902	\$ 8,152,640	\$ 11,383,148	\$ 38,970,818
705,047	16,250,070	294,558	17,249,675
	148,016	727,420	1,980,611
189	7,666	1,126,112	2,918,525
17,694	15,210	43,562	91,413
			19,798
			724,593
	700,000		1,972,364
<u>\$ 10,046,832</u>	<u>\$ 25,273,602</u>	<u>\$ 13,574,800</u>	<u>\$ 63,927,797</u>
\$ 1,395,120	\$ 2,407,396	\$ 1,340,667	\$ 5,100,025
	27,477	15,423	1,642,897
			493,704
		724,593	724,593
	148,016	1,603,752	3,592,696
<u>1,395,120</u>	<u>2,582,889</u>	<u>3,684,435</u>	<u>11,553,915</u>
			19,798
	3,609,620	291,795	3,901,415
	12,640,450		12,640,450
	700,000		1,972,364
			5,258,148
		7,004,615	11,595,397
8,651,712		1,727,815	10,379,527
	5,740,643	866,140	6,606,783
<u>8,651,712</u>	<u>22,690,713</u>	<u>9,890,365</u>	<u>52,373,882</u>
<u>\$ 10,046,832</u>	<u>\$ 25,273,602</u>	<u>\$ 13,574,800</u>	<u>\$ 63,927,797</u>

The accompanying notes are an integral part of this statement.

City of Desert Hot Springs
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Assets
June 30, 2009

Fund balances of governmental funds	\$ 52,373,882
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Revenue is deferred in the governmental funds when it is not received soon enough after year-end to be considered available. The availability criteria does not apply to the Government-wide Statements and therefore, the revenue is not deferred.	3,181,967
Capital assets of governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	33,126,434
Interest expenditures are recognized when due, and therefore, interest payable is not recorded in the governmental funds.	(1,045,442)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as a liability in the governmental funds.	
Compensated Absences	(661,474)
California HFA Loan	(1,220,000)
Bonds and Certificates Payable	(54,450,000)
Discounts on Bonds and Certificates Payable	1,258,517
Premium on Bonds	(22,077)
Pension Related Debt	(2,698,487)
Issuance costs net of accumulated amortization were reported as expenditures in the governmental funds.	976,773
Internal services funds are used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service funds are included in the statement of net assets.	<u>1,770,954</u>
Net assets of governmental activities	<u><u>\$ 32,591,047</u></u>

The accompanying notes are an integral part of this statement.

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City of Desert Hot Springs
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2009

	Special Revenue		
	General	Community Safety	RDA Low Income Housing
REVENUES			
Taxes	\$ 7,361,149	\$ 2,648,569	\$ 1,942,569
Permits and Fees	857,274	333,366	
Intergovernmental	228,952	3,412	
Licenses		2,291	
Interest	157,591		86,857
Miscellaneous	24,016	41,421	358
Total Revenues	8,628,982	3,029,059	2,029,784
EXPENDITURES			
Current:			
General Government	2,658,609		
Public Safety		7,077,951	
Public Works	285,816		
Economic Development	1,141,225		682,015
Culture and Leisure	239,572		
Capital Outlay	74,322	59,625	54,672
Debt Service:			
Principal			
Interest			2,900
Pass-Through Agreements			
Total Expenditures	4,399,544	7,137,576	739,587
Excess (Deficiency) of Revenues over Expenditures	4,229,438	(4,108,517)	1,290,197
OTHER FINANCING SOURCES (USES)			
Transfers In	1,242,406	4,108,517	
Transfers Out	(5,446,844)		(490,838)
Total Other Financing Sources (Uses)	(4,204,438)	4,108,517	(490,838)
Net Change in Fund Balances	25,000	-	799,359
Fund Balances, Beginning of Year	5,252,946	-	5,063,787
Fund Balances, End of Year	<u>\$ 5,277,946</u>	<u>\$ -</u>	<u>\$ 5,863,146</u>

The accompanying notes are an integral part of this statement.

Debt Service RDA	Capital Projects RDA	Non-Major Funds	Total Governmental Funds
\$ 7,770,276	\$	\$ 1,770,460	\$ 21,493,023
		202,588	1,393,228
		2,346,880	2,579,244
			2,291
170,598	684,033	247,334	1,346,413
	47,388	13,008	126,191
<u>7,940,874</u>	<u>731,421</u>	<u>4,580,270</u>	<u>26,940,390</u>
		1,201,869	3,860,478
		144,140	7,222,091
		503,810	789,626
102,445	4,299,526	42,151	6,267,362
		76,469	316,041
	15,166,796	4,464,606	19,820,021
395,000		135,000	530,000
2,155,208		608,400	2,766,508
3,088,255			3,088,255
<u>5,740,908</u>	<u>19,466,322</u>	<u>7,176,445</u>	<u>44,660,382</u>
<u>2,199,966</u>	<u>(18,734,901)</u>	<u>(2,596,175)</u>	<u>(17,719,992)</u>
148,722	4,500,000	1,382,538	11,382,183
(4,841,853)	(732,925)	(1,302,287)	(12,814,747)
<u>(4,693,131)</u>	<u>3,767,075</u>	<u>80,251</u>	<u>(1,432,564)</u>
(2,493,165)	(14,967,826)	(2,515,924)	(19,152,556)
<u>11,144,877</u>	<u>37,658,539</u>	<u>12,406,289</u>	<u>71,526,438</u>
<u>\$ 8,651,712</u>	<u>\$ 22,690,713</u>	<u>\$ 9,890,365</u>	<u>\$ 52,373,882</u>

The accompanying notes are an integral part of this statement.

City of Desert Hot 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, 2009

Net change in fund balances-total governmental funds	\$ (19,152,556)
Amounts reported for governmental activities in the Statement of Activities are different because:	
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. This is the net change in deferred revenue for the current period.	696,414
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of these assets is allocated over their estimated useful lives as depreciation expense or are allocated to the appropriate functional expense when the cost is below the capitalization threshold. This activity is reconciled as follows:	
Capital Outlay	12,034,300
Depreciation Expense	(1,453,463)
Governmental funds report only proceeds from the sale of capital assets. The statement of activities reports a gain or loss on disposal based on the net book value at the time of disposal. Disposal activity included the following:	
Costs of Assets Disposed	(217,083)
Accumulated Depreciation on Disposed Assets	215,929
Interest expenditures are recognized when paid in the governmental funds. Interest expense is recognized when incurred in the Government-wide Statement of Activities. This amount represents the difference between interest paid and interest incurred.	(239,744)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.	
Amortization of Premium on Tax Allocation Bonds	1,815
Amortization of Discounts	(48,080)
Amortization of Issuance Costs	(45,077)
Principal Paid on Certificate of Participation	135,000
Principal Paid on Tax Allocation Bonds	395,000
Decrease in Pension-related Debt	17,963
Increases in compensated absences payable does not result in the use of current financial resources of governmental funds. The expense is recognized in the Government-wide financial statements. This amount represents the net increase in compensated absences payable.	(149,817)
Internal Service Funds are used by management to charge the costs of insurance to individual funds. The net revenues (expenses) of the Internal Service Funds are reported with governmental activities.	902,286
Change in Net Assets of Governmental Activities	\$ (6,907,113)

The accompanying notes are an integral part of this statement.

City of Desert Hot Springs
Statement of Net Assets
Proprietary Fund
June 30, 2009

	Governmental Activities - Internal Service Fund
ASSETS	
Current Assets:	
Cash and Investments	\$ 1,887,290
Accounts Receivable	50,000
Interest Receivable	9,508
Deposits	144,467
Prepaid Insurance	35,759
Total Current Assets	2,127,024
Noncurrent Assets:	
Capital Assets:	
Machinery and Equipment	658,853
Less accumulated depreciation	(49,716)
Total capital assets (net of accumulated depreciation)	609,137
Total Noncurrent Assets	609,137
Total Assets	2,736,161
LIABILITIES	
Accounts Payable	196,424
Claims Payable	768,783
Total Liabilities	965,207
NET ASSETS	
Unrestricted	1,770,954
Total Net Assets	\$ 1,770,954

The accompanying notes are an integral part of this statement.

City of Desert Hot Springs
Statement of Revenues, Expenses, and Changes in Net Assets
Proprietary Fund
Year Ended June 30, 2009

	Governmental Activities - Internal Service Fund
OPERATING REVENUES	
Other Income	\$ 381,490
Total Operating Revenues	381,490
OPERATING EXPENSES	
Insurance and Claims Expenses	941,801
Depreciation	49,716
Total Operating Expenses	991,517
Operating Income (Loss)	(610,027)
NON-OPERATING REVENUE (EXPENSES)	
Investment Earnings	42,349
Gain on Sale of Capital Assets	37,400
Total Non-operating revenues (expenses)	79,749
Income (Loss) before contributions and transfers	(530,278)
Transfers In	1,432,564
Change in Net Assets	902,286
Total Net Assets, Beginning of Year	868,668
Total Net Assets, End of Year	\$ 1,770,954

The accompanying notes are an integral part of this statement.

**City of Desert Hot Springs
Statement of Cash Flows
Proprietary Fund
Year Ended June 30, 2009**

	<u>Governmental Activities - Internal Service Fund</u>
Cash Flows from Operating Activities	
Payments to Suppliers for Services	\$ (952,906)
Other Income	331,490
	<u>(621,416)</u>
Cash Flows from Non-Capital Financing Activities	
Transfers from other funds	<u>1,432,564</u>
Net Cash Provided (Used) by Non-Capital Financing Activities	<u>1,432,564</u>
Cash Flows from Capital And Related Financing Activities	
Proceeds from Sales of Capital Assets	37,400
Purchases of Capital Assets	<u>(462,429)</u>
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(425,029)</u>
Cash Flows from Investing Activities	
Interest Received	<u>47,490</u>
Net Cash Provided (Used) by Investing Activities	<u>47,490</u>
Net Increase in Cash and Investments	433,609
Cash and Investments, Beginning of Year	<u>1,453,681</u>
Cash and Investments, End of Year	<u><u>\$ 1,887,290</u></u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities	
Cash Flows from Operating Activities	
Operating income (loss)	\$ (610,027)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation Expense	49,716
(Increase) Decrease in Accounts Receivable	(50,000)
(Increase) Decrease in Deposits	74,123
(Increase) Decrease in Prepays	(35,759)
Increase (Decrease) in Accounts Payable	(12,341)
Increase (Decrease) in Claims Payable	<u>(37,128)</u>
Net Cash Provided By Operating Activities	<u><u>\$ (621,416)</u></u>

City of Desert Hot Springs
Statement of Fiduciary Assets and Liabilities
Agency Fund
June 30, 2009

ASSETS

Cash and Investments	\$ 682,565
Cash with Fiscal Agent	320,999
Accounts Receivable	62,466
Interest Receivable	1,206
Loan Receivable	166,339
	<hr/>

Total Assets \$ 1,233,575

LIABILITIES

Accounts Payable	\$ 12,000
Accrued Liabilities	4,104
Deposits Payable	283,929
Due to Bondholders	933,542
	<hr/>

Total Liabilities \$ 1,233,575

The accompanying notes are an integral part of this statement.

**City of Desert Hot Springs
Notes to Financial Statements
Year Ended June 30, 2009**

<u>NOTE</u>	<u>DESCRIPTION</u>	<u>PAGE</u>
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**City of Desert Hot Springs
Notes to Financial Statements
Year Ended June 30, 2009**

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the City of Desert Hot Springs (the City) conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governments. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for governmental accounting and financial reporting principles. The following is a summary of the significant policies.

A) Reporting Entity

The City was incorporated as a Charter City on September 24, 1963 in the State of California. The City operates under a Council-Manager form of government and provides the following services: public safety; cultural and recreational; public improvements; planning, zoning, and, building and safety; street maintenance; and general government/administrative services.

Accounting principles generally accepted in the United States of America require that these financial statements represent the City of Desert Hot Springs and its component units. A component unit is included in the primary government's financial statements if the governing body is substantively the same as that of the City or if the component unit provides services or other benefits almost entirely to the primary government. The component units discussed below are included in the City's reporting entity because of their operational significance or financial relationships with the City. These component units are controlled by common governing boards, which are substantively the same as the City's and are presented as blended component units for financial reporting purposes. The component units have the same fiscal year end as the City. For those that publish separate financial statements, those statements can be obtained from the City's Finance Department.

The Redevelopment Agency of the City of Desert Hot Springs (the Agency) has established two redevelopment project areas. Project Area No. 1 was adopted on July 6, 1982. Its objective is to strengthen land use pattern and utilization through the redevelopment of under utilized land in order to enhance the viability of Commercial, Residential, and Industrial core areas of the City. Project Area No. 2 was adopted on November 20, 1984. Its objectives are to eliminate conditions of blight by providing needed public improvements, by encouraging rehabilitation and repair of deteriorating structures, by facilitating land assembly and by development which will result in employment opportunities and an expanded tax base. On December 16, 1997, the Redevelopment Agency unanimously approved the proposal to merge Redevelopment Project Areas #1 and #2.

City of Desert Hot Springs Financing Corporation (DHSFC) nonprofit public benefit corporation was formed for the purpose of providing public facility financing to the City. The Corporation's Board of Directors is composed of the five elected City Council members. The Corporation may acquire, construct, rehabilitate, remodel, improve, install and finance or lease various facilities, land and equipment for the benefit of the City. DHSFC holds title to various parcels of land as security for the Certificates of Participation issued in its name. The City makes lease payments to DHSFC in an amount equal to the periodic principal and interest payments due on the Certificates.

B) Description of Funds

The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures. The following are types of funds used:

City of Desert Hot Springs
Notes to Financial Statements
Year Ended June 30, 2009

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

B) Description of Funds - Continued

Governmental Fund Types

General Fund - Accounts for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds - Accounts for the proceeds of specific revenue sources that are restricted by law or administrative action for a specified purpose.

Capital Project Funds - Accounts for financial resources used for the construction of specific capital projects.

Debt Service Funds - Accounts for property tax increment revenue and related interest income. Disbursements from this fund consist mainly of principal and interest on RDA indebtedness and pass through payments.

C) Basis of Accounting/Measurement Focus

Government-Wide Financial Statements

The City's Government-Wide Financial Statements include a Statement of Net Assets and a Statement of Activities (including changes in net assets). These statements present summaries of governmental activities for the City.

These statements are presented on an "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all of the City's assets and liabilities, including capital assets and infrastructure as well as long-term debt, are included in the accompanying Statement of Net Assets. The Statement of Activities presents changes in net assets. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenditures are recognized in the period in which the liability is incurred. The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. The types of transactions reported as program revenues for the City are reported in three categories: 1) charges for services, 2) operating contributions and grants, and 3) capital grants and contributions. Charges for services include revenues from customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function. Operating grants and contributions include revenues restricted to meeting the requirements of a particular operating function and may include state shared revenues and grants. Capital grants and contributions include revenues restricted to meeting the requirements of a particular capital function and may include grants and developer fees. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Certain eliminations have been made as prescribed by GASB Statement No. 34 in regards to interfund activities, payables, and receivables. All internal balances in the government-wide financial statements have been eliminated.

**City of Desert Hot Springs
Notes to Financial Statements
Year Ended June 30, 2009**

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

C) Basis of Accounting/Measurement Focus - Continued

Governmental Fund Financial Statements

Governmental fund financial statements include a Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balances for all major governmental funds and aggregated non-major funds. An accompanying schedule is presented to reconcile and explain the differences in fund balances as presented in these statements to the net assets presented in the Government-Wide Financial Statements. The City has presented all major funds that met qualifications of GASB Statement No. 34.

All governmental funds are accounted for on a spending or “current financial resources” measurement focus and the modified accrual basis of accounting. Accordingly, only current assets and current liabilities are included on the Balance Sheets. The Statement of Revenues, Expenditures, and Changes in Fund Balances present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in fund balances. Revenues are recognized in the accounting period in which they become susceptible to accrual, that is, when they become both measurable and available to finance expenditures of the current period. “Measurable” means that the amount of the transaction can be determined, and “available” means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Accrued revenues include property taxes received within 90 days after year-end, taxpayer assessed taxes such as sales taxes, and earnings on investments. Grant funds earned but not received are recorded as a receivable, and grant funds received before the revenue recognition criteria have been met are reported as deferred revenues. Expenditures are recorded when the fund liability is incurred, if measurable, except for interest on long-term debt, which is recognized when due. The City uses a 90 day period for revenue recognition to accurately report revenue in the period earned.

The City reports the following major governmental funds:

The *General Fund* is the City’s primary operating fund. It accounts for all financial resources of the City, except those required to be accounted for in another fund.

The *Community Safety Special Revenue Fund* accounts for community safety expenditures funded by a special tax.

The *RDA Low Income Housing Fund* accounts for redevelopment funds set aside for development and improvements of low and moderate income housing. Twenty percent of the property tax increment from the redevelopment area is set aside for these funds. Such funds can be utilized within and without the Redevelopment project area.

The *RDA Debt Service Fund* accounts for the accumulation of resources for the payment of principal and interest of long-term debt of the Redevelopment Agency.

The *RDA Capital Projects Fund* accounts for community improvements financed from bond proceeds. Liabilities will be paid from tax increment revenues.

Proprietary Fund Financial Statements

Proprietary fund types are accounted for using the “economic resources” measurement focus and accrual basis of accounting. This means that all assets and liabilities (whether current or non-current) associated with the activity are included on the balance sheet. Their reported fund equity presents total net assets. The operating statement of the proprietary funds presents increases (revenues) and decreases (expenses) in total net assets. Revenues are recognized when they are earned and expenses are recognized when the liability is incurred.

**City of Desert Hot Springs
Notes to Financial Statements
Year Ended June 30, 2009**

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

C) Basis of Accounting/Measurement Focus - Continued

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 proprietary fund's principal ongoing operations. The principal operating revenues of the City's internal service fund are charges to customers for sales and services. Operating expenses for the internal service fund include the costs of sales and services, maintenance of capital assets, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The City's internal service funds are presented in the proprietary funds financial statements. Because the principal users of the internal services are the City's governmental activities, the financial statements of the internal service fund are consolidated into the governmental column when presented in the government-wide financial statements. To the extent possible, the cost of these services is reported in the appropriate functional activity (general government, public safety, public works, etc.).

Fiduciary Fund Financial Statements

Fiduciary Fund Financial Statements include a Statement of Net Assets. The fiduciary funds are used to report assets held in a trustee or agency capacity for others and therefore are not available to support City programs. Since these assets are being held for the benefit of a third party, these funds are not incorporated into the government-wide statements.

The City's only fiduciary funds are agency funds, which use the accrual basis of accounting to account for amounts held on behalf of other parties. The Agency funds are custodial in nature (assets equal liabilities) and therefore do not involve measurement of results of operations.

D) Budgetary Data

The City adopts an annual budget prepared on the modified accrual basis for all of its governmental funds. Under Section 31.22 of the Desert Hot Springs Municipal Code, the City Manager is required to prepare and submit to the City Council the annual budget of the City and administer it after adoption. The City Manager is authorized to transfer budgeted amounts between the accounts of any department; however, any revisions that alter the total appropriations of any department must be approved by the City Council. For each fund, total expenditures may not legally exceed total appropriations.

E) Investments

The City considers all highly liquid debt instruments with an original maturity of three months or less to be cash equivalents.

F) 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 has been incurred prior to year-end and the probable amount of loss (net of any insurance coverage) can be reasonably estimated.

City of Desert Hot Springs
Notes to Financial Statements
Year Ended June 30, 2009

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

G) Capital Assets and Depreciation

Capital assets, which include land, machinery and equipment (vehicles, computers, etc), buildings and improvements, and infrastructure assets (street systems, storm drains, sewer systems, etc.), are reported in the governmental activities column of the Government-wide Financial Statements. Capital assets are defined by the City as all land; buildings and improvements with an initial individual cost of more than \$10,000; vehicles, computers and equipment with an initial individual cost of more than \$5,000; and improvement and infrastructure assets with costs of more than \$100,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated or annexed capital assets are recorded at estimated market value at the date of donation or annexation.

The costs of normal maintenance and repair that do not add to the value of the asset or materially extend assets lives are not capitalized. Depreciation is recorded in the Government-wide Financial Statements on a straight-line basis over the useful life of the assets as follows:

Building and Improvements	30 years
Vehicles, Computers, and Equipment	3 to 10 years
Infrastructure Assets	20 years

H) Employee Leave Benefits

Permanent City employees earn from 12 to 21 days per year of annual leave depending upon their length of employment. Upon termination or retirement, permanent employees are entitled to receive compensation at their current base salary for all unused annual leave. To encourage attendance at work, the City allows employees to carry forward up to 750 hours of annual leave and twice per year the City pays out all hours above 550 hours of annual leave. The City's accrued balance of annual leave at June 30, 2009, is recorded as "Compensated Absences" and is included in the Long-term Liability sections of the City's Statement of Net Assets.

I) Long-Term Obligations

In the government-wide financial statements, long-term debt and other obligations are reported as liabilities in the statement of net assets. Bonds payable are reported net of the applicable bond premium or discount. In the fund financial statements, governmental funds recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

J) Use of Restricted Resources

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, and then unrestricted resources as they are needed. Restricted resources are defined as resources received from outside agencies dedicated for specific projects or purposes (grants for example).

**City of Desert Hot Springs
Notes to Financial Statements
Year Ended June 30, 2009**

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

K) Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that effect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates. The most significant of these estimates include the estimate of historical cost of the City's capital assets.

2) CASH AND INVESTMENTS

Cash and investments are classified in the accompanying financial statements as follows:

Governmental Funds:	
Cash and Investments	\$ 38,970,818
Restricted Cash and Investments	17,249,675
Internal Service Funds:	
Cash and Investments	1,887,290
Agency Funds	
Cash and Investments	682,565
Restricted Cash and Investments	<u>320,999</u>
 Total Cash and Investments	 <u>\$ 59,111,347</u>

Cash and Investments consist of the following:

Cash Deposits with Financial Institutions	\$ 14,165,804
Petty Cash	4,075
Investments - Held by Bond Trustee	17,570,674
Pooled Investments - LAIF	<u>27,370,794</u>
 Total Cash and Investments	 <u>\$ 59,111,347</u>

Investments Authorized by the City's Investment Policy

The table below identifies the investment types that are authorized for the City by the California Government Code (or the City's investment policy, where more restrictive). The City's investment policy does not contain any specific provisions intended to limit the City's exposure to interest rate risk, credit risk, and concentration of credit risk.

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment In One Issuer</u>
U.S. Treasury Obligations	5 years	None	None
U.S. Agency Securities	5 years	None	None
Banker's Acceptance	180 days	40%	30%
Negotiable Certificates of Deposit	5 years	30%	None
Repurchase Agreements	1 year	None	None
Money Market Mutual Funds	N/A	20%	10%
Local Agency Investment Fund (LAIF)	N/A	None	None

**City of Desert Hot Springs
Notes to Financial Statements
Year Ended June 30, 2009**

2) CASH AND INVESTMENTS - Continued

Investments Authorized by Debt Agreements

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

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 rate. The City had the following investments:

Investment Type		Maturity Date
Pooled Investments:		
State Investment Pool (LAIF)	\$ 27,370,794	N/A
Total Pooled Investments	27,370,794	
Held by Bond Trustee:		
Money Market Mutual Funds:	4,225,834	N/A
LAIF	13,344,840	N/A
Total Held by Bond Trustee	17,570,674	
Total Investments	\$ 44,941,468	

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 rating by a nationally recognized statistical rating organization. All of the investments noted above are unrated with the exception of the Money Market Mutual Funds which are rated at AAA.

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. There are no investments in any one issuer that represent five percent or more of total investments other than LAIF, Mutual Funds and U.S. Treasury Securities which are exempted.

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 California Government Code and the City's investment policy do not contain legal policy requirements that would limit the exposure to custodial credit risk for deposits, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agencies. California law also allows financial institution to secure the City's deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits.

City of Desert Hot Springs
Notes to Financial Statements
Year Ended June 30, 2009

2) CASH AND INVESTMENTS - Continued

At June 30, 2009, the balances held per bank were \$13,490,702 of which \$13,240,702 was in excess of federal depository insurance limits and held in accounts collateralized by pledging financial institution, but not in the City's name, as discussed above.

The custodial credit risk for investments is the risk that, in the event of the failure of 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 investments. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools (such as LAIF).

Investment in State Investment Pool

The City is a voluntary participant in the LAIF that is regulated by the California Government Code under the oversight of the Treasurer of the State of California. The fair value of the City's investment in this pool is reported in the accompanying financial statements at amounts based upon the City's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. LAIF is a governmental investment pool managed and directed by the California State Treasurer and is not registered with the Securities and Exchange Commission. An oversight committee comprised of California State officials and various participants provide oversight to the management of the fund. The daily operations and responsibilities of LAIF fall under the auspices of the State Treasurer's office. The City is a voluntary participant in the investment pool.

3) SPECIAL ASSESSMENT AND NOTES RECEIVABLE

Special Assessment Receivable

During fiscal year ended June 30, 1987, the Capital Projects Fund of the Redevelopment Agency of the City of Desert Hot Springs financed construction of certain public improvements pursuant to the Municipal Act of 1913 and provisions of the Streets and Highway Code of the State of California. At June 30, 2009, the Agency had a receivable for unpaid assessments from the property owners benefited in the amount of \$10,767. The receivables bear interest at a rate not exceeding 12 percent and will be recognized as income when collected. No amounts were repaid during fiscal year ending June 30, 2009.

Notes Receivable

The Redevelopment Agency of the City of Desert Hot Springs operates a housing rehabilitation loan program, which provides loans to borrowers who meet certain qualifications for the purpose of rehabilitating their homes. The loans are secured by a deed of trust and are normally repaid when the home changes ownership. Since the loans are not currently available resources they are offset with deferred revenue in the fund financial statements. The balance of the loans receivable outstanding at June 30, 2009, was \$1,242,424.

**City of Desert Hot Springs
Notes to Financial Statements
Year Ended June 30, 2009**

3) SPECIAL ASSESSMENT AND NOTES RECEIVABLE - Continued

Coachella Valley Housing Coalition

The Redevelopment Agency of the City of Desert Hot Springs has contracted with the Coachella Valley Housing Coalition (CVHC) to use funds from the loan agreement with California Housing Finance Authority to purchase property that will be used to develop low income housing. To date, the Agency has disbursed \$727,420 (less repayments of \$0) to the CVHC. The Agency is the lead agency for these agreements and has fiduciary/reporting responsibilities. The receivable balance owed to the Agency is \$727,420 as of June 30, 2009.

4) INTERFUND TRANSACTIONS

Interfund balances at June 30, 2009, are as follows:

Due To	Due From Non-Major Funds
General Fund	\$ 724,593

These balances resulted from one fund advancing money to another fund to cover operating costs. These balances are expected to be repaid during the 2009-10 fiscal year.

With Council approval, resources may be transferred from one City fund to another. Transfers are used to move revenue from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them. Interfund transfers for the year ended June 30, 2009, consisted of the following:

		TRANSFERS FROM					
		General Fund	RDA Low Income Housing Fund	RDA Debt Service Fund	RDA Capital Projects Fund	Non-Major Funds	Total
TRANSFERS TO	General Fund	\$	\$ 342,116	\$	\$ 732,925	\$ 167,365	\$ 1,242,406
	Community Safety Special Revenue Fund	4,108,517					4,108,517
	RDA Debt Service Fund		148,722				148,722
	RDA Capital Projects Fund			4,500,000			4,500,000
	Non-major Funds	638,327		341,853		402,358	1,382,538
	Proprietary Fund	700,000				732,564	1,432,564
	Total	\$ 5,446,844	\$ 490,838	\$ 4,841,853	\$ 732,925	\$ 1,302,287	\$12,814,747

Transfers from the General Fund to the Community Safety Special Revenue Fund and to the Proprietary Fund were for the purposes of public safety expenditures and insurance expenditures, respectively. Transfers made from the Low Income Housing Fund to the Debt Service Fund were for the Low Income Housing Fund's portion of debt payments. Transfers made from the Debt Service Fund to the Non-Major Funds were for the Redevelopment Agency's share of salaries, benefits, non departmental general fund costs, workers compensation and general liability costs, auditing costs, leasing of street lighting, and various approved capital projects. Transfers from the General Fund to the Non-Major Funds were for operation costs for the fiscal year and were approved as a part of the budget process and there were certain matching requirements for grant funds.

**City of Desert Hot Springs
Notes to Financial Statements
Year Ended June 30, 2009**

5) CAPITAL ASSETS

In accordance with GASB Statement No. 34, the City has reported all capital assets including infrastructure in the Government-wide Statement of Net Assets (except the retroactive reporting of infrastructure as discussed in Note 1). The City elected to use the basic approach as defined by GASB Statement No. 34 for all infrastructure reporting, whereby depreciation expense and accumulated depreciation have been recorded.

The following table presents the capital assets and depreciation activity for the year ended June 30, 2009:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital Assets, Not Depreciated:				
Land	\$ 1,241,278	\$	\$	\$ 1,241,278
Construction in Progress	<u>3,192,043</u>	<u>9,886,952</u>	<u>(2,198,194)</u>	<u>10,880,801</u>
Total Capital Assets Not Depreciated	<u>4,433,321</u>	<u>9,886,952</u>	<u>(2,198,194)</u>	<u>12,122,079</u>
Capital Assets, Being Depreciated:				
Buildings and Improvements	5,493,654	1,468,931		6,962,585
Machinery and Equipment	5,311,558	774,878	(217,083)	5,869,353
Vehicles	1,501,105			1,501,105
Infrastructure	<u>11,262,203</u>	<u>2,760,586</u>		<u>14,022,789</u>
Total Capital Assets Being Depreciated	<u>23,568,520</u>	<u>5,004,395</u>	<u>(217,083)</u>	<u>28,355,832</u>
Less Accumulated Depreciation:				
Buildings and Improvements	(2,383,638)	(165,641)	5,026	(2,544,253)
Machinery and Equipment	(993,881)	(589,992)	210,903	(1,372,970)
Vehicles	(1,023,741)	(184,436)		(1,208,177)
Infrastructure	<u>(1,053,830)</u>	<u>(563,110)</u>		<u>(1,616,940)</u>
Total Accumulated Depreciation	<u>(5,455,090)</u>	<u>(1,503,179)</u>	<u>215,929</u>	<u>(6,742,340)</u>
Total Capital Assets Being Depreciated, Net	<u>18,113,430</u>	<u>3,501,216</u>	<u>(1,154)</u>	<u>21,613,492</u>
Governmental Activities Capital Assets, Net	<u>\$ 22,546,751</u>	<u>\$ 13,388,168</u>	<u>\$ (2,199,348)</u>	<u>\$ 33,735,571</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

General Government	\$ 782,165
Public Safety	215,968
Public Works	135,188
Economic Development	<u>369,858</u>
Total Depreciation Expense	<u>\$ 1,503,179</u>

**City of Desert Hot Springs
Notes to Financial Statements
Year Ended June 30, 2009**

6) LONG-TERM LIABILITIES

The following is a summary of changes in long-term liabilities for the year ended June 30, 2009:

	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
Governmental Activities:					
Long-term Bonds and Leases:					
<u>City of Desert Hot Springs</u>					
Certificate of Participation	\$ 2,645,000	\$ -	\$ (135,000)	\$ 2,510,000	\$ 140,000
Deferred Issuance Discount	(32,004)	-	4,770	(27,234)	-
Judgment Obligation Bonds	9,725,000	-	-	9,725,000	-
Deferred Issuance Discount	(167,618)	-	6,101	(161,517)	-
<u>Desert Hot Springs Redevelopment Agency</u>					
2006 Tax Allocation Refunding Bonds	6,775,000	-	(395,000)	6,380,000	490,000
Premium on Bonds	23,892	-	(1,815)	22,077	-
2008 Tax Allocation Bonds A-1	19,965,000	-	-	19,965,000	795,000
Deferred Issuance Discount	(896,086)	-	30,120	(865,966)	-
2008 Tax Allocation Bonds A-2	15,870,000	-	-	15,870,000	-
Deferred Issuance Discount	(210,889)	-	7,089	(203,800)	-
California HFA Loan	1,220,000	-	-	1,220,000	-
Total Long-term Bonds and Leases	54,917,295	-	(483,734)	54,433,560	1,425,000
Other Long-term Liabilities:					
<u>City of Desert Hot Springs</u>					
Compensated Absences	511,657	285,472	(135,655)	661,474	128,582
Pension-Related Debt	2,716,450	-	(17,963)	2,698,487	26,781
Total Long-term Liabilities	\$ 58,145,402	\$ 285,472	\$ (637,353)	\$ 57,793,521	\$ 1,580,363

A) Certificates of Participation

On October 14, 2004, the City issued \$3,060,000 of Certificates of Participation to provide additional proceeds for the payment of claims to be satisfied under the Plan as defined above. Total claims to be satisfied under the City's Plan in the Chapter 9 Case are approximately \$11.5 million. The Certificates mature through March 1, 2023 and bear interest, payable semi-annually, at rates ranging from 3.00 percent to 5.75 percent. The Certificates are subject to prepayment at any time prior to maturity. The Certificates are payable from lease payments made by the City to the City of Desert Hot Springs Financing Corporation whereby the City pays lease payments equal to the amount of principal and interest due for the repayment of the Certificates.

**City of Desert Hot Springs
Notes to Financial Statements
Year Ended June 30, 2009**

6) LONG-TERM LIABILITIES

A) Certificates of Participation - Continued

The debt service maturity schedule for the Certificates of Participation is as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2010	\$ 140,000	\$ 126,075	\$ 266,075
2011	145,000	120,300	265,300
2012	150,000	114,138	264,138
2013	160,000	107,387	267,387
2014	165,000	99,788	264,788
2015-2019	955,000	368,249	1,323,249
2020-2023	795,000	98,725	893,725
Total	<u>\$ 2,510,000</u>	<u>\$ 1,034,662</u>	<u>\$ 3,544,662</u>

B) Judgment Obligation Bonds

On October 14, 2004, the City issued \$9,725,000 of Judgment Obligation Bonds to provide payment for the City's obligation to the Judgment Obligees evidenced by the Silver Sage Judgment and the Settlement Agreement as approved in the Confirmation Order. Because the City could not previously satisfy its obligation to the Judgment Obligees and certain order creditors, in December 2001, the City initiated a case under Chapter 9 of the United States Bankruptcy Code (the Chapter 9 Case) by filing a voluntary petition with the United States Bankruptcy Court of the Central District of California, Riverside Division. These Bonds were issued in connection with and in satisfaction of the City's Third Amended Plan for the Adjustment of Debt (the Plan), dated and filed in the Chapter 9 Case on April 28, 2004. In accordance with the plan, the city is required to consummate a bond or private financing transaction that will produce a minimum of \$8.5 million in unrestricted net proceeds available to the city for use in the payment of claims through the Plan and in satisfaction of ongoing obligations (the Exit Financing). The Bonds, and additional financing described below, and certain payments by the City to creditors in the Chapter 9 Case will constitute the City's Exit Financing and the finalization of the pending Chapter 9 Case.

The bonds mature through May 1, 2044 and bear interest, payable semi-annually, at rates ranging from 4.75 percent to 5.08 percent. The bonds maturing on or before March 1, 2014 are not subject to redemption prior to their stated maturity date. The bonds maturing on and after March 1, 2015 shall be subject to optional redemption, in whole or in part, on any Interest Payment Date on or after March 1, 2014, from any source of available funds, at the principal amount thereof, plus accrued interest thereon to the date of redemptions, without premium. The outstanding balance as of June 30, 2009, was \$9,725,000.

**City of Desert Hot Springs
Notes to Financial Statements
Year Ended June 30, 2009**

6) LONG-TERM LIABILITIES - Continued

B) Judgment Obligation Bonds - Continued

The debt service maturity schedule for the Judgment Obligation Bonds is as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2010	\$ -	\$ 476,250	\$ 476,250
2011	-	476,250	476,250
2012	-	476,250	476,250
2013	-	476,250	476,250
2014	-	476,250	476,250
2015-2019	-	2,381,250	2,381,250
2020-2024	440,000	2,373,413	2,813,413
2025-2029	1,575,000	2,134,250	3,709,250
2030-2034	1,985,000	1,722,900	3,707,900
2035-2039	2,515,000	1,192,000	3,707,000
2040-2044	3,210,000	497,250	3,707,250
Total	<u>\$ 9,725,000</u>	<u>\$ 12,682,313</u>	<u>\$ 22,407,313</u>

C) 2006 Tax Allocation Refunding Bonds

In August of 2006, the Redevelopment Agency of the City of Desert Hot Springs issued \$7,025,000 in Merged Redevelopment Project Tax Allocation Refunding Bonds, with interest payments of 3.50% to 4.25% payable semi-annually on September 1 and March 1 of each year to refund \$7,085,000 of outstanding Redevelopment Project No. 1, 1993 Tax Allocation Parity Bonds, Series A and B, and \$1,050,000 Redevelopment Project No. 2, 1993 Tax Allocation Bonds, Series A with interest rates ranging from 3.75% to 6.60%. As a result, the 1993 Series bonds are considered to be defeased and the liability for those bonds has been removed from the City's books.

At June 30, 2009, the amount in the Bond Reserve Fund was sufficient to cover the minimum bond reserve requirement. Annual debt service requirements to maturity are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2010	\$ 490,000	\$ 245,119	\$ 735,119
2011	500,000	225,319	725,319
2012	520,000	204,920	724,920
2013	535,000	184,487	719,487
2014	550,000	163,456	713,456
2015-2019	3,030,000	466,681	3,496,681
2019-2022	755,000	19,878	774,878
Total	<u>\$ 6,380,000</u>	<u>\$ 1,509,860</u>	<u>\$ 7,889,860</u>

**City of Desert Hot Springs
Notes to Financial Statements
Year Ended June 30, 2009**

6) LONG-TERM LIABILITIES - Continued

D) 2008 Tax Allocation Bonds

In April of 2008, the Redevelopment Agency of the City of Desert Hot Springs issued \$19,965,000 in Merged Redevelopment Project Tax Allocation Series A-1 (Taxable) and \$15,870,000 in Merged Redevelopment Project Tax Allocation Series A-2 (Non-Taxable) Bonds. The Series A-1 Bonds pay 7.00% to 7.50% interest semi-annually on September 1 and March 1 to maturity in 2024. The Series A-2 Bonds pay 5.00% to 5.75% interest semi-annually on September 1 and March 1 to maturity in 2039. The Bonds were issued to finance activities within the project area.

The debt service maturity schedule for the 2008 A-1 Tax Allocation Bonds is as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2010	\$ 795,000	\$ 1,369,725	\$ 2,164,725
2011	850,000	1,312,150	2,162,150
2012	910,000	1,250,550	2,160,550
2013	975,000	1,184,575	2,159,575
2014	1,040,000	1,114,050	2,154,050
2015	1,115,000	1,038,625	2,153,625
2016	1,190,000	957,950	2,147,950
2017	1,275,000	871,675	2,146,675
2018	1,365,000	779,275	2,144,275
2019	1,460,000	680,400	2,140,400
2020	1,565,000	574,525	2,139,525
2021	1,670,000	461,300	2,131,300
2022	1,790,000	340,200	2,130,200
2023	1,915,000	210,525	2,125,525
2024	2,050,000	71,750	2,121,750
Total	\$ 19,965,000	\$ 12,217,275	\$ 32,182,275

**City of Desert Hot Springs
Notes to Financial Statements
Year Ended June 30, 2009**

6) LONG-TERM LIABILITIES - Continued

D) 2008 Tax Allocation Bonds - Continued

The debt service maturity schedule for the 2008 A-2 Tax Allocation Bonds is as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2010	\$ -	\$ 865,772	\$ 865,772
2011	-	865,773	865,773
2012	-	865,772	865,772
2013	-	865,773	865,773
2014	-	865,772	865,772
2015	-	865,773	865,773
2016	-	865,772	865,772
2017	-	865,773	865,773
2018	-	865,772	865,772
2019	-	865,773	865,773
2020	-	865,772	865,772
2021	545,000	852,148	1,397,148
2022	650,000	822,272	1,472,272
2023	690,000	788,773	1,478,773
2024	725,000	753,397	1,478,397
2025	760,000	715,322	1,475,322
2026	800,000	674,373	1,474,373
2027	845,000	631,191	1,476,191
2028	885,000	585,779	1,470,779
2029	935,000	538,004	1,473,004
2030	985,000	485,479	1,470,479
2031	1,040,000	427,950	1,467,950
2032	1,100,000	367,153	1,467,153
2033	1,160,000	302,946	1,462,946
2034	795,000	247,400	1,042,400
2035	840,000	200,938	1,040,938
2036	715,000	156,745	871,745
2037	755,000	114,966	869,966
2038	800,000	70,770	870,770
2039	845,000	24,016	869,016
Total	\$ 15,870,000	\$ 18,283,119	\$ 34,153,119

E) California HFA Loan

The Redevelopment Agency of the City of Desert Hot Springs participates in a revolving loan program with the California Housing Finance Agency (HFA). The loan program allows for the Agency to borrow up to \$1,220,000. These funds are to be used to purchase property that will be used to develop low income housing. As of June 30, 2009, the Agency has drawn \$1,220,000.

F) Compensated Absences

The City had accrued compensated absences of \$661,474 as of June 30, 2009. The General Fund is expected to incur the majority of expenditures required to liquidate this balance.

**City of Desert Hot Springs
Notes to Financial Statements
Year Ended June 30, 2009**

6) LONG-TERM LIABILITIES – Continued

G) Pension-Related Debt

As of June 30, 2003, CalPERS implemented risk pooling for the City’s multiple-employer public employee defined benefit pension plan. At that point, in accordance with generally accepted accounting principles, the City’s Miscellaneous and Safety Plans converted from an “agent” multiple-employer plan to a “cost-sharing” multiple-employer plan. Although a portion of the City’s annual required contributions are actuarially determined and shared by all employers of the risk pool, the City is also required to make annual payments on a “Side Fund” which was created when the City entered the risk pool. The responsibility for funding the Side Fund is specific to the City and is not shared by all employers in the plan. Therefore, the Side Fund falls under the definition of pension-related debt, as described in GASB Statement No. 27. The annual payments on the Side Fund represent principal and interest payments on the pension-related debt. Principal and interest are included in the retirement expenditures in the various functions.

The future debt service requirements for the Safety Plan Side Fund are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2010	\$ 7,045	\$ 148,981	\$ 156,026
2011	12,855	148,242	161,097
2012	19,286	147,047	166,333
2013	26,392	145,346	171,738
2014	34,231	143,089	177,320
2015	42,866	140,217	183,083
2016	52,365	136,668	189,033
2017	62,801	132,376	195,177
2018	74,252	127,268	201,520
2019	86,805	121,265	208,070
2020	100,552	114,280	214,832
2021	115,592	106,222	221,814
2022	132,034	96,989	229,023
2023	149,993	86,474	236,467
2024	169,594	74,557	244,151
2025	190,975	61,112	252,087
2026	214,279	46,000	260,279
2027	239,667	29,071	268,738
2028	267,309	10,164	277,473
Total	\$ 1,998,893	\$ 2,015,368	\$ 4,014,261

**City of Desert Hot Springs
Notes to Financial Statements
Year Ended June 30, 2009**

6) LONG-TERM LIABILITIES – Continued

G) Pension-Related Debt - Continued

The future debt service requirements for the Miscellaneous Plan Side Fund are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2010	\$ 19,736	\$ 51,509	\$ 71,245
2011	23,669	49,892	73,561
2012	27,985	47,966	75,951
2013	32,716	45,704	78,420
2014	37,897	43,071	80,968
2015	43,566	40,034	83,600
2016	49,763	36,555	86,318
2017	56,531	32,591	89,122
2018	63,919	28,100	92,019
2019	71,977	23,033	95,010
2020	80,760	17,337	98,097
2021	90,329	10,957	101,286
2022	100,746	3,831	104,577
Total	\$ 699,594	\$ 430,580	\$ 1,130,174

7) PROPERTY TAXES/SPECIAL PARCEL TAXES

Riverside County assesses, bills, collects, and distributes property taxes/special parcel tax and any related interest and penalties to the City. Under California law, property taxes are assessed and collected by the counties to one percent of assessed value, plus other increases approved by the voters. Accordingly, the City of Desert Hot Springs accrues only those taxes, which are received from the County within sixty days after the year-end in the governmental funds statements.

Lien Date	January 1 st
Levy Date	July 1 st
Due Date	November 1 st
	February 1 st
Delinquent Date	December 10 th
	April 10 th

8) RISK MANAGEMENT

The City of Desert Hot Springs manages its risk using several different types of insurance for liability, workers' compensation, property, and earthquake coverage. Each type of insurance is described below, summarizing the coverage maintained by the City of Desert Hot Springs.

A) Workers' Compensation Coverage

The City of Desert Hot Springs is self-insured for the first \$250,000 of each accident. For coverage above \$250,000, the City participates in the Public Entity Risk Management Authority (PERMA). PERMA provides coverage for costs incurred above \$250,000 up to \$500,000 through a risk sharing pool, and costs are shared between seventeen participating members within this pool based upon deposit premium contributions. For costs above \$500,000, PERMA participates in the Local Agency Workers' Compensation Excess Joint Powers Authority (LAWCX) for excess coverage up to the coverage limits of \$200 million per accident for workers' compensation and \$5 million each accident for employers' liability. The City uses a third party claims administrator to process all claims.

**City of Desert Hot Springs
Notes to Financial Statements
Year Ended June 30, 2009**

8) RISK MANAGEMENT - Continued

B) General Liability

The City of Desert Hot Springs is self-insured for the first \$10,000 of each occurrence. For coverage above \$10,000, the City Participates in PERMA. PERMA provides coverage for costs incurred above \$10,000 up to \$1 million through risk sharing pools. Costs are shared between participating members within each pool based upon premium contributions. For costs exceeding \$1 million, PERMA participated in the California Joint Powers Risk Management Authority (CJPRMA) for excess coverage up to the coverage limit of \$40 million. The City uses PERMA to process all claims.

C) Employment Practices Liability Coverage

The City of Desert Hot Springs is self-insured for the first \$25,000 of each occurrence. As a member of PERMA, the City participated in the Employment Risk Management Authority (ERMA) for EPL coverage. ERMA's limit of coverage is \$1 million; however as PERMA is a member of CJPRMA, the City can layer the EPL coverage provided by the CJPRMA pool of \$6 million with ERMA, to bring the total in limits for EPL coverage to \$7 million through a combination of risk sharing pools and reinsurance.

D) Property Insurance

The City of Desert Hot Springs is self insured for the first \$5,000 per occurrence except as follows: \$25,000 for flood, \$25,000 for earthquake sprinkler leakage; \$2,500 electronic data processing; 24 hour service interruption. As a member of PERMA the City's coverage is provided at replacement cost with a limit of \$10 million per occurrence (\$2.5 million for flood).

E) Adequacy of Protection

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

Complete financial statements may be obtained from the Public Entity Risk Management Authority at 77-670 Springfield Lane, Suite 1A, Palm Desert, CA 92211.

F) Claims Liability

Claims expenditures and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. At June 30, 2009, the amount of these liabilities was \$768,783. This liability is the City's best estimate based on available information. Changes in the balances of claims liabilities during the past two years are as follows:

	Year Ended June 30, 2009	Year Ended June 30, 2008
Claims payable, beginning of fiscal year	\$ 805,911	\$ 932,394
Current year claims and changes in estimates	(37,128)	(126,483)
Claims payments	-	-
Claims payable, end of fiscal year	<u>\$ 768,783</u>	<u>\$ 805,911</u>

**City of Desert Hot Springs
Notes to Financial Statements
Year Ended June 30, 2009**

9) PUBLIC EMPLOYEES RETIREMENT SYSTEM (PERS)

Plan Description

The City of Desert Hot Springs' defined pension plans, the Miscellaneous Plan and the Safety Plan, provide retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The Miscellaneous Plan and the Safety Plan are a part of the Public Agency portion of the California Public Employees Retirement System (CalPERS), a cost-sharing multiple-employer plan administered by CalPERS, which acts as a common investment and administrative agent for participating public employers within the State of California. A menu of benefit provisions as well as other requirements is established by State statutes within the Public Employees' Retirement Law. The City of Desert Hot Springs selects optional benefit provisions from the benefit menu by contract with CalPERS and adopts those benefits through local ordinance or resolution. CalPERS issue a separate comprehensive annual financial report. Copies of the CalPERS's annual financial report may be obtained from the CalPERS executive Office-400 P Street-Sacramento, California, 95814.

Funding Policy

Active plan members in the Miscellaneous Plan and the Safety Plan are required to contribute between 7 percent and 9 percent of their annual covered salary; however, the City pays both the employee's and employer's share for both plans. The City of Desert Hot Springs' labor contracts requires the City to pay all Miscellaneous Employee Plan PERS contributions and Safety Plan contributions that are required for the actuarially determined amount necessary to fund the benefits for its members. The actuarial methods and assumptions used are those adopted by the CalPERS Board of Administration. The required employer contribution rate for Fiscal Year 2008-2009 was 14.182 percent for Miscellaneous employees and 21.760 percent for Safety employees. The contribution requirements of the plan members are established by State statute and the employer contribution rate is established and may be amended by CalPERS.

The following represents the required contributions for the past three fiscal years:

Fiscal Year	Required Contributions	Percent Contributed
6/30/07	\$ 1,142,042	100%
6/30/08	\$ 1,067,207	100%
6/30/09	\$ 961,332	100%

10) DEFINED CONTRIBUTION PLAN

The City has a money purchase defined contribution plan for all eligible employees. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. ICMA Retirement Corporation serves as the plan administrator and plan amendments must be authorized by the City Council. Eligibility begins for full-time employees with 6 months or more service. Employees earn a vesting in the benefits at a rate of 10 percent to 20 percent per year with 100 percent vesting after 7 years service. The City contributed 12 percent of annual wages for all covered employees for the year ended June 30, 2009. For the 2008-2009 fiscal year actual contributions were \$5,599 and the plan net assets available were \$469,566, all of which was vested.

**City of Desert Hot Springs
Notes to Financial Statements
Year Ended June 30, 2009**

11) NON-OBLIGATION DEBT

The Desert Hot Springs Public Financing Authority issued the "Health Care Refund and Improvement Certificates of Participation" (the Certificates) for the Heritage Hospital Project on August 15, 1998. The Certificates were issued in two series: Series A was issued for \$13,900,000 and were tax exempt and Series B was issued for \$8,430,000 and was taxable. The Certificates do not constitute a debt or liability of the State of California, the City, or any political subdivision thereof within the meaning of any constitutional or statutory debt limitation. As of June 30, 2009, the Certificates were in default and have been transferred to the Bank of New York as the successor indenture trustee. The outstanding balance of the Certificates at June 30, 2009, was \$6,032,769.

The City of Desert Hot Springs Community Facilities District No 2006-1(the "District") issued Improvement Area 1 Special Tax Bonds, Series 2008A on October 16, 2008 in the amount of \$2,600,000. The bond proceeds in conjunction with Special Tax collections will be used to finance certain public facilities and fees within the City of Desert Hot Springs necessary for the development of property within Improvement Area 1 of the District. The bonds do not constitute a debt or liability of the City. The outstanding balance at June 30, 2009, was \$2,600,000.

12) ASSESSMENT DISTRICTS

In November 1992, the City issued \$975,062 of municipal limited improvement bonds (Assessment District 92-1) to provide financing for the acquisition of street, sewer, and water drainage utilities for the proposed residential subdivision known as Arroyo Vista. The bonds are subject to optional redemption prior to maturity at par plus accrued interest and a premium of 3 percent. The outstanding balance at June 30, 2009, is \$385,000. The 92-1 Assessment District was in default as of June 30, 2009, (see Note #13).

In October 1993, the City issued \$765,320 of municipal limited improvement bonds (Assessment District 93-2) for the acquisition of street, sewer, water, drainage and utilities within, or adjacent to, the proposed Arroyo Vista development. The bonds are subject to optional redemption prior to maturity at par plus accrued interest and a premium of 3 percent. The outstanding balance at June 30, 2009, is \$300,000.

In May 1994, the City issued \$441,044 of municipal limited improvement bonds (Assessment District 91-1) for the acquisition and construction of certain street improvements for Two Bunch Palms Trail. The bonds are subject to optional redemption prior to maturity at par plus accrued interest and a premium of 3 percent. The outstanding balance at June 30, 2009, is \$195,000.

The City is acting only in an agent capacity for collection of principal and interest payments by the property owners and remittance of such monies to the bondholders. The City has no obligation or duty to pay any delinquency from any available funds of the City. For the above noted Assessment Districts, neither the full faith and credit nor the taxing power of the City, the County, the State of California or any political subdivision is pledged to the payment of the aforementioned bonds.

13) ASSESSMENT DISTRICT DEFAULT

On September 1, 2002 and September 1, 2003, Assessment District No. 92 -1 defaulted on the reserve fund requirement on the bonds due to a shortage of funds. The Assessment District has not generated sufficient cash flow to meet the reserve fund requirement per the bond indenture. The bonds have remained in default.

**City of Desert Hot Springs
Notes to Financial Statements
Year Ended June 30, 2009**

14) COMMITMENTS AND CONTINGENCIES

The City is involved in various litigations which, in the opinion of management and legal counsel, the disposition of such will not have a material effect on the City's financial statements.

The City participates in several federal and state programs. These programs are subject to examination by the grantors and the amount, if any, of expenditures, which may be disallowed by the granting agencies, cannot be determined at this time. The City expects such amounts, if any, to be immaterial. The City is not aware, nor has it been contacted, by granting agencies of any such audit.

The Public Safety tax sunsets in 2010 and will be on the June 2010 ballot. This tax directly supports the Community Safety Fund and if not extended by the voters could have a significant financial effect on that fund and the General Fund.

15) OTHER FUND DISCLOSURES

The following funds ended the 2008-2009 fiscal year with deficit fund balances in the following amounts:

Non-Major Governmental Funds	
Special Revenue Funds:	
Civic and Community Center Grant	\$ 201,275
Transportation Improvement Grant	228,911
Proposition 1B	52,098
Essential Transportation	9,661
Bulletproof Vest Partnership	37

These deficit balances are expected to be reimbursed to the City by grantors by future revenues from claims that were still pending after the time period under the modified accrual basis of accounting.

16) SUBSEQUENT EVENTS

Subsequent to June 30, 2009, the State of California passed legislation to divert approximately \$2.05 billion of local redevelopment funds to use for State purposes, as part of the 2009-10 State budget. This includes \$1.7 billion in fiscal year 2009-10 and another \$350 million in fiscal year 2010-11. The California Redevelopment Association (CRA) has filed a lawsuit in Sacramento Superior Court to challenge the constitutionality of this legislation. Currently, the effect that this legislation and resulting lawsuit will have on the Agency's future revenues is unknown.

On July 1, 2009 the Redevelopment Agency of The City of Desert Hot Springs issued \$5,635,500 in Merged Redevelopment Project Tax Allocation Bonds. The proceeds will be used to finance low and moderate income housing projects, fund a debt service reserve account and pay costs of issuance of the Bonds.

In November 2009, the Redevelopment Agency's Board approved the deposit of \$3,635,000 of unallocated bond proceeds into an escrow account for future debt service payments of the Merged Redevelopment Project Tax Allocation Bonds, Series 2008A-1 (Taxable).

**City of Desert Hot Springs
Notes to Financial Statements
Year Ended June 30, 2009**

17) EXPENDITURES IN EXCESS OF APPROPRIATIONS

Expenditures exceeded appropriations in the following funds:

	<u>Final Budget</u>		<u>Actual</u>		<u>Excess</u>
Transportation Improvement Grant Special Revenue Fund	\$ -		\$ 228,911		\$ (228,911)
Capital Improvement Program Capital Projects Fund	\$ -		\$ 49,189		\$ (49,189)

REQUIRED SUPPLEMENTARY INFORMATION

City of Desert Hot Springs
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - General Fund
Year Ended June 30, 2009

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 4,923,000	\$ 7,495,600	\$ 7,361,149	\$ (134,451)
Permits and Fees	1,091,272	1,990,427	857,274	(1,133,153)
Intergovernmental	2,976,000	190,000	228,952	38,952
Interest	287,000	265,000	157,591	(107,409)
Miscellaneous	163,715	16,288	24,016	7,728
Total Revenues	<u>9,440,987</u>	<u>9,957,315</u>	<u>8,628,982</u>	<u>(1,328,333)</u>
EXPENDITURES				
Current:				
General Government	3,852,541	3,025,658	2,658,609	367,049
Public Works	344,337	430,017	285,816	144,201
Economic Development	1,016,284	1,392,206	1,141,225	250,981
Culture and Leisure	295,001	295,001	239,572	55,429
Capital Outlay	89,000	77,282	74,322	2,960
Total Expenditures	<u>5,597,163</u>	<u>5,220,164</u>	<u>4,399,544</u>	<u>820,620</u>
Excess (Deficiency) of Revenues over Expenditures	<u>3,843,824</u>	<u>4,737,151</u>	<u>4,229,438</u>	<u>(507,713)</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	709,465	485,646	1,242,406	756,760
Transfers Out	(5,499,370)	(5,532,765)	(5,446,844)	85,921
Total Other Financing Sources (Uses)	<u>(4,789,905)</u>	<u>(5,047,119)</u>	<u>(4,204,438)</u>	<u>842,681</u>
Net Change in Fund Balances	(946,081)	(309,968)	25,000	334,968
Fund Balances, Beginning of Year	<u>5,252,946</u>	<u>5,252,946</u>	<u>5,252,946</u>	
Fund Balances, End of Year	<u>\$ 4,306,865</u>	<u>\$ 4,942,978</u>	<u>\$ 5,277,946</u>	<u>\$ 334,968</u>

City of Desert Hot Springs
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - Community Safety Special Revenue Fund
Year Ended June 30, 2009

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 2,496,000	\$ 2,557,000	\$ 2,648,569	\$ 91,569
Permits and Fees	259,350	287,522	333,366	45,844
Intergovernmental	2,000	231,000	3,412	(227,588)
Licenses	19,200	19,200	2,291	(16,909)
Investment Earnings	250	250		(250)
Miscellaneous	35,300	347,750	41,421	(306,329)
Total Revenues	<u>2,812,100</u>	<u>3,442,722</u>	<u>3,029,059</u>	<u>(413,663)</u>
EXPENDITURES				
Current:				
Public Safety	6,911,355	7,186,884	7,077,951	108,933
Capital Outlay	14,500	59,625	59,625	-
Total Expenditures	<u>6,925,855</u>	<u>7,246,509</u>	<u>7,137,576</u>	<u>108,933</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(4,113,755)</u>	<u>(3,803,787)</u>	<u>(4,108,517)</u>	<u>(304,730)</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	<u>4,113,755</u>	<u>4,113,755</u>	<u>4,108,517</u>	<u>(5,238)</u>
Total Other Financing Sources (Uses)	<u>4,113,755</u>	<u>4,113,755</u>	<u>4,108,517</u>	<u>(5,238)</u>
Net Change in Fund Balances	-	309,968	-	(309,968)
Fund Balance, Beginning of Year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ -</u>	<u>\$ 309,968</u>	<u>\$ -</u>	<u>\$ (309,968)</u>

City of Desert Hot Springs
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - RDA Low Income Housing Special Revenue Fund
Year Ended June 30, 2009

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 1,713,800	\$ 1,848,800	\$ 1,942,569	\$ 93,769
Interest	300,000	165,000	86,857	(78,143)
Miscellaneous	1,000	1,000	358	(642)
Total Revenues	<u>2,014,800</u>	<u>2,014,800</u>	<u>2,029,784</u>	<u>14,984</u>
EXPENDITURES				
Current:				
Economic Development	1,851,910	845,910	682,015	163,895
Capital Outlay	100,000	1,756,000	54,672	1,701,328
Debt Service				
Interest			2,900	(2,900)
Total Expenditures	<u>1,951,910</u>	<u>2,601,910</u>	<u>739,587</u>	<u>1,862,323</u>
Excess (Deficiency) of Revenues over Expenditures	<u>62,890</u>	<u>(587,110)</u>	<u>1,290,197</u>	<u>1,877,307</u>
OTHER FINANCING SOURCES (USES)				
Transfers Out	<u>(148,985)</u>	<u>(148,985)</u>	<u>(490,838)</u>	<u>(341,853)</u>
Total Other Financing Sources (Uses)	<u>(148,985)</u>	<u>(148,985)</u>	<u>(490,838)</u>	<u>(341,853)</u>
Net Change in Fund Balance	(86,095)	(736,095)	799,359	1,535,454
Fund Balance, Beginning of Year	<u>5,063,787</u>	<u>5,063,787</u>	<u>5,063,787</u>	
Fund Balance, End of Year	<u>\$ 4,977,692</u>	<u>\$ 4,327,692</u>	<u>\$ 5,863,146</u>	<u>\$ 1,535,454</u>

City of Desert Hot Springs
Major Fund Budgetary Comparison Schedules
June 30, 2009

Budgetary comparison schedules are presented as required supplementary information for the General Fund and all Major Special Revenue Funds as requested by GASB Statement No. 34. The budgetary comparison schedules for the RDA Capital Projects Fund and the RDA Debt Service Fund are presented as additional analysis, and are not a required part of the basic financial statements.

City of Desert Hot Springs
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - RDA Debt Service Fund
Year Ended June 30, 2009

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 7,395,455	\$ 7,395,455	\$ 7,770,276	\$ 374,821
Interest	500,000	500,000	170,598	(329,402)
Total Revenues	<u>7,895,455</u>	<u>7,895,455</u>	<u>7,940,874</u>	<u>45,419</u>
EXPENDITURES				
Current:				
Economic Development	75,200	797,893	102,445	695,448
Debt Service:				
Principal	1,285,000	482,101	395,000	87,101
Interest	2,518,242	3,321,141	2,155,208	1,165,933
Pass-Through Agreements	1,351,000	3,336,535	3,088,255	248,280
Total Expenditures	<u>5,229,442</u>	<u>7,937,670</u>	<u>5,740,908</u>	<u>2,196,762</u>
Excess (Deficiency) of Revenues over Expenditures	<u>2,666,013</u>	<u>(42,215)</u>	<u>2,199,966</u>	<u>2,242,181</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	148,985	148,722	148,722	-
Transfers Out	(4,500,000)	(4,500,000)	(4,841,853)	(341,853)
Total Other Financing Sources (Uses)	<u>(4,351,015)</u>	<u>(4,351,278)</u>	<u>(4,693,131)</u>	<u>(341,853)</u>
Net Change in Fund Balance	(1,685,002)	(4,393,493)	(2,493,165)	1,900,328
Fund Balance, Beginning of Year	<u>11,144,877</u>	<u>11,144,877</u>	<u>11,144,877</u>	
Fund Balance, End of Year	<u>\$ 9,459,875</u>	<u>\$ 6,751,384</u>	<u>\$ 8,651,712</u>	<u>\$ 1,900,328</u>

City of Desert Hot Springs
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - RDA Capital Projects Fund
Year Ended June 30, 2009

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Interest	\$ 897,075	\$ 897,075	\$ 684,033	\$ (213,042)
Miscellaneous		1,216	47,388	46,172
Total Revenues	<u>897,075</u>	<u>898,291</u>	<u>731,421</u>	<u>(166,870)</u>
EXPENDITURES				
Current:				
Economic Development	6,618,611	5,988,789	4,299,526	1,689,263
Capital Outlay	<u>31,832,592</u>	<u>32,009,884</u>	<u>15,166,796</u>	<u>16,843,088</u>
Total Expenditures	<u>38,451,203</u>	<u>37,998,673</u>	<u>19,466,322</u>	<u>18,532,351</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(37,554,128)</u>	<u>(37,100,382)</u>	<u>(18,734,901)</u>	<u>18,365,481</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	4,500,000	4,500,000	4,500,000	-
Transfers Out	<u>(723,166)</u>	<u>(232,925)</u>	<u>(732,925)</u>	<u>(500,000)</u>
Total Other Financing Sources (Uses)	<u>3,776,834</u>	<u>4,267,075</u>	<u>3,767,075</u>	<u>(500,000)</u>
Net Change in Fund Balance	(33,777,294)	(32,833,307)	(14,967,826)	17,865,481
Fund Balance, Beginning of Year	<u>37,658,539</u>	<u>37,658,539</u>	<u>37,658,539</u>	
Fund Balance, End of Year	<u>\$ 3,881,245</u>	<u>\$ 4,825,232</u>	<u>\$22,690,713</u>	<u>\$ 17,865,481</u>

SUPPLEMENTARY INFORMATION

City of Desert Hot Springs Non-Major Governmental Funds

SPECIAL REVENUE FUNDS

Housing and Community Development Fund - The Housing and Community Development Fund accounts for Federal grants under the Emergency Jobs Act and Federal Community Development Entitlements.

Traffic Safety Fund - The Traffic Safety Fund accounts for resources specifically designated for traffic safety. Financing is provided by vehicle code fines. Expenditures are utilized for traffic safety purposes.

Source Reduction Recycling Fund - The Source Reduction Recycling Fund accounts for disposal fees collected and used for programs related to recycling program requirements by AB 939.

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

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

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

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

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

State Transportation Improvement Grant Fund - The State Transportation Improvement Grant Fund accounts for grants received from the California Transportation Commission. The funds were applied through the Coachella Valley Association of Governments (CVAG) and approved by the Riverside County Transportation Commission (RCTC). The funds are to be used for street improvements, unpaved and shoulder improvements.

Law Enforcement Service Fund - The Supplemental Law Enforcement Service Fund accounts for funds received in connection with the Citizens Option for Public Safety Program (COPS), which supplements expenditures for “front line municipal police services”.

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

Drainage Assessment District Fund - The Drainage Assessment District Fund accounts for taxes assessed on property owners within the drainage assessment districts for the maintenance of drainage systems.

County Service Area 152 (CSA-152) - The County Service Area, also known as the County Assessment District Number (152); receives funding through the collection of property tax collected on parcels within the assessment district. Expenditures relate to the EPA requirements for storm water monitoring and the protection of the underground water for all cities in the County of Riverside.

**City of Desert Hot Springs
Non-Major Governmental Funds - Continued**

SPECIAL REVENUE FUNDS - Continued

Cabot's Museum Fund - The Cabot's Museum Fund accounts for various fees and operational costs associated with a museum that was gifted to the City.

Redevelopment Agency Help Program Fund - The Redevelopment Agency Help Program Fund accounts for the Coachella Valley Housing Coalition Self Help Housing Grants. The City provides grant funds to assist families to complete the financing of single family "self help" homes, should unforeseen costs be discovered.

Air Quality Grant Fund - The Riverside County Air Quality Grant Fund accounts for grant funds for air quality improvement and air quality enhancement. The City requested this funding to offset costs of its CNG vehicles and fueling station at the City corporation year.

OTS Sobriety Grant - The Office of Traffic and Safety Sobriety Grant Fund accounts for grant funding by the National Highway Traffic Safety Administration to reimburse the City of Desert Hot Springs for sobriety checkpoint costs.

Civic and Community Center Grant - The Civic and Community Center Grant Fund accounts for grant funding provided by the Department of Housing and Urban Development Economic under the Development Initiative (EDI) for certain eligible projects. The project specific for the City of Desert Hot Springs was the design, engineering and construction of a civic center complex.

CA Office of Traffic Safety Grant - The Traffic Enforcement Safety grand funding is provided to local agencies to assist with public safety expenditures. This grant provides for specific traffic safety overtime, equipment, direct costs, education, travel and additional software programs for a two year term between September 30, 2005 and September 30, 2007.

The State Transportation Improvement Grant Fund - The State Transportation Improvement Grant Fund provides grant funding to be used for surveying, engineering, right of way acquisition and relocation assistance, and capital improvements of streets and highways. Funding was approved in the amount of \$1,925,000.

Bicycle/Pedestrian Grant - The Bicycle Grant Fund accounts for a grant funded by the Riverside County Transportation Commission to offset costs for various infrastructure projects in the vicinity of the schools located in the City of Desert Hot Springs.

Indian Gaming Special District Grant - The Indian Gaming Grant Fund accounts for grant funds disbursed by the State Controller's Office. Funds are to be used for a new police vehicle and K-9 vehicle conversion kit.

Desert Healthcare District Grant - Grant funding was approved by the Desert Healthcare District to provide for expenditures in conjunction with the hiring of a project coordination/researcher for the Desert Hot Springs community health plan during initial phase. A city funded match of \$25,000 and a County of Riverside match of \$25,000 is also required.

Proposition 1B - Proposition 1B funds were awarded by the State to the City to fund the maintenance and improvements of local transportation facilities.

Essential Transportation - Grants in this fund are received from the State Transportation Improvement Grant and are used to fund Phase I of the Essential Transportation Project. These monies are to be used for surveying, engineering, right of way acquisition and relocation assistance, and capital improvements of streets and highways.

JAG CSI Grant - The JAG CSI Grant Fund accounts for funds provided to the City to be used to purchase crime scene and filed evidence investigation equipment and supplies. A City funded match of \$7,500 is required.

Bulletproof Vest Partnership - The Bulletproof Vest Partnership Grant provides funds for up to 50% of the costs of each bulletproof vest purchased or replaced by law enforcement applicants.

City of Desert Hot Springs
Non-Major Governmental Funds - Continued

SPECIAL REVENUE FUNDS - Continued

Traffic Congestion Relief – The Traffic Congestion Relief Fund tracks the resources and uses of the Traffic Congestion Relief grant funds.

DEBT SERVICE FUNDS

City Debt Service - The City established a restricted fund to account for debt service payments on the City's Judgment Bonds and Certificate of Deposit twice annually.

CAPITAL PROJECTS FUNDS

Developer Infrastructure Streets Fund - The Developer Infrastructure Streets Fund accounts for the activities and construction of certain infrastructure agreed upon between the City and a developer.

Capital Improvement Program Fund - The Capital Improvement Program Fund tracks the resources and uses for the City's capital improvement projects identified in the 5Year CIP plan.

Assessment District 91-1 Fund - The Assessment District 91-1 Capital Project Fund accounts for improvements to Assessment District 91-1 and is financed from bond proceeds. Liabilities are paid from tax revenues.

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City of Desert Hot Springs
Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2009

	Special Revenue				
	Housing and Community Development	Traffic Safety	Source Reduction Recycling	Special Gas Tax	Capital Improvement Deposits
ASSETS					
Cash and Investments	\$ 24,346	\$	\$ 11,996	\$ 139,972	\$ 5,490,797
Restricted Cash and Investments Fiscal Agent					
Notes Receivable					
Accounts Receivable		4,015		37,821	
Interest Receivable				628	24,847
Total Assets	<u>\$ 24,346</u>	<u>\$ 4,015</u>	<u>\$ 11,996</u>	<u>\$ 178,421</u>	<u>\$ 5,515,644</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts Payable	\$	\$	\$ 839	\$ 23,908	\$ 397,290
Accrued Liabilities		332		6,567	
Due to Other Funds		3,683			
Deferred Revenue					
Total Liabilities	<u>-</u>	<u>4,015</u>	<u>839</u>	<u>30,475</u>	<u>397,290</u>
Fund Balances:					
Reserved for:					
Debt Service					
Unreserved and Reported In:					
Special Revenue Funds	24,346		11,157	147,946	5,118,354
Debt Service Fund					
Capital Project Funds					
Total Fund Balances	<u>24,346</u>	<u>-</u>	<u>11,157</u>	<u>147,946</u>	<u>5,118,354</u>
Total Liabilities and Fund Balances	<u>\$ 24,346</u>	<u>\$ 4,015</u>	<u>\$ 11,996</u>	<u>\$ 178,421</u>	<u>\$ 5,515,644</u>

Special Revenue

Municipal Lighting/Landscaping Assessment District	Measure A	Air Quality Control	State Transportation Improvement Grant	Law Enforcement Service	Abandoned Vehicle Replacement
\$ 615,732	\$ 736,583	\$ 20,213	\$ 188,278	\$	\$
185,750	75,510	8,150		29,456	8,994
1,962	3,162	144			87
<u>\$ 803,444</u>	<u>\$ 815,255</u>	<u>\$ 28,507</u>	<u>\$ 188,278</u>	<u>\$ 29,456</u>	<u>\$ 9,081</u>
\$ 62,222	\$ 301,366	\$ 2,799	\$ 188,263	\$	\$
7,881			15	29,456	9,081
136,147					
<u>206,250</u>	<u>301,366</u>	<u>2,799</u>	<u>188,278</u>	<u>29,456</u>	<u>9,081</u>
597,194	513,889	25,708			
<u>597,194</u>	<u>513,889</u>	<u>25,708</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 803,444</u>	<u>\$ 815,255</u>	<u>\$ 28,507</u>	<u>\$ 188,278</u>	<u>\$ 29,456</u>	<u>\$ 9,081</u>

Continued

**City of Desert Hot Springs
Combining Balance Sheet
Non-Major Governmental Funds (Continued)
June 30, 2009**

	Special Revenue				
	Drainage Assessment District	County Service Area	Cabot's Museum	RDA Help Program	Air Quality Grant
ASSETS					
Cash and Investments	\$ 440,386	\$	\$ 42,519	\$ 504,100	\$
Restricted Cash and Investments Fiscal Agent					
Notes Receivable				727,420	
Accounts Receivable	21,370	22,042			
Interest Receivable	1,886			1,176	
Total Assets	<u>\$ 463,642</u>	<u>\$ 22,042</u>	<u>\$ 42,519</u>	<u>\$ 1,232,696</u>	<u>\$ -</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts Payable	\$ 2,328	\$	\$ 7,403	\$	\$
Accrued Liabilities	643				
Due to Other Funds		22,042			
Deferred Revenue				727,420	
Total Liabilities	<u>2,971</u>	<u>22,042</u>	<u>7,403</u>	<u>727,420</u>	<u>-</u>
Fund Balances:					
Reserved for:					
Debt Service					
Unreserved and Reported In:					
Special Revenue Funds	460,671		35,116	505,276	
Debt Service Fund					
Capital Project Funds					
Total Fund Balances	<u>460,671</u>	<u>-</u>	<u>35,116</u>	<u>505,276</u>	<u>-</u>
Total Liabilities and Fund Balances	<u>\$ 463,642</u>	<u>\$ 22,042</u>	<u>\$ 42,519</u>	<u>\$ 1,232,696</u>	<u>\$ -</u>

Special Revenue

OTS Sobriety Grant	Civic and Community Center Grant	CA Office of Traffic Safety Grant	Transporation Improvement Grant	Bicycle/ Pedestrian Grant	Indian Gaming Special District Grant
\$	\$	\$	\$	\$	\$ 215,900
	201,275		128,181	264,135	
<u>\$ -</u>	<u>\$ 201,275</u>	<u>\$ -</u>	<u>\$ 128,181</u>	<u>\$ 264,135</u>	<u>\$ 215,900</u>
\$	\$ 92,944	\$	\$	\$	\$ 38,528
	108,331		228,911	261,044	
	201,275		128,181		177,372
<u>-</u>	<u>402,550</u>	<u>-</u>	<u>357,092</u>	<u>261,044</u>	<u>215,900</u>
	(201,275)		(228,911)	3,091	
<u>-</u>	<u>(201,275)</u>	<u>-</u>	<u>(228,911)</u>	<u>3,091</u>	<u>-</u>
<u>\$ -</u>	<u>\$ 201,275</u>	<u>\$ -</u>	<u>\$ 128,181</u>	<u>\$ 264,135</u>	<u>\$ 215,900</u>

Continued

**City of Desert Hot Springs
Combining Balance Sheet
Non-Major Governmental Funds (Continued)
June 30, 2009**

	Special Revenue				
	Desert Healthcare District Grant	Proposition 1B	Essential Transportation	JAG CSI Grant	Bulletproof Vest Partnership
ASSETS					
Cash and Investments	\$ 33,357	\$	\$	\$	\$
Restricted Cash and Investments:					
Fiscal Agent					
Notes Receivable					
Accounts Receivable					4,324
Interest Receivable					
	<u>33,357</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,324</u>
Total Assets	<u>\$ 33,357</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,324</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts Payable	\$	\$	\$	\$	\$ 4,090
Accrued Liabilities					
Due to Other Funds		52,098	9,661		271
Deferred Revenue	33,357				
	<u>33,357</u>	<u>52,098</u>	<u>9,661</u>	<u>-</u>	<u>4,361</u>
Total Liabilities	<u>33,357</u>	<u>52,098</u>	<u>9,661</u>	<u>-</u>	<u>4,361</u>
Fund Balances:					
Reserved for:					
Debt Service					
Unreserved and Reported In:					
Special Revenue Funds		(52,098)	(9,661)		(37)
Debt Service Fund					
Capital Project Funds					
	<u>-</u>	<u>(52,098)</u>	<u>(9,661)</u>	<u>-</u>	<u>(37)</u>
Total Fund Balances	<u>-</u>	<u>(52,098)</u>	<u>(9,661)</u>	<u>-</u>	<u>(37)</u>
Total Liabilities and Fund Balances	<u>\$ 33,357</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,324</u>

Special Revenue Traffic Congestion Relief	Debt Service City Debt Service	Developer Infrastructure Streets	Capital Projects Capital Improvement Program	Assessment District 91-1	Total Nonmajor Governmental Funds
\$ 169,168	\$ 1,637,454	\$ 200,000	\$ 861,722	\$ 50,625	\$ 11,383,148
	291,795			2,763	294,558
53,507	81,582				727,420
672	8,779			219	1,126,112
<u>\$ 223,347</u>	<u>\$ 2,019,610</u>	<u>\$ 200,000</u>	<u>\$ 861,722</u>	<u>\$ 53,607</u>	<u>\$ 13,574,800</u>
\$ 169,498	\$	\$	\$ 49,189	\$	1,340,667
		200,000			15,423
					724,593
					1,603,752
<u>169,498</u>	<u>-</u>	<u>200,000</u>	<u>49,189</u>	<u>-</u>	<u>3,684,435</u>
	291,795				291,795
53,849	1,727,815		812,533	53,607	7,004,615
					1,727,815
					866,140
<u>53,849</u>	<u>2,019,610</u>	<u>-</u>	<u>812,533</u>	<u>53,607</u>	<u>9,890,365</u>
<u>\$ 223,347</u>	<u>\$ 2,019,610</u>	<u>\$ 200,000</u>	<u>\$ 861,722</u>	<u>\$ 53,607</u>	<u>\$ 13,574,800</u>

City of Desert Hot Springs
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Non-Major Governmental Funds
June 30, 2009

	Special Revenue				
	Housing and Community Development	Traffic Safety	Source Reduction Recycling	Special Gas Tax	Capital Improvement Deposits
REVENUES					
Taxes	\$	\$	\$	\$	\$
Permits and Fees		26,706			25,882
Intergovernmental	631,167	12,381	17,013	420,325	
Interest				4,786	179,688
Miscellaneous					
Total Revenues	<u>631,167</u>	<u>39,087</u>	<u>17,013</u>	<u>425,111</u>	<u>205,570</u>
EXPENDITURES					
Current:					
General Government	19,034	37,572	373		331,829
Public Safety					35,000
Public Works			5,483	498,327	
Economic Development					
Culture and Leisure					
Capital Outlay	501,402				1,722,266
Debt Service:					
Principal					
Interest					
Total Expenditures	<u>520,436</u>	<u>37,572</u>	<u>5,856</u>	<u>498,327</u>	<u>2,089,095</u>
Excess (Deficiency) of Revenues over Expenditures	<u>110,731</u>	<u>1,515</u>	<u>11,157</u>	<u>(73,216)</u>	<u>(1,883,525)</u>
OTHER FINANCING SOURCES (USES)					
Transfers In				44,260	
Transfers Out				(73,054)	
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>(28,794)</u>	<u>-</u>
Net Change in Fund Balances	110,731	1,515	11,157	(102,010)	(1,883,525)
Fund Balances (Deficit), Beginning of Year	<u>(86,385)</u>	<u>(1,515)</u>		<u>249,956</u>	<u>7,001,879</u>
Fund Balances (Deficit), End of Year	<u>\$ 24,346</u>	<u>\$ -</u>	<u>\$ 11,157</u>	<u>\$ 147,946</u>	<u>\$ 5,118,354</u>

Special Revenue

Municipal Lighting/Landscaping Assessment District	Measure A	Air Quality Control	State Transportation Improvement Grant	Law Enforcement Service	Abandoned Vehicle Replacement
\$ 644,146	\$	\$ 29,136	\$	\$	\$
150,000					
710	307,698			100,000	17,129
10,093	17,584	1,199		312	354
360					
<u>805,309</u>	<u>325,282</u>	<u>30,335</u>	<u>-</u>	<u>100,312</u>	<u>17,483</u>
687,236	12,746	9,444		100,459	199
	368,496	37,269	188,278		
<u>687,236</u>	<u>381,242</u>	<u>46,713</u>	<u>188,278</u>	<u>100,459</u>	<u>199</u>
<u>118,073</u>	<u>(55,960)</u>	<u>(16,378)</u>	<u>(188,278)</u>	<u>(147)</u>	<u>17,284</u>
			188,278		(33,141)
-	-	-	188,278	-	(33,141)
118,073	(55,960)	(16,378)	-	(147)	(15,857)
479,121	569,849	42,086		147	15,857
<u>\$ 597,194</u>	<u>\$ 513,889</u>	<u>\$ 25,708</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Continued

City of Desert Hot Springs
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Non-Major Governmental Funds
June 30, 2009

	Special Revenue				
	Drainage Assessment District	County Service Area	Cabot's Museum	RDA Help Program	Air Quality Grant
REVENUES					
Taxes	\$ 174,365	\$	\$	\$	\$
Permits and Fees					
Intergovernmental		22,042	33,950		50,000
Interest	9,468			8,537	
Miscellaneous			12,500		
Total Revenues	<u>183,833</u>	<u>22,042</u>	<u>46,450</u>	<u>8,537</u>	<u>50,000</u>
EXPENDITURES					
Current:					
General Government	73,288	22,227			
Public Safety					
Public Works					
Economic Development					
Culture and Leisure			76,469		
Capital Outlay			34,865		50,000
Debt Service:					
Principal					
Interest					
Total Expenditures	<u>73,288</u>	<u>22,227</u>	<u>111,334</u>	<u>-</u>	<u>50,000</u>
Excess (Deficiency) of Revenues over Expenditures	<u>110,545</u>	<u>(185)</u>	<u>(64,884)</u>	<u>8,537</u>	<u>-</u>
OTHER FINANCING SOURCES (USES)					
Transfers In			100,000		
Transfers Out					
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>100,000</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	110,545	(185)	35,116	8,537	-
Fund Balances (Deficit), Beginning of Year	<u>350,126</u>	<u>185</u>	<u>496,739</u>	<u>496,739</u>	<u>-</u>
Fund Balances (Deficit), End of Year	<u>\$ 460,671</u>	<u>\$ -</u>	<u>\$ 35,116</u>	<u>\$ 505,276</u>	<u>\$ -</u>

Special Revenue

OTS Sobriety Grant	Civic and Community Center Grant	CA Office of Traffic Safety Grant	Transportation Improvement Grant	Bicycle/ Pedestrian Grant	Indian Gaming Special District Grant
\$	\$	\$	\$	\$	\$
1,930	189,885	2,536		264,135	38,528
1,930	189,885	2,536	-	264,135	38,528
1,930	23,490				
	367,670		228,911	261,044	38,528
1,930	391,160	-	228,911	261,044	38,528
-	(201,275)	2,536	(228,911)	3,091	-
-	-	-	-	-	-
-	(201,275)	2,536	(228,911)	3,091	-
		(2,536)			
\$ -	\$ (201,275)	\$ -	\$ (228,911)	\$ 3,091	\$ -

Continued

City of Desert Hot Springs
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Non-Major Governmental Funds
June 30, 2009

	Special Revenue				
	Desert Healthcare District Grant	Proposition 1B	Essential Transportation	JAG CSI Grant	Bulletproof Vest Partnership
REVENUES					
Taxes	\$	\$	\$	\$	\$
Permits and Fees					
Intergovernmental	8,120			2,174	5,615
Interest					
Miscellaneous					
Total Revenues	<u>8,120</u>	<u>-</u>	<u>-</u>	<u>2,174</u>	<u>5,615</u>
EXPENDITURES					
Current:					
General Government	8,120				
Public Safety				900	5,652
Public Works					
Economic Development		5,000	9,661		
Culture and Leisure					
Capital Outlay		447,098		93	
Debt Service:					
Principal					
Interest					
Total Expenditures	<u>8,120</u>	<u>452,098</u>	<u>9,661</u>	<u>993</u>	<u>5,652</u>
Excess (Deficiency) of Revenues over Expenditures	<u>-</u>	<u>(452,098)</u>	<u>(9,661)</u>	<u>1,181</u>	<u>(37)</u>
OTHER FINANCING SOURCES (USES)					
Transfers In					
Transfers Out					
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	<u>-</u>	<u>(452,098)</u>	<u>(9,661)</u>	<u>1,181</u>	<u>(37)</u>
Fund Balances (Deficit), Beginning of Year		<u>400,000</u>		<u>(1,181)</u>	
Fund Balances (Deficit), End of Year	<u>\$ -</u>	<u>\$ (52,098)</u>	<u>\$ (9,661)</u>	<u>\$ -</u>	<u>\$ (37)</u>

Special Reveue	Debt Service	Capital Projects			Total Nonmajor
Traffic Congestion Relief	City Debt Service	Developer Infrastructure Streets	Capital Improvement Program	Assessment District 91-1	Governmental Funds
\$	\$ 922,813	\$	\$	\$	\$ 1,770,460
221,542					202,588
1,804	12,110			1,399	2,346,880
				148	247,334
					13,008
223,346	934,923	-	-	1,547	4,580,270
					1,201,869
					144,140
	4,000				503,810
					42,151
169,497			49,189		76,469
					4,464,606
	135,000				135,000
	608,400				608,400
169,497	747,400	-	49,189	-	7,176,445
53,849	187,523	-	(49,189)	1,547	(2,596,175)
	(1,007,814)		1,050,000		1,382,538
			(188,278)		(1,302,287)
-	(1,007,814)	-	861,722	-	80,251
53,849	(820,291)	-	812,533	1,547	(2,515,924)
	2,839,901			52,060	12,406,289
\$ 53,849	\$ 2,019,610	\$ -	\$ 812,533	\$ 53,607	\$ 9,890,365

City of Desert Hot Springs
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - Housing and Community Development Special Revenue Fund
Year Ended June 30, 2009

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental	\$ 539,055	\$ 539,055	\$ 631,167	\$ 92,112
Total Revenues	<u>539,055</u>	<u>539,055</u>	<u>631,167</u>	<u>92,112</u>
EXPENDITURES				
Current:				
General Government	19,034	19,034	19,034	-
Capital Outlay	<u>520,021</u>	<u>520,021</u>	<u>501,402</u>	<u>18,619</u>
Total Expenditures	<u>539,055</u>	<u>539,055</u>	<u>520,436</u>	<u>18,619</u>
Excess (Deficiency) of Revenues over Expenditures	-	-	110,731	110,731
Fund Balance (Deficit), Beginning of Year	<u>(86,385)</u>	<u>(86,385)</u>	<u>(86,385)</u>	
Fund Balance (Deficit), End of Year	<u>\$ (86,385)</u>	<u>\$ (86,385)</u>	<u>\$ 24,346</u>	<u>\$ 110,731</u>

City of Desert Hot Springs
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - Traffic Safety Special Revenue Fund
Year Ended June 30, 2009

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Permits and Fees	\$ 28,750	\$ 28,750	\$ 26,706	\$ (2,044)
Intergovernmental	\$ 13,000	13,000	12,381	(619)
Interest	300	300		(300)
	<u>42,050</u>	<u>42,050</u>	<u>39,087</u>	<u>(2,963)</u>
EXPENDITURES				
Current:				
General Government	<u>37,762</u>	<u>37,762</u>	<u>37,572</u>	<u>190</u>
	<u>37,762</u>	<u>37,762</u>	<u>37,572</u>	<u>190</u>
Excess (Deficiency) of Revenues over Expenditures	4,288	4,288	1,515	(2,773)
Fund Balance, Beginning of Year	<u>(1,515)</u>	<u>(1,515)</u>	<u>(1,515)</u>	
Fund Balance, End of Year	<u>\$ 2,773</u>	<u>\$ 2,773</u>	<u>\$ -</u>	<u>\$ (2,773)</u>

City of Desert Hot Springs
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - Source Reduction Recycling Special Revenue Fund
Year Ended June 30, 2009

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental	\$ 6,176	\$ 6,176	\$ 17,013	\$ 10,837
Total Revenues	<u>6,176</u>	<u>6,176</u>	<u>17,013</u>	<u>10,837</u>
EXPENDITURES				
Current:				
General Government			373	(373)
Public Works	6,176	6,176	5,483	693
Capital Outlay	<u>10,837</u>	<u>10,837</u>	<u> </u>	<u>10,837</u>
Total Expenditures	<u>17,013</u>	<u>17,013</u>	<u>5,856</u>	<u>11,157</u>
Excess (Deficiency) of Revenues over Expenditures	(10,837)	(10,837)	11,157	21,994
Fund Balance, Beginning of Year	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Fund Balance, End of Year	<u>\$ (10,837)</u>	<u>\$ (10,837)</u>	<u>\$ 11,157</u>	<u>\$ 21,994</u>

City of Desert Hot Springs
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - Special Gas Tax Special Revenue Fund
Year Ended June 30, 2009

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental	\$ 433,000	\$ 433,000	\$ 420,325	\$ (12,675)
Interest	4,200	4,200	4,786	586
Total Revenues	<u>437,200</u>	<u>437,200</u>	<u>425,111</u>	<u>(12,089)</u>
EXPENDITURES				
Current:				
Public Works	538,620	558,620	498,327	60,293
Capital Outlay				-
Total Expenditures	<u>538,620</u>	<u>558,620</u>	<u>498,327</u>	<u>60,293</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(101,420)</u>	<u>(121,420)</u>	<u>(73,216)</u>	<u>48,204</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	44,260	44,260	44,260	-
Transfers Out			(73,054)	(73,054)
Total Other Financing Sources (Uses)	<u>44,260</u>	<u>44,260</u>	<u>(28,794)</u>	<u>(73,054)</u>
Net Change in Fund Balance	(57,160)	(77,160)	(102,010)	(24,850)
Fund Balance (Deficit), Beginning of Year	<u>249,956</u>	<u>249,956</u>	<u>249,956</u>	
Fund Balance (Deficit), End of Year	<u>\$ 192,796</u>	<u>\$ 172,796</u>	<u>\$ 147,946</u>	<u>\$ (24,850)</u>

City of Desert Hot Springs
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - Capital Improvement Deposits Special Revenue Fund
Year Ended June 30, 2009

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Permits and Fees	\$	\$ 727,700	\$ 25,882	\$ (701,818)
Intergovernmental				-
Interest		258,190	179,688	(78,502)
Miscellaneous				-
Total Revenues	-	985,890	205,570	(780,320)
EXPENDITURES				
Current:				
General Government		531,228	331,829	199,399
Public Safety		43,500	35,000	8,500
Capital Outlay		3,494,803	1,722,266	1,772,537
Total Expenditures	-	4,069,531	2,089,095	1,980,436
Excess (Deficiency) of Revenues over Expenditures	-	(3,083,641)	(1,883,525)	1,200,116
Fund Balances, Beginning of Year	7,001,879	7,001,879	7,001,879	
Fund Balances, End of Year	\$ 7,001,879	\$ 3,918,238	\$ 5,118,354	\$ 1,200,116

City of Desert Hot Springs
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - Municipal Lighting/Landscaping Assessment District
Special Revenue Fund
Year Ended June 30, 2009

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 713,523	\$ 713,523	\$ 644,146	\$ (69,377)
Permits and Fees	7,500	7,500	150,000	142,500
Intergovernmental			710	710
Interest	6,296	6,296	10,093	3,797
Miscellaneous	100	100	360	260
Total Revenues	<u>727,419</u>	<u>727,419</u>	<u>805,309</u>	<u>77,890</u>
EXPENDITURES				
Current:				
General Government	<u>1,158,126</u>	<u>1,277,291</u>	<u>687,236</u>	<u>590,055</u>
Total Expenditures	<u>1,158,126</u>	<u>1,277,291</u>	<u>687,236</u>	<u>590,055</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(430,707)</u>	<u>(549,872)</u>	<u>118,073</u>	<u>667,945</u>
OTHER FINANCING SOURCES (USES)				
Transfers Out	<u>(35,650)</u>			<u>-</u>
Total Other Financing Sources (Uses)	<u>(35,650)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	(466,357)	(549,872)	118,073	667,945
Fund Balance, Beginning of Year	<u>479,121</u>	<u>479,121</u>	<u>479,121</u>	
Fund Balance (Deficit), End of Year	<u>\$ 12,764</u>	<u>\$ (70,751)</u>	<u>\$ 597,194</u>	<u>\$ 667,945</u>

City of Desert Hot Springs
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - Measure A Special Revenue Fund
Year Ended June 30, 2009

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernment	\$ 363,000	\$ 363,000	\$ 307,698	\$ (55,302)
Interest	10,890	10,890	17,584	6,694
Total Revenues	<u>373,890</u>	<u>373,890</u>	<u>325,282</u>	<u>(48,608)</u>
EXPENDITURES				
Current:				
General Government	90,750	70,750	12,746	58,004
Capital Outlay	909,329	909,329	368,496	540,833
Total Expenditures	<u>1,000,079</u>	<u>980,079</u>	<u>381,242</u>	<u>598,837</u>
Excess (Deficiency) of Revenues over Expenditures	(626,189)	(606,189)	(55,960)	550,229
Fund Balance, Beginning of Year	<u>569,849</u>	<u>569,849</u>	<u>569,849</u>	
Fund Balance, End of Year	<u>\$ (56,340)</u>	<u>\$ (36,340)</u>	<u>\$ 513,889</u>	<u>\$ 550,229</u>

City of Desert Hot Springs
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - Air Quality Control Special Revenue Fund
Year Ended June 30, 2009

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 41,670	\$ 41,670	\$ 29,136	\$ (12,534)
Interest	1,000	1,000	1,199	199
Total Revenues	<u>42,670</u>	<u>42,670</u>	<u>30,335</u>	<u>(12,335)</u>
EXPENDITURES				
Current:				
General Government	15,800	15,800	9,444	6,356
Capital Outlay	55,591	55,591	37,269	18,322
Total Expenditures	<u>71,391</u>	<u>71,391</u>	<u>46,713</u>	<u>24,678</u>
Excess (Deficiency) of Revenues over Expenditures	(28,721)	(28,721)	(16,378)	12,343
Fund Balance, Beginning of Year	<u>42,086</u>	<u>42,086</u>	<u>42,086</u>	
Fund Balance, End of Year	<u>\$ 13,365</u>	<u>\$ 13,365</u>	<u>\$ 25,708</u>	<u>\$ 12,343</u>

City of Desert Hot Springs
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - State Transportation Improvement Grant Special Revenue Fund
Year Ended June 30, 2009

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental	\$ 194,540	\$ 194,540	\$ -	\$ (194,540)
Total Revenues	<u>194,540</u>	<u>194,540</u>	<u>-</u>	<u>(194,540)</u>
EXPENDITURES				
Capital Outlay	<u>194,540</u>	<u>194,540</u>	<u>188,278</u>	<u>6,262</u>
Total Expenditures	<u>194,540</u>	<u>194,540</u>	<u>188,278</u>	<u>6,262</u>
Excess (Deficiency) of Revenues over Expenditures	<u>-</u>	<u>-</u>	<u>(188,278)</u>	<u>(188,278)</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	<u>-</u>	<u>-</u>	<u>188,278</u>	<u>188,278</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>188,278</u>	<u>188,278</u>
Net Change in Fund Balance	-	-	-	-
Fund Balance (Deficit), Beginning of Year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance (Deficit), End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

City of Desert Hot Springs
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - Law Enforcement Service Special Revenue Fund
Year Ended June 30, 2009

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental	\$ 100,000	\$ 100,000	\$ 100,000	\$ -
Interest	2,000	2,000	312	(1,688)
Total Revenues	<u>102,000</u>	<u>102,000</u>	<u>100,312</u>	<u>(1,688)</u>
EXPENDITURES				
Current:				
Public Safety	<u>102,000</u>	<u>102,000</u>	<u>100,459</u>	<u>1,541</u>
Total Expenditures	<u>102,000</u>	<u>102,000</u>	<u>100,459</u>	<u>1,541</u>
Excess (Deficiency) of Revenues over Expenditures	-	-	(147)	(147)
Fund Balance, Beginning of Year	<u>147</u>	<u>147</u>	<u>147</u>	
Fund Balance, End of Year	<u>\$ 147</u>	<u>\$ 147</u>	<u>\$ -</u>	<u>\$ (147)</u>

City of Desert Hot Springs
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - Abandoned Vehicle Replacement Special Revenue Fund
Year Ended June 30, 2009

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental	\$ 7,000	\$ 7,000	\$ 17,129	\$ 10,129
Investment Earnings	200	200	354	154
Total Revenues	<u>7,200</u>	<u>7,200</u>	<u>17,483</u>	<u>10,283</u>
EXPENDITURES				
Current:				
Public Safety	<u>9,664</u>	<u>9,664</u>	<u>199</u>	<u>9,465</u>
Total Expenditures	<u>9,664</u>	<u>9,664</u>	<u>199</u>	<u>9,465</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(2,464)</u>	<u>(2,464)</u>	<u>17,284</u>	<u>19,748</u>
OTHER FINANCING SOURCES (USES)				
Transfers Out			<u>(33,141)</u>	<u>(33,141)</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>(33,141)</u>	<u>(33,141)</u>
Net Change in Fund Balances	(2,464)	(2,464)	(15,857)	(13,393)
Fund Balance, Beginning of Year	<u>15,857</u>	<u>15,857</u>	<u>15,857</u>	
Fund Balance, End of Year	<u>\$ 13,393</u>	<u>\$ 13,393</u>	<u>-</u>	<u>\$ (13,393)</u>

City of Desert Hot Springs
Schedule of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual - Drainage Assessment District Special Revenue Fund
Year Ended June 30, 2009

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 245,197	\$ 245,197	\$ 174,365	\$ (70,832)
Permits and Fees				-
Interest	7,915	7,915	9,468	1,553
Total Revenues	<u>253,112</u>	<u>253,112</u>	<u>183,833</u>	<u>(69,279)</u>
EXPENDITURES				
Current:				
General Government	653,336	652,976	73,288	579,688
Total Expenditures	<u>653,336</u>	<u>652,976</u>	<u>73,288</u>	<u>579,688</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(400,224)</u>	<u>(399,864)</u>	<u>110,545</u>	<u>510,409</u>
OTHER FINANCING SOURCES (USES)				
Transfers Out	<u>(34,710)</u>	<u>(34,710)</u>		<u>34,710</u>
Total Other Financing Sources (Uses)	<u>(34,710)</u>	<u>(34,710)</u>	-	<u>34,710</u>
Net Change in Fund Balances	(434,934)	(434,574)	110,545	545,119
Fund Balances, Beginning of Year	<u>350,126</u>	<u>350,126</u>	<u>350,126</u>	
Fund Balances, End of Year	<u>\$ (84,808)</u>	<u>\$ (84,448)</u>	<u>\$ 460,671</u>	<u>\$ 545,119</u>

City of Desert Hot Springs
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - County Service Area Special Revenue Fund
Year Ended June 30, 2009

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental	\$ 40,000	\$ 40,000	\$ 22,042	\$ (17,958)
Interest				-
Total Revenues	<u>40,000</u>	<u>40,000</u>	<u>22,042</u>	<u>(17,958)</u>
EXPENDITURES				
Current:				
General Government	<u>40,000</u>	<u>40,000</u>	<u>22,227</u>	<u>17,773</u>
Total Expenditures	<u>40,000</u>	<u>40,000</u>	<u>22,227</u>	<u>17,773</u>
Excess (Deficiency) of Revenues over Expenditures	-	-	(185)	(185)
Fund Balance (Deficit), Beginning of Year	<u>185</u>	<u>185</u>	<u>185</u>	
Fund Balance (Deficit), End of Year	<u>\$ 185</u>	<u>\$ 185</u>	<u>\$ -</u>	<u>\$ (185)</u>

City of Desert Hot Springs
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - Cabot's Museum Special Revenue Fund
Year Ended June 30, 2009

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental	\$	\$ 33,950	\$ 33,950	\$ -
Miscellaneous	64,000	64,000	12,500	(51,500)
Total Revenues	64,000	97,950	46,450	(51,500)
EXPENDITURES				
Current:				
Culture and Leisure	115,965	163,085	76,469	86,616
Capital Outlay	10,000	33,035	34,865	(1,830)
Total Expenditures	125,965	196,120	111,334	84,786
Excess (Deficiency) of Revenues over Expenditures	(61,965)	(98,170)	(64,884)	33,286
OTHER FINANCING SOURCES (USES)				
Transfers In	61,965	100,000	100,000	-
Total Other Financing Sources (Uses)	61,965	100,000	100,000	-
Net Change in Fund Balances	-	1,830	35,116	33,286
Fund Balance (Deficit), Beginning of Year	-	-	-	-
Fund Balance (Deficit), End of Year	\$ -	\$ 1,830	\$ 35,116	\$ 33,286

City of Desert Hot Springs
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - RDA Help Program Special Revenue Fund
Year Ended June 30, 2009

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Interest	\$ 17,385	\$ 11,385	\$ 8,537	\$ (2,848)
Miscellaneous				-
Total Revenues	<u>17,385</u>	<u>11,385</u>	<u>8,537</u>	<u>(2,848)</u>
EXPENDITURES				
Current:				
Economic Development		2,900		2,900
Debt Service:				
Interest & Fiscal Charges	<u>33,000</u>	<u>34,463</u>		<u>34,463</u>
Total Expenditures	<u>33,000</u>	<u>37,363</u>	<u>-</u>	<u>37,363</u>
Excess (Deficiency) of Revenues over Expenditures	(15,615)	(25,978)	8,537	34,515
Fund Balance, Beginning of Year	<u>496,739</u>	<u>496,739</u>	<u>496,739</u>	
Fund Balance, End of Year	<u>\$ 481,124</u>	<u>\$ 470,761</u>	<u>\$ 505,276</u>	<u>\$ 34,515</u>

City of Desert Hot Springs
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - Air Quality Grant Special Revenue Fund
Year Ended June 30, 2009

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental	\$ 100,000	\$ 100,000	\$ 50,000	\$ (50,000)
Total Revenues	100,000	100,000	50,000	(50,000)
EXPENDITURES				
Capital Outlay	100,000	100,000	50,000	50,000
Total Expenditures	100,000	100,000	50,000	50,000
Excess (Deficiency) of Revenues over Expenditures	-	-	-	-
Fund Balance (Deficit), Beginning of Year	-	-	-	-
Fund Balance (Deficit), End of Year	\$ -	\$ -	\$ -	\$ -

City of Desert Hot Springs
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - OTS Sobriety Grant Special Revenue Fund
Year Ended June 30, 2009

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental	\$ 9,486	\$ 9,486	\$ 1,930	\$ (7,556)
Total Revenues	<u>9,486</u>	<u>9,486</u>	<u>1,930</u>	<u>(7,556)</u>
EXPENDITURES				
Current:				
Public Safety	<u>7,710</u>	<u>7,710</u>	<u>1,930</u>	<u>5,780</u>
Total Expenditures	<u>7,710</u>	<u>7,710</u>	<u>1,930</u>	<u>5,780</u>
Excess (Deficiency) of Revenues over Expenditures	1,776	1,776	-	(1,776)
Fund Balance, Beginning of Year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 1,776</u>	<u>\$ 1,776</u>	<u>\$ -</u>	<u>\$ (1,776)</u>

City of Desert Hot Springs
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - Civic and Community Center Grant Special Revenue Fund
Year Ended June 30, 2009

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental	\$ 1,792,870	\$ 1,792,870	\$ 189,885	\$(1,602,985)
Total Revenues	<u>1,792,870</u>	<u>1,792,870</u>	<u>189,885</u>	<u>(1,602,985)</u>
EXPENDITURES				
Current:				
Economic Development	29,780	29,780	23,490	6,290
Capital Outlay	<u>1,763,230</u>	<u>1,763,230</u>	<u>367,670</u>	<u>1,395,560</u>
Total Expenditures	<u>1,793,010</u>	<u>1,793,010</u>	<u>391,160</u>	<u>1,401,850</u>
Excess (Deficiency) of Revenues over Expenditures	(140)	(140)	(201,275)	(201,135)
Fund Balance, Beginning of Year	<u>-</u>	<u>-</u>	<u>-</u>	
Fund Balance, End of Year	<u>\$ (140)</u>	<u>\$ (140)</u>	<u>\$ (201,275)</u>	<u>\$ (201,135)</u>

City of Desert Hot Springs
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - California Office of Traffic Safety Grant Special Revenue Fund
Year Ended June 30, 2009

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental	\$ 48,178	\$ 48,178	\$ 2,536	\$ (45,642)
Total Revenues	<u>48,178</u>	<u>48,178</u>	<u>2,536</u>	<u>(45,642)</u>
EXPENDITURES				
Current:				
Public Safety	<u>48,178</u>	<u>48,178</u>		<u>48,178</u>
Total Expenditures	<u>48,178</u>	<u>48,178</u>	<u>-</u>	<u>48,178</u>
Excess (Deficiency) of Revenues over Expenditures	-	-	2,536	2,536
Fund Balance (Deficit), Beginning of Year	<u>(2,536)</u>	<u>(2,536)</u>	<u>(2,536)</u>	
Fund Balance (Deficit), End of Year	<u><u>\$ (2,536)</u></u>	<u><u>\$ (2,536)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 2,536</u></u>

City of Desert Hot Springs
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - Transportation Improvement Grant Special Revenue Fund
Year Ended June 30, 2009

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental	\$	\$	\$	\$ -
Total Revenues	-	-	-	-
EXPENDITURES				
Capital Outlay			228,911	(228,911)
Total Expenditures	-	-	228,911	(228,911)
Excess (Deficiency) of Revenues over Expenditures	-	-	(228,911)	(228,911)
Fund Balance, Beginning of Year	-	-	-	
Fund Balance, End of Year	\$ -	\$ -	\$ (228,911)	\$ (228,911)

City of Desert Hot Springs
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - Bicycle/Pedestrian Grant Special Revenue Fund
Year Ended June 30, 2009

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental	\$ 217,790	\$ 217,790	\$ 264,135	\$ 46,345
Total Revenues	<u>217,790</u>	<u>217,790</u>	<u>264,135</u>	<u>46,345</u>
EXPENDITURES				
Capital Outlay	217,790	286,930	261,044	25,886
Total Expenditures	<u>217,790</u>	<u>286,930</u>	<u>261,044</u>	<u>25,886</u>
Excess (Deficiency) of Revenues over Expenditures	-	(69,140)	3,091	72,231
Fund Balance, Beginning of Year	-	-	-	
Fund Balance, End of Year	<u>\$ -</u>	<u>\$ (69,140)</u>	<u>\$ 3,091</u>	<u>\$ 72,231</u>

City of Desert Hot Springs
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - Indian Gaming Special District Grant Special Revenue Fund
Year Ended June 30, 2009

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental	\$	\$ 215,900	\$ 38,528	\$ (177,372)
Total Revenues	-	215,900	38,528	(177,372)
EXPENDITURES				
Current:				
Public Safety		168,400		168,400
Capital Outlay		47,500	38,528	8,972
Total Expenditures	-	215,900	38,528	177,372
Excess (Deficiency) of Revenues over Expenditures	-	-	-	-
Fund Balance, Beginning of Year	-	-	-	-
Fund Balance, End of Year	\$	\$	\$	\$
	-	-	-	-

City of Desert Hot Springs
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - Desert Healthcare District Grant Special Revenue Fund
Year Ended June 30, 2009

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental	\$	\$	\$ 8,120	\$ 8,120
Total Revenues	-	-	8,120	8,120
EXPENDITURES				
Current:				
General Government	41,477	41,477	8,120	33,357
Total Expenditures	41,477	41,477	8,120	33,357
Excess (Deficiency) of Revenues over Expenditures	(41,477)	(41,477)	-	41,477
Fund Balance, Beginning of Year	-	-	-	
Fund Balance, End of Year	\$ -	\$ (41,477)	\$ -	\$ 41,477

City of Desert Hot Springs
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - Proposition 1B Special Revenue Fund
Year Ended June 30, 2009

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental	\$ 300,000	\$ 300,000	\$	\$ (300,000)
Total Revenues	<u>300,000</u>	<u>300,000</u>	<u>-</u>	<u>(300,000)</u>
EXPENDITURES				
Current:				
Economic Development	55,900	50,000	5,000	45,000
Capital Outlay	513,240	450,000	447,098	2,902
Total Expenditures	<u>569,140</u>	<u>500,000</u>	<u>452,098</u>	<u>47,902</u>
Excess (Deficiency) of Revenues over Expenditures	(269,140)	(200,000)	(452,098)	(252,098)
Fund Balance, Beginning of Year	<u>400,000</u>	<u>400,000</u>	<u>400,000</u>	
Fund Balance, End of Year	<u>\$ 400,000</u>	<u>\$ 200,000</u>	<u>\$ (52,098)</u>	<u>\$ (252,098)</u>

City of Desert Hot Springs
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - Essential Transportation Special Revenue Fund
Year Ended June 30, 2009

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental	\$ 2,239,000	\$ 2,239,000	\$ -	\$ (2,239,000)
Total Revenues	<u>2,239,000</u>	<u>2,239,000</u>	<u>-</u>	<u>(2,239,000)</u>
EXPENDITURES				
Current:				
Economic Development	246,290	246,290	9,661	236,629
Capital Outlay	<u>1,992,710</u>	<u>1,992,710</u>	<u>-</u>	<u>1,992,710</u>
Total Expenditures	<u>2,239,000</u>	<u>2,239,000</u>	<u>9,661</u>	<u>2,229,339</u>
Excess (Deficiency) of Revenues over Expenditures	-	-	(9,661)	(9,661)
Fund Balance, Beginning of Year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (9,661)</u>	<u>\$ (9,661)</u>

City of Desert Hot Springs
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - JAG CSI Grant Special Revenue Fund
Year Ended June 30, 2009

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental	\$	\$ 993	\$ 2,174	\$ 1,181
Total Revenues	-	993	2,174	1,181
EXPENDITURES				
Current:				
Public Safety		900	900	-
Capital Outlay		93	93	-
Total Expenditures	-	993	993	-
Excess (Deficiency) of Revenues over Expenditures	-	-	1,181	1,181
Fund Balance, Beginning of Year	(1,181)	(1,181)	(1,181)	
Fund Balance, End of Year	\$ (1,181)	\$ (1,181)	\$ -	\$ 1,181

City of Desert Hot Springs
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - Bulletproof Vest Partnership Special Revenue Fund
Year Ended June 30, 2009

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental	\$ 8,200	\$ 8,200	\$ 5,615	\$ (2,585)
Total Revenues	<u>8,200</u>	<u>8,200</u>	<u>5,615</u>	<u>(2,585)</u>
EXPENDITURES				
Current:				
Public Safety	<u>8,200</u>	<u>9,940</u>	<u>5,652</u>	<u>4,288</u>
Total Expenditures	<u>8,200</u>	<u>9,940</u>	<u>5,652</u>	<u>4,288</u>
Excess (Deficiency) of Revenues over Expenditures	-	(1,740)	(37)	1,703
Fund Balance, Beginning of Year	<u>-</u>	<u>-</u>	<u>-</u>	
Fund Balance, End of Year	<u>\$ -</u>	<u>\$ (1,740)</u>	<u>\$ (37)</u>	<u>\$ 1,703</u>

City of Desert Hot Springs
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - Traffic Congestion Relief Special Revenue Fund
Year Ended June 30, 2009

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental	\$ 224,000	\$ 224,000	\$ 221,542	\$ (2,458)
Interest			1,804	1,804
Total Revenues	<u>224,000</u>	<u>224,000</u>	<u>223,346</u>	<u>(654)</u>
EXPENDITURES				
Capital Outlay	<u>224,000</u>	<u>224,000</u>	<u>169,497</u>	<u>54,503</u>
Total Expenditures	<u>224,000</u>	<u>224,000</u>	<u>169,497</u>	<u>54,503</u>
Excess (Deficiency) of Revenues over Expenditures	-	-	53,849	53,849
Fund Balance, Beginning of Year	<u>-</u>	<u>-</u>	<u>-</u>	
Fund Balance, End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 53,849</u>	<u>\$ 53,849</u>

City of Desert Hot Springs
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - City Debt Service Fund
Year Ended June 30, 2009

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 900,000	\$ 900,000	\$ 922,813	\$ 22,813
Investment Earnings			12,110	12,110
Total Revenues	<u>900,000</u>	<u>900,000</u>	<u>934,923</u>	<u>34,923</u>
EXPENDITURES				
Current:				
Economic Development	4,400	4,400	4,000	400
Debt Service:				
Principal	170,000	170,000	135,000	35,000
Interest and Fiscal Charges	614,396	614,396	608,400	5,996
Total Expenditures	<u>788,796</u>	<u>788,796</u>	<u>747,400</u>	<u>41,396</u>
Excess (Deficiency) of Revenues over Expenditures	<u>111,204</u>	<u>111,204</u>	<u>187,523</u>	<u>76,319</u>
OTHER FINANCING SOURCES (USES)				
Transfers Out		(707,814)	(1,007,814)	(300,000)
Total Other Financing Sources (Uses)	<u>-</u>	<u>(707,814)</u>	<u>(1,007,814)</u>	<u>(300,000)</u>
Net Change in Fund Balances	111,204	(596,610)	(820,291)	(223,681)
Fund Balance, Beginning of Year	<u>2,839,901</u>	<u>2,839,901</u>	<u>2,839,901</u>	
Fund Balance, End of Year	<u>\$ 2,951,105</u>	<u>\$ 2,243,291</u>	<u>\$ 2,019,610</u>	<u>\$ (223,681)</u>

City of Desert Hot Springs
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - Developer Infrastructure Street Capital Projects Fund
Year Ended June 30, 2009

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Developer Contributions	\$ 200,000	\$ 200,000	\$ -	\$ (200,000)
Total Revenues	200,000	200,000	-	(200,000)
EXPENDITURES				
Current:				
Capital Outlay	200,000	200,000	-	200,000
Total Expenditures	200,000	200,000	-	200,000
Excess (Deficiency) of Revenues over Expenditures	-	-	-	-
Fund Balance, Beginning of Year	-	-	-	-
Fund Balance, End of Year	\$ -	\$ -	\$ -	\$ -

City of Desert Hot Springs
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - Capital Improvement Program Capital Projects Fund
Year Ended June 30, 2009

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Interest	\$	\$	\$	\$ -
Miscellaneous				-
Total Revenues	-	-	-	-
EXPENDITURES				
Capital Outlay			49,189	(49,189)
Total Expenditures	-	-	49,189	(49,189)
Excess (Deficiency) of Revenues over Expenditures	-	-	(49,189)	(49,189)
OTHER FINANCING SOURCES (USES)				
Transfers In			1,050,000	1,050,000
Transfers Out			(188,278)	(188,278)
Total Other Financing Sources (Uses)	-	-	861,722	861,722
Net Change in Fund Balance	-	-	812,533	812,533
Fund Balance, Beginning of Year	-	-	-	-
Fund Balance, End of Year	\$ -	\$ -	\$ 812,533	\$ 812,533

City of Desert Hot Springs
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - Assessment District 91-1 Capital Project Fund
Year Ended June 30, 2009

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental	\$	\$	\$	\$ -
Interest			1,399	1,399
Miscellaneous		148	148	-
Total Revenues	-	148	1,547	1,399
EXPENDITURES				
Current:				
General Government				-
Total Expenditures	-	-	-	-
Excess (Deficiency) of Revenues over Expenditures	-	148	1,547	1,399
Fund Balance, Beginning of Year	52,060	52,060	52,060	
Fund Balance, End of Year	\$ 52,060	\$ 52,208	\$ 53,607	\$ 1,399

**City of Desert Hot Springs
Internal Service Funds**

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

Equipment Replacement - The Equipment Replacement Fund accounts for capital asset purchases.

City of Desert Hot Springs
Combining Statement of Net Assets
Proprietary Funds
June 30, 2009

	Risk Management	Equipment Replacement	Total
ASSETS			
Current Assets:			
Cash and Investments	\$ 1,357,337	\$ 529,953	\$ 1,887,290
Accounts Receivable		50,000	50,000
Interest Receivable	8,214	1,294	9,508
Deposits	144,467		144,467
Prepaid Insurance	35,759		35,759
Total Current Assets	1,545,777	581,247	2,127,024
Noncurrent Assets:			
Capital Assets:			
Machinery and Equipment		658,853	658,853
Less accumulated depreciation		(49,716)	(49,716)
Total capital assets (net of accumulated depreciation)	-	609,137	609,137
Total Noncurrent Assets	-	609,137	609,137
Total Assets	1,545,777	1,190,384	2,736,161
LIABILITIES			
Accounts Payable		196,424	196,424
Claims Payable	768,783		768,783
Total Liabilities	768,783	196,424	965,207
NET ASSETS			
Unrestricted	776,994	993,960	1,770,954
Total Net Assets	\$ 776,994	\$ 993,960	\$ 1,770,954

City of Desert Hot Springs
Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds
Year Ended June 30, 2009

	<u>Risk Management</u>	<u>Equipment Replacement</u>	<u>Total</u>
OPERATING REVENUES			
Other Income	\$ 84,437	\$ 297,053	\$ 381,490
Total Operating Revenues	<u>84,437</u>	<u>297,053</u>	<u>381,490</u>
OPERATING EXPENSES			
Insurance and Claims Expenses	941,801		941,801
Depreciation		49,716	49,716
Total Operating Expenses	<u>941,801</u>	<u>49,716</u>	<u>991,517</u>
Operating Income (Loss)	<u>(857,364)</u>	<u>247,337</u>	<u>(610,027)</u>
NON-OPERATING REVENUE (EXPENSES)			
Investment Earnings	40,940	1,409	42,349
Gain on Sale of Capital Assets		37,400	37,400
Total Non-operating revenues (expenses)	<u>40,940</u>	<u>38,809</u>	<u>79,749</u>
Income (Loss) before contributions and transfers	(816,424)	286,146	(530,278)
Transfers In	<u>724,750</u>	<u>707,814</u>	<u>1,432,564</u>
Change in Net Assets	(91,674)	993,960	902,286
Total Net Assets, Beginning of Year	<u>868,668</u>	<u>-</u>	<u>868,668</u>
Total Net Assets, End of Year	<u>\$ 776,994</u>	<u>\$ 993,960</u>	<u>\$ 1,770,954</u>

**City of Desert Hot Springs
Combining Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2009**

	<u>Risk Management</u>	<u>Equipment Replacement</u>	<u>Total</u>
Cash Flows from Operating Activities			
Payments to Suppliers for Services	\$ (952,906)	\$	\$ (952,906)
Other Income	84,437	247,053	331,490
	<u>(868,469)</u>	<u>247,053</u>	<u>(621,416)</u>
Net Cash Provided (Used) by Operating Activities			
Cash Flows from Non-Capital Financing Activities			
Transfers from other funds	724,750	707,814	1,432,564
	<u>724,750</u>	<u>707,814</u>	<u>1,432,564</u>
Net Cash Provided (Used) by Non-Capital Financing Activities			
Cash Flows from Capital And Related Financing Activities			
Proceeds from Sales of Capital Assets		37,400	37,400
Purchases of Capital Assets		(462,429)	(462,429)
	<u>-</u>	<u>(425,029)</u>	<u>(425,029)</u>
Net Cash Provided (Used) by Capital and Related Financing Activities			
Cash Flows from Investing Activities			
Interest Received	47,375	115	47,490
	<u>47,375</u>	<u>115</u>	<u>47,490</u>
Net Cash Provided (Used) by Investing Activities			
Net Increase in Cash and Investments	(96,344)	529,953	433,609
Cash and Investments, Beginning of Year	1,453,681	-	1,453,681
Cash and Investments, End of Year	<u>\$ 1,357,337</u>	<u>\$ 529,953</u>	<u>\$ 1,887,290</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities			
Cash Flows from Operating Activities			
Operating income (loss)	\$ (857,364)	\$ 247,337	\$ (610,027)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation Expense		49,716	49,716
(Increase) Decrease in Accounts Receivable		(50,000)	(50,000)
(Increase) Decrease in Deposits	74,123		74,123
(Increase) Decrease in Prepays	(35,759)		(35,759)
Increase (Decrease) in Accounts Payable	(12,341)		(12,341)
Increase (Decrease) in Claims Payable	(37,128)		(37,128)
	<u>(868,469)</u>	<u>247,053</u>	<u>(621,416)</u>
Net Cash Provided By Operating Activities			

City of Desert Hot Springs Agency Funds

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

Assessment District 91-1 - Two Bunch Palms Trail - The Assessment District 91-1 Debt Service Fund accounts for payments of principal and interest for Assessment District 91-1 municipal bonds.

Assessment District 92-1 - The Assessment District 92-1 Debt Service Fund accounts for payments of principal and interest for Assessment District municipal bonds.

Assessment District 93-2 - The Assessment District 93-2 Debt Service Fund accounts for payments of principal and interest for Assessment District municipal bonds.

Community Facilities District 2006-1 - The Community Facilities District 2006-1 Debt Service Fund accounts for payments of principal and interest for Community Facilities District municipal bonds.

T.U.M.F. Fund - The T.U.M.F. (Transportation Uniform Mitigation Fees) Fund accounts for street improvements funded through development impact fees. Funding is received based upon the City's need for street improvements. Expenditures are restricted to those cities in the Coachella Valley with arterial streets.

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City of Desert Hot Springs
Combining Statement of Net Assets
Agency Funds
June 30, 2009

	Community Services	Assessment District 91-1	Assessment District 92-1	Assessment District 93-2	Community Facilities District 2006-1
ASSETS					
Cash and Investments	\$ 69,793	\$ 80,139	\$ 33,714	\$ 74,525	\$ 424,394
Cash with Fiscal Agent		30,873	11,244	76,542	202,340
Accounts Receivable	252	5,147	5,646	37,871	13,550
Interest Receivable					1,206
Loan Receivable			160,465	5,874	
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Assets	<u>\$ 70,045</u>	<u>\$ 116,159</u>	<u>\$ 211,069</u>	<u>\$ 194,812</u>	<u>\$ 641,490</u>
LIABILITIES					
Accounts Payable	\$	\$	\$	\$	\$ 12,000
Accrued Liabilities	4,104				
Deposits Payable	65,941				217,988
Due to Bondholders		116,159	211,069	194,812	411,502
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Liabilities	<u>\$ 70,045</u>	<u>\$ 116,159</u>	<u>\$ 211,069</u>	<u>\$ 194,812</u>	<u>\$ 641,490</u>

<u>T.U.M.F.</u>	<u>Total Agency Funds</u>
\$	\$ 682,565 320,999 62,466 1,206 <u>166,339</u>
<u>\$ -</u>	<u>\$ 1,233,575</u>
\$	\$ 12,000 4,104 283,929 <u>933,542</u>
<u>\$ -</u>	<u>\$ 1,233,575</u>

City of Desert Hot Springs
Combining Statement of Changes in Assets and Liabilities
Agency Funds
Year Ended June 30, 2009

	Balance at Beginning of Year	Additions	Deletions	Balance at End of Year
<u>COMMUNITY SERVICES</u>				
ASSETS				
Cash and Investments	\$ 66,224	\$ 3,569	\$	\$ 69,793
Accounts Receivable	316		64	252
Total Assets	<u>\$ 66,540</u>	<u>\$ 3,569</u>	<u>\$ 64</u>	<u>\$ 70,045</u>
LIABILITIES				
Accounts Payable	\$	\$	\$	\$ -
Accrued Liabilities	4,404		300	4,104
Deposits Payable	62,136	3,805		65,941
Total Liabilities	<u>\$ 66,540</u>	<u>\$ 3,805</u>	<u>\$ 300</u>	<u>\$ 70,045</u>
<u>ASSESSMENT DISTRICT 91-1</u>				
ASSETS				
Cash and Investments	\$ 65,787	\$ 14,352	\$	\$ 80,139
Cash with Fiscal Agent	30,873			30,873
Accounts Receivable	4,200	947		5,147
Total Assets	<u>\$ 100,860</u>	<u>\$ 15,299</u>	<u>\$ -</u>	<u>\$ 116,159</u>
LIABILITIES				
Due to Bondholders	\$ 100,860	\$ 15,299	\$	\$ 116,159
Total Liabilities	<u>\$ 100,860</u>	<u>\$ 15,299</u>	<u>\$ -</u>	<u>\$ 116,159</u>
<u>ASSESSMENT DISTRICT 92-1</u>				
ASSETS				
Cash and Investments	\$ 31,770	\$ 1,944	\$	\$ 33,714
Cash with Fiscal Agent	9,505	1,739		11,244
Accounts Receivable	34,085		28,439	5,646
Loans Receivable	177,965		17,500	160,465
Total Assets	<u>\$ 253,325</u>	<u>\$ 3,683</u>	<u>\$ 45,939</u>	<u>\$ 211,069</u>
LIABILITIES				
Due to Bondholders	\$ 253,325	\$	\$ 42,256	\$ 211,069
Total Liabilities	<u>\$ 253,325</u>	<u>\$ -</u>	<u>\$ 42,256</u>	<u>\$ 211,069</u>

City of Desert Hot Springs
Combining Statement of Changes in Assets and Liabilities - Continued
Agency Funds
Year Ended June 30, 2009

	Balance at Beginning of Year	Additions	Deletions	Balance at End of Year
<u>ASSESSMENT DISTRICT 93-2</u>				
ASSETS				
Cash and Investments	\$ 61,812	\$ 12,713	\$	\$ 74,525
Cash with Fiscal Agent	76,948		406	76,542
Accounts Receivable	18,408	19,463		37,871
Loans Receivable	45,171		39,297	5,874
	<u>\$ 202,339</u>	<u>\$ 32,176</u>	<u>\$ 39,703</u>	<u>\$ 194,812</u>
Total Assets				
LIABILITIES				
Due to Bondholders	\$ 202,339	\$	\$ 7,527	\$ 194,812
	<u>\$ 202,339</u>	<u>\$ -</u>	<u>\$ 7,527</u>	<u>\$ 194,812</u>
Total Liabilities				
<u>COMMUNITY FACILITIES DISTRICT 2006-1</u>				
ASSETS				
Cash and Investments	\$ 211,140	\$ 213,254	\$	\$ 424,394
Cash with Fiscal Agent		202,340		202,340
Accounts Receivable	2,379	11,171		13,550
Interest Receivables		1,206		1,206
	<u>\$ 213,519</u>	<u>\$ 427,971</u>	<u>\$ -</u>	<u>\$ 641,490</u>
Total Assets				
LIABILITIES				
Accounts Payable	\$ 2,000	\$ 10,000	\$	\$ 12,000
Deposits Payable	42,833	175,155		217,988
Due to Bondholders	168,686	242,816		411,502
	<u>\$ 213,519</u>	<u>\$ 427,971</u>	<u>\$ -</u>	<u>\$ 641,490</u>
Total Liabilities				

City of Desert Hot Springs
Combining Statement of Changes in Assets and Liabilities - Continued
Agency Funds
Year Ended June 30, 2009

	Balance at Beginning of Year	Additions	Deletions	Balance at End of Year
<u>T.U.M.F.</u>				
ASSETS				
Cash and Investments	\$ 3,539	\$	\$ 3,539	\$
Total Assets	\$ 3,539	\$ -	\$ 3,539	\$ -
LIABILITIES				
Accounts Payable	\$ 3,539	\$	\$ 3,539	\$
Total Liabilities	\$ 3,539	\$ -	\$ 3,539	\$ -
<u>TOTAL ALL AGENCY FUNDS</u>				
ASSETS				
Cash and Investments	\$ 440,272	\$ 245,832	\$ 3,539	\$ 682,565
Cash with Fiscal Agent	117,326	204,079	406	320,999
Accounts Receivable	59,388	31,581	28,503	62,466
Interest Receivable		1,206		1,206
Loans Receivable	223,136		56,797	166,339
Total Assets	\$ 840,122	\$ 482,698	\$ 89,245	\$ 1,233,575
LIABILITIES				
Accounts Payable	\$ 5,539	\$ 10,000	\$ 3,539	\$ 12,000
Accrued Liabilities	4,404		300	4,104
Deposits Payable	104,969	178,960		283,929
Due to Bondholders	725,210	258,115	49,783	933,542
Total Liabilities	\$ 840,122	\$ 447,075	\$ 53,622	\$ 1,233,575

CITY OF DESERT HOT SPRINGS
Desert Hot Springs, California

SINGLE AUDIT REPORT ON
FEDERAL AWARD PROGRAMS

Year Ended June 30, 2009

CITY OF DESERT HOT SPRINGS
SINGLE AUDIT REPORT ON FEDERAL AWARD PROGRAMS
Year Ended June 30, 2009

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City Council
City of Desert Hot Springs
Desert Hot Springs, California

**Report on Internal Control Over Financial Reporting and on Compliance and
Other Matters Based on an Audit of Financial Statements Performed
in Accordance with *Government Auditing Standards***

We have audited the governmental activities, each major fund, and the aggregate remaining fund information of the City of Desert Hot Springs, as of and for the year ended June 30, 2009, which collectively comprise the City of Desert Hot Springs' financial statements, and have issued our report thereon dated January 12, 2010. 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.

Internal Control Over Financial Reporting

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests

disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to Management of the City of Desert Hot Springs in a separate letter dated January 12, 2010.

This report is intended solely for the information and use of the City Council, management, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Jeeman Ramirez & Smith

January 12, 2010

City Council
City of Desert Hot Springs
Desert Hot Springs, California

**Report on Compliance with Requirements Applicable to Each
Major Program and on Internal Control Over Compliance
in Accordance With OMB Circular A-133**

Compliance

We have audited the compliance of the City of Desert Hot Springs with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2009. The City of Desert Hot Springs's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City of Desert Hot Springs's management. Our responsibility is to express an opinion on the City of Desert Hot Springs's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Desert Hot Springs's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the City of Desert Hot Springs's compliance with those requirements.

In our opinion, the City of Desert Hot Springs complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2009.

Internal Control Over Compliance

The management of the City of Desert Hot Springs is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City of Desert Hot Springs's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Desert Hot Springs's internal control over compliance.

A *control deficiency* in an entity's internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A

significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Desert Hot Springs as of and for the year ended June 30, 2009, and have issued our report thereon dated January 12, 2010. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the City of Desert Hot Springs's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

This report is intended solely for the information and use of the City Council, management, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Seamon Rumrigh & Smith

January 12, 2010

CITY OF DESERT HOT SPRINGS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2009

	Federal Domestic Assistance Number	Grant Identification Number	Program Expenditures
<u>U.S. Department of Transportation</u>			
Passed through the State of California Department of Transportation:			
Highway Planning and Construction Grant	20.205	DEM115L-5384(006)	\$ 228,911
Subtotal			228,911
<u>U.S. Department of Justice</u>			
Direct Assistance:			
JAG CSI Grant	16.580	2006-DJ-BX-1009	993
Bulletproof Vests Partnership Grant	16.607		5,653
Subtotal			6,646
<u>U.S. Department of Housing and Urban Development</u>			
Direct Assistance			
Civic/Community Center Grant	14.251	B-04-SP-CA-0118	30,345
Civic/Community Center Grant	14.251	B-05-SP-CA-0381	248,000
Subtotal			278,345
Passed through the Riverside County Economic Development Agency			
Community Development Block Grant	14.218	5.DHS.05-08	97,441
Community Development Block Grant	14.218	5.DHS.06-08	7,000
Community Development Block Grant	14.218	5.DHS.07-08	12,034
Community Development Block Grant	14.218	5.DHS.02-07	125,801
Community Development Block Grant	14.218	5.DHS.138	138,860
Community Development Block Grant	14.218	5.DHS.128	139,300
Subtotal			520,436*
Subtotal			798,781
Total Federal Financial Assistance			\$ 1,034,338

*Major Program

CITY OF DESERT HOT SPRINGS
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2009

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES APPLICABLE TO THE SCHEDULE OF FEDERAL AWARDS

a) Scope of Presentation

The accompanying schedule presents only the expenditures incurred (and related awards received) by the City of Desert Hot Springs that are reimbursable under programs of federal agencies providing financial assistance. For the purpose of this schedule, financial assistance includes both federal financial assistance received directly from a federal agency, as well as federal funds received indirectly by the City of Desert Hot Springs from a non-federal agency or other organization. Only the portion of program expenditures reimbursable with such federal funds are reported in the accompanying schedule. Program expenditures in excess of the maximum federal reimbursement authorized or the portion of the program expenditures that were funded with state, local or other non-federal funds are excluded from the accompanying schedule.

b) Basis of Accounting

The expenditures included in the accompanying schedule were reported on the modified accrual basis of accounting. Under the modified accrual basis of accounting, expenditures are incurred when the City of Desert Hot Springs becomes obligated for payment as a result of the receipt of the related goods and services. Expenditures reported include any property or equipment acquisitions incurred under the federal program.

c) Major Programs

The City had one major program for the year ended June 30, 2009, consisting of the U.S Department of Housing and Urban Development Community Development Block Grant with total disbursements of \$520,436. This amount calculates to 50.31% of the total disbursements from federal awards.

CITY OF DESERT HOT SPRINGS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2009

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of Auditors' Report Issued:	Unqualified
Internal Control Over Financial Reporting:	
Material Weakness(es) Identified?	No
Significant Deficiencies Identified not Considered to be Material Weaknesses?	No
Noncompliance Material to Financial Statements Noted?	No

Federal Awards

Internal Control Over Major Programs:	
Material Weakness(es) Identified?	No
Significant Deficiencies Identified not Considered to be Material Weaknesses?	None reported
Type of Auditors' Report Issued on Compliance for Major Programs:	Unqualified
Any Audit Findings Disclosed that are Required to be Reported in Accordance With Circular A-133, Section .510(a)?	No

Identification of Major Programs:

CFDA Numbers	Name of Federal Program or Cluster
14.218	Community Development Block Grant (CDBG)

Dollar Threshold used to Distinguish Between Type A And Type B Programs:	\$ 300,000
Auditee Qualified as Low-Risk Auditee?	No

SECTION II – FINANCIAL STATEMENT FINDINGS

There were no auditors' findings required to be reported in accordance with GAS.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

There were no auditors' findings to be reported in accordance with paragraph .510(a) of OMB Circular A-133.

CITY OF DESERT HOT SPRINGS
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended June 30, 2009

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

There were no prior year audit findings.