

**COMPREHENSIVE
ANNUAL FINANCIAL REPORT**

of the

CITY OF INDIAN WELLS, CALIFORNIA

For the

Fiscal Year Ended

June 30, 2007

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November 28, 2007

To Citizens of the City of Indian Wells,
Honorable Mayor and Members of the City Council

It is a pleasure to present you with the City of Indian Wells Comprehensive Annual Financial Report. The City remains in sound financial condition. Positive economic indicators, tourism demand, capital investments back into our own economy, valley growth, and short term interest rates are all indicators of continued strong revenue performance. The City of Indian Wells continues to enjoy the benefits of being one of California's wealthiest and financially well-managed cities.

The City remains in outstanding financial condition with strong revenue growth and prudently managed operational expenditures. A fundamental goal of the City is to continue to efficiently monitor and improve the public services we deliver. The City Council remains focused on using its resources prudently and effectively to improve the already high quality of life that represents Indian Wells. The City's new capital asset enhancement program has dramatically improved the City's infrastructure and community feel. The nearly completed Indian Wells Golf Resort will be the crown jewel of City pride and will represent the quality of life in Indian Wells.

The City of Indian Wells remains truly committed to enhancing the quality of life in Indian Wells. City Officials have established warm and open lines of communication with all residents to meet the changing needs of this most prestigious and remarkable community. Indian Wells is an exceptional city for exceptional people. The quality of City services are continually monitored and reviewed by the City Council. This ensures all City services are meeting the current needs of our residents while maintaining the highest level of fiscal responsibility.

Government Code 26909 (a) requires that the City, as a local agency of the County, contract with a certified public accountant to perform an annual audit of the accounts and records of the City and that the audit conform to generally accepted auditing standards. Further, Government Code 26909(b) states that an audit report shall be filed with the State Controller and with the County Auditor of the County in which the district is located within 12 months of the end of the fiscal year. This report is published to fulfill these requirements for the fiscal year ended June 30, 2007.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that it has established for this purpose. The cost of internal control should not exceed anticipated benefits; the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

Diehl, Evans & Company, LLP Certified Public Accountants have issued an unqualified opinion on the City's financial statements for the year ended June 30, 2007. The independent auditor's report is located at the front of the financial section of this report.

Management's Discussion and Analysis (MD&A) immediately follows the independent auditor's report, page 25 of this report, provides a narrative introduction, overview, and analysis of the basic financial statements. MD&A complement this letter of transmittal and should be read in conjunction with it.

Profile of the Government

The City of Indian Wells is located 124 miles east of Los Angeles in Southern California's foremost desert resort region – the Coachella Valley. The City currently occupies a land area of 15.04 square miles and serves a population of 4,942. World-class golf, abundant sunshine, and beautiful desert scenery abound in Indian Wells. The City is distinguished by its upscale residential country clubs, first-class resorts, and championship golf courses.

The City of Indian Wells has operated under the City Council/City Manager form of Government since 1967. Policy-making and legislative authority are vested in a governing council (Council) consisting of the mayor and four other members, all elected on a non-partisan basis. Council members serve four-year terms and are elected at large.

The City Council appoints the City Manager and City Attorney. The City Manager heads the executive branch of the government, implements policies as directed and established by the City Council, and manages the administrative and operational functions through City staff. The City provides a full range of services, including police and fire protection, construction and maintenance of streets and infrastructure, planning and community development, building and safety, recreational activities, arts and culture, and parks.

Economic Overview and Future Economic Growth

As one of California's few No/Low property tax cities, the City receives very little revenue from property taxes. For clarification purposes, collection of City property taxes should not be confused with the collection of Redevelopment Agency tax increment (a form of property tax). The City's Redevelopment Agency ranks among the top 50 largest Redevelopment Agencies in California collecting more than \$34 million in tax increment annually.

As a No/Low property tax city, Indian Wells collects only 7% of the 1% of property assessed valuation. As a result, the City of Indian Wells has had to rely on revenues generated from tourism to support its public services. It's been said the industry of Indian Wells is world-class luxury tourism. Today, over 50% of the revenues generated in the City's General Fund are tourism based. Vital to the City's tax base are three key economic components: resort hotel properties, restaurants, and golf.

Golf is the primary recreational activity supporting the resort hotel properties and related retail shops in Indian Wells. Featuring spectacular mountain views and a stunning park-like setting, the City-owned Indian Wells Golf Resort is recognized as a world-renowned golf destination. The Golf Resort is designed to augment the existing amenities of the four surrounding luxury resort hotels, as well as maximize the resorts' ability to generate transient occupancy tax revenues for the City.

The City Council has embarked in a total redesign of the Indian Wells Golf Resort. Two brand new golf courses have been built by renowned golf course architects Clive Clark and John Fought. A brand new 53,000 square foot clubhouse is nearly completed and will serve as the crowning achievement in the Golf Resort project. This latest development underscores the city's determination to proceed as planned with an ambitious renovation of the world-famous Golf Resort. The City of Indian Wells has embarked on this enterprising modernization strategy to further ensure the City's economic future which relies heavily on tourism-related revenues, to bring the Golf Resort on par with the surrounding newly designed luxury resorts, and to continue to provide the ultimate golf and resort experience for which Indian Wells has become recognized worldwide.

During the last ten years, the City of Indian Wells has been in a growth phase with net assessed values increasing from \$2.0 billion in fiscal year 1997/98 to \$4.3 billion in fiscal year 2006/07. This major increase in assessed value consists primarily of residential development. During the same period of time the City's net assets have grown from \$87.1 million to \$156.4 million further emphasizing the economic success occurring in Indian Wells.

The City of Indian Wells has transformed itself from a sleepy retirement community to a year-round active lifestyle community. Population has climbed steadily for 3,143 in fiscal year 1997/98 to 4,942 in fiscal year 2006/07. Median home value has climbed from \$372,900 in fiscal year 1997/98 to \$864,350 in fiscal year 2006/07. Major employers include the Hyatt Grand Champions Resort, the Renaissance Esmeralda Resort, Miramonte Resort & Spa, El Dorado Country Club, Indian Wells Country Club, and the Golf Resort at Indian Wells.

Looking forward, analyses indicate the local tourism economy is improving in spite of rising interest rates, higher travel costs, \$80.00 a barrel oil, and \$3.50 per gallon gasoline. The City of Indian Wells tourism industry is inundated with high consumer demand for luxury vacations, exceptional customer service, and world-class accommodations. During fiscal year 2006/07, hotel gross rent collections increased 10% while the average daily room rate increased 9%. The City's transient occupancy tax collections have achieved double digit growth for the third year in a row. Analysis provided by the City's local hotels indicate increased group and leisure bookings throughout the next fiscal year coupled with an increasing average daily room rate.

To improve long-term financial performance, the City is working with two new hotels which have shown tremendous interest in locating in Indian Wells. Preliminary analysis indicates collections of transient occupancy tax could increase as much as 40% as a result of the opening of the proposed hotels. The City is also working with a developer to build a potential lifestyle and entertainment center providing an ultra luxury upscale shopping and restaurant experience. This exceptional lifestyle center would dramatically increase the City's sales tax base. A preliminary sales tax analysis indicates the receipt of sales tax within Indian Wells could virtually double with the completion of the new center. While sales tax revenues would remain less than 10% of General Fund revenues, the real value lies in increased revenue diversity within the City's General Fund.

Recently, the City of Indian Wells secured the event site for the world famous nationally broadcast PGA Skins Game held Thanksgiving weekend. The City signed a three year agreement to host the PGA tournament at the newly remodeled Indian Wells Golf Resort. This nationally known tournament attracts some of the best players on the PGA and LPGA tours from around the world. The tournament will create a far reaching economic benefit and provide national exposure for the City of Indian Wells, supporting Indian Wells in becoming a world-class destination location.

Major Initiatives

Civic Center improvements

Improvements are slated to continue through fiscal year 2008/09. During fiscal year 2006/07, projects included new audio visual equipment located in the Council Chambers, repainting and re-roofing Fire Station, and repainting the City maintenance building. During fiscal year 2007/08, City Hall and the maintenance building will be re-roofed. Civic Center improvements will be completed in fiscal year 2008/09 with the remodeling of the Council Chambers and reception area. Funding for this project will be provided by the Citywide Public Improvement Fund and the City's Capital Fund.

City Monument Signs

The City of Indian Wells Monument Sign project will begin in fiscal year 2007/08. The new monument signs will create a sense of arrival into Indian Wells and continuity with the overall citywide sign plan. The sign project will be incorporated with the current and proposed widening projects. Funding for this project will be provided by the City's Capital Fund.

Highway 111 Sound Walls

The Sound Wall project is scheduled to begin in fiscal year 2010/11 when anticipated reimbursement funding from CVAG becomes available. The Sound Wall project will extend on the north side along Desert Horizons to Cook Street and the south side of Highway 111 along Casa Dorado and Sundance; between Club Drive, Manitou, and Casa Rosada.

Highway 111 Improvement Project

The Highway 111 Improvement Project is the primary undertaking within the Highway 111 Enhancement Program. The Highway 111 Improvement Project involves the major widening and median construction of Highway 111.

Widening and medians fronting the City's Affordable Housing site along the north side will begin in fiscal year 2007/08. Funding for this project will be provided by the Housing Fund. Major improvements fronting the Golf Resort along the north side of Highway 111 will begin in fiscal year 2007/08. These improvements will correspond with capital improvements at the Golf Resort.

Widening and median construction on the north and south sides of Highway 111 between Hospitality Lane and Cook Street is scheduled to begin in fiscal year 2007/08. Widening and medians fronting the north side between the western boundaries of Mountain View Villas to the 17th hole of the East course. Costs of widening and median construction will be shared with the developer of Miles Crossing. Major widening and medians fronting the north side of the Golf Resort to Cook Street is set to begin in fiscal year 2010/11. At the same time, major widening and medians fronting the south side from Cook Street to Mountain Cove is scheduled.

Highway 111 Median Landscaping

Median Landscaping along the frontage of Mountain View Villas is scheduled to be completed in fiscal year 2007/08 to coincide with the completion of Highway 111 Widening and Medians project.

The remaining Median Landscaping project (from Mountain View Villas to Hospitality) is scheduled to be completed in fiscal year 2010/11 to coincide with the major widening and medians fronting the north side of the Golf Resort to Cook Street and along the south side from Cook Street to Mountain Cove.

Issuance of Series 2006A Tax Allocation Bonds

In September 2006, the Redevelopment Agency approved the issuance of Series 2006A Tax Allocation Bonds to refund a portion of the Series 2003A Bonds and to finance the remaining construction costs associated with the Indian Wells Golf Resort. The Series 2006A will refinance \$24.5 million of the existing Series 2003A bonds and provide \$43.2 million in new money.

Long-term financial planning

Each year the City embarks on a strategic planning process which begins in the spring with a discussion of the City Council goals and ends with adoption of the budget in June. The documents that are generated in this strategic planning process include a presentation of the financial achievements for the past fiscal year, a five-year cash flow projection for each City and Redevelopment Agency fund and a financial management report for the coming fiscal year.

During fiscal year 2006/07, the General Fund's excess of revenues over (under) expenditures was \$8.3 million consisting of revenue increases in each category: taxes, license and permit fees, charges for services, and interest earnings. In addition, expenditures were less than budgeted in the police, fire and planning administration divisions.

The General Fund Balances as of June 30, 2007 was \$57.7 million of which \$20.0 million was reserved and \$37.7 million was unreserved with designations. These designations include an emergency reserve. Other designations of the General Fund balances at year end can be found in the Footnotes to the Financial Statements. Additional components of the strategic planning process include the Capital Improvement Program and the Annual Budget. An explanation of each of these documents is provided below.

Capital Improvement Plan

This plan is primarily a planning document that establishes five-year funding priorities for capital improvements. The Capital Improvement Program refers to the on-going program for the development of the City's capital facilities and improvements. A Capital Improvement Program project includes the construction, acquisition, expansion, rehabilitation, or non-routine maintenance work, which costs \$25,000 or more and results in the creation or preservation of a capital asset.

The Capital Improvement Program attempts to identify all capital maintenance, facilities, and improvements needed within the next five years. It may also included major equipment purchases, capital related studies and master plans. The Capital Improvement Program defines the scope of the projects establishes priorities, develops preliminary time schedules, estimates project costs, and determines funding sources.

The Capital Improvement Program establishes cash flow timelines and analysis considering all projects in a fund. The cost of a Capital Improvement Program Project would include those activities that are necessary to facilitate acquisition and implementation. This would include planning and design work, financing, land acquisition, project management, construction, equipment purchase and installation, and any contingency set-aside for a project.

Capital Improvement Program Policies

- The City Manager shall propose to the City Council a five-year Capital Improvement Plan annually.
- Proposed capital improvements should be directed toward the accomplishment of the City Council's goals.
- Capital improvements shall be maintained at the level required to adequately protect the City's capital investment and minimize future replacement costs.

The Capital Improvement Program is organized on a yearly basis. A summary is provided for each year that lists the projects sequentially by functional group, identifies each project by name and shows the department responsible for implementation. In addition, key summary financial information is provided which includes the amount of funding per project, funding source and total appropriations for the year.

A Culture of Exceptional Service

The City staff has embraced the Exceptional Service Program and continues to receive positive recognition from satisfied residents and guests. City employees are proud of their outstanding commitment to customer service. The City's work culture is performance-driven and continues to promote efficiency, teamwork, and creative thinking. The staff is encouraged to submit ideas and to discuss with supervisors ideas to minimize bureaucracy and maximize innovation and efficiency.

Fiscal Integrity

The City will maintain fiscal integrity of its operating, debt service, and capital improvement budgets, which provide services and maintain public facilities, streets, and public safety. The City will maintain a balanced budget over the biennial period of the financial plan. Requirements of the balanced budget include operating revenues which must fully cover operating expenditures, including debt service. This means current operating expenditures will be financed with current revenues. The budget will provide sufficient funding for adequate maintenance and orderly replacement of capital plant and equipment.

The City shall properly budget future maintenance needs which will be fully costed out, and added costs will be recognized and included in future years budget projections. Productivity improvements resulting in cost reductions will remain an important budgetary goal. It is allowable for total expenditures to exceed revenues in a given year; however, in this situation, beginning fund balance can only be used to fund capital improvement plan projects, or other one-time, nonrecurring expenditures.

The City will maintain a budget control system to adhere to the budget. Ongoing operating program costs will not exceed the amount of ongoing revenue to finance those costs. The ongoing revenue source will be identified along with any new program costs. The City does not establish a contingency reserve as part of its budgeting practices; rather, supplemental appropriations are approved as new programs or projects come before the City Council.

Role of the Finance Committee

The Finance Committee's role is to oversee the financial affairs of the City and review and make recommendations to the City Council about the financial affairs and policies of the City. The Finance Committee supports the City Council in the performance of its responsibilities for the protection of the City's financial well-being, and for the adoption of effective and appropriate strategies for fiscal prudence and wealth preservation.

The Finance Committee oversees the development of the City budget and capital improvement plan. The Finance Committee is responsible for reviewing, modifying, and approving draft forms of the City biennial operating budget and capital improvement plan. Once the City budget and capital improvement plan is approved by the Finance Committee, the City budget and capital improvement plan is forwarded to the City Council for final approval and adoption. The Finance Committee reviews the City's long-term cash flows, ensuring continued fiscal prudence while meeting the operational needs and capital goals of the City.

The Finance Committee oversees the City's annual audit. The accounting firm of Diehl, Evans & Company, LLP, was appointed by the City Council and reports directly to the Finance Committee to perform the annual audit. The Committee meets with the City auditors a minimum of two times a year. The first meeting is conducted during the interim audit to discuss additional audit measures, testing, weaknesses, or additional agreed upon procedure reviews. A final or "close out" meeting is conducted with the City's auditors at the conclusion of the annual audit to discuss any findings, adjustments, or improvements which need to be implemented. The Finance Committee annually reports the results of the City's annual audit directly to the City Council.

The Finance Committee is responsible for assisting the City Council in the assessment and enhancement of the effectiveness of internal controls and financial risk management. The Finance Committee provides advice to the City Council on appropriate frameworks for financial risk identification and management. The Finance Committee identifies and recommends measures to improve financial performance and achieve an adequate system of internal controls within the City.

Document Structure

The following governmental agencies that provide services to the citizens of the City of Indian Wells have been excluded from this report because the City does not have financial accountability over these agencies: State of California and its departments, County of Riverside and its departments, Cove Communities Services Commission, Coachella Valley Association of Governments, Riverside County Transportation Commission, Riverside County Waste Management District, Desert Sands Unified School District, County Superintendent of Schools, Coachella Valley Unified School District, Desert Community College District, Mosquito Abatement District, Coachella Valley Water District, SunLine Transit, Palm Springs Desert Resorts Convention and Visitors Authority, and the Desert Regional Resorts Airport Authority.

In addition to the fund-by-fund financial information currently presented in the City's financial statements, the government-wide financial statements are also presented. The government-wide financial statements include a Statement of Net Assets that provides the total net equity of the City including infrastructure and the Statement of Activities that shows the cost of providing government services. These statements have been prepared using the accrual basis of accounting versus the modified accrual method used in the fund financial statements. A reconciliation report is provided as a key to understanding the changes between the two reporting methods. In addition, the financial statements emphasize the City's major funds as shown in the Governmental Fund Statements.

These statements are further analyzed in a narrative section called Management's Discussion and Analysis (MD&A). The MD&A provides "financial highlights" and interprets the financial reports by analyzing trends and by explaining changes, fluctuations and variances in the financial data. In addition, the MD&A is intended to disclose any known significant events or decisions that affect the financial condition of the City.

The Comprehensive Annual Financial Report includes the financial activity for all funds of the City. The City provides a wide range of services including planning, building, public works, engineering, maintenance, and general administrative activities. Contracted services include police and fire protection and landscape maintenance. In addition to the preceding activities, the City is financially accountable for the City of Indian Wells Redevelopment Agency and the Fire Access Maintenance District. These entities are considered component units of the City and their activities have been blended into the reporting entity.

Financial Controls

GASB 34 requires a separate "matter of fact" discussion of the City's financial condition that can be found in the required supplementary information section entitled "Management Discussion and Analysis (MD&A)".

The following paragraphs outline several of the major policies of the City and attempt to supplement, not supplant, the MD&A which can be found later in this report. Management of the City of Indian Wells is responsible for establishing and maintaining a framework of internal controls designed to ensure that assets of the City are protected from loss, theft, or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles.

The framework of internal controls is designed to provide reasonable, but not absolute assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

Independent Audit - An annual independent audit of the City's financial statements was conducted. The accounting firm of Diehl, Evans & Company, LLP, was appointed by the City Council and reports to the Finance Committee to perform the annual audit. The auditors' report on the basic financial statements and combining and individual fund statements and schedules is included in the financial section of this report.

Annual Internal Control Review - As a recipient of State and County financial resources, the City also is responsible for ensuring that an adequate internal control structure is in place to ensure compliance with applicable laws and regulations related to those programs. The internal control structure is subject to periodic evaluation by the management of the City.

As part of the City's annual audit, reviews are made to determine the adequacy of the internal control structure, as well as to determine that the City has complied with applicable laws and regulations. The results of the City's annual audit for the fiscal year ended June 30, 2007 provided no instances of material weaknesses in the internal control structure or significant violations of applicable laws and regulations.

Accounting Controls - The City of Indian Wells accounting system is designed upon the following principles: In the public sector, a city government maintains a variety of "funds" that provide the basis for separately recording the financial data related to a specific activity. A fund is an accounting entity with a complete set of self-balancing accounting records. Each fund has been established because of some restriction on the use of the resources received by that fund. In the private sector, a corporation may have many subsidiaries that make up the parent corporation. Likewise, in the public sector, all of the funds make up the complete financial resources of the City. This report includes the transactions of all entities over which the City Council has authority (as defined by the Governmental Accounting Standards Board).

The City's accounting system operates on a modified accrual basis of accounting for all governmental and agency type funds. Governmental funds include the General, Special Revenue, Debt Service, and Capital Projects Funds. Under the modified accrual basis of accounting, revenues are recorded when received in cash or accrued when they are both measurable and collectible within the accounting period or soon enough after the end of the period to pay liabilities of the period. Expenditures, other than interest or long term debt, are recorded when liabilities are incurred. At year-end, the City has prepared the required entries necessary to report the City financial position and activities on an accrual basis of accounting which recognizes revenues when earned and expenses when incurred.

In addition to maintaining funds to record accounting transactions, internal controls exist within the accounting system to ensure the safety of assets from misappropriation, unauthorized use or disposition, and to maintain the accuracy of financial record keeping. These internal controls must be established consistent with sound management practices based upon the cost/benefit of the controls imposed. The cost of a control should not be excessive to its derived benefit as viewed by City management. The internal controls in existence at the City of Indian Wells are sufficient to ensure, in all material respects, both the safety of the City's assets and the accuracy of the financial record keeping system.

Budgetary Controls - The City Manager submits a preliminary budget to the City Council bi-annually. The City adopted a biennial budget in order to achieve cost and time efficiencies over a traditional one-year budget cycle. A public meeting is then held prior to July 1 to receive public comment. Amendments to the budget or budget transfers between funds require Council approval. Budget transfers within funds require City Manager approval. The City also maintains an encumbrance system. All fiscal year end appropriations and encumbrances lapse at year end unless specifically approved by the Finance Director for inclusion in the following year's appropriations. Department can receive a monthly budget-to-actual expenditure report. In addition, each department can access on-line budgetary data from the financial information system available throughout the City-wide computer network.

Gann Limit - Appropriations Subject to the Limit - In 1979, Proposition 4, the "Gann" initiative, was passed by the voters of California. The purpose of this law was to limit government spending by putting a cap on the total proceeds of taxes that may be appropriated each year. This limit is increased each year through a formula that takes into consideration changes in the Consumer Price Index and state per-capita income. If a city reaches this limit, excess tax revenue must be returned to the State or citizens through a process of refunds, rebates, or other means that may be defined at that time.

Risk Management - The California Joint Powers Insurance Authority (CJPIA) was formed in 1997 under a joint exercise of powers agreement between local governments for the purpose of jointly funding programs of insurance under Section 990 of the California Government Code. The Authority is governed by a Board of Directors, which is composed of one director from each member organization, which maintains membership in the Liability program.

Each year, the self-insured pool undergoes a retrospective deposit computation based on current incurred loss valuations. Appropriate adjustments are then made over a three-year period. The likelihood of the need for excess premiums is remote given the claims history of the cities involved and the length of time necessary to settle large claims. Generally, individual claims in excess of the self-insured amount for workers compensation and general liability fall under the insurance policies purchased by the City. The City joined the Southern California Joint Powers Insurance Authority (the Authority) in November 1987 to provide for the transfer of risk for general liability. The limit of insurance provided on June 30, 2007 was \$50 million, combined single limit occurrence.

The Authority is a pool of cities, which has formed an insurance group. Each member city pays into the pool annual deposits. In addition, various risk control techniques, including annual safety audits and employee accident prevention training, have been implemented to minimize loss. Additionally, the City has all risk property insurance as indicated on a list of scheduled property. The City also has environmental liability insurance and a fidelity blanket bond.

The City enrolled in the Authority's Workers' Compensation Insurance Program in April 1991. The coverage excludes CETA employees and provides statutory benefits for all remaining City employees plus \$10 million employer's liability.

All claims are investigated, valued, reserved, defended and/or settled in accordance with generally accepted insurance industry practices. There are no known existing claims that would exceed the City's applicable coverage.

Cash Management - Cash resources of the individual funds are combined to form a pool of cash and investments. Cash temporarily idle during the year was invested in obligations of the U.S. Government or its agencies, certificates of deposit, passbook savings demand deposits, repurchase agreements and in the Local Agency Investment Fund, consistent with the City's Investment Policy.

The City's investment policy is designed to maximize the productive use of assets entrusted to its care and to invest and manage those funds wisely and prudently. Criteria for selecting investments and the order of priority are: (1) safety, (2) liquidity and (3) yield. The basic premise underlying the City's investment policy is to ensure that money is always available when needed while at the same time reaping the highest and best return. Accordingly, deposits were either insured by Federal depository insurance or collateralized.

Summary of Investment Policy- It is the policy of the City of Indian Wells to invest public funds in a manner which will provide the maximum security of the City's capital while meeting the daily cash flow demands of the City and conforming to all state and local statutes governing the investment of public funds; and beyond that, to maximize return within an acceptable and defined level of risk.

The standard to be used by investment officials shall be that of a "prudent person" and shall be applied in the context of managing all aspects of the overall portfolio. Investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, direction and intelligence exercise in the management their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived.

It is the City's intent, at the time of purchase, to hold all investments until maturity to ensure the return of all invested principal dollars. However, it is realized that market prices of securities will vary depending on economic and interest rate conditions at any point in time. It is further recognized, that in a well diversified investment portfolio, occasional measured losses are inevitable due to economic, bond market or individual security credit analysis. These occasional losses must be considered within the context of the overall investment program objectives and the resultant long term rate of return.

The City Treasurer and other individuals assigned to manage the investment portfolio, acting within the intent and scope of the investment policy and other written procedures and exercising due diligence, shall be relieved of personal responsibility and liability for an individual security's credit risk or market price changes, provided deviations from expectations are reported in a timely manner and appropriate action is taken to control adverse developments. Safety of principal is the foremost objective of the investment program. Investments of the City of Indian Wells shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. To obtain this objective, the City will mitigate credit risk and interest rate risk.

The City of Indian Wells' investment portfolio will remain sufficiently liquid to enable the City to meet all operating requirements which might be reasonably anticipated. This is accomplished by striving to have securities mature at the same time as cash is needed to meet anticipated demands (static liquidity). Additionally, since all possible cash demands cannot be anticipated, the portfolio should consist largely of securities with active secondary or resale markets (dynamic liquidity).

The City of Indian Wells' investment portfolio shall be designed with the objective of attaining a market rate of return throughout budgetary and economic cycles, taking into account the City's investment risk constraints and the cash flow characteristics of the portfolio. Return on investment is of secondary importance compared to the safety and liquidity objectives described above. Investments are limited to relatively low risk securities, as herein defined, in anticipation of earning a fair return relative to the risk being assumed.

Certificate of Award for Outstanding Financial Reporting

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Indian Wells for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2006. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.

In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized Comprehensive Annual Financial Report, whose contents conform to program standards. Such Comprehensive Annual Financial Report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. The City of Indian Wells has received a Certificate of Achievement for the fiscal year ended June 30, 2006. We believe our current report continues to conform to the Certificate of Achievement program requirements, and we are submitting it to GFOA.

The Comprehensive Annual Financial Report of the City of Indian Wells for the fiscal year ended June 30, 2007 is hereby presented. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the City. To the best of our knowledge and belief, the enclosed information is accurate in all material respects and is reported in a manner designed to present fairly the financial position of the City. All disclosures necessary to enable an understanding of the City's financial activities have been included.

Acknowledgments

The preparation of the Comprehensive Annual Financial Report was made possible by the dedicated work of the Finance Department staff. Each member of the staff has my sincere appreciation for their contributions made in the preparation of this report. I appreciate the efforts of the City Council for providing the resources necessary to prepare this report and for their role in preserving the City's framework of internal controls. In addition, I wish to express my appreciation for the efforts of the Diehl, Evans and Company, LLP, CPA's audit team, for their professionalism in conducting the annual audit for the City of Indian Wells.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'Gregory R. Johnson', with a stylized flourish at the end.

Gregory R. Johnson
City Manager

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Indian Wells
California

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2006

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

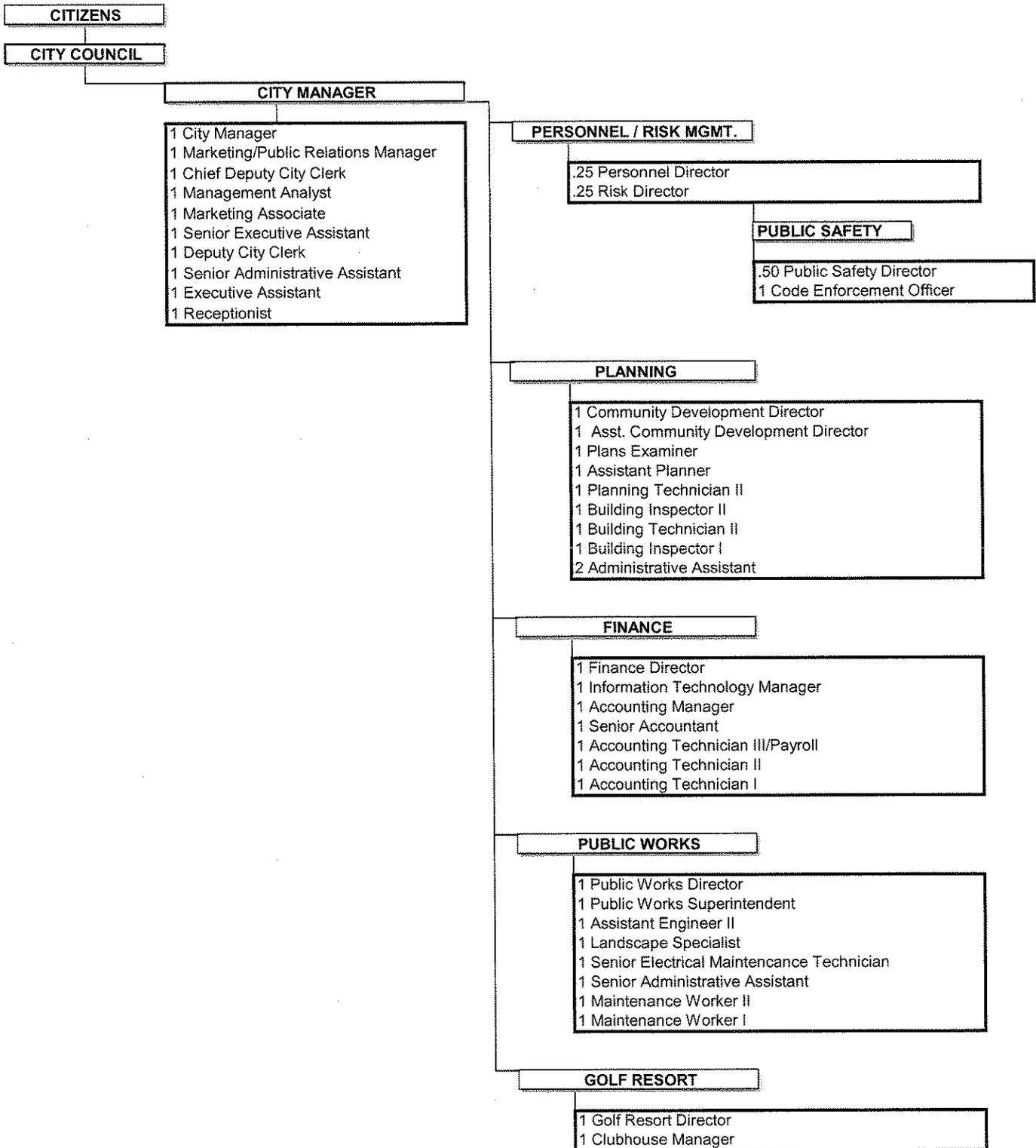


President

Executive Director

**CITY OF INDIAN WELLS
ORGANIZATION CHART**

JUNE 30, 2007



CITY OF INDIAN WELLS
LIST OF PRINCIPAL OFFICIALS

JUNE 30, 2007

Council – Manager Form of Government

CITY COUNCIL

ROBERT BERNHEIMER
Mayor

MARY ROCHE
Mayor Pro Tem

ED MONARCH
Council Member

LARRY SPICER
Council Member

PATRICK MULLANY
Council Member

CITY ADMINISTRATION

GREG JOHNSON
City Manager

Kevin McCarthy, Finance Director
Corrie Kates, Planning Director
Tim Wassil, Public Works Director
Mel Windsor, Personnel/Risk Management Director

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A PARTNERSHIP INCLUDING ACCOUNTANCY CORPORATIONS

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CRAIG W. SPRAKER, CPA
NITIN P. PATEL, CPA
ROBERT J. CALLANAN, CPA
*PHILIP H. HOLTkamp, CPA
*THOMAS M. PERLOWSKI, CPA
*HARVEY J. SCHROEDER, CPA
KENNETH R. AMES, CPA

*A PROFESSIONAL CORPORATION

October 3, 2007

INDEPENDENT AUDITORS' REPORT

Board of Directors
City of Indian Wells
Indian Wells, California

We have audited the accompany financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Indian Wells, as of and for the year ended June 30, 2007, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Indian Wells' management. Our responsibility is to express opinions on these financial statements based on our audit.

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

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

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OTHER OFFICES AT:

2965 ROOSEVELT STREET
CARLSBAD, CALIFORNIA 92008-2389
(760) 729-2343 • FAX (760) 729-2234

613 W. VALLEY PARKWAY, SUITE 330
ESCONDIDO, CALIFORNIA 92025-2598
(760) 741-3141 • FAX (760) 741-9890

In accordance with Government Auditing Standards, we have also issued our report dated October 3, 2007 on our consideration of the City of Indian Wells' internal control over financial reporting and 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 management's discussion and analysis and the other required supplementary information identified in the accompanying table of contents are not a required part of the basic financial statements but are supplementary information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures to the management's discussion and analysis, which consisted principally of inquiries of management regarding the methods of measurement and presentation of this required supplementary information. However, we did not audit the management's discussion and analysis and express no opinion on it. The budgetary comparison schedules and related note have been subjected to the auditing procedures applied in the audit of the basic financial statement and, in our opinion are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Indian Wells' basic financial statements. The introductory section, other supplemental information and statistical section as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The other supplemental 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. The introductory section and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Dietel, Evans and Company, LLP

Management's Discussion and Analysis

The Management Discussion and Analysis (MD&A) is intended to provide the reader of the statements with a concise analysis of the financial results and financial position of the City of Indian Wells. Our discussion and analysis of the financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2007. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages 7-18, and the accompanying basic financial statements, which can be found on pages 43-45 of the report.

Financial Highlights

- The City's net assets reached \$156.6 million during fiscal year 2006/07 increasing \$14.9 million over last year. This increase is derived from the change in net assets as recorded in the Statement of Activities and flows through the Statement of Net Assets.
- Overall government-wide revenues increased 6.6% reaching \$69.1 million for the year. Property taxes climbed 4.2% over the prior fiscal year marking a \$1.5 million increase. Transient occupancy taxes climbed 9.3% over last year with each of the City's four resort hotels recording substantial growth in their markets.
- City expenditures reached \$54.2 million, a 5.7% decrease over the prior year. Community development expenditures decreased \$4.0 million (net) due to a one-time expenditure reflected in the prior fiscal year. Operating expenditures at the City's Golf Resort decreased \$2.1 million compared to the prior year amidst limited operations due to new construction and capital expansion at the facility.
- The City's General Fund generated \$8.3 million excess revenues over expenditures. General Fund taxes increased \$1.0 million due to strong transient occupancy growth and a steady continual climb in property taxes. Investment income increased \$1.7 million due to strategic portfolio management and a rising rate environment.
- In September 2006, the Redevelopment Agency approved the issuance of Series 2006A Tax Allocation Bonds to refund a portion of the Series 2003A Bonds and to finance the remaining construction costs associated with the Indian Wells Golf Resort. The Series 2006A will refinance \$24.5 million of the existing Series 2003A bonds and provide \$43.2 million in new money. The Series 2006A bonds will be issued on parity with the Agency's existing bonds and will maintain 120% debt service coverage from existing tax increment. The debt repayment is solely an obligation of the Agency and not the City and the bonds are insured and Aaa/AAA rated.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

See independent auditors' report.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the City's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include general government, public safety, highways and streets, sanitation, economic development, and culture and recreation.

The government-wide financial statements include not only the City of Indian Wells itself (known as the *primary government*), but also a legally separate redevelopment agency and a legally separate maintenance district for which the City is financially accountable. Financial information for these *component units* is reported separately from the financial information presented for the primary government itself. The Redevelopment Agency of the City Indian Wells and City of Indian Wells Fire Access Maintenance District No. 1, although also legally separate, functions for all practical purposes as a department of the City, and therefore has been included as an integral part of the primary government. The government-wide financial statements can be found in the table of contents under the Financial Section of this report.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Indian Wells, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

See independent auditors' report.

Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the major funds of the government. The City maintains fifty-seven (57) individual governmental funds, which are distinguished between major and non-major funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, three (3) special revenue funds, one (1) debt service fund and one (1) capital project fund. These six (6) funds are considered to be major funds.

Data from the other fifty one (51) governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these other governmental funds is provided in the form of combining statements elsewhere in this report. The City has chosen to report eighteen (18) Landscape and Lighting District funds as the Consolidated LLMD rather than reporting each of the funds separately.

The City adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget. The basic governmental fund financial statements can be found in the table of contents under the heading Basic Financial Statements.

Proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among various functions. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statement because the resources of those funds are *not* available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Government-wide Financial Analysis

Our analysis focuses on the net assets (Table 1) and changes in net assets (Table 2) of the City's governmental activities. The City has chosen to account for its golf course operations in a special revenue fund rather than in an enterprise fund. Therefore, no business type activities are reported in the government-wide statements. As noted earlier, net assets may serve over time as a useful indicator of a government's financial position.

In the case of the City of Indian Wells, assets exceeded liabilities by \$156.6 million at the close of the most recent fiscal year. This marks a \$14.9 million increase in net assets over the previous fiscal year. The City of Indian Wells continues to maintain tremendous cash reserves. Unrestricted cash and investments account for 26% of the City's \$299.6 million in assets. In recent years, however, the City's fastest growing assets are capital assets. Since fiscal year 2002/03, the City has undertaken a massive infrastructure improvement program. Today, much of the original capital program has been completed. It's interesting to note since the capital program began in fiscal year 2002/03, capital assets have increased \$111.9 million. The City's capital assets reached \$167.2 million this year and will continue to climb in the years ahead.

See independent auditors' report.

The following table lists a condensed Statement of Net Assets for the fiscal years ended June 30, 2007 and 2006.

Table 1
Statement of Net Assets
(in Millions)

	Governmental Activities	
	<u>2007</u>	<u>2006</u>
Current and other assets	\$ 132.4	\$ 110.2
Capital assets	<u>167.2</u>	<u>133.5</u>
Total Assets	299.6	243.7
Long-term debt outstanding	130.4	92.0
Other liabilities	<u>12.6</u>	<u>10.0</u>
Total Liabilities	143.0	102.0
Net assets:		
Invested in capital assets, net of debt	69.6	50.8
Restricted	25.9	54.6
Unrestricted	<u>61.1</u>	<u>36.3</u>
Total net Assets	<u>\$ 156.6</u>	<u>\$ 141.7</u>

Employees

The employees of the City of Indian Wells are major assets. While not quantified on the books, the City has 38 authorized full time equivalent positions to provide the services required by the community. City of Indian Wells employees have undergone a true cultural change embracing exceptional customer service and stepping far away from the traditional bureaucracy commonplace in many government agencies. Early on, the City recognized its customers as both internal and external, so the exceptional service training was extended to all Public Officials and City Staff.

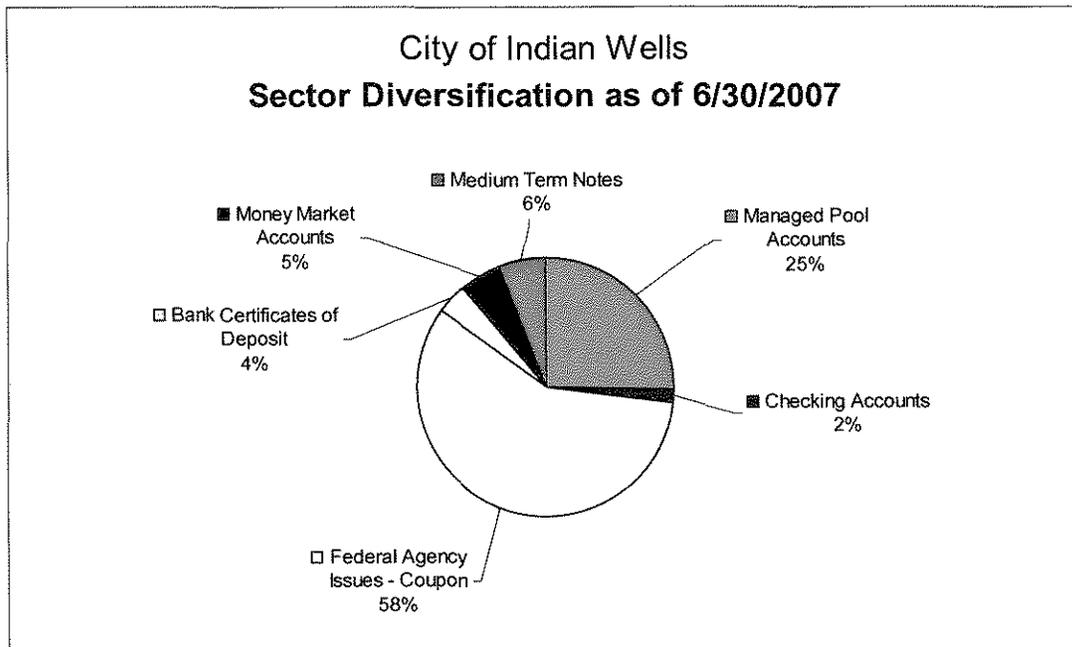
Cash and Investments

The City of Indian Wells has cash and investments on hand to meet both immediate and long-term needs. The City Finance Director serves as the Treasurer and is appointed by the City Manager. The City has a conservative investment policy, which is more restrictive than the policy limitations set forth in 53601 of the Government Code of the State of California.

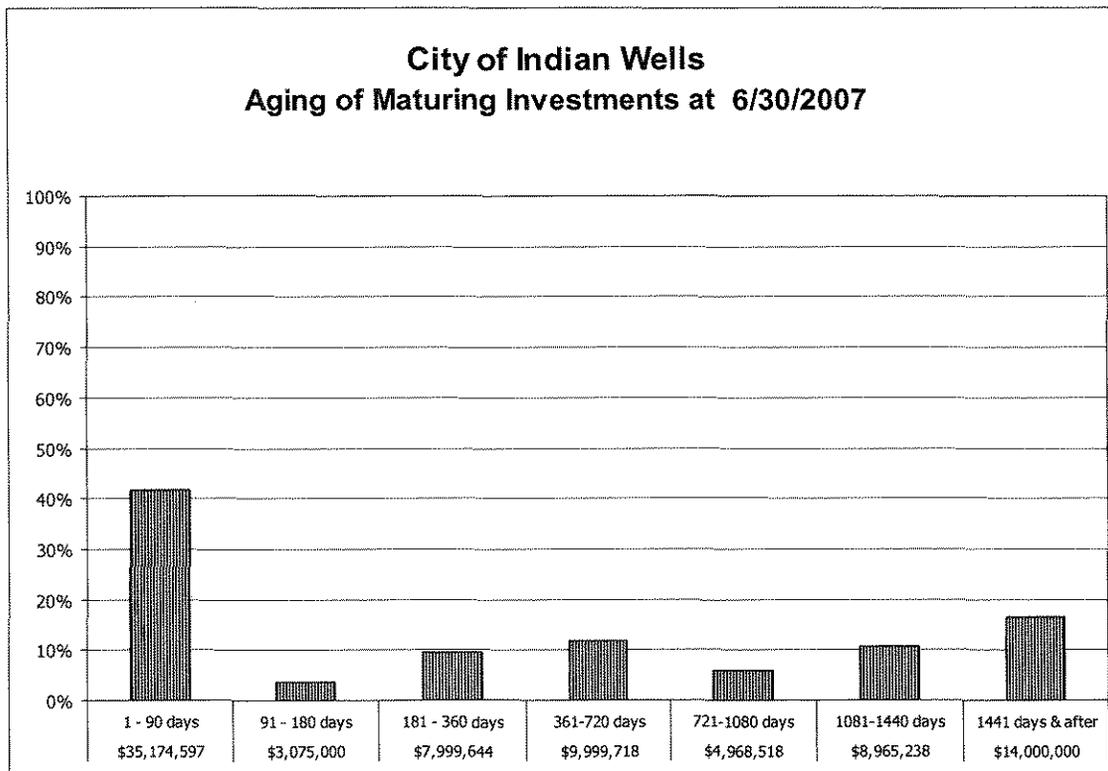
The Treasurer is required to prepare a monthly Treasurer's Report that certifies that the City has, to the best of its ability, the cash to meet its obligations for both immediate and long-term needs. It is the policy of the City of Indian Wells to invest public funds in a manner which will provide the maximum security of the City's capital while meeting the daily cash flow demands of the City, conforming to all state and local statutes governing the investment of public funds, and to maximize return within an acceptable and defined level of risk.

See independent auditors' report.

Below is the City's sector diversification at June 30, 2007. The table below illustrates a wide range of investment vehicles with only 2% of the portfolio sitting un-invested for daily operations. The City incorporates a daily bank reconciliation and cash flow analysis to maximize invested cash.



The Treasurer is required to prepare an aging report of maturing investments, which supplements the monthly Treasurer's Report. The table below depicts the City had \$35.2 million to meet its immediate cash flow needs at June 30, 2007. To maintain immediate cash flow needs, the City typically invests in short-term US Treasuries, Bank Certificates of Deposit, Money Market Accounts, and Local Agency Investment Fund.



See independent auditors' report.

Net Assets

The City's net assets reached \$156.6 million during fiscal year 2006/07 increasing \$14.9 million over last year. This increase is derived from the change in net assets as recorded in the Statement of Activities and flows through the Statement of Net Assets. The City's net assets are broken down into three sections: (a) Invested in capital assets, net of related debt, (b) Restricted assets which are restricted for specific purposes, and (c) Unrestricted assets meaning they may be used for any governmental purpose. Understanding changes between these net asset classes provides readers an enhanced perceptiveness of the City's financial condition.

Invested in capital assets increased \$18.8 million from \$50.8 million to \$69.6 million, reflecting the year's capital acquisitions net of depreciation, less capital related debt, and retirements. The amount invested in capital assets will continue to change as new assets are constructed and unspent bond proceeds are spent down reflecting the costs. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Restricted net assets decreased \$28.7 million from the prior fiscal year reflecting an increase in unspent bond proceeds resulting from the issuance of the Series 2006A Tax Allocation Bonds for capital improvements within the City. Unrestricted net assets grew 68.3% to reach \$61.1 million during fiscal year 2006/07 due to the issuance of the Series 2006A Tax Allocation Bonds. During the previous fiscal year the restricted Debt Service Fund borrowed unrestricted funds from the City's General Fund providing gap funding for ongoing capital projects thus a portion of the City's unrestricted funds became restricted for the purpose of Debt Service. During fiscal year 2006/07 the City issued the Series 2006A Tax Allocation Bonds in the Debt Service Fund creating new money. The resulting bond proceeds eliminated the need for the City's unrestricted funds to remain restricted for Debt Service.

See independent auditors' report.

Governmental Activities

The City's governmental activities increased the net assets by \$14.9 million. The table below lists a condensed Statement of Activities for the fiscal years ended June 30, 2007 and 2006.

Table 2
Statement of Activities
(in Millions)

	Governmental Activities	
	2007	2006
Revenues:		
Program Revenues:		
Charges for services	\$ 10.7	\$ 10.9
Operating contributions and grants	3.6	3.0
Capital contributions and grants	2.0	3.5
General Revenues:		
Taxes:		
Property taxes	37.3	35.8
Transient occupancy taxes	5.9	5.4
Sales taxes	1.2	1.1
Franchise taxes	0.9	0.7
Other taxes	1.1	1.0
Investment income	5.6	3.2
Gain on sale of property	0.4	-
Other	0.4	0.2
Total revenues	<u>69.1</u>	<u>64.8</u>
Expenses:		
General government	7.8	7.0
Community development	25.0	29.0
Public safety	6.1	5.9
Public works	3.9	3.4
Golf resort	5.4	7.5
Interest expense	6.0	4.7
Total expenses	<u>54.2</u>	<u>57.5</u>
Increase in net assets	<u>\$ 14.9</u>	<u>\$ 7.3</u>

Revenues

The City's growth was strong and steady in all revenue sectors. Overall government-wide revenues increased 6.6% reaching \$69.1 million for the year. Continued growth in the community allowed the City to maintain strong program revenues exceeding with the level of services provided. Property taxes climbed 4.2% over the prior fiscal year marking a \$1.5 million increase. Transient occupancy taxes climbed 9.3% over last year with each of the City's four resort hotels recording substantial growth in their markets. The City's investment income increased from \$3.2 million to \$5.6 million. Strategic portfolio management and a rising rate environment are credited for the dramatic increase.

See independent auditors' report.

Expenses

City expenditures reached \$54.2 million, a 5.7% decrease over the prior year. Community development expenditures decreased \$4.0 million (net) due to a one-time expenditure reflected in the prior fiscal year. Operating expenditures at the City's Golf Resort decreased \$2.1 million compared to the prior year amidst limited operations due to new construction and capital expansion at the facility. Interest expense increased \$1.3 million compared to the prior fiscal year due to the issuance of the Series 2006A Tax Allocation Bonds for capital improvements. Interest on existing Tax Allocation Bonds accounts for \$6.0 million of annual expense and is pledged by tax increment.

Financial Analysis of the Government's Funds

As noted earlier, the City of Indian Wells uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the City's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the City's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City of Indian Wells governmental funds reported combined ending fund balances of \$120.6 million, an increase of \$18.6 million in comparison with the prior year. The fund balance of the governmental funds is the combined sum of all net changes in fund balances for all funds of the government.

The overall governmental fund operating gain is primarily due to the net of the issuance of the Series 2006A Tax Allocation Bonds for capital improvements less the expenditures for the capital expenditures themselves. It should be noted however, an operational loss is anticipated in future years as capital construction continues. As the City utilizes available bond proceeds to construct capital projects within the City certain funds such as the Redevelopment Agency Capital Improvement Fund and the Housing Fund are expected to operate at a deficit.

General Fund

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, unreserved, undesignated fund balance of the General Fund was \$0.7 million. As a measure of the General Fund's liquidity, readers should compare both the General Fund and the Emergency Reserve Fund balance to total fund expenditures. The City's Emergency Reserve Fund was developed in case of a severe economic downturn or major catastrophe. The unreserved fund balance in the emergency reserve fund at June 30, 2007 was \$30 million.

The City's General Fund generated \$8.3 million excess revenues over expenditures. General Fund taxes increased \$1.0 million due to strong transient occupancy growth and a steady continual climb in property taxes. Investment income increased \$1.7 million due to strategic portfolio management and a rising rate environment. Intergovernmental revenues increased \$0.6 million due to the receipt of one-time operational revenue from Cal-Trans as part of a relinquishment agreement to take over maintenance of a local highway.

See independent auditors' report.

Actual expenditures were \$1.1 million less than the final budget with all twenty two (22) departments coming in under budget. Actual expenditures compared with last year remained modest with only minor increases. Most notably, public safety costs increased \$0.2 million due to the rising cost of personnel and operational costs. Public works costs increased slightly over last year reflecting the hiring of a new full time landscaping specialist. See Fund Financial Statements tab page 48.

Golf Resort Operations Fund

The Golf Resort is undergoing a three year \$80.0 million renovation project during which only one of the Resort's two golf courses will remain open. The Golf Resort is in its second year of modified operations. The Golf Resort's clubhouse and operations center was torn down and removed during May of 2006. Throughout fiscal year 2006/07, the Golf Resort operated with limited facilities. The Golf Resort lost \$1.2 million as a result of limited operations. To compensate for the limited operations the Golf Resort was provided \$1.9 million in Other Financing Sources, thus after transfers, the Golf Resort increased its fund balance by \$0.7 million. As it is determined to be required, the City's General Fund will transfer operating shortfalls to the Golf Resort until full operations can resume. The Golf Resort is expected to generate excess revenues over expenditures of \$1.0 million to \$1.75 million annually once full operations resume in March 2008.

Low & Moderate Housing Fund

The Housing Fund was created to promote and encourage the retention, rehabilitation, and development of affordable housing units. Affordable housing units are those units occupied by households not exceeding the affordable income limits as established by the Department of Housing and Urban Development (HUD). Income limits are revised on a yearly basis by the United States Department of Housing and Urban Development (HUD).

The City is the owner of three affordable housing projects. The Indian Wells Villas is a 90-unit residential senior affordable housing community. The Mountain View Villas Phase 1 is a 128-unit residential senior affordable housing community. Mountain View Villas Phase 1 project has a full array of amenities and social programs for our senior residents and their guests. The Mountain View Villas Phase 2, now under construction, is a 57-unit residential senior affordable housing community contiguous to Mountain View Villas Phase 1.

The Redevelopment Agency is required to set-aside 20% of its gross tax increment allocated to affordable housing to facilitate the development of housing for persons with low and moderate incomes. This requirement must be paid into the Housing Fund annually unless the agency makes findings that it has met its housing needs.

During fiscal year 2005/06, the City finished construction of the 128 unit Mountain View Villas Phase 1 affordable housing project. Construction of new 57 units Mountain View Villas Phase 2 affordable housing project is now slated for completion in fiscal year 2007/08. As a result of construction delays, bond proceeds were reinvested creating an increase of \$0.2 million in interest earnings over last year. Operating and debt service expenditures increased modestly reflecting the cost of administrative services. Capital expenditures increased \$1.1 million over last year as site work and land preparation neared completion at the Mountain View Villas Phase 2 project. The Low & Moderate Housing Fund transferred \$7.5 million of capital reserves to the Indian Wells Villas Fund (\$1.8 million) and Mountain View Villas Fund (\$5.7 million) ensuring the capital needs of the City's active affordable housing projects will be met in the future.

See independent auditors' report.

Redevelopment Agency Debt Service Fund

The Whitewater Debt Service Fund accounts for the receipt of property tax revenue known as tax increment generated by the Whitewater Project Area of the Redevelopment Agency. Pursuant to California redevelopment law, twenty percent (20%) of tax increment revenue generated in the project area is to be expended for affordable (low & moderate) housing purposes. Approximately fifty-eight percent (58%) will be shared with other taxing agencies pursuant to formal agreements commonly known as “pass-through” agreements. The remaining twenty-two percent (22%) is available for Agency debt service and operating costs such as administration.

During fiscal year 2006/07 the Agency collected \$34.6 million in tax increment, up \$1.1 million over the prior year. Consequently, as a result of the Agency’s tax sharing agreements, pass-throughs to other public agencies topped \$19.9 million.

In September 2006, the Redevelopment Agency approved the issuance of Series 2006A Tax Allocation Bonds to refund a portion of the Series 2003A Bonds and to finance the remaining construction costs associated with the Indian Wells Golf Resort. The debt repayment is solely an obligation of the Agency and not the City and the bonds are insured and Aaa/AAA rated.

The Series 2006A Bonds will refinance \$24.5 million of the existing Series 2003A Bonds and provide \$43.2 million in new money. The Series 2006A Bonds will be issued on parity with the Agency’s existing bonds and will maintain 120% debt service coverage from existing tax increment. This coverage does not require any future growth in tax increment.

Redevelopment Agency Capital Improvement Fund

The purpose of a Redevelopment Agency is to provide economic stimulus within the City’s redevelopment project area. The Whitewater project area comprises approximately 80% of the City’s overall developable area. The Agency’s overall goals are to assist with revitalization of the community through capital improvement and infrastructure projects, economic development, creation of affordable housing, and the elimination of blight.

The cost of administrative expenses and other operational charges closely paralleled growth in demand for services. The Agency continues its plans of capital development within the City of Indian Wells. The Agency spent \$30.3 million on capital projects during fiscal year 2006/07. The Agency’s largest capital project is the Golf Resort Improvement Project and construction has spanned several fiscal years. This \$80 million project due to be completed in March 2008, includes the remodeling of two new golf courses, new practice facilities and construction of a two story 52,000 square foot clubhouse.

See independent auditors’ report.

Government Activities

Table 3 presents the cost of each of the City’s five largest programs - general government, community development public safety, public works and golf resort - as well as each program’s *net* cost (total cost less revenues generated by the activities). The net cost shows the financial burden that was placed on the City’s taxpayers by each of these functions.

Table 3
Net Cost of Governmental Activities
(in Millions)

	Total Cost of Services		Net Cost of Services	
	2007	2006	2007	2006
General government	\$ 7.8	\$ 7.0	\$ (7.7)	\$ (7.0)
Community development	25.0	29.0	(21.3)	(23.9)
Public safety	6.1	5.9	(1.4)	(1.2)
Public works	3.9	3.4	(0.9)	(1.1)
Golf resort	5.4	7.5	(0.6)	(2.3)
Interest expense	6.0	4.7	(6.0)	(4.7)
Totals	<u>\$ 54.2</u>	<u>\$ 57.5</u>	<u>\$ (37.9)</u>	<u>\$ (40.2)</u>

The net cost of services indicates that the overall cost of government is greater than the revenues generated to support it from fees and user charges. This is an indication that the taxes and general revenues charged by the City are necessary to support its operations. To some degree this may seem obvious, but it is important that the reader understand to true operating cost of the government.

Program revenues include capital grants and contributions which may be deceptive to the reader since program expenditures exclude capital acquisitions, which could create a misleading net cost of program services. Such was the case for the City’s Public Works program during fiscal year 2004/05 when the net cost of services was a positive \$9.4 million. This could be interpreted as the Public Works department generated \$9.4 million more than it spent. While Public Works is highly appreciated, one could hardly call it a profit center. Readers need to account for this revenue source when reviewing the City’s financials.

Another issue which can be confusing is understanding the City’s tax sharing agreements with other public agencies. The City shares a portion of tax increment it receives with other public agencies. It should be noted that the City’s tax increment is considered general revenue while the burden it creates through its tax sharing agreements remains a function of the government. In this case, Community Development seems to be a huge burden to the City due to existing tax sharing agreements yet those proportional sharing agreements would not exist without receipt of original tax increment. As such the true burden of the Community Development program is far less than it appears.

The City uses general revenues to offset the net cost of services. The largest areas of support come from property taxes/tax increment \$37.3 million, transient occupancy tax \$5.9 million and investment income \$5.6 million. See the Statement of Activities on page 44 for further detail on program revenues and general revenues.

See independent auditors’ report.

General Fund Budgetary Highlights

The City continues to maintain a net operating surplus in the General Fund. The City monitors revenues and expenditures on a month to month basis. A city-wide mid-year budget analysis is preformed for the Finance Committee to review all City revenues and expenditures. Upon approval by the Finance Committee, the City Council reviews the changes and formally adopts revisions to the budget.

Originally, General Fund revenues were budgeted at \$14.9 million for the fiscal year. At the City's mid-year budget review the City Council formally increased the General Fund's revenue budget to \$17.4 million. Revenue performance continued to be stronger than anticipated. Actual revenue collections in the General Fund were \$17.9 million. This tremendous revenue growth paralleled the growth in the housing market, the local tourism economy, and an increasing interest rate environment. Property taxes, sales taxes, and transient occupancy taxes reached historic levels as the local economy boomed. The City has four hotels which generate transient occupancy taxes. Gross room sales at those hotels reached \$63.8 million increasing 8% over the previous year on higher occupancy rates and room rates. This created a ripple effect generating additional food and beverage sales which in turn created additional sales taxes.

The original General Fund expenditure budget was \$9.6 million. That budget was formally increased to \$10.7 million at the City's mid-year budget review to account for a reduced level of operational spending on a program by program basis. At year-end, the City left much of the revised budget unexpended. Actual General Fund expenditures were \$9.6 million. This year, staff was able to renegotiate several community relations and maintenance contracts at lower rates thus decreasing costs to the General Fund. As a result, the General Fund achieved excess revenues over expenditures of \$8.3 million. See the Budgetary Comparison Schedule on page 95 for further details and budgetary analysis.

Capital Asset and Debt Administration

During fiscal year 2006/07, the City continued tracking additions and deletions of capital assets. These additions and deletions took the form of completed Capital Improvement Projects. The primary purpose of including infrastructure assets in the financial statements is to report the total amount of improvements and the amount that these assets have been depreciated.

Infrastructure assets included in the Statement of Net Assets were City maintained streets, street medians, curb and gutter, traffic signals, sidewalks, bridges, artwork, sound walls, bike paths, storm drains and retention basins. Infrastructure assets, except for land, have been depreciated to reflect a net infrastructure amount. Infrastructure assets not included in the Statement of Net Assets were the construction costs of Highway 111, private streets (generally behind gates), and public water, mountain trails, and sewer, electricity, gas and cable utilities maintained by others.

See independent auditors' report.

The City's investment in capital assets for its governmental activities as of June 30, 2007, amounts to \$167.2 million (net of accumulated depreciation). This investment in capital assets includes land, buildings and system, improvements, machinery and equipment, park facilities, roads, and bridges. Details of the City's capital assets can be found in Note 6 Capital Assets on page 79 of the Notes to Basic Financial Statements.

Table 4
Capital Assets at Year-End
(Net of Depreciation, in Millions)

	Government Activities	
	2007	2006
Land	\$ 31.6	\$ 31.7
Buildings and improvements	80.5	53.6
Equipment	0.6	0.4
Infrastructure	54.5	47.8
Totals	\$ 167.2	\$ 133.5

At year-end, depreciable capital assets were 16% depreciated at year-end compared with 15% in the previous year. The City acquired \$34.0 million in new capital assets during the fiscal year (net of depreciation).

The City's most ambitious project is the \$80 million Indian Wells Golf Resort Improvement Project. Slated for completion in fiscal year 2007/08, the project will entail completely redesigning both of the existing 18 hole golf courses, constructing a new 52,000 square foot clubhouse, redesigning the existing driving range and practice facilities, and remodeling the entrance way from State Highway 111. During fiscal year 2006/07, the City spent \$27.4 million nearly completing of both golf courses and finishing infrastructure site work at the new clubhouse.

The City began initial site work the Mountain View Villas Phase 2 Community Housing project. The project contains 57 units continuous with the Mountain View Villas Phase 1 project. Initial site work costs reached \$1.7 million during fiscal year 2006/07. Site work will continue through January 2008 with major construction scheduled to begin in February 2008. The project is expected to cost \$24.3 million.

The City spent \$6.3 million on street improvements along Highway 111 and Fred Waring Drive. Improvements included widening of Fred Waring Drive, median development and landscaping, additional landscaping along Highway 111 and the development of a sound wall along the north side of Highway 111 abutting the Indian Wells Golf Resort.

The City completed a number of smaller improvements surrounding City Hall. Roofing at City Hall and the Fire Station was replaced at a cost of \$0.2 million. A new Council Chambers audio system was added to improve audio visual services provided at public meetings at a cost of \$0.2 million. The Fire Station received a fresh coat of paint and new doors at a cost of \$0.05 million.

See independent auditors' report.

Long-term Debt

At year-end, the City had \$134.5 million in tax allocation bonds and compensated absences outstanding, as shown in Table 5 below.

Table 5
Outstanding Debt, at Year-end
(in Millions)

	<u>Government Activities</u>	
	<u>2007</u>	<u>2006</u>
Refunding tax allocation bonds (backed by the Redevelopment Agency)	\$ 134.1	\$ 95.0
Compensated absences (backed by the City)	<u>0.4</u>	<u>0.4</u>
Totals	<u>\$ 134.5</u>	<u>\$ 95.4</u>

The City of Indian Wells Redevelopment Agency maintains four series of outstanding tax allocation bonds. During fiscal year 2002/03 the Agency issued \$43.6 million in Series 2003A tax allocation bonds to refund the outstanding Series 1992 bonds, \$12.5 million, at a lower rate of interest and to fund capital projects benefiting the Agency. The Agency also issued \$46.1 million in Series 2003AT tax allocation bonds to construct affordable housing within the City. During fiscal year 2005/06, the Agency refinanced the remaining \$14.1 million of Series 1996 Tax Allocation Bonds at a lower interest rate. The outstanding debt was refinanced with Series 2005A Tax Allocation Bonds.

In September 2006, the Redevelopment Agency approved the issuance of Series 2006A Tax Allocation Bonds to refund a portion of the Series 2003A Bonds and to finance the remaining construction costs associated with the Indian Wells Golf Resort. The Series 2006A refinanced \$24.5 million of the existing Series 2003A bonds and provided \$43.2 million in new money. The Series 2006A bonds are issued on parity with the Agency's existing bonds and will maintain 120% debt service coverage from existing tax increment. This coverage does not require any future growth in tax increment. The City of Indian Wells Redevelopment Agency maintains an insured "AAA" bond rating from Standard & Poor's Corporation and "Aaa" bond rating from Moody's Investors Service. Details of the Agency's outstanding debt can be found in Note 8 Long-Term Liabilities on page 81 of the Notes to Basic Financial Statements.

Economic Factors and Next Year's Budgets and Rates

The City remains passionately focused on tourism resulting from the golf and hospitality industry. Over 55% of the City's General Fund revenues come from tourism related to these industries. The City maintains an aggressive marketing plan depicting the City of Indian Wells as a world-class golf destination. Long-term economic factors continue to be strong. As the City moves into the future, City officials are working with various developers to construct two new hotels within the City. This long-term growth includes a themed "restaurant row" project along State Highway 111 and the development of an ultra exclusive "town center" shopping experience adjacent to the Indian Wells Tennis Gardens. Currently, the City of Indian Wells receives very little sales tax. The development of these projects is vital to the diversification of revenue streams collected by the City.

See independent auditors' report.

Recently, the City of Indian Wells secured the event site for the world famous nationally broadcast PGA Skins Game held Thanksgiving weekend. The City signed a three year agreement to host the PGA tournament at the newly remodeled Indian Wells Golf Resort. This nationally known tournament attracts some of the best players on the PGA and LPGA tours from around the world. The tournament will create a far reaching economic benefit and provide national exposure for the City of Indian Wells, supporting Indian Wells in becoming a world-class destination location.

The City's formally adopted 2007/08 budget considers all anticipated revenues and expenditures based upon the following: historical factors, current economic conditions, property values, local tourism, current salaried administration costs, contract agreements for professional services, and County resources.

Contacting the City's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Kevin McCarthy, Finance Director, at the City of Indian Wells, 44-950 Eldorado Drive, Indian Wells, California 92210-7497. E-mail address: kmccarthy@indianwells.com

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THE STATEMENT OF NET ASSETS AND THE STATEMENT OF ACTIVITIES

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

These two statements report the City's net assets and changes in them. You can think of the City's net assets - the difference between assets and liabilities - as one way to measure the City's financial health, or financial position. Over time, increases or decreases in the City's net assets are one indicator of whether its financial health is improving or deteriorating. You will need to consider other non-financial factors, however, such as changes in the City's property tax base and the condition of the City's roads, to assess the overall health of the City.

The Statement of Net Assets and the Statement of Activities, present information about the following:

Governmental Activities - All of the City's basic services are considered to be governmental activities, including general government, community development, public safety, public works, and golf resort. Property taxes, transient occupancy taxes, sales taxes, and franchise fees finance most of these activities.

Component Units - The City's governmental activities include the blending of two separate legal entities - the Redevelopment Agency of the City of Indian Wells and the City of Indian Wells Fire Access Maintenance District No. 1. Although legally separate, these "component units" are important because the City is financially accountable for them.

See independent auditors' report and notes to basic financial statements.

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CITY OF INDIAN WELLS

STATEMENT OF NET ASSETS

June 30, 2007

	Governmental Activities
ASSETS:	
Cash and investments (Note 2)	\$ 77,033,079
Receivables:	
Accounts (Note 3)	2,415,011
Interest	1,159,653
Prepaid items	76,516
Inventory	97,252
Deferred bond issue costs	2,893,349
Restricted assets:	
Cash and investments (Note 2)	33,536,546
Cash and investments with fiscal agents (Note 2)	35,275
Land held for resale (Note 7)	15,074,119
Capital assets, not depreciated (Note 6)	31,648,246
Capital assets, depreciated, net of accumulated depreciation (Note 6)	<u>135,600,433</u>
 TOTAL ASSETS	 <u>299,569,479</u>
LIABILITIES:	
Accounts payable	6,157,710
Accrued liabilities (Note 3)	2,110,817
Due to other governments	37,500
Deposits payable	74,109
Unearned revenue	65,092
Noncurrent liabilities:	
Due within one year (Note 8)	4,085,547
Due in more than one year (Note 8)	<u>130,434,715</u>
 TOTAL LIABILITIES	 <u>142,965,490</u>
NET ASSETS:	
Invested in capital assets, net of related debt	69,590,685
Restricted for:	
Community development	21,060,513
Public safety	2,993,323
Public works	1,877,244
Unrestricted	<u>61,082,224</u>
 TOTAL NET ASSETS	 <u>\$ 156,603,989</u>

See independent auditors' report and notes to basic financial statements.

CITY OF INDIAN WELLS

STATEMENT OF ACTIVITIES

For the year ended June 30, 2007

Functions/programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
General government	\$ 7,763,532	\$ 2,235	\$ 77,946	\$ -
Community development	24,966,021	1,934,844	314,980	1,434,242
Public safety	6,146,364	2,470,623	2,259,723	-
Public works	3,862,991	1,463,364	926,673	582,880
Golf resort	5,406,302	4,817,513	-	-
Interest on long-term debt	6,009,532	-	-	-
Total governmental activities	\$ 54,154,742	\$ 10,688,579	\$ 3,579,322	\$ 2,017,122

General revenues:

Taxes:

Property taxes, levied for general purposes

Transient occupancy taxes

Sales taxes

Franchise taxes

Other taxes

Investment income

Gain on sale of property

Miscellaneous

Total general revenues

Change in net assets

Net assets at beginning of year

Net assets at end of year

See independent auditors' report and notes to basic financial statements.

Net
Governmental
Activities

\$ (7,683,351)
(21,281,955)
(1,416,018)
(890,074)
(588,789)

(6,009,532)

(37,869,719)

37,333,702
5,940,739
1,202,051
894,378
1,112,636
5,554,158
350,454

438,121

52,826,239

14,956,520

141,647,469

\$ 156,603,989

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GOVERNMENTAL FUNDS

GENERAL FUND

The General Fund has been classified as a major fund and is used to account for resources traditionally associated with government which are not required legally or by sound financial management to be accounted for in another fund.

SPECIAL REVENUE FUNDS

The Special Revenue Funds are used to account for specific revenues that are legally restricted to expenditure for a particular purpose. The following funds have been classified as major funds:

Emergency Reserve - This fund is used to account for reserving General Fund operating expenses in case of emergencies or catastrophic losses.

Golf Resort Operations - This fund is used to account for the operations of the Golf Resort at Indian Wells and provide monies to the General Fund.

Low/Moderate Housing - This fund is used to account for the redevelopment requirement to set aside 20% of available tax increment, and to use those funds only for the benefit of providing low and moderate income housing to residents of Indian Wells,

DEBT SERVICE FUNDS

Debt Service Funds are used to account for the accumulation of resources for, and the payment of, principal and interest on specific long-term obligations of the City and the Redevelopment Agency. The following has been classified as a major fund in the accompanying financial statements.

RDA Whitewater Debt Service - The RDA Whitewater Debt Service Fund accounts for the receipt of the tax increment collected from the Riverside County Tax Roll generated by the Whitewater Project to ensure payments for principal and interest on the Redevelopment Agency Tax Allocation Bonds. In addition, the RDA Whitewater Debt Service Fund pays the pass-through expenditures. Any remaining increment is then transferred to the RDA Whitewater Capital Improvement Fund for projects within the redevelopment area.

CAPITAL PROJECTS FUNDS

Capital Projects Funds are used to account for the acquisition and construction of major capital facilities. The following Capital Projects Fund has been classified as a major fund in the accompanying financial statements:

RDA Whitewater Capital Improvement - This fund was established to account for the construction of certain capital projects necessary to implement the goals and policies of the Redevelopment Plan for the project areas. These projects are being financed on a pay-as-you-go basis through tax increment allocated to the Redevelopment Agency.

See independent auditors' report.

CITY OF INDIAN WELLS

BALANCE SHEET
GOVERNMENTAL FUNDS

June 30, 2007

	Special Revenue Funds			
	General	Emergency Reserve	Golf Resort Operations	Low/Moderate Housing
ASSETS				
Cash and investments (Note 2)	\$ 6,811,303	\$ 30,000,000	\$ 1,019,580	\$ 26,918,748
Cash and investments with fiscal agents (Note 2)	-	-	-	1,066
Receivables:				
Accounts (Note 3)	1,231,344	-	250,433	96,241
Interest	608,599	-	-	32,000
Prepaid items	-	-	72,980	-
Inventory	-	-	97,252	-
Due from other funds (Note 4)	104,701	-	90,991	-
Advances to other funds (Note 4)	20,000,000	-	-	-
Land held for resale (Note 7)	-	-	-	-
TOTAL ASSETS	\$ 28,755,947	\$ 30,000,000	\$ 1,531,236	\$ 27,048,055
LIABILITIES AND FUND BALANCES				
LIABILITIES:				
Accounts payable	\$ 604,587	\$ -	\$ 519,700	\$ 197,885
Accrued liabilities (Note 3)	101,818	-	3,166	-
Deposits payable	-	-	-	-
Deferred revenue	242,992	-	-	-
Due to other governments	-	-	-	-
Due to other funds (Note 4)	90,991	-	-	-
Advances from other funds (Note 4)	-	-	-	-
TOTAL LIABILITIES	1,040,388	-	522,866	197,885
FUND BALANCES:				
Reserved:				
Inventory	-	-	97,252	-
Prepaid items	-	-	72,980	-
Golf resort operations	-	-	838,138	-
Low/moderate housing	-	-	-	26,850,170
Advances to other funds	20,000,000	-	-	-
Land held for resale	-	-	-	-
Unreserved, reported in:				
General fund	7,715,559	-	-	-
Special revenue funds	-	30,000,000	-	-
Debt service	-	-	-	-
Capital projects funds	-	-	-	-
TOTAL FUND BALANCES	27,715,559	30,000,000	1,008,370	26,850,170
TOTAL LIABILITIES AND FUND BALANCES	\$ 28,755,947	\$ 30,000,000	\$ 1,531,236	\$ 27,048,055

See independent auditors' report and notes to basic financial statements.

Debt Service Fund	Capital Projects Fund		
RDA Whitewater Debt Service	RDA Whitewater Capital Improvement	Other Governmental Funds	Total Governmental Funds
\$ 20,310,697	\$ 7,870,575	\$ 16,038,404	\$ 108,969,307
33,773	436	-	35,275
481,207	-	355,786	2,415,011
111,031	-	-	751,630
-	-	3,536	76,516
-	-	-	97,252
-	-	19,290	214,982
-	-	-	20,000,000
-	15,074,119	-	15,074,119
<u>\$ 20,936,708</u>	<u>\$ 22,945,130</u>	<u>\$ 16,417,016</u>	<u>\$ 147,634,092</u>
\$ 378,332	\$ 3,885,500	\$ 571,706	\$ 6,157,710
-	285	-	105,269
-	-	74,109	74,109
-	57,500	142,544	443,036
-	37,500	-	37,500
-	-	123,991	214,982
20,000,000	-	-	20,000,000
<u>20,378,332</u>	<u>3,980,785</u>	<u>912,350</u>	<u>27,032,606</u>
-	-	-	97,252
-	-	3,536	76,516
-	-	-	838,138
-	-	-	26,850,170
-	-	-	20,000,000
-	15,074,119	-	15,074,119
-	-	-	7,715,559
-	-	13,620,019	43,620,019
558,376	-	-	558,376
-	3,890,226	1,881,111	5,771,337
<u>558,376</u>	<u>18,964,345</u>	<u>15,504,666</u>	<u>120,601,486</u>
<u>\$ 20,936,708</u>	<u>\$ 22,945,130</u>	<u>\$ 16,417,016</u>	<u>\$ 147,634,092</u>

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CITY OF INDIAN WELLS

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS

June 30, 2007

Fund balances - total governmental funds		\$ 120,601,486
Amounts reported for governmental activities in the Statement of Net Assets are different because:		
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the governmental funds balance sheet		167,248,679
Interest receivable which is not considered to be available to finance current expenditures is not reported in the governmental funds. For the Statement of Net Assets, this amount is accrued as it pertains to the current fiscal year		408,023
Long-term liabilities are not due and payable in the current period and, accordingly, are not reported as fund liabilities. All liabilities, both current and long-term are reported in the Statement of Net Assets:		
Tax allocations bonds payable	\$ (133,580,000)	
Bond premium	(656,007)	
Deferred charge on refunding of bonds	(84,124)	
Bond discount	232,242	
Deferred charges for issuance costs	2,893,349	
Compensated absences	<u>(432,373)</u>	
		(131,626,913)
Accrued liabilities in the statement of net assets differ from the amounts reported in governmental funds due to accrued interest on the tax allocation bonds payable		(2,005,548)
The annual business license revenue collected in December pertains to a calendar year license period. Therefore, six months of revenue is recorded as unearned revenue.		(7,592)
Long-term assets that are not available for current use. Amounts are recorded as deferred revenue under the modified accrual basis of accounting.		385,536
Internal service funds are used by management to charge the costs of certain activities, such as employee benefit expense, to individual funds. The assets and liabilities of the internal service funds must be added to the Statement of Net Assets.		<u>1,600,318</u>
Net assets of governmental activities		<u><u>\$ 156,603,989</u></u>

See independent auditors' report and notes to basic financial statements.

CITY OF INDIAN WELLS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS

For the year ended June 30, 2007

	Special Revenue Funds			
	General	Emergency Reserve	Golf Resort Operations	Low/Moderate Housing
REVENUES:				
Taxes	\$ 11,087,386	\$ -	\$ -	\$ -
Assessments	-	-	-	-
Licenses and permits	660,576	-	68,185	-
Intergovernmental	1,027,192	-	-	-
Fines and forfeitures	36,272	-	-	-
Charges for services	811,565	-	4,706,701	-
Investment income	3,758,188	-	14,393	1,224,843
Development fees	-	-	-	-
Other revenue	513,584	-	21,139	-
TOTAL REVENUES	<u>17,894,763</u>	<u>-</u>	<u>4,810,418</u>	<u>1,224,843</u>
EXPENDITURES:				
Current:				
General government	4,914,676	-	-	1,149,731
Community development	941,581	-	-	141,700
Public safety	2,418,807	-	-	-
Public works	1,331,293	-	-	-
Golf resort	-	-	6,042,600	-
Pass-throughs	-	-	-	-
Capital outlay	-	-	-	2,422,029
Debt service:				
Principal retirement	-	-	-	1,735,000
Interest and fiscal charges	-	-	-	2,056,121
Bond issuance costs	-	-	-	-
TOTAL EXPENDITURES	<u>9,606,357</u>	<u>-</u>	<u>6,042,600</u>	<u>7,504,581</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>8,288,406</u>	<u>-</u>	<u>(1,232,182)</u>	<u>(6,279,738)</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	500,000	10,000,000	1,901,341	6,926,823
Transfers out	(11,800,011)	-	-	(7,531,250)
Sale of property	-	-	-	-
Refunding bonds issued	-	-	-	-
Bond premium	-	-	-	-
Payment to refunded bond escrow agent	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>(11,300,011)</u>	<u>10,000,000</u>	<u>1,901,341</u>	<u>(604,427)</u>
NET CHANGE IN FUND BALANCES	<u>(3,011,605)</u>	<u>10,000,000</u>	<u>669,159</u>	<u>(6,884,165)</u>
FUND BALANCES (DEFICIT) AT BEGINNING OF YEAR	<u>30,727,164</u>	<u>20,000,000</u>	<u>339,211</u>	<u>33,734,335</u>
FUND BALANCES AT END OF YEAR	<u>\$ 27,715,559</u>	<u>\$ 30,000,000</u>	<u>\$ 1,008,370</u>	<u>\$ 26,850,170</u>

See independent auditors' report and notes to basic financial statements.

Debt Service Fund	Capital Projects Fund		
RDA Whitewater Debt Service	RDA Whitewater Capital Improvement	Other Governmental Funds	Total Governmental Funds
\$ 34,634,117	\$ -	\$ 2,593,034	\$ 48,314,537
-	-	3,036,321	3,036,321
-	-	-	728,761
-	1,434,242	221,031	2,682,465
-	-	73,399	109,671
-	-	-	5,518,266
1,166,441	362,806	2,169,442	8,696,113
-	-	582,880	582,880
108,876	10,419	559,890	1,213,908
<u>35,909,434</u>	<u>1,807,467</u>	<u>9,235,997</u>	<u>70,882,922</u>
-	1,954,557	57,410	8,076,374
-	231,423	2,730,451	4,045,155
-	-	3,737,296	6,156,103
-	-	1,512,107	2,843,400
-	-	-	6,042,600
19,874,202	-	-	19,874,202
-	30,297,624	2,917,632	35,637,285
1,595,000	-	-	3,330,000
5,148,263	9,413	-	7,213,797
1,540,154	-	-	1,540,154
<u>28,157,619</u>	<u>32,493,017</u>	<u>10,954,896</u>	<u>94,759,070</u>
<u>7,751,815</u>	<u>(30,685,550)</u>	<u>(1,718,899)</u>	<u>(23,876,148)</u>
-	25,654,183	7,641,903	52,624,250
(32,265,376)	(961,983)	(815,630)	(53,374,250)
-	362,848	13,000	375,848
67,805,000	-	-	67,805,000
57,498	-	-	57,498
<u>(25,054,069)</u>	<u>-</u>	<u>-</u>	<u>(25,054,069)</u>
<u>10,543,053</u>	<u>25,055,048</u>	<u>6,839,273</u>	<u>42,434,277</u>
18,294,868	(5,630,502)	5,120,374	18,558,129
<u>(17,736,492)</u>	<u>24,594,847</u>	<u>10,384,292</u>	<u>102,043,357</u>
<u>\$ 558,376</u>	<u>\$ 18,964,345</u>	<u>\$ 15,504,666</u>	<u>\$ 120,601,486</u>

CITY OF INDIAN WELLS

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES

For the year ended June 30, 2007

Net change in fund balances - total governmental funds \$ 18,558,129

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

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over the estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital expense in the current period:

Capital expenditures	\$ 36,538,626	
Disposition of capital assets	(276,294)	
Depreciation expense	<u>(2,527,931)</u>	33,734,401

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, and similar items when the debt is first issued, whereas these amounts are deferred and amortized in the Statement of Net Activities. These amounts are the net effect of these differences in the treatment of long-term debt and related items:

Issuance of tax allocation bonds	(67,805,000)	
Premium received on issuance of tax allocation of bonds	(57,498)	
Bond issuance costs	1,540,154	
Principal payments	3,330,000	
Payment to escrow agent for refunding	25,054,069	
Accrued interest included in escrow payments	<u>(139,036)</u>	(38,077,311)

Some expenses reported in the Statement of Activities do not require the use of current current financial resources and therefore are not reported as expenditures in the governmental funds:

Interest expense	(768,665)	
Amortization of bond premium	64,107	
Amortization of deferred charge on refunding	(3,493)	
Amortization of issuance costs	(135,815)	
Amortization of bond discount	(14,373)	
Compensated absences	<u>(9,119)</u>	(867,358)

Some revenues reported in the statement of activities are not considered to be available to finance current expenditures and therefore are not reported as revenues in the governmental funds:

Investment income	264,095	
Property taxes	<u>385,536</u>	649,631

Since the amount of business license revenue collected in December of each fiscal year pertains to a license period extending six months into the following fiscal year, it is recorded as unearned revenue on the Statement of Net Assets (930)

Internal service funds are used by management to charge the costs of certain activities, such as employee benefit expense, to individual funds. The net revenues (expenses) of the internal service funds is reported with governmental activities. 959,958

Change in net assets of governmental activities \$ 14,956,520

See independent auditors' report and notes to basic financial statements.

CITY OF INDIAN WELLS
STATEMENT OF NET ASSETS
PROPRIETARY FUND

June 30, 2007

	<u>Government Activities - Internal Service Fund</u>
ASSETS	
CURRENT ASSETS:	
Cash and investments	<u>\$ 1,600,318</u>
TOTAL ASSETS	<u>1,600,318</u>
NET ASSETS:	
Unrestricted	<u>1,600,318</u>
TOTAL NET ASSETS	<u><u>\$ 1,600,318</u></u>

See independent auditors' report and notes to basic financial statements.

CITY OF INDIAN WELLS

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
 PROPRIETARY FUND

For the year ended June 30, 2007

	Governmental Activities- Internal Service Fund
OPERATING REVENUES:	
Charges for services	\$ 337,755
OPERATING EXPENSES:	
Professional services	<u>186,179</u>
OPERATING INCOME	<u>151,576</u>
NONOPERATING REVENUES (EXPENSES):	
Investment income	<u>58,382</u>
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>58,382</u>
INCOME BEFORE TRANSFERS	209,958
TRANSFERS IN	<u>750,000</u>
CHANGE IN NET ASSETS	959,958
TOTAL NET ASSETS AT BEGINNING OF YEAR	<u>640,360</u>
TOTAL NET ASSETS AT END OF YEAR	<u><u>\$ 1,600,318</u></u>

See independent auditors' report and notes to basic financial statements.

CITY OF INDIAN WELLS
STATEMENT OF CASH FLOWS
PROPRIETARY FUND

For the year ended June 30, 2007

	<u>Governmental Activities- Internal Service Fund</u>
CASH FLOWS FROM OPERATION ACTIVITIES:	
Receipts from user departments	\$ 337,755
Payments to suppliers for goods and services	<u>(186,179)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	151,576
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:	
Cash received from other funds	750,000
CASH FLOWS FROM INVESTING ACTIVITIES:	
Investment income	<u>58,382</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	959,958
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>640,360</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u><u>\$ 1,600,318</u></u>

See independent auditors' report and notes to basic financial statements.

CITY OF INDIAN WELLS

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUND

June 30, 2007

ASSETS	
Cash and investments	<u>\$ 1,283,852</u>
LIABILITIES	
Accounts payable	\$ 18,152
Deposits payable	<u>1,265,700</u>
TOTAL LIABILITIES	<u>\$ 1,283,852</u>

See independent auditors' report and notes to basic financial statements.

CITY OF INDIAN WELLS

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2007

1. REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

A. Summary of Significant Accounting Policies:

The basic financial statements of the City have been prepared in conformity with generally accepted accounting principles as applicable to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The Financial Reporting Entity:

The City of Indian Wells (the City) was incorporated during July 1967 under the General Laws of the State of California. The City became a charter City in 2003. The City operates under a Council-Manager form of government and provides the following services: public safety (police and fire), highways and streets, sanitation, public improvements, planning and zoning, and general administrative services.

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

Included with the financial reporting entity of the City of Indian Wells are the Redevelopment Agency of the City of Indian Wells and the City of Indian Wells Fire Access Maintenance District No. 1 because each component unit meets the above mentioned criteria. A brief description of each component unit follows:

The Redevelopment Agency of the City of Indian Wells (the Agency) was established in September 1982 pursuant to the State of California Health and Safety Code, Section 33000 entitled "Community Redevelopment Law". The Agency's purpose is to eliminate blighted areas, enhance job creation and retention, improve the tax base for the City, promote quality new development and improve the image of the City. The activity of the Agency is reported in the Special Revenue, Debt Service and Capital Projects Funds.

See independent auditors' report.

CITY OF INDIAN WELLS

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2007

1. REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED):

A. Summary of Significant Accounting Policies (Continued):

The Financial Reporting Entity (Continued):

The City of Indian Wells Fire Access Maintenance District No. 1 (FAMD No. 1) was established during April 1973 to provide for the maintenance of access roads for fire and safety vehicles within the special district referred to as FAMD No. 1.

Since the City Council serves as the governing board for these component units, all of the City's component units are considered to be blended component units. Blended component units, although legally separate entities, are in substance, part of the City's operations and so data from these units are reported with the interfund data of the primary government. Only the Redevelopment Agency of the City of Indian Wells issues separate component unit financial statements, which, upon completion, can be obtained at City Hall.

B. Measurement Focus and Basis of Accounting:

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

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

Financial reporting for the government-wide financial statements is based upon all GASB pronouncements, as well as the FASB Statements and Interpretations, APB Opinions, and Accounting Research Bulletins that were issued on or before November 30, 1989 that do not conflict with or contradict GASB pronouncements.

Government-wide Financial Statements:

Government-wide financial statements display information about the reporting government as a whole, except for its fiduciary activities. These statements include separate columns for the governmental and business-type activities of the primary government (including its blended component units), as well as its discretely presented component units. The City of Indian Wells has no business-type activities or discretely presented component units.

See independent auditors' report.

CITY OF INDIAN WELLS

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2007

1. REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED):

B. Measurement Focus and Basis of Accounting (Continued):

Government-wide Financial Statements (Continued):

Eliminations have been made in the Statement of Activities so that certain allocated expenses are recorded only once (by the function to which they were allocated). However, general government expenses have not been allocated as indirect expenses to the various functions of the City.

Government-wide financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Under the economic resources measurement focus, all (both current and long-term) economic resources and obligations of the reporting government are reported in the government-wide financial statements. Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Under the accrual basis of accounting, revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

Program revenues include charges for services, special assessments, and payments made by parties outside of the reporting government's citizenry if that money is restricted to a particular program. Program revenues are netted with program expenses in the statement of activities to present the net cost of each program.

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

Fund Financial Statements:

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

See independent auditors' report.

CITY OF INDIAN WELLS

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2007

1. REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED):

B. Measurement Focus and Basis of Accounting (Continued):

Fund Financial Statements (Continued):

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

Governmental Funds:

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

Revenue recognition is subject to the measurable and availability criteria for the governmental funds in the fund financial statements. Exchange transactions are recognized as revenues in the period in which they are earned (i.e., the related goods or services are provided). Locally imposed derived tax revenues are recognized as revenues in the period in which the underlying exchange transaction upon which they are based takes place. Imposed non-exchange transactions are recognized as revenues in the period for which they were imposed. If the period of use is not specified, they are recognized as revenues when an enforceable legal claim to the revenues arises or when they are received, whichever occurs first. Government-mandated and voluntary non-exchange transactions are recognized as revenues when all applicable eligibility requirements have been met. Revenues, expenses, gains, losses, assets, and liabilities resulting from non-exchange transactions are recognized in accordance with the requirements of GASB Statement No. 33.

See independent auditors' report.

CITY OF INDIAN WELLS

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2007

1. REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED):

B. Measurement Focus and Basis of Accounting (Continued):

Governmental Funds (Continued):

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

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

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

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

Amounts expended to acquire capital assets are recorded as expenditures in the year that resources were expended, rather than as fund assets. The proceeds of long-term debt are recorded as an other financing sources rather than as a fund liability. Amounts paid to reduce long-term indebtedness are reported as fund expenditures. When both restricted and unrestricted resources are combined in a fund, expenses are considered to be paid first from restricted resources, and then from unrestricted resources.

See independent auditors' report.

CITY OF INDIAN WELLS

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2007

1. REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED):

B. Measurement Focus and Basis of Accounting (Continued):

Proprietary Fund:

The proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise funds and of the government's internal service funds are charges to customers for services. Operating expenses for the proprietary funds include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Fiduciary Fund:

The City's fiduciary fund consists of an Agency fund which is custodial in nature (assets equal liabilities) and does not involve the recording of City revenues and expenses.

C. Fund Classifications:

The City reports the following major governmental funds:

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

Emergency Reserve - This fund is used to account for reserving General Fund operating expenses in case of emergencies or catastrophic losses.

Low/Moderate Housing - This fund is used to account for the redevelopment agency requirement to set aside 20% of available tax increment, and to use those funds only for the benefit of providing low and moderate income housing to residents of Indian Wells.

See independent auditors' report.

CITY OF INDIAN WELLS

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2007

1. REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED):

C. Fund Classifications (Continued):

Major Governmental Funds (Continued):

RDA Whitewater Debt Service - This fund is used to accumulate monies for payment of principal and interest on the Redevelopment Agency Tax Allocation Bonds by tax increments collected from the Riverside County Tax Roll.

RDA Whitewater Capital Improvement - This fund was established to account for the construction of certain capital projects necessary to implement the goals and policies of the Redevelopment Plan for the project areas. These projects are being financed through the use of bond proceeds and tax increment allocated to the Redevelopment Agency.

The City elected to treat the following fund as a major fund even though it did not meet the criteria of a major fund:

Golf Resort Operations - This fund is used to account for the operations of the Golf Resort at Indian Wells and provide monies to the General Fund.

The City's fund structure also includes the following fund types:

Proprietary Fund - Internal Service Fund - This fund is used to account for activities and services performed for other departments within the City on a cost reimbursement basis. The specific activity accounted for is the employee benefit expense.

Fiduciary Fund - Agency Fund - This fund accounts for assets held by the City as an agent for parties paying refundable deposits to the City.

See independent auditors' report.

CITY OF INDIAN WELLS

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2007

1. REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED):

D. Explanation of Differences between Governmental Funds Balance Sheet and the Statement of
Net Assets (Continued):

	Total Governmental Funds	Capital Related Items	Long-term Debt Transactions	Accrued Interest Payable	Compensated Absences
ASSETS:					
Cash and investments	\$ 108,969,307	\$ -	\$ -	\$ -	\$ -
Cash and investments with fiscal agents	35,275	-	-	-	-
Receivables:					
Accounts	2,415,011	-	-	-	-
Interest	751,630	-	-	-	-
Prepaid items	76,516	-	-	-	-
Inventory	97,252	-	-	-	-
Due from other funds	214,982	-	-	-	-
Advances to other funds	20,000,000	-	-	-	-
Land held for resale	15,074,119	-	-	-	-
Deferred bond issue costs	-	-	2,893,349	-	-
Capital assets, not depreciated	-	31,648,247	-	-	-
Capital assets, depreciated, net	-	135,600,432	-	-	-
Total assets	<u>\$ 147,634,092</u>	<u>\$ 167,248,679</u>	<u>\$ 2,893,349</u>	<u>\$ -</u>	<u>\$ -</u>
LIABILITIES:					
Accounts payable	\$ 6,157,710	\$ -	\$ -	\$ -	\$ -
Accrued liabilities	105,269	-	-	2,005,548	-
Deposits payable	74,109	-	-	-	-
Unearned revenue	443,036	-	-	-	-
Due to other funds	214,982	-	-	-	-
Due to other governments	37,500	-	-	-	-
Advances from other funds	20,000,000	-	-	-	-
Noncurrent liabilities:					
Due within one year	-	-	3,965,000	-	120,547
Due in more than one year	-	-	130,122,889	-	311,826
Total liabilities	<u>27,032,606</u>	<u>-</u>	<u>134,087,889</u>	<u>2,005,548</u>	<u>432,373</u>
FUND BALANCES/NET ASSETS	<u>120,601,486</u>	<u>167,248,679</u>	<u>(131,194,540)</u>	<u>(2,005,548)</u>	<u>(432,373)</u>
TOTAL NET ASSETS/LIABILITIES	<u>\$ 147,634,092</u>	<u>\$ 167,248,679</u>	<u>\$ 2,893,349</u>	<u>\$ -</u>	<u>\$ -</u>

See independent auditors' report.

CITY OF INDIAN WELLS

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2007

1. REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED):

D. Explanation of Differences between Governmental Funds Balance Sheet and the Statement of
Net Assets (Continued):

Business Licenses	Accrued Interest Receivable	Long Term Receivable	Internal Service Fund	Reclassifications and Eliminations	Total Statement of Net Assets
\$ -	\$ -	\$ -	\$ 1,600,318	\$ -	\$ 110,569,625
-	-	-	-	-	35,275
-	-	-	-	-	2,415,011
-	408,023	-	-	-	1,159,653
-	-	-	-	-	76,516
-	-	-	-	-	97,252
-	-	-	-	(214,982)	-
-	-	-	-	(20,000,000)	-
-	-	-	-	-	15,074,119
-	-	-	-	-	2,893,349
-	-	-	-	-	31,648,247
-	-	-	-	-	135,600,432
<u>\$ -</u>	<u>\$ 408,023</u>	<u>\$ -</u>	<u>\$ 1,600,318</u>	<u>\$ (20,214,982)</u>	<u>\$ 299,569,479</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,157,710
-	-	-	-	-	2,110,817
-	-	-	-	-	74,109
7,592	-	(385,536)	-	-	65,092
-	-	-	-	(214,982)	-
-	-	-	-	-	37,500
-	-	-	-	(20,000,000)	-
-	-	-	-	-	4,085,547
-	-	-	-	-	130,434,715
<u>7,592</u>	<u>-</u>	<u>(385,536)</u>	<u>-</u>	<u>(20,214,982)</u>	<u>142,965,490</u>
<u>(7,592)</u>	<u>408,023</u>	<u>385,536</u>	<u>1,600,318</u>	<u>-</u>	<u>156,603,989</u>
<u>\$ -</u>	<u>\$ 408,023</u>	<u>\$ -</u>	<u>\$ 1,600,318</u>	<u>\$ (20,214,982)</u>	<u>\$ 299,569,479</u>

See independent auditors' report.

CITY OF INDIAN WELLS

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2007

1. REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED):

E. Explanation of Differences between Governmental Funds Operating Statements and the
Statement of Activities (Continued):

	Total Governmental Funds	Capital Related Items	Long-term Debt Transactions	Accrued Interest Expenses
REVENUES:				
Taxes	\$ 48,314,537	\$ -	\$ -	\$ -
Assessments	3,036,321	-	-	-
Licenses and permits	728,761	-	-	-
Intergovernmental	2,682,465	-	-	-
Fines and forfeitures	109,671	-	-	-
Charges for services	5,518,266	-	-	-
Investment income	8,696,113	-	-	-
Development fees	582,880	-	-	-
Other revenue	1,213,908	-	-	-
TOTAL REVENUES	70,882,922	-	-	-
EXPENDITURES:				
Current:				
General government	8,076,374	184,983	-	-
Community development	4,045,155	995,703	135,815	-
Public safety	6,156,103	67,277	-	-
Public works	2,843,400	1,150,745	-	-
Golf resort	6,042,600	(521,218)	-	-
Pass-throughs	19,874,202	-	-	-
Capital outlay	35,637,285	(35,637,285)	-	-
Debt service:				
Principal	3,330,000	-	(3,330,000)	-
Interest	7,213,797	-	92,795	768,665
Bond issuance costs	1,540,154	-	(1,540,154)	-
TOTAL EXPENDITURES	94,759,070	(33,759,795)	(4,641,544)	768,665
OTHER FINANCING SOURCES (USES):				
Transfers in	52,624,250	-	-	-
Transfers out	(53,374,250)	-	-	-
Sale of property	375,848	(25,394)	-	-
Refunding bonds issued	67,805,000	-	(67,805,000)	-
Bond premium	57,498	-	(57,498)	-
Payment to refunded bond escrow agent	(25,054,069)	-	25,054,069	-
TOTAL OTHER FINANCING SOURCES (USES)	42,434,277	(25,394)	(42,808,429)	-
NET CHANGE IN FUND BALANCES	18,558,129	33,734,401	(38,166,885)	(768,665)
FUND BALANCES (DEFICITS)/NET ASSETS AT BEGINNING OF YEAR				
	102,043,357	133,514,278	(93,027,655)	(1,236,883)
FUND BALANCES (DEFICITS)/NET ASSETS AT END OF YEAR				
	\$ 120,601,486	\$ 167,248,679	\$ (131,194,540)	\$ (2,005,548)

See independent auditors' report.

CITY OF INDIAN WELLS

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2007

1. REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED):

E. Explanation of Differences between Governmental Funds Operating Statements and the
Statement of Activities (Continued):

Compensated Absences	Business Licenses	Investment Income	Long Term Receivable	Internal Service Fund	Reclassifications and Eliminations	Total Statement of Activities
\$ -	\$ (930)	\$ -	\$ 385,536	\$ -	\$ -	\$ 48,699,143
-	-	-	-	-	-	3,036,321
-	-	-	-	-	-	728,761
-	-	-	-	-	-	2,682,465
-	-	-	-	-	-	109,671
-	-	-	-	-	(332,391)	5,185,875
-	-	264,095	-	58,382	(2,065,725)	6,952,865
-	-	-	-	-	-	582,880
-	-	-	-	-	(431,081)	782,827
-	(930)	264,095	385,536	58,382	(2,829,197)	68,760,808
9,119	-	-	-	(75,863)	(431,081)	7,763,532
-	-	-	-	(38,348)	19,827,696	24,966,021
-	-	-	-	(6,626)	(70,390)	6,146,364
-	-	-	-	(25,328)	(105,826)	3,862,991
-	-	-	-	(5,411)	(109,669)	5,406,302
-	-	-	-	-	(19,874,202)	-
-	-	-	-	-	-	-
-	-	-	-	-	(2,065,725)	6,009,532
-	-	-	-	-	-	-
9,119	-	-	-	(151,576)	(2,829,197)	54,154,742
-	-	-	-	750,000	(53,374,250)	-
-	-	-	-	-	53,374,250	-
-	-	-	-	-	-	350,454
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	750,000	-	350,454
(9,119)	(930)	264,095	385,536	959,958	-	14,956,520
(423,254)	(6,662)	143,928	-	640,360	-	141,647,469
\$ (432,373)	\$ (7,592)	\$ 408,023	\$ 385,536	\$ 1,600,318	\$ -	\$ 156,603,989

See independent auditors' report.

CITY OF INDIAN WELLS

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2007

1. REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED):

F. Cash and Investments:

Investments are reported in the accompanying balance sheet at fair value, except for certain certificates of deposit and investment contracts that are reported at cost. These investments are not transferable and they have terms that are not affected by changes in market interest rates. Investment income reports interest earnings. Net increase (decrease) in fair value of investments reports changes in fair value.

The City's pools cash and investments of all funds, except for amounts held by fiscal agents and management companies for the Golf Resort at Indian Wells, Indian Wells Villas and Mountain View Villas. Each fund's share in this pool is displayed in the accompanying financial statements as pooled cash and investments. Investment income earned by the pooled investments is allocated to the various funds based on each fund's average cash and investment balance, except for approximately \$1,000,202 of investment income (associated with funds not legally required to receive pooled investment income) that has been assigned to and recorded as revenue of the general fund, as provided by California Government Code Section 53647.

G. Capital Assets:

Capital assets, which include property, plant, equipment, and infrastructure assets (i.e., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets, other than infrastructure assets, are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. The government reports infrastructure assets on a network and subsystem basis. Accordingly, the amounts spent for the construction or acquisition of infrastructure assets are capitalized and reported in the government-wide financial statements regardless of their amount.

In the case of the initial capitalization of infrastructure assets, the government chose to include all such items regardless of their acquisition date or amount. The government was able to estimate the historical cost for the initial reporting of these assets through backtrending (i.e., estimating the current replacement cost of the infrastructure to be capitalized and using an appropriate price-level index to deflate the cost of the acquisition year or estimated acquisition year). As the government constructs or acquires additional capital assets each period, including infrastructure assets, they are capitalized and reported at historical cost. The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or extend its useful live beyond the original estimate. In the case of donations the government values these capital assets at the estimated fair value of the item at the date of its donation.

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CITY OF INDIAN WELLS

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2007

1. REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED):

G. Capital Assets (Continued):

Capital assets used in operations are depreciated over their estimated useful lives using the straight-line method in the government-wide financial statements. Depreciation is charged as an expense against operations and accumulated depreciation is reported on the respective balance sheet. The range of lives used for depreciation purposes for each capital asset class are as follows:

Building and improvements	30 - 50 years
Equipment	3 - 15 years
Infrastructure	40 - 60 years

H. Property Taxes:

Property taxes attach as an enforceable lien on property as of March 1. Taxes are levied on July 1 and are payable in two equal installments due November 1 and February 1, respectively, and are delinquent if not paid by December 10 and April 10, respectively. The County of Riverside bills and collects the property taxes and remits them to the City in installments during the year. All material amounts associated with the reporting period are collected soon enough to be considered to be "available" to finance the expenditures of the reporting period.

The County of Riverside is permitted by State law (Proposition 13) to levy taxes at 1% of full market value (at time of purchase) and can increase the assessed values no more than 2%. The City receives a share of this basic levy proportionate to what was received in the 1976 to 1978 period.

I. Inventory:

Inventory in the Golf Resort Operations Special Revenue Fund is carried at cost using the consumption method on a first-in, first-out basis.

J. Compensated Absences:

Governmental fund types recognize the vested vacation and compensatory time as an expenditure in the current year to the extent it is paid during the year. Accrued vacation and compensatory time relating to governmental funds is included as a liability in the long-term liabilities as those amounts are payable from future resources.

See independent auditors' report.

CITY OF INDIAN WELLS

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2007

1. REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED):

K. Use of 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 affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

2. CASH AND INVESTMENTS:

Cash and investments at June 30, 2007 are classified in the accompanying financial statements as follows:

	Government- Wide Statement of Net Assets	Fiduciary Fund Statement of Assets and Liabilities	Total
Unrestricted assets:			
Cash and investments	\$ 77,033,079	\$ 1,283,852	\$ 78,316,931
Restricted assets:			
Cash and investments	33,536,546	-	33,536,546
Cash and investments with fiscal agents	<u>35,275</u>	<u>-</u>	<u>35,275</u>
	<u>\$ 110,604,900</u>	<u>\$ 1,283,852</u>	<u>\$ 111,888,752</u>

Cash and investments at June 30, 2007 consisted of the following:

Demand accounts (overdraft)	\$ (985,359)
Petty cash	7,400
Investments	<u>112,866,711</u>
Total Cash and Investments	<u>\$ 111,888,752</u>

See independent auditors' report.

CITY OF INDIAN WELLS

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2007

2. CASH AND INVESTMENTS (CONTINUED):

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

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

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage Allowed</u>	<u>Maximum Investment in One Issuer</u>
U.S. Treasury Bills, Bonds and Notes	5 years	75%	None
U.S. Government Sponsored Entities Securities	5 years	70%	\$ 15,000,000
Banker's Acceptances Notes	180 days	20%	2,000,000
Certificates of Deposits and Negotiable Certificates of Deposits	5 years	30%	5,000,000
Repurchase Agreements	30 days	10%	2,000,000
Medium-Term Corporate Notes	5 years	10%	1,000,000
Local Agency Investment Fund (LAIF)	N/A	60%	20,000,000 per entity

N/A - Not Applicable

Investments Authorized by Debt Agreements:

Investment of debt proceeds held by bond trustee are governed by provisions of the debt agreements and the general provisions of the California Government Code, rather than the City's investment policy. Investments authorized for funds held by bond trustee include, U.S. Treasury Obligations, U.S. Government Sponsored Entities Securities, Certificates of Deposits, Commercial Paper, Local Agency Bonds, Banker's Acceptance, Money Market Mutual Funds, Investment Contracts and Repurchase Agreements. There were no limitations on the maximum amount can be invested in one issuer, maximum percentage allowed or the maximum maturity of an investment, except for the maturity of Banker's Acceptance which are limited to one year.

See independent auditors' report.

CITY OF INDIAN WELLS

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2007

2. CASH AND INVESTMENTS (CONTINUED):

Disclosures Relating to Interest Rate Risk:

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

Information about the sensitivity of the fair values of the City's investments (including investments held by bond trustee) to market interest rate fluctuations is provided by the following table that shows the distribution of the City's investments by maturity:

Investment Type	Remaining Maturity (in Months)			Total
	12 Months or Less	13 - 24 Months	25 - 60 Months	
U.S. Government Sponsored				
Entities Securities	\$ 36,268,329	\$ 9,850,090	\$ 21,870,400	\$ 67,988,819
Negotiable Certificate of Deposit	2,075,000	-	1,000,000	3,075,000
Repurchase Agreements	1,496,783	-	-	1,496,783
Local Agency Investment Funds	21,173,967	-	-	21,173,967
Medium Term Notes	-	-	4,918,050	4,918,050
Money Market Mutual Funds	14,178,817	-	-	14,178,817
Held by Bond Trustee:				
Money Market Mutual Funds	<u>35,275</u>	<u>-</u>	<u>-</u>	<u>35,275</u>
	<u>\$ 75,228,171</u>	<u>\$ 9,850,090</u>	<u>\$ 27,788,450</u>	<u>\$ 112,866,711</u>

Disclosures Relating to Credit Risk:

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

See independent auditors' report.

CITY OF INDIAN WELLS

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2007

2. CASH AND INVESTMENTS (CONTINUED):

Disclosures Relating to Credit Risk (Continued):

Investment Type	Total	Minimum	Not				
	as of June 30, 2007	Legal Rating	Required to be Rated	AAA	AA	A	Unrated
U.S. Government Sponsored							
Entities Securities	\$ 67,988,819	AAA	\$ -	\$ 67,988,819	\$ -	\$ -	\$ -
Negotiable Certificate of Deposit	3,075,000	N/A	-	-	-	-	3,075,000
Repurchase Agreements	1,496,783	N/A	1,496,783	-	-	-	-
Local Agency Investment Fund	21,173,967	N/A	21,173,967	-	-	-	-
Medium Term Notes	4,918,050	AA	-	-	4,918,050	-	-
Money Market Mutual Funds	14,178,817	A	-	-	-	14,178,817	-
Held By Bond Trustee:							
Money Market Mutual Funds	35,275	A	-	-	-	35,275	-
Total	\$ 112,866,711		\$ 22,670,750	\$ 67,988,819	\$4,918,050	\$ 14,214,092	\$3,075,000

N/A - Not Applicable

Concentration of Credit Risk:

Investments in any one issuer that represent 5% or more of total City's investments are as follows:

Issuer	Investment Type	Reported Amount	Percent of Investment
Federal Farm Credit Bank	U.S. Government Sponsored Entities Securities	\$ 5,943,450	5.27 %
Federal Home Loan Bank	U.S. Government Sponsored Entities Securities	29,266,589	25.93 %
Federal National Mortgage Association	U.S. Government Sponsored Entities Securities	11,932,490	10.57 %
Federal Home Loan Mortgage Association	U.S. Government Sponsored Entities Securities	20,846,290	18.47 %

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CITY OF INDIAN WELLS

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2007

2. CASH AND INVESTMENTS (CONTINUED):

Custodial Credit Risk:

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

As of June 30, 2007, \$1,496,783 in a repurchase agreement was held by the safekeeping department of the broker-dealer (counterparty) used by the City to buy the securities.

Investment in State Investment Pool:

The City is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The fair value of the City's investment in this pool is reported in the accompanying financial statements at amounts based upon the City's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

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CITY OF INDIAN WELLS

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2007

3. COMPOSITION OF ACCOUNTS RECEIVABLE AND ACCRUED LIABILITIES:

Receivables at June 30, 2007, are composed of the following:

	Due from Other Governments	Other Receivable	Taxes Receivable	Total
General	\$ 25,681	\$ 83,849	\$ 1,121,814	\$ 1,231,344
Golf Resort Operations	-	250,433	-	250,433
Low/Moderate Housing	-	-	96,241	96,241
RDA Whitewater Debt Service	-	-	481,207	481,207
Other Governmental Funds	<u>46,632</u>	<u>45,346</u>	<u>263,808</u>	<u>355,786</u>
Total	<u>\$ 72,313</u>	<u>\$ 379,628</u>	<u>\$ 1,963,070</u>	<u>\$ 2,415,011</u>

The Golf Resort Operations accounts receivable balance of \$250,433 consists of trade agreements with surrounding hotels for golf services.

Accrued liabilities at June 30, 2007, are composed of the following:

Accrued Salaries and Benefits:	
General	\$ 101,818
Golf Resort Operations	3,166
RDA Whitewater Capital Improvement	285
Accrued interest payable	<u>2,005,548</u>
	<u>\$ 2,110,817</u>

4. INTERFUND BALANCES:

Current interfund receivables and payables as of June 30, 2007 are as follows:

Due To Fund	Due From Fund	Amount
General Fund	Other Governmental Funds	\$ 104,701
Golf Resort Operations Special Revenue Fund	General Fund	90,991
Other Governmental Funds	Other Governmental Funds	<u>19,290</u>
		<u>\$ 214,982</u>

Interfund balances are a result of short-term interfund borrowings to manage cash flows.

See independent auditors' report.

CITY OF INDIAN WELLS

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2007

4. INTERFUND BALANCES (CONTINUED):

Current interfund advances as of June 30, 2007 are as follows:

<u>Advances From Fund</u>	<u>Advances To Fund</u>	<u>Amount</u>
General Fund	Redevelopment Agency Whitewater Debt Service Fund	<u>\$ 20,000,000</u>

Interfund advances consist of \$15,000,000 advance to finance the acquisition of certain real property and \$5,000,000 advance to finance the acquisition of a deed of trust against real property owned by Eisenhower Medical Center. The advances are payable in ten years and bear 9.5% interest.

5. INTERFUND TRANSFERS:

Transfers in and out for the year ended June 30, 2007 are as follows:

<u>Transfer Out of Fund</u>	<u>Transfer In to Fund</u>	<u>Amount</u>
General Fund	Emergency Reserve Special Revenue Fund	\$ 10,000,000
	Golf Resort Operations Special Revenue Fund	1,000,000
	Internal Service Fund	750,000
	Other Governmental Funds	50,011
Low/Moderate Housing Special Revenue Fund	Other Governmental Funds	7,531,250
Redevelopment Agency Whitewater Debt Service Fund	Low/Moderate Housing Special Revenue Fund	6,926,823
	Redevelopment Agency Whitewater Capital Improvement Fund	25,338,553
Redevelopment Agency Whitewater Capital Improvements Fund	Golf Resort Operations Special Revenue Fund	901,341
	Other Governmental Funds	60,642
Other Governmental Funds	General Fund	500,000
	Redevelopment Agency Whitewater Capital Improvement Fund	<u>315,630</u>
		<u>\$ 53,374,250</u>

See independent auditors' report.

CITY OF INDIAN WELLS

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2007

5. INTERFUND TRANSFERS (CONTINUED):

The General Fund transferred \$10,000,000 to the Emergency Reserve Special Revenue Fund to fund reserve for emergencies.

The Low/Moderate Housing Special Revenue Fund transferred \$7,531,250 to Other Governmental Funds to fund capital projects at existing Low/Moderate Housing developments.

The RDA Whitewater Debt Service Fund transferred \$6,926,823 to the Low/Moderate Housing Special Revenue Fund as part of the 20% set-aside in tax increment and \$25,338,553 to the RDA Capital Improvement Fund to fund capital projects.

6. CAPITAL ASSETS:

Capital asset activity for the year ended June 30, 2007 was as follows:

	Balance at July 1, 2006	Additions	Retirements	Balance at June 30, 2007
Capital assets, not being depreciated:				
Land	\$ 31,673,640	\$ -	\$ (25,394)	\$ 31,648,246
Capital assets, being depreciated:				
Buildings and improvements	62,967,746	29,603,866	(543,341)	92,028,271
Equipment	1,375,033	244,816	(135,895)	1,483,954
Infrastructure	55,403,957	6,689,944	-	62,093,901
 Total capital assets being depreciated	 <u>119,746,736</u>	 <u>36,538,626</u>	 <u>(679,236)</u>	 <u>155,606,126</u>
Less accumulated depreciation for:				
Buildings and improvements	(9,295,557)	(2,527,931)	292,441	(11,531,047)
Equipment	(1,006,885)	-	135,895	(870,990)
Infrastructure	(7,603,656)	-	-	(7,603,656)
 Total accumulated depreciation	 <u>(17,906,098)</u>	 <u>(2,527,931)</u>	 <u>428,336</u>	 <u>(20,005,693)</u>
 Total capital assets being depreciated, net	 <u>101,840,638</u>	 <u>34,010,695</u>	 <u>(250,900)</u>	 <u>135,600,433</u>
 Total capital assets, net	 <u>\$133,514,278</u>	 <u>\$ 34,010,695</u>	 <u>\$ (276,294)</u>	 <u>\$167,248,679</u>

See independent auditors' report.

CITY OF INDIAN WELLS

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2007

6. CAPITAL ASSETS (CONTINUED):

Capital construction commitments for the year ended June 30, 2007 was as follows:

Capital Construction in Progress:

<u>Description</u>	<u>Total Project Budget</u>	<u>Total Expended * During Fiscal Year Ending 2007</u>	<u>Unexpended</u>
Mountain View Villas Phase II	\$ 28,761,710	\$ 1,685,767	\$ 18,190,279
Garden Villas	23,700,126	-	18,897,634
Indian Wells Tennis Garden Event Parking	1,847,208	2,470	1,844,738
Highway 111 Improvement	9,289,515	4,789,132	4,500,383
Fred Waring Widening	13,999,841	243,138	756,862
Indian Wells Golf Resort	64,328,000	25,734,436	29,368,797
Indian Wells Golf Event Parking	3,954,662	200,387	3,754,275
	<u>\$ 145,881,062</u>	<u>\$ 32,655,330</u>	<u>\$ 77,312,968</u>

* Construction in progress was recorded in additions to capital assets.

Depreciation Expense:

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

General Government	\$ 184,983
Community Development	995,703
Public Safety	67,277
Public Works	1,150,745
Golf Resort	129,223
	<u>\$ 2,527,931</u>

7. LAND HELD FOR RESALE:

Land held for resale consists of property acquired by the Redevelopment Agency and held for resale to private developers. The property is being carried in the RDA Whitewater Capital Improvement Fund at the lower of cost or estimated net realizable value. The estimated net realizable value at June 30, 2007 is \$15,074,119 with this amount offset by a reservation of fund balance.

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CITY OF INDIAN WELLS

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2007

8. LONG-TERM LIABILITIES:

The changes in long-term liabilities for the year ended June 30, 2007 were as follows:

	Balance at July 1, 2006	Additions	Reductions	Balance at June 30, 2007	Due Within One Year
Bonds Payable:					
2003A Tax Allocation					
Bonds	\$ 37,240,000	\$ -	\$ (26,160,000)	\$ 11,080,000	\$ 510,000
2003A-T Tax					
Allocation Bonds	42,305,000	-	(1,735,000)	40,570,000	1,785,000
2005 Refunding Tax					
Allocation Bonds	14,125,000	-	-	14,125,000	660,000
2006A Tax Allocation					
Bonds	<u>-</u>	<u>67,805,000</u>	<u>-</u>	<u>67,805,000</u>	<u>1,010,000</u>
Subtotal	<u>93,670,000</u>	<u>67,805,000</u>	<u>(27,895,000)</u>	<u>133,580,000</u>	<u>3,965,000</u>
Add (less) deferred amounts:					
Bond premium	1,946,540	57,498	(1,348,031)	656,007	-
Bond discounts	(246,615)	-	14,373	(232,242)	-
Deferred charges on refunding	<u>(400,367)</u>	<u>310,324</u>	<u>174,167</u>	<u>84,124</u>	<u>-</u>
Subtotal	<u>1,299,558</u>	<u>367,822</u>	<u>(1,159,491)</u>	<u>507,889</u>	<u>-</u>
Total bonds payable	94,969,558	68,172,822	(29,054,491)	134,087,889	3,965,000
Other Liabilities:					
Compensated absences	<u>423,254</u>	<u>430,036</u>	<u>(420,917)</u>	<u>432,373</u>	<u>120,547</u>
Total long-term liabilities	<u>\$ 95,392,812</u>	<u>\$68,602,858</u>	<u>\$ (29,475,408)</u>	<u>\$ 134,520,262</u>	<u>\$ 4,085,547</u>

See independent auditors' report.

CITY OF INDIAN WELLS

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2007

8. LONG-TERM LIABILITIES (CONTINUED):

2003A Tax Allocation Bonds:

In 1992, the Redevelopment Agency of the City of Indian Wells issued \$15,275,000 of refunding tax allocation bonds (1992 TABS) to defease the Tax Allocation Bonds issued in 1986. On May 7, 2003, the Agency issued \$41,135,000 of Tax Allocation Bonds to provide funds to refund in advance the 1992 Refunding Tax Allocation Bond issued by the Agency and fund certain capital improvements. A portion of the proceeds from the Bonds issued in 2003 were placed in an escrow fund to provide the debt service on the 1992 Refunding Tax Allocation Bonds. The advance refunding met the requirements of an in-substance defeasance and the bonds were removed from the Agency's long-term debt. As of June 30, 2007, the 1992 Refunding Tax Allocation Bonds are fully paid.

The 2003A Tax Allocation Bonds are special obligation of the Agency secured by tax increment revenues on a parity with the Agency's 2003A-T Tax Allocation Bonds (see 2003A-T Tax Allocation Bonds below). The reserve requirement and the payment of principal and interest on the bonds as they become due are insured by a financial guaranty insurance policy issued simultaneously with the issuance of the bonds. On October 18, 2006, the 2003A Bonds were partially refunded by proceeds from 2006A Tax Allocation Bonds (see 2006A TAB below).

The Bonds are payable in annual installments ranging from \$510,000 to \$960,000 until maturity on September 1, 2022. Interest is payable semiannually on March 1 and September 1, with rates ranging from 2.5% to 5.0% per annum. Bonds outstanding at June 30, 2007 were \$11,080,000.

Future debt service requirements on these bonds are as follows:

Year Ending June 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 510,000	\$ 495,263	\$ 1,005,263
2009	520,000	481,088	1,001,088
2010	535,000	465,263	1,000,263
2011	555,000	448,219	1,003,219
2012	570,000	426,375	996,375
2013-2017	3,270,000	1,701,525	4,971,525
2018-2022	4,160,000	780,000	4,940,000
2023	960,000	24,000	984,000
Subtotal	11,080,000	4,821,733	15,901,733
Add (less) deferred amounts:			
Bond premium	551,561	-	551,561
Deferred charges on refunding	(73,320)	-	(73,320)
	<u>\$ 11,558,241</u>	<u>\$ 4,821,733</u>	<u>\$ 16,379,974</u>

See independent auditors' report.

CITY OF INDIAN WELLS

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2007

8. LONG-TERM LIABILITIES (CONTINUED):

2003A-T Tax Allocation Bonds:

On May 7, 2003, the Agency issued Tax Allocation Bonds; consisting of \$9,160,000 of Serial Bonds and \$36,950,000 of Term Bonds. The proceeds were used to provide funds for variety of projects to increase the supply of low and moderate income housing within the Agency's project area.

The 2003A-T Tax Allocation Bonds are special obligation of the Agency secured by tax increment revenues on a parity with the Agency's 2003A Tax Allocation Bonds (see 2003A Tax allocation Bonds above). The reserve requirement and the payment of principal and interest on the bonds as they become due are insured by a financial guaranty insurance policy issued simultaneously with the issuance of the bonds.

The serial bonds are payable in annual installments ranging from \$1,735,000 to \$1,835,000 through September 1, 2008. The term bonds mature in the years 2013 and 2022 in the amounts of \$10,385,000, at 4.480% and \$26,565,000, at 5.460%, respectively. The term bonds maturing September 1, 2013 are subject to mandatory redemption ranging from \$1,900,000 to \$2,226,000 annually starting September 1, 2009. The term bonds maturing September 1, 2002 are subject to mandatory redemption ranging from \$2,365,000 to \$3,615,000 starting September 1, 2014. Interest is payable semiannually on March 1 and September 1, with rates ranging from 1.380% to 5.460%. At June 30, 2007, bonds outstanding were \$40,570,000.

Future debt service requirements on these bonds are as follows:

Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 1,785,000	\$ 2,004,307	\$ 3,789,307
2009	1,835,000	1,946,525	3,781,525
2010	1,900,000	1,873,137	3,773,137
2011	1,985,000	1,786,113	3,771,113
2012	2,075,000	1,695,169	3,770,169
2013-2017	11,915,000	6,853,651	18,768,651
2018-2022	15,460,000	3,187,002	18,647,002
2023	3,615,000	98,690	3,713,690
Subtotal	40,570,000	19,444,594	60,014,594
Less: bond discounts	(232,242)	-	(232,242)
	<u>\$ 40,337,758</u>	<u>\$ 19,444,594</u>	<u>\$ 59,782,352</u>

See independent auditors' report.

CITY OF INDIAN WELLS

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2007

8. LONG-TERM LIABILITIES (CONTINUED):

2005 Refunding Tax Allocation Bonds:

On August 15, 2005, the Redevelopment Agency of the City of Indian Wells issued \$14,125,000 of refunding tax allocation bonds (2005 TABS) to defease the Tax Allocation Bonds issued in 1996. The net proceeds of \$14,548,480 (after payment of \$489,096 in underwriting fees, insurance and other issuance costs plus and additional \$866,156 from restricted accounts related to the 1996 bonds) were used to purchase direct obligations of the United States of America. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 1996 bonds. The advance refunding met the requirements of an in-substance defeasance and the bonds were removed from the Agency's long-term debt. As of June 30, 2007, the 1996 Refunding Tax Allocation Bonds are fully paid.

The 2005 Tax Allocation Bonds are special obligation of the Agency secured by tax increment revenues on a parity with the Agency's \$37,240,000 aggregate principal amount of the 2003A Tax Allocation Bonds (see 2003A Tax Allocation Bonds above) and the 2003A-T Tax Allocation Bonds (see 2003A-T Tax Allocation Bonds above). The reserve requirement and the payment of principal and interest on the bonds as they become due are insured by a financial guaranty insurance policy issued simultaneously with the issuance of the bonds.

The Bonds are payable in annual installments ranging from \$660,000 to \$1,160,000 until maturity on September 1, 2022. Interest is payable semiannually on March 1 and September 1, with rates ranging from 4.0% to 4.25% per annum. Bonds outstanding at June 30, 2007 were \$14,125,000.

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$156,121. This difference is reported in the accompanying financial statements as a deduction from revenue bonds payable and is being charged to interest expense through the year 2022. The City completed the refunding to reduce its debt service over the next 16 years by approximately \$1,013,000 and to obtain an economic gain (difference between the present values of the old and new debt service payments) of approximately \$736,000.

See independent auditors' report.

CITY OF INDIAN WELLS

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2007

8. LONG-TERM LIABILITIES (CONTINUED):

2005 Refunding Tax Allocation Bonds (Continued):

Future debt service requirements on these bonds are as follows:

Year Ending June 30,	Principal	Interest	Total
2008	\$ 660,000	\$ 538,284	\$ 1,198,284
2009	685,000	511,384	1,196,384
2010	710,000	483,484	1,193,484
2011	740,000	454,484	1,194,484
2012	770,000	426,690	1,196,690
2013-2017	4,260,000	1,711,241	5,971,241
2018-2022	5,140,000	801,325	5,941,325
2023	<u>1,160,000</u>	<u>24,650</u>	<u>1,184,650</u>
Subtotal	14,125,000	4,951,542	19,076,542
Add (less) deferred amounts:			
Bond premium	48,403	-	48,403
Deferred charges on refunding	<u>(139,284)</u>	<u>-</u>	<u>(139,284)</u>
	<u>\$ 14,034,119</u>	<u>\$ 4,951,542</u>	<u>\$ 18,985,661</u>

2006A Tax Allocation Bonds:

On October 18, 2006, the Agency issued \$67,805,000 of Tax Allocation Bonds to provide funds to refund in advance a portion of the 2003A Tax Allocation Bond issued by the Agency and fund certain capital improvements. A portion of the proceeds from the Bonds issued in 2003 were placed in an escrow fund to provide the debt service for \$24,565,000 outstanding on the 2003A Tax Allocation Bonds. The advance refunding met the requirements of an in-substance defeasance and the bonds were removed from the Agency's long-term debt. At June 30, 2007, the refunded 2003A Tax Allocation Bonds outstanding totaled \$24,565,000.

The 2006A Tax Allocation Bonds are special obligation of the Agency secured by tax increment revenues on a parity with the Agency's 2003A Tax Allocation Bonds (see 2003A Tax Allocation Bonds above), 2003A-T Tax Allocation Bonds (see 2003A-T Tax Allocation Bonds above), 2006A Refunding Tax Allocation Bonds (see 2006A Refunding Tax Allocation Bonds above) . The reserve requirement and the payment of principal and interest on the bonds as they become due are insured by a financial guaranty insurance policy issued simultaneously with the issuance of the bonds.

See independent auditors' report.

CITY OF INDIAN WELLS

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2007

8. LONG-TERM LIABILITIES (CONTINUED):

2006A Tax Allocation Bonds (Continued):

The Bonds are payable in annual installments ranging from \$680,000 to \$5,555,000 until maturity on September 1, 2034. Interest is payable semiannually on March 1 and September 1, with rates ranging from 4.0% to 5.0% per annum. Bonds outstanding at June 30, 2007 were \$67,805,000.

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$350,033. This difference is reported in the accompanying financial statements as a deduction from revenue bonds payable and is being charged to interest expense through the year 2022. The refunding resulted to an increase in debt service over the next 27 years of approximately \$8,714,000 and to obtain an economic gain (difference between the present values of the old and new debt service payments) of approximately \$184,000.

Future debt service requirements on these bonds are as follows:

Year Ending June 30,	Principal	Interest	Total
2008	\$ 1,010,000	\$ 2,939,888	\$ 3,949,888
2009	680,000	2,899,338	3,579,338
2010	715,000	2,869,738	3,584,738
2011	735,000	2,836,603	3,571,603
2012	780,000	2,802,169	3,582,169
2013-2017	4,380,000	13,508,044	17,888,044
2018-2022	5,330,000	12,540,844	17,870,844
2023-2027	15,955,000	10,561,272	26,516,272
2028-2032	22,295,000	6,285,438	28,580,438
2033-2034	<u>15,925,000</u>	<u>1,151,113</u>	<u>17,076,113</u>
Subtotal	67,805,000	58,394,447	126,199,447
Add (less) deferred amounts:			
Bond premium	56,043	-	56,043
Deferred charges on refunding	<u>296,728</u>	-	<u>296,728</u>
	<u>\$ 68,157,771</u>	<u>\$ 58,394,447</u>	<u>\$ 126,552,218</u>

Compensated Absences:

The City's policies relating to compensated absences are described in Note 1. This liability amounting to \$432,373 at June 30, 2007 is expected to be paid in future years from future resources. The recognition of compensated absences is a liability of the City's General Fund. Payments of employees' accrued vacation and compensatory time are expended by department within the City's General Fund.

See independent auditors' report.

CITY OF INDIAN WELLS

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2007

9. PASS-THROUGH AGREEMENTS:

The Redevelopment Agency of the City has entered into agreements with various governmental entities to "pass-through" applicable portions of tax increments received by the Whitewater Project Area attributable to this entity to the extent that its territorial limits reside within the Agency's project area. Entities with which the Agency has entered into such agreements are the Desert Sands Unified School District, the Riverside County Superintendent of Schools, the College of the Desert, the Coachella Valley Recreation and Park District and the Coachella Valley Mosquito Abatement District.

10. PENSION PLAN:

Plan Description:

The City of Indian Wells participates in the Miscellaneous 2% at 55 Risk Pool of the California Public Employee's Retirement System (PERS), a cost-sharing, multiple-employer defined benefit pension plan administered by PERS. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions and all other requirements are established by State statute and District ordinance. Copies of the PERS' annual financial report may be obtained from the PERS Executive Office - 400 P Street, Sacramento, California 95814.

Funding Policy:

The contribution requirements of the plan members are established by State statute and the employer contribution rate is established and may be amended by PERS. Active City employees are required to contribute 7% of their annual covered salary to PERS. The city makes the contributions required of City employees on their behalf and for their account. The City is required to contribute the actuarially determined remaining amounts necessary to fund the benefits for its members. The current rate is 10.411% of covered payroll. The City's contributions to CalPERS for the years ending June 30, 2007, 2006 and 2005 were \$543,406, \$414,162 and \$342,792, respectively and were equal to the required contribution for each year.

11. DEFINED CONTRIBUTION PLAN:

The City contributes to the ICMA Retirement Corporation Prototype Money Purchase Plan and Trust, a defined contribution plan 401(a). The plan is a multiple-employer public employee retirement program. The reportable payroll for the employees covered by the plan is \$3,450,428 compared with a total payroll of \$3,715,186 for the fiscal year ended June 30, 2007.

See independent auditors' report.

CITY OF INDIAN WELLS

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2007

11. DEFINED CONTRIBUTION PLAN (CONTINUED):

All full-time employees are eligible to participate in the plan and benefits vest immediately. The required period of service is six months. Eligible employees at age 50 or more may begin to collect defined contribution benefits immediately upon retirement. The employer contribution is 2.5% of earnings. No employee contributions are permitted. The total contribution made by the City was \$86,261.

12. DEFERRED COMPENSATION PAYABLE:

The City has adopted a deferred compensation plan in accordance with Internal Revenue Code Section 457 for its eligible employees wherein they may execute an individual agreement with the City for amounts earned by them to be paid at a future date when certain circumstances are met. These circumstances are termination by reasons of death, disability, retirement or unforeseeable emergency. Employees may contribute into the deferred compensation plan up to \$15,000 in any year. The City has no liability for losses under the plan, but does have the duty of due care that would be required of an ordinary prudent investor.

On January 1, 1997, the City formally established a trust in accordance with IRC 457(g) for its deferred compensation plan for the exclusive benefit of plan participants and their beneficiaries. Accordingly, the deferred compensation assets placed in the trust were not reported in the financial statements.

13. POST EMPLOYMENT BENEFIT PLAN:

Employees who retire from the City are eligible to receive health care benefits covering themselves and any qualified family members. The City pays 100% of all premiums charged under a health benefit plan administered by the Public Employee's Retirement System (PERS) in which the individual is able to select, on an annual basis, an insurance carrier from a number of insurance carriers.

In July, 2004, the City performed an actuarial valuation and computed the amount of the actuarial liability to current and future liabilities to be \$4,485,986. The City plans to exceed the requirements of the Annually Required Contribution (ARC) over the next several years to reduce this outstanding liability.

As of June 30, 2007 there were 15 participants in the plan. During fiscal year 2006-07, the City contributed \$337,755 to the Post Retirement Contribution Internal Service Fund and paid \$185,075 in premiums out of the Post Retirement Contribution Internal Service Fund. At June 30, 2007, the Post Retirement Contribution Internal Service Fund had a fund balance of \$1,600,318.

See independent auditors' report.

CITY OF INDIAN WELLS

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2007

14. RISK MANAGEMENT:

The City is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters.

The City is a member of the California Joint Powers Insurance Authority (Authority). The Authority is composed of 114 California public entities and is organized under a joint powers agreement pursuant to California Government Code Section 6500, et seq. The purpose of the Authority is to arrange and administer programs for the pooling of self-insured losses, to purchase excess insurance or reinsurance, and to arrange for group-purchased insurance for property and other coverage's. The Authority's pool began covering claims of its members in 1978. Each member government has a representative on the Board of Directors. The Board operates through a nine member Executive Committee.

General Liability:

Each member government pays a primary deposit to cover estimated losses for a fiscal year (claims year). Six months after the close of a fiscal year, outstanding claims are valued. A retrospective deposit computation is then made for each open claims year. Claims are pooled separately between police and non-police. Costs are spread to members as follows: the first \$30,000 of each occurrence is charged directly to the member's primary deposit; costs from \$30,000 to \$750,000 and the loss development reserves associated with losses up to \$750,000 are pooled based on the member's share of losses under \$30,000. Losses from \$750,000 to \$10,000,000, \$18,000,000 to \$23,000,000, and \$45,000,000 to \$50,000,000 and the associated loss development reserves are pooled based on payroll. Costs of covered claims from \$10,000,000 to 18,000,000 and \$23,000,000 to \$45,000,000 are currently paid by excess insurance. Costs of covered claims for subsidence losses from \$15,000,000 to \$25,000,000 are paid by excess insurance. The protection for each member is \$50,000,000 per occurrence and \$50,000,000 annual aggregate. Administrative expenses are paid for the Authority's investment earnings.

Workers' Compensation:

The City also participates in the workers' compensation pool administered by the Authority. Each member pays a primary deposit to cover estimated losses for a fiscal year (claims year). Six months after the close of a fiscal year, outstanding claims are valued. A retrospective deposit computation is then made for each open claims year. Claims are pooled separately between public safety and non-public safety. Each member has a retention level of \$50,000 for each loss and this is charged directly to the member's primary deposit.

See independent auditors' report.

CITY OF INDIAN WELLS

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2007

14. RISK MANAGEMENT (CONTINUED):

Workers' Compensation (Continued):

Losses from \$50,000 to \$100,000 and the loss development reserve associated with losses up to \$100,000 are pooled based on the member's share of losses under \$50,000. Losses from \$100,000 to \$2,000,000 and loss development reserves associated with those losses are pooled based on payroll. Losses from \$2,000,000 to \$5,000,000 are pooled with California State Association of Counties - Excess Insurance Authority members. Costs from \$2,000,000 to \$200,000,000 are transferred to reinsurance carriers. Costs in excess of \$200,000,000 are pooled among the members based on payroll. Protection is provided per statutory liability under California Workers' Compensation law. Administrative expenses are paid from the Authority's investment earnings.

Property Insurance:

The City participates in the all-risk property protection program of the Authority. This insurance protection is underwritten by several insurance companies. City property is currently insured according to a schedule of covered property submitted by the City to the Authority. Total all-risk property insurance coverage is \$500,000,000. There is a \$5,000 per occurrence except for non-emergency vehicle which has \$1,000 deductible. Premiums for the coverage are paid annually and are not subject to retroactive adjustments.

Earthquake and Flood Insurance:

The City purchase earthquake and flood insurance on a portion of its property. The earthquake insurance is part of the property protection insurance program of the Authority. The City property currently has earthquake protection in the amount of \$75,000,000. There is a deductible of 5% of value with a minimum deductible of \$100,000. Premiums for the coverage are paid annually and are not subject to retroactive adjustments.

Fidelity Bonds:

The City purchases blanket fidelity bond coverage in the amount of \$1,000,000 with a \$2,500 deductible. The fidelity coverage is provided through the Authority. Premiums are paid annually and are not subject to retroactive adjustments.

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

See independent auditors' report.

CITY OF INDIAN WELLS

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2007

15. OTHER REQUIRED DISCLOSURES:

Transient Occupancy Tax Revenue:

Approximately 33% or \$5,940,739 of General Fund revenue is provided by the resort hotels within the City.

Expenditures in Excess of Appropriations:

The following departments reported expenditures in excess of appropriations:

Low/Moderate Housing Special Revenue Fund:	
General government	<u>\$ 13,276</u>
Community development	<u>\$ 5,361</u>
RDA Whitewater Capital Improvement Capital Projects Fund:	
General government	<u>\$ 7,708</u>
Community development	<u>\$ 820</u>
South Coast Air Quality Management District Vehicle Registration Special Revenue Fund:	
Public works	<u>\$ 20</u>

Deficit Fund Balance:

The following Funds reported a deficit fund balance at June 30, 2007:

South Coast Air Quality Management District Vehicle Registration Special Revenue Fund	<u>\$ 17,745</u>
Hwy 111 Circulation Improvement Capital Projects Fund	<u>\$ 53,373</u>
Park Facilities in Lieu Capital Projects Fund	<u>\$ 45,390</u>

The deficit in the South Coast Air Quality Management District Vehicle Registration Special Revenue Fund will be eliminated through the collection of vehicle registration fees from the State of California to repay the outstanding loan to the City's General Fund and eliminate the deficit.

See independent auditors' report.

CITY OF INDIAN WELLS

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2007

15. OTHER REQUIRED DISCLOSURES (CONTINUED):

The deficit in the Hwy 111 Circulation Improvement Capital Projects Fund will be eliminated through Highway 111 circulation improvement fees collected from developers building along the Highway 111 corridor.

The deficit in the Park Facilities in Lieu Capital Projects Fund will be eliminated through Quimby Act Park fees to be collected from developers.

16. CONTINGENCIES:

Various claims and suits have been filed against the City in the normal course of business. Although the outcome of these matters is not presently determinable in the opinion of legal counsel, the resolution of these matters will not have a material adverse effect on the financial condition of the City.

See independent auditors' report.

GENERAL FUND

General Fund - This fund has been classified as a major fund and is used to account for resources traditionally associated with government which are not required legally or by sound financial management to be accounted for in another fund.

SPECIAL REVENUE FUNDS

The Special Revenue Funds are used to account for specific revenues that are legally restricted to expenditure for a particular purpose. The following funds have been classified as major funds. The budget-actual comparisons for these funds have been presented in the accompanying financial statements as required supplementary information:

Emergency Reserve - This fund is used to account for reserving General Fund operating expenses in case of emergencies or catastrophic losses.

Golf Resort Operations - This fund is used to account for the operations of the Golf Resort at Indian Wells and provide monies to the General Fund.

Low/Moderate Housing - This fund is used to account for the redevelopment requirement to set aside 20% of available tax increment, and to use those funds only for the benefit of providing low and moderate income housing to residents of Indian Wells,

CITY OF INDIAN WELLS

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2007

1. BUDGETS AND BUDGETARY ACCOUNTING:

The City follows these procedures in establishing the budgetary data reflected in the basic financial statements:

1. In June, the City Manager submits to the City Council a proposed operating budget for the fiscal year commencing July 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted at public workshops and City Council meetings to obtain taxpayer comments.
3. Prior to July 1, the budget is adopted by Council action.

Formal budgetary integration is employed as a management control device during the year. The City presents a comparison of annual budgets to actual results for all governmental funds. Budgeted revenue amounts represent the original budget modified by Council-authorized adjustments during the year which were contingent upon new or additional revenue sources. Budgeted expenditure amounts represent original appropriations adjusted for supplemental appropriations during the year. Budgets are prepared in accordance with accounting principles generally accepted in the United States of America, using the modified-accrual basis of accounting.

The City Manager is authorized to transfer appropriated funds between major expenditure categories within departments. However, any revisions that alter the total appropriations of any department must be approved by the City Council. Expenditures may not legally exceed appropriations at the department level.

Appropriations lapse at the end of the fiscal year. Appropriations (encumbered or unencumbered) for capital projects in progress are allowed to carry forward with the amount being adopted for the current year budget.

See independent auditors' report.

CITY OF INDIAN WELLS
BUDGETARY COMPARISON SCHEDULE

GENERAL FUND

For the year ended June 30, 2007

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		Positive (Negative)
REVENUES:				
Property taxes	\$ 1,932,850	\$ 1,969,992	\$ 2,097,328	\$ 127,336
Franchise taxes	676,200	865,383	894,379	28,996
General sales tax	914,600	1,165,911	1,202,051	36,140
Transient occupancy tax	5,500,000	5,900,000	5,940,739	40,739
Business license tax	18,000	18,000	15,184	(2,816)
Real property transfer tax	288,750	288,750	190,109	(98,641)
Admissions tax	620,000	713,620	747,596	33,976
Licenses and permits	757,500	757,500	660,576	(96,924)
Fines and forfeitures	45,500	45,500	36,272	(9,228)
Intergovernmental	444,480	1,057,828	1,027,192	(30,636)
Investment income	2,600,000	3,150,000	3,758,188	608,188
Charges for services	792,201	832,201	811,565	(20,636)
Other	343,275	643,275	513,584	(129,691)
TOTAL REVENUES	14,933,356	17,407,960	17,894,763	486,803
EXPENDITURES:				
Current:				
General government:				
Legislation and policy	68,300	34,034	29,209	4,825
City manager	169,210	266,974	214,851	52,123
City clerk	46,073	86,183	75,113	11,070
Community relations	360,000	251,510	227,986	23,524
City attorney	119,806	90,461	90,459	2
Financial services	165,936	257,034	228,089	28,945
Central services	18,026	115,278	28,542	86,736
Cultural events	3,402,090	3,803,610	3,403,219	400,391
Human resources	421,642	371,750	287,571	84,179
Technology	349,870	380,341	329,637	50,704
Community development:				
Administration	966	90,868	43,879	46,989
Inspections and examinations	689,340	756,733	696,020	60,713
Current and advanced planning	186,671	268,622	201,682	66,940

(Continued)

See independent auditors' report and note to required supplementary information.

CITY OF INDIAN WELLS

BUDGETARY COMPARISON SCHEDULE
(CONTINUED)

GENERAL FUND

For the year ended June 30, 2007

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
EXPENDITURES (CONTINUED):				
Current:				
Public safety:				
Administration	\$ 171,324	\$ 172,746	\$ 170,938	\$ 1,808
Code enforcement	102,480	117,931	112,854	5,077
Public services	1,761,000	1,887,463	1,768,078	119,385
Community service officers	386,636	372,436	361,392	11,044
Emergency preparedness	8,500	8,500	5,545	2,955
Public works:				
Administration	53,266	207,488	189,831	17,657
City engineering	185,900	269,861	264,197	5,664
Maintenance services	726,550	739,427	718,000	21,427
City parkway landscape	181,000	181,000	159,265	21,735
TOTAL EXPENDITURES	<u>9,574,586</u>	<u>10,730,250</u>	<u>9,606,357</u>	<u>1,123,893</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>5,358,770</u>	<u>6,677,710</u>	<u>8,288,406</u>	<u>1,610,696</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	10,000,000	500,000	500,000	-
Transfers out	<u>(50,071)</u>	<u>(11,800,011)</u>	<u>(11,800,011)</u>	<u>-</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>9,949,929</u>	<u>(11,300,011)</u>	<u>(11,300,011)</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	15,308,699	(4,622,301)	(3,011,605)	1,610,696
FUND BALANCE AT BEGINNING OF YEAR	<u>30,727,164</u>	<u>30,727,164</u>	<u>30,727,164</u>	<u>-</u>
FUND BALANCE AT END OF YEAR	<u>\$46,035,863</u>	<u>\$26,104,863</u>	<u>\$27,715,559</u>	<u>\$ 1,610,696</u>

See independent auditors' report and note to required supplementary information.

CITY OF INDIAN WELLS

BUDGETARY COMPARISON SCHEDULE

EMERGENCY RESERVE SPECIAL REVENUE FUND

For the year ended June 30, 2007

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
OTHER FINANCING SOURCES (USES):				
Transfers in	\$ -	\$ 10,000,000	\$ 10,000,000	\$ -
Transfers out	(10,000,000)	-	-	-
 TOTAL OTHER FINANCING SOURCES (USES)	(10,000,000)	10,000,000	10,000,000	-
 FUND BALANCE AT BEGINNING OF YEAR	20,000,000	20,000,000	20,000,000	-
 FUND BALANCE AT END OF YEAR	<u>\$ 10,000,000</u>	<u>\$ 30,000,000</u>	<u>\$ 30,000,000</u>	<u>\$ -</u>

See independent auditors' report and note to required supplementary information.

CITY OF INDIAN WELLS

BUDGETARY COMPARISON SCHEDULE

GOLF RESORT OPERATIONS SPECIAL REVENUE FUND

For the year ended June 30, 2007

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Licenses and permits	\$ 135,161	\$ 135,161	\$ 68,185	\$ (66,976)
Charges for services	4,635,526	4,635,526	4,706,701	71,175
Investment income	8,000	8,000	14,393	6,393
Other revenue	-	-	21,139	21,139
TOTAL REVENUES	<u>4,778,687</u>	<u>4,778,687</u>	<u>4,810,418</u>	<u>31,731</u>
EXPENDITURES:				
Current:				
Golf resort	<u>6,143,109</u>	<u>6,273,109</u>	<u>6,042,600</u>	<u>230,509</u>
TOTAL EXPENDITURES	<u>6,143,109</u>	<u>6,273,109</u>	<u>6,042,600</u>	<u>230,509</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(1,364,422)</u>	<u>(1,494,422)</u>	<u>(1,232,182)</u>	<u>262,240</u>
OTHER FINANCING SOURCES:				
Transfers in	<u>901,341</u>	<u>1,901,341</u>	<u>1,901,341</u>	<u>-</u>
TOTAL OTHER FINANCING SOURCES	<u>901,341</u>	<u>1,901,341</u>	<u>1,901,341</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	(463,081)	406,919	669,159	262,240
FUND BALANCE AT BEGINNING OF YEAR	<u>339,211</u>	<u>339,211</u>	<u>339,211</u>	<u>-</u>
FUND BALANCE AT END OF YEAR	<u>\$ (123,870)</u>	<u>\$ 746,130</u>	<u>\$ 1,008,370</u>	<u>\$ 262,240</u>

See independent auditors' report and note to required supplementary information.

CITY OF INDIAN WELLS

BUDGETARY COMPARISON SCHEDULE

LOW/MODERATE HOUSING SPECIAL REVENUE FUND

For the year ended June 30, 2007

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
				Positive (Negative)
REVENUES:				
Investment income	\$ 1,100,000	\$ 1,100,000	\$ 1,224,843	\$ 124,843
TOTAL REVENUES	1,100,000	1,100,000	1,224,843	124,843
EXPENDITURES:				
Current:				
General government	1,185,819	1,136,455	1,149,731	(13,276)
Community development	185,285	136,339	141,700	(5,361)
Capital outlay	18,862,700	26,652,997	2,422,029	24,230,968
Debt service:				
Principal retirement	1,735,000	1,735,000	1,735,000	-
Interest and fiscal charges	2,064,162	2,064,162	2,056,121	8,041
TOTAL EXPENDITURES	24,032,966	31,724,953	7,504,581	24,220,372
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(22,932,966)	(30,624,953)	(6,279,738)	24,345,215
OTHER FINANCING SOURCES (USES):				
Transfers in	6,963,155	6,963,155	6,926,823	(36,332)
Transfers out	-	(7,531,250)	(7,531,250)	-
Sale of land	4,476,713	4,476,713	-	(4,476,713)
TOTAL OTHER FINANCING SOURCES (USES)	11,439,868	3,908,618	(604,427)	(4,513,045)
NET CHANGE IN FUND BALANCE	(11,493,098)	(26,716,335)	(6,884,165)	19,832,170
FUND BALANCE AT BEGINNING OF YEAR	33,734,335	33,734,335	33,734,335	-
FUND BALANCE AT END OF YEAR	\$ 22,241,237	\$ 7,018,000	\$ 26,850,170	\$ 19,832,170

See independent auditors' report and note to required supplementary information.

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SUPPLEMENTARY SCHEDULES
COMBINING OTHER GOVERNMENTAL FUNDS

CITY OF INDIAN WELLS
 COMBINING BALANCE SHEET
 OTHER GOVERNMENTAL FUNDS

June 30, 2007

		Special Revenue Funds			
		Traffic Safety	Public Safety 1/2% Tax	Measure "A" Transportation	Fire Access Maintenance District No. 1
ASSETS					
Cash and investments		\$ 415,930	\$ 12,503	\$ 172,146	\$ 1,122,875
Accounts receivable		2,904	1,417	43,728	104,908
Prepaid items		-	-	-	-
Due from other funds		-	-	-	-
	TOTAL ASSETS	\$ 418,834	\$ 13,920	\$ 215,874	\$ 1,227,783
LIABILITIES AND FUND BALANCES					
LIABILITIES:					
Accounts payable		\$ -	\$ -	\$ -	\$ 191,598
Due to other funds		-	-	-	-
Deposits payable		-	-	-	-
Deferred revenue		-	-	-	62,512
	TOTAL LIABILITIES	-	-	-	254,110
FUND BALANCES (DEFICITS):					
Reserved:					
Prepaid items		-	-	-	-
Unreserved, reported in:					
Special revenue funds		418,834	13,920	215,874	973,673
Capital projects funds		-	-	-	-
	TOTAL FUND BALANCES (DEFICITS)	418,834	13,920	215,874	973,673
	TOTAL LIABILITIES AND FUND BALANCES	\$ 418,834	\$ 13,920	\$ 215,874	\$ 1,227,783

See independent auditors' report.

Special Revenue Funds (Continued)

South Coast Air Quality Management District Vehicle Registration	Citizens Option for Public Safety Program	Gas Tax	Emergency Services Upgrade	AB 939 Recycling	Solid Waste	Consolidated LLMD
\$ 1,267	\$ 10,998	\$ 5,097	\$ 2,044,397	\$ 413,719	\$ 97,799	\$ 887,409
1,518	952	16,808	38,584	8,774	47,873	54,098
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>\$ 2,785</u>	<u>\$ 11,950</u>	<u>\$ 21,905</u>	<u>\$ 2,082,981</u>	<u>\$ 422,493</u>	<u>\$ 145,672</u>	<u>\$ 941,507</u>
\$ 1,240	\$ -	\$ -	\$ 291,385	\$ 1,035	\$ 6,000	\$ 23,943
19,290	-	4,104	-	-	-	1,222
-	-	-	-	-	-	-
-	-	-	23,751	-	27,320	28,865
<u>20,530</u>	<u>-</u>	<u>4,104</u>	<u>315,136</u>	<u>1,035</u>	<u>33,320</u>	<u>54,030</u>
-	-	-	-	-	-	-
(17,745)	11,950	17,801	1,767,845	421,458	112,352	887,477
-	-	-	-	-	-	-
<u>(17,745)</u>	<u>11,950</u>	<u>17,801</u>	<u>1,767,845</u>	<u>421,458</u>	<u>112,352</u>	<u>887,477</u>
\$ 2,785	\$ 11,950	\$ 21,905	\$ 2,082,981	\$ 422,493	\$ 145,672	\$ 941,507

(Continued)

CITY OF INDIAN WELLS
 COMBINING BALANCE SHEET
 OTHER GOVERNMENTAL FUNDS
 (CONTINUED)

June 30, 2007

	Special Revenue Funds (Continued)			Capital Projects Funds
	Street Lighting District 2001-1	Cooperative Marketing	Affordable Housing Operations	Hwy 111 Circulation Improvement
ASSETS				
Cash and investments	\$ 3,416	\$ 29,934	\$ 8,850,195	\$ 2
Accounts receivable	120		21,259	-
Prepaid items	-	3,536	-	-
Due from other funds	-	-	-	-
TOTAL ASSETS	\$ 3,536	\$ 33,470	\$ 8,871,454	\$ 2
LIABILITIES AND FUND BALANCES				
LIABILITIES:				
Accounts payable	\$ 93	\$ 19,245	\$ 14,801	\$ -
Due to other funds	-	-	-	53,375
Deposits payable	-	-	74,109	-
Deferred revenue	96	-	-	-
TOTAL LIABILITIES	189	19,245	88,910	53,375
FUND BALANCES (DEFICITS):				
Reserved:				
Prepaid items	-	3,536	-	-
Unreserved, reported in:				
Special revenue funds	3,347	10,689	8,782,544	-
Capital projects funds	-	-	-	(53,373)
TOTAL FUND BALANCES (DEFICITS)	3,347	14,225	8,782,544	(53,373)
TOTAL LIABILITIES AND FUND BALANCES	\$ 3,536	\$ 33,470	\$ 8,871,454	\$ 2

See independent auditors' report.

Capital Projects Funds (Continued)

Park Facilities In Lieu	Citywide Public Improvement	Storm Drain	Golf Resort Capital Improvement	Capital Improvement	Art in Public Places	Total Other Governmental Funds
\$ 610	\$ 116	\$ -	\$ -	\$ 1,509,353	\$ 460,638	\$ 16,038,404
-	-	-	-	12,843	-	355,786
-	-	-	-	-	-	3,536
-	-	-	-	19,290	-	19,290
<u>\$ 610</u>	<u>\$ 116</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,541,486</u>	<u>\$ 460,638</u>	<u>\$ 16,417,016</u>
\$ -	\$ -	\$ -	\$ -	\$ 22,366	\$ -	\$ 571,706
46,000	-	-	-	-	-	123,991
-	-	-	-	-	-	74,109
-	-	-	-	-	-	142,544
<u>46,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>22,366</u>	<u>-</u>	<u>912,350</u>
-	-	-	-	-	-	3,536
-	-	-	-	-	-	13,620,019
(45,390)	116	-	-	1,519,120	460,638	1,881,111
<u>(45,390)</u>	<u>116</u>	<u>-</u>	<u>-</u>	<u>1,519,120</u>	<u>460,638</u>	<u>15,504,666</u>
<u>\$ 610</u>	<u>\$ 116</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,541,486</u>	<u>\$ 460,638</u>	<u>\$ 16,417,016</u>

CITY OF INDIAN WELLS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - OTHER GOVERNMENTAL FUNDS

For the year ended June 30, 2007

	Special Revenue Funds			
	Traffic Safety	Public Safety 1/2% Tax	Measure "A" Transportation	Fire Access Maintenance District No. 1
REVENUES:				
Taxes	\$ -	\$ -	\$ 258,807	\$ 184,123
Assessments	-	-	-	1,165,382
Intergovernmental	-	17,787	-	2,590
Fines and forfeitures	73,399	-	-	-
Investment income	22,400	576	10,734	51,542
Development fees	-	-	-	-
Other revenue	-	-	-	-
TOTAL REVENUES	<u>95,799</u>	<u>18,363</u>	<u>269,541</u>	<u>1,403,637</u>
EXPENDITURES:				
Current:				
General government	-	-	-	-
Community development	-	-	-	-
Public safety	-	15,564	-	826,878
Public works	63,651	-	450,000	-
Capital outlay	140,908	-	-	1,047,399
TOTAL EXPENDITURES	<u>204,559</u>	<u>15,564</u>	<u>450,000</u>	<u>1,874,277</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(108,760)</u>	<u>2,799</u>	<u>(180,459)</u>	<u>(470,640)</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Sale of property	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	<u>(108,760)</u>	<u>2,799</u>	<u>(180,459)</u>	<u>(470,640)</u>
FUND BALANCES (DEFICITS) AT BEGINNING OF YEAR	<u>527,594</u>	<u>11,121</u>	<u>396,333</u>	<u>1,444,313</u>
FUND BALANCES (DEFICITS) AT END OF YEAR	<u>\$ 418,834</u>	<u>\$ 13,920</u>	<u>\$ 215,874</u>	<u>\$ 973,673</u>

See independent auditors' report.

Special Revenue Funds (Continued)

South Coast Air Quality Management District Vehicle Registration	Citizens Option for Public Safety Program	Gas Tax	Emergency Services Upgrade	AB 939 Recycling	Solid Waste	Consolidated LLMD
\$ -	\$ -	\$ -	\$ 2,150,104	\$ -	\$ -	\$ -
-	-	-	508,266	128,798	556,203	676,276
5,599	100,000	95,055	-	-	-	-
-	-	-	-	-	-	-
46	1,065	222	85,568	-	26,948	43,620
-	-	-	-	-	-	-
-	4,983	-	223	5,000	-	-
<u>5,645</u>	<u>106,048</u>	<u>95,277</u>	<u>2,744,161</u>	<u>133,798</u>	<u>583,151</u>	<u>719,896</u>
-	-	-	2,659	-	1,290	-
-	-	-	-	-	-	-
-	100,516	-	2,252,688	-	541,650	-
2,520	-	95,650	-	152,595	-	746,499
-	-	-	191,727	-	-	-
<u>2,520</u>	<u>100,516</u>	<u>95,650</u>	<u>2,447,074</u>	<u>152,595</u>	<u>542,940</u>	<u>746,499</u>
<u>3,125</u>	<u>5,532</u>	<u>(373)</u>	<u>297,087</u>	<u>(18,797)</u>	<u>40,211</u>	<u>(26,603)</u>
-	-	-	-	-	-	110,653
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	110,653
<u>3,125</u>	<u>5,532</u>	<u>(373)</u>	<u>297,087</u>	<u>(18,797)</u>	<u>40,211</u>	<u>84,050</u>
<u>(20,870)</u>	<u>6,418</u>	<u>18,174</u>	<u>1,470,758</u>	<u>440,255</u>	<u>72,141</u>	<u>803,427</u>
<u>\$ (17,745)</u>	<u>\$ 11,950</u>	<u>\$ 17,801</u>	<u>\$ 1,767,845</u>	<u>\$ 421,458</u>	<u>\$ 112,352</u>	<u>\$ 887,477</u>

(Continued)

CITY OF INDIAN WELLS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - OTHER GOVERNMENTAL FUNDS
(CONTINUED)

For the year ended June 30, 2007

	Special Revenue Funds (Continued)			Capital Projects Funds
	Street Lighting District 2001-1	Cooperative Marketing	Affordable Housing Operations	Hwy 111 Circulation Improvement
REVENUES:				
Taxes	\$ -	\$ -	\$ -	\$ -
Assessments	1,396	-	-	-
Intergovernmental	-	-	-	-
Fines and forfeitures	-	-	-	-
Investment income	153	12,291	1,803,213	72
Development fees	-	-	-	24,914
Other revenue	-	546,081	3,603	-
TOTAL REVENUES	<u>1,549</u>	<u>558,372</u>	<u>1,806,816</u>	<u>24,986</u>
EXPENDITURES:				
Current:				
General government	-	-	-	-
Community development	-	673,975	2,056,476	-
Public safety	-	-	-	-
Public works	1,192	-	-	-
Capital outlay	-	-	-	-
TOTAL EXPENDITURES	<u>1,192</u>	<u>673,975</u>	<u>2,056,476</u>	<u>-</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>357</u>	<u>(115,603)</u>	<u>(249,660)</u>	<u>24,986</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	7,531,250	-
Transfers out	-	-	-	-
Sale of property	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>7,531,250</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	357	(115,603)	7,281,590	24,986
FUND BALANCES (DEFICITS) AT BEGINNING OF YEAR	<u>2,990</u>	<u>129,828</u>	<u>1,500,954</u>	<u>(78,359)</u>
FUND BALANCES (DEFICITS) AT END OF YEAR	<u>\$ 3,347</u>	<u>\$ 14,225</u>	<u>\$ 8,782,544</u>	<u>\$ (53,373)</u>

See independent auditors' report.

Capital Projects Funds (Continued)

Park Facilities In Lieu	Citywide Public Improvement	Storm Drain	Golf Resort Capital Improvement	Capital Improvement	Art in Public Places	Total Other Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,593,034
-	-	-	-	-	-	3,036,321
-	-	-	-	-	-	221,031
-	-	-	-	-	-	73,399
46	959	106	6,477	82,243	21,161	2,169,442
154,008	286,235	13,496	-	-	104,227	582,880
-	-	-	-	-	-	559,890
<u>154,054</u>	<u>287,194</u>	<u>13,602</u>	<u>6,477</u>	<u>82,243</u>	<u>125,388</u>	<u>9,235,997</u>
-	-	-	-	53,461	-	57,410
-	-	-	-	-	-	2,730,451
-	-	-	-	-	-	3,737,296
-	-	-	-	-	-	1,512,107
210,012	12,633	8,389	1,073,356	233,208	-	2,917,632
<u>210,012</u>	<u>12,633</u>	<u>8,389</u>	<u>1,073,356</u>	<u>286,669</u>	<u>-</u>	<u>10,954,896</u>
<u>(55,958)</u>	<u>274,561</u>	<u>5,213</u>	<u>(1,066,879)</u>	<u>(204,426)</u>	<u>125,388</u>	<u>(1,718,899)</u>
-	-	-	-	-	-	7,641,903
-	(315,630)	-	-	(500,000)	-	(815,630)
-	-	-	-	13,000	-	13,000
<u>-</u>	<u>(315,630)</u>	<u>-</u>	<u>-</u>	<u>(487,000)</u>	<u>-</u>	<u>6,839,273</u>
(55,958)	(41,069)	5,213	(1,066,879)	(691,426)	125,388	5,120,374
<u>10,568</u>	<u>41,185</u>	<u>(5,213)</u>	<u>1,066,879</u>	<u>2,210,546</u>	<u>335,250</u>	<u>10,384,292</u>
<u>\$ (45,390)</u>	<u>\$ 116</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,519,120</u>	<u>\$ 460,638</u>	<u>\$ 15,504,666</u>

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OTHER SPECIAL REVENUE FUNDS

The following Special Revenue Funds have been classified as other governmental funds in the accompanying balance sheet:

Traffic Safety - This fund is used to account for the revenue from traffic fines and forfeitures and used to pay the costs of issuing tickets.

Public Safety ½% Tax - This fund is used to account for the half-cent sales tax collected by the State of California and allocated to the City for Public safety.

Measure "A" Transportation - This fund is used to account for the City's share of the sales tax increase authorized by Riverside County's Measure "A". The monies are legally restricted for the acquisition, construction and improvement of public streets.

Fire Access Maintenance District No. 1 - This fund is used to account for the accumulation of special assessments, ad valorem taxes and other revenues accruing to the benefit and for expenses of the special district referred to as the Fire Access Maintenance District No. 1.

South Coast Air Quality Management District Vehicle Registration - This fund is used to account for the City's share of vehicle registration fees that the State of California has allocated to address air quality concerns in Southern California. These monies are to be used in air quality maintenance programs locally and/or regionally.

Citizens Option for Public Safety Program - Police Funding (COPS) - This fund is used for front line municipal police services including anti-gang and community crime prevention programs.

Gas Tax - This fund is used to account for the City's share of motor vehicle gas tax imposed under the provisions of the Street and Highway Code of the State of California under Sections 2105, 2106, 2107 and 2107.5 which are legally restricted for the acquisition, construction, improvement and maintenance of public streets.

Emergency Services Upgrade - This fund is used to accumulate the resources accruing from a special fire tax levied to provide for enhancement levels of fire protection, suppression and emergency paramedic services.

AB 939 Recycling - This fund is used to account for the revenues and expenditures incurred in recycling.

Solid Waste - This fund is used to account for city-wide assessment revenues and related expenditures incurred in providing residential garbage and refuse collection services for home owners within the City.

Consolidated LLMD - This fund is used to account for the revenues and expenditures incurred in providing lighting and landscaping maintenance services to the various benefiting assessment districts within the City.

Street Lighting District 2001-1 - This fund is used to account for the revenues and expenditures incurred in providing lighting maintenance services within the City.

Cooperative Marking - This fund is used to account for the revenues and expenditures incurred in advertising and promoting the City and its attributes.

Affordable Housing Operations - This fund is used to account for revenues and expenditures associated with the retention and development of affordable housing units.

CITY OF INDIAN WELLS

BUDGETARY COMPARISON SCHEDULE

TRAFFIC SAFETY SPECIAL REVENUE FUND

For the year ended June 30, 2007

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Fines and forfeitures	\$ 62,500	\$ 91,000	\$ 73,399	\$ (17,601)
Investment income	12,540	16,040	22,400	6,360
TOTAL REVENUES	<u>75,040</u>	<u>107,040</u>	<u>95,799</u>	<u>(11,241)</u>
EXPENDITURES:				
Current:				
Public works	103,548	116,201	63,651	52,550
Capital outlay	-	140,909	140,908	1
TOTAL EXPENDITURES	<u>103,548</u>	<u>257,110</u>	<u>204,559</u>	<u>52,551</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(28,508)	(150,070)	(108,760)	41,310
FUND BALANCE AT BEGINNING OF YEAR	<u>527,594</u>	<u>527,594</u>	<u>527,594</u>	<u>-</u>
FUND BALANCE AT END OF YEAR	<u>\$ 499,086</u>	<u>\$ 377,524</u>	<u>\$ 418,834</u>	<u>\$ 41,310</u>

See independent auditors' report.

CITY OF INDIAN WELLS

BUDGETARY COMPARISON SCHEDULE

PUBLIC SAFETY 1/2% TAX SPECIAL REVENUE FUND

For the year ended June 30, 2007

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Intergovernmental	\$ 12,750	\$ 16,370	\$ 17,787	\$ 1,417
Investment income	125	125	576	451
TOTAL REVENUES	<u>12,875</u>	<u>16,495</u>	<u>18,363</u>	<u>1,868</u>
EXPENDITURES:				
Current:				
Public safety	<u>15,564</u>	<u>15,564</u>	<u>15,564</u>	<u>-</u>
TOTAL EXPENDITURES	<u>15,564</u>	<u>15,564</u>	<u>15,564</u>	<u>-</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(2,689)	931	2,799	1,868
FUND BALANCE AT BEGINNING OF YEAR	<u>11,121</u>	<u>11,121</u>	<u>11,121</u>	<u>-</u>
FUND BALANCE AT END OF YEAR	<u>\$ 8,432</u>	<u>\$ 12,052</u>	<u>\$ 13,920</u>	<u>\$ 1,868</u>

See independent auditors' report.

CITY OF INDIAN WELLS

BUDGETARY COMPARISON SCHEDULE

MEASURE "A" TRANSPORTATION SPECIAL REVENUE FUND

For the year ended June 30, 2007

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Taxes	\$ 210,000	\$ 250,000	\$ 258,807	\$ 8,807
Investment income	12,540	12,540	10,734	(1,806)
TOTAL REVENUES	<u>222,540</u>	<u>262,540</u>	<u>269,541</u>	<u>7,001</u>
EXPENDITURES:				
Current:				
Public works	<u>450,000</u>	<u>450,000</u>	<u>450,000</u>	<u>-</u>
TOTAL EXPENDITURES	<u>450,000</u>	<u>450,000</u>	<u>450,000</u>	<u>-</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(227,460)	(187,460)	(180,459)	7,001
FUND BALANCE AT BEGINNING OF YEAR	<u>396,333</u>	<u>396,333</u>	<u>396,333</u>	<u>-</u>
FUND BALANCE AT END OF YEAR	<u>\$ 168,873</u>	<u>\$ 208,873</u>	<u>\$ 215,874</u>	<u>\$ 7,001</u>

See independent auditors' report.

CITY OF INDIAN WELLS

BUDGETARY COMPARISON SCHEDULE

FIRE ACCESS MAINTENANCE DISTRICT NO. 1 SPECIAL REVENUE FUND

For the year ended June 30, 2007

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Taxes	\$ 205,000	\$ 205,000	\$ 184,123	\$ (20,877)
Assessments	1,195,000	1,195,000	1,165,382	(29,618)
Intergovernmental	2,780	2,780	2,590	(190)
Investment income	36,653	36,653	51,542	14,889
TOTAL REVENUES	<u>1,439,433</u>	<u>1,439,433</u>	<u>1,403,637</u>	<u>(35,796)</u>
EXPENDITURES:				
Current:				
Public safety	843,692	903,641	826,878	76,763
Capital outlay	430,000	1,225,448	1,047,399	178,049
TOTAL EXPENDITURES	<u>1,273,692</u>	<u>2,129,089</u>	<u>1,874,277</u>	<u>254,812</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	165,741	(689,656)	(470,640)	219,016
FUND BALANCE AT BEGINNING OF YEAR	<u>1,444,313</u>	<u>1,444,313</u>	<u>1,444,313</u>	<u>-</u>
FUND BALANCE AT END OF YEAR	<u>\$ 1,610,054</u>	<u>\$ 754,657</u>	<u>\$ 973,673</u>	<u>\$ 219,016</u>

See independent auditors' report.

CITY OF INDIAN WELLS

BUDGETARY COMPARISON SCHEDULE

SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
VEHICLE REGISTRATION SPECIAL REVENUE FUND

For the year ended June 30, 2007

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Intergovernmental	\$ 5,125	\$ 5,125	\$ 5,599	\$ 474
Investment income	85	85	46	(39)
TOTAL REVENUES	<u>5,210</u>	<u>5,210</u>	<u>5,645</u>	<u>435</u>
EXPENDITURES:				
Current:				
Public works	<u>2,500</u>	<u>2,500</u>	<u>2,520</u>	<u>(20)</u>
TOTAL EXPENDITURES	<u>2,500</u>	<u>2,500</u>	<u>2,520</u>	<u>(20)</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	2,710	2,710	3,125	415
FUND BALANCE (DEFICIT) AT BEGINNING OF YEAR	<u>(20,870)</u>	<u>(20,870)</u>	<u>(20,870)</u>	<u>-</u>
FUND BALANCE (DEFICIT) AT END OF YEAR	<u>\$ (18,160)</u>	<u>\$ (18,160)</u>	<u>\$ (17,745)</u>	<u>\$ 415</u>

See independent auditors' report.

CITY OF INDIAN WELLS

BUDGETARY COMPARISON SCHEDULE

CITIZENS OPTION FOR PUBLIC SAFETY PROGRAM - POLICE FUNDING
SPECIAL REVENUE FUND

For the year ended June 30, 2007

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Intergovernmental	\$ 100,000	\$ 100,000	\$ 100,000	\$ -
Investment income	1,780	1,780	1,065	(715)
Other revenue	3,000	3,000	4,983	1,983
TOTAL REVENUES	<u>104,780</u>	<u>104,780</u>	<u>106,048</u>	<u>1,268</u>
EXPENDITURES:				
Current:				
Public safety	<u>105,000</u>	<u>105,000</u>	<u>100,516</u>	<u>4,484</u>
TOTAL EXPENDITURES	<u>105,000</u>	<u>105,000</u>	<u>100,516</u>	<u>4,484</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(220)	(220)	5,532	5,752
FUND BALANCE AT BEGINNING OF YEAR	<u>6,418</u>	<u>6,418</u>	<u>6,418</u>	<u>-</u>
FUND BALANCE AT END OF YEAR	<u>\$ 6,198</u>	<u>\$ 6,198</u>	<u>\$ 11,950</u>	<u>\$ 5,752</u>

See independent auditors' report.

CITY OF INDIAN WELLS

BUDGETARY COMPARISON SCHEDULE

GAS TAX SPECIAL REVENUE FUND

For the year ended June 30, 2007

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Intergovernmental	\$ 92,980	\$ 92,980	\$ 95,055	\$ 2,075
Investment income	758	758	222	(536)
TOTAL REVENUES	<u>93,738</u>	<u>93,738</u>	<u>95,277</u>	<u>1,539</u>
EXPENDITURES:				
Current:				
Public works	<u>95,650</u>	<u>95,650</u>	<u>95,650</u>	<u>-</u>
TOTAL EXPENDITURES	<u>95,650</u>	<u>95,650</u>	<u>95,650</u>	<u>-</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(1,912)	(1,912)	(373)	1,539
FUND BALANCE AT BEGINNING OF YEAR	<u>18,174</u>	<u>18,174</u>	<u>18,174</u>	<u>-</u>
FUND BALANCE AT END OF YEAR	<u>\$ 16,262</u>	<u>\$ 16,262</u>	<u>\$ 17,801</u>	<u>\$ 1,539</u>

See independent auditors' report.

CITY OF INDIAN WELLS

BUDGETARY COMPARISON SCHEDULE

EMERGENCY SERVICES UPGRADE SPECIAL REVENUE FUND

For the year ended June 30, 2007

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Taxes	\$ 1,987,000	\$ 2,160,000	\$ 2,150,104	\$ (9,896)
Assessments	535,000	524,000	508,266	(15,734)
Investment income	35,000	46,000	85,568	39,568
Other revenue	1,500	1,500	223	(1,277)
TOTAL REVENUES	2,558,500	2,731,500	2,744,161	12,661
EXPENDITURES:				
Current:				
General government	2,730	2,730	2,659	71
Public safety	2,831,670	2,817,358	2,252,688	564,670
Capital outlay	140,000	191,812	191,727	85
TOTAL EXPENDITURES	2,974,400	3,011,900	2,447,074	564,826
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(415,900)	(280,400)	297,087	577,487
FUND BALANCE AT BEGINNING OF YEAR	1,470,758	1,470,758	1,470,758	-
FUND BALANCE AT END OF YEAR	<u>\$ 1,054,858</u>	<u>\$ 1,190,358</u>	<u>\$ 1,767,845</u>	<u>\$ 577,487</u>

See independent auditors' report.

CITY OF INDIAN WELLS

BUDGETARY COMPARISON SCHEDULE

AB 939 RECYCLING SPECIAL REVENUE FUND

For the year ended June 30, 2007

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Assessments	\$ 105,000	\$ 129,531	\$ 128,798	\$ (733)
Other revenue	5,000	5,000	5,000	-
TOTAL REVENUES	<u>110,000</u>	<u>134,531</u>	<u>133,798</u>	<u>(733)</u>
EXPENDITURES:				
Current:				
Public works	<u>170,226</u>	<u>185,226</u>	<u>152,595</u>	<u>32,631</u>
TOTAL EXPENDITURES	<u>170,226</u>	<u>185,226</u>	<u>152,595</u>	<u>32,631</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(60,226)	(50,695)	(18,797)	31,898
FUND BALANCE AT BEGINNING OF YEAR	<u>440,255</u>	<u>440,255</u>	<u>440,255</u>	-
FUND BALANCE AT END OF YEAR	<u>\$ 380,029</u>	<u>\$ 389,560</u>	<u>\$ 421,458</u>	<u>\$ 31,898</u>

See independent auditors' report.

CITY OF INDIAN WELLS

BUDGETARY COMPARISON SCHEDULE

SOLID WASTE SPECIAL REVENUE FUND

For the year ended June 30, 2007

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Assessments	\$ 510,000	\$ 575,000	\$ 556,203	\$ (18,797)
Investment income	17,770	17,770	26,948	9,178
TOTAL REVENUES	<u>527,770</u>	<u>592,770</u>	<u>583,151</u>	<u>(9,619)</u>
EXPENDITURES:				
Current:				
General government	1,900	1,900	1,290	610
Public safety	500,000	575,000	541,650	33,350
TOTAL EXPENDITURES	<u>501,900</u>	<u>576,900</u>	<u>542,940</u>	<u>33,960</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	25,870	15,870	40,211	24,341
FUND BALANCE AT BEGINNING OF YEAR	<u>72,141</u>	<u>72,141</u>	<u>72,141</u>	<u>-</u>
FUND BALANCE AT END OF YEAR	<u>\$ 98,011</u>	<u>\$ 88,011</u>	<u>\$ 112,352</u>	<u>\$ 24,341</u>

See independent auditors' report.

CITY OF INDIAN WELLS

BUDGETARY COMPARISON SCHEDULE

CONSOLIDATED LLMD SPECIAL REVENUE FUND

For the year ended June 30, 2007

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
				Positive (Negative)
REVENUES:				
Assessments	\$ 626,042	\$ 691,664	\$ 676,276	\$ (15,388)
Investment income	12,886	21,786	43,620	21,834
TOTAL REVENUES	<u>638,928</u>	<u>713,450</u>	<u>719,896</u>	<u>6,446</u>
EXPENDITURES:				
Current:				
Public works	<u>802,326</u>	<u>822,481</u>	<u>746,499</u>	<u>75,982</u>
TOTAL EXPENDITURES	<u>802,326</u>	<u>822,481</u>	<u>746,499</u>	<u>75,982</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(163,398)</u>	<u>(109,031)</u>	<u>(26,603)</u>	<u>82,428</u>
OTHER FINANCING SOURCES:				
Transfers in	<u>110,713</u>	<u>110,653</u>	<u>110,653</u>	<u>-</u>
TOTAL OTHER FINANCING SOURCES	<u>110,713</u>	<u>110,653</u>	<u>110,653</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	(52,685)	1,622	84,050	82,428
FUND BALANCE AT BEGINNING OF YEAR	<u>803,427</u>	<u>803,427</u>	<u>803,427</u>	<u>-</u>
FUND BALANCE AT END OF YEAR	<u>\$ 750,742</u>	<u>\$ 805,049</u>	<u>\$ 887,477</u>	<u>\$ 82,428</u>

See independent auditors' report.

CITY OF INDIAN WELLS

BUDGETARY COMPARISON SCHEDULE

STREET LIGHTING DISTRICT 2001-1 SPECIAL REVENUE FUND

For the year ended June 30, 2007

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Assessments	\$ 1,480	\$ 1,480	\$ 1,396	\$ (84)
Investment income	53	53	153	100
TOTAL REVENUES	<u>1,533</u>	<u>1,533</u>	<u>1,549</u>	<u>16</u>
EXPENDITURES:				
Current:				
Public works	<u>1,730</u>	<u>1,730</u>	<u>1,192</u>	<u>538</u>
TOTAL EXPENDITURES	<u>1,730</u>	<u>1,730</u>	<u>1,192</u>	<u>538</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(197)	(197)	357	554
FUND BALANCE AT BEGINNING OF YEAR	<u>2,990</u>	<u>2,990</u>	<u>2,990</u>	<u>-</u>
FUND BALANCE AT END OF YEAR	<u>\$ 2,793</u>	<u>\$ 2,793</u>	<u>\$ 3,347</u>	<u>\$ 554</u>

See independent auditors' report.

CITY OF INDIAN WELLS

BUDGETARY COMPARISON SCHEDULE

COOPERATIVE MARKETING SPECIAL REVENUE FUND

For the year ended June 30, 2007

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Investment income	\$ 6,270	\$ 13,750	\$ 12,291	\$ (1,459)
Other revenue	546,061	546,081	546,081	-
TOTAL REVENUES	<u>552,331</u>	<u>559,831</u>	<u>558,372</u>	<u>(1,459)</u>
EXPENDITURES:				
Current:				
Community development	<u>675,450</u>	<u>675,450</u>	<u>673,975</u>	<u>1,475</u>
TOTAL EXPENDITURES	<u>675,450</u>	<u>675,450</u>	<u>673,975</u>	<u>1,475</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(123,119)	(115,619)	(115,603)	16
FUND BALANCE AT BEGINNING OF YEAR	<u>129,828</u>	<u>129,828</u>	<u>129,828</u>	<u>-</u>
FUND BALANCE AT END OF YEAR	<u>\$ 6,709</u>	<u>\$ 14,209</u>	<u>\$ 14,225</u>	<u>\$ 16</u>

See independent auditors' report.

CITY OF INDIAN WELLS

BUDGETARY COMPARISON SCHEDULE

AFFORDABLE HOUSING OPERATIONS SPECIAL REVENUE FUND

For the year ended June 30, 2007

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Investment income	\$ 1,418,885	\$ 1,689,691	\$ 1,803,213	\$ 113,522
Other revenue	59,200	58,000	3,603	(54,397)
TOTAL REVENUES	1,478,085	1,747,691	1,806,816	59,125
EXPENDITURES:				
Current:				
Community development	1,124,473	2,105,725	2,056,476	49,249
TOTAL EXPENDITURES	1,124,473	2,105,725	2,056,476	49,249
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	353,612	(358,034)	(249,660)	108,374
OTHER FINANCING SOURCES:				
Transfers in	-	7,531,250	7,531,250	-
TOTAL OTHER FINANCING SOURCES	-	7,531,250	7,531,250	-
NET CHANGE IN FUND BALANCE	353,612	7,173,216	7,281,590	108,374
FUND BALANCE AT BEGINNING OF YEAR	1,500,954	1,500,954	1,500,954	-
FUND BALANCE AT END OF YEAR	\$ 1,854,566	\$ 8,674,170	\$ 8,782,544	\$ 108,374

See independent auditors' report.

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DEBT SERVICE FUND

The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, principal and interest on specific long-term obligations of the City and the Redevelopment Agency. The following has been classified as a major fund in the accompanying financial statements.

RDA Whitewater Debt Service - The RDA Whitewater Debt Service Fund accounts for the receipt of the tax increment collected from the Riverside County Tax Roll generated by the Whitewater Project to ensure payments for principal and interest on the Redevelopment Agency Tax Allocation Bonds. In addition, the RDA Whitewater Debt Service Fund pays the pass-through expenditures. Any remaining increment is then transferred to the RDA Whitewater Capital Improvement Fund for projects within the redevelopment area.

CITY OF INDIAN WELLS

BUDGETARY COMPARISON SCHEDULE

RDA WHITEWATER DEBT SERVICE FUND

For the year ended June 30, 2007

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Taxes	\$ 34,815,775	\$ 34,650,775	\$ 34,634,117	\$ (16,658)
Investment income	320,000	885,000	1,166,441	281,441
Other revenue	139,050	139,050	108,876	(30,174)
TOTAL REVENUES	35,274,825	35,674,825	35,909,434	234,609
EXPENDITURES:				
Current:				
Pass-throughs	20,072,490	20,072,490	19,874,202	198,288
Debt service:				
Principal retirement	1,595,000	1,595,000	1,595,000	-
Interest and fiscal charges	4,701,638	6,047,418	5,148,263	899,155
Bond issuance costs	-	1,542,091	1,540,154	1,937
TOTAL EXPENDITURES	26,369,128	29,256,999	28,157,619	1,099,380
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	8,905,697	6,417,826	7,751,815	1,333,989
OTHER FINANCING SOURCES (USES):				
Transfers out	(26,173,108)	(36,872,808)	(32,265,376)	4,607,432
Refunding bonds issued	-	67,805,000	67,805,000	-
Bond premium	-	57,498	57,498	-
Payments to refunded bond escrow agent	-	(25,054,069)	(25,054,069)	-
TOTAL OTHER FINANCING SOURCES (USES)	(26,173,108)	5,935,621	10,543,053	4,607,432
NET CHANGE IN FUND BALANCE	(17,267,411)	12,353,447	18,294,868	5,941,421
FUND BALANCE (DEFICIT) AT BEGINNING OF YEAR	(17,736,492)	(17,736,492)	(17,736,492)	-
FUND BALANCE AT END OF YEAR	\$ (35,003,903)	\$ (5,383,045)	\$ 558,376	\$ 5,941,421

See independent auditors' report.

CAPITAL PROJECTS FUNDS

The following Capital Projects Fund has been classified as a major fund in the accompanying financial statements:

RDA Whitewater Capital Improvement - This fund was established to account for the construction of certain capital projects necessary to implement the goals and policies of the Redevelopment Plan for the project areas. These projects are being financed on a pay-as-you-go basis through tax increment allocated to the Redevelopment Agency.

The following Capital Projects Funds have been classified as other governmental funds in the accompanying financial statements:

Hwy 111 Circulation Improvement - This fund accounts for fees collected from projects, which will create adverse impacts on the existing public facilities. It will finance future projects to mitigate the traffic impact.

Park Facilities in Lieu - This fund is used to account for the accumulation of resources from Quimby Act Park Fee exactions, which are to be used for the acquisition and construction of parks, recreation and open space capital projects.

Citywide Public Improvement - This fund is used to account for the accumulation of resources from the citywide public improvement fee for the acquisition and construction of general governmental capital projects.

Storm Drain - This fund was established to account for the construction of storm drain infrastructure. These projects were financed through City contributions and developer exactions.

Golf Resort Capital Improvement - This fund was established to account for the construction of capital facilities related to the Golf Resort at Indian Wells. These projects are being financed through operating transfers from the City.

Capital Improvement - This fund is used to account for the transfer of monies from the General Fund for the acquisition and construction of general governmental capital projects.

Art in Public Places - This fund is used to account for fees collected through the building permit process to support art in public places within the community. The program supports art and culture throughout the City of Indian Wells.

CITY OF INDIAN WELLS

BUDGETARY COMPARISON SCHEDULE

RDA WHITEWATER CAPITAL IMPROVEMENT CAPITAL PROJECTS FUND

For the year ended June 30, 2007

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
				Positive (Negative)
REVENUES:				
Intergovernmental	\$ -	\$ 2,404,184	\$ 1,434,242	\$ (969,942)
Investment income	355,650	355,650	362,806	7,156
Other revenue	-	-	10,419	10,419
TOTAL REVENUES	355,650	2,759,834	1,807,467	(952,367)
EXPENDITURES:				
Current:				
General government	1,977,176	1,946,849	1,954,557	(7,708)
Community development	330,634	230,603	231,423	(820)
Capital outlay	29,900,280	50,327,998	30,297,624	20,030,374
Debt service:				
Interest and fiscal charges	12,000	12,000	9,413	2,587
TOTAL EXPENDITURES	32,220,090	52,517,450	32,493,017	20,024,433
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(31,864,440)	(49,757,616)	(30,685,550)	19,072,066
OTHER FINANCING SOURCES (USES):				
Transfers in	19,547,363	30,114,278	25,654,183	(4,460,095)
Transfers out	(961,983)	(961,983)	(961,983)	-
Sale of property	4,603,924	4,603,924	362,848	(4,241,076)
TOTAL OTHER FINANCING SOURCES (USES)	23,189,304	33,756,219	25,055,048	(8,701,171)
NET CHANGE IN FUND BALANCE	(8,675,136)	(16,001,397)	(5,630,502)	10,370,895
FUND BALANCE AT BEGINNING OF YEAR	24,594,847	24,594,847	24,594,847	-
FUND BALANCE AT END OF YEAR	\$ 15,919,711	\$ 8,593,450	\$ 18,964,345	\$ 10,370,895

See independent auditors' report.

CITY OF INDIAN WELLS

BUDGETARY COMPARISON SCHEDULE

HWY 111 CIRCULATION IMPROVEMENT CAPITAL PROJECTS FUND

For the year ended June 30, 2007

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Investment income	\$ 500	\$ 500	\$ 72	\$ (428)
Development fees	31,000	31,000	24,914	(6,086)
TOTAL REVENUES	31,500	31,500	24,986	(6,514)
FUND BALANCE (DEFICIT) AT BEGINNING OF YEAR	(78,359)	(78,359)	(78,359)	-
FUND BALANCE (DEFICIT) AT END OF YEAR	<u>\$ (46,859)</u>	<u>\$ (46,859)</u>	<u>\$ (53,373)</u>	<u>\$ (6,514)</u>

See independent auditors' report.

CITY OF INDIAN WELLS

BUDGETARY COMPARISON SCHEDULE

PARK FACILITIES IN LIEU CAPITAL PROJECTS FUND

For the year ended June 30, 2007

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Investment income	\$ 1,500	\$ 300	\$ 46	\$ (254)
Development fees	150,000	150,000	154,008	4,008
TOTAL REVENUES	<u>151,500</u>	<u>150,300</u>	<u>154,054</u>	<u>3,754</u>
EXPENDITURES:				
Capital outlay	<u>210,012</u>	<u>210,012</u>	<u>210,012</u>	<u>-</u>
TOTAL EXPENDITURES	<u>210,012</u>	<u>210,012</u>	<u>210,012</u>	<u>-</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(58,512)	(59,712)	(55,958)	3,754
FUND BALANCE AT BEGINNING OF YEAR	<u>10,568</u>	<u>10,568</u>	<u>10,568</u>	<u>-</u>
FUND BALANCE (DEFICIT) AT END OF YEAR	<u>\$ (47,944)</u>	<u>\$ (49,144)</u>	<u>\$ (45,390)</u>	<u>\$ 3,754</u>

See independent auditors' report.

CITY OF INDIAN WELLS

BUDGETARY COMPARISON SCHEDULE

CITYWIDE PUBLIC IMPROVEMENT CAPITAL PROJECTS FUND

For the year ended June 30, 2007

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Investment income	\$ 50	\$ 550	\$ 959	\$ 409
Development fees	300,000	300,000	286,235	(13,765)
TOTAL REVENUES	300,050	300,550	287,194	(13,356)
EXPENDITURES:				
Capital outlay	40,000	40,000	12,633	27,367
TOTAL EXPENDITURES	40,000	40,000	12,633	27,367
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	260,050	260,550	274,561	14,011
OTHER FINANCING USES:				
Transfers out	(337,710)	(337,710)	(315,630)	22,080
TOTAL OTHER FINANCING USES	(337,710)	(337,710)	(315,630)	22,080
NET CHANGE IN FUND BALANCE	(77,660)	(77,160)	(41,069)	36,091
FUND BALANCE AT BEGINNING OF YEAR	41,185	41,185	41,185	-
FUND BALANCE AT END OF YEAR	\$ (36,475)	\$ (35,975)	\$ 116	\$ 36,091

See independent auditors' report.

CITY OF INDIAN WELLS

BUDGETARY COMPARISON SCHEDULE

STORM DRAIN CAPITAL PROJECTS FUND

For the year ended June 30, 2007

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Investment income	\$ 350	\$ 350	\$ 106	\$ (244)
Development fees	6,000	14,000	13,496	(504)
TOTAL REVENUES	6,350	14,350	13,602	(748)
EXPENDITURES:				
Capital outlay	-	8,390	8,389	1
TOTAL EXPENDITURES	-	8,390	8,389	1
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	6,350	5,960	5,213	(747)
FUND BALANCE (DEFICIT) AT BEGINNING OF YEAR	(5,213)	(5,213)	(5,213)	-
FUND BALANCE AT END OF YEAR	\$ 1,137	\$ 747	\$ -	\$ (747)

See independent auditors' report.

CITY OF INDIAN WELLS

BUDGETARY COMPARISON SCHEDULE

GOLF RESORT CAPITAL IMPROVEMENT CAPITAL PROJECTS FUND

For the year ended June 30, 2007

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Investment income	\$ 30,000	\$ 6,477	\$ 6,477	\$ -
TOTAL REVENUES	30,000	6,477	6,477	-
EXPENDITURES:				
Capital outlay	1,090,000	1,073,356	1,073,356	-
TOTAL EXPENDITURES	1,090,000	1,073,356	1,073,356	-
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(1,060,000)	(1,066,879)	(1,066,879)	-
FUND BALANCE AT BEGINNING OF YEAR	1,066,879	1,066,879	1,066,879	-
FUND BALANCE AT END OF YEAR	\$ 6,879	\$ -	\$ -	\$ -

See independent auditors' report.

CITY OF INDIAN WELLS

BUDGETARY COMPARISON SCHEDULE

CAPITAL IMPROVEMENT CAPITAL PROJECTS FUND

For the year ended June 30, 2007

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Investment income	\$ 62,700	\$ 64,700	\$ 82,243	\$ 17,543
EXPENDITURES:				
Current:				
General government	45,000	55,000	53,461	1,539
Capital outlay	575,000	575,000	233,208	341,792
TOTAL EXPENDITURES	620,000	630,000	286,669	343,331
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(557,300)	(565,300)	(204,426)	360,874
OTHER FINANCING SOURCES (USES):				
Transfers in	2,710	-	-	-
Transfers out	-	(500,000)	(500,000)	-
Sale of property	-	13,000	13,000	-
TOTAL OTHER FINANCING SOURCES (USES)	2,710	(487,000)	(487,000)	-
NET CHANGE IN FUND BALANCE	(554,590)	(1,052,300)	(691,426)	360,874
FUND BALANCE AT BEGINNING OF YEAR	2,210,546	2,210,546	2,210,546	-
FUND BALANCE AT END OF YEAR	\$ 1,655,956	\$ 1,158,246	\$ 1,519,120	\$ 360,874

See independent auditors' report.

CITY OF INDIAN WELLS

BUDGETARY COMPARISON SCHEDULE

ART IN PUBLIC PLACES CAPITAL PROJECTS FUND

For the year ended June 30, 2007

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Investment income	\$ 3,501	\$ 14,501	\$ 21,161	\$ 6,660
Development fees	75,000	110,000	104,227	(5,773)
TOTAL REVENUES	<u>78,501</u>	<u>124,501</u>	<u>125,388</u>	<u>887</u>
EXPENDITURES:				
Capital outlay	<u>600,000</u>	<u>600,000</u>	<u>-</u>	<u>600,000</u>
TOTAL EXPENDITURES	<u>600,000</u>	<u>600,000</u>	<u>-</u>	<u>600,000</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(521,499)	(475,499)	125,388	600,887
FUND BALANCE AT BEGINNING OF YEAR	<u>335,250</u>	<u>335,250</u>	<u>335,250</u>	<u>-</u>
FUND BALANCE AT END OF YEAR	<u>\$ (186,249)</u>	<u>\$ (140,249)</u>	<u>\$ 460,638</u>	<u>\$ 600,887</u>

See independent auditors' report.

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AGENCY FUND

Agency Funds are used to account for assets held by the City as an agent for individuals, private organizations, other government and/or other funds. Agency Funds operate as a clearing mechanism. Cash resources are collected, held for a brief period and then distributed to the proper recipients. The City has a fiduciary responsibility for the assets, which it does not own outright.

Special Deposits Fund - This fund is used to account for deposits placed with the City by developers and other individuals and groups to obtain future services. When the cost of the service has been determined, the deposit account is reduced and the funds are recognized as revenue in the appropriate governmental fund. Any excess funds in a deposit account are returned to the depositor.

CITY OF INDIAN WELLS

STATEMENT OF CHANGES IN
FIDUCIARY ASSETS AND LIABILITIES

For the year ended June 30, 2007

	<u>Balance</u> <u>July 1, 2006</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2007</u>
SPECIAL DEPOSITS FUND				
ASSETS:				
Cash and investments	<u>\$ 1,103,761</u>	<u>\$ 2,045,446</u>	<u>\$ 1,865,355</u>	<u>\$ 1,283,852</u>
LIABILITIES:				
Accounts payable	\$ 29,073	\$ 4,493,506	\$ 4,504,427	\$ 18,152
Deposits payable	<u>1,074,688</u>	<u>2,126,620</u>	<u>1,935,608</u>	<u>1,265,700</u>
TOTAL LIABILITIES	<u>\$ 1,103,761</u>	<u>\$ 6,620,126</u>	<u>\$ 6,440,035</u>	<u>\$ 1,283,852</u>

See independent auditors' report.

DESCRIPTION OF STATISTICAL SECTION CONTENTS

June 30, 2007

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

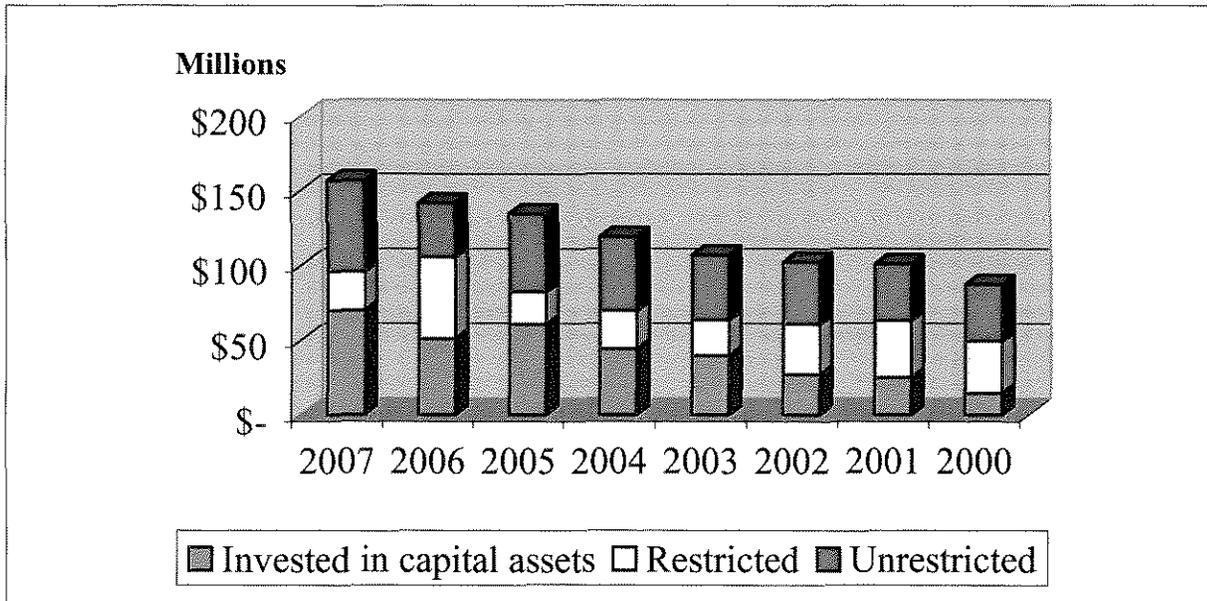
Contents:	<u>Pages</u>
<u>Financial Trends</u> these schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	142 - 150
<u>Revenue Capacity</u> these schedules contain information to help the reader assess the City's most significant local revenue source, the property tax.	151 - 154
<u>Debt Capacity</u> these schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.	155 - 158
<u>Demographic and Economic Information</u> these schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.	159 - 160
<u>Operating Information</u> these schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.	161 - 165

CITY OF INDIAN WELLS

Net Assets by Component

Last Eight Fiscal Years
(accrual basis of accounting)

	Fiscal Year		
	2007	2006	2005
Governmental activities:			
Invested in capital assets, net of related debt	\$ 69,590,685	\$ 50,749,510	\$ 60,447,659
Restricted for:			
Community development	21,060,513	49,567,249	10,483,905
Public safety	2,993,323	2,932,610	1,895,904
Public works	1,877,244	2,094,899	3,765,506
Debt service	-	-	5,553,793
Unrestricted	61,082,224	36,303,201	52,240,076
Total governmental activities net assets	\$ 156,603,989	\$ 141,647,469	\$ 134,386,843



The City of Indian Wells implemented GASB 34 for the fiscal year ended June 30, 2000. Information prior to the implementation of GASB 34 is not available.

Source: City of Indian Wells, Finance Department

Fiscal Year				
2004	2003	2002	2001	2000
\$ 44,033,129	\$ 39,495,887	\$ 27,071,086	\$ 24,844,138	\$ 14,540,232
12,430,215	10,996,014	22,228,581	24,171,926	24,226,464
2,165,299	2,107,802	2,051,350	2,131,199	1,736,284
3,991,647	3,183,822	3,228,288	2,825,982	2,605,797
6,837,944	7,509,228	5,850,327	8,873,442	6,215,738
<u>49,387,174</u>	<u>43,500,468</u>	<u>41,759,341</u>	<u>37,984,919</u>	<u>37,816,985</u>
<u>\$ 118,845,408</u>	<u>\$ 106,793,221</u>	<u>\$ 102,188,973</u>	<u>\$ 100,831,606</u>	<u>\$ 87,141,500</u>

CITY OF INDIAN WELLS

Changes in Net Assets

Last Eight Fiscal Years

(accrual basis of accounting)

	Fiscal Year		
	2007	2006	2005
Program revenues:			
Governmental activities:			
Charges for services:			
General government	\$ 2,235	\$ 5,069	\$ 1,037
Community development	1,934,844	1,772,860	1,570,382
Public safety	2,470,623	2,527,477	2,056,493
Public works	1,463,364	1,359,833	1,381,225
Golf resort	4,817,513	5,234,850	7,138,609
Operating grants and contributions:			
General government	77,946	41,205	14,691
Community development	314,980	338,311	364,975
Public safety	2,259,723	2,212,899	1,832,677
Public works	926,673	354,123	309,305
Capital grants and contributions:			
Community development	1,434,242		
Public works	582,880	3,508,743	11,002,296
Total program revenue	<u>16,285,023</u>	<u>17,355,370</u>	<u>25,671,690</u>
Expenditures:			
Governmental activities:			
General government	7,763,532	7,082,129	6,476,847
Community development	24,966,021	28,957,231	20,563,959
Public safety	6,146,364	5,903,241	6,279,925
Public works	3,862,991	3,367,663	3,288,793
Golf resort	5,406,302	7,491,500	8,008,708
Interest on long-term debt	6,009,532	4,706,168	4,951,228
Total expenses	<u>54,154,742</u>	<u>57,507,932</u>	<u>49,569,460</u>
Net revenue (expense)	<u>(37,869,719)</u>	<u>(40,152,562)</u>	<u>(23,897,770)</u>
General revenues:			
Taxes:			
Property taxes	37,333,702	35,791,172	29,371,922
Transient occupancy taxes	5,940,739	5,352,889	4,656,403
Sales taxes	1,202,051	1,057,899	897,119
Franchise taxes	894,378	726,333	641,951
Other taxes	1,112,636	1,024,505	820,887
Investment income	5,554,158	3,217,562	2,894,907
Gain on sale of asset	350,454	-	-
Other	438,121	242,828	156,016
Total general revenues	<u>52,826,239</u>	<u>47,413,188</u>	<u>39,439,205</u>
Change in net assets	<u>\$ 14,956,520</u>	<u>\$ 7,260,626</u>	<u>\$ 15,541,435</u>

The City of Indian Wells implemented GASB 34 for the fiscal year ended June 30, 2000.

Information prior to the implementation of GASB 34 is not available.

¹ The increase from the prior period was the result of a \$8.9 million grant for capital development of the Fred Waring Drive widening project and improvements within the Indian Wells Village Area.

² The increase from the prior period was the result of a \$6.6 million capital grant for the Whitewater River Channel storm crossing.

³ Investment income included a \$1.7 million increase in the fair value of investments.

Source: City of Indian Wells, Finance Department

Fiscal Year				
2004	2003	2002	2001	2000
\$ 1,577	\$ -	\$ -	\$ -	\$ -
1,142,076	1,539,238	1,445,126	1,890,360	2,055,354
2,017,645	2,082,454	1,919,640	1,938,243	1,877,324
1,589,854	721,574	755,604	1,253,138	1,440,153
7,103,298	6,324,063	6,166,706	7,625,215	7,978,102
44,721	-	-	-	-
733,311	535,000	-	-	-
1,852,363	1,660,138	1,485,935	1,419,880	1,053,421
313,453	268,264	258,401	241,414	229,623
<u>7,775,714</u> ²	<u>132,727</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>22,574,012</u>	<u>13,263,458</u>	<u>12,031,412</u>	<u>14,368,250</u>	<u>14,633,977</u>
6,550,342	8,246,755	5,898,875	6,399,803	3,692,407
18,643,445	16,027,330	19,557,970	14,027,933	15,361,863
6,260,002	5,650,403	5,109,718	4,809,561	3,885,920
2,699,525	3,470,564	3,092,393	2,520,733	1,878,286
7,041,090	6,835,918	6,416,191	6,587,627	6,543,445
4,899,758	2,362,254	1,646,067	1,685,994	-
<u>46,094,162</u>	<u>42,593,224</u>	<u>41,721,214</u>	<u>36,031,651</u>	<u>31,361,921</u>
<u>(23,520,150)</u>	<u>(29,329,766)</u>	<u>(29,689,802)</u>	<u>(21,663,401)</u>	<u>(16,727,944)</u>
27,998,756	25,511,291	23,143,109	22,714,005	19,983,706
4,141,094	3,640,130	3,166,058	4,421,308	4,432,357
820,736	659,452	665,394	743,627	624,842
617,422	587,964	542,740	492,259	436,961
608,303	805,388	671,031	448,836	171,278
1,206,620	1,781,327	2,575,704	6,013,397 ³	3,424,194
-	357,347	-	243,458	55,072
179,406	591,121	283,127	276,615	398,047
<u>35,572,337</u>	<u>33,934,020</u>	<u>31,047,163</u>	<u>35,353,505</u>	<u>29,526,457</u>
<u>\$ 12,052,187</u>	<u>\$ 4,604,254</u>	<u>\$ 1,357,361</u>	<u>\$ 13,690,104</u>	<u>\$ 12,798,513</u>

CITY OF INDIAN WELLS

Net Assets by Component

Last Eight Fiscal Years
(accrual basis of accounting)

	Fiscal Year		
	2007	2006	2005
General fund:			
Reserved for:			
Encumbrances	\$ -	\$ -	\$ -
Prepaid items	-	-	6,000
Advances to other funds	20,000,000	20,000,000	-
Unreserved	7,715,559	10,727,164	10,217,412
Total general fund	<u>\$ 27,715,559</u>	<u>\$ 30,727,164</u>	<u>\$ 10,223,412</u>
All other governmental funds			
Reserved for:			
Encumbrances	\$ -	\$ -	\$ -
Continued appropriations	-	-	-
Inventory	97,252	189,573	183,252
Prepaid items	76,516	53,269	91,690
Other long-term assets	-	-	-
Golf resort operation	838,138	96,369	639,790
Low/moderate housing	26,850,170	33,734,335	30,761,975
Debt service	-	-	6,875,205
Land held for resale	15,074,119	19,102,515	4,028,395
Unreserved, reported in:			
Special revenue funds	43,620,019	26,803,436	40,771,632
Debt service	558,376	(17,736,492)	-
Capital projects funds	5,771,337	9,073,188	21,852,557
Total all other governmental funds	<u>\$ 92,885,927</u>	<u>\$ 71,316,193</u>	<u>\$ 105,204,496</u>

*The City of Indian Wells implemented GASB 34 for the fiscal year ended June 30, 2000.
Information prior to the implementation of GASB 34 is not available.*

Fiscal Year				
2004	2003	2002	2001	2000
\$ -	\$ -	\$ 134,414	\$ -	\$ 186,584
417,725	178,647	163,562	-	-
-	-	-	-	-
6,482,083	5,577,793	5,847,482	5,089,494	2,261,911
<u>\$ 6,899,808</u>	<u>\$ 5,756,440</u>	<u>\$ 6,145,458</u>	<u>\$ 5,089,494</u>	<u>\$ 2,448,495</u>
\$ -	\$ -	\$ 1,561,891	\$ 9,951,289	\$ 11,616,123
-	-	14,468,745	-	-
346,399	425,311	508,855	440,593	422,398
87,989	127,535	139,841	85,500	91,874
-	-	792,290	993,843	4,568,263
717,691	790,898	1,030,465	1,878,283	1,203,946
34,485,602	50,178,629	860,004	-	-
8,172,862	8,045,149	5,977,665	9,003,667	6,348,620
4,028,395	4,028,395	4,028,395	4,028,395	4,028,395
40,637,254	35,302,727	34,747,887	19,823,123	15,000,000
-	-	-	-	-
<u>32,329,471</u>	<u>32,783,529</u>	<u>5,314,818</u>	<u>20,006,453</u>	<u>22,301,375</u>
<u>\$ 120,805,663</u>	<u>\$ 131,682,173</u>	<u>\$ 69,430,856</u>	<u>\$ 66,211,146</u>	<u>\$ 65,580,994</u>

CITY OF INDIAN WELLS
Changes in Fund Balances of Governmental Funds
Last Eight Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year		
	2007	2006	2005
Revenues:			
Taxes	\$ 48,314,537	\$ 46,131,556	\$ 38,106,070
Assessments	3,036,321	3,084,600	2,552,226
Licenses and permits	728,761	617,834	949,622
Intergovernmental	2,682,465	4,958,972	9,562,484
Fines and forfeitures	109,671	96,056	114,078
Charges for services	5,518,266	5,869,314	7,943,064
Investment income	8,696,113	5,496,516	4,001,528
Development fees	582,880	600,668	647,957
Other revenue	1,213,908	959,066	883,644
Total revenues	<u>70,882,922</u>	<u>67,814,582</u>	<u>64,760,673</u>
Expenditures			
Current:			
General government	8,076,374	7,308,390	6,649,994
Community development	4,045,155	7,855,308	2,161,045
Public safety	6,156,103	5,911,765	6,376,941
Public works	2,843,400	2,578,102	2,377,858
Golf resort	6,042,600	6,263,126	8,125,952
Pass-throughs	19,874,202	20,862,080	17,384,055
Capital outlay	35,637,285	20,802,188	24,745,401
Debt service:			
Principal retirement	3,330,000	3,260,000	3,665,000
Interest and fiscal charges	8,753,951 ¹	6,855,103 ²	5,051,990
Total expenditures	<u>94,759,070</u>	<u>81,696,062</u>	<u>76,538,236</u>
Excess of revenues over (under) expenditures	<u>(23,876,148)</u>	<u>(13,881,480)</u>	<u>(11,777,563)</u>
Other financing sources (uses):			
Transfers in	52,624,250	56,208,798	8,034,396
Transfers out	(53,374,250)	(56,208,798)	(8,534,396)
Issuance of bonds	67,805,000	14,125,000	-
Premium (discount) on bonds	57,498	54,253	-
Payment to bond escrow agent	(25,054,069)	(13,682,324)	-
Sale of property	375,848	-	-
Total other financing sources (uses)	<u>42,434,277</u>	<u>496,929</u>	<u>(500,000)</u>
Net change in fund balances	<u>\$ 18,558,129</u>	<u>\$ (13,384,551)</u>	<u>\$ (12,277,563)</u>
Debt service as a percentage of noncapital expenditures			
	20.9%	21.6%	20.2%

¹ Includes bond issue and discount costs of \$1,540,154.

² Includes bond issue and discount costs of \$489,096 and Payment to refunded bond escrow agent of \$866,156.

³ Includes bond issue and discount costs of \$1,702,739.

*The City of Indian Wells implemented GASB 34 for the fiscal year ended June 30, 2000.
Information prior to the implementation of GASB 34 is not available.*

Source: City of Indian Wells, Finance Department

		Fiscal Year							
		2004	2003	2002	2001	2000			
\$	35,953,987	\$	32,711,763	\$	28,114,977	\$	28,774,118	\$	25,700,156
	2,476,024		2,462,295		2,420,202		2,390,401		2,338,309
	1,115,792		297,789		353,911		611,025		682,531
	7,362,480		508,366		1,921,609		1,817,575		1,356,462
	190,446		153,597		-		-		-
	8,070,440		7,189,375		6,989,223		8,539,747		8,970,802
	1,095,279		1,735,207		2,430,459		5,587,043		3,168,053
	889,384		131,338		124,286		550,285		854,546
	1,485,931		1,603,467		1,124,146		1,283,677		1,262,511
	<u>58,639,763</u>		<u>46,793,197</u>		<u>43,478,813</u>		<u>49,553,871</u>		<u>44,333,370</u>
	6,346,124		8,072,119		5,760,306		6,030,741		3,697,869
	2,062,582		1,834,577		6,725,603		1,657,802		1,847,595
	6,347,279		5,596,779		5,055,745		4,755,588		3,844,659
	2,011,325		2,697,392		2,393,882		1,831,939		1,328,663
	7,070,963		6,459,480		5,973,851		6,240,818		6,331,842
	15,872,682		13,916,479		12,206,283		11,853,498		10,175,077
	26,928,496		26,868,088		3,227,266		11,612,264		6,493,303
	1,705,000		765,000		730,000		695,000		670,000
	4,201,194		3,664,778		2,002,536		2,032,901		2,046,591
	<u>72,545,645</u>		<u>69,874,692</u>		<u>44,075,472</u>		<u>46,710,551</u>		<u>36,435,599</u>
	<u>(13,905,882)</u>		<u>(23,081,495)</u>		<u>(596,659)</u>		<u>2,843,320</u>		<u>7,897,771</u>
	11,925,669		25,638,690		22,601,526		6,715,071		17,706,173
	(11,925,669)		(25,638,690)		(17,729,194)		(6,715,071)		(17,706,173)
	-		87,245,000		-		-		-
	-		1,979,695		-		-		-
	-		(12,839,946)		-		-		-
	4,172,740		8,559,049		-		427,830		75,000
	<u>4,172,740</u>		<u>84,943,798</u>		<u>4,872,332</u>		<u>427,830</u>		<u>75,000</u>
\$	<u>(9,733,142)</u>	\$	<u>61,862,303</u>	\$	<u>4,275,673</u>	\$	<u>3,271,150</u>	\$	<u>7,972,771</u>
	14.9%		10.0%		7.2%		8.4%		9.6%

CITY OF INDIAN WELLS

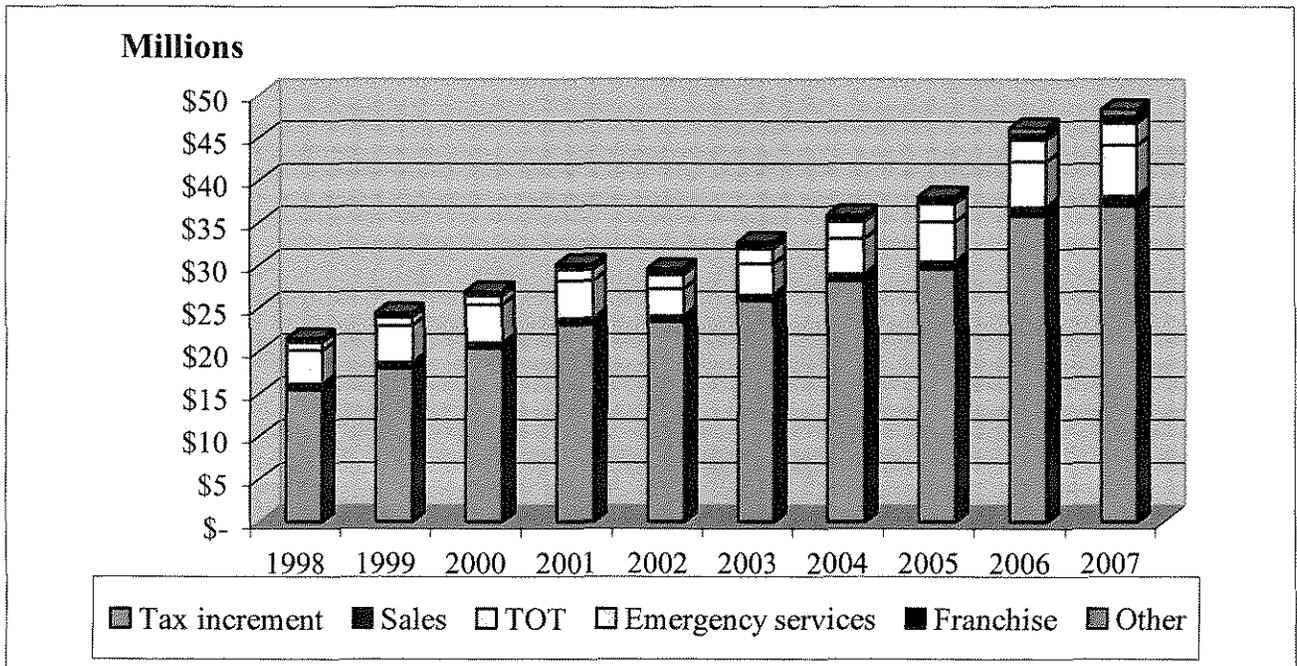
Tax Revenues by Source - Governmental Funds

Last Ten Fiscal Years
(modified accrual basis of accounting)

Fiscal Year End	Property and RDA Tax Increment	Sales	Transient Occupancy	Emergency Services	Franchise	Other	Total
1998	\$ 15,429,127	\$ 680,246	\$ 3,922,142	\$ 946,542	\$ 364,271	\$ 130,586	\$ 21,472,914
1999	17,897,285	732,152	4,265,822	970,507	439,744	134,526	24,440,036
2000	20,241,645	682,842	4,432,357	1,038,878	436,962	109,790	26,942,474
2001	23,006,615	743,627	4,421,308	1,292,499	492,259	173,685	30,129,993
2002	23,394,480	665,394	3,166,058	1,655,097	542,740	183,005	29,606,774
2003	25,860,500	659,452	3,640,130	1,772,739	587,965	190,977	32,711,763
2004	28,142,675	820,736	4,141,094	2,000,233	617,422	231,827	35,953,987
2005	29,525,111	897,119	4,656,403	2,155,574	641,951	229,912	38,106,070
2006	35,763,535	1,057,899	5,352,889	2,548,714	726,333	682,186	46,131,556
2007	36,921,554	1,202,051	5,940,739	2,593,034	894,379	762,780	48,314,537

Percentage change:

1998-2007	139.3%	76.7%	51.5%	173.9%	145.5%	484.1%	125.0%
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Source: City of Indian Wells, Finance Department

CITY OF INDIAN WELLS

Assessed Value and Estimated Actual Value of Taxable Property
Last Ten Fiscal Years

Fiscal Year Ended June 30	City (Excl. RDA)			Redevelopment Agency			Total Direct Tax Rate
	Secured	Unsecured	Taxable Assessed Value	Secured	Unsecured	Taxable Assessed Value	
1998	(NA)	(NA)	\$ 41,689,561	\$ 1,901,953,930	\$ 13,664,506	\$ 1,915,618,436	1.119
1999	(NA)	(NA)	22,220,249	1,983,615,150	16,898,073	2,000,513,223	1.119
2000	\$ 29,697,263	\$ 2,540,783	32,238,046	2,178,821,148	22,060,375	2,200,881,523	1.119
2001	37,371,865	3,429,068	40,800,933	2,465,377,598	24,377,643	2,489,755,241	1.119
2002	314,877,736	4,285,527	319,163,263	2,503,517,088	23,124,585	2,526,641,673	1.119
2003	381,213,595	8,863,688	390,077,283	2,708,154,009	24,804,386	2,732,958,395	1.119
2004	427,150,933	8,090,787	435,241,720	2,888,390,842	29,985,511	2,918,376,353	1.119
2005	444,469,346	8,517,701	452,987,047	3,028,027,769	34,709,051	3,062,736,820	1.137
2006	555,697,154	5,463,790	561,160,944	3,333,128,375	34,010,781	3,367,139,156	1.118
2007	641,953,540	5,656,440	647,609,980	3,568,878,418	38,357,547	3,607,235,965	1.187

* Combined City/RDA.

NOTE:

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

Source: County of Riverside

CITY OF INDIAN WELLS

Direct and Overlapping Property Tax Rates

	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
City Direct Rates:										
City basic rate	0.07000	0.07000	0.07000	0.07000	0.07000	0.07000	0.07000	0.07000	0.07000	0.07000
Agency basic rate	0.25869	0.25815	0.24490	0.23866	0.23875	0.23617	0.23249	0.23051	0.22471	0.29460
Low & Mod 20% Set-aside	<u>0.20000</u>									
Total City Direct Rate	0.52869	0.52815	0.51490	0.50866	0.50875	0.50617	0.50249	0.50051	0.49471	0.56460
Overlapping Rates:										
Riverside County General & Fire	0.28920	0.28402	0.28975	0.29021	0.29024	0.29080	0.29080	0.29087	0.28868	0.28791
Coachella Valley Water District	0.06226	0.06246	0.06196	0.06062	0.05989	0.05866	0.05881	0.05855	0.05891	0.05885
Desert Sands Unified School District	0.07539	0.07858	0.08322	0.08734	0.08769	0.08955	0.09159	0.09279	0.09694	0.09745
Riverside County School Superintendent of Schools	0.00852	0.00888	0.00941	0.00987	0.00991	0.01012	0.01035	0.01049	0.01096	0.01102
College of the Desert	0.01566	0.01633	0.01729	0.01815	0.01822	0.01861	0.01903	0.01928	0.02014	0.02025
Coachella Valley Parks & Recreation District	0.01221	0.01299	0.01413	0.01514	0.01523	0.01571	0.01621	0.01650	0.01750	0.01763
Coachella Valley Mosquito & Vector Control District	0.00807	0.00859	0.00934	0.01001	0.01007	0.01038	0.01072	0.01091	0.01157	0.01166
Riverside County Regional Park & Open Space								0.00003	0.00019	0.00021
Coachella Valley Public Cemetery								0.00003	0.00015	0.00017
Desert Regional Medical Center								0.00004	0.00024	0.00025
Coachella Valley Resource Conservation								-	0.00001	0.00001
Coachella Valley Water District	0.02100	0.02100	0.02100	0.02100	0.02100	0.02100	0.02100	0.02100	0.02100	0.02080
Desert Community College								0.02000	0.02000	0.01995
Desert Sands Unified School District	<u>0.09800</u>	<u>0.09600</u>	<u>0.07700</u>	<u>0.07613</u>						
Total Direct Rate	<u>1.11900</u>	<u>1.13700</u>	<u>1.11800</u>	<u>1.18688</u>						

NOTE:

In 1978, California voters passed Proposition 13 which sets the property tax (basic) rate at a 1.00% fixed amount. This 1.00% is shared by all taxing agencies for which the subject property resides within. In addition to the 1.00% fixed amount, property owners are charged taxes as a percentage of assessed property values for the payment of certain Coachella Valley Water

Source: County of Riverside

CITY OF INDIAN WELLS

Principal Property Tax Payers

Current Year and Nine Years Ago

Taxpayer	2007		1998	
	Taxable Assessed Value	Percent of Total City Taxable Assessed Value	Taxable Assessed Value	Percent of Total City Taxable Assessed Value
Grand Champions LLC	\$ 85,252,910	0.0020%	\$ 45,604,286	0.0023%
CTF USA	78,200,000	0.0000%	-	0.0000%
Garden of Champions	65,133,384	0.0000%	-	0.0000%
Vintage Club	63,439,403	0.0016%	50,128,953	0.1202%
Southwest Community Church of PD	37,125,258	0.0009%	-	0.0000%
Toscana Homes/Toscana Land	23,101,259	0.0006%	-	0.0000%
LH Indian Wells Holding LLC	25,814,821	0.0007%	-	0.0000%
IWCC Acquisition Corporation	22,325,319	0.0006%	19,138,931	0.0459%
Robert H. & Kimberly M. Evans	20,019,365	0.0005%	-	0.0000%
El Dorado Country Club	18,697,151	0.0005%	9,830,799	0.0236%
Daon Stouffer	-	0.0000%	68,537,753	0.1644%
Leo W. Cook	-	0.0000%	13,679,575	0.0328%
Sunrise Desert Partners	-	0.0000%	22,558,600	0.0541%
Faye P. Johnson	-	0.0000%	9,470,108	0.0227%
Alexander & Baldwin Inc	-	0.0000%	9,054,932	0.0217%
Marcue Geneva Inc	-	0.0000%	8,642,497	0.0207%
Indian Wells Village II	-	0.0000%	7,905,000	0.0190%
	<u>\$ 439,108,870</u>	<u>0.0074%</u>	<u>\$ 264,551,434</u>	<u>0.5274%</u>

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

Sources: HdL Coren & Cone
Riverside County Assessor 2006/2007 Combined Tax Rolls

CITY OF INDIAN WELLS

Property Tax Levies and Collections

Last Ten Fiscal Years

Fiscal Year Ended June 30	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percent of Levy		Amount	Percent of Levy
1998	\$ 15,804,349	\$ 16,169,083	102.31%	\$ -	\$ 16,169,083	102.31%
1999	16,987,523	17,395,923	102.40%	-	17,395,923	100.16%
2000	18,930,457	19,983,696	105.56%	-	19,983,696	96.40%
2001	21,843,780	22,714,005	103.98%	-	22,714,005	103.98%
2002	22,655,397	23,143,109	102.15%	-	23,143,109	102.15%
2003	24,978,009	25,511,291	102.14%	-	25,511,291	102.14%
2004	26,913,427	27,998,756	104.03%	-	27,998,756	98.65%
2005	28,448,075	29,371,922	103.25%	-	29,371,922	100.91%
2006	31,641,148	33,116,720	104.66%	2,219,271	35,335,991	111.68%
2007	34,302,868	36,066,069	105.14%	633,286	36,699,355	106.99%

NOTE:

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

CITY OF INDIAN WELLS

Ratios of Outstanding Debt by Type

Last Ten Fiscal Years

Fiscal Year End	Governmental Activities			Percentage of Personal Income ²	Per Capita ²
	Tax Allocation Bonds	Notes Payable	Total		
1998	\$ 30,995,000	\$ -	\$ 30,995,000	15.14%	\$ 9,862
1999	30,355,000	473,327	30,828,327	11.39%	9,442
2000	29,685,000	-	29,685,000	9.78%	8,716
2001	28,990,000	-	28,990,000	8.93%	8,139
2002	28,260,000	-	28,260,000	9.11%	7,406
2003	102,200,000 ¹	-	102,200,000	28.90%	23,505
2004	100,495,000	-	100,495,000	27.35%	22,861
2005	96,830,000	-	96,830,000	23.59%	20,253
2006	93,670,000	-	93,670,000	22.03%	19,254
2007	133,580,000 ³	-	133,580,003	28.57%	27,030

Notes: Details regarding the city's outstanding debt can be found in the notes to the financial statement

¹ The City issued over \$87 million of new tax allocation bonds in the fiscal year ended June 30, 2003.

² These ratios are calculated using personal income and population for the prior calendar year.

³ The City issued over \$67 million of new tax allocation bonds and refunded over \$25 million in the fiscal year ended June 30, 2007.

CITY OF INDIAN WELLS

Ratio of General Bonded Debt Outstanding and Legal Debt Margin

Last Ten Fiscal Years
(In Thousands, except Per Capita)

Fiscal Year End	Outstanding Tax Allocation Bonds	% of Assessed Value ¹	Per Capita	Less: Amounts Set Aside To Repay Debt	Total Net Debt Applicable To Debt Limit	Legal Debt Limit	Legal Debt Margin	Legal Debt Margin as a % of Limit
1998	\$ 30,995	1.6%	\$ 9,862	\$ 13,780	\$ 17,215	\$ 304,158	\$ 286,943	94.3%
1999	30,355	1.5%	9,297	16,585	13,770	306,393	292,622	95.5%
2000	29,685	1.3%	8,716	18,839	10,846	337,915	327,069	96.8%
2001	28,990	1.2%	8,139	21,730	7,260	379,583	372,323	98.1%
2002	28,260	1.1%	7,406	22,031	6,229	428,172	421,944	98.5%
2003	102,200	3.7%	23,505	24,054	78,146	469,807	391,661	83.4%
2004	100,495	3.4%	22,861	26,258	74,237	504,541	430,304	85.3%
2005	96,830	3.2%	20,253	27,594	69,236	529,957	460,721	86.9%
2006	93,670	2.8%	19,254	33,544	60,126	591,143	531,017	89.8%
2007	133,580	3.7%	27,030	34,634	98,946	643,399	544,453	84.6%

General bonded debt is debt payable with governmental fund resources and general obligation bonds recorded in enterprise funds (of which, the City has none).

All bonded debt is managed through the Agency's Debt Service Fund. Annual receipt of Tax Increment is reserved to pay annual debt service.

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

Sources: City of Indian Wells, Finance Department
County of Riverside

CITY OF INDIAN WELLS

Direct and Overlapping Debt

June 30, 2007

2006-2007 Assessed Valuation:	\$4,289,326,315
Redevelopment Incremental Valuation:	<u>3,241,428,063</u>
Adjusted Assessed Valuation:	<u>\$1,047,898,252</u>

	%	
	<u>Applicable</u>	<u>Debt 6/30/07</u>
DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:		
Desert Sands Unified School District General Obligation Bonds	7.620%	\$ 18,033,970
Desert Community College District	3.456%	2,177,518
City of Indian Wells	100.000%	-
Coachella Valley County Water District, I.D. No. 54	29.289%	1,044,153
Coachella Valley County Water District, I.D. No. 55	1.007%	<u>50,300</u>
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		<u>\$ 21,305,941</u>
OVERLAPPING GENERAL FUND OBLIGATION DEBT:		
Riverside County General Fund Obligations	0.696%	\$ 4,475,428
Riverside County Pension Obligations	0.696%	2,734,514
Riverside County Board of Education Certificates of Participation	0.696%	71,514
Desert Sands Unified School District Certificates of Participation	7.620%	2,274,189
Coachella Valley County Water District I.D. No. 71 Certificates of Participation	4.851%	363,097
Coachella Valley Recreation and Park District Certificates of Participation	5.936%	<u>152,258</u>
TOTAL GROSS OVERLAPPING GENERAL FUND OBLIGATION DEBT		10,071,000
Less: Riverside County Administrative Center Authority (100% self-supporting)		<u>(129,327)</u>
TOTAL NET OVERLAPPING GENERAL FUND OBLIGATION DEBT		<u>\$ 9,941,673</u>
GROSS COMBINED TOTAL DEBT		<u>\$ 31,376,941</u> ¹
NET COMBINED TOTAL DEBT		<u>\$ 31,247,614</u>

Notes:

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

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

Source: California Municipal Statistics, Inc.

CITY OF INDIAN WELLS

Pledged-Revenue Coverage

Last Ten Fiscal Years

Fiscal Year Ended June 30	Tax Allocation Bonds				Coverage
	Tax Increment	Debt Service			
		Principal	Interest		
1998	\$ 13,780,300	\$ 610,000	\$ 1,784,601	5.75	
1999	16,584,516	640,000	1,638,538	7.28	
2000	18,839,212	670,000	1,697,081	7.96	
2001	21,729,683	695,000	1,677,289	9.16	
2002	22,031,374	730,000	1,648,954	9.26	
2003	24,054,133	765,000	1,962,039	8.82	
2004	26,257,808	1,705,000	4,201,194	4.45	
2005	27,593,501	3,665,000	5,051,990	3.17	
2006	33,544,087	3,260,000	5,499,851	3.83	
2007	34,634,116	3,330,000	7,213,797	3.28	

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

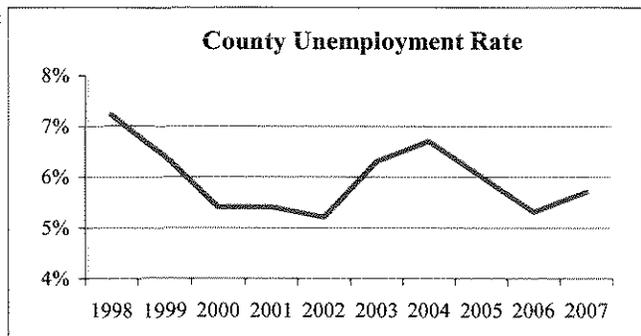
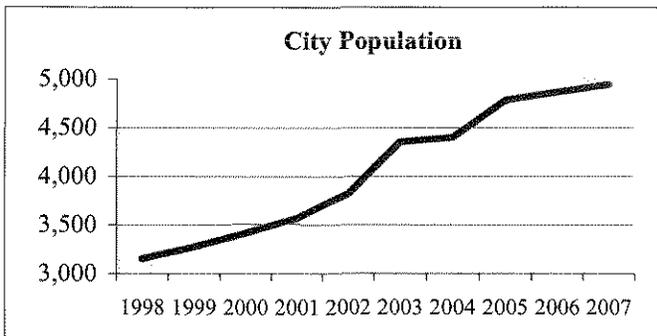
Sources: City of Indian Wells, Finance Department
County of Riverside

CITY OF INDIAN WELLS

Demographic and Economic Statistics

Last Ten Calendar Years

Fiscal Year	Population (1)	Personal Income (in thousands)	Per Capita Personal Income (2)	Median House Value (2)	Median Age (2)	Unemployment Rate (3)
1998	3,143	\$ 204,773	\$ 65,152	\$ 372,900	60.9	7.2%
1999	3,265	270,652	82,895	372,900	60.4	6.4%
2000	3,406	303,396	89,077	372,900	60.4	5.4%
2001	3,562	324,694	91,155	372,900	60.4	5.4%
2002	3,816	310,325	81,322	427,707	63.4	5.2%
2003	4,348	353,588	81,322	427,707	63.4	6.3%
2004	4,396	367,383	83,572	439,540	63.4	6.7%
2005	4,781	410,511	85,863	451,589	63.4	6.0%
2006	4,865	425,133	87,386	732,500	63.4	5.3%
2007	4,942	467,632	94,624	864,350	63.4	5.7%



Sources: (1) State Department of Finance
 (2) Wheeler's Desert Letter
 (3) U.S. Department of Labor: Riverside and San Bernardino County

CITY OF INDIAN WELLS

Principal Employers

Current Year and Nine Years Ago

Employer	2007				1998		
	Number of Employees	Primary Description	Rank	Percent of Total City Employment	Number of Employees	Rank	Percent of Total City Employment
Hyatt Grand Champions	630	Resort Hotel	1	29.13%	499	1	27.42%
Renaissance Esmeralda Resort	565	Resort Hotel	2	26.12%	498	2	27.36%
Miramonte Resort & Spa	215	Resort Hotel	3	9.94%	167	3	9.18%
El Dorado Country Club	200	Private Golf Course	4	9.25%	165	4	9.07%
Indian Wells Country Club	155	Private Golf Course	5	7.17%	147	5	8.08%
Golf Resort at Indian Wells	110	Public Golf Course	6	5.09%	129	6	7.09%
Merrill Lynch	100	Stock & Bond Brokers	7	4.62%	88	8	4.84%
Indian Wells Resort Hotel	80	Resort Hotel	8	3.70%	98	7	5.38%
Windermer Real Estate	70	Real Estate Broker	9	3.24%	0	n/a	0.00%
City of Indian Wells	38	Municipality	10	1.76%	29	9	1.59%

Source: City of Indian Wells

CITY OF INDIAN WELLS

Full-time Equivalent City Government Employees
by Function

Last Ten Fiscal Years

Function	Full-Time Equivalent Employees as of June 30									
	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
City Manager/Clerk	5.00	5.50	4.50	4.50	5.30	4.00	4.00	4.75	8.75	9.75
Risk Management	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25
Personnel	0.50	1.00	0.75	0.50	0.25	0.25	0.25	0.25	0.25	0.25
Management Services	-	-	-	-	-	4.25	4.25	4.00	-	-
City Attorney	1.75	1.75	1.75	1.75	1.75	1.75	0.25	0.25	0.25	0.25
Planning & Building										
Development	8.70	8.70	8.70	8.70	8.00	8.00	9.00	9.00	10.00	10.00
Finance Department	5.00	5.00	5.00	5.00	7.00	6.00	6.00	7.00	7.00	7.00
Central Services	1.25	1.25	2.50	2.50	0.75	-	-	-	-	-
Public Safety	0.55	0.55	0.55	0.80	1.50	1.50	1.50	1.50	1.50	1.50
Public Relations	-	-	-	-	1.20	-	-	-	-	-
Public Works	6.00	6.00	6.00	6.00	7.00	7.00	8.00	8.00	7.00	8.00
Golf Resort	-	-	-	-	-	-	-	1.00	1.00	1.00
Total	<u>29.00</u>	<u>30.00</u>	<u>30.00</u>	<u>30.00</u>	<u>33.00</u>	<u>33.00</u>	<u>33.50</u>	<u>36.00</u>	<u>36.00</u>	<u>38.00</u>

Source: City of Indian Wells Budget

CITY OF INDIAN WELLS

OPERATING INDICATORS
BY FUNCTION

Last Ten Fiscal Years

Function	Fiscal Year				
	1998	1999	2000	2001	2002
Police					
Thefts	83	94	110	144	84
Burglaries	51	35	61	56	82
Traffic Collisions	154	157	200	205	98
Traffic Citations	2,515	1,814	4,038	2,142	795
Fire					
Medical Aid Calls	354	391	695	547	441
Public Service Assists	41	36	42	66	31
Structure Fires	5	9	19	54	9
Vegetation Fires	-	1	-	5	2
Building Activity					
Permits Issued	1,157	1,322	2,751	1,318	842
Inspections Performed	4,924	6,536	8,671	6,450	5,494
New Dwelling Units	134	127	177	100	34
Public Works					
Lot Line Adjustments	1	32	25	5	8
Parcel Mergers	2	5	3	3	5
Encroachment Permits	20	12	30	51	78
Tract Maps	-	3	1	6	1
Golf Resort					
Golf rounds played	95,148	97,979	99,114	93,570	76,550
Adminstration					
City Council Meetings	20	20	21	21	22
Public Hearings	73	45	44	43	57
Adopted Resolutions	93	65	63	81	44

Sources: City of Indian Wells, Finance Department
 County of Riverside, Fire Department
 County of Riverside, Sheriff Department

Fiscal Year				
2003	2004	2005	2006	2007
94	73	75	70	97
118	148	108	101	129
166	177	152	148	152
1,314	2,374	1,318	1,311	1,229
452	465	530	514	529
31	31	21	28	44
3	33	40	17	4
-	-	-	1	-
732	1,092	1,148	1,122	800
4,554	6,267	9,245	7,431	4,702
34	170	159	107	52
12	13	12	6	4
4	2	4	1	2
101	113	88	154	116
2	2	3	4	2
81,353	87,515	88,878	58,154	53,223
22	24	24	22	21
41	30	37	50	34
80	59	57	60	44

CITY OF INDIAN WELLS

CAPITAL ASSET STATISTICS
BY FUNCTION

Last Ten Fiscal Years

Function	Units of Measure	Fiscal Year	
		1998	1999
Public safety			
Police Sub-Station	Buildings	1.00	1.00
Fire stations	Buildings	1.00	1.00
Highways, Streets, Bridges, & Infrastructure			
Pavement (Roadway)	Centerline Miles	17.70	17.70
Sidewalks	Miles	10.10	10.10
Bridges	Each	1.00	1.00
Traffic Signals	Each	2.50	2.50
Traffic Signals equipped with Red Light Runner Camera	Each	-	-
Streetlights (not included with traffic signals)	Each	2.00	2.00
Sanitary Sewer Lift Stations (CVWD)	Each	1.00	1.00
Parks and Recreation			
Parks	Each	1.00	1.00
The "IW" Palm	Feet	10.10	11.50
18-Hole Public Golf Courses	Each	2.00	2.00
Golf Course Clubhouse	Each	1.00	1.00
City Vehicles			
City-Owned Motor Vehicles	Each	11.00	12.00
Affordable Housing			
Senior Affordable Housing Complexes	Each	1.00	1.00
Senior Affordable Housing Units	Each	90.00	90.00

Source: City of Indian Wells, Finance Department

Fiscal Year							
2000	2001	2002	2003	2004	2005	2006	2007
1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
22.20	22.20	22.20	22.30	22.30	22.30	22.30	25.80
10.10	11.00	12.00	12.00	12.00	12.00	12.70	12.70
1.50	1.50	1.50	2.50	2.50	3.50	3.50	3.50
3.75	3.75	3.75	3.75	3.75	3.75	4.75	12.75
1.00	2.00	3.00	3.00	3.00	3.00	3.00	3.00
19.00	19.00	19.00	19.00	19.00	19.00	19.00	19.00
1.00	1.00	1.00	1.00	2.00	2.00	3.00	3.00
1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
12.75	14.00	15.50	16.00	16.75	17.25	18.00	18.50
2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
12.00	12.00	11.00	11.00	11.00	12.00	14.00	14.00
1.00	1.00	1.00	1.00	1.00	2.00	2.00	2.00
90.00	90.00	90.00	90.00	90.00	218.00	218.00	218.00

