



CITY OF INDIAN WELLS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED JUNE 30, 2011

Lance Soll & Lunghard, LLP

203 North Brea Blvd
Suite 203
Brea, CA 92821

41185 Golden Gate Circle
Suite 103
Murrieta, CA 92562

CITY OF INDIAN WELLS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED JUNE 30, 2011

Prepared by the Finance Director

Kevin McCarthy, Finance Director
Norma Rojo, Accounting Technician III/Payroll
Amy Dallosta, Accounting Technician II
Daisy Amezcua, Accounting Technician I

44-905 Eldorado Drive, Indian Wells, California 92210-7497
Telephone: 760-346-2489 – Fax: 760-346-0407

www.cityofindianwells.org

CITY OF INDIAN WELLS
 FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2011

TABLE OF CONTENTS

Page
Number

INTRODUCTORY SECTION

Letter of Transmittal.....	i
GFOA Certificate of Achievement for Excellence in Financial Reporting.....	xvi
Organization Chart	xvii
List of Principal Officials	xviii

FINANCIAL SECTION

Independent Auditor's Report	1
Management's Discussion and Analysis.....	3

BASIC FINANCIAL STATEMENTS

Government-Wide Financial Statements	
Statement of Net Assets	21
Statement of Activities.....	23
Fund Financial Statements:	
Balance Sheet - Governmental Funds.....	24
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets	26
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	28
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	30
Statement of Net Assets - Proprietary Funds	31
Statement of Revenues, Expenses and Changes in Fund Net Assets - Proprietary Funds.....	32
Statement of Cash Flows - Proprietary Funds.....	33
Notes to Financial Statements.....	35

CITY OF INDIAN WELLS
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 FOR THE YEAR ENDED JUNE 30, 2011

TABLE OF CONTENTS

	<u>Page Number</u>
COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES	
Budgetary Comparison Schedules – Required Supplementary Information	
General Fund	64
Golf Resort Operations Fund	65
Low/ Moderate Housing Fund	66
Notes to Required Supplementary Information	67
Combining Balance Sheet – Nonmajor Governmental Funds	68
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Governmental Funds	74
Budgetary Comparison Schedules - Special Revenue Funds	
Traffic Safety	83
Public Safety ½% Tax	84
Measure “A” Transportation	85
Fire Access Maintenance District No. 1	86
South Coast AQMD Vehicle Registration	87
Citizens Option for Public Safety Program.....	88
Gas Tax.....	89
Emergency Services Upgrade	90
AB 939 Recycling.....	91
Solid Waste	92
Consolidated LLMD.....	93
Street Lighting District 2001-1.....	94
Affordable Housing Operations.....	95
Cooperative Marketing.....	96
Budgetary Comparison Schedules – Debt Service Funds	
RDA Whitewater Debt Service	97
Budgetary Comparison Schedules – Capital Projects Funds	
Park Facilities in Lieu	98
Citywide Public Improvement.....	99
Capital Improvement.....	100
Art in Public Places	101
RDA Whitewater Capital Improvement	102

CITY OF INDIAN WELLS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2011

TABLE OF CONTENTS

Page
Number

STATISTICAL SECTION

Net Assets by Component – Last Ten Fiscal Years.....	104
Changes in Net Assets – Last Ten Fiscal Years.....	106
Fund Balances of Governmental Funds – Last Ten Fiscal Years.....	108
Changes in Fund Balances of Governmental Funds - Last Ten Fiscal Years.....	110
Tax Revenues by Source – Governmental Funds- Last Ten Fiscal Years	112
Assessed Value and Estimated Actual Value of Taxable Property – Last Ten Fiscal Years.....	113
Direct and Overlapping Property Tax Rates.....	114
Principal Property Taxpayers – Current Year and Nine Years Ago	115
Property Tax Levies and Collections – Last Ten Fiscal Years.....	116
Ratios of Outstanding Debt by Type – Last Ten Fiscal Years	117
Ratios of General Bonded Debt Outstanding and Legal Debt Margin – Last Ten Fiscal Years.....	118
Direct and Overlapping Debt	119
Pledged-Revenue Coverage – Last Ten Fiscal Years	120
Demographic and Economic Statistics – Last Ten Calendar Years.....	121
Principal Employers – Current Year and Nine Years Ago.....	122
Full-Time Equivalent City Employees by Function – Last Ten Fiscal Years.....	123
Operating Indicators by Function – Last Ten Fiscal Years	124
Capital Asset Statistics by Function – Last Ten Fiscal Years	126

THIS PAGE INTENTIONALLY LEFT BLANK



November 21, 2011

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

I am pleased to present you with the City of Indian Wells Comprehensive Annual Financial Report for fiscal year ended June 30, 2011. This document provides an overview of the City's financial activities during the past fiscal year. Ensuring the financial integrity of our public institutions is crucial to maintaining the public's trust. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the City of Indian Wells. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds of the City. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included.

This transmittal letter provides a non-technical summary of City's finances, services, achievements, and economic prospects. We ask that readers who wish a more detailed discussion of the City's financial results refer to Management's Discussion and Analysis (MD&A) that immediately follows the independent auditor's report on page 3 of this report. The MD&A serves to complement this letter of transmittal and should be read in conjunction with it.

The Comprehensive Annual Financial Report was prepared in conformance with Generally Accepted Accounting Principles (GAAP). The City's financial reporting is based upon all Governmental Accounting Standards Board (GASB) pronouncements as well as Financial Accounting Standard Board (FASB) statements and interpretations that were issued on or after November 30, 1989, that does not conflict with or contradict GASB pronouncements.

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 ending June 30, 2011.

The City of Indian Wells' management is solely responsible for the accuracy of the information contained in this report, the adequacy of its disclosures, and the fairness of its presentation. To provide a reasonable basis for making this representation, we have established a comprehensive system of internal controls designed to protect City assets from loss, to identify and record transactions accurately, and to compile the information necessary to produce financial statements in conformity with Generally Accepted Accounting Principles.

Lance Soll & Lunghard, LLP Certified Public Accountants have issued an unqualified opinion on the City of Indian Wells financial statements for the year ended June 30, 2011. The independent auditor's report is located at the front of the financial section of this report.

The independent audit involved examining evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and estimates made by management and evaluating the overall financial statement presentation. The independent auditor concluded, based on the audit, that there was a reasonable basis for rendering an unqualified opinion that the City of Indian Wells' financial statements for the year ended June 30, 2011, are fairly presented in conformity with GAAP. This is the most favorable conclusion and commonly known as an "unqualified" or "clean" opinion. The independent auditor's report is included in the Financial Section of this report.

Profile of the Government

The City of Indian Wells is located 120 miles east of Los Angeles in the eastern portion of Riverside County known as the Coachella Valley. The City of Indian Wells is distinguished by its pristine natural setting, upscale residential country clubs, first-class resorts, championship golf courses, and abundance of leisure and cultural activities. Offering superb public services and resident benefits, the City of Indian Wells continues to enjoy the benefits of being one of California's wealthiest and financially well-managed cities. Incorporated in 1967, the City of Indian Wells boasts a full-time of 5,025 residents spread over 15.04 square miles. An additional 4,000 to 5,000 part-time residents call the city home during the winter season.

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 utilizing 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.

The annual budget serves as the foundation for the City's financial planning and control. The City Council is required to adopt an annual budget resolution by July 1 of each fiscal year for the General Fund, special revenue funds and permanent funds. These budgets are adopted and presented for reporting purposes on a basis consistent with generally accepted accounting principles.

Outstanding Community Benefits

The City of Indian Wells offers an outstanding quality of life, numerous cultural and social activities, a cohesive and innovative city government, excellent resorts, and championship golf at Indian Wells Golf Resort. Moreover, the city supports many major sporting and cultural events throughout the year. These include the world-renowned BNP Paribas Open, a Tennis

Masters Series event held at the Indian Wells Tennis Garden; Desert Town Hall Indian Wells, the Coachella Valley's leading speaker series; and the Indian Wells Arts Festival.

Indian Wells boasts a very successful benefit program designed specifically for property owners. With a Property Owner's ID card, property owners enjoy select discounts at the Indian Wells Golf Resort, BNP Paribas Open , and all four Indian Wells hotel properties. Other special events include a resident-only Wild Lights evening at The Living Desert, complimentary art exhibitions and lectures in concert with the Palm Springs Art Museum, and resident movie night featuring award-winning selections from the Palm Springs International Film Festival.

Indian Wells enjoys one of the lowest crime rates and quickest response rates in the Coachella Valley thanks to diligent law enforcement and fire/paramedic services. What's more, the City of Indian Wells sponsors many public health and eco-friendly initiatives designed to keep neighborhoods safe and clean, and protect the desert environment. The Joslyn Senior Center offers a wide variety of activities appealing to many interests and energy levels. The Center is home to the Joslyn Players Theatre Company, which offers an entertaining performance schedule in season.

Factors Affecting Financial Condition

While not immune to current economic conditions, the City of Indian Wells is committed to generating an annual net operating surplus in the General Fund. Astounding leadership, business savoir-faire, and fiscal accountability ensures the City's financial goals are maintained and monitored.

The City has established a tradition of providing residents, businesses and visitors alike with a superior level of public safety services, premium life enrichment opportunities and a renowned physical environment. The City Council adopted a conservative budget for Fiscal Year 2011/12 based on the current economic conditions. With that stated, the FY 2011/12 budget is balanced, whereby all current expenditures are supported by current revenues. In developing the FY 2011/12 budget, City staff was committed to the challenge of aligning escalating fixed costs – such as construction expenses, energy, fuel and unfunded liability of retiree health insurance costs – with reduced revenues. The result is a fiscally responsible budget that meets the quality-of-life expectations of the community while at the same time exploring new options for revenue generation.

The quest to maintain the quality of life expectations of the community has resulted in an ever present concern that Indian Wells' traditionally strong economic base may be unsustainable without expanding this economic base and/or incorporating new revenue sources. This concern is further exacerbated by the ever-increasing competition the city faces from other markets and tourism venues – both national and international.

Local Economy

Given the uncertainty of current economic conditions, the City is financially prepared for a slow economic recovery. Indian Wells is not anticipating or forecasting any significant economic recovery to meet revenue demands in the current budget. In fact, the adopted budget reflects both the reductions in revenues and expenditures. These reductions dictate a budget that strives to continue funding existing City services and focus on infrastructure support and maintenance.

Key Issues

The key mission of the City Council is to create an unsurpassed quality of life for our residents and guests by providing superior public safety, exceptional service and outstanding amenities. The City is committed to its residents, believing "residents come first" and maintains an active community events calendar to enhance the quality of their lives. Community events include a Veterans Day celebration, a modern "State of the City" patio party address, exclusive resident patio parties, tree lighting ceremony and much more.

The City of Indian Wells recently completed a new community gardens project to support resident interest in local gardening. Community response has been overwhelming and residents have requested consideration to expand the program. In response to resident needs, the City is proposing to expand the highly successful Community Garden project during fiscal year 2011/12 establishing a \$60.0k budget to do so.

Public Safety in Indian Wells is the City Council's number one priority. In recent years, the City Council has added two new motor officers and a dedicated Chief of Police. New crime prevention and education workshops have evolved. A second ambulance was added during fiscal year 2010/11 to provide enhanced medical services. The City's Public Safety Committee is dedicated to increasing the public's knowledge of crime prevention. Recent use of electronic media such as e-blasts and broadcasts on the City's channel 17 has proved very effective communication devices for resident outreach. Over the next year the Committee will develop additional trainings and will broadcast new workshops on the City's local television station.

Indian Wells is committed to establishing itself as a "green" community. The City continues to develop new sustainability programs that include solar, water, and waste diversion conservation programs. Immediate plans include continued implementation of water conservation programs and use of non-potable water for golf course and adjacent parkway irrigation. Over the next fiscal year, the City has plans to change all public landscape irrigation sprinklers to more water efficient rotor systems using "smart clock" technology. The water conservation plan extends to all public areas and City controlled landscape and lighting districts.

Indian Wells is by no means standing still. Over the course of the next five years, the City Council anticipates construction of more than \$49.6 million in new capital projects focused on improving the lives of residents living in Indian Wells. Projects include completion of an undergrounding utility project, Highway 111 improvements, expanded community gardens, and new sustainability projects engineered on reducing utility costs of those residents living in the City's affordable housing communities. Achieving the undergrounding of utilities in the City's Village Area is extremely important to the City Council; making streets safer for all residents. Planned improvements on Highway 111 will dramatically improve roadway conditions and make the highway safer for travel.

City Council's Stated Priorities:

- Public Safety
- Village Area Undergrounding
- Indian Wells Golf Resort
- Managing Infrastructure
- "Green City Programs" and environmentally friendly policies
- Operating Performance
- Marketing & Community Relations
- Managing Financial Success

Every performance measure was established in part by numerous strategic planning session(s) held by the City Council to develop the City Council's stated priorities. The performance measures were formed out of public desire and City Council direction. The performance measures serve as the basic outcome supporting the City Council's stated priorities. Each City department and program implemented specific strategic initiatives to achieve measurable activities supporting each performance measure, which in turn supported the stated priorities.

To monitor its progress in meeting residents' needs, the City of Indian Wells engages its residents on a regular basis and receives constant subjective feedback on issue, policy and performance matters. Although these informal feedback mechanisms are a valuable source of information for the City in that they provide timely and accurate information about the opinions of specific residents, it is important to recognize that they do not necessarily provide an accurate picture of the community as a whole.

Accomplishments

Improved Public Safety

Public safety continues to be the City Council's number one priority. During the past several years the City Council has actively reviewed the specificity of public safety services employed and has made changes when applicable. In the last three years, the City Council has modified patrol time, engaged additional community service officer coverage, and added a full time Police Chief and a second dedicated motor officer. As reported in the State of the City Address on April 5, 2011, crime continues to decline, falling more than 32% since 2006. As reported, total property crime has fallen from 212 in 2009 to 170 in 2010. Burglary fell as well from 66 burglaries committed in 2009 compared to 58 committed in 2010. Nationally, crime statistics are generally reported in crimes per 1,000 populations. Indian Wells reported just 33.6 crimes per 1,000 populations during 2010.

The addition of the second ambulance to Station 55 staffed by Palm Desert has proven to be very effective in reducing Advanced Life Support response times to more calls on the East and Northeast sides of the two cities. The Fire Station implemented the Altaris Computer Aided Dispatching system providing GPS tracking and dynamic routing of emergency equipment reducing average travel times by more than 60 seconds per call.

IW Village Underground Utility Project

During fiscal year 2010/11, the City began the first phase of the undergrounding utilities project in the Indian Wells Village Area. The total cost of the four year project is proposed at \$5.1 million. The City spent \$1.0 million to establish the district, begin preliminary design work, and acquire Southern California Edison Utility Rule 20A credits to offset capital costs attributed to the Rule 20A portion of the utility project.

Green Waste Divergence

The City continues to enhance its recycling and waste diversion efforts by adding a dual dumpster system in the Public Works maintenance yard to handle the amount of green waste generated from the Indian Wells Golf Resort and other City facilities. Installation of dual dumpster bins cost \$0.1 million.

Golf Resort Improvements

Golf Resort improvements cost the City \$0.9 million during fiscal year 2010/11. This project actually provided for thirteen separate improvements at the Indian Wells Golf Resort which focused on improving the golf experience of residents and guests playing at the facility. Improvements include modifications to the tee boxes, water treatment devices, Old English rock walls, decorative wood fencing, landscape removal, construction of new target greens and installation of an artificial tee box at the practice facility, parking lot improvements, and sidewalk and curb & gutter repairs.

Highway 111 Improvements

Highway 111 is one of the most heavily traveled arterial roadways in the Coachella Valley. The Highway 111 Widening Project will improve traffic flow in addition to reducing traffic congestion. The City spent \$0.6 million to complete substantial engineering design work of Phase 2 of the Highway 111 Widening Project. Funding costs for this transportation project are shared by both the City of Indian Wells and the Coachella Valley Association of Governments. The Coachella Valley Association of Governments is responsible to oversee the regional transportation needs of the Coachella Valley and receives State and local funding to accomplish this. The City's share of the costs is 25% and the Coachella Valley Association of Governments share of the costs is 75%.

Affordable Housing

The Mountain View Villas Phase 1 Rehabilitation project repairs eight settlement damaged buildings. The repairs re-level and re-support failed framing and foundation systems, as required. Deep, loose hydro-collapsible soils at MVV are believed to be the primary cause of the extreme differential soil settlement at the property. The City spent \$0.8 million to begin the refurbishment of affected units located in the Mountain View Villas Phase 1 Rehabilitation project. The Mountain View Villas Phase 1 Rehabilitation project is scheduled to be completed by January 2012.

The City completed final improvements of \$0.3 million for the installation of various “green energy” improvements at the City’s IW Villas affordable housing site. The IW Villas Green Capital Improvements project completes a major remodel of the IW Villas Affordable Housing Community to utilize photovoltaic energy, tankless water heaters, low volume toilets and high efficiency HVAC at Indian Wells Villas.

Civic Center Improvements

The City Council authorized the Civic Center improvement project which provided \$0.3 million in funding to upgrade the City Council chambers and audio/visual systems suitable for public broadcast on the City’s internet site as well as the City’s local channel 17. The project also replaced deteriorating walkways and planters, installed improved facility signage, installed an automatic front entry door, provided new entry furniture, provided new entry lighting and ceiling panels, installed updated and ADA compliant reception desk and provided for a new entry fountain to greet IW residents. Additional Civic Center improvements included replacement of six aging and obsolete HVAC units.

Other Projects

The City replaced an aging stake bed truck utilized by Public Works for lane closures as well as supply/equipment hauling for \$45.8k. The replacement will also enhance lane closure safety by improving and updating the lane closure illuminated signage system mounted on the existing vehicle.

In 2010/11, the City introduced the sustainability capital plan. The sustainability capital plan was developed in an effort to become more environmentally friendly as a City. Indian Wells replaced public lighting with new high efficiency LED systems at City Hall, public bridges and landscape areas, and at the City’s Walk of Honor Fountain at a cost of \$0.1 million.

Finally, the City completed various infrastructure improvements throughout the City including drainage repairs along Fred Waring Drive adjacent to the Indian Wells Golf Resort, improvements to the Bray property along Highway 111, improvements to the Club Drive property totaling \$0.4 million.

Document Structure

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.

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, Coachella Valley Mosquito and Vector Control District, Coachella Valley Water District, SunLine Transit, Palm Springs Desert Resorts Convention and Visitors Authority, and the Desert Regional Resorts Airport Authority.

Established 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 polices of the City and attempt to supplement, not supplant, the MD&A that 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 Lance Soll & Lunghard, LLP was appointed by the City Council and reports to the Finance Committee to perform the annual audit. The auditor's 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 constant evaluation by the management of the City and annual review by independent auditors.

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, 2011 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. Expenses 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.

Budget Performance Policy

The budget is a performance, financing, and spending plan agreed to by the Mayor, City Council, City Manager, and other Council Appointees. It should contain information and data regarding expected revenues and resources (inputs), expected expenditures, and expected performance (outcomes). During the fiscal year, actual experience (revenues, expenditures, and performance) will be periodically measured against the plan. The City will prepare and annually refine written goals and policies to guide the preparation of financing, spending, and performance plans for the City budget. Proposed budgets will comply with the proposed budget policies and Council priorities. Department and program managers will not exceed the Council-approved appropriations in any fund. The City Council may approve modifications to these appropriations throughout the year as warranted by revenue collections and activity demands.

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 charged out, and added costs will be recognized and included in future year's 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.

Fraud Prevention and Deterrence Policy

A constructive culture requires integrity in the administration of the City's resources to ensure public trust. The City of Indian Wells is committed to protecting the organization, its operations, its employees and its assets against the risk of loss or misuse. The City is committed to protecting against fraud, forgery, dishonesty, theft and other similar improprieties. Accordingly, it is the policy of the City to identify and promptly investigate any possibility of fraudulent or related dishonest activities against the City and, when appropriate, to pursue legal remedies available under the law.

It is the policy of the City of Indian Wells governing board to facilitate the development of controls which will aid in the detection and prevention of fraud, impropriety or irregularity within the City. It is the intent of the governing board to promote consistent organizational behavior by providing guidelines and assigning responsibility for the development of controls and conduct of investigations.

Managing the risk of fraud should be high on the list of priorities of all organizations. Any risk may be a serious threat to an organization's well being. Fraud is a real threat to the financial health of an organization and its image and reputation.

It is the City's intent to fully investigate any suspected acts of fraud, misappropriation, or other similar irregularity. The proper response to an indicator of fraud is investigation and resolution. An objective and impartial investigation will be conducted regardless of the position, title, and length of service or relationship with the City of any party who might be or become involved in or becomes the subject of such investigation.

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. Departments 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 citywide computer network.

Debt Policy

The City/Redevelopment Agency overriding goal in issuing debt is to respond to and to provide for the infrastructure and capital project needs of its customers while ensuring that debt is issued and managed prudently in order to maintain a sound fiscal position and protect credit quality. The City/Redevelopment Agency issues debt instruments, administers City/Redevelopment Agency-held debt proceeds and makes debt service payments, acting with prudence and diligence, and attention to prevailing economic conditions. This policy documents the City/Redevelopment Agency goals for the use of debt instruments and provides guidelines for the use of debt for financing the City/Redevelopment Agency infrastructure and project needs.

The City/Redevelopment Agency believes that debt is an equitable means of financing projects and represents an important means of providing for the infrastructure and project needs of the City/Redevelopment Agency customers. Debt will be used to finance projects (i) if it meets the City/Redevelopment Agency goal of equitable treatment of all customers, both current and future, (ii) if it is the most cost-effective means available to the City/Redevelopment Agency, and (iii) if it is fiscally prudent, responsible, and diligent under the prevailing economic conditions. The pay-as-you go method of using current revenues to pay for long-term

infrastructure and other projects is often considered the preferred means of financing when sufficient revenues and reserves can be available as it avoids interest expense. The City/Redevelopment Agency will endeavor to pay for all infrastructure and other projects from a combination of current revenues, available reserves, and prudently issued debt.

Reserve Policy

Operating Reserve: A General Fund contingency reserve amount which is a minimum of 25% of the operating budget is established. The purpose of this reserve is to meet unexpected circumstances, such as a General Fund revenue shortfall. Appropriate levels of contingency funds will be determined and maintained in the capital and special funds.

Emergency Reserve Fund: The General Fund Emergency Reserve Fund was established to be used in the event of a catastrophic disaster or major economic downturn that would impact the major revenue source to the City such as Transient Occupancy Tax. Council action has ensured surplus reserves in the General Fund are transferred to the Fund.

This balance will allow the City to continue providing the current level of service to the residents of Indian Wells. The Emergency Reserve Fund shall hold a minimum reserve equal to one year General Fund operating costs. Should unforeseen and unavoidable events occur that require expenditure of City resources beyond those provided for in the annual budget, the City Manager shall have the authority to approve appropriation of Emergency Reserve Funds. The City Manager shall then present to the City Council – no later than its first regularly scheduled meeting - a resolution confirming the nature of the emergency and formally authorizing the appropriation of reserve funds.

It is the intent of the City Council to limit use of fund balances in the General Fund to address unanticipated one-time needs. Fund balances shall not be applied to recurring annual operating expenditures subject to the balanced budget policy.

Infrastructure Reserve: The Infrastructure Reserve was created to accumulate funding required for new infrastructure development and the on-going rehabilitation of existing buildings and facilities, streets and sidewalks, parks and open space and transportation systems. The City Council has used the reserve to fund new capital projects as well. Because this reserve is to be used for priority capital projects that will be reviewed by the Council, no maximum reserve level is recommended. Conversely, because of the discretionary nature of this reserve, no minimum balance is required.

It is the long term goal of the City to build an infrastructure reserve sufficient to construct all remaining affordable housing requirements and maintain infrastructure reserves equal to 10 year capital replacement cash flows requirements of affordable housing operating funds.

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 1978 under a joint exercise of powers agreement between local governments for 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, 2011 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, CDARS, passbook savings demand deposits 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.

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.

Capital Improvement Program Policy

Capital project proposals should include complete, reliable, and attainable cost estimates. Based upon a thorough analysis of the project, project cost estimates for the Five-Year Capital Improvement Plan will vary in reliability depending upon whether they are to be undertaken in the first or fifth year of the Plan. Project estimates for the Five-Year Capital Improvement Plan should include the basis on which the project costs were prepared (conceptual design, master plan, etc.), and the relative reliability of those estimated costs.

Capital project proposals should include a comprehensive resource plan. This plan should include the amount and type of resources required, and the funding and financing strategies to be employed. The specific fund and timing should be outlined. The plan should indicate resources needed to complete any given phase of a project in addition to the total project. The City Manager's Office is responsible and accountable for providing Council with an accurate, comprehensive resource plan.

Changes in project estimates for the comprehensive resource plan should be fully reported to the City Council for review and approval. Project proposals should indicate the project impact on the operating budget. Each project that is proposed in any year of the Five-Year Capital Improvement Program shall have an estimate of the costs for furniture, fixtures, equipment, and technology and the annual operations and maintenance costs in the appropriate year of the Operating Budget or in the Five Year Forecast and Revenue Projections.

During the annual Capital Budget process for multi-year budgeted projects, the City Manager will provide the Council with more information regarding the project including the original budget, budget addendums, and the projected schedule in spreadsheet format.

At the time of award of the construction contract, each project shall include reasonable provision for contingencies. At the time of award of the construction contract, each project shall include reasonable provisions for furniture, fixtures, equipment, and technology that are separately identified in a line item or items in the construction budget and those costs shall be noted in the staff report to Council. At the time of award of the construction contract, each project's estimated annual operating and maintenance costs shall be identified in the staff report to the Council and shall be included in the Operating Budget or in the Five Year Forecast and Revenue Projections for projects expected to be completed after the end of the budget year.

The City Administration shall seek ways of ensuring that administrative costs of carrying out the Capital Improvement Program are kept at appropriate levels. The annual Capital Budget shall include only those projects that can reasonably be accomplished in the indicated timeframe. Multi-year budgeting of projects shall be used to ensure a reasonable timeframe for projecting costs. The detail sheet for each budgeted capital project should include a projected schedule. The status of all capital projects, and the entire Capital Budget, will be monitored by the Mayor/City Council as part of the Mid-Year Budget Review. Large projects of crucial importance may be monitored on a more frequent basis as determined by the City Council. Public participation in the Capital Improvement Program is a priority concern for the City.

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, 2010. 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.

The Comprehensive Annual Financial Report of the City of Indian Wells for the fiscal year ended June 30, 2011 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 Lance Soll & Lunghard, LLP Certified Public Accountants, for their professionalism in conducting the annual audit for the City of Indian Wells.

Respectfully submitted,



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, 2010

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.

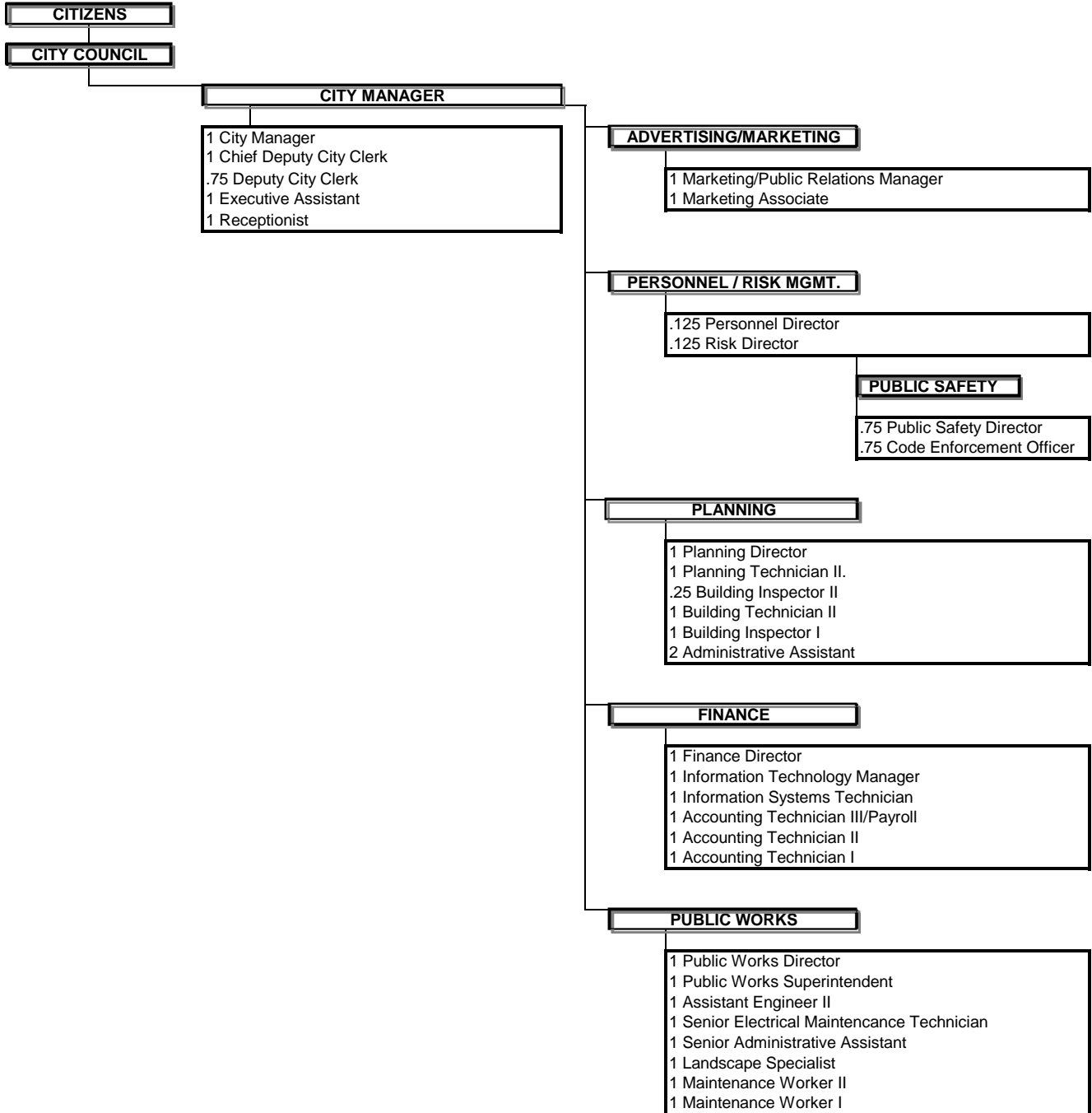


President

Executive Director

**CITY OF INDIAN WELLS
ORGANIZATION CHART**

JUNE 30, 2011



CITY OF INDIAN WELLS

LIST OF PRINCIPAL OFFICIALS

JUNE 30, 2011

Council – Manager Form of Government

City Council

Patrick Mullany
Mayor

William Powers
Mayor Pro Tem

Douglas Hanson
Council Member

Mary Roche
Council Member

Larry Spicer
Council Member

City Administration

Roderick J. Wood
City Manager

Kevin McCarthy, Finance Director
Barbara Carson, Planning Director
Nancy Sarpa-Samuels, Marketing/Public Relations Director
Paul Goble, Public Works Director
Mel Windsor, Personnel/Risk Management Director



CERTIFIED PUBLIC ACCOUNTANTS

- Brandon W. Burrows, CPA
- David E. Hale, CPA, CFP
A Professional Corporation
- Donald G. Slater, CPA
- Richard K. Kikuchi, CPA
- Susan F. Matz, CPA
- Shelly K. Jackley, CPA
- Bryan S. Gruber, CPA

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of City of Indian Wells, California, as of and for the year ended June 30, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of City of Indian Wells, California's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

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, California, as of June 30, 2011, and the respective changes in financial position, and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

We would like to draw the reader's attention to Note 18 – "California Redevelopment Agency Uncertainty". The note provides information on two bills passed, AB1X26 and 27 which dissolve redevelopment agencies effective October 1, 2011 and provide an option to avoid dissolution by making certain defined payments.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 21, 2011, on our consideration of the City of Indian Wells, California's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States



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

of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Indian Wells, California's financial statements as a whole. The introductory section, combining and individual nonmajor fund financial statements, and statistical section, are presented for purposes of additional analysis and are not a required part of the financial statements. The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Lance, Soll & Lingham, LLP

Brea, California
November 21, 2011

Management's Discussion and Analysis

As management of the City of Indian Wells, we offer readers of the City of Indian Wells' financial statements this narrative, overview and analysis of the financial activities for the fiscal year ended June 30, 2011. The Management Discussion and Analysis (MD&A) is intended to provide the reader of the statements with a basic overview of the financial results and financial position of the City of Indian Wells. 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 i-xv, and the accompanying basic financial statements, which can be found on pages 21-23 of the report.

Financial Highlights

- Total assets exceed total liabilities by \$196.2 million (net assets). Of this amount, unrestricted net assets of \$31.9 million may be used to meet the City's ongoing obligations to citizens and creditors and restricted net assets of \$35.6 million are dedicated to specific purposes. The City completed the year with \$128.7 million invested in capital assets, net of related debt otherwise viewed as non-spendable assets.
- As a result of this year's activities, total capital assets net of depreciation decreased \$4.6 million from \$262.8 million to \$258.2 million. The City acquired \$4.6 million in new capital assets during the fiscal year. Total depreciation expense reached \$9.2 million during the year.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$59.2 million, a decrease of \$4.7 million in comparison with the prior year.
- At the end of the current fiscal year, the unassigned General Fund Balance comprised \$22.8 million of the total \$63.3 million General Fund Balance. During the fiscal year, the City Council committed \$18.5 million to the emergency reserve. The General Fund's non-spendable assets comprised \$21.3k in prepaid costs and \$22.0 million in advances to other funds.
- Long-term debt obligations decreased by \$4.0 million to \$130.0 million due to principal retirements of the Series 2003 A Tabs of \$0.6 million, the Series 2003 AT Tabs of \$2.0 million, the Series 2005 A Tabs of \$0.7 million, and finally the Series 2006 A Tabs of \$0.7 million, respectively.

Overview of the Financial Statements

The financial section of the comprehensive annual financial report contains the following information: *Independent Auditors' Report*, *Management's Discussion and Analysis* (this section), the *Basic Financial Statements*, and the *Supplementary Information* section, an optional section that presents combining and budgetary schedules for individual non-major funds. The *Basic Financial Statements* are comprised of three components: 1) *Government-wide Financial Statements*, 2) *Fund Financial Statements* and, 3) *Notes to the Financial Statements*. Management's Discussion and Analysis is intended to be an introduction to the Basic Financial Statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements - The Government-wide Financial Statements are intended to provide a “Big Picture” view of the City as a whole using accounting methods similar to those used by private sector companies. The Statement of Net Assets includes all of the City’s assets (including non-spendable assets like streets, roads, and land rights) and liabilities (including long-term liabilities that may be paid over twenty or so more years). All of the current year revenues and expenditures are accounted for in the Statement of Activities regardless of when cash is received or paid.

The two Government-wide Financial Statements report the City’s net assets and how they have changed. Net assets – the difference between the City’s assets and liabilities – is one way to measure the City’s financial health, or position. Over time, increases or decreases in the City’s net assets are an indicator of whether its financial health is improving or deteriorating, respectively. To assess the overall health of the City, one should also consider additional non-financial factors such as changes in the City’s property tax base and the condition of the City’s roads.

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 are reported in this statement for some items that will only result in cash flows in future fiscal periods. Examples include revenues pertaining to uncollected taxes and expenditures pertaining to earned but unused vacation and sick 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 have been included as an integral part of the primary government. The government-wide financial statements are 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 Fund Financial Statements provide more detailed information about the City’s most significant funds (major funds) but not the City as a whole. Some funds are required by State and Federal law or by bond covenants. Other funds are utilized simply to control and manage resources intended for particular purposes. 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*.

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 twenty four (24) 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, two (2) special revenue funds and one (1) debt service fund. These four (4) funds are considered to be major funds.

Data from the twenty (20) governmental funds is combined into a single, aggregated presentation. Individual fund data for each of these non-major 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 also combines five (5) Gas Tax funds and two (2) Affordable Housing Operations funds rather than reporting each of the funds separately.

The City adopts a biennial 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 - *Proprietary 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 - The City utilizes Fiduciary Funds to account for assets held by the City in a trustee capacity, or as an agent for other governmental entities, private organizations, or individuals. All of the City's fiduciary activities are reported in a separate statement of

fiduciary net assets and a statement of changes in fiduciary net assets. We exclude these activities from the City's Government-wide Financial Statements because the City cannot use these assets to finance its operations.

Notes to the financial statements - The financial statements also include the Notes to the Financial Statements that provide important narrative details about the information contained in the financial statements. Information contained in the Notes to the Financial Statements is critical to a reader's full understanding of the Government-wide and Fund Financial Statements.

Required Supplementary Information - In addition to the required elements of the Basic Financial Statements, we have also included a Supplementary Information section, which includes budgetary and combining schedules that provide additional details about the City's non-major Governmental Funds, Internal Service Funds, and Fiduciary Funds. In addition, pension schedules present the City of Indian Wells' progress towards funding its obligation to provide future pension benefits for its active and retired employees.

Combining and individual fund statements and schedules referred to earlier provide information for non-major governmental funds and fiduciary funds and are presented immediately following the required supplementary information.

Government-wide Financial Analysis

This analysis focuses on the net assets (Table 1) and changes in net assets (Table 2) of the City's governmental activities. As noted earlier, looking at the changes in net assets over time may serve as a useful indicator of a government's financial position.

Analysis of the Statement of Net Assets

The City's assets exceeded liabilities by \$196.2 million at the close of the most recent fiscal year. Of the total net assets, \$31.9 million or 16.2% represents unrestricted net assets available for meeting the City's ongoing obligations to citizens and creditors.

An additional portion of the City's net assets representing \$35.6 million or 18.2% of the total is subject to legal restrictions on their use. These restricted resources can be used only for those purposes that are specified by their providers, such as grantors, bondholders, or higher levels of government. It is important to note that these resources are constrained by external parties.

At \$128.7 million, investment in capital assets (infrastructure, land, buildings, other improvements, vehicles, and equipment, less outstanding debt used to acquire them) comprise 65.6% of the City of Indian Wells' total net assets. These non-spendable assets are amounts that will never convert to cash (such as prepaid items), amounts that will not convert to cash soon enough to affect the current period (such as assets held for resale), and amounts that are required to be maintained intact (such as the corpus of an endowment fund).

By the close of the fiscal year, the City's net assets decreased \$5.2 million as a result of this year's activities. This decrease is derived from the change in net assets as recorded in the Statement of Activities and flows through the Statement of Net Assets.

The following table lists a condensed Statement of Net Assets for the fiscal year ending June 30, 2011 and 2010.

Table 1
Statement of Net Assets
(in Millions)

	Governmental Activities		
	2011	2010	\$ change
Current and other assets	\$ 73.1	\$ 77.2	\$ (4.1)
Capital assets	258.2	262.8	(4.6)
Total Assets	331.3	340.0	(8.7)
Current liabilities	9.9	8.8	1.1
Non-current Liabilities	125.1	129.8	(4.7)
Total Liabilities	135.0	138.6	(3.6)
Net assets:			
Invested in capital assets, net of related debt	128.7	129.3	(0.6)
Restricted			
Community development projects	28.5	38.0	(9.5)
Public safety	4.7	4.6	0.1
Public works	1.6	0.3	1.3
Debt service	0.8	-	0.8
Unrestricted	31.9	29.2	2.7
Total Net Assets	\$ 196.2	\$ 201.4	\$ (5.2)

Governmental Activities

The City is a full service city providing residents and visitors with the following functional services:

General Government is comprised of six departments (City Council, City Manager, Advertising & Marketing, City Attorney, Personnel, and Finance) providing general governance, executive management, legal services, records management, risk management, finance, accounting, and information technology services.

Community Development is comprised of three departments (Planning, Building, and Affordable Housing operations) that provide planning and zoning services, economic development services, and building plan check.

Public Safety is comprised of two departments (Police and Fire) providing general law enforcement and code enforcement, fire suppression and prevention services, paramedic and medical transport services, and disaster preparedness.

Public Works is comprised of three departments (Engineering, Traffic Signals, and Maintenance Services) providing engineering, construction and maintenance of public streets, highways, buildings, and related infrastructure.

Golf Resort reflects the operations at the City's Indian Wells Golf Resort. The Golf Resort Contract Program accounts for the operation, management and maintenance of the Golf Resort at Indian Wells according to the terms of the City's management agreement.

The table below lists a condensed Statement of Activities for the fiscal year ending June 30, 2011 and 2010.

Table 2
Statement of Activities
(in Millions)

	Governmental Activities		
	2011	2010	\$ change
Revenues			
Program Revenues			
Charges for services	\$ 12.9	\$ 14.2	\$ (1.3)
Operating contributions and grants	4.4	5.6	1.1
Capital contributions and grants	0.5	5.2	(4.7)
General revenues:			
Taxes			
Property taxes	17.2	18.1	(0.9)
Transient occupancy taxes	4.8	4.3	0.5
Sales taxes	0.9	0.8	0.1
Franchise taxes	0.8	0.8	-
Other taxes	3.8	1.3	0.2
Investment income	3.9	1.5	2.4
Other	0.4	0.4	-
Total revenues	<u>\$ 49.6</u>	<u>\$ 52.2</u>	<u>(2.6)</u>
Expenses			
General government	4.8	8.2	(3.4)
Community development	14.0	19.5	(5.5)
Public safety	7.4	8.2	(0.8)
Public works	6.7	5.4	1.3
Golf resort	13.7	12.9	0.8
Interest Expense	8.2	5.9	2.3
Total expenses	<u>\$ 54.8</u>	<u>\$ 60.1</u>	<u>(5.3)</u>
Increase in net assets	<u>\$ (5.2)</u>	<u>\$ (7.9)</u>	<u>2.7</u>

Major Governmental Activities in the current fiscal year included the following:

Revenues:

- Revenues continued their decline into fiscal year 2010/11. The City collected \$49.6 (net of pass through obligations) during fiscal year 2010/11 compared to \$52.2 million the year before.
- The City collected \$27.5 million (net of pass through obligations) in general taxes during fiscal year 2010/11 representing an increase of \$2.2 million compared to the prior year. Declining property taxes accounted for the majority of the decrease in revenues.

- Charges for services decreased \$1.3 million reflecting in a decrease in revenue for affordable housing purposes.
- Operating contributions and grants grew \$1.1 million compared to the prior fiscal year recognizing the City's increase in special tax revenues and changes in the State of California's reporting of Vehicle License Fees known as VLF.
- City Officials completed an aggressive capital grant program again this year receiving the remaining \$0.5 million in capital contributions and grants.

Expenditures:

In the current year, expenditures for all governmental activities totaled \$61.0 million, reflecting an overall increase of \$0.9 million (1.5%) from the prior year. Changes in expenditures compared to the prior year financials can be attributed to the following factors:

- General Government expenditures decreased \$3.4 million (41.5%) when compared to the prior year reflecting the implementation of the City's new expenditure savings plan.
- For the most part, the cost of Community Development, Public Safety, and Public Works expenditures remained relatively flat when compared to the prior fiscal year. However depreciation expense reflected in the government-wide financials did increase \$1.2 million in these areas reflecting the depreciation of new capital assets. See Notes Section 7.
- The City's interest expense increased \$2.3 million primarily due to three changes: new interest expense from the recently issued Series 2010 A tax allocation bonds, changes in accrued interest and compensated absences, and re-categorization of associated debt service fees.

Financial Analysis of the City'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 *spend-able* 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 \$59.2 million as follows:

Fund Balances by Category

Category	General Fund	Percent	All Other Funds	Percent	Total Funds	Percent
Nonspendable:						
Inventory	\$ -	0.0%	\$ 556,726	-13.5%	\$ 556,726	0.9%
Prepaid costs	21,282	0.0%	39,962	-1.0%	61,244	0.1%
Notes	-	0.0%	4,316,639	-104.3%	4,316,639	7.3%
Advances to other funds	22,010,750	34.8%	11,514,773	-278.4%	33,525,523	56.7%
Restricted for:						
Community development	-	0.0%	12,725,527	-307.6%	12,725,527	21.5%
Public safety	-	0.0%	4,651,489	-112.4%	4,651,489	7.9%
Parks and recreation	-	0.0%	-	0.0%	-	0.0%
Public works	-	0.0%	1,641,967	-39.7%	1,641,967	2.8%
Debt Service	-	0.0%	817,671	-19.8%	817,671	1.4%
Committed for:						
Emergency Reserve	18,500,000	29.2%	-	0.0%	18,500,000	31.3%
Capital projects	-	0.0%	3,022,559	-73.1%	3,022,559	5.1%
Unassigned:	22,766,933	36.0%	(43,424,063)	1049.7%	(20,657,130)	-34.9%
Total Fund Balances	\$ 63,298,965	100.0%	\$ (4,136,750)	100.0%	\$ 59,162,215	100.0%

Governmental fund balances ended the year totaling \$59.2, a decrease of \$4.7 million in comparison with the prior years ending balance of \$63.9 million. Of this amount \$38.5 million or 65.0% constitutes non-spendable reserves, which means that these reserves must be maintained intact, \$19.8 million or 33.5% are restricted fund balances which are the result of external limitations on spending, \$21.5 million or 36.4% are committed fund balances which has resulted in internally-imposed limitations placed upon the funds by the Governing Board responsible for adopting the fund budget. The remainder of fund balance is actually a deficit of \$20.6 million or -34.9% which represents unassigned fund balances or the residual net resources after taking into consideration the other classifications.

General Fund

The General Fund is the chief operating fund of the City. At the end of the current fiscal year the General Fund's fund balance was \$63.3 million of which \$22.0 million is non-spendable advances to other funds, \$18.5 million is committed for Emergency Reserve, and \$22.8 million of unassigned fund balance reported in the General Fund.

Despite the economic slowdown affecting the nation and reduced transient occupancy tax revenues, the City's General Fund achieved a \$9.2 million operating surplus of revenues over expenses primarily due to the City Council's action to sell affordability covenants to the Agency's Housing Fund for \$6.2 million.

General Fund Financial Summary

	2011	2010	\$ Change	% Change
Revenue				
Total taxes	\$ 9,965,398	\$ 9,156,141	\$ 809,257	8.8%
License & permit fees	118,782	234,274	(115,492)	-49.3%
Fines & forfeitures	39,090	18,669	20,419	109.4%
Interest income from investments	1,484,175	1,720,094	(235,947)	-13.7%
Intergovernmental	418,678	440,486	(21,808)	-5.0%
Current service charges	414,430	388,137	26,293	6.8%
Other revenues	38,903	210,211	(171,308)	-81.5%
Total - revenues & sources	12,479,426	12,168,012	311,414	2.6%
Expenditures				
City council	43,705	40,816	2,889	7.1%
City manager	803,490	959,531	(156,041)	-16.3%
Personnel	450,725	450,304	421	0.1%
Marketing	1,875,448	2,275,967	(400,519)	-17.6%
Finance	751,463	722,367	29,096	4.0%
City attorney	146,035	150,414	(4,379)	-2.9%
Planning	645,460	751,172	(105,712)	-14.1%
Public safety	3,291,049	3,262,980	28,069	0.9%
Public works	1,495,427	1,483,951	11,476	0.8%
Total - expenditures & uses	9,502,802	10,097,502	(594,700)	-5.9%
Surplus / deficit	<u>2,976,624</u>	<u>2,070,510</u>	<u>906,114</u>	<u>43.8%</u>
Proceeds from Sale of Affordability Covenants	<u>6,185,000</u>		<u>6,185,000</u>	<u>n/a</u>
Surplus / deficit	<u><u>9,161,624</u></u>	<u><u>2,070,510</u></u>	<u><u>7,091,114</u></u>	<u><u>342.5%</u></u>

During fiscal year 2010/11, the General Fund saw what may be a first glimpse of economic recovery. General Fund revenues increased 2.6% during fiscal year 2010/11 when compared to the prior year. While development and construction based licenses and permits continued to lag; the City experienced an 8.8% increase in general tax revenues stemming primarily from increases in admission tax and transient occupancy tax collections. The City Council also implemented a very successful fine and collection system to mitigate the City's code enforcement violations. The new program increased fine revenues \$20.4k or 109.4% throughout the fiscal year.

With the implementation of the City's new expenditure savings plan, City officials were able to shave \$0.6 million of General Fund expenditures. Fiscal year 2010/11 expenditures were \$9.5 million compare to \$10.1 million the year before. Expenditure savings include salaries and benefits, staffing reductions, decreased funding to the Marketing Co-Op fund and Palm Springs Desert Resorts Communities CVA, reductions of citywide travel & training, reduction of contract professionals and recommended reductions to charitable giving.

See Fund Financial Statements tab page 24-30.

Golf Resort Operations Fund

Golf operations continued to improve during fiscal year 2010/11. The Golf Resort expenditures exceeded the budget by \$0.7 million which was a 25.1% improvement over budgeted expectations and a 36.9% improvement over prior year actual(s). Overall revenues grew at 5.4% and expenditures increases were capped to just 3.0% compared to fiscal year 2009/10 actual(s).

	Month to Date			Year to Date		
	2011	Budget	2010	2011	Budget	2010
Rounds	7,182	5,727	6,580	83,052	80,329	81,102
Revenues	742,505	594,119	620,722	12,242,748	11,620,570	11,034,441
Cost of Sales	163,628	132,613	139,764	2,498,676	2,346,137	2,202,436
Op Expenses	841,168	801,295	868,660	10,470,605	10,244,481	9,983,541
EBITDA	-262,290	-339,789	-387,700	-726,534	-970,047	-1,151,536

Golf Resort revenues of \$12.2 million were \$1.2 million higher than 2009/10 revenues of \$11.0 million. Golf Resort Fund expenditures of \$13.7 million in 2010/11 were \$1.5 million higher than 2009/10 expenditures of \$12.2 million. As a result of this year's operations, the Golf Resort operations fund posted a deficiency of revenues under expenditures of \$1.4 million.

The City's General Fund is providing the Golf Operations Fund cash advances during these difficult economic times. These "advances to fund" and "advances from fund" appear on the balance sheets of both the City's General Fund and the Golf Operations Fund. Readers can also review these "advances to fund" and "advances from fund" by looking at Section 5 Interfund Balances of the Notes to the Financials on page 46-47. It is anticipated these "advances" will be paid back to the General Fund once the Golf Resort returns to profitability.

See Fund Financial Statements tab page 24-30.

Low & Moderate Housing Fund

The Housing Activities fund accounts for the City of Indian Wells' commitment to providing low and moderate income residents with safe, decent, and affordable housing opportunities. Objectives include preserving the existing affordable housing stock, increasing the supply of affordable housing, and providing services to homeless and at-risk populations. Redevelopment Agency tax allocation bonds and 20% of the gross property tax increment provide the fund's primary resources. As required by California State law, the tax increment revenue is used solely for affordable housing.

The City is the owner of two 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 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. The Agency's Low/Moderate Housing Fund ("Housing Fund") collected \$6.9 million in 20% set-aside revenues during fiscal year 2010/11,

reflecting a decrease of 6.8% over the prior fiscal year. Interest income fell to just \$0.06 million reflecting a decrease of 86.4% over the prior fiscal year.

Administrative costs during the fiscal year reached \$2.2 million. The Housing Fund issued Series 2003 AT Tax Allocation Bonds in fiscal year 2002/03 to finance the construction of affordable housing in the Whitewater Project Area. In order to repay the debt, the agency annually pledges tax increment revenues equal to the annual debt service amounts. Debt service reached \$3.8 million. The Housing Fund spent \$7.3 million on capital improvements during fiscal year 2010/11. The Agency completed development of the Mountain View Villas Phase 1 subsidence strategy and monitoring plan and began making repairs to the affected units. The Agency anticipates repairs at the Mountain View Villas Phase 1 community housing project will be completed during the first quarter of fiscal year 2011/12. New tenants should begin moving in shortly thereafter.

See Fund Financial Statements tab page 24-30.

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. Activity in the Agency continued to decline during fiscal year 2010/11. The cost of administrative expenditures and other operational charges closely paralleled the decline growth in Agency services. The Agency spent \$1.4 million for administrative and professional services during fiscal year 2010/11.

See Fund Financial Statements tab page 24-30.

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-six percent (56%) will be shared with other taxing agencies pursuant to formal agreements commonly known as "pass-through" agreements. Prior to the effective date (January 1, 1994) of California Assembly Bill 1290 ("AB 1290"), a redevelopment agency in California could enter into an agreement to pay Tax Increment Revenues to any taxing agency that had territory located within a redevelopment project area in an amount which the agency determined was appropriate to alleviate any financial burden or detriment to such agency caused by the redevelopment project. These agreements normally provided for a pass-through of Tax Increment Revenues directly to the affected taxing agency, and, therefore, are commonly referred to as "pass-through agreements." Such agreements adopted prior to the effective date of AB 1290 continue in full force and effect. In connection with the Agency's election to eliminate the time limit to incur indebtedness pursuant to SB211, the Agency must make additional statutory pass-through payments to various affected taxing agencies which are

senior in right of payment of the bonded debt. The remaining twenty-four percent (24%) is available for Agency debt service and operating costs such as administration.

In 2010/11, the Agency collected revenues of \$27.8 million compared with tax increment revenues of \$29.6 million collected in the prior year. Agency expenditures declined to \$31.3 million in 2010/11 reflecting an \$8.5 million (-21.4%) decrease in Agency spending. The decrease in expenditures was primarily due to the \$9.6 million payment Supplement Education Relief Augmentation Fund (SERAF) obligation paid during fiscal year 2009/10 offset by the \$2.0 million payment Supplement Education Relief Augmentation Fund (SERAF) obligation made during fiscal year 2010/11. The Agency paid pass-through obligations of \$19.8 million during fiscal year 2010/11 compared with \$21.1 million during the prior fiscal year.

See Fund Financial Statements tab page 24-30.

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	
	2011	2010	2011	2010
General government	\$ 4.8	\$ 8.2	\$ (4.4)	\$ (8.1)
Community development	14.0	14.5	(13.5)	(10.4)
Public safety	7.4	8.2	(5.4)	(4.7)
Public works	6.7	5.4	(4.0)	0.8
Golf Resort	18.7	17.9	(1.4)	(6.8)
Interest expense	8.2	5.9	(8.2)	(5.9)
Totals	<u>\$ 54.8</u>	<u>\$ 60.1</u>	<u>\$ (36.9)</u>	<u>\$ (35.1)</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 the 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. Readers need to account for this revenue source when reviewing the City’s financials. See the Statement of Activities on page 23 for further detail.

General Fund Budgetary Highlights

During the fiscal year, the City Council took action several times to reduce spending in preparation of anticipated State of California budget impacts and subsequent attacks on redevelopment.

Final budgeted revenues for the General Fund increased \$6.3 million from the original budget during the year ended June 30, 2011. The significant factor contributing to this fluctuation is highlighted below:

- The City Council took action to sell affordability covenants to the Agency's Housing Fund for \$6.1 million.

Final actual expenditures for the General Fund decreased \$0.8 million from the final budget during the year ended June 30, 2011. The significant factors contributing to this fluctuation are based upon a broad citywide approach to reducing expenditures in every department.

- The City Council developed the expenditure cost savings plan to meet the challenges in these difficult economic times. The impact of the struggling economy has made a significant change on tourism both nationally and locally in the Coachella Valley. The expenditure cost savings plan was extended into the fiscal year 2010/11 City budget. While declining revenues brought about many of the cost saving recommendations proposed in the new budget; no City services were eliminated.

Capital Assets

The City of Indian Wells' investment in capital assets, net of accumulated depreciation amounted to \$258.2 million at June 30, 2011. This investment includes land, infrastructure, structures and improvements, vehicles, equipment, intangible assets, and construction in progress. 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 are private streets (generally behind gates), and public water, mountain trails, and sewer, electricity, gas and cable utilities maintained by others.

Details of the City's capital assets can be found in Section 7 Capital Assets on pages 48-49 of the Notes to Basic Financial Statements.

Table 4
Summary of Changes in Capital Assets
For the Year Ended June 30, 2011
(in millions)

	Balance at July 1, 2010	Transfers	Additions	Retirements	Balance at June 30, 2011
Capital assets, not being depreciated:					
Land	\$ 61.9				\$ 61.9
Construction in progress	22.0	(12.0)	2.4		12.4
Total capital assets not being depreciated	83.9	(12.0)	2.4	-	74.2
Capital assets, being depreciated:					
Buildings and improvements	125.7	4.0	1.6	-	131.3
Equipment	7.1		0.1	(0.2)	7.0
Infrastructure	89.5	8.0	0.5	-	98.0
Total capital assets being depreciated	222.3	12.0	2.2	(0.2)	236.3
Less accumulated depreciation for:					
Buildings and improvements	(24.4)		(6.0)		(30.4)
Equipment	(4.1)		(1.1)	0.2	(5.0)
Infrastructure	(14.9)		(2.1)		(17.0)
Total accumulated depreciation	(43.4)	-	(9.2)	0.2	(52.4)
Total capital assets being depreciated, net	178.9	12.0	(7.0)	-	183.9
Total capital assets, net	\$ 262.8	\$ -	\$ (4.6)	\$ -	\$ 258.2

The City acquired \$4.6 million in new capital assets during the fiscal year. Affordable housing remained a major priority for the City. The City completed final improvements of \$0.3 million for the installation of various "green energy" improvements at the City's IW Villas affordable housing site. The IW Villas Green Capital Improvements project completes a major remodel of the IW Villas Affordable Housing Community to utilize photovoltaic energy, tankless water heaters, low volume toilets and high efficiency HVAC. The City spent \$0.8 million to begin the refurbishment of affected units located in the Mountain View Villas Phase 1 Rehabilitation project. The Mountain View Villas Phase 1 Rehabilitation project repairs eight settlement damaged buildings. The repairs re-level and re-support failed framing and foundation systems, as required. Deep, loose hydro-collapsible soils at MVV are believed to be the primary cause of the extreme differential soil settlement at the property. The Mountain View Villas Phase 1 Rehabilitation project is scheduled to be completed by January 2012.

The City Council authorized the Civic Center improvement project which provided \$0.3 million in funding to upgrade the City Council chambers and audio/visual systems suitable for public

broadcast on the City's internet site as well as the City's local channel 17. The project also replaced deteriorating walkways and planters, installed improved facility signage, installed an automatic front entry door, provided new entry furniture, provided new entry lighting and ceiling panels, installed updated and ADA compliant reception desk and provided for a new entry fountain to greet IW residents. Additional Civic Center improvements included replacement of six aging and obsolete HVAC units.

During fiscal year 2010/11, the City began the first phase of the under grounding utilities project in the Indian Wells Village Area. The total cost of the four year project is proposed at \$5.1 million. The City spent \$1.0 million to establish the district, begin preliminary design work, and acquire Southern California Edison Utility Rule 20A credits to offset capital costs attributed to the Rule 20A portion of the utility project. The City spent \$0.6 million to complete substantial engineering design work of Phase 2 of the Highway 111 Widening Project. Highway 111 is one of the most heavily traveled arterial roadways in the Coachella Valley. The Highway 111 Widening Project will improve traffic flow in addition to reducing traffic congestion. Funding costs for this transportation project are shared by both the City of Indian Wells and the Coachella Valley Association of Governments. The Coachella Valley Association of Governments is responsible to oversee the regional transportation needs of the Coachella Valley and receives State and Local funding to accomplish this. The City share of the costs is 25% and the Coachella Valley Association of Governments share of the costs is 75%.

Golf Resort improvements cost the City \$0.9 million during fiscal year 2010/11. This project provided for thirteen separate improvements at the Indian Wells Golf Resort. Improvements include modifications to the tee boxes, water treatment devices, Old English rock walls, fencing, landscape removal, construction of new target greens at the practice facility, parking lot improvements, and sidewalk and curb & gutter repairs. Improvements are focused on improving the golf experience of residents and guests playing at the facility.

The City continues to enhance its recycling and waste diversion efforts by adding a dual dumpster system in the Public Works maintenance yard to handle the amount of green waste generated from the Indian Wells Golf Resort and other City facilities. Installation of dual dumpster bins cost \$0.1 million. The City replaced of an aging stake bed truck utilized by Public Works for lane closures as well as supply/equipment hauling for \$45.8k. The replacement will also enhance lane closure safety by improving and updating the lane closure illuminated signage system mounted on the existing vehicle.

In 2010/11, the City introduced the sustainability capital plan. The sustainability capital plan was developed in an effort to become more environmentally friendly as a City. Indian Wells replaced public lighting with new high efficiency LED systems at City Hall, bridges, landscape areas, and at the City's Walk of Honor Fountain at a cost of \$0.1 million. Finally, the City completed various infrastructure improvements throughout the City including drainage repairs along Fred Waring Drive adjacent to the Indian Wells Golf Resort, improvements to the Bray property along Highway 111, improvements to the Club Drive property totaling \$0.4 million.

Long-term Debt

The City of Indian Wells Redevelopment Agency maintains five series of outstanding tax allocation bonds. Pursuant to the Redevelopment Law, a portion of all property tax revenues collected by or for each taxing agency on any increase in the taxable value of certain property within the Project Area over that shown on the assessment rolls for the base year may be

pledged to the repayment of indebtedness incurred by the Agency in connection with Project Area redevelopment. Subject to certain prior claims to such tax increments discussed herein, under the Agreement, the Agency has pledged such tax increments to the payment of the principal of, premium, if any, and interest on the Parity Obligations

At year-end, the City had \$130.0 million in tax allocation bonds and compensated absences outstanding which includes the City's Other Post Employee Benefits (OPEB), as shown in Table 5 below.

Table 5
Summary of Changes in Long-Term Liabilities
For the Year Ended June 30, 2011
(in millions)

Description	Balance at 6/30/2010	Additions	Deletions	Balance at 6/30/2011	Due Within One Year
Bonds Payable:					
2003 A Tax Allocation Bonds	\$ 9.5	\$ -	\$ (0.6)	\$ 8.9	\$ 0.6
2003 A-T Tax Allocation Bonds	35.1	-	(2.0)	33.1	2.0
2005 Refunding Tax Allocation Bonds	12.1	-	(0.7)	11.4	0.7
2006 A Tax Allocation Bonds	65.4	-	(0.7)	64.7	0.7
2010 A Tax Allocation Bonds	10.9	-	-	10.9	0.3
Subtotal	<u>133.0</u>	<u>-</u>	<u>(4.0)</u>	<u>129.0</u>	<u>4.3</u>
Add (less) deferred amounts:					
Bond premium	0.5	-	-	0.5	0.1
Subtotal	<u>0.5</u>	<u>-</u>	<u>-</u>	<u>0.5</u>	<u>0.1</u>
Total bonds payable	<u>133.5</u>	<u>-</u>	<u>(4.0)</u>	<u>129.5</u>	<u>4.4</u>
Other liabilities:					
Other Post Employment Benefits	-	-	-	-	-
Capital Lease	-	-	-	-	-
Compensated absences	0.5	0.5	(0.5)	0.5	0.5
Total long-term liabilities	<u>\$ 134.0</u>	<u>\$ 0.5</u>	<u>\$ (4.5)</u>	<u>\$ 130.0</u>	<u>\$ 4.9</u>

Details of the Agency's outstanding debt can be found in Section 8 Long Term Liabilities on page 49-54 of the Notes to Basic Financial Statements.

Economic Factors and Next Year's Budgets and Rates

We continue to monitor our top tax revenue sources; property tax, transient occupancy tax, sales tax, and admissions tax. Fiscal year 2010/11 ended with General Fund revenues just \$3.0 million over General Fund expenditures excluding proceeds from a one-time sale of land. The City has a long standing practice of being fiscally conservative and proactive in its budgetary development. Given the uncertainty of current economic conditions, the City is financially prepared for a slow economic recovery. Indian Wells is not anticipating or forecasting any significant economic recovery to meet revenue demands in the current budget. In fact, the newly adopted budget reflects reductions in both revenues and expenditures. These reductions

dictate a budget that strives to continue funding existing services and focus on infrastructure support and maintenance.

The City anticipates the General Fund will generate a net operating surplus of \$0.3 million during fiscal year 2011/12. The budget has been prepared during the most difficult economy in recent history. The worldwide economy seems to be slow to recover, with historically high unemployment, a distressed housing market, weakened retail sales and a tightened credit market. At present, the duration of this situation is uncertain. The current economic decline has negatively impacted virtually every sector of the business and government community.

The State of California Budget for Fiscal Year 2011/2012 includes AB x1 26 (the "Dissolution Act") which immediately suspends all new redevelopment activities and incurrence of indebtedness, and dissolves redevelopment agencies effective October 1, 2011; and AB x1 27 (the "Continuation Act") which allows redevelopment agencies to avoid dissolution under the Dissolution Act if their host cities/counties elect to comply with the alternative redevelopment program described in Part 1.9 thereof. Under the Continuation Act, a redevelopment agency can continue to exist if its host community commits to making certain payments beginning in January of 2012. On August 4, 2011, the City Council adopted an ordinance declaring the City's decision to comply with the Continuation Act in order to enable the Agency to resume its redevelopment activities.

The California Redevelopment Association, the League of California Cities, and two cities filed a legal challenge to the Dissolution Act and the Continuation Act directly in the California Supreme Court. On August 11, 2011, the Court issued an order indicating that it would exercise jurisdiction over the lawsuit. The Court set an expedited briefing schedule to allow it to decide the case before the first payment is due in January 2012. The Court also stayed the effectiveness of all of the Continuation Act, and portions of the Dissolution Act.

Because the Continuation Act is currently on hold, the Agreement provides that it is not effective until the Dissolution Act and Continuation Act have been upheld by the Court. The Agreement also attempts to preserve the Agency's and City's right to challenge the Dissolution Act and/or Continuation Act, and provides that it automatically terminates if any court of competent jurisdiction determines that either the Dissolution Act or Continuation Act are unconstitutional or otherwise invalid.

The Agency is experiencing declining revenues due to the economic recession. The table below presents readers with a "what if" scenario regarding a potential future decline in the Agency's assessed valuation. The table illustrates the last three years, fiscal year 2012 and three future years of "potential" declines to the assessed valuation to the Redevelopment Agency amid formal "pass-through" agreements with other public agencies and required 20% set aside for Low & Moderate housing purposes.

The Agency has experienced a 15.2% decline in assessed valuation since fiscal year 2009. In October 2011, Standard and Poor's rating agency downgraded the Agency's underlying credit rating from an "A" to a "BBB"- due to the decline in the Agency's assessed valuation. The table depicts the potential impact to the Redevelopment Agency should continued the Agency's assessed valuation continue to decline.

The City of Indian Wells RDA	2009 Actual	2010 Actual	2011 Actual	2012 Budget	2013 Potential	2014 Potential	2014 Potential
Total AV	4,246,665,792	4,089,730,392	3,861,525,392	3,661,228,912	3,487,320,539	3,321,672,813	3,163,893,354
Less Base YR	(390,429,692)	(390,429,692)	(390,429,692)	(390,429,692)	(390,429,692)	(390,429,692)	(390,429,692)
Incremental AV	3,856,236,100	3,699,300,700	3,471,095,700	3,270,799,220	3,096,890,847	2,931,243,121	2,773,463,662
% Change in AV		-4.1%	-6.2%	-5.8%	-5.3%	-5.3%	-5.4%
Gross Tax Incre. Rev **	38,562,361	36,993,007	34,710,957	32,707,992	30,968,908	29,312,431	27,734,637
Less Admin County	(436,944)	(442,777)	(362,396)	(366,330)	(346,852)	(328,299)	(310,628)
Less HSG set-aside	(7,737,662)	(7,398,602)	(6,957,723)	(6,541,598)	(6,193,782)	(5,862,486)	(5,546,927)
Less Pass-through	(22,107,992)	(21,138,998)	(19,811,871)	(18,708,972)	(17,714,216)	(16,766,711)	(15,864,212)
Total Net Tax Incre.	8,279,763	8,012,630	7,578,967	7,091,093	6,714,059	6,354,935	6,012,869
Non-housing D/S	5,776,809	5,778,485	6,157,016	6,542,482	6,542,482	6,542,482	6,542,482
Surplus Net Tax Incre.	2,502,954	2,234,145	1,421,951	548,611	171,577	(187,547)	(529,613)
Non-housing DSCR	1.43	1.39	1.23	1.08	1.03	0.97	0.92

The City's formally adopted the fiscal year 2011/12 City budget and Five-Year Capital Improvement Program considering 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.

Request for Information

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 and Agency Treasurer, at the City of Indian Wells, 44-950 Eldorado Drive, Indian Wells, California 92210-7497. E-mail address: kmccarthy@indianwells.com

CITY OF INDIAN WELLS

STATEMENT OF NET ASSETS
 JUNE 30, 2011

	Governmental Activities
Assets:	
Cash and investments	\$ 56,279,438
Receivables:	
Accounts	1,179,195
Notes	4,316,639
Accrued interest	163,203
Prepaid costs	61,244
Inventories	556,726
Deferred charges	2,393,375
Restricted assets:	
Cash with fiscal agent	6,985,757
Net pension asset	895,869
Net OPEB asset	280,543
Capital assets not being depreciated	74,252,847
Capital assets, net of depreciation	<u>183,910,032</u>
Total Assets	<u>331,274,868</u>
Liabilities:	
Accounts payable	2,597,865
Accrued liabilities	171,312
Accrued interest	1,971,179
Deposits payable	292,545
Noncurrent liabilities:	
Due within one year	4,919,955
Due in more than one year	<u>125,082,894</u>
Total Liabilities	<u>135,035,750</u>
Net Assets:	
Invested in capital assets, net of related debt	128,719,531
Restricted for:	
Community development	28,556,939
Public safety	4,651,489
Public works	1,641,967
Debt service	817,671
Unrestricted	<u>31,851,521</u>
Total Net Assets	<u><u>\$ 196,239,118</u></u>

THIS PAGE INTENTIONALLY LEFT BLANK

CITY OF INDIAN WELLS

STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2011

	Program Revenues			Net (Expenses) Revenues and Changes in Net Assets
	Expenses	Charges for Services	Operating Contributions and Grants	
Functions/Programs				
Primary Government:				
Governmental Activities:				
General government	\$ 4,804,881	\$ 31,619	\$ 405,976	\$ -
Public safety	7,379,309	8,272	1,921,931	-
Community development	20,227,573	6,718,212	17,400	-
Public works	6,710,034	48,230	2,051,669	573,206
Golf resort	13,694,185	12,243,547	-	-
Interest on long-term debt	8,185,570	-	-	-
Total Governmental Activities	61,001,552	19,049,880	4,396,976	573,206
Total Primary Government	\$ 61,001,552	\$ 19,049,880	\$ 4,396,976	\$ 573,206
General Revenues:				
Taxes:				
Property taxes, levied for general purpose				17,200,487
Transient occupancy taxes				4,805,116
Sales taxes				902,256
Franchise taxes				835,725
Business licenses taxes				27,383
Other taxes				3,632,502
Motor vehicle in lieu - unrestricted				12,702
Use of money and property				3,939,375
Other				399,736
Total General Revenues				31,755,282
Change in Net Assets				(5,226,208)
Net Assets at Beginning of Year				201,465,326
Net Assets at End of Year				\$ 196,239,118

CITY OF INDIAN WELLS

**BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2011**

	<u>Special Revenue Funds</u>		
	<u>General</u>	<u>Golf Resort Operations</u>	<u>Low/Moderate Housing</u>
Assets:			
Cash and investments	\$ 31,348,138	\$ 431,284	\$ 2,549,720
Receivables:			
Accounts	562,584	161,151	8,095
Notes	-	-	4,316,639
Accrued interest	93,494	-	7,580
Prepaid costs	21,282	39,367	-
Due from other funds	4,459,533	-	-
Advances to other funds	27,342,131	-	11,514,773
Inventories	-	556,726	-
Restricted assets:			
Cash and investments with fiscal agents	6,168,086	-	7,989
Total Assets	<u>\$ 69,995,248</u>	<u>\$ 1,188,528</u>	<u>\$ 18,404,796</u>
Liabilities and Fund Balances:			
Liabilities:			
Accounts payable	\$ 968,986	\$ 856,363	\$ 174,495
Accrued liabilities	165,399	-	-
Deferred revenues	5,331,381	-	-
Deposits payable	230,517	-	-
Due to other funds	-	-	-
Advances from other funds	-	5,610,750	-
Total Liabilities	<u>6,696,283</u>	<u>6,467,113</u>	<u>174,495</u>
Fund Balances:			
Nonspendable:			
Inventory	-	556,726	-
Prepaid costs	21,282	39,367	-
Notes	-	-	4,316,639
Advances to other funds	22,010,750	-	11,514,773
Restricted for:			
Community development	-	-	2,390,900
Public safety	-	-	-
Public works	-	-	-
Debt service	-	-	7,989
Committed to:			
Emergency reserve	18,500,000	-	-
Capital projects	-	-	-
Unassigned	<u>22,766,933</u>	<u>(5,874,678)</u>	<u>-</u>
Total Fund Balances	<u>63,298,965</u>	<u>(5,278,585)</u>	<u>18,230,301</u>
Total Liabilities and Fund Balances	<u>\$ 69,995,248</u>	<u>\$ 1,188,528</u>	<u>\$ 18,404,796</u>

CITY OF INDIAN WELLS

**BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2011**

	Debt Service Funds		Total Governmental Funds
	RDA Whitewater Debt Service	Other Governmental Funds	
Assets:			
Cash and investments	\$ 1	\$ 19,969,300	\$ 54,298,443
Receivables:			
Accounts	160,523	286,842	1,179,195
Notes	-	-	4,316,639
Accrued interest	-	56,240	157,314
Prepaid costs	-	595	61,244
Due from other funds	-	8,088	4,467,621
Advances to other funds	-	-	38,856,904
Inventories	-	-	556,726
Restricted assets:			
Cash and investments with fiscal agents	809,679	3	6,985,757
Total Assets	\$ 970,203	\$ 20,321,068	\$ 110,879,843
Liabilities and Fund Balances:			
Liabilities:			
Accounts payable	\$ 25,130	\$ 572,891	\$ 2,597,865
Accrued liabilities	-	5,913	171,312
Deferred revenues	-	-	5,331,381
Deposits payable	-	62,028	292,545
Due to other funds	2,875,494	1,592,127	4,467,621
Advances from other funds	33,246,154	-	38,856,904
Total Liabilities	36,146,778	2,232,959	51,717,628
Fund Balances:			
Nonspendable:			
Inventory	-	-	556,726
Prepaid costs	-	595	61,244
Notes	-	-	4,316,639
Advances to other funds	-	-	33,525,523
Restricted for:			
Community development	-	10,334,627	12,725,527
Public safety	-	4,651,489	4,651,489
Public works	-	1,641,967	1,641,967
Debt service	809,679	3	817,671
Committed to:			
Emergency reserve	-	-	18,500,000
Capital projects	-	3,022,559	3,022,559
Unassigned	(35,986,254)	(1,563,131)	(20,657,130)
Total Fund Balances	(35,176,575)	18,088,109	59,162,215
Total Liabilities and Fund Balances	\$ 970,203	\$ 20,321,068	\$ 110,879,843

CITY OF INDIAN WELLS

**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2011**

Fund balances of governmental funds		\$	59,162,215
Amounts reported for governmental activities in the statement of net assets are different because:			
Capital assets net of depreciation have not been included as financial resources in governmental fund activity.			258,162,879
Bond issuance cost is an expenditure in the governmental funds, but it is a deferred charge in the statement of net assets.			2,393,375
Long-term debt and compensated absences that have not been included in the governmental fund activity:			
Tax allocation bonds payable		\$(128,910,000)	
Bond premium		(533,348)	
Capital lease		(27,319)	
Compensated absences		<u>(532,182)</u>	(130,002,849)
Accrued interest payable for the current portion of interest due on Bonds has not been reported in the governmental funds.			(1,971,179)
Revenues reported as deferred revenue in the governmental funds and recognized in the statement of activities. These are included in the intergovernmental revenues in the governmental fund activity.			5,331,381
Internal service funds are used by management to charge the costs of certain activities, such as equipment management and self-insurance, to individual funds. The assets and liabilities of the internal service funds must be added to the statement of net assets.			<u>3,163,296</u>
Net assets of governmental activities		\$	<u>196,239,118</u>

THIS PAGE INTENTIONALLY LEFT BLANK

CITY OF INDIAN WELLS

STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2011

	<u>Special Revenue Funds</u>		
	<u>General</u>	<u>Golf Resort Operations</u>	<u>Low/Moderate Housing</u>
Revenues:			
Taxes	\$ 9,965,398	\$ -	\$ 6,957,723
Licenses and permits	118,782	-	-
Intergovernmental	418,678	-	17,400
Charges for services	414,430	12,243,547	-
Investment income	1,451,677	27	60,323
Fines and forfeitures	39,090	-	-
Rental income	32,468	13,000	-
Assessments	-	-	-
Development fees	-	-	-
Other revenue	38,903	-	1,135
Total Revenues	12,479,426	12,256,574	7,036,581
Expenditures:			
Current:			
General government	4,070,855	-	-
Public safety	3,291,051	-	-
Community development	645,465	-	2,233,693
Public works	1,495,431	-	-
Golf resort	-	13,694,185	-
Capital outlay	-	-	1,065,381
Debt service:			
Principal retirement	-	-	1,985,000
Interest and fiscal charges	-	-	1,786,959
Pass-through agreement payments	-	-	-
SERAF obligation	-	-	-
Total Expenditures	9,502,802	13,694,185	7,071,033
Excess (Deficiency) of Revenues Over (Under) Expenditures	2,976,624	(1,437,611)	(34,452)
Other Financing Sources (Uses):			
Transfers in	6,185,000	1,250,000	-
Transfers out	(6,311,050)	-	(6,185,000)
Total Other Financing Sources (Uses)	(126,050)	1,250,000	(6,185,000)
Net Change in Fund Balances	2,850,574	(187,611)	(6,219,452)
Fund Balances, Beginning of Year	60,448,391	(5,090,974)	24,449,753
Fund Balances, End of Year	\$ 63,298,965	\$ (5,278,585)	\$ 18,230,301

CITY OF INDIAN WELLS

STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2011

	Debt Service Fund RDA Whitewater Debt Service	Other Governmental Funds	Total Governmental Funds
Revenues:			
Taxes	\$ 27,830,892	\$ 2,461,328	\$ 47,215,341
Licenses and permits	-	801	119,583
Intergovernmental	-	954,871	1,390,949
Charges for services	-	-	12,657,977
Investment income	41,452	381,449	1,934,928
Fines and forfeitures	-	48,230	87,320
Rental income	-	1,276,508	1,321,976
Assessments	-	3,530,928	3,530,928
Development fees	-	61,007	61,007
Other revenue	128,144	231,554	399,736
Total Revenues	28,000,488	8,946,676	68,719,745
Expenditures:			
Current:			
General government	-	148,700	4,219,555
Public safety	-	3,923,219	7,214,270
Community development	-	2,967,474	5,846,632
Public works	-	2,268,505	3,763,936
Golf resort	-	-	13,694,185
Capital outlay	-	3,399,118	4,464,499
Debt service:			
Principal retirement	2,030,000	5,106	4,020,106
Interest and fiscal charges	6,162,598	2,034	7,951,591
Pass-through agreement payments	19,811,872	-	19,811,872
SERAF obligation	1,966,243	-	1,966,243
Total Expenditures	29,970,713	12,714,156	72,952,889
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,970,225)	(3,767,480)	(4,233,144)
Other Financing Sources (Uses):			
Transfers in	-	5,938,447	13,373,447
Transfers out	(1,297,038)	(80,359)	(13,873,447)
Total Other Financing Sources (Uses)	(1,297,038)	5,858,088	(500,000)
Net Change in Fund Balances	(3,267,263)	2,090,608	(4,733,144)
Fund Balances, Beginning of Year	(31,909,312)	15,997,501	63,895,359
Fund Balances, End of Year	\$ (35,176,575)	\$ 18,088,109	\$ 59,162,215

CITY OF INDIAN WELLS

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2011**

Net change in fund balances - total governmental funds \$ (4,733,144)

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

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

Capital expenditures	\$4,524,674	
Depreciation expense	<u>(9,198,317)</u>	(4,673,643)

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

Issuance of capital lease	(32,425)	
Amortization of bond premium	45,555	
Principal payments	<u>4,020,106</u>	4,033,236

Debt issuance costs are expenditures in governmental funds, but these costs are capitalized on the statement of net assets (218,234)

Accrued interest for long-term liabilities. This is the net change in accrued interest for the current period. (61,300)

Compensated absences expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. (42,959)

Revenues reported as deferred revenue in the governmental funds and recognized in the statement of activities. These are included in the intergovernmental revenues in the governmental fund activity. 639,861

Internal service funds are used by management to charge the costs of certain activities, such as equipment management and self-insurance, to individual funds. The net revenues (expenses) of the internal service funds is reported with governmental activities. (170,025)

Change in net assets of governmental activities \$ (5,226,208)

CITY OF INDIAN WELLS

STATEMENT OF NET ASSETS
 PROPRIETARY FUNDS
 JUNE 30, 2011

	<u>Governmental Activities - Internal Service Funds</u>
	<u>Employee Benefits</u>
Assets:	
Current:	
Cash and investments	\$ 1,980,995
Receivables:	
Accrued interest	<u>5,889</u>
Total Current Assets	<u>1,986,884</u>
Noncurrent:	
Net pension asset	895,869
Net OPEB asset	<u>280,543</u>
Total Noncurrent Assets	<u>1,176,412</u>
Total Assets	<u>\$ 3,163,296</u>
Net Assets:	
Unrestricted	<u>\$ 3,163,296</u>
Total Net Assets	<u>\$ 3,163,296</u>

CITY OF INDIAN WELLS

STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2011

	Governmental Activities - Internal Service Funds
	Employee Benefits
Operating Expenses:	
Personnel benefits	\$ 679,185
Net pension asset amortization	33,450
Total Operating Expenses	712,635
Operating Income (Loss)	(712,635)
Nonoperating Revenues (Expenses):	
Interest revenue	42,610
Total Nonoperating Revenues (Expenses)	42,610
Income (Loss) Before Transfers	(670,025)
Transfers in	500,000
Changes in Net Assets	(170,025)
Net Assets:	
Beginning of Fiscal Year	3,333,321
End of Fiscal Year	\$ 3,163,296

CITY OF INDIAN WELLS

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 YEAR ENDED JUNE 30, 2011

	Governmental Activities - Internal Service Funds
	Employee Benefits
Cash Flows from Operating Activities:	
Cash paid to suppliers for goods and services	\$ (972,665)
Net Cash Provided (Used) by Operating Activities	(972,665)
Cash Flows from Non-Capital Financing Activities:	
Cash transfers in	500,000
Net Cash Provided (Used) by Non-Capital Financing Activities	500,000
Cash Flows from Investing Activities:	
Interest received	44,239
Net Cash Provided (Used) by Investing Activities	44,239
Net Increase (Decrease) in Cash and Cash Equivalents	(428,426)
Cash and Cash Equivalents at Beginning of Year	2,409,421
Cash and Cash Equivalents at End of Year	\$ 1,980,995
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:	
Operating income (loss)	\$ (712,635)
Adjustments to reconcile operating income (loss) net cash provided (used) by operating activities:	
Amortization of net pension asset	33,450
(Increase) decrease in OPEB asset	(280,543)
Increase (decrease) in accounts payable	(12,937)
Total Adjustments	(260,030)
Net Cash Provided (Used) by Operating Activities	\$ (972,665)

THIS PAGE INTENTIONALLY LEFT BLANK

Note 1: Summary of Significant Accounting Policies

The basic financial statements of the City of Indian Wells 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 more significant of the government's accounting policies are described below:

a. 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.

In accordance with GASB Statement Number 14 (The Financial Reporting Entity), the City (the primary government) has included within its reporting entity, for financial reporting purposes, all component units over which the City exercises financial accountability. GASB Statement No. 14 defines financial accountability as follows: The level of accountability that exists if a primary government appoints a voting majority of that organization or there is a potential for the organization to provide specific financial burdens to or impose specific financial burdens on the primary government. A primary government may also be financially accountable for government organizations with a separately elected governing board, a governing board appointed by another government, or a jointly appointed board that is fiscally dependent on the primary government. 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.

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.

Note 1: Summary of Significant Accounting Policies (Continued)

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

The City applies applicable GASB pronouncements in accounting and reporting for its proprietary operations as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board (APB) Opinions, and Accounting Research Bulletins (ARBs) of the Committee on Accounting Procedure.

Government-wide Financial Statements:

Government-wide financial statements display information about the reporting government as a whole. 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.

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 another 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.

Note 1: Summary of Significant Accounting Policies (Continued)

Fund Financial Statements:

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

Fund financial statements for the primary government's governmental 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.

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.

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.

Note 1: Summary of Significant Accounting Policies (Continued)

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.

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.

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.

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 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.

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.

Note 1: Summary of Significant Accounting Policies (Continued)

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.

d. 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 pools cash and investments of all funds, except for amounts held by fiscal agents and management companies for the Indian Wells Golf Resort, 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.

e. 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 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 life 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.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2011

Note 1: Summary of Significant Accounting Policies (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	10 - 50 years
Equipment	3 -15 years
Infrastructure	10 - 60 years

f. 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.

g. 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.

h. Prepaid Costs:

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. The City uses the consumption method to record prepaid costs.

i. 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.

j. 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.

Note 1: Summary of Significant Accounting Policies (Continued)

k. Deferred Charges:

Discounts and issuance costs are deferred and amortized over the term of the bonds using the straight-line method, which materially approximates the effective interest method. Unamortized loss on refunding is amortized over the shorter of the term of the new debt or the refunded debt. Discounts, issuance costs and unamortized loss on refunding are recorded as an asset, deferred charges.

l. Bond Premiums:

Bond premiums are deferred and amortized over the term of the bonds using the straight-line method, which materially approximates the effective interest method. They are presented as a reduction of the face amount of the bonds payable.

m. Fund Equity:

In the fund financial statements, government funds report the following fund balance classification:

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

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

Committed include amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest authority, city council. The formal action that is required to be taken to establish, modify, or rescind a fund balance commitment is by resolution.

Assigned include amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed. The City Manager and/or Finance Director is authorized to assign amounts to a specific purpose, which was established by the governing body in Resolution No. 2011-30.

Unassigned include the residual amounts that have not been restricted, committed, or assigned to specific purposes.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the City considers restricted amounts to be used first, then unrestricted. When an expenditure is incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used, they are considered to be spent in the order as follows: committed, assigned and then unassigned.

CITY OF INDIAN WELLS

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011

Note 2: Cash and Investments

Cash and investments at June 30, 2011, are classified in the accompanying financial statements as follows:

Cash and investments	\$ 56,279,438
Restricted assets:	
Cash and investments with fiscal agent	6,985,757
	<u>\$ 63,265,195</u>

Cash and investments at June 30, 2011 consisted of the following:

Demand accounts	\$ (8,048,479)
Petty cash	1,400
Investments	<u>71,312,274</u>
Total cash and investments	<u>\$ 63,265,195</u>

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 One Issuer</u>
U.S. Treasury Bills, Bonds and Notes	5 years	75%	None
Federal Agency 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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011

Note 2: Cash and Investments (Continued)

Investments Authorized by Debt Agreements:

Investment of debt proceeds held by bond trustee are governed by provisions of the debt agreements and the general provisions of the California Government Code, rather than the City's investment policy. Investments authorized for funds held by fiscal agent 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 are no limitations on the maximum amount that 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.

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 fiscal agent) 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. Treasury Bills, Bonds and Notes	\$ 4,045,160	\$ 4,023,440	\$ 5,214,060	\$ 13,282,660
Federal Agency Securities	-	-	23,110,260	23,110,260
Negotiable Certificate of Deposit	250,000	-	-	250,000
Local Agency Investment Funds	20,920,892	-	-	20,920,892
Medium Term Notes	1,020,640	1,061,880	3,118,970	5,201,490
Money Market Mutual Funds	804	-	-	804
Held by a Bond Trustee:				
Money Market Mutual Funds	8,546,168	-	-	8,546,168
	<u>\$ 34,783,664</u>	<u>\$ 5,085,320</u>	<u>\$ 31,443,290</u>	<u>\$ 71,312,274</u>

Disclosures Relating to Credit Risk:

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

CITY OF INDIAN WELLS

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011**

Note 2: Cash and Investments (Continued)

Investment Type	Total as of June 30, 2011	Minimum Legal Rating*	Not Rated	AAA	AA	A
U.S. Treasury Bills, Bonds, and Notes	\$ 13,282,660	n/a	\$ 13,282,660	\$ -	\$ -	\$ -
Federal Agency Securities	23,110,260	AAA	-	23,110,260	-	-
Negotiable Certificate of deposit	250,000	n/a	250,000	-	-	-
Local Agency Investment Funds	20,920,892	n/a	-	-	-	-
Medium Term Notes	5,201,490	AA	-	-	-	-
Money Market Mutual Funds Held by a Bond Trustee:	804	A	-	-	-	804
Money Market Mutual Funds	8,546,168	A	-	-	-	8,546,168
Total	\$ 71,312,274		\$ 13,532,660	\$ 23,110,260	\$ -	\$ 8,546,972

*n/a- Not Applicable

On Aug. 5, 2011, Standard & Poor's Ratings Services lowered its long-term sovereign credit rating on the United States of America to AA+ from AAA. As a result, on Aug. 8, 2011, Standard & Poor's Ratings Services lowered its issuer credit ratings and related issue ratings on various Federal Home Loan Bank, Federal Farm Credit Bank, Fannie Mae and Freddie Mac to AA+ from AAA. In addition, the ratings on 126 Federal Deposit Insurance Corp.-guaranteed debt issues from 30 financial institutions under the Temporary Liquidity Guarantee Program (TLGP), and four National Credit Union Association-guaranteed debt issues from two corporate credit unions under the Temporary Corporate Credit Union Guarantee Program (TCCUGP) have also been downgraded to AA+ from AAA. The City also invests in LAIF which invests in various underlying securities, including the federal agency securities listed above. While LAIF is not rated, the federal agency securities are, and these have been affected by this rating change as well.

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 Portfolio
U.S. Treasury	U.S. Treasury Bills, Bonds, and Notes	\$ 13,282,660	19%
Federal Home Loan Bank	Federal Agency Securities	12,098,510	17%
Federal National Mortgage Association	Federal Agency Securities	10,011,380	14%

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

CITY OF INDIAN WELLS

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2011

Note 2: Cash and Investments (Continued)

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.

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 LAM portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

Note 3: Accounts Receivable

Receivables at June 30, 2011, are composed of the following:

	Due from Other Governments	Other Receivable	Taxes Receivable	Total
General	\$ -	\$ 106,244	\$ 456,340	\$ 562,584
Golf Resort Operations	-	161,151	-	161,151
Low/Moderate Housing	-	-	8,095	8,095
RDA Whitewater Debt Service	-	-	160,523	160,523
Nonmajor Governmental Funds	32,598	122,462	131,782	286,842
Total	<u>\$ 32,598</u>	<u>\$ 389,857</u>	<u>\$ 756,740</u>	<u>\$ 1,179,195</u>

Note 4: Notes Receivable

Notes receivables at June 30, 2011, are composed of the following:

Miles Crossing Retail, LLC	Outstanding at June 30, 2011
Phase 1: Commercial Property	\$ 2,292,406
Miles Crossing Retail, LLC	
Phase 2: Commercial Property	<u>2,024,233</u>
Total	<u>\$ 4,316,639</u>

CITY OF INDIAN WELLS

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011

Note 4: Notes Receivable (Continued)

The notes for Miles Crossing Retail, LLC are for the sale of property. The notes bear interest at a rate equal to the portfolio rate of the City of Indian Wells plus two and one-half percent, compounded annually and payable in full by a balloon payment of principal and interest due no later than July 7, 2013. This Note is secured by a Deed of Trust encumbering real property as described in the Deed of Trust.

Note 5: Interfund Balances

Current interfund advances as of June 30, 2011, are as follows:

<u>Due to Fund</u>	<u>Due from Fund</u>	<u>Amount</u>
General Fund	Nonmajor Government Funds	\$ 1,584,039
General Fund	Redevelopment Agency Whitewater Debt Service Fund	2,875,494
Nonmajor Government Funds	Nonmajor Government Funds	8,088
		<u>\$ 4,467,621</u>

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

Current interfund advances as of June 30, 2011, are as follows:

<u>Advances from Fund</u>	<u>Advances to Fund</u>	<u>Amount</u>
General Fund	Redevelopment Agency Whitewater Debt Service Fund	\$ 21,731,381
General Fund	Golf Resort Operations Special Revenue Fund	5,610,750
Low/ Moderate Housing Special Revenue Fund	Redevelopment Agency Whitewater Debt Service Fund	11,514,773
		<u>\$ 38,856,904</u>

In June 2010, the General Fund advanced the Golf Resort Operations Special Revenue Fund \$6,000,366. The advance bears no interest. The purpose of the advance is to temporarily support the operations of the Golf Operations Special Revenue Fund. The balance at June 30, 2011, is \$5,610,750.

In April 2010, the Low and Moderate Housing Fund advanced the Whitewater Debt Service Fund \$11,514,773. The advance bears no interest and has to be repaid in full on June 30, 2015. The advance was made to provide funding for the Supplemental Education Relief Augmentation Funds (SERAF) Obligation.

In July 2005, the City advanced \$5,000,000 to the Agency to finance the acquisition of a deed of trust against real property owned by Eisenhower Medical Center. The loan bears interest at the rate of 9.5% per annum, compounded annually, from the date of the loan until it is paid in full. The loan is payable at such time that the Agency has sufficient unencumbered funds with which to repay the City, but no later than ten years following the expiration of the redevelopment plan for the Consolidated Whitewater Redevelopment Project. As of June 30, 2011, the principal balance of the advance was consolidated into the new advance and the remaining balance outstanding of \$1,249,702, represents accrued unpaid interest.

CITY OF INDIAN WELLS

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011

Note 5: Interfund Balances (Continued)

In February 2006, the City advanced \$15,000,000 to the Agency to finance the acquisition of certain real property. The loan bears interest at the rate of 9.5% per annum, compounded annually, from the date of loan until paid in full. The loan agreement calls for the loan to be paid in full up to twenty years from the commencement date. As of June 30, 2011, the principal balance of the advance was consolidated into the new advance and the remaining balance outstanding of \$3,505,432, represents accrued unpaid interest.

In August 2007, the City advanced \$3,000,000 to the Agency to finance capital construction golf course grow-in costs. The loan bears interest at a rate of 9.5% and interest is accrued annually. The loan agreement calls for the loan to be paid in full up to twenty years from the commencement date. As of June 30, 2011, the advance was repaid in full.

In September 2007, the City advanced \$500,000 to the Agency to finance capital construction costs associated with the construction of Golf Resort golf course capital enhancements for the Skins Game Tournament. The loan bears interest at a rate of 9.5% and interest is accrued annually. The loan agreement calls for the loan to be paid in full up to twenty years from the commencement date. As of June 30, 2011, the advance was repaid in full.

In February 2011, the City consolidated the July 2005 and February 2006 advance into one consolidated promissory note for \$16,400,000. The loan bears interest at a rate of 9.5% and interest is accrued annually. The loan agreement calls for the loan to be paid in full by July 1, 2030. The Agency shall make annual payments of \$1,861,018 due on July 1 of each fiscal year. As of June 30, 2011, the outstanding balance totaled \$16,976,247, including accrued unpaid interest of \$576,247.

Future debt service requirements on this advance excluding accrued unpaid interest are as follows:

Year Ending June 30,	Principal	Interest	Total
2012	\$ 303,018	\$ 1,588,000	\$ 1,891,018
2013	331,804	1,529,213	1,861,017
2014	363,326	1,497,692	1,861,018
2015	397,842	1,463,176	1,861,018
2016	435,637	1,425,381	1,861,018
2017-2021	2,883,418	6,421,671	9,305,089
2022-2026	4,539,189	4,765,900	9,305,089
2027-2031	7,145,766	2,159,322	9,305,088
	<u>\$ 16,400,000</u>	<u>\$ 20,850,355</u>	<u>\$ 37,250,355</u>

CITY OF INDIAN WELLS

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011

Note 6: Interfund Transfers

Transfers in and out for the year ended June 30, 2011 are as follows:

Transfer Out of Fund	Transfer In to Fund	Amount
General Fund	Internal Service Fund Employee Benefits	\$ 500,000
General Fund	Golf Resort Operations Special Revenue Fund	1,250,000
General Fund	Nonmajor Governmental Funds	4,561,050
Redevelopment Agency Whitewater Debt Service Fund	Nonmajor Governmental Funds	1,297,038
Nonmajor Governmental Funds	Nonmajor Governmental Funds	80,359
Low/Moderate Housing	General Fund	6,185,000
		<u>\$ 13,873,447</u>

The General Fund transferred \$1,250,000 to the Golf Resort Operations Special Revenue Fund to fund the operations.

The General Fund transferred \$4,561,050 to Nonmajor Governmental Funds of which \$4,350,000 was to fund capital projects, \$250,000 to fund a grant, and \$51,050 to fund a share of the City's landscape.

The General Fund transferred \$500,000 to the Internal Service Fund to fund employee benefit costs.

The RDA Whitewater Debt Service Fund transferred \$1,297,038 to nonmajor governmental funds to pay for repayments of debt.

The Low/Moderate Income Housing Fund transferred \$6,185,000 to the General Fund for the purchased of affordability covenants on a piece of City-owned property.

Note 7: Capital Assets

Capital asset activity for the year ended June 30, 2011, was as follows:

	Balance 1, 2010	July Transfers	Additions	Retirements	Balance at June 30, 2011
Capital assets, not being depreciated:					
Land	\$ 61,830,983	\$ -	\$ -	\$ -	\$ 61,830,983
Construction in progress	22,093,158	(11,996,573)	2,325,279	-	12,421,864
Total capital assets not being depreciated	<u>83,924,141</u>	<u>(11,996,573)</u>	<u>2,325,279</u>	<u>-</u>	<u>74,252,847</u>
Capital assets, being depreciated:					
Buildings and improvements	125,726,108	3,983,605	1,550,203	-	131,259,916
Equipment	7,073,864	-	105,979	(170,241)	7,009,602
Infrastructure	89,491,320	8,012,968	543,213	-	98,047,501
Total capital assets being depreciated	<u>222,291,292</u>	<u>11,996,573</u>	<u>2,199,395</u>	<u>(170,241)</u>	<u>236,317,019</u>
Less accumulated depreciation for:					
Buildings and improvements	24,390,516	-	6,041,598	-	30,432,114
Equipment	4,094,868	-	1,110,459	(170,241)	5,035,086
Infrastructure	14,893,527	-	2,046,260	-	16,939,787
Total accumulated depreciation	<u>43,378,911</u>	<u>-</u>	<u>9,198,317</u>	<u>(170,241)</u>	<u>52,406,987</u>
Total capital assets being depreciated, net	<u>178,912,381</u>	<u>11,996,573</u>	<u>(6,998,922)</u>	<u>-</u>	<u>183,910,032</u>
Total capital assets, net	<u>\$ 262,836,522</u>	<u>\$ -</u>	<u>\$ (4,673,643)</u>	<u>\$ -</u>	<u>\$ 258,162,879</u>

CITY OF INDIAN WELLS

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2011

Note 7: Capital Assets (Continued)

Capital Construction in Progress:

Capital construction commitments for the year ended June 30, 2011, was as follows:

Description	Total Project Budget	Total Expended as of June 30, 2011	Unexpended
Indian Wells Villas Capital Imp.	\$ 5,434,391	\$ 4,515,465	\$ 918,926
Mountain View Villas Phase I	29,796,643	6,296,643	23,500,000
Mountain View Villas Phase II	23,700,126	7,075,336	16,624,790
Highway 111 Improvement	8,714,356	571,044	8,143,312
Indian Wells Underground Utilities	5,120,000	949,401	4,170,599
	<u>\$ 72,765,516</u>	<u>\$ 19,407,889</u>	<u>\$ 53,357,627</u>

Depreciation Expense:

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

General government	\$ 161,886
Community development	6,081,240
Public safety	128,446
Public works	2,826,745
	<u>\$ 9,198,317</u>

Note 8: Long-Term Liabilities

The changes in long-term liabilities for the year ended June 30, 2011, were as follows:

	Balance at July 1, 2010	Additions	Reductions	Balance June 30, 2011	Due Within One Year
Bonds payable:					
2003A Tax Allocation Bonds	\$ 9,515,000	\$ -	\$ 555,000	\$ 8,960,000	\$ 570,000
2003A-T Tax Allocation Bonds	35,050,000	-	1,985,000	33,065,000	2,075,000
2005 Refunding Tax Allocation Bonds	12,070,000	-	740,000	11,330,000	770,000
2006A Tax Allocation Bonds	65,400,000	-	735,000	64,665,000	780,000
2010A Tax Allocation Bonds	10,890,000	-	-	10,890,000	265,000
Subtotal	<u>132,925,000</u>	<u>-</u>	<u>4,015,000</u>	<u>128,910,000</u>	<u>4,460,000</u>
Add (less) deferred amounts:					
Bond premium	578,903	-	45,555	533,348	-
Subtotal	<u>578,903</u>	<u>-</u>	<u>45,555</u>	<u>533,348</u>	<u>-</u>
Total bonds payable	<u>133,503,903</u>	<u>-</u>	<u>4,060,555</u>	<u>129,443,348</u>	<u>4,460,000</u>
Other liabilities:					
Other post employment benefits	12,936	-	12,936	-	-
Capital lease	-	32,425	5,106	27,319	7,140
Compensated absences	489,223	459,222	416,263	532,182	452,815
Total long-term liabilities	<u>\$ 134,006,062</u>	<u>\$ 491,647</u>	<u>\$ 4,494,860</u>	<u>\$ 130,002,849</u>	<u>\$ 4,919,955</u>

CITY OF INDIAN WELLS

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011

Note 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.

The 2003A Tax Allocation Bonds are special obligation of the Agency secured by tax increment revenues on parity with the Agency's 2003A-T Tax Allocation Bonds (see 2003A-T TABS 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 the 2006A Tax Allocation Bonds.

The Bonds are payable in annual installments ranging from \$520,000 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, 2011, were \$8,960,000.

Future debt service requirements on these bonds are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 570,000	\$ 426,375	\$ 996,375
2013	595,000	401,650	996,650
2014	620,000	374,250	994,250
2015	650,000	342,500	992,500
2016	685,000	309,125	994,125
2016-2017	3,965,000	983,125	4,948,125
2017-2021	1,875,000	94,875	1,969,875
Subtotal	<u>8,960,000</u>	<u>2,931,900</u>	<u>11,891,900</u>
Add deferred amounts:			
Bond premium	450,135	-	450,135
	<u>\$ 9,410,135</u>	<u>\$ 2,931,900</u>	<u>\$ 12,342,035</u>

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.

CITY OF INDIAN WELLS

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011

Note 8: Long-Term Liabilities (Continued)

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. 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, 2011, bonds outstanding were \$33,065,000.

Future debt service requirements on these bonds are as follows:

Year Ending June 30,	Principal	Interest	Total
2012	\$ 2,075,000	\$ 1,695,169	\$ 3,770,169
2013	2,165,000	1,600,193	3,765,193
2014	2,260,000	1,501,073	3,761,073
2015	2,365,000	1,385,885	3,750,885
2016	2,495,000	1,253,207	3,748,207
2017-2021	14,660,000	4,009,278	18,669,278
2022-2026	7,045,000	389,708	7,434,708
	<u>\$ 33,065,000</u>	<u>\$ 11,834,513</u>	<u>\$ 44,899,513</u>

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.

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 and the 2003A-T Tax Allocation Bonds. 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 \$685,000 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, 2011, were \$11,330,000.

CITY OF INDIAN WELLS

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2011

Note 8: Long-Term Liabilities (Continued)

Future debt service requirements on these bonds are as follows:

Year Ending June 30,	Principal	Interest	Total
2012	\$ 770,000	\$ 426,690	\$ 1,196,690
2013	795,000	400,579	1,195,579
2014	820,000	373,521	1,193,521
2015	850,000	344,706	1,194,706
2016	880,000	313,331	1,193,331
2017-2021	4,940,000	1,007,434	5,947,434
2022-2026	2,275,000	97,644	2,372,644
Subtotal	11,330,000	2,963,905	14,293,905
Add deferred amounts:			
Bond premium	35,638	-	35,638
	\$ 11,365,638	\$ 2,963,905	\$ 14,329,543

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 2006 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.

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, 2003A-T Tax Allocation Bonds, 2005A Refunding Tax Allocation Bonds. 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 \$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, 2011, were \$64,665,000.

Future debt service requirements on these bonds are as follows:

Year Ending June 30,	Principal	Interest	Total
2012	\$ 780,000	\$ 2,802,169	\$ 3,582,169
2013	810,000	2,770,369	3,580,369
2014	845,000	2,737,269	3,582,269
2015	875,000	2,702,869	3,577,869
2016	905,000	2,667,269	3,572,269
2017-2021	5,125,000	12,749,944	17,874,944
2022-2026	13,185,000	11,173,228	24,358,228
2027-2031	21,365,000	7,241,775	28,606,775
2032-2036	20,775,000	2,003,988	22,778,988
Subtotal	64,665,000	46,848,880	111,513,880
Add deferred amounts:			
Bond premium	47,575	-	47,575
	\$ 64,712,575	\$ 46,848,880	\$ 111,561,455

CITY OF INDIAN WELLS

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011**

Note 8: Long-Term Liabilities (Continued)

2010A Tax Allocation Bonds:

On May 11, 2010, the Agency issued \$10,890,000 of Tax Allocation Bonds to provide funds to repay a portion of a loan to the Agency from the City of Indian Wells and thereby provide funds for the City to finance certain public capital improvements. A portion of the proceeds from the bonds issued in 2010 were placed in a reserve account for the Series 2010A Bonds and to pay costs of issuance.

The 2010A 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, 2003A-T Tax Allocation Bonds, 2005A Refunding Tax Allocation Bonds, 2006A Tax Allocation Bonds. 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 \$265,000 to \$735,000 until maturity on September 1, 2034. Interest is payable semiannually on March 1 and September 1, with rates ranging from 4.00% to 5.25% per annum. Bonds outstanding at June 30, 2011, were \$10,890,000.

Future debt service requirements on these bonds are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 265,000	\$ 502,246	\$ 767,246
2013	280,000	491,346	771,346
2014	290,000	479,946	769,946
2015	300,000	468,146	768,146
2016	315,000	455,846	770,846
2017-2021	1,775,000	2,075,195	3,850,195
2022-2026	2,185,000	1,650,053	3,835,053
2027-2031	2,745,000	1,063,063	3,808,063
2032-2036	2,735,000	294,270	3,029,270
	<u>\$ 10,890,000</u>	<u>\$ 7,480,111</u>	<u>\$ 18,370,111</u>

Pledge Tax Revenues:

As previously discussed, the Redevelopment Agency has pledged, as security for bonds it has issued, either directly or through the Financing Authority, a portion of the tax increment revenue (including Low and Moderate Income Housing set-aside) that it receives. These bonds were to provide financing for various capital projects and accomplish Low and Moderate Income Housing projects. The Agency has committed to appropriate each year, from these resources amounts sufficient to cover the principal and interest requirements on the debt. Total principal and interest remaining on the debt is \$200,969,309 with annual debt service requirements as indicated above. For the current year, the total tax increment revenue, net of pass through payments, recognized by the Redevelopment Agency was \$14,976,743 and the debt service obligation on the bonds was \$9,928,128.

CITY OF INDIAN WELLS

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011

Note 8: Long-Term Liabilities (Continued)

2010 Capital Lease:

On March 14, 2010, the City entered into a Vehicle lease agreement with GMAC Financial Services for Chevrolet Tahoe. The amount of the lease is \$32,425 with an imputed interest rate of 11.20%. Monthly principal and interest payment totaling \$595.00 began on April 14, 2010, for a period of 66 months.

The following is a schedule, by year, of future minimum lease payments:

Year Ending June 30,	Total
2012	\$ 7,140
2013	7,140
2014	7,140
2015	7,140
2016	2,971
Total Payments	31,531
Less Amount Representing Interest	(4,212)
Outstanding Principal	<u>\$ 27,319</u>

Compensated Absences:

The City's policies relating to compensated absences are described in Note 1. This liability amounting to \$532,182 at June 30, 2011, is expected to be paid in future years from future resources. Payments of employees' accrued vacation and compensatory time are expended by department within the City's General Fund.

Note 9: Bond Defeasances

In prior years, various bonds were defeased by placing the proceeds of refunding bonds in an irrevocable trust to provide for all future debt service payments on the old obligations. Accordingly, the trust account assets and the related liabilities for these defeased bonds are not reflected in the City's basic financial statements. At June 30, 2011, the following represents the amounts still outstanding on bonds considered defeased:

\$21,095,000 2003A Tax Allocation Bonds

Note 10: Pass- Through Agreements

The Redevelopment Agency 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.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011

Note 11: Defined Benefit Pension Plan**Plan Description:**

The City of Indian Wells contributes to the California Public Employees Retirement System (PERS), a cost sharing multiple-employer public employee defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. PERS acts as a common investment and administrative agent for participating public entities within the State of California. Benefit provisions and all other requirements are established by State statute and City ordinance. Copies of PERS' annual financial report may be obtained from their executive office: 400 P Street, Sacramento, CA 95814.

Contributions and Funding Policy:

Miscellaneous participants are required to contribute 8% of their annual covered salary. The City is required to contribute at an actuarially determined rate. The rate for the year ended June 30, 2011, is 12.92% of annual covered payroll. The contribution requirements of plan members and the City are established and may be amended by City Council in conjunction with applicable labor contracts. The City's contributions to the plan for the year ending June 30, 2011, was \$750,701 and was equal to the required contributions for the year.

The City participates in risk pooling. Risk pooling consists of combining assets and liabilities across employers to produce large groups where the impact of a catastrophic demographic event is shared among all employers of the same risk pool. Participation in risk pools is mandatory for all rate plans with less than 100 active members. The implementation of risk pools was done in a way that minimizes the impact on employer contribution rates. The first year in risk pools, the employer contribution rates are almost identical to what the rates would have been outside pools. Future rates will be based on the experience of each pool. Pooling will reduce the volatility of future employer rates. Mandated participation will occur on an annual basis.

In fiscal year ending June 30, 2009 and 2010, the City contributed \$729,000 and \$246,377, respectively to CalPERS to pay off the side fund for the Past Service Cost. This amount will be amortized over the next ten to twenty years.

Annual Pension Cost and Net Pension Asset:

The City annual pension cost and change in net pension asset for fiscal year ending June 30, 2011, were as follows:

Annual required contribution	\$ 750,701
Interest on net pension asset	(72,022)
Adjustment to annual required contribution	<u>105,472</u>
Annual pension cost (expense)	784,151
Contributions made	<u>750,701</u>
Increase/(decrease) in net pension asset	33,450
Net pension asset - beginning of year	<u>929,319</u>
Net pension asset - end of year	<u><u>\$ 895,869</u></u>

CITY OF INDIAN WELLS

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011**

Note 11: Defined Benefit Pension Plan (Continued)

Fiscal Year	Three-Year Trend Information for PERS		
	Annual Pension Cost (APC)	Percentage Contributed	Net Pension Obligation (asset)
6/30/2009	\$ 959,821	174%	\$ (714,000)
6/30/2010	771,633	128%	(929,319)
6/30/2011	784,151	96%	(895,869)

Note 12: 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 \$3,621,808 compared with a total payroll of \$3,812,112 for the fiscal year ended June 30, 2011.

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 \$90,545.

Note 13: 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 \$16,500 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.

Note 14: Post Employment Benefit Plan

Plan Description:

The City provides other post employment benefits (OPEB) through the California Employers' Retiree Benefit Fund (CERBT), an agent multiple-employer defined benefit healthcare plan administered by the California Public Employees' Retirement System (CalPERS). Benefits are provided to employees who retire at age 50 or older with five years of eligible CalPERS service. Coverage is also provided to eligible retirees, spouses and surviving spouses. These benefits are provided per contract between the District and the employee associations. Separate financial statements for the CERBT may be obtained by writing to CalPERS at Lincoln Plaza North 400 Q Street, Sacramento, CA 95814 or by visiting the CalPERS website at www.calpers.ca.gov.

CITY OF INDIAN WELLS

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011

Note 14: Post Employment Benefit Plan (Continued)

Funding Policy:

During the 2010-2011 fiscal year the City joined the CalPERS medical program. The contribution requirements of plan members and the City are established and may be amended by City Council. The contribution required to be made under City Council and labor agreement requirements is based on a pay-as-you-go basis (i.e., as medical insurance premiums become due). The contribution requirements of plan members and the City are established and may be amended by the City and the employee associations. Currently, contributions are not required from plan members. A contribution of \$972,318 was made during the 2010-2011 fiscal year to cover the annual OPEB cost, to pay for the net OPEB obligation from the prior year and to fund a portion of future OPEB costs. As a result, the City calculated and recorded a net OPEB obligation (asset), representing the difference between the annual required contribution (ARC) and actual contributions, as presented below:

	2011
Annual required contribution (ARC)	\$ 679,185
Interest on net OPEB obligation	906
Adjustment to ARC	<u>(1,252)</u>
Annual OPEB cost	678,839
Contributions made	<u>(972,318)</u>
(Decrease) increase in net OPEB obligation	(293,479)
Net OPEB obligation (asset) - beginning of year	<u>12,936</u>
Net OPEB obligation (asset) - end of year	<u><u>\$ (280,543)</u></u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB (obligation) asset for 2010-2011 and the two preceding years were as follows:

Fiscal Year	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation (Asset)
6/30/2009	\$ 571,786	36.30%	\$ 364,319
6/30/2010	630,512	97.90%	12,936
6/30/2011	678,839	143.23%	(280,543)

Funded Status and Funding Progress:

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the City are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

The schedule of funding progress below presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits. Only one year is presented as this is the first year of the plan.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011

Note 14: Post Employment Benefit Plan (Continued)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a)/c)
6/30/2009	\$ -	\$ 4,143,961	\$ 4,143,961	0%	\$ 3,140,593	131.95%
6/30/2010	-	4,022,233	4,022,233	0%	3,333,737	120.65%
6/30/2011	1,817,332	7,310,400	5,493,068	25%	3,531,596	155.50%

Actuarial Methods and Assumptions

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

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

The actuarial cost method used for determining the benefit obligations is the frozen entry age actuarial cost method. The actuarial assumptions included a 7% investment rate of return, which is the assumed rate of the expected long-term investment returns on plan assets calculated based on the funded level of the plan at the valuation date, and an annual healthcare cost trend rate of 3.4% initially, reduced by decrements of 0.5 per year to an ultimate rate of 2% after the third year. The UAAL is being amortized as a level percentage of projected payroll on an open basis over 20 years. It is assumed the City's payroll will increase 4% per year. There are currently 39 active members and 20 retired members receiving benefits.

Note 15: Risk Management**Description of Self-Insurance Pool Pursuant to Joint Powers Agreement:**

The City of Indian Wells is a member of the CALIFORNIA JOINT POWERS INSURANCE AUTHORITY (Authority). The Authority is composed of 121 California public entities and is organized under a joint powers agreement pursuant to California Government Code §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 lines of coverage. The California JPIA began covering claims of its members in 1978. Each member government has an elected official as its representative on the Board of Directors. The Board operates through a nine-member Executive Committee.

Note 15: Risk Management (Continued)

Self-Insurance Programs of the Authority:

A revised cost allocation methodology was introduced in 2010-11, however it retains many elements of the previous cost allocation methodology. Each member pays an annual contribution (formerly called the primary deposit) to cover estimated losses for the coverage period. This initial funding is paid at the beginning of the coverage period. After the close of the coverage period, outstanding claims are valued. A retrospective deposit computation is then conducted annually thereafter until all claims incurred during the coverage period are closed on a pool-wide basis. This subsequent cost re-allocation among members based on actual claim development can result in adjustments of either refunds or additional deposits required.

The total funding requirement for self-insurance programs is estimated using actuarial models and pre-funded through the annual contribution. Costs are allocated to individual agencies based on exposure (payroll) and experience (claims) relative to other members of the risk-sharing pool. Additional information regarding the cost allocation methodology is provided below.

General Liability:

In the liability program claims are pooled separately between police and non-police exposures. (1) The payroll of each member is evaluated relative to the payroll of other members. A variable credibility factor is determined for each member, which establishes the weight applied to payroll and the weight applied to losses within the formula. (2) The first layer of losses includes incurred costs up to \$30,000 for each occurrence and is evaluated as a percentage of the pool's total incurred costs within the first layer. (3) The second layer of losses includes incurred costs from \$30,000 to \$750,000 for each occurrence and is evaluated as a percentage of the pool's total incurred costs within the second layer. (4) Incurred costs in excess of \$750,000 up to the reinsurance attachment point of \$5 million are distributed based on the outcome of cost allocation within the first and second loss layers. (5) Costs of covered claims from \$5 million to \$10 million are paid under a reinsurance contract subject to a \$2.5 million annual aggregate deductible. Costs of covered claims from \$10 million to \$15 million are paid under two reinsurance contracts subject to a combined \$3 million annual aggregate deductible. On a cumulative basis for all 2010-11 reinsurance contracts the annual aggregate deductible is \$5.5 million. (6) Costs of covered claims from \$15 million up to \$50 million are covered through excess insurance policies.

The overall coverage limit for each member including all layers of coverage is \$50 million per occurrence.

Costs of covered claims for subsidence losses are paid by reinsurance and excess insurance with a pooled sub-limit of \$35 million per occurrence. This \$35 million subsidence sub-limit is composed of (a) \$5 million retained within the pool's SIR, (b) \$10 million in reinsurance and (c) \$20 million in excess insurance. The excess insurance layer has a \$20 million annual aggregate.

Workers' Compensation:

In the workers' compensation program claims are pooled separately between public safety (police and fire) and non-public safety exposures. (1) The payroll of each member is evaluated relative to the payroll of other members. A variable credibility factor is determined for each member, which establishes the weight applied to payroll and the weight applied to losses within the formula. (2) The first layer of losses includes incurred costs up to

Note 15: Risk Management (Continued)

\$50,000 for each occurrence and is evaluated as a percentage of the pool's total incurred costs within the first layer. (3) The second layer of losses includes incurred costs from \$50,000 to \$100,000 for each occurrence and is evaluated as a percentage of the pool's total incurred costs within the second layer. (4) Incurred costs in excess of \$100,000 up to the reinsurance attachment point of \$2 million are distributed based on the outcome of cost allocation within the first and second loss layers. (5) Costs of covered claims from \$2 million up to statutory limits are paid under a reinsurance policy. Protection is provided per statutory liability under California Workers' Compensation Law.

Employer's Liability losses are pooled among members to \$2 million. Coverage from \$2 million to \$4 million is purchased as part of a reinsurance policy, and Employer's Liability losses from \$4 million to \$10 million are pooled among members.

Purchased Insurance:

Property Insurance:

The City of Indian Wells participates in the all-risk property protection program of the Authority. This insurance protection is underwritten by several insurance companies. The City of Indian Wells property is currently insured according to a schedule of covered property submitted by the City of Indian Wells to the Authority. The City of Indian Wells currently has all-risk property insurance protection in the amount of \$82,482,809. There is a \$5,000 deductible per occurrence except for non-emergency vehicle insurance which has a \$1,000 deductible. Premiums for the coverage are paid annually and are not subject to retroactive adjustments.

Crime Insurance:

The City of Indian Wells purchases crime insurance coverage in the amount of \$1 million with a Non Participant deductible. The fidelity coverage is arranged by the Authority. Premiums are paid annually and are not subject to retroactive adjustments.

Pollution Legal Liability Insurance:

The City of Indian Wells purchases Pollution Legal Liability Insurance. The City is currently covered at a limit of \$10 million and there is a minimum deductible of \$50,000. Premiums for the coverage are paid annually and are not subject to retroactive adjustments.

Adequacy of Protection:

During the past three fiscal (claims) 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 from coverage in the prior year.

CITY OF INDIAN WELLS

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011

Note 16: Other Required Disclosures

Expenditures in Excess of Appropriations:

The following department reported expenditures in excess of appropriations:

Golf Resort Operations	
Special Revenue Fund:	
Golf Resort	\$ 734,304

Deficit Fund Balance:

The following funds reported a deficit fund balance at June 30, 2011:

Golf Resort Operations Special Revenue Fund	\$ 5,278,585
RDA Whitewater Debt Service Fund	35,176,575
South Coast AQMD Vehicle Registration Special Revenue Fund	7,019
HWY 111 Circulation Improvement Capital Projects Fund	31,923
Park Facilities in Lieu Capital Projects Fund	1,524,189

The deficit in the Golf Resort Operations Special Revenue Fund is due to the partial closure of the Golf Resort during the remodel period. This deficit balance is temporary although it will take several years expunge. It is anticipated the Golf Resort Operations Special Revenue Fund will begin to operate with a net operating surplus within three years as tourism and group business begins to return to the Coachella Valley.

The deficit in the RDA Whitewater Debt Service Fund is due to advances from the City's General Fund to finance a portion of the Golf Resort capital construction. A full refunding of the advance is expected to take several fiscal years.

The deficit in the South Coast AQMD 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. This deficit balance is temporary although it will take several years expunge.

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. This deficit balance is temporary although it will take several years expunge.

Note 17: 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.

Note 18: California Redevelopment Agency Uncertainty

On July 18, 2011, the California Redevelopment Association (“CRA”) and the League of California Cities (“League”) filed a petition for writ of mandate with the California Supreme Court, requesting the Court to declare unconstitutional two bills that were passed as part of the 2011-12 State Budget, AB1X 26 and 27. AB1X 26 dissolves redevelopment agencies effective October 1, 2011. AB1X 27, give redevelopment agencies an option to avoid dissolution if it commits to making defined payments for the benefit of the State, school districts and certain special districts. In 2011-12, these payments amount to a state-wide total of \$1.7 billion. In 2012-13 and subsequent years, the payments total \$400 million, annually. Each city or county’s share of these payments is determined based on its proportionate share of state-wide tax increment.

CRA and the League contend that AB1X 26 and 27 are unconstitutional because they violate Proposition 22 which was passed by the voters in November, 2010. The effect of the legislation is to achieve a possible unconstitutional result, the use of redevelopment agencies’ tax increment funds to benefit the State and other units of local government, by way of threatening of the dissolution of redevelopment agencies.

Therefore, the CRA and the League have requested that the Court issue a stay, suspending the effectiveness of AB1X 26 and 27 until the Court can rule on its constitutionality. CRA and the League also asked the Court to expedite the briefing and hearing of the case so that a decision can be rendered by the Court before January 15, 2012, when the first payments are due. On August 11th, the California Supreme Court agreed to hear the case and granted a partial stay which was subsequently clarified.

As of the time of the issuance of this report, the outcome of AB1X 26 and 27 upon the Redevelopment Agency is unknown and consequently the status and even future existence of the Redevelopment Agency is uncertain as such. In accordance with AB1X 27, the Redevelopment Agency has passed a resolution of intent to continue and will be required to make a payment to the State by January 15, 2012 to avoid dissolution. The Department of Finance issued their estimated payments amounts and the Redevelopment Agency filed an appeal regarding the calculation. The Department of Finance reviewed the Redevelopment Agency’s appeal regarding the calculation and on October 15, 2011 determined the estimated payment stands without revision, resulting in a payment amount of \$7,073,057.

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:

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

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED JUNE 30, 2011**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 60,448,391	\$ 60,448,391	\$ 60,448,391	\$ -
Resources (Inflows):				
Taxes	9,405,728	9,485,728	9,965,398	479,670
Licenses and permits	153,700	158,700	118,782	(39,918)
Intergovernmental	490,309	490,309	418,678	(71,631)
Charges for services	430,742	449,742	414,430	(35,312)
Investment income	930,000	930,000	1,451,677	521,677
Fines and forfeitures	29,580	37,580	39,090	1,510
Rental income	25,000	33,000	32,468	(532)
Other revenue	213,374	223,374	38,903	(184,471)
Transfers in	-	6,185,000	6,185,000	-
Amounts Available for Appropriation	72,126,824	78,441,824	79,112,817	670,993
Charges to Appropriation (Outflow):				
General government				
Legislation and policy	44,316	63,637	43,707	19,930
City manager	232,826	275,603	226,394	49,209
City clerk	79,404	83,800	74,183	9,617
Community relations	321,100	321,100	298,648	22,452
City attorney	155,088	155,088	146,036	9,052
Financial services	224,686	255,496	218,010	37,486
Central services	25,630	25,630	18,412	7,218
Cultural events	2,181,781	2,251,322	2,079,693	171,629
Human resources	449,075	463,549	450,730	12,819
Technology	550,191	563,188	515,042	48,146
Public safety				
Administration	72,826	76,431	72,714	3,717
Code enforcement	54,717	129,396	59,170	70,226
Public services	2,627,486	2,655,301	2,660,635	(5,334)
Community service officers	418,059	491,585	493,118	(1,533)
Emergency preparedness	10,060	10,060	5,414	4,646
Community development				
Administration	42,504	55,764	42,202	13,562
Inspections and examinations	670,849	555,317	451,832	103,485
Current and advanced planning	165,055	151,123	151,431	(308)
Public works				
Administration	211,867	224,843	199,046	25,797
City engineering	90,192	40,192	16,815	23,377
Maintenance services	1,014,282	1,009,314	915,335	93,979
City parkway landscape	426,640	426,640	364,235	62,405
Transfers out	7,351,050	7,511,050	6,311,050	1,200,000
Total Charges to Appropriations	17,419,684	17,795,429	15,813,852	1,981,577
Budgetary Fund Balance, June 30	\$ 54,707,140	\$ 60,646,395	\$ 63,298,965	\$ 2,652,570

CITY OF INDIAN WELLS

**BUDGETARY COMPARISON SCHEDULE
GOLF RESORT OPERATIONS
YEAR ENDED JUNE 30, 2011**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	<u>\$ (5,090,974)</u>	<u>\$ (5,090,974)</u>	<u>\$ (5,090,974)</u>	<u>\$ -</u>
Resources (Inflows):				
Charges for services	11,315,929	11,620,569	12,243,547	622,978
Investment income	5,000	5,000	27	(4,973)
Rental income	12,000	12,000	13,000	1,000
Other revenue	304,640	-	-	-
Transfers in	<u>1,250,000</u>	<u>1,250,000</u>	<u>1,250,000</u>	<u>-</u>
Amounts Available for Appropriation	<u>7,796,595</u>	<u>7,796,595</u>	<u>8,415,600</u>	<u>619,005</u>
Charges to Appropriation (Outflow):				
Golf resort	<u>12,747,674</u>	<u>12,959,881</u>	<u>13,694,185</u>	<u>(734,304)</u>
Total Charges to Appropriations	<u>12,747,674</u>	<u>12,959,881</u>	<u>13,694,185</u>	<u>(734,304)</u>
Budgetary Fund Balance, June 30	<u><u>\$ (4,951,079)</u></u>	<u><u>\$ (5,163,286)</u></u>	<u><u>\$ (5,278,585)</u></u>	<u><u>\$ (115,299)</u></u>

CITY OF INDIAN WELLS

**BUDGETARY COMPARISON SCHEDULE
LOW/MODERATE HOUSING
YEAR ENDED JUNE 30, 2011**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 24,449,753	\$ 24,449,753	\$ 24,449,753	\$ -
Resources (Inflows):				
Taxes	7,332,328	7,332,328	6,957,723	(374,605)
Intergovernmental	890,416	-	17,400	17,400
Investment income	235,000	235,000	60,323	(174,677)
Other revenue	-	890,416	1,135	(889,281)
Amounts Available for Appropriation	32,907,497	32,907,497	31,486,334	(1,421,163)
Charges to Appropriation (Outflow):				
Community development	2,458,271	2,490,271	2,233,693	256,578
Capital outlay	3,017,556	4,085,921	1,065,381	3,020,540
Debt service:				
Principal retirement	1,985,000	1,985,000	1,985,000	-
Interest and fiscal charges	1,840,577	1,840,577	1,786,959	53,618
Transfers out	-	6,185,000	6,185,000	-
Total Charges to Appropriations	9,301,404	16,586,769	13,256,033	3,330,736
Budgetary Fund Balance, June 30	\$ 23,606,093	\$ 16,320,728	\$ 18,230,301	\$ 1,909,573

Note 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.

CITY OF INDIAN WELLS

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2011

	Special Revenue Funds			
	Traffic Safety	Public Safety 1/2% Tax	Measure "A" Transportation	Fire Access Maintenance District No. 1
Assets:				
Cash and investments	\$ 98,403	\$ 7,652	\$ 1	\$ 1,577,032
Receivables:				
Accounts	4,424	1,159	32,598	37,599
Accrued interest	292	22	-	4,688
Prepaid costs	-	-	-	-
Due from other funds	-	-	-	-
Restricted assets:				
Cash and investments with fiscal agents	-	-	-	-
Total Assets	\$ 103,119	\$ 8,833	\$ 32,599	\$ 1,619,319
Liabilities and Fund Balances:				
Liabilities:				
Accounts payable	\$ 37,027	\$ -	\$ -	\$ 81,989
Accrued liabilities	-	-	-	-
Deposits payable	-	-	-	-
Due to other funds	-	-	23,761	-
Total Liabilities	37,027	-	23,761	81,989
Fund Balances:				
Nonspendable:				
Prepaid costs	-	-	-	-
Restricted for:				
Community development	-	-	-	-
Public safety	-	8,833	-	1,537,330
Public works	66,092	-	8,838	-
Debt service	-	-	-	-
Assigned to:				
Capital Projects	-	-	-	-
Unassigned	-	-	-	-
Total Fund Balances	66,092	8,833	8,838	1,537,330
Total Liabilities and Fund Balances	\$ 103,119	\$ 8,833	\$ 32,599	\$ 1,619,319

CITY OF INDIAN WELLS

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2011

(Continued)

	Special Revenue Funds			
	South Coast AQMD Vehicle Registration	Citizens Option for Public Safety Program	Gas Tax	Emergency Services Upgrade
Assets:				
Cash and investments	\$ 8	\$ 24,121	\$ 43,001	\$ 3,375,384
Receivables:				
Accounts	1,062	25,000	16,985	18,982
Accrued interest	-	300	128	10,034
Prepaid costs	-	-	-	595
Due from other funds	-	-	-	-
Restricted assets:				
Cash and investments with fiscal agents	-	-	-	-
Total Assets	\$ 1,070	\$ 49,421	\$ 60,114	\$ 3,404,995
Liabilities and Fund Balances:				
Liabilities:				
Accounts payable	\$ -	\$ -	\$ -	\$ 342,582
Accrued liabilities	-	-	-	5,913
Deposits payable	-	-	-	-
Due to other funds	8,089	-	4,165	-
Total Liabilities	8,089	-	4,165	348,495
Fund Balances:				
Nonspendable:				
Prepaid costs	-	-	-	595
Restricted for:				
Community development	-	-	-	-
Public safety	-	49,421	-	3,055,905
Public works	-	-	55,949	-
Debt service	-	-	-	-
Assigned to:				
Capital Projects	-	-	-	-
Unassigned	(7,019)	-	-	-
Total Fund Balances	(7,019)	49,421	55,949	3,056,500
Total Liabilities and Fund Balances	\$ 1,070	\$ 49,421	\$ 60,114	\$ 3,404,995

CITY OF INDIAN WELLS

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2011

	Special Revenue Funds			
	AB 939 Recycling	Solid Waste	Consolidated LLMD	Street Lighting District 2001-1
Assets:				
Cash and investments	\$ 117,278	\$ 192,906	\$ 1,155,114	\$ 4,151
Receivables:				
Accounts	10,686	28,692	29,317	48
Accrued interest	-	923	3,438	13
Prepaid costs	-	-	-	-
Due from other funds	-	-	-	-
Restricted assets:				
Cash and investments with fiscal agents	-	-	-	-
Total Assets	\$ 127,964	\$ 222,521	\$ 1,187,869	\$ 4,212
Liabilities and Fund Balances:				
Liabilities:				
Accounts payable	\$ 944	\$ 28,427	\$ 1,996	\$ 111
Accrued liabilities	-	-	-	-
Deposits payable	-	-	-	-
Due to other funds	-	-	-	-
Total Liabilities	944	28,427	1,996	111
Fund Balances:				
Nonspendable:				
Prepaid costs	-	-	-	-
Restricted for:				
Community development	-	-	-	-
Public safety	-	-	-	-
Public works	127,020	194,094	1,185,873	4,101
Debt service	-	-	-	-
Assigned to:				
Capital Projects	-	-	-	-
Unassigned	-	-	-	-
Total Fund Balances	127,020	194,094	1,185,873	4,101
Total Liabilities and Fund Balances	\$ 127,964	\$ 222,521	\$ 1,187,869	\$ 4,212

CITY OF INDIAN WELLS

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2011

(Continued)

	Special Revenue Funds		Capital Projects Funds	
	Affordable Housing Operations	Cooperative Marketing	Hwy 111 Circulation Improvement	Park Facilities In Lieu
Assets:				
Cash and investments	\$ 10,298,704	\$ 93,532	\$ -	\$ -
Receivables:				
Accounts	26,105	-	-	-
Accrued interest	27,259	278	-	-
Prepaid costs	-	-	-	-
Due from other funds	-	-	-	-
Restricted assets:				
Cash and investments with fiscal agents	-	-	-	-
Total Assets	\$ 10,352,068	\$ 93,810	\$ -	\$ -
Liabilities and Fund Balances:				
Liabilities:				
Accounts payable	\$ 24,422	\$ 24,801	\$ -	\$ -
Accrued liabilities	-	-	-	-
Deposits payable	62,028	-	-	-
Due to other funds	-	-	31,923	1,524,189
Total Liabilities	86,450	24,801	31,923	1,524,189
Fund Balances:				
Nonspendable:				
Prepaid costs	-	-	-	-
Restricted for:				
Community development	10,265,618	69,009	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Debt service	-	-	-	-
Assigned to:				
Capital Projects	-	-	-	-
Unassigned	-	-	(31,923)	(1,524,189)
Total Fund Balances	10,265,618	69,009	(31,923)	(1,524,189)
Total Liabilities and Fund Balances	\$ 10,352,068	\$ 93,810	\$ -	\$ -

CITY OF INDIAN WELLS

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2011

	Capital Projects Funds			
	Citywide Public Improvement	Capital Improvements	Art in Public Places	RDA Whitewater Capital Improvement
Assets:				
Cash and investments	\$ -	\$ 1,806,319	\$ 289,894	\$ 885,800
Receivables:				
Accounts	-	54,185	-	-
Accrued interest	-	5,370	862	2,633
Prepaid costs	-	-	-	-
Due from other funds	-	8,088	-	-
Restricted assets:				
Cash and investments with fiscal agents	-	-	-	3
Total Assets	\$ -	\$ 1,873,962	\$ 290,756	\$ 888,436
Liabilities and Fund Balances:				
Liabilities:				
Accounts payable	\$ -	\$ 30,288	\$ 4	\$ 300
Accrued liabilities	-	-	-	-
Deposits payable	-	-	-	-
Due to other funds	-	-	-	-
Total Liabilities	-	30,288	4	300
Fund Balances:				
Nonspendable:				
Prepaid costs	-	-	-	-
Restricted for:				
Community development	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Debt service	-	-	-	3
Assigned to:				
Capital Projects	-	1,843,674	290,752	888,133
Unassigned	-	-	-	-
Total Fund Balances	-	1,843,674	290,752	888,136
Total Liabilities and Fund Balances	\$ -	\$ 1,873,962	\$ 290,756	\$ 888,436

CITY OF INDIAN WELLS

COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2011

	Total Governmental Funds
Assets:	
Cash and investments	\$ 19,969,300
Receivables:	
Accounts	286,842
Accrued interest	56,240
Prepaid costs	595
Due from other funds	8,088
Restricted assets:	
Cash and investments with fiscal agents	3
Total Assets	\$ 20,321,068
Liabilities and Fund Balances:	
Liabilities:	
Accounts payable	\$ 572,891
Accrued liabilities	5,913
Deposits payable	62,028
Due to other funds	1,592,127
Total Liabilities	2,232,959
Fund Balances:	
Nonspendable:	
Prepaid costs	595
Restricted for:	
Community development	10,334,627
Public safety	4,651,489
Public works	1,641,967
Debt service	3
Assigned to:	
Capital Projects	3,022,559
Unassigned	(1,563,131)
Total Fund Balances	18,088,109
Total Liabilities and Fund Balances	\$ 20,321,068

CITY OF INDIAN WELLS

COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2011

	Special Revenue Funds			
	Traffic Safety	Public Safety 1/2% Tax	Measure "A" Transportation	Fire Access Maintenance District No. 1
Revenues:				
Taxes	\$ -	\$ -	\$ -	\$ 172,570
Licenses and permits	-	-	-	801
Intergovernmental	-	14,198	175,837	2,683
Investment income	2,548	160	-	26,141
Fines and forfeitures	48,230	-	-	-
Rental income	-	-	-	-
Assessments	-	-	-	1,209,157
Developer fees	-	-	-	-
Other revenue	-	-	-	1,560
Total Revenues	50,778	14,358	175,837	1,412,912
Expenditures:				
Current:				
General government	-	-	-	-
Public safety	-	18,117	-	958,966
Community development	-	-	-	-
Public works	157,721	-	167,000	-
Capital outlay	24,771	-	-	295,129
Debt service:				
Principal retirement	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total Expenditures	182,492	18,117	167,000	1,254,095
Excess (Deficiency) of Revenues Over (Under) Expenditures	(131,714)	(3,759)	8,837	158,817
Other Financing Sources (Uses):				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-
Net Change in Fund Balances	(131,714)	(3,759)	8,837	158,817
Fund Balances, Beginning of Year	197,806	12,592	1	1,378,513
Fund Balances, End of Year	\$ 66,092	\$ 8,833	\$ 8,838	\$ 1,537,330

CITY OF INDIAN WELLS

COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2011

(Continued)

	Special Revenue Funds			
	South Coast AQMD Vehicle Registration	Citizens Option for Public Safety Program	Gas Tax	Emergency Services Upgrade
Revenues:				
Taxes	\$ -	\$ -	\$ -	\$ 2,288,758
Licenses and permits	-	-	-	-
Intergovernmental	5,625	100,000	133,159	-
Investment income	7	389	458	57,830
Fines and forfeitures	-	-	-	-
Rental income	-	-	-	-
Assessments	-	-	-	595,893
Developer fees	-	-	-	-
Other revenue	-	29,554	-	751
Total Revenues	5,632	129,943	133,617	2,943,232
Expenditures:				
Current:				
General government	-	-	-	2,822
Public safety	-	100,258	-	2,845,878
Community development	-	-	-	-
Public works	5,111	-	83,200	-
Capital outlay	-	-	-	-
Debt service:				
Principal retirement	-	-	-	5,106
Interest and fiscal charges	-	-	-	2,034
Total Expenditures	5,111	100,258	83,200	2,855,840
Excess (Deficiency) of Revenues Over (Under) Expenditures	521	29,685	50,417	87,392
Other Financing Sources (Uses):				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-
Net Change in Fund Balances	521	29,685	50,417	87,392
Fund Balances, Beginning of Year	(7,540)	19,736	5,532	2,969,108
Fund Balances, End of Year	\$ (7,019)	\$ 49,421	\$ 55,949	\$ 3,056,500

CITY OF INDIAN WELLS

COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2011

	Special Revenue Funds			
	AB 939 Recycling	Solid Waste	Consolidated LLMD	Street Lighting District 2001-1
Revenues:				
Taxes	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-
Intergovernmental	-	-	-	-
Investment income	-	9,453	21,320	73
Fines and forfeitures	-	-	-	-
Rental income	-	-	-	-
Assessments	82,071	795,525	846,876	1,406
Developer fees	-	-	-	-
Other revenue	5,000	-	-	-
Total Revenues	87,071	804,978	868,196	1,479
Expenditures:				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Community development	-	-	-	-
Public works	113,373	795,525	945,092	1,483
Capital outlay	98,047	-	-	-
Debt service:				
Principal retirement	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total Expenditures	211,420	795,525	945,092	1,483
Excess (Deficiency) of Revenues Over (Under) Expenditures	(124,349)	9,453	(76,896)	(4)
Other Financing Sources (Uses):				
Transfers in	-	-	99,050	-
Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	-	-	99,050	-
Net Change in Fund Balances	(124,349)	9,453	22,154	(4)
Fund Balances, Beginning of Year	251,369	184,641	1,163,719	4,105
Fund Balances, End of Year	\$ 127,020	\$ 194,094	\$ 1,185,873	\$ 4,101

CITY OF INDIAN WELLS

COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2011

(Continued)

	Special Revenue Funds		Capital Projects Funds	
	Affordable Housing Operations	Cooperative Marketing	Hwy 111 Circulation Improvement	Park Facilities In Lieu
Revenues:				
Taxes	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-
Intergovernmental	-	-	-	-
Investment income	168,604	2,496	-	-
Fines and forfeitures	-	-	-	-
Rental income	1,276,508	-	-	-
Assessments	-	-	-	-
Developer fees	-	-	-	17,480
Other revenue	9,961	160,000	-	-
Total Revenues	1,455,073	162,496	-	17,480
Expenditures:				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Community development	1,267,105	306,961	-	-
Public works	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal retirement	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total Expenditures	1,267,105	306,961	-	-
Excess (Deficiency) of Revenues Over (Under) Expenditures	187,968	(144,465)	-	17,480
Other Financing Sources (Uses):				
Transfers in	-	160,000	-	-
Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	-	160,000	-	-
Net Change in Fund Balances	187,968	15,535	-	17,480
Fund Balances, Beginning of Year	10,077,650	53,474	(31,923)	(1,541,669)
Fund Balances, End of Year	\$ 10,265,618	\$ 69,009	\$ (31,923)	\$ (1,524,189)

CITY OF INDIAN WELLS

COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2011

	Capital Projects Funds			
	Citywide Public Improvement	Capital Improvements	Art in Public Places	RDA Whitewater Capital Improvement
Revenues:				
Taxes	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-
Intergovernmental	-	523,369	-	-
Investment income	-	73,626	6,037	12,307
Fines and forfeitures	-	-	-	-
Rental income	-	-	-	-
Assessments	-	-	-	-
Developer fees	32,357	-	11,170	-
Other revenue	-	24,728	-	-
Total Revenues	32,357	621,723	17,207	12,307
Expenditures:				
Current:				
General government	-	145,878	-	-
Public safety	-	-	-	-
Community development	-	-	-	1,393,408
Public works	-	-	-	-
Capital outlay	-	2,917,100	64,071	-
Debt service:				
Principal retirement	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total Expenditures	-	3,062,978	64,071	1,393,408
Excess (Deficiency) of Revenues Over (Under) Expenditures	32,357	(2,441,255)	(46,864)	(1,381,101)
Other Financing Sources (Uses):				
Transfers in	-	4,350,000	-	1,329,397
Transfers out	(32,359)	-	-	(48,000)
Total Other Financing Sources (Uses)	(32,359)	4,350,000	-	1,281,397
Net Change in Fund Balances	(2)	1,908,745	(46,864)	(99,704)
Fund Balances, Beginning of Year	2	(65,071)	337,616	987,840
Fund Balances, End of Year	\$ -	\$ 1,843,674	\$ 290,752	\$ 888,136

CITY OF INDIAN WELLS

COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2011

	Total Governmental Funds
Revenues:	
Taxes	\$ 2,461,328
Licenses and permits	801
Intergovernmental	954,871
Investment income	381,449
Fines and forfeitures	48,230
Rental income	1,276,508
Assessments	3,530,928
Developer fees	61,007
Other revenue	231,554
	<hr/>
Total Revenues	8,946,676
	<hr/>
Expenditures:	
Current:	
General government	148,700
Public safety	3,923,219
Community development	2,967,474
Public works	2,268,505
Capital outlay	3,399,118
Debt service:	
Principal retirement	5,106
Interest and fiscal charges	2,034
	<hr/>
Total Expenditures	12,714,156
	<hr/>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(3,767,480)
	<hr/>
Other Financing Sources (Uses):	
Transfers in	5,938,447
Transfers out	(80,359)
	<hr/>
Total Other Financing Sources (Uses)	5,858,088
	<hr/>
Net Change in Fund Balances	2,090,608
	<hr/>
Fund Balances, Beginning of Year	15,997,501
	<hr/>
Fund Balances, End of Year	\$ 18,088,109
	<hr/> <hr/>

THIS PAGE INTENTIONALLY LEFT BLANK

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 'A' 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.

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

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

CAPITAL PROJECTS FUNDS

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.

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.

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.

CITY OF INDIAN WELLS

**BUDGETARY COMPARISON SCHEDULE
TRAFFIC SAFETY
YEAR ENDED JUNE 30, 2011**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 197,806	\$ 197,806	\$ 197,806	\$ -
Resources (Inflows):				
Intergovernmental	30,000	-	-	-
Investment income	4,000	4,000	2,548	(1,452)
Fines and forfeitures	47,000	47,000	48,230	1,230
Amounts Available for Appropriation	278,806	248,806	248,584	(222)
Charges to Appropriation (Outflow):				
Public works	128,956	166,590	157,721	8,869
Capital outlay	45,000	-	24,771	(24,771)
Total Charges to Appropriations	173,956	166,590	182,492	(15,902)
Budgetary Fund Balance, June 30	\$ 104,850	\$ 82,216	\$ 66,092	\$ (16,124)

CITY OF INDIAN WELLS

**BUDGETARY COMPARISON SCHEDULE
PUBLIC SAFETY 1/2% TAX
YEAR ENDED JUNE 30, 2011**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 12,592	\$ 12,592	\$ 12,592	\$ -
Resources (Inflows):				
Intergovernmental	17,340	17,340	14,198	(3,142)
Investment income	225	225	160	(65)
Amounts Available for Appropriation	30,157	30,157	26,950	(3,207)
Charges to Appropriation (Outflow):				
Public safety	18,117	18,117	18,117	-
Total Charges to Appropriations	18,117	18,117	18,117	-
Budgetary Fund Balance, June 30	\$ 12,040	\$ 12,040	\$ 8,833	\$ (3,207)

CITY OF INDIAN WELLS

**BUDGETARY COMPARISON SCHEDULE
MEASURE "A" TRANSPORTATION
YEAR ENDED JUNE 30, 2011**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 1	\$ 1	\$ 1	\$ -
Resources (Inflows):				
Intergovernmental	167,000	167,000	175,837	8,837
Investment income	200	200	-	(200)
Amounts Available for Appropriation	167,201	167,201	175,838	8,637
Charges to Appropriation (Outflow):				
Public works	167,000	167,000	167,000	-
Total Charges to Appropriations	167,000	167,000	167,000	-
Budgetary Fund Balance, June 30	\$ 201	\$ 201	\$ 8,838	\$ 8,637

CITY OF INDIAN WELLS

**BUDGETARY COMPARISON SCHEDULE
FIRE ACCESS MAINTENANCE DISTRICT NO. 1
YEAR ENDED JUNE 30, 2011**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 1,378,513	\$ 1,378,513	\$ 1,378,513	\$ -
Resources (Inflows):				
Taxes	219,023	219,023	172,570	(46,453)
Licenses and permits	750	750	801	51
Intergovernmental	3,041	3,041	2,683	(358)
Investment income	15,000	15,000	26,141	11,141
Assessments	1,200,000	1,200,000	1,209,157	9,157
Other revenue	-	-	1,560	1,560
Amounts Available for Appropriation	2,816,327	2,816,327	2,791,425	(24,902)
Charges to Appropriation (Outflow):				
Public safety	1,001,896	1,012,896	958,966	53,930
Capital outlay	440,000	-	295,129	(295,129)
Total Charges to Appropriations	1,441,896	1,012,896	1,254,095	(241,199)
Budgetary Fund Balance, June 30	\$ 1,374,431	\$ 1,803,431	\$ 1,537,330	\$ (266,101)

CITY OF INDIAN WELLS

**BUDGETARY COMPARISON SCHEDULE
SOUTH COAST AQMD VEHICLE REGISTRATION
YEAR ENDED JUNE 30, 2011**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ (7,540)	\$ (7,540)	\$ (7,540)	\$ -
Resources (Inflows):				
Intergovernmental	5,500	5,500	5,625	125
Investment income	10	10	7	(3)
Amounts Available for Appropriation	(2,030)	(2,030)	(1,908)	122
Charges to Appropriation (Outflow):				
Public works	2,732	2,732	5,111	(2,379)
Total Charges to Appropriations	2,732	2,732	5,111	(2,379)
Budgetary Fund Balance, June 30	\$ (4,762)	\$ (4,762)	\$ (7,019)	\$ (2,257)

CITY OF INDIAN WELLS

**BUDGETARY COMPARISON SCHEDULE
CITIZENS OPTION FOR PUBLIC SAFETY PROGRAM
YEAR ENDED JUNE 30, 2011**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 19,736	\$ 19,736	\$ 19,736	\$ -
Resources (Inflows):				
Intergovernmental	100,000	100,000	100,000	-
Investment income	200	200	389	189
Other revenue	4,500	4,500	29,554	25,054
Amounts Available for Appropriation	124,436	124,436	149,679	25,243
Charges to Appropriation (Outflow):				
Public safety	105,000	105,000	100,258	4,742
Total Charges to Appropriations	105,000	105,000	100,258	4,742
Budgetary Fund Balance, June 30	\$ 19,436	\$ 19,436	\$ 49,421	\$ 29,985

CITY OF INDIAN WELLS

**BUDGETARY COMPARISON SCHEDULE
GAS TAX
YEAR ENDED JUNE 30, 2011**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 5,532	\$ 5,532	\$ 5,532	\$ -
Resources (Inflows):				
Intergovernmental	82,000	112,000	133,159	21,159
Investment income	250	250	458	208
Amounts Available for Appropriation	87,782	117,782	139,149	21,367
Charges to Appropriation (Outflow):				
Public works	83,200	83,200	83,200	-
Total Charges to Appropriations	83,200	83,200	83,200	-
Budgetary Fund Balance, June 30	\$ 4,582	\$ 34,582	\$ 55,949	\$ 21,367

CITY OF INDIAN WELLS

**BUDGETARY COMPARISON SCHEDULE
EMERGENCY SERVICES UPGRADE
YEAR ENDED JUNE 30, 2011**

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Budgetary Fund Balance, July 1	\$ 2,969,108	\$ 2,969,108	\$ 2,969,108	\$ -
Resources (Inflows):				
Taxes	2,334,158	2,334,158	2,288,758	(45,400)
Investment income	95,000	95,000	57,830	(37,170)
Assessments	572,886	572,886	595,893	23,007
Other revenue	500	500	751	251
Amounts Available for Appropriation	5,971,652	5,971,652	5,912,340	(59,312)
Charges to Appropriation (Outflow):				
General government	3,090	3,090	2,822	268
Public safety	3,108,711	3,108,711	2,845,878	262,833
Capital outlay	51,000	-	-	-
Debt service:				
Principal retirement	-	-	5,106	(5,106)
Interest and fiscal charges	7,000	7,000	2,034	4,966
Total Charges to Appropriations	3,169,801	3,118,801	2,855,840	262,961
Budgetary Fund Balance, June 30	\$ 2,801,851	\$ 2,852,851	\$ 3,056,500	\$ 203,649

CITY OF INDIAN WELLS

**BUDGETARY COMPARISON SCHEDULE
 AB 939 RECYCLING
 YEAR ENDED JUNE 30, 2011**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 251,369	\$ 251,369	\$ 251,369	\$ -
Resources (Inflows):				
Assessments	100,000	100,000	82,071	(17,929)
Other revenue	5,000	5,000	5,000	-
Amounts Available for Appropriation	356,369	356,369	338,440	(17,929)
Charges to Appropriation (Outflow):				
Public works	152,648	152,648	113,373	39,275
Capital outlay	79,000	-	98,047	(98,047)
Total Charges to Appropriations	231,648	152,648	211,420	(58,772)
Budgetary Fund Balance, June 30	\$ 124,721	\$ 203,721	\$ 127,020	\$ (76,701)

CITY OF INDIAN WELLS

**BUDGETARY COMPARISON SCHEDULE
SOLID WASTE
YEAR ENDED JUNE 30, 2011**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 184,641	\$ 184,641	\$ 184,641	\$ -
Resources (Inflows):				
Investment income	4,000	4,000	9,453	5,453
Assessments	800,000	800,000	795,525	(4,475)
Amounts Available for Appropriation	988,641	988,641	989,619	978
Charges to Appropriation (Outflow):				
Public works	837,727	837,727	795,525	42,202
Total Charges to Appropriations	837,727	837,727	795,525	42,202
Budgetary Fund Balance, June 30	\$ 150,914	\$ 150,914	\$ 194,094	\$ 43,180

CITY OF INDIAN WELLS

**BUDGETARY COMPARISON SCHEDULE
CONSOLIDATED LLMD
YEAR ENDED JUNE 30, 2011**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 1,163,719	\$ 1,163,719	\$ 1,163,719	\$ -
Resources (Inflows):				
Investment income	35,633	35,633	21,320	(14,313)
Assessments	888,919	888,919	846,876	(42,043)
Transfers in	99,050	99,050	99,050	-
Amounts Available for Appropriation	2,187,321	2,187,321	2,130,965	(56,356)
Charges to Appropriation (Outflow):				
Public works	1,084,945	1,088,965	945,092	143,873
Total Charges to Appropriations	1,084,945	1,088,965	945,092	143,873
Budgetary Fund Balance, June 30	\$ 1,102,376	\$ 1,098,356	\$ 1,185,873	\$ 87,517

CITY OF INDIAN WELLS

**BUDGETARY COMPARISON SCHEDULE
STREET LIGHTING DISTRICT 2001-1
YEAR ENDED JUNE 30, 2011**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 4,105	\$ 4,105	\$ 4,105	\$ -
Resources (Inflows):				
Investment income	25	25	73	48
Assessments	1,510	1,510	1,406	(104)
Amounts Available for Appropriation	5,640	5,640	5,584	(56)
Charges to Appropriation (Outflow):				
Public works	1,714	1,714	1,483	231
Total Charges to Appropriations	1,714	1,714	1,483	231
Budgetary Fund Balance, June 30	\$ 3,926	\$ 3,926	\$ 4,101	\$ 175

CITY OF INDIAN WELLS

**BUDGETARY COMPARISON SCHEDULE
AFFORDABLE HOUSING OPERATIONS
YEAR ENDED JUNE 30, 2011**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 10,077,650	\$ 10,077,650	\$ 10,077,650	\$ -
Resources (Inflows):				
Investment income	200,000	200,000	168,604	(31,396)
Rental income	1,505,000	1,505,000	1,276,508	(228,492)
Other revenue	17,000	17,000	9,961	(7,039)
Amounts Available for Appropriation	11,799,650	11,799,650	11,532,723	(266,927)
Charges to Appropriation (Outflow):				
Community development	1,617,996	1,617,996	1,267,105	350,891
Total Charges to Appropriations	1,617,996	1,617,996	1,267,105	350,891
Budgetary Fund Balance, June 30	\$ 10,181,654	\$ 10,181,654	\$ 10,265,618	\$ 83,964

CITY OF INDIAN WELLS

**BUDGETARY COMPARISON SCHEDULE
COOPORATIVE MARKETING
YEAR ENDED JUNE 30, 2011**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 53,474	\$ 53,474	\$ 53,474	\$ -
Resources (Inflows):				
Investment income	550	550	2,496	1,946
Other revenue	160,000	160,000	160,000	-
Transfers in	-	160,000	160,000	-
Amounts Available for Appropriation	214,024	374,024	375,970	1,946
Charges to Appropriation (Outflow):				
Community development	160,000	320,000	306,961	13,039
Total Charges to Appropriations	160,000	320,000	306,961	13,039
Budgetary Fund Balance, June 30	\$ 54,024	\$ 54,024	\$ 69,009	\$ 14,985

CITY OF INDIAN WELLS

**BUDGETARY COMPARISON SCHEDULE
RDA WHITEWATER DEBT SERVICE
YEAR ENDED JUNE 30, 2011**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ (31,909,312)	\$ (31,909,312)	\$ (31,909,312)	\$ -
Resources (Inflows):				
Taxes	36,661,638	29,329,310	27,830,892	(1,498,418)
Investment income	20,000	20,000	41,452	21,452
Other revenue	120,000	120,000	128,144	8,144
Transfers in	-	2,000,000	-	(2,000,000)
Amounts Available for Appropriation	4,892,326	(440,002)	(3,908,824)	(3,468,822)
Charges to Appropriation (Outflow):				
Debt service:				
Principal retirement	2,030,000	2,030,000	2,030,000	-
Interest and fiscal charges	6,299,891	6,299,891	6,162,598	137,293
Pass-through agreement payments	20,348,719	20,348,719	19,811,872	536,847
Payment to refunded bond escrow agent	1,964,450	1,964,450	1,966,243	(1,793)
Transfers out	8,698,043	1,305,715	1,297,038	8,677
Total Charges to Appropriations	39,341,103	31,948,775	31,267,751	681,024
Budgetary Fund Balance, June 30	\$ (34,448,777)	\$ (32,388,777)	\$ (35,176,575)	\$ (2,787,798)

CITY OF INDIAN WELLS

**BUDGETARY COMPARISON SCHEDULE
 PARK FACILITIES IN LIEU
 YEAR ENDED JUNE 30, 2011**

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Budgetary Fund Balance, July 1	\$ (1,541,669)	\$ (1,541,669)	\$ (1,541,669)	\$ -
Resources (Inflows):				
Developer fees	15,000	15,000	17,480	2,480
Amounts Available for Appropriation	(1,526,669)	(1,526,669)	(1,524,189)	2,480
Budgetary Fund Balance, June 30	\$ (1,526,669)	\$ (1,526,669)	\$ (1,524,189)	\$ 2,480

CITY OF INDIAN WELLS

**BUDGETARY COMPARISON SCHEDULE
CITYWIDE PUBLIC IMPROVEMENT
YEAR ENDED JUNE 30, 2011**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 2	\$ 2	\$ 2	\$ -
Resources (Inflows):				
Investment income	20	20	-	(20)
Developer fees	15,000	15,000	32,357	17,357
Amounts Available for Appropriation	15,022	15,022	32,359	17,337
Charges to Appropriation (Outflow):				
Transfers out	22,000	-	32,359	(32,359)
Total Charges to Appropriations	22,000	-	32,359	(32,359)
Budgetary Fund Balance, June 30	\$ (6,978)	\$ 15,022	\$ -	\$ (15,022)

CITY OF INDIAN WELLS

**BUDGETARY COMPARISON SCHEDULE
CAPITAL IMPROVEMENTS
YEAR ENDED JUNE 30, 2011**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ (65,071)	\$ (65,071)	\$ (65,071)	\$ -
Resources (Inflows):				
Intergovernmental	2,540,481	2,540,481	523,369	(2,017,112)
Investment income	15,000	40,000	73,626	33,626
Other revenue	-	-	24,728	24,728
Transfers in	5,550,000	5,550,000	4,350,000	(1,200,000)
Amounts Available for Appropriation	8,040,410	8,065,410	4,906,652	(3,158,758)
Charges to Appropriation (Outflow):				
General government	95,000	149,637	145,878	3,759
Capital outlay	7,857,305	-	2,917,100	(2,917,100)
Total Charges to Appropriations	7,952,305	149,637	3,062,978	(2,913,341)
Budgetary Fund Balance, June 30	\$ 88,105	\$ 7,915,773	\$ 1,843,674	\$ (6,072,099)

CITY OF INDIAN WELLS

**BUDGETARY COMPARISON SCHEDULE
ART IN PUBLIC PLACES
YEAR ENDED JUNE 30, 2011**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 337,616	\$ 337,616	\$ 337,616	\$ -
Resources (Inflows):				
Investment income	5,500	5,500	6,037	537
Developer fees	15,000	15,000	11,170	(3,830)
Amounts Available for Appropriation	358,116	358,116	354,823	(3,293)
Charges to Appropriation (Outflow):				
Capital outlay	-	-	64,071	(64,071)
Total Charges to Appropriations	-	-	64,071	(64,071)
Budgetary Fund Balance, June 30	\$ 358,116	\$ 358,116	\$ 290,752	\$ (67,364)

CITY OF INDIAN WELLS

**BUDGETARY COMPARISON SCHEDULE
RDA WHITEWATER CAPITAL IMPROVEMENT
YEAR ENDED JUNE 30, 2011**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 987,840	\$ 987,840	\$ 987,840	\$ -
Resources (Inflows):				
Investment income	10,500	10,500	12,307	1,807
Transfers in	1,387,715	1,387,715	1,329,397	(58,318)
Amounts Available for Appropriation	2,386,055	2,386,055	2,329,544	(56,511)
Charges to Appropriation (Outflow):				
Community development	1,382,871	1,462,871	1,393,408	69,463
Transfers out	48,000	-	48,000	(48,000)
Total Charges to Appropriations	1,430,871	1,462,871	1,441,408	21,463
Budgetary Fund Balance, June 30	\$ 955,184	\$ 923,184	\$ 888,136	\$ (35,048)

THIS PAGE INTENTIONALLY LEFT BLANK

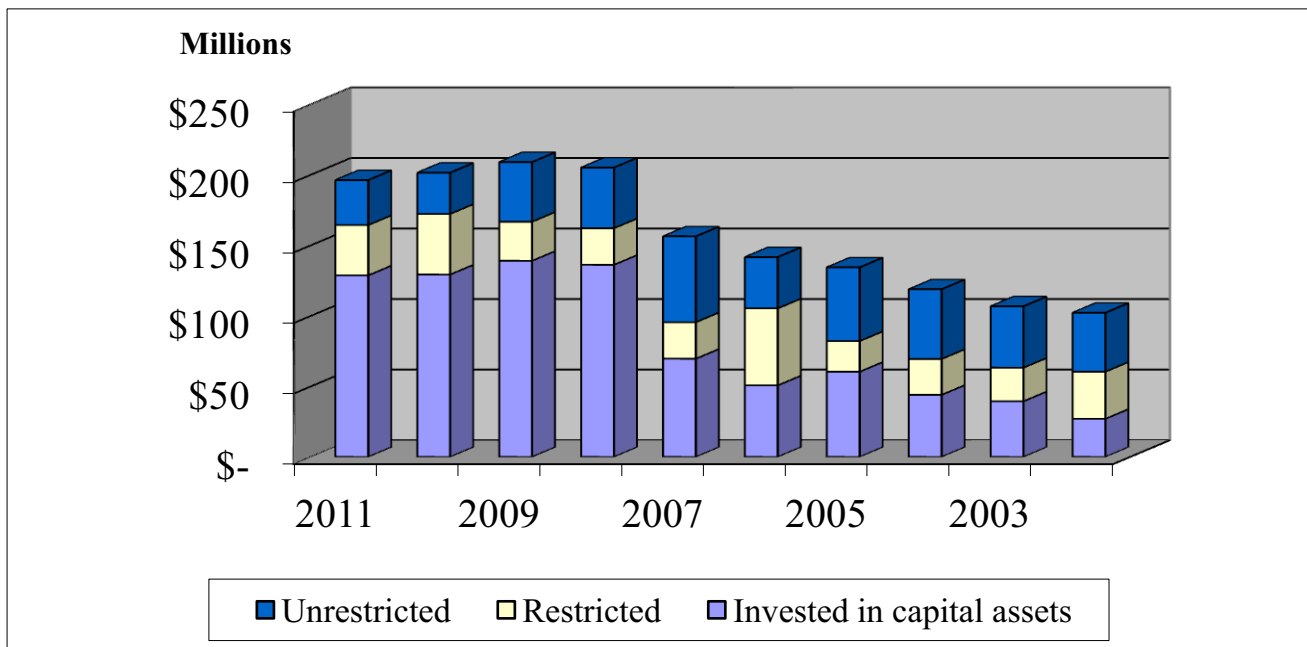
CITY OF INDIAN WELLS

Net Assets by Component

Last Ten Fiscal Years

(accrual basis of accounting)

	Fiscal Year			
	2011	2010	2009	2008
Governmental activities:				
Invested in capital assets, net of related debt	\$128,719,531	\$129,332,619	\$139,057,460	\$136,211,882
Restricted for:				
Community development	28,556,939	38,057,825	23,412,380	22,401,222
Public safety	4,651,489	4,570,215	4,014,475	3,199,900
Public works	1,641,967	308,322	252,873	325,432
Debt service	817,671	-	-	-
Unrestricted	<u>31,851,521</u>	<u>29,209,281</u>	<u>42,258,237</u>	<u>42,983,730</u>
Total governmental activities net assets	<u>\$196,239,118</u>	<u>\$201,478,262</u>	<u>\$208,995,425</u>	<u>\$205,122,166</u>



Fiscal Year					
2007	2006	2005	2004	2003	2002
\$ 69,674,222	\$ 50,749,510	\$ 60,447,659	\$ 44,033,129	\$ 39,495,887	\$ 27,071,086
21,060,513	49,567,249	10,483,905	12,430,215	10,996,014	22,228,581
2,926,727	2,932,610	1,895,904	2,165,299	2,107,802	2,051,350
1,863,275	2,094,899	3,765,506	3,991,647	3,183,822	3,228,288
-	-	5,553,793	6,837,944	7,509,228	5,850,327
<u>60,839,232</u>	<u>36,303,201</u>	<u>52,240,076</u>	<u>49,387,174</u>	<u>43,500,468</u>	<u>41,759,341</u>
<u>\$156,363,969</u>	<u>\$141,647,469</u>	<u>\$134,386,843</u>	<u>\$118,845,408</u>	<u>\$106,793,221</u>	<u>\$102,188,973</u>

CITY OF INDIAN WELLS

Changes in Net Assets

Last Ten Fiscal Years

(accrual basis of accounting)

	Fiscal Year			
	2011	2010	2009	2008
Program revenues:				
Governmental activities:				
Charges for services:				
General government	\$ 31,619	\$ 30,284	\$ 30,400	\$ 627,106
Community development	533,212	2,136,604	2,114,861	2,528,006
Public safety	8,272	873,229	742,738	873,761
Public works	48,230	6,266	54,570	68,639
Golf resort	12,243,547	11,126,337	6,850,634	5,138,846
Operating grants and contributions:				
General government	405,976	33,501	98,175	519,133
Community development	17,400	1,568,330	2,145,952	2,038,691
Public safety	1,921,931	2,557,187	2,654,704	2,493,117
Public works	2,051,669	1,472,156	1,629,164	1,543,290
Capital grants and contributions:				
Community development	-	444,801	9,399,500	1,445,778
Public works	573,206	4,750,952	291,250	46,463,133
Total program revenue	<u>17,835,062</u>	<u>24,999,647</u>	<u>26,011,948</u>	<u>63,739,500</u>
Expenses:				
Governmental activities:				
General government	4,804,881	8,194,604	10,664,720	9,998,984
Community development	14,042,573	19,519,593	9,784,467	6,356,163
Public safety	7,379,309	8,157,222	7,594,508	7,211,930
Public works	6,710,034	5,423,271	5,954,213	6,895,396
Golf resort	13,694,185	12,885,373	10,179,734	9,518,594
Interest on long-term debt	8,185,570	5,934,148	6,120,317	7,166,630
Total expenses	<u>54,816,552</u>	<u>60,114,211</u>	<u>50,297,959</u>	<u>47,147,697</u>
Net revenue (expense)	<u>(36,981,490)</u>	<u>(35,114,564)</u>	<u>(24,286,011)</u>	<u>16,591,803</u>
General revenues:				
Taxes:				
Property taxes	17,200,487	18,121,718	18,756,437	18,582,342
Transient occupancy taxes	4,805,116	4,294,079	4,804,501	5,874,128
Sales taxes	902,256	762,241	963,446	1,054,972
Franchise taxes	835,725	817,863	870,700	902,634
Other taxes	3,672,587	1,331,372	1,360,608	1,875,547
Investment income	3,939,375	1,513,114	1,147,924	3,467,226
Gain on sale of asset	-	-	-	-
Other	399,736	362,922	255,654	169,525
Total general revenues	<u>31,755,282</u>	<u>27,203,309</u>	<u>28,159,270</u>	<u>31,926,374</u>
Change in net assets	<u>\$ (5,226,208)</u>	<u>\$ (7,911,255)</u>	<u>\$ 3,873,259</u>	<u>\$ 48,518,177</u>

Fiscal Year					
2007	2006	2005	2004	2003	2002
\$ 2,235	\$ 5,069	\$ 1,037	\$ 1,577	\$ -	\$ -
1,934,844	1,772,860	1,570,382	1,142,076	1,539,238	1,445,126
2,470,623	2,527,477	2,056,493	2,017,645	2,082,454	1,919,640
1,463,364	1,359,833	1,381,225	1,589,854	721,574	755,604
4,817,513	5,234,850	7,138,609	7,103,298	6,324,063	6,166,706
77,946	41,205	14,691	44,721	-	-
314,980	338,311	364,975	733,311	535,000	-
2,259,723	2,212,899	1,832,677	1,852,363	1,660,138	1,485,935
926,673	354,123	309,305	313,453	268,264	258,401
1,434,242					
<u>582,880</u>	<u>3,508,743</u>	<u>11,002,296</u>	<u>7,775,714</u>	<u>132,727</u>	<u>-</u>
<u>16,285,023</u>	<u>17,355,370</u>	<u>25,671,690</u>	<u>22,574,012</u>	<u>13,263,458</u>	<u>12,031,412</u>
7,763,532	7,082,129	6,476,847	6,550,342	8,246,755	5,898,875
24,966,021	28,957,231	20,563,959	18,643,445	16,027,330	19,557,970
6,146,364	5,903,241	6,279,925	6,260,002	5,650,403	5,109,718
3,862,991	3,367,663	3,288,793	2,699,525	3,470,564	3,092,393
5,406,302	7,491,500	8,008,708	7,041,090	6,835,918	6,416,191
6,009,532	4,706,168	4,951,228	4,899,758	2,362,254	1,646,067
<u>54,154,742</u>	<u>57,507,932</u>	<u>49,569,460</u>	<u>46,094,162</u>	<u>42,593,224</u>	<u>41,721,214</u>
<u>(37,869,719)</u>	<u>(40,152,562)</u>	<u>(23,897,770)</u>	<u>(23,520,150)</u>	<u>(29,329,766)</u>	<u>(29,689,802)</u>
37,093,682	35,791,172	29,371,922	27,998,756	25,511,291	23,143,109
5,940,739	5,352,889	4,656,403	4,141,094	3,640,130	3,166,058
1,202,051	1,057,899	897,119	820,736	659,452	665,394
894,378	726,333	641,951	617,422	587,964	542,740
1,112,636	1,024,505	820,887	608,303	805,388	671,031
5,554,158	3,217,562	2,894,907	1,206,620	1,781,327	2,575,704
350,454	-	-	-	357,347	-
438,121	242,828	156,016	179,406	591,121	283,127
<u>52,586,219</u>	<u>47,413,188</u>	<u>39,439,205</u>	<u>35,572,337</u>	<u>33,934,020</u>	<u>31,047,163</u>
<u>\$ 14,716,500</u>	<u>\$ 7,260,626</u>	<u>\$ 15,541,435</u>	<u>\$ 12,052,187</u>	<u>\$ 4,604,254</u>	<u>\$ 1,357,361</u>

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

	Fiscal Year			
	2011	2010	2009	2008
General fund:				
Nonspendable:				
Inventory	\$ -	\$ -	\$ -	\$ -
Prepaid items	21,282	47,743	50,787	700
Advances to other funds	22,010,750	22,409,361	26,150,000	30,797,726
Committed to:				
Emergency reserve	18,500,000	-	-	-
Unassigned	<u>22,766,933</u>	<u>19,491,287</u>	<u>17,356,780</u>	<u>11,846,566</u>
Total general fund	<u><u>63,298,965</u></u>	<u><u>41,948,391</u></u>	<u><u>43,557,567</u></u>	<u><u>42,644,992</u></u>
All other governmental funds				
Nonspendable				
Inventory	556,726	501,090	473,863	724,063
Prepaid items	39,962	58,820	29,455	63,394
Notes	4,316,639	4,316,639	4,316,639	-
Advances to other funds	11,514,773	11,514,773	-	-
Restricted for:				
Community development	12,725,527	8,618,341	18,965,920	12,986,015
Public safety	4,651,489	4,379,949	3,849,136	3,058,410
Parks and recreation	-	-	-	-
Public works	1,641,967	1,807,173	1,813,427	1,905,049
Debt Service	817,671	789,777	9,087	2,584
Committed to:				
Emergency Reserve	-			
Capital projects	3,022,559			
Unassigned	<u>(43,424,063)</u>	<u>(10,039,594)</u>	<u>(11,754,777)</u>	<u>3,431,080</u>
Total all other governmental funds	<u><u>\$ (4,136,750)</u></u>	<u><u>\$21,946,968</u></u>	<u><u>\$17,702,750</u></u>	<u><u>\$ 22,170,595</u></u>

1) The City Council implemented the Governmental Accounting Standards Board (GASB) statement no. 54 d

Fiscal Year					
2007	2006	2005	2004	2003	2002
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	6,000	417,725	178,647	163,562
20,000,000	20,000,000	-	-	-	-
-	-	-	-	-	-
<u>7,715,559</u>	<u>10,727,164</u>	<u>10,217,412</u>	<u>6,482,083</u>	<u>5,577,793</u>	<u>5,981,896</u>
<u>27,715,559</u>	<u>30,727,164</u>	<u>10,223,412</u>	<u>6,899,808</u>	<u>5,756,440</u>	<u>6,145,458</u>
97,252	189,573	183,252	346,399	425,311	508,855
76,516	53,269	91,690	87,989	127,535	139,841
-	-	-	-	-	792,290
-	-	-	-	-	-
26,850,170	33,734,335	30,761,975	34,485,602	50,178,629	860,004
2,767,388	2,932,610	1,895,904	2,165,299	2,191,586	2,129,590
-	10,568	98,768	401,341	291,914	708,916
2,077,143	2,260,914	1,847,504	1,966,203	1,528,286	1,711,403
35,275	13,676	4,885	1,646	40,049	-
<u>60,982,183</u>	<u>32,121,248</u>	<u>70,320,518</u>	<u>81,351,184</u>	<u>76,898,863</u>	<u>62,579,959</u>
<u>\$92,885,927</u>	<u>\$71,316,193</u>	<u>\$105,204,496</u>	<u>\$120,805,663</u>	<u>\$131,682,173</u>	<u>\$69,430,858</u>

luring fiscal year 2010/11 recognizing new fund balance requirements

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

	Fiscal Year			
	2011	2010	2009	2008
Revenues:				
Taxes	\$ 47,215,341	\$ 48,995,314	\$ 51,245,652	\$ 51,537,447
Assessments	3,530,928	3,481,755	3,385,707	3,483,606
Licenses and permits	119,583	234,824	226,007	399,003
Intergovernmental	1,390,949	5,157,957	937,750	1,460,266
Fines and forfeitures	87,320	84,582	52,762	52,083
Charges for services	12,657,977	11,476,745	7,478,699	6,257,950
Investment income	3,256,904	2,732,580	4,162,047	8,035,693
Development fees	61,007	1,327,402	59,252	214,938
Other	399,736	3,374,688	7,823,725	1,156,637
Total revenues	<u>68,719,745</u>	<u>76,865,847</u>	<u>75,371,601</u>	<u>72,597,623</u>
Expenditures				
Current:				
General government	4,219,555	7,941,889	10,506,842	9,604,914
Community development	5,846,632	13,493,473	3,784,085	4,091,199
Public safety	7,214,270	8,000,297	7,471,826	7,133,876
Public works	3,763,936	2,959,775	3,278,386	3,306,362
Golf resort	13,694,185	12,885,373	10,179,734	9,333,933
Pass-through	21,778,115	21,138,998	22,107,922	21,471,829
Capital outlay	4,464,499	5,954,982	12,361,227	59,787,295
Debt service:				
Principal retirement	4,020,106	3,860,000	3,720,000	3,965,000
Interest and fiscal charges	7,951,591	8,517,174	8,858,488	8,939,114
Total expenditures	<u>72,952,889</u>	<u>84,751,961</u>	<u>82,268,510</u>	<u>127,633,522</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(4,233,144)</u>	<u>(7,886,114)</u>	<u>(6,896,909)</u>	<u>(55,035,899)</u>
Other financing sources (uses):				
Transfers in	13,373,447	11,845,781	15,377,613	60,589,937
Transfers out	(13,873,447)	(12,595,781)	(16,377,613)	(61,339,937)
Issuance of bonds	-	10,890,000	-	-
Premium (discount) on bonds	-	-	-	-
Payment to bond escrow agent	-	-	-	-
Sale of property	-	-	4,341,639	-
Total other financing sources (uses)	<u>(500,000)</u>	<u>10,140,000</u>	<u>3,341,639</u>	<u>(750,000)</u>
Net change in fund balances	<u>\$ (4,733,144)</u>	<u>\$ 2,253,886</u>	<u>\$ (3,555,270)</u>	<u>\$ (55,785,899)</u>
Debt service as a percentage of noncapital expenditures				
	97.3%	74.2%	97.1%	-259.0%
Capital outlay (Recon of Rev & Exp)				
	\$ 4,524,674	\$ 6,076,294	\$ 11,857,262	\$ 106,530,052
Total governmental expenditures				
	72,952,889	84,751,961	82,268,510	127,633,522
Less: Principal	(4,020,106)	(3,860,000)	(3,720,000)	(3,965,000)
Less: Interest	(7,951,591)	(8,517,174)	(8,858,488)	(8,939,114)
Less: Pass Through	(21,778,115)	(21,138,998)	(22,107,922)	(21,471,829)
	39,203,077	51,235,789	47,582,100	93,257,579
Less: Capital Asset Additions	(4,524,674)	(6,076,294)	(11,857,262)	(106,530,052)
Non Capital Expenditures	34,678,403	45,159,495	35,724,838	(13,272,473)
Total Debt Service Payments				
	33,749,812	33,516,172	34,686,410	34,375,943
Debt Service as % of Non Capital Exp.	97.3%	74.2%	97.1%	-259.0%

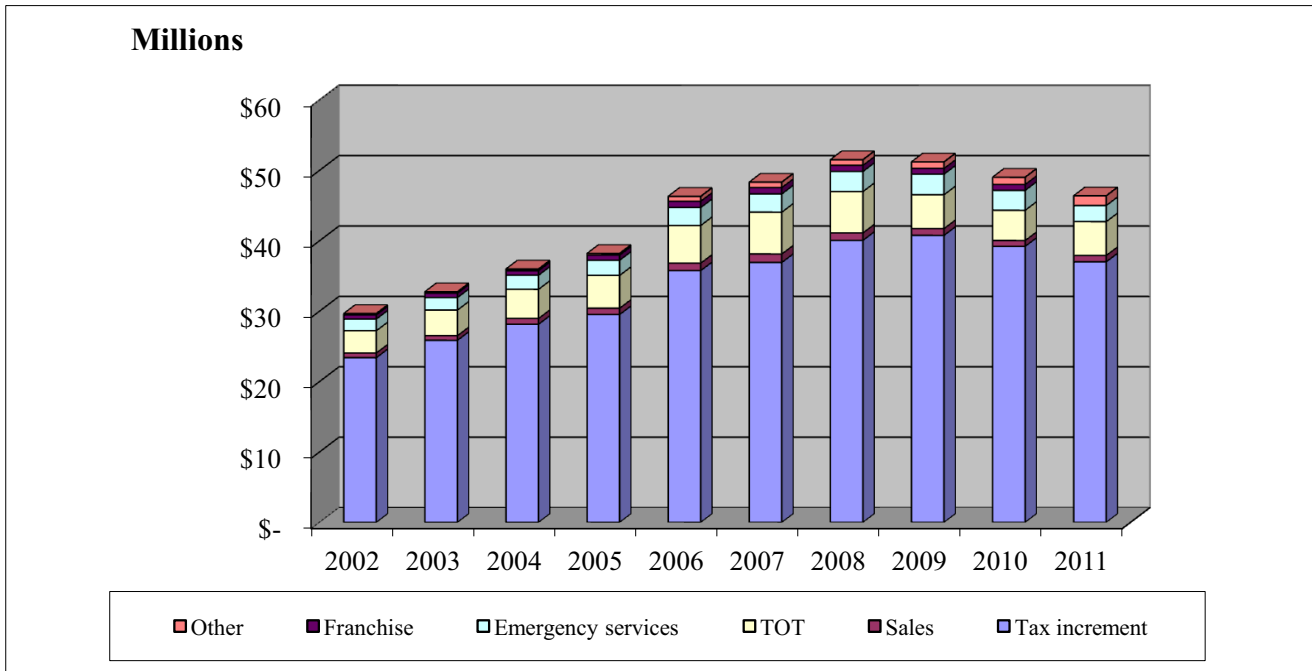
Fiscal Year

2007	2006	2005	2004	2003	2002
\$ 48,314,537	\$ 46,131,556	\$ 38,106,070	\$ 35,953,987	\$ 32,711,763	\$ 28,114,977
3,036,321	3,084,600	2,552,226	2,476,024	2,462,295	2,420,202
728,761	617,834	949,622	1,115,792	297,789	353,911
2,682,465	4,958,972	9,562,484	7,362,480	508,366	1,921,609
109,671	96,056	114,078	190,446	153,597	-
5,518,266	5,869,314	7,943,064	8,070,440	7,189,375	6,989,223
8,696,113	5,496,516	4,001,528	1,095,279	1,735,207	2,430,459
582,880	600,668	647,957	889,384	131,338	124,286
<u>1,213,908</u>	<u>959,066</u>	<u>883,644</u>	<u>1,485,931</u>	<u>1,603,467</u>	<u>1,124,146</u>
<u>70,882,922</u>	<u>67,814,582</u>	<u>64,760,673</u>	<u>58,639,763</u>	<u>46,793,197</u>	<u>43,478,813</u>
8,076,374	7,308,390	6,649,994	6,346,124	8,072,119	5,760,306
4,045,155	7,855,308	2,161,045	2,062,582	1,834,577	6,725,603
6,156,103	5,911,765	6,376,941	6,347,279	5,596,779	5,055,745
2,843,400	2,578,102	2,377,858	2,011,325	2,697,392	2,393,882
6,042,600	6,263,126	8,125,952	7,070,963	6,459,480	5,973,851
19,874,202	20,862,080	17,384,055	15,872,682	13,916,479	12,206,283
35,637,285	20,802,188	24,745,401	26,928,496	26,868,088	3,227,266
3,330,000	3,260,000	3,665,000	1,705,000	765,000	730,000
<u>8,753,951</u>	<u>6,855,103</u>	<u>5,051,990</u>	<u>4,201,194</u>	<u>3,664,778</u>	<u>2,002,536</u>
<u>94,759,070</u>	<u>81,696,062</u>	<u>76,538,236</u>	<u>72,545,645</u>	<u>69,874,692</u>	<u>44,075,472</u>
<u>(23,876,148)</u>	<u>(13,881,480)</u>	<u>(11,777,563)</u>	<u>(13,905,882)</u>	<u>(23,081,495)</u>	<u>(596,659)</u>
52,624,250	56,208,798	8,034,396	11,925,669	25,638,690	22,601,526
(53,374,250)	(56,208,798)	(8,534,396)	(11,925,669)	(25,638,690)	(17,729,194)
67,805,000	14,125,000	-	-	87,245,000	-
57,498	54,253	-	-	1,979,695	-
(25,054,069)	(13,682,324)	-	-	(12,839,946)	-
375,848	-	-	4,172,740	8,559,049	-
<u>42,434,277</u>	<u>496,929</u>	<u>(500,000)</u>	<u>4,172,740</u>	<u>84,943,798</u>	<u>4,872,332</u>
<u>\$ 18,558,129</u>	<u>\$ (13,384,551)</u>	<u>\$ (12,277,563)</u>	<u>\$ (9,733,142)</u>	<u>\$ 61,862,303</u>	<u>\$ 4,275,673</u>
121.7%	108.3%	101.6%	91.4%	74.4%	54.0%
\$ 36,538,626	\$ 22,122,117	\$ 24,745,401	\$ 26,928,496	\$ 26,868,088	\$ 1,496,948
94,759,070	81,696,062	76,538,236	72,545,645	69,874,692	44,075,472
(3,330,000)	(3,260,000)	(3,665,000)	(1,705,000)	(765,000)	(730,000)
(8,753,951)	(6,855,103)	(5,051,990)	(4,201,194)	(3,664,778)	(2,002,536)
<u>(19,874,202)</u>	<u>(20,862,080)</u>	<u>(17,384,055)</u>	<u>(15,872,682)</u>	<u>(13,916,479)</u>	<u>(12,206,283)</u>
62,800,917	50,718,879	50,437,191	50,766,769	51,528,435	29,136,653
(36,538,626)	(22,122,117)	(24,745,401)	(26,928,496)	(26,868,088)	(1,496,948)
26,262,291	28,596,762	25,691,790	23,838,273	24,660,347	27,639,705
31,958,153	30,977,183	26,101,045	21,778,876	18,346,257	14,938,819
121.7%	108.3%	101.6%	91.4%	74.4%	54.0%

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
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
2008	40,058,833	1,054,972	5,874,128	2,857,241	902,634	789,637	51,537,445
2009	40,770,451	963,446	4,804,501	2,923,853	870,700	912,698	51,245,649
2010	39,208,315	827,195	4,294,079	2,828,412	817,863	1,019,451	48,995,314
2011	37,012,359	902,256	4,805,116	2,288,758	835,725	1,371,127	47,215,341

Percentage change:
 2002-2011 58.2% 35.6% 51.8% 38.3% 54.0% 649.2% 59.5%



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	
2002	\$ 314,877,736	\$ 4,285,527	\$ 319,163,263	\$ 2,503,517,088	\$ 23,124,585	\$ 2,526,641,673	1.11900
2003	381,213,595	8,863,688	390,077,283	2,708,154,009	24,804,386	2,732,958,395	1.11900
2004	427,150,933	8,090,787	435,241,720	2,888,390,842	29,985,511	2,918,376,353	1.11900
2005	444,469,346	8,517,701	452,987,047	3,028,027,769	34,709,051	3,062,736,820	1.13700
2006	555,697,154	5,463,790	561,160,944	3,333,128,375	34,010,781	3,367,139,156	1.11800
2007	641,953,540	5,656,440	647,609,980	3,568,878,418	38,357,547	3,607,235,965	1.18688
2008	835,797,894	4,502,911	840,300,805	3,878,756,903	33,552,882	3,912,309,785	1.20556
2009	903,292,424	5,793,464	909,085,888	4,115,512,584	49,085,006	4,164,597,590	1.20985
2010	858,305,085	4,653,028	862,958,113	3,976,541,728	43,225,207	4,019,766,935	1.23056
2011	798,116,578	5,300,075	803,416,653	3,775,005,209	38,992,999	3,813,998,208	1.25031

* 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>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</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	0.23875	0.23617	0.23249	0.23051	0.22471	0.29460	0.29679	0.29688	0.26604	0.26686
Low & Mod 20% Set-aside	<u>0.20000</u>	<u>0.20000</u>	<u>0.20000</u>	<u>0.20000</u>	<u>0.20000</u>	<u>0.20000</u>	<u>0.20000</u>	<u>0.20000</u>	<u>0.20000</u>	<u>0.20000</u>
Total City Direct Rate	0.50875	0.50617	0.50249	0.50051	0.49471	0.56460	0.56679	0.56688	0.53604	0.53686
Overlapping Rates:										
Riverside County General & Fire	0.29024	0.29080	0.29080	0.29087	0.28868	0.28791	0.28371	0.28376	0.28336	0.28336
Coachella Valley Water District	0.05989	0.05866	0.05881	0.05855	0.05891	0.05885	0.05877	0.05870	0.05932	0.05886
Desert Sands Unified School District	0.08769	0.08955	0.09159	0.09279	0.09694	0.09745	0.09857	0.09851	0.11489	0.11498
Riverside County School Superintendent of Schools	0.00991	0.01012	0.01035	0.01049	0.01096	0.01102	0.01114	0.01114	0.01299	0.01300
College of the Desert	0.01822	0.01861	0.01903	0.01928	0.02014	0.02025	0.02048	0.02047	0.02387	0.02389
Coachella Valley Parks & Recreation District	0.01523	0.01571	0.01621	0.01650	0.01750	0.01763	0.01792	0.01792	0.02190	0.02192
Coachella Valley Mosquito & Vector Control District	0.01007	0.01038	0.01072	0.01091	0.01157	0.01166	0.01185	0.01185	0.01448	0.01449
Riverside County Regional Park & Open Space	-	-	-	0.00003	0.00019	0.00021	0.00026	0.00026	0.00088	0.00088
Coachella Valley Public Cemetery	-	-	-	0.00003	0.00015	0.00017	0.00021	0.00022	0.00072	0.00072
Desert Regional Medical Center	-	-	-	0.00004	0.00024	0.00025	0.00029	0.00029	0.00098	0.00097
Coachella Valley Resource Conservation	-	-	-	-	0.00001	0.00001	0.00002	0.00002	0.00006	0.00006
Coachella Valley Water District	0.02100	0.02100	0.02100	0.02100	0.02100	0.02080	0.04000	0.04000	0.06000	0.06000
Desert Community College	-	-	-	0.02000	0.02000	0.01995	0.01995	0.01995	0.01995	0.01995
Desert Sands Unified School District	<u>0.09800</u>	<u>0.09800</u>	<u>0.09800</u>	<u>0.09600</u>	<u>0.07700</u>	<u>0.07613</u>	<u>0.07561</u>	<u>0.07990</u>	<u>0.08112</u>	<u>0.10036</u>
Total Direct Rate	<u>1.11900</u>	<u>1.11900</u>	<u>1.11900</u>	<u>1.13700</u>	<u>1.11800</u>	<u>1.18688</u>	<u>1.20556</u>	<u>1.20985</u>	<u>1.23056</u>	<u>1.25031</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 District bonds, Desert Community College bonds, and Desert Sands Unified School

Source: County of Riverside

CITY OF INDIAN WELLS
Principal Property Tax Payers
Current Year and Nine Years Ago

Taxpayer	2011		2002	
	Taxable Assessed Value	Percent of Total City Taxable Assessed Value	Taxable Assessed Value	Percent of Total City Taxable Assessed Value
Grand Champions LLC	\$ 57,939,395	1.25%	\$ 39,150,717	1.37%
Garden of Champions	52,828,325	1.14%	77,208,243	2.70%
Felcor Esmeralda, LLC	37,195,000	0.81%	-	0.00%
Vintage Club	35,890,705	0.78%	55,776,226	1.95%
Toscana Country Club, Inc.	19,492,059	0.42%	-	0.00%
LH Indian Wells Holding LLC	18,689,758	0.40%	-	0.00%
IWCC Acquisition Corporation	18,065,738	0.39%	13,832,873	0.48%
Toscana Homes	16,231,118	0.35%	-	0.00%
Sanderson J Ray Indian Wells	15,952,380	0.35%	-	0.00%
Village Shopping Center at Indian Wells	15,122,246	0.33%	-	0.00%
CFT USA	-	0.00%	53,000,000	1.86%
Southwest Community Church	-	0.00%	33,669,397	1.18%
Resort California	-	0.00%	28,005,372	0.98%
Heritage Land	-	0.00%	26,108,004	0.91%
Alexander & Baldwin Inc	-	0.00%	14,455,068	0.51%
Ryan Oil	-	0.00%	13,290,211	0.47%
	<u>\$ 287,406,724</u>	<u>6.22%</u>	<u>\$ 354,496,111</u>	<u>12.41%</u>

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

Sources: HdL Coren & Cone

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
2002	\$22,655,397	\$23,394,480	103.26%	\$ -	\$23,394,480	103.26%
2003	24,978,009	25,860,500	103.53%	-	25,860,500	103.53%
2004	26,913,427	28,142,675	104.57%	-	28,142,675	104.57%
2005	28,448,075	29,525,111	103.79%	-	29,525,111	103.79%
2006	31,641,148	33,644,264	106.33%	2,219,271	35,863,535	113.34%
2007	34,302,868	36,288,268	105.79%	633,286	36,921,554	107.63%
2008	37,565,868	39,500,186	105.15%	558,647	40,058,833	106.64%
2009	40,211,739	40,504,387	100.73%	266,064	40,770,451	101.39%
2010	38,711,203	38,791,118	100.21%	417,197	39,208,315	101.28%
2011	36,889,913	36,918,555	100.08%	93,804	37,012,359	100.33%

NOTE:

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

Source: County Auditor Controller's Office

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		
2002	\$ 28,260,000	\$ -	\$ 28,260,000	8.04%	\$ 6,537
2003	102,200,000 ¹	-	102,200,000	28.72%	23,355
2004	100,495,000	-	100,495,000	27.25%	22,772
2005	96,830,000	-	96,830,000	24.09%	20,686
2006	93,670,000	-	93,670,000	22.59%	19,737
2007	133,580,000 ³	-	133,580,000	29.54%	27,951
2008	129,615,000	-	129,615,000	29.06%	26,858
2009	125,895,000	-	125,895,000	25.10%	25,641
2010	132,925,000 ⁴	-	132,925,000	26.66%	26,870
2011	128,910,000	-	128,910,000	24.62%	25,731

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

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.

⁴ The City issued over \$10 million of new tax allocation bonds in the fiscal year ended June 30, 2010.

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
2002	\$ 28,260	1.1%	\$ 6,537	\$ 22,031	\$ 6,229	\$ 428,172	\$ 421,944	98.5%
2003	102,200	3.7%	23,355	24,054	78,146	469,807	391,661	83.4%
2004	100,495	3.4%	22,772	26,258	74,237	504,541	430,304	85.3%
2005	96,830	3.2%	20,686	27,594	69,236	529,957	460,721	86.9%
2006	93,670	2.8%	19,737	33,544	60,126	591,143	531,017	89.8%
2007	133,580	3.7%	27,951	34,634	98,946	643,399	544,453	84.6%
2008	129,615	3.3%	26,858	37,459	92,156	714,418	622,262	87.1%
2009	125,895	3.0%	25,641	38,487	87,408	732,409	645,001	88.1%
2010	132,925	3.3%	26,870	36,993	95,932	761,053	665,121	87.4%
2011	128,910	3.4%	25,731	34,789	94,121	692,612	598,491	86.4%

Legal Debt Margin Calculation for Fiscal Year 2011:

Assessed Value (From Assessor's net 02-2441)	<u>FY 2010/11</u> \$4,617,414,861
Legal Debt limit (15% of total assessed value)	692,612,229

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.

CITY OF INDIAN WELLS

Direct and Overlapping Debt

June 30, 2011

2010-11 Assessed Valuation:	\$4,617,414,861
Redevelopment Incremental Valuation:	<u>3,439,585,873</u>
Adjusted Assessed Valuation:	<u>\$1,177,828,988</u>

	Total Debt 6/30/2011	% Applicable	City Share of Debt 6/30/11
DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:			
Desert Community College District	\$ 322,389,659	3.634%	\$ 11,715,640
Desert Sands Unified School District	260,875,460	7.976%	20,807,427
City of Indian Wells	-	100.000%	-
Coachella Valley County Water District, I.D. No. 54	2,335,000	28.258%	659,824
Coachella Valley County Water District, I.D. No. 55	3,270,000	0.397%	<u>12,982</u>
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT	<u><u>\$ 588,870,119</u></u>		<u><u>\$ 33,195,873</u></u>

Ratios to 2010-11 Assessed Valuation:

Direct Debt	0.00%
Total Direct and Overlapping Tax and Assessment Debt	0.72%

OVERLAPPING GENERAL FUND OBLIGATION DEBT:

Riverside County General Fund Obligations	\$ 696,634,853	0.805%	\$ 5,607,911
Riverside County Pension Obligations	366,945,000	0.805%	2,953,907
Riverside County Board of Education Certificates of Participation	6,170,000	0.805%	49,669
Desert Sands Unified School District Certificates of Participation	62,005,000	7.976%	4,945,519
Coachella Valley County Water District I.D. No. 71 Certificates of Participation	2,750,000	4.966%	136,565
Coachella Valley Recreation and Park District Certificates of Participation	2,340,000	6.005%	<u>140,517</u>

TOTAL GROSS OVERLAPPING GENERAL FUND OBLIGATION DEBT	13,834,088
Less: Riverside County Administrative Center Authority (100% self-supporting)	<u>(111,116)</u>
TOTAL NET OVERLAPPING GENERAL FUND OBLIGATION DEBT	<u><u>\$ 13,722,972</u></u>

TOTAL DIRECT DEBT	\$ -
TOTAL GROSS OVERLAPPING DEBT	47,029,961
TOTAL NET OVERLAPPING DEBT	60,864,049

GROSS COMBINED TOTAL DEBT	47,029,961 ⁽¹⁾
NET COMBINED TOTAL DEBT	46,918,845

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.

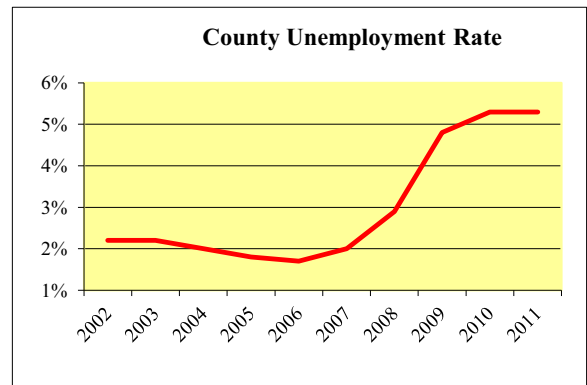
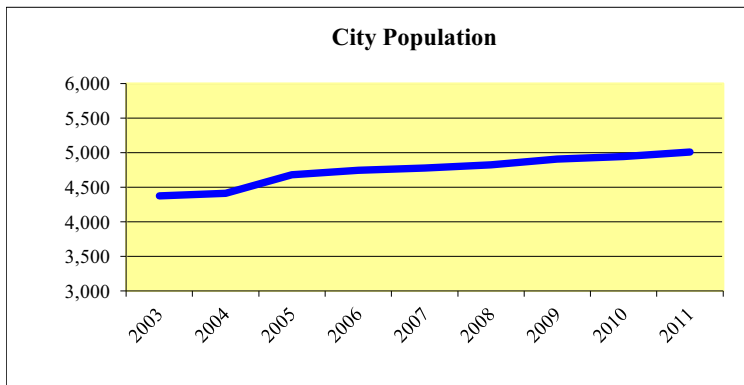
CITY OF INDIAN WELLS
Pledged-Revenue Coverage
Last Ten Fiscal Years

Fiscal Year Ended June 30	Tax Allocation Bonds			
	Tax Increment	Debt Service		Coverage
		Principal	Interest	
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
2008	37,459,122	3,965,000	5,977,740	3.77
2009	38,486,642	3,720,000	5,838,334	4.03
2010	36,993,008	3,860,000	5,769,506	3.84
2011	34,788,614	4,015,000	5,999,053	3.47

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

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 Age (2)	Unemployment Rate (3)
2002	4,323	\$ 351,555	\$ 81,322	63.4	2.2%
2003	4,376	355,865	81,322	63.4	2.2%
2004	4,413	368,803	83,572	63.4	2.0%
2005	4,681	401,925	85,863	63.4	1.8%
2006	4,746	414,734	87,386	63.4	1.7%
2007	4,779	452,208	94,624	63.4	2.0%
2008	4,826	445,995	92,415	63.4	2.9%
2009	4,910	501,527	102,144	63.4	4.8%
2010	4,947	498,544	100,777	66.5	5.3%
2011	5,010	523,660	104,523	66.5	5.3%



Sources:

- (1) State of California Department of Finance - January 1 of each year
- (2) Wheeler's Desert Letter
- (3) HdL Coren & Cone

CITY OF INDIAN WELLS

Principal Employers

Current Year and Nine Years Ago

Employer	Primary Description	2011			2002		
		Number of Employees	Rank	Percent of Total City Employment	Number of Employees	Rank	Percent of Total City Employment
Renaissance Esmeralda Resort	Resort Hotel	472	1	22.59%	522	2	27.65%
Hyatt Grand Champions	Resort Hotel	394	2	18.86%	541	1	28.64%
Indian Wells Golf Resort	Public Golf Course	245	3	11.73%	141	6	7.49%
Miramonte Resort & Spa	Resort Hotel	215	4	10.29%	177	3	9.36%
El Dorado Country Club	Resort Hotel	202	5	9.67%	174	4	9.20%
Toscana Country Club	Country Club	187	6	8.95%	0	n/a	0.00%
Indian Wells Country Club	Private Golf Course	147	7	7.04%	154	5	8.15%
Windermere Real Estate	Stock & Bond Brokers	95	8	4.55%	0	n/a	0.00%
Desert Horizons Country Club	Private Golf Course	78	9	3.73%	88	8	4.66%
Merrill Lynch	Development	54	10	2.58%	92	7	4.85%

Source: City of Indian Wells

CITY OF INDIAN WELLS

Full-time Equivalent City Government Employees
by Function

Last Ten Fiscal Years

<u>Function</u>	<u>Fiscal Year</u>									
	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
City Manager/Clerk	5.30	4.00	4.00	4.75	8.75	9.75	9.75	6.75	6.75	4.75
Advertising/Marketing	-	-	-	-	-	-	-	3.00	3.00	2.00
Risk Management	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.125	0.125
Personnel	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.125	0.125
Management Services	-	4.25	4.25	4.00	-	-	-	-	-	-
City Attorney	1.75	1.75	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25
Planning & Building										
Development	8.00	8.00	9.00	9.00	10.00	10.00	10.00	9.00	8.25	6.25
Finance Department	7.00	6.00	6.00	7.00	7.00	7.00	7.00	7.00	7.00	6.00
Central Services	0.75	-	-	-	-	-	-	-	-	-
Public Safety	1.50	1.50	1.50	1.50	1.50	1.50	1.50	0.50	1.50	1.50
Public Relations	1.20	-	-	-	-	-	-	-	-	-
Public Works	7.00	7.00	8.00	8.00	7.00	8.00	8.00	8.00	8.00	8.00
Golf Resort	-	-	-	1.00	1.00	1.00	1.00	-	-	-
Total	<u>33.00</u>	<u>33.00</u>	<u>33.50</u>	<u>36.00</u>	<u>36.00</u>	<u>38.00</u>	<u>38.00</u>	<u>35.00</u>	<u>35.00</u>	<u>29.00</u>

Source: City of Indian Wells Budget

CITY OF INDIAN WELLS

OPERATING INDICATORS
BY FUNCTION

Last Ten Fiscal Years

<u>Function</u>	Fiscal Year				
	2002	2003	2004	2005	2006
Police					
Violent Crime	-	-	-	-	-
Thefts	84	94	73	75	70
Burglaries	82	118	148	108	101
Traffic Collisions	98	166	177	152	148
Traffic Citations	795	1,314	2,374	1,318	1,311
Fire					
Medical Aid Calls	441	452	465	530	514
Public Service Assists	31	31	31	21	28
Structure Fires	9	3	33	40	17
Vegetation Fires	2	-	-	-	1
Building Activity					
Permits Issued	842	732	1,092	1,148	1,122
Inspections Performed	5,494	4,554	6,267	9,245	7,431
New Dwelling Units	34	34	170	159	107
Public Works					
Lot Line Adjustments	8	12	13	12	6
Parcel Mergers	5	4	2	4	1
Encroachment Permits	78	101	113	88	154
Tract Maps	1	2	2	3	4
Golf Resort					
Golf rounds played	76,550	81,353	87,515	88,878	58,154
Administration					
City Council Meetings	22	22	24	24	22
Public Hearings	57	41	30	37	50
Adopted Resolutions	44	80	59	57	60

Fiscal Year				
2007	2008	2009	2010	2011
7	5	3	1	3
97	150	104	89	112
129	109	55	72	58
152	167	107	93	72
1,229	976	1,014	2,371	1,333
529	574	690	538	594
44	97	70	76	78
4	19	8	17	5
-	-	-	-	-
800	859	577	416	548
4,702	5,590	4,421	1,390	2,286
52	49	9	5	17
4	18	2	1	-
2	4	-	-	3
116	73	67	59	66
2	1	1	-	-
53,223	48,082	69,308	81,102	83,052
21	19	23	22	20
34	17	18	22	23
44	60	46	53	35

CITY OF INDIAN WELLS
CAPITAL ASSET STATISTICS
BY FUNCTION

Last Ten Fiscal Years

<u>Function</u>	Units of Measure	2002 2003	
Public safety			
Police Sub-Stations	Buildings	1.00	1.00
Fire Stations	Buildings	1.00	1.00
Highways, Streets, Bridges, & Infrastructure			
Pavement (Roadway)	Centerline Miles	22.20	22.30
Sidewalks	Miles	12.00	12.00
Bridges	Each	1.50	2.50
Traffic Signals	Each	3.75	3.75
Traffic Signals equipped with Red Light Runner Camera	Each	3.00	3.00
Streetlights (not included with traffic signals)	Each	19.00	19.00
Sanitary Sewer Lift Stations (CVWD)	Each	1.00	1.00
Parks and recreation			
Parks	Each	1.00	1.00
18-Hole Public Golf Courses	Each	2.00	2.00
Golf Course Clubhouse	Each	1.00	1.00
City Vehicles			
City-Owned Fleet Motor Vehicles	Each	11.00	11.00
City-Owned Ambulances	Each	2.00	2.00
Affordable Housing			
Senior Affordable Housing Complexes	Each	1.00	1.00
Senior Affordable Housing Units	Each	90.00	90.00

Fiscal Year

2004	2005	2006	2007	2008	2009	2010	2011
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
22.30	22.30	22.30	25.80	25.80	25.80	25.80	25.80
12.00	12.00	12.70	12.70	12.70	12.70	12.70	12.70
2.50	3.50	3.50	3.50	3.50	3.50	3.50	3.50
3.75	3.75	4.75	12.75	12.75	15.25	15.25	15.25
3.00	3.00	3.00	3.00	-	-	-	-
19.00	19.00	19.00	19.00	19.00	19.00	19.00	19.00
2.00	2.00	3.00	3.00	3.00	3.00	3.00	3.00
1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
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
11.00	12.00	14.00	14.00	14.00	14.00	11.00	11.00
2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
1.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
90.00	218.00	218.00	218.00	218.00	218.00	218.00	218.00

THIS PAGE INTENTIONALLY LEFT BLANK