

**CITY OF CATHEDRAL CITY
CALIFORNIA**

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

For the Fiscal Year Ended June 30, 2006

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CITY OF CATHEDRAL CITY, CALIFORNIA
 Comprehensive Annual Financial Report
 June 30, 2006

TABLE OF CONTENTS

	<u>PAGE</u>
INTRODUCTORY SECTION:	
Table of Contents	i
List of Principal Officials	iv
Organization Chart	v
Letter of Transmittal	vi
 FINANCIAL SECTION:	
Independent Auditors' Report	1
Management's Discussion and Analysis (Unaudited)	3
 Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Assets	13
Statement of Activities	14
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet – Governmental Funds	16
Reconciliation of the Balance Sheet to the Statement of Net Assets	18
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	20
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	22
Proprietary Funds:	
Statement of Net Assets	23
Statement of Revenues, Expenses and Changes in Fund Net Assets	24
Statement of Cash Flows	25
Fiduciary Funds:	
Statement of Net Assets	26
 Notes to Financial Statements	 27
 Required Supplementary Information (Unaudited):	
PERS Schedule of Funding Progress	62
Budgetary Comparison Schedules:	
General Fund	63
Notes to Required Supplementary Information	64
 Supplementary Information:	
Combining Balance Sheet – Nonmajor Governmental Funds	66
Combining Statement of Revenues, Expenditures and Changes in Fund	

CITY OF CATHEDRAL CITY, CALIFORNIA
 Comprehensive Annual Financial Report
 June 30, 2006

TABLE OF CONTENTS

	<u>PAGE</u>
Balances – Nonmajor Governmental Funds	67
Combining Balance Sheet – Nonmajor Special Revenue Funds	70
Combining Statement of Revenue, Expenditures and Changes in Fund Balances – Nonmajor Special Revenue Funds	74
Combining Balance Sheet – Nonmajor Debt Service Funds	80
Combining Statement of Revenue, Expenditures and Changes in Fund Balances – Nonmajor Debt Service Funds	82
Combining Balance Sheet – Nonmajor Capital Projects Fund	86
Combining Statement of Revenue, Expenditures and Changes in Fund Balances – Nonmajor Capital Projects Funds	92
 Budgetary Comparison Schedules:	
Low and Moderate Income Housing Fund	97
Master Underground Plan	98
NDPES	99
Traffic Safety	100
State Gas Tax	101
Air Quality Improvement	102
Solid Waste	103
Police Grant	104
Police Donations	105
Fire Donations	106
Telecommunication Equipment	107
Landscape and Lighting District	108
Measure A	109
 Internal Service Funds:	
Statement of Net Assets	111
Combining Statement of Revenues, Expenses and Changes in Net Assets	112
Statement of Cash Flows	113
 Agency Funds:	
Combining Statement of Net Assets – All Agency Funds	116
Statement of Changes in Agency Funds	119
 STATISTICAL SECTION:	
Net Assets by Component	128
Changes in Net Assets	129
Governmental Activities Tax Revenues by Source	130
Fund Balance Governmental Funds	132
Changes in Fund Balances of Governmental Funds	134

CITY OF CATHEDRAL CITY, CALIFORNIA
Comprehensive Annual Financial Report
June 30, 2006

TABLE OF CONTENTS

	<u>PAGE</u>
Assessed Valuations of Taxable Property	136
Property Tax Rates – Direct and Overlapping Governments	137
Principal Property Taxpayers	138
Top 25 Sales Tax Produces	139
Property Tax Levies and Collections	140
Ratio of Bonded Debt	141
Direct and Overlapping Bond Debt	142
Computation of Legal Debt Margin	143
Demographic Statistics	144
Property Value Construction	145
Taxable Lease Revenue Bonds	146
Special Benefit Assessment Levies and Collections	147
Miscellaneous Statistics	148

CITY OF CATHEDRAL CITY

**List of Principal Officials
June 30, 2006**

Council-Manager Form of Government

CITY COUNCIL

Kathleen DeRosa
Mayor

Gregory Pettis
Mayor Pro Tem

Charles (Bud) England
Council Member

Paul Marchand
Council Member

Charles Vasquez
Council Member

CITY CLERK
Pat Hammers

CITY TREASURER
Henry Chan

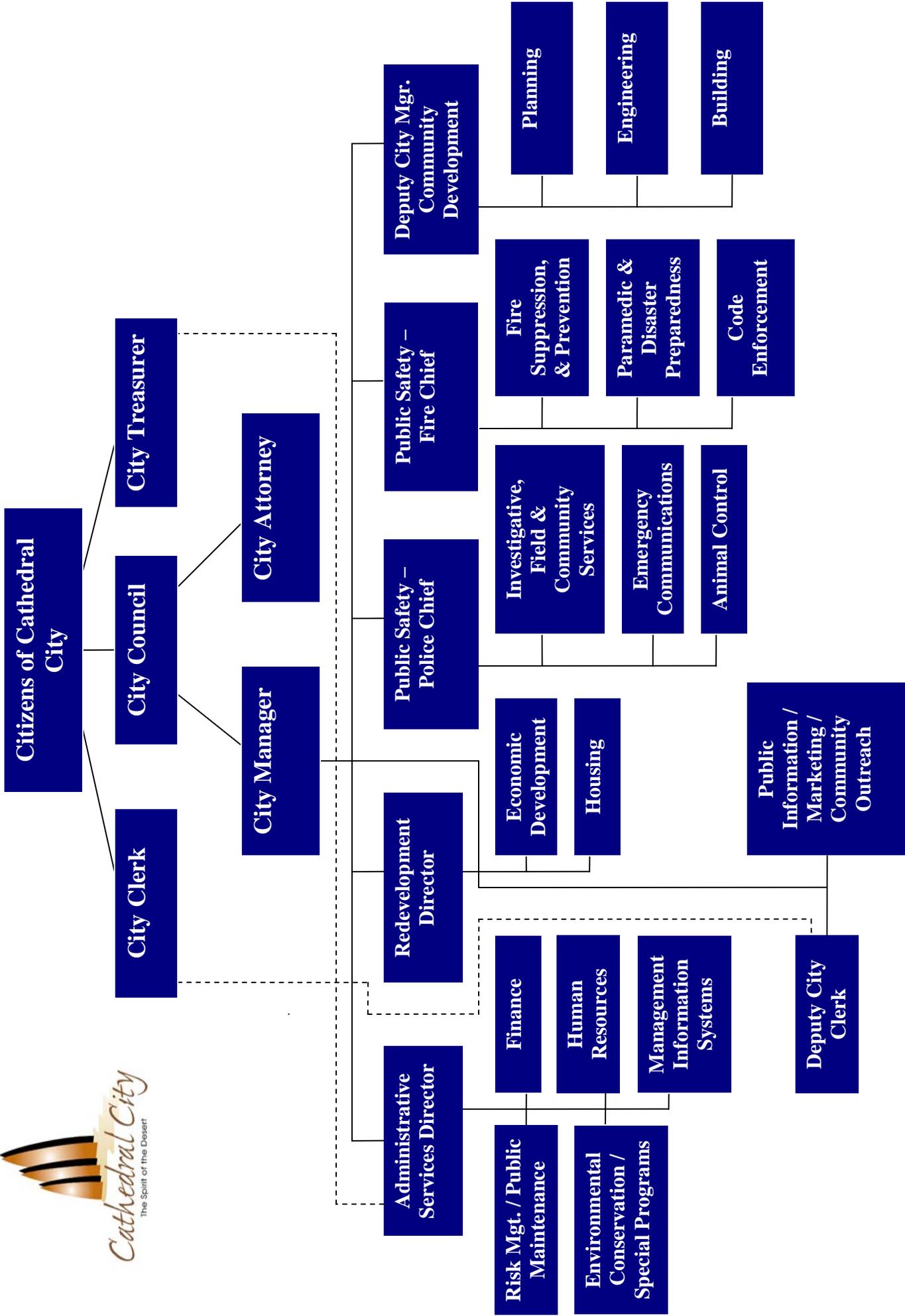
CITY ADMINISTRATION

Donald Bradley
City Manager

Julie Baumer
Deputy City Manager

Charles Green, City Attorney
Tami Scott, Administrative Services Director
Stan Henry, Chief of Police
Steve Sowles, Fire Chief

Jan Davison, Redevelopment Agency Director
Paul Shillcock, Economic Development Manager
Bill Bayne, City Engineer
Vacant, City Planner





December 15, 2006

To the Honorable Mayor, Members of the City Council and Citizens of the City of Cathedral City:

It is the policy of the City of Cathedral City to annually publish a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of certified public accountants. Pursuant to that requirement, we hereby issue the comprehensive annual financial statements of the City of Cathedral City (“the City”) for the fiscal year ended June 30, 2006.

This report consists of management’s representations concerning the finances of the City. Consequently, management assumes full responsibility for the completeness and reliability of all the information presented in this report. To provide a reasonable basis for making these representations, management of the City has established a comprehensive internal control framework that is designed both to protect the City’s assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City’s financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the City’s comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The City’s financial statements have been audited by Moreland & Associates, Inc., a firm of certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City for the fiscal year ended June 30, 2006, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City’s financial statements for the fiscal year ended June 30, 2006, were fairly presented in conformity with GAAP. The independent auditor’s report is presented as the first component of the financial section of this report.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management’s Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The City’s MD&A can be found immediately following the report of the independent auditors.

Profile of the Government

The City, incorporated in 1981, is located in the western part of the Coachella Valley, which is considered to be one of the top growth areas in the state. The City currently occupies a land area of approximately 20 square miles at an elevation of 400 feet above sea level. According to the U.S Census Bureau, the 2006 population of Cathedral City is estimated to be 53,281, with an average household size of 3.08 persons. Cathedral City is the second largest city in the Coachella Valley and receives an estimated seasonal influx of 20,000 people. Based on

estimates generated by ESRI, the median age for the population is estimated to be 32.0 years of age.

The City is empowered to levy a property tax on both real and personal properties located within its boundaries. It also is empowered by state statute to extend its corporate limits by annexation, which occurs periodically when deemed appropriate by the City Council. The City operates under the council-manager form of government. Policy-making and legislative authority are vested in a City Council consisting of the mayor and four other council members. The City Council is responsible, among other things, for passing ordinances, adopting the budget, appointing committees, and hiring both the City Manager and City Attorney. The City Manager is responsible for carrying out the policies and ordinances of the City Council, for overseeing the day-to-day operations of the City, and for appointing the heads of the various departments. The Council is elected on a non-partisan basis. Council members serve four-year staggered terms, with two council members elected every two years. The mayor is elected to serve a two-year term.

The City is financially accountable for a redevelopment agency, a financing authority, and a public improvement corporation, all of which are reported within the City's financial statements. These component units are reported on a blended basis as part of the primary government because their boards are comprised by all City Council members. The services provided by the Cathedral City Redevelopment Agency include low and moderate income housing development assistance, rehabilitation and redevelopment of blighted areas within certain boundaries of the City of Cathedral City. The Cathedral City Public Financing Authority was established for purpose of financing public capital improvements. Additional information regarding these blended component units can be found in the notes to the financial statements.

The government-wide financial statements include one discretely presented component unit, the Cathedral City Downtown Foundation. Discretely presented component units are reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the primary government and to differentiate their financial position from that of the primary government. Additional information regarding the Cathedral City Downtown Foundation can be found in the notes to the financial statements.

The annual budget serves as the foundation for the City's financial planning and control. The objective of the City's budgetary controls is to ensure compliance with legal provisions embodied in the annual budget approved by the City Council. The City Manager and the Administrative Services Director prepare and submit the annual budget to the City Council and administer it after adoption. The City Manager or the Administrative Services Director is authorized to adjust appropriations within each department or activity that does not exceed the amounts approved in the budget for any amending resolutions. Transfers of cash or unappropriated fund balance from one fund to another can only be made with City Council's approval. For each fund, total expenditures may not legally exceed total appropriations. Budget-to-actual comparisons are provided in this report for each individual governmental fund for which an appropriated annual budget has been adopted. For the general fund and major special revenue funds, this comparison is presented as part of the required supplementary information in the accompanying financial statements. For governmental funds that have appropriated annual budgets, other than the general fund and major special revenue funds, this comparison is presented in the supplementary section of the accompanying financial statements.

The City provides a full range of services, including police and fire protection, public works, construction and maintenance of roads and highways, planning and zoning, and general administrative support.

Local Economy

In recent years, Cathedral City has undergone major changes that have also affected other cities in the region. Population has grown, once-rural roads have become busy commercial corridors, and business activity has shifted from older centers to shopping plazas and malls in scattered locations. Through a public workshop process, the community resolved to revitalize the City's social and physical center. Cathedral City has committed itself to creating a unique high quality downtown that is the heart of the City's community pride and identity, bringing with it expanded opportunities for employment, housing, business and entertainment.

Major attractions in Cathedral City include the 28-acre Big League Dreams Sports Park, the technically astounding Desert IMAX theatre, the Cimarron Golf Resort, antique and consignment shops along Perez Road, and the Mary Pickford theatre, the newest addition to the Cathedral City's downtown redevelopment program. The ultra-modern Cathedral City Public Library provides a host of exhibits, historical collections, art, computer services and books from around the world. Cathedral City is home to four parks which offer a variety of fun-filled activities for the whole family.

For 2006, the median household income is estimated to be \$45,806 and the median home value is estimated to be \$271,851. The most significant percentage of households, 21.2%, earned between \$50,000 and \$74,999 annually. The future growth rate is expected to increase at an annual rate of 4.17% with the community consisting of about the same gender, age and household composition.

Of the total 2006 Cathedral City employment of 20,992, 57.0% are employed in the services. The following two most significant employment industries are retail trade with 13.1% and construction with 12.0%. Despite fluctuations in the economy, Cathedral City has consistently experienced year-over-year growth. According to CityRating.com, which rates the best places to live in the United States, Cathedral City boasts the lowest crime rate in the Coachella Valley with a crime index of 4,290 per 100,000 people. This index represents the number of serious crimes per 100,000 people, as defined by the FBI.

Long-term financial planning

The City Council has established as a target that the General Fund unreserved fund balance be at least 30% of the General Fund operating budget. The General Fund unreserved fund balance exceeded this 30% target as of June 30, 2006.

The City is currently working on certain projects to generate General Fund revenue to provide basic services to residents, expand employment opportunities for local residents, assist small and start up businesses and broaden the spectrum of services and retail offerings for City dwellers. Some of these projects include: Sales tax generation through the expansion of automobile sales activity; transient occupancy tax generation through tourism industry development; and, general commercial development, as well as the adaptive reuse of existing commercial structures which are underutilized or vacant. The City plans to issue \$110 million of tax allocation bonds by the end of the first calendar quarter of 2007 to complete the "Downtown Revitalization Plan", invest in the development of the Sheraton Hotel, which would bring into the City an estimated \$3.0 million of revenue per year into the City's General Fund as well as repaying the City's General Fund of approximately \$8.5 million owed by the Redevelopment Agency.

The City's "Downtown Core Revitalization Plan" is intended to create a downtown Cathedral City that will ultimately consist of a centrally located Downtown Core flanked by mixed-use commercial districts to the south, east and west. The Downtown Core will consist of a tight cluster of commercial, entertainment and mixed-use buildings. In addition to the proposed Sheraton Desert Cove Resort, other planned developments in the Downtown Core include the adjacent 18-hole resort golf course, multi-story office building, retail space, a Starbucks coffee and espresso shop, and a 160-unit condo hotel. The expected completion of this project is in 2010.

The "Cathedral City Parks and Recreation Master Plan" calls for the following to occur between 2006 and 2015:

- Develop 145 acres of land set aside for park use,
- Acquire another 200 acres,
- Develop the 200 acres between 2010 and 2015 acquire another 150 acres,
- By 2008, build two swimming pools, which would include aquatic features, possibly a zero-depth area, water fountains, slides and boards, floating areas, spray stations and play structures,
- Add ten new soccer fields by 2015,
- Add ten new baseball/softball fields by 2015,
- Provide two 50,000 square foot community recreation centers, one by 2010 and the second by 2015, and
- Add tennis courts to the existing six.

Under construction is a 17 acre soccer park with an anticipated opening date of April 2007.

Several options have been presented regarding the funding of the plan including grants from the National Park Service and the State Department of Parks and Recreation.

Relevant Financial Policies

Cash management policies and practices. The City Treasurer is responsible for the cash management and investment program of the City, which employs a pooled cash system. The City's investments are managed in compliance with the investment policy adopted by the City Council and reaffirmed annually. Cash temporarily idle during the year was mainly invested in securities of government agencies and the State Treasurer's investment pool.

Interest revenue is allocated to participating funds based on the quarterly ending cash balance of each fund. Interest revenue also includes changes in fair value of investments. Changes in fair value recognized in the current year do not necessarily represent trends that will continue, nor is it always possible to realize such amounts, especially in case of temporary changes in the fair value of investments that the City intends to hold to maturity.

Risk management. The City is self-insured against most worker's compensation, general liability and property claims. As part of this comprehensive plan, resources are being accumulated in an internal service fund, Risk Management Fund, to meet current and potential losses. Estimated liabilities are budgeted annually in this fund to meet potential losses. In addition, various control techniques, including employee accident prevention training and supervisor training, have been implemented during the year to minimize accident-related losses. Third-party coverage is currently maintained for individual workers' compensation claims in excess of \$250,000 and for general liability claims in excess of \$250,000 with a limit of \$5 million per occurrence. Additional information on the City's risk management activity can be found in the notes to the financial statements.

Pension benefits. The City contributes to the California Public Employees Retirement System, an agent multiple-employer public employee defined benefit pension plan for its employees. Each year, an independent actuary engaged by the pension plan calculates the amount of the annual contribution that the City must make to the pension plan to ensure that the plan will be able to fully meet its obligations to retired employees on a timely basis. As a matter of policy, the City fully funds each year's annual required contribution to the pension plan as determined by this funding policy. The unfunded actuarial liability associated with employee services rendered to date is being systematically funded over a period not to exceed 30 years.

Major Initiatives

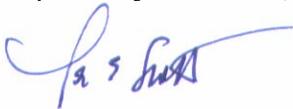
The Sheraton Desert Cove Resort at Cathedral City is a proposed 300-room resort hotel that will be operated under the Sheraton Flag by Starwood Hotels and Resorts. The hotel will be a first-class, full service lodging facility with an approximately 6,000 square foot spa, a 120-seat full-service restaurant, other food and beverage outlets, a grand ballroom, board room, business center and other amenities. An 18-hole regulation length golf course is being developed adjacent to the project. The golf course will be developed on 220 acres and is planned to be a 6,623 yards, par 71 course.

The Cathedral City Redevelopment Agency has spent the last five years preparing for this project. The 12-acre site of the proposed conference center hotel was once blighted with limited infrastructure. The Agency has contributed considerable financial, political and human resources to make this project successful. The relocation, demolition, and acquisition costs alone have been in excess of \$14 million. The utilities and infrastructure to the site has cost more than \$6 million. As for the golf course portion, 50% of the underlying land is owned by the Agency, and will be leased to the developer for \$1, plus \$3 per round. To assure the golf course will be ready by the opening of the hotel, the Agency has agreed to lend the golf course developer 50% of the construction costs (approximately \$6 million) in exchange for a first lien position on the land and the golf course itself. In addition, the Agency and the City have also pledged site-specific available property taxes and transient occupancy taxes to the project, as well as a limited pledge of the Agency tax increment.

Acknowledgements

The preparation of this report would not have been possible without the efficient and dedicated services of the entire staff of the Finance Department. We would like to express our appreciation to all members of the department who assisted and contributed to the preparation of this report. Credit also must be given to City Council for their unfailing support for maintaining the highest standards of professionalism in the management of the City's finances.

Respectfully submitted,



Tami E. Scott
Administrative Services Director

October 25, 2006

The Honorable City Council of
the City of Cathedral City, California

Independent Auditors' Report

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Cathedral City, California as of and for the year ended June 30, 2006, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Cathedral City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, these financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Cathedral City, California, as of June 30, 2006, 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.

In accordance with Government Auditing Standards, we have also issued our report dated October 25, 2006 on our consideration of the City of Cathedral City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The management's discussion and analysis and other required supplementary information identified in the accompanying table of contents are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

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MANAGEMENT'S DISCUSSION AND ANALYSIS

The following discussion and analysis of the financial performance of the City of Cathedral City ("City") provides an overview of the City's financial activities for the fiscal year ended June 30, 2006. Please read it in conjunction with the financial statements identified in the accompanying table of contents.

Financial Highlights

- The assets of the City exceeded its liabilities at the end of the year by \$145,630,105 (*net assets*).
- The City's total net assets increased by \$43,395,122. Approximately \$33,244,188 of the increase is attributable to contributed capital.
- At the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$148,802,171, which is an increase of \$27,206,847 in comparison to the prior year.
- The City's total debt decreased by \$4,097,063 mainly due to an issuance of \$13,000,000 of Tax Allocation Bonds that refunded the 1995 Series A Tax Allocation Bonds.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

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

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

	Government-wide <u>Statements</u>	<u>Fund Statements</u>		
		<u>Governmental Funds</u>	<u>Proprietary Funds</u>	<u>Fiduciary Funds</u>
Scope	Entire City government (except fiduciary funds) and the City's component units	The activities of the City that are not proprietary or fiduciary	Activities the City operates similar to private businesses	Instances in which the City is the trustee or agent for someone else's resources
Required financial statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net assets • Statement of revenues, expenses and changes in net assets • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net assets • Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term debt included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; the City's fiduciary funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All revenues and expenses during year, regardless of when cash is received or paid.

Reporting the City as a Whole

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

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

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

- Governmental activities – Most of the City's basic services are reported here. Sales taxes, property taxes, state subventions, and other revenues finance most of these activities.
- Business-type activities – For these activities, the City would charge a fee to customers to help it cover all or most of the cost of the services accounted for in these funds. The City has no business-type activities.
- Component units – The City includes one discretely presented component unit in its report – the Cathedral City Downtown Foundation. Although legally separate, the City appoints the governing board and approves the Foundation's budget.

Reporting the City's Major Funds

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

- *Governmental funds* – The City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year end that are available for spending. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other *current financial* assets that can readily be converted to cash. The governmental fund statements provide a detailed *short-term view* of the City's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. We describe the relationship or differences between *governmental activities* (reported in the Statement of Net Assets and the Statement of Activities) and *governmental funds* in a reconciliation at the bottom of the fund financial statements.

- *Proprietary funds* – When the City charges customers for the services it provides – whether to outside customers or to other units of the City – these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities. Enterprise funds (a component of proprietary funds) are the same as the business-type activities we report in the government-wide statements but provide more detail and additional information, such as cash flows, for proprietary funds. The City does not report any enterprise funds. We use internal service funds (the other component of proprietary funds) to report activities that provide supplies and services for the City’s other programs and activities.

Reporting the City’s Fiduciary Responsibilities

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

Table 1
Net Assets

	<u>2006</u>	<u>2005</u>	<u>Change</u>
Assets:			
Cash and investments	\$ 74,555,591	71,445,133	3,110,458
Cash with fiscal agent	36,484,870	13,132,447	23,352,423
Investment in assessment district debt	12,760,000	14,955,000	(2,195,000)
Accounts receivable	3,790,284	2,900,979	889,305
Interest receivable	663,825	594,619	69,206
Loans receivable	10,455,339	10,035,818	419,521
Prepays	15,170	120,852	(105,682)
Inventories	19,762	18,018	1,744
Land held for resale	35,136,476	27,234,827	7,901,649
Other assets	2,023,553	1,482,217	541,336
Deposits	357,690	5,174,096	(4,816,406)
Capital assets:			
Not being depreciated	41,607,716	27,593,859	14,013,857
Being depreciated, net	<u>83,575,833</u>	<u>85,048,462</u>	<u>(1,472,629)</u>
Total assets	<u>301,446,109</u>	<u>259,736,327</u>	<u>41,709,782</u>
Liabilities:			
Accounts payable	1,067,368	2,676,320	(1,608,952)
Accrued liabilities	1,177,613	557,761	619,852
Insurance payable	250,000	-	250,000
Deposits	994,040	839,750	154,290
Deferred revenue	3,757,960	771,227	2,986,733
Due to agency funds	-	545,732	(545,732)
Interest payable	2,752,189	2,148,581	603,608
Noncurrent liabilities:			
Current portion of long-term liabilities	5,083,079	5,922,246	(839,167)
Long-term liabilities, net of current portion	<u>140,733,755</u>	<u>144,039,727</u>	<u>(3,305,972)</u>
Total liabilities	<u>155,816,004</u>	<u>157,501,344</u>	<u>(1,637,264)</u>

	<u>2006</u>	<u>2005</u>	<u>Change</u>
Net assets:			
Invested in capital assets, net of related debt	122,219,298	112,910,687	9,308,611
Restricted	125,459,965	98,648,373	26,811,592
Unrestricted (deficit)	<u>(102,049,158)</u>	<u>(109,324,077)</u>	<u>7,274,919</u>
Total net assets	<u>\$145,630,105</u>	<u>102,234,983</u>	<u>43,395,122</u>

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

Table 2
Changes in Net Assets

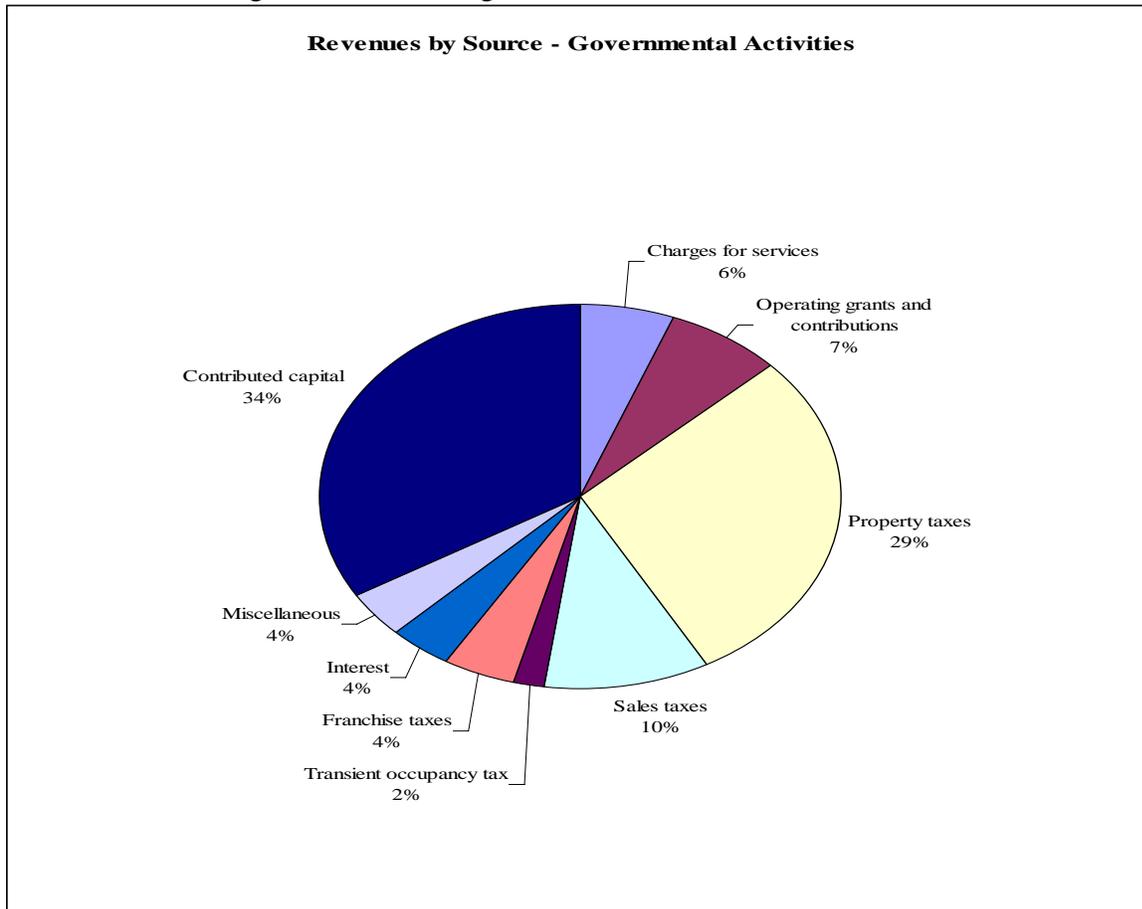
	<u>2006</u>	<u>2005</u>	<u>Change</u>
Revenues			
Governmental activities:			
Charges for services	\$ 5,883,802	5,279,510	604,292
Operating grants and contributions	6,954,974	4,797,551	2,157,423
Capital grants and contributions	-	354,291	(354,291)
General revenues:			
Property taxes	28,714,127	22,493,268	6,220,859
Sales taxes	10,176,722	10,481,795	(305,073)
Transient occupancy tax	1,851,094	1,702,962	148,132
Franchise taxes	4,382,684	4,146,235	236,449
Interest	3,845,770	2,612,506	1,233,264
Miscellaneous	3,752,367	1,792,982	1,959,385
Contributed capital	<u>33,244,188</u>	<u>-</u>	<u>33,244,188</u>
Total revenues	<u>98,805,728</u>	<u>53,661,100</u>	<u>45,144,628</u>
Program expenses			
General government	18,832,677	25,015,231	(6,182,554)
Public works	5,351,014	2,878,756	2,472,258
Public safety	17,005,811	15,433,503	1,572,308
Community development	9,108,324	7,129,970	1,978,354
Payments to other agencies	-	6,106,460	(6,106,460)
Interest and other charges on long-term debt	<u>5,112,780</u>	<u>6,155,663</u>	<u>(1,042,883)</u>
Total expenses	<u>55,410,606</u>	<u>62,719,583</u>	<u>(7,308,977)</u>
Excess (deficiency) before special items and transfers	43,395,122	(9,058,483)	52,405,529
Transfers	<u>-</u>	<u>12,013,836</u>	<u>(12,013,836)</u>
Change in net assets	43,395,122	2,955,353	40,439,769
Net assets, beginning	<u>102,234,983</u>	<u>99,279,630</u>	<u>2,955,353</u>
Net assets, ending	<u>\$ 145,630,105</u>	<u>102,234,983</u>	<u>43,395,122</u>

The increase or decrease in net assets can provide an indication as to whether the overall financial position of the City improved or deteriorated during the year. Net assets of the City's governmental activities increased by \$43.35 million (\$145.6 million compared to \$102.2 million) or by 42.4 percent.

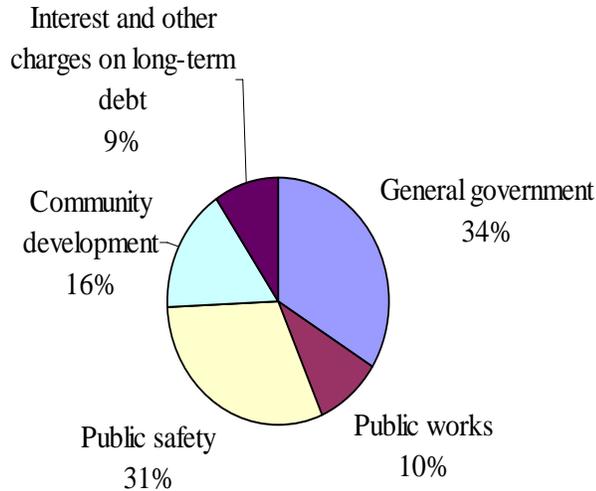
In the current year, and in the prior year, there was a deficit balance reported in unrestricted net assets for the Governmental Activities. The deficit in the unrestricted net asset balance results from the recognition of long-term debt and other expenditures that have been utilized/incurred to fund redevelopment projects. The long-term debt will be repaid from tax increment revenue which will be generated as a result of redevelopment project activity in the future. This future tax increment revenue is not reflected in our financial statements, thereby resulting in deficit net asset balance for governmental activities.

Total revenues and transfers increased by \$33.1 million from the prior year, or by 50.5%. This increase was mainly due to the creation of and bond activity for the Cove Assessment District Capital Improvement. The gross amount of the new Assessment District Bonds was approximately \$33.3 million. Sales tax decreased by 2.9%, property taxes were up 27.7%, and interest revenue was up 47.2%. Property taxes increased due to increase in property values and interest revenue increased due to the increase in cash and investments as a result of the Cove Assessment District activity mentioned above.

Total expenses decreased by \$7.3 million from the prior year, or by 11.6%. Community development expenses increased due to City and Redevelopment Agency assistance being provided for various projects including the Cathedral Towne Villas, the Desert Mobile Home Park, and the Cathedral City Auto Center. The increase in public safety expenses is due largely to overtime resulting from low staffing levels.



Expenses by Function - Governmental Activities



MAJOR FUNDS

As noted earlier, the City uses fund accounting to provide proper financial management of the City's resources and to demonstrate compliance with finance-related legal requirements.

Major Governmental Funds. The **General Fund** is the chief operating fund of the City. At the end of the current fiscal year, unreserved fund balance of the General Fund was \$12.1 million, while total fund balance reached \$18.9 million. As a measure of the General Fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 45.1 percent of total General Fund expenditures, while total fund balance represents 70.6 percent of that same amount.

The fund balance of the City's General Fund decreased by \$502 thousand or 2.59%. The reasons for significant changes in the revenues and expenditures of the City's General Fund from the prior year is as follows:

- Overall General Fund revenues increased by \$2.3 million. The increase was mainly due to an increase of \$2.1 million in taxes revenue.
- Overall General Fund expenditures increased by \$3.1 million. The General Government expenditure category increased by \$.8 million from the prior year. Public Safety expenditures increased by \$1.6 million from the prior year. Public Works expenditures increased by \$0.6 million from the prior year.

The **Redevelopment Agency Area 3** Debt Service Fund has a total fund balance of \$701 thousand, all of which is reserved for debt service. The net decrease in fund balance during the current year was \$1.89 million. Taxes revenue increased by \$3.3 million from the prior year and expenditures increased by \$4.7 million from the prior year, however, a transfer out of \$12.0 million was recorded to transfer the expenditures of various capital projects to the correct funds. The reason why expenditures increased in the current year was due to \$4.2 million of principal payments.

The **Public Financing Authority** Debt Service Fund has a total fund balance of \$306 thousand, all of which was reserved debt service. The net change in fund balance during the current year was a decrease of \$368 thousand, which was mainly due to a transfer out of \$1.3 million.

The **Areawide Capital Projects** Capital Projects Fund has a total deficit fund balance of \$3.3 million, all of which was unreserved. The net change in fund balance during the current year was an decrease of \$2.9 million mainly due to \$4.5 million of capital outlay expenditures.

The **Assessment District 04-02** Capital Projects Fund has a total fund balance of \$27.2 million, all of which was unreserved. The net change in fund balance during the current year was an increase of \$27 million. This was due to \$30.8 million in contributed capital and \$5 million in principal repayment.

GENERAL FUND BUDGET

The General Fund budgeted revenues increased by \$4.3 million from the original budget or 21.4%. Of this change, taxes had the largest increase of \$3.2 million or 21.6%, which was the result of conservative budgeting due to pending State legislature. The budget was amended at mid-year once additional facts were available.

Difference between the total original appropriations and the final amended budgeted expenditures of the General Fund was \$4.2 million. General government and public safety had increased appropriations of \$2.3 million and \$1.9 million, respectively.

The only significant deviation between the final budget of the General Fund and its actual operating results were for general government, which was due to expenditures as a result of increases in staff, PERS, healthcare benefits, worker's compensation, an implementation of the wellness program and holiday pay.

These deviations are did not affect the City's liquidity or ability to provide future government services.

CAPITAL ASSETS

Capital Assets
(net of depreciation)

Governmental Activities:

	<u>Balance at July 1, 2006</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance at June 30, 2006</u>
Land	\$ 18,164,361	780,561	-	18,944,922
Construction in progress	9,429,498	13,233,296	-	22,662,794
Buildings	31,379,282	-	-	31,379,282
Equipment	2,278,669	-	-	2,278,669
Vehicles	5,530,780	1,163,267	(140,078)	6,553,969
Furniture and fixtures	1,026,394	-	-	1,026,394
Infrastructure	84,051,830	731,564	-	84,783,394
Accumulated depreciation	<u>(39,218,493)</u>	<u>(3,351,723)</u>	<u>124,341</u>	<u>(42,445,875)</u>
Total	<u>\$112,642,321</u>	<u>12,556,965</u>	<u>(15,737)</u>	<u>125,183,549</u>

The major additions to capital assets during the year ended June 30, 2006 were as follows:

- The Police Department acquired 16 new police vehicles to update their aging vehicle inventory during the fiscal year.
- The Fire Department acquired two new paramedic ambulances.
- The 35th Avenue Assessment District project incurred expenditures in excess of \$2.0 million.
- The Cove Assessment District incurred expenditures in excess of \$5.0 million.
- The BCN Hotel project totaled in excess of \$1.0 million.
- The Date Palm Widening at the UPRR Bridge incurred expenditures in excess of \$2.0 million.

Major unexpended construction commitments as of year end included the Southside Downtown Development District, which is a \$9.5 million project for mixed use, commercial and housing project within the Southside of Cathedral City.

Additional information on the City's capital assets can be found on page 44 Note D of the financial statements.

LONG-TERM DEBT

At the end of the current fiscal year, the City had bonded debt outstanding of \$131.6 million. The debt issues include \$1.1 million in certificates of participation, \$5.3 million in taxable lease revenue bonds, \$112.4 million in tax allocations revenue bonds, and \$12.8 million in revenue bonds. The following table summarizes the activity for the year ended June 30, 2006.

Outstanding Debt

Governmental Activities:

	<u>Balance at</u> <u>July 1, 2006</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at</u> <u>June 30, 2006</u>
Certificates of participation	\$ 1,355,000	-	(245,000)	1,110,000
Lease bonds	5,365,000	-	(90,000)	5,275,000
Tax allocation bonds	111,901,000	13,000,000	(12,475,000)	112,426,000
Limited obligation bond	15,525,000	-	(2,765,000)	12,760,000
Capital leases	3,069,634	215,700	(1,433,083)	1,852,251
Long-term loans and notes	8,296,116	883,894	(1,041,808)	8,138,202
Compensated absences	2,043,507	1,993,944	(1,788,363)	2,249,088
Claims and judgments	<u>3,128,375</u>	<u>-</u>	<u>(380,534)</u>	<u>2,747,841</u>
 Total	 <u>\$150,683,632</u>	 <u>16,093,538</u>	 <u>(20,218,788)</u>	 <u>146,558,382</u>

The City's total debt decreased by \$4.1 million during the current fiscal year, as a result of the issuance of \$13.0 million in bonds to refund the City's 1995A Tax Allocation Revenue Bonds. In addition, there were principal repayment of \$18.0 million of bonded debt, capital leases, long-term loans and notes.

The City's most recent tax allocation bonds received a "AAA" rating from Standard & Poor's and an "Aaa" rating from Moody's.

Additional information on the City's long-term debt can be found on page 45 Note E of the financial statements.

Contacting the City's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Finance Department, at Cathedral City City, 68-700 Avenida Lalo Guerrero, Cathedral City, California 92234.

Basic Financial Statements

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CITY OF CATHEDRAL CITY
Statement of Net Assets
June 30, 2006

<u>ASSETS</u>	<u>Governmental Activities</u>	<u>Cathedral Downtown Foundation Component Unit</u>
Cash and investments	\$ 74,555,591	\$ 87,342
Cash and investments with fiscal agent	36,484,870	
Investment in assessment district debt	12,760,000	
Accounts receivable	3,790,284	468
Interest receivable	663,825	
Loans receivable	10,455,339	
Prepays	15,170	
Inventories	19,762	
Land held for resale	35,136,476	
Other assets	2,023,553	
Deposits	357,690	10,010
Capital assets:		
Not being depreciated	41,607,716	
Being depreciated, net	83,575,833	88,150
Total Assets	301,446,109	185,970
<u>LIABILITIES</u>		
Accounts payable	1,067,368	87,990
Accrued liabilities	1,177,613	4,196
Insurance payable	250,000	
Deposits	994,040	1,706
Unearned revenue	3,757,960	
Interest payable	2,752,189	
Noncurrent liabilities:		
Current portion of long-term liabilities	5,083,079	
Long-term liabilities, net of current portion	140,733,755	
Total Liabilities	155,816,004	93,892
<u>NET ASSETS</u>		
Invested in capital assets, net of related debt	122,219,298	88,150
Restricted for:		
Capital projects	67,612,807	
Debt service	7,055,773	
Special projects	50,791,385	
Unrestricted (deficit)	(102,049,158)	3,928
Total Net Assets	\$ 145,630,105	\$ 92,078

See Accompanying Notes to Financial Statements.

CITY OF CATHEDRAL CITY
Statement of Activities
For the Year Ended June 30, 2006

Function/Program Activities	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
Primary Government:			
Governmental Activities:			
General government	\$ 18,832,677	\$ 3,245,354	\$ 838,197
Public works	5,351,014	605,734	4,118,359
Public safety	17,005,811	1,988,111	1,987,408
Community development	9,108,324	44,603	11,010
Interest and other charges on long-term debt	5,112,780		
 Total primary governmental activities	 \$ 55,410,606	 \$ 5,883,802	 \$ 6,954,974
 Component Unit:			
 Cathedral Downtown Foundation	 \$ 1,323,958	 \$ 987,832	
 Total component unit	 \$ 1,323,958	 \$ 987,832	 \$ -

General Revenues:

Property taxes
Sales taxes
Transient occupancy tax
Franchise taxes
Interest
Miscellaneous
Contributed capital

Total General Revenues and Contributed Capital

Change in Net Assets

Net Assets, Beginning

Net Assets - Ending

See Accompanying Notes to Financial Statements.

Net Revenue (Expense) and Change in Net Assets	
Primary Government Governmental Activities	Component Unit
\$ (14,749,126)	
(626,921)	
(13,030,292)	
(9,052,711)	
<u>(5,112,780)</u>	<u> </u>
<u>(42,571,830)</u>	<u> </u>
<u> </u>	<u>\$ (336,126)</u>
<u> </u>	<u>(336,126)</u>
28,714,127	
10,176,722	
1,851,094	
4,382,684	
3,845,770	
3,752,367	350,000
<u>33,244,188</u>	<u> </u>
<u>85,966,952</u>	<u>350,000</u>
43,395,122	13,874
<u>102,234,983</u>	<u>78,204</u>
<u>\$ 145,630,105</u>	<u>\$ 92,078</u>

CITY OF CATHEDRAL CITY
Balance Sheet
Governmental Funds
June 30, 2006

<u>ASSETS</u>	General	Debt Service	
		Redevelopment Agency Area 3	Public Financing Authority
Cash and investments	\$ 11,017,844	\$ 4,581,563	
Cash and investments with fiscal agent			\$ 306,246
Investment in assessment district debt			12,760,000
Interest receivable	140,760		
Accounts receivable	1,495,043	279,986	
Loans receivable			
Due from other funds	3,806,357		
Advances to other funds	6,570,847		
Prepays	15,170		
Land held for resale			
Deposits			
Total Assets	\$ 23,046,021	\$ 4,861,549	\$ 13,066,246
<u>LIABILITIES</u>			
Accounts payable	\$ 478,906	\$ 160,927	
Accrued liabilities	679,940		
Deposits	95,476		
Due to other funds			
Deferred revenue	2,900,788		\$ 12,760,000
Advances from other funds		4,000,000	
Total Liabilities	4,155,110	4,160,927	12,760,000
<u>FUND BALANCE</u>			
Reserved for			
Advances to other funds	6,570,847		
Microfilm fees	265,149		
Loan receivable			
Land held for resale			
Debt service		700,622	
Deposits			
Unreserved			
General fund	12,054,915		
Special revenue			
Capital projects			
Unreserved-undesignated			306,246
Total Fund Balances (Deficits)	18,890,911	700,622	306,246
Total Liabilities and Fund Balances	\$ 23,046,021	\$ 4,861,549	\$ 13,066,246

See Accompanying Notes to Financial Statements.

Capital Projects

<u>Areawide Capital Projects</u>	<u>Assessment District 04-02</u>	<u>Nonmajor Funds</u>	<u>Total</u>
\$ 3,976	\$ 153,978	\$ 53,086,220	\$ 68,843,581
	27,069,048	9,109,576	36,484,870
		523,065	12,760,000
78,700		1,893,067	663,825
		10,455,339	3,746,796
		1,130,000	10,455,339
		35,136,476	3,806,357
		357,690	7,700,847
<u>\$ 82,676</u>	<u>\$ 27,223,026</u>	<u>\$ 111,691,433</u>	<u>\$ 179,970,951</u>
		\$ 394,213	\$ 1,034,046
\$ 267,653	\$ 50,154	117,783	1,115,530
		898,564	994,040
2,877,270		929,087	3,806,357
191,707		665,465	16,517,960
		3,700,847	7,700,847
<u>3,336,630</u>	<u>50,154</u>	<u>6,705,959</u>	<u>31,168,780</u>
		1,130,000	7,700,847
			265,149
		10,455,339	10,455,339
		35,136,476	35,136,476
		4,826,518	5,527,140
		357,690	357,690
			12,054,915
		12,716,135	12,716,135
	27,172,872		27,172,872
(3,253,954)		40,363,316	37,415,608
<u>(3,253,954)</u>	<u>27,172,872</u>	<u>104,985,474</u>	<u>148,802,171</u>
<u>\$ 82,676</u>	<u>\$ 27,223,026</u>	<u>\$ 111,691,433</u>	<u>\$ 179,970,951</u>

CITY OF CATHEDRAL CITY
 Reconciliation of the Balance Sheet of Governmental Funds
 to the Statement of Net Assets
 June 30, 2006

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

Fund balances for governmental funds	\$ 148,802,171
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. Capital assets of the internal services funds of \$2,501,043 are included in the internal service adjustment below.	122,682,506
Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities, both current and long-term, are reported in the Statement of Net Assets. Long-term liabilities of the internal service funds of \$3,031,352 are included in the internal service adjustment below.	(142,785,482)
Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.	(2,752,189)
Other long-term assets which are not considered available to pay for current expenditures are not reported in the governmental funds.	2,023,553
Deferred revenue recognized under full accrual.	12,760,000
Internal service funds are used by management to charge the costs of certain activities, such as insurance and equipment maintenance, to individual funds. The assets and liabilities of certain internal service funds are included in governmental activities in the Statement of Net Assets.	<u>4,899,546</u>
Net Assets of Governmental Activities	<u><u>\$ 145,630,105</u></u>

See Accompanying Notes to Financial Statements.

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CITY OF CATHEDRAL CITY
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2006

	General	Debt Service	
		Redevelopment Agency Area 3	Public Financing Authority
Revenues:			
Taxes	\$ 18,658,177	\$ 13,116,180	
Fines and forfeitures	14,482		
Intergovernmental	102,570		
Licenses and permits	2,290,754		
Charges for services	3,402,773		
Interest	596,113		\$ 33,863
Contributions from property owners			2,386,444
Miscellaneous	1,159,554	1,025,516	
Total Revenues	<u>26,224,423</u>	<u>14,141,696</u>	<u>2,420,307</u>
Expenditures:			
Current:			
General government	6,423,246		
Community development		217,995	
Public safety	16,525,558		
Public works	3,093,281		
Payments under pass-through agreements	451,880	4,410,337	
Capital outlay	257,043		
Debt service:			
Principal		4,249,911	4,693,051
Interest		150,159	5,391,274
Cost of issuance		254,127	
Total Expenditures	<u>26,751,008</u>	<u>9,282,529</u>	<u>10,084,325</u>
Excess of Revenues Over (Under) Expenditures	<u>(526,585)</u>	<u>4,859,167</u>	<u>(7,664,018)</u>
Other Financing Sources (Uses):			
Transfers in	1,934,339	241,311	8,592,845
Transfers out	(1,909,430)	(12,010,915)	(1,297,305)
Gain on sale of land		20,000	
Loan proceeds			
Issuance of debt		5,000,000	
Total Other Financing Sources (Uses)	<u>24,909</u>	<u>(6,749,604)</u>	<u>7,295,540</u>
Net Change in Fund Balances	<u>(501,676)</u>	<u>(1,890,437)</u>	<u>(368,478)</u>
Fund Balances, Beginning	<u>19,392,587</u>	<u>2,591,059</u>	<u>674,724</u>
Fund Balances (Deficits), Ending	<u>\$ 18,890,911</u>	<u>\$ 700,622</u>	<u>\$ 306,246</u>

See Accompanying Notes to Financial Statements.

<u>Capital Projects</u>			
<u>Areawide Capital Projects</u>	<u>Assessment District 04-02</u>	<u>Nonmajor Funds</u>	<u>Total</u>
		\$ 10,119,700	\$ 41,894,057
			14,482
\$ 1,521,415		4,220,992	5,844,977
10,332		346,988	2,648,074
		1,329,935	4,732,708
	\$ 682,590	2,533,204	3,845,770
	30,857,744		33,244,188
58,201	4,850	1,924,201	4,172,322
<u>1,589,948</u>	<u>31,545,184</u>	<u>20,475,020</u>	<u>96,396,578</u>
12,285		1,081,447	7,516,978
		2,999,260	3,217,255
		480,253	17,005,811
		1,257,421	4,350,702
		1,120,761	5,982,978
4,465,932	5,040,563	7,808,856	17,572,394
1,213,807		7,532,922	17,689,691
112,894		461,869	6,116,196
		396,138	650,265
<u>5,804,918</u>	<u>5,040,563</u>	<u>23,138,927</u>	<u>80,102,270</u>
(4,214,970)	26,504,621	(2,663,907)	16,294,308
1,326,950	500,000	17,970,823	30,566,268
		(17,608,007)	(32,825,657)
		(18,072)	1,928
		170,000	170,000
		8,000,000	13,000,000
<u>1,326,950</u>	<u>500,000</u>	<u>8,514,744</u>	<u>10,912,539</u>
(2,888,020)	27,004,621	5,850,837	27,206,847
(365,934)	168,251	99,134,637	121,595,324
<u>\$ (3,253,954)</u>	<u>\$ 27,172,872</u>	<u>\$ 104,985,474</u>	<u>\$ 148,802,171</u>

CITY OF CATHEDRAL CITY
 Reconciliation of the Statement of Revenues,
 Expenditures and Changes in Fund Balances of Governmental Funds
 to the Statement of Activities
 For the Year Ended June 30, 2006

Net change in fund balances - total governmental funds \$ 27,206,847

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

Governmental funds report capital outlays as expenditures. However,
 in the Statement of Activities the cost of those assets is allocated over
 their estimated useful lives and reported as depreciation expense. This
 is the amount by capital outlay exceeded depreciation and retirements. 11,897,915

The issuance of long-term debt provides current financial resources to
 governmental funds, while the repayment of the principal of long-term
 debt consumes the current financial resources of governmental funds.
 Neither transaction, however, has any effect on net assets. 3,711,910

Reversal of prior year deferred revenue. (2,195,000)

Internal service funds are used by management to charge the costs of
 activities involved in rendering services to departments within the City.
 Internal service funds are reported with governmental activities. 2,773,449

Change in Net Assets of Governmental Activities \$ 43,395,121

See Accompanying Notes to Financial Statements.

CITY OF CATHEDRAL CITY
Proprietary Fund
Statement of Net Assets
June 30, 2006

	<u>Governmental Activities Internal Service Funds</u>
Current Assets:	
Cash and investments	\$ 5,712,010
Accounts receivable	43,488
Inventories	19,762
Total Current Assets	<u>5,775,260</u>
Capital Assets:	
Vehicles	6,553,967
Accumulated depreciation	<u>(4,052,924)</u>
Total Capital Assets, net	<u>2,501,043</u>
Total Assets	<u>8,276,303</u>
Current Liabilities:	
Accounts payable	37,000
Accrued liabilities	58,405
Claims payable	2,747,841
Insurance payable	250,000
Capital lease payable - current	<u>208,282</u>
Total Current Liabilities	<u>3,301,528</u>
Noncurrent Liabilities:	
Capital lease payable	<u>75,229</u>
Total Noncurrent Liabilities	<u>75,229</u>
Total Liabilities	<u>3,376,757</u>
Net Assets:	
Invested in capital assets net of related debt	2,217,532
Unrestricted	<u>2,682,014</u>
Total Net Assets	<u><u>\$ 4,899,546</u></u>

See Accompanying Notes to Financial Statements.

CITY OF CATHEDRAL CITY
Proprietary Fund
Statement of Revenues, Expenses and Changes in Fund Net Assets
For the Year Ended June 30, 2006

	<u>Governmental Activities Internal Service Funds</u>
Operating Revenues:	
Charges for services	\$ 4,949,342
Total Operating Revenues	<u>4,949,342</u>
Operating Expenses:	
Benefits	3,239,134
Repairs, maintenance, and insurance	817,931
Depreciation	<u>485,377</u>
Total Operating Expenses	<u>4,542,442</u>
Operating Income (Loss)	<u>406,900</u>
Nonoperating Revenues (Expenses):	
Interest revenue	107,840
Interest expense	(14,180)
Gain on sale of assets	<u>13,500</u>
Total Nonoperating Revenues (Expenses)	<u>107,160</u>
Operating Income (Loss) Before Transfers	514,060
Transfers in	<u>2,259,389</u>
Change in Net Assets	2,773,449
Net Assets, Beginning	<u>2,126,097</u>
Net Assets, Ending	<u><u>\$ 4,899,546</u></u>

See Accompanying Notes to Financial Statements.

CITY OF CATHEDRAL CITY
Proprietary Fund
Statement of Cash Flows
For the Year Ended June 30, 2006

	<u>Governmental Activities Internal Service Funds</u>
Cash flows from operating activities:	
Cash received from other customers	\$ 4,926,751
Cash payments to suppliers for goods and services	(871,448)
Cash paid to employees	<u>(3,239,134)</u>
Net cash provided by (used in) operating services	<u>816,169</u>
Cash flows from noncapital financing activities:	
Transfers in	<u>2,259,389</u>
Cash flows from capital and related activities:	
Purchase of capital assets	(1,163,267)
Proceeds from sale of capital assets	<u>13,500</u>
Net cash flows from capital and related financing activities	<u>(1,149,767)</u>
Cash flows from investing activities:	
Interest received on investments	<u>122,020</u>
Net increase (decrease) in cash and cash equivalents	2,047,811
Cash and cash equivalents at beginning of year	<u>3,664,199</u>
Cash and cash equivalents at end of year	<u><u>\$ 5,712,010</u></u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income (loss)	\$ 406,900
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:	
Depreciation	485,377
Adjustments:	
(Increase) decrease in accounts receivable	(22,591)
(Increase) decrease in inventories	(1,744)
Increase (decrease) in insurance payable	250,000
Increase (decrease) in claims payable	(380,534)
Increase (decrease) in accounts payable	17,262
Increase (decrease) in leases payable	15,795
Increase (decrease) in accrued payable	<u>45,704</u>
Net cash provided by (used for) operating activities	<u><u>\$ 816,169</u></u>
Noncash financing and investing activities:	
Capital lease	<u><u>\$ 215,700</u></u>

See Accompanying Notes to Financial Statements.

CITY OF CATHEDRAL CITY
Statement of Net Assets
Fiduciary Funds
June 30, 2006

ASSETS

Cash and investments	\$ 8,246,856
Cash and investments with fiscal agents	7,684,839
Interest receivable	95,630
Special assessments	<u>56,172,945</u>
 Total Assets	 <u><u>\$ 72,200,270</u></u>

LIABILITIES

Due to bondholders	<u>\$ 72,200,270</u>
 Total Liabilities	 <u><u>\$ 72,200,270</u></u>

See Accompanying Notes to Financial Statements.

CITY OF CATHEDRAL CITY
Notes to Financial Statements
June 30, 2006

I. Summary of Significant Accounting Policies

A. Reporting Entity

The City of Cathedral City was incorporated under the general laws of the State of California and enjoys all the rights and privileges pertaining to such “General Law” cities. The City operates under a Council-Manager form of government and the City Council is composed of five members. Among the services provided by the City are the following: public works, parks and recreation, planning, community development, and fire and law enforcement services.

As required by accounting principles generally accepted in the United States of America, these financial statements present the City and its component units, entities for which the City is considered to be financially accountable. The City is considered to be financially accountable for an organization if the City appoints a voting majority of that organization’s governing body and the City is able to impose its will on that organization or there is a potential for that organization to provide specific financial benefits to or impose specific financial burdens on the City. The City is also considered to be financially accountable 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.

1. Blended Component Units

City of Cathedral City Redevelopment Agency, Cathedral City Public Improvement Corporation, and the Cathedral City Public Financing Authority 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 City.

City of Cathedral City Redevelopment Agency – The City of Cathedral City Redevelopment was established pursuant to the State of California Health and Safety Code, Section 33000 entitled “Community Redevelopment Law.” Its purpose is to prepare and carry out plans for improvement, rehabilitation, and redevelopment of blighted areas within the territorial limits of the City of Cathedral City. Even though it is legally separate, it is reported as if it were part of the City because the City Council also serves as the governing board of the Agency. Separate financial statements of the Agency can be obtained at City Hall.

Cathedral City Public Improvement Corporation – The Cathedral City Public Improvement Corporation was formed solely for the benefit of the City of Cathedral

CITY OF CATHEDRAL CITY
Notes to Financial Statements (Continued)
June 30, 2006

City in financing public improvements of the City. Even though it is legally separate, it is reported as if it were part of the City because the City Council also serves as the governing board of the Public Improvement Corporation. Separate financial statements are not prepared for the Corporation because it has no activity to report.

Cathedral City Public Financing Authority – The Cathedral City Public Financing Authority was established on December 1, 1993 for the purpose of financing public capital improvements. Even though it is legally separate, it is reported as if it were part of the City because the City Council also serves as the governing board of the Authority. Cathedral City does not produce separate financial statements for the Authority.

2. Discretely Presented Component Unit

The following component unit is reported in a separate column in the government-wide statement of net assets to emphasize its legal separation from the City.

The Cathedral City Downtown Foundation (Foundation) was incorporated on December 20, 2000 as a Nonprofit Public Benefit Corporation. The purpose of this corporation is to operate educational facilities and/or attractions in the City of Cathedral City Downtown Area, to instruct the public on subjects useful to the individual and beneficial to the community, and to encourage and raise monetary and/or in lieu contributions via gifts, endowments and bequests for the purpose of enhancing and/or improving those services, facilities, and equipment currently provided by the IMAX Theater located in the City of Cathedral City.

The Foundation is included as a discretely presented component unit of the City, as the City appoints the governing board and approves the Foundation's budget. Separate financial statements are not available for the Foundation.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e. the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

CITY OF CATHEDRAL CITY
Notes to Financial Statements (Continued)
June 30, 2006

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

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

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

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when the liability is incurred, regardless of the timing of the related cash flows. On an accrual basis, revenue from property taxes are recognized in the fiscal year for which taxes are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal year. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, claims and judgments are not recognized until paid.

Property taxes, charges for services, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

CITY OF CATHEDRAL CITY
Notes to Financial Statements (Continued)
June 30, 2006

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Amounts reported as program revenues include 1) charges to members, customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

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 government's internal service funds are charges to customers within the primary government for sales and services. Operating expenses for internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then use unrestricted resources as needed.

The City reports the following major funds:

General Fund – This is the general operating fund of the City. It is used to account for financial resources except those required to be accounted for in another funds.

Redevelopment Agency Area 3 Debt Service Fund – The fund is used to repay principal and interest long-term indebtedness.

Public Financing Authority Debt Service Fund – The fund is used to account for revenues and proceeds of debt service. The fund is used to repay principal and interest.

Areawide Capital Projects Fund – Accounts for City-wide capital projects not otherwise budgeted in another fund.

CITY OF CATHEDRAL CITY
Notes to Financial Statements (Continued)
June 30, 2006

Assessment District 04-02 Capital Projects Fund – Accounts for improvement within the Improvement District 04-02, Financing is provided by proceeds from issuance of Obligation Improvement Bonds.

Additionally the City reports the following fund types:

Special Revenue Funds – Special Revenue Funds are used to account for revenues derived from specific sources which are usually required by law or administrative regulation to be accounted for in a separate fund.

Debt Service Funds – Debt Service Funds are used to account for tax increment revenues, bond proceeds required to be set aside for future debt service, and related interest income. The funds are used to repay principal and interest on long-term indebtedness of the City, Public Improvement Corporation, Redevelopment Agency, Public Financing Authority, and limited obligation special assessment debt.

Capital Projects Funds – Capital Projects Funds are used to account for financial resources to be used for the development and redevelopment projects within the City. Such projects include street improvements, parks, and Redevelopment Agency activity.

Proprietary Funds

Internal Service Funds – Internal Service Funds are used to finance and account for the purchase of motor vehicles and the related maintenance and insurance expense and to account for the cost of liability insurance. Such costs are accumulated in these funds and charged to the user departments on an estimated cost-reimbursement basis or through transfers.

Fiduciary Funds

Agency Funds – These funds are used to account for assets held by the City in a trustee capacity for individuals, private organizations, other governments, and/or other funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results or operations. The agency funds are used to account for taxes received for special assessments debt for which the City is not obligated.

CITY OF CATHEDRAL CITY
Notes to Financial Statements (Continued)
June 30, 2006

D. Assets, Liabilities and Net Assets or Equity

1. Cash and Investments

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

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

The City pools cash and investments of all funds, except for assets held by fiscal agents. Each funds share in this pool is displayed in the accompanying financial statements as cash and investments. Investment income, earned by the pooled investments, is allocated to the various funds based on each funds average cash and investment balance.

For purposes of the statement of cash flows, cash and cash equivalents are defined as short-term (maturing within three months), highly liquid investments that are both readily convertible to known amounts of cash or so near their maturity that they present insignificant risk of changes in value because of changes in interest rates. Cash equivalents also represent the proprietary funds share in the cash and investment pool of the City of Cathedral City.

2. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “due to/from other funds” (i.e., the current portion of interfund loans) or “advances to/from other funds” (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as “due to/from other funds.”

3. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g. roads, traffic signals, drainage systems, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the City as assets with an initial cost of more than \$5,000 and an estimated life in excess of 1 year. Such assets are recorded as historical cost or estimated historical cost if purchased or constructed.

CITY OF CATHEDRAL CITY
Notes to Financial Statements (Continued)
June 30, 2006

Donated capital assets are recorded at estimated fair market value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Property, plant, and equipment of the primary government, as well as the component units, are depreciated using the straight-line method over the following estimated useful lives:

Buildings	45 years
Improvements other than buildings	45 years
Machinery and equipment	5-10 years
Infrastructure	8-60 years

4. Land Held for Resale

The Agency purchased land within the Agency's project area. The land held for resale is recorded in the Redevelopment Agency Special Revenue Fund as property held for resale, at the lower of acquisition cost or net realizable value. At June 30, 2006 the cost of property held for various housing and other projects in Cathedral City totaled \$35,136,476.

5. Employee Compensated Absences

Permanent City employees earn from 12 to 31 vacation days a year, depending upon their length of employment. Employees can carry forward up to 24 days in earned but unused vacation days and 120 sick leave days for use in the subsequent year.

Upon termination or retirement, permanent employees are entitled to receive compensation at their current base salary for all unused vacation leave. Effective July 1, 1987 employees with continuous employment of three years and up to seven years may receive compensation for 25% of unused sick leave when they resign or retire as governed by the MOU.

Employees with continuous employment of greater than seven years may receive compensation for 50% of sick leave when they resign or retire. The City has utilized the vesting method to record the estimated portion of sick leave balances that are likely to be paid immediately following the employee's resignation or retirement.

If material, a proprietary fund type liability is accrued for the leave benefits relating to the operations of the proprietary funds. A current liability is accrued in the

CITY OF CATHEDRAL CITY
Notes to Financial Statements (Continued)
June 30, 2006

governmental funds for material leave benefits due on demand to governmental funds employees that have terminated prior to year end. All other amounts are recorded in the long-term debt. These noncurrent amounts will be recorded as fund expenditures in the year in which they are paid or become due on demand to terminated employees.

6. Property Taxes

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

Lien Date:	January 1
Levy Date:	July 1
Due Date:	November 1 – 1 st Installment March 1 – 2 nd Installment
Delinquent Date:	December 10 – 1 st Installment April 10 – 2 nd Installment

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

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

The City accrues only those taxes which are received within sixty days after the year end. The City is a participant in the Teeter plan under the California Revenue and Taxation Code. The County of Riverside has responsibility for the collection of delinquent taxes and the City receives 100% of the levy.

7. Enrollment in Group Insurance Plans – Post Retirement

Employees retiring from the City, who are taking a qualified retirement under the PERS system, and have at least five years service with the City, who have reached at least age 55, or age 50 for public safety, may elect within two months after retirement to participate in such group health insurance policies as are provided by the City. The cost of such insurance coverage, which the City chooses from time to

CITY OF CATHEDRAL CITY
Notes to Financial Statements (Continued)
June 30, 2006

time, is determined by the employee's negotiated memorandum of understanding at the time of retirement.

As permitted by law, the City's health insurance policy shall become secondary to any applicable federal or state government health programs as soon as the retired employee becomes eligible, or the retired employee reaches age 65, whichever comes first.

City employees retiring under the PERS Retirement Program with five (5) years of continuous employment with the City can, at their own expense, pay for the group life insurance.

8. Claims and Judgments

The City records a liability for litigation, judgments, and claims when it is probable that an asset has been impaired or a liability has been incurred prior to year end and the probable amount of loss (net of any insurance coverage) can be reasonably estimated. Claims incurred but not reported are recorded as a liability when the liability has been incurred or an asset has been impaired and the amounts can be reasonably determined. Liability for general liability claims is recorded in the internal service fund that accounts for the City's general liability activities. Liabilities for workers compensation is recorded in the liability insurance fund.

9. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

II. Stewardship, Compliance and Accountability

A. Budgetary Data

The City of Cathedral City adopts an annual budget prepared on the modified accrual basis for the general fund and certain special revenue funds. The City Manager and Director of Finance prepare and submit the annual budget to City Council and administer it after adoption. The Director of Finance is authorized to adjust appropriations between each department, provided that the total activity does not exceed the amounts approved in the budget for any amending resolutions. Transfers of cash or unappropriated fund balance from one fund to another can only be made with City Council's approval. Unexpended appropriations for authorized, but uncompleted

CITY OF CATHEDRAL CITY
Notes to Financial Statements (Continued)
June 30, 2006

projects in the Capital Improvement's budget can be carried forward to the next succeeding budget upon approval of the City Manager or the Director of Finance. For each fund, total expenditures may not legally exceed total appropriations. During the year, several supplementary appropriations were necessary. Individual amendments were not material in relation to the original appropriations.

Appropriations Limit

Under Article XIII B of the California Constitution (the Gann Spending Limitation Initiative), the City is restricted as to the amount of annual appropriations from the proceeds of taxes, and if proceeds of taxes exceed allowed appropriations, the excess must either be refunded to the State Controller or returned to the taxpayers through revised tax rates, revised fee schedules or other refund arrangements. For the fiscal year ended June 30, 2006, proceeds of taxes did not exceed appropriations.

B. Deficit Fund Balances/Net Assets

Capital Projects Fund:	
Areawide Capital Projects Fund	\$ (3,253,954)
Special Revenue Funds:	
TDA SB821	(5,575)
Solid Waste	(228,884)

These deficit balances will be eliminated through future revenues.

C. Expenditures in Excess of Appropriations

The following funds exceeded appropriated expenditures by the following:

Master Underground Plan	\$ 34,908
NPDES Program	29,614
Traffic Safety	209,336
Solid Waste	153,641
Police Grant	29,757
Police Donations	70,061
Landscape and Lighting	14,464
Measure A	571,117

CITY OF CATHEDRAL CITY
Notes to Financial Statements (Continued)
June 30, 2006

III Detailed Notes on All Funds

A. Cash and Investments

At June 30, 2006, cash and investments were reported in the accompanying financial statements as follows:

Governmental activities	\$ 111,040,461
Component unit	87,342
Agency funds	<u>15,931,695</u>
Total Cash and Investments	<u>\$ 127,059,498</u>

Cash and investments as of June 30, 2006 consist of the following:

Cash on hand	\$ 5,850
Deposits with financial institutions	43,688,105
Investments	<u>83,365,543</u>
Total Cash and Investments	<u>\$ 127,059,498</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 of Portfolio*</u>	<u>Maximum Investment in One Issuer</u>
U.S. Agency Securities	5 years	80%	None
Banker's Acceptances	180 days	40%	30%
Medium-Term Notes	5 years	30%	5%
Local Agency Investment Fund (LAIF)	N/A	80%	40 Million
Commercial Paper	270 days	25%	10%
Negotiable Certificates of Deposit	N/A	30%	None

* Excluding amounts held by bond trustee that are not subject to California Government Code restrictions.

CITY OF CATHEDRAL CITY
Notes to Financial Statements (Continued)
June 30, 2006

Investments Authorized by Debt Agreements

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

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio*</u>	<u>Maximum Investment in One Issuer</u>
Local Agency Investment Fund (LAIF)	N/A	None	None
U.S. Agency Securities	5 years	None	None

Disclosures Relating to Interest Rate Risk

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

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

<u>Investment Type</u>		<u>Remaining Maturity (in Months)</u>		
		<u>12 Months or Less</u>	<u>13 to 24 Months</u>	<u>25 to 60 Months</u>
Federal agency securities	\$ 49,793,101	\$ 18,790,895	\$ 20,281,198	\$ 10,721,008
Corporate medium term notes	2,934,700	989,740	994,100	950,860
Local agency investment fund	30,637,742	30,637,742		
Total	<u>\$ 83,365,543</u>	<u>\$ 50,418,377</u>	<u>\$ 21,275,298</u>	<u>\$ 11,671,868</u>

CITY OF CATHEDRAL CITY
Notes to Financial Statements (Continued)
June 30, 2006

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. The following presentation is the minimum rating required by (where applicable) the California Government Code, the City's investment policy, or debt agreements, and the actual rating as of year end for each investment type:

Investment Type		Minimum Rating	Exempt from Rating	Rating as of Year End		
				AAA/AAA	AA3/A+	A1/AA-
Federal agency securities	\$ 49,793,101	N/A		\$ 49,793,101		
Corporate medium term notes	2,934,700	A			\$ 1,944,960	\$ 989,740
Local agency investment fund	<u>30,637,742</u>	N/A	<u>\$ 30,637,742</u>			
	<u>\$ 83,365,543</u>		<u>\$ 30,637,742</u>	<u>\$ 49,793,101</u>	<u>\$ 1,944,960</u>	<u>\$ 989,740</u>

Concentration of Credit Risk

The investment policy of the City contains limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. Investments in any one issuer that represent 5% or more of total City's investments are as follows:

FNMA	Federal agency securities	\$ 6,702,997
Federal Home Loan Bank	Federal agency securities	35,225,400
Federal Home Loan Mortgage Corp	Federal agency securities	3,923,614
Federal Farm Credit Bank	Federal agency securities	3,941,090

Custodial Credit Risk

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the City's investment policy do

CITY OF CATHEDRAL CITY
Notes to Financial Statements (Continued)
June 30, 2006

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. GASB Statement No. 40 requires that the following disclosure be made with respect to custodial credit risks relating to deposits and investments. As of June 30, 2006, City investments in the following investment types were held by the safekeeping department of Union Bank, Wells Fargo Bank, UBS Financial Services, and Wachovia Securities:

Investment Type	Amount
Federal agency securities	\$ 49,793,101
Corporate medium term notes	2,934,700

Local Agency Investment Fund (LAIF):

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 up on the City's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis

B. Receivables

	Interest	Accounts	Loans
General Fund	\$ 140,760	\$ 1,495,043	
Debt Service:			
Redevelopment Agency Area 3		279,986	
Capital Projects			
Areawide Capital Projects		78,700	
Nonmajor governmental funds	523,065	1,893,067	\$ 10,455,339
Total Governmental Funds	\$ 663,825	\$ 3,746,796	\$ 10,455,339

CITY OF CATHEDRAL CITY
Notes to Financial Statements (Continued)
June 30, 2006

Loans Receivable

In March 1997, the City agreed to loan Big League Dreams Sports, LLC, an amount not to exceed \$4,400,000 under an agreement to develop a Sports Park Complex in the City of Cathedral City. As of June 30, 2006, the balance on the loan was \$3,974,576. The loan is being repaid based on the debt service payments due on the 1997 Taxable Lease Revenue Bonds commencing June 1, 1998. The loan is secured by a deed of trust on the Sports Complex.

On May 1, 2003, the Redevelopment Agency of the City of Cathedral City entered into an Owner Participation Agreement (Agreement) with Southern California Housing Development Corporation (SCHDC). In connection with the Agreement, SCHDC executed a promissory note not to exceed \$1,000,000 secured by a deed of trust. The amounts due under this note shall accrue no interest, and shall be repaid on an annual basis from fifty percent of the project's residual receipts. For purposes of this note, the "loan term" shall be the period ending thirty years from the date that the Certificate of Completion is issued by the Redevelopment Agency of the City of Cathedral City. The loan amount outstanding at June 30, 2006 was \$785,555.

On November 1, 2002, the Redevelopment Agency of the City of Cathedral City entered into an Owner Participation Agreement (Agreement) with Cathedral/Creekside, L.P. In connection with the Agreement, Cathedral/Creekside, L.P. executed a promissory note not to exceed \$1,800,000, secured by a deed of trust. The amounts due under this note shall accrue no interest, and shall be repaid on an annual basis from fifty percent of the project's residual receipts. For purposes of this note, the "loan term" shall be the period ending thirty years from the date that the Certificate of Completion is issued by the Redevelopment Agency of the City of Cathedral City or thirty days after the maturity date of the obligations, if sold or issued; provided, however, that in no event shall the term exceed thirty three years. The loan amount outstanding at June 30, 2006 was \$1,800,000.

In December 2002 and amended in June 2004, the Redevelopment Agency of the City of Cathedral City and Cathedral City Heritage Park, L.P. entered into an Owner Participation Agreement (OPA) for the development of a 153 unit senior housing complex. The OPA provided for Agency assistance in order to assist the Participating Owner in the development of the project with a Loan in the amount of \$2,700,000 carrying a simple interest rate of five percent (5 %) per annum and shall be repaid from the Residual Receipts of the project. The loan outstanding principal balance as of June 30, 2006 was \$2,943,000.

In June 2003, the Redevelopment Agency of Cathedral City sold property held in its Land Held for Resale account to Roberta's Limited Partnership. The sale included a Promissory Note in the amount of \$361,714 bearing an interest rate of four and a

CITY OF CATHEDRAL CITY
Notes to Financial Statements (Continued)
June 30, 2006

quarter percent (4.25%). Roberta's Partnership has made monthly installment payments of \$3,705 including principal and interest through June 30, 2006. The Principal balance outstanding as of June 30, 2006 was \$277,010.

The City has various other loans totaling \$4,649,774.

C. Interfund Receivables, Payables and Transfers

Due to/from other funds:

	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
General Fund	\$ 3,806,357	
Areawide Capital Projects Fund		\$ 2,877,270
Nonmajor funds		929,087
	<u>\$ 3,806,357</u>	<u>\$ 3,806,357</u>

Advances to/from other funds:

	<u>Advances to Other Funds</u>	<u>Advances from Other Funds</u>
General Fund	\$ 6,570,847	
Debt Service Fund:		
Redevelopment Agency Area 3		\$ 4,000,000
Nonmajor funds	<u>1,130,000</u>	<u>3,700,847</u>
Totals	<u>\$ 7,700,847</u>	<u>\$ 7,700,847</u>

CITY OF CATHEDRAL CITY
Notes to Financial Statements (Continued)
June 30, 2006

	Transfers Out				Total All Funds
	General Fund	RDA Area 3 Debt Service Fund	Public Financing Authority	Other Governmental Funds	
<u>Transfers In:</u>					
General Fund				\$ 1,934,339	\$ 1,934,339
Major Funds:					
RDA Area 3 Debt Service			\$ 241,311		241,311
Public Financing Authority	\$ 301,740	\$ 3,396,515		4,894,590	8,592,845
Debt Service					
Areawide Capital					
Project	249	1,326,701			1,326,950
Assessment District 04-02				500,000	500,000
Capital Project					
Other Nonmajor		7,237,271	1,055,994	9,677,558	17,970,823
Governmental Funds					
Internal Service Funds	1,607,441	50,428		601,520	2,259,389
 Total All Funds	<u>\$ 1,909,430</u>	<u>\$ 12,010,915</u>	<u>\$ 1,297,305</u>	<u>\$ 17,608,007</u>	<u>\$ 32,825,657</u>

Interfund Transfers:

Transfers were used to:

1. Reimburse the General Fund for salaries, benefits and supplies paid from the General Fund for services benefiting other funds.
2. Transfer special assessments to the capital improvement funds to fund projects specified by the official statement for the bonds.
3. Transfer funds from various debt service funds to the Public Finance Authority for debt service payments as they became due.
4. Allocate insurance costs from the Insurance Fund (Internal Service Fund) to the appropriate funds utilizing the services.
5. Provide funding from Special Revenue Funds to the Equipment Replacement Fund (Internal Service Fund) to purchase equipment as authorized.

CITY OF CATHEDRAL CITY
Notes to Financial Statements (Continued)
June 30, 2006

D. Capital Assets

A summary of changes in capital assets at June 30, 2006 is as follows:

	Beginning Balance	Additions	Retirements	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 18,164,361	\$ 780,561		\$ 18,944,922
Construction in progress	9,429,498	13,233,296		22,662,794
Total capital assets, not being depreciated	<u>27,593,859</u>	<u>14,013,857</u>		<u>41,607,716</u>
Capital assets being depreciated:				
Buildings	31,379,282			31,379,282
Equipment	2,278,669			2,278,669
Vehicles	5,530,780	1,163,267	\$ 140,078	6,553,969
Furniture and fixtures	1,026,394			1,026,394
Infrastructure	84,051,830	731,564		84,783,394
Total capital assets, being depreciated	<u>124,266,955</u>	<u>1,894,831</u>	<u>140,078</u>	<u>126,021,708</u>
Less accumulated depreciation:				
Buildings	(5,384,458)	(697,317)		(6,081,775)
Equipment	(1,452,404)	(148,585)	10,529	(1,590,460)
Vehicles	(3,673,049)	(493,689)	113,812	(4,052,926)
Furniture and fixtures	(940,349)	(63,599)		(1,003,948)
Infrastructure	(27,768,233)	(1,948,533)		(29,716,766)
Total accumulated depreciation	<u>(39,218,493)</u>	<u>(3,351,723)</u>	<u>124,341</u>	<u>(42,445,875)</u>
Total capital assets, being depreciated	<u>85,048,462</u>	<u>(1,456,892)</u>	<u>(15,737)</u>	<u>83,575,833</u>
Governmental activities capital assets, net	<u>\$ 112,642,321</u>	<u>\$ 12,556,965</u>	<u>\$ (15,737)</u>	<u>\$ 125,183,549</u>
Component Unit:				
Depreciable assets:				
Equipment	\$ 74,145	\$ 58,802		\$ 132,947
Less accumulated depreciation:				
Equipment	(24,077)	(20,720)		(44,797)
Component unit	<u>\$ 50,068</u>	<u>\$ 38,082</u>	<u>\$ -</u>	<u>\$ 88,150</u>

CITY OF CATHEDRAL CITY
Notes to Financial Statements (Continued)
June 30, 2006

Depreciation expense was charged to governmental functions as follows:

General government	\$ 1,857,722
Public works	<u>1,000,312</u>
Total Depreciation Expense	<u><u>\$ 2,858,034</u></u>

E. Long-Term Debt

Changes in long-term debt for the year ended June 30, 2006 are as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Amount Due Within One Year
Governmental activities:					
Bonds, loans and capital leases payable:					
Certificates of participation	\$ 1,355,000		\$ (245,000)	\$ 1,110,000	\$ 255,000
Lease bonds payable	5,365,000		(90,000)	5,275,000	100,000
Tax allocation	111,901,000	\$ 13,000,000	(12,475,000)	112,426,000	2,280,000
Limited obligation bond	15,525,000		(2,765,000)	12,760,000	2,110,000
Capital leases	3,069,634	215,700	(1,433,083)	1,852,251	337,202
Long-term loans and notes payable	8,296,116	883,894	(1,041,808)	8,138,202	877
Subtotal	<u>145,511,750</u>	<u>14,099,594</u>	<u>(18,049,891)</u>	<u>141,561,453</u>	<u>5,083,079</u>
Other liabilities:					
Compensated absences	2,043,507	1,993,944	(1,788,363)	2,249,088	1,000,000
Claims and judgments (Note IV B)	<u>3,128,375</u>		<u>(380,534)</u>	<u>2,747,841</u>	<u>300,000</u>
Total other liabilities	<u>5,171,882</u>	<u>1,993,944</u>	<u>(2,168,897)</u>	<u>4,996,929</u>	<u>1,300,000</u>
Total governmental activities long-term liabilities	<u>150,683,632</u>	<u>16,093,538</u>	<u>(20,218,788)</u>	<u>146,558,382</u>	<u>6,383,079</u>
Premium & Discounts	<u>721,659</u>	<u>48,076</u>	<u>28,187</u>	<u>741,548</u>	
Total governmental activities long term liabilities, net	<u><u>\$ 149,961,973</u></u>	<u><u>\$ 16,045,462</u></u>	<u><u>\$ 20,190,601</u></u>	<u><u>\$ 145,816,834</u></u>	<u><u>\$ 5,083,479</u></u>

Compensated absences are expensed under the general government function.

CITY OF CATHEDRAL CITY
Notes to Financial Statements (Continued)
June 30, 2006

1. Certificates of Participation

Series 1996 Refunding Lease Revenue Bonds

The Certificates totaling \$2,945,000 were issued on August 1, 1996 by the Cathedral City Public Financing Authority with principal due annually on August 1, in amounts ranging from \$150,000 to \$350,000 and interest payable semi-annually on August 1 and February 1, at interest rates ranging from 4.20% to 5.10%. The amount outstanding at June 30, 2006 was \$1,110,000.

The proceeds from the Certificates were used to refund the Series 1986 Certificates of Participation and the Series 1987 Certificates of Participation (Prior Certificates). The funds to be used to refund the Prior Certificates were used to purchase U.S. Government Securities held in an escrow account. The Government Securities together with other reserves were used to prepay the Series 1986 Certificates on February 1, 1997 at a prepayment price of 102% of the principal amount then outstanding and to prepay the 1987 Certificates on February 1, 1997 at a prepayment price of 102% of the principal amount then outstanding.

Pursuant to a lease agreement between the City of Cathedral City (City) as lessee, and Cathedral City Public Financing Authority, as lesser, the City is required to make lease payments in consideration of the use and occupancy of the projects funded by the 1986 Series Certificates and the 1987 Series Certificates.

Under the terms of the issue, \$294,500 must be set aside in reserve funds, which represented the initial deposit in the reserve fund upon issuance of the Certificates. At June 30, 2006, actual reserve amount was \$299,204. In addition to the reserve account, pursuant to the lease agreement the City has elected to further secure the payment of the lease payments by providing a mechanism by which the State Controller will make the lease payment directly to the trustee from motor vehicle licensing fees to which the City is entitled pursuant to Sections 11001-11005 of the California Revenue and Taxation Code excluding the portion allocated to the City which is transferred to counties for certain health and welfare programs.

2. Lease Bonds Payable

On March 31, 1997, the Cathedral City Public Financing Authority issued the 1997 Taxable Lease Revenue Bonds (Bonds) in the amount of \$5,920,000. The proceeds from the Bonds were loaned to the City of Cathedral City (City). The City used the proceeds from the loan to make a construction loan to Big League Dreams Sports, LLC for the construction of a Sports Complex in the City. Principal payments are due annually from August 1, 1999 through August 1, 2027 in amounts ranging from \$180,000 to \$475,000 with interest due semi-annually each February 1 and August 1 at

CITY OF CATHEDRAL CITY
Notes to Financial Statements (Continued)
June 30, 2006

rates ranging from 6.95% to 7.875%. The reserve requirement is an amount equal to the lesser of the maximum annual debt service or the maximum amount permitted to be deposited in the reserve account. At June 30, 2005, the reserve requirement was \$592,000. The amount held in reserve was \$592,000 at June 30, 2006. The amount outstanding at June 30, 2006 was \$5,275,000.

3. Tax Allocation Bonds Payable

- a. In April 2000, the Cathedral City Public Financing Authority (a component unit of the City of Cathedral City) issued \$12,311,000 of Tax Allocation Revenue Bonds, Series A (Senior Bonds) and \$3,815,000 Subordinate Tax Allocation Revenue Bonds, Series B (Subordinate Bonds). The proceeds were loaned to the Cathedral City Redevelopment Agency to assist in the financing and acquisition of capital improvements in the Agency's Merged Project Area.

The \$12,311,000 Tax Allocation Revenue Bonds, Series A consists of \$4,000,000 Serial Current Interest Bonds which mature serially through August 1, 2015 in annual installments ranging from \$30,000 to \$700,000 at interest rates of 4.10% to 5.50%; \$2,320,000 Term Bonds maturing August 1, 2018 subject to mandatory sinking fund requirements ranging from \$730,000 to \$820,000; \$3,770,000 Term Bonds maturing August 1, 2022 subject to mandatory sinking fund requirements ranging from \$860,000 to \$1,025,000; and \$2,221,000 in Capital Appreciation Bonds accruing interest at a range of 6.0% to 6.15% with final accreted value payable annually in installments ranging from \$1,075,000 to \$1,085,000 commencing August 1, 2023 through August 1, 2033. Outstanding balance at June 30, 2006

\$12,151,000

- b. On December 10, 2002, the Public Financing Authority (a component unit of the City of Cathedral City) issued \$24,220,000 of Tax Allocation Revenue Bonds, 2002 Series A. The proceeds were loaned to the Cathedral City Redevelopment Agency. The proceeds of the bonds were applied as follows: (a) to refund certain subordinate tax allocation revenue bonds issued by the Authority in 2000, (b) construction and acquisition of certain capital improvements which are located in the Agency's Merged Project Area and Project Area No. 3, (c) funding the premium for a reserve fund surety bond. As a result, the 2000 Subordinate Tax Allocation Revenue Bonds, Series B are considered defeased.

CITY OF CATHEDRAL CITY
Notes to Financial Statements (Continued)
June 30, 2006

- The Cathedral City Public Financing Authority 2002 Tax Allocation Revenue Bonds, Series A; issued December 10, 2002, \$16,280,000 mature serially from August 1, 2003 through August 1, 2033 in annual installments ranging from \$650,000 to \$1,400,000 at interest rates of 2.25% to 4.75%. Term bonds of \$7,940,000 with an interest rate of 5.00% maturing on August 1, 2033 are subject to mandatory sinking fund requirements ranging from \$488,000 to \$1,498,750. The bonds are secured by loan agreements from the City of Cathedral City Redevelopment Agency that are secured by a pledge of certain tax increment revenues. Outstanding balance at June 30, 2006
- 22,660,000
- c. On November 21, 2002, the Public Financing Authority (a component unit of the City of Cathedral City) issued \$22,820,000 of Tax Allocation Revenues Bonds, 2002 Series D. The proceeds of the bonds were loaned to the Cathedral City Redevelopment Agency. The proceeds of the bonds were applied as follows: (a) to provide funds for increasing, improving, and preserving the City's supply of low and moderate-income housing, and (b) funding the premium for a reserve account surety bond.
- Serial bonds of this issue in the amount of \$8,830,000 mature serially from August 1, 2003 through August 1, 2011 in annual installments ranging from \$250,000 to \$500,000 at interest rates of 3.00% to 4.75%. Term bonds of \$5,165,000 with an interest rate of 5.00% maturing on August 1, 2026 are subject to mandatory sinking fund requirements ranging from \$1,429,750 to \$1,434,250. Term bonds of \$8,290,000 with an interest rate of 5.00% maturing on August 1, 2033 are subject to mandatory sinking fund requirements ranging from \$1,430,000 to \$1,434,500. The bonds are secured by loan agreements from the City of Cathedral City Redevelopment Agency that are secured by a pledge of certain tax increment revenues required to be set aside for low and moderate-income housing purposes pursuant to Redevelopment Law. Outstanding balance at June 30, 2006
- 21,755,000
- d. On November 21, 2002, the Public Financing Authority (a component unit of the City of Cathedral City) issued \$14,350,000 of Taxable Tax Allocation Revenue Bonds, 2002 Series E. The proceeds were loaned to the Cathedral City Redevelopment Agency. The proceeds of the bonds were

CITY OF CATHEDRAL CITY
Notes to Financial Statements (Continued)
June 30, 2006

applied as follows: (a) to provide funds for increasing, improving, and preserving the City's supply of low and moderate-income housing, and (b) funding the premium for a reserve account surety bond.

The Cathedral City Public Financing Authority 2002 Tax Allocation Revenue Bonds, Series E; issued November 21, 2002, \$1,240,000 mature serially from August 1, 2003 through August 1, 2008 in annual installments ranging from \$130,000 to \$235,000 at interest rates of 2.03% to 4.07%. Term bonds of \$1,685,000 with an interest rate of 5.19% maturing on

The Cathedral City Public Financing Authority 2002 Tax Allocation Revenue Bonds, Series E; issued November 21, 2002, \$1,240,000 mature serially from August 1, 2003 through August 1, 2008 in annual installments ranging from \$130,000 to \$235,000 at interest rates of 2.03% to 4.07%. Term bonds of \$1,685,000 with an interest rate of 5.19% maturing on August 1, 2014 are subject to mandatory sinking fund requirements ranging from \$1,034,090 to \$1,038,728.

Term bonds of \$3,320,000 with an interest rate of 6.11% maturing on August 1, 2022 are subject to mandatory sinking fund requirements ranging from \$1,034,146 to \$1,037,609. Term bonds of \$8,105,000 with an interest rate of 6.16% maturing on August 1, 2033 are subject to mandatory sinking fund requirements ranging from \$1,034,200 to \$1,038,932. The bonds are secured by a taxable loan agreement from the City of Cathedral City Redevelopment Agency that are secured by a pledge of certain housing tax revenues. Outstanding balance at June 30, 2006

13,795,000

- e. On December 9, 2004, the Cathedral City Public Financing Authority issued the 2004 Tax Allocation Revenue Bonds, Series A and Series B for \$21,370,000 and \$8,630,000 respectively. Monies from the Series A were used to refund \$15,625,000 of the remaining 1995 Tax Allocation Bond Series A, create \$4,000,000 of new project resources, and pay the cost of issuance and other associated fees. Monies from the Series B were used to fund \$8,231,439 of new project resources and pay the cost of issuance and other associated fees. The Series A and B Bonds have maturity dates from 2005 through 2034. The Series A Bonds have rates ranging from 3.0% to 5.125% and are

CITY OF CATHEDRAL CITY
Notes to Financial Statements (Continued)
June 30, 2006

Tax-Exempt Bonds. The Series B Bonds have rates ranging from 2.89% to 5.87% and are Taxable Bonds.

Outstanding balance at June 30, 2006 of the Series A	20,735,000
Outstanding balance at June 30, 2006 of the Series B	8,330,000

f. 2005 Tax Allocation Revenue Bonds, Series A

On June 17, 2005 (with a closing date of July 2005), the Cathedral City Public Financing Authority issued the 2005 Tax Allocation Revenue Bonds, Series A for \$13,000,000. Monies from the Bonds were used to refinance and restructure the remaining outstanding portion of the Cathedral City Redevelopment Agency's 1995A Tax Allocation Revenue Bonds issued by the Public Financing Authority in November 1995 for the Project Area #3 and the Merged Project Area. Additionally, new monies were created in the amount of \$732,436 for Project Area #3 and \$2,010,03 for the Merged Project Area. The Bonds have Maturity Dates from 2006 through 2034 with rates ranging from 3.125% to 4.5%. The principal balance of the Bonds on June 30, 2006.

13,000,000

The Outstanding Tax Allocation Bonds

\$112,426,000

4. Revenue Bonds Payable

On December 3, 2004, the Cathedral City Public Finance Authority issued 2004 Series A (Limited Obligation) Local Agency Revenue Bonds in the amount of \$15,525,000. The proceeds were used to purchase the Authority's 1996 Series A and Series B Revenue Bonds which in turn purchased the City of Cathedral City Limited Obligation Bonds for Assessment Districts 85-1, 86-5, 88-2 and 88-3. The new bonds also purchased the 2004 Rio Vista District Bonds, which were issued concurrently to purchase the City's Limited Obligation Improvement Bonds, Assessment District 96-1 (Rio Vista). The bonds have maturity dates from 2015 through 2024 and have rates ranging from 3.0% to 4.25%. The amount outstanding at June 30, 2006 was \$12,760,000.

Debt Service Requirements to Maturity

The annual requirements to amortize long-term debt, excluding employee leave payable, notes payable, and leases payable as of June 30, 2006 are as follows:

CITY OF CATHEDRAL CITY
Notes to Financial Statements (Continued)
June 30, 2006

Governmental Activities:

Year Ending June 30,	Certificate of Participation		Lease Bonds		Tax Allocation Bonds		Revenue Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2007	\$ 255,000	\$ 48,900	\$ 100,000	\$ 412,203	\$ 2,280,000	\$ 5,376,073	\$ 2,150,000	\$ 428,555
2008	270,000	36,165	105,000	404,903	2,395,000	5,265,437	2,215,000	363,955
2009	285,000	22,425	115,000	397,238	2,475,000	5,179,158	1,230,000	297,505
2010	300,000	7,650	120,000	388,325	2,565,000	5,086,535	1,000,000	252,918
2011			130,000	379,025	2,670,000	4,971,403	850,000	214,168
2012-2016			830,000	1,725,788	15,155,000	23,029,079	985,000	836,183
2017-2021			1,205,000	1,350,150	18,985,000	19,147,297	1,230,000	593,813
2022-2026			1,755,000	795,375	21,566,754	16,581,062	3,100,000	255,310
2027-2031			915,000	109,463	25,053,686	13,126,556		
2032-2035					19,280,560	4,939,556		
	<u>\$ 1,110,000</u>	<u>\$ 115,140</u>	<u>\$ 5,275,000</u>	<u>\$ 5,962,470</u>	<u>\$ 112,426,000</u>	<u>\$ 102,702,156</u>	<u>\$ 12,760,000</u>	<u>\$ 3,242,407</u>

5. Capital Leases – Proprietary Fund Types

a. In September 2001, the City entered into a long-term lease arrangement with LaSalle Bank National Association to purchase a Fire Truck Pumper for \$488,675. The lease has a term of five year, an interest rate of 4.760%, and annual payments of 89,736. Outstanding balance at June 30, 2006 \$ 85,658

b. In September 2003, the City entered into a long-term lease arrangement with Kansas State Bank of Manhattan to purchase a Fire Department Defibrillator for \$80,096. The lease has a term of five years and annual payments of \$16,019. Outstanding balance at June 30, 2006 29,047

c. On September 23, 2004, the City entered into a Master Lease Agreement with Sun Trust Leasing Corporation for the purpose of facilitating equipment lease/purchase/ financing. Under the Master Lease Agreement the City can enter into special Equipment Schedules for the purchase of necessary equipment or improvements. Upon payment completion of any Equipment Lease (financing), the equipment contained therein shall become the property of the City without further payment.

Equipment Schedule 001 was initiated on September 23, 2004 for \$2,753,500 for the financing of an energy savings project to install building lighting, traffic LED, solar electric panel installation and window tinting with Honeywell. The outstanding balance at June 30, 2006 1,539,693

CITY OF CATHEDRAL CITY
Notes to Financial Statements (Continued)
June 30, 2006

Equipment Schedule 002 was initiated on December 13, 2004 for \$160,000 for the financing of one ambulance. The lease has a term of 3 years, an interest rate of 4.03%, and annual payments of \$75,566. The outstanding balance at June 30, 2006 55,540

Equipment Schedule 003 was initiated on January 26, 2006 for \$215,000 for the financing of one ambulance. The lease has a term of 3 years, and interest rate of 4.03%, and annual payments of \$75,566. The outstanding balance at June 30, 2006 142,313

Total Capital Leases Outstanding \$1,852,251

The annual requirements to a capital leases payable as of June 30, 2006 are as follows:

Year Ending June 30,	Principal	Interest
2007	\$ 337,201	\$ 77,121
2008	209,812	62,516
2009	124,485	53,515
2010	129,589	48,411
2011	134,902	43,098
2012-2016	762,154	127,846
2017-2021	154,108	6,318
Total	\$ 1,852,251	\$ 418,825

6. Long-Term Loans and Notes Payable

Notes Payable

On December 29, 1986, the City of Cathedral City Redevelopment Agency (a component unit of the City of Cathedral City) issued a promissory note in the sum of \$2,788,423 for the disposition and development of approximately eleven acres of real property located in Project Area No. 2 (Merged Project Area). Interest on the note accrues upon the opening of the facility (October 27, 1987) following development of the property at a floating rate equal to two percent per annum over the Wells Fargo Bank prime rate. The note will be repaid by the Agency in an amount equal to 70% of the sales and use tax revenues derived from business activities conducted upon the site and received by the City of Cathedral City. Total interest accrued by \$383,394 as of June 30, 2006. On November 22, 2027, any unpaid principal and interest owed by the Agency will be forgiven. The outstanding balance which includes accrued interest at June 30, 2006 was \$7,411,550.

CITY OF CATHEDRAL CITY
Notes to Financial Statements (Continued)
June 30, 2006

On September 24, 2001, the City entered into two note agreements with Plaza Motors in the amount of \$132,000 and \$1,000,000, for the purpose of the City's obligation of rain run off and flood control improvement and City's obligation for site improvements, respectively. The terms of the \$132,000 note is to be paid based on the sales tax revenues the auto dealership of Plaza Motors, Inc., accruing annual interest at 12%. The terms of the \$1,000,000 note is to be paid based on 100% of the first \$200,000 in sales tax revenues from the auto dealership after the \$132,000 note has been paid in full and 50% of any remaining sales tax until the note is paid in full. The note does not bear interest. The note is collateralized by the sales tax receipts. The combined interest rate is 1.3%. The amount outstanding as of June 30, 2006 was \$180,063.

The Cathedral City Redevelopment Agency's Low and Moderate Income Housing Department entered into a Loan Agreement with the California Housing Finance Agency on February 24, 2004 with a total principal amount available of \$500,000. The Term of the Loan is 10 years from the date of the Agreement and bears a simple interest rate of 3 % per annum. Repayment is deferred for the term of the HELP Loan. During the fiscal year ending June 30, 2006, the Cathedral City Redevelopment Agency did a final draw down on the available principal of \$170,000. The total principal balance due at June 30, 2006 is \$500,000. No payment is due on the loan until February 24, 2014.

On July 1, 2002, the City of Cathedral City and the Redevelopment Agency of the City of Cathedral City assumed a mortgage loan of \$49,457 on a property located within the RDA district. The note is secured by the property, and is due in monthly installments of \$498, including interest at an annual rate of 6.875%. The amount outstanding at June 30, 2006 was \$46,589.

Debt Service Requirements to Maturity

There is no fixed repayment schedule on the amount owed on the disposition and development agreement of \$7,411,550 and the notes with Plaza Motors for \$180,063. Future debt service payments on the mortgage loan are as follows:

<u>Year Ending</u> <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>
2007	\$ 875	\$ 3,811
2008	952	3,736
2009	1,034	3,654
2010	1,122	3,566
2011-2015	7,230	16,210
2016-2020	10,907	12,532
2021-2025	16,452	6,988
2026-2029	8,017	654
Total	<u>\$ 46,589</u>	<u>\$ 51,151</u>

CITY OF CATHEDRAL CITY
Notes to Financial Statements (Continued)
June 30, 2006

IV. Other Information

A. Pension Plan

Plan Description:

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

Funding Policy:

Participants are required to contribute 7%-9% of their annual covered salary. The City makes the contributions required of City employees on their behalf and for their account. The City is required to contribute the actuarially determined remaining amounts necessary to fund the benefits for its members. The actuarial methods and assumptions used are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2006 was 12.38% for miscellaneous employees, 21.711% for safety (police) and 11.005% for safety (fire) employees. The contribution requirements of the plan members are established by State statute and the employer contribution rate is established and may be amended by CalPERS.

Annual Pension Cost:

For fiscal year 2006, the City's actual and contributed annual pension cost was \$2,965,730. The required contribution for the fiscal year 2006 was determined as part of the June 30, 2003 actuarial valuation using the entry age normal actuarial cost method with the contributions determined as a percent of pay. The actuarial assumptions included (a) 7.75% investment rate of return (net of administrative expenses), (b) projected salary increases that vary by duration of service ranging from 3.25% to 14.25% for miscellaneous members (from 3.25% to 11.15% for safety members), and (c) a 2% cost-of-living adjustment. Both (a) and (b) include an inflation component of 3.5%. The actuarial value of the Plans' assets were determined using a technique that

CITY OF CATHEDRAL CITY
Notes to Financial Statements (Continued)
June 30, 2006

smooths the effect of short-term volatility in the market value of investments over a 15 year period depending on the size of investment gains and/or losses. The Plans' unfunded actuarial excess assets are being amortized as a level percentage of projected payroll on a closed basis. As of June 30, 2004, police and fire employees are included in the mandatory pooling plans for less than 100 active members.

Three-year trend information for the Miscellaneous and Safety Plans:

Miscellaneous Employees

<u>Fiscal Year</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/04	\$431,725	100%	\$658,542
6/30/05	448,763	100%	623,740
6/30/06	495,826	100%	669,911

Safety Employees (Police)

<u>Fiscal Year</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/04	\$557,099	100%	\$820,388
6/30/05	478,228	100%	873,832
6/30/06	511,628	100%	924,597

Safety Employees (Fire)

<u>Fiscal Year</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/04	\$317,641	100%	\$316,256
6/30/05	361,027	100%	361,112
6/30/06	357,278	100%	377,365

B. Self-Insurance Program

The City is a member of the Public Entity Risk Management Authority (PERMA), a joint powers insurance authority formed for the purpose of jointly funding programs of insurance coverage for its members. PERMA is comprised of twenty-six participating

CITY OF CATHEDRAL CITY
Notes to Financial Statements (Continued)
June 30, 2006

member agencies with equal governing and no management authority. The City of Cathedral City joined PERMA on July 25, 1985 for the purpose of long-term premium stability. The City participates in the employer's liability coverage and the worker's compensation coverage programs of PERMA.

PERMA's liability program provides coverage up to \$25 million per occurrence for personal injury, bodily injury, property damage and public officials' errors and omissions. The City has selected self-insurance of \$250,000 and participates in risk sharing pools for losses up to \$5 million per occurrence, limited to \$10 million.

PERMA's workers' compensation program provides up to \$50 million per accident for workers' compensation and up to \$10 million each accident for employer's liability. The City's self-insurance limit under workers' compensation is \$250,000 per accident or employee with coverage to statutory limits.

Estimates for all workers' compensation and general liabilities, up to the self-insured levels, are recorded in an internal service fund. Claims payable for the self-insurance liability, including a provision for incurred but not reported claims, was \$2,747,841 at June 30, 2006. Settled claims from general liability and workers' compensation risks have not exceeded commercial insurance coverage for the past three years.

Changes in claims liabilities for the past two years are as follows:

	Beginning Balance	Changes in Estimates	Claims Payments	Ending Balance
2004-05	\$ 2,228,542	\$ 2,191,857	\$ (1,292,024)	\$ 3,128,375
2005-06	3,128,375		(380,534)	2,747,841

C. Contingent Liabilities

The City is a defendant in several pending lawsuits of a nature common to many similar jurisdictions. City management estimates that the potential claims against the City not covered by insurance resulting from such litigation would not materially affect the financial position of the City.

D. Loan Guarantees / Commitments

Under the Palm Canyon DDA, the Agency has agreed to make certain loan payments on behalf of Palm Canyon Partners in the amount of up to \$99,827 per month. These payments are funded by lease payments made by North American Cinema, Inc. (NACI) to the Agency for a 14 screen multiplex theater that opened in 2001. As of June 30, 2006, there were 120 payments remaining for a total obligation of up to \$11,979,240

CITY OF CATHEDRAL CITY
Notes to Financial Statements (Continued)
June 30, 2006

guaranteed by the Agency. The funding from NACI for the fiscal year ended June 30, 2006 was inadequate to make the payments by \$120,781.

As a subsequent year event, the Palm Canyon Partners, LLC's interest in the theater was purchased by IXIS Real Estate Capital, Inc. The Lease Guarantee from the Agency was continued under the new ownership in the amount state at June 30, 2006 above.

E. Assessment District Bond Issues

Assessment District No. 2001-01

In May 2001, the City of Cathedral City issued \$3,085,000 of Limited Obligation Improvement Bonds to finance the acquisition and construction of improvements consisting of street improvements, sidewalks, striping, street lights and related work, perimeter landscaping of direct special benefits to the properties with the District, and related administrative, legal, financing, and engineering costs. The Bonds were issued as fully registered Bonds in Denominations of \$5,000 and one bond in an odd amount, each with principal due annually on September 2, in amounts ranging from \$15,000 to \$235,000 through September 2, 2026. Interest is payable semiannually on March 2 and September 2, at interest rates ranging from 5.7% to 6.5%. The outstanding balance at June 30, 2006 was \$2,875,000.

Under the provisions of the Improvement Bond Act of 1915, installments equal to the annual debt service are to be included on the tax bills sent to owners of property in which unpaid assessments exist. The City is not directly liable for repayment of the bonds except to the extent that the City has covenanted to institute foreclosure proceedings in the event of delinquent installment. However, the City has a limited liability to advance funds to the Redemption Fund in the event of delinquent installments which shall not exceed the balance in the Reserve Fund. Under the terms of the issue, \$252,775 must be set aside in reserve funds, which represents the maximum annual debt service payment due on the Bond. At June 30, 2006, the actual amount held in reserve funds was \$256,819.

Community Facilities District No. 2000-1

In November 2000, the City of Cathedral City issued \$12,230,000 of Community Facilities District Bonds to finance certain public infrastructure to include storm drain improvements, sanitary sewer systems, water system, landscaping and street improvements including paving, curbing and the installation of gutters, sidewalks and signage of direct special benefits to the properties with the District, commonly known as Rio Vista Village. The Bonds were issued as fully registered Bonds in Denominations of \$5,000 with the first principal maturity September 2004 and final maturity September 2030. Interest rates range from 4.75% to 6.7%. The outstanding principal balance at June 30, 2006 was \$12,195,000.

The District was formed and established by the City on January 12, 2000 pursuant to the Mello-Roos Community Facilities Act of 1982, as amended (Sections 53311 of the Government Code of the State of California). Under provisions of the Act, installments

CITY OF CATHEDRAL CITY
Notes to Financial Statements (Continued)
June 30, 2006

equal to the annual debt service are to be included on the tax bills sent to owners of property in which unpaid assessments exist. The City is not directly liable for repayment of the bonds except to the extent that the City has covenanted to institute foreclosure proceeding under certain circumstances. The City has pledged to repay the Bonds from the Special Tax Revenues and amounts on deposit in the Bond Payment Fund and the Reserve Fund. The Reserve Fund at inception was \$1,223,000. The Reserve Fund on June 30, 2006 was \$1,233,000.

Assessment District No. 2003-01

In August 2004, the City of Cathedral City issued \$6,671,933 of Limited Obligation Improvement Bonds to finance the acquisition and construction of improvements consisting of street improvements, and sewer improvements of direct special benefits to the properties with the District, and related administrative, legal, financing and engineering costs. The Bonds were issued as fully registered Bonds with interest rates ranging from 2.2% to 5.7% with the final bonds maturing in 2022.

The Bonds are Limited Obligation Improvement Bonds and are secured solely by the assessments and the amounts in the Redemption Fund and the Reserve Fund. The Bonds are not secured by the general taxing power of the City, the County, the State or any Political Subdivision of the State. Neither the faith and credit nor the taxing power of the City, County, State, or Political Subdivision is pledged for the payment of the Bonds. Under provisions of the Improvement Bond Act of 1915, installments equal to the annual debt service are to be included on the tax bills sent to owners of property in which unpaid assessments exist. These annual Assessment installments are to be paid into the Redemption Fund, to be held by the Fiscal Agent and used to pay debt service on the Bonds as it becomes due. The City will establish a Reserve Fund with a portion of the proceeds of the Bonds, to be held by the Fiscal Agent. Amounts in the Reserve Fund will be transferred to the Redemption Fund to the extent of delinquencies in the payment of the Assessment installments. The reserve Fund will be maintained from available Assessment payments, in an amount equal to the Reserve Requirement. The Reserve Fund balance as of June 30, 2006 is \$478,326. The outstanding principal balance at June 30, 2006 was \$6,275,000.

Assessment District No. 2004-01

In September 2004, the City of Cathedral City issued \$5,978,326 of Limited Obligation Improvement Bonds to finance the acquisition and construction of improvements consisting of street improvements, and sewer improvements of direct special benefits to the properties with the District, and related administrative, legal, financing and engineering costs. The Bonds were issued as fully registered Bonds with interest rates ranging from 1.85% to 5.95% with the final bonds maturing in 2034.

CITY OF CATHEDRAL CITY
Notes to Financial Statements (Continued)
June 30, 2006

The Bonds are Limited Obligation Improvement Bonds and are secured solely by the assessments and the amounts in the Redemption Fund and the Reserve Fund. The Bonds are not secured by the general taxing power of the City, the County, the State or any Political Subdivision of the State. Neither the faith and credit nor the taxing power of the City, County, State, or Political Subdivision is pledged for the payment of the Bonds. Under provisions of the Improvement Bond Act of 1915, installments equal to the annual debt service are to be included on the tax bills sent to owners of property in which unpaid assessments exist. These annual Assessment installments are to be paid into the Redemption Fund, to be held by the Fiscal Agent and used to pay debt service on the Bonds as it becomes due. The City will establish a Reserve Fund with a portion of the proceeds of the Bonds, to be held by the Fiscal Agent. Amounts in the Reserve Fund will be transferred to the Redemption Fund to the extent of delinquencies in the payment of the Assessment installments. The reserve Fund will be maintained from available Assessment payments, in an amount equal to the Reserve Requirement. The Reserve Fund balance as of June 30, 2006 is \$425,406. The outstanding principal balance at June 30, 2006 was \$5,790,000.

Cove Improvement District No. 2004-02

In August 2005, the City of Cathedral City issued \$33,847,337 of Limited Obligation Improvement Bonds to finance the acquisition and construction of improvements consisting of street improvements, and sewer improvements of direct special benefits to the properties with the District, and related administrative, legal, financing and engineering costs. The Bonds were issued as fully registered Bonds with interest rates ranging from 2.85% to 5.0% with the final bonds maturing in 2025.

The Bonds are Limited Obligation Improvement Bonds and are secured solely by the assessments and the amounts in the Redemption Fund and the Reserve Fund. The Bonds are not secured by the general taxing power of the City, the County, the State or any Political Subdivision of the State. Neither the faith and credit nor the taxing power of the City, County, State, or Political Subdivision is pledged for the payment of the Bonds. Under provisions of the Improvement Bond Act of 1915, installments equal to the annual debt service are to be included on the tax bills sent to owners of property in which unpaid assessments exist. These annual Assessment installments are to be paid into the Redemption Fund, to be held by the Fiscal Agent and used to pay debt service on the Bonds as it becomes due. The City established a Reserve Fund with a portion of the proceeds of the Bonds, to be held by the Fiscal Agent. Amounts in the Reserve Fund will be transferred to the Redemption Fund to the extent of delinquencies in the payment of the Assessment installments. The Reserve Fund will be maintained from available Assessment payments, in an amount equal to the Reserve Requirement. The Reserve Fund balance as of June 30, 2006 is \$2,244,082. The outstanding principal balance at June 30, 2006 was \$33,512,337.

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REQUIRED SUPPLEMENTARY INFORMATION

CITY OF CATHEDRAL CITY
PERS Schedule of Funding Progress
June 30, 2006

Actuarial Valuation Covered 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 % of Covered Payroll [(B-A)/C]
6/30/03:						
Misc.	\$ 12,668,342	\$ 14,589,699	\$ 1,921,357	86.8%	\$ 4,832,755	39.757%
Safety (Fire)	9,659,642	9,504,899	(154,743)	101.6%	2,610,874	(5.927)%
Safety (Police)	<u>15,978,833</u>	<u>17,995,891</u>	<u>2,017,058</u>	88.8%	<u>3,433,022</u>	58.755%
Total	<u>\$ 38,306,817</u>	<u>\$ 42,090,489</u>	<u>\$ 3,783,672</u>	91.0%	<u>\$ 10,876,651</u>	34.787%
6/30/04:						
Misc.	\$ 13,567,846	\$ 16,098,695	\$ 2,530,849	84.3%	\$ 5,027,203	50.343%
Safety:						
(Fire/Police) ⁽¹⁾	<u>885,549,650</u>	<u>996,203,370</u>	<u>110,653,720</u>	88.9%	<u>149,407,703</u>	74.062%
Total	<u>\$ 899,117,496</u>	<u>\$ 1,012,302,065</u>	<u>\$ 113,184,569</u>	88.8%	<u>\$ 154,434,906</u>	73.289%
6/30/05:						
Misc.	\$ 15,162,403	\$ 17,783,539	\$ 2,621,136	85.3%	\$ 5,391,541	48.616%
Safety:						
(Fire/Police)	<u>646,358,708</u>	<u>742,247,338</u>	<u>95,888,630</u>	87.1%	<u>115,062,820</u>	83.336%
Total	<u>\$ 661,521,111</u>	<u>\$ 760,030,877</u>	<u>\$ 98,509,766</u>	87.0%	<u>\$ 120,454,361</u>	81.782%

⁽¹⁾ Based on actuarial reports provided by PERS, police and fire for the City of Cathedral City are included in a pool. As of June 30, 2003, stand alone valuations for these two groups will no longer be provided.

CITY OF CATHEDRAL CITY
 Budgetary Comparison Schedule
 General Fund
 For the Year Ended June 30, 2006

	Budget Original	Budget Final	Actual	Variance Positive (Negative)
Revenues:				
Taxes	\$ 14,914,000	\$ 18,136,000	\$ 18,658,177	\$ 522,177
Fines and forfeitures	6,500	10,000	14,482	4,482
Intergovernmental	123,084	123,084	102,570	(20,514)
Licenses and permits	2,054,000	1,972,800	2,290,754	317,954
Charges for services	2,683,550	3,062,000	3,402,773	340,773
Interest	300,000	550,000	596,113	46,113
Miscellaneous	183,893	738,813	1,159,554	420,741
Total Revenues	20,265,027	24,592,697	26,224,423	1,631,726
Expenditures:				
Current:				
General government	5,845,135	8,167,495	6,423,246	1,744,249
Public safety	15,064,110	16,932,483	16,525,558	406,925
Public works	2,817,961	2,816,920	3,093,281	(276,361)
Payments under pass-through agreements	452,000	452,000	451,880	120
Capital outlay	196,600	191,100	257,043	(65,943)
Total Expenditures	24,375,806	28,559,998	26,751,008	1,808,990
Excess (Deficiency) of Revenues Over (Under) Expenditures	(4,110,779)	(3,967,301)	(526,585)	3,440,716
Other Financing Sources (Uses):				
Transfers in	2,196,784	2,243,185	1,934,339	(308,846)
Transfers out		(1,857,865)	(1,909,430)	(51,565)
Total Other Financing Sources (Uses)	2,196,784	385,320	24,909	(360,411)
Net Change in Fund Balances	(1,913,995)	(3,581,981)	(501,676)	3,080,305
Fund Balances, Beginning,	16,859,930	16,859,930	19,392,587	(2,532,657)
Fund Balances, at End of Year	\$ 14,945,935	\$ 13,277,949	\$ 18,890,911	\$ 547,648

See Accompanying Notes to Required Supplementary Information.

CITY OF CATHEDRAL CITY
Notes to Required Supplementary Information
June 30, 2006

1. Budgets and Budgetary Accounting

The City of Cathedral City adopts an annual budget prepared on the modified accrual basis for the general fund and special revenue funds. The City Manager and Director of Finance prepare and submit the annual budget to the City Council and administer it after adoption. The City Manager is authorized to adjust appropriations between each department or activity, provided that the total appropriations for each department or activity does not exceed the amounts approved in the budget for any amending resolutions. Transfers of cash or unappropriated fund balance from one fund to another can only be made with City Council's approval. For each fund, total expenditures, may not legally exceed total appropriations. During the year, several supplementary appropriations were necessary.

SUPPLEMENTARY INFORMATION

CITY OF CATHEDRAL CITY
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2006

<u>Assets</u>	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Nonmajor Governmental Funds
Cash and investments	\$ 13,461,202	\$ 4,004,208	\$ 35,620,809	\$ 53,086,220
Cash and investments with fiscal agent		593,615	8,515,961	9,109,576
Interest receivable	126,928	5,211	390,926	523,065
Accounts receivable	1,334,656	223,484	334,927	1,893,067
Loans receivable	660,198	3,974,576	5,820,565	10,455,339
Advances from other funds			1,130,000	1,130,000
Land held for resale	7,334,852		27,801,624	35,136,476
Deposits	63,970		293,720	357,690
Total Assets	\$ 22,981,806	\$ 8,801,094	\$ 79,908,532	\$ 111,691,433
 <u>Liabilities and Fund Balance</u>				
Liabilities:				
Accounts payable	\$ 170,555		\$ 223,657	\$ 394,213
Accrued liabilities	69,611		48,172	117,783
Deposits	897,064		1,500	898,564
Due to other funds	929,087			929,087
Deferred revenue	140,334		525,131	665,465
Advance from other funds			3,700,847	3,700,847
Total Liabilities	2,206,651		4,499,307	6,705,959
 Fund Balance:				
Reserved for:				
Land held for resale	7,334,852		27,801,624	35,136,476
Domestic violence grant				
Loans receivable	660,198	\$ 3,974,576	5,820,565	10,455,339
Deposit	63,970		293,720	357,690
Debt service		4,826,518		4,826,518
Advances to other funds			1,130,000	1,130,000
Unreserved	12,716,135		40,363,316	53,079,451
Total Fund Balances (Deficits)	20,775,155	8,801,094	75,409,225	104,985,474
Total Liabilities and Fund Balances	\$ 22,981,806	\$ 8,801,094	\$ 79,908,532	\$ 111,691,433

CITY OF CATHEDRAL CITY
Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
June 30, 2006

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Nonmajor Governmental Funds
Revenues:				
Taxes	\$ 4,905,830	\$ 5,213,870		\$ 10,119,700
Intergovernmental	4,088,783		\$ 132,209	4,220,992
Licenses and permits	139,638		207,350	346,988
Charges for services	1,180,136		149,799	1,329,935
Interest	338,768	487,426	1,707,010	2,533,204
Miscellaneous	1,097,562	20,013	806,626	1,924,201
Total Revenues	11,750,717	5,721,309	3,002,994	20,475,020
Expenditures:				
Current:				
General government	1,081,447			1,081,447
Community development	997,156	84,216	1,917,888	2,999,260
Public safety	480,253			480,253
Public works	1,257,421			1,257,421
Payments under pass-through agreements		525,270	595,491	1,120,761
Capital outlay	2,049,045		5,759,811	7,808,856
Debt service:				
Principal	808	6,732,114	800,000	7,532,922
Interest	4,438	457,431		461,869
Cost of issuance		396,138		396,138
Total Expenditures	5,870,568	8,195,169	9,073,190	23,138,927
Excess of Revenues Over (Under) Expenditures	5,880,149	(2,473,860)	(6,070,196)	(2,663,907)
Other Financing Sources (Uses):				
Transfers in	93,805	3,521,486	14,355,532	17,970,823
Transfers out	(4,898,598)	(8,137,758)	(4,571,651)	(17,608,007)
Loss on sale of land	(18,072)			(18,072)
Issuance of debt		8,000,000		8,000,000
Loan proceeds	170,000			170,000
Total Other Financing Sources (Uses)	(4,652,865)	3,383,728	9,783,881	8,514,744
Net Change in Fund Balances	1,227,284	909,868	3,713,685	5,850,837
Fund Balances, Beginning	19,547,871	7,891,226	71,695,540	99,134,637
Fund Balances, Ending	\$ 20,775,155	\$ 8,801,094	\$ 75,409,225	\$ 104,985,474

NONMAJOR SPECIAL REVENUE FUNDS

Special revenue funds are used to account for proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes.

Low and Moderate Income Housing Fund – Accounts for low and moderate-income housing expenditures for the Redevelopment Agency and 20% set aside of property tax increment revenues collected by the County.

Master Underground Plan Fund – Accounts for the cost of burying above ground utility lines. Financing is provided by a fee charged to developers.

Developer Fees – Accounts for revenue and expenditures for various Developer Fees imposed by the City and reserved from specific projects as designated by the individual Fee approved by the City Council. Financing is provided by fees charged to developers.

TDA SB821 - Accounts for the revenue and expenditures under the Transportation Development Act (TDA) Article 3 Riverside County Transportation Commission (RCTC) approved projects. Projects are funded by the RCTC.

National Pollutant Discharge Elimination System (NPDES) Program Fund – Accounts for the funds received from Riverside County for compliance with requirements of the Federal Clean Water Act regarding discharging stormwater.

Traffic Safety Fund – Accounts for traffic safety signal installation, maintenance, and road repairs. Financing is provided by vehicle code fines collected by the County.

Community Development Block Grant Fund – Accounts for capital projects designated in the grant. Financing is provided by the County's Department of Housing and Community Development which is a U.S. Department of Housing and Urban Development grant recipient.

State Gas Tax Fund – Accounts for street improvement and engineering costs. Financing is provided by the City's allocation of State gasoline taxes.

Air Quality Improvements Fund – Accounts for revenues received under AB 2766. Expenditures are restricted for the use of reduction of air pollution.

Solid Waste Fund – Accounts for revenues received under AB 939. Expenditures are limited to programs that initiate recycling efforts throughout the City.

State Asset Forfeiture Program Fund – Accounts for expenditures incurred in narcotics interdiction efforts. Financing is provided by awards for the court of seized assets.

Police Grant Fund – Accounts for expenditures related to state and federal grants for the City's Police Department.

Police Donations Fund – Accounts for receipts collected which are restricted for expenditures related to the police department projects.

NONMAJOR SPECIAL REVENUE FUNDS (Continued)

Fire Donations Fund – Accounts for receipts collected which are restricted for expenditures related to the fire department programs.

Telecommunications Equipment Fund – Accounts for receipts collected which are restricted for expenditures on telecommunication equipment.

Landscape and Lighting District – Accounts for special assessments levied on real property and expenditures to provide landscaping and street lighting maintenance for certain districts formed within the City.

Measure “A” Fund – Accounts for revenues provided by the Riverside County Measure “A”. These funds are used for street improvements and engineering costs.

Special Deposits Fund – Accounts for deposits held by the City on the account for others. Such deposits include (a) utility deposits, (b) Fringed-Toed Lizard fees, and (c) Riverside County Superintendent of Schools.

Transfer Station Road – Accounts for revenues collected by Riverside County as a City mitigation fee. Funds are to be used for road construction and maintenance of roadways to access the Edom Hill Transfer Station and various traffic signalization requirements. Any excess funds are to be used for any streets or public services within the City.

CITY OF CATHEDRAL CITY
Combining Balance Sheet
Nonmajor Special Revenue Funds
June 30, 2006

<u>Assets</u>	<u>Low and Moderate Income Housing</u>	<u>Master Underground Plan</u>	<u>Developer Fees</u>	<u>TDA SB821</u>
Cash and investments	\$ 4,293,266	\$ 1,572,886	\$ 135,397	
Interest receivable	40,134	14,704	1,267	
Accounts receivable	93,070			
Loans receivable	660,198			
Land held for resale	7,334,852			
Deposits	17,200			
	<hr/>	<hr/>	<hr/>	<hr/>
Total Assets	<u>\$ 12,438,720</u>	<u>\$ 1,587,590</u>	<u>\$ 136,664</u>	<u>\$ -</u>
<u>Liabilities and Fund Balances</u>				
Liabilities:				
Accounts payable	\$ 51,939			
Accrued liabilities	10,013			
Deposits	80			
Due to other funds				\$ 5,575
Deferred revenue	3,670		\$ 136,664	
	<hr/>	<hr/>	<hr/>	<hr/>
Total Liabilities	<u>65,702</u>	<hr/>	<u>136,664</u>	<u>5,575</u>
Fund Balances:				
Reserved:				
Loans receivable	660,198			
Land held for resale	7,334,852			
Deposits	17,200			
Unreserved	4,360,768	\$ 1,587,590		(5,575)
	<hr/>	<hr/>	<hr/>	<hr/>
Total Fund Balances	<u>12,373,018</u>	<u>1,587,590</u>	<hr/>	<u>(5,575)</u>
Total Liabilities and Fund Balances	<u>\$ 12,438,720</u>	<u>\$ 1,587,590</u>	<u>\$ 136,664</u>	<u>\$ -</u>

<u>NPDES Program</u>	<u>Traffic Safety</u>	<u>Community Development Block Grant</u>	<u>State Gas Tax</u>	<u>Air Quality Improvement</u>	<u>Solid Waste</u>
	\$ 691,652		\$ 975,295	\$ 266,562	
	6,466		9,117	2,492	
	50,002	\$ 689,350	63,960	15,240	\$ 44,964
					46,770
<u>\$ -</u>	<u>\$ 748,120</u>	<u>\$ 689,350</u>	<u>\$ 1,048,372</u>	<u>\$ 284,294</u>	<u>\$ 91,734</u>
	\$ 19,477		\$ 20,329	\$ 13,849	\$ 16,126
		\$ 619,020			304,492
	19,477	619,020	20,329	13,849	320,618
	728,643	70,330	1,028,043	270,445	46,770 (275,654)
	728,643	70,330	1,028,043	270,445	(228,884)
<u>\$ -</u>	<u>\$ 748,120</u>	<u>\$ 689,350</u>	<u>\$ 1,048,372</u>	<u>\$ 284,294</u>	<u>\$ 91,734</u>

(Continued)

CITY OF CATHEDRAL CITY
Combining Balance Sheet
Nonmajor Special Revenue Funds (Continued)
June 30, 2006

<u>Assets</u>	<u>State Asset Forfeiture Program</u>	<u>Police Grant</u>	<u>Police Donations</u>	<u>Fire Donations</u>
Cash and investments	\$ 6,716	\$ 326,048	\$ 423,138	\$ 256,291
Interest receivable	63	4,408	3,956	2,396
Accounts receivable		4,747	7,888	
Loans receivable				
Land held for resale				
Deposits				
	<hr/>	<hr/>	<hr/>	<hr/>
Total Assets	<u>\$ 6,779</u>	<u>\$ 335,203</u>	<u>\$ 434,982</u>	<u>\$ 258,687</u>
 <u>Liabilities and Fund Balances</u>				
Liabilities:				
Accounts payable				
Accrued liabilities		\$ 4,099	\$ 5,155	
Deposits				
Due to other funds				
Deferred revenue				
	<hr/>	<hr/>	<hr/>	<hr/>
Total Liabilities		<u>4,099</u>	<u>5,155</u>	
 Fund Balances:				
Reserved:				
Loans receivable				
Land held for resale				
Deposits				
Unreserved	<u>\$ 6,779</u>	<u>331,104</u>	<u>429,827</u>	<u>\$ 258,687</u>
Total Fund Balances	<u>6,779</u>	<u>331,104</u>	<u>429,827</u>	<u>258,687</u>
Total Liabilities and Fund Balances	<u>\$ 6,779</u>	<u>\$ 335,203</u>	<u>\$ 434,982</u>	<u>\$ 258,687</u>

<u>Telecom- munications Equipment</u>	<u>Landscape and Lighting District</u>	<u>Measure A</u>	<u>Special Deposits</u>	<u>Transfer Station Road</u>	<u>Totals</u>
\$ 68,908	\$ 10,072	\$ 2,945,354	\$ 882,184	\$ 607,433	\$ 13,461,202
644	94	27,253	8,256	5,678	126,928
	11,983	282,551		70,901	1,334,656
					660,198
					7,334,852
					63,970
<u>\$ 69,552</u>	<u>\$ 22,149</u>	<u>\$ 3,255,158</u>	<u>\$ 890,440</u>	<u>\$ 684,012</u>	<u>\$ 22,981,806</u>
		\$ 98,893		\$ 246	\$ 170,555
	\$ 13,889				69,611
			\$ 883,135		897,064
					929,087
					140,334
	<u>13,889</u>	<u>98,893</u>	<u>883,135</u>	<u>246</u>	<u>2,206,651</u>
					660,198
					7,334,852
					63,970
<u>\$ 69,552</u>	<u>8,260</u>	<u>3,156,265</u>	<u>7,305</u>	<u>683,766</u>	<u>12,716,135</u>
<u>69,552</u>	<u>8,260</u>	<u>3,156,265</u>	<u>7,305</u>	<u>683,766</u>	<u>20,775,155</u>
<u>\$ 69,552</u>	<u>\$ 22,149</u>	<u>\$ 3,255,158</u>	<u>\$ 890,440</u>	<u>\$ 684,012</u>	<u>\$ 22,981,806</u>

CITY OF CATHEDRAL CITY
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Special Revenue Funds
For the Year Ended June 30, 2006

	<u>Low and Moderate Income Housing</u>	<u>Master Underground Plan</u>	<u>Developer Fees</u>	<u>TDA SB821</u>
Revenues:				
Taxes	\$ 4,582,514			
Intergovernmental				\$ 59,258
Licenses and permits		\$ 139,638		
Charges for services				
Interest	90,812	46,509		27
Miscellaneous	780,788			
	<u>5,454,114</u>	<u>186,147</u>	<u></u>	<u>59,285</u>
Total Revenues				
Expenditures:				
Current:				
General government				221
Community development	997,156			
Public safety				
Public works				
Capital outlay	889,827	34,908		64,639
Debt service:				
Principal	808			
Interest	4,438			
	<u>1,892,229</u>	<u>34,908</u>	<u></u>	<u>64,860</u>
Total Expenditures				
Excess of Revenues Over (Under) Expenditures	<u>3,561,885</u>	<u>151,239</u>	<u></u>	<u>(5,575)</u>
Other Financing Sources (Uses):				
Transfers in		1,375		
Transfers out	(3,050,395)			
Loss on sale of land	(18,072)			
Loan proceeds	170,000			
	<u>(2,898,467)</u>	<u>1,375</u>	<u></u>	<u></u>
Total Other Financing Sources (Uses)				
Net Change in Fund Balances	663,418	152,614		(5,575)
Fund Balances (Deficits), Beginning	<u>11,709,600</u>	<u>1,434,976</u>	<u></u>	<u></u>
Fund Balances (Deficits), Ending	<u>\$ 12,373,018</u>	<u>\$ 1,587,590</u>	<u>\$ -</u>	<u>\$ (5,575)</u>

<u>NPDES Program</u>	<u>Traffic Safety</u>	<u>Community Development Block Grant</u>	<u>State Gas Tax</u>	<u>Air Quality Improvement</u>	<u>Solid Waste</u>
\$ 39,534		\$ 689,350	\$ 1,169,486	\$ 33,813	\$ 13,279
1	\$ 307,470 23,102		29,420	7,824	443,633 2,246
<u>39,535</u>	<u>330,572</u>	<u>689,350</u>	<u>1,198,906</u>	<u>41,637</u>	<u>459,158</u>
39,714	122,844	10,035			605,892
	86,492	1,820	610,081 19,001	692	228,949
<u>39,714</u>	<u>209,336</u>	<u>11,855</u>	<u>629,082</u>	<u>692</u>	<u>834,841</u>
<u>(179)</u>	<u>121,236</u>	<u>677,495</u>	<u>569,824</u>	<u>40,945</u>	<u>(375,683)</u>
	(130,429)	(574,391)	46,215 (421,199)	(8,000)	(161,050)
	<u>(130,429)</u>	<u>(574,391)</u>	<u>(374,984)</u>	<u>(8,000)</u>	<u>(161,050)</u>
(179)	(9,193)	103,104	194,840	32,945	(536,733)
<u>179</u>	<u>737,836</u>	<u>(32,774)</u>	<u>833,203</u>	<u>237,500</u>	<u>307,849</u>
<u>\$ -</u>	<u>\$ 728,643</u>	<u>\$ 70,330</u>	<u>\$ 1,028,043</u>	<u>\$ 270,445</u>	<u>\$ (228,884)</u>

(Continued)

CITY OF CATHEDRAL CITY
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Special Revenue Funds (Continued)
For the Year Ended June 30, 2006

	<u>State Asset Forfeiture Program</u>	<u>Police Grant</u>	<u>Police Donations</u>	<u>Fire Donations</u>
Revenues:				
Taxes				
Intergovernmental		\$ 291,763		
Licenses and permits				
Charges for services				
Interest	\$ 204	14,524	\$ 11,655	\$ 7,491
Miscellaneous			223,309	93,210
	<u>204</u>	<u>306,287</u>	<u>234,964</u>	<u>100,701</u>
Total Revenues				
Expenditures:				
Current:				
General government				
Community development				
Public safety		273,200	152,661	53,700
Public works				
Capital outlay		31,557		
Debt service:				
Principal				
Interest				
		<u>304,757</u>	<u>152,661</u>	<u>53,700</u>
Total Expenditures				
Excess of Revenues Over (Under) Expenditures	<u>204</u>	<u>1,530</u>	<u>82,303</u>	<u>47,001</u>
Other Financing Sources (Uses):				
Transfers in				
Transfers out				
Loss on sale of land				
Loan proceeds				
Total Other Financing Sources (Uses)				
Net Change in Fund Balances	204	1,530	82,303	47,001
Fund Balances (Deficits), Beginning	<u>6,575</u>	<u>329,574</u>	<u>347,524</u>	<u>211,686</u>
Fund Balances (Deficits), Ending	<u>\$ 6,779</u>	<u>\$ 331,104</u>	<u>\$ 429,827</u>	<u>\$ 258,687</u>

<u>Telecom- munications Equipment</u>	<u>Landscape and Lighting District</u>	<u>Measure A</u>	<u>Special Deposits</u>	<u>Transfer Station Road</u>	<u>Totals</u>
	\$ 323,316	\$ 1,792,300			\$ 4,905,830
					4,088,783
					139,638
				\$ 429,033	1,180,136
\$ 2,132	133	86,373	\$ 3,619	12,696	338,768
				255	1,097,562
<u>2,132</u>	<u>323,449</u>	<u>1,878,673</u>	<u>3,619</u>	<u>441,984</u>	<u>11,750,717</u>
3,063	119,224	180,454			1,081,447
					997,156
					480,253
		647,340			1,257,421
		676,697		15,155	2,049,045
					808
					4,438
<u>3,063</u>	<u>119,224</u>	<u>1,504,491</u>		<u>15,155</u>	<u>5,870,568</u>
(931)	204,225	374,182	3,619	426,829	5,880,149
		46,215			93,805
	(226,858)	(326,276)			(4,898,598)
					(18,072)
					170,000
	<u>(226,858)</u>	<u>(280,061)</u>			<u>(4,652,865)</u>
(931)	(22,633)	94,121	3,619	426,829	1,227,284
<u>70,483</u>	<u>30,893</u>	<u>3,062,144</u>	<u>3,686</u>	<u>256,937</u>	<u>19,547,871</u>
<u>\$ 69,552</u>	<u>\$ 8,260</u>	<u>\$ 3,156,265</u>	<u>\$ 7,305</u>	<u>\$ 683,766</u>	<u>\$ 20,775,155</u>

NONMAJOR DEBT SERVICE FUNDS

Debt service funds are used primarily to account for the accumulation of resources for the payment of principal and interest on long-term debt of the City and Redevelopment Agency.

Redevelopment Agency Area 1 and Area 2 Funds – Account for payments of principal and interest for long-term debt of the City of Cathedral City Redevelopment Agency.

Big League Dreams Fund – Accounts for the loan to construct Big League Dreams and payments of principal and interest.

2002 D Housing Bonds – Account for the payments of principal and interest issued by 2002 D Bonds.

2002 E Housing Bonds – Account for the payments of principal and interest issued by 2002 E Bonds.

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CITY OF CATHEDRAL CITY
Combining Balance Sheet
Nonmajor Debt Service Funds
June 30, 2006

<u>Assets</u>	<u>Redevelopment Agency Area 1</u>	<u>Area 2</u>	<u>Big League Dreams</u>
Cash and investments	\$ 1,132,194	\$ 2,313,339	\$ 557,439
Cash and investments with fiscal agent			592,474
Interest receivable			5,211
Accounts receivable	1,023	91,270	131,191
Loans receivable			3,974,576
	<u> </u>	<u> </u>	<u> </u>
Total Assets	<u>\$ 1,133,217</u>	<u>\$ 2,404,609</u>	<u>\$ 5,260,891</u>
 <u>Fund Balances</u>			
Reserved for:			
Loan receivable			\$ 3,974,576
Debt service	<u>\$ 1,133,217</u>	<u>\$ 2,404,609</u>	<u>1,286,315</u>
	<u> </u>	<u> </u>	<u> </u>
Total Fund Balances	<u>1,133,217</u>	<u>2,404,609</u>	<u>5,260,891</u>
	<u> </u>	<u> </u>	<u> </u>
Total Liabilities and Fund Balances	<u>\$ 1,133,217</u>	<u>\$ 2,404,609</u>	<u>\$ 5,260,891</u>

2002 D Housing Bonds	2002 E Housing Bonds	Totals
\$ 332	\$ 904	\$ 4,004,208
664	477	593,615
		5,211
		223,484
		<u>3,974,576</u>
<u>\$ 996</u>	<u>\$ 1,381</u>	<u>\$ 8,801,094</u>

		\$ 3,974,576
<u>\$ 996</u>	<u>\$ 1,381</u>	<u>4,826,518</u>
<u>996</u>	<u>1,381</u>	<u>8,801,094</u>
<u>\$ 996</u>	<u>\$ 1,381</u>	<u>\$ 8,801,094</u>

CITY OF CATHEDRAL CITY
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Debt Service Funds
For the Year Ended June 30, 2006

	Redevelopment Agency Area 1	Redevelopment Agency Area 2	Big League Dreams
	<u> </u>	<u> </u>	<u> </u>
Revenues:			
Taxes	\$ 981,432	\$ 4,232,438	
Interest		1	\$ 485,391
Miscellaneous			20,013
	<u> </u>	<u> </u>	<u> </u>
Total Revenues	<u>981,432</u>	<u>4,232,439</u>	<u>505,404</u>
Expenditures:			
Community development	12,843	61,368	2,665
Payments under pass-through agreements	83,959	441,311	
Debt service:			
Principal		6,642,114	90,000
Interest	9,574	32,369	415,488
Cost of issuance		396,138	
	<u> </u>	<u> </u>	<u> </u>
Total Expenditures	<u>106,376</u>	<u>7,573,300</u>	<u>508,153</u>
Excess of Revenues Over (Under) Expenditures	<u>875,056</u>	<u>(3,340,861)</u>	<u>(2,749)</u>
Other Financing Sources (Uses):			
Issuance of debt		8,000,000	
Transfers in		1,055,995	
Transfers out	(409,310)	(5,267,844)	
	<u> </u>	<u> </u>	<u> </u>
Total Other Financing Sources (Uses)	<u>(409,310)</u>	<u>3,788,151</u>	<u> </u>
Net Change in Fund Balances	465,746	447,290	(2,749)
Fund Balances (Deficits), Beginning	<u>667,471</u>	<u>1,957,319</u>	<u>5,263,640</u>
Fund Balances, Ending	<u><u>\$ 1,133,217</u></u>	<u><u>\$ 2,404,609</u></u>	<u><u>\$ 5,260,891</u></u>

2002 D Housing Bonds	2002 E Housing Bonds	Totals
		\$ 5,213,870
\$ 1,173	\$ 861	487,426
		20,013
<u>1,173</u>	<u>861</u>	<u>5,721,309</u>
4,488	2,852	84,216
		525,270
		6,732,114
		457,431
		<u>396,138</u>
<u>4,488</u>	<u>2,852</u>	<u>8,195,169</u>
<u>(3,315)</u>	<u>(1,991)</u>	<u>(2,473,860)</u>
		8,000,000
1,431,245	1,034,246	3,521,486
<u>(1,427,231)</u>	<u>(1,033,373)</u>	<u>(8,137,758)</u>
<u>4,014</u>	<u>873</u>	<u>3,383,728</u>
699	(1,118)	909,868
<u>297</u>	<u>2,499</u>	<u>7,891,226</u>
<u>\$ 996</u>	<u>\$ 1,381</u>	<u>\$ 8,801,094</u>

NONMAJOR CAPITAL PROJECTS FUNDS

Capital projects funds account for the financial resources to be used for the acquisition, construction, or improvements of major capital facilities and infrastructure.

Redevelopment Agency Administration – Accounts for administrative costs related to the Redevelopment Agency.

Redevelopment Agency 1 Capital Projects Fund – Accounts for the acquisition, improvement, and rehabilitation of property within Project Area 1.

Redevelopment Agency Area 2 & 3 Capital Project Funds – Accounts for the acquisition, improvement, and rehabilitation of property within the Merged Project Areas.

2002 D Housing Bond – These funds are used to account for financial resources to be used for development projects within the City.

2002 E Housing Bond – These funds are used to account for financial resources to be used for development projects within the City.

2004 TAB A Capital Projects – Accounts for reimbursement to the Merged Project Area for development of a hotel/golf course, reimbursement to the General Fund for soft costs and for miscellaneous capital improvements.

2004 TAB B Capital Projects – Accounts for loans to developer for the development of a hotel and golf course.

2005 TAB A Capital Projects – Accounts for miscellaneous capital improvements in the Merged Project Area and Area 3.

Police and Fire Facilities Fund – Accounts for the purchase of fire and police land, buildings, and replacement equipment. Financing is provided by developer's fees.

Traffic Signalization Fund – Accounts for the installation of traffic signals. Financing is providing by developer's fees.

Assessment District 85-1 Fund – Accounts for curbs, gutter, and sewer construction within Assessment District 85-1. Financing is provided by the proceeds from the issuance of Limited Obligation Improvement Bonds.

Assessment District 86-1 Fund – Accounts for certain street, water, and sewer improvements within Assessment District 86-1. Financing is provided by the proceeds from the issuance of Limited Obligation Improvement Bonds.

Assessment District 86-5 Fund – Accounts for certain street, water, and sewer improvements within Assessment District 86-5. Financing is provided by the proceeds from the issuance of Limited Obligation Improvement Bonds.

NONMAJOR CAPITAL PROJECTS FUNDS (Continued)

Assessment District 87-2 Fund – Accounts for certain street, water, and sewer improvements within Assessment District 87-2. Financing is provided by the proceeds from the issuance of Limited Obligation Improvement Bonds.

Assessment District 88-2 Fund – Accounts for improvements within Assessment District 88-2. Financing is provided by the proceeds from the issuance of Limited Obligation Improvement Bonds.

Assessment District 88-3 Fund – Accounts for improvements within Assessment District 88-3. Financing is provided by the proceeds from the issuance of Limited Obligation Improvement Bonds.

Assessment District 2000-1 Fund – Accounts for improvements within Assessment District 2000-1. Financing is provided by the proceeds from the issuance of Limited Obligation Improvement Bonds.

CFD Rio Vista Fund – Accounts for improvements within the Rio Vista Community Facilities District. Financing is provided by contributions from property owners.

Assessment District 03-01 – Accounts for improvements within Assessment District 03-01, 35th Avenue. Financing is provided by the proceeds from issuance of Limited Obligation Improvement Bonds.

Assessment District 04-01 – Accounts for improvement within Assessment District 04-01, Dream Homes. Financing is provided by the proceeds from issuance of Limited Obligation Improvement Bonds.

CITY OF CATHEDRAL CITY
Combining Balance Sheet
Nonmajor Capital Projects Funds
June 30, 2006

<u>Assets</u>	<u>Redevelopment Agency Administration</u>	<u>Redevelopment Agency Area 1</u>	<u>Redevelopment Agency Area 2</u>	<u>Redevelopment Agency Area 3</u>
Cash and investments	\$ 660,412	\$ 2,289,325	\$ 1,006,676	\$ 1,998,409
Cash and investments with fiscal agent				
Interest receivable	6,174	31,973	31,036	61,510
Accounts receivable	309,407	24,520		1,000
Loans receivable		277,010		
Advances to other funds				
Land held for resale	4,000,000	4,958,254	6,415,039	7,430,576
Deposits				293,720
	<hr/>	<hr/>	<hr/>	<hr/>
Total Assets	<u>\$ 4,975,993</u>	<u>\$ 7,581,082</u>	<u>\$ 7,452,751</u>	<u>\$ 9,785,215</u>
 <u>Liabilities and Fund Balances</u>				
Liabilities:				
Accounts payable	\$ 60,909	\$ 141,200		\$ 11,139
Accrued liabilities	19,407			
Deposits		500		1,000
Deferred revenue		277,011		
Advance from other funds	3,700,847			
	<hr/>	<hr/>	<hr/>	<hr/>
Total Liabilities	<u>3,781,163</u>	<u>418,711</u>	<u></u>	<u>12,139</u>
 Fund Balances:				
Reserved for:				
Advances				
Deposits				293,720
Land held for resale	4,000,000	4,958,254	\$ 6,415,039	7,430,576
Loan receivable		277,010		
Unreserved	(2,805,170)	1,927,107	1,037,712	2,048,780
	<hr/>	<hr/>	<hr/>	<hr/>
Total Fund Balances	<u>1,194,830</u>	<u>7,162,371</u>	<u>7,452,751</u>	<u>9,773,076</u>
	<hr/>	<hr/>	<hr/>	<hr/>
Total Liabilities and Fund Balances	<u>\$ 4,975,993</u>	<u>\$ 7,581,082</u>	<u>\$ 7,452,751</u>	<u>\$ 9,785,215</u>

2002 D Housing Bond	2002 E Housing Bond	2004 TAB A	2004 TAB B	2005 TAB A MPA	2005 TAB A PA3
\$ 8,600,206	\$ 4,893,384	\$ 2,697,415	\$ 8,544,614	\$ 1,622,484	\$ 757,906
80,398	45,752	25,216	79,876	15,168	7,085
15,000	5,528,555				
	1,130,000				
1,402,447	3,168,154			427,154	
<u>\$ 10,098,051</u>	<u>\$ 14,765,845</u>	<u>\$ 2,722,631</u>	<u>\$ 8,624,490</u>	<u>\$ 2,064,806</u>	<u>\$ 764,991</u>
\$ 1,000	\$ 115				
<u>1,000</u>	<u>115</u>				
	1,130,000				
1,402,447	3,168,154			\$ 427,154	
15,000	5,528,555				
8,679,604	4,939,021	\$ 2,722,631	\$ 8,624,490	1,637,652	\$ 764,991
<u>10,097,051</u>	<u>14,765,730</u>	<u>2,722,631</u>	<u>8,624,490</u>	<u>2,064,806</u>	<u>764,991</u>
<u>\$ 10,098,051</u>	<u>\$ 14,765,845</u>	<u>\$ 2,722,631</u>	<u>\$ 8,624,490</u>	<u>\$ 2,064,806</u>	<u>\$ 764,991</u>

(Continued)

CITY OF CATHEDRAL CITY
Combining Balance Sheet
Nonmajor Capital Projects Funds (Continued)
June 30, 2006

<u>Assets</u>	<u>Police and Fire Facilities</u>	<u>Traffic Signalization</u>	<u>Assessment District 85-1</u>	<u>Assessment District 86-1</u>
Cash and investments	\$ 399,066	\$ 321,857	\$ 1,892	\$ 550,386
Cash and investments with fiscal agent				
Interest receivable	3,730	3,008		
Accounts receivable				
Loans receivable				
Advances to other funds				
Land held for resale				
Deposits				
Total Assets	\$ 402,796	\$ 324,865	\$ 1,892	\$ 550,386
<u>Liabilities and Fund Balances</u>				
Liabilities:				
Accounts payable		\$ 6,157		
Accrued liabilities				
Deposits				
Deferred revenue				
Advance from other funds				
Total Liabilities		6,157		
Fund Balances:				
Reserved for:				
Advances				
Deposits				
Land held for resale				
Loan receivable				
Unreserved	\$ 402,796	318,708	\$ 1,892	\$ 550,386
Total Fund Balances	402,796	318,708	1,892	550,386
Total Liabilities and Fund Balances	\$ 402,796	\$ 324,865	\$ 1,892	\$ 550,386

<u>Assessment District 86-5</u>	<u>Assessment District 87-2</u>	<u>Assessment District 88-2</u>	<u>Assessment District 88-3</u>	<u>Assessment District 2000-01</u>	<u>CFD Rio Vista</u>
\$ 121,381	\$ 8,871	\$ 105,941	\$ 215,934	\$ 248,120	
				91,608	\$ 2,249,970
<u>\$ 121,381</u>	<u>\$ 8,871</u>	<u>\$ 105,941</u>	<u>\$ 215,934</u>	<u>\$ 339,728</u>	<u>\$ 2,249,970</u>
				\$ 248,120	
				<u>248,120</u>	
<u>\$ 121,381</u>	<u>\$ 8,871</u>	<u>\$ 105,941</u>	<u>\$ 215,934</u>	<u>91,608</u>	<u>\$ 2,249,970</u>
<u>121,381</u>	<u>8,871</u>	<u>105,941</u>	<u>215,934</u>	<u>91,608</u>	<u>2,249,970</u>
<u>\$ 121,381</u>	<u>\$ 8,871</u>	<u>\$ 105,941</u>	<u>\$ 215,934</u>	<u>\$ 339,728</u>	<u>\$ 2,249,970</u>

(Continued)

CITY OF CATHEDRAL CITY
Combining Balance Sheet
Nonmajor Capital Projects Funds (Continued)
June 30, 2006

<u>Assets</u>	Assessment District 03-01	Assessment District 04-01	<u>Totals</u>
Cash and investments	\$ 519,007	\$ 57,523	\$ 35,620,809
Cash and investments with fiscal agent	756,630	5,417,753	8,515,961
Interest receivable			390,926
Accounts receivable			334,927
Loans receivable			5,820,565
Advances to other funds			1,130,000
Land held for resale			27,801,624
Deposits			293,720
Total Assets	\$ 1,275,637	\$ 5,475,276	\$ 79,908,532
<u>Liabilities and Fund Balances</u>			
Liabilities:			
Accounts payable	\$ 3,252		\$ 223,657
Accrued liabilities		\$ 28,650	48,172
Deposits			1,500
Deferred revenue			525,131
Advance from other funds			3,700,847
Total Liabilities	3,252	28,650	4,499,307
Fund Balances:			
Reserved for:			
Advances			1,130,000
Deposits			293,720
Land held for resale			27,801,624
Loan receivable			5,820,565
Unreserved	1,272,385	5,446,626	40,363,316
Total Fund Balances	1,272,385	5,446,626	75,409,225
Total Liabilities and Fund Balances	\$ 1,275,637	\$ 5,475,276	\$ 79,908,532

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CITY OF CATHEDRAL CITY
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Capital Projects Funds
For the Year Ended June 30, 2006

	Redevelopment Agency <u>Administration</u>	Redevelopment Agency <u>Area 1</u>	Redevelopment Agency <u>Area 2</u>	Redevelopment Agency <u>Area 3</u>
Revenues:				
Licenses and permits				
Intergovernmental		\$ 44,210	\$ 87,999	
Charges for services		149,799		
Interest	\$ 1,196	105,831	62,733	\$ 116,054
Miscellaneous		55,973	1,305	6,000
		<u> </u>	<u> </u>	<u> </u>
Total Revenues	<u>1,196</u>	<u>355,813</u>	<u>152,037</u>	<u>122,054</u>
Expenditures:				
Community development	1,379,959	191,750		11,218
Payments under				
pass-through agreements	471,211			
Capital outlay	654,731	417,770	98,346	466,399
Debt Service:				
Principal				800,000
		<u> </u>	<u> </u>	<u> </u>
Total Expenditures	<u>2,505,901</u>	<u>609,520</u>	<u>98,346</u>	<u>1,277,617</u>
Excess of Revenues Over (Under) Expenditures	<u>(2,504,705)</u>	<u>(253,707)</u>	<u>53,691</u>	<u>(1,155,563)</u>
Other Financing Sources (Uses):				
Transfers in	7,852,050	3,700,847		47,625
Transfers out	(4,496,651)			
		<u> </u>	<u> </u>	<u> </u>
Total Other Financing Sources (Uses)	<u>3,355,399</u>	<u>3,700,847</u>	<u> </u>	<u>47,625</u>
Net Change in Fund Balances	850,694	3,447,140	53,691	(1,107,938)
Fund Balances, Beginning	<u>344,136</u>	<u>3,715,231</u>	<u>7,399,060</u>	<u>10,881,014</u>
Fund Balances, Ending	<u>\$ 1,194,830</u>	<u>\$ 7,162,371</u>	<u>\$ 7,452,751</u>	<u>\$ 9,773,076</u>

2002 D Housing Bond	2002 E Housing Bond	2004 TAB A	2004 TAB B	2005 TAB A MPA	2005 TAB A PA3
\$ 215,113	\$ 521,518 28,596	\$ 81,832	\$ 259,219	\$ 50,878	\$ 27,720
<u>215,113</u>	<u>550,114</u>	<u>81,832</u>	<u>259,219</u>	<u>50,878</u>	<u>27,720</u>
277,830	53,820			3,311	
1,831,847				500	
<u>2,109,677</u>	<u>53,820</u>			<u>3,811</u>	
<u>(1,894,564)</u>	<u>496,294</u>	<u>81,832</u>	<u>259,219</u>	<u>47,067</u>	<u>27,720</u>
				2,017,739	737,271
				<u>2,017,739</u>	<u>737,271</u>
(1,894,564)	496,294	81,832	259,219	2,064,806	764,991
<u>11,991,615</u>	<u>14,269,436</u>	<u>2,640,799</u>	<u>8,365,271</u>		
<u>\$ 10,097,051</u>	<u>\$ 14,765,730</u>	<u>\$ 2,722,631</u>	<u>\$ 8,624,490</u>	<u>\$ 2,064,806</u>	<u>\$ 764,991</u>

(Continued)

CITY OF CATHEDRAL CITY
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Capital Projects Funds (Continued)
For the Year Ended June 30, 2006

	Police and Fire Facilities	Traffic Signalization	Assessment District 85-1	Assessment District 86-1
Revenues:				
Licenses and permits	\$ 138,400	\$ 68,950		
Intergovernmental				
Charges for services				
Interest	11,681	9,194		
Miscellaneous		4,713		
Total Revenues	<u>150,081</u>	<u>82,857</u>		
Expenditures:				
Community development				
Payments under pass-through agreements				
Capital outlay		20,940		
Debt Service:				
Principal				
Total Expenditures		<u>20,940</u>		
Excess of Revenues Over (Under) Expenditures	<u>150,081</u>	<u>61,917</u>		
Other Financing Sources (Uses):				
Transfers in				
Transfers out	<u>(75,000)</u>			
Total Other Financing Sources (Uses)	<u>(75,000)</u>			
Net Change in Fund Balances	75,081	61,917		
Fund Balances, Beginning	<u>327,715</u>	<u>256,791</u>	\$ 1,892	\$ 550,386
Fund Balances, Ending	<u>\$ 402,796</u>	<u>\$ 318,708</u>	<u>\$ 1,892</u>	<u>\$ 550,386</u>

Assessment District 86-5	Assessment District 87-2	Assessment District 88-2	Assessment District 88-3	Assessment District 2000-01	Rio Vista CFD
				\$ 11,160	
				124,280	
				135,440	
				124,280	\$ 21,908
				124,280	21,908
				11,160	(21,908)
				11,160	(21,908)
\$ 121,381	\$ 8,871	\$ 105,941	\$ 215,934	80,448	2,271,878
\$ 121,381	\$ 8,871	\$ 105,941	\$ 215,934	\$ 91,608	\$ 2,249,970

(Continued)

CITY OF CATHEDRAL CITY
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Capital Projects Funds (Continued)
For the Year Ended June 30, 2006

	Assessment District 03-01	Assessment District 04-01	Totals
Revenues:			
Licenses and permits			\$ 207,350
Intergovernmental			132,209
Charges for services			149,799
Interest	\$ 57,163	\$ 175,718	1,707,010
Miscellaneous	585,759		806,626
Total Revenues	<u>642,922</u>	<u>175,718</u>	<u>3,002,994</u>
Expenditures:			
Community development			1,917,888
Payments under pass-through agreements			595,491
Capital outlay	2,172,828	74,542	5,759,811
Principal			800,000
Total Expenditures	<u>2,172,828</u>	<u>74,542</u>	<u>9,073,190</u>
Excess of Revenues Over (Under) Expenditures	<u>(1,529,906)</u>	<u>101,176</u>	<u>(6,070,196)</u>
Other Financing Sources (Uses):			
Transfers in			14,355,532
Transfers out			(4,571,651)
Total Other Financing Sources (Uses)			<u>9,783,881</u>
Net Change in Fund Balances	(1,529,906)	101,176	3,713,685
Fund Balances, Beginning	<u>2,802,291</u>	<u>5,345,450</u>	<u>71,695,540</u>
Fund Balances, Ending	<u>\$ 1,272,385</u>	<u>\$ 5,446,626</u>	<u>\$ 75,409,225</u>

CITY OF CATHEDRAL CITY
 Budgetary Comparison Schedule
 Low and Moderate Income Housing Fund
 For the Year Ended June 30, 2006

	Budget Final	Actual Amount	Variance Positive (Negative)
Revenues:			
Taxes	\$ 4,611,903	\$ 4,582,514	\$ (29,389)
Interest	40,000	90,812	50,812
Miscellaneous	210,000	780,788	570,788
Total Revenues	4,861,903	5,454,114	592,211
Expenditures:			
Community development	582,586	997,156	(414,570)
Capital outlay	2,119,997	889,827	1,230,170
Debt Service:			
Principal		808	(808)
Interest		4,438	(4,438)
Total Expenditures	2,702,583	1,892,229	810,354
Excess of Revenues Over Expenditures	2,159,320	3,561,885	1,402,565
Other Financing Sources (Uses):			
Transfers out	(3,052,216)	(3,050,395)	1,821
Loss on sale of land		(18,072)	(18,072)
Loan proceeds		170,000	170,000
Total Other Financing Sources (Uses)	(3,052,216)	(2,898,467)	153,749
Net Change in Fund Balance	(892,896)	663,418	1,556,314
Fund Balance, Beginning	11,709,600	11,709,600	
Fund Balance, Ending	\$ 10,816,704	\$ 12,373,018	\$ 1,556,314

CITY OF CATHEDRAL CITY
 Master Underground Plan
 Budgetary Comparison Schedule
 For the Year Ended June 30, 2006

	<u>Budget Final</u>	<u>Actual Amount</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Licenses and permits	\$ 165,000	\$ 139,638	\$ (25,362)
Interest	<u>15,000</u>	<u>46,509</u>	<u>31,509</u>
Total Revenues	180,000	186,147	6,147
Expenditures:			
Capital outlay		<u>34,908</u>	<u>(34,908)</u>
Excess of Revenues Over Expenditures	<u>180,000</u>	<u>151,239</u>	<u>(28,761)</u>
Other Financing Sources:			
Transfers in		<u>1,375</u>	<u>1,375</u>
Net Change in Fund Balance	180,000	152,614	(27,386)
Fund Balance, Beginning	<u>1,434,976</u>	<u>1,434,976</u>	
Fund Balance, Ending	<u><u>\$ 1,614,976</u></u>	<u><u>\$ 1,587,590</u></u>	<u><u>\$ (27,386)</u></u>

CITY OF CATHEDRAL CITY
NPDES Program
Budgetary Comparison Schedule
For the Year Ended June 30, 2006

	<u>Budget Final</u>	<u>Actual Amount</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Intergovernmental	\$ 16,000	\$ 39,534	\$ 23,534
Interest		1	1
	<u>16,000</u>	<u>39,535</u>	<u>23,535</u>
Total Revenues			
Expenditures:			
General government	<u>10,100</u>	<u>39,714</u>	<u>(29,614)</u>
Excess of Revenues Over Expenditures	5,900	(179)	(6,079)
Other Financing Uses:			
Transfers out	<u>(6,000)</u>	<u> </u>	<u>6,000</u>
Net Change in Fund Balance	(100)	(179)	(79)
Fund Balance, Beginning	<u>179</u>	<u>179</u>	<u> </u>
Fund Balance, Ending	<u><u>\$ 79</u></u>	<u><u>\$</u></u>	<u><u>\$ (79)</u></u>

CITY OF CATHEDRAL CITY
Traffic Safety
Budgetary Comparison Schedule
For the Year Ended June 30, 2006

	Budget Final	Actual Amount	Variance Positive (Negative)
Revenues:			
Charges for services		\$ 307,470	\$ 307,470
Interest		23,102	23,102
Total Revenues		330,572	330,572
Expenditures:			
General government		122,844	(122,844)
Capital outlay		86,492	(86,492)
Total Expenditures		209,336	(209,336)
Excess of Revenues Over Expenditures		121,236	121,236
Other Financing Uses:			
Transfers out	\$ (55,304)	(130,429)	(75,125)
Net Change in Fund Balance	(55,304)	(9,193)	46,111
Fund Balance, Beginning	737,836	737,836	
Fund Balance, Ending	\$ 682,532	\$ 728,643	\$ 46,111

CITY OF CATHEDRAL CITY
State Gas Tax
Budgetary Comparison Schedule
For the Year Ended June 30, 2006

	Budget Final	Actual Amount	Variance Positive (Negative)
Revenues:			
Intergovernmental	\$ 765,000	\$ 1,169,486	\$ 404,486
Interest		29,420	29,420
	<u>765,000</u>	<u>1,198,906</u>	<u>433,906</u>
Total Revenues			
Expenditures:			
Public works	711,624	610,081	101,543
Capital outlay		19,001	(19,001)
	<u>711,624</u>	<u>629,082</u>	<u>82,542</u>
Total Expenditures			
Excess of Revenues Over Expenditures	<u>53,376</u>	<u>569,824</u>	<u>516,448</u>
Other Financing Sources (Uses):			
Transfers in		46,215	46,215
Transfers out	(274,937)	(421,199)	(146,262)
	<u>(274,937)</u>	<u>(374,984)</u>	<u>(100,047)</u>
Total Other Financing Sources (Uses)			
Net Change in Fund Balance	(221,561)	194,840	416,401
Fund Balance, Beginning	<u>833,203</u>	<u>833,203</u>	
Fund Balance, Ending	<u>\$ 611,642</u>	<u>\$ 1,028,043</u>	<u>\$ 416,401</u>

CITY OF CATHEDRAL CITY
 Air Quality Improvement
 Budgetary Comparison Schedule
 For the Year Ended June 30, 2006

	Budget Final	Actual Amount	Variance Positive (Negative)
Revenues:			
Intergovernmental	\$ 39,822	\$ 33,813	\$ (6,009)
Interest	4,000	7,824	3,824
Total Revenues	43,822	41,637	(2,185)
Expenditures:			
Public works	100,000	692	99,308
Excess of Revenues Over Expenditures	(56,178)	40,945	97,123
Other Financing Uses:			
Transfers out	(65,000)	(8,000)	57,000
Net Change in Fund Balance	(121,178)	32,945	154,123
Fund Balance, Beginning	237,500	237,500	
Fund Balance, Ending	\$ 116,322	\$ 270,445	\$ 154,123

CITY OF CATHEDRAL CITY
Solid Waste
Budgetary Comparison Schedule
For the Year Ended June 30, 2006

	Budget Final	Actual Amount	Variance Positive (Negative)
Revenues:			
Intergovernmental		\$ 13,279	13,279
Charges for services	\$ 265,000	443,633	\$ 178,633
Interest		2,246	2,246
Total Revenues	265,000	459,158	194,158
Expenditures:			
General government	577,200	605,892	(28,692)
Capital outlay	104,000	228,949	(124,949)
Total Expenditures	681,200	834,841	(153,641)
Excess of Revenues Over Expenditures	(416,200)	(375,683)	40,517
Other Financing Uses:			
Transfers out	(161,050)	(161,050)	
Net Change in Fund Balance	(577,250)	(536,733)	40,517
Fund Balance, Beginning	307,849	307,849	
Fund Balance, Ending	\$ (269,401)	\$ (228,884)	\$ 40,517

CITY OF CATHEDRAL CITY
 Police Grant
 Budgetary Comparison Schedule
 For the Year Ended June 30, 2006

	Budget Final	Actual Amount	Variance Positive (Negative)
Revenues:			
Intergovernmental		\$ 291,763	\$ 291,763
Interest		14,524	14,524
Total Revenues		<u>306,287</u>	<u>306,287</u>
Expenditures:			
Public safety	275,000	273,200	1,800
Capital outlay		<u>31,557</u>	<u>(31,557)</u>
Total Expenditures	<u>275,000</u>	<u>304,757</u>	<u>(29,757)</u>
Net Change in Fund Balance	(275,000)	1,530	276,530
Fund Balance, Beginning	<u>\$ 329,574</u>	<u>329,574</u>	
Fund Balance, Ending	<u><u>\$ 54,574</u></u>	<u><u>\$ 331,104</u></u>	<u><u>\$ 276,530</u></u>

CITY OF CATHEDRAL CITY
 Police Donations
 Budgetary Comparison Schedule
 For the Year Ended June 30, 2006

	<u>Budget Final</u>	<u>Actual Amount</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Interest		\$ 11,655	\$ 11,655
Miscellaneous	\$ 97,600	223,309	125,709
	<u>97,600</u>	<u>223,309</u>	<u>125,709</u>
Total Revenues	97,600	223,309	125,709
Expenditures:			
Public safety	<u>82,600</u>	<u>152,661</u>	<u>(70,061)</u>
	15,000	82,303	67,303
Net Change in Fund Balance	15,000	82,303	67,303
Fund Balance, Beginning	<u>347,524</u>	<u>347,524</u>	<u> </u>
Fund Balance, Ending	<u><u>\$ 362,524</u></u>	<u><u>\$ 429,827</u></u>	<u><u>\$ 67,303</u></u>

CITY OF CATHEDRAL CITY
 Fire Donations
 Budgetary Comparison Schedule
 For the Year Ended June 30, 2006

	<u>Budget Final</u>	<u>Actual Amount</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Interest	\$ 1,500	\$ 7,491	\$ 5,991
Miscellaneous	<u>82,000</u>	<u>93,210</u>	<u>11,210</u>
Total Revenues	83,500	100,701	17,201
Expenditures:			
Public safety	<u>76,000</u>	<u>53,700</u>	<u>22,300</u>
Net Change in Fund Balance	7,500	47,001	39,501
Fund Balance, Beginning	<u>211,686</u>	<u>211,686</u>	<u> </u>
Fund Balance, Ending	<u><u>\$ 219,186</u></u>	<u><u>\$ 258,687</u></u>	<u><u>\$ 39,501</u></u>

CITY OF CATHEDRAL CITY
 Telecommunication Equipment
 Budgetary Comparison Schedule
 For the Year Ended June 30, 2006

	<u>Budget Final</u>	<u>Actual Amount</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Interest		\$ 2,132	\$ 2,132
Expenditures:			
General government	\$ 25,000	3,063	21,937
Net Change in Fund Balance	(25,000)	(931)	24,069
Fund Balance, Beginning	\$ 70,483	70,483	
Fund Balance, Ending	<u>\$ 45,483</u>	<u>\$ 69,552</u>	<u>\$ 24,069</u>

CITY OF CATHEDRAL CITY
 Landscape and Lighting District
 Budgetary Comparison Schedule
 For the Year Ended June 30, 2006

	Budget Final	Actual Amount	Variance Positive (Negative)
Revenues:			
Taxes		\$ 323,316	\$ 323,316
Interest		133	133
Total Revenues		323,449	323,449
Expenditures:			
General government	\$ 104,760	119,224	(14,464)
Excess of Revenues Over Expenditures	(104,760)	204,225	308,985
Other Financing Uses:			
Transfers out	(221,401)	(226,858)	(5,457)
Net Change in Fund Balance	(326,161)	(22,633)	303,528
Fund Balance, Beginning	30,893	30,893	
Fund Balance, Ending	\$ (295,268)	\$ 8,260	\$ 303,528

CITY OF CATHEDRAL CITY
Measure A
Budgetary Comparison Schedule
For the Year Ended June 30, 2006

	Budget Final	Actual Amount	Variance Positive (Negative)
Revenues:			
Intergovernmental	\$ 1,447,000	\$ 1,792,300	\$ 345,300
Interest	30,000	86,373	56,373
Total Revenues	1,477,000	1,878,673	401,673
Expenditures:			
General government	140,500	180,454	(39,954)
Public works	792,874	647,340	145,534
Capital outlay		676,697	(676,697)
Total Expenditures	933,374	1,504,491	(571,117)
Excess of Revenues Over Expenditures	543,626	374,182	(169,444)
Other Financing Sources (Uses):			
Transfers in		46,215	46,215
Transfers out	(359,937)	(326,276)	33,661
Total Other Financing Sources (Uses)	(359,937)	(280,061)	79,876
Net Change in Fund Balance	183,689	94,121	(89,568)
Fund Balance, Beginning	3,062,144	3,062,144	
Fund Balance, Ending	\$ 3,245,833	\$ 3,156,265	\$ (89,568)

INTERNAL SERVICE FUNDS

Internal service funds are used to account for activities involved in rendering services to departments within the City. Costs of materials and services used are accumulated in this fund and charged to the user departments as such goods are delivered or services rendered.

Equipment Replacement Fund – Accounts for costs of maintaining and provides for the replacement of the City's vehicles. Financing is provided by usage charges.

Liability Insurance Fund – Accounts for the cost of liability insurance for the City. Insurance costs and liability claims and other administrative costs are reflected in this fund. Financing is provided by operating transfers from other funds or usage charges to those funds and departments of the City.

CITY OF CATHEDRAL CITY
Combining Statement of Net Assets
Internal Service Funds
June 30, 2006

	Equipment Replacement Fund	Liability Insurance Fund	Totals
Current Assets:			
Cash and investments	\$ 963,765	\$ 4,748,245	\$ 5,712,010
Accounts receivable	1,624	41,864	43,488
Inventories	19,762		19,762
	985,151	4,790,109	5,775,260
Capital Assets:			
Vehicles	6,553,967		6,553,967
Accumulated depreciation	(4,052,924)		(4,052,924)
	2,501,043		2,501,043
Total Assets	3,486,194	4,790,109	8,276,303
Current Liabilities:			
Accounts payable	37,000		37,000
Accrued liabilities		58,405	58,405
Claims payable		2,747,841	2,747,841
Insurance payable		250,000	250,000
Capital lease payable - current	208,282		208,282
	245,282	3,056,246	3,301,528
Noncurrent Liabilities:			
Capital lease payable	75,229		75,229
	75,229		75,229
Total Liabilities	320,511	3,056,246	3,376,757
Net Assets:			
Invested in capital assets net of related debt	2,217,532		2,217,532
Unrestricted	948,151	1,733,863	2,682,014
	\$ 3,165,683	\$ 1,733,863	\$ 4,899,546

CITY OF CATHEDRAL CITY
Combining Statement of Revenues, Expenses and Changes in Fund Net Assets
Internal Service Funds
For the Year Ended June 30, 2006

	Equipment Replacement Fund	Liability Insurance Fund	Totals
	<u> </u>	<u> </u>	<u> </u>
Operating Revenues:			
Charges for services	\$ 1,174,962	\$ 3,774,380	\$ 4,949,342
	<u> </u>	<u> </u>	<u> </u>
Total Operating Revenues	1,174,962	3,774,380	4,949,342
	<u> </u>	<u> </u>	<u> </u>
Operating Expenses:			
Benefits		3,239,134	3,239,134
Repairs, maintenance and insurance	219,288	598,643	817,931
Depreciation	485,377		485,377
	<u> </u>	<u> </u>	<u> </u>
Total Operating Expenses	704,665	3,837,777	4,542,442
	<u> </u>	<u> </u>	<u> </u>
Operating Income (Loss)	470,297	(63,397)	406,900
	<u> </u>	<u> </u>	<u> </u>
Nonoperating Revenues (Expenses):			
Interest revenue	9,213	98,627	107,840
Interest expense	(14,180)		(14,180)
Sale of assets	13,500		13,500
	<u> </u>	<u> </u>	<u> </u>
Total Nonoperating Revenues (Expenses)	8,533	98,627	107,160
	<u> </u>	<u> </u>	<u> </u>
Operating Income Before Transfers	478,830	35,230	514,060
	<u> </u>	<u> </u>	<u> </u>
Other Financing Sources (Uses)			
Transfers in	431,002	1,828,387	2,259,389
	<u> </u>	<u> </u>	<u> </u>
Change in Net Assets	909,832	1,863,617	2,773,449
	<u> </u>	<u> </u>	<u> </u>
Net Assets, (Deficit) Beginning	2,255,851	(129,754)	2,126,097
	<u> </u>	<u> </u>	<u> </u>
Net Assets, Ending	<u>\$ 3,165,683</u>	<u>\$ 1,733,863</u>	<u>\$ 4,899,546</u>

CITY OF CATHEDRAL CITY
Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended June 30, 2006

	Equipment Replacement Fund	Liability Insurance Fund	Totals
Cash flows from operating activities:			
Cash received from other customers	\$ 1,194,235	\$ 3,732,516	\$ 4,926,751
Cash payments to suppliers for goods and services	(183,781)	(687,667)	(871,448)
Cash paid to employees		(3,239,134)	(3,239,134)
Net cash provided by (used in) operating services	<u>1,010,454</u>	<u>(194,285)</u>	<u>816,169</u>
Cash flows from noncapital financing activities:			
Transfers in	<u>431,002</u>	<u>1,828,387</u>	<u>2,259,389</u>
Cash flows from capital and related activities:			
Purchase of capital assets	(1,163,267)		(1,163,267)
Proceeds from sale of capital assets	<u>13,500</u>		<u>13,500</u>
Net cash flows from capital and related financing activities	<u>(1,149,767)</u>		<u>(1,149,767)</u>
Cash flows from investing activities:			
Interest received on investments	<u>23,393</u>	<u>98,627</u>	<u>122,020</u>
Net increase (decrease) in cash and cash equivalents	315,082	1,732,729	2,047,811
Cash and cash equivalents at beginning of year	<u>648,683</u>	<u>3,015,516</u>	<u>3,664,199</u>
Cash and cash equivalents at end of year	<u>\$ 963,765</u>	<u>\$ 4,748,245</u>	<u>\$ 5,712,010</u>
Reconciliation of operating income to net cash provided by operating activities:			
Operating income (loss)	\$ 470,297	\$ (63,397)	\$ 406,900
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation	485,377		485,377
Adjustments:			
(Increase) decrease in accounts receivable	19,273	(41,864)	(22,591)
(Increase) decrease in inventories	(1,744)		(1,744)
Increase (decrease) in insurance payable		250,000	250,000
Increase (decrease) in claims payable		(380,534)	(380,534)
Increase (decrease) in accrued liabilities		45,704	45,704
Increase (decrease) in accounts payable	21,456	(4,194)	17,262
Increase (decrease) in leases payable	<u>15,795</u>		<u>15,795</u>
Net cash provided by (used for) operating activities	<u>\$ 1,010,454</u>	<u>\$ (194,285)</u>	<u>\$ 816,169</u>

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AGENCY FUNDS

Agency funds are used to account for assets held by the City as an agent for individuals, principle organizations, other governments, and/or funds.

Assessment District 85-1 Fund – Accounts for the receipt of special assessments and payments of principal and interest on the Limited Obligation Improvement Bonds.

Assessment District 86-1 Fund – Accounts for the receipt of special assessments and payments of principal and interest on the Limited Obligation Improvement Bonds.

Assessment District 86-5 Fund – Accounts for the receipt of special assessments and payments of principal and interest on the Limited Obligation Improvement Bonds.

Assessment District 87-2 Fund – Accounts for the receipt of special assessments and payments of principal and interest on the Limited Obligation Improvement Bonds.

Assessment District 88-2 Fund – Accounts for the receipt of special assessments and payments of principal and interest on the Limited Obligation Improvement Bonds.

Assessment District 88-3 Fund – Accounts for the receipt of special assessments and payments of principal and interest on the Limited Obligation Improvement Bonds.

Assessment District 96-1 Fund – Accounts for the receipt of special assessments and payments of principal and interest on the Limited Obligation Improvement Bonds.

Assessment District 2001-1 Fund – Accounts for the receipt of special assessments and payments of principal and interest on the Limited Obligation Improvement Bonds.

CFD Rio Vista Fund – Accounts for deposits held by the City for the Rio Vista Community Facilities District.

2004 Limited Obligation Bond A – Accounts for the receipt of special assessments and payments of principal and interest on the Limited Obligation Improvement Bonds.

Assessment District 03-01 – Accounts for the receipt of special assessments and payments of principal and interest on the Limited Obligation Improvement Bonds.

Assessment District 04-01 – Accounts for the receipt of special assessments and payments of principal and interest on the Limited Obligation Improvement Bonds.

Assessment District 04-02 – Accounts for the receipt of special assessments and payments of principal and interest on the Limited Obligation Improvement Bonds.

CITY OF CATHEDRAL CITY
Combining Statement of Net Assets
All Agency Funds
June 30, 2006

<u>Assets</u>	<u>Assessment District 85-1</u>	<u>Assessment District 86-1</u>	<u>Assessment District 86-5</u>	<u>Assessment District 87-2</u>
Cash and investments	\$ 712,552	\$ 1,075,143	\$ 547,329	\$ 11,052
Cash and investments with fiscal agent				
Interest receivable	6,679	15,196	6,251	186
Special assessments	<u>433,055</u>	<u>759,343</u>	<u>544,474</u>	<u> </u>
 Total Assets	 <u><u>\$ 1,152,286</u></u>	 <u><u>\$ 1,849,682</u></u>	 <u><u>\$ 1,098,054</u></u>	 <u><u>\$ 11,238</u></u>
 <u>Liabilities</u>				
Liabilities:				
Due to bondholders	<u>\$ 1,152,286</u>	<u>\$ 1,849,682</u>	<u>\$ 1,098,054</u>	<u>\$ 11,238</u>
 Total Liabilities	 <u><u>\$ 1,152,286</u></u>	 <u><u>\$ 1,849,682</u></u>	 <u><u>\$ 1,098,054</u></u>	 <u><u>\$ 11,238</u></u>

<u>Assessment District 88-2</u>	<u>Assessment District 88-3</u>	<u>Assessment District 96-1</u>	<u>Assessment District 2001-01</u>	<u>Rio Vista CFD</u>	<u>2004 Limited Obligation Bond A</u>
\$ 407,649	\$ 1,294,241	\$ 618,108	\$ 152,147	\$ 422,546	
			256,881	2,335,776	\$ 1,937,389
4,801	14,117	5,778	3,742	3,950	
<u>564,348</u>	<u>2,944,064</u>	<u>4,359,228</u>	<u>2,736,734</u>	<u>71,949</u>	<u> </u>
<u>\$ 976,798</u>	<u>\$ 4,252,422</u>	<u>\$ 4,983,114</u>	<u>\$ 3,149,504</u>	<u>\$ 2,834,221</u>	<u>\$ 1,937,389</u>
<u>\$ 976,798</u>	<u>\$ 4,252,422</u>	<u>\$ 4,983,114</u>	<u>\$ 3,149,504</u>	<u>\$ 2,834,221</u>	<u>\$ 1,937,389</u>
<u>\$ 976,798</u>	<u>\$ 4,252,422</u>	<u>\$ 4,983,114</u>	<u>\$ 3,149,504</u>	<u>\$ 2,834,221</u>	<u>\$ 1,937,389</u>

(Continued)

CITY OF CATHEDRAL CITY
Combining Statement of Net Assets
All Agency Funds (Continued)
June 30, 2006

<u>Assets</u>	Assessment District 03-01	Assessment District 04-01	Assessment District 04-02	Totals
Cash and investments	\$ 296,653	\$ 286,230	\$ 2,423,206	\$ 8,246,856
Cash and investments with fiscal agent	478,950	430,761	2,245,082	7,684,839
Interest receivable	7,625	3,213	24,092	95,630
Special assessments	<u>6,100,750</u>	<u>5,637,640</u>	<u>32,021,360</u>	<u>56,172,945</u>
 Total Assets	 <u>\$ 6,883,978</u>	 <u>\$ 6,357,844</u>	 <u>\$ 36,713,740</u>	 <u>\$ 72,200,270</u>
 <u>Liabilities</u>				
Liabilities:				
Due to bondholders	<u>\$ 6,883,978</u>	<u>\$ 6,357,844</u>	<u>\$ 36,713,740</u>	<u>\$ 72,200,270</u>
 Total Liabilities	 <u>\$ 6,883,978</u>	 <u>\$ 6,357,844</u>	 <u>\$ 36,713,740</u>	 <u>\$ 72,200,270</u>

CITY OF CATHEDRAL CITY
Statement of Changes in Agency Funds
For the Year Ended June 30, 2006

	Balance at June 30, 2005	Additions	Deletions	Balance at June 30, 2006
<u>Assessment District 85-1</u>				
Assets:				
Cash and investments	\$ 726,675	\$ 758,740	\$ 772,863	\$ 712,552
Interest receivable	6,084	24,294	23,699	6,679
Special assessments	802,215	433,055	802,215	433,055
	<u>802,215</u>	<u>433,055</u>	<u>802,215</u>	<u>433,055</u>
Total Assets	<u>\$ 1,534,974</u>	<u>\$ 1,216,089</u>	<u>\$ 1,598,777</u>	<u>\$ 1,152,286</u>
Liabilities:				
Accounts payable		\$ 10,627	\$ 10,627	
Due to bondholders	\$ 1,534,974	763,744	1,146,432	\$ 1,152,286
	<u>1,534,974</u>	<u>763,744</u>	<u>1,146,432</u>	<u>1,152,286</u>
Total Liabilities	<u>\$ 1,534,974</u>	<u>\$ 774,371</u>	<u>\$ 1,157,059</u>	<u>\$ 1,152,286</u>

Assessment District 86-1

Assets:				
Cash and investments	\$ 1,051,814	\$ 1,465,873	\$ 1,442,544	\$ 1,075,143
Interest receivable	13,239	56,492	54,535	15,196
Special assessments	1,483,368	759,343	1,483,368	759,343
	<u>1,483,368</u>	<u>759,343</u>	<u>1,483,368</u>	<u>759,343</u>
Total Assets	<u>\$ 2,548,421</u>	<u>\$ 2,281,708</u>	<u>\$ 2,980,447</u>	<u>\$ 1,849,682</u>
Liabilities:				
Accounts payable		\$ 20,751	\$ 20,751	
Due to bondholders	\$ 2,548,421	2,989,085	3,687,824	\$ 1,849,682
	<u>2,548,421</u>	<u>2,989,085</u>	<u>3,687,824</u>	<u>1,849,682</u>
Total Liabilities	<u>\$ 2,548,421</u>	<u>\$ 3,009,836</u>	<u>\$ 3,708,575</u>	<u>\$ 1,849,682</u>

(Continued)

CITY OF CATHEDRAL CITY
Statement of Changes in Agency Funds (Continued)
For the Year Ended June 30, 2006

	Balance at June 30, 2005	Additions	Deletions	Balance at June 30, 2006
<u>Assessment District 86-5</u>				
Assets:				
Cash and investments	\$ 554,713	\$ 539,739	\$ 547,124	\$ 547,328
Interest receivable	5,605	23,743	23,097	6,251
Special assessments	785,699	544,474	785,699	544,474
Total Assets	\$ 1,346,017	\$ 1,107,956	\$ 1,355,920	\$ 1,098,053
Liabilities:				
Due to bondholders	\$ 1,346,017	1,379,831	1,627,794	\$ 1,098,054
Total Liabilities	\$ 1,346,017	\$ 1,379,831	\$ 1,627,794	\$ 1,098,054
 <u>Assessment District 87-2</u>				
Assets:				
Cash and investments	\$ 10,473	\$ 887	\$ 308	\$ 11,052
Interest receivable	160	809	783	186
Total Assets	\$ 10,633	\$ 1,696	\$ 1,091	\$ 11,238
Liabilities:				
Due to bondholders	\$ 10,633	\$ 1,332	\$ 727	\$ 11,238
Total Liabilities	\$ 10,633	\$ 1,332	\$ 727	\$ 11,238

(Continued)

CITY OF CATHEDRAL CITY
Statement of Changes in Agency Funds (Continued)
For the Year Ended June 30, 2006

	Balance at June 30, 2005	Additions	Deletions	Balance at June 30, 2006
<u>Assessment District 88-2</u>				
Assets:				
Cash and investments	\$ 404,249	\$ 387,017	\$ 383,617	\$ 407,649
Interest receivable	4,229	18,520	17,948	4,801
Special assessments	551,389	564,348	551,389	564,348
Total Assets	\$ 959,867	\$ 969,885	\$ 952,954	\$ 976,798
Liabilities:				
Accounts payable		\$ 5,745	\$ 5,745	
Due to bondholders	\$ 959,867	1,161,719	1,144,788	\$ 976,798
Total Liabilities	\$ 959,867	\$ 1,167,464	\$ 1,150,533	\$ 976,798
 <u>Assessment District 88-3</u>				
Assets:				
Cash and investments	\$ 1,314,725	\$ 1,525,372	\$ 1,545,856	\$ 1,294,241
Interest receivable	12,689	51,827	50,399	14,117
Special assessments	3,585,801	2,954,064	3,585,801	2,944,064
Total Assets	\$ 4,913,215	\$ 4,531,263	\$ 5,182,056	\$ 4,252,422
Liabilities:				
Accounts payable		\$ 25,768	\$ 25,768	
Due to bondholders	\$ 4,913,215	5,321,259	5,982,052	\$ 4,252,422
Total Liabilities	\$ 4,913,215	\$ 5,347,027	\$ 6,007,820	\$ 4,252,422

(Continued)

CITY OF CATHEDRAL CITY
Statement of Changes in Agency Funds (Continued)
For the Year Ended June 30, 2006

	Balance at June 30, 2005	Additions	Deletions	Balance at June 30, 2006
<u>Assessment District 96-1</u>				
Assets:				
Cash and investments	\$ 536,070	\$ 428,028	\$ 345,990	\$ 618,108
Interest receivable	4,448	19,255	17,925	5,778
Special assessments	(99,795)	4,483,910	24,887	4,359,228
	\$ 440,723	\$ 4,931,193	\$ 388,802	\$ 4,983,114
Total Assets				
Liabilities:				
Accounts payable		\$ 12,970	\$ 12,970	
Due to bondholders	\$ 440,723	5,242,674	700,283	\$ 4,983,114
	\$ 440,723	\$ 5,255,644	\$ 713,253	\$ 4,983,114
Total Liabilities				
 <u>Assessment District 2001-1</u>				
Assets:				
Cash and investments	\$ 149,639	\$ 260,979	\$ 258,471	\$ 152,147
Cash and investments with fiscal agent	254,749	251,410	249,278	256,881
Interest receivable	1,370	10,483	8,111	3,742
Special assessments	2,807,656	2,736,734	2,807,656	2,736,734
	\$ 3,213,414	\$ 3,259,606	\$ 3,323,516	\$ 3,149,504
Total Assets				
Liabilities:				
Accounts payable	\$ 2,618	\$ 88,513	\$ 91,131	
Due to bondholders	3,210,796	3,013,228	3,074,520	\$ 3,149,504
	\$ 3,213,414	\$ 3,101,741	\$ 3,165,651	\$ 3,149,504
Total Liabilities				

(Continued)

CITY OF CATHEDRAL CITY
Statement of Changes in Agency Funds (Continued)
For the Year Ended June 30, 2006

	Balance at June 30, 2005	Additions	Deletions	Balance at June 30, 2006
<u>Rio Vista CFD Debt Service</u>				
Assets:				
Cash and investments	\$ 816,981	\$ 846,340	\$ 1,240,775	\$ 422,546
Cash and investments with fiscal agent	1,793,258	1,366,229	823,711	2,335,776
Interest receivable	6,773	10,506	13,329	3,950
Special assessments	25,263	71,949	25,263	71,949
Total Assets	\$ 2,642,275	\$ 2,295,024	\$ 2,103,078	\$ 2,834,221
Liabilities:				
Accounts payable		\$ 449,091	\$ 449,091	
Due to bondholders	\$ 2,642,275	1,073,618	881,672	\$ 2,834,221
Total Liabilities	\$ 2,642,275	\$ 1,522,709	\$ 1,330,763	\$ 2,834,221
 <u>2004 Ltd Obligation Bond A</u>				
Assets:				
Cash and investments		\$ 4,793,609	\$ 4,793,609	
Cash and investments with fiscal agent	\$ 1,890,428	2,787,656	2,740,695	\$ 1,937,389
Total Assets	\$ 1,890,428	\$ 2,787,656	\$ 2,740,695	\$ 1,937,389
Liabilities:				
Accounts payable		\$ 3,000	\$ 3,000	
Due to bondholders	\$ 1,890,428	10,021,125	9,974,164	\$ 1,937,389
Total Liabilities	\$ 1,890,428	\$ 10,021,125	\$ 9,974,164	\$ 1,937,389

(Continued)

CITY OF CATHEDRAL CITY
Statement of Changes in Agency Funds (Continued)
For the Year Ended June 30, 2006

	Balance at June 30, 2005	Additions	Deletions	Balance at June 30, 2006
<u>Assessment District 03-01</u>				
Assets:				
Cash and investments	\$ 71,496	\$ 1,016,397	\$ 791,240	\$ 296,653
Cash and investments with fiscal agent	475,741	772,623	769,414	478,950
Interest receivable	618	18,027	11,020	7,625
Due from City	520,024		520,024	
Special assessments	6,470,550	6,100,750	6,470,550	6,100,750
Total Assets	\$ 7,538,429	\$ 7,907,797	\$ 8,562,248	\$ 6,883,978
Liabilities:				
Accounts payable		\$ 510,851	\$ 510,851	
Due to bondholders	\$ 7,538,429	6,622,409	7,276,860	\$ 6,883,978
Total Liabilities	\$ 7,538,429	\$ 7,133,260	\$ 7,787,711	\$ 6,883,978
 <u>Assessment District 04-01</u>				
Assets:				
Cash and investments	\$ 324,753	\$ 488,284	\$ 526,807	\$ 286,230
Cash and investments with fiscal agent	427,989	519,593	516,821	430,761
Interest receivable	2,718	10,119	9,624	3,213
Due from City	25,708		25,708	
Special assessments	5,822,812	5,637,640	5,822,812	5,637,640
Total Assets	\$ 6,603,980	\$ 6,655,636	\$ 6,901,772	\$ 6,357,844
Liabilities:				
Accounts payable		\$ 357,832	\$ 357,832	
Due to bondholders	\$ 6,603,980	6,124,444	6,370,580	\$ 6,357,844
Total Liabilities	\$ 6,603,980	\$ 6,482,276	\$ 6,728,412	\$ 6,357,844

(Continued)

CITY OF CATHEDRAL CITY
Statement of Changes in Agency Funds (Continued)
For the Year Ended June 30, 2006

	<u>Balance at June 30, 2005</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at June 30, 2006</u>
<u>Assessment District 04-02</u>				
Assets:				
Cash and investments	\$ 98,695	\$ 4,109,019	\$ 1,784,508	\$ 2,423,206
Cash and investments with fiscal agent		34,817,444	32,572,362	2,245,082
Interest receivable	2,981	82,940	61,829	24,092
Due from City				
Special assessments		65,870,153	33,848,793	32,021,360
Total Assets	\$ 101,676	\$ 104,879,556	\$ 68,267,492	\$ 36,713,740
Liabilities:				
Accounts payable		\$ 1,515,814	\$ 1,515,814	
Due to bondholders	\$ 101,676	134,638,191	98,026,127	\$ 36,713,740
Total Liabilities	\$ 101,676	\$ 136,154,005	\$ 99,541,941	\$ 36,713,740

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STATISTICAL SECTION

CITY OF CATHEDRAL CITY
Net Assets by Component
Last Four Fiscal Years
(accrual basis of accounting)

	Fiscal Year			
	2003	2004	2005	2006
Governmental activities				
Invested in capital assets, net of related debt	\$36,888,433	\$107,520,100	\$112,910,687	\$ 122,219,298
Restricted	7,219,135	91,617,045	98,648,373	125,459,965
Unrestricted	(3,510,682)	(110,017,515)	(109,324,077)	(102,049,158)
Total governmental activities net assets	<u>\$40,596,886</u>	<u>\$89,119,630</u>	<u>\$102,234,983</u>	<u>\$145,630,105</u>

Note: 1. Fiscal year ended June 30, 2003, was the first year of implementation of the government-wide Statement of Net Assets. Subsequent years will be added to this schedule until a total of ten years are presented.

2. Reporting format was changed beginning with the fiscal year ended June 30, 2004, eliminating debt service funds for all Assessment Districts since the City is not obligated for this debt in any way. All figures for fiscal year ended June 30, 2003, have been adjusted to eliminate all net assets for Assessment District Debt Service Funds.

Source: City of Cathedral City

CITY OF CATHEDRAL CITY
Changes in Net Assets
Last Four Fiscal Years
(accrual basis of accounting)

	Fiscal Year			
	2003	2004	2005	2006
Expenses				
Governmental activities				
General government	\$20,302,237	\$21,163,483	\$31,121,691	\$18,832,677
Public works	2,533,116	2,172,455	2,878,756	5,351,014
Public safety	12,761,710	12,844,985	15,433,503	17,005,811
Community development		801,061	7,129,970	9,108,324
Interest on long-term debt	6,877,085	6,175,271	6,155,663	5,112,780
Total primary government expenses	<u>\$42,474,148</u>	<u>\$43,157,255</u>	<u>\$62,719,583</u>	<u>\$55,410,606</u>
Program Revenues				
Governmental activities:				
Charges for services:				
General government	\$3,521,983	\$4,899,384	\$2,664,909	\$3,245,354
Public safety	1,572,845	1,636,603	1,934,407	1,988,111
Other	101,055	350,918	680,194	650,337
Operating grants and contribution	3,891,493	3,988,660	4,797,551	6,954,974
Capital grants and contributions	252,577	755,332	354,291	0
Total primary government program revenues	<u>\$9,339,953</u>	<u>\$11,630,897</u>	<u>\$10,431,352</u>	<u>\$12,838,776</u>
Total primary government net expense	<u>(\$33,134,195)</u>	<u>(\$31,526,358)</u>	<u>(\$52,288,231)</u>	<u>(\$42,571,830)</u>
General Revenues				
and Other Changes in Net Assets				
Governmental activities:				
Property taxes	\$20,855,159	\$16,794,654	\$19,712,494	\$24,279,818
Sales taxes	8,652,286	9,331,431	10,164,931	10,176,722
Motor vehicle in lieu tax	2,594,707	2,159,580	2,902,001	4,434,309
Transient occupancy taxes	1,773,788	1,681,380	1,702,962	1,851,094
Franchise taxes	1,332,926	2,011,718	4,146,235	4,382,684
Investment earnings	1,916,432	1,386,790	2,612,506	3,845,770
Other	278,268	3,506,723	1,988,619	3,752,367
Contributed Capital			12,013,836	33,244,188
Total primary government	<u>\$37,403,566</u>	<u>\$36,872,276</u>	<u>\$55,243,584</u>	<u>\$85,966,952</u>
Change in Net Assets				
Total primary government	<u>\$4,269,371</u>	<u>\$5,345,918</u>	<u>\$2,955,353</u>	<u>\$43,395,122</u>

- Note: 1. Statement of Activities. Subsequent years will be added to this schedule until a total of ten years are presented.
2. Reporting format was changed beginning with the fiscal year ended June 30, 2004, eliminating debt service funds for all Assessment Districts since the City is not obligated for this debt in any way. All figures for fiscal year ended June 30, 2003, have not been adjusted to eliminate all activity for Assessment District Debt Service Funds.

Source: City of Cathedral City

CITY OF CATHEDRAL CITY
 Governmental Activities Tax Revenues By Source
 Last Four Fiscal Years
 (accrual basis of accounting)

Fiscal Year	Property Tax	Sales Tax	Motor Vehicle in lieu Tax	Transient Occupancy Tax	Franchise Tax	Total
2003	\$ 20,855,159	\$ 8,652,286	\$ 2,594,707	\$ 1,773,788	\$ 1,332,926	\$ 35,208,866
2004	16,794,654	9,331,431	2,159,580	1,681,380	2,011,718	31,978,763
2005	19,712,494	10,164,931	2,902,001	1,702,962	4,146,235	38,628,623
2006	24,279,818	10,176,722	4,434,309	1,851,094	4,382,684	45,124,627
Change from Base Year	16.4%	17.6%	70.9%	4.4%	228.8%	28.2%

- Note:
1. Fiscal year ended June 30, 2003, was the first year of implementation of the government-wide revenues by source. Subsequent years will be added to this schedule until a total of ten years are presented.
 2. Sales tax includes supplemental amounts from the Sales Tax Compensation Fund beginning with 2005.
 3. Motor vehicle in lieu tax includes the supplemental amounts paid for VLF/Property Tax swap beginning with 2005.

Source: City of Cathedral City

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

	Fiscal Year			
	1997	1998	1999	2000
General fund				
Reserved	\$3,815,424	\$3,700,847	\$3,700,847	\$3,700,847
Unreserved	1,112,873	1,690,532	4,337,868	8,779,510
Total general fund	<u>\$4,928,297</u>	<u>\$5,391,379</u>	<u>\$8,038,715</u>	<u>\$12,480,357</u>
All other governmental funds				
Reserved	\$6,519,427	\$8,954,586	\$10,384,558	\$10,783,168
Restricted for debt service	25,133,310	10,971,508	8,594,681	8,310,754
Unreserved, reported in:				
Special revenue funds	9,741,378	8,522,977	7,306,210	9,321,234
Capital projects funds	13,557,083	9,775,893	6,531,343	20,444,076
Total all other governmental funds	<u>\$54,951,198</u>	<u>\$38,224,964</u>	<u>\$32,816,792</u>	<u>\$48,859,232</u>

- Notes: 1. Includes General, Special Revenue, Debt Service and Capital Project Funds.
2. Reporting format was changed with the fiscal year ended June 30, 2004, eliminating debt service funds for all Assessment Districts since the City is not obligated for this debt in any way. All figures have been adjusted from fiscal year ended June 30, 1997, through fiscal year ended June 30, 2003, to eliminate all Assessment District Debt Service Fund

Source: City of Cathedral City

Fiscal Year					
2001	2002	2003	2004	2005	2006
\$3,700,847	\$3,700,847	\$3,700,847	\$3,700,847	\$3,700,847	\$ 6,835,996
10,478,056	11,754,226	12,524,876	13,159,083	15,691,740	12,054,915
<u>\$14,178,903</u>	<u>\$15,455,073</u>	<u>\$16,225,723</u>	<u>\$16,859,930</u>	<u>\$19,392,587</u>	<u>\$18,890,911</u>
\$12,880,606	\$14,040,345	\$24,177,951	\$23,913,656	\$30,127,244	\$ 46,064,207
9,659,497	10,483,332	11,581,887	14,193,084	11,157,009	4,826,518
11,960,125	10,611,563	12,073,083	11,417,470	11,750,863	82,389,191
22,172,814	16,906,175	46,343,676	43,983,813	49,167,621	(3,368,656)
<u>\$56,673,042</u>	<u>\$52,041,415</u>	<u>\$94,176,597</u>	<u>\$93,508,023</u>	<u>\$102,202,737</u>	<u>\$129,911,260</u>

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

	1997	1998	1999	2000	2001
Revenues					
Taxes	\$ 24,814,099	\$ 20,724,523	\$26,344,522	\$27,326,351	\$27,298,814
Fines and forfeitures	117,383	67,376	100,543	197,078	179,350
Intergovernmental	5,504,180	6,538,791	4,102,038	3,019,932	3,922,543
Licenses and permits	823,868	1,050,069	1,578,997	2,010,595	2,149,937
Charges for services	1,683,006	4,958,871	2,211,073	2,278,361	3,858,433
Interest	2,428,169	1,232,321	1,946,590	2,491,280	3,099,802
Miscellaneous	2,699,951	756,315	1,046,425	865,837	2,238,891
Total Revenues	<u>38,070,656</u>	<u>35,328,266</u>	<u>37,330,188</u>	<u>38,189,434</u>	<u>42,747,770</u>
Expenditures					
General government	12,344,239	12,438,265	13,083,583	12,938,593	14,509,164
Community development					
Public safety	9,035,181	8,734,250	9,011,183	9,112,228	10,952,159
Public works	1,038,802	1,548,098	779,294	1,037,519	1,184,064
Payments under pass-through agreements					
Capital outlay	17,504,502	22,816,980	12,540,210	4,752,105	17,370,188
Debt service:					
Principal	7,250,411	2,876,898	2,643,057	3,051,208	2,801,274
Interest	4,164,463	3,531,654	3,748,566	3,588,720	4,203,153
Other charges	573,105	1,350		795,806	68,585
Total Expenditures	<u>51,910,703</u>	<u>51,947,495</u>	<u>41,805,893</u>	<u>35,276,179</u>	<u>51,088,587</u>
Excess of revenues over (under) expenditures	<u>\$ (13,840,047)</u>	<u>\$ (16,619,229)</u>	<u>\$ (4,475,705)</u>	<u>\$ 2,913,255</u>	<u>\$ (8,340,817)</u>
Other financing sources (uses)					
Issuance of debt	18,565,404				15,249,564
Debt refunded				16,126,000	
Bond discount					
Payment to refunded bond escrow agent					
Payment of bonds refunded					
Transfers in	12,716,429	20,634,993	9,443,829	8,320,021	4,029,588
Contributed Capital					
Transfers out	(9,977,772)	(20,278,916)	(7,705,300)	(6,491,216)	(3,171,521)
Loan proceeds					
Loss on sale of land held for resale					
Total other financing sources (uses)	<u>21,304,061</u>	<u>356,077</u>	<u>1,738,529</u>	<u>17,954,805</u>	<u>16,107,631</u>
Net change in fund balances	<u>\$ 7,464,014</u>	<u>\$ (16,263,152)</u>	<u>\$ (2,737,176)</u>	<u>\$20,868,060</u>	<u>\$ 7,766,814</u>

Debt service as a percentage of noncapital expenditures

- Notes:
1. Includes General, Special Revenue, Debt Service and Capital Project Funds.
 2. Reporting format was changed with the fiscal year ended June 30, 2004, eliminating debt service funds for all Assessment Districts since the City is not obligated for this debt in any way. All figures have been adjusted from fiscal year ended June 30, 1997, through fiscal year ended June 30, 2003, to eliminate all Assessment District Debt Service Fund activity.

3 Prior to 2006 Contributed Capital included in Transfers In.

Source: City of Cathedral City

2002	2003	2004	2005	2006
\$30,371,743	\$33,875,940	\$30,158,695	\$ 34,678,025	\$ 38,562,201
196,493	224,964	288,778	11,283	14,482
2,382,219	3,948,572	3,940,752	4,200,128	4,888,510
2,146,618	2,675,795	2,564,105	2,523,772	7,230,588
4,099,497	2,896,160	3,499,037	4,242,513	4,425,238
2,311,204	1,916,429	1,444,002	2,612,506	3,845,770
4,077,057	1,205,640	1,083,660	1,921,641	4,061,321
<u>45,584,831</u>	<u>46,743,500</u>	<u>42,979,029</u>	<u>50,189,868</u>	<u>63,028,110</u>
15,827,576	17,901,668	11,365,164	13,941,863	13,408,044
		1,760,344	7,129,970	3,217,257
11,276,522	11,813,294	12,844,985	15,433,503	17,005,811
2,432,828	2,304,324	2,046,487	2,125,691	4,350,702
11,151,653	10,237,926	3,681,655	16,142,202	17,572,392
3,718,467	4,025,644	5,904,174	4,137,825	11,047,577
4,890,319	3,725,800	6,233,458	5,604,157	6,083,827
	1,615,006		1,090,077	7,292,378
<u>49,297,365</u>	<u>51,623,662</u>	<u>43,836,267</u>	<u>65,605,288</u>	<u>79,977,988</u>
<u>\$ (3,712,534)</u>	<u>\$ (4,880,162)</u>	<u>\$ (857,238)</u>	<u>\$ (15,415,420)</u>	<u>\$ (16,949,878)</u>
960,600	51,982,623		40,672,017	13,000,000
	9,407,377		(27,308,156)	
	(568,887)			
	(3,898,143)			
	(5,509,234)			
5,644,293	16,401,536	16,946,265	37,615,882	30,566,267
				33,244,188
(4,812,125)	(16,285,896)	(16,174,966)	(27,419,952)	(32,825,657)
			3,083,000	170,000
		(9,063)		1,928
<u>1,792,768</u>	<u>51,529,376</u>	<u>762,236</u>	<u>26,642,791</u>	<u>44,156,726</u>
<u>\$ (1,919,766)</u>	<u>\$46,649,214</u>	<u>\$ (95,002)</u>	<u>\$ 11,227,371</u>	<u>\$ 27,206,848</u>

CITY OF CATHEDRAL CITY
Assessed Valuations of Taxable Property
Last Ten Fiscal Years

Fiscal Year	Nonunitary	Secured Property	Unsecured Property	Total Assessed Property Value	Less Homeowners Exemptions	Net Taxable Value
1997	\$ -	\$1,583,286,551	\$59,183,556	\$1,642,470,107	\$35,782,621	\$1,606,687,486
1998	-	1,563,105,844	66,493,210	1,629,599,054	36,570,103	1,593,028,951
1999	224,723	1,562,915,361	52,388,433	1,615,528,517	36,834,344	1,578,694,173
2000	153,537	1,618,164,988	49,889,648	1,668,208,173	36,150,510	1,632,057,663
2001	141,933	1,797,371,102	77,199,212	1,874,712,247	37,109,739	1,837,602,508
2002	155,390	2,032,004,758	78,385,697	2,110,545,845	39,170,982	2,071,374,863
2003	-	2,244,056,372	80,644,771	2,324,701,143	41,912,344	2,282,788,799
2004	170,853	2,460,268,685	94,948,189	2,555,387,727	46,731,597	2,508,656,130
2005	213,191	2,776,673,226	87,797,945	2,864,684,362	48,319,893	2,816,364,469
2006	-	3,146,987,008	90,323,901	3,237,310,909	49,147,740	3,188,163,169

Sources: 1. Riverside County Auditor-Controller's Office

CITY OF CATHEDRAL CITY
Property Tax Rates - Direct and Overlapping Governments
Last Ten Fiscal Years (per \$100 of Assessed Value)

Fiscal Year	General Purpose	School Districts	Water Districts	County Flood Control	Total
1997	1.00000	0.04041	0.02080	0.00000	1.06121
1998	1.00000	0.05110	0.02080	0.00000	1.07190
1999	1.00000	0.05620	0.02080	0.00000	1.07700
2000	1.00000	0.06050	0.02080	0.00000	1.08130
2001	1.00000	0.05609	0.02080	0.00000	1.07689
2002	1.00000	0.05609	0.02080	0.00000	1.07689
2003	1.00000	0.06002	0.02080	0.00000	1.08082
2004	1.00000	0.06052	0.02080	0.00000	1.08132
2005	1.00000	0.06052	0.02080	0.00000	1.08132
2006	1.00000	0.07007	0.02080	0.00000	1.09087

Source: Riverside County Tax Rate Book TRA 19-000

CITY OF CATHEDRAL CITY
Principal Property Taxpayers (Secured)
June 30, 2006

Taxpayer	Business	2005-06 Assessed Valuation	Percentage of Total Assessed Valuation (a)
MHC Date Palm	Mobile Home Park/Golf Course	\$ 27,342,295	0.84%
Welk Park North	Timeshare Resort	25,852,959	0.79%
Cathedral Creekside	Residential	17,197,054	0.53%
Desert Vistas	*	16,844,854	0.52%
Rio Vista Nevada	*	16,724,485	0.51%
31033 Date Palm LLC	*	12,544,654	0.39%
Global Investment	*	12,021,339	0.37%
Cathedral City Heritage Park	*	11,956,160	0.37%
Palm Springs Motors, Inc.	New Motor Vehicle Dealership	11,426,841	0.35%
Capstar Cathedral City Company	Senior Apartments	13,694,288	0.42%
		<u>\$ 165,604,929</u>	<u>5.08%</u>

Notes: * Not available at time of printing.
1. Local Secured Assessed Valuation = \$3,257,653,714

Sources: 1. HdL Coren & Cone
2. City of Cathedral City

CITY OF CATHEDRAL CITY

Top 25 Sales Tax Producers

June 30, 2006

Taxpayer	Business
Acura Mazda of the Desert	New Motor Vehicle Dealers
Albertsons	Grocery Stores/Liquor
Arco AM PM Mini Mart	Service Stations
Arco AM PM Mini Mart	Service Stations
C & M Building Materials	Lumber/Building Materials
Chrystal Chrysler Center	New Motor Vehicle Dealers
Desert Lexus	New Motor Vehicle Dealers
Ferguson Enterprises	Plumbing/Electrical Supplies
Honda of the Desert	New Motor Vehicle Dealers
JCS Mobile	Service Stations
Jessup Auto Plaza	New Motor Vehicle Dealers
Legacy Home Furnishings	Home Furnishings
O Brien Hyundai	New Motor Vehicle Dealers
Palm Springs Ford Lincoln Mercury	New Motor Vehicle Dealers
Palm Springs Mitsubishi	New Motor Vehicle Dealers
Palm Springs Nissan	New Motor Vehicle Dealers
Palm Springs Oil	Service Stations
Palm Springs Volvo & Subaru	New Motor Vehicle Dealers
Sams Club	Discount Dept Stores
Spreen Saturn	New Motor Vehicle Dealers
Target	Discount Dept Stores
Toyota of the Desert	New Motor Vehicle Dealers
Ultramar	Service Stations
United Rentals	Repair Shops
Walmart	Discount Dept Stores

- Notes:
1. Percent of Fiscal Year Total that is paid by Top 25 Accounts = 62.63%
 2. Firms are listed alphabetically
 3. Period: April 2005 through March 2006

Source: HdL Coren & Cone

CITY OF CATHEDRAL CITY
Property Tax Levies and Collections
Last Ten Fiscal Years

Fiscal Year Ending June 30	Total Tax Levy	Current Tax Collection	Percent of Levy Collected	Delinquent Tax Collections	Total Tax Collections	Ratio of Total Collections to Levy
1997	741,050	727,976	98.2%	**	727,976	98.2%
1998	740,571	727,499	98.2%	**	727,499	98.2%
1999	734,352	720,881	98.2%	**	720,881	98.2%
2000	733,920	720,195	98.1%	**	720,195	98.1%
2001	705,309	690,898	98.0%	**	690,898	98.0%
2002	705,512	695,933	98.6%	**	695,933	98.6%
2003	718,305	708,011	98.6%	**	708,011	98.6%
2004	714,297	706,462	98.9%	2,033	708,495	99.2%
2005	716,334	709,890	99.1%	2,033	711,923	99.4%
2006	725,054	715,412	98.7%	1,788	717,200	98.9%

- Notes:
- * Not available at time of printing.
 - ** This information is not available.
 - 1. Includes prior year unsecured only since Cathedral City is on the Teeter Plan.
 - 2. Years 1997 through 2003 have been estimated since data is not available.
 - 3. Table does not include SBE unitary apportionments.

Source: Riverside County Auditor-Controller's Office

CITY OF CATHEDRAL CITY

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

Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Net General Obligation Debt</u>	<u>Total Assessed Property Value</u>	<u>Percent of General Obligation Debt to Assessed Value</u>	<u>Population</u>	<u>Net General Obligation Debt Per Capita</u>	<u>General Government Expenditures</u>	<u>Net General Obligation Debt Per General Expenditures</u>
1997	-	\$ 1,642,470,107	0.00%	34,927	-	7,269,439	-
1998	-	1,629,599,054	0.00%	36,028	-	7,130,836	-
1999	-	1,615,528,517	0.00%	36,770	-	7,745,961	-
2000	-	1,668,208,173	0.00%	38,632	-	7,171,290	-
2001	-	1,874,712,247	0.00%	44,643	-	7,865,917	-
2002	-	2,110,545,845	0.00%	45,417	-	8,401,738	-
2003	-	2,324,701,143	0.00%	47,292	-	8,896,242	-
2004	-	2,555,387,727	0.00%	48,588	-	9,140,068	-
2005	-	2,864,684,362	0.00%	50,632	-	14,965,373	-
2006	-	3,245,497,776	0.00%	53,282	-	10,734,234	-

- Sources:
1. HdL Coren & Cone
 2. State Department of Finance
 3. City of Cathedral City
 4. Expenditures include General Government and Community Development

CITY OF CATHEDRAL CITY
Schedule of Direct and Overlapping Bond Debt
For the Year Ended June 30, 2006

2005-06 Assessed Valuation: \$3,247,731,969
Redevelopment Incremental Valuation: 2,776,644,359
Adjusted Assessed Valuation: \$ 471,087,610

<u>OVERLAPPING TAX AND ASSESSMENT DEBT (1):</u>	Total Debt 6/30/06	% Applicable	City's Share of Debt 6/30/06
Desert Community College District	\$69,111,886	1.889%	\$ 1,305,524
Palm Springs Unified School District	\$205,160,000	4.283	8,787,003
City of Cathedral City Community Facilities District No. 2000-1	\$12,195,000	100.	12,195,000
City of Cathedral City 1915 Act Bonds	\$57,443,337	100.	<u>57,443,337</u>
TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT			\$79,730,864
 <u>DIRECT AND OVERLAPPING GENERAL FUND DEBT:</u>			
Riverside County General Fund Debt	\$630,525,566	0.382%	\$ 2,408,608
Riverside County Pension Obligations	\$396,845,000	0.382	1,515,948
Riverside County Board of Education Certificates of Participation	\$11,240,000	0.382	42,937
City of Cathedral City General Fund Debt	\$6,385,000	100.	6,385,000
Coachella Valley County Water District, I.D. No. 71 Certificates of Participation			\$8,530,000 1.812
TOTAL GROSS DIRECT AND OVERLAPPING GENERAL FUND DEBT			\$10,507,057
Less: Riverside self-supporting obligations			<u>74,838</u>
TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND DEBT			\$10,432,219
 GROSS COMBINED TOTAL DEBT			\$90,237,921 (2)
NET COMBINED TOTAL DEBT			\$90,163,083 (2)

(1) Includes all bonded debt which requires a tax levy or assessment charge: e.g. general obligation bonds, Mello-Roos Act and 1915 Act Bonds, benefit assessments, lease tax obligations and parcel tax obligations.

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

Ratios to 2005-06 Assessed Valuation:

Total Overlapping Tax and Assessment Debt 2.45%

Ratios to Adjusted Assessed Valuation:

Combined Direct Debt (\$6,385,000)1.36%
Gross Combined Total Debt19.16%
Net Combined Total Debt.....19.14%

STATE SCHOOL BUILDING AID REPAYABLE AS OF 6/30/06: \$0

KD:(\$425)

CITY OF CATHEDRAL CITY
Computation of Legal Debt Margin
June 30, 2006

Total Assessed Valuation	<u>\$ 3,245,497,776</u> ¹
Debt Limit - 15 % of Total Assessed Valuation	\$ 486,824,666
Amount of Debt Applicable to Debt Limit	<u>-0-</u>
Legal Debt Margin	<u>\$ 486,824,666</u>

The City of Cathedral City has no general bonded indebtedness.

Source: HdL Coren & Cone

CITY OF CATHEDRAL CITY

Demographic Statistics

Last Ten Calendar Years

Fiscal Year	Square Miles	Population	Population Percent Change	Riverside County Population	City Population Percent Of County
1997	19.6	34,927	-1.5%	1,379,956	2.5%
1998	19.6	36,028	3.2%	1,441,237	2.5%
1999	19.6	36,770	2.1%	1,473,307	2.5%
2000	19.6	38,632	5.1%	1,522,855	2.5%
2001	19.6	44,643	15.6%	1,609,356	2.8%
2002	19.6	45,417	1.7%	1,644,341	2.8%
2003	19.6	47,292	4.1%	1,705,537	2.8%
2004	19.6	48,588	2.7%	1,776,743	2.7%
2005	19.6	50,632	4.2%	1,877,000	2.7%
2006	19.6	53,282	5.2%	1,953,330	2.7%

- Sources:
1. California State Department of Finance
 2. City of Cathedral City
 3. Riverside County Website

CITY OF CATHEDRAL CITY
Property Value and Construction
Last Ten Fiscal Years

Fiscal Year	Total Assessed Property Value	Percent Change	Number of Building Permits Issued	Percent Change	Estimated Valuation	Percent Change	Bank Deposits	Percent Change
1997	\$1,642,470,107	-2.67%	1,233	-6.38%	\$30,260,396	6.30%	*	*
1998	1,629,599,054	-0.78%	1,366	10.79%	39,077,066	29.14%	*	*
1999	1,615,528,517	-0.86%	1,611	17.94%	80,123,546	105.04%	*	*
2000	1,668,208,173	3.26%	1,931	19.86%	110,926,884	38.44%	157,536,000	*
2001	1,874,712,247	12.38%	2,056	6.47%	121,135,329	9.20%	144,944,000	-7.99%
2002	2,110,545,845	12.58%	2,030	-1.26%	115,282,438	-4.83%	165,395,000	14.11%
2003	2,324,701,143	10.15%	2,287	12.66%	128,810,054	11.73%	174,477,000	5.49%
2004	2,555,387,727	9.92%	2,065	-9.71%	130,598,770	1.39%	189,711,000	8.73%
2005	2,864,684,362	12.10%	2,204	6.73%	108,157,784	-17.18%	*	*
2006	3,245,497,776	13.29%	2,241	1.68%	106,055,433	-1.94%	*	*

Notes: * Not available at time of printing.

- Source:
1. Riverside County Auditor-Controller's Office
 2. Findley Reports on California Financial Institutions
 3. City of Cathedral City

CITY OF CATHEDRAL CITY
 Taxable Lease Revenue Bonds
 Big League Dreams Sports Park
 Last Nine Fiscal Years

Fiscal Year	Revenue Available for Debt Service	Debt Service Requirements			Coverage
		Principal	Interest	Total	
1998	\$ 307,255		\$ 383,094	\$ 383,094	0.80
1999	475,000		458,185	458,185	1.04
2000	480,000	180,000	451,930	631,930	0.76
2001	350,498	65,000	443,416	508,416	0.69
2002	580,734	70,000	438,725	508,725	1.14
2003	478,823	75,000	433,555	508,555	0.94
2004	485,174	80,000	427,898	507,898	0.96
2005	480,762	85,000	421,875	506,875	0.95
2006	495,013	90,000	415,488	505,488	0.98

Note: Revenue available for Debt Service consists of lease payments made by the Big League Dreams Sports, L.L.C. to the City of Cathedral City.

Source: City of Cathedral City Finance Department

CITY OF CATHEDRAL CITY
Special Benefit Assessment Levies and Collections
Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Assessment Levy</u>	<u>Current Assessments Collected</u>	<u>Percentage Collected Currently</u>
1997	7,594,734	6,852,877	90.2%
1998	7,200,543	6,716,675	93.3%
1999	7,291,537	6,825,979	93.6%
2000	7,333,321	6,959,715	94.9%
2001	7,177,984	6,831,762	95.2%
2002	4,333,280	4,100,063	94.6%
2003	4,462,830	4,068,221	91.2%
2004	5,298,726	5,125,581	96.7%
2005	5,718,386	5,506,626	96.3%
2006	5,432,654	5,171,986	95.2%

Source: Riverside County Auditor-Controller's Office

CITY OF CATHEDRAL CITY

Miscellaneous Statistics

June 30, 2006

Date of Incorporation	November 16, 1981
Form of Government	Council-Manager/General Law
Registered Voters	17,965
Area in Square Miles	19.6
Miles of streets	205.36
Fire protection:	
Number of stations	3
Number of firefighters and officers	33
Police protection:	
Number of stations	1
Number of service offices	3
Number of sworn officers	52
Public education facilities:	
Elementary schools	4
Middle schools	2
High schools	1
Sewers and drains:	
Miles of storm drains	4.12
Recreation and culture:	
Park sites	4
Community centers	1
Libraries	1
Water Park	1
Amusement Parks/Family Entertainment Centers	1
Ball Park	1
Bowling Centers	1
Theaters	3
Full-time City employees (excluding Police and Fire)	102
Elected Officials	7
Part-time City employees	23
Population	53,282

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- Sources:
1. City of Cathedral City
 2. State Department of Finance
 - 3 Registrar of Voters - Riverside County
 4. ESRI