

City of Twentynine Palms

Twentynine Palms, California

Comprehensive Annual Financial Report

For the fiscal year ended June 30, 2011



Prepared by the Finance Department

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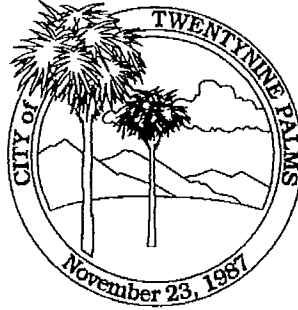
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INTRODUCTORY SECTION

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www.29palms.org



COUNCIL MEMBERS
Jim Harris, Mayor
John E. Cole, Mayor Pro Tem
Jay Corbin
Joel Klink
Daniel L. Mintz Sr.

CITY MANAGER
Richard N. Warne

November 22, 2011

To the Honorable Mayor and City Council
of the City of Twentynine Palms

We are pleased to present the comprehensive annual financial report (CAFR) of the City of Twentynine Palms (City) for the fiscal year ended June 30, 2011. It is submitted with this letter fulfilling the requirements of the State of California. The basic financial statements have been presented in conformity with generally accepted accounting principles (GAAP) and are audited in accordance with generally accepted auditing standards by an independent firm of licensed certified public accountants.

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 has established a comprehensive system of internal controls that are designed to both 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 internal control systems have 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 basic financial statements have been audited by Rogers, Anderson, Malody and Scott, a firm of licensed 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, 2011, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures on the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall presentation of the financial statements. Based upon their audit, the independent auditor concluded that there was reasonable basis for rendering an unqualified opinion that the City's financial statements for the fiscal year ended June 30, 2011, are 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 of Twentynine Palms' MD&A can be found immediately following the report of the independent auditors.

Profile of the City of Twentynine Palms, California

The City of Twentynine Palms, California was incorporated as a general law city on November 23, 1987 and is located in south-central San Bernardino County (a part of the Morongo Basin). The City limits cover an area of approximately 58 square miles, with a population of approximately 30,000. The City is empowered by state statute to extend its corporate limits by annexation, which occurs periodically when deemed appropriate by City Council.

The City operates under the council-manager form of government. Policy-making and legislative authority are vested in the City Council consisting of five members elected at large to four-year terms. The City Council is responsible, among other things, for passing ordinances, adopting the budget, appointing committees or commissions, 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 City provides a full range of services, including police (provided by the San Bernardino County Sheriff's Department); construction and maintenance of streets and other infrastructure; recreational activities and cultural events; sanitation services; street lighting; planning and zoning; and general administrative services. The Twentynine Palms Water District provides water and fire services for the City. Economic development activities are provided through a legally separate Twentynine Palms Redevelopment Agency (Agency). The activities of the Agency are included as an integral part of the City's basic financial statements. For additional information on the Agency, please see Note 1 in the notes to the financial statements.

The annual budget serves as the foundation for the City of Twentynine Palms' financial planning and control. In March, department heads submit requests for the following year to the City Manager. The City Manager and Finance Director estimate revenue and determine how much is available to cover the requested expenditures. A preliminary draft budget is submitted to the City Council, the City Manager conducts a study session with the Council. Changes directed by the Council are incorporated into the final draft, and the budget is approved by the Council at one of their regular meetings in June.

Budget-to-actual comparisons are provided in this report for each individual governmental fund for which an appropriated annual budget has been adopted.

Factors affecting financial condition

The information presented in the financial statements is perhaps best understood when considered from the broader perspective of the specific environment within which the City operates.

Local economy

The local economy in general, shows a slow improvement over the last year along with the general economy throughout the country. The General Fund financial statements show a slight increase (.05%) in revenues this year. The economy of the City is affected by two major sources: 1) The Marine Corps Air Ground Combat Center "Base"; and 2) tourism, much of which is generated by the presence of Joshua Tree National Park which adjoins the City on the south. Tourists are also drawn to the area by the desert location with its clean air and moderate wintertime temperatures.

Long-term financial planning

The City has a capital improvement program that envisions necessary, as well as desired, improvements that the City is planning for the future. There are specific projects with their recommended funding sources laid out for the next five years, and more general plans beyond that period. This plan includes new infrastructure such as parks, roads, and additions and improvements to existing facilities.

The accomplishment of these plans depends on continuance of current Federal and State grant programs, private donations and unappropriated City Funds as they become available.

Relevant financial policies

The General Fund balance has increased by one million, two hundred thousand dollars for fiscal year 2010 - 2011. Some of the increase will be used in the next few years for improvements to the downtown area. Otherwise, the revenues for fiscal year 2011-2012 are expected to exceed expenditures. The City expects the economic problems affecting the State and Federal governments to also affect Twentynine Palms. The City has a policy to retain a General Fund balance of at least 50% of a normal year's expenditures. That policy is sustainable for the next two years.

The City participates in the California Public Employees Retirement System (PERS). The plan covers all full-time City employees, and provides 2.5% of salary for each year of service at age 55. The City also pays a portion of each employee's medical premiums under the PERS medical plan after retirement. For a full discussion of the pension plan, its cost and benefits see Note 8 to the financial statements. The City has begun to fund these post-employment benefits through PERS.

Major initiatives

The City is moving forward and the future is bright for Twentynine Palms. In response to the State's actions to either eliminate redevelopment and/or reallocate local redevelopment funds, the Agency and the City have undertaken various actions since January of this year to protect redevelopment funds. These actions have included encumbering future tax increment revenue through the sale of \$8,575,000 in Tax Allocation 2011 Bonds Series A and \$3,000,000 Tax Allocation Bonds 2011S Series B by the Twentynine Palms Redevelopment Agency for Project Phoenix. Staff has formulated a \$15.6 million development program and financing plan for the project. It includes a civic plaza, 39,519 square-foot community center that has 21,789 square feet in recreation and special event space and 17,730 square feet in theatre space. The project will also include burying and upgrading utilities, parking improvements, construction of a wastewater treatment package plant and the construction of 40 work force housing units.

In addition to Project Phoenix, the City will spend approximately \$2.7 million on road paving, chip sealing and crack sealing projects during FY2011-2012. Major street overlay projects include Base Line Road from Utah Trail to Adobe Road and Adobe Road from Highway 62 to Baseline. The City is also working on the environmental document for curb, gutter and sidewalks improvements on Highway 62 from Encelia Avenue to Split Rock Avenue. This document should be ready for public review in early 2012. Sidewalks will also be constructed on National Park Drive from Highway 62 to the National Park Headquarters in the Spring of 2012 and near Oasis Elementary School along Sun Valley Drive and Sunnyvale Drive.

To allow residential areas north of the City better access to the commercial areas along Highway 62, the city will spend \$200,000 from the General Capital Projects Fund to construct 0.25 miles of two-lane road on Encelia Drive from Sunnyslope Avenue to Two-Mile Road. Backup batteries will also be installed at all of the City traffic lights during FY2011-2012.

During the coming fiscal year, the City will drill a new well in Luckie Park, upgrade the swimming pool to meet new San Bernardino County Health Department standards and work with the Twentynine Palms Water District to develop a groundwater protection plan and a wastewater master plan.

Respectfully Submitted,

Richard N. Warne
City Manager

Ronald Peck
Finance Director

City of Twentynine Palms

Directory of City Officials

Elected Officials

Jim Harris
John E. Cole
Jay Corbin
Joel Klink
Daniel L. Mintz Sr.

Mayor
Mayor Pro Tem
Council Member
Council Member
Council Member

Charlene Sherwood

City Clerk

Management

Richard N. Warne
Cindy Villegas
Charles LaClaire
Ron Peck
Jose Nieves
Randy Councill

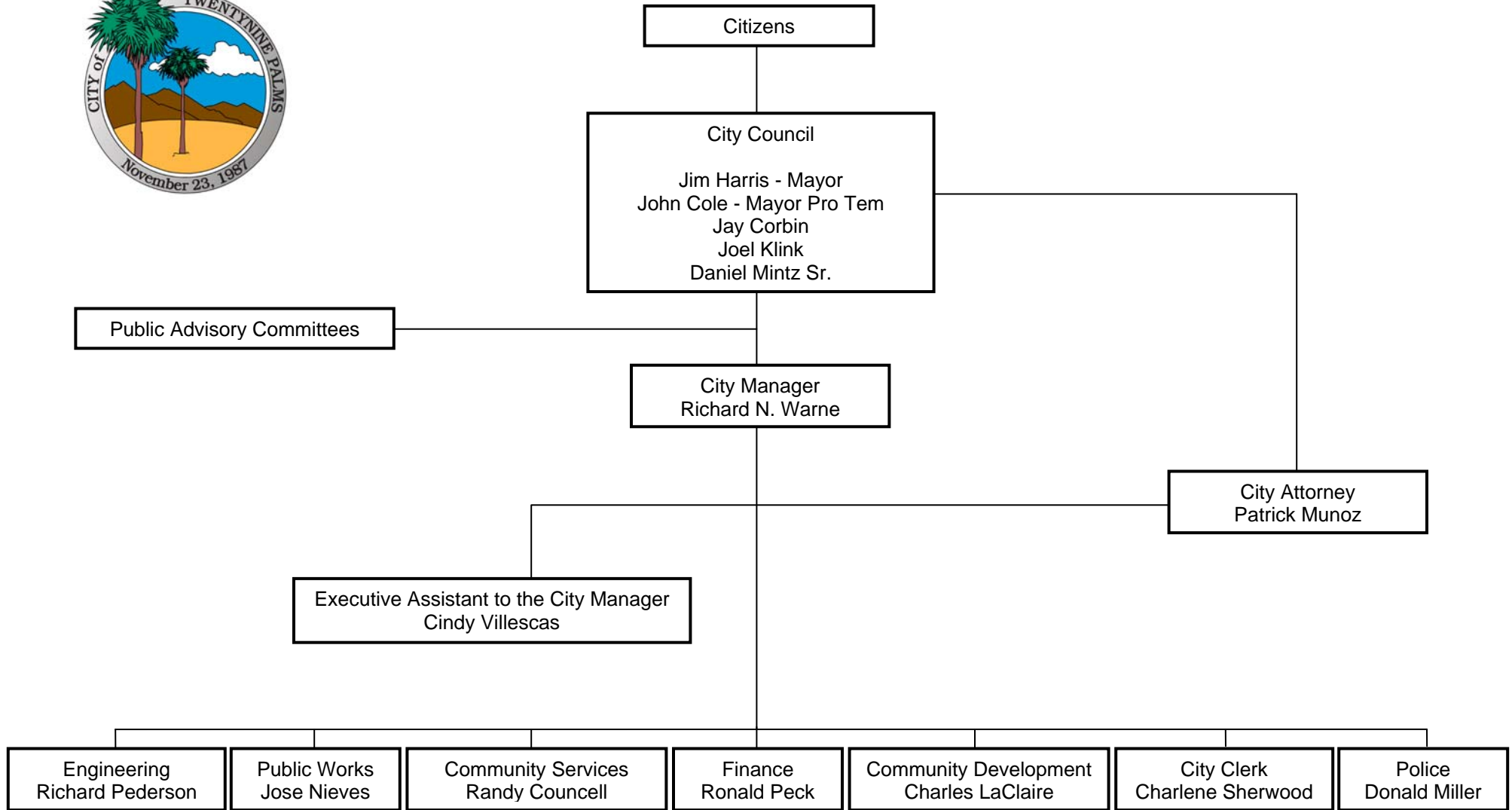
City Manager
Administrative Assistant to City Manager
Community Development Director
Finance Director
Public Works Superintendent
Community Services Director

Contractors

Patrick Munoz
Richard Pedersen
Donald Miller

City Attorney
City Engineer
Police Captain

Organizational Chart



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FINANCIAL SECTION

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ROGERS, ANDERSON, MALODY & SCOTT, LLP
CERTIFIED PUBLIC ACCOUNTANTS, SINCE 1948

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Independent Auditor's Report

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Matthew B. Wilson, CPA, MSA
Scott W. Manno, CPA
Leena Shanbhag, CPA, MST
Jay H. Zercher, CPA (Retired)

MANAGERS / STAFF

Nancy O'Rafferty, CPA, MBA
Bradferd A. Welebir, CPA, MBA
Jenny Liu, CPA, MST
Katie L. Millsom, CPA
Papa Matar Thiaw, CPA, MBA
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Danielle E. Odgers, CPA
William C. Clayton, CPA
Scott Millsom, CPA
Peter E. Murray, CPA
Genivive Schwarzkopf, CPA
Megan Hackney, CPA

The Honorable City Council City of Twentynine Palms, California

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Twentynine Palms, California, as of June 30, 2011, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As explained in the basic notes to the financial statements, it is uncertain as to the future continuation of redevelopment agencies (a material component in the City's financial statements) in the State of California as a result of certain legislative actions enacted by the California State Legislature.

As discussed in the basic notes to the financial statements, the City adopted the provisions of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, in 2011.

MEMBERS

American Institute of
Certified Public Accountants

*PCPS The AICPA Alliance
for CPA Firms*

*Governmental Audit
Quality Center*

California Society of
Certified Public Accountants

In accordance with *Government Auditing Standards*, we have also issued our report dated November 22, 2011 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

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

Rogers Anderson Maloney & Scott, LLP

November 22, 2011

Management's Discussion and Analysis

As management of the City of Twentynine Palms, we offer readers of the City of Twentynine Palms' financial statements this narrative overview and analysis of the financial activities of the City of Twentynine Palms for the fiscal year ended June 30, 2011. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages i-iii of this report.

Financial highlights

- The assets of the City of Twentynine Palms exceeded its liabilities at the close of the most recent fiscal year by \$39,976,099 (*net assets*). Of this amount, \$9,620,967 (*unrestricted net assets*) may be used to meet the City's ongoing obligations to citizens and creditors.
- The government's total net assets increased by \$2,995,468. Over one half of this increase is attributable to increased revenues.
- As of the close of the current fiscal year, the City of Twentynine Palms' governmental funds reported combined ending fund balances of \$30,028,038 an increase of \$12,160,095 in comparison with the prior year. Approximately 32% of this total amount, \$9,705,935, is available for spending at the City's discretion (*unassigned fund balance*).
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$10,417,781.
- The City of Twentynine Palms' total debt increased by \$11,321,852 (2600 percent) during the current fiscal year due to the issuance of debt by the Redevelopment Agency.

Overview of the financial statements

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

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

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

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

Both of the government-wide financial statements distinguish functions of the City of Twentynine Palms that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include general government, public safety, highways and streets, economic development, and culture and recreation. The City of Twentynine Palms does not have any activities that recover a significant part of their cost through user fees.

The government-wide financial statements can be found on pages 10-11 of this report.

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

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

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

The City of Twentynine Palms maintains nineteen individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General fund, the Article 8 fund, the Redevelopment Agency special revenue fund, capital projects fund, and debt service fund, all of which are considered to be major funds. Data from the other fourteen governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

The City of Twentynine Palms adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 12-17 of this report.

Proprietary fund. The City of Twentynine Palms maintains one proprietary fund. The *internal service fund* is an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses the internal service funds to account for its risk management activities and to charge the cost to the various governmental funds. Because these services benefit the governmental funds, they have been included within the *governmental activities* elsewhere in this report.

The basic proprietary fund financial statements can be found on pages 18-20 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 21-45 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the City's budget versus actual results. Required supplementary information can be found on pages 46-50 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds and internal service funds are presented immediately following the required supplementary information. Combining and individual fund statements and schedules can be found on pages 53-58 of this report.

Government-wide financial analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City of Twentynine Palms, assets exceeded liabilities by \$39,976,099 at the close of the most recent fiscal year.

A large portion of the City's net assets (53 percent) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment); less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Statement of Net Assets		
	Governmental Activities	
	2011	2010
Current and other assets	\$ 32,807,978	\$20,988,985
Capital assets	21,392,796	19,415,747
Total assets	54,200,774	40,404,732
Long-term liabilities	11,771,252	449,400
Other liabilities	2,453,423	2,974,701
Total liabilities	14,224,675	3,424,101
Net assets:		
Invested in capital assets, net of related debt	21,357,417	19,366,537
Restricted	8,997,715	5,756,152
Unrestricted	9,620,967	11,857,942
Total net assets	\$ 39,976,099	\$36,980,631

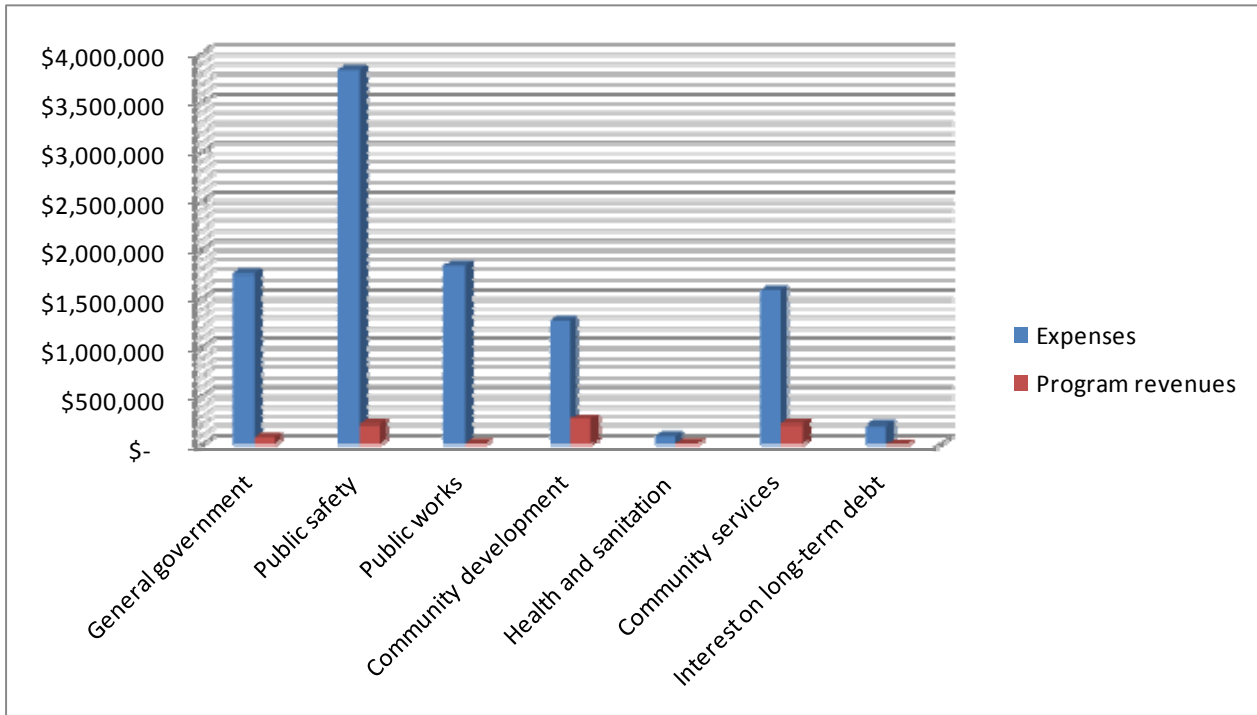
An additional portion of the City of Twentynine Palms' net assets (23 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets* (\$9,620,967) may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City of Twentynine Palms is able to report positive balances in all three categories of net assets. The same situation held true for the prior fiscal year.

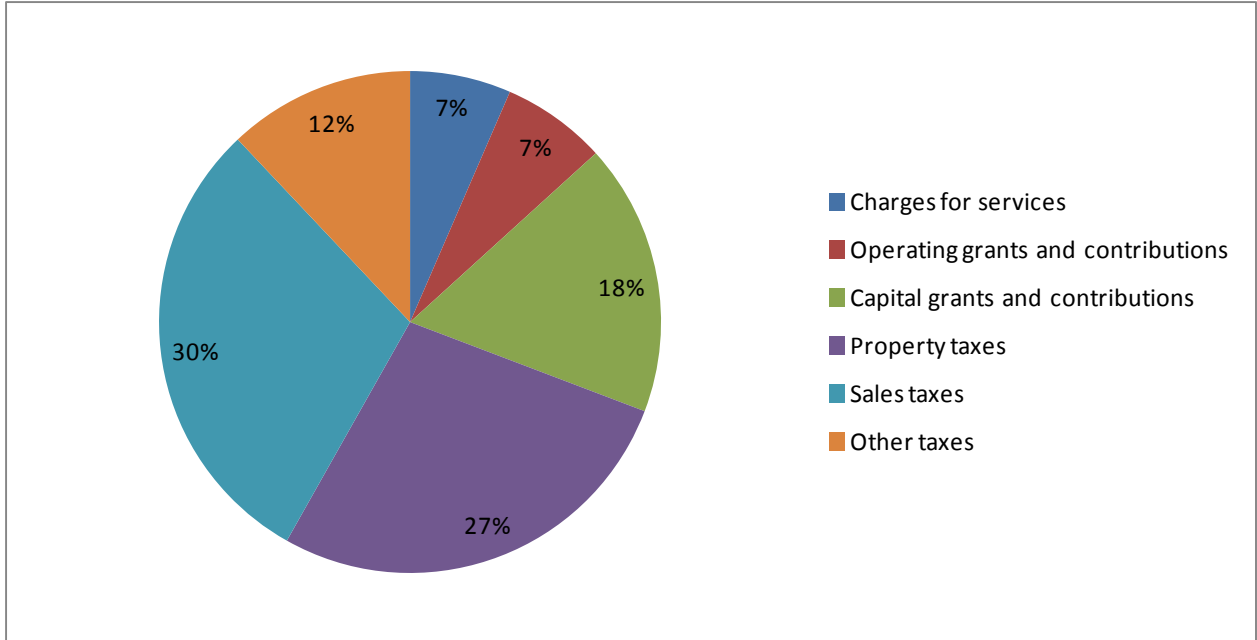
The city's net assets increased by \$2,995,468 during the current fiscal year. Most of this increase represents the degree to which increases in ongoing revenues have outstripped similar increases in ongoing expenses.

Change in Net Assets		
	Governmental Activities	
	2011	2010
Revenues:		
Program revenues:		
Charges for services	\$ 744,065	\$ 1,299,427
Operating grants and contributions	909,008	781,965
Capital grants and contributions	2,363,942	5,438,184
Property taxes	3,648,685	3,771,308
Other taxes	5,685,948	5,550,305
Investment earnings	111,695	160,876
Other	32,776	99,044
Total revenues	<u>13,496,119</u>	<u>17,101,109</u>
Expenses:		
General government	1,742,040	2,105,167
Public safety	3,827,697	3,373,130
Public works	1,823,536	1,502,859
Community development	1,256,874	1,891,653
Health and sanitation	84,726	62,153
Community services	1,580,237	1,461,915
Interest on long-term debt	185,541	62,927
Total expenses	<u>10,500,651</u>	<u>10,459,804</u>
Change in net assets	2,995,468	6,641,305
Net assets, beginning of year	<u>36,980,631</u>	<u>30,339,326</u>
Net assets, end of year	<u><u>\$ 39,976,099</u></u>	<u><u>\$36,980,631</u></u>

Expenses and program revenues - Governmental Activities



Revenue by source - Governmental Activities



Financial analysis of the government's funds

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

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

As of the end of the current fiscal year, the City of Twentynine Palms governmental funds reported combined ending fund balances of \$30,028,038, an increase of \$12,160,095 in comparison with the prior year. Approximately thirty-two percent (32%) of this total amount (\$9,705,935) constitutes *unassigned fund balance*, which is available for spending at the government's discretion. The remainder of fund balance is not available for new spending because it has either already been 1) restricted for a variety of purposes by outside sources (\$20,169,672) or 2) assigned by the government to a specific purpose (\$152,431).

The General fund is the chief operating fund of the City of Twentynine Palms. At the end of the current fiscal year, the unassigned fund balance of the General fund was \$10,417,781 while total fund balance was \$12,027,732. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 143 percent of total General fund expenditures, while total fund balance represents 165 percent of that same amount.

The fund balance of the City's General fund increased by \$1,208,573 during the current fiscal year. Key factors in this growth are as follows:

- The City spent \$990,117 less in the current year than it collected in revenue the prior year.

The debt service fund has a total fund balance of \$1,452,441 all of which is reserved for the payment of debt. The net increase in fund balance during the current year in the debt service fund was \$744,261.

Proprietary funds. The City of Twentynine Palms' proprietary fund provides the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets of the Internal Service Fund at the end of the year amounted to \$185,306 an increase of \$38,965 from the prior year.

General fund budgetary highlights

There were no significant differences between the original budget and the final amended budget.

Revenue exceeded expenditures; therefore, it wasn't necessary to draw on the General fund balance.

Capital asset and debt administration

Capital assets

The City's investment in capital assets for its governmental activities as of June 30, 2011, amounts to \$21,392,796 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, machinery and equipment, park facilities, roads and related facilities. The total increase in the City's investment in capital assets for the current fiscal year was 10.1 percent.

Capital Assets (Net of depreciation)		
	Governmental Activities	
	2011	2010
Land and improvements	\$ 2,188,164	\$ 2,296,305
Construction in progress	370,852	4,925,028
Building and improvements	4,738,488	4,514,476
Machinery and equipment	304,227	355,264
Office equipment	40,609	62,326
Vehicles	77,572	87,052
Infrastructure	13,672,884	7,175,296
Total capital assets	<u>\$ 21,392,796</u>	<u>\$19,415,747</u>

Major capital asset events during the current fiscal year included the following:

- Investments in infrastructure of \$7,009,822, mainly due to a reclassification of completed projects out of construction in progress.

Additional information on the City's capital assets can be found in note 6 on page 34 of this report.

Long-term liabilities

At the end of the current fiscal year, the City of Twentynine Palms had bonded debt outstanding of \$11,575,000 from the issuance of 2011 Series A and B Tax Allocation Bonds. The City's total long-term liabilities increased by \$11,321,852 (2600 percent) during the current fiscal year.

Additional information on the City's long-term liabilities can be found in note 7 on page 35 of this report.

Economic factors and next year's budgets and rates

- The unemployment rate for the City of Twentynine Palms was 16.9 %; the rate for the State of California for June 2011 was 12.1% and San Bernardino County was 14.3%.
- The occupancy rate of the government's central business district is adequate.
- Commercial trends in the region are comparable to national indices.

All of these factors were considered in preparing the City of Twentynine Palms budget for the 2012 fiscal year.

Requests for information

This financial report is designed to provide a general overview of the City of Twentynine Palms' finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the Finance Director, 6136 Adobe Road, Twentynine Palms, Calif. 92277.

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BASIC FINANCIAL STATEMENTS

City of Twentynine Palms

Statement of Net Assets
June 30, 2011

	Governmental activities
Assets	
Cash and investments	\$ 20,386,749
Cash and investments with fiscal agent - restricted	11,038,290
Receivables:	
Intergovernmental	373,590
Taxes	496,464
Interest	21,991
Other	74,303
Land held for resale	126,850
Deferred charges	289,741
Capital assets, not being depreciated	2,559,016
Capital assets, depreciated, net	<u>18,833,780</u>
 Total assets	 <u>54,200,774</u>
 Liabilities	
Accounts payable and accrued liabilities	427,409
Claims payable	90,000
Deposits payable	7,303
Interest payable	148,530
Unearned revenue	340,977
Due to developers	1,439,204
Noncurrent liabilities:	
Due within one year	98,856
Due in more than one year	<u>11,672,396</u>
 Total liabilities	 <u>14,224,675</u>
 Net assets	
Invested in capital assets, net of related debt	21,357,417
Restricted for:	
Streets, highways, bikeways, public transit and other related purposes	5,489,497
Public safety	521,645
Community development	2,986,573
Unrestricted	<u>9,620,967</u>
 Total net assets	 <u><u>\$ 39,976,099</u></u>

The accompanying notes are an integral part of these financial statements.

City of Twentynine Palms

**Statement of Activities
For the year ended June 30, 2011**

	Expenses	Charges for services	Operating grants and contributions	Capital grants and contributions	Total
Governmental activities:					
General government	\$ 1,742,040	\$ 72,475	\$ -	\$ -	\$ (1,669,565)
Public safety	3,827,697	197,065	74,111	-	(3,556,521)
Public works	1,823,536	6,409	778,529	2,156,320	1,117,722
Community development	1,256,874	258,625	-	207,622	(790,627)
Health and sanitation	84,726	7,235	56,368	-	(21,123)
Community services	1,580,237	202,256	-	-	(1,377,981)
Interest on long-term debt	185,541	-	-	-	(185,541)
Total governmental activities	\$ 10,500,651	\$ 744,065	\$ 909,008	\$ 2,363,942	(6,483,636)

General revenues:

Property taxes	3,648,685
Sales and use taxes	880,663
Motor vehicle in lieu tax	2,697,702
Vehicle license fee in lieu tax	439,321
Franchise taxes	644,710
Transient occupancy taxes	979,480
Real property transfer taxes	44,072
Investment earnings	111,695
Other	32,776

Total general revenues 9,479,104

Change in net assets 2,995,468

Net assets, beginning of year 36,980,631

Net assets, end of year \$39,976,099

The accompanying notes are an integral part of these financial statements.

City of Twentynine Palms

**Balance Sheet
Governmental Funds
June 30, 2011**

	General	Special revenue	
		Article 8	Redevelopment Agency
Assets			
Cash and investments	\$ 12,524,816	\$ -	\$ 2,056,648
Cash with fiscal agent	-	-	2,830,781
Receivables:			
Intergovernmental	203,341	-	-
Taxes	385,919	-	6,232
Interest	21,991	-	-
Other	70,260	-	-
Due from other funds	751,871	-	-
Land held for resale	-	-	-
Total assets	\$ 13,958,198	\$ -	\$ 4,893,661
Liabilities and fund balances			
Liabilities:			
Accounts payable and accrued liabilities	\$ 234,705	\$ 1,778	\$ 3,491
Deposits	7,303	-	-
Due to other funds	-	312,263	-
Deferred revenue	249,254	-	-
Due to developers	1,439,204	-	-
Total liabilities	1,930,466	314,041	3,491
Fund balances (deficit):			
Restricted for:			
Low and moderate income housing	-	-	4,890,170
Debt service	-	-	-
Community development	-	-	-
Public safety	243,393	-	-
Public works	1,366,558	-	-
Assigned	-	-	-
Unassigned	10,417,781	(314,041)	-
Total fund balances (deficit)	12,027,732	(314,041)	4,890,170
Total liabilities and fund balances	\$ 13,958,198	\$ -	\$ 4,893,661

The accompanying notes are an integral part of these financial statements.

<u>Capital projects</u> <u>Redevelopment</u> <u>Agency</u>	<u>Debt service</u> <u>Redevelopment</u> <u>Agency</u>	<u>Total</u> <u>Nonmajor</u> <u>Governmental</u> <u>Funds</u>	<u>Total</u> <u>Governmental</u> <u>Funds</u>
\$ 290,348	\$ 807,501	\$ 4,431,923	\$ 20,111,236
7,407,533	799,976	-	11,038,290
-	-	170,249	373,590
2,500	6,231	95,582	496,464
-	-	-	21,991
-	-	4,043	74,303
-	-	-	751,871
126,850	-	-	126,850
<u>\$ 7,827,231</u>	<u>\$ 1,613,708</u>	<u>\$ 4,701,797</u>	<u>\$ 32,994,595</u>
\$ 11,312	\$ 161,267	\$ 14,649	\$ 427,202
-	-	-	7,303
-	-	439,608	751,871
-	-	91,723	340,977
-	-	-	1,439,204
<u>11,312</u>	<u>161,267</u>	<u>545,980</u>	<u>2,966,557</u>
-	-	-	4,890,170
-	1,452,441	-	1,452,441
7,815,919	-	-	7,815,919
-	-	278,252	521,645
-	-	4,122,939	5,489,497
-	-	152,431	152,431
-	-	(397,805)	9,705,935
<u>7,815,919</u>	<u>1,452,441</u>	<u>4,155,817</u>	<u>30,028,038</u>
<u>\$ 7,827,231</u>	<u>\$ 1,613,708</u>	<u>\$ 4,701,797</u>	<u>\$ 32,994,595</u>

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City of Twentynine Palms

**Reconciliation of the Balance Sheet of
Governmental Funds to the Statement of Net Assets
June 30, 2011**

Fund balances of governmental funds \$ 30,028,038

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

Capital assets used in governmental activities are not financial
resources and, therefore, are not reported in the funds:

Capital assets	26,268,637
Accumulated depreciation	(4,875,841)

Long-term liabilities are not due and payable in the current period
and, therefore, are not reported in the funds.

2011 Series A tax allocation bonds	(8,575,000)
2011 Series B tax allocation bonds	(3,000,000)
Leases payable	(35,379)
Compensated absences	(422,705)

Accrued interest payable for the current portion of interest due on bonds
payable has not been reported in the governmental funds (148,530)

Other long-term assets are not available to pay for current-period expenditures
and, therefore, are deferred in the funds:

Discount on bonds issued	261,832
Deferred charges	289,741

Internal service funds are used by management to charge the costs of certain
activities, including insurance claims and expenses, to individual funds. The
assets and liabilities of the internal service funds are included in the Statement
of Net Assets.

185,306

Net assets of governmental activities \$ 39,976,099

The accompanying notes are an integral part of these financial statements.

City of Twentynine Palms

**Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the year ended June 30, 2011**

	General	Special revenue	
		Article 8	Redevelopment Agency
Revenues			
Taxes	\$ 7,492,890	\$ -	\$ 365,573
Licenses, permits and fees	308,165	-	-
Intergovernmental	28,578	398,763	-
Charges for services	329,244	-	-
Fines, forfeitures and penalties	7,896	-	-
Investment earnings	68,596	-	11,431
Other	85,516	10,145	-
Total revenues	<u>8,320,885</u>	<u>408,908</u>	<u>377,004</u>
Expenditures			
Current:			
General government	1,467,482	-	32,866
Public safety	3,536,686	-	-
Public works	30,656	372,879	-
Community development	575,845	-	42,125
Health and sanitation	-	-	-
Community services	1,451,816	-	-
Debt service:			
Principal retirement	13,831	-	-
Interest and fiscal charges	1,081	-	-
Bond issuance costs	-	-	113,913
Pass-through agreements	-	-	-
Capital outlay	209,765	522,059	-
Total expenditures	<u>7,287,162</u>	<u>894,938</u>	<u>188,904</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,033,723</u>	<u>(486,030)</u>	<u>188,100</u>
Other financing sources (uses)			
Tax allocation bonds issued	-	-	3,000,000
Discount on bonds issued	-	-	(65,928)
Transfers in	48,000	-	-
Transfers out	-	-	-
Proceeds from sale of capital assets	126,850	-	-
Total other financing sources (uses)	<u>174,850</u>	<u>-</u>	<u>2,934,072</u>
Net change in fund balances	1,208,573	(486,030)	3,122,172
Fund balances, beginning of year	10,819,159	171,989	1,767,998
Fund balances, (deficit) end of year	<u>\$ 12,027,732</u>	<u>\$ (314,041)</u>	<u>\$ 4,890,170</u>

The accompanying notes are an integral part of these financial statements.

<u>Capital projects</u>	<u>Debt service</u>	<u>Total</u>	<u>Total</u>
<u>Redevelopment</u>	<u>Redevelopment</u>	<u>Nonmajor</u>	<u>Governmental</u>
<u>Agency</u>	<u>Agency</u>	<u>Governmental</u>	<u>Governmental</u>
		<u>Funds</u>	<u>Funds</u>
\$ -	\$ 1,443,596	\$ 6,983	\$ 9,309,042
-	-	-	308,165
-	-	2,787,440	3,214,781
-	-	39,066	368,310
-	-	78,050	85,946
5,776	6,393	22,018	114,214
-	-	-	95,661
<u>5,776</u>	<u>1,449,989</u>	<u>2,933,557</u>	<u>13,496,119</u>
76,631	102,257	4,600	1,683,836
-	-	283,103	3,819,789
-	-	828,896	1,232,431
252,441	-	-	870,411
-	-	84,726	84,726
-	-	-	1,451,816
-	-	-	13,831
-	35,930	-	37,011
172,228	3,600	-	289,741
-	363,910	-	363,910
417,077	-	1,779,639	2,928,540
<u>918,377</u>	<u>505,697</u>	<u>2,980,964</u>	<u>12,776,042</u>
<u>(912,601)</u>	<u>944,292</u>	<u>(47,407)</u>	<u>720,077</u>
7,775,031	799,969	-	11,575,000
(195,904)	-	-	(261,832)
2,500,000	1,500,000	48,504	4,096,504
(1,500,000)	(2,500,000)	(96,504)	(4,096,504)
-	-	-	126,850
<u>8,579,127</u>	<u>(200,031)</u>	<u>(48,000)</u>	<u>11,440,018</u>
7,666,526	744,261	(95,407)	12,160,095
149,393	708,180	4,251,224	17,867,943
<u>\$ 7,815,919</u>	<u>\$ 1,452,441</u>	<u>\$ 4,155,817</u>	<u>\$ 30,028,038</u>

City of Twentynine Palms

**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, 2011**

Net changes in fund balances - total governmental funds \$ 12,160,095

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 or are allocated to the appropriate functional expense when the cost is below the capitalization threshold. This activity is reconciled as follows:

Cost of assets capitalized, less the net book value of disposals	2,778,900
Depreciation expense	(801,851)

The repayment of the principal of long-term debt consumes the current financial resources of governmental funds, however this transaction has no effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is issued, whereas these amounts are deferred and amortized in the statement of activities. This activity is reconciled as follows:

Issuance of long-term debt	(11,575,000)
Discount on issuance of new debt	261,832
Cost of issuance on new debt	289,741
Principal payments on debt:	
Leases payable	13,831

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

Change in accrued interest expense	(148,530)
Change in compensated absences payable	(22,515)

Internal Service Funds are used by management to charge the costs of certain activities, including insurance claims and expenses, to individual funds. The net revenues (expenses) of the internal service fund are reported with governmental activities on the Statement of Activities.

38,965

Change in net assets of governmental activities \$ 2,995,468

The accompanying notes are an integral part of these financial statements.

City of Twentynine Palms

**Statement of Net Assets
Proprietary Fund
June 30, 2011**

	Governmental activities - Internal Service Fund
Assets	
Current assets:	
Cash and investments	\$ 275,513
Total current assets	<u>275,513</u>
Liabilities	
Current liabilities:	
Accounts payable	207
Claims payable	<u>90,000</u>
Total current liabilities	<u>90,207</u>
Net assets	
Unrestricted	<u>185,306</u>
Total net assets	<u><u>\$ 185,306</u></u>

The accompanying notes are an integral part of these financial statements.

City of Twentynine Palms

**Statement of Revenues, Expenses and Changes in Net Assets
Proprietary Fund
For the year ended June 30, 2011**

	Governmental activities - Internal Service Fund
Operating revenues	
Charges for services	\$ 293,263
Total operating revenues	<u>293,263</u>
Operating expenses	
Insurance premiums/claims	<u>249,918</u>
Total operating expenses	<u>249,918</u>
Operating income	<u>43,345</u>
Nonoperating revenues (expenses)	
Investment earnings	620
Other expense	<u>(5,000)</u>
Total nonoperating revenues (expenses)	<u>(4,380)</u>
Change in net assets	38,965
Net assets, beginning of year	<u>146,341</u>
Net assets, end of year	<u>\$ 185,306</u>

The accompanying notes are an integral part of these financial statements.

City of Twentynine Palms

**Statement of Cash Flows
Proprietary Fund
For the year ended June 30, 2011**

	Governmental activities - Internal Service Fund
Cash flows from operating activities	
Receipts from interfund services provided	\$ 293,263
Payments to suppliers	<u>(249,914)</u>
Net cash provided by operating activities	<u>43,349</u>
Cash flows from investing activities	
Interest on investments	<u>620</u>
Net cash provided by investing activities	<u>620</u>
Net increase in cash and cash equivalents	43,969
Cash and cash equivalents, beginning of year	<u>231,544</u>
Cash and cash equivalents, end of year	<u><u>\$ 275,513</u></u>
Reconciliation of operating income to net cash provided by operating activities	
Operating income	\$ 43,345
Adjustments to reconcile operating income to net cash provided by operating activities:	
Other expense	5,000
Decrease in accounts receivable	(5,000)
Increase in accounts payable	<u>4</u>
Net cash provided by operating activities	<u><u>\$ 43,349</u></u>

The accompanying notes are an integral part of these financial statements.

**Notes to the Basic Financial Statements
For the year ended June 30, 2011**

Note 1: Summary of significant accounting policies

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

(a) Reporting entity

The City was incorporated November 23, 1987, under the general laws of the State of California and enjoys all the rights and privileges pertaining to such "General Law" cities. The Twentynine Palms Redevelopment Agency (Agency) 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 the improvement, rehabilitation and redevelopment of blighted areas within the City limits. The California Health and Safety Code provides that, upon the approval of a redevelopment plan, all future incremental increases in the tax base within the designated project area will be paid to the Agency until all indebtedness incurred to finance the project has been paid.

The Agency represents a legally separate entity for which the City is financially accountable, and, accordingly, is considered a component unit of the City. The City Council serves as the Board of Directors, and the City, as the primary government, can impose its will on the Agency. Therefore, in accordance with GASB Statement No. 14, as amended by GASB Statement No. 39, the Agency's financial activities are "blended" with the City's financial statements. Separate financial statements of the Redevelopment Agency may be obtained from the City's Finance Department.

(b) Measurement focus and basis of accounting

Basis of presentation

The basic financial statements of the City of Twentynine Palms have been prepared in conformity with accounting principles generally accepted in the United States of America. The Government Accounting Standards Board (GASB) is the accepted standard setting body for governmental accounting and financial reporting principles. These statements require that the financial statements described below be presented:

Government-wide 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 (the City). For the most part, the effect of inter-fund 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. All City activities are governmental; no business-type activities are reported in the statements.

**Notes to the Basic Financial Statements
For the year ended June 30, 2011**

Note 1: Summary of significant accounting policies (continued)

(b) Measurement focus and basis of accounting (continued)

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements, except for agency funds, which have no measurement focus. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the providers have been met.

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

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

Fund financial statements

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining government funds are aggregated and reported as non-major funds.

Governmental funds

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

Property taxes, franchise taxes, intergovernmental revenues, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual, and are therefore 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 period. All other revenue items are considered to be measurable and available only when cash is received by the City.

**Notes to the Basic Financial Statements
For the year ended June 30, 2011**

Note 1: Summary of significant accounting policies (continued)

(c) Fund classifications

The City reports the following major governmental funds:

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

Article 8 Special Revenue Fund - This fund accounts for monies received from the state through the county for transportation-related uses. The Morongo Basin Transit Authority has the first priority on these monies. Any amount not used is remitted to the City.

Twentynine Palms Redevelopment Agency Low and Moderate Income Housing Fund - This fund accounts for revenues and expenditures for the project area related to low and moderate income housing.

Twentynine Palms Redevelopment Agency Capital Projects Fund - This fund accounts for expenditures of the Agency for major capital improvement projects financed through debt proceeds and tax increment.

Twentynine Palms Redevelopment Agency Debt Service Fund - This fund accounts for the tax increment received by the Agency and also for the repayment of the Agency's indebtedness.

Additionally, the City reports the following fund type:

Internal Service Fund - This fund is used to account for the financing of goods or services provided by one department of the City to other departments on a cost-reimbursement basis. This fund is used to charge the costs of risk management, involving insurance claims and expenses, to individual funds.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989 generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

As a general rule, the effect of inter-fund activity has been eliminated from the government-wide financial statements. Direct expenses have not been eliminated from the functional categories; indirect expenses and internal payments have been eliminated.

Amounts reported as program revenues include 1) charges to 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. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

City of Twentynine Palms

**Notes to the Basic Financial Statements
For the year ended June 30, 2011**

Note 1: Summary of significant accounting policies (continued)

(d) Cash and cash equivalents

For purposes of the Statement of Cash Flows, the City considers cash and cash equivalents as short-term, highly liquid investments that are both readily convertible to known amounts of cash and so near their maturity that they present insignificant risk of changes in value because of changes in interest rates. The City follows the practice of pooling cash and investments of all funds except for funds required to be held by outside fiscal agents under the provisions of bond indentures and funds for the Twentynine Palms Redevelopment Agency. Cash equivalents have an original maturity date of three months or less from the date of purchase.

(e) Investments

Investments are reported in the accompanying financial statements at fair value. Changes in fair value that occur during a fiscal year are recognized as investment earnings reported for that fiscal year. Investment income includes interest earnings, changes in fair value, and any gains or losses realized upon the liquidation, maturity, or sale of an investment.

The City pools cash and investments of all funds, except assets held by fiscal agents. Each fund's 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 on each fund's average cash and investment balance.

(f) 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 inter-fund loans) or "advances to/from other funds" (i.e., the noncurrent portion of inter-fund loans). All other outstanding balances between funds are reported as "due to/from other funds."

Noncurrent portions of long-term inter-fund loan receivables are reported as advances and such amounts are offset equally by a fund balance classification which indicates that they do not constitute expendable available financial resources and therefore are not available for appropriation.

All trade and tax receivables are shown net of an allowance for uncollectible accounts if applicable, and estimated refunds due.

(g) Property taxes

Under California law, property taxes are assessed and collected by the counties up to one percent 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. Accordingly, the City accrues only those taxes, which are received from the county within sixty days after year-end.

The following are the important dates relating to the City's property taxes:

Lien date	March 1
Levy date	June 30
Due date	November 1 and February 1
Collection dates	December 10 and April 10

City of Twentynine Palms

**Notes to the Basic Financial Statements
For the year ended June 30, 2011**

Note 1: Summary of significant accounting policies (continued)

(h) Inventories

Inventories of material and supplies are carried at cost on an average cost basis. The City uses the consumption method of accounting for inventories.

(i) Prepaid items

Payments made to vendors for services that will benefit periods beyond June 30, 2011 are recorded as prepaid items and are offset equally by a fund balance reserve account which indicates that they do not constitute expendable available resources and therefore are not available for appropriation.

(j) Restricted assets

Certain proceeds of the City's long-term debt, as well as certain resources set aside for their repayment, are classified as restricted assets on the financial statements because they are maintained in separate bank accounts and their use is limited by applicable bond covenants.

In the absence of specific statutory provisions governing the issuance of bonds, certificates, or leases, these bond monies may be invested in accordance with the ordinance, resolutions, and indentures specifying the types of investments its trustees or fiscal agents may make. These ordinances, resolutions, and indentures are generally more restrictive than the City's general investment policy. In no instance have additional types of investments been authorized that are not permitted by the City's general investment policy.

(k) Capital assets

Capital assets, which include land, machinery and equipment (furniture, vehicles, computers, etc.), buildings and improvements, and infrastructure assets (street systems, storm drains, bridges, etc.), are reported in governmental activities column of the government-wide financial statements. Capital assets are defined by the City as noninfrastructure assets with an initial, individual cost of more than \$5,000 and infrastructure assets with a total project cost of more than \$50,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated or annexed capital assets are recorded at estimated market value at the date of donation or annexation.

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

Assets	Years
Structures and improvements	40
Public domain infrastructure	50
System infrastructure	30
Vehicles	3 to 15
Other equipment and furnishings	3 to 20
Computer equipment	3 to 10

Periodic restoration and maintenance costs on particular items are charged to expense as incurred.

**Notes to the Basic Financial Statements
For the year ended June 30, 2011**

Note 1: Summary of significant accounting policies (continued)

(l) 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 fiscal year end and the probable amount of loss (net of any insurance coverage) can be reasonably estimated.

(m) Deferred revenue

In the government-wide financial statements and the fund financial statements, unearned and deferred revenue, respectively, represents cash advances by various grantors that have not been spent; therefore, no revenue has been recognized. Included in deferred revenue is \$249,254 in the General fund for public safety grants that have been advanced, \$12,463 in the Community Development Block Grant for community development grants that had been advanced in a prior year, and \$79,260 in the Capital Improvements Capital Projects Fund for a community services grant that had been advanced in a prior year.

(n) Net assets and fund equity

In the government-wide financial statements, proprietary fund financial statements, and fiduciary fund financial statements, net assets are reported in three categories: net assets invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets. Restricted net assets represent net assets, restricted by parties outside of the City (such as creditors, grantors, contributors, and laws and regulations of other governments) and include unspent proceeds of bonds issued to acquire or construct capital assets.

The City's other restricted net assets are temporarily restricted (ultimately expendable assets). All other net assets are considered unrestricted.

In the fund financial statements, governmental funds report fund balance based on the nature and extent of the constraints placed on government's fund balance, as required by GASBS No.54.

(o) Estimates

The preparation of basic financial statements in conformity with accounting principles generally accepted in the United States of America require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses/expenditures during the reporting period. Actual results could differ from those estimates.

**Notes to the Basic Financial Statements
For the year ended June 30, 2011**

Note 1: Summary of significant accounting policies (continued)

(p) Implementation of Governmental Accounting Standards Board (GASB) pronouncements

The City implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* during the year ended June 30, 2011. This statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balance more transparent. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

- Nonspendable – amounts that are not in a spendable form (such as inventory) or are required to be maintained intact.
- Restricted – amounts constrained to specific purposes by their providers (such as grantors, bondholders and higher levels of government), through constitutional provisions or by enabling legislation.
- Committed – amounts constrained to specific purposes by a government itself, using the highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level action to remove or change the constraint.
- Assigned – amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority.
- Unassigned – amounts that are for any purpose; positive amounts are reported only in a general fund.

The City Council establishes (and modifies or rescinds) fund balance commitments by passage of an ordinance or resolution. The City Manager has the authority, granted by the Council, to commit City resources. When both restricted and unrestricted resources are available for use when an expenditure is incurred, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed. It is also the City's policy to consider committed amounts as being reduced first, followed by assigned amounts and then unassigned amounts when expenditures are incurred for which amounts in any of those unrestricted fund balance classifications could be used.

Note 2: Stewardship, compliance and accountability

(a) Budgetary accounting

Each year, the City Council adopts a budget, which provides for the general operations of the City. Budgets are prepared on a basis consistent with accounting principles generally accepted in the United States of America. The City Manager is required to prepare and submit to the City Council the annual budget of the City and administer it after adoption. Any revisions that alter the total appropriation of any fund must be approved by the City Council.

Once the budget has been adopted, changes can be made at three levels: 1) department heads have the authority to shift expenditures between line items within their departments, 2) the City Manager has the authority to shift expenditures between departments within any fund, and 3) the City Council has the authority to change the budget of an individual fund, or to transfer budget items between funds. Budgeted amounts are as originally adopted and as further amended by City Council, on a basis consistent with accounting principles generally accepted in the United States of America (GAAP). No budget was adopted for the following nonmajor special revenue funds for the year ended June 30, 2011: Fire Facilities Impact Fee, Measure I 2011, and Adobe Road Grant.

City of Twentynine Palms

**Notes to the Basic Financial Statements
For the year ended June 30, 2011**

Note 2: Stewardship, compliance and accountability (continued)

(a) Budgetary accounting (continued)

The budgetary control and accountability is maintained at the department level. The City Council has the authority to adopt the annual budget appropriations between individual Funds. The City Manager acting as the City's Budget Officer, has the authority to transfer budget appropriations between funds, departments and individual line items to maintain a balanced budget.

(b) 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, 2011, proceeds of taxes did not exceed appropriations.

(c) Continuing appropriations

The unexpected and unencumbered appropriations that are available and recommended for continuation are approved by the City Council for carryover to the following fiscal year. These commitments are reported as a reservation of fund balance.

(d) Fund deficits

The following funds contained a deficit fund balance as of June 30, 2011:

Major fund:

Article 8 Special Revenue Fund	\$	(314,041)
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Nonmajor funds:

Fire Facilities Impact Fee Special Revenue Fund	\$	(283,103)
Municipal Lighting Special Revenue Fund		(5,792)
Capital Improvements Capital Projects Fund		(108,910)

The deficits in the funds are due to expenditures being incurred before the revenue has been received, or an excess of expenditures over appropriations, as shown below.

(e) Excess of expenditures over appropriations

Excess of expenditures over appropriations of individual funds are as follows:

	<u>Final budget</u>	<u>Actual</u>	<u>Excess</u>
<i>Major fund:</i>			
Article 8	\$ 871,400	\$ 894,938	\$(23,538)
<i>Nonmajor funds:</i>			
Municipal Lighting	49,000	59,232	(10,232)

City of Twentynine Palms

**Notes to the Basic Financial Statements
For the year ended June 30, 2011**

Note 3: Cash and investments

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

Statement of Net Assets	
Cash and investments	\$ 20,386,749
Cash and investments with fiscal agent - restricted	<u>11,038,290</u>
Total cash and investments	<u>\$ 31,425,039</u>

Cash and investments as of June 30, 2011 consist of the following:

Deposits with financial institutions	\$ 558,276
Investments	19,828,473
Money market funds	<u>11,038,290</u>
Total cash and investments	<u>\$ 31,425,039</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 City's investment policy. 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.

<u>Authorized investments</u>	<u>Maximum maturity</u>	<u>Maximum percentage of portfolio</u>	<u>Maximum investment in issuer</u>
U.S. Treasury obligations	5 years	None	None
U.S. Treasury securities	5 years	None	None
Negotiable certificates of deposit	5 years	30%	None
Medium-term notes	5 years	30%	None
Mutual funds	n/a	20%	10%
Money market mutual funds	n/a	20%	10%
Local Agency Investment Fund (LAIF)	n/a	None	None

City of Twentynine Palms

**Notes to the Basic Financial Statements
For the year ended June 30, 2011**

Note 3: Cash and investments (continued)

Investments authorized by debt agreements

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

Authorized investments	Maximum maturity	Maximum percentage of portfolio	Maximum investment in issuer
U.S. Treasury obligations	None	None	None
U.S. Treasury securities	None	None	None
Commercial paper	None	None	None
Bankers' acceptances	None	None	None
Municipal bonds or notes	None	None	None
Investment agreements	None	None	None
Obligations under IRS Section 103(a)	None	None	None
Regulated investment companies	None	None	None
Interest-bearing deposit accounts	None	None	None
Corporate obligations	None	None	None
Money market funds	None	None	None
Local Agency Investment Fund (LAIF)	None	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:

Investment type	Amount	Remaining maturity (in months)			
		12 or less	13 to 24	25 to 60	More than 60
State investment pool - LAIF	\$19,828,473	\$ 19,828,473	\$ -	\$ -	\$ -
Held by bond trustee:					
Federal government obligations	11,038,290	11,038,290	-	-	-
Total investments	<u>\$30,866,763</u>	<u>\$ 30,866,763</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

City of Twentynine Palms

**Notes to the Basic Financial Statements
For the year ended June 30, 2011**

Note 3: Cash and investments (continued)

Investments with fair values highly sensitive to interest rate fluctuations

The City has no investments (including investments held by bond trustees) that are highly sensitive to interest rate fluctuations (to a greater degree than already indicated in the information provided above).

Disclosures relating to credit risk

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

Investment type	Amount	Minimum legal rating	Exempt from disclosure	Rating as of year end	
				AAA	Not rated
State investment pool - LAIF	\$19,828,473	N/A	\$ -	\$ -	\$ 19,828,473
Held by bond trustee:					
Federal government obligations	11,038,290	A	-	11,038,290	-
Total investments	<u>\$30,866,763</u>		<u>\$ -</u>	<u>\$11,038,290</u>	<u>\$ 19,828,473</u>

Concentration of credit risk

The investment policy of the City contains no limitation on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. The City had no investments in anyone issuer (other than U.S. Treasury securities, mutual funds, and external investment pools) that represent 5% or more of total City's investments by reporting unit (primary government, governmental activities, business type activities, fiduciary funds, major funds, nonmajor funds in the aggregate, etc.).

Custodial credit risk

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

City of Twentynine Palms

**Notes to the Basic Financial Statements
For the year ended June 30, 2011**

Note 3: Cash and investments (continued)

Custodial credit risk (continued)

As of June 30, 2011, none of the City's deposits with financial institutions in excess of federal depository insurance limits were held in uncollateralized accounts. As of June 30, 2011, City's investments in the following investment types were held by the same broker-dealer (counterparty) that was used by the City to buy the securities:

<u>Investment type</u>	<u>Amount</u>
Federal government obligations	<u>\$11,038,290</u>

Investment in State investment pool

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

Note 4: Interfund activity

The following represents the interfund activity of the City for the fiscal year ended June 30, 2011:

Transfers

<u>Transfers from</u>	<u>Transfers to</u>	<u>Amount</u>
<i>Major funds</i>		
Redevelopment Agency Capital Projects	Redevelopment Agency Debt Service	\$ 1,500,000
Redevelopment Agency Debt Service	Redevelopment Agency Capital Projects	2,500,000
<i>Nonmajor fund</i>	<i>Major fund</i>	
Traffic Safety	General	48,000
<i>Nonmajor fund</i>	<i>Nonmajor fund</i>	
Gas Tax	Municipal Lighting	<u>48,504</u>
Total transfers		<u>\$ 4,096,504</u>

Transfers to/from other funds have been made in the normal course of business to assist the receiving fund in covering costs incurred by the receiving fund. Disbursing funds receive money which are to be used to fund expenditures in other funds.

City of Twentynine Palms

**Notes to the Basic Financial Statements
For the year ended June 30, 2011**

Note 4: Interfund activity (continued)

Due to/from other funds

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
General	Article 8	\$ 312,263
	Nonmajor funds:	
	Capital Improvements	108,910
	Community Development Block Grant	46,408
	Fire Facilities Impact Fee	283,103
	Municipal Lighting	<u>1,187</u>
Total interfund borrowing		<u>\$ 751,871</u>

Amounts due to/from other funds represent short-term borrowings to cover cash deficits at June 30, 2011.

Note 5: Land held for resale

The City's Redevelopment Agency has acquired property from the City as part of its primary purpose to develop unimproved properties. The City recorded the proceeds from the sale of the land in the General Fund, but this amount has been eliminated in the Statement of Activities. The Redevelopment Agency's Capital Improvements Fund is carrying the land at the lower of cost or estimated net realizable value, which is \$126,850 at June 30, 2011.

City of Twentynine Palms

**Notes to the Basic Financial Statements
For the year ended June 30, 2011**

Note 6: Capital assets

Capital assets for governmental activities for the fiscal year ended June 30, 2011 were as follows:

	Beginning balance	Additions	Deletions	Ending balance
Governmental activities:				
Capital assets, not being depreciated:				
Land and improvements	\$ 2,296,305	\$ 18,709	\$ (126,850)	\$ 2,188,164
Construction in progress	4,925,028	335,880	(4,890,056)	370,852
	<u>7,221,333</u>	<u>354,589</u>	<u>(5,016,906)</u>	<u>2,559,016</u>
Total capital assets, not being depreciated				
Capital assets, being depreciated:				
Building and improvements	5,681,647	362,160	-	6,043,807
Machinery and equipment	1,142,720	49,638	-	1,192,358
Office equipment	159,736	-	-	159,736
Vehicles	961,020	19,597	-	980,617
Infrastructure	8,323,281	7,009,822	-	15,333,103
	<u>16,268,404</u>	<u>7,441,217</u>	<u>-</u>	<u>23,709,621</u>
Total capital assets, being depreciated				
Less accumulated depreciation for:				
Building and improvements	(1,167,171)	(138,148)	-	(1,305,319)
Machinery and equipment	(787,456)	(100,675)	-	(888,131)
Office equipment	(97,410)	(21,717)	-	(119,127)
Vehicles	(873,968)	(29,077)	-	(903,045)
Infrastructure	(1,147,985)	(512,234)	-	(1,660,219)
	<u>(4,073,990)</u>	<u>(801,851)</u>	<u>-</u>	<u>(4,875,841)</u>
Total accumulated depreciation				
Total capital assets being depreciated, net	<u>12,194,414</u>	<u>6,639,366</u>	<u>-</u>	<u>18,833,780</u>
Total capital assets - governmental activities	<u>\$ 19,415,747</u>	<u>\$ 6,993,955</u>	<u>\$ (5,016,906)</u>	<u>\$ 21,392,796</u>

City of Twentynine Palms

**Notes to the Basic Financial Statements
For the year ended June 30, 2011**

Note 6: Capital assets (continued)

Depreciation expense was charged to functions/programs of the City's governmental activities as follows:

	<u>Governmental activities</u>
General government	\$ 65,261
Public safety	7,908
Public works	594,869
Community development	5,392
Community services	<u>128,421</u>
 Total depreciation expense	 <u><u>\$ 801,851</u></u>

Note 7: Long-term liabilities

Long-term liability activity for the fiscal year ended June 30, 2011 was as follows:

<u>Description</u>	<u>Beginning balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending balance</u>	<u>Due within one year</u>
Governmental activities:					
Tax Allocation Bonds:					
2011 Series A	\$ -	\$ 8,575,000	\$ -	\$ 8,575,000	\$ -
2011 Series B	-	3,000,000	-	3,000,000	-
Less deferred amounts for for issuance discounts:					
2011 Series A	-	(195,904)	-	(195,904)	-
2011 Series B	-	(65,928)	-	(65,928)	-
 Subtotal bonds payable	 -	 11,313,168	 -	 11,313,168	 -
Leases payable	49,210	-	13,831	35,379	14,315
Compensated absences	400,190	197,900	175,385	422,705	84,541
 Subtotal other	 449,400	 197,900	 189,216	 458,084	 98,856
 Total long-term liabilities	 <u>\$ 449,400</u>	 <u>\$11,511,068</u>	 <u>\$ 189,216</u>	 <u>\$11,771,252</u>	 <u>\$ 98,856</u>

**Notes to the Basic Financial Statements
For the year ended June 30, 2011**

Note 7: Long-term liabilities (continued)

Tax Allocation Bonds 2011 Series A

In March 2011, the Agency issued Twentynine Palms Redevelopment Agency Tax Allocation Bonds, Series A, in the aggregate principal amount of \$8,575,000. The bonds are dated March 1, 2011 and are in denominations of \$5,000 and bear interest rates ranging from 6.625% to 7.650%. Principal is payable annually on September 1, beginning on September 1, 2019. Interest is payable semi-annually on February 1 and September 1. The bonds mature between September 1, 2019 and June 1, 2042 in amounts ranging from \$55,000 to \$740,000. Per the bond indenture, a reserve is required to be maintained. At June 30, 2011, the balance held in the reserve account was \$799,976.

Proceeds from the bonds are to be used to i) finance redevelopment activities, ii) satisfy the reserve requirement for the Series A bonds, and iii) provide for costs of issuing the bonds.

Housing Tax Allocation Bonds 2011 Series B

In March 2011, the Agency issued Twentynine Palms Redevelopment Agency Housing Tax Allocation Bonds, Series B, in the aggregate principal amount of \$3,000,000. The bonds are dated March 1, 2011 and are in denominations of \$5,000 and bear interest rates ranging from 5.00% to 7.65%. Principal is payable annually on September 1, beginning on September 1, 2012. Interest is payable semi-annually on February 1 and September 1. The bonds mature between September 1, 2012 and June 1, 2042 in amounts ranging from \$30,000 to \$235,000. Per the bond indenture, a reserve is required to be maintained. At June 30, 2011, the balance held in the reserve account was \$254,810.

Proceeds from the bonds are to be used to i) finance low and moderate income housing activities, ii) satisfy the reserve requirement for the Series B bonds, and iii) provide for costs of issuing the bonds.

Pledged revenues

The Agency has pledged 100% of future tax increment revenue (less amounts payable by or required to be set aside by the Agency under any pass-through agreements and by the amount required to be set aside for low and moderate income housing as required by the California Health and Safety Code) as security for the *2011 Tax Allocation Bonds Series A and B* in the amount of \$31,575,732 (total principal and interest at issuance). The pledge is considered outstanding for the duration of the debt service requirements. Total pledged revenues for the fiscal year ended June 30, 2011, totaled \$1,809,169 with the required debt service amount of \$-0- (principal and interest paid in the fiscal year ended June 30, 2011 on the bonds).

City of Twentynine Palms

**Notes to the Basic Financial Statements
For the year ended June 30, 2011**

Note 7: Long-term liabilities (continued)

Debt service requirements to maturity

The scheduled annual minimum debt service requirements of the TABs Series A at June 30, 2011 are as follows:

Tax Allocation Bonds Series A		
<u>Year ending June 30</u>	<u>Principal</u>	<u>Interest</u>
2012	\$ -	\$ 540,991
2013	-	642,760
2014	-	642,760
2015	-	642,760
2016	-	642,760
2017-2021	165,000	3,204,707
2022-2026	950,000	3,002,915
2027-2031	1,345,000	2,592,622
2032-2036	1,915,000	1,992,040
2037-2041	2,770,000	1,108,484
2042-2043	1,430,000	111,305
Totals	<u>\$ 8,575,000</u>	<u>\$ 15,124,104</u>

The scheduled annual minimum debt service requirements of the Housing TABs Series B at June 30, 2011 are as follows:

Housing Tax Allocation Bonds Series B		
<u>Year ending June 30</u>	<u>Principal</u>	<u>Interest</u>
2012	\$ -	\$ 184,985
2013	30,000	219,034
2014	30,000	217,534
2015	30,000	216,034
2016	35,000	214,409
2017-2021	215,000	1,036,941
2022-2026	300,000	950,547
2027-2031	425,000	819,672
2032-2036	605,000	630,774
2037-2041	875,000	351,329
2042-2043	455,000	35,369
Totals	<u>\$ 3,000,000</u>	<u>\$ 4,876,628</u>

City of Twentynine Palms

**Notes to the Basic Financial Statements
For the year ended June 30, 2011**

Note 7: Long-term liabilities (continued)

Leases payable

During the fiscal year ended June 30, 2009, the City entered into a lease-purchase agreement for the acquisition of a photocopier and printer. Principal and interest on the lease is payable in monthly installments of \$743 through June 2013. \$ 16,338

During the fiscal year ended June 30, 2010, the City entered into a lease-purchase agreement for the acquisition of a photocopier. Principal and interest on the lease is payable in monthly installments of \$527 through June 2014. 19,041

Total leases payable \$ 35,379

Future minimum lease obligations are as follows:

<u>Year ending June 30</u>	<u>Principal</u>	<u>Interest</u>
2012	\$ 14,315	\$ 920
2013	14,817	418
2014	<u>6,247</u>	<u>76</u>
Totals	<u><u>\$ 35,379</u></u>	<u><u>\$ 1,414</u></u>

The gross amount of assets purchased through the above lease-purchase agreements by major class are as follows:

	<u>Governmental activities</u>
Assets:	
Office equipment	<u>\$ 69,999</u>
Total	<u><u>\$ 69,999</u></u>

Compensated absences

For governmental funds, accumulated vacation and sick leave benefits payable in future years when used by the City employees amounted to \$422,705 at June 30, 2011. These amounts are payable from future resources and therefore have been recorded in long-term liabilities in the government-wide financial statements. Vacation benefits and sick leave are recorded as expenditures in the related governmental fund financial statements when used. Upon retirement or termination, the expenditures are recorded in the fund which incurred the original obligation. Compensated absences liabilities are generally liquidated by the General Fund.

City of Twentynine Palms

Notes to the Basic Financial Statements For the year ended June 30, 2011

Note 8: City employees' retirement plan (Defined benefit pension plan)

Plan description

The City of Twentynine Palms contributes to the California Public Employees Retirement System (PERS), a cost sharing multiple-employer public employee defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. PERS acts as a common investment and administrative agent for participating public entities within the State of California. Benefit provisions and all other requirements are established by state statute and city ordinance. As of fiscal year 2007, entities participating in the California Public Employees Retirement System (PERS) with less than one hundred members are mandated by the State to be in a risk pool. The City of Twentynine Palms has less than one hundred members participating in PERS and has presented information based on the requirements of cost-sharing multiple-employer defined benefits plans since certain information for an agent multiple-employer defined benefit plan are unavailable. Copies of the PERS' annual financial report may be obtained from their executive office: 400 P Street, Sacramento, California 95814.

Funding policy

Participants are required to contribute 8% of their annual covered salary. The City makes the contributions required of City employees. The City is required to contribute at an actuarially determined rate. These rates were determined as part of the June 30, 2008 actuarial valuation: the current rate is 15.575% of annual covered payroll. The contribution requirements of plan members and the City are established and may be amended by PERS.

THREE-YEAR TREND INFORMATION

<u>Fiscal year ended June 30,</u>	<u>Annual pension cost</u>	<u>Percentage of APC contributed</u>	<u>Net pension obligation</u>
2009	\$ 411,515	100%	\$ -
2010	443,037	100%	-
2011	462,025	100%	-

Miscellaneous employees

For the fiscal year ended June 30, 2011, the City's annual pension cost for miscellaneous employees, of \$462,025 for PERS was equal to the City's required and actual contributions. The required contribution for fiscal year ended June 30, 2011 was determined as part of the June 30, 2008, actuarial valuation using the entry age normal actuarial cost method. The actuarial value of PERS assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a three-year period (smoothed market value).

PERS unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. Beginning on July 1, 1997, all changes in liability due to plan amendments, changes in actuarial assumptions, or changes in actuarial methodology will be amortized separately over a 20-year period. In additions, all gains or losses will be tracked and 10% of the net unamortized gain or loss will be amortized each year. Finally, if a plan's accrued liability exceeds the actuarial value of assets, the annual contribution with respect to the total unfunded liability may not be less than the amount produced by a 30 year amortization of the unfunded liability.

City of Twentynine Palms

Notes to the Basic Financial Statements For the year ended June 30, 2011

Note 9: Other post employment benefits

Plan description

The City offers its employees health care coverage through the California Public Employees Retirement System (CalPERS). There are two preferred provider organizations and four health maintenance organizations available at cost starting from \$370 per month for two persons. The City pays the first \$500 per month for each employee.

Retired employees are eligible for the same plans as active employees, subject to Medicare supplement for those who qualify. The City currently pays \$500 per month toward each retirees' premiums. There are currently seven retired City employees covered under this provision.

CalPERS issues a Comprehensive Annual Financial Report (CAFR). The CAFR is issued in aggregate and includes the sum of all CalPERS plans. Copies of the CalPERS CAFR may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, California 95814.

Funding policy

The contribution requirements of plan members and the City are established and may be amended by the City Council Members. The City contributes 100% of the retiree and dependent up to the maximum of cost of \$500 per month. For the fiscal year ended June 30, 2011, the City contributed \$141,828 to the plan, which was 100% of the *annual required contribution of the employer, (ARC)*, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The ARC rate is 7.4% of the annual covered payroll. The plan is financed on a pay-as-you-go basis.

Annual OPEB cost

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

<u>Fiscal year ended</u> <u>June 30,</u>	<u>Annual OPEB cost</u>	<u>Percentage of annual</u> <u>OPEB cost contributed</u>	<u>Net OPEB obligation</u>
2009	N/A	N/A	N/A
2010	\$ 159,598	100%	\$ -
2011	141,828	100%	-

GASB Statement No. 45 was implemented in the fiscal year ended June 30, 2010.

**Notes to the Basic Financial Statements
For the year ended June 30, 2011**

Note 9: Other post employment benefits (continued)

Funded status and funding progress

The funding status of the plan as of June 30, 2011 was as follows:

Actuarial Accrued Liability (AAL)	\$ 1,318,287
Actuarial Value of Plan Assets	<u>133,122</u>
Unfunded Actuarial Accrued Liability (UAAL)	<u>\$ 1,185,165</u>
Funded Ratio (Actuarial Value of Plan Assets/AAL)	10.10%
Covered Payroll (Active Plan Members)	\$ 1,926,863
UAAL as a Percentage of Covered Payroll	61.51%

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

Actuarial methods and assumptions

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

The following is a summary of the actuarial assumptions and methods:

Valuation date	January 1, 2010
Funding method	Entry Age Normal Cost, Level of Percentage of Pay
Asset variation method	Market value of asset, adjusted for timing of advance or accrued contributions
Discount rate	7.75% per annum
Health care trend rate	4.5% to 9%
Assumed increase for amortization payments	3.25% per year were determined on a percent of pay basis
Retirement rates	2.5% at age of 55
Increase in employer cost sharing	The current dollar cap on employer cost-sharing is assumed to increase at the rate of 5.25% annually

City of Twentynine Palms

Notes to the Basic Financial Statements For the year ended June 30, 2011

Note 10: Jointly controlled government

On October 16, 1989, the Morongo Basin Transit Authority was created as a joint powers agency by the County of San Bernardino, the City of Twentynine Palms, and the Town of Yucca Valley. The system will provide transit services in the City and certain surrounding areas of the Morongo Basin as a means of meeting the transit needs of various transit-dependent groups within the area. The system is primarily funded by Article 8 funds. The City has an ongoing responsibility for providing funding on an annual basis for operating costs of the Authority, but the City has no equity interest in, or claim to the assets of, the Authority.

Summarized audited financial information of the Morongo Basin Transit Authority for the year ended June 30, 2010, is as follows:

Current assets	\$	1,380,515
Noncurrent assets		8,464,506
Total assets	\$	<u>9,845,021</u>
Total liabilities	\$	1,380,515
Total net assets	\$	<u>8,464,506</u>
Operating revenue	\$	405,092
Operating expenses		(3,033,774)
Operating loss		(2,628,682)
Non-operating revenue		3,818,618
Change in net assets	\$	<u>1,189,936</u>

The financial statements can be obtained from the Authority at 62405 Verbena Road, Joshua Tree, CA 92252.

Note 11: Risk management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the City carries commercial insurance.

In July 1988, the City became a member of the Public Agency Risk Sharing Authority of California (PARSAC), formerly known as California Municipal Insurance Authority (CMIA). PARSAC, a consortium of 37 California cities, was established in May 1986 to pool resources, share risk, purchase excess insurance, and to share costs for professional risk management and claims administration. The Authority's governing board consists of one appointed official and an alternate from each participating city.

**Notes to the Basic Financial Statements
For the year ended June 30, 2011**

Note 11: Risk management (continued)

General liability

The City is self-insured for general liability claims up to \$5,000 for each occurrence. Coverage for individual losses in excess of \$5,000, up to \$1,000,000, is provided through PARSAC. Under this program, members share in losses between the members' individual self-insured retentions and \$1,000,000 under a risk sharing pool program; and from \$1,000,000 to \$34,000,000 coverage is provided by an outside insurance carrier acquired through PARSAC's insurance-purchasing pool program. Coverage provided by the outside carrier by PARSAC may not exactly match the PARSAC coverage extended to the City.

The financial statements of PARSAC can be obtained from the Authority at 1525 Response Road, Suite One, Sacramento, California 95815.

Estimates for all liabilities have been accrued in the Self-Insurance Internal Service Fund, which includes an estimate for incurred but not reported claims. At June 30, 2011, total estimated claims payable were \$90,000. The City retains a risk of loss due to the fact that actual losses may exceed estimated claims or coverage amounts.

Workers' compensation

The City participates in PARSAC's Workers' Compensation Program. Under this program PARSAC provides a risk-sharing program from the first dollar up to \$500,000. Beyond this limit, PARSAC provides coverage through an insurance purchasing pool program up to \$5,000,000.

Liability for uninsured claims

The City estimates its liability for the uninsured portion of claims, including a provision for claims incurred but not reported, based on claims experience. Claims activity for the years ended June 30, 2011 and the two previous years were as follows:

<u>Fiscal year ended June 30,</u>	<u>Beginning of year</u>	<u>Current year claims and changes in estimates</u>	<u>Actual claim payments</u>	<u>End of year</u>
2009	\$ 75,000	\$ 5,000	\$ (5,000)	\$ 75,000
2010	75,000	15,095	(95)	90,000
2011	90,000	5,000	(5,000)	90,000

Property insurance

The City purchases property insurance through the California Public Entity Property Program, which is a statewide pool that includes PARSAC (the pool the City participates in), as well as other pools throughout the state. The all risk policy covers all the City's buildings and equipment including auto collision and comprehensive.

There was no significant reduction in insurance coverage by major categories of risk from the fiscal year ended June 30, 2010 to the fiscal year ended June 30, 2011. Furthermore, there was no settlement which exceeded the insurance coverage for the past three fiscal years.

**Notes to the Basic Financial Statements
For the year ended June 30, 2011**

Note 11: Risk management (continued)

Employee dishonesty

The City is also covered through PARSAC for employee dishonesty, forgery, theft, etc. Insurance is provided by an outside carrier with a \$2,500 deductible and coverage of \$1,000,000 per occurrence.

Note 12: Revenue limitations imposed by California Proposition 218

Proposition 218, which was approved by the voters in November 1996, regulates the City's ability to impose, increase and extend taxes, assessments, and fees subject to the provisions of Proposition 218, and require voter approval before they can be implemented. Additionally, Proposition 218 provides that these taxes, assessments, and fees are subject to the voter initiative process and may be rescinded in the future by the voters.

The City staff provided a report to the City Council, which stated that the impact of Proposition 218 on the City is minimal. The report further stated that the City has not used assessments as a financing mechanism to provide services and that all City revenue sources are allowed under Proposition 218.

Note 13: Commitments and contingencies

Litigation

The City is involved as a defendant in various legal proceedings. While it is not feasible to predict or determine the outcome in these cases, it is the opinion of the City that the outcome will have no material adverse effect on the financial position of the City.

Grants

The City has received State and Federal funds for specific purposes that are subject to audit by the grantor agencies.

Although such audits could generate expenditure disallowances under the terms of the grants, it is believed that any required reimbursements will not be material.

Note 14: Recent changes in legislation affecting California redevelopment agencies

On June 29, 2011, the Governor of the State of California signed Assembly Bills X1 26 and 27 as part of the State's budget package. Assembly Bill X1 26 requires each California redevelopment agency to suspend (effective July 1, 2011) nearly all activities except to implement existing contracts, meet already-incurred obligations, preserve its assets and prepare for the impending dissolution of the agency. Assembly Bill X1 27 provides a means for redevelopment agencies to continue to exist and operate by means of a Voluntary Alternative Redevelopment Program. Under this program, each agency would adopt an ordinance agreeing to make certain payments to the County Auditor Controller in fiscal year 2011-12 and annual payments each fiscal year thereafter. Assembly Bill X1 26 indicates that the agency "may use any available funds not otherwise obligated for other uses" to make this payment. The Agency intends to use available monies of its redevelopment agency for this purpose. The amounts to be paid after fiscal year 2012-13 have yet to be determined by the state legislature.

**Notes to the Basic Financial Statements
For the year ended June 30, 2011**

**Note 14: Recent changes in legislation affecting California redevelopment agencies
(continued)**

Assembly Bill X1 26 directs the State Controller of the State of California to review the propriety of any transfers of assets between redevelopment agencies and other public bodies that occurred after January 1, 2011. If the public body that received such transfers is not contractually committed to a third party for the expenditure or encumbrance of those assets, the State Controller is required to order the available assets to be transferred to the public body designated as the successor agency by Assembly Bill X1 26.

The League of California Cities and the California Redevelopment Association (CRA) filed a lawsuit on July 18, 2011 on behalf of cities, counties and redevelopment agencies petitioning the California Supreme Court to overturn Assembly Bills X1 26 and 27 on the grounds that they violate the California Constitution. On August 11, 2011, the California Supreme Court issued a stay of all of Assembly Bill X1 27 and most of Assembly Bill X1 26. The California Supreme Court stated in its order that "the briefing schedule is designed to facilitate oral argument as early as possible in 2011, and a decision before January 15, 2012." A second order issued by the California Supreme Court on August 17, 2011 indicated that certain provisions of Assembly Bills X1 26 and 27 were still in effect and not affected by its previous stay, including requirements to file an appeal of the determination of the community remittance payment by August 15, the requirement to adopt an Enforceable Obligations Payment Schedule ("EOPS") by August 29, 2011, and the requirement to prepare a preliminary draft of the initial Recognized Obligation Payment Schedule ("ROPS") by September 30, 2011.

Because the stay provided by Assembly Bill X1 26 only affects enforcement, each agency must adopt an Enforceable Obligation Payment Schedule and draft Recognized Obligation Payment Schedule prior to September 30, as required by the statute. Enforceable obligations include bonds, loans and payments required by the federal or state government; legally enforceable payments required in connection with agency employees such as pension payments and unemployment payments, judgments or settlements; legally binding and enforceable agreements or contracts; and contracts or agreements necessary for the continued administration or operation of the agency that are permitted for purposes set forth in AB1X 26.

On August 9, 2011, the Agency adopted Ordinance No. 240 indicating it will comply with the Voluntary Alternative Redevelopment Program in order to permit the continued existence and operation of the agency, in the event Assembly Bills X1 26 and/or 27 are upheld as constitutional. The initial payment by the agency is \$640,194 with one half due on January 15, 2012 and the other half due May 15, 2012. Thereafter, an estimated \$195,000 will be due annually. The semi-annual payments will be due on January 15 and May 15 of each year and would increase or decrease with changes in tax increment. Additionally, an increased amount would be due to schools if any new debt is incurred. Assembly Bill X1 27 allows a one-year reprieve on the agency's obligation to contribute 20% of tax increment to the low and moderate income housing fund so as to permit the Agency to assemble sufficient funds to make its initial payments.

Management believes that the Agency will have sufficient funds to pay its obligations as they become due during the fiscal year ending June 30, 2012. The nature and extent of the operation of redevelopment agencies in the State of California beyond that fiscal year are dependent upon the outcome of litigation surrounding the actions of the state.

REQUIRED SUPPLEMENTARY INFORMATION

City of Twentynine Palms

**Required Supplementary Information
Budgetary Comparison Schedule
General Fund
For the year ended June 30, 2011**

	Budgeted amounts		Actual amounts	Variance with final budget
	Original	Final		
Revenues				
Taxes	\$6,215,000	\$6,805,000	\$ 7,492,890	\$ 687,890
Licenses, permits and fees	236,000	236,000	308,165	72,165
Intergovernmental	50,000	50,000	28,578	(21,422)
Charges for services	280,000	280,000	329,244	49,244
Fines, forfeitures and penalties	-	-	7,896	7,896
Investment earnings	75,000	75,000	68,596	(6,404)
Other	60,000	30,000	85,516	55,516
Total revenues	<u>6,916,000</u>	<u>7,476,000</u>	<u>8,320,885</u>	<u>844,885</u>
Expenditures				
Current:				
General government	1,464,100	1,593,300	1,467,482	125,818
Public safety	3,485,900	3,503,900	3,536,686	(32,786)
Public works	33,100	33,100	30,656	2,444
Community development	963,800	943,800	575,845	367,955
Community services	1,412,100	1,518,200	1,451,816	66,384
Debt service:				
Principal retirement	14,500	23,000	13,831	9,169
Interest and fiscal charges	-	-	1,081	(1,081)
Capital outlay	89,000	306,200	209,765	96,435
Total expenditures	<u>7,462,500</u>	<u>7,921,500</u>	<u>7,287,162</u>	<u>634,338</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(546,500)</u>	<u>(445,500)</u>	<u>1,033,723</u>	<u>1,479,223</u>
Other financing sources (uses)				
Transfers in	48,000	48,000	48,000	-
Transfers out	-	(100,000)	-	100,000
Proceeds from sale of capital assets	-	-	126,850	126,850
Total other financing sources (uses)	<u>48,000</u>	<u>(52,000)</u>	<u>174,850</u>	<u>226,850</u>
Net change in fund balance	<u>\$ (498,500)</u>	<u>\$ (497,500)</u>	1,208,573	<u>\$ 1,706,073</u>
Fund balance, beginning of year			<u>10,819,159</u>	
Fund balance, end of year			<u>\$ 12,027,732</u>	

City of Twentynine Palms

**Required Supplementary Information
Budgetary Comparison Schedule
Article 8 Special Revenue Fund
For the year ended June 30, 2011**

	Budgeted amounts		Actual amounts	Variance with final budget
	Original	Final		
Revenues				
Intergovernmental	\$ 250,000	\$ 849,000	\$ 398,763	\$ (450,237)
Investment earnings	1,500	1,500	-	(1,500)
Other	-	-	10,145	10,145
Total revenues	<u>251,500</u>	<u>850,500</u>	<u>408,908</u>	<u>(441,592)</u>
Expenditures				
Current:				
Public works	344,400	391,400	372,879	18,521
Capital outlay	-	480,000	522,059	(42,059)
Total expenditures	<u>344,400</u>	<u>871,400</u>	<u>894,938</u>	<u>(23,538)</u>
Deficiency of revenues under expenditures	<u>\$ (92,900)</u>	<u>\$ (20,900)</u>	<u>(486,030)</u>	<u>\$ (465,130)</u>
Fund balance, beginning of year			<u>171,989</u>	
Fund balance, end of year			<u>\$ (314,041)</u>	

City of Twentynine Palms

**Required Supplementary Information
 Budgetary Comparison Schedule
 Redevelopment Agency Low and Moderate
 Income Housing Special Revenue Fund
 For the year ended June 30, 2011**

	Budgeted amounts		Actual amounts	Variance with final budget
	Original	Final		
Revenues				
Taxes	\$ 350,000	\$ 350,000	\$ 365,573	\$ 15,573
Investment earnings	12,000	12,000	11,431	(569)
Total revenues	<u>362,000</u>	<u>362,000</u>	<u>377,004</u>	<u>15,004</u>
Expenditures				
Current:				
General government	19,500	19,500	32,866	(13,366)
Community development	1,968,800	1,956,800	42,125	1,914,675
Debt service:				
Bond issuance costs	-	-	113,913	(113,913)
Total expenditures	<u>1,988,300</u>	<u>1,976,300</u>	<u>188,904</u>	<u>1,787,396</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,626,300)</u>	<u>(1,614,300)</u>	<u>188,100</u>	<u>1,802,400</u>
Other financing sources (uses)				
Tax allocation bonds issued	-	-	3,000,000	3,000,000
Discount on bonds issued	-	-	(65,928)	(65,928)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>2,934,072</u>	<u>2,934,072</u>
Net change in fund balance	<u>\$ (1,626,300)</u>	<u>\$ (1,614,300)</u>	<u>3,122,172</u>	<u>\$ 4,736,472</u>
Fund balance, beginning of year			<u>1,767,998</u>	
Fund balance, end of year			<u>\$ 4,890,170</u>	

City of Twentynine Palms

**Required Supplementary Information
Other post employment benefits
Schedule of funding progress**

Actuarial valuation date	Actuarial value of plan assets (a)	Actuarial accrued liability (AAL) - Entry age (b)	Unfunded AAL (UAAL) (b-a)	Funded ratio (a/b)	Covered payroll (c)	UAAL as a percentage of covered payroll [(b-a)/c]
1/1/2010	\$ 133,122	\$ 1,318,287	\$ 1,185,165	10.10%	\$ 1,926,863	61.51%

**Notes to Required Supplementary Information
For the year ended June 30, 2011**

Note 1: Budgetary data

Revenues and expenditures accounted for in the governmental funds are controlled by a formal integrated budgetary accounting system in accordance with various legal requirements which govern the City's operations.

Budgets have been adopted on a basis consistent with accounting principles generally accepted in the United States of America (GAAP) for nearly all governmental funds.

Budgetary control is exercised at the departmental level. Accordingly, department heads are authorized to make transfers between budgeted line items within their respective departments. Interdepartmental transfers within funds require City Manager authorization; all other changes to the budget must be authorized by the City Council.

SUPPLEMENTAL SCHEDULES

Description of Nonmajor Funds

Special revenue funds:

Special revenue funds are used to account for special revenues and the related expenditures, which are legally required to be kept in a separate fund.

Traffic Safety Fund - this fund accounts for the portion of traffic fines allocated to the City. Periodically, transfers are made to the General Fund to be used for safety-related programs.

Gas Tax Fund - this fund accounts for monies received from the State that are earmarked for street repairs.

Traffic Congestion Relief Fund - this fund accounts for monies received under federal and state programs to enforce traffic congestion relief.

Article 3 Fund - this fund accounts for funds received for the construction of bicycle paths within the City.

Fire Facilities Impact Fee Fund - this fund accounts for development fees charged by the City to be used for the construction/expansion of offsite capital improvements to fire facilities.

Community Development Block Grant Fund - this fund accounts for federal grants under the Department of Housing and Urban Development (HUD) Community Development Block Grant (CDEG) Program.

Municipal Lighting Fund - this fund accounts for funds set aside (generally from the Gas Tax Fund) to pay for street lighting within the City.

Lighting and Landscape A.D. Fund - this fund accounts for funds received for the maintenance of the perimeter landscaping from all houses in a new subdivision.

Public Access Programming Fund - this fund accounts for \$72,000 plus \$.50 per subscriber the City receives from Time Warner to provide public access programming.

Recycling Fund - this fund accounts for funds received for the recycling, waste management, and abatement programs.

Measure I Fund - this fund accounts for the City's portion of funds designated for various transportation and street repair needs.

Measure I 2011 Fund - this is a new fund created in fiscal year 2010-2011 to account for the City's portion of funds designated for various transportation and street repair needs.

Adobe Road Grant Fund - this fund accounts for funds received from the Department of the Navy to be used for improvements to Adobe Road.

Capital projects funds:

Capital projects funds are used to account for the improvements undertaken by the Agency, funded by loans from other funds of the City or bond proceeds.

Capital Improvements Fund - this fund accounts for all capital grants for the acquisition or construction of major capital items, other than CDBG monies.

Description of Major Funds

Capital projects funds:

Redevelopment Agency Capital Projects Fund - this fund accounts for improvements undertaken by the Agency, funded by other sources of the City or bond proceeds.

Debt service fund:

Redevelopment Agency Debt Service Fund - this fund accounts for property tax increment revenue used to pay principal and interest on Agency indebtedness.

City of Twentynine Palms

**Combining Balance Sheet
Nonmajor Funds
June 30, 2011**

	Special revenue				
	Traffic Safety	Gas Tax	Traffic Congestion Relief	Article 3	Fire Facilities Impact Fee
Assets					
Cash and investments	\$272,999	\$407,158	\$ 351,435	\$ 96,929	\$ -
Receivables:					
Intergovernmental	6,702	-	-	-	-
Taxes	-	94,103	-	-	-
Other	-	-	-	-	-
Total assets	<u>\$279,701</u>	<u>\$501,261</u>	<u>\$ 351,435</u>	<u>\$ 96,929</u>	<u>\$ -</u>
Liabilities and fund balances					
Liabilities:					
Accounts payable and accrued liabilities	\$ 1,449	\$ 4,220	\$ 1,210	\$ -	\$ -
Due to other funds	-	-	-	-	283,103
Deferred revenue	-	-	-	-	-
Total liabilities	<u>1,449</u>	<u>4,220</u>	<u>1,210</u>	<u>-</u>	<u>283,103</u>
Fund balances (deficit):					
Restricted for:					
Public safety	278,252	-	-	-	-
Public works	-	497,041	350,225	96,929	-
Assigned	-	-	-	-	-
Unassigned	-	-	-	-	(283,103)
Total fund balances (deficit)	<u>278,252</u>	<u>497,041</u>	<u>350,225</u>	<u>96,929</u>	<u>(283,103)</u>
Total liabilities and fund balances	<u>\$279,701</u>	<u>\$501,261</u>	<u>\$ 351,435</u>	<u>\$ 96,929</u>	<u>\$ -</u>

Special revenue					
Community Development Block Grant	Municipal Lighting	Lighting and Landscape A.D.	Public Access Programming	Recycling	Measure I
\$ -	\$ -	\$ 58,110	\$ 91,054	\$ 33,248	\$ 2,725,203
59,531	-	-	-	24,756	-
-	-	1,479	-	-	-
-	-	-	4,043	-	-
<u>\$ 59,531</u>	<u>\$ -</u>	<u>\$ 59,589</u>	<u>\$ 95,097</u>	<u>\$ 58,004</u>	<u>\$ 2,725,203</u>
\$ 660	\$ 4,605	\$ 1,780	\$ 400	\$ 270	\$ 55
46,408	1,187	-	-	-	-
12,463	-	-	-	-	-
<u>59,531</u>	<u>5,792</u>	<u>1,780</u>	<u>400</u>	<u>270</u>	<u>55</u>
-	-	-	-	-	-
-	-	57,809	-	-	2,725,148
-	-	-	94,697	57,734	-
-	(5,792)	-	-	-	-
<u>-</u>	<u>(5,792)</u>	<u>57,809</u>	<u>94,697</u>	<u>57,734</u>	<u>2,725,148</u>
<u>\$ 59,531</u>	<u>\$ -</u>	<u>\$ 59,589</u>	<u>\$ 95,097</u>	<u>\$ 58,004</u>	<u>\$ 2,725,203</u>

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City of Twentynine Palms

**Combining Balance Sheet (continued)
Nonmajor Funds
June 30, 2011**

	Special revenue		Capital projects	Total
	Measure I 2011	Adobe Road Grant	Capital Improvements	Nonmajor Governmental Funds
Assets				
Cash and investments	\$ 395,787	\$ -	\$ -	\$ 4,431,923
Receivables:				
Intergovernmental	-	-	79,260	170,249
Taxes	-	-	-	95,582
Other	-	-	-	4,043
Total assets	\$ 395,787	\$ -	\$ 79,260	\$ 4,701,797
Liabilities and fund balances				
Liabilities:				
Accounts payable and accrued liabilities	\$ -	\$ -	\$ -	\$ 14,649
Due to other funds	-	-	108,910	439,608
Deferred revenue	-	-	79,260	91,723
Total liabilities	-	-	188,170	545,980
Fund balances (deficit):				
Restricted for:				
Public safety	-	-	-	278,252
Public works	395,787	-	-	4,122,939
Assigned	-	-	-	152,431
Unassigned	-	-	(108,910)	(397,805)
Total fund balances (deficit)	395,787	-	(108,910)	4,155,817
Total liabilities and fund balances	\$ 395,787	\$ -	\$ 79,260	\$ 4,701,797

City of Twentynine Palms

**Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Funds
For the year ended June 30, 2011**

	Special revenue				
	Traffic Safety	Gas Tax	Traffic Congestion Relief	Article 3	Fire Facilities Impact Fee
Revenues					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	769,469	720,375	18,928	-
Charges for services	-	-	-	-	-
Fines, forfeitures and penalties	78,050	-	-	-	-
Investment earnings	1,245	751	1,673	390	-
Total revenues	<u>79,295</u>	<u>770,220</u>	<u>722,048</u>	<u>19,318</u>	<u>-</u>
Expenditures					
Current:					
General government	-	-	-	-	-
Public safety	-	-	-	-	283,103
Public works	34,045	400,128	304,474	-	-
Health and sanitation	-	-	-	-	-
Capital outlay	-	6,673	818,805	-	-
Total expenditures	<u>34,045</u>	<u>406,801</u>	<u>1,123,279</u>	<u>-</u>	<u>283,103</u>
Excess (deficiency) of revenues over (under) expenditures	<u>45,250</u>	<u>363,419</u>	<u>(401,231)</u>	<u>19,318</u>	<u>(283,103)</u>
Other financing sources (uses)					
Transfers in	-	-	-	-	-
Transfers out	<u>(48,000)</u>	<u>(48,504)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>(48,000)</u>	<u>(48,504)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(2,750)	314,915	(401,231)	19,318	(283,103)
Fund balances (deficit), beginning of year	<u>281,002</u>	<u>182,126</u>	<u>751,456</u>	<u>77,611</u>	<u>-</u>
Fund balances (deficit), end of year	<u>\$278,252</u>	<u>\$497,041</u>	<u>\$ 350,225</u>	<u>\$ 96,929</u>	<u>\$ (283,103)</u>

Special revenue					
Community Development Block Grant	Municipal Lighting	Lighting and Landscape A.D.	Public Access Programming	Recycling	Measure I
\$ -	\$ -	\$ 6,983	\$ -	\$ -	\$ -
207,622	-	-	-	46,500	-
-	-	25,591	13,475	-	-
-	-	-	-	-	-
-	26	220	399	1,277	15,159
<u>207,622</u>	<u>26</u>	<u>32,794</u>	<u>13,874</u>	<u>47,777</u>	<u>15,159</u>
-	-	-	4,600	-	-
-	-	-	-	-	-
-	59,232	23,286	-	-	7,731
-	-	-	-	84,726	-
207,622	-	-	-	-	87,252
<u>207,622</u>	<u>59,232</u>	<u>23,286</u>	<u>4,600</u>	<u>84,726</u>	<u>94,983</u>
-	(59,206)	9,508	9,274	(36,949)	(79,824)
-	48,504	-	-	-	-
-	-	-	-	-	-
-	48,504	-	-	-	-
-	(10,702)	9,508	9,274	(36,949)	(79,824)
-	4,910	48,301	85,423	94,683	2,804,972
<u>\$ -</u>	<u>\$ (5,792)</u>	<u>\$ 57,809</u>	<u>\$ 94,697</u>	<u>\$ 57,734</u>	<u>\$ 2,725,148</u>

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City of Twentynine Palms

**Combining Statement of Revenues, Expenditures and Changes in Fund Balances (continued)
Nonmajor Funds
For the year June 30, 2011**

	<u>Special revenue</u>		<u>Capital projects</u>	Total Nonmajor Governmental Funds
	<u>Measure I 2011</u>	<u>Adobe Road Grant</u>	<u>Capital Improvements</u>	
Revenues				
Taxes	\$ -	\$ -	\$ -	\$ 6,983
Intergovernmental	394,909	629,637	-	2,787,440
Charges for services	-	-	-	39,066
Fines, forfeitures and penalties	-	-	-	78,050
Investment earnings	878	-	-	22,018
Total revenues	<u>395,787</u>	<u>629,637</u>	<u>-</u>	<u>2,933,557</u>
Expenditures				
Current:				
General government	-	-	-	4,600
Public safety	-	-	-	283,103
Public works	-	-	-	828,896
Health and sanitation	-	-	-	84,726
Capital outlay	-	629,637	29,650	1,779,639
Total expenditures	<u>-</u>	<u>629,637</u>	<u>29,650</u>	<u>2,980,964</u>
Excess (deficiency) of revenues over (under) expenditures	<u>395,787</u>	<u>-</u>	<u>(29,650)</u>	<u>(47,407)</u>
Other Financing Sources (Uses)				
Transfers in	-	-	-	48,504
Transfers out	-	-	-	(96,504)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>(48,000)</u>
Net change in fund balances	395,787	-	(29,650)	(95,407)
Fund balances, beginning of year	<u>-</u>	<u>-</u>	<u>(79,260)</u>	<u>4,251,224</u>
Fund balances, end of year	<u>\$ 395,787</u>	<u>\$ -</u>	<u>\$ (108,910)</u>	<u>\$ 4,155,817</u>

City of Twentynine Palms

**Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
Traffic Safety Special Revenue Fund
For the year ended June 30, 2011**

	Budgeted amounts		Actual amounts	Variance with final budget
	Original	Final		
Revenues				
Fines, forfeitures and penalties	\$ 90,000	\$ 90,000	\$ 78,050	\$ (11,950)
Investment earnings	2,500	2,500	1,245	(1,255)
Total revenues	<u>92,500</u>	<u>92,500</u>	<u>79,295</u>	<u>(13,205)</u>
Expenditures				
Current:				
Public works	<u>44,000</u>	<u>74,000</u>	<u>34,045</u>	<u>39,955</u>
Total expenditures	<u>44,000</u>	<u>74,000</u>	<u>34,045</u>	<u>39,955</u>
Excess of revenues over expenditures	<u>48,500</u>	<u>18,500</u>	<u>45,250</u>	<u>26,750</u>
Other financing uses				
Transfers out	<u>(48,000)</u>	<u>(48,000)</u>	<u>(48,000)</u>	<u>-</u>
Total other financing uses	<u>(48,000)</u>	<u>(48,000)</u>	<u>(48,000)</u>	<u>-</u>
Net change in fund balance	<u>\$ 500</u>	<u>\$ (29,500)</u>	<u>(2,750)</u>	<u>\$ 26,750</u>
Fund balance, beginning of year			<u>281,002</u>	
Fund balance, end of year			<u>\$ 278,252</u>	

City of Twentynine Palms

**Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
Gas Tax Special Revenue Fund
For the year ended June 30, 2011**

	Budgeted amounts		Actual amounts	Variance with final budget
	Original	Final		
Revenues				
Intergovernmental	\$ 448,000	\$ 448,000	\$ 769,469	\$ 321,469
Investment earnings	400	400	751	351
Total revenues	<u>448,400</u>	<u>448,400</u>	<u>770,220</u>	<u>321,820</u>
Expenditures				
Current:				
Public works	424,100	424,100	400,128	23,972
Capital outlay	-	-	6,673	(6,673)
Total expenditures	<u>424,100</u>	<u>424,100</u>	<u>406,801</u>	<u>17,299</u>
Excess of revenues over expenditures	<u>24,300</u>	<u>24,300</u>	<u>363,419</u>	<u>339,119</u>
Other financing uses				
Transfers out	<u>(48,500)</u>	<u>(48,500)</u>	<u>(48,504)</u>	<u>(4)</u>
Total other financing uses	<u>(48,500)</u>	<u>(48,500)</u>	<u>(48,504)</u>	<u>(4)</u>
Net change in fund balance	<u>\$ (24,200)</u>	<u>\$ (24,200)</u>	314,915	<u>\$ 339,115</u>
Fund balance, beginning of year			<u>182,126</u>	
Fund balance, end of year			<u>\$ 497,041</u>	

City of Twentynine Palms

**Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
Traffic Congestion Relief Special Revenue Fund
For the year ended June 30, 2011**

	Budgeted amounts		Actual amounts	Variance with final budget
	Original	Final		
Revenues				
Intergovernmental	\$ 279,000	\$ 716,000	\$ 720,375	\$ 4,375
Investment earnings	1,000	1,000	1,673	673
Total revenues	<u>280,000</u>	<u>717,000</u>	<u>722,048</u>	<u>5,048</u>
Expenditures				
Current:				
Public works	596,000	335,000	304,474	30,526
Capital outlay	-	1,062,000	818,805	243,195
Total expenditures	<u>596,000</u>	<u>1,397,000</u>	<u>1,123,279</u>	<u>273,721</u>
Deficiency of revenues under expenditures	<u>\$ (316,000)</u>	<u>\$ (680,000)</u>	(401,231)	<u>\$ 278,769</u>
Fund balance, beginning of year			<u>751,456</u>	
Fund balance, end of year			<u>\$ 350,225</u>	

City of Twentynine Palms

**Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
Article 3 Special Revenue Fund
For the year ended June 30, 2011**

	Budgeted amounts		Actual amounts	Variance with final budget
	Original	Final		
Revenues				
Intergovernmental	\$ 15,000	\$ 15,000	\$ 18,928	\$ 3,928
Investment earnings	250	250	390	140
	<u>15,250</u>	<u>15,250</u>	<u>19,318</u>	<u>4,068</u>
Total revenues				
Expenditures				
Current:				
Community development	18,300	18,300	-	18,300
	<u>18,300</u>	<u>18,300</u>	<u>-</u>	<u>18,300</u>
Total expenditures				
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (3,050)</u>	<u>\$ (3,050)</u>	19,318	<u>\$ 22,368</u>
Fund balance, beginning of year			<u>77,611</u>	
Fund balance, end of year			<u>\$ 96,929</u>	

City of Twentynine Palms

**Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
Community Development Block Grant Special Revenue Fund
For the year ended June 30, 2011**

	Budgeted amounts		Actual amounts	Variance with final budget
	Original	Final		
Revenues				
Intergovernmental	\$ 119,000	\$ 250,000	\$ 207,622	\$ (42,378)
Total revenues	119,000	250,000	207,622	(42,378)
Expenditures				
Capital outlay	119,000	315,000	207,622	107,378
Total expenditures	119,000	315,000	207,622	107,378
Deficiency of revenues under expenditures	\$ -	\$ (65,000)	-	\$ 65,000
Fund balance, beginning of year			-	
Fund balance, end of year			\$ -	

City of Twentynine Palms

**Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
Municipal Lighting Special Revenue Fund
For the year ended June 30, 2011**

	Budgeted amounts		Actual amounts	Variance with final budget
	Original	Final		
Revenues				
Investment earnings	\$ 50	\$ 50	\$ 26	\$ (24)
Total revenues	50	50	26	(24)
Expenditures				
Current:				
Public works	49,000	49,000	59,232	(10,232)
Total expenditures	49,000	49,000	59,232	(10,232)
Deficiency of revenues under expenditures	(48,950)	(48,950)	(59,206)	(10,256)
Other financing sources				
Transfers in	48,000	48,000	48,504	504
Total other financing sources	48,000	48,000	48,504	504
Net change in fund balance	<u>\$ (950)</u>	<u>\$ (950)</u>	(10,702)	<u>\$ (9,752)</u>
Fund balance, beginning of year			4,910	
Fund balance, end of year			<u>\$ (5,792)</u>	

City of Twentynine Palms

**Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
Lighting and Landscape A.D. Special Revenue Fund
For the year ended June 30, 2011**

	Budgeted amounts		Actual amounts	Variance with final budget
	Original	Final		
Revenues				
Taxes	\$ -	\$ -	\$ 6,983	\$ 6,983
Charges for services	22,000	22,000	25,591	3,591
Investment earnings	300	300	220	(80)
	<u>22,300</u>	<u>22,300</u>	<u>32,794</u>	<u>10,494</u>
Total revenues				
Expenditures				
Current:				
Public works	<u>31,600</u>	<u>31,600</u>	<u>23,286</u>	<u>8,314</u>
Total expenditures	<u>31,600</u>	<u>31,600</u>	<u>23,286</u>	<u>8,314</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (9,300)</u>	<u>\$ (9,300)</u>	9,508	<u>\$ 18,808</u>
Fund balance, beginning of year			<u>48,301</u>	
Fund balance, end of year			<u>\$ 57,809</u>	

City of Twentynine Palms

**Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
Public Access Programming Special Revenue Fund
For the year ended June 30, 2011**

	Budgeted amounts		Actual amounts	Variance with final budget
	Original	Final		
Revenues				
Charges for services	\$ 12,000	\$ 12,000	\$ 13,475	\$ 1,475
Investment earnings	500	500	399	(101)
Total revenues	<u>12,500</u>	<u>12,500</u>	<u>13,874</u>	<u>1,374</u>
Expenditures				
Current:				
General government	<u>22,500</u>	<u>22,500</u>	<u>4,600</u>	<u>17,900</u>
Total expenditures	<u>22,500</u>	<u>22,500</u>	<u>4,600</u>	<u>17,900</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (10,000)</u>	<u>\$ (10,000)</u>	9,274	<u>\$ 19,274</u>
Fund balance, beginning of year			<u>85,423</u>	
Fund balance, end of year			<u>\$ 94,697</u>	

City of Twentynine Palms

**Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
Recycling Special Revenue Fund
For the year ended June 30, 2011**

	Budgeted amounts		Actual amounts	Variance with final budget
	Original	Final		
Revenues				
Intergovernmental	\$ 57,000	\$ 57,000	\$ 46,500	\$ (10,500)
Investment earnings	1,000	1,000	1,277	277
Total revenues	<u>58,000</u>	<u>58,000</u>	<u>47,777</u>	<u>(10,223)</u>
Expenditures				
Current:				
Health and sanitation	<u>98,700</u>	<u>108,700</u>	<u>84,726</u>	<u>23,974</u>
Total expenditures	<u>98,700</u>	<u>108,700</u>	<u>84,726</u>	<u>23,974</u>
Deficiency of revenues under expenditures	<u>\$ (40,700)</u>	<u>\$ (50,700)</u>	(36,949)	<u>\$ 13,751</u>
Fund balance, beginning of year			<u>94,683</u>	
Fund balance, end of year			<u>\$ 57,734</u>	

City of Twentynine Palms

**Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
Measure I Special Revenue Fund
For the year ended June 30, 2011**

	Budgeted amounts		Actual amounts	Variance with final budget
	Original	Final		
Revenues				
Intergovernmental	\$ 470,000	\$ 470,000	\$ -	\$ (470,000)
Investment earnings	22,000	22,000	15,159	(6,841)
Total revenues	<u>492,000</u>	<u>492,000</u>	<u>15,159</u>	<u>(476,841)</u>
Expenditures				
Current:				
Public works	977,000	902,000	7,731	894,269
Capital outlay	<u>200,000</u>	<u>275,000</u>	<u>87,252</u>	<u>187,748</u>
Total expenditures	<u>1,177,000</u>	<u>1,177,000</u>	<u>94,983</u>	<u>1,082,017</u>
Deficiency of revenues under expenditures	<u>\$ (685,000)</u>	<u>\$ (685,000)</u>	(79,824)	<u>\$ 605,176</u>
Fund balance, beginning of year			<u>2,804,972</u>	
Fund balance, end of year			<u>\$ 2,725,148</u>	

City of Twentynine Palms

**Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
Capital Improvements Capital Projects Fund
For the year ended June 30, 2011**

	Budgeted amounts		Actual amounts	Variance with final budget
	Original	Final		
Revenues	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Expenditures				
Capital outlay	<u>-</u>	<u>351,000</u>	<u>29,650</u>	<u>321,350</u>
Total expenditures	<u>-</u>	<u>351,000</u>	<u>29,650</u>	<u>321,350</u>
Deficiency of revenues under expenditures	<u>\$ -</u>	<u>\$ (351,000)</u>	(29,650)	<u>\$ 321,350</u>
Fund balance, beginning of year			<u>(79,260)</u>	
Fund balance, end of year			<u>\$ (108,910)</u>	

City of Twentynine Palms

**Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
Redevelopment Agency Capital Projects Fund
For the year ended June 30, 2011**

	Budgeted amounts		Actual amounts	Variance with final budget
	Original	Final		
Revenues				
Investment earnings	\$ 2,500	\$ 5,000	\$ 5,776	\$ 776
Total revenues	2,500	5,000	5,776	776
Expenditures				
Current:				
General government	153,600	153,600	76,631	76,969
Community development	1,989,700	739,700	252,441	487,259
Debt service:				
Bond issuance costs	-	-	172,228	(172,228)
Capital outlay	350,000	1,600,000	417,077	1,182,923
Total expenditures	2,493,300	2,493,300	918,377	1,574,923
Deficiency of revenues under expenditures	(2,490,800)	(2,488,300)	(912,601)	1,575,699
Other financing sources (uses)				
Tax allocation bonds issued	-	-	7,775,031	7,775,031
Discount on bonds issued	-	-	(195,904)	(195,904)
Transfer in	2,500,000	2,500,000	2,500,000	-
Transfer out	-	-	(1,500,000)	(1,500,000)
Total other financing sources (uses)	2,500,000	2,500,000	8,579,127	6,079,127
Net change in fund balance	\$ 9,200	\$ 11,700	7,666,526	\$ 7,654,826
Fund balance, beginning of year			149,393	
Fund balance, end of year			\$ 7,815,919	

City of Twentynine Palms

**Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
Redevelopment Agency Debt Service Fund
For the year ended June 30, 2011**

	Budgeted amounts		Actual amounts	Variance with final budget
	Original	Final		
Revenues				
Taxes	\$ 1,550,000	\$ 1,550,000	\$ 1,443,596	\$ (106,404)
Investment earnings	30,000	30,000	6,393	(23,607)
Total revenues	<u>1,580,000</u>	<u>1,580,000</u>	<u>1,449,989</u>	<u>(130,011)</u>
Expenditures				
Current:				
General government	119,000	119,000	102,257	16,743
Debt service:				
Principal retirement	500,000	500,000	-	500,000
Interest and fiscal charges	75,000	75,000	35,930	39,070
Bond issuance costs	-	-	3,600	(3,600)
Pass-through agreements	375,000	375,000	363,910	11,090
Total expenditures	<u>1,069,000</u>	<u>1,069,000</u>	<u>505,697</u>	<u>563,303</u>
Excess of revenues over expenditures	<u>511,000</u>	<u>511,000</u>	<u>944,292</u>	<u>433,292</u>
Other financing sources (uses)				
Tax allocation bonds issued	-	-	799,969	799,969
Transfers in	-	-	1,500,000	1,500,000
Transfers out	(2,500,000)	(2,500,000)	(2,500,000)	-
Total other financing sources (uses)	<u>(2,500,000)</u>	<u>(2,500,000)</u>	<u>(200,031)</u>	<u>2,299,969</u>
Net change in fund balance	<u>\$ (1,989,000)</u>	<u>\$ (1,989,000)</u>	<u>744,261</u>	<u>\$ 2,733,261</u>
Fund balance, beginning of year			<u>708,180</u>	
Fund balance, end of year			<u>\$ 1,452,441</u>	

STATISTICAL SECTION

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City of Twentynine Palms

Statistical Section For the year ended June 30, 2011

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

	<u>PAGE</u>
Financial trend information: Intended to assist users in understanding and assessing how a government's financial position has changed over time.	72
Revenue capacity information: Intended to assist users in understanding and assessing the factors affecting a government's ability to generate its own revenue.	85
Debt capacity information: Intended to assist users in understanding and assessing a government's debt burden and its ability to issue additional debt.	89
Demographic and economic information: Intended to assist users in understanding the socioeconomic environment within which a government operates and to provide information that facilitates comparison of financial statement information over time and among governments.	93
Operating information: Intended to provide information about a government's operations and resources in order to assist readers in using financial information to understand and assess a government's economic condition.	95
Statistical section memo: This section includes miscellaneous information regarding the statistical information.	98

City of Twentynine Palms

**Net Assets by Component
Last Eight Fiscal Years
(accrual basis of accounting)**

	Fiscal Year			
	2004	2005	2006	2007
Governmental activities				
Invested in capital assets, net of related d	\$ 5,711,917	\$ 8,375,186	\$10,309,511	\$12,289,722
Restricted for:				
Public safety	150,067	151,610	143,113	153,177
Public works	3,414,447	2,557,654	3,044,336	2,209,255
Community development	300,090	499,033	397,893	1,230,482
Unrestricted	2,557,089	3,775,622	5,095,439	6,661,586
Total governmental activities net assets	<u>\$12,133,610</u>	<u>\$15,359,105</u>	<u>\$18,990,292</u>	<u>\$22,544,222</u>

Source: City of Twentynine Palms, Finance Department

Note: GASB Statement No. 34 was implemented in fiscal year 2004, therefore only the prior eight years of data is available.

	Fiscal Year			
	2008	2009	2010	2011
Governmental activities				
Invested in capital assets, net of related d	\$12,822,059	\$14,371,388	\$19,366,537	\$21,357,417
Restricted for:				
Public safety	-	-	-	521,645
Public works	3,380,881	2,913,450	3,988,154	5,489,497
Community development	1,035,777	1,434,568	1,767,998	2,986,573
Unrestricted	10,227,991	11,619,920	11,857,942	9,620,967
Total governmental activities net assets	<u>\$27,466,708</u>	<u>\$30,339,326</u>	<u>\$36,980,631</u>	<u>\$39,976,099</u>

City of Twentynine Palms

**Changes in Net Assets
Last Eight Fiscal Years
(accrual basis of accounting)**

	Fiscal year			
	2004	2005	2006	2007
Expenses				
Governmental activities:				
General government	\$ 998,162	\$ 950,652	\$ 1,003,847	\$ 1,075,080
Public safety	2,057,810	2,312,774	2,418,257	2,847,246
Public works	1,443,723	919,695	1,206,710	1,707,961
Community development	313,041	465,366	644,262	928,946
Health and sanitation	57,295	56,373	77,461	66,361
Community services	1,123,353	1,288,953	1,681,623	1,775,994
Interest on long-term debt	28,543	29,345	49,208	68,935
Total expenses	<u>6,021,927</u>	<u>6,023,158</u>	<u>7,081,368</u>	<u>8,470,523</u>
Program revenues				
Governmental activities:				
Charges for services:				
General government	16,293	16,225	22,917	20,587
Public safety	165,360	189,259	138,505	181,861
Public works	-	15,922	-	-
Community development	191,527	507,332	1,024,420	781,837
Health and sanitation	125,675	78,678	70,740	72,572
Community services	129,587	124,753	134,004	186,775
Operating grants and contributions	828,387	821,549	1,558,802	846,316
Capital grants and contributions	1,099,537	1,811,895	1,545,262	1,825,549
Total program revenues	<u>2,556,366</u>	<u>3,565,613</u>	<u>4,494,650</u>	<u>3,915,497</u>
Net revenue (expense)	<u>(3,465,561)</u>	<u>(2,457,545)</u>	<u>(2,586,718)</u>	<u>(4,555,026)</u>

Source: City of Twentynine Palms, Finance Department

Note: GASB Statement No. 34 was implemented in fiscal year 2004, therefore only the prior eight years of data is available.

	Fiscal year			
	2008	2009	2010	2011
Expenses				
Governmental activities:				
General government	\$ 1,633,862	\$ 1,576,909	\$ 2,105,167	\$ 1,742,040
Public safety	3,349,513	3,328,914	3,373,130	3,827,697
Public works	2,061,423	1,645,905	1,502,859	1,823,536
Community development	1,793,324	2,050,493	1,891,653	1,256,874
Health and sanitation	87,538	93,753	62,153	84,726
Community services	1,363,405	1,475,427	1,461,915	1,580,237
Interest on long-term debt	66,762	44,202	62,927	185,541
Total expenses	10,355,827	10,215,603	10,459,804	10,500,651
Program revenues				
Governmental activities:				
Charges for services:				
General government	187,125	64,328	60,206	72,475
Public safety	181,066	245,581	230,067	197,065
Public works	504,588	478,622	521,369	6,409
Community development	284,802	318,308	272,916	258,625
Health and sanitation	67,228	57,409	48,350	7,235
Community services	171,184	176,164	166,519	202,256
Operating grants and contributions	1,061,923	350,282	781,965	909,008
Capital grants and contributions	2,619,093	1,663,227	5,438,184	2,363,942
Total program revenues	5,077,009	3,353,921	7,519,576	4,017,015
Net revenue (expense)	(5,278,818)	(6,861,682)	(2,940,228)	(6,483,636)

City of Twentynine Palms

**Changes in Net Assets
Last Eight Fiscal Years
(accrual basis of accounting)**

	Fiscal year			
	2004	2005	2006	2007
General revenues and other changes in net assets				
Governmental activities:				
Taxes				
Property tax, levied for general purpose	\$ 1,254,775	\$ 1,180,269	\$ 1,356,695	\$ 3,942,427
Property tax, Redevelopment Agency increment	229,037	398,021	522,995	1,322,023
Transient occupancy tax	458,786	479,272	596,167	737,584
Sales and use taxes	768,841	630,569	672,815	709,894
Sales tax in lieu	-	189,112	188,644	231,232
Motor vehicle in lieu tax	1,249,559	2,110,411	1,954,780	183,473
Franchise taxes	389,054	474,874	443,779	407,737
Other taxes	27,717	64,304	79,810	64,710
Total taxes	<u>4,377,769</u>	<u>5,526,832</u>	<u>5,815,685</u>	<u>7,599,080</u>
Investment earnings	43,872	93,041	335,268	401,472
Other	139,437	63,167	66,952	108,404
Total governmental activities	<u>4,561,078</u>	<u>5,683,040</u>	<u>6,217,905</u>	<u>8,108,956</u>
Change in net assets				
Total primary government	<u>\$ 1,095,517</u>	<u>\$ 3,225,495</u>	<u>\$ 3,631,187</u>	<u>\$ 3,553,930</u>

Source: City of Twentynine Palms, Finance Department

Note: GASB Statement No. 34 was implemented in fiscal year 2004, therefore only the prior eight years of data is available.

	Fiscal year			
	2008	2009	2010	2011
General revenues and other changes in net assets				
Governmental activities:				
Taxes				
Property tax, levied for general purpose	\$ 1,991,751	\$ 1,951,420	\$ 1,846,950	\$ 1,839,516
Property tax, Redevelopment Agency increment	1,836,478	1,973,821	1,924,358	1,809,169
Transient occupancy tax	770,206	857,457	901,878	979,480
Sales and use taxes	974,446	809,311	914,726	880,663
Sales tax in lieu	124,320	308,917	367,731	439,321
Motor vehicle in lieu tax	2,545,926	2,754,154	2,748,864	2,697,702
Franchise taxes	592,060	535,866	597,645	644,710
Other taxes	35,808	25,764	19,461	44,072
Total taxes	<u>8,870,995</u>	<u>9,216,710</u>	<u>9,321,613</u>	<u>9,334,633</u>
Investment earnings	577,160	341,994	160,876	111,695
Other	78,950	81,106	99,044	32,776
Total governmental activities	<u>9,527,105</u>	<u>9,639,810</u>	<u>9,581,533</u>	<u>9,479,104</u>
Change in net assets				
Total primary government	<u>\$ 4,248,287</u>	<u>\$ 2,778,128</u>	<u>\$ 6,641,305</u>	<u>\$ 2,995,468</u>

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City of Twentynine Palms

**Governmental Activities - Tax Revenues by Source
Last Ten Fiscal Years
(accrual basis of accounting)**

Fiscal year	Property	Transient occupancy	Franchise	Sales and Use	Sales in lieu	Motor vehicle in lieu	Other taxes	Total
2002	\$ 1,397,546	\$374,495	\$ 421,296	\$690,849	\$ -	\$ 1,322,722	\$ 15,138	\$ 4,222,046
2003	1,446,392	387,025	335,856	674,539	-	1,577,969	15,964	4,437,745
2004	1,483,812	458,786	389,054	768,841	-	1,249,559	27,717	4,377,769
2005	1,578,290	479,272	474,874	630,569	189,112	2,110,411	64,304	5,526,832
2006	1,879,690	596,167	443,779	672,815	188,644	1,954,780	79,810	5,815,685
2007	5,264,450	737,584	407,737	709,894	231,232	183,473	64,710	7,599,080
2008	3,828,229	770,206	592,060	974,446	124,320	2,545,926	35,808	8,870,995
2009	3,925,241	857,457	535,866	809,311	308,917	2,754,154	25,764	9,216,710
2010	3,771,308	901,878	597,645	914,726	367,731	2,748,864	19,461	9,321,613
2011	3,648,685	979,480	644,710	880,663	439,321	2,697,702	44,072	9,334,633

Source: City of Twentynine Palms, Finance Department

City of Twentynine Palms

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

Pre-GASB Statement No. 54	Fiscal year				
	2002	2003	2004	2005	2006
General fund					
Reserved	\$ 361,579	\$ 347,885	\$ 351,507	\$ 600,000	\$ 600,000
Unreserved	1,631,824	2,017,002	2,734,125	3,320,448	4,267,517
Total general fund	<u>\$1,993,403</u>	<u>\$2,364,887</u>	<u>\$3,085,632</u>	<u>\$3,920,448</u>	<u>\$4,867,517</u>
All other governmental funds					
Reserved	\$ -	\$ -	\$ 3,420	\$ 60,000	\$ 163,399
Unreserved, reported in:					
Special revenue funds	3,318,119	3,678,907	3,931,627	3,734,377	4,504,941
Debt service funds	(225,219)	(98,323)	29,196	(348,829)	(49,252)
Capital project funds	67,425	(75,128)	(191,080)	(20,907)	(253,157)
Total all other governmental funds	<u>\$3,160,325</u>	<u>\$3,505,456</u>	<u>\$3,773,163</u>	<u>\$3,424,641</u>	<u>\$4,365,931</u>

Source: City of Twentynine Palms, Finance Department

Pre-GASB Statement No. 54	Fiscal year			
	2007	2008	2009	2010
General fund				
Reserved	\$ 1,000,000	\$1,000,000	\$ 500,000	\$ 2,000,000
Unreserved	5,882,438	7,685,217	9,315,919	8,819,159
Total general fund	<u>\$ 6,882,438</u>	<u>\$8,685,217</u>	<u>\$9,815,919</u>	<u>\$10,819,159</u>
All other governmental funds				
Reserved	\$ 170,370	\$1,090,416	\$1,489,207	\$ 2,530,817
Unreserved, reported in:				
Special revenue funds	3,845,182	3,958,681	2,269,655	3,988,154
Debt service funds	(286,796)	792,774	1,976,897	514,319
Capital project funds	557,091	298,897	544,313	15,494
Total all other governmental funds	<u>\$ 4,285,847</u>	<u>\$6,140,768</u>	<u>\$6,280,072</u>	<u>\$ 7,048,784</u>
Post-GASB Statement No. 54	Fiscal year			
	2011			
General fund				
Restricted for:				
Public safety	\$ 243,393			
Public works	1,366,558			
Unassigned	10,417,781			
	<u>\$12,027,732</u>			
All other governmental funds				
Restricted for:				
Low and moderate income housing	\$ 4,890,170			
Debt service	1,452,441			
Community development	7,815,919			
Public safety	278,252			
Public works	4,122,939			
Assigned	152,431			
Unassigned	(711,846)			
Total all other governmental funds	<u>\$18,000,306</u>			

During the current fiscal year, the City adopted GASB Statement No. 54. This Statement changed the presentation of governmental fund types fund equity. The City chose not to retroactively apply the Statement in the Statistical Section.

City of Twentynine Palms

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

	Fiscal year				
	2002	2003	2004	2005	2006
Revenues					
Taxes	\$4,269,388	\$4,614,096	\$4,505,052	\$3,935,450	\$4,698,507
Assessments	-	-	599,197	3,407	777
Licenses, permits and fees	536,691	389,434	40,002	354,570	565,843
Intergovernmental	2,519,393	2,310,513	377,056	4,233,524	4,289,036
Charges for services	261,986	267,854	85,951	431,398	708,322
Fines, forfeitures, and penalties	56,493	49,615	1,352,722	36,379	37,904
Investment earnings	175,683	92,682	44,579	157,711	337,102
Other	172,480	135,071	90,950	74,624	69,742
Total revenues	<u>7,992,114</u>	<u>7,859,265</u>	<u>7,095,509</u>	<u>9,227,063</u>	<u>10,707,233</u>
Expenditures					
Current:					
General government	798,324	898,002	822,913	907,750	1,017,916
Public safety	2,071,233	2,119,359	2,037,688	2,294,521	2,398,192
Public works	1,744,351	1,243,192	1,614,238	748,198	910,642
Community development	271,493	286,493	257,754	671,834	544,504
Health and sanitation	-	-	57,295	56,373	77,461
Community services	1,024,078	1,171,482	1,021,815	1,204,328	1,542,600
Debt service:					
Principal retirement	66,057	71,584	54,904	62,094	175,611
Interest and fiscal charges	35,288	21,872	28,543	29,345	49,208
Bond issuance costs	-	-	-	-	-
Pass-through agreements	37,058	46,288	53,789	92,565	100,594
Capital outlay	1,844,013	1,288,744	251,173	2,760,872	2,181,941
Total expenditures	<u>7,891,895</u>	<u>7,147,016</u>	<u>6,200,112</u>	<u>8,827,880</u>	<u>8,998,669</u>
Excess of revenues over (under) expenditures	100,219	712,249	895,397	399,183	1,708,564
Other financing sources (uses)					
Capital leases	-	-	27,150	-	-
Proceeds from long-term debt	20,350	-	-	-	-
Proceeds from sale of capital assets	-	-	11,334	87,111	179,795
Transfers in	525,181	124,000	64,004	1,314,000	72,000
Transfers out	(525,181)	(124,000)	(64,004)	(1,314,000)	(72,000)
Total other financing sources (uses)	<u>20,350</u>	<u>-</u>	<u>38,484</u>	<u>87,111</u>	<u>179,795</u>
Net change in fund balances	<u>\$ 120,569</u>	<u>\$ 712,249</u>	<u>\$ 933,881</u>	<u>\$ 486,294</u>	<u>\$1,888,359</u>
Debt service as a percentage of non-capital expenditures	1.68%	1.60%	1.40%	1.51%	3.30%

Source: City of Twentynine Palms, Finance Department

	Fiscal year				
	2007	2008	2009	2010	2011
Revenues					
Taxes	\$7,924,452	\$9,745,246	\$9,914,823	\$10,475,684	\$ 9,309,042
Assessments	-	-	-	-	-
Licenses, permits and fees	332,904	336,718	372,797	323,867	308,165
Intergovernmental	2,088,417	3,366,768	1,828,515	5,624,482	3,214,781
Charges for services	772,938	268,146	328,302	311,596	368,310
Fines, forfeitures, and penalties	40,421	84,699	126,194	109,032	85,946
Investment earnings	537,805	569,671	339,228	160,218	114,214
Other	114,761	78,950	80,643	90,122	95,661
Total revenues	<u>11,811,698</u>	<u>14,450,198</u>	<u>12,990,502</u>	<u>17,095,001</u>	<u>13,496,119</u>
Expenditures					
Current:					
General government	999,035	1,108,533	1,156,538	1,623,961	1,683,836
Public safety	2,790,099	3,343,946	3,322,176	3,365,222	3,819,789
Public works	1,344,728	1,356,026	1,204,409	1,047,198	1,232,431
Community development	889,474	1,793,324	2,050,493	1,891,653	870,411
Health and sanitation	66,361	87,538	93,753	62,153	84,726
Community services	1,522,554	1,181,567	1,329,349	1,326,243	1,451,816
Debt service:					
Principal retirement	22,952	12,024	12,025	13,391	13,831
Interest and fiscal charges	68,935	66,762	44,202	62,927	37,011
Bond issuance costs	-	-	-	-	289,741
Pass-through agreements	-	346,433	375,112	264,309	363,910
Capital outlay	2,219,541	1,551,448	2,226,929	5,665,992	2,928,540
Total expenditures	<u>9,923,679</u>	<u>10,847,601</u>	<u>11,814,986</u>	<u>15,323,049</u>	<u>12,776,042</u>
Excess of revenues over (under) expenditures	1,888,019	3,602,597	1,175,516	1,771,952	720,077
Other financing sources (uses)					
Capital leases	46,818	-	-	-	-
Proceeds from long-term debt	-	-	-	-	11,313,168
Proceeds from sale of capital asset:	-	-	-	-	126,850
Transfers in	1,071,988	76,992	219,841	2,095,520	4,096,504
Transfers out	(1,071,988)	(76,992)	(219,841)	(2,095,520)	(4,096,504)
Total other financing sources (uses)	<u>46,818</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,440,018</u>
Net change in fund balances	<u>\$1,934,837</u>	<u>\$3,602,597</u>	<u>\$1,175,516</u>	<u>\$ 1,771,952</u>	<u>\$12,160,095</u>
Debt service as a percentage of non-capital expenditures	1.19%	3.9%	3.7%	2.2%	0.52%

City of Twentynine Palms

**General Government Revenues by Source
Last Ten Fiscal Years
(modified accrual basis of accounting)**

Fiscal year ended June 30	Property taxes	Motor vehicle in-lieu taxes	Sales & use taxes	Franchise taxes	Licenses	Room taxes
2002	\$1,397,546	\$1,322,722	\$ 690,849	\$ 421,296	\$ 12,450	\$ 374,495
2003	1,446,392	1,577,969	674,539	335,856	13,577	387,025
2004	1,483,812	1,249,559	768,841	389,054	16,293	458,786
2005	1,642,594	2,110,411	819,681	474,874	16,225	479,272
2006	1,959,500	1,954,780	861,459	443,779	22,917	596,167
2007	3,192,809	2,319,824	941,126	407,737	19,524	737,584
2008	3,828,229	2,545,926	1,098,766	592,060	44,376	770,206
2009	3,925,241	2,754,154	1,118,228	535,866	49,131	857,457
2010	3,771,308	2,748,864	1,282,457	597,645	42,734	901,878
2011	3,648,685	2,697,702	1,319,984	644,710	40,613	979,480

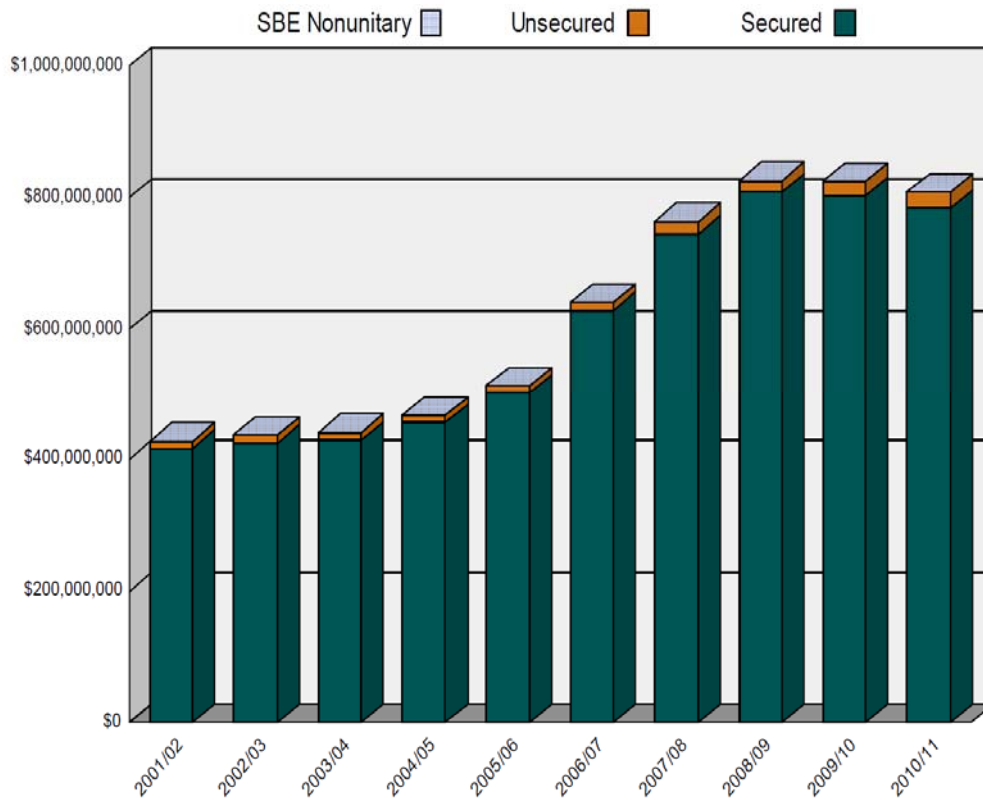
Source: City of Twentynine Palms, Finance Department

Fiscal year ended June 30	Other taxes	Permits & fees	Investment earnings	Intergovernmental revenues & charges for services	Other revenues	Total
2002	\$ 483,776	\$102,945	\$ 175,683	\$ 2,781,379	\$ 228,973	\$7,992,114
2003	484,604	40,001	92,682	2,578,370	228,250	7,859,265
2004	516,337	193,849	85,951	1,797,498	135,529	7,095,509
2005	519,029	338,345	157,711	2,594,297	74,624	9,227,063
2006	510,397	542,925	337,102	3,408,465	69,742	10,707,233
2007	508,845	313,380	537,805	2,627,303	205,761	11,811,698
2008	892,775	336,718	569,671	3,634,914	136,557	14,450,198
2009	698,113	372,797	339,228	2,156,817	183,470	12,990,502
2010	1,154,071	228,590	160,218	5,936,078	271,158	17,095,001
2011	769,469	207,648	114,214	2,813,622	259,992	13,496,119

City of Twentynine Palms

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

Fiscal year ended June 30	Secured property	Unsecured property	SBE nonunitary	Total taxable assessed value	Total direct tax rate
2002	\$ 417,009,932	\$10,287,093	\$ 77,268	\$ 427,374,293	0.27523 %
2003	425,152,994	11,397,614	77,268	436,627,876	0.28239 %
2004	429,303,164	11,354,205	77,268	440,734,637	0.28144 %
2005	456,115,716	10,075,756	77,268	466,268,740	0.29817 %
2006	501,931,027	10,169,075	81,870	512,181,972	0.32601 %
2007	628,397,359	11,987,376	81,870	640,466,605	0.36472 %
2008	744,066,989	19,104,984	81,870	763,253,843	0.39038 %
2009	807,633,206	17,961,898	81,870	825,676,974	0.40772 %
2010	802,675,473	21,318,261	86,754	824,080,488	0.41479 %
2011	784,322,548	24,333,200	86,754	808,742,502	0.40959 %



Source: San Bernardino County Assessor 2010/11 Combined Tax Rolls

City of Twentynine Palms

**Assessed Value and Estimated Actual Value of Taxable Property (continued)
Last Ten Fiscal Years**

Note 1:

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

Note 2:

Assessed values for the updated year ended June 30, 2010 have been restated to reflect values obtained from the San Bernardino County's Assessor's Office.

City of Twentynine Palms

**Direct and Overlapping Property Tax Rates
Last Ten Fiscal Years**

Agency	Fiscal year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
City of Twentynine Palms	0.2635	0.2635	0.2635	0.2635	0.2635	0.2635	0.2635	0.2635	0.2638	0.2638
Morongo Unified	0.2565	0.2565	0.2565	0.2565	0.2565	0.2565	0.2565	0.2565	0.2568	0.2568
Education Revenue Augmentation Fund	0.2150	0.2150	0.2150	0.2150	0.2150	0.2150	0.2150	0.2150	0.2146	0.2146
General County	0.1415	0.1415	0.1415	0.1415	0.1415	0.1415	0.1415	0.1415	0.1417	0.1417
Copper Mountain Community College	0.0530	0.0530	0.0530	0.0530	0.0530	0.0530	0.0530	0.0530	0.0528	0.0528
High Desert Hospital District	0.0180	0.0180	0.0180	0.0180	0.0180	0.0180	0.0180	0.0180	0.0178	0.0178
29 Palms Cemetery District	0.0170	0.0170	0.0170	0.0170	0.0170	0.0170	0.0170	0.0170	0.0170	0.0170
County Free Library	0.0137	0.0137	0.0137	0.0137	0.0137	0.0137	0.0137	0.0137	0.0137	0.0137
Flood Control Zone 6	0.0112	0.0112	0.0112	0.0112	0.0112	0.0112	0.0112	0.0112	0.0112	0.0112
County Superintendent	0.0096	0.0096	0.0096	0.0096	0.0096	0.0096	0.0096	0.0096	0.0096	0.0096
Flood Control Administration 3.6	0.0009	0.0009	0.0009	0.0009	0.0009	0.0009	0.0009	0.0009	0.0009	0.0009
Mojave Desert Resource Cons. District	0.0001	0.0001	0.0001	0.0001	0.0001	0.0001	0.0001	0.0001	0.0001	0.0001
Total Prop 13 Rate	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000

Total Tax Rate

1.00000

Source: City of Twentynine Palms, Finance Department

City of Twentynine Palms

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

Fiscal year ended June 30	Total tax levy for fiscal year	Collected within the fiscal year of the levy		Collections in subsequent years	Total collections to date	
		Amount	Percentage of levy		Amount	Percentage of levy
2002	\$1,397,546	\$1,397,546	100.00%	-	\$1,397,546	100.00%
2003	1,446,392	1,446,392	100.00%	-	1,446,392	100.00%
2004	1,483,812	1,483,812	100.00%	-	1,483,812	100.00%
2005	1,642,594	1,642,594	100.00%	-	1,642,594	100.00%
2006	1,959,500	1,959,500	100.00%	-	1,959,500	100.00%
2007	3,192,809	3,192,809	100.00%	-	3,192,809	100.00%
2008	3,828,229	3,828,229	100.00%	-	3,828,229	100.00%
2009	3,925,241	3,925,241	100.00%	-	3,925,241	100.00%
2010	3,771,308	3,771,308	100.00%	-	3,771,308	100.00%
2011	3,648,685	3,648,685	100.00%	-	3,648,685	100.00%

Source: City of Twentynine Palms, Finance Department

City of Twentynine Palms

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

<u>Fiscal year ended June 30</u>	<u>Tax allocation bonds</u>	<u>Capital leases</u>	<u>Loans</u>	<u>Total governmental activities</u>	<u>Percentage of personal income</u>	<u>Per capita</u>
2002	\$ -	\$ 244,448	\$ 126,612	\$ 371,060	0.0984% 1)	\$14.78 1)
2003	-	175,917	123,559	299,476	0.0794% 1)	15.02 1)
2004	-	151,193	119,337	270,530	0.0663% 1)	15.53 1)
2005	-	93,044	115,391	208,435	0.0474% 1)	16.02 1)
2006	-	32,824	-	32,824	0.0066% 1)	16.75 1)
2007	-	43,984	-	43,984	0.0086% 1)	17.23 1)
2008	-	31,961	-	31,961	0.0060% 1)	17.35 1)
2009	-	19,936	-	19,936	0.0038% 1)	17.00 1)
2010	-	49,210	-	49,210	0.0074% 2)	21.58 2)
2011	11,575,000	35,379	-	11,610,379	*	*

* Information not yet available

Sources: 1) Last available US Census Data
2) US Census Bureau, most recent American Community Survey

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

City of Twentynine Palms

**Ratio of General Bonded Debt Outstanding
Last Ten Fiscal Years**

Fiscal year ended June 30	Tax allocation bonds	General obligation bonds	Capital leases	Loans	Total governmental activities	Percentage of personal income
2002	\$ -	\$ -	\$ 244,448	\$ 126,612	\$ 371,060	0.0984% 1)
2003	-	-	175,917	123,559	299,476	0.0794% 1)
2004	-	-	151,193	119,337	270,530	0.0663% 1)
2005	-	-	93,044	115,391	208,435	0.0474% 1)
2006	-	-	32,824	-	32,824	0.0066% 1)
2007	-	-	43,984	-	43,984	0.0086% 1)
2008	-	-	31,961	-	31,961	0.0060% 1)
2009	-	-	19,936	-	19,936	0.0038% 1)
2010	-	-	49,210	-	49,210	0.0074% 2)
2011	11,575,000	-	35,379	-	11,610,379	*

* Information not yet available

Sources: 1) Last available US Census Data
2) US Census Bureau, most recent American Community Survey

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

City of Twentynine Palms

**Legal Debt Margin Information
Last Ten Fiscal Years**

<u>Fiscal Year 2011</u>	
Assessed value	<u><u>\$ 808,742,502</u></u>
Debt Limit (15% of assessed value)	<u><u>\$ 121,311,375</u></u>

<u>Fiscal year</u>	<u>Debt limit (in thousands)</u>
2002	\$ 66,213
2003	66,498
2004	67,533
2005	71,330
2006	78,335
2007	97,815
2008	121,446
2009	126,151
2010	123,612
2011	121,311

Source: San Bernardino County Auditor/Controller

City of Twentynine Palms

Pledged Revenue Coverage

Fiscal year ended June 30	Tax allocation bonds			
	Tax increment	Debt service		Coverage
		Principal	Interest	
2011	\$ 1,809,169	\$ -	\$ -	0.00%

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

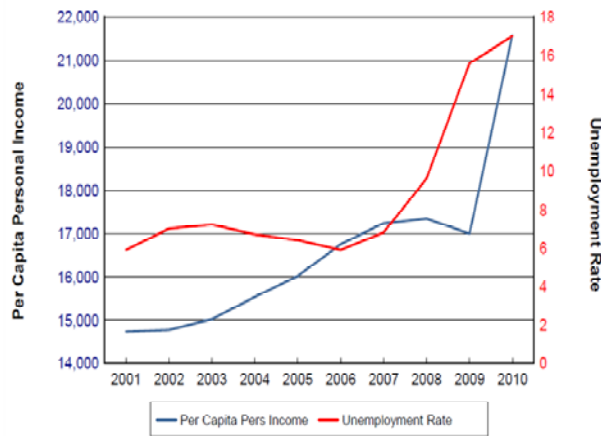
The City has elected to show only the most recent year's information since this was the first year there were tax allocation bonds outstanding.

City of Twentynine Palms

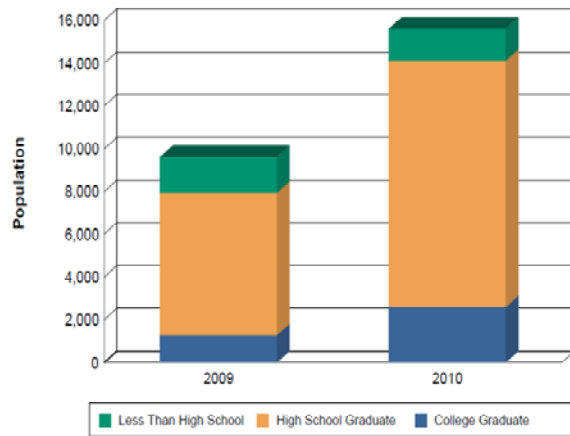
Demographic and Economic Statistics Last Ten Calendar Years

Calendar year	Population	Personal income (in thousands of dollars)	Per capita personal income	School enrollment	Unemployment rate
2002	25,513	1) \$ 377,033	2) \$ 14,778	2) 3,828	2) 7.0%
2003	25,102	1) 377,087	2) 15,022	2) 3,898	2) 7.2%
2004	26,276	1) 408,083	2) 15,531	2) 3,901	2) 6.7%
2005	27,447	1) 439,728	2) 10,621	2) 3,938	2) 6.4%
2006	29,909	1) 500,963	2) 16,750	2) 4,006	2) 5.9%
2007	29,515	1) 508,655	2) 17,234	2) 3,964	2) 6.8%
2008	30,482	1) 528,732	2) 17,346	2) 3,862	2) 9.6%
2009	30,795	1) 523,369	2) 16,995	2) 3,761	2) 15.6%
2010	30,649	1) 661,405	4) 21,580	4) 3,783	4) 17.00%
2011	*	*	*	*	*

Personal Income and Unemployment



Education Level Attained for Population 25 and Over



* Information not yet available

- Sources:
- 1) California State Department of Finance
 - 2) Last available US Census Data
 - 3) California Employment Development Department
 - 4) US Census Bureau, most recent American Community Survey

City of Twentynine Palms

**Principal Employers
Last Ten Calendar Years**

The City does not currently collect this information.

City of Twentynine Palms

**Full-time Equivalent City Government Employees by Function
Last Ten Fiscal Years**

Function	Full-time equivalent employees as of June 30										
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
General government	11	13	13	9	9	10	11	7	8	8	8
Public safety											
Police											
Officers	-	-	-	-	-	-	-	-	-	-	-
Civilians	-	-	-	-	-	-	-	-	-	-	-
Fire											
Firefighters and officers	-	-	-	-	-	-	-	-	-	-	-
Civilians	-	-	-	-	-	-	-	-	-	-	-
Animal control											
Animal control officers	-	-	-	-	-	-	-	2	2	2	2
Kennel workers	-	-	-	-	-	-	-	2	2	2	2
Public works											
Engineering	-	-	-	-	-	-	-	-	-	-	-
Maintenance	8	9	9	7	7	9	10	13	12	10	10
Community development	3	4	4	3	3	3	3	4	4	4	4
Health & sanitation	-	-	-	-	-	-	-	-	-	-	-
Community services	9	9	9	6	6	7	7	7	7	7	7
Total	31	35	35	25	25	29	31	35	35	33	33

Source: City of Twentynine Palms, Finance Department

City of Twentynine Palms

**Capital Asset Statistics by Function
Last Ten Fiscal Years**

Function	Fiscal Year				
	2002	2003	2004	2005	2006
Public safety					
Police:					
Stations	-	-	-	-	-
Patrol units	-	-	-	-	-
Fire Stations	-	-	-	-	-
Public works					
Streets (miles)	174	174	174	177	177
Streetlights	326	326	326	326	326
Traffic signals	6	6	6	6	6
Health and sanitation					
Collection trucks	-	-	-	-	-
Community services					
Parks acreage	80	80	80	80	80
Parks	2	2	2	2	2
Swimming pools	1	1	1	1	1
Community centers	1	1	2	2	2

City of Twentynine Palms

**Capital Asset Statistics by Function (continued)
Last Ten Fiscal Years**

Function	Fiscal Year				
	2007	2008	2009	2010	2011
Public safety					
Police:					
Stations	-	-	-	-	-
Patrol units	-	-	-	-	-
Fire Stations	-	-	-	-	-
Public works					
Streets (miles)	177	177	177	177	177
Streetlights	327	327	327	327	327
Traffic signals	6	6	7	7	7
Health and sanitation					
Collection trucks	-	-	-	-	-
Community services					
Parks acreage	80	80	80	80	80
Parks	3	3	3	3	3
Swimming pools	1	1	1	1	1
Community centers	2	2	2	2	2

Revenue capacity

Property tax revenues and collections

The City receives property taxes under the “Teeter Plan”. The Teeter Plan allows cities to collect 100 percent of assessed taxes each year in lieu of receiving only those taxes collected by the County currently, and receiving penalties and interest when delinquent taxes are collected in future years.

The City has entered into such a contract with the County of San Bernardino, which allows the City to have a more reliable and predictable revenue stream. The County benefits by charging interest rates that are substantially higher than market rates when the delinquencies are collected.

Principal property taxpayers

The City does not provide this information due to privacy concerns.

Property tax rates for overlapping governments

California Law provides that general property taxes are assessed at one percent of assessed value. When the constitutional amendment enacting this provision commonly referred to as Proposition 13 or the “Jarvis Amendment”, went into effect, the taxing agencies within San Bernardino County agreed on a distribution of the one percent among them. The City of Twentynine Palms was not incorporated at that time. Upon incorporation, the City negotiated with the County for a portion of the County allocation. That agreed upon allocation is 26.5 percent of the one percent, or a little more than one quarter of one percent of the assessed valuation. A chart showing the distribution of property taxes is included in the statistical section of this report.

Debt capacity

Overlapping debt

There are no general obligation bonds outstanding by any of the taxing agencies within the City.

Ratio of general bonded debt

The City has no general bonded debt.

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