



CPAs AND ADVISORS

CITY OF PALM SPRINGS PUBLIC FINANCING AUTHORITY

YEAR ENDED JUNE 30, 2018

FINANCIAL STATEMENTS

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CITY OF PALM SPRINGS
PUBLIC FINANCING AUTHORITY
(A COMPONENT UNIT OF THE CITY OF
PALM SPRINGS, CALIFORNIA)

INDEPENDENT AUDITORS' REPORT ON
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTAL INFORMATION

YEAR ENDED JUNE 30, 2018

CITY OF PALM SPRINGS PUBLIC FINANCING AUTHORITY

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2018

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INDEPENDENT AUDITORS' REPORT

Board of Directors
City of Palm Springs Public Financing Authority
Palm Springs, California

Report on the Financial Statements

We have audited the accompanying financial statements of the City of Palm Springs Public Financing Authority (the Authority), a component unit of the City of Palm Springs, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Authority's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.



CPAs AND ADVISORS
Board of Directors
City of Palm Springs Public Financing Authority
Palm Springs, California

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the City of Palm Springs Public Financing Authority, a component unit of the City of Palm Springs, California, as of June 30, 2018, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 26, 2018 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Brea, California
December 26, 2018

CITY OF PALM SPRINGS PUBLIC FINANCING AUTHORITY

STATEMENT OF NET POSITION
 JUNE 30, 2018

Assets:

Current:

Receivables:

| | |
|------------------|------------|
| Installment sale | \$ 505,000 |
| Leases | 4,830,000 |

Restricted:

| | |
|------------------------|-----------|
| Cash with fiscal agent | 3,971,363 |
|------------------------|-----------|

| | |
|-----------------------------|-------------------------|
| Total Current Assets | <u>9,306,363</u> |
|-----------------------------|-------------------------|

Noncurrent:

| | |
|-----------------------------|-------------|
| Installment sale receivable | 235,000 |
| Leases receivable | 105,490,000 |

| | |
|--------------------------------|---------------------------|
| Total Noncurrent Assets | <u>105,725,000</u> |
|--------------------------------|---------------------------|

| | |
|---------------------|---------------------------|
| Total Assets | <u>115,031,363</u> |
|---------------------|---------------------------|

Deferred Outflows of Resources

| | |
|------------------------------|-----------|
| Deferred charge on refunding | 2,467,097 |
|------------------------------|-----------|

| | |
|---|-------------------------|
| Total Deferred Outflows of Resources | <u>2,467,097</u> |
|---|-------------------------|

Liabilities:

Current:

| | |
|------------------|-----------|
| Accrued interest | 716,747 |
| Bonds payable | 5,335,000 |

| | |
|----------------------------------|-------------------------|
| Total Current Liabilities | <u>6,051,747</u> |
|----------------------------------|-------------------------|

Noncurrent:

| | |
|---------------|-------------|
| Bonds payable | 112,726,596 |
|---------------|-------------|

| | |
|-------------------------------------|---------------------------|
| Total Noncurrent Liabilities | <u>112,726,596</u> |
|-------------------------------------|---------------------------|

| | |
|--------------------------|---------------------------|
| Total Liabilities | <u>118,778,343</u> |
|--------------------------|---------------------------|

Net Position:

| | |
|-----------------------------|-------------|
| Restricted for debt service | 2,755,009 |
| Unrestricted | (4,034,892) |

| | |
|---------------------------|-------------------------------------|
| Total Net Position | <u><u>\$ (1,279,883)</u></u> |
|---------------------------|-------------------------------------|

CITY OF PALM SPRINGS PUBLIC FINANCING AUTHORITY

STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
YEAR ENDED JUNE 30, 2018

| | |
|---|------------------------------|
| Operating Revenues: | |
| Lease revenues | \$ 4,636,220 |
| Installment sale revenues | <u>1,849,300</u> |
| Total Operating Revenues | <u>6,485,520</u> |
| Operating Expenses: | |
| Fiscal charges | 6,685 |
| Early principal redemption | <u>1,685,000</u> |
| Total Operating Expenses | <u>1,691,685</u> |
| Operating Income (Loss) | <u>4,793,835</u> |
| Nonoperating Revenues (Expenses): | |
| Interest revenue | 51,249 |
| Interest expense | <u>(4,651,411)</u> |
| Total Nonoperating Revenues (Expenses) | <u>(4,600,162)</u> |
| Changes in Net Position | 193,673 |
| Net Position: | |
| Beginning of Year | <u>(1,473,556)</u> |
| End of Fiscal Year | <u>\$ (1,279,883)</u> |

CITY OF PALM SPRINGS PUBLIC FINANCING AUTHORITY

STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2018

| | |
|--|-----------------------------|
| Cash Flows from Operating Activities: | |
| Cash received from lessee and installment sales, principal | \$ 11,160,520 |
| Cash paid for fiscal charges | <u>(6,685)</u> |
| Net Cash Provided (Used) by Operating Activities | <u>11,153,835</u> |
| Cash Flows from Capital and Related Financing Activities: | |
| Principal paid on bonds | (6,360,000) |
| Interest paid on bonds | <u>(5,080,884)</u> |
| Net Cash Provided (Used) by Capital and Related Financing Activities | <u>(11,440,884)</u> |
| Cash Flows from Investing Activities: | |
| Interest received | <u>51,249</u> |
| Net Cash Provided (Used) by Investing Activities | <u>51,249</u> |
| Net Increase (Decrease) in Cash and Cash Equivalents | (235,800) |
| Cash and Cash Equivalents at Beginning of Year | <u>4,207,163</u> |
| Cash and Cash Equivalents at End of Year | <u>\$ 3,971,363</u> |
| Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities: | |
| Operating income (loss) | \$ 4,793,835 |
| Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities: | |
| (Increase) decrease in Installment sale receivable | 1,685,000 |
| (Increase) decrease in Lease receivable | <u>4,675,000</u> |
| Total Adjustments | <u>6,360,000</u> |
| Net Cash Provided (Used) by Operating Activities | <u>\$ 11,153,835</u> |

CITY OF PALM SPRINGS PUBLIC FINANCING AUTHORITY

**NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018**

Note 1: Summary of Significant Accounting Policies

The basic financial statements of the City of Palm Springs Public Financing Authority, (The Authority) have been prepared in conformity with Generally Accepted Accounting Principles (GAAP) as applied to governmental agencies. The Governmental Accounting Standards Boards (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the Authority's accounting policies are described below.

a. Description of the Reporting Entity

The City of Palm Springs Public Financing Authority was created by a joint exercise of powers agreement between the City of Palm Springs and the former Redevelopment Agency of the City of Palm Springs on February 1, 1991. The purpose of the Authority is to provide, through the issuance of debt, financing necessary for various capital improvements. The City of Palm Springs Public Financing Authority is a component unit and integral part of the reporting entity of the City of Palm Springs (the City).

Administrative and related normal business expenses incurred in the day-to-day operations of the Authority are provided by the City and are not included in the accompanying basic financial statements. Such expenses are insignificant to the Authority's operations.

The funds of the Authority have been included within the scope of the financial statements of the City because the City Council of the City of Palm Springs is the governing board and has financial accountability over the operations of the Authority. Only the financial activity of the Authority is included herein and these financial statements, therefore, do not purport to represent the financial position or results of operations of the City of Palm Springs, California.

b. Basis of Presentation and Accounting

The Authority's basic financial statements are presented on the accrual basis of accounting. All activities of the Authority are accounted for within a proprietary fund. Proprietary funds are used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the cost of providing goods or services be financed or recovered primarily through user charges (lease revenue).

The accounting and financial reporting treatment applied to the Authority is determined by its measurement focus. The transactions of the Authority are accounted for using the flow of economic resources measurement focus. With this measurement focus all assets and all liabilities associated with the operations are included on the statement of net position.

Proprietary funds distinguish operating revenues and expenses from non operating items. Operating revenues and expenses generally result from providing services in connection with the fund's principal ongoing operations. The principal operating revenue of the Authority is payment received from the City. Operating expenses for the Authority include the cost of administrating the services. All revenues and expenses not meeting this definition are reported as non operating revenues and expenses.

CITY OF PALM SPRINGS PUBLIC FINANCING AUTHORITY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2018

Note 1: Summary of Significant Accounting Policies (Continued)

The preparation of basic financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make certain estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ from those estimates.

c. Investment Valuation

Investments in nonparticipating interest earning contracts (including investment agreements) are reported at cost, and all other investments at fair value. Fair value is defined as the amount that the Authority could reasonably expect to receive for an investment in a current sale between a willing buyer and seller and is generally measured by quoted market prices.

d. Original Issue Discounts and Premiums/Gains or Deferred Charges from Advance Refunding

Bond premiums and discounts are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount. Gains or losses occurring from advance refunds, completed subsequent to June 30, 2001, are deferred and amortized into expense over the shorter of the life of the refunded debt or the life of the refunding debt.

e. Net Position

Net position comprises various net earnings from operating and non operating revenues and expenses. Net position is classified as restricted for debt service. This consists of funds held by the trustee for the repayment of debt principal or interest or as reserves.

f. Cash and Investments with Fiscal Agent

All of the Authority's cash and investments at June 30, 2018, were held by a fiscal agent. Investments have been made only as permitted by specific State statutes governing their investment or applicable Authority resolution or bond indenture.

Note 2: Detailed Notes

a. Cash and Investments

Cash and investments as of June 30, 2018, are classified in the accompanying financial statements as follows:

| | |
|-------------------------------|---------------------|
| Statement of net position | |
| Investments with fiscal agent | \$ 3,971,363 |
| Total cash and Investments | <u>\$ 3,971,363</u> |

Cash investments as of June 30, 2018, consist of the following:

| | |
|------------------------|---------------------|
| Investments | \$ 3,971,363 |
| Total cash investments | <u>\$ 3,971,363</u> |

CITY OF PALM SPRINGS PUBLIC FINANCING AUTHORITY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2018

Note 2: Detailed Notes (Continued)

Investments Authorized by Debt Agreements

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

| <u>Authorized Investment Type</u> | <u>Maximum Maturity</u> |
|--------------------------------------|-------------------------|
| U.S. Treasury Obligations | None |
| U.S. Agency Securities | None |
| Bankers Acceptance | 30 Days |
| Commercial Paper | 180 Days |
| Money Market Mutual Funds | None |
| Investments Agreements | None |
| Local Agency Bonds | None |
| Corporate Notes | None |
| Repurchase Agreements | None |
| Financial Futures/ Option Contracts | None |
| California Arbitrage Management Pool | None |
| Negotiable Certificate of Deposits | 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 Authority 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 Authority's investments held by bond trustee to market interest rate fluctuations is provided by the following table that shows the distribution of these investments by maturity:

| <u>Authorized Investment Type</u> | <u>Total</u> | <u>6 Months or Less</u> | <u>6 Months to 1 Year</u> | <u>1 to 3 Years</u> |
|-----------------------------------|---------------------|-------------------------|---------------------------|---------------------|
| Money Market Mutual Funds | \$ 3,971,363 | \$ 3,971,363 | \$ - | \$ - |
| Total | <u>\$ 3,971,363</u> | <u>\$ 3,971,363</u> | <u>\$ -</u> | <u>\$ -</u> |

Fair Value Hierarchy

Investments are categorized as level 2 inputs.

CITY OF PALM SPRINGS PUBLIC FINANCING AUTHORITY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2018

Note 2: Detailed Notes (Continued)

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 of Palm Springs, or debt agreements, and the actual rating as of year-end for each investment type. The US treasury securities are not analyzed since they are not deemed to have credit risk.

| <u>Investment Type</u> | <u>Ratings as of Year End</u> |
|---------------------------|-------------------------------|
| Money Market Mutual Funds | AAA |

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. There were no investments in any one issuer that represent 5% or more of the total Authority investment.

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 deposit 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 deposit or investments, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure City deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

For investments identified herein as held by bond trustee, the bond trustee selects the investment under the terms of the applicable trust agreement, acquires the investment, and holds the investments on behalf of the reporting government.

b. Installment Sales Receivable

On June 1, 1998, the Authority issued \$12,720,000 of Airport Passenger Facility Charge Revenue Bonds, Series 1998 to finance the construction and acquisition of certain additional improvements to the Airport.

The Authority agreed to cause the 1998 Airport project to be constructed and installed by the City as its agent. The City entered into a contract and provided for, as agent for the Authority, the complete construction and installation of the improvement portion of the 1998 Airport project. The Authority transferred, and the City accepted, title to each portion of the project as completed.

CITY OF PALM SPRINGS PUBLIC FINANCING AUTHORITY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2018

Note 2: Detailed Notes (Continued)

The purchase price paid by the City to the Authority for the project is the aggregate amount of the principal on the bonds issued to finance the projects. The City pays the Authority on the last business day of each month installment payments in amounts sufficient to pay principal and interest on the bonds when due and to make any required deposits into the debt service or reserve funds. At June 30, 2018, the balance of the installment sale receivable is \$740,000.

| <u>Fiscal Year Ending June 30</u> | <u>1998 PFC Airport</u> |
|------------------------------------|-------------------------|
| 2018 - 2019 | \$ 543,850 |
| 2019 - 2020 | 247,338 |
| | <u>791,188</u> |
| Less: Amount representing interest | (51,188) |
| Total Principal outstanding | <u>\$ 740,000</u> |

c. Lease Receivable

Convention Center

On April 1, 1991, the Authority issued \$50,668,512 of Lease Revenue Bonds, 1991 Series A, to provide funds for the advance refunding of certain outstanding certificates of participation previously sold to refinance the convention center facilities in the City of Palm Springs, and to finance the construction and acquisition of certain additional improvements and land relating to the convention center facilities. On October 1, 1997, the Authority issued \$12,300,000 of Lease Revenue Bonds, 1997 Series A Bonds. On September 30, 2001, the Authority issued \$28,540,000 of Lease Revenue Refunding Bonds, 2001 Series A to provide funds for the advance refunding of certain 1991 Series A bonds. In May 2004, the Authority issued \$62,395,000 of Lease Revenue Bonds to provide funds for the advance refunding of the 1997 Revenue Bonds and to finance certain improvements to the Convention Center. In February 2012, the Authority issued \$23,980,000 Lease Revenue Bonds to provide funds for the refunding of the 2001 Lease Revenue Bonds. In July 2014, the Authority issued 45,550,000 of lease revenue bonds, Series A to provide for the current refunding of the Lease revenue bonds, 2004.

For the use and possession of the convention center facilities, the City entered into a lease agreement with the Authority on April 1, 1991, and amended the lease on October 1, 1997, September 30, 2001, and on May 13, 2004. The amended lease agreements terminate on the dates on which the bonds are paid or deemed to have been paid in full.

The City agrees to pay semiannual lease payments as rent for the use and occupancy of the convention center facilities. Lease payments which commenced on October 15, 1991, are payable each April 15 and October 15, in amounts sufficient to pay the principal and interest coming due on the bonds. The lease receivable for all debt issues at June 30, 2018, is \$58,855,000.

CITY OF PALM SPRINGS PUBLIC FINANCING AUTHORITY

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2018**

Note 2: Detailed Notes (Continued)

2012 Lease Revenue Bonds

On June 6, 2012, the Authority issued \$44,965,000 Lease Revenue Bonds, Series B to provide funds for the financing and acquisition and construction of public improvements. The bonds are payable from the revenues pledged under the Indenture of Trust, consisting primarily of lease payments to be made by the City of Palm Springs to the Authority as rental for certain City owned property and from certain funds held under the Indenture of Trust and insurance or condemnation awards. The lease receivable at June 30, 2018, is \$37,130,000.

2015 Lease Revenue Refunding Bonds

On December 1, 2015, the City of Palm Springs Public Financing Authority issued \$5,680,000 Lease Revenue Refunding Bonds. The proceeds from the issuance were used to refund the 2002A Certificates of Participation, which were used to fund capital projects related to the downtown parking structure. The City agrees to pay semiannual lease payments as rent for the use of the downtown parking projects site. On or before each lease payment date, the City is obligated to deposit with the trustee the full amount of the lease payment coming due and payable on the next interest payment date. The lease receivable at June 30, 2018 is \$5,260,000.

2017 Lease Revenue Refunding Bonds

On June 13, 2017, the City of Palm Springs Financing Authority issued \$9,970,000 Lease Revenue Refunding Bonds, Series 2017 to defease the outstanding balance of the Refunding Lease Revenue Bonds, Series 2007. The Bonds are payable from Lease payments to be made by the City of Palm Springs to the Authority as rental for certain real property and the improvements consisting of the City's police department headquarters and a municipally owned golf course. The lease receivable at June 30, 2018 is \$9,075,000.

| Fiscal Year Ending June 30 | Convention Center | 2012 Lease Revenue Bonds | 2015 Lease Revenue Refunding Bonds | 2017 Lease Revenue Refunding Bonds |
|------------------------------------|-------------------|--------------------------|------------------------------------|------------------------------------|
| 2018 - 2019 | \$ 4,686,644 | \$ 3,183,763 | \$ 589,150 | \$ 1,202,549 |
| 2019 - 2020 | 4,686,544 | 3,183,763 | 600,050 | 1,202,750 |
| 2020 - 2021 | 4,688,219 | 3,186,363 | 642,125 | 1,201,550 |
| 2021 - 2022 | 4,686,369 | 3,186,363 | 650,125 | 1,203,950 |
| 2022 - 2023 | 4,763,231 | 3,183,763 | 656,625 | 1,199,750 |
| 2023 - 2028 | 24,087,600 | 15,929,488 | 3,607,750 | 4,810,600 |
| 2028 - 2033 | 24,433,031 | 15,935,825 | - | - |
| 2033 - 2038 | 14,655,053 | 6,373,038 | - | - |
| Total | 86,686,691 | 54,162,366 | 6,745,825 | 10,821,149 |
| Less: Amount representing interest | (27,831,691) | (17,032,366) | (1,485,825) | (1,746,149) |
| Total Principal outstanding | \$ 58,855,000 | \$ 37,130,000 | \$ 5,260,000 | \$ 9,075,000 |

CITY OF PALM SPRINGS PUBLIC FINANCING AUTHORITY

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2018**

Note 2: Detailed Notes (Continued)

d. Noncurrent Liabilities

Changes in noncurrent liabilities for the year ended June 30, 2018, were as follows:

| | Balance at June 30, 2017 | Defeasance | Additions | Deletions | Balance at June 30, 2018 | Due within one year |
|---------------------------------------|-----------------------------|---------------------|-------------|---------------------|-----------------------------|------------------------|
| 1998 Airport PFC Revenue Bonds | \$ 2,425,000 | \$ 1,205,000 | \$ - | \$ 480,000 | \$ 740,000 | \$ 505,000 |
| Unamortized discount | (89,618) | - | - | (9,958) | (79,660) | - |
| 2012 A Convention Center Bonds | 17,835,000 | - | - | 1,280,000 | 16,555,000 | 1,370,000 |
| 2014 A Lease revenue Bonds | 43,060,000 | - | - | 760,000 | 42,300,000 | 750,000 |
| Unamortized premium | 4,659,924 | - | - | 286,017 | 4,373,907 | - |
| 2012 Lease Revenue Bonds | 38,575,000 | - | - | 1,445,000 | 37,130,000 | 1,500,000 |
| Unamortized premium | 1,162,936 | - | - | 72,248 | 1,090,688 | - |
| 2015 Refunding Lease Revenue Bonds | 5,555,000 | - | - | 295,000 | 5,260,000 | 340,000 |
| Unamortized premium | 860,757 | - | - | 87,502 | 773,255 | - |
| 2017 Refunding Lease Revenue Bonds | 9,970,000 | - | - | 895,000 | 9,075,000 | 870,000 |
| Unamortized premium | 937,118 | - | - | 93,712 | 843,406 | - |
| Total | \$ 124,951,117 | \$ 1,205,000 | \$ - | \$ 5,684,521 | \$ 118,061,596 | \$ 5,335,000 |

1998 Airport Passenger Facility Charge Revenue Bonds

On June 1, 1998, the Authority issued \$12,720,000 Airport Passenger Facility Charge Revenue Bonds, Series 1998 (1998 PFC Bonds) to provide funds to finance certain improvements to the airport. These bonds were issued simultaneously with the 1998 Airport Revenue Bonds which were also issued to finance certain improvements to the airport.

The bonds consist of \$3,640,000 of serial bonds and \$9,080,000 of term bonds. The serial bonds accrue interest at rates between 4.25% and 5.10% and mature between January 1, 2001 and January 1, 2012, in amounts ranging from \$145,000 to \$355,000. The term bonds mature between January 1, 2022 and January 1, 2028, in amounts ranging from \$2,200,000 to \$4,330,000. The bonds accrue interest at rates between 4.25% and 5.10%.

Bonds maturing on January 1, 2018, January 1, 2022 and January 1, 2028, are subject to mandatory redemption in part by lot, on January 1 in each year commencing January 1, 2013 with respect to bonds maturing January 1, 2018, commencing January 1, 2019 with respect to bonds maturing January 1, 2022, and commencing January 1, 2023 with respect to bonds maturing January 1, 2028, from mandatory sinking account payments at a redemption price equal to the principal amount thereof to be redeemed, without premium, plus accrued interest amounts and on January 1 in the respective years; provided, however, that (i) in lieu of redemption thereof, the bonds may be purchased pursuant to the provisions of the Indenture, and (ii) some but not all of the sinking accounts payments to be made subsequent to such redemption will be reduced in an amount equal to the principal amount of the bonds so redeemed, by reducing each such future sinking account payment in integral multiples of \$5,000, in a manner designated by the Authority, in the case of an optional redemption, or in inverse order, in the case of a special redemption.

CITY OF PALM SPRINGS PUBLIC FINANCING AUTHORITY

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2018**

Note 2: Detailed Notes (Continued)

The bonds maturing January 1, 2028, are subject to special mandatory redemption, in part by lot each January 1 from certain excess revenues at a redemption price equal to the principal amount thereof to be redeemed, plus a premium, together with accrued interest thereon to the date fixed for redemption. The redemption price relating to redemption dates January 1, 1999 to January 1, 2007 is 103%; January 1, 2008 is 102%; January 1, 2009 is 101%; and January 1, 2011 and thereafter 100%.

At June 30, 2018, total bonds outstanding were \$740,000. The bonds had \$79,660 of unamortized discount.

Future requirement to amortize outstanding 1998 Airport Passenger Facility Charge Revenue Bonds as of June 30, 2018, are as follows:

| Fiscal Year Ending June 30 | Principal | Interest | Total |
|-------------------------------|-------------------|------------------|-------------------|
| 2018 | \$ 505,000 | \$ 38,850 | \$ 543,850 |
| 2018 | 235,000 | 12,338 | 247,338 |
| Total | <u>\$ 740,000</u> | <u>\$ 51,188</u> | <u>\$ 791,188</u> |

Convention Center Bonds:

2012 A Convention Center Bonds

On February 1, 2012, the City of Palm Springs Financing Authority issued \$23,980,000 Lease Revenue Bonds, Series A to provide funds to provide for the current refunding of the Lease Revenue Bonds, 2001 Series A. The bonds are payable from the revenues pledged under the Indenture of Trust, consisting primarily of lease payments to be made by the City of Palm Springs to the Authority as rental for City owned Convention Center and from certain funds held under the Indenture of Trust and insurance or condemnation awards.

The bonds accrue interest at rates between 2.00% and 5.00%. The principal amounts mature between November 1, 2012 and November 1, 2025, in amounts ranging from \$500,000 to \$2,865,000. The amount of bond outstanding at June 30, 2018, is \$16,555,000. The bonds had \$207,794 of unamortized premium.

CITY OF PALM SPRINGS PUBLIC FINANCING AUTHORITY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2018

Note 2: Detailed Notes (Continued)

2014 A Convention Center Lease Revenue Bonds

On July 24, 2014, the City of Palm Springs Financing Authority issued \$45,550,000 Lease Revenue Bonds, Series A to provide funds to provide for the current refunding of the Lease Revenue Bonds, 2004. The bonds are payable from the revenues pledged under the Indenture of Trust, consisting primarily of lease payments to be made by the City of Palm Springs to the Authority as rental for City owned Convention Center and from certain funds held under the Indenture of Trust and insurance or condemnation awards.

The bonds accrue interest at rates between 3.50% and 5.00%. The principal amounts mature between November 1, 2014 and August 1, 2035, in amounts ranging from \$650,000 to \$4,825,000. The amount of bonds outstanding at June 30, 2018, is \$42,300,000. The bonds had \$4,166,113 of unamortized premium.

The total convention center bonds outstanding at June 30, 2018, were \$58,855,000.

Future requirements to amortize outstanding convention center bonds as of June 30, 2018, are as follows:

| Fiscal Year Ending June 30 | 2012 Convention Center Lease Revenue Bonds | | 2014 Convention Center Lease Revenue Refunding Bonds | | Total Payments |
|-------------------------------|---|---------------------|---|----------------------|----------------------|
| | Principal | Interest | Principal | Interest | |
| 2019 | \$ 1,370,000 | \$ 581,413 | \$ 750,000 | \$ 1,985,231 | \$ 4,686,644 |
| 2020 | 1,420,000 | 539,563 | 780,000 | 1,946,981 | 4,686,544 |
| 2021 | 1,460,000 | 496,363 | 825,000 | 1,906,856 | 4,688,219 |
| 2022 | 1,505,000 | 446,888 | 870,000 | 1,864,481 | 4,686,369 |
| 2023 | 2,550,000 | 370,500 | - | 1,842,731 | 4,763,231 |
| 2024 - 2028 | 8,250,000 | 539,819 | 6,365,000 | 8,932,781 | 24,087,600 |
| 2028 - 2033 | - | - | 18,975,000 | 5,458,031 | 24,433,031 |
| 2033 - 2038 | - | - | 13,735,000 | 920,053 | 14,655,053 |
| Total | \$ 16,555,000 | \$ 2,974,546 | \$ 42,300,000 | \$ 24,857,145 | \$ 86,686,691 |

2012 Lease Revenue Bonds

On June 6, 2012, the Authority issued \$44,965,000 Lease Revenue Bonds, Series B to provide funds for the financing and acquisition and construction of public improvements. The bonds are payable from the revenues pledged under the Indenture of Trust, consisting primarily of lease payments to be made by the City of Palm Springs to the Authority as rental for certain City owned property and from certain funds held under the Indenture of Trust and insurance or condemnation awards. The lease receivable at June 30, 2018, is \$37,130,000.

The bonds accrue interest at rates between 2.00% and 5.25%. The principal amounts mature between June 1, 2013 and June 1, 2035, in amounts ranging from \$1,135,000 to \$3,050,000.

The total of Lease Revenue bonds outstanding at June 30, 2018, is \$37,130,000. The bonds had \$1,090,688 of unamortized premium.

CITY OF PALM SPRINGS PUBLIC FINANCING AUTHORITY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2018

Note 2: Detailed Notes (Continued)

Future requirements to amortize outstanding convention center bonds as of June 30, 2018, are as follows:

| Fiscal Year Ending June 30 | Principal | Interest | Total Payments |
|-------------------------------|----------------------|----------------------|----------------------|
| 2019 | \$ 1,500,000 | \$ 1,683,763 | \$ 3,183,763 |
| 2020 | 1,560,000 | 1,623,763 | 3,183,763 |
| 2021 | 1,625,000 | 1,561,363 | 3,186,363 |
| 2022 | 1,690,000 | 1,496,363 | 3,186,363 |
| 2023 | 1,755,000 | 1,428,763 | 3,183,763 |
| 2024 - 2028 | 10,225,000 | 5,704,488 | 15,929,488 |
| 2028 - 2033 | 12,810,000 | 3,125,825 | 15,935,825 |
| 2033 - 2038 | 5,965,000 | 408,038 | 6,373,038 |
| Total | <u>\$ 37,130,000</u> | <u>\$ 17,032,366</u> | <u>\$ 54,162,366</u> |

2015 Refunding Lease Revenue Bonds

On December 1, 2015, the City of Palm Springs Public Financing Authority issued \$5,680,000 Lease Revenue Refunding Bonds. The proceeds from the issuance were used to refund the 2002A Certificates of Participation, which were used to fund capital projects related to the downtown parking structure. Interest on the bonds range between 2.0% to 5.0% and the final maturity date is November 1, 2027.

The total bonds outstanding at June 30, 2018, is \$5,260,000 including \$773,255 of unamortized premium.

Future requirements to amortize outstanding convention center bonds as of June 30, 2018, are as follows:

| Fiscal Year Ending June 30 | Principal | Interest | Total Payments |
|-------------------------------|---------------------|---------------------|---------------------|
| 2019 | \$ 340,000 | \$ 249,150 | \$ 589,150 |
| 2020 | 365,000 | 235,050 | 600,050 |
| 2021 | 425,000 | 217,125 | 642,125 |
| 2022 | 455,000 | 195,125 | 650,125 |
| 2023 | 485,000 | 171,625 | 656,625 |
| 2024 - 2028 | 3,190,000 | 417,750 | 3,607,750 |
| Totals | <u>\$ 5,260,000</u> | <u>\$ 1,485,825</u> | <u>\$ 6,745,825</u> |

2017 Lease Revenue Refunding Bonds

On June 13, 2017, the City of Palm Springs Financing Authority issued \$9,970,000 Lease Revenue Refunding Bonds, Series 2017 to defease the outstanding balance of the Refunding Lease Revenue Bonds, Series 2007. The Lease Revenue Refunding Bonds, Series 2017 accrues interest payable semiannually on November 1 and May 1 of each year at rates between 2.00% and 4.00%. Principal is due annually on May 1 of each year ranging from \$895,000 to \$1,160,000 and the final maturity date is May 1, 2027.

CITY OF PALM SPRINGS PUBLIC FINANCING AUTHORITY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2018

Note 2: Detailed Notes (Continued)

The total bonds outstanding at June 30, 2018, is \$9,075,000 including \$843,405 of unamortized premium.

Future requirements to amortize outstanding 2017 Lease Revenue Refunding Bonds as of June 30, 2018, are as follows:

| Fiscal Year Ending June 30 | Principal | Interest | Total |
|-------------------------------|---------------------|---------------------|----------------------|
| 2019 | \$ 870,000 | \$ 332,549 | \$ 1,202,549 |
| 2020 | 905,000 | 297,750 | 1,202,750 |
| 2021 | 940,000 | 261,550 | 1,201,550 |
| 2022 | 980,000 | 223,950 | 1,203,950 |
| 2023 | 1,015,000 | 184,750 | 1,199,750 |
| 2024 - 2028 | 4,365,000 | 445,600 | 4,810,600 |
| Total | <u>\$ 9,075,000</u> | <u>\$ 1,746,149</u> | <u>\$ 10,821,149</u> |

CITY OF PALM SPRINGS PUBLIC FINANCING AUTHORITY

COMBINING SCHEDULE OF NET POSITION
BY BOND PROGRAM
JUNE 30, 2018

| | 2012 Series B Lease Revenue Bonds | 1998 PFC Airport | Convention Center | 2015 Refunding Lease Revenue |
|---|--|---------------------|-----------------------|---------------------------------------|
| Assets: | | | | |
| Current: | | | | |
| Receivables: | | | | |
| Installment sale | \$ - | \$ 505,000 | \$ - | \$ - |
| Leases | 1,500,000 | - | 2,120,000 | 340,000 |
| Restricted: | | | | |
| Cash with fiscal agent | 3,198,118 | 771,589 | 864 | 85 |
| Total Current Assets | 4,698,118 | 1,276,589 | 2,120,864 | 340,085 |
| Noncurrent: | | | | |
| Installment sale receivable | - | 235,000 | - | - |
| Leases receivable | 35,630,000 | - | 56,735,000 | 4,920,000 |
| Total Noncurrent Assets | 35,630,000 | 235,000 | 56,735,000 | 4,920,000 |
| Total Assets | 40,328,118 | 1,511,589 | 58,855,864 | 5,260,085 |
| Deferred Outflows of Resources | | | | |
| Deferred charge on refunding | - | - | 2,342,719 | - |
| Total Deferred Outflows of Resources | - | - | 2,342,719 | - |
| Liabilities: | | | | |
| Current: | | | | |
| Accrued interest | 140,314 | 63,356 | 434,324 | 42,658 |
| Bonds payable | 1,500,000 | 505,000 | 2,120,000 | 340,000 |
| Total Current Liabilities | 1,640,314 | 568,356 | 2,554,324 | 382,658 |
| Noncurrent: | | | | |
| Bonds payable | 36,720,688 | 155,340 | 61,108,907 | 5,693,255 |
| Total Noncurrent Liabilities | 36,720,688 | 155,340 | 61,108,907 | 5,693,255 |
| Total Liabilities | 38,361,002 | 723,696 | 63,663,231 | 6,075,913 |
| Net Position: | | | | |
| Restricted for debt service | 1,967,116 | 787,893 | - | - |
| Unrestricted | - | - | (2,464,648) | (815,828) |
| Total Net Position | \$ 1,967,116 | \$ 787,893 | \$ (2,464,648) | \$ (815,828) |

CITY OF PALM SPRINGS PUBLIC FINANCING AUTHORITY

COMBINING SCHEDULE OF NET POSITION
 BY BOND PROGRAM
 JUNE 30, 2018

| | <u>2017 Lease Refunding</u> | <u>Total</u> |
|---|-----------------------------|-----------------------|
| Assets: | | |
| Current: | | |
| Receivables: | | |
| Installment sale | \$ - | \$ 505,000 |
| Leases | 870,000 | 4,830,000 |
| Restricted: | | |
| Cash with fiscal agent | 707 | 3,971,363 |
| | <u>870,707</u> | <u>9,306,363</u> |
| Total Current Assets | 870,707 | 9,306,363 |
| Noncurrent: | | |
| Installment sale receivable | - | 235,000 |
| Leases receivable | 8,205,000 | 105,490,000 |
| | <u>8,205,000</u> | <u>105,725,000</u> |
| Total Noncurrent Assets | 8,205,000 | 105,725,000 |
| | <u>9,075,707</u> | <u>115,031,363</u> |
| Total Assets | 9,075,707 | 115,031,363 |
| Deferred Outflows of Resources | | |
| Deferred charge on refunding | 124,378 | 2,467,097 |
| | <u>124,378</u> | <u>2,467,097</u> |
| Total Deferred Outflows of Resources | 124,378 | 2,467,097 |
| Liabilities: | | |
| Current: | | |
| Accrued interest | 36,095 | 716,747 |
| Bonds payable | 870,000 | 5,335,000 |
| | <u>906,095</u> | <u>6,051,747</u> |
| Total Current Liabilities | 906,095 | 6,051,747 |
| Noncurrent: | | |
| Bonds payable | 9,048,406 | 112,726,596 |
| | <u>9,048,406</u> | <u>112,726,596</u> |
| Total Noncurrent Liabilities | 9,048,406 | 112,726,596 |
| | <u>9,954,501</u> | <u>118,778,343</u> |
| Total Liabilities | 9,954,501 | 118,778,343 |
| Net Position: | | |
| Restricted for debt service | - | 2,755,009 |
| Unrestricted | (754,416) | (4,034,892) |
| | <u>(754,416)</u> | <u>(4,034,892)</u> |
| Total Net Position | \$ (754,416) | \$ (1,279,883) |

CITY OF PALM SPRINGS PUBLIC FINANCING AUTHORITY

COMBINING SCHEDULE OF REVENUES,
EXPENSES AND CHANGES IN NET POSITION
BY BOND PROGRAM
JUNE 30, 2018

| | 2012 Series B Lease Revenue Bonds | 1998 PFC Airport | Convention Center | 2015 Refunding Lease Revenue |
|---|--|---------------------|-----------------------|---------------------------------------|
| Operating Revenues: | | | | |
| Lease revenues | \$ 1,698,658 | \$ - | \$ 2,630,073 | \$ - |
| Installment sale revenues | - | 1,590,568 | - | 258,732 |
| Total Operating Revenues | 1,698,658 | 1,590,568 | 2,630,073 | 258,732 |
| Operating Expenses: | | | | |
| Fiscal charges | - | - | - | - |
| Early principal redemption | - | 1,685,000 | - | - |
| Total Operating Expenses | - | 1,685,000 | - | - |
| Operating Income (Loss) | 1,698,658 | (94,432) | 2,630,073 | 258,732 |
| Nonoperating Revenues (Expenses): | | | | |
| Interest revenue | 37,314 | 10,738 | 2,170 | 246 |
| Interest expense | (1,671,610) | (137,019) | (2,465,644) | (171,361) |
| Total Nonoperating Revenues (Expenses) | (1,634,296) | (126,281) | (2,463,474) | (171,115) |
| Changes in Net Position | 64,362 | (220,713) | 166,599 | 87,617 |
| Net Position: | | | | |
| Beginning of Year | 1,902,754 | 1,008,606 | (2,631,247) | (903,445) |
| End of Fiscal Year | \$ 1,967,116 | \$ 787,893 | \$ (2,464,648) | \$ (815,828) |

CITY OF PALM SPRINGS PUBLIC FINANCING AUTHORITY

COMBINING SCHEDULE OF REVENUES,
EXPENSES AND CHANGES IN NET POSITION
BY BOND PROGRAM
JUNE 30, 2018

| | 2017 Lease Refunding | Total |
|---|---------------------------------|-----------------------|
| Operating Revenues: | | |
| Lease revenues | \$ 307,489 | \$ 4,636,220 |
| Installment sale revenues | - | 1,849,300 |
| Total Operating Revenues | 307,489 | 6,485,520 |
| Operating Expenses: | | |
| Fiscal charges | 6,685 | 6,685 |
| Early principal redemption | - | 1,685,000 |
| Total Operating Expenses | 6,685 | 1,691,685 |
| Operating Income (Loss) | 300,804 | 4,793,835 |
| Nonoperating Revenues (Expenses): | | |
| Interest revenue | 781 | 51,249 |
| Interest expense | (205,777) | (4,651,411) |
| Total Nonoperating Revenues (Expenses) | (204,996) | (4,600,162) |
| Changes in Net Position | 95,808 | 193,673 |
| Net Position: | | |
| Beginning of Year | (850,224) | (1,473,556) |
| End of Fiscal Year | \$ (754,416) | \$ (1,279,883) |

CITY OF PALM SPRINGS PUBLIC FINANCING AUTHORITY

COMBINING SCHEDULE OF CASH FLOWS
BY BOND PROGRAM
JUNE 30, 2018

| | 2012 Lease Revenue Bonds | 1998 PFC Airport | Convention Center | 2015 Refunding Lease Revenue |
|--|--------------------------------|---------------------|----------------------|---------------------------------------|
| Cash Flows from Operating Activities: | | | | |
| Cash received from lessee and installment sales | \$ 3,143,658 | \$ 1,590,568 | \$ 4,670,073 | \$ 553,732 |
| Cash paid for fiscal charges | - | - | - | - |
| Net Cash Provided (Used) by Operating Activities | 3,143,658 | 1,590,568 | 4,670,073 | 553,732 |
| Cash Flows from Capital and Related Financing Activities: | | | | |
| Principal paid on bonds | (1,445,000) | (1,685,000) | (2,040,000) | (295,000) |
| Interest paid on bonds | (1,741,563) | (126,713) | (2,644,144) | (258,900) |
| Net Cash Provided (Used) by Capital and Related Financing Activities | (3,186,563) | (1,811,713) | (4,684,144) | (553,900) |
| Cash Flows from Investing Activities: | | | | |
| Interest received | 37,314 | 10,738 | 2,170 | 246 |
| Net Cash Provided (Used) by Investing Activities | 37,314 | 10,738 | 2,170 | 246 |
| Net Increase (Decrease) in Cash and Cash Equivalents | (5,591) | (210,407) | (11,901) | 78 |
| Cash and Cash Equivalents at Beginning of Year | 3,203,709 | 981,996 | 12,765 | 7 |
| Cash and Cash Equivalents at End of Year | \$ 3,198,118 | \$ 771,589 | \$ 864 | \$ 85 |
| Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities: | | | | |
| Operating income (loss) | \$ 1,698,658 | \$ (94,432) | \$ 2,630,073 | \$ 258,732 |
| Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities: | | | | |
| (Increase) decrease in Installment sale receivable | - | 1,685,000 | - | - |
| (Increase) decrease in Lease receivable | 1,445,000 | - | 2,040,000 | 295,000 |
| Total Adjustments | 1,445,000 | 1,685,000 | 2,040,000 | 295,000 |
| Net Cash Provided (Used) by Operating Activities | \$ 3,143,658 | \$ 1,590,568 | \$ 4,670,073 | \$ 553,732 |

CITY OF PALM SPRINGS PUBLIC FINANCING AUTHORITY

COMBINING SCHEDULE OF CASH FLOWS
BY BOND PROGRAM
JUNE 30, 2018

| | <u>2017 Lease Refunding</u> | <u>Total</u> |
|--|-----------------------------------|------------------------------------|
| Cash Flows from Operating Activities: | | |
| Cash received from lessee and installment sales | \$ 1,202,489 | \$ 11,160,520 |
| Cash paid for fiscal charges | (6,685) | (6,685) |
| Net Cash Provided (Used) by Operating Activities | <u>1,195,804</u> | <u>11,153,835</u> |
| Cash Flows from Capital and Related Financing Activities: | | |
| Principal paid on bonds | (895,000) | (6,360,000) |
| Interest paid on bonds | (309,564) | (5,080,884) |
| Net Cash Provided (Used) by Capital and Related Financing Activities | <u>(1,204,564)</u> | <u>(11,440,884)</u> |
| Cash Flows from Investing Activities: | | |
| Interest received | 781 | 51,249 |
| Net Cash Provided (Used) by Investing Activities | <u>781</u> | <u>51,249</u> |
| Net Increase (Decrease) in Cash and Cash Equivalents | <u>(7,979)</u> | <u>(235,800)</u> |
| Cash and Cash Equivalents at Beginning of Year | 8,686 | 4,207,163 |
| Cash and Cash Equivalents at End of Year | <u><u>\$ 707</u></u> | <u><u>\$ 3,971,363</u></u> |
| Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities: | | |
| Operating income (loss) | \$ 300,804 | \$ 4,793,835 |
| Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities: | | |
| (Increase) decrease in Installment sale receivable | - | 1,685,000 |
| (Increase) decrease in Lease receivable | 895,000 | 4,675,000 |
| Total Adjustments | <u>895,000</u> | <u>6,360,000</u> |
| Net Cash Provided (Used) by Operating Activities | <u><u>\$ 1,195,804</u></u> | <u><u>\$ 11,153,835</u></u> |