

ISSUER'S ANNUAL REPORT

FOR FISCAL YEAR ENDED JUNE 30, 2013



CITY OF DESERT HOT SPRINGS

\$3,060,000
Certificates of Participation
(Interim Cash Flow Financing)

PARTICIPANTS/CONTACTS

ISSUER

CITY OF DESERT HOT SPRINGS
65950 Pierson Blvd.,
Desert Hot Springs, CA, 92240

Amy Aguer, Administrative Services Director

Phone: (707) 329-6411

E-mail: aaguer@cityofdhs.org

CONTINUING DISCLOSURE CONSULTANT & DISSEMINATION AGENT

URBAN FUTURES, INC.

3111 North Tustin Avenue, Suite 230
Orange, CA 92865

Ed Monaco, Associate

Phone: (714) 283-9334

Fax: (714) 283-5465

Email: edm@urbanfuturesinc.com

BACKGROUND

On October 27 2004, the City of Desert Hot Springs (the “City”) issued its \$3,060,000, Certificates of Participation (Interim Cash Flow Financing) (the “2004 Certificates”). Proceeds from the 2004 Certificates were used to (i) finance certain claims and/or a cash flow deficit attributable in part to certain claims pending before the Bankruptcy Court as part of Chapter 9 proceedings, for the benefit of the City, (ii) fund a reserve fund for the 2004 Certificates, and (iii) pay the costs incurred in connection with the execution and delivery of the 2004 Certificates. Please see the Official Statement for the 2004 Certificates, as provided online at Municipal Securities Rulemaking Board’s EMMA repository for further background information. Capitalized terms used but not defined herein shall have their meanings as given in the Indenture.

Interest on the 2004 Certificates is payable semiannually on March 1 and September 1 of each year, commencing March 1, 2005.

OBJECTIVE

Pursuant to the Continuing Disclosure section of the Official Statement and Continuing Disclosure Agreement/Certificate for the 2004 Certificates, this Annual Report is being provided by the Dissemination Agent for distribution to the Municipal Securities Rulemaking Board’s (the “MSRB”) Electronic Municipal Market Access (“EMMA”) document repository.

This Annual Report has been prepared by Urban Futures, Inc. at the direction of the City/Successor Agency. The information set forth herein has been furnished by the City/Successor Agency and/or County, along with other sources believed to be reliable, but no representation as to the accuracy or completeness of any such information is made by the City/Successor Agency or Urban Futures, Inc. The City/Successor Agency and Urban Futures, Inc. make no representation that this Annual Report contains all information material to make a decision to purchase or sell bonds or any other debt obligations of the City/Successor Agency. Any information contained herein which involves estimates, forecasts, projections, and expressions of opinion, whether or not expressly stated, are intended solely as such and are not to be construed as representations of fact by the City/Successor Agency or Urban Futures, Inc. and no representation is made that such opinions or estimates will be realized. The information, opinions, and estimates herein are subject to change without notice. The City/Successor Agency and Urban Futures, Inc. shall not take responsibility for any statements or information of any kind disseminated to the MSRB or EMMA or any other medium that is not disseminated by and authorized in writing by either the City/Successor Agency or Urban Futures, Inc.

FINANCIAL STATEMENTS

As outlined in the Continuing Disclosure Agreement/Certificate, the financial statements required as part of the Annual Report for the fiscal year ended June 30, 2013 will be posted to the EMMA document repository upon availability.

I. FINANCIAL INFORMATION & OPERATING DATA

The following financial information and operating data is provided pursuant to the Continuing Disclosure section of the Official Statement and the Continuing Disclosure Agreement/Certificate.

Please note: Certain sections of this Annual Report will be amended upon the availability of updated information.

Documents Included by Specific Reference

The following documents have been filed with the Municipal Securities Rulemaking Board's (the "MSRB") Electronic Municipal Market Access ("EMMA") document repository and are hereby incorporated into this Annual Report by specific reference:

Document 1: City of Desert Hot Springs – Independent Auditor's Report and Basic Financial Statements

Web Address:

<http://emma.msrb.org/ContinuingDisclosureView/ContinuingDisclosureDetails.aspx?submissionId=EP641815>

A. GENERAL FUND TAX REVENUES

The table below presents historical General Fund Tax Revenues by source.

THE CITY OF DESERT HOT SPRINGS Tax Revenues by Source					
Source	2008-09	2009-10	2010-11	2011-12	2012-13
Utility User's Tax	\$1,845,627	\$2,529,180	\$2,533,277	\$2,711,863	\$2,830,712
Sales Taxes	5,386,322	4,719,522	4,767,845	4,879,780	3,091,024
Property Taxes	1,678,261	2,066,568	1,595,346	1,802,439	3,901,384
Transient Occupancy Taxes	983,416	892,477	1,088,413	1,089,364	1,220,821
Franchise Taxes	1,089,842	1,053,919	1,113,957	1,096,654	1,089,995
Total	\$10,983,468	\$11,261,666	\$11,098,838	\$11,580,100	\$12,133,936

Source: Urban Futures Inc

B. TRANSIENT OCCUPANCY TAX

The table below presents the current and historical Transient Occupancy Tax.

THE CITY OF DESERT HOT SPRINGS Historical Transient Occupancy Tax	
Fiscal Year ⁽¹⁾	Amount
2007-08	\$1,037,885
2008-09	983,416
2009-10	892,477
2010-11	1,088,413
2011-12	1,089,364
2012-13	1,220,821

(1) In the year ended June 30, 1994, the City began accounting for transient occupancy tax revenues on an accrued basis, rather than on a cash basis, as allowable under the National Council on Governmental Accounting (NCGA) Statement No. 1.

Source: *The City of Desert Hot Springs*

C. TAXABLE SALES

The table below presents current and historical taxable sales within the city.

THE CITY OF DESERT HOT SPRINGS Historical Taxable Sales		
Calendar Year	Taxable Sales ⁽¹⁾	Growth Rate
2008	\$91,671	-
2009	79,192	-13.61%
2010	89,328	12.80%
2011	113,904	27.51%
2012	128,734	13.02%

(1) Taxable Sales information is currently available through 2012

Source: *State of California Board of Equalization*

D. UTILITY USER'S TAX

The table below presents the current and historical utility user's tax collected by the City's water and wastewater systems.

THE CITY OF DESERT HOT SPRINGS Utility User's Tax		
Fiscal Year	Taxable Sales	Growth Rate
2007-08	\$1,772,810	-
2008-09	1,845,627	4.11%
2009-10	2,529,180	37.04%
2010-11	2,533,277	0.16%
2011-12	2,711,863	7.05%
2012-13	2,830,712	4.38%

Source: City of Desert Hot Springs.

E. ASSESSED VALUATION

The table below presents the current and historical assessed valuations of the city based on the Riverside County Tax Roll.

THE CITY OF DESERT HOT SPRINGS Assessed Valuations			
Fiscal Year	Secured Assessed Valuation	Unsecured Assessed Valuation	Total Assessed Valuation
2010-11	\$1,152,323,538	\$33,812,065	1,186,135,603
2011-12	\$1,168,628,361	\$24,888,540	1,193,516,901
2012-13	\$1,111,455,512	\$26,503,552	1,137,959,064
2013-14	\$1,182,381,147	\$25,240,564	1,207,621,711

Source: Riverside County

F. PENSION PLAN DESCRIPTION & CITY FUND INVESTMENTS

For information relating to the Pension Plan and Investments of City Funds, please refer to Note 10 and Note 2, Section B of Document 1 cited herein.

II. SIGNIFICANT EVENTS

In compliance with the Continuing Disclosure Agreement/Certificate, material event notices are posted on MSRB's EMMA document repository at the following web address under the "Continuing Disclosure" tab:

<http://emma.msrb.org/IssueView/IssueDetails.aspx?id=MS134787>

III. CUSIP NUMBERS

The City of Desert Hot Springs Certificates of Participation (Interim Cash Flow Financing)	
Maturity Date	CUSIP*
3/1/2005	250416AQ7
3/1/2006	250416AR5
3/1/2007	250416AS3
3/1/2008	250416AT1
3/1/2009	250416AU8
3/1/2010	250416AV6
3/1/2011	250416AW4
3/1/2012	250416AX2
3/1/2014	250416AY0
3/1/2017	250416AZ7
3/1/2020	250416BA1
3/1/2023	250416BB9

*CUSIP is a registered trademark of American Bankers Association.