



Comprehensive Annual Financial Report

For The
Fiscal Year Ended
June 30, 2004

CITY OF PALM SPRINGS, CALIFORNIA

Comprehensive Annual Financial Report

Year ended June 30, 2004

Prepared by

FINANCE DEPARTMENT

Thomas M. Kanarr
Director of Finance and Treasurer

Nancy E. Klukan
Accounting Manager

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**INTRODUCTORY
SECTION**



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City of Palm Springs

Department of Finance and Treasury

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December 1, 2004

To the citizens of The City of Palm Springs, California:

The comprehensive annual financial report (CAFR) of the City of Palm Springs for the fiscal year ended June 30, 2004, is hereby submitted. Responsibility for both the accuracy of the data, and the completeness and fairness of the presentation, including all disclosures, rests with the City. To the best of our knowledge and belief, the enclosed data are accurate in all material respects and are reported in a manner designed to present fairly the financial position and results of operations of the various funds and account groups of the City. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included. This report has been reformatted to comply with the new financial reporting model outlined in the Governmental Accounting Standards Board (GASB) Statement 34, which significantly changes the content and format of the City's financial statements.

The report includes the City's government-wide financial statements and fund financial statements. The government-wide financial statements include two new statements: the Statement of Net Assets showing the total net equity of the City, including infrastructure, and the Statement of Activities that shows the cost of providing government services. Both of these statements have been prepared using the accrual basis of accounting, used by most businesses, as compared to the modified accrual method used in fund financial statements (the traditional governmental financial reports). A reconciliation report is provided to the differences between the two reporting methods.

In addition, the new reporting model includes an emphasis on the City's major funds as shown in the Governmental fund Statements. The new statements, combined with other information, are further analyzed in a new narrative called Management's Discussion and Analysis (MD & A). MD & A provides "financial highlights" and a financial interpretation of trends, fluctuations and variances in the financial data. The MD & A further discusses any events or decisions that significantly affect the financial condition of the City.

The City of Palm Springs is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act of 1984 and U.S. Office of Management and Budget (OMB) Circular A-133, ***Audits of State, Local Governments, and Non-Profit Organizations***. Information related to this single audit, including the schedule of federal financial assistance, findings and recommendations, and auditor's reports on the internal control structure and compliance with applicable laws and regulations, are included in a separate report.

The City of Palm Springs provides a full range of services including public safety, highways and streets, sanitation, culture and recreation, aviation, public improvements, planning and zoning, community development and general administrative services. In addition to general government activities, the City is considered to be financially accountable for the Community Redevelopment Agency of the City of Palm Springs, Palm Springs Public Facilities Corporation and the Palm Springs Financing Authority; therefore, these activities are included in the reporting entity.

GENERAL INFORMATION

The City of Palm Springs, incorporated in 1938, is located in the western part of the Coachella Valley, one of the fastest growing regions of the State. The full time population of 43,997 increases substantially in the winter season (approximately November through May) with the influx of part-time residents and hotel visitors.

At 96.2 square miles, the City is one of the largest in area in the State.

ECONOMIC CONDITION AND OUTLOOK

There were mixed results in the City's major revenue sources.

Transient Occupancy Tax, even including a rate increase that was effective January 1, 2004, was down about .8%. Adjusting for the rate increase, TOT was down about 3.2%.

Sales Tax collections were up nearly 12%, primarily because of the strong new housing market.

Property Taxes in the General Fund increased by more than 12% over the prior year, reflecting the significant increases in housing prices.

Overall, the combined revenue from the General Fund and Community Promotion Fund went from \$49.3 million in Fiscal Year 2002-03 to \$ 54.1 million in Fiscal Year 2003-04, an increase of about 9.7%.

Unfortunately, the increased revenue was matched by increases in expenditures, primarily in pension costs, workers compensation and health and liability insurance. These higher costs were anticipated in the budget for the current year, and were somewhat offset by the elimination of 17 positions in FY 02-03, with additional cutbacks scheduled for FY 04-05, and other cost containment measures.

The continued high level of building activity combined with a rapid rise in property values will likely allow revenues to keep pace with the additional expected increases in City costs. After Fiscal Year 2004-05, the expense side of the ledger should stabilize, and the General Fund should produce a surplus.

MAJOR INITIATIVES

FOR THE YEAR

The City concluded labor negotiations with two of the bargaining units: the Management, Professional and Supervisory employees and the General Unit. Together, these represent about two thirds of the total employees. The agreements are both for two years (through June 30, 2005), and

called for no cost of living increase for FY 03-04, and a 2% increase in FY 04-05. The Police Safety and Fire Safety units have contracts which extend until June 30, 2004.

The Phase II expansion of the Convention Center was started in May, 2004 and is scheduled to be completed in August, 2005. The \$44 million construction project will add 115,000 square feet to the Convention Center, nearly doubling its size. This will enable the expanded Convention Center to attract a broader array of conferences and seminars.

The historically significant, Albert Frey designed, building at the City's western entrance was purchased for \$638,000, with another \$550,000 committed to its rehab. The building is home to the Visitor Information Center, and opened to the public in November, 2003. Since its inception 10 years ago, the VIC had rented space in a nearby building.

The City issued a \$4.8 million assessment district bond to pay for public improvements for the 308 single-family residential Mountain Gate project. This is the first 1913/15 Act A.D. which the City has sponsored in over 10 years. Several other A.D.'s are in the works.

FOR THE FUTURE

An increase in the Transient Occupancy Tax (TOT) rate for Group Meeting Hotels from 12.5% to 13.5% was approved by the voters in the November 4, 2003 election. The additional 1% increase for approximately 12 hotels is effective January 1, 2004, and should raise about \$600,000 more annually. This revenue, added to the TOT revenue generated by the January 1, 2002 TOT rate increase, is intended to fund the \$27 million Phase II expansion of the Convention Center. The Center will be almost doubled in size, and will be better able to attract larger conventions. Construction started in the spring of 2004, with an estimated completion date of August, 2005. The Convention Center will remain open for business during the new construction.

To help pay for future demands on City services, especially for Police and Fire Safety services, the City is exploring the possibility of a City-wide Community Services District. This would provide long-term funding for the additional services necessitated by the explosive growth in housing units, both being built and in the planning stages. All projects of 25 units or more are approved with the condition that they participate in the CSD. The consultant's preliminary report is due in January, 2005.

A super Wal Mart has been approved at the City's eastern boundary. Construction is expected to begin in early 2005 with the store opening late 2005. With other major "big box" development already in place (Lowe's Hardware) and others (Home Depot) in the planning stages, the City should see significant increases in sales tax revenue by FY 06-07.

Future development in Palm Springs faces two major tests, probably on March 2, 2005 ballot. The first, the Hillside Protection Initiative, would change the zoning for the major portion of undeveloped land in Palm Springs, and severely limit what could be built in the designated areas. The second, the Palm Hills Referendum, would rescind City Council approval of a major hotel, golf course and residential development. If both measures are passed by the voters of Palm Springs, the anticipated tax revenue from these developments would likely be reduced. The City may also face lawsuits on the "taking" of private land.

FINANCIAL INFORMATION

Management of the City is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the City are protected from loss, theft or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

Single Audit. As a recipient of federal, state and county financial assistance, the City also is responsible for ensuring that an adequate internal control structure is in place to ensure compliance with applicable laws and regulations related to those programs. This internal control structure is subject to periodic evaluation by management and the internal audit staff of the City.

As a part of the City's single audit, described earlier, tests are made to determine the adequacy of the internal control structure, including that portion related to federal financial assistance programs, as well as to determine that the government has complied with applicable laws and regulations. The results of the government's single audit for the fiscal year ended June 30, 2004 provided no instances of material weaknesses in the internal control structure or significant violations of applicable laws and regulations.

Budgeting Controls. In addition, the City maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the City's governing body. The level of budgetary control (that is, the level at which expenditures cannot legally exceed the appropriated amount) is at the fund level. The City maintains an encumbrance accounting system as one technique of accomplishing budgetary control. Encumbered amounts are carried over at year end.

As demonstrated by the statements and schedules included in the financial section of this report, the City continues to meet its responsibility for sound financial management.

Appropriation Limitation. As required by Article XIII B of the California Constitution, the City's appropriation limitation for 2003-04 expenditures was calculated at \$92,158,601 million. Appropriations subject to limitation totaled \$47,355,329 million or about \$44,803,272 million below the City's legal appropriation limit. All of the City's proprietary funds are exempt as are federal funds.

Debt Administration. As of June 30, 2004, the total long-term debt of the City and its related entities is \$156,289,282.

Cash Management. The City had \$50,050,917 available for investment on June 30, 2004 compared to \$47,067,912 as of June 30, 2003. The current year amount does not include \$66,249,752 held by the City's fiscal agent for various long-term debt issues. The City of Palm Springs invests its temporarily pooled idle investments under the Prudent Man Rule (Civil Code Sect. 2261, et seq.), which in essence states that "in investing property for benefit of another, a trustee shall exercise the judgment and care, under circumstances then prevailing, which men of 'prudence', or discretion, and intelligence exercise in the management of their own affairs." This affords the City a broad spectrum of investment opportunities as long as the investment is deemed prudent and is allowable under current legislation of the State of California. The City's investment portfolio consists

of certificates of deposit, State of California Local Agency Investment Fund, Bankers Acceptances, United States Government Securities and Corporate Notes.

As stated in Note 3 in the Notes to the Combined Financial Statements, the City's total cash deposits have been broken down into Category 1, 2 or 3. These three categories are provided to comply with the GASB Statement Number 3, which in essence, requires risk disclosures assumed by the entity. A description of each category and the possible risk associated with it is found in Note 3 of the Notes to the Financial Statements.

Risk Management. The City is self-insured for general liability in the amount of \$300,000 per occurrence and for worker's compensation in the amount of \$500,000 per occurrence. Individual claims in excess of the self-insured amounts for general liability (up to a maximum of \$10,000,000 per incident) and worker's compensation (up to the statutory limit of \$5,000,000 per claim) fall under the insurance policies purchased by the City.

The City purchased commercial Worker's Compensation Insurance from Employee Reinsurance. This provides workers' compensation coverage for claims in excess of \$1,000,000 with a maximum of \$5,000,000 per claim. Further information can be found in Note 15 of the Notes to the Financial Statements.

A schedule listing the insurance in force is contained in the Statistical Section (Table 16) of the Comprehensive Annual Financial Report.

OTHER INFORMATION

Independent Audit. State statute requires an annual audit by independent certified public accountants. The accounting firm of Conrad and Associates, L.L.P., was selected by the City Council with the recommendation of the Finance Director. In addition to meeting the requirements set forth in state statutes, the audit was also designed to meet the requirements of the Federal Single Audit Act of 1984 and related OMB Circular A-133. The auditor's report on the general purpose financial statements and combining, individual fund and account group statements and schedules are included in the financial section of this report. Once again the City's independent auditors, Conrad and Associates, L.L.P., has issued an unqualified opinion. The auditor's reports related specifically to the single audit are included in the Single Audit Report.

Awards. The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Palm Springs for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2003. This was the 15th consecutive year that the City has received this prestigious award. In order to be awarded a Certificate of Achievement, the City published an easily readable and efficiently organized comprehensive annual financial report. This report satisfied both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

In addition, the City also received the Certificate of Award for outstanding Financial Reporting from the California Society of Municipal Finance Officers.

Acknowledgments. The preparation of this report on a timely basis could not have been accomplished without the efficient and dedicated services of the entire Finance Department staff. Special recognition is given to Nancy Klukan, Accounting Manager; Rita Gustafson, Senior Accountant; and all the Accounting division staff for their services in the coordination and preparation of this year's report. Our independent auditors, Conrad and Associates, L.L.P., provided expertise and advice in preparing an outstanding report this year.

Respectfully submitted,



Thomas M. Kanarr
Director of Finance and Treasurer

CITY OF PALM SPRINGS

List of Principal Officials

June 30, 2004

CITY COUNCIL

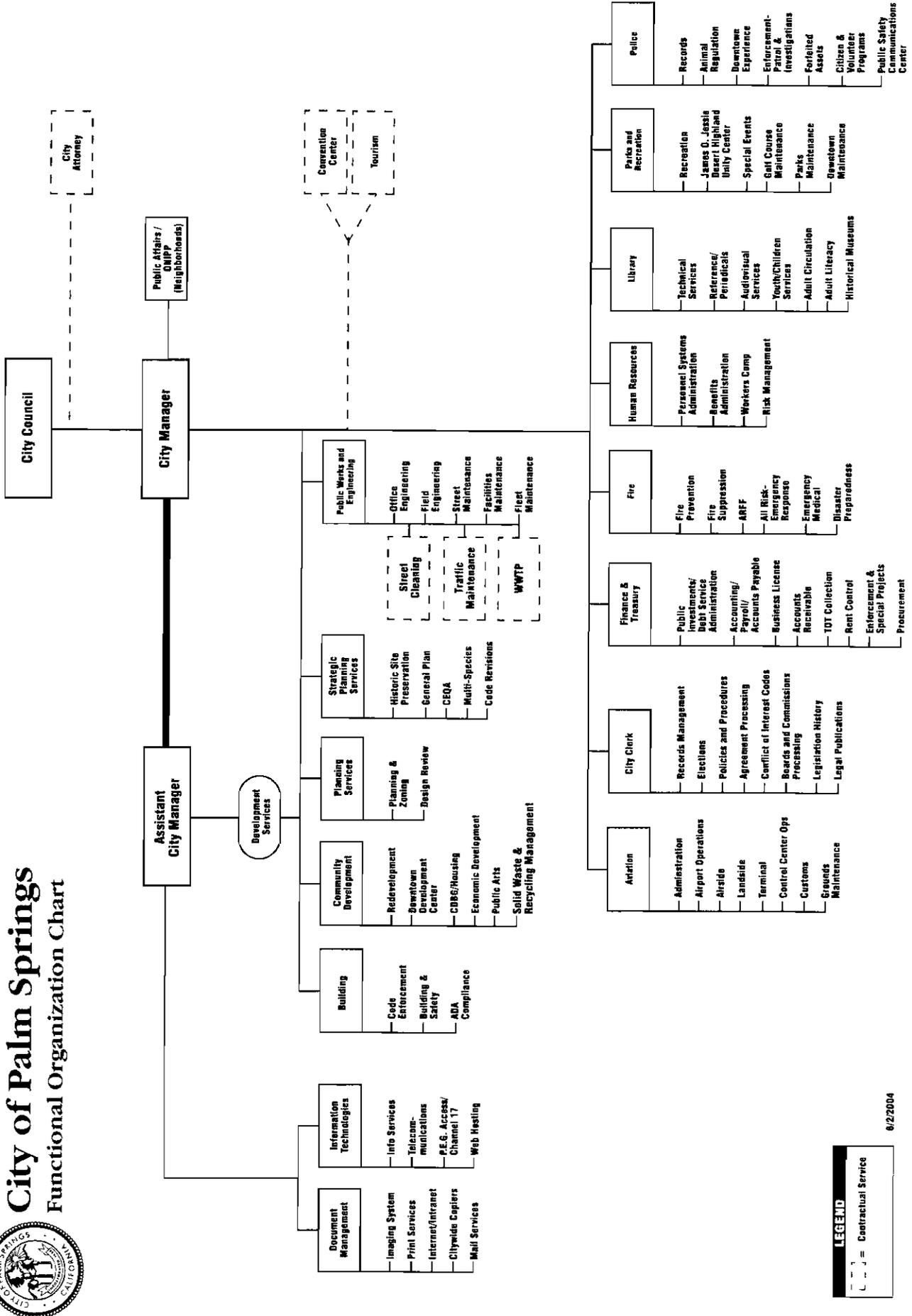
Ronald Oden, Mayor
Christopher S. Mills, Mayor Pro Tem
Ginny Foat
Michael R. McCulloch
Stephen P. Pougnet

EXECUTIVE MANAGEMENT

City Manager	David H. Ready
Assistant City Manager	Troy L. Butzlaff
City Clerk	Patricia A. Sanders
City Librarian	Barbara L. Roberts
Director of Community/Economic Development	John S. Raymond
Director of Finance and Treasurer	Thomas M. Kanarr
Director of Human Resources	Susan E. Mills
Director of Parks, Recreation and Facilities	Paul S. Mikesell
Director of Planning and Building	Douglas R. Evans
Director of Procurement and Contracting	Harold E. Good
Director of Public Works/City Engineer	David J. Barakian
Director of Aviation	Richard S. Walsh
Fire Chief	Bary A. Freet
Police Chief	Gary M. Jeandron



City of Palm Springs Functional Organization Chart



LEGEND
 --- = Contractual Service

6/2/2004

*California Society of
Municipal Finance Officers*

*Certificate of Award
Outstanding Financial Reporting 2002-2003*

Presented to the

City of Palm Springs

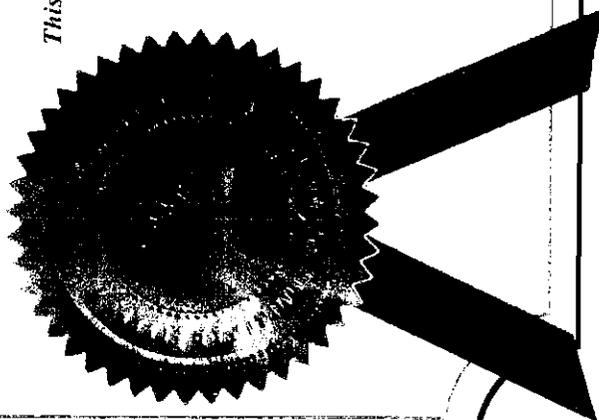
*This certificate is issued in recognition of meeting professional standards and criteria in reporting
which reflect a high level of quality in the annual financial statements
and in the underlying accounting system from which the reports were prepared.*

March 1, 2004

Bret M. Humlee

Chair, Professional & Technical Standards Committee

Dedicated to Excellence in Municipal Financial Management



Certificate of Achievement for Excellence in Financial Reporting

Presented to

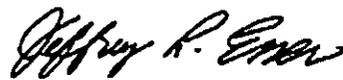
City of Palm Springs,
California

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2003

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



President



Executive Director

**FINANCIAL
SECTION**



City Council
City of Palm Springs
Palm Springs, California

Independent Auditor's Report

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Palm Springs, California, as of and for the year ended June 30, 2004, which collectively comprise the City's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the management of the City of Palm Springs. 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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall 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, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Palm Springs, California, as of June 30, 2004, and the respective changes in financial position and cash flows, where applicable, of the City of Palm Springs, California for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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

City Council
City of Palm Springs
Palm Springs, California

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

In accordance with *Government Auditing Standards*, we have also issued a report dated October 29, 2004 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Conrad and Associates, L.L.P.

October 29, 2004

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following discussion and analysis of the financial performance of the City of Palm Springs provides an overview of the City's financial activities for the fiscal year ended June 30, 2004. Please read it in conjunction with the financial statements identified in the accompanying table of contents.

Using the Accompanying Financial Statements

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of the City as a whole and present a longer-term view of the City's finances. Also included in the accompanying report are fund financial statements. For governmental activities, the fund financial statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds. The remaining statements provide financial information about activities for which the City acts solely as a trustee or agent for the benefit of those outside of the government.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

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

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

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

Reporting the City as a Whole

The accompanying **government-wide financial statements** include two statements that present financial data for the City as a whole. One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's

activities?” The Statement of Net Assets and the Statement of Activities report information about the City as a whole and about its activities in a way that helps answer this question. These statements include *all* assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. All of the current year’s revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the City’s net assets and changes in them. The net assets – the difference between assets and liabilities – is one way to measure the City’s financial health. Over time, *increases and decreases* in the City’s net assets are one indicator of whether its *financial health* is improving or deteriorating. Other nonfinancial factors, however, such as changes in the City’s property tax base and the condition of the City’s roads should be considered, to assess the *overall health* of the City.

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

- Governmental activities – Most of the City’s basic services are reported here. Sales taxes, transient occupancy taxes, property taxes, state subventions, and other revenues finance most of these activities.
- Business-type activities – The City charges a fee to customers to help it cover all or most of the cost of the services accounted for in these funds.
- Component units – The City includes four separate legal entities in its report – the Community Redevelopment Agency, the Palm Springs Financing Authority, the Public Finance Corporation and the Palm Springs Housing Authority. Although legally separate, these “component units” are important because the City is financially accountable for them.

Reporting the City’s Major Funds

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

- *Governmental funds* – Most of the City’s basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year end that are available for spending. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other *current financial* assets that can readily be converted to cash. The governmental fund statements provide a detailed *short-term view* of the City’s general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City’s programs. We describe the relationship or differences between *governmental activities* (reported in the Statement of Net Assets and the Statement of Activities) and *governmental funds* in a reconciliation at the bottom of the fund financial statements.
- *Proprietary funds* – When the City charges customers for the services it provides – whether to outside customers or to other units of the City – these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities. In fact, the City’s enterprise funds (a component of proprietary funds) are the same as the business-type activities reported in the government-wide statements but provide more detail and additional

information, such as cash flows, for proprietary funds. Internal service funds (the other component of proprietary funds) are used to report activities that provide supplies and services for the City's other programs and activities.

Reporting the City's Fiduciary Responsibilities

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

Table 1 - Net Assets (in thousands)

	Governmental Activities		Business Type Activities		Total	
	2004	2003	2004	2003	2004	2003
Current and other assets	126,520	68,877	18,831	18,808	145,351	87,685
Capital assets	187,211	185,436	132,466	122,670	319,677	308,106
Total assets	313,731	254,313	151,297	141,478	465,028	395,791
Long-term debt outstanding	148,938	90,402	42,944	44,159	191,882	134,561
Other liabilities	15,901	18,492	5,103	7,733	21,004	26,225
Total liabilities	164,839	108,894	48,047	51,892	212,886	160,786
Net assets:						
Invested in capital assets (net of debt)	97,402	107,153	94,767	82,620	192,169	189,773
Restricted	30,157	25,521	-	-	30,157	25,521
Unrestricted	21,333	12,745	8,483	6,966	29,816	19,711
					-	-
Total net assets	148,892	145,419	103,250	89,586	252,142	235,005

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

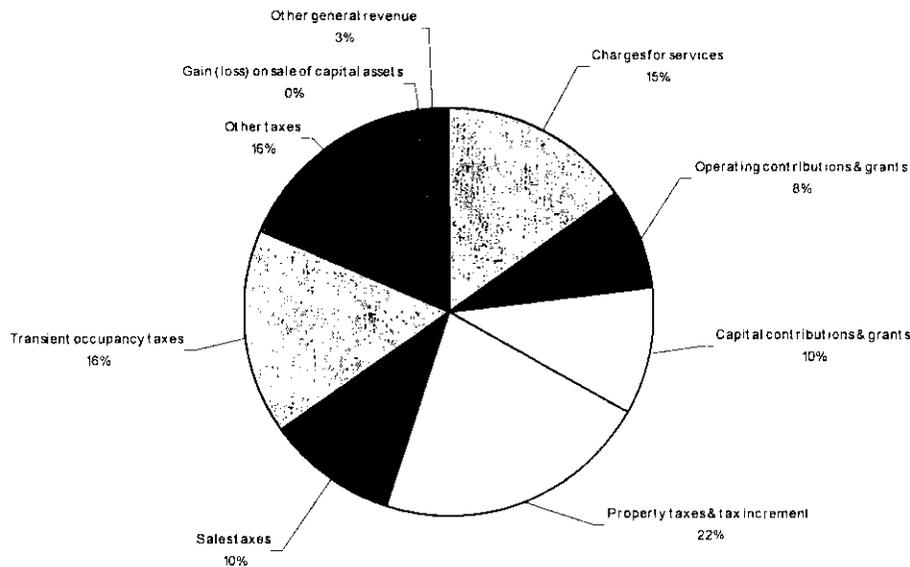
	Governmental Activities		Business Type Activities		Total	
	2004	2003	2004	2003	2004	2003
Revenues						
Program revenues:						
Charges for services	11,773	8,498	23,057	21,012	34,830	29,510
Operating contributions & grants	5,951	5,966	6,263	276	12,214	6,242
Capital contributions & grants	7,516	1,327	9,504	7,023	17,020	8,350
General revenues						
Property taxes & tax increment	16,670	15,283	-	-	16,670	15,283
Sales taxes	7,866	7,032	-	-	7,866	7,032
Transient occupancy taxes	12,318	12,421	-	-	12,318	12,421
Other taxes	12,380	12,116	-	-	12,380	12,116
Gain (loss) on sale of capital asset	-	1,685	-	-	-	1,685
Other general revenues	1,947	1,907	204	315	2,151	2,222
Total revenues	76,421	66,235	39,028	28,626	115,449	94,861
Program expenses						
General government	10,464	9,930	-	-	10,464	9,930
Culture and convention center	3,050	3,289	-	-	3,050	3,289
Public safety	25,983	23,916	-	-	25,983	23,916
Public Works	18,345	15,073	-	-	18,345	15,073
Parks and recreation	5,363	5,115	-	-	5,363	5,115
Library	2,263	2,474	-	-	2,263	2,474
Interest	6,696	5,964	-	-	6,696	5,964
Airport	-	-	18,353	16,987	18,353	16,987
Wastewater	-	-	4,358	4,340	4,358	4,340
Golf Course	-	-	3,437	3,580	3,437	3,580
Total expenses	72,164	65,761	26,148	24,907	98,312	90,668
Excess (deficiency) before transfers	4,257	474	12,880	3,719	17,137	4,193
Transfers	(784)	(200)	784	200	-	-
Increase (decrease) in net assets	3,473	274	13,664	3,919	17,137	4,193
Beginning net assets	145,419	145,145	89,586	85,667	235,005	230,812
Ending net assets	148,892	145,419	103,250	89,586	252,142	235,005

The increase or decrease in net assets can provide an indication as to whether the overall financial position of the City improved or deteriorated during the year. Net assets of the City's governmental activities increased by about 2.4% (\$148.9 million compared to \$145.4 million).

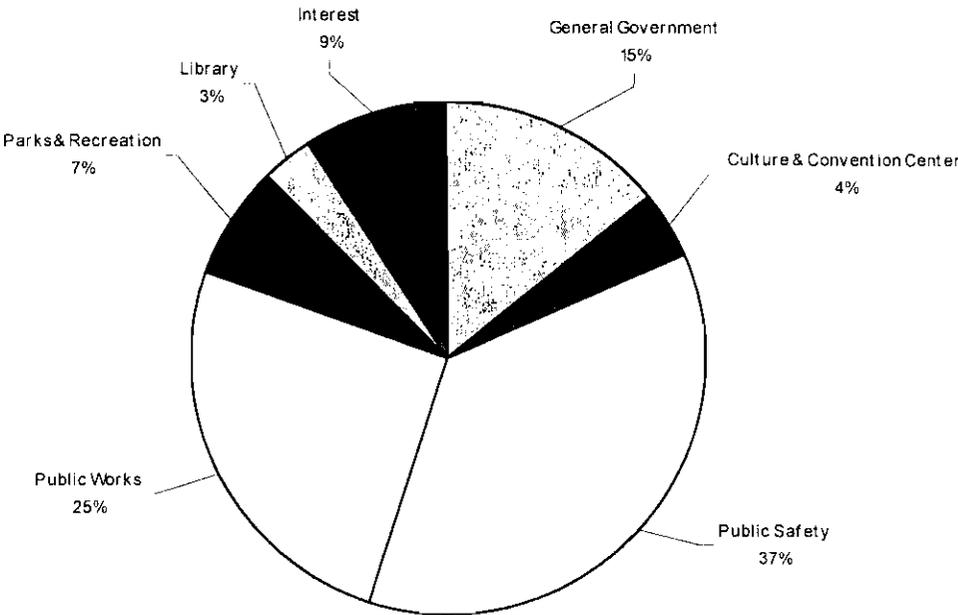
The reasons for significant changes in the revenues and expenses of the City's governmental activities presented above are as follows:

- The City's property tax collections increased by 9.1%. The increase was attributable to continued double digit increase in the selling prices of new and existing property, especially residential property, and the statutory 2% increase in the value of virtually all other property which did not change hands during the year.
- The Transient Occupancy Tax rate was increased effective January 1, 2004 from 12.5% to 13.5% for Group Meeting Hotels (generally, hotels with more than 125 units). The rate remained at 11.5% for all other hotels. TOT collections were down .8% compared to the prior year. Without the rate increase, collections would have been down about 2.7%.
- Sales tax collections increased by nearly 12%.
- Program expenses were up significantly in most categories because of large increases in pension and health insurance costs.
- Included in fiscal year 2003-04 amount for Public Works expenses is a \$2.8 million cost for a new assessment district.

Revenues by Source – Governmental Activities



Expenses by Function – Governmental Activities



Business-Type Activities

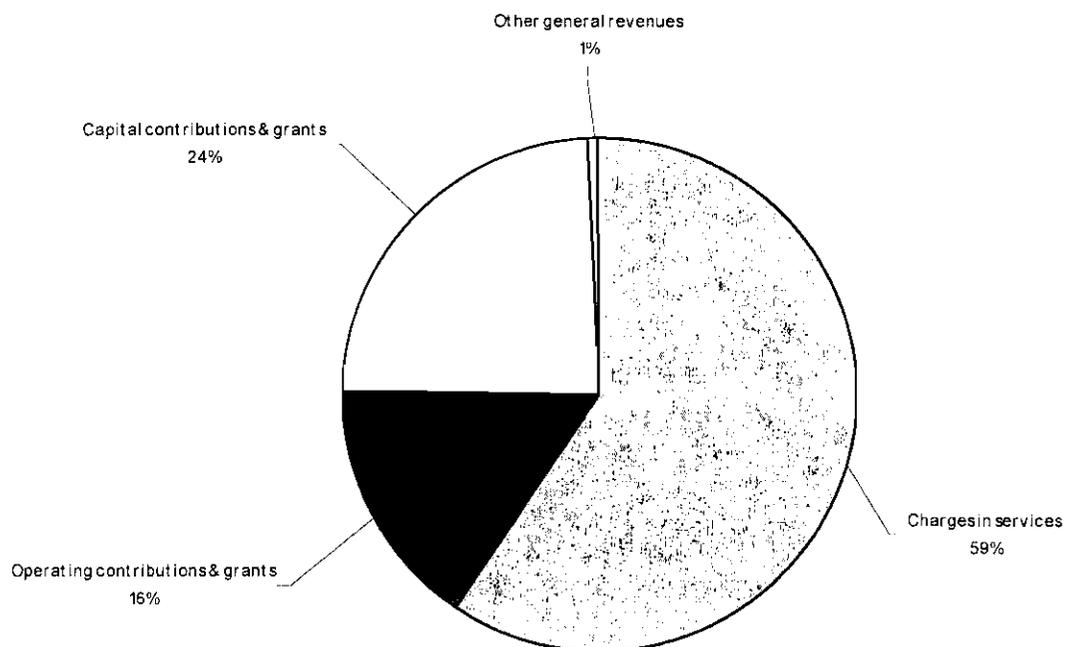
Revenues of the City’s business-type activities (see Table 2) increased substantially from the previous year, from \$28.6 million to \$39 million. Expenses increased from \$24.9 million to \$26.1 million.

The primary reasons for these changes are:

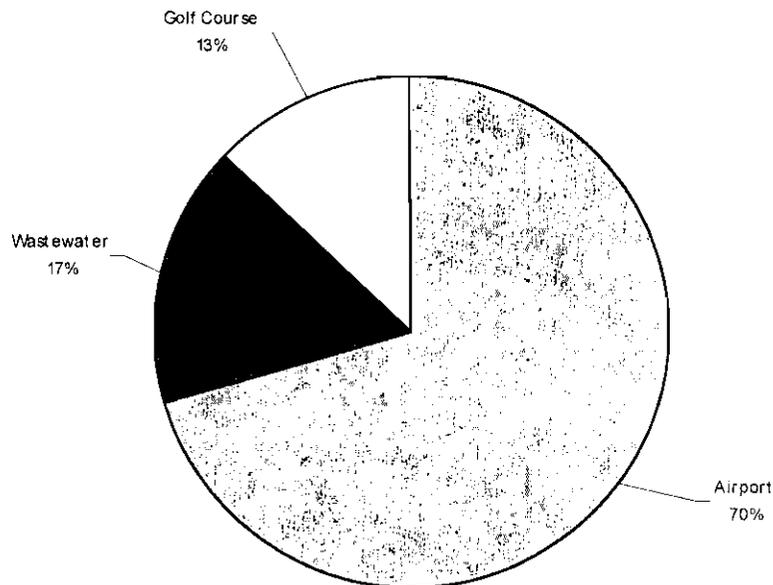
- Revenue from capital grants in the Airport increased from \$6.7 million to \$9.2 million. This reflects the additional security enhancements and improvements to the terminal.
- The Airport’s operating revenues increased from \$12.8 million to \$14 million, as the airline industry continued its gradual improvement.
- The proceeds from a land sale, \$5.8 million, are included in the Airport’s revenues.
- The Wastewater Treatment Plant Fund’s operating revenue improved from \$5.9 million to \$6.8 million almost entirely because of the increase in revenue from sewer connection charges (from \$1.1 million to \$1.9 million). This, in turn, is due to a dramatic rise in building activity.
- The Golf Course’s operating revenue increased slightly from \$2.56 million to \$2.6 million as a result of increased play. Greens fees and other rates were not changed.

- Operating expenses were impacted by higher personnel costs, especially for pension benefits, health insurance and workers' comp insurance. Total personnel services increased from \$4.6 million to \$5.7 million. Most of the increase was in the Airport, which was also impacted by the cost of additional security personnel.
- Energy costs leveled off and contributed to the \$583,000 decrease in other charges and services.
- Depreciation expense increased from \$7.2 million to \$7.6 million.

Revenues by Source – Business-type Activities



Expenses by Function – Business-type Activities



MAJOR FUNDS

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

Major Governmental Funds. The **General Fund** is the chief operating fund of the City. At the end of the current fiscal year, unreserved fund balance of the General Fund was \$6.6 million, while total fund balance reached \$12.9 million. As a measure of the General Fund's liquidity, unreserved fund balance represents 15.3 % of total General Fund expenditures, while total fund balance represents 29.8% of that same amount.

Total General Fund revenue increased from \$41.1 million to \$46.4 million. Most of the improvement was due to tax collections increasing from \$26.6 million to \$30 million. Among the more significant changes:

- property taxes increased from \$11.1 million to \$12.5 million
- sales taxes went from \$7 million to \$7.9 million
- new development tax increased from \$367,000 to \$968,000
- licenses and permits (Building and other) improved from \$2.1 million to \$3 million
- charges for services (primarily plan checking fees) increased from \$2.9 million to \$3.7 million

The increases were primarily the result of a very active housing market, both in terms of new development and much higher resale prices for existing homes and commercial property.

Total General Fund expenditures increased from \$39.6 million to \$43.3 million. Large changes occurred in:

- PERS pension benefit costs, which increased from \$2.2 million to \$4 million
- health insurance and workers' compensation insurance, increasing from \$4.5 million to \$5.5 million.

The other Major Governmental Funds include the **Community Promotion Fund, Special Assessments Debt Service and Capital Projects.**

The Community Promotion Fund is the repository for about half of City's Transient Occupancy Tax (TOT), the balance being deposited in the General Fund.

Major changes in this fund include:

- a decline in TOT collections from \$7.2 million to \$7 million
- an increase of \$559,000 in donations and contributions, primarily due to a \$400,000 contribution by the private company managing the Convention Center to pay for pre-opening marketing expenses for the new expansion scheduled for completion in September, 2005.

The Special Assessments Debt Service aggregates the City's three 1913/1915 assessment districts.

The revenues remained relatively unchanged. On the expenditure side, the City issued \$4.8 million in debt for Assessment District No. 161. Of this, about \$2.8 million had been expended by year end.

The Capital Projects Fund includes both projects funded by transfers from the General Fund and by grants.

The major changes are:

- grant reimbursements (primarily for the City's Skate Park) increased from \$737,000 to \$2.3 million
- expenditures for Parks & Recreation projects (again primarily for the Skate Park) increased by \$1.7 million.

Major Enterprise Funds. The Unrestricted net assets of the **Airport, Wastewater and Golf Course Funds** total \$8.5 million, an increase of \$1.5 million from last year's total of \$7 million.

GENERAL FUND BUDGET

There was only a minor difference in between the original budget and final budget for revenue in the General Fund.

On the expenditure side, the overall budget increased by about \$2.0 million, primarily due to the mid year allocation of funds to renovate the Visitor Information Center, and new Police Department grants which were awarded during the year.

Exhibit A-1 shows additional detail.

The actual operating results for revenue compared to the final budget had a positive variance of slightly more than \$3.4 million (\$46.4 million budget vs. \$43 million actual). All revenue categories exceeded budget with the exception of Investment Income (\$300,000 budget compared to \$116,000 actual); Rental Income, which had a small decline; and Intergovernmental, which was down by \$239,000 from the budgeted \$3.363 million. The biggest percentage increase was in Licenses and Permits, which exceeded the \$2.1 million budget by \$872,000, an increase of more than 41%. Most of the increase in this category was building fee related.

All categories of expenditures showed a positive variance compared to the final budget, with the actual total \$2.28 million under budget. The savings were primarily the result of the elimination of 17 full-time positions in the fourth quarter of the year of the previous fiscal year, a freeze on hiring for most of the year, and various other cost cutting measures.

The above deviations from budget did not significantly affect the City's liquidity, or its ability to provide future services to its residents.

CAPITAL ASSETS

(in thousands, net of depreciation)

	Governmental Activities		Business Type Activities		Total	
	2004	2003	2004	2003	2004	2003
Buildings	40,537	41,861	14,570	6,957	55,107	48,818
Improvements	13,079	11,512	66,711	60,307	79,790	71,819
Furniture and equipment	2,264	1,981	338	302	2,602	2,283
Vehicles	2,854	3,270	2,000	92	4,854	3,362
Infrastructure	92,814	96,392	12,120	23,948	104,934	120,340
Right-of-way	14,614	14,614	-	-	14,614	14,614
Land	15,366	15,366	36,727	31,064	52,093	46,430
Construction in progress	5,683	440	-	-	5,683	440
Total	187,211	185,436	132,466	122,670	319,677	308,106

The major additions to capital assets during the year ended June 30, 2004 were as follows:

- The completion of the Phase I improvements to the Convention Center, a total of about \$3 million.
- Improvements to infrastructure (pavement, sidewalks, etc.) of about \$1.5 million

For more detailed information on capital asset activity, see the Capital Assets Footnote #5 in the Notes to the Basic Financial Statements.

LONG-TERM DEBT

As of June 30, 2004, the City had bonded debt outstanding of \$193.3 million. The City has no General Obligation debt. The table below summarizes the information presented in Notes 8 and 9 to the financial statements.

Long Term Debt (in thousands)

	<u>Governmental Activities</u>		<u>Business Type Activities</u>		<u>Total</u>	
	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>
Certificates of participation	17,530	17,886	12,245	14,576	29,775	32,462
Tax Allocation Bonds	28,730	23,345	-	-	28,730	23,345
Lease Revenue Bonds	93,727	43,754	31,757	32,540	125,484	76,294
Special Assessment Bonds	9,303	5,310	-	-	9,303	5,310
	<u>149,290</u>	<u>90,295</u>	<u>44,002</u>	<u>47,116</u>	<u>193,292</u>	<u>137,411</u>

The major addition to the total debt was the \$62.4 million Lease Revenue Bonds that refinanced about \$11.3 million in existing Convention Center debt, and provides \$49 million (including capitalized interest) for the construction of the Phase II expansion of the Convention Center. The bonds are to be repaid with money from the additional Transient Occupancy Tax (TOT) rates that were approved by the voters in November, 2001 and November, 2003.

State statutes limit the amount of general obligation debt a city may issue to 15% of its total assessed valuation. The current debt limitation for the City is \$224.8 million. The City has no outstanding general obligation debt. See Tables 8 and 11 in the Statistical Section accompanying the financial statements.

Contacting the City's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Department of Finance, City of Palm Springs, P.O. Box 2743, Palm Springs, CA 92263; or visit our website at www.ci.palm-springs.ca.us, and click on "Departments" – "Finance & Treasury"; or call us at (760) 323-8229.

BASIC FINANCIAL STATEMENTS

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CITY OF PALM SPRINGS
Statement of Net Assets
June 30, 2004

	Governmental Activities	Business-Type Activities	Totals	
			2004	2003
Assets:				
Cash and investments (note 2)	\$ 37,277,620	12,318,193	49,595,813	46,316,574
Deposits	238,044	-	238,044	238,044
Receivables:				
Accounts	2,933,202	807,426	3,740,628	3,241,957
Accrued interest	1,405,968	80,092	1,486,060	1,596,875
Special assessments	9,365,054	-	9,365,054	5,383,586
Notes	302,109	-	302,109	304,609
Internal balances	1,413,000	(1,413,000)	-	-
Due from other governments	4,730,258	734,585	5,464,843	5,743,783
Inventories	93,507	-	93,507	87,269
Unamortized debt issuance costs	495,849	1,119,061	1,614,910	1,772,105
Property held for resale	7,199,572	-	7,199,572	7,199,572
Restricted assets:				
Cash and investments with fiscal agent (note 2)	61,065,315	5,184,437	66,249,752	15,801,073
Capital assets (note 5):				
Land and rights of way	29,980,339	36,727,608	66,707,947	61,044,404
Construction in progress	5,683,406	-	5,683,406	439,774
Other capital assets, net	151,547,673	95,738,102	247,285,775	246,621,207
Total assets	<u>313,730,916</u>	<u>151,296,504</u>	<u>465,027,420</u>	<u>395,790,832</u>
Liabilities:				
Accounts payable	2,884,608	743,059	3,627,667	5,602,043
Accrued wages payable	751,389	113,043	864,432	713,811
Accrued interest payable	1,190,788	2,168,323	3,359,111	3,718,808
Due to other governments	932,182	-	932,182	975,599
Deposits payable	171,115	500,000	671,115	660,834
Claims and judgments payable (note 14)	2,488,947	-	2,488,947	3,200,251
Deferred revenue	130,488	-	130,488	169,595
Noncurrent liabilities (notes 7 to 13):				
Due within one year	7,351,655	1,578,346	8,930,001	11,183,616
Due in more than one year	148,937,627	42,944,454	191,882,081	134,561,469
Total liabilities	<u>164,838,799</u>	<u>48,047,225</u>	<u>212,886,024</u>	<u>160,786,026</u>
Net assets:				
Invested in capital assets, net of related debt	97,402,451	94,767,436	192,169,887	182,164,232
Restricted for:				
Public safety	596,919	-	596,919	616,337
Public works	10,529,995	-	10,529,995	9,744,130
Debt service	6,142,530	-	6,142,530	5,637,233
Redevelopment agency projects	12,887,266	-	12,887,266	9,523,544
Unrestricted	21,332,956	8,481,843	29,814,799	27,319,330
Total net assets	<u>\$ 148,892,117</u>	<u>103,249,279</u>	<u>252,141,396</u>	<u>235,004,806</u>

See accompanying notes to the basic financial statements.

CITY OF PALM SPRINGS

Statement of Activities

Year ended June 30, 2004

	Expenses	Program Revenues		
		Charges for Services	Operating Contributions and Grants	Capital Contributions and Grants
Governmental activities:				
General government	\$ 10,463,780	1,501,024	-	-
Cultural and convention center	3,049,947	1,164,895	-	-
Public safety	25,983,045	1,679,105	1,044,031	-
Public works	18,345,163	6,615,235	4,342,936	7,515,694
Parks and recreation	5,363,541	678,802	417,325	300
Library	2,263,068	134,228	146,997	-
Interest expense	6,695,622	-	-	-
Total governmental activities	<u>72,164,166</u>	<u>11,773,289</u>	<u>5,951,289</u>	<u>7,515,994</u>
Business-type activities:				
Airport	18,353,350	13,707,335	6,262,975	9,320,484
Wastewater	4,357,601	6,753,565	-	105,003
Golf course	3,437,071	2,596,443	-	78,166
Total business-type activities	<u>26,148,022</u>	<u>23,057,343</u>	<u>6,262,975</u>	<u>9,503,653</u>
	<u>\$ 98,312,188</u>	<u>34,830,632</u>	<u>12,214,264</u>	<u>17,019,647</u>

General revenues:

Property taxes
Tax increment
Sales taxes
Transient occupancy taxes
Utility users tax
Other taxes
Motor vehicle in lieu
Investment income
Gain on sale of capital assets
Miscellaneous revenues
Transfers
Total general revenues and transfers
Change in net assets
Net assets at beginning of year
Net assets at end of year

See accompanying notes to the basic financial statements.

EXHIBIT BB

Net (Expense) Revenue and Changes in Net Assets			
Governmental Activities	Business-type Activities	Totals	
		2004	2003
(8,962,756)	-	(8,962,756)	(8,528,480)
(1,885,052)	-	(1,885,052)	(3,090,309)
(23,259,909)	-	(23,259,909)	(20,041,938)
128,702	-	128,702	(6,126,607)
(4,267,114)	-	(4,267,114)	(4,490,358)
(1,981,843)	-	(1,981,843)	(2,152,922)
(6,695,622)	-	(6,695,622)	(5,091,203)
<u>(46,923,594)</u>	<u>-</u>	<u>(46,923,594)</u>	<u>(49,521,817)</u>
-	10,937,444	10,937,444	2,702,402
-	2,500,967	2,500,967	1,642,725
-	(762,462)	(762,462)	(941,504)
<u>-</u>	<u>12,675,949</u>	<u>12,675,949</u>	<u>3,403,623</u>
<u>(46,923,594)</u>	<u>12,675,949</u>	<u>(34,247,645)</u>	<u>(46,118,194)</u>
12,462,200	-	12,462,200	11,272,094
4,207,746	-	4,207,746	4,011,275
7,866,291	-	7,866,291	7,320,464
12,318,252	-	12,318,252	12,421,094
5,731,152	-	5,731,152	5,764,379
4,633,600	-	4,633,600	3,822,896
2,015,040	-	2,015,040	2,528,936
270,027	203,959	473,986	1,050,509
-	-	-	1,684,715
1,675,968	-	1,675,968	722,546
(783,813)	783,813	-	-
<u>50,396,463</u>	<u>987,772</u>	<u>51,384,235</u>	<u>50,598,908</u>
3,472,869	13,663,721	17,136,590	4,192,714
<u>145,419,248</u>	<u>89,585,558</u>	<u>235,004,806</u>	<u>230,812,092</u>
<u>\$ 148,892,117</u>	<u>103,249,279</u>	<u>252,141,396</u>	<u>235,004,806</u>

CITY OF PALM SPRINGS
Balance Sheet - Governmental Funds
June 30, 2004

	General Fund	Community Promotion	Special	Capital Projects	Non-Major Governmental	Total Governmental Funds	
			Assessments Debt Service			2004	2003
Assets:							
Cash and investments	\$ 3,790,655	2,335,646	958,493	1,600,692	24,649,288	33,334,774	32,418,911
Restricted assets:							
Cash and investments with fiscal agent	-	-	2,116,101	39,673,219	18,908,770	60,698,090	8,049,407
Deposits	-	200,000	-	-	33,044	233,044	233,044
Receivables:							
Accounts	1,168,363	903,896	-	1,000	231,419	2,304,678	2,112,091
Accrued interest	984,224	-	3,381	773	99,516	1,087,894	1,196,468
Special assessments	-	-	9,365,054	-	-	9,365,054	5,383,586
Notes	-	-	-	-	302,109	302,109	304,609
Due from other funds (note 3)	679,906	-	-	-	-	679,906	288,920
Due from other governments	3,013,896	-	36,136	426,734	1,238,567	4,715,333	3,981,075
Advances to other funds (note 4)	3,269,670	-	-	-	2,115,992	5,385,662	9,248,335
Property held for resale	-	-	-	-	7,199,572	7,199,572	7,199,572
Total assets	\$ 12,906,714	3,439,542	12,479,165	41,702,418	54,778,277	125,306,116	70,416,018
Liabilities and Fund Balance							
Liabilities:							
Accounts payable	\$ 826,207	85,974	-	825,209	572,456	2,309,846	3,740,423
Accrued wages payable	663,210	-	-	-	32,652	695,862	595,886
Due to other funds (note 3)	-	-	-	-	679,906	679,906	288,920
Due to other governments	-	-	-	-	146,653	146,653	149,153
Deposits payable	7,837	162,778	-	-	500	171,115	160,834
Deferred revenue	1,292,285	-	9,365,054	325,429	26,500	11,009,268	7,582,328
Pass-through payable	-	-	-	-	785,529	785,529	826,446
Advances from other funds (notes 4)	-	-	-	-	5,402,662	5,402,662	9,116,850
Total liabilities	2,789,539	248,752	9,365,054	1,150,638	7,646,858	21,200,841	22,460,840
Fund balance:							
Reserved for:							
Encumbrances	221,368	104,461	-	12,218,029	1,379,367	13,923,225	5,563,564
Non-current assets	3,269,670	200,000	-	-	9,642,689	13,112,359	16,977,532
Debt service requirements	-	-	3,114,111	-	14,597,794	17,711,905	7,681,994
Low and moderate housing	-	-	-	-	1,132,284	1,132,284	1,617,092
Unreserved, reported in:							
General fund	6,626,137	-	-	-	-	6,626,137	4,273,602
Special revenue funds	-	2,886,329	-	-	18,783,257	21,669,586	16,224,605
Capital projects funds	-	-	-	28,333,751	1,596,028	29,929,779	(4,383,211)
Total fund balance	10,117,175	3,190,790	3,114,111	40,551,780	47,131,419	104,105,275	47,955,178
Total liabilities and fund balance	\$ 12,906,714	3,439,542	12,479,165	41,702,418	54,778,277	125,306,116	70,416,018

See accompanying notes to the basic financial statements.

CITY OF PALM SPRINGS
Governmental Funds

Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Assets

June 30, 2004

	<u>2004</u>	<u>2003</u>
Fund balances of governmental funds	\$ 104,105,275	47,955,178
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets, net of depreciation, have not been included as financial resources in governmental fund activity.		
Capital assets	282,336,824	272,314,846
Accumulated depreciation	(101,593,504)	(93,917,931)
Long term debt and compensated absences that have not been included in the governmental fund activity:		
Long-term debt	(144,318,934)	(85,266,896)
Compensated absences	(5,402,215)	(5,590,921)
Accrued interest payable for the current portion of interest due on bonds payable has not been reported in the governmental funds.	(1,111,400)	(1,240,385)
Revenues that are measurable but not available. Amounts are recorded as deferred revenue under the modified accrual basis of accounting.	10,922,014	7,455,967
Internal service funds are used by management to charge the costs of certain activities, such as equipment management, to individual funds. The assets and liabilities of the internal service funds must be added to the statement of net assets	<u>3,954,057</u>	<u>3,709,390</u>
Net assets of governmental activities	<u>\$ 148,892,117</u>	<u>145,419,248</u>

See accompanying notes to the basic financial statements.

CITY OF PALM SPRINGS
Statement of Revenues, Expenditures and Changes in Fund Balances -
Governmental Funds
Year ended June 30, 2004

EXHIBIT DD-1

	General Fund	Community Promotion	Special Assessments Debt Service	Capital Projects	Non-Major Governmental Funds	Total Governmental Funds	
						2004	2003
Revenues:							
Taxes	\$ 30,039,422	-	-	393,738	8,324,123	38,757,283	35,358,507
Licenses and permits	2,988,061	-	-	-	1,482,806	4,470,867	2,782,782
Fines and penalties	433,792	-	-	-	264,431	698,223	659,795
Investment income	116,162	-	16,185	(50,142)	978,735	1,060,940	1,263,416
Rental income	272,791	9,308	-	-	191,017	473,116	472,794
Intergovernmental	3,124,563	-	-	2,267,766	2,143,764	7,536,093	5,629,915
Charges for services	3,718,268	79,058	-	-	1,478,755	5,276,081	4,483,641
Transient occupancy taxes	5,303,405	7,014,847	-	-	-	12,318,252	12,421,094
Special assessments	-	-	704,140	-	361,889	1,066,029	1,029,461
Donations and contributions	55,814	558,600	-	250,576	664,977	1,529,967	578,709
Master lease	-	-	-	-	1,078,389	1,078,389	1,078,389
Miscellaneous	348,984	50,719	115,400	2,000	322,198	839,301	929,820
Total revenues	<u>46,401,262</u>	<u>7,712,532</u>	<u>835,725</u>	<u>2,863,938</u>	<u>17,291,084</u>	<u>75,104,541</u>	<u>66,688,323</u>
Expenditures:							
Current:							
General government	6,317,028	3,009,416	1,812	321,036	844,168	10,493,460	10,614,823
Cultural and convention center	-	1,732,643	-	4,476,808	-	6,209,451	5,715,514
Public safety	24,789,729	-	-	684,583	860,277	26,334,589	23,053,352
Public works	6,162,944	-	2,830,901	1,034,375	5,847,308	15,875,528	16,743,560
Parks and recreation	3,990,209	911,005	-	1,722,170	272,265	6,895,649	5,196,953
Library	2,048,888	-	-	-	187,902	2,236,790	2,479,866
Lease	-	-	-	-	1,221,382	1,221,382	1,221,382
Debt service:							
Principal	-	-	760,000	-	2,630,898	3,390,898	3,348,662
Interest	-	-	266,203	-	4,582,589	4,848,792	4,315,324
Bond issuance costs	-	-	295,618	-	-	295,618	342,195
Pass-through payments	-	-	-	-	2,001,988	2,001,988	1,910,074
Payment to bond escrow	-	-	-	-	3,284,353	3,284,353	-
Total expenditures	<u>43,308,798</u>	<u>5,653,064</u>	<u>4,154,534</u>	<u>8,238,972</u>	<u>21,733,130</u>	<u>83,088,498</u>	<u>74,941,705</u>
Excess (deficiency) of revenues over (under) expenditures	<u>3,092,464</u>	<u>2,059,468</u>	<u>(3,318,809)</u>	<u>(5,375,034)</u>	<u>(4,442,046)</u>	<u>(7,983,957)</u>	<u>(8,253,382)</u>
Other financing sources (uses):							
Transfers in (note 17)	1,000,000	-	100,000	1,840,068	8,278,859	11,218,927	9,062,949
Transfers out (note 17)	(5,537,156)	(600,000)	-	(100,000)	(5,281,771)	(11,518,927)	(8,012,949)
Sale of general fixed assets	-	-	-	-	-	-	1,606,516
Issuance of bonds	-	-	4,752,500	44,150,137	41,559,863	90,462,500	8,000,000
Payment to bond escrow	-	-	-	-	(26,028,446)	(26,028,446)	-
Total other financing sources (uses)	<u>(4,537,156)</u>	<u>(600,000)</u>	<u>4,852,500</u>	<u>45,890,205</u>	<u>18,528,505</u>	<u>64,134,054</u>	<u>10,656,516</u>
Net change in fund balances	(1,444,692)	1,459,468	1,533,691	40,515,171	14,086,459	56,150,097	2,403,134
Fund balances at beginning of year	<u>11,561,867</u>	<u>1,731,322</u>	<u>1,580,420</u>	<u>36,609</u>	<u>33,044,960</u>	<u>47,955,178</u>	<u>45,552,044</u>
Fund balances at end of year	<u>\$ 10,117,175</u>	<u>3,190,790</u>	<u>3,114,111</u>	<u>40,551,780</u>	<u>47,131,419</u>	<u>104,105,275</u>	<u>47,955,178</u>

See accompanying notes to the basic financial statements.

CITY OF PALM SPRINGS

Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities

Year ended June 30, 2004

	<u>2004</u>	<u>2003</u>
Net changes in fund balances - total governmental funds	\$ 56,150,097	2,403,134
Amounts reported for governmental activities in the statement of activities are different because:		
<p>Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.</p>		
Capital outlay	10,021,980	11,104,675
Depreciation expense	(7,675,575)	(6,748,431)
Proceeds from the issuance of bonds is reported as other financing sources in governmental funds. The issuance of bonds increases liabilities in the statement of net assets, but does not result in an increase in net assets in the statement of activities.	(64,434,054)	(8,000,000)
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.	5,382,017	3,380,226
The statement of net assets includes accrued interest on long term debt.	128,985	(39,470)
To record as an expense the net change in compensated absences in the statement of activities.	188,705	(1,522,148)
Revenues that are measurable but not available. Amounts are not recorded as revenue under the modified accrual basis of accounting.	3,466,047	(30,279)
Internal service funds are used by management to charge the costs of certain activities, such as equipment management, to individual funds. The net revenues (expenses) of the internal service funds is reported with governmental activities	<u>244,667</u>	<u>(273,278)</u>
Change in net assets of governmental activities	<u>\$ 3,472,869</u>	<u>274,429</u>

See accompanying notes to the basic financial statements.

CITY OF PALM SPRINGS
Proprietary Funds
Statement of Net Assets
June 30, 2004

Assets	Business-Type Activities-Enterprise Funds					Governmental Activities - Internal Service Funds	
	Airport	Wastewater	Golf	Totals		Totals	
			Course	2004	2003	2004	2003
Current assets:							
Cash and investments	\$ 9,472,417	2,117,292	728,484	12,318,193	8,704,526	3,942,846	5,193,137
Deposits	-	-	-	-	-	5,000	5,000
Receivables:							
Accounts	758,871	1,671	46,884	807,426	602,061	628,524	527,805
Accrued interest	32,138	23,271	24,683	80,092	74,913	318,074	325,494
Due from other funds (note 3)	-	2,316,970	-	2,316,970	2,945,205	875,446	-
Due from other governments	447,008	287,577	-	734,585	1,739,639	14,925	23,069
Inventories	-	-	-	-	-	93,507	87,269
Total current assets	<u>10,710,434</u>	<u>4,746,781</u>	<u>800,051</u>	<u>16,257,266</u>	<u>14,066,344</u>	<u>5,878,322</u>	<u>6,161,774</u>
Noncurrent assets:							
Restricted assets:							
Cash and investments with fiscal agents	<u>4,010,194</u>	<u>-</u>	<u>1,174,243</u>	<u>5,184,437</u>	<u>7,352,694</u>	<u>367,225</u>	<u>398,972</u>
Property, plant and equipment:							
Land	19,473,881	12,581,502	4,672,225	36,727,608	31,064,065	-	-
Buildings	15,987,291	18,821,753	292,972	35,102,016	35,102,016	8,442,135	8,442,135
Improvements other than buildings	113,430,417	3,149,093	10,829,758	127,409,268	117,719,082	236,202	236,203
Machinery and equipment	1,164,877	206,137	88,995	1,460,009	1,309,680	707,206	656,989
Motor vehicles	2,349,308	47,923	-	2,397,231	1,220,756	10,055,809	9,932,616
Subsurface lines	-	25,908,048	-	25,908,048	25,908,048	-	-
Accumulated depreciation	<u>(65,019,735)</u>	<u>(25,297,195)</u>	<u>(6,221,540)</u>	<u>(96,538,470)</u>	<u>(89,654,090)</u>	<u>(12,973,254)</u>	<u>(12,229,030)</u>
Net property, plant and equipment	<u>87,386,039</u>	<u>35,417,261</u>	<u>9,662,410</u>	<u>132,465,710</u>	<u>122,669,557</u>	<u>6,468,098</u>	<u>7,038,913</u>
Other assets:							
Advances to other funds (note 4)	-	1,227,000	-	1,227,000	1,227,000	1,430,000	1,430,000
Unamortized debt issuance cost	<u>744,191</u>	<u>-</u>	<u>374,870</u>	<u>1,119,061</u>	<u>1,255,512</u>	<u>166,815</u>	<u>174,398</u>
Total other assets	<u>744,191</u>	<u>1,227,000</u>	<u>374,870</u>	<u>2,346,061</u>	<u>2,482,512</u>	<u>1,596,815</u>	<u>1,604,398</u>
Total noncurrent assets	<u>91,396,233</u>	<u>35,417,261</u>	<u>10,836,653</u>	<u>137,650,147</u>	<u>130,022,251</u>	<u>6,835,323</u>	<u>7,437,885</u>
Total assets	<u>102,850,858</u>	<u>41,391,042</u>	<u>12,011,574</u>	<u>156,253,474</u>	<u>146,571,107</u>	<u>14,310,460</u>	<u>15,204,057</u>

(Continued)

CITY OF PALM SPRINGS
Proprietary Funds
Statement of Net Assets
(Continued)

	Business-Type Activities-Enterprise Funds					Governmental Activities - Internal Service Funds	
	Airport	Wastewater	Golf Course	Totals		Totals	
				2004	2003	2004	2003
<u>Liabilities and Net Assets</u>							
Liabilities:							
Current liabilities:							
Accounts payable	529,505	212,883	671	743,059	1,460,344	574,762	601,979
Accrued wages payable	111,436	-	1,607	113,043	81,711	55,527	36,214
Accrued interest payable	888,816	-	1,279,507	2,168,323	2,191,848	79,388	85,872
Due to other funds (note 3)	-	-	2,316,970	2,316,970	2,305,196	875,446	640,009
Deferred revenue	-	-	-	-	-	43,234	43,234
Capital leases - current portion	-	-	-	-	-	521,147	495,690
Bonds payable - current portion	840,000	-	-	840,000	800,000	-	-
Certificates of participation - current portion	-	-	315,000	315,000	2,424,778	195,000	185,000
Total current liabilities	<u>2,369,757</u>	<u>212,883</u>	<u>3,913,755</u>	<u>6,496,395</u>	<u>9,263,877</u>	<u>2,344,504</u>	<u>2,087,998</u>
Long-term liabilities:							
Deposits payable	-	-	500,000	500,000	500,000	-	-
Compensated absences payable	521,028	-	-	521,028	542,534	162,695	149,632
Claims and judgments payable	-	-	-	-	-	2,488,947	3,200,251
Advances from other funds (note 4)	-	-	2,640,000	2,640,000	2,788,485	-	-
Capital leases - long-term portion	-	-	-	-	-	750,036	1,271,183
Bonds payable - long-term portion	30,916,802	-	-	30,916,802	31,739,793	-	-
Certificates of participation - long-term portion	-	-	11,929,970	11,929,970	12,150,860	4,610,221	4,785,603
Total long-term liabilities	<u>31,437,830</u>	<u>-</u>	<u>15,069,970</u>	<u>46,507,800</u>	<u>47,721,672</u>	<u>8,011,899</u>	<u>9,406,669</u>
Total liabilities	<u>33,807,587</u>	<u>212,883</u>	<u>18,983,725</u>	<u>53,004,195</u>	<u>56,985,549</u>	<u>10,356,403</u>	<u>11,494,667</u>
Net assets:							
Invested in capital assets, net of related debt	60,383,622	35,417,261	(1,033,447)	94,767,436	84,162,332	925,734	874,807
Unrestricted	8,659,649	5,760,898	(5,938,704)	8,481,843	5,423,226	3,028,323	2,834,583
Total net assets	<u>\$ 69,043,271</u>	<u>41,178,159</u>	<u>(6,972,151)</u>	<u>103,249,279</u>	<u>89,585,558</u>	<u>3,954,057</u>	<u>3,709,390</u>

See accompanying notes to the basic financial statements.

CITY OF PALM SPRINGS
Statement of Revenues, Expenses and Changes in Fund Net Assets - Proprietary Funds
Year ended June 30, 2004

	Business-Type Activities-Enterprise Funds					Governmental Activities - Internal Service Funds	
	Airport	Wastewater	Golf Course	Totals		Totals	
				2004	2003	2004	2003
Operating revenues:							
Charges for services:							
Rentals	\$ 8,822,401	-	491,073	9,313,474	8,510,759	-	-
Landing fees	1,535,792	-	-	1,535,792	1,500,010	-	-
Concessions	502,015	-	-	502,015	460,599	-	-
Green fees and cart rentals	-	-	2,090,995	2,090,995	2,155,836	-	-
Sewer service charges	-	4,871,831	-	4,871,831	4,817,204	-	-
Sewer connection and main charges	-	1,881,734	-	1,881,734	1,131,034	-	-
Passenger facility charge	2,574,521	-	-	2,574,521	2,131,451	-	-
Internal service charges	-	-	-	-	-	21,174,843	17,237,482
Sale of electricity	-	-	-	-	-	170,053	146,014
Miscellaneous	569,119	-	14,375	583,494	580,504	53,340	23,602
Total operating revenues	14,003,848	6,753,565	2,596,443	23,353,856	21,287,397	21,398,236	17,407,098
Operating expenses:							
Personnel services	5,609,568	19,219	70,097	5,698,884	4,597,829	9,794,535	5,833,947
Material and supplies	180,457	-	-	180,457	176,251	-	-
Heat, light and power	1,054,299	-	-	1,054,299	801,003	-	-
Other charges and services	2,828,936	2,538,037	1,974,171	7,341,144	7,924,957	4,029	9,738
Administration	778,158	404,886	13,265	1,196,309	1,160,698	1,419,904	2,004,432
Cogeneration project costs	-	-	-	-	-	2,084,598	2,017,745
Facilities maintenance	-	-	-	-	-	2,370,537	2,375,757
Maintenance shop operations	-	-	-	-	-	1,657,420	1,698,158
Worker's compensation	-	-	-	-	-	805,700	629,697
Other claims and insurance	-	-	-	-	-	1,545,899	718,966
Depreciation	6,049,632	1,113,484	485,423	7,648,539	7,241,948	845,620	1,095,229
Total operating expenses	16,501,050	4,075,626	2,542,956	23,119,632	21,902,686	20,528,242	16,383,669
Operating income (loss)	(2,497,202)	2,677,939	53,487	234,224	(615,289)	869,994	1,023,429
Nonoperating revenues (expenses):							
Investment income	235,872	240,800	78,166	554,838	640,972	39,384	151,182
Interest expense	(1,852,300)	(281,975)	(894,115)	(3,028,390)	(3,004,135)	(386,963)	(425,778)
Gain (loss) on sale of assets	5,843,000	-	-	5,843,000	-	-	78,199
Total nonoperating revenues (expenses)	4,226,572	(41,175)	(815,949)	3,369,448	(2,363,163)	(347,579)	(196,397)
Income (loss) before transfers and capital contributions	1,729,370	2,636,764	(762,462)	3,603,672	(2,978,452)	522,415	827,032
Transfers in (note 17)	183,813	-	600,000	783,813	200,000	-	-
Transfers out (note 17)	-	-	-	-	-	(483,813)	(1,250,000)
Capital contributions:							
Capital grants	9,152,771	-	-	9,152,771	6,696,737	161,559	50,000
Assets contributed from other funds	123,465	-	-	123,465	-	44,506	99,690
Change in net assets	11,189,419	2,636,764	(162,462)	13,663,721	3,918,285	244,667	(273,278)
Net assets (deficit) at beginning of year	57,853,852	38,541,395	(6,809,689)	89,585,558	85,667,273	3,709,390	3,982,668
Net assets (deficit) at end of year	\$ 69,043,271	41,178,159	(6,972,151)	103,249,279	89,585,558	3,954,057	3,709,390

See accompanying notes to the basic financial statements.

CITY OF PALM SPRINGS
Statement of Cash Flows-Proprietary Funds
Year ended June 30, 2004

	Business-Type Activities-Enterprise Funds					Governmental Activities - Internal Service Funds	
	Airport	Wastewater	Golf	Totals		Totals	
			Course	2004	2003	2004	2003
Cash flows from operating activities:							
Cash received from customers	\$ 13,822,521	6,850,915	2,556,608	23,230,044	21,412,219	-	-
Cash received from user departments	-	-	-	-	-	21,305,661	16,969,887
Cash payments to suppliers for goods and services	(5,370,539)	(3,131,799)	(1,987,151)	(10,489,489)	(10,104,848)	(18,406,444)	(13,956,180)
Cash payments to employees for services	(5,600,148)	(19,219)	(69,691)	(5,689,058)	(4,603,397)	(1,988,558)	(1,972,942)
Net cash provided by (used for) operating activities	<u>2,851,834</u>	<u>3,699,897</u>	<u>499,766</u>	<u>7,051,497</u>	<u>6,703,974</u>	<u>910,659</u>	<u>1,040,765</u>
Cash flows from noncapital financing activities:							
Cash received from other funds	183,813	628,235	611,774	1,423,822	698,635	235,437	437,182
Cash paid to other funds	(148,485)	-	-	(148,485)	(1,105,817)	(1,359,259)	(1,250,000)
Net cash provided by (used for) noncapital financing activities	<u>35,328</u>	<u>628,235</u>	<u>611,774</u>	<u>1,275,337</u>	<u>(407,182)</u>	<u>(1,123,822)</u>	<u>(812,818)</u>
Cash flows from capital and related financing activities:							
Cash paid for acquisition and construction of capital assets	(11,685,231)	(5,636,000)	-	(17,321,231)	(7,164,687)	(274,808)	(526,913)
Proceeds from sale of capital assets	5,843,000	-	-	5,843,000	-	-	78,199
Capital contributions received	10,076,271	-	-	10,076,271	6,133,774	206,065	149,690
Principal paid on debt	(800,000)	(2,220,000)	(300,000)	(3,320,000)	(3,285,000)	(165,382)	(160,381)
Interest paid on debt	(1,817,632)	(105,000)	(786,491)	(2,709,123)	(2,662,523)	(385,864)	(429,471)
Repayment on capital lease obligations	-	-	-	-	-	(495,690)	(741,498)
Net cash proved by (used for) capital and related financing activities	<u>1,616,408</u>	<u>(7,961,000)</u>	<u>(1,086,491)</u>	<u>(7,431,083)</u>	<u>(6,978,436)</u>	<u>(1,115,679)</u>	<u>(1,630,374)</u>
Cash flows from investing activities:							
Purchase of investments	-	-	-	-	(305,206)	-	-
Proceeds from sale and maturities of investments	-	-	-	-	2,162,446	31,747	35,591
Interest received on investments	<u>230,113</u>	<u>247,425</u>	<u>72,121</u>	<u>549,659</u>	<u>660,708</u>	<u>46,804</u>	<u>165,333</u>
Net cash provided by (used for) investing activities	<u>230,113</u>	<u>247,425</u>	<u>72,121</u>	<u>549,659</u>	<u>2,517,948</u>	<u>78,551</u>	<u>200,924</u>
Net increase (decrease) in cash and cash equivalents	4,733,683	(3,385,443)	97,170	1,445,410	1,836,304	(1,250,291)	(1,201,503)
Cash and cash equivalents at beginning of year	<u>6,130,379</u>	<u>5,502,735</u>	<u>690,227</u>	<u>12,323,341</u>	<u>10,487,037</u>	<u>5,193,137</u>	<u>6,394,640</u>
Cash and cash equivalents at end of year	<u>\$ 10,864,062</u>	<u>2,117,292</u>	<u>787,397</u>	<u>13,768,751</u>	<u>12,323,341</u>	<u>3,942,846</u>	<u>5,193,137</u>

(Continued)

CITY OF PALM SPRINGS
Statement of Cash Flows-Proprietary Funds
(Continued)

	Business-Type Activities-Enterprise Funds				Governmental Activities - Internal Service Funds		
	Airport	Wastewater	Golf Course	Totals		Totals	
				2004	2003	2004	2003
Reconciliation of cash and cash equivalents to amounts reported on the Statement of Net Assets:							
Reported on Statement of Net Assets:							
Cash and investments	\$ 9,472,417	2,117,292	728,484	12,318,193	8,704,526	3,942,846	5,193,137
Cash and investments with fiscal agen	4,010,194	-	1,174,243	5,184,437	7,352,694	367,225	398,972
Cash and investments reported on Statement of Net Assets	13,482,611	2,117,292	1,902,727	17,502,630	16,057,220	4,310,071	5,592,109
Less non-cash equivalents	(2,618,549)	-	(1,115,330)	(3,733,879)	(3,733,879)	(367,225)	(398,972)
Cash and cash equivalents at end of year	\$ 10,864,062	2,117,292	787,397	13,768,751	12,323,341	3,942,846	5,193,137
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:							
Operating income (loss)	\$ (2,497,202)	2,677,939	53,487	234,224	(615,289)	869,994	1,023,429
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:							
Depreciation	6,049,632	1,113,484	485,423	7,648,539	7,241,948	845,620	1,095,229
(Increase) decrease in accounts receivable	(181,326)	15,796	(39,835)	(205,365)	213,158	(100,719)	(423,983)
(Increase) decrease in due from other governments	-	81,554	-	81,554	(88,336)	8,144	(13,228)
(Increase) decrease in inventories	-	-	-	-	-	(6,238)	2,822
Increase (decrease) in accounts payable	(528,690)	(188,876)	285	(717,281)	(41,939)	(27,214)	(265,791)
Increase (decrease) in accrued wages payable	30,926	-	406	31,332	16,675	19,313	8,424
Increase (decrease) in compensated absences	(21,506)	-	-	(21,506)	(22,243)	13,063	(62,578)
Increase (decrease) in claims and judgments payable	-	-	-	-	-	(711,304)	(323,559)
Total adjustments	5,349,036	1,021,958	446,279	6,817,273	7,319,263	40,665	17,336
Net cash provided by (used for) operating activities	\$ 2,851,834	3,699,897	499,766	7,051,497	6,703,974	910,659	1,040,765
Noncash capital, financing and investing activities:							
Fixed assets contributed by other funds	\$ 123,465	-	-	123,465	-	44,506	99,690
Change in market value of investments	(31,815)	(57,443)	-	(89,258)	22,907	(39,020)	277
Total noncash capital, financing and investing activities	\$ 91,650	(57,443)	-	34,207	22,907	5,486	99,967

See accompanying notes to the basic financial statements.

CITY OF PALM SPRINGS
Statement of Fiduciary Net Assets
June 30, 2004

<u>Assets</u>	<u>Private-Purpose Trust Fund Historical Society</u>	<u>Agency Fund Special Deposits</u>
Cash and investments (note 2)	\$ 250,000	933,588
Total assets	<u>250,000</u>	<u>933,588</u>
<u>Liabilities and Net Assets</u>		
Liabilities:		
Deposits payable	<u>-</u>	<u>933,588</u>
Total liabilities	<u>-</u>	<u>933,588</u>
Net assets:		
Restricted for historical society	<u>250,000</u>	<u>-</u>
Total net assets	<u>\$ 250,000</u>	<u>-</u>

See accompanying notes to the basic financial statements.

CITY OF PALM SPRINGS
Fiduciary Funds

Statement of Changes in Fiduciary Net Assets

Year ended June 30, 2004

	<u>Private-Purpose Trust Fund Historical Society</u>
Additions:	
Investment income	\$ <u>4,806</u>
Total additions	<u>4,806</u>
Deductions:	
Library	<u>5,717</u>
Total deductions	<u>5,717</u>
Changes in net assets	(911)
Net assets at beginning of year	<u>250,911</u>
Net assets at end of year	<u>\$ 250,000</u>

See accompanying notes to the basic financial statements.

CITY OF PALM SPRINGS

Notes to the Basic Financial Statements

Year ended June 30, 2004

(1) Summary of Significant Accounting Policies

The basic financial statements of the City of Palm Springs, California (City) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the City's accounting policies are described below.

(a) Reporting Entity

The City of Palm Springs was incorporated in 1938 under the general laws of the State of California. Effective July 12, 1994, the City of Palm Springs became a Charter City which was approved by the citizens of the City of Palm Springs on June 7, 1994. The City operates under the Council-Administrator form of government.

As required by generally accepted accounting principles, these financial statements present the City of Palm Springs and its component units, entities for which the City is considered to be financially accountable. The City is considered to be financially accountable for an organization if the City appoints a voting majority of that organization's governing body and the City is able to impose its will on that organization or there is a potential for that organization to provide specific financial benefits to or impose specific financial burdens on the City. The City is also considered to be financially accountable for an organization if that organization is fiscally dependent (i.e., it is unable to adopt its budget, levy taxes, set rates or charges, or issue bonded debt without approval from the City). In certain cases, other organizations are included as component units if the nature and significance of their relationship with the City are such that their exclusion would cause the City's financial statements to be misleading or incomplete.

Included within the financial reporting entity of the City of Palm Springs are the Community Redevelopment Agency of the City of Palm Springs, Palm Springs Public Facilities Corporation and the Palm Springs Financing Authority because each component unit meets the above-mentioned criteria.

CITY OF PALM SPRINGS
Notes to the Basic Financial Statements
(Continued)

(1) Summary of Significant Accounting Policies, (Continued)

A brief description of each component unit follows:

Community Redevelopment Agency of the City of Palm Springs

The Community Redevelopment Agency's financial activity commenced in September, 1972. The primary purpose of the Agency is to eliminate blighted areas by encouraging development of residential, commercial, industrial, recreational and public facilities. The City Council appoints the Agency director and has full accountability for the Agency's fiscal matters. The Agency's financial data and transactions are included with the special revenue fund type, debt service fund type and capital projects fund type. Revenues of the Agency consist primarily of property tax allocations on the incremental increase of property values in the redevelopment area and interest income.

City of Palm Springs Public Facilities Corporation

The Public Facilities Corporation was incorporated as a nonprofit corporation under the laws of the State of California on February 23, 1981. The Corporation was formed for the purpose of financing the City of Palm Springs wastewater treatment facilities, water system, and other public buildings. Although the Corporation functions independently from the City, it is governed by a five member Board of Directors appointed by the City Council of the City of Palm Springs. The Corporation's sole source of income is lease payments received from the City which are used to meet the debt service requirements on debt issues. The Corporation is blended into the Wastewater Enterprise Fund of the City. During the year ended June 30, 2004, the Corporation repaid all outstanding debt.

City of Palm Springs Financing Authority

The City of Palm Springs Financing Authority was created by a joint exercise of joint powers agreement between the City of Palm Springs and the Community 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 Authority is administered by the Board who are the members of the City Council and the Mayor. The Authority's sole source of income is installment sale, loan and lease payments received from the City and Community Redevelopment Agency which are used to meet the debt service requirements on debt issues. The Authority is blended into various funds of the City.

CITY OF PALM SPRINGS

Notes to the Basic Financial Statements

(Continued)

(1) Summary of Significant Accounting Policies, (Continued)

Since the City Council serves as the governing board for these component units, all of the City's component units are considered to be blended component units. Blended component units, although legally separate entities, are in substance, part of the City's operations and so data from these units are reported with the interfund data of the primary government. The Community Redevelopment Agency of the City of Palm Springs, Palm Springs Public Facilities Corporation and the Palm Springs Financing Authority issue separate component unit financial statements. Upon their completion, financial statements of these component units can be obtained at City Hall.

(b) Basis of Accounting and Measurement Focus

The *basic financial statements* of the City are composed of the following:

- Government-wide financial statements
- Fund financial statements
- Notes to the basic financial statements

Financial reporting is based upon all GASB pronouncements, as well as the FASB Statements and Interpretations, APB Opinions, and Accounting Research Bulletins that were issued on or before November 30, 1989 that do not conflict with or contradict GASB pronouncements. FASB pronouncements issued after November 30, 1989 are not followed in the preparation of the accompanying financial statements.

Government-wide Financial Statements

Government-wide financial statements display information about the reporting government as a whole, except for its fiduciary activities. These statements include separate columns for the governmental and business-type activities of the primary government (including its blended component units). Governmental activities include governmental funds and proprietary internal service funds. Business-type activities include proprietary enterprise funds. Eliminations have been made in the Statement of Activities so that certain allocated expenses are recorded only once (by the function to which they were allocated). However, general government expenses have not been allocated as indirect expenses to the various functions of the City.

CITY OF PALM SPRINGS

Notes to the Basic Financial Statements

(Continued)

(1) Summary of Significant Accounting Policies, (Continued)

Government-wide Financial Statements, (Continued)

Government-wide financial statements are presented using the *economic resources measurement focus* and the *accrual basis of accounting*. Under the economic resources measurement focus, all (both current and long-term) economic resources and obligations of the reporting government are reported in the government-wide financial statements. *Basis of accounting* refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Under the accrual basis of accounting, revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets and liabilities resulting from nonexchange transaction are recognized in accordance with the requirements of GASB Statement No. 33 which requires that local governments defer grant revenue that is not received within 60 days after the fiscal year ended to meet the “available” criteria of revenue recognition.

Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Program revenues are netted with program expenses in the statement of activities to present the net cost of each program. Taxes and other items 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 an expenditure. The issuance of long-term debt is recorded as a liability in the government-wide financial statements, rather than as an other financing source. Amounts paid to reduce long-term indebtedness of the reporting government are reported as a reduction of the related liability, rather than as an expenditure.

Fund Financial Statements

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

CITY OF PALM SPRINGS

Notes to the Basic Financial Statements

(Continued)

(1) Summary of Significant Accounting Policies, (Continued)

Fund Financial Statements, (Continued)

Fund financial statements for the primary government's governmental, proprietary, and fiduciary funds are presented after the government-wide financial statements. These statements display information about the major fund individually and nonmajor funds in the aggregate for governmental and enterprise funds. Fiduciary statements include financial information for fiduciary funds and similar component units. Fiduciary funds of the City primarily represent assets held by the City in a custodial capacity for other individuals or organizations.

Governmental Funds

In the fund financial statements, governmental funds are presented using the *modified-accrual basis of accounting*. Their revenues are recognized when they become *measurable* and *available* as net current assets. *Measurable* means that the amounts can be estimated, or otherwise determined. *Available* means that the amounts were collected during the reporting period or soon enough thereafter to be available to finance the expenditures accrued for the reporting period. The City uses an availability period of 60 days.

Revenue recognition is subject to the *measurable* and *availability* criteria for the governmental funds in the fund financial statements. *Exchange transactions* are recognized as revenues in the period in which they are earned (i.e., the related goods or services are provided). *Locally imposed derived tax revenues* are recognized as revenues in the period in which the underlying exchange transaction upon which they are based takes place. *Imposed nonexchange* transactions are recognized as revenues in the period for which they were imposed. If the period of use is not specified, they are recognized as revenues when an enforceable legal claim to the revenues arises or when they are received, whichever occurs first. *Government-mandated and voluntary nonexchange transactions* are recognized as revenues when all applicable eligibility requirements have been met.

In the fund financial statements, governmental funds are presented using the *current financial resources measurement focus*. This means that only current assets and current liabilities are generally included on their balance sheets. The reported fund balance (net current assets) is considered to be a measure of "available spendable resources." Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.

CITY OF PALM SPRINGS
Notes to the Basic Financial Statements
(Continued)

(1) Summary of Significant Accounting Policies, (Continued)

Governmental Funds (Continued)

Non-current portions of long-term receivables due to governmental funds are reported on their balance sheets in spite of their spending measurement focus. Special reporting treatments are used to indicate, however, that they should not be considered “available spendable resources,” since they do not represent net current assets.

Revenues, expenses, assets, and liabilities resulting from nonexchange transactions are recognized in accordance with the requirements of GASB Statement No. 33 which requires that local governments defer grant revenue that is not received within 60 days after the fiscal year end to meet the “available” criteria of revenue recognition. In the past, the industry practice for grants was to recognize revenue in the fiscal year in which the related expense was incurred. Therefore recognition of governmental fund type revenue represented by non-current receivables are deferred until they become current receivables. Non-current portions of other long-term receivables are offset by fund balance reserve accounts.

Sales taxes, property taxes, franchise taxes, intergovernmental, rental income, transient occupancy taxes and special assessments are all considered to be susceptible to accrual and have been recognized as revenues in the current fiscal period to the extent normally collected within the availability period. Other revenue items are considered to be measurable and available when cash is received by the government.

Due to the nature of their spending measurement focus, expenditure recognition for governmental fund types excludes amounts represented by noncurrent liabilities. Since they do not affect net current assets, such long-term amounts are not recognized as governmental fund type expenditures or fund liabilities.

Amounts expended to acquire capital assets are recorded as *expenditures* in the year that resources were expended, rather than as fund assets. The issuance of long-term debt is recorded as *other financing sources* rather than as a fund liability. Amounts paid to reduce long-term indebtedness are reported as fund expenditures.

When both restricted and unrestricted resources are combined in a fund, expenses are considered to be paid first from restricted resources, and then from unrestricted resources.

CITY OF PALM SPRINGS
Notes to the Basic Financial Statements
(Continued)

(1) Summary of Significant Accounting Policies, (Continued)

Governmental Funds (Continued)

Proprietary and Fiduciary Funds

The City's enterprise and internal service funds are proprietary funds. In the fund financial statements, the proprietary funds and fiduciary funds are presented using the *accrual basis of accounting*. Revenues are recognized when they are earned and expenses are recognized when the related goods or services are delivered. In the fund financial statements, proprietary funds are presented using the *economic resources measurement focus*. This means that all assets and all liabilities (whether current or noncurrent) associated with their activity are included on their balance sheets. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in total net assets.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as subsidies, taxes, and investment earnings result from nonexchange transactions or ancillary activities. Amounts paid to acquire capital assets are capitalized as assets in the enterprise fund financial statements, rather than reported as an expenditure. Proceeds of long-term debt are recorded as a liability in the enterprise fund financial statements, rather than as an other financing source. Amounts paid to reduce long-term indebtedness of the enterprise fund are reported as a reduction of the related liability, rather than as an expenditure. Agency funds are custodial in nature (assets equal liabilities) and do not involve the recording of City revenues and expenses.

(c) Fund Classifications

The City reports the following major governmental funds:

General Fund This is the primary operating fund of the City. It accounts for all activities of the general government, except those required to be accounted for in another fund.

Community Promotion Fund This fund is used to account for revenues and costs related to the promotional efforts of the City with regard to tourism and related activities.

Special Assessment Fund This debt service fund is used to account for the payment of principal and interest on 1915 Act Assessment District bond issues.

CITY OF PALM SPRINGS
Notes to the Basic Financial Statements
(Continued)

(1) Summary of Significant Accounting Policies, (Continued)

(c) Fund Classifications, (Continued)

Capital Projects Fund This fund is used to account for the acquisition and construction of major capital facilities other than those financed by proprietary and trust funds.

The City of Palm Springs reports the following major enterprise funds:

Airport Fund Used to account for operations of the City's international airport.

Wastewater Fund Used to account for operation of the City's wastewater treatment plan and related capital expenditures, such as trunk lines.

Golf Course Fund Used to account for operations of the City's two municipal golf courses.

Additionally, the City reports the following fund types:

Internal Service Funds These funds are used to account for motor vehicle replacement, facilities maintenance, employee benefits, risk management and the City's cogeneration plan. Departments of the City are charged for the services provided or benefits received from these funds.

Private-Purpose Trust Fund Used to account for monies held in trust by the City for various purposes related to the Palm Springs Historical Society.

Agency Funds. Used to account for monies held for various purposes ranging from bid bonds to donations for animal shelter activities.

(d) Encumbrances

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of funds are recorded in order to reserve that portion of the fund balance, is employed in the governmental funds. Encumbrances are reported as reservations of fund balances since they do not constitute expenditures or liabilities.

(e) Cash and Investments

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

CITY OF PALM SPRINGS
Notes to the Basic Financial Statements
(Continued)

(1) Summary of Significant Accounting Policies, (Continued)

(e) Cash and Investments, (Continued)

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

The City pools cash and investments of all funds, except for 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 based on each fund's average cash and investment balance, except for approximately \$47,320 of investment income (associated with funds not legally required to receive pooled investment income) that has been assigned to and recorded as revenue of the general fund, as provided by California Government Code Section 53647.

(f) Cash Equivalents

For purposes of the statement of cash flows, cash equivalents are defined as short-term, highly liquid investments that are both readily convertible to known amounts of cash or so near their maturity that they present insignificant risk of changes in value because of changes in interest rates, and have an original maturity date of 3 months or less. Cash equivalents represent the proprietary funds' share in the cash and investment pool of the City of Palm Springs. Certain restricted assets and deposits of proprietary funds consist of investments which are not considered to be cash equivalents as defined above and therefore excluded from the statements of cash flows.

(g) Inventories

Inventories are stated at average cost. Physical counts of inventory are taken on a cyclical basis during each fiscal year with perpetual records adjusted to actual at that time. The City uses the consumption method of accounting for inventories.

(h) Property Held for Resale

Property held for resale represents land, structures, and their related improvements that were acquired for resale in accordance with the objective of the Redevelopment Project. These costs will be charged to current year project expenditures when the related land and structures are sold. Property held for resale are valued at the lower of cost or the sales price per contract with the developer. A portion of fund balance is reserved for property held for resale to indicate that a portion of fund balance is not available for future expenditures.

CITY OF PALM SPRINGS
Notes to the Basic Financial Statements
(Continued)

(1) Summary of Significant Accounting Policies, (Continued)

(i) Property Taxes

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

The property tax calendar is as follows:

Lien Date:	January 1
Levy Date:	July 1
Due Date:	First Installment - November 1 Second Installment - February 1
Delinquent Date:	First Installment - December 11 Second Installment - April 11

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

December 10	30% Advance
January 16	Collection No. 1
April 10	10% Advance
May 15	Collection No. 2
July 31	Collection No. 3

(j) 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 (including incurred but not reported) has been incurred prior to year end and the probable amount of loss (net of any insurance coverage) can be reasonably estimated. This liability is recorded in the internal service fund that account for the City's self insurance activities.

(k) Advances to Other Funds

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

CITY OF PALM SPRINGS
Notes to the Basic Financial Statements
(Continued)

(1) Summary of Significant Accounting Policies, (Continued)

(l) Employee Leave Benefits

In accordance with GASB Statement No. 16, a liability is recorded for unused vacation and similar compensatory leave balances since the employees' entitlement to these balances are attributable to services already rendered and it is probable that virtually all of these balances will be liquidated by either paid time off or payments upon termination or retirement.

Under GASB Statement No. 16, a liability is recorded for unused sick leave balances only to the extent that it is probable that the unused balances will result in termination payments. This is estimated by including in the liability the unused balances of employees currently entitled to receive termination payment, as well as those who are expected to become eligible to receive termination benefits as a result of continuing their employment with the City. Other amounts of unused sick leave are excluded from the liability since their payment is contingent solely upon the occurrence of a future event (illness) which is outside the control of the City and the employee.

If material, a proprietary fund liability is accrued for all leave benefits relating to the operations of the proprietary funds. A current liability is accrued in the governmental funds for material leave benefits due on demand to governmental fund employees that have terminated prior to year end. All other amounts are recorded in the government-wide financial statements. These non-current amounts will be recorded as fund expenditures in the year in which they are paid or become due on demand to terminated employees.

(m) Capital Assets

Capital assets (including infrastructure) greater than \$5,000 are capitalized and recorded at cost or at the estimated fair value of the assets at the time of acquisition where complete historical records have not been maintained. Contributed capital assets are valued at their estimated fair market value at the date of the contribution. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Capital assets include public domain (infrastructure) general fixed assets consisting of certain improvements including roads, bridges, curbs and gutters, streets and sidewalks, medians, sewer and storm drains.

Depreciation has been provided using the straight-line method over the estimated useful life of the asset in the government-wide financial statements and in the fund financial statements of the proprietary funds.

CITY OF PALM SPRINGS
Notes to the Basic Financial Statements
(Continued)

(1) Summary of Significant Accounting Policies, (Continued)

Interest is capitalized on proprietary fund assets acquired with tax-exempt debt. The amount of interest to be capitalized is calculated by offsetting interest expense incurred from the date of the borrowing until completion of the project with interest earned on invested proceeds over the same period.

The following schedule summarizes capital asset useful lives:

Governmental Funds:		
Infrastructure - pavement		25 years
Infrastructure – curbs and gutters		50 years
Infrastructure – sidewalks		50 years
Infrastructure – other		25-75 years
Buildings and improvements		15-50 years
Furniture and equipment		3-10 years
Airport Fund:		
Buildings		3-60 years
Improvements		5-30 years
Machinery and Equipment		3-10 years
Motor Vehicles		5-12 years
Golf Course Fund:		
Building		10-25 years
Improvements		5-20 years
Machinery and Equipment		5 years
Wastewater Fund:		
Buildings		12-50 years
Meters, metering vaults, subsurface lines		50 years
Improvements		10-20 years
Machinery and Equipment		4-15 years
Motor Vehicles		5-10 years
Motor Vehicle Replacement Fund:		
Buildings		10-30 years
Improvements		10 years
Machinery and Equipment		5-20 years
Motor vehicles		3-30 years
Facilities Maintenance Fund:		
Machinery and Equipment		5-10 years
Risk Management Fund:		
Machinery and Equipment		3-5 years

CITY OF PALM SPRINGS

Notes to the Basic Financial Statements

(Continued)

(1) Summary of Significant Accounting Policies, (Continued)

Cogeneration Plant Fund:

Buildings	60 years
Improvements	10 years
Machinery and Equipment	3-15 years

(n) Bond Discounts/Issuance Costs

In governmental fund types, bond discounts and issuance costs are recognized in the current period for fund financial statements. Bond discounts and issuance costs for proprietary fund types are deferred and amortized over the term of the bonds using the straight-line method, which materially approximates the effective interest method. Bond discounts are presented as a reduction of the face amount of bonds payable whereas issuance costs are recorded as an asset, unamortized debt issuance costs.

(o) Allowance for Doubtful Accounts

For certain receivables, it has been determined that some amounts may not be collectable and, therefore, an allowance for doubtful accounts was recorded. The allowance is presented as a reduction of the receivable.

(p) Post-Retirement Benefits

The City provides post-retirement health insurance for employees who retire with at least 20 years of continuous employment with the City. Partial coverage is available for employees who retire with service years ranging between 7½ and 20 years. All employee groups are covered.

(q) Comparative Data

Comparative total data for the prior year have been presented in the accompanying financial statements in order to provide an understanding of changes in the City's financial position and operations. However, comparative (i.e., presentation of prior year totals by fund type) data have not been presented in each of the statements since their inclusion would make the statements unduly complex and difficult to read. Certain minor reclassifications of prior year data have been made in order to enhance their comparability with current year figures.

CITY OF PALM SPRINGS
Notes to the Basic Financial Statements
(Continued)

(2) Cash and Investments

Cash and investments are reported in the accompanying financial statements as follows:

Statement of Net Assets:	
Cash and investments	\$ 49,595,813
Cash and investments with fiscal agent	<u>66,249,752</u>
	115,845,565
Statement of Fiduciary Net Assets:	
Cash and investments	<u>1,183,588</u>
Total cash and investments	<u>\$117,029,153</u>

Cash and investments held by the City at June 30, 2004 consisted of the following:

Petty cash	\$ 2,575
Demand deposits	1,737,089
Certificates of deposit	1,097,083
Local Agency Investment Fund	38,286,702
Federal agency securities	8,651,042
Medium term notes	<u>1,004,910</u>
Total cash and investments held by City	<u>\$50,779,401</u>

Cash and investments held by fiscal agents at June 30, 2004 consisted of the following:

Bank investment agreement	\$ 1,207,600
Investment agreements	53,038,317
Mutual funds - money market	<u>12,003,835</u>
Total cash and investments held by fiscal agent	<u>\$66,249,752</u>

Authorized Investments

Under provisions of the City's investment policy and Section 53601 of the California Government Code, the City and its component units may invest in the following types of investments:

CITY OF PALM SPRINGS
Notes to the Basic Financial Statements
(Continued)

(2) Cash and Investments. (Continued)

<u>Permitted Investments:</u>	<u>Restrictions and Limitations</u>
U.S. Treasury Securities	None
Local Agency Investment Fund	None
Federal Agency Securities	Limited to 50% of portfolio.
Bankers Acceptances	Limited to 40% of portfolio and maximum maturity of 180 days.
Commercial Paper	Must have highest rating, maximum maturity of 270 days, and limited to 15% of portfolio.
Negotiable Certificates of Deposit	Limited to 30% of portfolio.
Medium Term Notes	Maximum maturity of five years, rated "A" or better, and limited to 20% of portfolio.
Money market mutual funds	Must have highest rating and limited to 10% of portfolio.

The weighted average maturity of the pooled portfolio may not exceed three years.

Under the California Government Code, a financial institution is required to secure deposits made by state or local governmental units by pledging securities held in the form of an undivided collateral pool. 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.

CITY OF PALM SPRINGS

Notes to the Basic Financial Statements

(Continued)

(2) Cash and Investments, (Continued)

Deposits of cities and other state or local governments are classified in three categories to give an indication of the level of custodial risk assumed by the entity. Category 1 includes deposits that are insured or collateralized with securities held by the City or its agent in the City's name. Category 2 includes deposits collateralized with securities held by the pledging financial institution's trust department or agent in the City's name. Category 2 also includes deposits collateralized by an interest in an undivided collateral pool held by an authorized Agent of Depository and subject to certain regulatory requirements under State law. Category 3 includes deposits collateralized with securities held by the pledging financial institution, or by its trust department or agent but not in the City's name. Category 3 also includes any uncollateralized deposits. Deposits are categorized as follows:

<u>Form of Deposit</u>	<u>Category</u>			<u>Bank Balance</u>	<u>Carrying Amount</u>
	<u>1</u>	<u>2</u>	<u>3</u>		
Deposits held by City:					
Demand deposits	\$200,000	3,382,701	-	3,582,701	1,737,089
Certificates of deposit	117,181	979,902	-	1,097,083	1,097,083
Deposits held by fiscal agents:					
Bank investment agreement	-	-	1,207,600	1,207,600	1,207,600
	<u>\$317,181</u>	<u>4,362,603</u>	<u>1,207,600</u>	<u>5,887,384</u>	<u>4,041,772</u>

Investments of cities and other state or local governments are classified in three categories to give an indication of the level of custodial risk assumed by the entity at year-end. Category 1 includes investments that are insured or registered or for which the securities are held by the City or the City's custodial agent (which must be a different institution other than the party through which the City purchased the securities) in the City's name. Investments held "in the City's name" include securities held in a separate custodial or fiduciary account and identified as owned by the City in the custodian's internal accounting records. Category 2 includes uninsured and unregistered investments for which the securities are held by the dealer's agent in the City's name (or by the trust department of the dealer if the dealer was a financial institution and another department of the institution purchased the securities for the City). Category 3 includes uninsured and unregistered investments for which the securities are held by the dealer's agent, but not in the City's name. Category 3 also includes all securities held by the broker-dealer agent of the City (the party that purchased the securities for the City) regardless of whether or not the securities are being held in the City's name.

CITY OF PALM SPRINGS
Notes to the Basic Financial Statements
(Continued)

(2) Cash and Investments, (Continued)

Investments are categorized as follows:

<u>Form of Investment</u>	<u>Category</u>			<u>Carrying Amount</u>
	<u>1</u>	<u>2</u>	<u>3</u>	
Investments held by the City:				
Federal agency securities	\$7,941,667	709,375	-	8,651,042
Medium term notes	<u>1,004,910</u>	<u>-</u>	<u>-</u>	<u>1,004,910</u>
	<u>\$8,946,577</u>	<u>709,375</u>	<u>-</u>	9,655,952
Investments held by City not subject to categorization:				
Investment in State Investment Pool - LAIF				38,286,702
Investments held by fiscal agents not subject to categorization:				
Investment agreements				53,038,317
Mutual funds - money market				<u>12,003,835</u>
Total investments				<u>\$112,984,806</u>

The City is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The fair value of the City's investment in this pool is reported in the accompanying financial statements at amounts based upon the City's pro-rata share of the fair value provided by LAIF for the entire 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. Included in LAIF's investment portfolio are collateralized mortgage obligations, mortgage-backed securities, other asset-backed securities, loans to certain state funds, and floating rate securities issued by federal agencies, government-sponsored enterprises, and corporations. LAIF's (and the City's) exposure to risk (credit, market or legal) is not currently available.

CITY OF PALM SPRINGS
Notes to the Basic Financial Statements
(Continued)

(3) Due From and To Other Funds

Interfund receivable and payable balances at June 30, 2004 are as follows:

<u>Due from Other Funds</u>	<u>Due to Other Funds</u>	<u>Amount</u>
General Fund	Non-Major Governmental Funds	\$ 679,906
Wastewater Fund	Golf Course Fund	2,316,970
Internal Service Funds	Internal Service Funds	<u>875,446</u>
Total		<u>\$3,872,322</u>

Interfund balances are a result of short-term borrowing to cover negative cash balances at June 30, 2004.

(4) Interfund Advances

The City has authorized several interfund advances to be used for the operations of the funds receiving the advances. At June 30, 2004 the outstanding advances are:

<u>Receivable Fund</u>	<u>Payable Funds</u>	<u>Amount</u>
General Fund	Golf Course Fund	\$1,210,000 (a)
	Non-Major Governmental Funds	<u>2,059,670 (c)</u>
	Total General Fund	3,269,670
Wastewater Fund	Non-Major Governmental Funds	1,227,000 (c)
Internal Service Funds	Golf Course Fund	1,430,000 (b)
Non-Major Governmental Funds	Non-Major Governmental Funds	<u>2,115,992 (c)</u>
	Total	<u>\$8,042,662</u>

(a) The Golf Course Fund initially received \$2,000,000 from the General Fund at 6% over 20 years. At June 30, 2004, the outstanding balance is \$1,210,000.

(b) The Employee Benefits Fund advanced \$1,430,000 to the Golf Course Fund to provide funds for the operation and debt service of the Golf Course. There is no stipulated repayment date.

CITY OF PALM SPRINGS

Notes to the Basic Financial Statements

(Continued)

(4) Interfund Advances, (Continued)

- (c) Various funds of the City of Palm Springs have advanced monies to the Community Redevelopment Agency Capital Projects Fund at interest rates of 6% to 8%. The outstanding advances totaling \$3,323,023 have no stipulated due dates.

The Community Redevelopment Agency Debt Service Fund received tax increment monies totaling \$1,532,669 that are owed to the Low and Moderate Housing Special Revenue Fund. There is no stipulated interest rates or repayment dates.

The Low and Moderate Housing Fund has an outstanding advance to the Community Redevelopment Agency Debt Service Fund in the amount of \$546,970. The interest rate is 6% and the loan is scheduled to be paid by May 6, 2013.

CITY OF PALM SPRINGS
Notes to the Basic Financial Statements
(Continued)

(5) Capital Assets

Capital asset activity for the year ended June 30, 2004 is as follows:

	<u>Balance at June 30, 2003</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at June 30, 2004</u>
Governmental activities:				
Buildings	\$ 67,269,730	-	-	67,269,730
Improvements	21,157,761	2,344,843	-	23,502,604
Furniture and equipment	6,769,336	863,450	-	7,632,786
Vehicles	9,932,616	224,591	(101,398)	10,055,809
Infrastructure:				
Pavement	92,144,155	110,424	-	92,254,579
Curbs and gutters	33,525,812	78,753	-	33,604,565
Sidewalks	16,862,005	259,948	-	17,121,953
Other	<u>13,501,261</u>	<u>1,171,144</u>	<u>-</u>	<u>14,672,405</u>
Subtotal	<u>261,162,676</u>	<u>5,053,153</u>	<u>(101,398)</u>	<u>266,114,431</u>
Less accumulated depreciation:				
Buildings	(25,406,976)	(1,325,589)	-	(26,732,565)
Improvements	(9,646,369)	(777,463)	-	(10,423,832)
Furniture and equipment	(4,788,154)	(580,957)	-	(5,369,111)
Vehicles	(6,662,937)	(640,196)	101,398	(7,201,735)
Infrastructure:				
Pavement	(43,574,724)	(3,668,663)	-	(47,243,387)
Curbs and gutters	(8,117,641)	(670,516)	-	(8,788,157)
Sidewalks	(3,786,069)	(337,240)	-	(4,123,309)
Other	<u>(4,164,091)</u>	<u>(520,571)</u>	<u>-</u>	<u>(4,684,662)</u>
Total accumulated depreciation	<u>(106,146,961)</u>	<u>(8,521,195)</u>	<u>101,398</u>	<u>(114,566,758)</u>
Net depreciable assets	<u>155,015,715</u>	<u>(3,468,042)</u>	<u>-</u>	<u>151,547,673</u>
Capital assets not depreciated:				
Right-of-way	14,614,496	-	-	14,614,496
Land	15,365,843	-	-	15,365,843
Construction in progress	<u>439,774</u>	<u>5,683,406</u>	<u>(439,774)</u>	<u>5,683,406</u>
	<u>30,420,113</u>	<u>5,683,406</u>	<u>(439,774)</u>	<u>35,663,745</u>
Capital assets, net	\$185,435,828	2,215,364	(439,774)	187,211,418

CITY OF PALM SPRINGS
Notes to the Basic Financial Statements
(Continued)

(5) Capital Assets, (Continued)

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

General government	\$ 334,454
Cultural and convention center	951,871
Public safety	1,100,186
Public works	5,695,350
Parks and recreation	326,412
Library	<u>112,922</u>
	<u>\$8,521,195</u>

	<u>Balance at June 30, 2003</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at June 30, 2004</u>
Business-type activities:				
Buildings	\$ 35,102,016	-	-	35,102,016
Improvements other than buildings	117,719,082	9,690,186	-	127,409,268
Machinery and equipment	1,309,680	150,329	-	1,460,009
Motor vehicles	1,220,756	1,940,637	(764,162)	2,397,231
Subsurface lines	<u>25,908,048</u>	<u>-</u>	<u>-</u>	<u>25,908,048</u>
Total cost of depreciable assets	<u>181,259,582</u>	<u>11,781,152</u>	<u>(764,162)</u>	<u>192,276,572</u>
Less accumulated depreciation:				
Buildings	(19,610,745)	(921,536)	-	(20,532,281)
Improvements other than buildings	(54,636,218)	(6,062,298)	-	(60,698,516)
Machinery and equipment	(1,008,257)	(114,194)	-	(1,122,451)
Motor vehicles	(1,128,594)	(32,350)	764,159	(396,785)
Subsurface lines	<u>(13,270,276)</u>	<u>(518,161)</u>	<u>-</u>	<u>(13,788,437)</u>
Total accumulated depreciation	<u>(89,654,090)</u>	<u>(7,648,539)</u>	<u>764,159</u>	<u>(96,538,470)</u>
Net depreciable assets	91,605,492	4,132,613	(3)	95,738,102
Capital assets not depreciated:				
Land	<u>31,064,065</u>	<u>5,663,543</u>	<u>-</u>	<u>36,727,608</u>
Capital assets, net	\$122,669,557	9,796,156	(3)	132,465,710

CITY OF PALM SPRINGS
Notes to the Basic Financial Statements
(Continued)

(5) Capital Assets, (Continued)

Depreciation expense was charged in the following programs of the primary government:

Airport	\$6,049,632
Wastewater	1,113,484
Golf course	<u>485,423</u>
	<u>\$7,648,539</u>

(6) Accumulated Fund Deficits

The following funds reported deficits in fund balances/net assets as of June 30, 2004:

	<u>Deficit Balance</u>
Major Funds:	
Golf Course Fund	\$(6,972,151)
Internal Service Funds:	
Cogeneration Plant Fund	(2,159,751)
Special Revenue Funds:	
Parking	(183,964)

Management's explanation for the resolution of accumulated fund deficits are summarized as follows:

Golf Course Enterprise Fund:

The deficit in net assets of \$6,972,151 was a result of prior years deficit and current year shortfalls. The course did not open until early 1995 and was closed shortly thereafter due to a series of storms. The course re-opened during 1996 and it is anticipated that the losses will be recovered in future years.

CITY OF PALM SPRINGS
Notes to the Basic Financial Statements
(Continued)

(6) Accumulated Fund Deficits, (Continued)

Cogeneration Plant Internal Service Fund:

The \$2,159,751 deficit in net assets constitutes a cumulative loss of \$554,505 since the opening of the plant and a one-time non-cash loss and expense related to the advance refunding of the 1984 Cogeneration Facilities and Police Building Certificates of Participation of \$1,605,246. The advance refunding of the 1984 Cogeneration Facilities and Police Building Certificates of Participation by the City in April 1987 decreases its total debt service by \$1,841,305 over the remaining 19 years of the issue. In management's opinion, the accumulated deficit will be recovered in future years through the reduction of interest payments.

Parking Special Revenue Fund:

The \$183,964 is a result of expected revenue from leasing of parking spaces to downtown employers for their employees' use did not occur. The City has increased the transfer from the General Fund from \$50,000 to \$200,000 for fiscal year 2003-04. In addition, the City is requesting to increase parking violation fines.

CITY OF PALM SPRINGS
Notes to the Basic Financial Statements
(Continued)

(7) Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2004 (including unamortized discounts and refunding costs) are as follows:

	<u>Balance at June 30, 2003</u>	<u>Additions/ Accretion</u>	<u>Deletions</u>	<u>Balance at June 30, 2004</u>	<u>Due within One year</u>
Governmental activities:					
Compensated absences payable	\$ 5,740,553	2,911,531	(3,087,174)	5,564,910	3,016,298
Special assessment debt with government commitment	5,310,000	4,752,500	(760,000)	9,302,500	640,000
Capital lease obligations	1,874,403	-	(603,220)	1,271,183	521,147
Notes payable	177,236	-	(13,368)	163,868	14,210
Certificates of participation:					
1996 Multiple Capital Facilities Refunding Certificates of Participation	7,240,603	19,619	(235,000)	7,025,222	245,000
1998 Multiple Capital Facilities Refunding Certificates of Participation	2,645,000	-	(140,000)	2,505,000	185,000
2002 Taxable Variable Rate Certificates of Participation	8,000,000	-	-	8,000,000	-
	<u>17,885,603</u>	<u>19,619</u>	<u>(375,000)</u>	<u>17,530,222</u>	<u>430,000</u>
Bonds payable:					
1994 Tax Allocation Bonds, Series A and B	17,730,000	-	(17,730,000)	-	-
2001 Housing Tax Allocation Bonds	5,615,000	-	(200,000)	5,415,000	205,000
2004 Tax Allocation Bonds, Series A	-	14,240,000	-	14,240,000	610,000
2004 Tax Allocation Bonds, Series B	-	9,075,000	-	9,075,000	255,000
1991 Lease Revenue Bonds	4,769,325	332,274	-	5,101,599	1,210,000
1997 Lease Revenue Bonds	11,585,000	-	(11,585,000)	-	-
2001 Lease Revenue Bonds	27,400,000	-	(1,170,000)	26,230,000	-
2004 Lease Revenue Bonds	-	62,395,000	-	62,395,000	450,000
	<u>67,099,325</u>	<u>86,042,274</u>	<u>(30,685,000)</u>	<u>122,456,599</u>	<u>2,730,000</u>
Total governmental long-term liabilities	\$98,087,120	93,725,924	(35,523,762)	156,289,282	7,351,655

CITY OF PALM SPRINGS
Notes to the Basic Financial Statements
(Continued)

(7) Long-Term Liabilities, (Continued)

The above schedule includes \$1,271,183 of capital lease obligations, \$162,695 of compensated absences payable and \$4,805,221 of certificates of participation recorded in the City's internal services funds.

Changes in long-term liabilities for business-type activities for the year ended June 30, 2004 (including unamortized discounts and refunding costs) are as follows:

Business-type activities:	<u>Balance at June 30, 2003</u>	<u>Accretion/ Additions</u>	<u>Deletions</u>	<u>Balance at June 30, 2004</u>	<u>Due within One year</u>
Compensated absences payable	\$ 542,534	419,314	(440,820)	521,028	423,346
Bonds payable:					
1992 Airport Revenue Bonds	13,435,000	-	(400,000)	13,035,000	420,000
1998 Airport Revenue Bonds	7,603,961	8,442	(160,000)	7,452,403	170,000
1998 Airport PFC Revenue Bonds	<u>11,500,832</u>	<u>8,567</u>	<u>(240,000)</u>	<u>11,269,399</u>	<u>250,000</u>
	<u>32,539,793</u>	<u>17,009</u>	<u>(800,000)</u>	<u>31,756,802</u>	<u>840,000</u>
Certificates of participation:					
1989 Wastewater Treatment Plant Refunding Certificates	2,124,778	-	(2,124,778)	-	-
1996 Multiple Capital Facilities Refunding Certificates	<u>12,450,860</u>	<u>94,110</u>	<u>(300,000)</u>	<u>12,244,970</u>	<u>315,000</u>
	<u>14,575,638</u>	<u>94,110</u>	<u>(2,424,778)</u>	<u>12,244,970</u>	<u>315,000</u>
Business-type long-term liabilities	\$47,657,965	530,433	(3,665,598)	44,522,800	1,578,346

(8) Special Assessment Debt with Government Commitment

At June 30, 2004, the City of Palm Springs has three outstanding Assessment District (A.D.) Improvement Bonds ("Bonds") issued in the aggregate amount of \$9,302,500 pursuant to the Improvement Bond Act of 1915. The proceeds of the Bonds were used to fund construction of street improvements, sewage collection systems and other public improvements within the A.D. If a delinquency occurs in the payment of any assessment installment, the City, at or before the end of the fiscal year of delinquency, has a duty to transfer into the redemption fund the amount of the delinquency out of available funds of the City.

CITY OF PALM SPRINGS
Notes to the Basic Financial Statements
(Continued)

(8) Special Assessment Debt with Government Commitment, (Continued)

Outstanding at
June 30, 2004

A.D. 155

\$5,100,000 Bonds issued 3/2/98; Bonds mature between 9/2/98 and 9/2/09 in amounts ranging from \$405,000 through \$585,000; Bonds maturing on any March 2 or September 2 may be redeemed prior to its fixed maturity date, at the option of the City Treasurer, at a redemption price equal to the principal amount thereof, plus accrued interest to the date of redemption, plus a premium; secured by tax bills sent to property owners; interest rates range between 4.0% and 5.4%; reserve of \$283,300 is required which is fully funded at June 30, 2004.

\$2,905,000

A.D. 157/158

\$2,345,000 Bonds issued 8/9/01; Bonds mature between 9/2/02 and 9/2/12 in amounts ranging from \$95,000 through \$290,000; Bonds maturing on any March 2 or September 2 may be redeemed prior to its fixed maturity date, at the option of the City Treasurer, at 102% of principal amount; secured by tax bills sent to property owners; interest rates range between 3.80% and 5.70%; reserve of \$160,000 is required which is fully funded at June 30, 2004.

The 2001 Bonds were issued to refund the Assessment District 157 Bonds issued in 1992 and the Assessment District 158 Bonds issued in 1990.

1,645,000

A.D. 161

\$4,752,500 Bonds issued 2/5/04; Bonds mature between 9/2/05 and 9/2/24 in amounts ranging from \$117,500 through \$245,000; Bonds maturing on any March 2 or September 2 may be redeemed prior to its fixed maturity date, at the option of the City Treasurer, at 102% of principal amount; secured by tax bills sent to property owners; interest rates range between 1.65% and 5.65%; reserve of \$349,988 is required which is fully funded at June 30, 2004.

4,752,500

Total special assessment debt with government commitment

\$9,302,500

CITY OF PALM SPRINGS
Notes to the Basic Financial Statements
(Continued)

(8) Special Assessment Debt with Government Commitment, (Continued)

Annual requirements to amortize outstanding special assessment debt as of June 30, 2004 are as follows:

June 30	A.D. 155		A.D. 157/158		A.D. 161		Total
	Principal	Interest	Principal	Interest	Principal	Interest	
2005	\$ 425,000	139,688	180,000	80,735	-	237,080	1,062,503
2006	445,000	118,150	190,000	72,172	117,500	230,957	1,173,779
2007	465,000	95,167	200,000	62,660	120,000	228,638	1,171,465
2008	485,000	70,700	210,000	52,305	120,000	225,728	1,163,733
2009	500,000	44,839	220,000	41,230	120,000	222,368	1,148,437
2010	585,000	15,795	230,000	29,300	125,000	218,505	1,203,600
2011	-	-	240,000	16,490	130,000	214,102	600,592
2012	-	-	85,000	7,510	135,000	209,130	436,640
2013	-	-	90,000	2,565	135,000	203,697	431,262
2014	-	-	-	-	145,000	197,706	342,706
2015	-	-	-	-	150,000	191,066	341,066
2016	-	-	-	-	160,000	183,815	343,815
2017	-	-	-	-	165,000	175,972	340,972
2018	-	-	-	-	175,000	167,555	342,555
2019	-	-	-	-	180,000	158,590	338,590
2020	-	-	-	-	190,000	149,060	339,060
2021	-	-	-	-	200,000	138,820	338,820
2022	-	-	-	-	215,000	127,715	342,715
2023	-	-	-	-	225,000	115,722	340,722
2024	-	-	-	-	235,000	103,013	338,013
2025	-	-	-	-	245,000	89,632	334,632
2026	-	-	-	-	260,000	75,427	335,427
2027	-	-	-	-	275,000	60,313	335,313
2028	-	-	-	-	295,000	44,211	339,211
2029	-	-	-	-	310,000	27,120	337,120
2030	-	-	-	-	325,000	9,181	334,181
Total	\$2,905,000	484,339	1,645,000	364,967	4,752,500	4,005,123	14,156,929

CITY OF PALM SPRINGS

Notes to the Basic Financial Statements

(Continued)

(9) Obligation Under Capital Leases

The following represents governmental activity obligation under capital leases:

Fire Equipment Lease (Master Lease #1)

In November 1998, the City entered into a lease agreement for the financing of the acquisition of two aerial fire apparatuses. This lease agreement qualifies as a capital lease for accounting purposes (title transfers at end of lease) and, therefore, has been recorded at the present value of the future minimum lease payments as of the date of inception. The assets acquired under this lease agreement are recorded in the Motor Vehicle Replacement Fund.

The financing was obtained from CaLease Public Funding Corporation during November 1999 for \$1,091,953 with an interest rate of 4.78% and semi-annual payments of \$69,724 through the end of the lease (December 2008). The outstanding balance at June 30, 2004 is \$558,629.

Fire Vehicles Lease (Master Lease #4)

In September 1999, the City entered into a lease agreement for the financing of the acquisition of one paramedic unit and two fire trucks. This lease agreement qualifies as a capital lease for accounting purposes (title transfers at end of lease) and, therefore, has been recorded at the present value of future minimum lease payments as of the date of inception. The vehicles acquired under this lease agreement are recorded in the Motor Vehicle Replacement Fund.

The financing was obtained from CaLease Public Funding Corporation in September 1999 for \$614,572 with an interest rate of 5.58% and semi-annual payments ranging from \$41,542 to \$37,327 through the end of the lease (September 2009). The outstanding balance at June 30, 2004 is \$368,845.

Miscellaneous Vehicle Lease (Master Lease #6)

In May 2001, the City entered into a lease agreement for the financing of the acquisition of miscellaneous vehicles. This lease agreement qualifies as a capital lease for accounting purposes (title transfers at end of lease) and, therefore, has been recorded at the present value of the future minimum lease payments as of the date of inception. The vehicles acquired under this lease agreement are recorded in the Motor Vehicle Replacement Fund.

The financing was obtained from CaLease Public Funding Corporation in May 2001 for \$409,378 with an interest rate of 5.57% and semi-annual payments of \$57,808 through the end of the lease (May 2005). The outstanding balance at June 30, 2004 is \$110,905.

CITY OF PALM SPRINGS
Notes to the Basic Financial Statements
(Continued)

(9) Obligation Under Capital Leases, (Continued)

Miscellaneous Vehicle Lease (Master Lease #7)

In May 2002, the City entered into a lease agreement for the financing of the acquisition of miscellaneous vehicles. This lease agreement qualifies as a capital lease for accounting purposes (title transfers at end of lease) and, therefore, has been recorded at the present value of the future minimum lease payments as of the date of inception. The vehicles acquired under this lease agreement are recorded in the Motor Vehicle Replacement Fund.

The financing was obtained from CaLease Public Funding Corporation in May 2002 for \$666,479 with an interest rate of 4.84% and semi-annual payments of \$120,644 through the end of the lease (May 2005). The outstanding balance at June 30, 2004 is \$232,804.

The calculation of the present value of the future lease payments for the capital leases is as follows:

Year ending June 30	Master Lease #1	Master Lease #4	Master Lease #6	Master Lease #7	Total
2005	\$139,449	83,084	115,616	241,288	579,437
2006	139,449	83,084	-	-	222,533
2007	139,449	78,869	-	-	218,318
2008	139,449	74,654	-	-	214,103
2009	69,724	74,654	-	-	144,378
2010	-	37,327	-	-	37,327
Subtotal	627,520	431,672	115,616	241,288	1,416,096
Less amount representing interest	(68,891)	(62,827)	(4,711)	(8,484)	(144,913)
Present value of future lease payments	\$558,629	368,845	110,905	232,804	1,271,183

CITY OF PALM SPRINGS
Notes to the Basic Financial Statements
(Continued)

(10) Notes Payable

Outstanding at
June 30, 2004

Governmental activities:

The City entered into an agreement in November 2001 with the California Energy Commission to borrow \$183,763. The note accrues interest at 6% per annum. Semi-annual payments of \$11,916 are required through the end of the note in June 2013.

\$163,868

(11) Bonds Payable

Governmental activities:

2001 Housing Tax Allocation Bonds

On July 19, 2001, the Redevelopment Agency issued \$5,805,000 of 2001 Housing Tax Allocation Bonds to provide funds to refund the 1991 Series B Tax Allocation Bonds issued by the Palm Springs Financing Authority. Proceeds from the 1991 bonds were used to make six loans to the Agency. The refunding met the requirements of an in-substance defeasance, and, consequently, the old debt has been removed from the financial statements. The new bonds consist of \$4,550,000 of serial bonds and \$1,255,000 of term bonds. The serial bonds accrue interest at rates between 3.50% and 5.375% and mature between August 1, 2002 and August 1, 2018. The term bonds accrue interest at a rate of 5.50% and mature on August 1, 2021.

The required reserve for the 2001 Housing Tax Allocation Bonds is \$468,105 and as of June 30, 2004 the reserve was fully funded. The amount of bonds outstanding at June 30, 2004 is \$5,415,000.

2004 Tax Allocation Bonds, Series A and B

The Redevelopment Agency issued \$14,240,000 of Tax Allocation Bonds, 2004 Series A and \$9,075,000 of Tax Allocation Bonds, 2004 Series B on June 4, 2004. The bond proceeds were used to advance refund the 1994 Tax Allocation Bonds, Series A and B of the Palm Springs Financing Authority (a component unit of the City of Palm Springs) and to finance additional redevelopment activities of the Agency.

CITY OF PALM SPRINGS
Notes to the Basic Financial Statements
(Continued)

(11) Bonds Payable, (Continued)

The 2004 Series A bonds consist of \$9,200,000 of serial bonds and \$5,040,000 of term bonds. The serial bonds accrue interest at rates between 3% and 5.30% and mature between September 1, 2004 and September 1, 2021. The first portion of term bonds with principal of \$1,560,000 accrues interest at a rate of 5.50% and matures on September 1, 2023. The second portion of term bonds with principal of \$3,480,000 accrues interest at a rate of 5.50% and matures on September 1, 2034.

The 2004 Series B bonds consist of \$4,195,000 of serial bonds and \$4,880,000 of term bonds. The serial bonds accrue interest at rates between 2% and 5.60% and mature between September 1, 2004 and September 1, 2023. The term bond accrues interest at a rate of 5.75% and matures through September 1, 2034.

The required reserve for the 2004 Series A and B bonds is \$1,037,200 and \$614,256, respectively. As of June 30, 2004, both reserves were fully funded. The amount of bonds outstanding at June 30, 2004 for the 2004 Series A and B bonds is \$14,240,000 and \$9,075,000, respectively.

A portion of the proceeds of the bonds, along with a portion of the reserves of the 1994 Series A and B Tax Allocation Bonds, were deposited into an irrevocable trust with an escrow agent to provide for all future debt service payments on the 1994 Series A and B Tax Allocation Bonds. As a result, the 1994 bonds are considered defeased and the liability has been removed from the financial statements.

The advance refunding resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$1,132,443 and an increase of total debt service payments of \$3,382,799.

Convention Center Lease Revenue Bonds

On April 1, 1991, the Palm Springs Financing Authority (a component unit of the City of Palm Springs) issued \$50,668,512 of Lease Revenue Bonds, 1991 Series A, to provide funds for the advance refunding of the 1988 refunding issue of certificates of participation and to finance the construction and acquisition of certain additional improvements and land relating to the convention center facilities.

CITY OF PALM SPRINGS

Notes to the Basic Financial Statements

(Continued)

(11) Bonds Payable, (Continued)

The 1991 issue was partially refinanced twice (in 1997 and 2001) by the issuance of two subsequent lease revenue bonds. On October 1, 1997, the Authority issued \$12,300,000 of Lease Revenue Refunding Bonds, 1997 Series A, to refinance a portion of the 1991 Lease Revenue Bonds. On September 20, 2001, the Authority issued \$28,540,000 of Lease Refunding Bonds, 2001 Series A, to provide for the advance refunding of \$28,650,000 of the 1991 Series A Lease Revenue Bonds. On May 13, 2004, the Authority issued \$62,395,000 of Lease Revenue Bonds, 2004 Series A to provide for the advance refunding of the outstanding 1997 Lease Revenue Bonds and to finance certain Convention Center improvements.

1991 Convention Center Lease Revenue Bonds

After the refundings, the 1991 lease revenue bonds only consist of capital appreciation bonds, which have a face value of \$6,140,000. By their nature, there are no regular interest payments associated with capital appreciation bonds. The "interest" on the debt results from the difference between the amounts paid by the investors when the debt was issued and the significantly larger value at maturity. The \$6,140,000 of face value capital appreciation bonds were initially recorded at the amount of proceeds received, \$2,125,540. Each year, the outstanding balance is increased for the accretion of interest associated with the bonds. The amount of bonds outstanding at June 30, 2004 is \$5,101,599.

2001 Convention Center Lease Revenue Bonds

The 2001 bonds consist of \$14,315,000 of serial bonds and \$14,225,000 of term bonds. The serial bonds accrue interest at rates between 3.50% and 5.25% and mature between November 1, 2002 and November 1, 2019. The first portion of term bonds with principal of \$5,600,000 accrue interest at a rate of 5.00% and mature on November 1, 2022. The second portion of term bonds with principal of \$2,735,000 accrue interest at 4.75% and mature on November 1, 2023. The third portion of term bonds with principal of \$5,890,000 accrue interest at a rate of 5.00% and mature on November 1, 2025.

The proceeds of the 2001 refunding bonds, along with a portion of the reserves of the 1991 Convention Center bonds, were deposited into an irrevocable trust with an escrow agent to provide for all future debt service payments on the refunded portion of the 1991 Convention Center bonds. As a result, these certain bonds are considered defeased and the liability has been removed from the financial statements. The amount of bonds outstanding at June 30, 2004 is \$26,230,000.

CITY OF PALM SPRINGS
Notes to the Basic Financial Statements
(Continued)

(11) Bonds Payable, (Continued)

2004 Convention Center Lease Revenue Bonds

On May 13, 2004, the Palm Springs Financing Authority issued \$62,395,000 Lease Revenue Bonds, 2004 Series A to finance the Convention Center Expansion Project and to provide funds for the advance refunding of the 1997 Convention Center Bonds. The bonds accrue interest at rates between 3.00% and 5.25%. The principal amounts mature between November 1, 2004 and November 1, 2020 in amounts ranging from \$450,000 to \$1,105,000.

A portion of the proceeds of the bonds, along with a portion of the reserves of the 1997 Convention Center Bonds, were deposited into an irrevocable trust with an escrow agent to provide for all future debt service payments on the 1997 Convention Center bonds. As a result, the 1997 bonds are considered defeased and the liability has been removed from the financial statements.

The advance refunding resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$311,110 and a reduction of total debt service payments of \$494,886.

The required reserve for the 1991, 2001 and 2004 Convention Center Lease Revenue Bonds is \$9,706,412. At June 30, 2004, the reserve fund was fully funded.

CITY OF PALM SPRINGS

Notes to the Basic Financial Statements

(Continued)

(11) Bonds Payable, (Continued)

Annual requirements to amortize outstanding bonds payable (excluding unamortized accretion of \$1,038,401) as of June 30, 2004 are as follows:

Fiscal Year Ending June 30	2001 Housing Bond		Convention Center Lease Revenue Bonds		2004 Series A and B Revenue Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2005	\$ 205,000	256,693	1,660,000	2,636,186	865,000	822,630
2006	215,000	249,343	1,640,000	4,563,612	495,000	1,145,259
2007	220,000	241,510	5,160,000	4,546,412	510,000	1,129,484
2008	230,000	233,070	1,680,000	4,388,612	525,000	1,111,584
2009	235,000	224,000	1,770,000	4,370,012	545,000	1,091,134
2010	245,000	214,094	1,495,000	4,333,612	570,000	1,068,834
2011	255,000	203,278	1,555,000	4,273,112	590,000	1,045,634
2012	270,000	191,593	1,625,000	4,203,513	610,000	1,020,509
2013	280,000	178,868	1,700,000	4,130,913	640,000	991,184
2014	295,000	165,027	1,795,000	4,051,838	675,000	958,309
2015	310,000	150,086	1,880,000	3,962,982	710,000	923,684
2016	325,000	134,049	1,975,000	3,864,269	740,000	887,434
2017	340,000	116,921	2,075,000	3,761,001	780,000	849,434
2018	360,000	98,631	2,250,000	3,650,488	820,000	809,204
2019	375,000	79,103	2,315,000	3,530,656	855,000	766,031
2020	395,000	58,163	2,435,000	3,407,150	905,000	719,677
2021	420,000	35,750	2,565,000	3,279,301	950,000	670,494
2022	440,000	12,100	2,705,000	3,146,412	1,000,000	618,446
2023	-	-	2,845,000	2,978,562	1,055,000	562,653
2024	-	-	2,985,000	2,835,281	1,115,000	502,820
2025	-	-	3,130,000	2,684,825	570,000	455,913
2026	-	-	3,290,000	2,523,275	600,000	422,888
2027	-	-	3,435,000	2,432,925	635,000	388,025
2028	-	-	3,625,000	2,244,000	670,000	351,187
2029	-	-	3,825,000	2,044,625	710,000	312,231
2030	-	-	4,035,000	1,834,250	745,000	271,157
2031	-	-	4,255,000	1,612,325	790,000	227,824
2032	-	-	4,490,000	1,378,300	840,000	181,812
2033	-	-	4,735,000	1,131,350	880,000	133,256
2034	-	-	5,000,000	870,925	930,000	82,156
2035	-	-	5,270,000	595,925	990,000	27,950
2036	-	-	5,565,000	306,075	-	-
Totals	\$5,415,000	2,842,279	94,765,000	95,572,724	23,315,000	20,548,837

CITY OF PALM SPRINGS

Notes to the Basic Financial Statements

(Continued)

(11) Bonds Payable, (Continued)

Business-type activities:

1992 Airport Revenue Bonds

To provide funds for the payment of certain outstanding revenue bond anticipation notes and to finance the construction and acquisition of certain additional improvements relating to the airport system, the Palm Springs Financing Authority (a component unit of the City of Palm Springs) sold \$16,265,000 Airport Revenue Bonds, Series 1992 on August 1, 1992.

The bonds consist of \$3,230,000 of serial bonds and \$13,035,000 of term bonds. The serial bonds accrue interest at rates between 4.10% and 5.50% and the principal amounts mature between January 1, 1995 and January 1, 2004 in amounts ranging from \$260,000 to \$400,000. Term bonds of \$4,175,000 accrue interest at 6.00% and mature on January 1, 2012. Term bonds of \$8,860,000 accrue interest at 6.00% and mature on January 1, 2022.

The required reserve for the 1992 Airport Revenue Bonds is \$1,207,600 and as of June 30, 2004 the reserve fund was fully funded. The amount of bonds outstanding at June 30, 2004 is \$13,035,000.

1998 Airport Revenue Bonds

On June 1, 1998, the Authority issued \$8,260,000 Airport Revenue Bonds, Series 1998 to provide funds to finance certain improvements to the airport. These bonds were issued simultaneously with the 1998 Airport Passenger Facility Charge Revenue Bonds which were also issued to finance certain improvements to the airport.

The bonds consist of \$2,210,000 of serial bonds and \$6,050,000 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 \$140,000 to \$235,000. The first portion of term bonds with principal of \$1,705,000 accrue interest at a rate of 5.125% and mature on January 1, 2018. The second portion of term bonds with principal of \$4,345,000 accrue interest at a rate of 5.25% and mature on January 1, 2028.

Bonds maturing on January 1, 2018 and January 1, 2028 are subject to mandatory redemption, without premium, prior to their maturity date, in part by lot, on January 1 in each year commencing January 1, 2013 with respect to Bonds maturing January 1, 2018, and commencing January 1, 2019 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 thereon to the date fixed for redemption in the aggregate respective principal amounts and on January 1 in the respective years.

CITY OF PALM SPRINGS
Notes to the Basic Financial Statements
(Continued)

(11) Bonds Payable, (Continued)

The required reserve for the 1998 Airport Revenue Bonds is \$561,221. At June 30, 2004, the reserve fund was fully funded. The amount of bonds outstanding at June 30, 2004 is \$7,452,403, which includes \$202,597 of unamortized discount.

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 first portion of term bonds with principal of \$2,550,000 accrue interest at 5.125% and mature on January 1, 2018. The second portion of term bonds with principal of \$2,200,000 accrue interest at a rate of 5.25% and mature on January 1, 2022. The third portion of term bonds with principal of \$4,330,000 accrue interest at a rate of 5.50% and mature on January 1, 2028.

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 thereon to the date fixed for redemption in the aggregate respective principal 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) if some but not all of the bonds have been redeemed pursuant to the optional or special redemption provisions, the total amount of 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

Notes to the Basic Financial Statements

(Continued)

(11) Bonds Payable, (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, 2010 and thereafter is 100%.

The required reserve for the 1998 Airport Passenger Facility Charge Revenue Bonds is \$851,908. At June 30, 2004, the reserve fund was fully funded. The amount of bonds outstanding at June 30, 2004 is \$11,269,399, which includes \$205,601 of unamortized discount.

Future requirements to amortize outstanding business-type bonds payable (excluding \$408,198 of unamortized discounts) as of June 30, 2004 are as follows:

Year Ending June 30	1992 Airport Bonds		1998 Airport Bonds		1998 PFC Airport Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2005	\$ 420,000	782,100	170,000	394,014	250,000	601,518
2006	445,000	756,900	175,000	386,194	265,000	590,018
2007	475,000	730,200	185,000	377,969	275,000	577,563
2008	505,000	701,700	195,000	369,089	290,000	564,363
2009	530,000	671,400	205,000	359,729	305,000	550,443
2010	565,000	639,600	215,000	349,479	320,000	535,193
2011	600,000	605,700	225,000	338,729	335,000	519,193
2012	635,000	569,700	235,000	327,479	355,000	502,443
2013	670,000	531,600	250,000	315,494	375,000	484,338
2014	715,000	491,400	265,000	302,681	390,000	465,119
2015	755,000	448,500	275,000	289,100	415,000	445,131
2016	800,000	403,200	290,000	275,006	435,000	423,863
2017	850,000	355,200	305,000	260,144	455,000	401,569
2018	900,000	304,200	320,000	244,513	480,000	378,250
2019	950,000	250,200	340,000	228,113	505,000	353,650
2020	1,010,000	193,200	360,000	210,263	535,000	327,138
2021	1,075,000	132,600	375,000	191,363	565,000	299,050
2022	1,135,000	68,100	395,000	171,675	595,000	269,388
2023	-	-	420,000	150,938	625,000	238,150
2024	-	-	440,000	128,888	660,000	203,775
2025	-	-	465,000	105,788	700,000	167,475
2026	-	-	490,000	81,375	740,000	128,975
2027	-	-	515,000	55,650	780,000	88,275
2028	-	-	545,000	28,613	825,000	45,375
Total	\$13,035,000	8,635,500	7,655,000	5,942,286	11,475,000	9,160,255

CITY OF PALM SPRINGS

Notes to the Basic Financial Statements

(Continued)

(12) Certificates of Participation

1996 Multiple Capital Facilities

On October 9, 1996, the Palm Springs Financing Authority (a component unit of the City of Palm Springs) issued \$24,135,000 Multiple Capital Facilities Refunding Certificates of Participation to defease the remaining \$14,050,000 of 1991 Golf Course Expansion Certificates of Participation and the remaining \$9,075,000 of 1987 Certificates of Participation Cogeneration Facilities and Police Building.

The certificates consist of \$7,080,000 of serial certificates and \$17,055,000 of term certificates. The serial certificates will accrue interest at rates between 4.00% and 5.375% and the principal amounts mature between April 1, 1998 and April 1, 2010 in amounts ranging from \$410,000 to \$715,000. The term certificates accrue interest at 5.50% to 5.75% and mature between April 1, 2013 and April 1, 2027.

Serial certificates maturing on or after April 1, 2008 may be redeemed prior to maturity on any payment date on or after April 1, 2007 at redemption prices ranging from 100% to 102%. The term certificates that mature on or after April 1, 2013 mature at a redemption price equal to the principal amount to be redeemed, together with accrued interest to the date fixed for redemption without premium.

The activities associated with the police building project and cogeneration plant are governmental activities while the activities of the golf course are business-type activities.

The outstanding 1996 Multiple Capital Facilities Refunding Certificates of Participation at June 30, 2004 are reflected in the accompanying financial statements as follows:

	<u>Balance at June 30, 2004</u>
Governmental activities:	
Police building project	\$ 2,220,000
Cogeneration plant fund	4,915,000
Less unamortized discount	<u>(109,778)</u>
Total governmental activities	<u>\$ 7,025,222</u>
Business-type activities:	
Golf Course Fund	\$13,720,000
Less unamortized discount	<u>(1,475,030)</u>
Total business-type activities	<u>\$12,244,970</u>

CITY OF PALM SPRINGS

Notes to the Basic Financial Statements

(Continued)

(12) Certificates of Participation, (Continued)

1998 Multiple Capital Facilities Certificates

On September 17, 1998, the Palm Springs Financing Authority (a component unit of the City of Palm Springs) issued \$3,065,000 Multiple Capital Facilities Refunding Certificates of Participation to refund a portion of the Palm Springs Public Facility Corporation's 1989 Wastewater Certificates of Participation.

The serial certificates accrue interest at rates between 3.70% and 4.90% with principal amounts maturing between April 1, 1999 and April 1, 2015 in amounts ranging from \$10,000 to \$280,000. Certificates maturing on or after April 1, 2008 may be redeemed prior to maturity on any interest payment date on or after April 1, 2007 at redemption prices ranging from 100% to 102%.

The required reserve for the 1996 and 1998 Multiple Capital Facilities Certificates is \$2,029,539. At June 30, 2004, the reserve fund was fully funded. The entire amount of 1998 certificates outstanding are reflected as governmental activities at June 30, 2004 in the amount of \$2,505,000.

2002 Taxable Variable Rate Certificates of Participation

On July 29, 2002, the Financing Authority issued \$8,000,000 Taxable Variable Rate Demand Certificates of Participation to provide funds to reimburse the City for the costs of acquisition of the downtown parking projects site and to provide funds to construct, furnish, equip, and improve the site.

The certificates accrue interest at variable rates not to exceed 12%. The interest rate to be payable may be converted to a fixed rate at the election of the City. Principal amounts mature between August 2010 and August 2027 in amounts ranging from \$190,000 to \$755,000.

The certificates are subject to mandatory sinking account redemption from lease payments made by the City at a redemption price equal to the principal amount to be redeemed, together with accrued interest to the redemption date, without premium. At June 30, 2004, the outstanding balance is \$8,000,000.

CITY OF PALM SPRINGS

Notes to the Basic Financial Statements

(Continued)

(12) Certificates of Participation, (Continued)

Future requirements to amortize outstanding certificates of participation as of June 30, 2004 are as follows:

Year Ending June 30	1996 Multiple Capital Facilities		1998 Multiple Capital Facilities		2002 Taxable Variable Rate	
	Principal	Interest	Principal	Interest	Principal	Interest
2005	\$ 560,000	1,169,854	185,000	113,710	-	112,000
2006	585,000	1,142,974	190,000	106,125	-	112,000
2007	615,000	1,113,723	200,000	98,145	-	112,000
2008	645,000	1,082,359	210,000	89,645	-	112,000
2009	680,000	1,048,819	220,000	80,720	-	112,000
2010	715,000	1,013,119	225,000	71,040	190,000	112,000
2011	755,000	974,687	230,000	60,915	205,000	109,340
2012	795,000	933,162	240,000	50,335	215,000	106,470
2013	840,000	889,437	255,000	39,055	230,000	103,460
2014	710,000	843,237	270,000	26,815	245,000	100,240
2015	750,000	802,412	280,000	13,720	355,000	96,810
2016	795,000	759,287	-	-	375,000	91,840
2017	840,000	713,575	-	-	400,000	86,590
2018	890,000	665,275	-	-	430,000	80,990
2019	940,000	614,100	-	-	455,000	74,970
2020	995,000	560,050	-	-	485,000	68,600
2021	1,050,000	502,837	-	-	520,000	61,810
2022	1,110,000	442,462	-	-	550,000	54,530
2023	1,175,000	378,637	-	-	590,000	46,830
2024	1,240,000	311,075	-	-	625,000	38,570
2025	1,310,000	239,775	-	-	665,000	29,820
2026	1,390,000	164,450	-	-	710,000	20,510
2027	1,470,000	84,525	-	-	755,000	10,570
Totals	<u>\$20,855,000</u>	<u>16,449,831</u>	<u>2,505,000</u>	<u>750,225</u>	<u>8,000,000</u>	<u>1,853,950</u>

(13) Defeasance of Debt

The Palm Springs Financing Authority (component unit of the City of Palm Springs) defeased certain certificates of participation, leasehold mortgage bonds and revenue bonds by placing the proceeds of new certificates of participation and revenue bonds in an irrevocable trust to provide for all future debt service payments on the old debt issues. Accordingly, the trust account assets and the liability for the defeased debt issues are not included in the City's financial statements. As of June 30, 2004, the following debt issues outstanding are considered defeased:

CITY OF PALM SPRINGS

Notes to the Basic Financial Statements

(Continued)

(13) Defeasance of Debt, (Continued)

1994 Series A and B Tax Allocation Revenue Bonds (Community Redevelopment Agency)	\$17,730,000
1997 Lease Revenue Bonds (Convention Center)	11,205,000
1989 Certificates of Participation (Wastewater)	2,124,778
1991 Series B Revenue Bonds	11,770,000
1991 Series A Lease Revenue Bonds (Convention Center)	<u>10,940,000</u>
	<u>\$53,769,778</u>

(14) Claims and Judgments

The City is exposed to various risks of loss related to its operation, including losses associated with errors and omissions, injuries to employees and members of the public. The City's Internal Service Risk Management Fund is used to account for and finance its uninsured risks of loss. The City purchases commercial insurance from The Insurance Company of the State of Pennsylvania (ICSP) for general liability claims. Under this policy, ICSP covers claims in excess of the City's self-insured retention of \$300,000 per occurrence and provides a general liability coverage up to \$10,000,000 per claim.

The City of Palm Springs purchases commercial workers' compensation insurance from National Union Fire Insurance Company of PA. Under this policy, Employers recover claims in excess of the City's self insured retention of \$1,000,000 and provides employer liability coverage up to \$1,000,000 in addition to workers' compensation statutory limits.

Certain settled claims for worker's compensation exceeded the self insurance retention level in 2002, 2003 and 2004. These claims exceeded the self-insurance retention level, but did not exceed the excess insurance coverage limits.

The claims and judgments liability reported in the Internal Service Risk Management Fund is based on the requirements of Governmental Accounting Standards Board Statement No. 10, which requires that a liability for claims and judgments be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of loss can be reasonably estimated. As of June 30, 2004, claims and judgments payable, including estimated claims for incurred but not reported claims, amounted to \$2,488,947.

CITY OF PALM SPRINGS

Notes to the Basic Financial Statements

(Continued)

(14) Claims and Judgments, (Continued)

Changes in the claims and judgments payable amounts in fiscal years ended June 30, 2003 and 2004 for the Risk Management Fund are as follows:

	<u>Beginning of Fiscal Year Liability</u>	<u>Current Year Claims and Changes in Estimates</u>	<u>Claim Payments</u>	<u>Balance at Fiscal Year End</u>
2002-03	\$3,523,810	1,970,557	(2,294,116)	3,200,251
2003-04	3,200,251	981,615	(1,692,919)	2,488,947

(15) Defined Benefit Pension Plan (PERS)

The City of Palm Springs contributes to the California Public Employees Retirement System (PERS), an agent multiple-employer public employee defined benefit pension plan. PERS provides retirement, disability benefits, 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. Copies of PERS' annual financial report may be obtained from its executive office at 400 "P" Street, Sacramento, California 95814.

Participants are required to contribute 8% of their annual covered salary (9% for safety employees). The City makes the contributions required of City employees on their behalf and for their account. Benefit provisions and all other requirements are established by state statute and town contract with employee bargaining groups.

Under GASB 27, an employer reports an annual pension cost (APC) equal to the annual required contribution (ARC) plus an adjustment for the cumulative difference between the APC and the employer's actual plan contributions for the year. The cumulative difference is called the net pension obligation (NPO). The ARC for the period July 1, 2003 to June 30, 2004 has been determined by an actuarial valuation of the plan as of June 30, 2001. The contribution rate indicated for the period is 25.47% of payroll for the safety plan and 3.733% of payroll for the miscellaneous plan. The police and fire rates were not merged until July 1, 2004. The City's contribution rate for Police Safety was 22.303%. The City's contribution rate for Fire was 8.349% from June 30, 2003 to December 31, 2003 and 23.003% from January 1, 2004 to June 30, 2004. These rates do not include the employee rate of 9% which the City pays on their behalf. In order to calculate the dollar value of the ARC for inclusion in financial statements prepared as of June 30, 2004, this contribution rate would be multiplied by the payroll of covered employees that was actually paid during the period July 1, 2003 to June 30, 2004.

CITY OF PALM SPRINGS
Notes to the Basic Financial Statements
(Continued)

(15) Defined Benefit Pension Plan (PERS), (Continued)

A summary of principle assumptions and methods used to determine the ARC is shown below.

	<u>Miscellaneous Plan</u>	<u>Safety Plan</u>
Valuation Date	June 30, 2001	June 30, 2001
Actuarial Cost Method	Entry Age Actuarial Cost Method	Entry Age Actuarial Cost Method
Amortization Method	Level Percent of Payroll	Level Percent of Payroll
Average Remaining Period	22 Years as of the Valuation Date	22 Years as of the Valuation Date
Asset Valuation Method	3 Year Smoothed Market	3 Year Smoothed Market
Actuarial Assumptions		
Investment Rate of Return	8.25% (net of administrative expenses)	8.25% (net of administrative expenses)
Projected Salary Increases	3.75% to 14.20% depending on Age, Service, and type of employment	4.27% to 11.59% depending on Age, Service, and type of employment
Inflation	3.50%	3.50%
Payroll Growth	3.75%	3.75%
Individual Salary Growth	A merit scale varying by duration of employment coupled with an assumed annual inflation component of 3.5% and an annual production growth of 0.25%	A merit scale varying by duration of employment coupled with an assumed annual inflation component of 3.5% and an annual production growth of 0.25%

Initial unfunded liabilities are amortized over a closed period that depends on the plan's date of entry into CalPERS. Subsequent plan amendments are amortized as a level percentage of pay over a closed 20-year period. Gains and losses that occur in the operation of the plan are amortized over a rolling period, which results in an amortization of 10% of unamortized gains and losses each year. If the plan's accrued liability exceeds the actuarial value of plan assets, then the amortization period may not be lower than the payment calculated over a 30 year amortization period.

For the safety plan, the unfunded actuarial liability is amortized over a period ending June 30, 2015. For the miscellaneous plan, the unfunded actuarial liability is amortized over a period ending June 30, 2023.

The Schedule of Funding Progress below shows the recent history of the actuarial value of assets, actuarial accrued liability, their relationship, and the relationship of the unfunded accrued liability to payroll.

CITY OF PALM SPRINGS

Notes to the Basic Financial Statements

(Continued)

(15) Defined Benefit Pension Plan (PERS), (Continued)

Required Supplementary Information – Safety (\$ Amount in Thousands)

<u>Valuation Date</u>	<u>Entry Age Normal Accrued Liability</u>	<u>Actuarial Value of Assets</u>	<u>Unfunded Liability/ (Excess Assets)</u>	<u>Funded Status</u>	<u>Annual Covered Payroll</u>	<u>UAAL As a % of Payroll</u>
6/30/01	\$76,914	92,273	(15,359)	120.0%	13,628	(112.7)%
6/30/02	85,481	83,122	2,359	97.2%	14,503	16.3%
6/30/03	98,809	82,500	16,309	83.5%	15,499	105.2%

Required Supplementary Information – Miscellaneous (\$ Amount in Thousands)

<u>Valuation Date</u>	<u>Entry Age Normal Accrued Liability</u>	<u>Actuarial Value of Assets</u>	<u>Unfunded Liability/ (Excess Assets)</u>	<u>Funded Status</u>	<u>Annual Covered Payroll</u>	<u>UAAL As a % of Payroll</u>
6/30/01	\$101,031	96,901	4,130	95.9%	9,411	43.9%
6/30/02	111,274	94,259	17,015	84.7%	9,941	171.2%
6/30/03	116,506	94,103	22,403	80.8%	10,132	221.1%

Three-Year Trend Information

Annual Pension Cost (Employer Contribution)

<u>Fiscal Year</u>	<u>Safety</u>	<u>Miscellaneous</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/02	\$ 484,527	-	100%	-
6/30/03	484,837	-	100%	-
6/30/04	2,073,340	581,803	100%	-

(16) Leasehold Interest

SENCA Palm Springs, Inc., a California Corporation, was the lessee under Business Lease No. PSL-315 and a certain letter dated May 1, 1984, which are collectively referred to as the “Master Lease.” Under this Master Lease, the Agua Caliente (Palm Springs) Reservation was the “lessor” while SENCA was the “lessee.”

CITY OF PALM SPRINGS

Notes to the Basic Financial Statements

(Continued)

(16) Leasehold Interest, (Continued)

On September 28, 1989 the City of Palm Springs entered into an agreement with SENCA to assume SENCA's lease. The agreement provided for, among other things, the assignment by SENCA to the City of all of SENCA's right, title and interest in and to the Master Lease and the three subleases in exchange for \$3,000,000. In addition, the City subleased to SENCA the remainder of the Master Lease Property (the "New Sublease Property"). SENCA's interest in that sublease was eventually sold, and is now owned by Tom and Jacqueline Suitt. Until the site is developed, the rent is \$1 per year. The City assumed the responsibility of collecting the rent of the three remaining subleases: Wyndham Hotel, Convention Center and Voss Properties. Voss Properties eventually went into foreclosure, and the sublease was turned into a direct lease with the Bureau of Indian Affairs. The basic rent of \$470,450 for the Wyndham Hotel has been adjusted by increases in the Consumer Price Index to \$729,082. The Convention Center's basic rent of \$225,000 is now \$348,695. The rents paid to the City are due each December 20th for the succeeding calendar year. The next CPI adjustment will affect the December 20, 2004 payment for the calendar year ending December 31, 2005. The subleases expire in 2059. Both leases have a 25 year option to extend.

Subsequently, the City pays the lessor in accordance with the Master Lease. Basic rent is adjusted every five years using the "Base Index" (Price Index of December, 1984) issued by the Bureau of Labor Statistics of the United States Department of Labor. The current annual rent is \$872,756. In addition to the basic rent, sublessees may pay additional rent equal to any and all rent or percentage rent payable under the Master Lease relating to any and all business activities conducted on the leased property. The Master Lease and subleases are considered for accounting purposes to be operating leases.

(17) Transfers In/Transfers Out

The following schedule summarizes the City's transfer activity:

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
General Fund	Non-Major Governmental Funds	\$ 600,000 (a)
	Capital Projects Fund	100,000
	Internal Service Funds	300,000
Special Assessment Debt Service	General Fund	100,000
Capital Projects Fund	General Fund	1,840,068 (b)
Non-Major Governmental Funds	General Fund	3,597,088 (c)
	Non-Major Governmental Funds	4,681,771 (d)
Airport Fund	Internal Service Fund	183,813
Golf Course Fund	Community Promotion Fund	<u>600,000 (e)</u>
	Total	<u>\$12,002,740</u>

CITY OF PALM SPRINGS

Notes to the Basic Financial Statements

(Continued)

(17) Transfers In/Transfers Out, (Continued)

- (a) The Gas Tax Special Revenue Fund transferred \$600,000 to the General Fund for reimbursement for street and traffic related costs.
- (b) The General Fund transferred \$1,540,068 to the Capital Projects Fund for the Convention Center Phase I costs and \$300,000 for Measure Y.
- (c) The General Fund transferred \$3,547,088 to the General Debt Service Fund for the Convention Center debt payment and transferred \$50,000 to other Non-Major Governmental Funds.
- (d) The Community Redevelopment Agency Capital Projects Fund transferred \$3,834,801 to the Community Redevelopment Agency Debt Service Fund. The Community Redevelopment Agency Capital Projects Fund receives the proceeds of new advances and the Community Redevelopment Agency Debt Service Fund is responsible for repaying the advances. The transfer is to reimburse the Community Redevelopment Debt Service Fund for the repayments.
- (e) The Community Promotion Special Revenue Fund transferred \$600,000 to the Golf Course Fund to fund the operations of the Golf Course.

(18) Subsequent Events

In July 2004, the California Statewide Communities Development Authority issued \$803,750,000 of 2004 Tax and Revenue Anticipation Bonds for the purpose of providing funding for the prepayment of the PERS obligation. The City of Palm Springs participation in the original issue amount is \$6,660,000. The term of the note is twelve months. The City received approximately a 4% discount by prepaying the PERS obligation. After the cost of issuance and interest expense, the net savings to the City is about \$200,000.

(19) Expenditures in Excess of Appropriations

Expenditures exceeded appropriations at June 30, 2004 in the following funds:

Special Revenue Fund:	
Low and Moderate Income Housing Fund:	
Interest	\$ 1,320
Debt Service Fund:	
General Debt Service Fund:	
Principal	2,949
Community Redevelopment Agency Fund:	
Payment to bond escrow	2,311,974

**REQUIRED SUPPLEMENTARY
INFORMATION**



REQUIRED SUPPLEMENTARY INFORMATION

CITY OF PALM SPRINGS

Notes to the Required Supplementary Information

Year Ended June 30, 2004

(1) Budgets and Budgetary Data

The adopted budget of the City consists of a resolution specifying the total appropriation for each departmental activity, (e.g., Police Administration, Airport Administration, Street Maintenance, etc.).

Total appropriations for each fund may only be increased or decreased by the City Council by passage of a resolution amending the budget, with the exception of budget adjustments which involve offsetting revenues and expenditures. In cases involving offsetting revenues and expenditures, the Finance Director is authorized to increase or decrease an appropriation for a specific purpose where said appropriation is offset by unbudgeted revenue which is designated for said specific purpose. During the year, there were supplemental budgetary appropriations amounting to \$77,845,028. This included \$59,890,222 for the 2004 Convention Center Bonds, \$5,333,000 for the 2004 Community Redevelopment Bonds and \$4,402,512 for the AD161 Bonds.

The City Manager and Assistant City Manager have authority to adjust the amounts appropriated between the departments and activities of a fund, objects within each departmental activity and between accounts within the objects, provided, however, that the total appropriations for each fund may not exceed the amounts provided in the budget resolution.

The level on which expenditures may not legally exceed appropriations is the fund level.

All appropriations lapse at fiscal year-end unless City Council takes formal action in the form of a resolution to continue the appropriation into the following fiscal year.

Budgets for the various funds are adopted on a basis consistent with generally accepted accounting principles (GAAP). Annual appropriated budgets are legally adopted for the general, special revenue, debt service, capital projects, and proprietary fund types.

(2) Expenditures in Excess of Appropriations

Expenditures exceed appropriations at June 30, 2004 in the following major fund:

Debt Service Fund:	
Special Assessment Fund	
Principal	\$145,000

**SUPPLEMENTARY
SCHEDULES**



SUPPLEMENTARY SCHEDULES

CITY OF PALM SPRINGS
General Fund

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Year ended June 30, 2004

	Budget		Actual	Variance- Positive (Negative)	Prior Year Actual
	Original	Final			
Revenues:					
Taxes	\$ 28,215,000	28,215,000	30,039,422	1,824,422	26,586,087
Licenses and permits	1,989,000	2,115,400	2,988,061	872,661	2,102,736
Fines and penalties	334,000	334,000	433,792	99,792	287,455
Investment income	300,000	300,000	116,162	(183,838)	228,076
Rental income	285,000	285,000	272,791	(12,209)	272,412
Intergovernmental	3,044,000	3,363,822	3,124,563	(239,259)	3,187,531
Charges for services	3,594,555	3,083,397	3,718,268	634,871	2,855,670
Transient occupancy taxes	5,000,000	5,000,000	5,303,405	303,405	5,191,029
Donations and contributions	100	18,980	55,814	36,834	107,440
Miscellaneous	330,000	290,781	348,984	58,203	280,337
Total revenues	<u>43,091,655</u>	<u>43,006,380</u>	<u>46,401,262</u>	<u>3,394,882</u>	<u>41,098,773</u>
Expenditures:					
Current:					
General government	7,326,754	7,018,285	6,317,028	701,257	6,168,566
Public safety	24,612,256	25,373,161	24,789,729	583,432	21,710,615
Public works	5,680,321	6,964,489	6,162,944	801,545	5,756,243
Parks and recreation	3,806,206	4,054,214	3,990,209	64,005	3,918,454
Library	2,165,562	2,174,688	2,048,888	125,800	2,083,320
Total expenditures	<u>43,591,099</u>	<u>45,584,837</u>	<u>43,308,798</u>	<u>2,276,039</u>	<u>39,637,198</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(499,444)</u>	<u>(2,578,457)</u>	<u>3,092,464</u>	<u>5,670,921</u>	<u>1,461,575</u>
Other financing sources (uses):					
Transfers in	1,148,000	1,000,000	1,000,000	-	1,850,000
Transfers out	(5,782,088)	(5,782,068)	(5,537,156)	244,912	(3,235,674)
Sale of general fixed assets	5,000	-	-	-	558,701
Total other financing sources (uses)	<u>(4,629,088)</u>	<u>(4,782,068)</u>	<u>(4,537,156)</u>	<u>244,912</u>	<u>(826,973)</u>
Net change in fund balances	<u>(5,128,532)</u>	<u>(7,360,525)</u>	<u>(1,444,692)</u>	<u>5,915,833</u>	<u>634,602</u>
Fund balances at beginning of year	<u>11,561,867</u>	<u>11,561,867</u>	<u>11,561,867</u>	<u>-</u>	<u>10,927,265</u>
Fund balances at end of year	<u>\$ 6,433,335</u>	<u>4,201,342</u>	<u>10,117,175</u>	<u>5,915,833</u>	<u>11,561,867</u>

CITY OF PALM SPRINGS
Community Promotion Fund

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual

Year ended June 30, 2004

	Budget		Actual	Variance- Positive (Negative)	Prior Year Actual
	Original	Final			
Revenues:					
Rental income	\$ 27,000	27,000	9,308	(17,692)	22,344
Charges for services	73,208	73,208	79,058	5,850	13,251
Transient occupancy taxes	8,400,000	8,400,800	7,014,847	(1,385,953)	7,230,065
Donations and contributions	-	559,451	558,600	(851)	-
Miscellaneous	20,292	55,200	50,719	(4,481)	362,162
Total revenues	8,520,500	9,115,659	7,712,532	(1,403,127)	7,627,822
Expenditures:					
Current:					
General government	2,611,516	3,187,957	3,009,416	178,541	2,799,927
Cultural and convention center	1,809,695	2,485,223	1,732,643	752,580	1,336,429
Parks and recreation	676,611	955,740	911,005	44,735	538,071
Capital outlay	-	-	-	-	683,678
Total expenditures	5,097,822	6,628,920	5,653,064	975,856	5,358,105
Excess (deficiency) of revenues over (under) expenditures	3,422,678	2,486,739	2,059,468	(427,271)	2,269,717
Other financing sources (uses):					
Transfers in	-	-	-	-	20,000
Transfers out	(600,000)	(600,000)	(600,000)	-	(2,830,000)
Total other financing sources (uses)	(600,000)	(600,000)	(600,000)	-	(2,810,000)
Net change in fund balances	2,822,678	1,886,739	1,459,468	(427,271)	(540,283)
Fund balances at beginning of year	1,731,322	1,731,322	1,731,322	-	2,271,605
Fund balances at end of year	\$ 4,554,000	3,618,061	3,190,790	(427,271)	1,731,322

CITY OF PALM SPRINGS
Combining Balance Sheet - Non-Major Governmental Funds
June 30, 2004

	Special	Debt	Capital	Totals	
	Revenue	Service	Projects	2004	2003
<u>Assets</u>					
Cash and investments	\$ 21,119,043	2,009,659	1,520,586	24,649,288	22,541,659
Restricted assets:					
Cash and investments					
with fiscal agent	706,102	18,135,082	67,586	18,908,770	7,554,379
Deposits	33,044	-	-	33,044	33,044
Receivables:					
Accounts	178,799	-	52,620	231,419	193,417
Accrued interest	83,793	3,989	11,734	99,516	160,029
Notes	302,109	-	-	302,109	304,609
Due from other governments	1,167,548	71,019	-	1,238,567	632,263
Advances to other funds	2,115,992	-	-	2,115,992	2,115,992
Property held for resale	908,690	-	6,290,882	7,199,572	7,199,572
Total assets	<u>26,615,120</u>	<u>20,219,749</u>	<u>7,943,408</u>	<u>54,778,277</u>	<u>40,734,964</u>
<u>Liabilities and Fund Balances</u>					
Liabilities:					
Accounts payable	548,443	-	24,013	572,456	876,650
Accrued wages payable	32,652	-	-	32,652	20,887
Due to other funds	540,040	139,866	-	679,906	288,920
Due to other governments	146,653	-	-	146,653	149,153
Deposits payable	-	-	500	500	500
Deferred revenue	26,500	-	-	26,500	110,598
Pass-through payable	-	785,529	-	785,529	826,446
Advances from other funds	-	5,402,662	-	5,402,662	5,416,850
Total liabilities	<u>1,294,288</u>	<u>6,328,057</u>	<u>24,513</u>	<u>7,646,858</u>	<u>7,690,004</u>
Fund balances:					
Reserved for:					
Encumbrances	1,347,382	-	31,985	1,379,367	2,393,673
Non-current assets	3,351,807	-	6,290,882	9,642,689	9,645,189
Debt service requirements	706,102	13,891,692	-	14,597,794	6,101,574
Low and moderate housing	1,132,284	-	-	1,132,284	1,617,092
Unreserved-designated	19,009,347	-	1,596,028	20,605,375	15,891,355
Unreserved-undesignated	(226,090)	-	-	(226,090)	(2,603,923)
Total fund balances	<u>25,320,832</u>	<u>13,891,692</u>	<u>7,918,895</u>	<u>47,131,419</u>	<u>33,044,960</u>
Total liabilities and fund balances	<u>\$ 26,615,120</u>	<u>20,219,749</u>	<u>7,943,408</u>	<u>54,778,277</u>	<u>40,734,964</u>

CITY OF PALM SPRINGS
Combining Statement of Revenues, Expenditures and Changes in Fund Balances -
Non-Major Governmental Funds
Year ended June 30, 2004

	Special	Debt	Capital	Totals	
	Revenue	Service	Projects	2004	2003
Revenues:					
Taxes	\$ 3,410,347	4,913,776	-	8,324,123	8,068,244
Licenses and permits	1,482,806	-	-	1,482,806	680,046
Fines and penalties	264,431	-	-	264,431	372,340
Investment income	278,063	670,178	30,494	978,735	978,560
Rental income	21,017	-	170,000	191,017	178,038
Intergovernmental	2,143,764	-	-	2,143,764	1,705,069
Charges for services	1,374,755	-	104,000	1,478,755	1,614,720
Special assessments	361,889	-	-	361,889	263,073
Donations and contributions	663,885	-	1,092	664,977	281,184
Master lease	1,078,389	-	-	1,078,389	1,078,389
Miscellaneous	92,522	201,635	28,041	322,198	167,727
Total revenues	11,171,868	5,785,589	333,627	17,291,084	15,387,390
Expenditures:					
Current:					
General government	219,232	1,000	623,936	844,168	873,662
Public safety	860,277	-	-	860,277	1,038,710
Public works	5,037,686	-	809,622	5,847,308	4,616,229
Parks and recreation	272,265	-	-	272,265	271,416
Library	187,902	-	-	187,902	396,546
Lease	872,687	348,695	-	1,221,382	1,221,382
Capital outlay	-	-	-	-	5,328,164
Debt service:					
Principal	307,240	2,323,658	-	2,630,898	2,613,662
Interest	358,333	4,030,489	193,767	4,582,589	4,009,643
Bond issuance costs	-	-	-	-	342,195
Pass-through payments	-	2,001,988	-	2,001,988	1,910,074
Payment to bond escrow	-	3,284,353	-	3,284,353	-
Total expenditures	8,115,622	11,990,183	1,627,325	21,733,130	22,621,683
Excess (deficiency) of revenues over (under) expenditures	3,056,246	(6,204,594)	(1,293,698)	(4,442,046)	(7,234,293)
Other financing sources (uses):					
Transfers in	50,000	3,847,088	4,381,771	8,278,859	5,062,949
Transfers out	(600,000)	(4,681,771)	-	(5,281,771)	(1,947,275)
Sale of general fixed assets	-	-	-	-	997,065
Issuance of bonds	-	41,559,863	-	41,559,863	8,000,000
Payment to bond escrow	-	(26,028,446)	-	(26,028,446)	-
Total other financing sources (uses)	(550,000)	14,696,734	4,381,771	18,528,505	12,112,739
Net change in fund balances	2,506,246	8,492,140	3,088,073	14,086,459	4,878,446
Fund balances at beginning of year	22,814,586	5,399,552	4,830,822	33,044,960	28,166,514
Fund balances at end of year	\$ 25,320,832	13,891,692	7,918,895	47,131,419	33,044,960

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NON-MAJOR SPECIAL REVENUE FUNDS

Special Revenue Funds are used to account for specific revenues that are legally restricted to expenditure for particular purposes.

The City of Palm Springs has the following Non-Major Special Revenue Funds:

Forfeiture Fund - To account for revenues and costs related to special narcotics investigations and seizure of assets as a result of these investigations.

Safety Augmentation Fund - To account for revenues and costs related to Proposition 172, which authorized a special ½% sales tax to be used for safety purposes only.

CSA 152 Fund - To account for revenues and costs related to the implementation of the National Pollutant Discharge Elimination System. This program is designed to reduce pollutants entering the various storm channels and washes throughout the community.

Recycling - AB 939 Fund - To account for revenues and expenditures related to the operations of the City's recycling activities.

Villagefest Fund - To account for revenues and costs related to the Palm Springs Villagefest.

Parking Fund - To account for revenues and costs related to the parking lot facilities located within the City.

Gas Tax Fund - To account for revenue received from the State of California and other sources to be used for street maintenance and improvements only.

Measure A Improvements Fund - To account for revenue received from the State of California from a special 1/2% sales tax to be used for street maintenance and improvements only.

Drainage Construction Fund - To account for revenue received from fees assessed on new construction for the purpose of building and maintaining a drainage and flood control system within the City.

Community Development Block Grant Fund - To account for revenue and costs related to the activities approved and funded by the Block Grant Program.

Master Lease Fund - To account for revenue and expenditures related to the Master Lease held by the City on land adjacent to the Convention Center.

Air Quality Management Fund - To account for revenue received from the County for enacting air quality improvement policies.

Public Arts Fund - To account for revenue and expenditures related to fees collected on new construction for the purpose of procuring art objects for public benefit.

Library Fund - To account for revenues received for various purposes related to the library activities.

Special Projects Fund - To account for revenue and expenditures of deposits received from developers on a project specific basis.

Low and Moderate Housing Fund - To account for revenue and expenditures related to the development of facilities within the City for citizens of low or moderate means.

CITY OF PALM SPRINGS
Special Revenue Funds

Combining Balance Sheet

June 30, 2004

Assets	<u>Forfeiture</u>	<u>Safety Augmentation</u>	<u>CSA 152</u>	<u>Recycling AB 939</u>	<u>Villagefest</u>	<u>Parking</u>	<u>Gas Tax</u>	<u>Measure A Improvements</u>
Cash and investments	\$ 359,274	194,909	-	5,145,073	114,535	-	624,306	4,224,819
Restricted assets:								
Cash and investments with fiscal agents	-	-	-	-	-	-	-	-
Deposits	-	-	-	-	-	-	-	-
Receivables:								
Accounts	3,275	-	-	172,200	-	-	-	-
Accrued interest	1,466	694	-	20,748	-	-	2,453	17,359
Notes	-	-	-	-	-	-	-	-
Due from other governments	-	84,031	199,069	-	-	2,867	80,245	504,516
Advances to other funds	-	-	-	-	-	36,353	-	-
Property held for resale	-	-	-	-	-	-	-	-
 Total assets	 <u>\$ 364,015</u>	 <u>279,634</u>	 <u>199,069</u>	 <u>5,338,021</u>	 <u>114,535</u>	 <u>39,220</u>	 <u>707,004</u>	 <u>4,746,694</u>
 <u>Liabilities and Fund Balances</u>								
Liabilities:								
Accounts payable	\$ 24,480	11,378	21,308	21,008	6,289	53,065	107,679	196,947
Accrued wages payable	-	10,872	515	3,709	8,941	415	-	-
Due to other funds	-	-	177,246	-	-	169,704	-	-
Due to other governments	-	-	-	-	-	-	-	-
Deferred revenue	26,500	-	-	-	-	-	-	-
 Total liabilities	 <u>50,980</u>	 <u>22,250</u>	 <u>199,069</u>	 <u>24,717</u>	 <u>15,230</u>	 <u>223,184</u>	 <u>107,679</u>	 <u>196,947</u>
Fund balances (deficit):								
Reserved for:								
Encumbrances	32,441	5,000	5,773	15,001	-	-	57,857	1,181,671
Deposits	-	-	-	-	-	-	-	-
Notes receivable	-	-	-	-	-	-	-	-
Advances to other funds	-	-	-	-	-	36,353	-	-
Property held for resale	-	-	-	-	-	-	-	-
Debt service requirements	-	-	-	-	-	-	-	-
Low and moderate housing	-	-	-	-	-	-	-	-
Unreserved:								
Designated for:								
Special purposes	32,484	51,486	-	5,274,645	99,305	-	154,746	86,637
Continuing appropriations	248,110	200,898	-	23,658	-	-	386,722	3,281,439
Undesignated	-	-	(5,773)	-	-	(220,317)	-	-
 Total fund balances (deficit)	 <u>313,035</u>	 <u>257,384</u>	 <u>-</u>	 <u>5,313,304</u>	 <u>99,305</u>	 <u>(183,964)</u>	 <u>599,325</u>	 <u>4,549,747</u>
 Total liabilities and fund balances	 <u>\$ 364,015</u>	 <u>279,634</u>	 <u>199,069</u>	 <u>5,338,021</u>	 <u>114,535</u>	 <u>39,220</u>	 <u>707,004</u>	 <u>4,746,694</u>

EXHIBIT C-1

Drainage Construction	Community Development Block Grant	Master Lease	Air Quality Management	Public Arts	Library	Special Projects	Low and Moderate Housing	Totals	
								2004	2003
4,668,773	-	22,856	14,379	600,531	2,527,613	337,072	2,284,903	21,119,043	18,993,943
-	-	233,956	-	-	-	-	472,146	706,102	702,022
-	-	-	-	-	-	-	33,044	33,044	33,044
-	824	-	-	-	-	2,500	-	178,799	193,417
18,552	-	-	61	2,363	11,295	-	8,802	83,793	97,954
-	8,028	-	-	-	-	-	294,081	302,109	304,609
-	282,959	-	13,861	-	-	-	-	1,167,548	585,579
-	-	-	-	-	-	-	2,079,639	2,115,992	2,115,992
-	-	-	-	-	-	-	908,690	908,690	908,690
<u>4,687,325</u>	<u>291,811</u>	<u>256,812</u>	<u>28,301</u>	<u>602,894</u>	<u>2,538,908</u>	<u>339,572</u>	<u>6,081,305</u>	<u>26,615,120</u>	<u>23,935,250</u>
30,801	44,020	-	4,620	1,985	8,215	9,966	6,682	548,443	628,488
-	1,850	-	885	2,847	-	-	2,618	32,652	19,984
-	193,090	-	-	-	-	-	-	540,040	212,441
-	8,028	-	-	-	-	-	138,625	146,653	149,153
-	-	-	-	-	-	-	-	26,500	110,598
<u>30,801</u>	<u>246,988</u>	<u>-</u>	<u>5,505</u>	<u>4,832</u>	<u>8,215</u>	<u>9,966</u>	<u>147,925</u>	<u>1,294,288</u>	<u>1,120,664</u>
12,707	-	-	-	19,652	8,638	-	8,642	1,347,382	2,384,388
-	-	-	-	-	-	-	33,044	33,044	33,044
-	-	-	-	-	-	-	294,081	294,081	296,581
-	-	-	-	-	-	-	2,079,639	2,115,992	2,115,992
-	-	-	-	-	-	-	908,690	908,690	908,690
-	-	233,956	-	-	-	-	472,146	706,102	702,022
-	-	-	-	-	-	-	1,132,284	1,132,284	1,617,092
1,798,565	-	22,856	22,796	480,947	2,522,055	251	-	10,546,773	8,904,918
2,845,252	44,823	-	-	97,463	-	329,355	1,004,854	8,462,574	5,989,683
-	-	-	-	-	-	-	-	(226,090)	(137,824)
<u>4,656,524</u>	<u>44,823</u>	<u>256,812</u>	<u>22,796</u>	<u>598,062</u>	<u>2,530,693</u>	<u>329,606</u>	<u>5,933,380</u>	<u>25,320,832</u>	<u>22,814,586</u>
<u>4,687,325</u>	<u>291,811</u>	<u>256,812</u>	<u>28,301</u>	<u>602,894</u>	<u>2,538,908</u>	<u>339,572</u>	<u>6,081,305</u>	<u>26,615,120</u>	<u>23,935,250</u>

CITY OF PALM SPRINGS
Special Revenue Funds

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Year ended June 30, 2004

	Forfeiture	Safety Augmentation	CSA 152	Recycling AB 939	Villagefest	Parking	Gas Tax	Measure A Improvements
Revenues:								
Taxes	\$ -	584,209	-	-	-	-	-	1,597,695
Licenses and permits	-	-	-	-	345,106	-	-	-
Fines and penalties	109,076	20,762	-	-	-	127,533	-	-
Investment income	6,747	2,923	-	53,154	-	2,528	4,332	42,913
Rental income	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	12,324	-	-	835,013	317,947
Charges for services	-	5,446	-	684,299	-	14,587	-	-
Special assessments	-	-	361,889	-	-	-	-	-
Donations and contributions	5,000	101,395	-	49,750	-	-	-	-
Master lease	-	-	-	-	-	-	-	-
Miscellaneous	-	-	-	3,131	11,037	-	-	-
Total revenues	<u>120,823</u>	<u>714,735</u>	<u>361,889</u>	<u>802,658</u>	<u>356,143</u>	<u>144,648</u>	<u>839,345</u>	<u>1,958,555</u>
Expenditures:								
Current:								
General government	-	-	-	-	-	-	-	-
Public safety	172,918	687,359	-	-	-	-	-	-
Public works	-	-	357,180	294,475	-	284,793	511,507	1,203,624
Parks and recreation	-	-	-	-	272,265	-	-	-
Library	-	-	-	-	-	-	-	-
Lease	-	-	-	-	-	-	-	-
Debt service:								
Principal	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-
Total expenditures	<u>172,918</u>	<u>687,359</u>	<u>357,180</u>	<u>294,475</u>	<u>272,265</u>	<u>284,793</u>	<u>511,507</u>	<u>1,203,624</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(52,095)</u>	<u>27,376</u>	<u>4,709</u>	<u>508,183</u>	<u>83,878</u>	<u>(140,145)</u>	<u>327,838</u>	<u>754,931</u>
Other financing sources (uses):								
Transfers in	-	-	-	-	-	50,000	-	-
Transfers out	-	-	-	-	-	-	(600,000)	-
Sale of general fixed assets	-	-	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>50,000</u>	<u>(600,000)</u>	<u>-</u>
Net change in fund balances	<u>(52,095)</u>	<u>27,376</u>	<u>4,709</u>	<u>508,183</u>	<u>83,878</u>	<u>(90,145)</u>	<u>(272,162)</u>	<u>754,931</u>
Fund balances (deficit) at beginning of year	<u>365,130</u>	<u>230,008</u>	<u>(4,709)</u>	<u>4,805,121</u>	<u>15,427</u>	<u>(93,819)</u>	<u>871,487</u>	<u>3,794,816</u>
Fund balances (deficit) at end of year	<u>\$ 313,035</u>	<u>257,384</u>	<u>-</u>	<u>5,313,304</u>	<u>99,305</u>	<u>(183,964)</u>	<u>599,325</u>	<u>4,549,747</u>

Drainage Construction	Community Development Block Grant	Master Lease	Air Quality Management	Public Arts	Library	Special Projects	Low and Moderate Housing	Totals	
								2004	2003
-	-	-	-	-	-	-	1,228,443	3,410,347	3,287,951
1,137,700	-	-	-	-	-	-	-	1,482,806	680,046
-	-	-	-	-	7,060	-	-	264,431	372,340
51,313	7,909	740	253	9,335	26,228	-	69,688	278,063	533,237
-	-	-	-	-	-	-	21,017	21,017	33,570
-	860,459	-	51,531	-	66,490	-	-	2,143,764	1,705,069
-	-	-	-	515,336	155,087	-	-	1,374,755	1,167,820
-	-	-	-	-	-	-	-	361,889	263,073
-	-	-	-	5,000	45,063	457,677	-	663,885	281,184
-	-	1,078,389	-	-	-	-	-	1,078,389	1,078,389
-	36,914	-	-	-	12,332	-	29,108	92,522	133,727
<u>1,189,013</u>	<u>905,282</u>	<u>1,079,129</u>	<u>51,784</u>	<u>529,671</u>	<u>312,260</u>	<u>457,677</u>	<u>1,348,256</u>	<u>11,171,868</u>	<u>9,536,406</u>
-	-	3,292	-	-	-	-	215,940	219,232	188,299
-	-	-	-	-	-	-	-	860,277	1,038,710
70,188	1,030,269	-	47,194	202,292	-	128,071	908,093	5,037,686	3,846,305
-	-	-	-	-	-	-	-	272,265	271,416
-	-	-	-	-	187,902	-	-	187,902	396,546
-	-	872,687	-	-	-	-	-	872,687	872,687
-	-	107,240	-	-	-	-	200,000	307,240	281,920
-	-	89,233	-	-	-	-	269,100	358,333	372,273
<u>70,188</u>	<u>1,030,269</u>	<u>1,072,452</u>	<u>47,194</u>	<u>202,292</u>	<u>187,902</u>	<u>128,071</u>	<u>1,593,133</u>	<u>8,115,622</u>	<u>7,268,156</u>
<u>1,118,825</u>	<u>(124,987)</u>	<u>6,677</u>	<u>4,590</u>	<u>327,379</u>	<u>124,358</u>	<u>329,606</u>	<u>(244,877)</u>	<u>3,056,246</u>	<u>2,268,250</u>
-	-	-	-	-	-	-	-	50,000	10,000
-	-	-	-	-	-	-	-	(600,000)	(600,000)
-	-	-	-	-	-	-	-	-	997,065
-	-	-	-	-	-	-	-	(550,000)	407,065
1,118,825	(124,987)	6,677	4,590	327,379	124,358	329,606	(244,877)	2,506,246	2,675,315
<u>3,537,699</u>	<u>169,810</u>	<u>250,135</u>	<u>18,206</u>	<u>270,683</u>	<u>2,406,335</u>	<u>-</u>	<u>6,178,257</u>	<u>22,814,586</u>	<u>20,139,271</u>
<u>4,656,524</u>	<u>44,823</u>	<u>256,812</u>	<u>22,796</u>	<u>598,062</u>	<u>2,530,693</u>	<u>329,606</u>	<u>5,933,380</u>	<u>25,320,832</u>	<u>22,814,586</u>

CITY OF PALM SPRINGS
Forfeiture Fund

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Year ended June 30, 2004

	<u>Budget</u>	<u>Actual</u>	<u>Variance- Positive (Negative)</u>	<u>Prior Year Actual</u>
Revenues:				
Fines and penalties	\$ 109,076	109,076	-	204,441
Investment income	3,000	6,747	3,747	10,943
Donations and contributions	<u>5,000</u>	<u>5,000</u>	<u>-</u>	<u>-</u>
Total revenues	<u>117,076</u>	<u>120,823</u>	<u>3,747</u>	<u>215,384</u>
Expenditures:				
Current:				
Public safety	<u>453,468</u>	<u>172,918</u>	<u>280,550</u>	<u>267,345</u>
Total expenditures	<u>453,468</u>	<u>172,918</u>	<u>280,550</u>	<u>267,345</u>
Net change in fund balances	(336,392)	(52,095)	284,297	(51,961)
Fund balances at beginning of year	<u>365,130</u>	<u>365,130</u>	<u>-</u>	<u>417,091</u>
Fund balances at end of year	<u>\$ 28,738</u>	<u>313,035</u>	<u>284,297</u>	<u>365,130</u>

CITY OF PALM SPRINGS
Safety Augmentation Fund

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Year ended June 30, 2004

	<u>Budget</u>	<u>Actual</u>	<u>Variance- Positive (Negative)</u>	<u>Prior Year Actual</u>
Revenues:				
Taxes	\$ 480,000	584,209	104,209	513,391
Fines and penalties	20,762	20,762	-	15,365
Investment income	5,000	2,923	(2,077)	6,377
Charges for services	5,225	5,446	221	3,702
Donations and contributions	<u>146,551</u>	<u>101,395</u>	<u>(45,156)</u>	<u>142,409</u>
Total revenues	<u>657,538</u>	<u>714,735</u>	<u>57,197</u>	<u>681,244</u>
Expenditures:				
Current:				
Public safety	<u>1,019,851</u>	<u>687,359</u>	<u>332,492</u>	<u>771,365</u>
Total expenditures	<u>1,019,851</u>	<u>687,359</u>	<u>332,492</u>	<u>771,365</u>
Net change in fund balances	(362,313)	27,376	389,689	(90,121)
Fund balances at beginning of year	<u>230,008</u>	<u>230,008</u>	<u>-</u>	<u>320,129</u>
Fund balances at end of year	<u>\$ (132,305)</u>	<u>257,384</u>	<u>389,689</u>	<u>230,008</u>

CITY OF PALM SPRINGS
CSA 152 Fund

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual

Year ended June 30, 2004

	<u>Budget</u>	<u>Actual</u>	<u>Variance- Positive (Negative)</u>	<u>Prior Year Actual</u>
Revenues:				
Special assessments	\$ 586,529	361,889	(224,640)	263,073
Total revenues	<u>586,529</u>	<u>361,889</u>	<u>(224,640)</u>	<u>263,073</u>
Expenditures:				
Current:				
Public works	378,685	357,180	21,505	271,977
Total expenditures	<u>378,685</u>	<u>357,180</u>	<u>21,505</u>	<u>271,977</u>
Net change in fund balances	207,844	4,709	(203,135)	(8,904)
Fund balances (deficit) at beginning of year	<u>(4,709)</u>	<u>(4,709)</u>	<u>-</u>	<u>4,195</u>
Fund balances (deficit) at end of year	<u>\$ 203,135</u>	<u>-</u>	<u>(203,135)</u>	<u>(4,709)</u>

CITY OF PALM SPRINGS
Recycling - AB 939 Fund

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual

Year ended June 30, 2004

	<u>Budget</u>	<u>Actual</u>	<u>Variance- Positive (Negative)</u>	<u>Prior Year Actual</u>
Revenues:				
Investment income	\$ 90,000	53,154	(36,846)	118,279
Intergovernmental	-	12,324	12,324	12,431
Charges for services	750,000	684,299	(65,701)	775,947
Donations and contributions	15,000	49,750	34,750	27,940
Miscellaneous	<u>-</u>	<u>3,131</u>	<u>3,131</u>	<u>-</u>
 Total revenues	 <u>855,000</u>	 <u>802,658</u>	 <u>(52,342)</u>	 <u>934,597</u>
Expenditures:				
Current:				
Public works	<u>358,270</u>	<u>294,475</u>	<u>63,795</u>	<u>254,930</u>
 Total expenditures	 <u>358,270</u>	 <u>294,475</u>	 <u>63,795</u>	 <u>254,930</u>
 Net change in fund balances	 496,730	 508,183	 11,453	 679,667
Fund balances at beginning of year	<u>4,805,121</u>	<u>4,805,121</u>	<u>-</u>	<u>4,125,454</u>
Fund balances at end of year	<u>\$ 5,301,851</u>	<u>5,313,304</u>	<u>11,453</u>	<u>4,805,121</u>

CITY OF PALM SPRINGS
Villagefest Fund

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual

Year ended June 30, 2004

	<u>Budget</u>	<u>Actual</u>	<u>Variance- Positive (Negative)</u>	<u>Prior Year Actual</u>
Revenues:				
Licenses and permits	\$ 300,000	345,106	45,106	318,114
Miscellaneous	<u>6,000</u>	<u>11,037</u>	<u>5,037</u>	<u>10,100</u>
Total revenues	<u>306,000</u>	<u>356,143</u>	<u>50,143</u>	<u>328,214</u>
Expenditures:				
Current:				
Parks and recreation	<u>352,901</u>	<u>272,265</u>	<u>80,636</u>	<u>271,416</u>
Total expenditures	<u>352,901</u>	<u>272,265</u>	<u>80,636</u>	<u>271,416</u>
Net change in fund balances	(46,901)	83,878	130,779	56,798
Fund balances at beginning of year	<u>15,427</u>	<u>15,427</u>	<u>-</u>	<u>(41,371)</u>
Fund balances at end of year	<u>\$ (31,474)</u>	<u>99,305</u>	<u>130,779</u>	<u>15,427</u>

CITY OF PALM SPRINGS
Parking Fund

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual

Year ended June 30, 2004

	<u>Budget</u>	<u>Actual</u>	<u>Variance- Positive (Negative)</u>	<u>Prior Year Actual</u>
Revenues:				
Fines and penalties	\$ 80,000	127,533	47,533	114,208
Investment income	-	2,528	2,528	2,541
Charges for services	<u>6,000</u>	<u>14,587</u>	<u>8,587</u>	<u>2,504</u>
 Total revenues	 <u>86,000</u>	 <u>144,648</u>	 <u>58,648</u>	 <u>119,253</u>
 Expenditures:				
Current:				
Public works	<u>315,680</u>	<u>284,793</u>	<u>30,887</u>	<u>252,645</u>
 Total expenditures	 <u>315,680</u>	 <u>284,793</u>	 <u>30,887</u>	 <u>252,645</u>
 Excess (deficiency) of revenues over (under) expenditures	 <u>(229,680)</u>	 <u>(140,145)</u>	 <u>89,535</u>	 <u>(133,392)</u>
 Other financing sources (uses):				
Transfers in	<u>50,000</u>	<u>50,000</u>	<u>-</u>	<u>10,000</u>
 Total other financing sources (uses)	 <u>50,000</u>	 <u>50,000</u>	 <u>-</u>	 <u>10,000</u>
 Net change in fund balances	 (179,680)	 (90,145)	 89,535	 (123,392)
 Fund balances (deficit) at beginning of year	 <u>(93,819)</u>	 <u>(93,819)</u>	 <u>-</u>	 <u>29,573</u>
 Fund balances (deficit) at end of year	 <u>\$ (273,499)</u>	 <u>(183,964)</u>	 <u>89,535</u>	 <u>(93,819)</u>

CITY OF PALM SPRINGS
Gas Tax Fund

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual

Year ended June 30, 2004

	<u>Budget</u>	<u>Actual</u>	<u>Variance- Positive (Negative)</u>	<u>Prior Year Actual</u>
Revenues:				
Investment income	\$ 20,000	4,332	(15,668)	23,602
Intergovernmental	<u>807,089</u>	<u>835,013</u>	<u>27,924</u>	<u>1,023,581</u>
Total revenues	<u>827,089</u>	<u>839,345</u>	<u>12,256</u>	<u>1,047,183</u>
Expenditures:				
Current:				
Public works	<u>968,508</u>	<u>511,507</u>	<u>457,001</u>	<u>431,075</u>
Total expenditures	<u>968,508</u>	<u>511,507</u>	<u>457,001</u>	<u>431,075</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(141,419)</u>	<u>327,838</u>	<u>469,257</u>	<u>616,108</u>
Other financing sources (uses):				
Transfers out	<u>(600,000)</u>	<u>(600,000)</u>	<u>-</u>	<u>(600,000)</u>
Total other financing sources (uses)	<u>(600,000)</u>	<u>(600,000)</u>	<u>-</u>	<u>(600,000)</u>
Net change in fund balances	(741,419)	(272,162)	469,257	16,108
Fund balances at beginning of year	<u>871,487</u>	<u>871,487</u>	<u>-</u>	<u>855,379</u>
Fund balances at end of year	<u>\$ 130,068</u>	<u>599,325</u>	<u>469,257</u>	<u>871,487</u>

CITY OF PALM SPRINGS
Measure A Improvements Fund

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual

Year ended June 30, 2004

	<u>Budget</u>	<u>Actual</u>	<u>Variance- Positive (Negative)</u>	<u>Prior Year Actual</u>
Revenues:				
Taxes	\$ 1,350,000	1,597,695	247,695	1,633,504
Investment income	50,000	42,913	(7,087)	101,381
Intergovernmental	590,003	317,947	(272,056)	70,301
Miscellaneous	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,925</u>
Total revenues	<u>1,990,003</u>	<u>1,958,555</u>	<u>(31,448)</u>	<u>1,808,111</u>
Expenditures:				
Current:				
Public works	<u>5,698,877</u>	<u>1,203,624</u>	<u>4,495,253</u>	<u>1,268,524</u>
Total expenditures	<u>5,698,877</u>	<u>1,203,624</u>	<u>4,495,253</u>	<u>1,268,524</u>
Net change in fund balances	(3,708,874)	754,931	4,463,805	539,587
Fund balances at beginning of year	<u>3,794,816</u>	<u>3,794,816</u>	<u>-</u>	<u>3,255,229</u>
Fund balances at end of year	<u>\$ 85,942</u>	<u>4,549,747</u>	<u>4,463,805</u>	<u>3,794,816</u>

CITY OF PALM SPRINGS
Drainage Construction Fund

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual

Year ended June 30, 2004

	<u>Budget</u>	<u>Actual</u>	Variance- Positive (Negative)	Prior Year Actual
Revenues:				
Licenses and permits	\$ 40,000	1,137,700	1,097,700	361,932
Investment income	<u>51,000</u>	<u>51,313</u>	<u>313</u>	<u>89,375</u>
Total revenues	<u>91,000</u>	<u>1,189,013</u>	<u>1,098,013</u>	<u>451,307</u>
Expenditures:				
Current:				
Public works	<u>2,928,147</u>	<u>70,188</u>	<u>2,857,959</u>	<u>71,366</u>
Total expenditures	<u>2,928,147</u>	<u>70,188</u>	<u>2,857,959</u>	<u>71,366</u>
Net change in fund balances	(2,837,147)	1,118,825	3,955,972	379,941
Fund balances at beginning of year	<u>3,537,699</u>	<u>3,537,699</u>	<u>-</u>	<u>3,157,758</u>
Fund balances at end of year	<u>\$ 700,552</u>	<u>4,656,524</u>	<u>3,955,972</u>	<u>3,537,699</u>

CITY OF PALM SPRINGS
Community Development Block Grant Fund

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual

Year ended June 30, 2004

	<u>Budget</u>	<u>Actual</u>	<u>Variance- Positive (Negative)</u>	<u>Prior Year Actual</u>
Revenues:				
Investment income	\$ 8,000	7,909	(91)	7,867
Intergovernmental	618,000	860,459	242,459	415,625
Miscellaneous	<u>-</u>	<u>36,914</u>	<u>36,914</u>	<u>92,178</u>
Total revenues	<u>626,000</u>	<u>905,282</u>	<u>279,282</u>	<u>515,670</u>
Expenditures:				
Current:				
Public works	<u>1,544,052</u>	<u>1,030,269</u>	<u>513,783</u>	<u>598,067</u>
Total expenditures	<u>1,544,052</u>	<u>1,030,269</u>	<u>513,783</u>	<u>598,067</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(918,052)</u>	<u>(124,987)</u>	<u>793,065</u>	<u>(82,397)</u>
Other financing sources (uses):				
Sale of general fixed assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>165,807</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>165,807</u>
Net change in fund balances	(918,052)	(124,987)	793,065	83,410
Fund balances at beginning of year	<u>169,810</u>	<u>169,810</u>	<u>-</u>	<u>86,400</u>
Fund balances at end of year	<u>\$ (748,242)</u>	<u>44,823</u>	<u>793,065</u>	<u>169,810</u>

CITY OF PALM SPRINGS
Master Lease Fund

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual

Year ended June 30, 2004

	<u>Budget</u>	<u>Actual</u>	<u>Variance- Positive (Negative)</u>	<u>Prior Year Actual</u>
Revenues:				
Investment income	\$ 1,000	740	(260)	1,943
Master lease	<u>1,078,389</u>	<u>1,078,389</u>	<u>-</u>	<u>1,078,389</u>
Total revenues	<u>1,079,389</u>	<u>1,079,129</u>	<u>(260)</u>	<u>1,080,332</u>
Expenditures:				
Current:				
General government	3,792	3,292	500	2,990
Lease	872,687	872,687	-	872,687
Debt service:				
Principal	107,288	107,240	48	91,920
Interest	<u>94,433</u>	<u>89,233</u>	<u>5,200</u>	<u>97,548</u>
Total expenditures	<u>1,078,200</u>	<u>1,072,452</u>	<u>5,748</u>	<u>1,065,145</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,189</u>	<u>6,677</u>	<u>5,488</u>	<u>15,187</u>
Net change in fund balances	1,189	6,677	5,488	15,187
Fund balances at beginning of year	<u>250,135</u>	<u>250,135</u>	<u>-</u>	<u>234,948</u>
Fund balances at end of year	<u>\$ 251,324</u>	<u>256,812</u>	<u>5,488</u>	<u>250,135</u>

CITY OF PALM SPRINGS
Air Quality Management Fund

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Year ended June 30, 2004

	<u>Budget</u>	<u>Actual</u>	<u>Variance- Positive (Negative)</u>	<u>Prior Year Actual</u>
Revenues:				
Investment income	\$ 1,000	253	(747)	252
Intergovernmental	<u>50,000</u>	<u>51,531</u>	<u>1,531</u>	<u>50,209</u>
Total revenues	<u>51,000</u>	<u>51,784</u>	<u>784</u>	<u>50,461</u>
Expenditures:				
Current:				
Public works	<u>48,000</u>	<u>47,194</u>	<u>806</u>	<u>49,013</u>
Total expenditures	<u>48,000</u>	<u>47,194</u>	<u>806</u>	<u>49,013</u>
Net change in fund balances	3,000	4,590	1,590	1,448
Fund balances at beginning of year	<u>18,206</u>	<u>18,206</u>	<u>-</u>	<u>16,758</u>
Fund balances at end of year	<u>\$ 21,206</u>	<u>22,796</u>	<u>1,590</u>	<u>18,206</u>

CITY OF PALM SPRINGS
Public Arts Fund

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual

Year ended June 30, 2004

	<u>Budget</u>	<u>Actual</u>	<u>Variance- Positive (Negative)</u>	<u>Prior Year Actual</u>
Revenues:				
Investment income	\$ 10,000	9,335	(665)	7,558
Charges for services	81,000	515,336	434,336	270,130
Donations and contributions	<u>5,000</u>	<u>5,000</u>	<u>-</u>	<u>89,525</u>
Total revenues	<u>96,000</u>	<u>529,671</u>	<u>433,671</u>	<u>367,213</u>
Expenditures:				
Current:				
Public works	<u>337,521</u>	<u>202,292</u>	<u>135,229</u>	<u>407,790</u>
Total expenditures	<u>337,521</u>	<u>202,292</u>	<u>135,229</u>	<u>407,790</u>
Net change in fund balances	(241,521)	327,379	568,900	(40,577)
Fund balances at beginning of year	<u>270,683</u>	<u>270,683</u>	<u>-</u>	<u>311,260</u>
Fund balances at end of year	<u>\$ 29,162</u>	<u>598,062</u>	<u>568,900</u>	<u>270,683</u>

CITY OF PALM SPRINGS
Library Fund

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual

Year ended June 30, 2004

	<u>Budget</u>	<u>Actual</u>	<u>Variance- Positive (Negative)</u>	<u>Prior Year Actual</u>
Revenues:				
Fines and penalties	\$ -	7,060	7,060	38,326
Investment income	60,000	26,228	(33,772)	60,489
Intergovernmental	60,000	66,490	6,490	132,922
Charges for services	71,000	155,087	84,087	115,537
Donations and contributions	58,000	45,063	(12,937)	21,310
Miscellaneous	<u>1,000</u>	<u>12,332</u>	<u>11,332</u>	<u>13,414</u>
Total revenues	<u>250,000</u>	<u>312,260</u>	<u>62,260</u>	<u>381,998</u>
Expenditures:				
Current:				
Library	<u>457,692</u>	<u>187,902</u>	<u>269,790</u>	<u>396,546</u>
Total expenditures	<u>457,692</u>	<u>187,902</u>	<u>269,790</u>	<u>396,546</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(207,692)</u>	<u>124,358</u>	<u>332,050</u>	<u>(14,548)</u>
Other financing sources (uses):				
Sale of general fixed assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>297,750</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>297,750</u>
Net change in fund balances	(207,692)	124,358	332,050	283,202
Fund balances at beginning of year	<u>2,406,335</u>	<u>2,406,335</u>	<u>-</u>	<u>2,123,133</u>
Fund balances at end of year	<u>\$ 2,198,643</u>	<u>2,530,693</u>	<u>332,050</u>	<u>2,406,335</u>

CITY OF PALM SPRINGS
Special Projects Fund

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual

Year ended June 30, 2004

	<u>Budget</u>	<u>Actual</u>	<u>Variance- Positive (Negative)</u>	<u>Prior Year Actual</u>
Revenues:				
Donations and contributions	\$ 457,427	457,677	250	-
Total revenues	<u>457,427</u>	<u>457,677</u>	<u>250</u>	<u>-</u>
Expenditures:				
Current:				
Library	457,427	128,071	329,356	-
Total expenditures	<u>457,427</u>	<u>128,071</u>	<u>329,356</u>	<u>-</u>
Net change in fund balances	-	329,606	329,606	-
Fund balances at beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances at end of year	<u><u>\$ -</u></u>	<u><u>329,606</u></u>	<u><u>329,606</u></u>	<u><u>-</u></u>

CITY OF PALM SPRINGS
Low and Moderate Housing Fund

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual

Year ended June 30, 2004

	<u>Budget</u>	<u>Actual</u>	<u>Variance- Positive (Negative)</u>	<u>Prior Year Actual</u>
Revenues:				
Taxes	\$ 1,147,187	1,228,443	81,256	1,141,056
Investment income	75,000	69,688	(5,312)	102,630
Rental income	41,928	21,017	(20,911)	33,570
Miscellaneous	<u>5,692</u>	<u>29,108</u>	<u>23,416</u>	<u>15,110</u>
Total revenues	<u>1,269,807</u>	<u>1,348,256</u>	<u>78,449</u>	<u>1,292,366</u>
Expenditures:				
Current:				
General government	262,434	215,940	46,494	185,309
Public works	2,009,960	908,093	1,101,867	240,918
Debt service:				
Principal	200,000	200,000	-	190,000
Interest	<u>267,780</u>	<u>269,100</u>	<u>(1,320)</u>	<u>274,725</u>
Total expenditures	<u>2,740,174</u>	<u>1,593,133</u>	<u>1,147,041</u>	<u>890,952</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,470,367)</u>	<u>(244,877)</u>	<u>1,225,490</u>	<u>401,414</u>
Other financing sources (uses):				
Sale of general fixed assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>533,508</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>533,508</u>
Net change in fund balances	(1,470,367)	(244,877)	1,225,490	934,922
Fund balances at beginning of year	<u>6,178,257</u>	<u>6,178,257</u>	<u>-</u>	<u>5,243,335</u>
Fund balances at end of year	<u>\$ 4,707,890</u>	<u>5,933,380</u>	<u>1,225,490</u>	<u>6,178,257</u>

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MAJOR AND NON-MAJOR DEBT SERVICE FUNDS

Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest.

The City of Palm Springs has the following Major Debt Service Fund:

Special Assessments Fund - To account for the payment of principal and interest on 1915 Act Assessment District bond issues.

The City also has the following Non-Major Debt Service Funds:

General Debt Service Fund - To account for the payment of principal and interest on the City's general debt issues.

Community Redevelopment Agency Fund - To account for the payment of principal and interest on general long-term debt of the Community Redevelopment Agency.

CITY OF PALM SPRINGS
Debt Service Funds

Combining Balance Sheet

June 30, 2004

	General Debt Service	Community Redevelopment Agency	Totals	
			2004	2003
<u>Assets</u>				
Cash and investments	\$ -	2,009,659	2,009,659	2,030,307
Restricted assets:				
Cash and investments				
with fiscal agents	11,076,014	7,059,068	18,135,082	6,261,069
Receivables:				
Accrued interest	3,989	-	3,989	44,056
Due from other governments	-	71,019	71,019	46,684
	<u>-</u>	<u>71,019</u>	<u>71,019</u>	<u>46,684</u>
Total assets	<u>\$ 11,080,003</u>	<u>9,139,746</u>	<u>20,219,749</u>	<u>8,382,116</u>
 <u>Liabilities and Fund Balances</u>				
Liabilities:				
Due to other funds	\$ 139,866	-	139,866	76,479
Pass-through payable	-	785,529	785,529	826,446
Advances from other funds	-	5,402,662	5,402,662	2,079,639
	<u>-</u>	<u>5,402,662</u>	<u>5,402,662</u>	<u>2,079,639</u>
Total liabilities	<u>139,866</u>	<u>6,188,191</u>	<u>6,328,057</u>	<u>2,982,564</u>
Fund balances:				
Reserved for:				
Debt service requirements	<u>10,940,137</u>	<u>2,951,555</u>	<u>13,891,692</u>	<u>5,399,552</u>
Total fund balances	<u>10,940,137</u>	<u>2,951,555</u>	<u>13,891,692</u>	<u>5,399,552</u>
Total liabilities and fund balances	<u>\$ 11,080,003</u>	<u>9,139,746</u>	<u>20,219,749</u>	<u>8,382,116</u>

CITY OF PALM SPRINGS
Debt Service Funds

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Year ended June 30, 2004

	General	Community Redevelopment	Totals	
	<u>Debt Service</u>	<u>Agency</u>	<u>2004</u>	<u>2003</u>
Revenues:				
Taxes	\$ -	4,913,776	4,913,776	4,780,293
Investment income	541,838	128,340	670,178	358,644
Miscellaneous	-	201,635	201,635	-
Total revenues	<u>541,838</u>	<u>5,243,751</u>	<u>5,785,589</u>	<u>5,138,937</u>
Expenditures:				
Current:				
General government	1,000	-	1,000	65,038
Lease	348,695	-	348,695	348,695
Debt service:				
Principal	1,753,658	570,000	2,323,658	2,331,742
Interest	2,065,804	1,964,685	4,030,489	3,518,132
Pass-through payments	-	2,001,988	2,001,988	1,910,074
Payment to bond escrow	972,379	2,311,974	3,284,353	-
Total expenditures	<u>5,141,536</u>	<u>6,848,647</u>	<u>11,990,183</u>	<u>8,173,681</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(4,599,698)</u>	<u>(1,604,896)</u>	<u>(6,204,594)</u>	<u>(3,034,744)</u>
Other financing sources (uses):				
Transfers in	3,847,088	-	3,847,088	3,975,857
Transfers out	-	(4,681,771)	(4,681,771)	(1,347,275)
Issuance of bonds	18,244,863	23,315,000	41,559,863	-
Payment to bond escrow	<u>(10,340,086)</u>	<u>(15,688,360)</u>	<u>(26,028,446)</u>	<u>-</u>
Total other financing sources (uses)	<u>11,751,865</u>	<u>2,944,869</u>	<u>14,696,734</u>	<u>2,628,582</u>
Net change in fund balances	7,152,167	1,339,973	8,492,140	(406,162)
Fund balances at beginning of year	<u>3,787,970</u>	<u>1,611,582</u>	<u>5,399,552</u>	<u>5,805,714</u>
Fund balances at end of year	<u>\$ 10,940,137</u>	<u>2,951,555</u>	<u>13,891,692</u>	<u>5,399,552</u>

CITY OF PALM SPRINGS
Special Assessment Fund

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual

Year ended June 30, 2004

	<u>Budget</u>	<u>Actual</u>	<u>Variance- Positive (Negative)</u>	<u>Prior Year Actual</u>
Revenues:				
Investment income	\$ 33,000	16,185	(16,815)	23,626
Special assessments	655,425	704,140	48,715	766,388
Miscellaneous	<u>115,400</u>	<u>115,400</u>	<u>-</u>	<u>115,400</u>
Total revenues	<u>803,825</u>	<u>835,725</u>	<u>31,900</u>	<u>905,414</u>
Expenditures:				
Current:				
General government	5,000	1,812	3,188	3,368
Public works	3,976,346	2,830,901	1,145,445	-
Debt service:				
Principal	615,000	760,000	(145,000)	735,000
Interest	273,160	266,203	6,957	305,681
Bond issuance costs	<u>426,167</u>	<u>295,618</u>	<u>130,549</u>	<u>-</u>
Total expenditures	<u>5,295,673</u>	<u>4,154,534</u>	<u>1,141,139</u>	<u>1,044,049</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(4,491,848)</u>	<u>(3,318,809)</u>	<u>1,173,039</u>	<u>(138,635)</u>
Other financing sources (uses):				
Transfers in	100,000	100,000	-	-
Issuance of bonds	<u>4,402,513</u>	<u>4,752,500</u>	<u>349,987</u>	<u>-</u>
Total other financing sources (uses)	<u>4,502,513</u>	<u>4,852,500</u>	<u>349,987</u>	<u>-</u>
Net change in fund balances	10,665	1,533,691	1,523,026	(138,635)
Fund balances at beginning of year	<u>1,580,420</u>	<u>1,580,420</u>	<u>-</u>	<u>1,719,055</u>
Fund balances at end of year	<u>\$ 1,591,085</u>	<u>3,114,111</u>	<u>1,523,026</u>	<u>1,580,420</u>

CITY OF PALM SPRINGS
General Debt Service Fund

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual

Year ended June 30, 2004

	<u>Budget</u>	<u>Actual</u>	<u>Variance- Positive (Negative)</u>	<u>Prior Year Actual</u>
Revenues:				
Investment income	\$ 302,000	541,838	239,838	235,682
Total revenues	<u>302,000</u>	<u>541,838</u>	<u>239,838</u>	<u>235,682</u>
Expenditures:				
Current:				
General government	1,000	1,000	-	-
Lease	348,695	348,695	-	348,695
Debt service:				
Principal	1,750,709	1,753,658	(2,949)	1,791,742
Interest	8,773,085	2,065,804	6,707,281	2,141,503
Payment to bond escrow	<u>972,379</u>	<u>972,379</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>11,845,868</u>	<u>5,141,536</u>	<u>6,704,332</u>	<u>4,281,940</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(11,543,868)</u>	<u>(4,599,698)</u>	<u>6,944,170</u>	<u>(4,046,258)</u>
Other financing sources (uses):				
Transfers in	3,847,088	3,847,088	-	3,975,857
Issuance of bonds	18,015,085	18,244,863	229,778	-
Payment to bond escrow	<u>(10,340,086)</u>	<u>(10,340,086)</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>11,522,087</u>	<u>11,751,865</u>	<u>229,778</u>	<u>3,975,857</u>
Net change in fund balances	(21,781)	7,152,167	7,173,948	(70,401)
Fund balances at beginning of year	<u>3,787,970</u>	<u>3,787,970</u>	<u>-</u>	<u>3,858,371</u>
Fund balances at end of year	<u>\$ 3,766,189</u>	<u>10,940,137</u>	<u>7,173,948</u>	<u>3,787,970</u>

CITY OF PALM SPRINGS
Community Redevelopment Agency Fund

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual

Year ended June 30, 2004

	<u>Budget</u>	<u>Actual</u>	<u>Variance- Positive (Negative)</u>	<u>Prior Year Actual</u>
Revenues:				
Taxes	\$ 4,738,556	4,913,776	175,220	4,780,293
Investment income	100,500	128,340	27,840	122,962
Miscellaneous	<u>-</u>	<u>201,635</u>	<u>201,635</u>	<u>-</u>
Total revenues	<u>4,839,056</u>	<u>5,243,751</u>	<u>404,695</u>	<u>4,903,255</u>
Expenditures:				
Current:				
General government	-	-	-	65,038
Debt service:				
Principal	570,000	570,000	-	540,000
Interest	1,985,701	1,964,685	21,016	1,376,629
Pass-through payments	2,049,502	2,001,988	47,514	1,910,074
Payment to bond escrow	<u>-</u>	<u>2,311,974</u>	<u>(2,311,974)</u>	<u>-</u>
Total expenditures	<u>4,605,203</u>	<u>6,848,647</u>	<u>(2,243,444)</u>	<u>3,891,741</u>
Excess (deficiency) of revenues over (under) expenditures	<u>233,853</u>	<u>(1,604,896)</u>	<u>(1,838,749)</u>	<u>1,011,514</u>
Other financing sources (uses):				
Transfers out	-	(4,681,771)	(4,681,771)	(1,347,275)
Issuance of bonds	-	23,315,000	23,315,000	-
Payment to bond escrow	<u>-</u>	<u>(15,688,360)</u>	<u>(15,688,360)</u>	<u>-</u>
Total other financing sources (uses)	<u>-</u>	<u>2,944,869</u>	<u>2,944,869</u>	<u>(1,347,275)</u>
Net change in fund balances	233,853	1,339,973	1,106,120	(335,761)
Fund balances at beginning of year	<u>1,611,582</u>	<u>1,611,582</u>	<u>-</u>	<u>1,947,343</u>
Fund balances at end of year	<u>\$ 1,845,435</u>	<u>2,951,555</u>	<u>1,106,120</u>	<u>1,611,582</u>

MAJOR AND NON-MAJOR CAPITAL PROJECTS FUNDS

Capital Projects Funds are used to account for the purchase or construction of major capital facilities which are not financed by Proprietary Funds or Trust Funds. Capital Projects Funds are ordinarily not used to account for the acquisition of furniture, fixtures, machinery, equipment and other relatively minor or comparatively short-lived capital assets.

The City of Palm Springs has the following Major Capital Projects Fund:

Capital Projects Fund - To account for the acquisition and construction of major capital facilities other than those financed by proprietary funds and trust funds.

The City also has the following Non-Major Capital Projects Funds:

Parking Projects Fund – To account for payments into the Fund from In Lieu parking fee charges, and to account for the Capital expenditures for parking improvements.

Community Redevelopment Agency Fund - To account for the economic revitalization and redevelopment of the City through acquisition and development of City property determined to be in a declining condition.

CITY OF PALM SPRINGS
 Capital Projects Funds
 Combining Balance Sheet
 June 30, 2004

	Parking Projects	Community Redevelopment Agency	Totals	
			2004	2003
<u>Assets</u>				
Cash and investments	\$ 376,888	1,143,698	1,520,586	1,517,409
Restricted assets:				
Cash and investments with fiscal agents	67,586	-	67,586	591,288
Receivables:				
Accounts	50,000	2,620	52,620	-
Accrued interest	-	11,734	11,734	18,019
Property held for resale	-	6,290,882	6,290,882	6,290,882
Total assets	<u>\$ 494,474</u>	<u>7,448,934</u>	<u>7,943,408</u>	<u>8,417,598</u>
<u>Liabilities and Fund Balances</u>				
Liabilities:				
Accounts payable	\$ 1,611	22,402	24,013	248,162
Accrued wages payable	-	-	-	903
Deposits payable	-	500	500	500
Advances from other funds	-	-	-	3,337,211
Total liabilities	<u>1,611</u>	<u>22,902</u>	<u>24,513</u>	<u>3,586,776</u>
Fund balances:				
Reserved for:				
Encumbrances	31,985	-	31,985	9,285
Property held for resale	-	6,290,882	6,290,882	6,290,882
Unreserved:				
Designated for:				
Continuing appropriations	75,972	-	75,972	599,539
Capital projects	384,906	1,135,150	1,520,056	397,215
Undesignated	-	-	-	(2,466,099)
Total fund balances	<u>492,863</u>	<u>7,426,032</u>	<u>7,918,895</u>	<u>4,830,822</u>
Total liabilities and fund balances	<u>\$ 494,474</u>	<u>7,448,934</u>	<u>7,943,408</u>	<u>8,417,598</u>

CITY OF PALM SPRINGS
Capital Projects Funds

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Year ended June 30, 2004

	Parking Projects	Community Redevelopment Agency	Totals	
			2004	2003
Revenues:				
Investment income	\$ 1,295	29,199	30,494	86,679
Rental income	-	170,000	170,000	144,468
Charges for services	104,000	-	104,000	446,900
Donations and contributions	1,092	-	1,092	-
Miscellaneous	13,600	14,441	28,041	34,000
Total revenues	<u>119,987</u>	<u>213,640</u>	<u>333,627</u>	<u>712,047</u>
Expenditures:				
Current:				
General government	-	623,936	623,936	620,325
Public works	439,396	370,226	809,622	769,924
Capital outlay	-	-	-	5,328,164
Debt service:				
Interest	193,767	-	193,767	119,238
Bond issuance costs	-	-	-	342,195
Total expenditures	<u>633,163</u>	<u>994,162</u>	<u>1,627,325</u>	<u>7,179,846</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(513,176)</u>	<u>(780,522)</u>	<u>(1,293,698)</u>	<u>(6,467,799)</u>
Other financing sources (uses):				
Transfers in	-	4,381,771	4,381,771	1,077,092
Issuance of bonds	-	-	-	8,000,000
Total other financing sources (uses)	<u>-</u>	<u>4,381,771</u>	<u>4,381,771</u>	<u>9,077,092</u>
Net change in fund balances	(513,176)	3,601,249	3,088,073	2,609,293
Fund balances at beginning of year	<u>1,006,039</u>	<u>3,824,783</u>	<u>4,830,822</u>	<u>2,221,529</u>
Fund balances at end of year	<u>\$ 492,863</u>	<u>7,426,032</u>	<u>7,918,895</u>	<u>4,830,822</u>

CITY OF PALM SPRINGS

Capital Projects Fund

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual

Year ended June 30, 2004

	<u>Budget</u>	<u>Actual</u>	<u>Variance- Favorable (Unfavorable)</u>	<u>Prior Year Actual</u>
Revenues:				
Taxes	\$ 382,000	393,738	11,738	704,176
Investment income	-	(50,142)	(50,142)	33,154
Intergovernmental	971,156	2,267,766	1,296,610	737,315
Donations and contributions	250,276	250,576	300	190,085
Miscellaneous	<u>2,000</u>	<u>2,000</u>	<u>-</u>	<u>4,194</u>
Total revenues	<u>1,605,432</u>	<u>2,863,938</u>	<u>1,258,506</u>	<u>1,668,924</u>
Expenditures:				
Current:				
General government	567,247	321,036	246,211	85,622
Cultural and convention center	43,143,923	4,476,808	38,667,115	4,379,085
Public safety	1,361,844	684,583	677,261	304,027
Public works	2,449,020	1,034,375	1,414,645	1,042,924
Parks and recreation	<u>2,158,362</u>	<u>1,722,170</u>	<u>436,192</u>	<u>469,012</u>
Total expenditures	<u>49,680,396</u>	<u>8,238,972</u>	<u>41,441,424</u>	<u>6,280,670</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(48,074,964)</u>	<u>(5,375,034)</u>	<u>42,699,930</u>	<u>(4,611,746)</u>
Other financing sources (uses):				
Transfers in	2,085,000	1,840,068	(244,932)	2,130,000
Transfers out	(100,000)	(100,000)	-	-
Sale of general fixed assets	-	-	-	50,750
Issuance of bonds	<u>41,875,137</u>	<u>44,150,137</u>	<u>2,275,000</u>	<u>-</u>
Total other financing sources (uses)	<u>43,860,137</u>	<u>45,890,205</u>	<u>2,030,068</u>	<u>2,180,750</u>
Net change in fund balances	<u>(4,214,827)</u>	<u>40,515,171</u>	<u>44,729,998</u>	<u>(2,430,996)</u>
Fund balances at beginning of year	<u>36,609</u>	<u>36,609</u>	<u>-</u>	<u>2,467,605</u>
Fund balances at end of year	<u>\$ (4,178,218)</u>	<u>40,551,780</u>	<u>44,729,998</u>	<u>36,609</u>

CITY OF PALM SPRINGS
 Parking Projects Fund
 Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
 Year ended June 30, 2004

	<u>Budget</u>	<u>Actual</u>	<u>Variance- Positive (Negative)</u>	<u>Prior Year Actual</u>
Revenues:				
Investment income	\$ 577	1,295	718	23,850
Charges for services	-	104,000	104,000	446,900
Donations and contributions	1,092	1,092	-	-
Miscellaneous	-	13,600	13,600	-
Total revenues	<u>1,669</u>	<u>119,987</u>	<u>118,318</u>	<u>470,750</u>
Expenditures:				
Current:				
Public works	821,577	439,396	382,181	189,454
Capital outlay	-	-	-	4,842,939
Debt service:				
Interest	261,353	193,767	67,586	119,238
Bond issuance costs	-	-	-	342,195
Total expenditures	<u>1,082,930</u>	<u>633,163</u>	<u>449,767</u>	<u>5,493,826</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,081,261)</u>	<u>(513,176)</u>	<u>568,085</u>	<u>(5,023,076)</u>
Other financing sources (uses):				
Issuance of bonds	-	-	-	8,000,000
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,000,000</u>
Net change in fund balances	(1,081,261)	(513,176)	568,085	2,976,924
Fund balances at beginning of year	<u>1,006,039</u>	<u>1,006,039</u>	<u>-</u>	<u>(1,970,885)</u>
Fund balances at end of year	<u>\$ (75,222)</u>	<u>492,863</u>	<u>568,085</u>	<u>1,006,039</u>

CITY OF PALM SPRINGS
Community Redevelopment Agency Fund

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual

Year ended June 30, 2004

	Budget	Actual	Variance- Positive (Negative)	Prior Year Actual
Revenues:				
Investment income	\$ 38,000	29,199	(8,801)	62,829
Rental income	140,000	170,000	30,000	144,468
Miscellaneous	11,200	14,441	3,241	34,000
Total revenues	<u>189,200</u>	<u>213,640</u>	<u>24,440</u>	<u>241,297</u>
Expenditures:				
Current:				
General government	671,414	623,936	47,478	620,325
Public works	6,273,753	370,226	5,903,527	580,470
Capital outlay	-	-	-	485,225
Total expenditures	<u>6,945,167</u>	<u>994,162</u>	<u>5,951,005</u>	<u>1,686,020</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(6,755,967)</u>	<u>(780,522)</u>	<u>5,975,445</u>	<u>(1,444,723)</u>
Other financing sources (uses):				
Issuance of bonds	5,303,000	-	(5,303,000)	-
Transfers in	-	4,381,771	4,381,771	1,077,092
Total other financing sources (uses)	<u>5,303,000</u>	<u>4,381,771</u>	<u>(921,229)</u>	<u>1,077,092</u>
Net change in fund balances	(1,452,967)	3,601,249	5,054,216	(367,631)
Fund balances at beginning of year	<u>3,824,783</u>	<u>3,824,783</u>	<u>-</u>	<u>4,192,414</u>
Fund balances at end of year	<u>\$ 2,371,816</u>	<u>7,426,032</u>	<u>5,054,216</u>	<u>3,824,783</u>

INTERNAL SERVICE FUNDS

Internal Service Funds are used to account for the financing of goods or services provided by one department or agency of a government to other departments or agencies on a cost reimbursement basis.

The City of Palm Springs has the following Internal Service Funds:

Motor Vehicle Replacement Fund - To account for costs related to operations of the central garage and fleet maintenance system, which provides vehicles for most of the City departments. Costs are recovered through a monthly user fee charged to City departments.

Facilities Maintenance Fund - To account for costs related to operation and maintenance of City facilities. Costs are recovered through a monthly user fee charged to City departments using the service.

Employee Benefits Fund - To account for costs and liabilities related to public employees' retirement system and federal taxes. Costs are recovered through a monthly employee benefit charge based upon gross payroll.

Risk Management Fund - To account for costs and liabilities related to health, life, dental, disability, and public liability insurance coverage paid by the City on behalf of City employees and the City operating funds. Costs are recovered via monthly charges based upon gross payroll and benefits derived from insurance coverage.

Cogeneration Plant Fund - To account for costs of the two cogeneration plants located in the City. Costs are recovered through a user fee based upon electrical consumption. These fees are charged to each department on a monthly basis.

CITY OF PALM SPRINGS
Internal Service Funds

Combining Statement of Net Assets

June 30, 2004

<u>Assets</u>	Motor Vehicle Replacement	Facilities Maintenance	Employee Benefits	Risk Management	Cogeneration Plant	Totals	
						2004	2003
Current assets							
Cash and investments	\$ 1,380,982	239,267	331,063	1,991,534	-	3,942,846	5,193,137
Deposits	-	-	-	5,000	-	5,000	5,000
Receivables:							
Accounts	-	-	-	584,697	43,827	628,524	527,805
Accrued interest	5,846	-	293,150	11,819	7,259	318,074	325,494
Due from other funds	-	-	-	875,446	-	875,446	-
Due from other governments	9,690	-	-	-	5,235	14,925	23,069
Inventories	93,507	-	-	-	-	93,507	87,269
Total current assets	<u>1,490,025</u>	<u>239,267</u>	<u>624,213</u>	<u>3,468,496</u>	<u>56,321</u>	<u>5,878,322</u>	<u>6,161,774</u>
Noncurrent assets:							
Restricted assets:							
Cash and investments with fiscal agents	-	-	-	-	367,225	367,225	398,972
Property, plant and equipment:							
Buildings	959,276	-	-	-	7,482,859	8,442,135	8,442,135
Improvements other than buildings	206,242	-	-	-	29,960	236,202	236,203
Machinery and equipment	591,657	39,423	-	76,126	-	707,206	656,989
Motor vehicles	10,055,809	-	-	-	-	10,055,809	9,932,616
Accumulated depreciation	(8,474,449)	(27,726)	-	(76,126)	(4,394,953)	(12,973,254)	(12,229,030)
Net property, plant and equipment	<u>3,338,535</u>	<u>11,697</u>	<u>-</u>	<u>-</u>	<u>3,117,866</u>	<u>6,468,098</u>	<u>7,038,913</u>
Other assets:							
Advances to other funds	-	-	1,430,000	-	-	1,430,000	1,430,000
Unamortized debt issuance costs	-	-	-	-	166,815	166,815	174,398
Total other assets	<u>-</u>	<u>-</u>	<u>1,430,000</u>	<u>-</u>	<u>166,815</u>	<u>1,596,815</u>	<u>1,604,398</u>
Total noncurrent assets	<u>3,338,535</u>	<u>11,697</u>	<u>-</u>	<u>-</u>	<u>3,485,091</u>	<u>6,835,323</u>	<u>7,437,885</u>
Total assets	<u>4,828,560</u>	<u>250,964</u>	<u>2,054,213</u>	<u>3,468,496</u>	<u>3,708,227</u>	<u>14,310,460</u>	<u>15,204,057</u>

(Continued)

CITY OF PALM SPRINGS
Internal Service Funds
Combining Statement of Net Assets
(Continued)

	Motor Vehicle	Facilities	Employee	Risk	Cogeneration	Totals	
	Replacement	Maintenance	Benefits	Management	Plant	2004	2003
Liabilities:							
Current liabilities:							
Accounts payable	107,194	56,971	269,212	23,693	117,692	574,762	601,979
Accrued wages payable	15,310	19,198	-	21,019	-	55,527	36,214
Accrued interest payable	9,769	-	-	-	69,619	79,388	85,872
Due to other funds	-	-	-	-	875,446	875,446	640,009
Deferred revenue	-	-	-	43,234	-	43,234	43,234
Obligations under capital leases - current portion	521,147	-	-	-	-	521,147	495,690
Certificates of participation - current portion	-	-	-	-	195,000	195,000	185,000
Total current liabilities	653,420	76,169	269,212	87,946	1,257,757	2,344,504	2,087,998
Long-term liabilities:							
Compensated absences payable	54,272	80,707	-	27,716	-	162,695	149,632
Claims and judgments payable	-	-	-	2,488,947	-	2,488,947	3,200,251
Obligation under capital leases - long-term portion	750,036	-	-	-	-	750,036	1,271,183
Certificates of participation - long-term portion	-	-	-	-	4,610,221	4,610,221	4,785,603
Total long-term liabilities	804,308	80,707	-	2,516,663	4,610,221	8,011,899	9,406,669
Total liabilities	1,457,728	156,876	269,212	2,604,609	5,867,978	10,356,403	11,494,667
Net assets:							
Invested in capital assets, net of related debt	2,067,352	11,697	-	-	(1,153,315)	925,734	874,807
Unrestricted	1,303,480	82,391	1,785,001	863,887	(1,006,436)	3,028,323	2,834,583
Total net assets	\$ 3,370,832	94,088	1,785,001	863,887	(2,159,751)	3,954,057	3,709,390

CITY OF PALM SPRINGS
Internal Service Funds
Combining Statement of Revenues, Expenses and Changes in Net Assets
Year ended June 30, 2004

	Motor	Facilities	Employee	Risk	Cogeneration	Totals	
	Vehicle Replacement	Maintenance	Benefits	Management	Plant	2004	2003
Operating revenues:							
Charges for services	\$ 2,509,651	2,541,329	4,913,661	9,043,033	2,167,169	21,174,843	17,237,482
Sale of electricity	-	-	-	-	170,053	170,053	146,014
Miscellaneous	24,822	-	-	-	28,518	53,340	23,602
Total operating revenues	2,534,473	2,541,329	4,913,661	9,043,033	2,365,740	21,398,236	17,407,098
Operating expenses:							
Other charges and services	3,656	-	373	-	-	4,029	9,738
Administration	62,346	77,390	-	1,277,168	3,000	1,419,904	2,004,432
Cogeneration project costs	-	-	-	-	2,084,598	2,084,598	2,017,745
Retirement	-	-	4,876,261	-	-	4,876,261	1,532,450
Medical, life and health insurance	-	-	-	4,918,274	-	4,918,274	4,301,497
Facilities maintenance	-	2,370,537	-	-	-	2,370,537	2,375,757
Maintenance shop operations	1,657,420	-	-	-	-	1,657,420	1,698,158
Worker's compensation	-	-	-	805,700	-	805,700	629,697
Other claims and insurance	32,751	43,730	-	1,446,365	23,053	1,545,899	718,966
Depreciation	717,975	2,929	-	2	124,714	845,620	1,095,229
Total operating expenses	2,474,148	2,494,586	4,876,634	8,447,509	2,235,365	20,528,242	16,383,669
Operating income (loss)	60,325	46,743	37,027	595,524	130,375	869,994	1,023,429
Nonoperating revenues (expenses):							
Investment income	14,224	-	-	25,160	-	39,384	151,182
Interest expense	(79,778)	-	-	-	(307,185)	(386,963)	(425,778)
Gain (loss) on sale of assets	-	-	-	-	-	-	78,199
Total nonoperating revenues (expenses)	(65,554)	-	-	25,160	(307,185)	(347,579)	(196,397)
Income (loss) before transfers and capital contributions	(5,229)	46,743	37,027	620,684	(176,810)	522,415	827,032
Transfers out	(183,813)	(200,000)	(100,000)	-	-	(483,813)	(1,250,000)
Capital contributions:							
Capital grants	161,559	-	-	-	-	161,559	50,000
Assets contributed from other funds	44,506	-	-	-	-	44,506	99,690
Change in net assets	17,023	(153,257)	(62,973)	620,684	(176,810)	244,667	(273,278)
Net assets at beginning of year	3,353,809	247,345	1,847,974	243,203	(1,982,941)	3,709,390	3,982,668
Net assets at end of year	\$ 3,370,832	94,088	1,785,001	863,887	(2,159,751)	3,954,057	3,709,390

CITY OF PALM SPRINGS
Internal Service Funds
Combining Statement of Cash Flows
Year ended June 30, 2004

	Motor	Facilities	Employee	Risk	Cogeneration	Totals	
	Vehicle Replacement	Maintenance	Benefits	Management	Plant	2004	2003
Cash flows from operating activities:							
Cash received from user departments	\$ 2,573,843	2,541,329	4,913,661	8,921,568	2,355,260	21,305,661	16,969,887
Cash payments to suppliers for goods and services	(1,146,975)	(1,446,537)	(4,779,413)	(8,878,663)	(2,154,856)	(18,406,444)	(13,956,180)
Cash payments to employees for services	(633,055)	(1,063,295)	-	(292,208)	-	(1,988,558)	(1,972,942)
Net cash provided by (used for) operating activities	793,813	31,497	134,248	(249,303)	200,404	910,659	1,040,765
Cash flows from noncapital financing activities:							
Cash received from other funds	-	-	-	-	235,437	235,437	437,182
Cash paid to other funds	(183,813)	(200,000)	(100,000)	(875,446)	-	(1,359,259)	(1,250,000)
Net cash provided by (used for) noncapital financing activities	(183,813)	(200,000)	(100,000)	(875,446)	235,437	(1,123,822)	(812,818)
Cash flows from capital and related financing activities:							
Cash paid for acquisition of capital assets	(274,808)	-	-	-	-	(274,808)	(526,913)
Proceeds from sale of capital assets	-	-	-	-	-	-	78,199
Capital contributions received	206,065	-	-	-	-	206,065	149,690
Principal paid on debt	-	-	-	-	(165,382)	(165,382)	(160,381)
Interest paid on debt	(83,658)	-	-	-	(302,206)	(385,864)	(429,471)
Repayment on obligation under capital lease	(495,690)	-	-	-	-	(495,690)	(741,498)
Net cash proved by (used for) capital and related financing activities	(648,091)	-	-	-	(467,588)	(1,115,679)	(1,630,374)
Cash flows from investing activities:							
Proceeds from sale and maturities of investments	-	-	-	-	31,747	31,747	35,591
Interest received on investments	16,936	-	-	29,868	-	46,804	165,333
Net cash provided by (used for) investing activities	16,936	-	-	29,868	31,747	78,551	200,924
Net increase (decrease) in cash and cash equivalents	(21,155)	(168,503)	34,248	(1,094,881)	-	(1,250,291)	(1,201,503)
Cash and cash equivalents at beginning of year	1,402,137	407,770	296,815	3,086,415	-	5,193,137	6,394,640
Cash and cash equivalents at end of year	\$ 1,380,982	239,267	331,063	1,991,534	-	3,942,846	5,193,137

(Continued)

CITY OF PALM SPRINGS
Internal Service Funds
Combining Statement of Cash Flows
(Continued)

	Motor Vehicle	Facilities	Employee	Risk	Cogeneration	Totals	
	Replacement	Maintenance	Benefits	Management	Plant	2004	2003
Reconciliation of cash and cash equivalents to amounts reported on the Statement of Net Assets:							
Reported on Statement of Net Assets:							
Cash and investments	\$ 1,380,982	239,267	331,063	1,991,534	-	3,942,846	5,193,137
Cash and investments with fiscal agent	-	-	-	-	367,225	367,225	398,972
Cash and investments reported on Statement of Net Assets	1,380,982	239,267	331,063	1,991,534	367,225	4,310,071	5,592,109
Less non-cash equivalents	-	-	-	-	(367,225)	(367,225)	(398,972)
Cash and cash equivalents at end of year	<u>\$ 1,380,982</u>	<u>239,267</u>	<u>331,063</u>	<u>1,991,534</u>	<u>-</u>	<u>3,942,846</u>	<u>5,193,137</u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:							
Operating income (loss)	\$ 60,325	46,743	37,027	595,524	130,375	869,994	1,023,429
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:							
Depreciation	717,975	2,929	-	2	124,714	845,620	1,095,229
(Increase) decrease in accounts receivable	34,566	-	-	(121,465)	(13,820)	(100,719)	(423,983)
(Increase) decrease in due from other governments	4,804	-	-	-	3,340	8,144	(13,228)
(Increase) decrease in inventory	(6,238)	-	-	-	-	(6,238)	2,822
Increase (decrease) in accounts payable	(15,847)	(31,980)	97,221	(32,403)	(44,205)	(27,214)	(265,791)
Increase (decrease) in accrued wages payable	3,863	3,888	-	11,562	-	19,313	8,424
Increase (decrease) in compensated absences	(5,635)	9,917	-	8,781	-	13,063	(62,578)
Increase (decrease) in claims and judgments payable	-	-	-	(711,304)	-	(711,304)	(323,559)
Total adjustments	<u>733,488</u>	<u>(15,246)</u>	<u>97,221</u>	<u>(844,827)</u>	<u>70,029</u>	<u>40,665</u>	<u>17,336</u>
Net cash provided by (used for) operating activities	<u>\$ 793,813</u>	<u>31,497</u>	<u>134,248</u>	<u>(249,303)</u>	<u>200,404</u>	<u>910,659</u>	<u>1,040,765</u>
Noncash capital, financing and investing activities:							
Fixed assets contributed by other funds	\$ 44,506	-	-	-	-	44,506	99,960
Change in fair value of investments	(12,076)	-	-	(26,944)	-	(39,020)	277
Total noncash capital, financing and investing activities	<u>\$ 32,430</u>	<u>-</u>	<u>-</u>	<u>(26,944)</u>	<u>-</u>	<u>5,486</u>	<u>100,237</u>

AGENCY FUNDS

Agency Funds are used to account for assets held by a government in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds.

The City of Palm Springs has one Agency Fund:

Special Deposits Agency Fund - To account for monies held in trust by the City for various purposes ranging from bid bonds to donations for animal shelter activities.

CITY OF PALM SPRINGS
Agency Fund

Statement of Changes in Assets and Liabilities

Year ended June 30, 2004

	<u>Balance at July 1, 2003</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at June 30, 2004</u>
<u>SPECIAL DEPOSITS AGENCY FUND</u>				
<u>Assets</u>				
Cash and investments	<u>\$ 1,161,593</u>	<u>1,173,312</u>	<u>(1,401,317)</u>	<u>933,588</u>
<u>Liabilities</u>				
Deposits payable	<u>\$ 1,161,593</u>	<u>1,173,312</u>	<u>(1,401,317)</u>	<u>933,588</u>

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CITY OF PALM SPRINGS
 Combined Balance Sheet - Governmental Funds
 June 30, 2004

<u>Assets</u>	<u>General Fund</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total</u>
Assets:					
Cash and investments	\$ 3,790,655	23,454,689	2,968,152	3,121,278	33,334,774
Restricted assets:					
Cash and investments with fiscal agent	-	706,102	20,251,183	39,740,805	60,698,090
Deposits	-	233,044	-	-	233,044
Receivables:					
Accounts	1,168,363	1,082,695	-	53,620	2,304,678
Accrued interest	984,224	83,793	7,370	12,507	1,087,894
Special assessments	-	-	9,365,054	-	9,365,054
Notes	-	302,109	-	-	302,109
Due from other funds	679,906	-	-	-	679,906
Due from other governments	3,013,896	1,167,548	107,155	426,734	4,715,333
Advances to other funds	3,269,670	2,115,992	-	-	5,385,662
Property held for resale	-	908,690	-	6,290,882	7,199,572
	<u>\$ 12,906,714</u>	<u>30,054,662</u>	<u>32,698,914</u>	<u>49,645,826</u>	<u>125,306,116</u>
<u>Liabilities and Fund Balance</u>					
Liabilities:					
Accounts payable	\$ 654,122	634,417	-	849,222	2,137,761
Accrued wages payable	663,210	32,652	-	-	695,862
Accrued interest payable	172,085	-	-	-	172,085
Due to other funds	-	540,040	139,866	-	679,906
Due to other governments	-	146,653	-	-	146,653
Deposits payable	7,837	162,778	-	500	171,115
Deferred revenue	1,292,285	26,500	9,365,054	325,429	11,009,268
Pass-through payable	-	-	785,529	-	785,529
Advances from other funds	-	-	5,402,662	-	5,402,662
	<u>2,789,539</u>	<u>1,543,040</u>	<u>15,693,111</u>	<u>1,175,151</u>	<u>21,200,841</u>
Fund balance:					
Reserved for:					
Encumbrances	221,368	1,451,843	-	12,250,014	13,923,225
Non-current assets	3,269,670	3,551,807	-	6,290,882	13,112,359
Debt service requirements	-	706,102	17,005,803	-	17,711,905
Low and moderate housing	-	1,132,284	-	-	1,132,284
Unreserved, reported in:					
General fund	6,626,137	-	-	-	6,626,137
Special revenue funds	-	21,669,586	-	1,596,028	23,265,614
Capital projects fund	-	-	-	28,333,751	28,333,751
	<u>10,117,175</u>	<u>28,511,622</u>	<u>17,005,803</u>	<u>48,470,675</u>	<u>104,105,275</u>
Total liabilities and fund balance	<u>\$ 12,906,714</u>	<u>30,054,662</u>	<u>32,698,914</u>	<u>49,645,826</u>	<u>125,306,116</u>

CITY OF PALM SPRINGS
 Combined Statement of Revenues, Expenditures and Changes in Fund Balances -
 Governmental Fund Types
 Year ended June 30, 2004

	General Fund	Special Revenue	Debt Service	Capital Projects	Total
Revenues:					
Taxes	\$ 30,039,422	3,410,347	4,913,776	393,738	38,757,283
Licenses and permits	2,988,061	1,482,806	-	-	4,470,867
Fines and penalties	433,792	264,431	-	-	698,223
Investment income	116,162	278,063	2,481,863	(19,648)	2,856,440
Rental income	272,791	30,325	-	170,000	473,116
Intergovernmental	3,124,563	2,143,764	-	2,267,766	7,536,093
Charges for services	3,718,268	1,453,813	-	104,000	5,276,081
Transient occupancy taxes	5,303,405	7,014,847	-	-	12,318,252
Special assessments	-	361,889	704,140	-	1,066,029
Donations and contributions	55,814	1,222,485	-	251,668	1,529,967
Master lease	-	1,078,389	-	-	1,078,389
Miscellaneous	348,984	143,241	317,035	16,441	825,701
Total revenues	<u>46,401,262</u>	<u>18,884,400</u>	<u>8,416,814</u>	<u>3,183,965</u>	<u>76,886,441</u>
Expenditures:					
Current:					
General government	6,317,028	3,228,648	2,812	944,972	10,493,460
Cultural and convention center	-	1,732,643	-	4,476,808	6,209,451
Public safety	24,789,729	860,277	-	684,583	26,334,589
Public works	6,162,944	5,037,686	2,830,901	1,843,997	15,875,528
Parks and recreation	3,990,209	1,183,270	-	1,722,170	6,895,649
Library	2,048,888	187,902	-	-	2,236,790
Lease	-	872,687	348,695	-	1,221,382
Debt service:					
Principal	-	307,240	3,083,658	-	3,390,898
Interest	-	358,333	4,296,692	193,767	4,848,792
Bond issuance costs	-	-	2,091,118	-	2,091,118
Pass-through payments	-	-	2,001,988	-	2,001,988
Payment to bond escrow	-	-	3,284,353	-	3,284,353
Total expenditures	<u>43,308,798</u>	<u>13,768,686</u>	<u>17,940,217</u>	<u>9,866,297</u>	<u>84,889,715</u>
Excess (deficiency) of revenues over (under) expenditures	<u>3,092,464</u>	<u>5,115,714</u>	<u>(9,523,403)</u>	<u>(6,682,332)</u>	<u>(7,998,468)</u>
Other financing sources (uses):					
Transfers in	1,000,000	50,000	3,947,088	6,221,839	11,218,927
Transfers out	(5,537,156)	(1,200,000)	(4,681,771)	(100,000)	(11,518,927)
Sale of general fixed assets	-	-	-	13,600	13,600
Issuance of bonds	-	-	46,312,363	44,150,137	90,462,500
Payment to bond escrow	-	-	(26,028,446)	-	(26,028,446)
Total other financing sources (uses)	<u>(4,537,156)</u>	<u>(1,150,000)</u>	<u>19,549,234</u>	<u>50,285,576</u>	<u>64,147,654</u>
Net change in fund balances	<u>(1,444,692)</u>	<u>3,965,714</u>	<u>10,025,831</u>	<u>43,603,244</u>	<u>56,150,097</u>
Fund balances at beginning of year	<u>11,561,867</u>	<u>24,545,908</u>	<u>6,979,972</u>	<u>4,867,431</u>	<u>47,955,178</u>
Fund balances at end of year	<u>\$ 10,117,175</u>	<u>28,511,622</u>	<u>17,005,803</u>	<u>48,470,675</u>	<u>104,105,275</u>

City of Palm Springs
 Combined Debt to Maturity Requirements
 June 30, 2004

June 30	Special Assessment Debt	Certificates of Participation	Redevelopment Agency	Lease Revenue Bonds	Airport Revenue Bonds	Total
2005	\$ 1,062,503	2,140,564	2,149,323	4,296,186	2,617,632	12,266,208
2006	1,173,779	2,136,099	2,104,602	6,203,612	2,618,112	14,236,204
2007	1,171,465	2,138,868	2,100,994	9,706,412	2,620,732	17,738,471
2008	1,163,733	2,139,004	2,099,654	6,068,612	2,625,152	14,096,155
2009	1,148,437	2,141,539	2,095,134	6,140,012	2,621,572	14,146,694
2010	1,203,600	2,326,159	2,097,928	5,828,612	2,624,272	14,080,571
2011	600,592	2,334,942	2,093,912	5,828,112	2,623,622	13,481,180
2012	436,640	2,339,967	2,092,102	5,828,513	2,624,622	13,321,844
2013	431,262	2,356,952	2,090,052	5,830,913	2,626,432	13,335,611
2014	342,706	2,195,292	2,093,336	5,846,838	2,629,200	13,107,372
2015	341,066	2,297,942	2,093,770	5,842,982	2,627,731	13,203,491
2016	343,815	2,021,127	2,086,483	5,839,269	2,627,069	12,917,763
2017	340,972	2,040,165	2,086,355	5,836,001	2,626,913	12,930,406
2018	342,555	2,066,265	2,087,835	5,900,488	2,626,963	13,024,106
2019	338,590	2,084,070	2,075,134	5,845,656	2,626,963	12,970,413
2020	339,060	2,108,650	2,077,840	5,842,150	2,635,601	13,003,301
2021	338,820	2,134,647	2,076,244	5,844,301	2,638,013	13,032,025
2022	342,715	2,156,992	2,070,546	5,851,412	2,634,163	13,055,828
2023	340,722	2,190,467	1,617,653	5,823,562	1,434,088	11,406,492
2024	338,013	2,214,645	1,617,820	5,820,281	1,432,663	11,423,422
2025	334,632	2,244,595	1,025,913	5,814,825	1,438,263	10,858,228
2026	335,427	2,284,960	1,022,888	5,813,275	1,440,350	10,896,900
2027	335,313	2,320,095	1,023,025	5,867,925	1,438,925	10,985,283
2028	339,211	-	1,021,187	5,869,000	1,443,988	8,673,386
2029	337,120	-	1,022,231	5,869,625	-	7,228,976
2030	334,181	-	1,016,157	5,869,250	-	7,219,588
2031	-	-	1,017,824	5,867,325	-	6,885,149
2032	-	-	1,021,812	5,868,300	-	6,890,112
2033	-	-	1,013,256	5,866,350	-	6,879,606
2034	-	-	1,012,156	5,870,925	-	6,883,081
2035	-	-	1,017,950	5,865,925	-	6,883,875
2036	-	-	-	5,871,075	-	5,871,075
Total debt service	14,156,929	50,414,006	52,121,116	190,337,724	55,903,041	362,932,816
Less interest payments	(4,854,429)	(19,054,006)	(23,391,116)	(95,572,724)	(23,738,041)	(166,610,316)
Outstanding principal	\$ 9,302,500	31,360,000	28,730,000	94,765,000	32,165,000	196,322,500

**STATISTICAL
SECTION**



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CITY OF PALM SPRINGS

General Governmental Expenditures by Function
Governmental Funds

Last Ten Fiscal Years

Fiscal Year	General Government	Cultural and Convention Center	Public Safety	Public Works	Parks and Recreation
1995	\$ 9,619,029	1,613,888	14,403,966	9,241,884	2,993,001
1996	9,058,499	1,895,489	15,269,858	9,749,131	2,888,608
1997	8,924,565	1,794,146	16,367,984	14,170,134	3,001,343
1998	9,350,088	1,798,890	17,392,868	14,821,033	3,264,149
1999	8,786,101	1,618,624	18,451,229	9,747,236	3,707,569
2000	9,160,246	1,475,203	20,122,517	10,165,471	4,052,217
2001	9,252,934	633,742	20,747,085	12,890,695	4,523,705
2002	10,071,905	2,141,082	22,983,352	13,746,718	5,207,980
2003	9,931,145	5,715,514	23,053,352	11,415,396	5,196,953
2004	10,493,460	6,209,451	26,334,589	15,875,528	6,895,649

(1) Includes \$2,275,000 for early pay down on Convention Center debt and \$8,130,000 pay off of 1987 Redevelopment Bonds

(2) Includes \$582,800 for library expansion

(3) Includes \$5,880,000 for refinancing A.D. 155 Bonds

(4) Includes \$4,138,411 of payment to bond escrow for refinancing

(5) Includes \$3,284,353 of payment to bond escrow for refinancing

Source: City of Palm Springs

TABLE 1

<u>Library</u>	<u>Lease/ Debt Service</u>	<u>ERAF / Pass-thru</u>	<u>Cost of Property Sold / Capital Outlay</u>	<u>Total</u>
1,737,537	24,220,858 (1)	1,320,429	524,643	65,675,235
2,279,555 (2)	10,546,098	1,224,795	1,441,655	54,353,688
1,839,639	10,293,194	1,088,333	366,228	57,845,566
2,105,923	15,411,590 (3)	1,008,214	2,143,798	67,296,553
1,998,072	11,759,291	1,161,161	-	57,229,283
2,335,579	9,058,198	1,149,013	-	57,518,444
2,237,410	8,847,188	1,445,349	-	60,578,108
2,313,712	13,556,277 (4)	1,843,956	-	71,864,982
2,479,866	9,227,563	1,910,074	6,011,842	74,941,705
2,236,790	13,041,043 (5)	2,001,988	-	83,088,498

CITY OF PALM SPRINGS
General Governmental Revenues by Source
Last Ten Fiscal Years

Fiscal Year Ending June 30	Taxes	Licenses and Permits	Intergovernmental	Charges for Services	Fines and Penalties	Investment and Rental Income	Special Assessments	Miscellaneous	Total
1995	\$32,589,968	1,695,926	3,289,630	4,274,260	294,523	2,164,827	1,600,105	2,566,174(1)	48,475,413
1996	33,276,549	1,663,251	6,154,844(3)	4,370,671	350,898	2,158,943	1,810,753	3,904,963(2)	53,690,872
1997	34,549,429	1,541,113	10,146,616(4)	4,655,433(5)	359,580	2,363,409	2,201,651(6)	2,726,187	58,543,418
1998	35,021,390	1,716,689	11,086,767(8)	4,849,132	309,428	2,147,883	1,529,433	5,811,835(7)	62,472,557
1999	36,866,645	1,810,230	5,526,097	5,349,351	400,270	2,065,544	1,292,155	2,553,046	55,863,338
2000	39,745,361	2,129,693	7,143,870	5,979,223	583,181	2,123,309	1,173,894	2,457,096	61,335,627
2001	42,018,263	2,189,014	8,705,435	4,332,370	627,357	3,029,140	1,112,079	2,868,220	64,881,878
2002	45,741,315	2,146,073	6,005,046	4,498,177	711,256	2,157,846	1,045,821	2,406,969	64,712,503
2003	47,779,601	2,782,782	5,629,915	4,483,641	659,795	1,736,210	1,029,461	2,586,918	66,688,323
2004	51,075,535	4,470,867	7,536,093	5,276,081	698,223	1,534,056	1,066,029	3,447,657	75,104,541

- (1) Includes \$549,005 from sale of property.
- (2) Includes \$796,310 from sale of property, \$446,500 donation from developer and \$348,800 donation for electrical municipalization.
- (3) Includes \$1,951,487 from CVAG for Mid Valley Parkway Project.
- (4) Includes \$5,501,657 from CVAG for Mid Valley Parkway Project.
- (5) Includes increase of \$552,955 from Recycling Surcharge.
- (6) Includes increase of \$370,000 for prior years delinquent assessments.
- (7) Includes sale of land for \$2,698,878.
- (8) Includes \$6,382,154 from CVAG for Mid Valley Parkway Project.

Source: City of Palm Springs

CITY OF PALM SPRINGS
 General Governmental Tax Revenues by Source
 Last Ten Fiscal Years

Fiscal Year Ending June 30	Property Tax	Sales Tax	Franchise Tax	Transient Occupancy Tax	Documentary Stamp Tax	New Development Tax	Utility Users Tax	Total
1995	\$12,725,734	5,724,616	1,962,378	7,647,683	108,885	152,817	4,267,855	32,589,968
1996	12,454,225	6,012,081	1,823,831	8,342,036	148,732	170,322	4,325,322	33,276,549
1997	12,633,368	6,224,328	1,852,826	9,093,167	162,053	113,688	4,469,999	34,549,429
1998	12,087,375	6,679,333	1,938,728	9,676,062	215,568	133,848	4,290,476	35,021,390
1999	12,424,642	7,211,872	1,932,118	10,901,809	293,130	152,085	3,950,989 (1)	36,866,645
2000	13,108,229	8,141,890	2,057,129	11,822,423	322,467	319,714	3,973,509 (2)	39,745,361
2001	13,786,074	8,740,416	2,206,391	11,728,029	370,678	332,498	4,854,177	42,018,263
2002	16,293,149	8,619,555	2,456,645	12,095,019	350,469	242,513	5,683,965	45,741,315
2003	17,098,633	9,179,359	2,537,910	12,421,094	411,399	366,827	5,764,379	47,779,601
2004	18,730,710	10,048,196	2,572,297	12,318,252	707,246	967,682	5,731,152	51,075,535

- (1) Tax allocation rate reduced to 4.5%
 (2) Tax allocation rate increased to 5.0%

Source: City of Palm Springs

TABLE 3

CITY OF PALM SPRINGS
Property Tax Levies and Collections
Last Ten Fiscal Years

<u>Fiscal Year Ending June 30</u>	<u>Total Levy</u>	<u>Current Tax Collections</u>	<u>Percent of Levy Collected</u>	<u>Delinquent Tax Collections</u>	<u>Total Tax Collections</u>	<u>Percent of Total Collections to Tax Levy</u>
1995	\$ 8,579,867	8,636,225	100.7%	31,861	8,668,086	101.0%
1996	8,510,719	8,441,471	99.2%	36,390	8,477,861	99.6%
1997	8,669,779	8,507,695	98.1%	27,018	8,534,713	98.4%
1998	8,569,830	8,282,787	96.7%	17,045	8,299,832	96.8%
1999	8,599,682	8,832,897	102.7%	14,892	8,847,789	102.9%
2000	8,970,462	9,380,157	104.6%	10,079	9,390,236	104.7%
2001	9,081,713	9,375,427	103.2%	19,393	9,394,820	103.4%
2002	9,891,339	10,294,659	104.1%	33,057	10,327,716	104.4%
2003	10,510,350	11,081,119	105.4%	40,974	11,122,093	105.8%
2004	11,363,688	12,413,524	109.2%	48,675	12,462,199	109.7%

Note: Levies and collections are for General Fund only, excluding no-low property taxes.

Source: County of Riverside

TABLE 4

CITY OF PALM SPRINGS
 Schedule of Assessed Valuation
 Last Ten Fiscal Years

Fiscal Year Ending June 30	Secured Property	Unsecured Property	Less Property Exemptions	Total	Homeowner's Exemption	Net Taxable Value
1995	\$3,948,018,523	228,944,234	135,608,374	4,041,354,383	58,780,663	3,982,573,720
1996	3,986,962,679	203,074,016	130,870,949	4,059,165,746	59,229,952	3,999,935,794
1997	3,959,292,566	326,052,171	153,838,121	4,131,506,616	59,442,092	4,072,064,524
1998	3,915,130,408	306,614,276	170,118,280	4,051,626,404	59,858,896	3,991,767,508
1999	3,785,884,254	346,639,341	89,166,450	4,043,357,145	59,962,721	3,983,394,424
2000	3,924,812,414	359,445,300	49,781,470	4,234,476,244	59,290,951	4,175,185,293
2001	4,261,469,866	454,672,215	93,437,453	4,622,704,628	59,801,407	4,562,903,221
2002	4,722,211,022	449,759,661	75,996,320	5,095,974,363	60,436,168	5,035,538,195
2003	5,059,415,432	458,041,213	116,541,098	5,400,915,547	61,894,883	5,339,020,664
2004	5,508,503,039	486,531,457	128,218,586	5,866,815,910	64,794,535	5,802,021,375

Source: County of Riverside

TABLE 5

CITY OF PALM SPRINGS

Property Tax Rates - Direct and Overlapping Governments

Last Ten Fiscal Years

(Rate per \$100 of assessed valuation)

Fiscal Year Ending <u>June 30</u>	County of Riverside General <u>Purpose</u>	County of Riverside Debt Service	City of Palm Springs Debt Service	Palm Springs Unified School District	Coachella Valley Community College	Desert Hospital	Desert Water Agency	<u>Totals</u>
1995	1.000	-	-	.01196	-	-	.08000	1.09196
1996	1.000	-	-	.03414	-	-	.08000	1.11414
1997	1.000	-	-	.04041	-	-	.08000	1.12041
1998	1.000	-	-	.05110	-	-	.08000	1.13110
1999	1.000	-	-	.05620	-	-	.07700	1.1332
2000	1.000	-	-	.06050	-	-	.07000	1.13050
2001	1.000	-	-	.05609	-	-	.07000	1.12609
2002	1.000	-	-	.06192	-	-	.07000	1.13192
2003	1.000	-	-	.06002	-	-	.07000	1.13002
2004	1.000	-	-	.05052	-	-	.07000	1.12052

Source: County of Riverside

CITY OF PALM SPRINGS

TABLE 6

Principal Taxpayers

June 30, 2004

<u>Taxpayer</u>	<u>Type of Activity</u>
Walter Hotel Corp. (Hilton)	Hotel and Retail
AP APH Palm Springs (Wyndham Hotel)	Hotel and Retail
Desert Regional Medical Center - Tenet Corp.	Medical Services
Desert Sun Publishing Co.	Newspaper
PHS Holdings (Hyatt Regency Hotel)	Hotel and Retail
Wessman Development	Retail Development
Pacific Monarch Resorts, Inc. (Palm Canyon Resort)	Hotel and Retail
RPS Resort Corp. (Riviera Hotel)	Hotel and Retail
San Gorgonio Westwinds II Inc.	Energy (Windmills)
Lowe's Hardware, Inc.	Retail

Source: City of Palm Springs

TABLE 7

CITY OF PALM SPRINGS
Special Assessment Billings and Collections
Last Ten Fiscal Years

<u>Fiscal Year Ended June 30</u>	<u>Special Assessment Billings</u>	<u>Special Assessment Collected</u>
1995	\$5,744,158	5,161,874
1996	5,694,025	5,531,295
1997	5,959,096	6,173,885
1998	5,630,693	5,729,511
1999	5,563,065	5,795,613
2000	4,775,117	5,013,573
2001	5,525,936	5,988,923
2002	5,455,898	6,160,496
2003	5,354,669	5,602,891
2004	5,579,018	6,153,470

Source: County of Riverside

TABLE 8

CITY OF PALM SPRINGS

Computation of Legal Debt Margin

June 30, 2004

Assessed Valuations (1):	
Assessed Value	\$1,466,703,978
Add back: exempt real property	<u>32,054,647</u>
Total assessed value	<u>\$1,498,758,625</u>
Legal Debt Margin:	
Debt limitation - 15 percent of total assessed value	\$ 224,813,794
Amount of debt applicable to debt limitation	<u>-</u>
Legal debt margin	<u>\$ 224,813,794</u>

(1) Assessed valuations from Table 4 are divided by 4 for purposes of this computation.

Source: City of Palm Springs

TABLE 9

CITY OF PALM SPRINGS

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

Last Ten Fiscal Years

Fiscal Year Ending June 30	Population	Assessed Value (1)	Gross Bonded Debt (2)	Less Debt Service Fund (3)	Debt Payable from Enterprise Revenues (4)	Net Bonded Debt	Ratio of Net Bonded Debt to Assessed Value	Net Bonded Debt Per Capita
1995	42,473	4,041,354,383	1,000,000	18,207	-	981,793	.02	23
1996	41,702	4,059,165,746	675,000	-	-	675,000	.02	16
1997	41,275	4,131,506,616	350,000	-	-	350,000	.01	8
1998	42,638	4,051,626,404	-	-	-	-	-	-
1999	42,876	4,043,357,145	-	-	-	-	-	-
2000	43,494	4,234,476,244	-	-	-	-	-	-
2001	43,819	4,622,704,628	-	-	-	-	-	-
2002	43,715	5,095,974,363	-	-	-	-	-	-
2003	43,997	5,400,915,547	-	-	-	-	-	-
2004	44,200	5,866,815,910	-	-	-	-	-	-

(1) From Table 4.

(2) Amount does not include special assessment bonds.

(3) Amount available for repayment of general obligation bonds.

(4) These amounts include general obligation bonds that are being repaid from the airport and golf course revenues.

Source: County of Riverside
City of Palm Springs

TABLE 10

CITY OF PALM SPRINGS

Ratio of Annual Debt Service Expenditures for General Obligation Bonded Debt
To Total General Governmental Expenditures

Last Ten Fiscal Years

<u>Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Interest(1)</u>	<u>Total Debt Service</u>	<u>Total General Governmental Expenditures (2)</u>	<u>Ratio of Debt Service To General Governmental Expenditures</u>
1995	\$300,000	65,625	365,625	65,675,235	.56%
1996	325,000	50,325	375,325	54,353,688	.69%
1997	325,000	33,750	358,750	57,845,566	.62%
1998	350,000	17,500	367,500	67,296,553	.55%
1999	-	-	-	57,229,283	-
2000	-	-	-	57,518,444	-
2001	-	-	-	60,578,108	-
2002	-	-	-	71,864,982	-
2003	-	-	-	74,941,705	-
2004	-	-	-	83,088,498	-

(1) Excludes bond issuance and other costs.

(2) Includes general, special revenue, debt service and capital projects funds.

Source: City of Palm Springs

TABLE 11

CITY OF PALM SPRINGS

Computation of Direct and Overlapping Bonded Debt

June 30, 2004

2003-04 Assessed Valuation:	\$5,891,836,287
Redevelopment Incremental Valuation:	<u>606,439,476</u>
Adjusted Assessed Valuation:	\$5,285,396,811

<u>OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	<u>% Applicable</u>	<u>Debt 6/30/04</u>
Riverside County Flood Control and Water Conservation District, Zone No. 6	77.435%	\$ 491,712
Banning Unified School District	0.341	40,919
Palm Springs Unified School District	60.217	71,652,208
City of Palm Springs 1915 Act Bonds	100.	<u>7,915,000</u>
TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT		\$80,099,839

<u>DIRECT AND OVERLAPPING GENERAL FUND OBLIGATION DEBT:</u>		
Riverside County General Fund Obligations	5.874%	\$ 37,780,226
Riverside County Board of Education Certificates of Participation	5.874	773,018
Mt. San Jacinto Community College General Fund Obligations	0.010	782
City of Palm Springs General Fund Obligations	100.	122,111,000
Coachella Valley County Water District Storm Water Unit Certificates of Participation	0.408	<u>42,779</u>
TOTAL GROSS DIRECT AND OVERLAPPING GENERAL FUND OBLIGATION DEBT		\$160,707,805

Less: Riverside County Administrative Center Project Authority (100% self-supporting from tax increment revenues)

	<u>1,257,565</u>
TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND OBLIGATION DEBT	\$159,450,240

GROSS COMBINED TOTAL DEBT	\$240,807,644	(1)
NET COMBINED TOTAL DEBT	\$239,550,079	

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

Ratios to 2003-04 Assessed Valuation:

Total Overlapping Tax and Assessment Debt	1.36%
---	-------

Ratios to Adjusted Assessed Valuation:

Combined Direct Debt (\$122,111,000)	2.31%
Gross Combined Total Debt	4.56%
Net Combined Total Debt	4.53%

STATE SCHOOL BUILDING AID REPAYABLE AS OF 6/30/04: \$0

Source: California Municipal Statistics, Inc.

TABLE 12

CITY OF PALM SPRINGS
Revenue Bond Coverage-Airport
Last Ten Fiscal Years

Fiscal Year	Gross Revenue (1)	Operating Expenses (2)	Net Revenue Available for Debt Service	Debt Service Requirements (3)			
				Principal	Interest	Total	Coverage
1995	\$ 7,922,783	5,573,025	2,349,758	260,000	943,810	1,203,810	1.95
1996	8,680,372	5,646,465	3,033,907	270,000	933,150	1,203,150	2.52
1997	8,980,298	6,050,056	2,930,242	285,000	921,270	1,206,270	2.43
1998	10,087,218	6,452,595	3,634,623	295,000	907,875	1,202,875	3.02
1999	10,393,872	6,286,436	4,107,436	455,000	1,521,226	1,976,226	2.07
2000	10,949,832	7,789,078	3,160,754	525,000	1,947,787	2,472,787	1.28
2001	11,997,329	8,507,580	3,489,749	695,000	1,922,711	2,617,711	1.33
2002	11,869,797	8,584,936	3,284,861	730,000	1,889,897	2,619,897	1.25
2003	13,124,344	9,464,848	3,659,496	765,000	1,855,072	2,620,072	1.40
2004	14,239,720	10,451,418	3,788,302	800,000	1,817,632	2,617,632	1.50

(1) Total revenues (including interest).

(2) Total operating expenses exclusive of depreciation.

(3) Includes principal and interest of revenue bonds only.

Source: City of Palm Springs

CITY OF PALM SPRINGS

TABLE 13

Major Employers

June 30, 2004

<u>Employer</u>	<u>Employees</u>	<u>Activity</u>
Hotels	2,461	Lodging/Restaurants
Desert Regional Medical Center	1,431	Medical Facility
Palm Springs Unified School District	2,149	Public School System
Agua Caliente Gaming Casino	925	Casino
City of Palm Springs	436	Municipal Government
Bird Corporation	363	Medical Supplies and Equipment
Desert Sun Publishing	371	Newspaper
13 Banks and Savings and Loans	194	Financial Services
County of Riverside	172	Municipal Government

Source: City of Palm Springs

TABLE 14

CITY OF PALM SPRINGS

Demographic Statistics

<u>Year</u>	<u>Square Miles</u>	<u>Population</u>	<u>% Change From Previous Year</u>	<u>Student Enrollment</u>	<u>% Change From Previous Year</u>
1995	96.2	42,473	.05	17,456	5.1
1996	96.2	41,702	(1.8)	18,295	4.8
1997	96.2	41,275	(1.0)	18,619	1.8
1998	96.2	42,638	3.3	19,302	3.7
1999	96.2	42,876	0.6	19,201	(0.5)
2000	96.2	43,494	1.4	19,354	0.8
2001	96.2	43,819	0.7	20,667	6.4
2002	96.2	43,715	(0.2)	21,175	2.5
2003	96.2	43,997	0.6	21,598	1.02
2004	96.2	44,200	.4	22,500	4.17

Source: City of Palm Springs
Palm Springs Unified School District
California Department of Finance

TABLE 15

CITY OF PALM SPRINGS

Property Value, Construction and Business Activity

Last Ten Fiscal Years

Year Ended June 30	Property Value (1)	Commercial Construction		Residential Construction		Business Licenses Issued
		Units (2)	Value	Units (2)	Value	
1995	\$4,041,354,383	92	10,693,609	1,053	10,977,095	620,889
1996	4,059,165,746	175	13,307,294	1,628	16,075,604	631,491
1997	4,131,506,616	367	12,794,545	1,609	21,777,032	599,856
1998	4,051,626,404	168	21,894,998	2,048	25,688,470	637,515
1999	4,043,357,145	188	10,373,824	1,909	28,432,046	641,281
2000	4,234,476,244	139	16,509,407	2,240	60,146,973	685,170
2001	4,622,704,628	141	15,033,824	2,586	53,128,217	675,230
2002	5,095,974,363	112	16,516,939	2,506	50,491,869	733,164
2003	5,400,915,547	132	21,200,894	2,624	52,622,786	770,442
2004	5,866,815,910	135	34,831,545	3,529	221,429,389	836,829

(1) Estimated assessed value from Table 4.

(2) Total building permits.

Source: City of Palm Springs

TABLE 16

CITY OF PALM SPRINGS

Schedule of Insurance in Force

June 30, 2004

<u>Company Name</u>	<u>Policy No.</u>	<u>Coverage</u>	<u>Limits</u>	<u>Effective Date</u>	<u>Expiration Date</u>	<u>Premium</u>
Insurance Company of the State of Pennsylvania	42034810	Excess Comprehensive General and Auto Liability per Special Public Entity Form / Employment Practices	\$10,000,000 excess of \$300,000 SIR / \$10,000,000 excess of \$600,000 SIR	7/1/03	6/30/04	\$ 229,134
Hartford Fire Insurance	72BPEBT0180	Crime Shield	See policy	7/1/03	6/30/04	3,971
Fidelity and Deposit Co. MD	8081962	City Clerk & Asst. Clerk	\$10,000 each	4/21/03	4/20/07	178
Fidelity and Deposit Co. MD	POB503268811	Treasurer's Bond	\$10,000	1/6/04	1/5/05	100
Travelers Indemnity Co. of Illinois	BMG-809 X5389	Boiler and machinery - Property	\$40,000,000 per occurrence	7/1/03	6/30/04	37,545
National Union Fire Insurance Company of PA	3757142	Worker's Compensation	W.C. Statutory Liability: \$25,000,000 Employer's Liability: \$1,000,000	7/1/03	6/30/04	236,708
Affiliated FM	TE463	All Risk Property	\$199,034,210	7/1/03	6/30/04	151,791
Affiliated FM	TE463	Earthquake/Flood DIC Primary Layer	\$2,500,000	7/1/03	6/30/04	142,800
Great American Assurance Co.	CPP5664424	Earthquake and Flood DIC Layer 1 Excess	\$7,500,000 Excess of \$2,500,000 per occurrence	11/20/03	11/19/04	107,100
Lloyds of London	NN080590C	Earthquake and Flood DIC Layer 2 Excess	\$25,000,000 excess of \$10,000,000 per occurrence	11/21/03	11/19/04	127,900

(Continued)

TABLE 16

CITY OF PALM SPRINGS

Schedule of Insurance in Force

(Continued)

<u>Company Name</u>	<u>Policy No.</u>	<u>Coverage</u>	<u>Limits</u>	<u>Effective Date</u>	<u>Expiration Date</u>	<u>Premium</u>
Lloyds of London	NN080920C	Earthquake and Flood DIC Sharing Layer 3 Excess	\$50,000,000 excess of \$35,000,000	12/18/03	12/17/04	103,125
Westchester Fire Insurance Excess Insurance Co.	ACL770963	Police Aero Squadron BI/Property/All Risk Ground & Flight Hull/Medical Payments	\$5,000,000 liability owned & non-owned CSL / \$75,000 Hull	7/1/03	6/30/04	5,823
ACE USA/Westchester Fire	AAPN00056005	Airport Liability	\$50,000,000 BI and property damage CSL each aircraft/occurrence	7/1/03	6/30/04	51,420
Landmark American Ins. Co.	LHR802000	Multi Media Professional Liability	\$1,000,000 each wrongful act	11/9/03	11/8/04	7,734
St. Paul Fire & Marine Ins. Co.	Pending	VillageFest Liability	\$2,000,000 General \$1,000,000 Prods/Completed Ops \$1,000,000 personal / advertising \$1,000,000 each occurrence \$50,000 premises damage	10/18/03	10/18/04	12,375
Travelers Indemnity Co. of Illinois	QT6603526A385	Auto Physical Damage including Comp. and Collision per schedule	\$5,388,350 schedule	7/1/03	6/30/04	20,610
Diversified Risk Insurance Brokers/General Star Indemnity Co.	IYG325268DZ XB300176G	TULIP (Tenant's/User's Liability) Class I, II, III	\$1,000,000 per occurrence	1/1/04	12/31/04	Paid by tenant

(Continued)

CITY OF PALM SPRINGS
Schedule of Insurance in Force

(Continued)

<u>Company Name</u>	<u>Policy No.</u>	<u>Coverage</u>	<u>Limits</u>	<u>Effective Date</u>	<u>Expiration Date</u>	<u>Premium</u>
Essex Ins. Co. (Municipality Insurance Services)	3CM4089	Commerical General Liability offered to consultants and contractors	\$1,000,000 per occurrence \$2,000,000 BI & PD, Products/Completed Ops, Personal & Advertising \$50,000 fire, no medical payments	11/22/03	11/21/04	516
Travelers	QT660142D491 3TIL02	Builders Risk - Convention Center Phase I	\$3,000,000 at jobsite, \$100,000 at temp. jobsite, \$100,000 in transit	1/2/03	1/1/04	project complete
Kemper	3 AM697339-00	Airport Modular Units (4) - Property Coverage	\$67,000 replacement cost	10/8/02	10/7/03	units have been returned
VIS - Volunteer Ins. Svc. (CIMA Companies, Inc.)	VIS THCZ91528630 0113	Volunteer Liability & Auto Liability	\$25,000 medical, \$1,000,000 personal each occurrence, \$3,000,000 annual aggregate, \$500,000 auto CSL	7/1/03	6/30/04	2,005

CITY OF PALM SPRINGS

Miscellaneous Statistics

June 30, 2004

TABLE 17

Year of Incorporation	1938
Form of Government	Council/Manager
Number of employees (excluding police and fire):	
Classified	179
Exempt	81
Area in square miles	96.2
Name of Government facilities and services:	
Lane miles of streets	800
Culture and Recreation:	
Community Centers	2
Parks	8
Skate Park	1
Park acreage	154.5
Golf courses	2
Swimming pools	1
Tennis Courts	12
Visitors Information Center	1
Fire Protection:	
Number of stations	5
Number of fire personnel and officers	58
Number of calls answered	6,539
Number of inspections conducted	5,341
Police Protection:	
Number of stations	1
Number of police personnel and officers	118
Number of patrol units	61
Number of law violations:	
Physical arrests	4,942
Traffic violations	3,721
Parking violations	5,304
Sewer System:	
Feet of sanitary sewers	1,372,800
Miles of storm drains	.66
Number of treatment plants	1
Number of service connections	36,426
Daily average treatment in gallons	8,800,000
Maximum daily capacity of treatment plant in gallons	10,900,000
Airport:	
Runway length in feet	14,952
Aircraft operations	95,411
Annual passengers	1,312,901
Air Carriers:	
Major	5
Commuters	5
Convention Center:	
Square feet under roof	135,000
Meeting rooms	13
Square feet of outdoor function area	20,000
Construction – Expansion square feet	115,000

Source: City of Palm Springs

CITY OF PALM SPRINGS

TABLE 18

Schedule of Credits

June 30, 2004

<u>Name</u>	<u>Area of Contribution</u>
Thomas M. Kanarr, Director of Finance and Treasurer	General Overview Management's Discussion and Analysis Letter of Transmittal Notes to Financial Statements
Nancy E. Klukan, Accounting Manager	Combined Statements Fiscal Year Closing Combining Statements Statistical Tables
Rita K. Gustafson, Senior Accountant	Fiscal Year Closing Statistical Tables
Kimberly A. Harcastle, Accountant	Statistical Tables

Source: City of Palm Springs

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