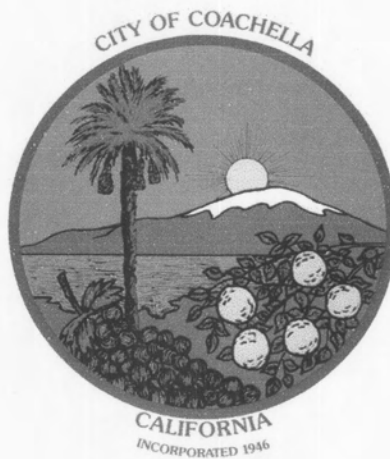


CITY OF COACHELLA
COMPREHENSIVE ANNUAL
FINANCIAL REPORT
WITH REPORT ON AUDIT
BY INDEPENDENT
CERTIFIED PUBLIC ACCOUNTANTS

JUNE 30, 2004



CITY OF COACHELLA
COMPREHENSIVE ANNUAL FINANCIAL REPORT

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INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor and City Council
City of Coachella
Coachella, California

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 Coachella 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 City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. 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 the 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 as of June 30, 2004, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued a report dated November 23, 2004, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis and budgetary comparison information on pages 3 through 11 and 51 through 53 are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining and individual fund statements and schedules described in the accompanying table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is 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.

November 23, 2004

A handwritten signature in black ink, consisting of a series of fluid, connected strokes. The signature is positioned to the right of the date.

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Coachella (City), we offer readers of these financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2004. We encourage readers to consider the information presented here in conjunction with additional information we have furnished in our letter of transmittal. All amounts are expressed in millions of dollars unless otherwise stated.

FINANCIAL HIGHLIGHTS

- The assets of the City of Coachella exceeded its liabilities at the close of the fiscal year by \$15.46 (net assets). Of this amount, \$4.9 (unrestricted net assets) may be used to meet the government's ongoing obligations to its citizens and creditors.
- The City's total net assets increased by \$10.56. Of this amount, approximately \$2.30 was due to intergovernmental revenue and \$3.76 was due to a one time infusion of resources from public works projects
- As of the close of the fiscal year, the City of Coachella's governmental funds reported combined ending fund balances of \$27.45, an increase of \$18.56 in comparison with the prior year. Approximately 60% of this total amount, \$17.02, is available for spending at the City's discretion (unreserved fund balance) per individual fund requirements.
- At the end of the fiscal year, unreserved fund balances from the General Fund was \$2.27, from the Street Improvement Fund was \$5.04, and from Redevelopment Agency Project Area 4 was \$3.78
- The City's total debt increased by \$12.62 (43%) during the fiscal year. The key factor in this increase was the issuance of revenue bonds of \$13.41 for the Coachella Water Authority

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

The *statement of activities* presents information showing how the city's net assets changed during the fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the city include general government, highways and street, economic development, public safety, and culture and recreation. The business-type activities of the City include water, sanitary, and refuse.

Fund financial statements include governmental funds, proprietary funds and fiduciary funds and report on the City's operations in more detail. For governmental activities, the fund statements tell how City services were financed in the short term as well as what remains for long-term spending. Proprietary funds report on activities that the City accounts for in a manner similar to the private business sector. Fiduciary fund statement provides financial information about activities for which the City acts solely as a trustee or agent for the benefit of those outside of the government.

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

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

The City maintains seven individual governmental funds. Information presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, street improvement fund, capital projects fund, and debt service fund, all of which are considered

to be major funds. Data from the three other funds are combined into a single, aggregate presentation. Individual fund data for each of these non-major governmental funds is provided in the form of *combining statements* elsewhere in this report.

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

Proprietary funds. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail

Enterprise funds are used to report on the same functions as presented in business-type activities on the government-wide financial statements. The City uses enterprise funds to account for its Water Authority, Sanitation District, and Refuse.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information including individual and combining fund schedules.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City of Coachella, assets exceeded liabilities by \$20.73. One of the largest portions of the City's net assets (37.6 percent) reflects its investment in capital assets (e.g. land, buildings, machinery, and equipment), less any related debt used to acquire those assets still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net assets (25.6 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets \$7.63 may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the fiscal year, the City is able to report positive balances in both the capital assets net of related debt and unrestricted assets for governmental activities and in restricted and unrestricted net assets for business-type activities. Last year governmental activities reported negative balances in unrestricted net assets while business-type activities indicated a negative balance in capital assets, net of related debt.

The City's net assets increased by \$10.56 during the fiscal year. Approximately 40 percent is attributable to an increase in capital grants and contributions. The remainder of this growth largely reflects an increase in the City's general revenues.

Table 1
Net Assets
As of June 30, 2004 and 2003

	Governmental Activities		Business Type Activities		Total	
	FY 2004	FY 2003	FY 2004	FY 2003	FY 2004	FY 2003
Current and restricted assets	\$ 30,366,261	\$ 12,580,820	\$ 9,749,383	\$ 10,261,591	\$ 40,115,644	\$ 22,842,411
Capital assets	13,578,107	10,115,607	13,719,042	11,108,874	27,297,149	21,224,481
TOTAL ASSETS	43,944,368	22,696,427	23,468,425	21,370,465	67,412,793	44,066,892
Long-term debt outstanding	25,399,846	18,000,618	1,714,270	11,266,725	27,114,116	29,267,343
Other liabilities	3,080,416	3,411,031	16,492,004	1,219,286	19,572,420	4,630,317
TOTAL LIABILITIES	28,480,262	21,411,649	18,206,274	12,486,011	46,686,536	33,897,660
Net assets:						
Invested in capital assets, net of related debt	10,566,657	10,033,810	(2,772,962)	(156,851)	7,793,695	9,876,959
Restricted	-	-	5,303,187	5,293,425	5,303,187	5,293,425
Unrestricted	4,897,449	(8,749,032)	2,731,916	3,747,880	7,629,365	(5,001,152)
TOTAL NET ASSETS	\$ 15,464,106	\$ 1,284,778	\$ 5,262,151	\$ 8,884,454	\$ 20,726,257	\$ 10,169,232

Table 2
Changes Net Assets
As of June 30, 2004 and 2003

	Governmental Activities		Business Type Activities		Total	
	FY 2004	FY 2003	FY 2004	FY 2003	FY 2004	FY 2003
REVENUES						
Program Revenues:						
Charges for Services	\$ 3,536,238	\$ 1,738,017	\$ 6,968,177	\$ 4,855,667	\$ 10,504,415	\$ 6,593,684
Operating Grants and Contributions	2,072,536	\$ 2,618,170			2,072,536	
Capital Grants and Contributions	6,025,655	\$ 1,353,920			6,025,655	
General Revenues:						
Intergovernmental revenue	2,295,554				2,295,554	-
Licence and permits	-	1,012,506			-	1,012,506
Property taxes	4,330,608	4,034,206			4,330,608	4,034,206
Taxes	4,146,617	3,876,387	44,245	41,650	4,190,862	3,918,037
Other revenues	662,141	488,209	141,297	108,771	803,438	596,980
Interest and rental income	185,040	219,553	156,460	155,484	341,500	375,037
Gain on sale of land	-	83,877			-	83,877
Transfers in	5,001,000	1,000			5,001,000	1,000
Proceeds from bonds	-				-	-
TOTAL REVENUES	28,255,389	15,425,845	7,310,179	5,161,572	35,565,568	16,615,327
EXPENSES:						
General Government	5,546,488	5,019,776			5,546,488	5,019,776
Public safety	3,329,250	2,438,945			3,329,250	2,438,945
Public works	2,456,293	1,840,019			2,456,293	1,840,019
Parks, recreation	177,507	282,077			177,507	282,077
Paymentes to other agencies	1,382,333	656,998			1,382,333	656,998
Interest on long-term debt	1,276,708	1,288,291			1,276,708	1,288,291
Operating trasnfers in & out (net)	-		5,001,000	1,000	5,001,000	1,000
Operating expenses			5,039,036	4,255,450	5,039,036	4,255,450
None operating expenses			892,446	753,251	892,446	753,251
TOTAL EXPENSES	14,168,579	11,526,106	10,932,482	5,009,701	25,101,061	16,535,807
INCREASE (DECREASE) IN NET ASSETS	14,086,810	3,899,739	(3,622,303)	151,871	10,464,507	79,520
BEGINNING NET ASSETS	1,284,778	(2,614,961)	8,884,454	8,729,553	10,169,232	6,114,592
RESTAMENT ON NET ASSETS	92,518	-	-	3,030	92,518	3,030
ENDING NET ASSETS	\$ 15,464,106	\$ 1,284,778	\$ 5,262,151	\$ 8,884,454	\$ 20,726,257	\$ 6,197,142

Governmental activities. Governmental activities increased the City's net assets by \$14.18 thereby accounting for 134 percent of the total growth in the net assets of the City. Key elements of this increase are as follows:

The increase in charges for services of \$1.6 reflecting a reporting change and is partially offset by the decrease in licenses and permits \$(1.01). Operating grants also reported a decrease\$(1.20), while capital grants increased \$4.52. Intergovernmental revenues increased \$2.3 and there was a one time lease payment from the Water Agency to the City in the amount of \$5.0.

Increases in expenses, for the most part, closely paralleled inflation and growth in the demand for services.

Business-type Activities. Business-type activities decrease net assets by \$3.62 or (34 percent). Key elements are as follows.

Total revenues increased \$2.15 reflecting increases in charges for services. At the same time, expenses increased \$5.93 primarily attributable to the one time lease payment of \$5 from the Water Agency.

FINANCIAL ANALYSIS OF THE GOVERNMENTS FUNDS

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

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

At the end of the fiscal year, the City's governmental funds reported combined ending fund balances of \$27.45, an increase of \$18.56 in comparison to the prior year. Approximately half of this total (21.88) constitutes unreserved fund balance, which is available for spending at the City's discretion. The remainder of fund balance is reserved or designated to indicate that it is not available for new spending because it has already been committed to liquidate contracts and purchase orders of the prior period, pay debt service, or to pay for a variety of other restricted purposes.

The *general fund* is the chief operating fund of the City. At the end of the fiscal year, unreserved fund balance of the general fund was \$2.27, while the fund balance reached \$3.80. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 29.6 percent of total general fund expenditures, while total fund balance represents 49.7 percent of the same amount.

The fund balance of the City's general fund increased by \$1.22 during the fiscal year. Increased revenue for intergovernmental revenue as well as licenses and permits contributed to the overall increase.

The *street improvement fund* has a \$5.04 ending fund balance. This is a result of operating transfers in.

Capital projects encompass two funds, Redevelopment Agency Project Area #4 and Improvement Projects Fund. At the end of the fiscal year, Redevelopment Agency Project Area #4 had an ending fund balance of \$3.77, all of which is unreserved fund balance and is primarily held in cash and short-term investments. The Improvement Projects Fund had an ending fund balance of \$.63.

The *debt service fund* is made up of two components, Redevelopment Agency Project Area #1 and Coachella Financing Authority. The Redevelopment Agency Project Area #1 had an ending fund balance of \$(1.45) which is the result of a beginning of the year restatement.

The Coachella Financing Authority's ending balance is \$4.86 all of which is reserved for the repayment of debt.

Proprietary funds. The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets for proprietary funds totaled \$2.73. Water enterprise accounted for \$2.16 of this total with the Sanitary District and Refuse accounting for \$.57 and \$.03 respectively.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets. At the end of 2004, the City had \$27.29 invested in a broad range of capital assets, including land, streets, bridges, drainage systems, traffic lights, parks, buildings, art work, vehicles and equipment. This amount represents a net increase (including additions and deductions) of \$6.07 or 29 percent over last year.

TABLE 3

CAPITAL ASSETS AT YEAR- END (NET OF DEPRECIATION)

For the years ended June 30, 2004 and 2003

	Governmental Activities		Business Type Activities		Total	
	2004	2003	2004	2003	2004	2003
Land	221,280	215,301	649,936	649,936	871,216	865,237
Construction in progress			552,167	698,758	552,167	698,758
Buildings and improvements	1,479,731	1,593,332	363,686	380,694	1,843,417	1,974,026
Improvements other than Buildings			6,709,623	3,512,434		
Equipment	1,441,645	1,041,174	5,443,630	5,868,052	6,885,275	6,909,226
Infrastructure	10,435,451	7,265,800			10,435,451	7,265,800
Totals	\$13,578,107	\$10,115,607	\$13,719,042	\$11,109,874	\$20,587,526	\$17,713,047

This year's major additions included:

- Avenue 50 grade separation\$2.650
- Street Construction\$0.740
- Fire engine\$0.320
- Street Sweeper\$0.170
- Vehicles\$0.120
- Computer Equipment\$0.088
- Sewer trunk expansion project\$0.410
- Sanitary plant expansion project\$3.100

Long-term debt. At year-end, the City's governmental activities had \$25.39 in bonds, notes, contracts, and compensated absences versus \$18.00 last year, an increase of \$7.39 million, or 4.1 percent.

Two new bonds were issued during the fiscal year ended June 30, 2004. The City was able to meet its current year debt obligation in a timely manner. Debts issued in the prior year have been used to finance various capital projects including the Avenue 50 grade separation.

TABLE 4

OUTSTANDING DEBT, AT YEAR-END

For the years ended June 30, 2004 and 2003

	Governmental Activities		Business Type Activities		Total	
	2004	2003	2004	2003	2004	2003
Compensated Absences	434,673	373,819			434,673	373,819
Notes Payable	2,790,171				2,790,171	-
Contract and leases payable	-	81,797		216,184	-	297,981
Revenue bonds and notes	22,175,002	17,545,002	16,492,004	11,050,541	38,667,006	28,595,543
Totals	25,399,846	18,000,618	16,492,004	11,266,725	41,891,850	29,267,343

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

The impact of this budget will depend on a variety of factors including the course of the economy, state legislative actions and the pace of completing the City's three high profile capital improvement projects--street renovations, the sewer line, pump station and plant expansion and the new water reservoir, pump station and wells.

State Budget Impact. The Governor's proposed budget for Fiscal Year 2004-05 includes taking some portion of the City's VLF and property taxes (\$183,655), its partial booking fee reimbursements (\$61,120) and tax increment from the Redevelopment Agency (\$334,000). However, the legislature must still approve the budget and there is still a significant deficit at the state level. Accordingly, the VLF Backfill and the new backfill on the one-fourth percent (.0025) of local sales tax could both still be in doubt. The City and Agency will lose \$578,755 to the State to help them with their budget crisis.

Tax increment for the Coachella Redevelopment Agency will exceed \$4 million in FY 2004-05. The small amount of increment that remains for capital projects after debt service, low/mod housing projects, and administration will be impacted by the current state proposals. There are still active proposals that would have tax increment that is normally received by redevelopment agencies diverted to state use.

Revenue outlook. Fiscal year projections indicate that the City's revenues are derived mostly from unprecedented growth in development that continues to be strong. Our projections for fiscal year 2004-05 continue the upward trend, albeit at a slower pace. The construction related revenues for the new fiscal year are as follows:

• Construction taxes	\$ 649,100
• Construction permits	872,000
• Plan check fees	305,760
• Engineering fees	185,000
• Occupancy permits	<u>116,000</u>
• Total	\$2,127,860

Expenditure outlook. Fiscal year 2004-05 General Fund expenditures are estimated to be \$9.8 million. This is an increase of \$1.1 million over the current fiscal year. The expenditures increases include adjustments for employee medical insurance, higher energy costs, and increases of 7.2 percent for the Police contract and 14.25 percent increase for the Fire Protection contracts. There is also an item of \$85,000 for public safety employees who are members of the CALPERS retirement system.

REQUESTS FOR INFORMATION

This financial report is designed to provide our citizens, taxpayers, customers, and 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 City's Finance Department, at the City of Coachella, 1515 6th Street, Coachella California 92236.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

CITY OF COACHELLA
STATEMENT OF NET ASSETS
JUNE 30, 2004

	Governmental Activities	Business-type Activities	Total
ASSETS:			
Cash and investments	\$ 8,586,260	\$ 1,997,520	\$ 10,583,780
Cash and investments w/fiscal agents	11,593,053	5,303,197	16,896,250
Accounts receivable	6,812,252	1,003,395	7,815,647
Interest receivable	42,480	8,651	51,131
Notes receivable	10,666	-	10,666
Loans receivable	1,195,916	-	1,195,916
Interfund balances	(614,308)	614,308	-
Due from other governments	19,245	-	19,245
Prepaid expenses and deposits	1,539,021	159,055	1,698,076
Other assets	34,905	-	34,905
Deferred charges	-	663,257	663,257
Land held for resale	1,146,771	-	1,146,771
Capital assets			
Non-depreciable	221,279	649,936	871,215
Depreciable-net	13,356,828	13,069,106	26,425,934
TOTAL ASSETS	43,944,368	23,468,425	67,412,793
LIABILITIES:			
Current Liabilities:			
Accounts payable	739,664	890,140	1,629,804
Accrued liabilities	324,348	-	324,348
Compensated absences	-	214,489	214,489
Deposits payable	27,536	353,447	380,983
Amounts due under pass-through agreements	55,643	-	55,643
Deferred revenue	1,771,853	-	1,771,853
Interest payable	161,372	256,194	417,566
Noncurrent liabilities:			
Due within one year	2,874,468	345,000	3,219,468
Due in more than one year	22,525,378	16,147,004	38,672,382
TOTAL LIABILITIES	28,480,262	18,206,274	46,686,536
NET ASSETS (DEFICIT):			
Invested in capital assets, net of related debt	10,566,657	(2,772,962)	7,793,695
Restricted for:			
Debt service	-	442,005	442,005
Capital projects	-	4,861,192	4,861,192
Unrestricted	4,897,449	2,731,916	7,629,365
TOTAL NET ASSETS	\$ 15,464,106	\$ 5,262,151	\$ 20,726,257

See Independent Auditor's report and notes to financial statements.

CITY OF COACHELLA

GOVERNMENT-WIDE STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2004

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental activities:				
General government	\$ 5,546,488	\$ -	\$ 986,585	\$ -
Public safety	3,329,250	177,921	125,094	256,566
Public works	2,456,293	3,358,317	960,857	5,769,089
Parks and recreation	177,507	-	-	-
Payments to other agencies	1,382,333	-	-	-
Interest on long-term debt	1,276,708	-	-	-
Total governmental activities	14,168,579	3,536,238	2,072,536	6,025,655
Business-type activities:				
Water	2,811,636	2,772,982	-	-
Sewer	2,519,679	3,734,731	-	-
Refuse	600,167	601,761	-	-
Total business-type activities	5,931,482	7,109,474	-	-
Total primary government	\$ 20,100,061	\$ 10,645,712	\$ 2,072,536	\$ 6,025,655

General Revenues:

Taxes:

Taxes

Property taxes

Intergovernmental

Interest and rental income

Other income

Transfers in

Change in net assets

Net Assets - Beginning (Restated)

Net Assets - Ending

Net (Expense) Revenue and
Changes in Net Assets

Governmental Activities	Business-type Activities	Total
\$ (4,559,903)	\$ -	\$ (4,559,903)
(2,769,669)	-	(2,769,669)
7,631,970	-	7,631,970
(177,507)	-	(177,507)
(1,382,333)	-	(1,382,333)
(1,276,708)	-	(1,276,708)
<u>(2,534,150)</u>	<u>-</u>	<u>(2,534,150)</u>
-	(38,654)	(38,654.0)
-	1,215,052	1,215,052
-	1,594	1,594
<u>-</u>	<u>1,177,992</u>	<u>1,177,992</u>
<u>\$ (2,534,150)</u>	<u>\$ 1,177,992</u>	<u>\$ (1,356,158)</u>
\$ 4,146,617	\$ 44,245	\$ 4,190,862
4,330,608	-	4,330,608
2,295,554	-	2,295,554
185,040	156,460	341,500
662,141	-	662,141
5,001,000	(5,001,000)	-
<u>14,086,810</u>	<u>(3,622,303)</u>	<u>10,464,507</u>
1,377,296	8,884,454	10,261,750
<u>\$ 15,464,106</u>	<u>\$ 5,262,151</u>	<u>\$ 20,726,257</u>

See Independent Auditor's report and notes to financial statements.

FUND FINANCIAL STATEMENTS

CITY OF COACHELLA

BALANCE SHEET
GOVERNMENTAL FUNDS

JUNE 30, 2004

	General Fund	Street Improvement Fund	Capital Projects Redevelopment Agency Project Area #4	Improvement Projects Fund
ASSETS:				
Cash and investments	\$ -	\$ -	\$ 3,756,639	\$ -
Cash and investments w/fiscal agents	-	5,018,318	-	-
Accounts receivable	282,328	-	-	5,769,089
Interest receivable	6,025	17,948	6,341	-
Notes receivable	-	-	10,666	-
Loans receivable	-	-	-	-
Advances to other funds	1,766,506	-	-	-
Due from other funds	3,169,626	-	-	-
Due from other governments	1,875	-	830	-
Prepaid expenses and deposits	1,535,312	-	-	-
Other assets	-	-	-	-
Land held for resale	-	-	-	-
TOTAL ASSETS	<u>\$ 6,761,672</u>	<u>\$ 5,036,266</u>	<u>\$ 3,774,476</u>	<u>\$ 5,769,089</u>
LIABILITIES AND FUND BALANCES:				
LIABILITIES:				
Accounts payable	\$ 343,948	\$ -	\$ -	\$ 85,779
Accrued liabilities	324,348	-	-	-
Deposits	26,766	-	-	-
Amounts due under pass-through agreement	-	-	-	-
Due to other funds	420,199	-	-	5,048,539
Deferred revenue	1,589,195	-	-	-
Advances from other funds	251,383	-	-	-
TOTAL LIABILITIES	<u>2,955,839</u>	<u>-</u>	<u>-</u>	<u>5,134,318</u>
FUND BALANCES:				
Reserved for:				
Debt service	-	-	-	-
Notes and interfund receivables	-	-	-	-
Prepaid and deposits	1,535,312	-	-	-
Low income and moderate housing	-	-	-	-
Land held for resale	-	-	-	-
Unreserved:				
General fund	2,270,521	-	-	-
Special revenue	-	5,036,266	-	-
Capital projects	-	-	3,774,476	634,771
TOTAL FUND BALANCES	<u>3,805,833</u>	<u>5,036,266</u>	<u>3,774,476</u>	<u>634,771</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 6,761,672</u>	<u>\$ 5,036,266</u>	<u>\$ 3,774,476</u>	<u>\$ 5,769,089</u>

<u>Debt Service</u>			
<u>Redevelopment Agency Project Area #1</u>	<u>Coachella Financing Authority</u>	<u>Other Governmental</u>	<u>Total</u>
\$ 63,571	\$ 288	\$ 4,765,762	\$ 8,586,260
168,119	4,860,462	1,546,154	11,593,053
9	-	760,826	6,812,252
107	-	12,059	42,480
-	-	-	10,666
-	-	1,195,916	1,195,916
-	-	251,383	2,017,889
-	-	2,510,314	5,679,940
-	-	16,540	19,245
-	-	3,709	1,539,021
-	-	34,905	34,905
-	-	1,146,771	1,146,771
<u>\$ 231,806</u>	<u>\$ 4,860,750</u>	<u>\$ 12,244,339</u>	<u>\$ 38,678,398</u>
\$ -	\$ -	\$ 309,937	\$ 739,664
-	-	-	324,348
-	-	770	27,536
21,216	-	34,427	55,643
-	-	825,510	6,294,248
-	-	182,658	1,771,853
1,661,765	-	104,741	2,017,889
<u>1,682,981</u>	<u>-</u>	<u>1,458,043</u>	<u>11,231,181</u>
(1,451,175)	-	2,120,864	669,689
-	-	1,067,138	1,067,138
-	-	-	1,535,312
-	-	1,145,953	1,145,953
-	-	1,146,771	1,146,771
-	-	-	2,270,521
-	-	4,205,066	9,241,332
-	4,860,750	1,100,504	10,370,501
<u>(1,451,175)</u>	<u>4,860,750</u>	<u>10,786,296</u>	<u>27,447,217</u>
<u>\$ 231,806</u>	<u>\$ 4,860,750</u>	<u>\$ 12,244,339</u>	<u>\$ 38,678,398</u>

See Independent Auditor's report and notes to financial statements.

CITY COACHELLA

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS

June 30, 2004

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

Fund balances for governmental funds	\$ 27,447,217
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When capital assets (land, buildings, equipment) that are to be used in
governmental activities are purchase or constructed, the costs of
those assets are reported as expenditures in governmental funds.
However, the Statement of Net Assets includes those capital assets
among the assets of the City as a whole.

13,578,107

Long-term liabilities applicable to the City's governmental activities are not due
and payable in the current period and accordingly are not reported as fund
liabilities. All liabilities, both current and long-term, are reported in the
Statement of Net Assets.

(25,399,846)

Interest on long-term debt is not accrued in governmental funds, but rather is
recognized as an expenditure when due.

(161,372)

Net assets of governmental activities

\$ 15,464,106

See Independent Auditor's report and notes to financial statements.

CITY OF COACHELLA

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS

FOR THE YEAR ENDED JUNE 30, 2004

	General Fund	Street Improvement Fund	Capital Projects Redevelopment Agency Project Area#4	Improvement Projects Fund
REVENUES:				
Taxes	\$ 3,752,597	\$ -	\$ -	\$ -
Property tax increment	-	-	-	-
Licenses and permits	1,183,667	-	-	-
Intergovernmental revenue	2,481,446	-	-	6,607,196
Charges for services	726,854	-	-	-
Fines and forfeits	182,688	-	-	-
Interest and rental income	47,443	36,266	16,572	-
Other income	375,459	-	-	-
TOTAL REVENUES	8,750,154	36,266	16,572	6,607,196
EXPENDITURES :				
Current:				
General government:				
Departmental	1,789,569	-	-	-
Nondepartmental	597,819	-	4,262	-
Public safety	3,247,508	-	-	-
Public works	1,860,312	-	-	-
Parks and recreation	173,714	-	-	-
Payment to other agencies	4,418	-	-	-
Capital outlays	-	-	146,029	2,871,080
Debt service:				
Bond issue cost	-	-	-	-
Principal retirements on bonds and leases	-	-	-	-
Interest payments on bonds and leases	-	-	-	-
TOTAL EXPENDITURES	7,673,340	-	150,291	2,871,080
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	1,076,814	36,266	(133,719)	3,736,116
OTHER FINANCING SOURCES (USES):				
Proceeds from loan	-	-	2,419,871	-
Proceeds from bond debt	-	-	-	-
Discount on bond debt	-	-	-	-
Gain on sale of land	-	-	-	-
Operating transfers in	649,531	5,000,000	6,241	5,750
Operating transfers out	(899,340)	-	(5,750)	-
TOTAL OTHER FINANCING SOURCES (USES)	(249,809)	5,000,000	2,420,362	5,750
Net change in fund balance	827,005	5,036,266	2,286,643	3,741,866
Fund balance, Beginning of year	2,583,370	-	1,487,833	(3,125,719)
Prior period adjustment	395,458	-	-	18,624
Fund balance as restated-Beginning of year	2,978,828	-	1,487,833	(3,107,095)
FUND BALANCE, End of year	\$ 3,805,833	\$ 5,036,266	\$ 3,774,476	\$ 634,771

Debt Service

Redevelopment Agency Project Area #1	Coachella Financing Authority	Other Governmental	Total
\$ -	\$ -	\$ 3,614	\$ 3,756,211
334,445	-	3,656,893	3,991,338
-	-	23,707	1,207,374
-	-	2,699,413	11,788,055
-	-	556,571	1,283,425
-	-	-	182,688
1,820	1,527	81,412	185,040
-	-	484,799	860,258
<u>336,265</u>	<u>1,527</u>	<u>7,506,409</u>	<u>23,254,389</u>
-	-	-	1,789,569
29,612	-	2,939,403	3,571,096
-	-	41,704	3,289,212
-	-	184,010	2,044,322
-	-	-	173,714
25,397	-	1,352,518	1,382,333
-	-	697,730	3,714,839
-	114,213	-	114,213
45,000	-	347,335	392,335
128,619	-	986,717	1,115,336
<u>228,628</u>	<u>114,213</u>	<u>6,549,417</u>	<u>17,586,969</u>
<u>107,637</u>	<u>(112,686)</u>	<u>956,992</u>	<u>5,667,420</u>
-	-	-	2,419,871
-	5,000,000	-	5,000,000
-	(26,850)	-	(26,850)
-	-	-	-
31,450	-	2,617,233	8,310,205
(147,272)	-	(2,256,843)	(3,309,205)
<u>(115,822)</u>	<u>4,973,150</u>	<u>360,390</u>	<u>12,394,021</u>
(8,185)	4,860,464	1,317,382	18,061,441
209,175	286	7,734,002	8,888,947
(1,652,165)	-	1,734,912	496,829
(1,442,990)	286	9,468,914	9,385,776
<u>\$ (1,451,175)</u>	<u>\$ 4,860,750</u>	<u>\$ 10,786,296</u>	<u>\$ 27,447,217</u>

See Independent Auditor's report and notes to financial statements.

CITY OF COACHELLA

RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES

For The Year Ended June 30, 2004

Net change in fund balances-total governmental funds	\$18,061,441
Amounts reported for governmental activities in the statement of Activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays (\$6,259,930) exceeded depreciation (\$414,374) in the current period.	3,073,214
Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This is the amount by which proceeds exceeded repayments and expenditures related to the issuance of bonds.	(6,886,473)
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds	<u>(161,372)</u>
Change in net assets of governmental activities	<u>\$14,086,810</u>

See Independent Auditor's report and notes to financial statements.

CITY OF COACHELLA
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS

JUNE 30, 2004

	Enterprise Funds			
	Water Enterprise	Sanitary District	Refuse	Total
ASSETS:				
Current Assets:				
Cash and investments	\$ 515,668	\$ 1,025,973	\$ 455,879	\$ 1,997,520
Receivables	950,572	52,823	-	1,003,395
Interest receivable	4,568	3,397	686	8,651
Due from other funds	614,308	-	-	614,308
Prepaid items and deposits	-	-	-	-
Total Current Assets	<u>2,085,116</u>	<u>1,082,193</u>	<u>456,565</u>	<u>3,623,874</u>
Non-Current Assets:				
Restricted:				
Cash with fiscal agent	4,870,592	432,605	-	5,303,197
PERS Reserve	85,222	73,833	-	159,055
Capital Assets:				
Land	315,935	334,001	-	649,936
Buildings	198,416	481,913	-	680,329
Improvements other than buildings	4,306,136	6,979,013	-	11,285,149
Machinery and Equipment	5,975,572	5,168,575	-	11,144,147
Vehicles	-	-	-	-
Less: accumulated depreciation	(5,546,316)	(5,046,370)	-	(10,592,686)
Construction-in-progress	209,017	343,150	-	552,167
Deferred Charges	642,760	20,497	-	663,257
Total Non-Current Assets	<u>11,057,334</u>	<u>8,787,217</u>	<u>-</u>	<u>19,844,551</u>
TOTAL ASSETS	<u>13,142,450</u>	<u>9,869,410</u>	<u>456,565</u>	<u>23,468,425</u>
LIABILITIES:				
Current Liabilities:				
Accounts payable	22,449	414,469	453,222	890,140
Accrued liabilities	-	-	-	-
Accrued interest payable	196,929	59,265	-	256,194
Deposits payable	353,447	-	-	353,447
Compensated absences	84,668	129,821	-	214,489
Claims payable	-	-	-	-
Current portion of bonds and leases payable	245,000	100,000	-	345,000
Total Current Liabilities	<u>902,493</u>	<u>703,555</u>	<u>453,222</u>	<u>2,059,270</u>
Noncurrent liabilities:				
Bonds and leases payable after one year	13,086,820	3,060,184	-	16,147,004
Total Non-Current Liabilities	<u>13,086,820</u>	<u>3,060,184</u>	<u>-</u>	<u>16,147,004</u>
TOTAL LIABILITIES	<u>13,989,313</u>	<u>3,763,739</u>	<u>453,222</u>	<u>18,206,274</u>
NET ASSETS (DEFICIT):				
Invested in capital assets, net of related debt	(7,873,060)	5,100,098	-	(2,772,962)
Restricted for:				
Debt service	9,400	432,605	-	442,005
Capital projects	4,861,192	-	-	4,861,192
Unrestricted	2,155,605	572,968	3,343	2,731,916
TOTAL NET ASSETS	<u>\$ (846,863)</u>	<u>\$ 6,105,671</u>	<u>\$ 3,343</u>	<u>\$ 5,262,151</u>

See Independent Auditor's report and notes to financial statements.

CITY OF COACHELLA

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS

FOR THE YEAR ENDED JUNE 30, 2004

	Enterprise Funds			
	Water Enterprise	Sanitary District	Refuse	Total
OPERATING REVENUES:				
Charges for services	\$ 1,871,418	\$ 2,057,923	\$ 601,761	\$ 4,531,102
Connection charges	796,976	1,640,099	-	2,437,075
Other income	104,588	36,709	-	141,297
TOTAL OPERATING REVENUES	<u>2,772,982</u>	<u>3,734,731</u>	<u>601,761</u>	<u>7,109,474</u>
OPERATING EXPENSES:				
Salaries and benefits	348,318	509,449	-	857,767
Administrative costs-General Fund	38,086	29,673	-	67,759
Professional services	555,069	656,605	600,167	1,811,841
Materials and supplies	120,529	81,323	-	201,852
Repairs and maintenance	18,654	71,195	-	89,849
Equipment rental	13,686	37,708	-	51,394
Utilities	279,286	267,368	-	546,654
Insurance	35,000	41,107	-	76,107
Claims and judgments	-	-	-	-
General office	8,243	13,163	-	21,406
Depreciation	742,371	405,610	-	1,147,981
Other	1,392	165,034	-	166,426
Capital outlays	-	-	-	-
TOTAL OPERATING EXPENSES	<u>2,160,634</u>	<u>2,278,235</u>	<u>600,167</u>	<u>5,039,036</u>
OPERATING INCOME (LOSS)	<u>612,348</u>	<u>1,456,496</u>	<u>1,594</u>	<u>2,070,438</u>
NONOPERATING REVENUES (EXPENSES):				
Taxes	-	44,245	-	44,245
Interest revenue	133,721	20,776	1,963	156,460
Interest expense and fiscal charges	(651,002)	(241,444)	-	(892,446)
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>(517,281)</u>	<u>(176,423)</u>	<u>1,963</u>	<u>(691,741)</u>
OPERATING INCOME (LOSS) BEFORE OPERATING TRANSFERS	<u>95,067</u>	<u>1,280,073</u>	<u>3,557</u>	<u>1,378,697</u>
Operating transfers in	-	-	-	-
Operating transfers out	(5,000,000)	-	(1,000)	(5,001,000)
CHANGE IN NET ASSETS	<u>(4,904,933)</u>	<u>1,280,073</u>	<u>2,557</u>	<u>(3,622,303)</u>
RETAINED EARNINGS, Beginning of year	4,058,070	4,825,598	786	8,884,454
PRIOR PERIOD ADJUSTMENTS	-	-	-	-
RETAINED EARNINGS, End of year	<u>\$ (846,863)</u>	<u>\$ 6,105,671</u>	<u>\$ 3,343</u>	<u>\$ 5,262,151</u>

See Independent Auditor's report and notes to financial statements.

CITY OF COACHELLA
COMBINING STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2004

	Water Enterprise	Sanitary District	Refuse	Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers and users	\$ 2,595,602	\$ 3,737,925	\$ 601,815	\$ 6,935,342
Receipts from quasi-external transactions	-	-	-	-
Payments to suppliers	(1,356,473)	(1,610,739)	(427,676)	(3,394,888)
Payments to employees	-	-	-	-
Net cash provided by operating activities	<u>1,239,129</u>	<u>2,127,186</u>	<u>174,139</u>	<u>3,540,454</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Taxes	-	44,245	-	44,245
Operating Transfers In	-	-	-	-
Operating Transfers Out	<u>(5,000,000)</u>	<u>-</u>	<u>(1,000)</u>	<u>(5,001,000)</u>
Net Cash Provided By Noncapital Financing Activities	<u>(5,000,000)</u>	<u>44,245</u>	<u>(1,000)</u>	<u>(4,956,755)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Proceeds from bond issuance	13,410,000	-	-	13,410,000
Bond issue costs	(463,776)	-	-	-
Underwriters discount	(201,150)	-	-	-
Premium on bonds	410,503	-	-	-
Retirement of certificates of participation	(7,840,000)	-	-	(7,840,000)
Premium on retirement of certificates of participation	(78,400)	-	-	-
Payment for improvement other than buildings	(316,486)	(3,052,348)	-	(3,368,834)
Principal paid on certificates of participation and leases	(691,184)	(95,000)	-	(786,184)
Interest paid on certificates of participation bonds and leases	(642,521)	(241,444)	-	(883,965)
Interest on investments	<u>133,721</u>	<u>20,776</u>	<u>1,963</u>	<u>156,460</u>
Net Cash (Used) for Capital and Related Financing Activities	<u>3,720,707</u>	<u>(3,368,016)</u>	<u>1,963</u>	<u>354,654</u>
Net increase in cash and cash equivalents	(40,164)	(1,196,585)	175,102	(1,061,647)
Cash and cash equivalents-beginning of year	<u>5,426,424</u>	<u>2,655,163</u>	<u>280,777</u>	<u>8,362,364</u>
Cash and cash equivalents-end of year	<u>\$ 5,386,260</u>	<u>\$ 1,458,578</u>	<u>\$ 455,879</u>	<u>\$ 7,300,717</u>
Reconciliation of operating income to net cash provided (used) by operating activities				
Operating income	\$ 612,348	\$ 1,456,496	\$ 1,594	\$ 2,070,438
Adjustments not affecting cash				
Depreciation	742,371	405,610	-	1,147,981
Restatement of Retained Earnings	-	-	-	-
CHANGE IN ASSETS AND LIABILITIES				
(Increase) decrease in accounts receivable	(177,380)	3,194	-	(174,186)
(Increase) decrease in Interest receivable	(2,539)	3,722	54	1,237
(Increase) decrease in prepaid expenses	-	-	-	-
Increase (decrease) in accounts payable	(52,808)	280,904	172,491	400,587
Increase (decrease) in claims payable	-	-	-	-
Increase (decrease) in accrued payroll	-	(4,944)	-	(4,944)
Increase (decrease) in deposits payable	62,298	-	-	62,298
Increase (decrease) in due to other funds	-	-	-	-
Increase (decrease) in compensated absences payable	18,053	(16,335)	-	1,718
Increase (decrease) in interest payable	<u>36,786</u>	<u>(1,461)</u>	<u>-</u>	<u>35,325</u>
Total adjustments	<u>626,781</u>	<u>670,690</u>	<u>172,545</u>	<u>1,470,016</u>
Net cash provided by operating activities	<u>\$ 1,239,129</u>	<u>\$ 2,127,186</u>	<u>\$ 174,139</u>	<u>\$ 3,540,454</u>

See Independent Auditor's report and notes to financial statements.

CITY OF COACHELLA
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS-AGENCY

JUNE 30, 2004

ASSETS:

Cash and investments	\$ 836,562
Cash and investments with fiscal agents	480,789
Receivables	<u>229</u>
TOTAL ASSETS	<u>\$ 1,317,580</u>

LIABILITIES:

Employee contribution	\$ 495,355
Pass throughs	236,164
Claims payable	178,061
Deposits payable	<u>408,000</u>
TOTAL LIABILITIES	<u>\$ 1,317,580</u>

See Independent Auditor's report and notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

CITY OF COACHELLA
NOTES TO FINANCIAL STATEMENTS

June 30, 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The financial statements of the City of Coachella (City) have been prepared in conformity with accounting principles generally accepted in the United States of America, which requires that the component units be separated into blended or discretely presented units for reporting purposes. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

The following is a summary of the significant accounting policies of the City of Coachella:

A. Description of the Reporting Entity:

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

As required by accounting principles generally accepted in the United States of America, these financial statements present the City and its component units, entities for which the City is considered to be financially accountable. The City is considered to be financially accountable for an organization if the City appoints a voting majority of that organization's governing body and the City is able to impose its will on that organization or there is a potential for that organization to provide specific financial benefits to or impose specific financial burdens on the City. The City is also considered to be financially accountable, if that organization is fiscally dependent (i.e., it is unable to adopt its budget, levy taxes, set rates or charges, or issued 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.

The Coachella Redevelopment Agency, the Coachella Sanitary District, the Coachella Fire Protection District, the Coachella Financing Authority, the Coachella Industrial Development Authority and the Coachella Educational and Governmental Access Channel Corporation are considered to be blended component units. Blended component units, although legally separate entities, are, in substance, part of the City's operations and so data from these units are reported with the interfund data of the City.

Coachella Redevelopment Agency – The Coachella Redevelopment Agency (the Agency) was established pursuant to the State of California Health and Safety Code, Section 33000 entitled "Community Redevelopment Law". The purpose of the Agency is to prepare and execute plans for the improvement, rehabilitation and redevelopment of blighted areas within the limits of the City. The Agency is considered a component unit of the City and

CITY OF COACHELLA
NOTES TO FINANCIAL STATEMENTS

June 30, 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

A. Description of the Reporting Entity (Continued):

Coachella Redevelopment Agency (Continued):

has been blended into the City's general purpose financial statements for reporting purposes. Separate financial statements of the Agency can be obtained at the city hall.

Coachella Sanitary District – The Coachella Sanitary District (the District) was created to provide sanitation and sewage treatment services to the City of Coachella. The District is considered a component unit of the City and has been blended into the City's general purpose financial statements for reporting purposes. Separate financial statements of the District can be obtained at the City Hall.

Coachella Fire Protection District – The Coachella Fire Protection District (the Fire District) was created to provide fire protection services to the residents of the City of Coachella. The Fire District is considered a component unit of the City and has been blended into the City's general purpose financial statements for reporting purposes. Separate financial statements of the Fire District can be obtained at the City Hall.

Coachella Financing Authority – The Coachella Financing Authority (the Authority) was formed to issue debt and loans the proceeds to the Agency and the City. The Authority is considered a component unit of the City and has been blended into the City's general purpose financial statements for reporting purposes. Separate financial statements for the Authority are not prepared and thus, not available.

Coachella Industrial Development Authority – The Coachella Industrial Development Authority (the Industrial Authority) was created for the purpose of financing and operating an industrial park located within the city limits. The Industrial Authority is considered a component unit of the City and has been blended into the City's general purpose financial statements for reporting purposes. Separate financial statements for the Industrial Authority are not prepared and thus, not available.

The Coachella Educational and Governmental Access Channel Corporation – The Coachella Educational and Governmental Access Channel Corporation (the Corporation) was created to provide educational opportunities and enhance the community's understanding of government through the use of public television. The Corporation is considered a component unit of the City has been blended into the City's general purpose financial statements for reporting purposes. Separate financial statements for the Corporation are not prepared and thus, not available.

CITY OF COACHELLA
NOTES TO FINANCIAL STATEMENTS

June 30, 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

B. Basis of Presentation:

Government-wide Financial Statements:

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

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

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

Fund Financial Statements:

The 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. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operation fund of the City or meets the following criteria:

- a. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type; and
- b. Total assets, liabilities, revenue, or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprises funds combined.
- c. The government has determined that a fund is important to the financial statement user. The funds of the financial reporting entity are described below:

CITY OF COACHELLA
NOTES TO FINANCIAL STATEMENTS

June 30, 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

Governmental Fund Types:

General Fund – The General Fund is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds – The Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

Debt Service Funds – The Debt Service Fund is used to account for the accumulation of resources for the payment of interest and principal on general long-term obligations.

Capital Projects Funds – The Capital Projects Fund are used to account for financial resources to be used for the acquisition of major capital facilities other than those financed by the Enterprise Funds.

Proprietary Fund Types:

Enterprise Funds – The Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or where periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Fiduciary Fund Type:

Trust and Agency Funds – The Trust and Agency Funds are used to account for financial resources deposited and held in a trustee or agency capacity.

Major Funds:

Governmental Funds:

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

Street Improvement Fund – Accounts for improvement and rehabilitation of city streets.

Redevelopment Agency Area #4 Capital Project Fund – Accounts for the acquisition, improvement and rehabilitation of property within Project Area #4.

CITY OF COACHELLA
NOTES TO FINANCIAL STATEMENTS

June 30, 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

B. Basis of Presentation (Continued):

Major Funds:

Governmental Funds (Continued)

Improvements Projects Fund – Accounts for the revenues collected and the payment of capital expenditures of specific capital projects.

Redevelopment Agency Area #1 Debt Service Fund – Accounts for the resources accumulated and payments made for principal and interest on long-term debt associated with Project Area #1.

Coachella Financing Authority – Accounts for the payments of principal and interest issued by the Financing Authority to loan to the City of Coachella and its related agencies.

Proprietary Funds:

Water Enterprise Fund – Accounts for the operation and maintenance of water fund.

Sanitary District – Accounts for the operation and maintenance of Sanitary District.

Refuse Fund – Accounts for the collection of revenues and payments related to the City's contract with a trash collection company.

C. Measurement Focus and Basis of Accounting:

Measurement focus is a term used to describe "which" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

Measurement Focus:

On the government-wide Statement of Net Assets and the Statement of Activities, both governmental and business-like activities are presented using the economic resources measurement focus. The accounting objectives of the economic measurement focus is the determination of operating income, changes in net assets (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported.

In the fund financial statements, the "current financial resources" measurement focus or the "economic resources" measurement focus is used as appropriate:

CITY OF COACHELLA
NOTES TO FINANCIAL STATEMENTS

June 30, 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

C. Measurement Focus and Basis of Accounting (Continued):

Measurement Focus (Continued):

- b. The proprietary fund utilizes an "economic resources" measurement focus. Proprietary fund equity is classified as net assets.
- c. Agency funds are not involved in the measurement of results of operations; therefore, measurement focus is not applicable to them.

Basis of Accounting:

In the government-wide Statement of Net Assets and Statement of Activities, both governmental and business-like activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

In the fund financial statements, governmental funds and agency funds are presented on the modified accrual basis of accounting. Under this modified accrual basis of accounting, revenues are recognized when "measurable and available". Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or soon enough thereafter to pay current liabilities. Revenues which are susceptible to accrual include property taxes and special assessments that are levied for and due for the fiscal year and collected within 60 days after year-end. Licenses, permits, fines, forfeits, charges for services and miscellaneous revenues are recorded as governmental fund type revenues when received in cash because they are not generally measurable until actually received. In accordance with Government Accounting Standards Board (GASB) Statement No. 22, revenue from taxpayer assessed taxes, such as sales taxes, are recognized in the accounting period in which they become both measurable and available to finance expenditures of the fiscal period. Grant funds and reimbursements of expenses under contractual agreements are reported in governmental fund types and are recorded as a receivable when earned rather than when susceptible to accrual. Generally, this occurs when authorized expenditures are made under the grant program or contractual agreement. Expenditures are recognized when the fund liability is incurred, if measurable, except for unmatured interest on long-term debt, which is recognized when due.

CITY OF COACHELLA
NOTES TO FINANCIAL STATEMENTS

June 30, 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

C. Measurement Focus and Basis of Accounting (Continued):

Basis of Accounting (Continued):

The accrual basis of accounting is followed by the proprietary fund. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing goods and services in connection with a proprietary fund's principal ongoing operations. The principal revenue of the Water Fund, Sanitary District and Refuse Fund are charges to customers for the provision of water, sanitation and garbage collection. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

In accordance with GASB Statement No.20, for Proprietary Fund accounting, the City applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB Pronouncements; Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedures.

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

D. Cash and Investments

Effective July 1, 1997, the City adopted the provision of Governmental Accounting Standards Board (GASB) Statement No. 31, "Accounting and Financial Reporting for Certain Investments and External Pools" which require governmental entities to report certain investments at fair value in the balance sheet and recognize the corresponding change in the fair value of investments in the year in which the change occurred. In accordance with GASB Statement No. 31, the City has stated certain investments at fair value.

The City adopted a revised investment policy on May 6, 1998. This policy allows the City to invest surplus monies in the State's Local Agency Investment Fund and in obligations of the U.S. Treasury. The type of investment complies with state laws.

CITY OF COACHELLA
NOTES TO FINANCIAL STATEMENTS

June 30, 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

D. Cash and Investments (Continued):

A substantial portion of the City's investments are in short-term, highly liquid instruments, with original maturities of three months or less (including \$16,121,459 of funds on deposit with the California Local Agency Investment Fund). For purpose of the statements of cash flows, all cash and investments held by the enterprise and internal service funds (other than restricted cash and investments) are considered to be short term and, accordingly, are classified as cash and cash equivalents.

The City had no noncash investing, capital or financing activities to be reported on the statement of cash flows.

E. Inventories:

Inventories are recorded as expenditures when the items are purchased. The City does not maintain inventory levels to warrant recording the inventories on the City's balance sheet.

F. Capital Assets and Depreciation

Capital assets, which include property, plant, equipment and infrastructure assets are stated at cost or appraised historical cost if the original cost is not available. Contributed capital assets are stated at fair market value at the time received. When the assets are retired or sold, the cost of the assets and related accumulated depreciation are eliminated from the accounts and any resultant gain or loss is charged to operations.

Capital assets used in operations are depreciated over their estimated useful lives using the straight-line method in the government-wide financial statement and in the fund financial statements of the Internal Service Funds. Depreciation is charged as an expense against operations and accumulated depreciation is reported on the respective balance sheet.

The following schedule summarizes capital asset useful lives:

Buildings	45 Years
Machinery and Equipment	5-30 Years
Office Equipment	5-10 Years
Water Improvements	45-65 Years
Sewer Improvements	45-65 Years
Infrastructure	45-65 Years

CITY OF COACHELLA
NOTES TO FINANCIAL STATEMENTS

June 30, 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

G. Funds Serving Long Term Debt

The Debt Service Funds are specifically established to account for and service the general long-term debt of the Governmental Funds. Each Enterprise Fund individually accounts for and services the applicable debt which benefit these funds

H. Claims and Judgements

The City accounts for material claims and judgements in accordance with NCGA Statement No. 4. When it is probable that a claim liability has been incurred at year-end and the amount of the loss can be reasonably estimated, the City records the estimated loss, net of any insurance coverage. At June 30, 2004, in the opinion of the City Attorney, the City had no material claims which would require a loss provision in the financial statements. Small dollar claims and judgements are recorded as expenditures when paid.

I. Compensated Absences Payable

The City accounts for compensated absences which reflect a liability for vacation, sick pay and other benefits due employees. Accumulated paid leave and compensation time for employees paid out of government funds are recorded as an expenditure when due for payment. As the paid leave and compensation time benefits accrue to employees paid out of proprietary funds, an expense and liability is recorded in those funds as wells as in the government-wide financial statements.

J. Property Taxes

The City's property taxes are levied and collected by the Riverside County Treasurer. Property taxes (secured and unsecured) are levied on August 20 based upon the previous March 1 assessed values as determined by the Riverside County Assessor. Taxes are due in two equal installments on December 10 and April 10 following the levy date.

K. Budgets and Budgetary Accounting

The City has adopted a Fiscal Control Ordinance with provides for a system of fiscal and budgetary controls. This ordinance was formally documented and adopted during the fiscal year ended June 30, 1988.

CITY OF COACHELLA
NOTES TO FINANCIAL STATEMENTS

June 30, 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

K. Budgets and Budgetary Accounting

An annual budget is adopted by the City Council prior to the first day of the fiscal year. If for good or sufficient reasons the budget cannot be adopted by the first day for the fiscal year, the budget shall be adopted no later than 45 days subsequent to the beginning of the fiscal year. If the budget is not adopted prior to the beginning of the fiscal year, a resolution authorizing the continuation of necessary and essential expenditures to operate the City shall be adopted prior to the beginning of the fiscal year.

The proposed budget shall be prepared by the City Manager and transmitted to the City Council for its review a minimum of 45 days before the required date of adoption. Once transmitted to the City Council, the proposed budget is made available for public inspection. A public hearing is held to give the public the opportunity to comment upon the proposed budget. Notice of such public hearing is given in a newspaper of general circulation.

The adoption of the budget is accomplished by the approval of a Budget Resolution. The level of budgetary control is by fund.

Any budget modifications which would result in an appropriation increase, a transfer of appropriations amount departments, or an appropriation transfer within a department for the purpose of increasing a salary appropriation requires City Council approval. The City manager is authorized to transfer non-salary related appropriations within a departmental budget.

All appropriations which are not obligated, encumbered or expended at the end of the fiscal year shall lapse and become a part of the unreserved fund balance which may be appropriated for the next fiscal year.

An annual budget for fiscal year 2003-2004 was adopted and approved by the City Council for the General, Special Revenue, Debt Service, and Enterprise Funds. The budget for the Capital Projects Funds is established on a project by project basis. The total budget for all funds (including the fiscal year 2003/04 capital projects fund) was \$64,829,484.

All governmental fund type annual budgets are presented on a basis consistent with accounting principles generally accepted in the United States of America (GAAP).

CITY OF COACHELLA
NOTES TO FINANCIAL STATEMENTS

June 30, 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

L. Interfund Transfers

Interfund transfers consisting of identified services performed for other funds or costs billed to other funds are treated as expenditures in the fund receiving the services and revenue in the Internal Service Funds performing the services.

Operating transfers are made in certain other funds to shift resources from funds legally authorized to receive revenue to a fund authorized to expend the revenue. These transfers are shown as other financing sources and uses (Note 4).

M. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that effect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

2. CASH AND INVESTMENTS AND CASH AND INVESTMENTS WITH FISCAL AGENTS:

Cash and Investments

The City of Coachella maintains a cash and investment pool that is available for use by all funds. The June 30, 2004, balance of this pool is included in the City's General Fund cash and investment balance. The other funds display an interfund receivable or payable for their portion of the pooled account (Note C).

In addition, investments are separately held by several of the City's funds. Cash and investments are stated at cost with accrued interest shown under a separate caption of the balance sheet. Cash and investments, excluding amounts held by fiscal agents, at June 30, 2004, consist of the following:

	<u>Bank Balance</u>	<u>Carrying Amount</u>	<u>Fair Value</u>
Petty Cash	\$ -0-	\$ 1,500	\$ 1,500
Cash in Checking Account	3,279,570	791,350	791,350
Money Market	1,853	1,853	1,853
CD	117,875	117,875	117,875
LAIF	-0-	16,121,459	16,121,459
Short-term government securities	-0-	550,770	550,770
Total	<u>\$3,399,298</u>	<u>\$17,584,807</u>	<u>\$17,584,807</u>

CITY OF COACHELLA
NOTES TO FINANCIAL STATEMENTS

June 30, 2004

2. CASH AND INVESTMENTS AND CASH AND INVESTMENTS WITH FISCAL AGENTS: (Continued)

Deposits at year end were covered by the Federal Deposit Insurance Corporation ("FDIC") or fully collateralized through the State's Collateral Pool or under California Government Code Sections 53649 and 53652.

Cash and Investments with Fiscal Agents

Cash and investments with fiscal agents includes cash and investments held by trustees under debt agreements which are subject to authorized investments as specified in the agreements. Permissible investments in the various agreements include 1) Obligations issued or guaranteed by the United States of America; 2) bonds, debentures, or notes or other evidence of indebtedness payable in cash issued by a represented list of federal agencies whose obligations represent full faith and credit of the United States of America; 3) certificates of deposits issued by commercial banks, savings and loan associations and mutual savings banks which are properly collateralized; 4) interest bearing demand or time deposits (including certificates of deposit) which are insured by FDIC; 5) commercial paper rated in one of the two highest rating categories by at least two nationally recognized rating agencies or backed by a letter of credit or line of credit rated in one or two highest rating categories; 6) fully secured repurchase agreements with any bank savings institution or trust company which is insured by the FDIC, or with any broker-dealer with retail customers which falls under Securities Investors Protection Corporation protection; 7) money market funds rated AAAm or AAAm-G by Standard & Poors; 8) investment agreements approved by the insurers; and 9) the State's Local Agency Investment Fund.

In addition, cash and investments are held by the County of Riverside for debt service and designated purposes in the County's investment pool. Cash and investments with fiscal agents as of June 30, 2004, consist of the following:

CITY OF COACHELLA

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

2. CASH AND INVESTMENTS AND CASH AND INVESTMENTS WITH FISCAL AGENTS: (Continued)

	Carrying Amount	Fair Value
Cash and investments designated for debt service:		
Short-term government securities	\$ 2,066,264	\$ 2,066,264
Cash and investments held by County	6,074	6,074
	<u>2,072,338</u>	<u>2,072,338</u>
Cash and investments designated for deferred compensated and self-insured dental plan	480,789	480,789
Cash and investments designated for capital improvements	<u>8,659,447</u>	<u>8,659,447</u>
Total cash and investment with fiscal agents	<u>\$ 11,212,574</u>	<u>\$ 11,212,574</u>

Classification of Deposits and Investments by Credit Risk:

Governmental Accounting Standards Board Statements No. 3 requires that deposits and investments be classified into three categories of credit risk. These categories are as follows:

Deposits:

Category 1- Deposits which are insured by FDIC, a state depository insurance fund or a multiple-financial institution collateral pool, or deposits which are collateralized with securities held by the City or the City's agent in the City's name.

Category 2 - Deposits which are collateralized with securities held by the pledging financial institution's trust department in the City's name.

Category 3 - Deposits which are uncollateralized, or collateralized but the pledge securities are not held in the City's name.

CITY OF COACHELLA
NOTES TO FINANCIAL STATEMENTS

June 30, 2004

2. CASH AND INVESTMENTS AND CASH AND INVESTMENTS WITH FISCAL AGENTS: (Continued)

Investments:

- Category 1 - Investments which are insured by SIPC, or where the securities are held by the City or the City's agent in the City's name.
- Category 2 - Investments which are unregistered and uninsured, where the securities are held by the purchasing financial institution's trust department or agent in the City's name.
- Category 3 - Investments which are unregistered and uninsured, where the securities are held by the purchasing financial institution's trust department or agent, but not in the City's name.

Deposits and investment s are categorized as follows at June 30, 2004:

CITY OF COACHELLA
NOTES TO FINANCIAL STATEMENTS

June 30, 2004

2. CASH AND INVESTMENTS AND CASH AND INVESTMENTS WITH FISCAL AGENTS: (Continued)

	Category			Not Required to be Categorized	Bank Balances	Fair Value
	1	2	3			
Petty Cash	\$ 1,500	\$ -	\$ -	\$ -	\$ -	\$ 1,500
Cash in Checking Account	3,279,570	-	-	-	3,279,570	791,350
Money Market	1,853	-	-	-	1,853	1,853
CD	117,875	-	-	-	117,875	117,875
	<u>\$ 3,400,798</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,399,298</u>	<u>\$ 912,578</u>

	Category			Not Required to be Categorized	
	1	2	3		
Investments					
Cash with fiscal agent -					
Short-Term Government					
Securities	\$ -	\$ -	\$ 11,276,481	\$ -	\$ 11,276,481
Deferred compensation &					
self insured plan	-	-	-	480,789	480,789
California Local Agency					
Investment Fund	-	-	-	16,121,459	16,121,459
County of Riverside					
Investment Fund	-	-	-	6,074	6,074
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,276,481</u>	<u>\$ 16,608,322</u>	<u>\$ 27,884,803</u>
Total Carrying Amount					<u>\$ 28,797,381</u>

Cash and investments are reported in the accompanying governmental funds balance sheets as follows:

Cash and investment	\$ 17,584,807
Cash and investments with Fiscal Agents:	
Cash and investments with fiscal agents -	
deferred compensation & self insured plan	480,789
Cash and investments with fiscal agents	<u>10,731,785</u>
Total	<u>\$ 28,797,381</u>

CITY OF COACHELLA
NOTES TO FINANCIAL STATEMENTS

June 30, 2004

2. CASH AND INVESTMENTS AND CASH AND INVESTMENTS WITH FISCAL AGENTS: (Continued)

Local Agency Investment Fund (LAIF):

The LAIF is a special fund of the California State Treasury through which local governments may pool investments. Each city may invest up to \$30,000,000 each in the Fund for the City and Redevelopment Agency and may also invest without limitation in special bond proceeds accounts. Investments in LAIF are highly liquid, as deposits can be converted to cash within twenty-four hours without loss of interest. The City's proportionate share of the fair value of its investment in LAIF amounted to \$16,121,459. Included in LAIF's investment portfolio are certain derivative securities or similar products such as structured notes totaling \$304,000,000 and asset-backed securities totaling \$985,676,000. LAIF's and the City's exposure to credit, market or legal risk is not available.

Investment Not Subject to Categorization:

Investments held in the State of California Local Agency Investment Fund and the deferred compensation plan, which consists primarily of mutual funds, are not subject to categorization.

Collateral for Deposits:

Under the provision of the California Government Code, California banks and savings and loan associations are required to secure a City's deposits by pledging government securities as collateral. The market value of the pledged securities must equal at least 110% of a City's deposits. California law also allows financial institutions to secure City deposits by pledging first trust deed mortgages notes having a value of 150% of a City's total deposits.

The Collateral for certificate of deposit is generally held in safekeeping by the Federal Home Loan Bank in San Francisco as the third-party trustee. The securities are physically held in an undivided pool for all California public agency depositors. The State Public Administrative Office for public agencies and the Federal Home Loan Bank maintain detailed records of the security pool which are coordinated and updated weekly.

The City Treasurer, at his discretion, may waive the 110% collateral requirement for deposits which are insured up to \$100,000 by the FDIC.

CITY OF COACHELLA
NOTES TO FINANCIAL STATEMENTS

June 30, 2004

3. DUE TO / FROM OTHER FUNDS:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	\$3,297,976	\$420,199
Special Revenue Funds:		
Gas Tax	856,691	-
Ave 52 Bridge	569,733	-
Low Income Housing Bond Fund	216,251	-
ECD Entitlement Project	-	390,150
Fire Protection District	-	194,109
CDBG Economic Development	-	25,000
Local Transportation	739,289	-
Low Income Housing Set-Aside Fund	-	216,251
Capital Project Funds:		
Improvement Project	-	5,048,539
Enterprise Funds:		
Water Enterprise	<u>614,308</u>	<u>-</u>
	<u>\$6,294,248</u>	<u>\$6,294,248</u>

Advances to other funds/advances from other funds at June 30, 2004 are as follows:

	<u>Advances to Other Funds</u>	<u>Advances from Other Funds</u>
General Fund	\$1,766,506	\$ 251,383
Special Revenue Funds:		
Low Income Housing Area #1	251,383	-
Capital Project Funds:		
RDA Project Area #1	-	1,661,765
RDA Project Area #2	<u>-</u>	<u>104,741</u>
	<u>\$2,017,889</u>	<u>\$2,017,889</u>

CITY OF COACHELLA
NOTES TO FINANCIAL STATEMENTS

June 30, 2004

4. INTERFUND TRANSACTIONS:

The following is a schedule of interfund transfers which have been accounted for as operating transfers:

	Transfers In	Transfers Out
General Fund	649,531	899,340
<u>Special Revenue Funds</u>		
State Tax Gas	-	618,531
AVA	-	30,000
Fire Protection	857,740	-
Educational Govenmental Cable Corp.	5,600	-
Low Income Housing Set-Aside	1,038,406	349,977
<u>Debt Service Funds</u>		
General Debt	36,000	-
RDA Project Area #1	31,450	147,272
RDA Project Area #2	25,646	261,704
RDA Project Area #3	48,261	335,381
RDA Project Area #4	-	661,250
<u>Capital Project Funds</u>		
Capital Street Projects	5,005,750	-
RDA Project Area #1	574,180	-
RDA Project Area #2	31,400	-
RDA Project Area #4	6,241	5,750
Enterprise - Refuse	-	1,000
Enterprise - Water	-	5,000,000
Total Interfund Transfers In and Out	<u>\$ 8,310,205</u>	<u>\$ 8,310,205</u>

CITY OF COACHELLA
NOTES TO FINANCIAL STATEMENTS

June 30, 2004

5. CAPITAL ASSETS:

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

	Beginning Balance	Additions	Retirements	Reclassifications	Ending Balance
Governmental Activities:					
Non-Depreciable Assets:					
Land	\$ 215,301	\$ 5,979	\$ -	\$ -	\$ 221,280
Construction in progress	-	-	-	-	-
Depreciable Assets:					
Buildings	3,210,927	-	-	-	3,210,927
Infrastructure	7,494,403	3,396,783	-	-	10,891,186
Equipment	4,348,123	701,363	-	-	5,049,486
Totals at historical cost	<u>15,268,754</u>	<u>4,104,125</u>	<u>-</u>	<u>-</u>	<u>19,372,879</u>
Less accumulated depreciation:					
Buildings	(1,617,595)	(113,601)	-	-	(1,731,196)
Infrastructure	(228,603)	(227,132)	-	-	(455,735)
Equipment	(3,306,949)	(300,892)	-	-	(3,607,841)
Total accumulated depreciation	<u>(5,153,147)</u>	<u>(641,625)</u>	<u>-</u>	<u>-</u>	<u>(5,794,772)</u>
Governmental Activities Capital Assets, Net	<u>\$ 10,115,607</u>	<u>\$ 3,462,500</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 13,578,107</u>
Business-Type Activities:					
Non-Depreciable Assets:					
Land	\$ 649,936	\$ -	\$ -	\$ -	\$ 649,936
Construction in Progress	698,758	-	-	(146,591)	552,167
Depreciable Assets:					
Buildings	680,329	-	-	-	680,329
Improvements other than buildings	7,769,724	3,515,425	-	-	11,285,149
Equipment	11,144,147	-	-	-	11,144,147
Total at historical cost	<u>20,942,894</u>	<u>3,515,425</u>	<u>-</u>	<u>(146,591)</u>	<u>24,311,728</u>
Less accumulated depreciation:					
Buildings	(299,635)	(17,008)	-	-	(316,643)
Improvements other than buildings	(4,257,290)	(318,236)	-	-	(4,575,526)
Equipment	(5,276,095)	(424,422)	-	-	(5,700,517)
Total accumulated depreciation	<u>(9,833,020)</u>	<u>(759,666)</u>	<u>-</u>	<u>-</u>	<u>(10,592,686)</u>
Business-Type Activities Capital Assets, Net	<u>\$ 11,109,874</u>	<u>\$ 2,755,759</u>	<u>\$ -</u>	<u>\$ (146,591)</u>	<u>\$ 13,719,042</u>
Depreciation expense was charged to governmental functions as follows:					
General Government					\$ 185,823
Public Safety					40,038
Public works					411,971
Parks and recreation					<u>3,793</u>
Total Depreciation Expense					<u>\$ 641,625</u>

CITY OF COACHELLA
NOTES TO FINANCIAL STATEMENTS

June 30, 2004

6. LAND HELD FOR RESALE:

Land acquired by the City and held for resale is recorded at cost unless market value is determined to be below cost. At resale of land is not anticipated in the near future, a corresponding portion of the fund balance, which is not available for current expenditures, has been reserved.

7. LONG-TERM DEBT:

Long-term liability activity for the year ended June 30, 2004, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Governmental Activities:					
Lease payable	\$ 81,797	\$ 310,839	\$ (22,335)	\$ 370,301	\$ 64,598
Notes payable	-	2,419,870	-	2,419,870	2,419,870
Bond anticipation note	-	5,000,000	-	5,000,000	-
Tax allocation bonds	17,545,002	-	(370,000)	17,175,002	390,000
Compensated absences	373,819	60,854	-	434,673	-
	<u>18,000,618</u>	<u>7,791,563</u>	<u>(392,335)</u>	<u>25,399,846</u>	<u>2,874,468</u>
Governmental Activities Long-Term Liabilities	<u>\$ 18,000,618</u>	<u>\$ 7,791,563</u>	<u>\$ (392,335)</u>	<u>\$ 25,399,846</u>	<u>\$ 2,874,468</u>
Business-Type Activities:					
Bonds and Loans Payable					
Certificates of participation	\$ 11,275,000	\$ -	\$ (7,935,000)	\$ 3,340,000	\$ 100,000
Revenue bonds	-	13,410,000	(475,000)	12,935,000	245,000
Lease payable	216,184	-	(216,184)	-	-
	<u>11,491,184</u>	<u>13,410,000</u>	<u>(8,626,184)</u>	<u>16,275,000</u>	<u>345,000</u>
Less bond discount on certification of participation	(224,459)	-	(44,643)	(179,816)	-
Plus premium on revenue bonds payable	-	410,503	(13,683)	396,820	-
Business-Type Activities Long-Term Liabilities	<u>\$ 11,266,725</u>	<u>\$ 13,820,503</u>	<u>\$ (8,684,510)</u>	<u>\$ 16,492,004</u>	<u>\$ 345,000</u>

CITY OF COACHELLA
NOTES TO FINANCIAL STATEMENTS

June 30, 2004

7. LONG-TERM DEBT: (Continued)

Compensated Absences Payable

Compensated absences in the City's governmental funds are classified as long-term liabilities. The City believes that the current portion of compensated balances is negligible and is therefore not reported. Compensated absence liabilities related to governmental activities is normally paid from the funds reporting payroll and related expenditures. The balance at June 30, 2004 is \$434,673.

Notes Payable

On December 1, 2003, the Coachella Redevelopment Agency (the Agency) entered into an amended tax allocation loan agreement with the California Infrastructure and Economic Development Bank. Loan proceeds were used to finance a capital project located within one of the Agency's authorized project areas. Total amount loaned to the Agency for this project was \$2,419,870. The interest rate is 3.5% per year and the loan is payable in 30 years. However, the Agency is expected to liquidate this loan prior to June 30, 2005.

Leases Payable

The City has entered into several noncancelable long-term leases for the purchase of certain equipment utilized by departments and operating divisions of the City. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of their minimum lease payments as of the inception date.

The following is a schedule of the future minimum lease payments under these capital leases, together with the present value of the net minimum lease payments, as of June 30, 2004:

Fiscal Year	
2004-05	\$ 81,964
2005-06	66,326
2006-07	66,326
2007-08	63,984
2008-09	52,268
2010-2014	104,536
	<u>435,404</u>
Less: Amount representing interest	(65,103)
Present value of net minimum	
lease payments	<u>\$ 370,301</u>

CITY OF COACHELLA
NOTES TO FINANCIAL STATEMENTS

June 30, 2004

7. LONG-TERM DEBT: (Continued)

Bond Anticipation Note

In May 1, 2004, the Coachella Financing Authority issued \$5,000,000 in bond anticipation notes to finance certain improvements in the waste water system of the Coachella Sanitary District. The City has applied for, and intends to assist the authority in refunding the notes with proceeds from a loan administered by the USDA Rural Development. The USDA has approved a \$5,000,000 loan subject to the City complying with certain conditions. The note will bear an interest rate of 2.00%, payable semi-annually on April 1 and October 1 of each year, commencing October 1, 2004.

Certificates of Participation

In September 1, 1995, the Coachella Sanitary District issued \$4,145,000 in revenue refunding certificates of participation with an average interest rate of 7.08% to advance refund \$3,800,000 of outstanding 1989 revenue certificate of participation. Interest and principal payments are due semi-annually. Total amount outstanding as of June 30, 2004 is \$3,340,000.

Tax Allocation Bonds

The tax allocation bonds are special obligations of the Coachella Redevelopment Agency and the Coachella Financing Authority and are secured by an irrevocable pledge of tax revenues as provided under the Bond Resolution. The bonds and any interest are not a debt of the City, the State of California or any of its political subdivisions of neither the City, the State of California nor any of its political subdivisions is liable on the bonds, not in any event shall the bonds, and interest thereon be payable out of any funds or properties other than these provided under the Bond Resolution. The following is a summary of the tax allocation bonds outstanding as of June 30, 2004:

Name of Issue	Date of Maturity	Rate of Interest	Amounts of Original Issues	Amounts Outstanding 6/30/04
RDA-Project Area No. 1	2024	4.00%-7.25%	220,000	1,860,000 ✓
RDA-Project Area No. 2	2024	4.00%-7.25%	1,895,000	1,560,000
RDA-Project Area No. 2	2019	4.00%-7.25%	1,215,000	1,155,000 ✓
RDA-Project Area No. 3	2028	3.85%-5.875%	7,020,000	6,470,000
RDA-Project Area No. 4	2024	4.00%-7.25%	5,745,000	4,830,000 ✓
RDA-Financing Authority	2023	8.60%-9.50%	1,460,000	1,300,002
Total Tax Allocation Bonds				<u>\$ 17,175,002</u>

CITY OF COACHELLA
NOTES TO FINANCIAL STATEMENTS

June 30, 2004

7. LONG-TERM DEBT: (Continued)

Revenue Bonds

In July 1, 2003, the Coachella Water Authority issued \$13,410,000 in water revenue bonds, series 2003 with an average interest rate of 5.00%, payable semi-annually on March 1 and September 1 of each year, commencing March 1, 2004. Proceeds of the bonds were used to prepay and defease the outstanding Water Revenue Refunding Certificates of Participation, Series 1992, to finance the cost of improvements to the water system for the City of Coachella and to make an upfront lease payment to the City. The balance at June 30, 2004 is \$12,935,000.

Annual Amortization Requirements of Long-Term Liabilities

The annual requirements to amortize all debt outstanding, other than compensated absences, as of June 30, 2004, including interest payments are as follows:

Fiscal Year	Certificates of Participation	Leases	Notes Payable	Tax Allocation Bonds	Revenue Bonds	Anticipation Notes
2004-05	337,062	81,964	20,502,320	1,470,150	835,788	36,944
2005-06	335,762	66,326	-	1,472,821	834,663	5,100,000
2006-07	333,938	66,326	-	1,454,465	838,412	-
2007-08	336,678	63,984	-	1,469,136	836,912	-
2008-09	338,638	52,268	-	1,462,162	833,963	-
2010-2014	1,680,938	104,536	-	7,328,091	4,177,512	-
2015-2019	1,677,512	-	-	7,315,366	4,184,275	-
2020-2024	1,016,224	-	-	7,202,452	4,184,500	-
2025-2029	-	-	-	3,141,818	4,184,000	-
2030-2034	-	-	-	-	3,350,000	-
Total Principal and Interest:	6,056,752	435,404	2,502,320	32,316,461	24,260,025	5,136,944
Less: Interest payments	(2,716,752)	(65,103)	(82,450)	(15,141,459)	(11,325,025)	(136,944)
Total Principal Due	<u>\$ 3,340,000</u>	<u>\$ 370,301</u>	<u>\$ 2,419,870</u>	<u>\$ 17,175,002</u>	<u>\$ 12,935,000</u>	<u>\$ 5,000,000</u>

8. AMOUNTS DUE UNDER PASS-THROUGH AGREEMENTS

Property taxes related to the incremental increase in assessed values after the adoption of the redevelopment plan are, except where otherwise provided by specific agreement, allocated to the Agency. The Agency has entered into various pass-through agreements with other agencies to allocate its tax increment revenue. At June 30, 2004, the Agency is holding \$55,643 in trust on behalf of other agencies and entities related to specific pass-through agreements.

CITY OF COACHELLA
NOTES TO FINANCIAL STATEMENTS

June 30, 2004

9. DEFEASED OBLIGATIONS

The Agency defeased certain Redevelopment obligations by placing the proceeds of new obligations in an irrevocable trust to provide for all future debt service payments on the old obligations. Accordingly, the trust account assets and the liability for the defeased obligations are not included in the accompanying financial statements.

The amounts of defeased debts still outstanding at June 30, 2004, were as follows:

<u>Issue</u>	<u>Defeased Amount Outstanding</u>
1989 Sanitary District Certificates of Participation	\$ 795,000

10. PENSION PLAN

A. Plan Description

The City of Coachella Contributes to the California Public Employees Retirement System (PERS), an agent multiple-employer public employee defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. PERS acts as a common investment and administrative agents for participating public entities within the State of California. Benefit provisions and all other requirements are established by state statute and city ordinance. Copies of PERS' annual financial report may be obtained from the executive office at 404 P Street, Sacramento, CA 95814.

B. Funding Policy

Participants are required to contribute 7% (9% for safety employees) of their annual covered salary. The City makes the contribution required of City employees on their behalf and for their account. The City is required to contribute at an actuarially determined rate: the current rate is 0.00% for non-safety employees. The contribution requirements of plan members and the City are established and may be amended by PERS.

C. Annual Pension Cost

For 2004, the City's annual pension cost of \$188,303 for PERS was equal to the City's required and actual contributions. The required contribution was determined as part of the June 30, 2000, actuarial valuation using the entry age normal actuarial cost of method. The actuarial assumptions included (a) 8.25% investment rate of return (net of administrative expenses), (b) projected annual salary increases that vary by duration of

CITY OF COACHELLA

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

10. PENSION PLAN (Continued)

C. Annual Pension Cost (Continued)

service, and (c) 3.50% per year cost-of-living adjustments. Both (a) and (b) included an inflation component of 3.75%. The actuarial value of PERS assets was determined using techniques that smooth the effects of short term volatility in the market value of investments over a four-year period (smoothed market value). Initial unfunded liabilities are amortized over a closed period that depends on the plan's rate of entry into PERS. Subsequent, plan amendments are amortized as a level percentage of pay over a closed 20 year period.

D. Three-Year Trend Information for PERS (Miscellaneous and Safety Plans)

<u>Fiscal Year</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/2002	\$ 164,563	100%	\$ -
6/30/2003	177,256	100%	-
6/30/2004	188,303	100%	-

E. Schedule of Funding Progress of PERS:

Miscellaneous Plan

<u>Value Date</u>	<u>Entry Age Normal Accrued Liability (a)</u>	<u>Actuarial Value of Assets (b)</u>	<u>Unfunded Liability (Excess Assets) (a-b)</u>	<u>Funded Status (b)/(a)</u>	<u>Annual Covered Payroll [c]</u>	<u>UAAL As a % of Payroll (a)-(b)/[c]</u>
6/30/2001	5,986,352	10,342,401	(4,356,049)	172.77%	1,942,501	(224.25%)
6/30/2002	6,837,263	9,795,760	(2,958,497)	143.27%	2,395,976	(123.48%)
6/30/2003	9,545,707	9,957,414	(411,707)	104.31%	2,494,858	(16.50%)

Safety Plan

<u>Valuation Date</u>	<u>Entry Age Normal Accrued Liability (a)</u>	<u>Actuarial Value of Assets (b)</u>	<u>Unfunded Liability (Excess Assets) (a-b)</u>	<u>Funded Status (b)/(a)</u>	<u>Annual Covered Payroll [c]</u>	<u>UAAL As a % of Payroll (a)-(b)/[c]</u>
6/30/2001	9,226,286	9,788,410	(562,124)	106.09%	-	N/A
6/30/2002	9,565,268	9,130,452	434,816	95.45%	-	N/A
6/30/2003	10,214,040	8,920,111	1,293,929	87.33%	-	N/A

CITY OF COACHELLA
NOTES TO FINANCIAL STATEMENTS

June 30, 2004

11. SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The City maintains three enterprise funds which provide, water, sanitary, and refuse services. Segment information for the year ended June 30, 2004, is as follows:

	Water	Sanitary	Refuse
Operating Revenues	2,772,982	3,734,731	601,761
Depreciation and Amortization Expense	742,371	405,610	-
Operating Income	612,348	2,278,235	1,594
Operating Transfers In (Out)	(5,000,000)	-	(1,000)
Net Income (Loss)	95,067	1,280,073	3,557
Fixed Asset Additions	316,486	3,052,349	-
Net Working Capital	1,182,623	378,638	3,343
Total Assets	13,142,450	9,869,410	456,565
Bonds and Note Payable from Operating Revenues	13,331,820	3,160,184	-
Total Equity	(846,863)	6,105,671	3,343

12. RESERVES

Reserves are recorded to signify that a portion of the fund equity or retained earnings is not available for expenditure or is legally segregated or earmarked by the City Council for specific future uses.

At June 30, 2004, amounts were reserved for the following purposes:

Reservations of Retained Earnings

Reserve for Claims-accumulated reserves for future insurance claims.

Reserve for Revenue Bond Covenants-the certificate of participation require that reserves be established.

Reservations of Fund Balances:

Reserve for Debt Service-amounts available which will be used for future retirement of principal and interest payments.

Reserve for Notes and Interfund Receivables-amounts to be received from other funds to service interfund debt.

CITY OF COACHELLA

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

12. RESERVES (Continued)

Reserve for Prepaid and Deposits-represents amounts in the PERS reserve account and other prepaid expenses.

Reserve for Land Held for Resale-represents amounts invested in the acquisition of land to be sold in the future.

Reserve for Low Income Projects-represents amounts invested in low income projects unreserved designated-amounts reserved for the purpose of capital projects by the general government.

13. DEFERRED COMPENSATION PLAN

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all City employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death or an unforeseeable emergency.

All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, property or right are (until paid or made available to the employee or other beneficiary) solely the property and rights of the City (without being restricted to the provisions of benefits under the plan), subject only to the claims of the City's general creditors. Participants under the plan are equal to those of general creditors of the City in amounts equal to the fair market value of the deferred accounts for each participant.

14. CONTINGENT LIABILITIES

The City is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the City Attorney the resolution of these matters will not have a material adverse effect on the financial condition of the City.

15. RESTATEMENT OF BEGINNING FUND BALANCES – GOVERNMENTAL FUNDS

During the year ended June 30, 2004, the City made the following adjustments to beginning fund balances:

CITY OF COACHELLA
NOTES TO FINANCIAL STATEMENTS

June 30, 2004

15. RESTATEMENT OF BEGINNING FUND BALANCES – GOVERNMENTAL FUNDS
(CONTINUED)

Description	As Previously Reported June 30, 2003	As Restated July 1, 2003	Total Adjustments	
General Fund	2,583,370	2,978,828	395,458	(1)
Supplemental Law Enforcement	9,091	4,238	(4,853)	(2)
Local Transportation	740,049	804,257	64,208	(3)
Federal & State Police Grants	5,463	10,316	4,853	(4)
RDA Debt Service #1	209,175	(1,442,990)	(1,652,165)	(5)
RDA Debt Service #3	596,856	615,395	18,539	(6)
Improvements Project Fund	(3,125,719)	(3,107,095)	18,624	(7)
RDA Project Area #1	(180,871)	1,471,294	1,652,165	(8)

- (1) Adjustment to reclassify from internal service funds.
- (2) Adjustment to transfer prior year expenditures from other fund.
- (3) Adjustment to recognize prior year revenues.
- (4) Adjustment to recognize prior year expenditures from other funds.
- (5) Adjustment to transfer note from other fund.
- (6) Adjustment to correct prior year pass-thru payment.
- (7) Adjustment to recognize prior year revenues.
- (8) Adjustment to transfer note to other fund.

16. RESTATEMENT OF BEGINNING NET ASSETS – GOVERNMENTAL-WIDE
FINANCIAL STATEMENTS/GOVERNMENTAL ACTIVITIES

Net assets at July 1, 2003 were restated to reflect adjustments to beginning fund balances in the City's governmental funds and the elimination of the City's internal service funds. The following presents the beginning net assets as restated:

Net assets at July 1, 2003	\$ 1,284,778
Changes to Governmental Fund balances	496,829
Elimination of Internal Service Funds	(404,311)
Net Assets as restated at July 1, 2003	<u>\$ 1,377,296</u>

CITY OF COACHELLA
NOTES TO FINANCIAL STATEMENTS

June 30, 2004

16. SELF-INSURANCE PROGRAMS

The City is a member of the Public Entity Risk Management Authority (PERMA) formerly Coachella Valley Joint Powers Insurance Authority (CVJPIA), a joint powers authority formed under Section 990 of the California Government Code for the purpose of jointly funding programs of insurance coverage for its members. The Authority is currently comprised of thirty-four participating member agencies.

The City participates in the liability, worker's compensation and long-term disability insurance programs of PERMA.

The Liability Program is a risk sharing pool with a deductible option. At June 30, 2002, coverage is provided from \$125,000 to \$10,000,000 per occurrence. This coverage represents a transfer of risk from the members of the Authority for those losses in excess of the member's self insured retention (SIR). The City has a SIR of \$125,000. Covered losses include losses resulting from any one occurrence because of personal injury, property damage or public officials' errors and omissions. Member premiums are subject to retrospective rating adjustments.

For those members choosing to establish deductibles under the liability program, losses in excess of the deductible amounts are paid by the Authority from separate accounts maintained for each participant. The deductible feature of the program acts as a claims servicing type of public entity risk pool and does not represent an additional transfer of risk. The City does not participate in the deductible pool. At June 30, 2004, the City did not have a liability to the Authority for claims losses. Authority claims administrators have estimated a loss reserve for the City under the program of \$3,607 as of June 30, 2004.

The Worker's Compensation Insurance Program is a claims servicing pool, a banking pool and an insurance purchasing pool. As an insurance purchasing pool, the program allows participating members to obtain the benefits of the economies of scale in securing excess worker's compensation coverage. Coverage is provided from \$250,000 to \$10,000,000 for each accident or employee. The program, as a claims servicing pool maintains separate accounts for each program member from which that member's losses are paid. The worker's compensation insurance program does not provided for a transfer of risk and advance funds to pay member losses in excess of member funds on deposit in the manner of a banking pool. Participant premium deposits are subject to retrospective rating adjustments. At June 30, 2004, the City did not have a liability to the Authority for worker's compensation losses. Authority claims administrators have estimated a loss reserve for the City of \$255,806 under this program at June 30, 2004.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF COACHELLA

General Fund This fund has been classified as a major fund and is used to account for all general tax revenues and other receipts that are not allocated by law of contractual agreement to some other fund. Expenditures of this fund include general operating expenses and capital improvement costs which are not paid through other funds.

CITY OF COACHELLA

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

Year Ended June 30, 2004

1. Budgets and Budgetary Accounting

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

2. Expenditures in Excess of Appropriations

There were no expenditures in excess of appropriations at June 30, 2004.

CITY OF COACHELLA

STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET TO ACTUAL - GENERAL FUND

FOR THE YEAR ENDED June 30, 2004

	Budgeted Amounts			Variance Over/(under)
	Original	Final	Actual	Final Budget
REVENUES:				
Taxes	\$ 3,020,900	\$ 3,018,300	\$ 3,752,597	\$ 734,297
Licenses and permits	366,800	471,800	1,183,667	711,867
Intergovernmental revenue	1,792,470	2,814,612	2,481,446	(333,166)
Charges for services	1,375,300	406,800	726,854	320,054
Fines and forfeits	112,200	114,800	182,688	67,888
Interest and rental income	60,000	60,000	47,443	(12,557)
Other income	270,500	354,600	375,459	20,859
TOTAL REVENUES	6,998,170	7,240,912	8,750,154	1,509,242
EXPENDITURES :				
Current:				
General government:				
Departmental	1,849,583	1,927,249	1,789,569	137,680
Nondepartmental	1,393,646	641,782	597,819	43,963
Public safety	3,263,591	3,264,439	3,247,508	16,931
Public works	1,585,860	2,019,761	1,860,312	159,449
Parks and recreation	129,747	132,835	173,714	(40,879)
Payment to other agencies	2,800	2,800	4,418	(1,618)
Debt service:				
Bond acquisition costs	-	-	-	-
Principal retirements on bonds and leases	-	-	-	-
Interest payments on bonds and leases	-	-	-	-
Capital outlays	-	-	-	-
TOTAL EXPENDITURES	8,225,227	7,988,866	7,673,340	315,526
EXCESS OF REVENUES OVER (UNDER)				
EXPENDITURES	(1,227,057)	(747,954)	1,076,814	1,193,716
OTHER FINANCING SOURCES (USES):				
Bond proceeds	-	-	-	-
Gain on sale of land	-	-	-	-
Payment to refunded bond escrow agent	-	-	-	-
Operating transfers in	837,400	622,500	649,531	27,031
Operating transfers out	-	(861,890)	(899,340)	(37,450)
TOTAL OTHER FINANCING SOURCES (USES)	837,400	(239,390)	(249,809)	(10,419)
Net change in fund balance	(389,657)	(987,344)	827,005	1,814,349
Fund balance, Beginning of year	2,583,370	2,583,370	2,583,370	-
Prior period adjustment	-	-	395,458	395,458
FUND BALANCE, End of year	\$ 2,193,713	\$ 1,596,026	\$ 3,805,833	\$ 2,209,807

SUPPLEMENTARY SCHEDULES

CITY OF COACHELLA
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS

JUNE 30, 2004

	Special Revenue Funds	Debt Service Funds	Capital Project Funds	Total Non-Major Governmental Funds
ASSETS:				
Cash and investments	\$ 2,962,669	\$ 730,952	\$ 1,072,141	\$ 4,765,762
Cash and investments w/fiscal agents	31,163	1,445,521	69,470	1,546,154
Accounts receivable	738,424	22,402	-	760,826
Interest receivable	8,326	1,770	1,963	12,059
Loans receivable	1,145,194	7,714	43,008	1,195,916
Advances to other funds	251,383	-	-	251,383
Due from other government	-	-	16,540	16,540
Due from other funds	2,510,314	-	-	2,510,314
Prepaid expenses and deposits	1,586	-	2,123	3,709
Other assets	34,905	-	-	34,905
Land held for resale	129,649	-	1,017,122	1,146,771
TOTAL ASSETS	\$ 7,813,613	\$ 2,208,359	\$ 2,222,367	\$ 12,244,339
LIABILITIES AND FUND BALANCES:				
LIABILITIES:				
Accounts payable	\$ 264,583	\$ 45,354	\$ -	\$ 309,937
Accrued liabilities	-	-	-	-
Deposits	770	-	-	770
Amounts due under pass-through agreements	-	34,427	-	34,427
Due to other funds	825,510	-	-	825,510
Advances from other funds	-	-	104,741	104,741
Deferred revenue	182,658	-	-	182,658
TOTAL LIABILITIES	1,273,521	79,781	104,741	1,458,043
FUND BALANCES:				
Reserved for:				
Debt service	-	2,120,864	-	2,120,864
Notes and interfund receivables	1,059,424	7,714	-	1,067,138
Prepaid and deposits	-	-	-	-
Low income and moderate housing	1,145,953	-	-	1,145,953
Land held for resale	129,649	-	1,017,122	1,146,771
Unreserved:				
Special revenue	4,205,066	-	-	4,205,066
Designated for capital outlay	-	-	1,100,504	1,100,504
TOTAL FUND BALANCES	6,540,092	2,128,578	2,117,626	10,786,296
TOTAL LIABILITIES AND FUND BALANCES	\$ 7,813,613	\$ 2,208,359	\$ 2,222,367	\$ 12,244,339

CITY OF COACHELLA

COMBINING STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN NET ASSETS
NON-MAJOR GOVERNMENTAL FUNDS

FOR THE YEAR ENDED JUNE 30, 2004

	Special Revenue Funds	Debt Service Funds	Capital Project Funds	Total Non-Major Governmental Funds
REVENUES:				
Taxes	\$ 3,614	\$ -	\$ -	\$ 3,614
Property tax increments	-	3,656,893	-	3,656,893
Licenses and permits	23,707	-	-	23,707
Intergovernmental revenue	2,699,413	-	-	2,699,413
Charges for services	556,571	-	-	556,571
Interest and rental income	49,506	22,530	9,376	81,412
Other income	466,449	-	18,350	484,799
TOTAL REVENUES	<u>3,799,260</u>	<u>3,679,423</u>	<u>27,726</u>	<u>7,506,409</u>
EXPENDITURES :				
Current:				
General government:				
Nondepartmental	2,606,919	297,641	34,843	2,939,403
Public safety	41,704	-	-	41,704
Public works	184,010	-	-	184,010
Parks and recreation	-	-	-	-
Payment to other agencies	-	746,571	605,947	1,352,518
Debt service:				
Principal retirements on bonds and leases	-	347,335	-	347,335
Interest payments on bonds and leases	-	986,717	-	986,717
Capital outlays	696,530	-	1,200	697,730
TOTAL EXPENDITURES	<u>3,529,163</u>	<u>2,378,264</u>	<u>641,990</u>	<u>6,549,417</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>270,097</u>	<u>1,301,159</u>	<u>(614,264)</u>	<u>956,992</u>
OTHER FINANCING SOURCES (USES):				
Gain on sale of land	-	-	-	-
Operating transfers in	1,901,746	109,907	605,580	2,617,233
Operating transfers out	(998,508)	(1,258,335)	-	(2,256,843)
TOTAL OTHER FINANCING SOURCES (USES)	<u>903,238</u>	<u>(1,148,428)</u>	<u>605,580</u>	<u>360,390</u>
Net change in fund balance	1,173,335	152,731	(8,684)	1,317,382
Fund balance, Beginning of year	5,302,549	1,957,308	474,145	7,734,002
Prior period adjustment	64,208	18,539	1,652,165	1,734,912
FUND BALANCE, End of year	<u>\$ 6,540,092</u>	<u>\$ 2,128,578</u>	<u>\$ 2,117,626</u>	<u>\$ 10,786,296</u>

City of Coachella
Non-Major Special Revenue Funds
June 30, 2004

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

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

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

Ave 52 Bridge – Accounts for revenues received from federal, state and other sources that are earmarked for the planning, design and construction of the Avenue 52 grade separation.

AVA Program – Accounts for revenues received from the State for use in operational activities related to the abandoned vehicle program.

SB821 Sidewalk Improvements – Accounts for revenue received from the Riverside County Transportation Commission (RCTC) for all bicycle and pedestrian facilities projects.

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

Fire Protection District – Accounts for receipts collected which are restricted for expenditures related to the fire protection district.

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

ECD Entitlement Programs – Accounts for grant funds that are reimbursed by federal or state grant agencies that provide funding for programs that are based on selective eligibility criteria.

Community Development Block Grant Fund – This fund is used to account for the receipts and expenditures of CDBG funds received from the U.S. Department of Housing and Urban Development.

Educational Government Cable Corp – Accounts for revenues received from the general fund to cover the expense of broadcasting City Council meetings.

Supplemental Law Enforcement – Accounts for revenues related to the COPS, or AB3229, funds that are directed to the City in the allocation from the federal violent crime control and law enforcement act of 1994.

Local Transportation Fund – Accounts for revenue that is received from the Riverside County Transportation Commission (RCTC) and used for projects related to their Measure "A" and "TUMF" funding programs.

City of Coachella
Non-Major Special Revenue Funds
June 30, 2004

Federal & State Police Grants Fund – Accounts for revenues received in relation to federal and state Department of justice grants such as LLEBG and CLEEP. These funds are almost always used by the City's police department.

CDBG Economic Development Fund – Accounts for per capita and similar grant funds designated for use in assisting local community services projects and selected capital projects as designated by the state granting agency. Financing is provided by the County's Department of Housing and Community Development who is the U.S. Department of Housing and Urban Development grant recipient.

Low & Mod Housing Area Funds - Accounts for low and moderate income housing expenditures and property tax increment revenue collected that are legally restricted for increasing or improving housing for low and moderate income households in designated project areas 1 through 4.

Development Impact Fund – Accounts for fees collected from developers as a mitigation measure to offset the negative impact of growth and assist in the funding future infrastructure, parks, street and other capital projects.

CITY OF COACHELLA
COMBINING BALANCE SHEET
NON-MAJOR SPECIAL REVENUE FUNDS

JUNE 30, 2004

	State Gas Tax	Air Quality Improvement	Avenue 52 Bridge	AVA Program	SB821 Sidewalk Improvements	Police Asset Forfeiture	Fire Protection District	Landscape & Lighting District	ECD Entitlement Project
ASSETS:									
Cash and investments	\$ -	\$ 49,966	\$ -	\$ 43,983	\$ 298	\$ 41,772	\$ 664,257	\$ 182,770	\$ -
Cash and investments w/fiscal agents	-	-	-	-	-	-	-	-	-
Accounts receivable	52,541	20,396	-	-	-	-	37,210	4,870	265,30
Interest receivable	1,509	82	964	69	1	63	-	401	-
Notes receivable	-	-	-	-	-	-	-	-	-
Loans receivable	-	-	-	-	-	-	-	-	-
Advances to other funds	-	-	-	-	-	-	-	-	-
Due from other funds	856,691	-	569,733	-	-	-	-	-	-
Prepaid expenses and deposits	-	-	-	-	-	-	-	-	-
Other assets	-	-	-	-	-	-	-	-	-
Land held for resale	-	-	-	-	-	-	-	-	-
TOTAL ASSETS	<u>\$ 910,741</u>	<u>\$ 70,444</u>	<u>\$ 570,697</u>	<u>\$ 44,052</u>	<u>\$ 299</u>	<u>\$ 41,835</u>	<u>\$ 701,467</u>	<u>\$ 188,041</u>	<u>\$ 265,30ⁿ</u>
LIABILITIES AND FUND BALANCES:									
LIABILITIES:									
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 209,126	\$ -	\$ 11,881
Accrued liabilities	-	-	-	-	-	-	-	-	-
Deposits	-	-	-	-	-	770	-	-	-
Due to other funds	-	-	-	-	-	-	194,109	-	390,15
Deferred revenue	-	-	-	-	-	-	-	-	-
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>770</u>	<u>403,235</u>	<u>-</u>	<u>402,03¹</u>
FUND BALANCES									
Reserved for:									
Notes and interfund receivables	-	-	-	-	-	-	-	-	-
Prepaid and deposits	-	-	-	-	-	-	-	-	-
Low income and moderate housing	-	-	-	-	-	-	-	-	-
Land held for resale	-	-	-	-	-	-	-	-	-
Unreserved:									
Designated for special revenue purposes	910,741	70,444	570,697	44,052	299	41,065	298,232	188,041	(136,731)
TOTAL FUND BALANCES (DEFICITS)	<u>910,741</u>	<u>70,444</u>	<u>570,697</u>	<u>44,052</u>	<u>299</u>	<u>41,065</u>	<u>298,232</u>	<u>188,041</u>	<u>(136,73</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 910,741</u>	<u>\$ 70,444</u>	<u>\$ 570,697</u>	<u>\$ 44,052</u>	<u>\$ 299</u>	<u>\$ 41,835</u>	<u>\$ 701,467</u>	<u>\$ 188,041</u>	<u>\$ 265,300</u>

CDBG Housing Grants	Educational Government Cable Corp	Supplemental Law Enforcement	Local Transportation	Federal & State Police Grants	CDBG Economic Development	Low & Mod. Housing Set-Aside Fund	Low & Mod. Housing Bond Fund	Development Impact	Total 2004
\$ 116,671	\$ 762	\$ 13,271	\$ 10,464	\$ 52,984	\$ 152,034	\$ 670,613	\$ 332,624	\$ 630,200	\$ 2,962,669
-	-	-	-	-	31,163	-	-	-	31,163
197,558	-	-	75,528	-	85,021	-	-	-	738,424
207	3	116	1,236	64	337	1,036	1,211	1,027	8,326
-	-	-	-	-	-	-	-	-	-
85,770	-	-	-	-	-	1,059,424	-	-	1,145,194
-	-	-	-	-	-	251,383	-	-	251,383
128,350	-	-	739,289	-	-	216,251	-	-	2,510,314
-	-	-	-	-	-	1,586	-	-	1,586
-	34,905	-	-	-	-	-	-	-	34,905
-	-	-	-	-	-	129,649	-	-	129,649
<u>\$ 528,556</u>	<u>\$ 35,670</u>	<u>\$ 13,387</u>	<u>\$ 826,517</u>	<u>\$ 53,048</u>	<u>\$ 268,555</u>	<u>\$ 2,329,942</u>	<u>\$ 333,835</u>	<u>\$ 631,227</u>	<u>\$ 7,813,613</u>
\$ 15,095	\$ -	\$ 2,200	\$ 16,681	\$ 9,600	\$ -	\$ -	\$ -	\$ -	\$ 264,583
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	770
-	-	-	-	-	25,000	-	216,251	-	825,510
-	-	-	-	39,644	30,514	112,500	-	-	182,658
<u>15,095</u>	<u>-</u>	<u>2,200</u>	<u>16,681</u>	<u>49,244</u>	<u>55,514</u>	<u>112,500</u>	<u>216,251</u>	<u>-</u>	<u>1,273,521</u>
-	-	-	-	-	-	1,059,424	-	-	1,059,424
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	1,028,369	117,584	-	1,145,953
-	-	-	-	-	-	129,649	-	-	129,649
<u>513,461</u>	<u>35,670</u>	<u>11,187</u>	<u>809,836</u>	<u>3,804</u>	<u>213,041</u>	<u>-</u>	<u>-</u>	<u>631,227</u>	<u>4,205,066</u>
<u>513,461</u>	<u>35,670</u>	<u>11,187</u>	<u>809,836</u>	<u>3,804</u>	<u>213,041</u>	<u>2,217,442</u>	<u>117,584</u>	<u>631,227</u>	<u>6,540,092</u>
<u>\$ 528,556</u>	<u>\$ 35,670</u>	<u>\$ 13,387</u>	<u>\$ 826,517</u>	<u>\$ 53,048</u>	<u>\$ 268,555</u>	<u>\$ 2,329,942</u>	<u>\$ 333,835</u>	<u>\$ 631,227</u>	<u>\$ 7,813,613</u>

CITY OF COACHELLA

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NON-MAJOR SPECIAL REVENUE FUNDS

FOR THE YEAR ENDED JUNE 30, 2004

	State Gas Tax	Air Quality Improvement	Avenue 52 Bridge	AVA Program	SB821 Sidewalk Improvements	Police Asset Forfeiture	Fire Protection District	Landscape & Lighting District
REVENUES:								
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,614	\$ -
Licenses and permits	-	-	-	-	-	-	1,850	-
Intergovernmental revenue	513,536	49,221	-	27,789	-	-	-	-
Charges for services	-	-	-	-	-	-	-	-
Interest and rental income	6,345	82	3,944	263	2	267	1,244	1,432
Other income	-	-	-	-	-	-	110,597	198,117
TOTAL REVENUES	<u>519,881</u>	<u>49,303</u>	<u>3,944</u>	<u>28,052</u>	<u>2</u>	<u>267</u>	<u>117,305</u>	<u>199,549</u>
EXPENDITURES :								
Current:								
General government:								
Nondepartmental	-	13,286	-	-	-	-	863,154	1,097
Public safety	-	-	-	-	-	-	-	-
Public works	-	-	-	-	-	-	-	184,010
Parks and recreation	-	-	-	-	-	-	-	-
Capital outlays	-	-	-	-	-	-	-	-
TOTAL EXPENDITURES	<u>-</u>	<u>13,286</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>863,154</u>	<u>185,107</u>
EXCESS OF REVENUES OVER (UNDER)								
EXPENDITURES	<u>519,881</u>	<u>36,017</u>	<u>3,944</u>	<u>28,052</u>	<u>2</u>	<u>267</u>	<u>(745,849)</u>	<u>14,442</u>
OTHER FINANCING SOURCES (USES):								
Gain on sale of land	-	-	-	-	-	-	-	-
Operating transfers in	-	-	-	-	-	-	-	-
Operating transfers out	(618,531)	-	-	(30,000)	-	-	857,740	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>(618,531)</u>	<u>-</u>	<u>-</u>	<u>(30,000)</u>	<u>-</u>	<u>-</u>	<u>857,740</u>	<u>-</u>
Net change in fund balance	(98,650)	36,017	3,944	(1,948)	2	267	111,891	14,442
Fund balance, Beginning of year	1,009,391	34,427	566,753	46,000	297	40,798	186,341	173,599
Prior period adjustment	-	-	-	-	-	-	-	-
FUND BALANCE, End of year	<u>\$ 910,741</u>	<u>\$ 70,444</u>	<u>\$ 570,697</u>	<u>\$ 44,052</u>	<u>\$ 299</u>	<u>\$ 41,065</u>	<u>\$ 298,232</u>	<u>\$ 188,041</u>

ECD Entitlement Project	CDBG Housing Grant	Educational Government Cable Corp	Supplemental Law Enforcement	Local Transportation	Federal & State Police Grants	CDBG Economic Development	Low & Mod. Housing Set-Aside	Low & Mod. Housing Bond Fund	Development Impact	Total 2004
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,614
316,998	921,106	-	100,000	370,311	76,305	324,147	-	-	21,857	23,707
-	53,240	-	-	-	-	-	-	-	-	2,699,413
-	8,627	17	298	5,649	534	7,034	5,266	5,535	503,331	556,571
-	-	-	-	-	-	-	157,735	-	2,967	49,506
316,998	982,973	17	100,298	375,960	76,839	331,181	163,001	5,535	528,155	3,799,260
49,778	775,358	7,283	51,645	-	83,351	143,737	618,230	-	-	2,606,919
-	-	-	41,704	-	-	-	-	-	-	41,704
-	-	-	-	-	-	-	-	-	-	184,010
295,894	27,610	-	-	370,381	-	1,281	1,364	-	-	696,530
345,672	802,968	7,283	93,349	370,381	83,351	145,018	619,594	-	-	3,529,163
(28,674)	180,005	(7,266)	6,949	5,579	(6,512)	186,163	(456,593)	5,535	528,155	270,097
-	-	-	-	-	-	-	-	-	-	-
-	-	5,600	-	-	-	-	1,038,406	-	-	1,901,746
-	-	-	-	-	-	-	(349,977)	-	-	(998,508)
-	-	5,600	-	-	-	-	688,429	-	-	903,238
(28,674)	180,005	(1,666)	6,949	5,579	(6,512)	186,163	231,836	5,535	528,155	1,173,335
(108,057)	333,456	37,336	9,091	740,049	5,463	26,878	1,985,606	112,049	103,072	5,302,549
-	-	-	(4,853)	64,208	4,853	-	-	-	-	64,208
\$ (136,731)	\$ 513,461	\$ 35,670	\$ 11,187	\$ 809,836	\$ 3,804	\$ 213,041	\$ 2,217,442	\$ 117,584	\$ 631,227	\$ 6,540,092

City of Coachella
Non-Major Debt Service Funds
June 30, 2004

Debt Service Funds are used primarily to account for the accumulation of resources for the payment of principal and interest on general long-term debt of the City and its related agencies.

General Leases – Accounts for the payments of principal and interest for capital leases of equipment and vehicles used the City and its related agencies.

RDA Project Area #2 – Accounts for payments of principal and interest for long-term debt of the City of Coachella Redevelopment Agency – Project Area No. 2.

RDA Project Area #3 – Accounts for payments of principal and interest for long-term debt of the City of Coachella Redevelopment Agency – Project Area No. 3.

RDA Project Area #4 – Accounts for payments of principal and interest for long-term debt of the City of Coachella Redevelopment Agency – Project Area No. 4.

CITY OF COACHELLA
COMBINING BALANCE SHEET
NON-MAJOR DEBT SERVICE FUNDS

JUNE 30, 2004

	General Leases	RDA Project Area #2	RDA Project Area #3	RDA Project Area #4	Total 2004
ASSETS:					
Cash and investments	\$ 11,909	\$ 102,745	\$ 178,105	\$ 438,193	\$ 730,952
Cash and investments w/fiscal agents	-	250,080	516,761	678,680	1,445,521
Accounts receivable	-	7,644	3,818	10,940	22,402
Interest receivable	-	189	428	1,153	1,770
Loans receivable	-	-	-	7,714	7,714
TOTAL ASSETS	<u>\$ 11,909</u>	<u>\$ 360,658</u>	<u>\$ 699,112</u>	<u>\$ 1,136,680</u>	<u>\$ 2,208,359</u>
LIABILITIES AND FUND BALANCES:					
LIABILITIES:					
Accounts payable	\$ -	\$ -	\$ 15,048	\$ 30,306	\$ 45,354
Amounts due under pass-through agreements	-	33	34,000	394	34,427
Advances from other funds	-	-	-	-	-
TOTAL LIABILITIES	<u>-</u>	<u>33</u>	<u>49,048</u>	<u>30,700</u>	<u>79,781</u>
FUND BALANCES:					
Reserved For:					
Debt service	11,909	360,625	650,064	1,098,266	2,120,864
Notes and interfund receivables	-	-	-	7,714	7,714
TOTAL FUND BALANCES	<u>11,909</u>	<u>360,625</u>	<u>650,064</u>	<u>1,105,980</u>	<u>2,128,578</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 11,909</u>	<u>\$ 360,658</u>	<u>\$ 699,112</u>	<u>\$ 1,136,680</u>	<u>\$ 2,208,359</u>

CITY OF COACHELLA

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NON-MAJOR DEBT SERVICE FUNDS

FOR THE YEAR ENDED JUNE 30, 2004

	General Leases	RDA Project Area #2	RDA Project Area #3	RDA Project Area #4	Total 2004
REVENUES:					
Property tax increments	\$ -	\$ 584,985	\$ 1,106,547	\$ 1,965,361	\$ 3,656,893
Interest and rental income	-	2,956	9,458	10,116	22,530
TOTAL REVENUES	-	587,941	1,116,005	1,975,477	3,679,423
EXPENDITURES :					
Current:					
General government:					
Nondepartmental	-	33,691	75,563	188,387	297,641
Payment to other agencies	-	32,909	220,887	492,775	746,571
Debt service:					
Principal retirements on bonds and leases	22,335	75,000	120,000	130,000	347,335
Interest payments on bonds and leases	7,360	168,392	377,766	433,199	986,717
TOTAL EXPENDITURES	29,695	309,992	794,216	1,244,361	2,378,264
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(29,695)	277,949	321,789	731,116	1,301,159
OTHER FINANCING SOURCES (USES):					
Operating transfers in	36,000	25,646	48,261	-	109,907
Operating transfers out	-	(261,704)	(335,381)	(661,250)	(1,258,335)
TOTAL OTHER FINANCING SOURCES (USES)	36,000	(236,058)	(287,120)	(661,250)	(1,148,428)
Net change in fund balance	6,305	41,891	34,669	69,866	152,731
Fund balance, Beginning of year	5,604	318,734	596,856	1,036,114	1,957,308
Prior period adjustment	-	-	18,539	-	18,539
FUND BALANCE, End of year	\$ 11,909	\$ 360,625	\$ 650,064	\$ 1,105,980	\$ 2,128,578

City of Coachella
Non-Major Capital Project Funds
June 30, 2004

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

RDA Project Area #1 – Accounts for the acquisition, improvement and rehabilitation of property within the Project Area #1.

RDA Project Area #2 – Accounts for the acquisition, improvement and rehabilitation of property within the Project Area #2.

RDA Project Area #3 – Accounts for the acquisition, improvement and rehabilitation of property within the Project Area #3.

CITY OF COACHELLA
COMBINING BALANCE SHEET
NON-MAJOR CAPITAL PROJECTS FUNDS

JUNE 30, 2004

	RDA Project Area #1	RDA Project Area #2	RDA Project Area #3	Total 2004
ASSETS:				
Cash and investments	\$ 718,438	\$ 190,759	\$ 162,944	\$ 1,072,141
Cash and investments w/fiscal agents	-	-	69,470	69,470
Interest receivable	1,197	323	443	1,963
Loans receivable	-	-	43,008	43,008
Due from other government	-	-	16,540	16,540
Prepaid expenses and deposits	2,123	-	-	2,123
Land held for resale	740,812	251,142	25,168	1,017,122
TOTAL ASSETS	<u>\$ 1,462,570</u>	<u>\$ 442,224</u>	<u>\$ 317,573</u>	<u>\$ 2,222,367</u>
LIABILITIES AND FUND BALANCES:				
LIABILITIES:				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Accrued liabilities	-	-	-	-
Advance from other funds	-	104,741	-	104,741
TOTAL LIABILITIES	<u>-</u>	<u>104,741</u>	<u>-</u>	<u>104,741</u>
FUND BALANCES:				
Reserved for:				
Prepaid and deposits		-	-	-
Land held for resale	740,812	251,142	25,168	1,017,122
Unreserved:				
Designated for capital outlay	721,758	86,341	292,405	1,100,504
TOTAL FUND BALANCES	<u>1,462,570</u>	<u>337,483</u>	<u>317,573</u>	<u>2,117,626</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 1,462,570</u>	<u>\$ 442,224</u>	<u>\$ 317,573</u>	<u>\$ 2,222,367</u>

CITY OF COACHELLA

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NON-MAJOR CAPITAL PROJECTS FUNDS

FOR THE YEAR ENDED JUNE 30, 2004

	RDA Project Area #1	RDA Project Area #2	RDA Project Area #3	Total 2004
REVENUES:				
Interest and rental income	\$ 4,901	\$ 1,320	\$ 3,155	\$ 9,376
Other income	18,350	-	-	18,350
TOTAL REVENUES	23,251	1,320	3,155	27,726
EXPENDITURES :				
Current:				
General government:				
Nondepartmental	208	31,721	2,914	34,843
Payment to other agencies	605,947	-	-	605,947
Capital outlays	-	1,200	-	1,200
TOTAL EXPENDITURES	606,155	32,921	2,914	641,990
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(582,904)	(31,601)	241	(614,264)
OTHER FINANCING SOURCES (USES):				
Operating transfers in	574,180	31,400	-	605,580
Operating transfers out	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	574,180	31,400	-	605,580
Net change in fund balance	(8,724)	(201)	241	(8,684)
Fund balance, Beginning of year	(180,871)	337,684	317,332	474,145
Prior period adjustment	1,652,165	-	-	1,652,165
FUND BALANCE, End of year	\$ 1,462,570	\$ 337,483	\$ 317,573	\$ 2,117,626

City of Coachella
Agency Funds
June 30, 2004

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

Deferred Comp Fund – This fund is used to account for assets held to pay for tax deferred retirement benefits for city employees who elect to participate in one or more of the available incentive programs made available by the City.

Self-Insured Dental Plan – The City maintains this fund as a reserve for any claims that are not otherwise covered by its dental indemnity plan for City employees.

General Deposits Fund – This fund is used to account for deposits and disbursements to and from the Valley Independent Bank payroll account and also to obtain future services from citizens and others who have an agreement with the City. Deposits are reduced by disbursements and/or refunds to the depositors when the cost of the service is determined.

Public Schools Capital Facilities Fund – This fund is used to account for the assets held on behalf of the public schools located within the city limits of the City of Coachella for future capital improvement projects related to one or more of the facilities.

Flood Control Capital Facilities Fund – This fund is used to account for the assets held on behalf of the Coachella Valley Water District for storm drain and other capital projects.

CITY OF COACHELLA
COMBINING STATEMENT OF NET ASSETS
ALL AGENCY FUNDS

JUNE 30, 2004

	Deferred Compensation Fund	Self Insured Dental Plan - COBO	General Deposits Fund	Agency Public Schools Capital Facilities Fund	Flood Control Capital Facilities Fund	Employee Flex Plan Deposits Fund	Totals
ASSETS:							
Cash and investments	\$ -	\$ 14,541	\$ 585,303	\$ 9,176	\$ 226,784	\$ 758	\$ 836,562
Cash and investments with fiscal agent	441,005	39,784	-	-	-	-	480,789
Interest receivable	-	25	-	8	196	-	229
TOTAL ASSETS	\$ 441,005	\$ 54,350	\$ 585,303	\$ 9,184	\$ 226,980	\$ 758	\$ 1,317,580
LIABILITIES:							
Employee contribution	\$ 441,005	\$ 54,350	\$ -	\$ -	\$ -	\$ -	\$ 495,355
Pass throughs	-	-	-	9,184	226,980	-	236,164
Claims payable	-	-	177,303	-	-	758	178,061
Deposits payable	-	-	408,000	-	-	-	408,000
TOTAL LIABILITIES	\$ 441,005	\$ 54,350	\$ 585,303	\$ 9,184	\$ 226,980	\$ 758	\$ 1,317,580

CITY OF COACHELLA
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS

JUNE 30, 2004

	Balance June 30, 2003	Additions	Deletions	Balance June 30, 2004
<u>DEFERRED COMPENSATION FUND</u>				
ASSETS				
Cash	\$ -	\$ -	\$ -	\$ -
Cash with fiscal agent	406,585	34,420	-	441,005
Total assets	<u>\$ 406,585</u>	<u>\$ 34,420</u>	<u>\$ -</u>	<u>\$ 441,005</u>
LIABILITIES				
Employee contribution	406,585	34,420	-	441,005
Total liabilities	<u>\$ 406,585</u>	<u>\$ 34,420</u>	<u>\$ -</u>	<u>\$ 441,005</u>
<u>SELF INSURED DENTAL PLAN-COBO</u>				
ASSETS				
Cash	\$ 14,418	\$ 123	\$ -	\$ 14,541
Cash with fiscal agent	39,784	-	-	39,784
Interest receivable	46	76	97	25
Total assets	<u>\$ 54,248</u>	<u>\$ 199</u>	<u>\$ 97</u>	<u>\$ 54,350</u>
LIABILITIES				
Employee contribution	\$ 54,248	\$ 102	\$ -	\$ 54,350
Total liabilities	<u>\$ 54,248</u>	<u>\$ 102</u>	<u>\$ -</u>	<u>\$ 54,350</u>
<u>GENERAL DEPOSITS FUND</u>				
ASSETS				
Cash	\$ 134,100	\$ 4,426,172	\$ 3,981,569	\$ 578,703
Investments	6,600	-	-	6,600
Total assets	<u>\$ 140,700</u>	<u>\$ 4,426,172</u>	<u>\$ 3,981,569</u>	<u>\$ 585,303</u>
LIABILITIES				
Claims payable	\$ -	\$ 7,989,743	\$ 7,812,440	\$ 177,303
Deposits payable	140,700	273,480	6,180	408,000
Total liabilities	<u>\$ 140,700</u>	<u>\$ 8,263,223</u>	<u>\$ 7,818,620</u>	<u>\$ 585,303</u>
<u>PUBLIC SCHOOL CAPITAL FACILITIES FUND</u>				
ASSETS				
Cash	\$ 752,195	\$ 8,057	\$ 751,076	\$ 9,176
Interest receivable	1,716	446	2,154	8
Total assets	<u>\$ 753,911</u>	<u>\$ 8,503</u>	<u>\$ 753,230</u>	<u>\$ 9,184</u>
LIABILITIES				
Pass throughs	\$ 753,911	\$ 6,349	\$ 751,076	\$ 9,184
Total liabilities	<u>\$ 753,911</u>	<u>\$ 6,349</u>	<u>\$ 751,076</u>	<u>\$ 9,184</u>
<u>FLOOD CONTROL CAPITAL FACILITIES FUND</u>				
ASSETS				
Cash	\$ 114,995	\$ 114,734	\$ 2,945	\$ 226,784
Interest receivable	366	604	774	196
Total assets	<u>\$ 115,361</u>	<u>\$ 115,338</u>	<u>\$ 3,719</u>	<u>\$ 226,980</u>
LIABILITIES				
Pass throughs	\$ 115,361	\$ 114,564	\$ 2,945	\$ 226,980
Total liabilities	<u>\$ 115,361</u>	<u>\$ 114,564</u>	<u>\$ 2,945</u>	<u>\$ 226,980</u>
<u>EMPLOYEE FLEX PLAN DEPOSITS FUND</u>				
ASSETS				
Cash	\$ -	\$ 4,138	\$ 3,380	\$ 758
Total assets	<u>\$ -</u>	<u>\$ 4,138</u>	<u>\$ 3,380</u>	<u>\$ 758</u>
LIABILITIES				
Claims payable	\$ -	\$ 4,768	\$ 4,010	\$ 758
Total liabilities	<u>\$ -</u>	<u>\$ 4,768</u>	<u>\$ 4,010</u>	<u>\$ 758</u>



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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

City Council Members
City of Coachella
Coachella, California

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Coachella as of and for the year ended June 30, 2004, which collectively comprise the City's basic financial statements and have issued our report thereon dated November 23, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Coachella's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one of more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted a matter involving the internal control over financial reporting that we have reported to the management of the City of Coachella, in a separate letter dated November 23, 2004

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Coachella's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statements amounts. However, providing an opinion on compliance with those provisions was not an objective to our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of the City Council, management, others within the City, Federal Awarding Agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

November 23, 2004