COACHELLA REDEVELOPMENT AGENCY

FINANCIAL STATEMENTS

Year Ended June 30, 2010

Coachella Redevelopment Agency
Year Ended June 30, 2010

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TRS TEAMAN, RAMIREZ & SMITH, INC.
CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditors' Report

City Council
Coachella Redevelopment Agency
Coachella, California

We have audited the accompanying financial statements of the governmental activities and each major fund of the Coachella Redevelopment Agency (Agency), a component unit of the City of Coachella, as of and for the year ended June 30, 2010, which collectively comprise the Agency's basic component unit financial statements as listed in the table of contents. These component unit financial statements are the responsibility of the Agency'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 component unit financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the component unit financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As described more fully in Note 1.A, these financial statements present only the Agency and are not intended to present fairly the financial position and results of operations of the City of Coachella, California in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Agency as of June 30, 2010, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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

The Coachella Redevelopment Agency has not presented the *Management's Discussion and Analysis* that accounting principles generally accepted in the United States has determined is necessary to supplement, although not required to be part of, the basic component unit financial statements.

The information identified in the accompanying table of contents as required supplementary information is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United Stated of America. We have applied certain limited procedures, which consisted principally of inquires of management regarding the method of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Teaman Ramirez & Smith, Inc.

December 21, 2010

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BASIC COMPONENT UNIT FINANCIAL STATEMENTS

Coachella Redevelopment Agency
Statement of Net Assets
June 30, 2010

	Governmental Activities
ASSETS	
Cash and Investments	$ -
Restricted Cash and Investments	21,917,072
Taxes Receivable	80,330
Interest Receivable - Net of allowance of $224,235	21,265
Notes Receivable	150,000
Loans Receivable - Net of allowance of $7,082,381	1,592,691
Land Held for Resale	1,518,209
Deferred Charges	1,607,361
Total Assets	26,886,928
LIABILITIES	
Accounts Payable and Accrued Liabilities	367,205
Due to Other Government Agencies	3,153,674
Accrued Interest Payable	701,521
Long-term Liabilities:	
Due Within One Year	1,140,000
Due in More Than One Year	49,405,000
Total Liabilities	54,767,400
NET ASSETS	
Restricted for:	
Low and Moderate Income Housing	1,575,911
Construction Projects	172,042
Unrestricted	(29,628,425)
Total Net Assets	$ (27,880,472)

The accompanying notes are an integral part of this statement.

Coachella Redevelopment Agency
Statement of Activities
Year Ended June 30, 2010

		Program Revenues			
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Net (Expense) Revenue
Governmental Activities:					
General Government	$ 5,757,379	$	$	$	$ (5,757,379)
Project Improvements	1,836,760			190,010	(1,646,750)
Interest on Long-term Debt	5,673,769				(5,673,769)
Total Governmental Activities	$ 13,267,908	$ -	$ -	$ 190,010	(13,077,898)
	General Revenues:				
	Tax Increment				8,988,141
	Interest Earnings				86,759
	Miscellaneous				11,024
	Total General Revenues				9,085,924
	Change in Net Assets				(3,991,974)
	Total Net Assets - Beginning of Year				(23,888,498)
	Total Net Assets - End of Year				$ (27,880,472)

The accompanying notes are an integral part of this statement.

Coachella Redevelopment Agency
Balance Sheet
Governmental Funds
June 30, 2010

	Special Revenue		Debt Service
	Low/Mod Housing Set-Aside	Low/Mod Housing Bond Fund	RDA Project Area #1
ASSETS			
Cash and Investments	$	$	$
Cash and Investments with Fiscal Agent		3,152,120	425,569
Taxes Receivable			
Interest Receivable	224,864	303	772
Due from Other Funds	1,134,751		84,276
Notes Receivable	150,000		
Loans Receivable	1,588,881	7,039,380	
Land Held for Resale	24,226		
Total Assets	$ 3,122,722	$ 10,191,803	$ 510,617
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts Payable and Accrued Liabilities	$ 137,719	$	$
Due to Other Funds		1,142,159	
Due to Other Government Agencies			85,868
Deferred Revenue	1,800,601	7,039,380	
Total Liabilities	1,938,320	8,181,539	85,868
Fund Balances:			
Reserved:			
Encumbrances			
Notes Receivable	150,000		
Land Held for Resale	24,226		
Debt Service			424,749
Unreserved:			
Designated for Specific Capital Projects and Programs	1,010,176	2,010,264	
Total Fund Balances	1,184,402	2,010,264	424,749
Total Liabilities and Fund Balances	$ 3,122,722	$ 10,191,803	$ 510,617

The accompanying notes are an integral part of this statement.

Debt Service			Capital Project	
RDA Project Area #2	RDA Project Area #3	RDA Project Area #4	RDA Project Area #1	RDA Project Area #2
$	$	$	$	$
823,779	1,133,344	2,019,761	1,123,147	2,499,075
3,634	20,436	56,260		
6,018			4,187	1,075
969,705				24,733
			740,812	522,438
$ 1,803,136	$ 1,153,780	$ 2,076,021	$ 1,868,146	$ 3,047,321
$	$	$	$ 10,631	$ 114,107
	845,984	564,015	393,367	
142,277	138,097	1,271,197		104,741
142,277	984,081	1,835,212	403,998	218,848
			1,741	1,175
			740,812	522,438
1,660,859	169,699	240,809		
			721,595	2,304,860
1,660,859	169,699	240,809	1,464,148	2,828,473
$ 1,803,136	$ 1,153,780	$ 2,076,021	$ 1,868,146	$ 3,047,321

Continued

The accompanying notes are an integral part of this statement.

Coachella Redevelopment Agency
Balance Sheet - Continued
Governmental Funds
June 30, 2010

	Capital Project		
	RDA Project Area #3	RDA Project Area #4	Total Governmental Funds
ASSETS			
Cash and Investments	$	$	$
Cash and Investments with Fiscal Agent	3,517,376	7,222,901	21,917,072
Taxes Receivable			80,330
Interest Receivable	1,303	6,978	245,500
Due from Other Funds		1,388,791	3,602,256
Notes Receivable			150,000
Loans Receivable	40,126	6,685	8,675,072
Land Held for Resale	105,743	124,990	1,518,209
Total Assets	$ 3,664,548	$ 8,750,345	$ 36,188,439
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts Payable and Accrued Liabilities	$ 42,502	$ 62,246	$ 367,205
Due to Other Funds	656,731		3,602,256
Due to Other Government Agencies	1,411,494		3,153,674
Deferred Revenue	40,126	6,685	8,886,792
Total Liabilities	2,150,853	68,931	16,009,927
Fund Balances:			
Reserved:			
Encumbrances	2,012		4,928
Notes Receivable			150,000
Land Held for Resale	105,743	124,990	1,518,209
Debt Service			2,496,116
Unreserved:			
Designated for Specific Capital Projects and Programs	1,405,940	8,556,424	16,009,259
Total Fund Balances	1,513,695	8,681,414	20,178,512
Total Liabilities and Fund Balances	$ 3,664,548	$ 8,750,345	$ 36,188,439

The accompanying notes are an integral part of this statement.

Coachella Redevelopment Agency
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Assets
June 30, 2010

Fund Balances of Governmental Funds	$ 20,178,512
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
In governmental funds, interest on long-term debt is not recognized until the period in which it matures and is paid. In the government-wide statement of activities, it is recognized in the period that it is incurred. This amount represents interest payable at year-end.	(701,521)
In governmental funds, other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	1,580,176
Long-term liabilities are not due and payable in the current period. Therefore they are not reported in the governmental funds balance sheet.	
Long-term Liabilities	(50,545,000)
Issuance costs net of accumulated amortization were reported as expenditures in the governmental funds.	1,607,361
Net Assets of Governmental Activities	$ (27,880,472)

The accompanying notes are an integral part of this statement.

Coachella Redevelopment Agency
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds

Year Ended June 30, 2010

	Special Revenue		Debt Service
	Low/Mod Housing Set-Aside	Low/Mod Housing Bond Fund	RDA Project Area #1
REVENUES			
Tax Increment	$ 1,797,628	$	$ 601,648
Investment Earnings	3,395	2,677	3,377
Intergovernmental			
Other Revenue	11,024		
Total Revenues	1,812,047	2,677	605,025
EXPENDITURES			
Current:			
Administrative Costs	406,594		
Professional Services	299,389	757	7,562
Project Improvement Costs	305		
Other Expenditures	2,368		
Pass-through Agreements			125,517
Debt Service:			
Principal Retirement			136,162
Interest and Fiscal Charges			216,605
SERAF Payment			271,154
Total Expenditures	708,656	757	757,000
Excess of Revenues Over (Under) Expenditures	1,103,391	1,920	(151,975)
OTHER FINANCING SOURCES (USES)			
Transfers In			71,345
Transfers Out	(893,550)		(154,318)
Total Other Financing Sources (Uses)	(893,550)	-	(82,973)
Net Change in Fund Balances	209,841	1,920	(234,948)
Fund Balances, Beginning of Year	974,561	2,008,344	659,697
Fund Balances, End of Year	$ 1,184,402	$ 2,010,264	$ 424,749

The accompanying notes are an integral part of this statement.

Debt Service			Capital Project	
RDA Project Area #2	RDA Project Area #3	RDA Project Area #4	RDA Project Area #1	RDA Project Area #2
$ 1,428,629	$ 1,589,597	$ 3,570,639	$	$
22,113	401		16,596	4,962
				190,010
1,450,742	1,589,998	3,570,639	16,596	194,972
			69,608	139,215
22,395	71,955	86,237	37,612	358,752
			1,113,725	73,116
			12,925	25,851
423,370	568,095	1,606,235		
258,340	382,864	617,634		
453,403	719,153	1,197,795		
594,472	690,999	1,546,494		
1,751,980	2,433,066	5,054,395	1,233,870	596,934
(301,238)	(843,068)	(1,483,756)	(1,217,274)	(401,962)
155,478	218,830	1,032,570	1,029,618	371,214
(283,802)	(961,217)	(970,861)		
(128,324)	(742,387)	61,709	1,029,618	371,214
(429,562)	(1,585,455)	(1,422,047)	(187,656)	(30,748)
2,090,421	1,755,154	1,662,856	1,651,804	2,859,221
$ 1,660,859	$ 169,699	$ 240,809	$ 1,464,148	$ 2,828,473

Continued

The accompanying notes are an integral part of this statement.

Coachella Redevelopment Agency
Statement of Revenues, Expenditures, and Changes in Fund Balances - Continued
Governmental Funds
Year Ended June 30, 2010

	Capital Project		
	RDA Project Area #3	RDA Project Area #4	Total Governmental Funds
REVENUES			
Tax Increment	$	$	$ 8,988,141
Investment Earnings	6,241	29,089	88,851
Intergovernmental			190,010
Other Revenue			11,024
Total Revenues	6,241	29,089	9,278,026
EXPENDITURES			
Current:			
Administrative Costs	264,925	565,174	1,445,516
Professional Services	141,902	302,977	1,329,538
Project Improvement Costs	649,614		1,836,760
Other Expenditures	49,194	104,947	195,285
Pass-through Agreements			2,723,217
Debt Service:			
Principal Retirement			1,395,000
Interest and Fiscal Charges			2,586,956
SERAF Payment			3,103,119
Total Expenditures	1,105,635	973,098	14,615,391
Excess of Revenues Over (Under) Expenditures	(1,099,394)	(944,009)	(5,337,365)
OTHER FINANCING SOURCES (USES)			
Transfers In	455,090	3,372,624	6,706,769
Transfers Out	(3,443,021)		(6,706,769)
Total Other Financing Sources (Uses)	(2,987,931)	3,372,624	-
Net Change in Fund Balances	(4,087,325)	2,428,615	(5,337,365)
Fund Balances, Beginning of Year	5,601,020	6,252,799	25,515,877
Fund Balances, End of Year	$ 1,513,695	$ 8,681,414	$ 20,178,512

The accompanying notes are an integral part of this statement.

Coachella Redevelopment Agency
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities
Year Ended June 30, 2010

Net Change in Fund Balances - Total Governmental Funds	$ (5,337,365)
Amounts reported for governmental activities in the Statement of Activities are different because:	
In governmental funds, repayments of long-term debt are reported as expenditures. In the government-wide statements, repayments of long-term debt are reported as reductions of liabilities.	1,395,000
In governmental funds, notes receivable are offset by deferred revenue as they are not available to pay for current period expenditures. This represents the net change in deferred revenue from the prior year.	-
Governmental funds report the effects of issuance costs, premiums, discounts, and other similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities	
Amortization of Bond Issuance Costs	(65,915)
Accrued interest for long-term liabilities is not recorded in the governmental funds. This is the net change in accrued interest for the current period.	16,306
Change in Net Assets of Governmental Activities	$ (3,991,974)

The accompanying notes are an integral part of this statement.

Coachella Redevelopment Agency
Notes to the Financial Statements
Year Ended June 30, 2010

1) REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A) Reporting Entity

The Coachella Redevelopment Agency (the "Agency") was established pursuant to the State of California Health and Safety Code, Section 33000, entitled "Community Redevelopment Law". Its purpose is to prepare and carry out plans for improvement, rehabilitation and redevelopment of blighted areas within the territorial limits of the City of Coachella (the "City"). As such, the Agency acts as a legal entity, separate and distinct from the City, even though the City Council of the City has the authority to appoint the Agency's governing board.

The Agency is a component unit of the City of Coachella and, accordingly, the financial statements of the Agency are included in the financial statements of the City of Coachella. The Agency is an integral part of the reporting entity of the City of Coachella. The funds of the Agency have been blended within the financial statements of the City because the City Council of the City of Coachella is the governing board of the Agency and exercises control over the operations of the Agency. Only the funds of the Agency are included herein, therefore, these financial statements do not purport to represent the financial position or results of operations of the City of Coachella.

The Agency office and records are located at City Hall, 1515 6th Street, Coachella, California 92236 and the telephone number is (760) 398-3502.

The Agency was established on October 8, 1968, by the City Council of the City of Coachella. The five members of the City Council, acting as the Redevelopment Agency, serve as the governing body of the Agency and exercise all rights, powers, duties and privileges of the Agency. The Mayor serves as Chairperson of the Agency. The Agency consists of Project Area 1, Project Area 2, Project Area 3 and Project Area 4. On July 13, 2005, all of the project areas of the Agency were merged for the purpose of elimination of remaining blight conditions. And the Agency's merged project area cannot reasonably be expected to be accomplished by private enterprise acting alone or by the City Council's use of financing alternatives other than tax increment financing pursuant to Subsection (d) of Section 33352 of the Redevelopment Law. However, the "merger" only merged certain aspects of the project areas. The "merger" did not change Project Areas 1, 2, 3, and 4 boundaries; the time periods for redevelopment project activities; issuance of bonds, or allocation of tax increment to the Agency; the total amount of debt which the Agency may issue at any one time; the use of eminent domain proceedings; or the base year for any project area; financial or bonding requirements of the project areas; and no changes on the geographical area in which previously existing powers are exercised. Therefore, while the term "merged" is used frequently in relation to this action, the project areas were not fully merged. Only certain aspects were merged and thus the Agency financial statements must continue to reflect separate activity for each project area.

B) Basis of Presentation

The accounting policies of the Agency conform to accounting principles generally accepted in the United States of America as they are applicable to governmental units. The Government Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant policies reflected in the financial statements are summarized as follows:

1) REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

B) Basis of Presentation - Continued

Government-wide Financial Statements: The Government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities) report information on all of the nonfiduciary activities of the primary government (the Agency). 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. All Agency activities are governmental; no business-type activities are reported in the statements.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. Direct expenses are expenses that are clearly identifiable with a specific program, project, function or segment. Program revenues of the Agency include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment.

Taxes and other items that are properly not included among program revenues are reported instead as general revenues.

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

C) Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting.* Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the providers have been met.

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

Interest associated with the current fiscal period is considered to be susceptible to accrual, and is therefore recognized as revenue of the current fiscal period.

1) REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

C) Measurement Focus, Basis of Accounting, and Financial Statement Presentation - Continued

The Agency reports the following major governmental funds:

The *Low and Moderate Housing set-Aside Fund* is used to account for the tax increment set-aside to be spent on projects that benefit low and moderate income families.

The *Low and Moderate Housing Bond Fund* is used to account for the bond proceeds set-aside to be spent on projects that benefit low and moderate income families.

Project Area #1:

The *debt service fund* is used to account for the accumulation of resources for, and the payment of, long-term debt principal, interest and related costs within this project area.

The *capital project fund* is used to account for financial resources to be used for the acquisition or construction of redevelopment projects and administrative expenses within this project area.

Project Area #2:

The *debt service fund* is used to account for the accumulation of resources for, and the payment of, long-term debt principal, interest and related costs within this project area.

The *capital project fund* is used to account for financial resources to be used for the acquisition or construction of redevelopment projects and administrative expenses within this project area.

Project Area #3:

The *debt service fund* is used to account for the accumulation of resources for, and the payment of, long-term debt principal, interest and related costs within this project area.

The *capital project fund* is used to account for financial resources to be used for the acquisition or construction of redevelopment projects and administrative expenses within this project area.

Project Area #4:

The *debt service fund* is used to account for the accumulation of resources for, and the payment of, long-term debt principal, interest and related costs within this project area.

The *capital project fund* is used to account for financial resources to be used for the acquisition or construction of redevelopment projects and administrative expenses within this project area.

As a general rule, the effect of inter-fund activity has been eliminated from the government-wide financial statements. Direct expenses have been eliminated from the functional categories; indirect expenses and internal payments have been eliminated.

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

1) REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

D) Budgetary Data

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

Budgets have been adopted on a basis consistent with generally accepted accounting principles (GAAP) for Special Revenue, Debt Service, and Capital Project Funds.

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

Budget information is presented for each major Special Revenue Fund. Non-major Special Revenue Funds, Capital Project Funds and Debt Service Funds are not required to present budgetary comparison schedules; therefore, these financial statements do not include them.

E) Encumbrances

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation, is employed in governmental funds. Encumbrances outstanding at year-end are reported as reservations of fund balances in the Governmental Funds Balance Sheet and do not constitute expenditures or liabilities because the commitments will be honored during the subsequent fiscal year. For financial reporting purposes, the amount of prior year encumbrances is included in the current year budgeted expenditures.

F) Restricted Assets

Certain proceeds of bonds, notes and loans, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because they are maintained in separate bank accounts and their use is limited by applicable bond covenants.

The Agency is required by California Law to set aside a portion of the property tax increments it receives to increase and improve the County's supply of Low and Moderate Income Housing, and therefore such assets are restricted for that purpose.

G) Use of Estimates in the Preparation of Financial Statements

The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America and necessarily include amounts based on estimates and assumptions by Management. Actual results could differ from those amounts.

1) REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

H) Investments

As a governmental entity other than an external investment pool in accordance with GASB 31, the Agency's investments are stated at fair value (see Note 2).

In applying GASB 31, the Agency utilized the following methods and assumptions:

1) Fair value is based on quoted market prices as of the valuation date;

2) The portfolio did not hold investments in any of the following:
   a) Items required to be reported at amortized cost,
   b) Items in external pools that are not SEC-registered,
   c) Items subject to involuntary participation in an external pool, and
   d) Items associated with a fund other than the fund to which the income is assigned;

3) The gain/loss resulting from valuation will be reported within the revenue account "Investment Earnings" on the Statement of Activities and the Statements of Revenues, Expenditures and Changes in Fund Balances for Governmental Funds.

I) Inter-fund Activity

In the governmental fund financial statements, activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “due to/from other funds” (i.e., the current portion of inter-fund loans) or “advances to/from other funds” (i.e., the non-current portion of inter-fund loans). In the government-wide financial statements, these activities have been eliminated.

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

J) Long-term Liabilities

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the governmental fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

1) REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

K) Fund Balance

In the governmental fund financial statements, governmental fund types report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

L) Tax Increment

The Agency follows a policy of what constitutes contractual obligations for the purpose of spending tax increment revenue. This policy holds that all expenditures of the Capital Project Funds (i.e. salaries, goods and supplies, professional services, etc.) are contractual obligations. Monies are therefore transferred from the Debt Service Funds to cover the costs of the expenditures from the Capital Project Funds.

The Agency has no power to levy and collect taxes, and any legislative property tax de-emphasis might necessarily reduce the amount of tax revenues that would otherwise be available. Broadened property tax exemptions could have a similar effect. Conversely, any increase in the tax rate or assessed valuation, or any reduction or elimination of present exemptions would necessarily increase the amount of tax revenues that would be available.

M) Land Held for Resale

Land held for resale represents land that was acquired for resale in accordance with the objective of the Redevelopment Project. These costs will be charges to current year project expenditures when the land is sold. Land held for resale is valued at the lower of: 1) historical cost or 2) the sales price per contract with the developer. A portion of fund balance is reserved for land held for resale to indicate that a portion of fund balance is not available for future expenditures.

N) Property Tax Calendar

Property taxes are assessed and collected each fiscal year according to the following property tax calendar:

Lien Date	January 1
Levy Date	July 1 - June 30
Due Date	November 1 - 1st Installment
	February 1 - 2nd Installment
Collection Date	December 10 - 1st Installment
	April 10 - 2nd Installment

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

1) REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

O) New Pronouncements

The provisions of Governmental Accounting Standards (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions,* will be required to be adopted and implemented by the Agency for the fiscal year 2010-11.

2) CASH AND INVESTMENTS

The Agency pools all of its cash and investments with the City except those funds required to be held by outside fiscal agents under the provisions of bond indentures.

Interest income earned on pooled cash is allocated quarterly to the various funds based on the month-end cash balances. Interest income from cash and investments held with fiscal agents is credited directly to the related funds.

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

Statement of Net Assets:		
Cash and Investments	$	-
Restricted Cash and Investments		21,917,072
Total Cash and Investments	$	21,917,072

Cash and investments consist of the following:

Deposits with Financial Institutions Pooled with City	$	-
Investments with LAIF		-
Held by Fiscal Agent:		
Mutual Funds		17,546,849
LAIF		502,461
Federal Agency Securities		2,549,515
Certificates of Deposit		1,318,247
Total Cash and Investments	$	21,917,072

Investments Authorized by the California Government Code and the Agency's Investment Policy

The table below identifies the investment types that are authorized for the Agency by the California Government Code (or the Agency's investment policy, where more restrictive). The table also identifies certain provisions of the California Government Code (or the Agency's investment policy, where more restrictive) that address interest rate risk, credit risk, and concentration of credit risk. This table does not address investments of debt proceeds held by bond trustee that are governed by the provisions of debt agreements of the Agency, rather than the general provisions of the California Government Code or the Agency's investment policy.

2) CASH AND INVESTMENTS - Continued

Authorized Investment Type	Maximum Maturity(1)	Maximum Percentage Of Portfolio(2)	Maximum Investment In One Issuer
Local Agency Bonds	5 years	None	None
U.S. Treasury Obligations	5 years	None	None
U.S. Agency Securities	5 years	30%	None
U.S. Corporate Bonds	N/A	25%	5%
Banker's Acceptances	270 days	40%	None
Commercial Paper	270 days	15%	10%
Negotiable Certificates of Deposit	5 years	30%	None
Demand Deposits	N/A	None	None
Repurchase Agreements	2 weeks	10%	None
Reverse Repurchase Agreements	92 days	20% of base value	None
Medium - Term Notes	5 years	30%	None
Mutual Funds	N/A	15%	None
Money Market Mutual Funds	N/A	10%	None
Mortgage Pass-through Securities	5 years	10%	None
County Pooled Investment Funds	N/A	None	None
Local Agency Investment Fund (LAIF)	N/A	None	None

(1) The average dollar weighted maturity of a portfolio may exceed 2 years. More than 20% of the portfolio may be invested in instruments with maturities beyond 3 years at the time of purchase.
(2) Excluding amounts held by bond trustee that are not subject to California Government Code Restrictions.

Investments Authorized by Debt Agreements

Investments of debt proceeds held by the bond trustee are governed by provision of the debt agreements, rather than the general provisions of the California Government Code or the Agency's investment policy.

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the Agency manages its exposure to interest rate is by purchasing a combination of shorter term and longer term investments and by timing each flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

2) CASH AND INVESTMENTS - Continued

As June 30, 2010, the Agency had the following investments:

Investment Type		Remaining Maturity (in Months): 12 Months Or Less	13 to 24 Months	25 to 60 Months	More Than 60 Months
Held by Fiscal Agent:					
Mutual Funds	$ 17,546,849	$ 17,546,849	$	$	$
LAIF	502,461	502,461			
Federal Agency Securities	2,549,515			2,549,515	
Certificates of Deposit	1,318,247		159,248	1,158,999	
Total	$ 21,917,072	$ 18,049,310	$ 159,248	$ 3,708,514	$ -

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization.

Presented below is the minimum rating required by (where applicable) the California Government Code or the Agency's investment policy and the actual rating as of year end for each investment type.

Investment Type		Minimum Legal Rating	Exempt From Disclosure	Rating as of Year End: AAA	Aa	Not Rated
Held by Fiscal Agent:						
Mutual Funds	$ 17,546,849	N/A	$	$ 17,546,849	$	$
LAIF	502,461	N/A				502,461
Federal Agency Securities	2,549,515	A		2,549,515		
Certificates of Deposit	1,318,247	N/A				1,318,247
Total	$ 21,917,072		$ -	$ 20,096,364	$ -	$ 1,820,708

Concentration of Credit Risk

The investment policy of the Agency contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. Investments in any one issuer (other than U. S. Treasury securities, mutual funds, and external investment pools) that represent 5% or more of the total Agency's investments are as follows:

Issuer	Investment Type	Reported Amount
Federal Home Loan Banks	Federal Agency Securities	$ 2,549,515

2) CASH AND INVESTMENTS - Continued

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the Agency’s investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local government units by pledging securities in an undivided collateral pool held by depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

As of June 30, 2010, there were no deposits with financial institutions in excess of federal depository insurance limits that were held in uncollateralized accounts. As of June 30, 2010 the Agency had no investments held by the same broker-dealer (counterparty) that was used by the Agency to buy the securities.

Investment in State Investment Pool

The Agency is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The fair value of the Agency’s investment in this pool is reported in the accompanying financial statements at amounts based upon Agency’s pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

The LAIF is a special fund of the California State Treasury through which local governments may pool investments. Each district may invest up to $50,000,000 in the fund. Investments in LAIF are highly liquid, as deposits can be converted to cash within twenty-four hours without loss of interest. Investments with LAIF are secured by the full faith and credit of the State of California. The yield of LAIF during the quarter ended June 30, 2010 was 0.56%. The amortized cost and estimated market value of the LAIF Pool at June 30, 2010 was $69,441,630,091 and $69,555,776,591, respectively. The Agency's share of the Pool at June 30, 2010 was approximately .0007224 percent.

Included in LAIF's investment portfolio are certain derivative securities or similar products in the form of structured notes and asset-backed securities totaling $625,119,000 and $3,130,602,000. LAIF's and the Agency's exposure to risk (credit, market or legal) is not currently available.

The LAIF has oversight by the Local Investment Advisory Board. The LAIF Board consists of five members as designated by Statute. LAIF is also regulated by California Government Code Section 16429.

2) CASH AND INVESTMENTS - Continued

Cash with Fiscal Agent

Cash and investments held and invested by fiscal agents on behalf of the Agency are pledged for payment or security of certain long-term debt issuances. Fiscal agents are mandated by bond indentures as to the types of investments in which debt proceeds can be invested.

Collateral for Deposits

Under the provisions 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 mortgage notes having a value of 150% of a city's total deposits.

The collateral for certificates 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 Agency Treasurer, at his/her discretion, may waive the 110% collateral requirement for deposits which are insured up to $250,000 by the FDIC.

3) LOANS RECEIVABLE

The Agency has made long-term rehabilitation and acquisition loans to owner-occupants of substandard homes who would otherwise be unable to obtain sufficient public or private financing to rehabilitate or acquire their homes. The loans are payable upon the sale or change in ownership of the property. The long-term loans receivable are deferred in the funds.	$	1,033,365
The Agency has loaned money to commercial and industrial businesses for improvements and economic development. The long-term loans receivable are deferred in the funds. An allowance for uncollectible accounts has been established for a $906,000 loan in the statement of net assets. The loan receivable has accrued interest receivable of $224,235. This amount is included in interest receivable in the Low/Mod Housing Set-Aside fund in the fund financial statements and is deferred. An allowance for uncollectible accounts has been established for the interest receivable in the statement of net assets for the full interest receivable on the loan.		1,465,326

The Agency has loaned money to Rancho Housing Alliance, Inc., a California public benefit corporation to acquire certain real property located at 84-824 Calle Verde, in the City of Coachella and within the Agency's Redevelopment Project Area 3 ("Project Area") consisting of nine acres of unimproved real property, in an area commonly known as "Calle Verde"; and acquired certain improved real property also known as Tract 31158 near Avenue 52 and Frederick Street in the City of Coachella and within the Project Area, in a subdivision commonly known as "Tierra Bonita". The maturity date of this Calle Verde Promissory Note shall be the fifth (5^{th}) anniversary of the date of execution (July 27, 2007) of this Calle Verde Promissory Note by Maker. The maturity date of this Tierra Bonita Promissory Note shall be the first (1^{st}) anniversary of the date of execution (July 27, 2007) of this Tierra Bonita Promissory Note. As of July 27, 2008, the Tierra Bonita Promissory Note was in default by the borrower.

3) LOANS RECEIVABLE - Continued

The City of Coachella Redevelopment Agency has issued a default letter determining that both notes are due and payable as a result of Rancho Housing Alliance's failure to perform its contractual obligations pursuant to the Coachellita agreement. The Agency is actively negotiating with Rancho Housing Alliance in an attempt to settle the default dispute. The loans have been collateralized with land on which the Redevelopment Agency has a first trust deed and the Agency could foreclose on said loans. The outcome of this matter is unknown and the long-term receivable is deferred in the fund financial statements and an allowance for uncollectible accounts has been established in the statement of net assets for the full amount of the loan.	$ 6,176,381
Total Loans Receivable	$ 8,675,072

4) DUE TO OTHER GOVERNMENT AGENCIES

During the course of normal operations, the City of Coachella and the Redevelopment Agency enter into numerous transactions, including expenditures and transfers of resources to provide services and service debt. This represents the balance due to the City of Coachella as of June 30, 2010.	$ 2,639,379
The Redevelopment Agency has entered into pass-through agreements with various governmental agencies to "pass-through" portions of tax increment funds received to the Agency, attributable to the area within the territorial units of other agencies.	514,295
Total Due to Other Government Agencies	$ 3,153,674

5) LONG TERM LIABILITIES

The following is a summary of the changes in long-term liabilities for the year:

	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
Revenue Bonds					
1998 Tax Allocation Bonds	$ 5,785,000	$	$ 160,000	$ 5,625,000	$ 170,000
1999 Tax Allocation Bonds	1,175,000		90,000	1,085,000	95,000
2004 Tax Allocation Bonds - Series A	4,565,000		75,000	4,490,000	75,000
2004 Tax Allocation Bonds - Series B	8,910,000		160,000	8,750,000	165,000
2006 Tax Allocation Bonds - Series A	21,520,000		615,000	20,905,000	455,000
2006 Housing Tax Allocation Bonds - Series A	9,985,000		295,000	9,690,000	180,000
Total Revenue Bonds	$ 51,940,000	$ -	$ 1,395,000	$ 50,545,000	$ 1,140,000

6) REVENUE BONDS

On December 14, 1998, the Redevelopment Agency issued $7,020,000 Tax Allocation Refunding Bonds, Series 1998 for Project Area 3, to advance refund the outstanding amount of the Agency's Project Area 3 Tax Allocation Refunding Bonds of 1989, to advance refund the outstanding amount of the Agency's Project Area 3 Tax Allocation Bonds of 1991 and to finance on-going redevelopment activities. Interest on the bonds is payable June 1 and December 1 of each year. Interest on the bonds accrues at rates varying from 3.85% to 5.875% per annum. Principal on term bonds is payable in annual installments ranging from $100,000 to $470,000 commencing December 1, 1999, through December 1, 2028. At June 30, 2010, the Agency has a cash reserve balance for debt service of $502,621 which is sufficient to cover the Bond Indenture Reserve Requirement.	$ 5,625,000
On September 17, 1999, the Redevelopment Agency issued $1,895,000 Tax Allocation Refunding Bonds, Series 1999 for Project Area 2, to refund the outstanding amount of the Agency's Project Area 2 Tax Allocation Refunding Bonds of 1989 and to finance on-going redevelopment activities. Interest on the bonds is payable June 1 and December 1 of each year. Interest on the bonds accrues at rates varying from 4.40% to 6.15% per annum. Principal on serial bonds is payable in annual installments ranging from $55,000 to $150,000 commencing June 1, 2000, through June 1, 2019. At June 30, 2010, the Agency has a cash reserve balance for debt service of $160,200 which is sufficient to cover the Bond Indenture Reserve Requirement.	1,085,000
On December 8, 2004, the Coachella Financing Authority issued $4,840,000 Tax Allocation Revenue Refunding Bonds, Series 2004A for Project Areas 1 and 2. Concurrently with the issue of these bonds, the Coachella Financing Authority loaned the proceeds to the Coachella Redevelopment Agency pursuant to two (2) loan agreements between the two entities. The two loans consist of one loan each to Project Area 1 and Project Area 2. The proceeds from the loan to Project Area 1 were to used refund the outstanding amount of the Agency's Project Area 1 Tax Allocation Refunding Bonds of 1994 and to finance on-going redevelopment activities. The proceeds from the loan to Project Area 2 were used to refund the outstanding amount of the Agency's Project Area 2 Tax Allocation Refunding Bonds of 1994 and to finance on-going redevelopment activities. Interest on the bonds is payable June 1 and December 1 of each year. Interest on the bonds accrues at rates varying from 1.85% to 5.25% per annum. Principal on serial and term bonds is payable in annual installments ranging from $65,000 to $405,000 commencing December 1, 2005, through December 1, 2030. At June 30, 2010, the Authority has a cash reserve balance for debt service of $439,623 which is sufficient to cover the Bond Indenture Reserve Requirement.	4,490,000
On December 8, 2004, the Coachella Financing Authority issued $9,625,000 Tax Allocation Revenue Refunding Bonds, Series 2004B for Project Area 4. Concurrently with the issue of these bonds, the Coachella Financing Authority loaned the proceeds to the Coachella Redevelopment Agency pursuant to a loan agreement between the two entities. The loan was made to Project Area 4. The proceeds from the loan to Project Area 4 were used to refund the outstanding amount of the Agency's Project Area 4 Tax Allocation Refunding Bonds of 1994 and to finance on-going redevelopment activities. Interest on the bonds is payable September 1 and March 1 of each year. Interest on the bonds accrues at rates varying from 1.80% to 5.25% per annum. Principal on serial and term bonds is payable in annual installments ranging from $145,000 to $680,000 commencing September 1, 2005, through September 1, 2034. At June 30, 2010, the Authority has a cash reserve balance for debt service of $724,576 which is sufficient to cover the Bond Indenture Reserve Requirement.	8,750,000

6) REVENUE BONDS - Continued

On May 9, 2006, the Redevelopment Agency issued $23,120,000 Tax Allocation Bonds, 2006 Series A for Project Areas 1, 2, 3 and 4 (merged for this purpose) to finance on-going redevelopment activities. Interest on the bonds is payable September 1 and March 1 of each year. Interest on the bonds accrues at rates varying from 3.45% to 5.25% per annum. Principal on serial and term bonds is payable in annual installments ranging from $330,000 to $1,805,000 commencing September 1, 2006, through September 1, 2036. At June 30, 2010, the Agency has a cash reserve balance for debt service of $1,680,853 which is sufficient to cover the Bond Indenture Reserve Requirement.	$	20,905,000
On May 9, 2006, the Redevelopment Agency issued $10,725,000 Taxable Tax Allocation Housing Set-Aside Bonds, 2006 Series A for Project Areas 1, 2, 3 and 4 (merged for this purpose) Low and Moderate Income Housing to finance on-going redevelopment low and moderate income housing activities. Interest on the bonds is payable September 1 and March 1 of each year. Interest on the bonds accrues at rates varying from 5.30% to 6.25% per annum. Principal on term bonds is payable in annual installments ranging from $125,000 to $735,000 commencing September 1, 2006, through September 1, 2036. At June 30, 2010, the Agency has a cash reserve balance for debt service of $894,576 which is sufficient to cover the Bond Indenture Reserve Requirement.		9,690,000
Total Revenue Bonds	$	50,545,000

The future debt requirements of the Revenue Bonds are as follows:

Year Ending June 30,		Principal		Interest		Total
2011	$	1,140,000	$	2,532,100	$	3,672,100
2012		1,200,000		2,481,524		3,681,524
2013		1,245,000		2,427,234		3,672,234
2014		1,305,000		2,369,257		3,674,257
2015		1,355,000		2,307,682		3,662,682
2016-2020		7,850,000		10,463,886		18,313,886
2021-2025		9,985,000		8,261,801		18,246,801
2026-2030		12,790,000		5,378,625		18,168,625
2031-2035		10,400,000		2,052,485		12,452,485
2036-2037		3,275,000		183,055		3,458,055
Total	$	50,545,000	$	38,457,649	$	89,002,649

7) INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

During the course of normal operations, the Agency enters into numerous transactions between funds, including expenditures and transfers of resource to provide services, construct assets, and service debt.

7) INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS - Continued

<u>Due From/Due To Other Funds</u>

Interfund receivable and payable are as follows:

		DUE FROM					
		Low/Mod Housing Bond Fund	Debt Service Project Area 3	Debt Service Project Area 4	Capital Projects Area 1	Capital Projects Area 3	Total
DUE TO	Low/Mod Housing Set-Aside	$ 1,134,751	$	$	$	$	$ 1,134,751
	Debt Service Project Area 1	7,408			76,868		84,276
	Debt Service Project Area 2		653,206		316,499		969,705
	Capital Projects Project Area 2		24,733				24,733
	Capital Projects Project Area 4		168,045	564,015		656,731	1,388,791
	Total	$ 1,142,159	$ 845,984	$ 564,015	$ 393,367	$ 656,731	$ 3,602,256

The above balances resulted from cash deficits in the Low/Mod Housing Bond Fund, Debt Service Project Area 3, Debt Service Project Area 4, Capital Projects Project Area 1 and Capital Projects RDA Project Area 3. The balances due will be repaid as funds are available.

Interfund transfers are as follows:

		TRANSFERS IN			
		Debt Service			
		RDA Project Area 1	RDA Project Area 2	RDA Project Area 3	RDA Project Area 4
TRANSFERS OUT	Low/Mod Housing Set-Aside	$ 69,875	$ 155,478	$ 218,830	$ 449,367
	Debt Service Project Area 1				34,694
	Debt Service Project Area 2	1,470			43,123
	Debt Service Project Area 3				505,386
	Debt Service Project Area 4				
	Capital Projects Project Area 3				
	Total	$ 71,345	$ 155,478	$ 218,830	$ 1,032,570

7) INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS - Continued

		TRANSFERS IN				
		Capital Projects				
		RDA Project Area 1	RDA Project Area 2	RDA Project Area 3	RDA Project Area 4	Total
TRANSFERS OUT	Low/Mod Housing Set-Aside	$	$	$	$	$ 893,550
	Debt Service Project Area 1	119,624				154,318
	Debt Service Project Area 2		239,209			283,802
	Debt Service Project Area 3			455,090	741	961,217
	Debt Service Project Area 4				970,861	970,861
	Capital Projects Project Area 3	909,994	132,005		2,401,022	3,443,021
	Total	$ 1,029,618	$ 371,214	$ 455,090	$ 3,372,624	$ 6,706,769

The transfer out from the Low/Mod Housing Set-Aside fund of $893,550 is to reimburse the four debt service funds for their share of the debt service payments made by those funds for the 2006 Housing Bonds. The transfers out of the Debt Service Project Area 1, 2, 3, and 4 funds to the Capital Projects Project Areas 1, 2, 3, and 4 funds is for Administrative Support. The transfers out of $3,443,022 from the Capital Project Area 3 fund to the Capital Projects Project fund were to reimburse this fund for capital projects expenditures.

8) OTHER INFORMATION

A) Employee Retirement System and Pension Plans

The Agency, through the City, is a participant in the Public Employee's Retirement System of the State of California covering all of its permanent employees. The excess, if any, of the actuarially computed value of vested benefits over the amounts available in the pension fund would be a liability of the City and not the Agency.

B) Pass-Through Agreements

In order to lessen the fiscal impact of the tax increment financing of redevelopment projects on other units of local governments, the Agency has entered into pass-through agreements with various governmental agencies to "pass-through" portions of tax increment funds received by the Agency, attributable to the area within the territorial limits of other agencies.

8) OTHER INFORMATION - Continued

C) Commitments and Contingencies

The Agency is currently involved in various litigation, the outcome of which is not presently determinable, whether favorable or unfavorable.

9) FUND BALANCE RESERVES AND DESIGNATIONS

Reserved for Encumbrances

This reserve was established to reflect encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation, is employed in governmental funds in such a manner that they will not be considered as available spendable resources.

Reserved for Notes/Loans Receivable

These reserves were established to reflect the noncurrent portion of notes/loans receivable in such a manner that they will not be considered as available spendable resources.

Reserved for Land Held for Resale

This reserve was established to remove land held for resale from current balances in such a manner that they will not be considered as available spendable resources.

Reserved for Debt Service

This reserve was established for cash restrictions for future debt service in such a manner that they will not be considered as available spendable resources.

10) RISK MANAGEMENT

The Agency, through 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 twenty-seven participating member agencies.

10) RISK MANAGEMENT - Continued

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

Member premiums are based on actuarially-determined rates for each coverage layer, based on an estimate of the probable losses and budgeted administrative costs of PERMA for the year. Member premiums are subject to retrospective rating adjustments.

The Liability Program is a risk sharing pool with a deductible option. At June 30, 2010, 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.

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 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, 2010, the City did not have a liability to the Authority for claims losses.

The Worker's Compensation Insurance Program is a claims servicing pool, a banking pool and in insurance purchasing pool. As an insurance purchasing pool, the program allows participating members to 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 provide 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 retroactive rating adjustments. At June 30, 2010, the City did not have a liability to the Authority for worker's compensation losses.

REQUIRED SUPPLEMENTARY INFORMATION

Coachella Redevelopment Agency
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - Low/Moderate Income Housing Set Aside Special Revenue Fund
Year Ended June 30, 2010

	Budgeted Amounts		Actual	Variance with Final Budget Positive
	Original	Final	Amounts	(Negative)
REVENUES				
Tax Increment	$ 1,686,003	$ 1,686,003	$ 1,797,628	$ 111,625
Investment Earnings	30,000	30,000	3,395	(26,605)
Other Revenue			11,024	11,024
Total Revenues	1,716,003	1,716,003	1,812,047	96,044
EXPENDITURES				
Current:				
Administrative Costs	343,063	354,463	406,594	(52,131)
Professional Services	225,791	225,791	299,389	(73,598)
Project Improvement Costs			305	(305)
Other Expenditures	14,470	14,470	2,368	12,102
Total Expenditures	583,324	594,724	708,656	(113,932)
Excess (Deficiency) of Revenues over Expenditures	1,132,679	1,121,279	1,103,391	(17,888)
OTHER FINANCING SOURCES (USES)				
Transfers Out	(1,103,450)	(1,103,450)	(893,550)	209,900
Total Other Financing Sources (Uses)	(1,103,450)	(1,103,450)	(893,550)	209,900
Net Changes in Fund Balance	29,229	17,829	209,841	192,012
Fund Balance, Beginning of Year	974,561	974,561	974,561	
Fund Balances, End of Year	$ 1,003,790	$ 992,390	$ 1,184,402	$ 192,012

Coachella Redevelopment Agency
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - Low/Moderate Income Housing Bond Special Revenue Fund
Year Ended June 30, 2010

	Budgeted Amounts		Actual	Variance with Final Budget Positive
	Original	Final	Amounts	(Negative)
REVENUES				
Investment Earnings	$ 20,000	$ 20,000	$ 2,677	$ (17,323)
Total Revenues	20,000	20,000	2,677	(17,323)
EXPENDITURES				
Current:				
Professional Services	7,500	7,500	757	6,743
Total Expenditures	7,500	7,500	757	6,743
Excess (Deficiency) of Revenues over Expenditures	12,500	12,500	1,920	(10,580)
OTHER FINANCING SOURCES (USES)				
Operating Transfers Out	(1,137,001)	(1,137,001)		1,137,001
Total Other Financing Sources (Uses)	(1,137,001)	(1,137,001)	-	1,137,001
Net Changes in Fund Balance	(1,124,501)	(1,124,501)	1,920	1,126,421
Fund Balance, Beginning of Year	2,008,344	2,008,344	2,008,344	
Fund Balances, End of Year	$ 883,843	$ 883,843	$ 2,010,264	$ 1,126,421

Coachella Redevelopment Agency
Notes to Required Supplementary Information
Year Ended June 30, 2010

BUDGETARY DATA

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

Budgets have been adopted on a basis consistent with generally accepted accounting principles (GAAP) for Special Revenue, Debt Service, and Capital Project Funds.

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

Budget information is presented for each major Special Revenue Fund. Non-major Special Revenue Funds, Capital Project Funds and Debt Service Funds are not required to present budgetary comparison schedules, therefore, the financial statements of these funds are not included in the Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual.

The following fund had an excess of expenditures over appropriations:

Low/Moderate Income Housing Set Aside	$113,932

TRS TEAMAN, RAMIREZ & SMITH, INC.
CERTIFIED PUBLIC ACCOUNTANTS

City Council
Coachella Redevelopment Agency
Coachella, California

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*

We have audited the financial statements of the governmental activities and each major fund of the Coachella Redevelopment Agency ("Agency") as of and for the year ended June 30, 2010, which collectively comprise the Agency's basic financial statements, and have issued our report thereon dated December 21, 2010. 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 Agency's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Agency's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in the internal control that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and responses as items 2010-1 and 2010-2, that we consider to be significant deficiencies in internal control. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the financial statements of the Coachella Redevelopment Agency 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

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and material effect on the determination of financial statement amounts. Such provisions include those provisions of laws and regulations identified in the *Guidelines for Compliance Audits of California Redevelopment Agencies*, issued by the State Controller. However, providing an opinion on compliance with those provisions was not an objective of 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.* However, the results of our tests disclosed instances of noncompliance with the provisions described in the *Guidelines for Compliance Audits of California Redevelopment Agencies* which are described in the accompanying schedule of findings and responses as items 2010-3 and 2010-4.

The Coachella Redevelopment Agency's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit the Agency's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the Agency's Board, others within the Agency, management of the Coachella Redevelopment Agency, and the State Controller's Office, Division of Accounting and Reporting, and is not intended to be and should not be used by anyone other than these specified parties.

Teaman Ramirez & Smith, Inc.

December 21, 2010

Coachella Redevelopment Agency
Schedule of Findings and Responses
For the Year Ended June 30, 2010

2010-1 *Timeliness of Accounting Records*

During our audit, we noted there were many journal entries that were made to the Agency's general ledger accounts that were proposed by both the auditors and the Agency's staff. Some of these adjustments were made towards the end of November 2010, five months after the end of the fiscal year making it difficult to meet the State's December 31 deadline for the annual audit report. Also, we noted that bank account reconciliations were not performed in a timely manner throughout the 2009-10 fiscal year.

This would indicate that financial information used by management to make decisions, was not necessarily accurate throughout the fiscal year. Periodic reconciliations and monthly reconciliations of all cash accounts provide accurate data from which to base decisions, and identify errors and necessary adjustments in a timely manner. If this is done throughout the year, the year-end closing process can be completed in a more efficient and effective manner.

Response:

Due to the timing of the completion of the 2008-2009 audit and work related with the completion in late August 2010, staff was not able to devote resources to the preparation of the 2009-2010 audit until late September. During the review of the general ledger it was necessary to make many adjusting journal entries to correct account balances at year end. It was also noted that bank reconciliations were not performed in a timely manner throughout fiscal year 2009-2010. With the appointment of a permanent Finance Director; emphasis has been placed on the timely completion of all bank reconciliations and preparation of the Treasurer's Report. The staff has been instructed to complete all reconciliations by the end of month following receiving all bank statements and the Treasurer's Report will be filed with the City Council at the first meeting following that period.

2010-2 *Controls over Housing Loans/Projects*

In the prior year we noted a lack of internal control over the Agency's housing loan programs, including a lack of ongoing oversight and review. The Agency responded by indicating they will be taking steps to develop policies and procedures to demonstrate contract and program compliance and consider revisions to the Purchasing Ordinance establishing a competitive process for housing projects. It appears the Agency is in the process of addressing these issues, but has not yet fully implemented the necessary changes. We recommend the Agency continue in its efforts to evaluate controls over the housing loan programs and establish revised policies and procedures.

Response:

Early in 2011, management will be contracting with a housing consultant to review housing loan programs and projects. The consultant will assist the Agency in developing policies and procedures to demonstrate contract and program compliance and controls.

Coachella Redevelopment Agency
Schedule of Findings and Responses
For the Year Ended June 30, 2010

2010-3 Section 33080.1 of the *Health and Safety Code* requires the Redevelopment Agency to prepare and submit reports to its legislative body and the State Controller's Office (for the year ended June 30, 2009) by December 31, 2009. The Agency did not submit the Independent auditor's report on financial statements and the Independent auditor's report on legal compliance by the December 31, 2009 deadline.

Response:

Based on the recommendation of the City's independent auditor, the City engaged a forensic auditor last year to examine the concerns raised by the auditor. The forensic audit was completed in June and the audit was completed in late August causing the submission of the Independent Auditor's Report to the State Controller's office to miss the deadline of December 31, 2009. Currently the City's independent auditor is producing draft financial statements and it is anticipated that the deadline of December 31, 2010 will be met for the current year.

2010-4 According to *Health and Safety Code Section 33418* the Agency is required to develop a system to monitor the levels of available affordable housing to low- and moderate-income households. Based on our discussions with Agency staff, the individual previously responsible for monitoring the available affordable housing is no longer working for the Agency and current Agency employees are unaware of where information or documentation may be located that relates to the Agency's available affordable housing monitoring. Therefore, it appears the Agency does not currently have a monitoring system in place as required by the aforementioned *Health and Safety Code* section.

Response:

Early in 2011, management will be contracting with a housing consultant to review housing loan programs and projects. The consultant will assist the Agency in developing policies and procedures to demonstrate contract and program compliance and controls. The consultant will also be responsible for the development of a system to monitor the levels of available affordable housing to low and low-moderate households.