

**COACHELLA SANITARY DISTRICT**

**ANNUAL FINANCIAL REPORT**

Year Ended June 30, 2010



**Coachella Sanitary District**  
**Annual Financial Report**  
Year Ended June 30, 2010

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## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Coachella Sanitary District  
Coachella, California

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

As described more fully in Note 1.A, these financial statements present only the District and are not intended to present fairly the financial position and results of operations of the City of Coachella 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 financial position of the business-type activities of the District as of June 30, 2010, and the 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 March 29, 2011 on our consideration of the City of Coachella's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the 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 District has not presented the *Management's Discussion and Analysis* that accounting principles generally accepted in the United States have determined is necessary to supplement, although not required to be part of, the basic component unit financial statements.

*Teaman Ramirez & Smith, Inc.*

March 29, 2011



**Coachella Sanitary District**  
**Statement of Net Assets**  
June 30, 2010

**ASSETS**

Current Assets:

Cash and Investments	\$ 570,758
Restricted Cash and Investments	7,888,698
Accounts Receivable (Net of Allowance for Uncollectible of \$34,178)	615,956
Interest Receivable	25,471
	<hr/>
Total Current Assets	9,100,883
	<hr/>

Noncurrent Assets:

Capital Assets Not Being Depreciated	1,268,846
Capital Assets Being Depreciated	54,828,144
Less: Accumulated Depreciation	(17,793,861)
Deferred Charges	207,620
	<hr/>
Total Noncurrent Assets	38,510,749
	<hr/>
Total Assets	47,611,632
	<hr/>

**LIABILITIES**

Current Liabilities:

Accounts Payable	22,744
Accrued Wages	38,402
Accrued Interest Payable	231,058
Compensated Absences - Current Portion	33,795
Bonds Payable - Current Portion	179,546
Loans Payable - Current Portion	1,022,644
	<hr/>
Total Current Liabilities	1,528,189
	<hr/>

Noncurrent Liabilities:

Compensated Absences - Less Current Portion	106,340
Net OPEB Obligation	58,560
Bonds Payable - Less Current Portion	9,486,037
Loans Payable - Less Current Portion	19,960,470
	<hr/>
Total Noncurrent Liabilities	29,611,407
	<hr/>
Total Liabilities	31,139,596
	<hr/>

**NET ASSETS**

Invested in Capital Assets, Net of Related Debt	10,004,839
Restricted for:	
Capital Projects	5,264,499
Debt Service	358,240
Unrestricted	844,458
	<hr/>
Total Net Assets	\$ 16,472,036
	<hr/>

The accompanying notes are an integral part of this financial statement.

**Coachella Sanitary District**  
**Statement of Revenues, Expenses, and Changes in Net Assets**  
Years Ended June 30, 2010

**OPERATING REVENUES**

Charges for Services	\$ 4,022,943
Connection Charges	529,671
Other	<u>152,361</u>

Total Operating Revenues	<u>4,704,975</u>
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**OPERATING EXPENSES**

Salaries and Benefits	1,146,741
Administrative and General	528,046
Professional Services	235,699
Materials and Supplies	90,387
Repairs and Maintenance	46,310
Utilities	276,708
Depreciation and Amortization	<u>1,530,451</u>

Total Operating Expenses	<u>3,854,342</u>
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Operating Income (Loss)	<u>850,633</u>
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**NON-OPERATING REVENUES (EXPENSES)**

Property Taxes	71,761
Interest Income	231,580
Interest Expense and Fiscal Charges	(932,750)
Other Non-Operating Income and Expenses	<u>-</u>

Total Non-Operating Revenues (Expenses)	<u>(629,409)</u>
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Income Before Contributions	221,224
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Contributions to Other Governments	<u>(92,490)</u>
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Change in Net Assets	128,734
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Net Assets, Beginning of Year	<u>16,343,302</u>
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Net Assets, End of Year	<u><u>\$ 16,472,036</u></u>
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**Coachella Sanitary District**  
**Statement of Cash Flows**  
Year Ended June 30, 2010

**CASH FLOWS FROM OPERATING ACTIVITIES**

Receipts from Customers	\$ 4,859,234
Payments to Suppliers	(1,232,151)
Payments to Employees	<u>(1,092,525)</u>
Net Cash Provided (Used) by Operating Activities	<u>2,534,558</u>

**CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES**

Property Taxes	<u>71,761</u>
Net Cash Provided (Used) by Noncapital and Related Financing Activities	<u>71,761</u>

**CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES**

Principal Paid on Long-term Debt	(1,171,815)
Interest Paid on Long-term Debt	(940,421)
Acquisition and Construction of Capital Assets	(81,942)
Contribution to Other Government	<u>(92,490)</u>
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(2,286,668)</u>

**CASH FLOWS FROM INVESTING ACTIVITIES**

Interest on Investments	<u>212,579</u>
Net Cash Provided (Used) by Investing Activities	<u>212,579</u>
Net Increase (Decrease) in Cash and Cash Equivalents	532,230
Cash and Cash Equivalents - Beginning of the Year	<u>7,927,226</u>
Cash and Cash Equivalents - End of the Year	<u><u>\$ 8,459,456</u></u>

**Reconciliation of Operating Income (Loss) to Net Cash**

**Provided (Used) by Operating Activities:**

Operating Income (Loss)	\$ 850,633
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:	
Depreciation and Amortization	1,530,451
Change in Assets and Liabilities:	
Decrease (Increase) in Accounts Receivable	154,259
Decrease (Increase) in Prepaids	18,459
Increase (Decrease) in Accounts Payable	(73,460)
Increase (Decrease) in Accrued Payroll	2,074
Increase (Decrease) in Compensated Absences	(6,418)
Increase (Decrease) in Net OPEB Obligation	<u>58,560</u>

Net Cash Provided By Operating Activities	<u><u>\$ 2,534,558</u></u>
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**Noncash Investing, Capital and Related Financing Activities**

Amortization of Premium/Discount on Bonds	\$ 3,430
Amortization of Bond Issue Costs	17,225

The accompanying notes are an integral part of this financial statement.

**Coachella Sanitary District**  
**Notes to the Financial Statements**  
Year Ended June 30, 2010

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**Coachella Sanitary District**  
**Notes to the Financial Statements**  
Year Ended June 30, 2010

**1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A) Reporting Entity**

The Coachella Sanitary District's (the District) General Fund is classified as an enterprise fund in the City of Coachella's (the City) basic financial statements. The City's council members serve as the Board of Directors for the District.

The District is an integral part of the reporting entity of the City of Coachella. The funds of the District have been blended within the financial statements of the City of Coachella because the Board of Directors is the governing board of the District and exercises control over the operations of the District. Only the funds of the District are included herein, therefore, these financial statements do not purport to represent the financial position or results of operations of the City of Coachella, California.

The District's office and records are located at 1515 Sixth Street, Coachella, California 92236.

The Board of Directors consists of the following:

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Eduardo Garcia	President	November 2010
Steven Hernandez	Director	November 2010
Jesse Villarreal	Director	November 2010
Emanuel Martinez	Director	November 2012
Gilbert Ramirez, Jr.	Director	November 2012

**B) Measurement Focus, Basis of Accounting and Financial Statement Presentation**

The District's basic financial statements are prepared in conformity with 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 District reports its activities as an enterprise fund, which is used to account for operations that are financed and operated in a manner similar to a private business enterprise, where the intent of the District is that the costs (including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges. The District's financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recognized in the accounting period in which they are earned and expenses are recognized in the period incurred regardless of the timing of related cash flows.

Proprietary funds distinguish operating revenues and expenses from those revenues and expenses that are non-operating. Operating revenues are those revenues that are generated by utility services while operating expenses pertain directly to the furnishing of those services. Non-operating revenues and expenses are those revenues and expenses generated that are not directly associated with the normal business of utility services.

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

**Coachella Sanitary District**  
**Notes to the Financial Statements**  
Year Ended June 30, 2010

**1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

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

The accounting policies of the District conform to generally accepted accounting principles as applicable to enterprise funds. In accordance with GASB Statement 20, the District has elected to apply all Financial Accounting Standards Board Statements and Interpretations issued after November 30, 1989, with the exception of those that conflict with or contradict GASB Pronouncements.

**C) Cash and Investments**

Effective July 1, 1997, the District adopted the provisions 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 District has reported certain investments at fair value.

The District's cash and investments are in short-term highly liquid instruments, with original maturities of three months or less. For the purposes of the statement of cash flows all cash and investments are considered to be short term and, accordingly, are classified as cash and cash equivalents.

The District's funds are pooled with the City of Coachella's cash and investments in order to generate optimum investment return.

**D) Inventories**

Inventories are recorded as expenses when the items are purchased. The District does not maintain significant levels of inventory to require the recording of inventory on the District's balance sheet.

**E) Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect 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.

**F) Capital Assets**

The cost of additions to the utility plant and major replacements of retired units of property is capitalized. The District defines capital assets as assets with an initial, individual cost of more than \$5,000. Costs include direct labor, outside services, materials and transportation, employee fringe benefits, overhead, and interest on funds borrowed to finance construction. The cost and accumulated depreciation of property sold or retired is deducted from capital assets, and any gain or loss resulting from the disposal is credited or charged in the statement of revenues, expenses and changes in net assets. The cost of current repairs, maintenance, and minor replacements is charged to expense. Construction-in-progress primarily relates to ongoing projects that have not been placed in service at year end.

**Coachella Sanitary District**  
**Notes to the Financial Statements**  
Year Ended June 30, 2010

**1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**F) Capital Assets - Continued**

Depreciation has been provided over the estimated useful lives of the assets using the straight-line method. The estimated useful lives are as follows:

Buildings	45 years
Machinery	5 - 30 years
Office Equipment	5 - 10 years
Sewer Improvements	25 - 100 years

**G) Budgetary Accounting**

Although the District prepares and adopts an annual budget, budgetary information is not presented because the District is not legally required to adopt a budget.

**H) Uncollectible Accounts**

Uncollectible accounts are determined by the allowance method, based upon prior experience and management's assessment of the collectibility of existing specific accounts.

**I) Long-Term Debt and Related Costs**

Long-term debt is reported at face value, net of applicable discounts, premiums and deferred loss on refunding. Costs related to the issuance of debt are deferred and amortized over the lives of the various debt issues. Losses occurring from advance refunding of debt are deferred and amortized as interest expense over the remaining life of the defeased bonds, or the life of the newly issued bonds, whichever is shorter.

**J) Compensated Absences**

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

**K) Net Assets**

Net assets are comprised of the various net earnings from operating income, non-operating revenues and expenses, and capital contributions. Net assets are classified in the following three components:

*Invested in Capital Assets, Net of Related Debt* - This component of net assets consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets. If there are significant unspent capital related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds is not included in the calculation of invested in capital assets, net of related debt. Rather, that portion of the debt is included in the same net assets component as the unspent proceeds.

**Coachella Sanitary District**  
**Notes to the Financial Statements**  
Year Ended June 30, 2010

**1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**K) Net Assets - Continued**

*Restricted* - This component of net assets consists of constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation. At June 30, 2010, restricted net assets consist of certain resources set aside for the reserve requirements and repayment of long-term debt, as well as monies received and unspent from developers for construction.

*Unrestricted Net Assets* - This component of net assets consists of net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

**2) PROPERTY TAX CALENDAR**

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

Lien Date	January 01	
Levy Date	July 01	
Due Date	November 01	- 1st Installment
	February 01	- 2nd Installment
Delinquent 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 and districts based on complex formulas prescribed by the state statutes.

**3) CASH AND INVESTMENTS**

The District's cash is pooled with the City of Coachella's funds for investment purposes, with interest being allocated on the basis of the District's overall percentage of participation. Investment policies and associated risk factors applicable to the District's funds are those of the City and are included in the City's financial statements. Cash and investments of the District as of June 30, 2010 are as follows:

Statement of Net Assets:	
Cash and Investments Pooled with City	\$ 570,758
Restricted Cash and Investments Pooled with City	5,239,167
Held by Fiscal Agent:	
Mutual Funds	<u>2,649,531</u>
Total Cash and Investments	<u>\$ 8,459,456</u>

Cash and investments held and invested by fiscal agents on behalf of the District 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.

**Coachella Sanitary District**  
**Notes to the Financial Statements**  
Year Ended June 30, 2010

**4) CAPITAL ASSETS**

The following is a summary of changes in capital assets for the year:

	Beginning Balance	Additions	Deletions	Ending Balance
Capital Assets, Not Depreciated:				
Land	\$ 334,001	\$	\$	\$ 334,001
Construction in Progress	2,337,246		1,402,401	934,845
Total Capital Assets Not Depreciated	2,671,247		1,402,401	1,268,846
Capital Assets, Being Depreciated:				
Buildings	481,913			481,913
Machinery and Equipment	5,176,028			5,176,028
Infrastructure	47,685,864	1,484,339		49,170,203
Total Capital Assets Being Depreciated	53,343,805	1,484,339		54,828,144
Less Accumulated Depreciation				
Buildings	(234,071)	(12,048)		(246,119)
Machinery and Equipment	(2,899,909)	(182,448)		(3,082,357)
Infrastructure	(13,150,085)	(1,315,300)		(14,465,385)
Total Accumulated Depreciation	(16,284,065)	(1,509,796)		(17,793,861)
Total Capital Assets Being Depreciated, Net	37,059,740	(25,457)		37,034,283
Capital Assets, Net of Depreciation	\$ 39,730,987	\$ (25,457)	\$ 1,402,401	\$ 38,303,129

Depreciation expense in the amount of \$1,509,796 is included in operating expenses.

**Coachella Sanitary District**  
**Notes to the Financial Statements**  
Year Ended June 30, 2010

**5) LONG-TERM LIABILITIES**

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

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Compensated Absences	\$ 146,553	\$ 35,170	\$ 41,588	\$ 140,135	\$ 33,795
OPEB Obligation		58,560		58,560	
Loan Payable	21,982,766		999,652	20,983,114	1,022,644
Revenue Bonds:					
2005A Wastewater	5,295,000		115,000	5,180,000	120,000
2005B Wastewater	4,841,870		57,163	4,784,707	59,546
Total Revenue Bonds	10,136,870	-	172,163	9,964,707	179,546
Less Deferred Amounts:					
Bond Discounts	(88,327)	3,430		(84,897)	
Refunding Gain/Loss	(223,060)	8,833		(214,227)	
<b>Total Long-Term Liabilities</b>	<b>\$ 31,954,802</b>	<b>\$ 105,993</b>	<b>\$ 1,213,403</b>	<b>\$ 30,847,392</b>	<b>\$ 1,235,985</b>

**6) COMPENSATED ABSENCES**

For the Sanitary District, accumulated vacation, sick and administrative leave benefits payable in future years amounted to \$140,135 at June 30, 2010. Only \$33,795 is estimated to be paid in the next year, and is reflected as a current liability.

**7) LOANS PAYABLE**

On September 26, 2005 the Coachella Sanitary District entered into a loan payable from the State of California State Water Resources Control Board. The terms of this loan provide for drawing funds for the expansion of the sewer treatment plant up to \$23,658,615. As of April 2008 the full amount of \$23,658,615 was withdrawn. Repayment of this loan shall be paid in annual installments commencing on the date that is one year after the completion of construction and shall be fully amortized not later than twenty years after completion of construction. The estimated completion date was March 31, 2007 but the project was not completed until April 2008. The interest rate on this note is 2.3%.

	<u>\$ 20,983,114</u>
Total Loans	<u>\$ 20,983,114</u>



**Coachella Sanitary District**  
**Notes to the Financial Statements**  
Year Ended June 30, 2010

**7) LOANS PAYABLE - Continued**

The future debt requirements of the loan are as follows:

Year Ending June 30,	Principal	Interest	Total
2011	\$ 1,022,644	\$ 482,612	\$ 1,505,256
2012	1,046,165	459,091	1,505,256
2013	1,070,227	435,029	1,505,256
2014	1,094,842	410,420	1,505,262
2015	1,120,023	385,232	1,505,255
2016-2020	5,998,580	1,528,298	7,526,878
2021-2025	6,720,888	805,391	7,526,279
2026-2029	2,909,745	100,766	3,010,511
Total	<u>\$ 20,983,114</u>	<u>\$ 4,606,839</u>	<u>\$ 25,589,953</u>

**8) REVENUE BONDS**

On March 30, 2005, the Coachella Financing Authority issued \$5,725,000 Wastewater Revenue Refunding Bonds, Series 2005A for the Coachella Sanitary District, to advance refund the outstanding amount of the Coachella Sanitary District Wastewater Revenue Refunding Certificates of Participation Series 1995 and to finance on-going capital improvements to the Wastewater Enterprise. Interest on the bonds is payable October 1 and April 1 of each year. Interest on the bonds accrues at rates varying from 3.00% to 4.70% per annum. Principal on serial and term bonds is payable in annual installments ranging from \$105,000 to \$335,000 commencing April 1, 2006, through April 1, 2035. At June 30, 2010, the cash reserve balance for debt service is \$358,240 which is sufficient to cover the Bond Indenture Reserve Requirement. The District, with the issuance of the bonds, entered into a rate covenant agreement. For the year ended June 30, 2010, the District met the rate covenant as required by the bond indenture. \$ 5,180,000

On September 26, 2005, the Coachella Financing Authority issued \$5,000,000 Wastewater Revenue Refunding Bonds (USDA), Series 2005B for the Coachella Sanitary District, to finance on-going capital improvements to the Wastewater Enterprise. Interest on the bonds is payable September 26 and March 26 of each year. Interest on the bonds accrues at 4.125% per annum. Principal on the bonds is payable in annual installments ranging from \$50,573 to \$248,591 commencing September 26, 2006, through September 26, 2045. 4,784,707

Total Revenue Bonds

\$ 9,964,707

**Coachella Sanitary District**  
**Notes to the Financial Statements**  
Year Ended June 30, 2010

**8) REVENUE BONDS - Continued**

The future debt requirements of the revenue bonds are as follows:

Year Ending June 30,	Principal	Interest	Total
2011	\$ 179,546	\$ 426,626	\$ 606,172
2012	187,027	418,695	605,722
2013	194,612	411,682	606,294
2014	202,305	404,219	606,524
2015	210,110	396,227	606,337
2016-2020	1,186,890	1,843,495	3,030,385
2021-2025	1,466,779	1,564,893	3,031,672
2026-2030	1,822,028	1,207,512	3,029,540
2031-2035	2,267,244	756,968	3,024,212
2036-2040	898,086	364,926	1,263,012
2041-2045	1,101,489	157,328	1,258,817
2046	248,591	2,589	251,180
Total	<u>\$ 9,964,707</u>	<u>\$ 7,955,160</u>	<u>\$ 17,919,867</u>

**9) OTHER INFORMATION**

**A) Employee Retirement System and Pension Plans**

The District, 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 District.

**B) Risk Management**

The District, 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 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, 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. Member premiums are subject to retrospective rating adjustments.

**Coachella Sanitary District**  
**Notes to the Financial Statements**  
Year Ended June 30, 2010

**9) OTHER INFORMATION - Continued**

**B) Risk Management – Continued**

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 benefit from 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

**10) CONTINGENCIES AND COMMITMENTS**

On February 19, 2008, the Coachella Sanitary District agreed to sign a letter of credit with the United States Department of Agriculture (USDA) to obligate \$5,000,000 of a Rural Development loan for the purpose of increasing and modifying the existing sewer system pipeline. The agreement will not consummate until the project has been completed. Interest on the loan accrues at 4.375% for a period of 40 years. As of June 30, 2010, the project has not been completed.

At June 30, 2010, in the opinion of the District's Administration, there are no outstanding matters which could have a significant effect on the financial position of the District.

**11) POST-EMPLOYMENT BENEFITS**

The District, through the City, offers post-employment benefits to eligible employees. The Net OPEB Obligation of \$58,560 in the Statement of Net Assets is the amount of the City's total Net OPEB Obligation that is allocated to the Sanitary District. See the City's financial statements for more information, including the required note disclosures.

