

**CITY OF COACHELLA
COACHELLA, CALIFORNIA**

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

YEAR ENDED JUNE 30, 2006



Prepared By
Finance Department

CITY OF COACHELLA
COMPREHENSIVE ANNUAL FINANCIAL REPORT

June 30, 2006

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1515 SIXTH STREET • COACHELLA, CA 92236

Fax: (760) 398-8117

Administration 398-3502
Animal Control 398-4978
Building 398-3002
City Clerk 398-3502
City Council 398-3502
Code Enforcement 398-4978
Economic Develop. 398-3502
Engineering 398-5744
Finance 398-3502
Fire 398-8895

Grants 398-3502
Neighborhood Svs. 398-4978
Personnel 398-3502
Planning 398-3102
Public Works 398-5744
Recreation 398-3502
Riverside Sheriffs Office 863-8990
Sanitary 391-5008
Senior Svs. 398-0104
Utilities 398-2702

April 5, 2007

Citizens of the City of Coachella,
Honorable Mayor and Members of the City of Council

The Comprehensive Annual Financial Report (CAFR) of the City of Coachella for the fiscal year ended June 30, 2006, is submitted herewith, this report was prepared by the City's Finance Department. For the fiscal year ended June 30, 2006, the City complied with the new financial reporting model developed by the Governmental Accounting Standards Board (GASB) Statement 34. In addition to the customary fund statements included in the CAFR, Statement 34 requires that the City prepare government-wide financial statements, which include a Statement of Net Assets and a Statement of Activities. These statements are prepared using the accrual basis of accounting, which is consistent with private business accounting, in contrast to the modified basis of accounting that is used in accounting for fund financial statements. In the financial section of this report, the reader is provided with reconciliation statements that will take the reader from the Fund Financial Statement to the Statements of Net Assets and Activities.

CAFR STRUCTURE

The format and content of this report comply with the principles and standards of accounting and financial reporting adopted by the Governmental Accounting Standards Board. It is presented in three sections:

Introductory Section: provides the reader with the organizational structure of the City, its services and operating environment. This section includes a title page, table of contents, a letter of transmittal, an organizational chart and a list of the City of Coachella's elected and appointed officials.

Financial Section: presents the City's independent auditor's report on the Basic Financial Statements, the Management's Discussion and Analysis (MD&A), the Basic Financial Statements, the notes to the financial statements, the Required Supplementary Information (RSI), and the non-major supplementary schedules.

Statistical Section: provides the reader with additional historical financial data and other information concerning the City.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that is has established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

It is the policy of the City of Coachella to have an annual audit performed by an independent certified public accountant. The independent audit of the City's financial statements for fiscal

year ended June 30, 2006, was conducted By Oscar G. Armijo, CPA as appointed by the City Council. The auditor's unqualified opinion on the basic financial statements is included in the Financial Section of this report.

As part of the City's annual audit engagement, the auditor reviews the City's internal control structure, as well as compliance with applicable laws and regulations. The results of the City's annual audit for fiscal year ended June 30, 2006, provided no instances of material weaknesses in connection with the internal control structure or any significant violations of applicable laws and regulations.

As recipients of federal, state and county financial resources, the City of Coachella may be required to undergo an annual single audit. When applicable, information related to this single audit, including the schedule of expenditures of federal awards, findings and recommendations and auditor's reports on the internal control structure and compliance with applicable laws and regulations are included in a separately issued report. For fiscal year ended June 30, 2006, the City was not required to have a single audit performed.

Management's Discussion and Analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the basic financial statements. MD&A complements this letter of transmittal and should be read in conjunction with it.

PROFILE OF THE CITY OF COACHELLA

The origin of the name Coachella is unclear but in 1901 the citizens of Woodspur, California voted on a new name for their community. During their town hall meeting the homeowners decided on Coachella as their designation. Coachella began as a 2½ square miles of territory gridded out on the mesquite-covered desert floor of Southern California. In the 1950's Coachella started the process to expand into its present sphere that includes 32 square miles.

In 1946 Coachella incorporated and officially became the "City of Coachella" operating under the general laws of the State of California. At the same time the first City Council was elected during the incorporation voting process. During the progressive 1950s, the city began its evolution towards the economic heights experienced today.

The City of Coachella is located in Riverside County, California and is the easternmost City in the region collectively known as the Coachella Valley or the Palm Springs area. Specifically, Coachella is located 28 miles east of Palm Springs, 72 miles east of Riverside and 130 miles from Los Angeles. The surrounding area is largely agriculture land to the south; undeveloped land to the east and north; and, urban growth to the west. The communities of Coachella -- including Thermal and Mecca -- include more than 70,000 acres of land irrigated by the Colorado River via a complex canal system. This is where many of California's largest crops of lemons, grapes, avocados, figs and persimmons are grown.

The City is largely a young, rural and family-oriented area of the desert. Much of its population is made up of younger Hispanic family groups that enjoy a sense of community and a lifestyle enriched with the elements of a proud heritage. Coachella's population is long established, with a young median age of 26, and is growing fast, 30% since 1990. Coachella's official population was 22,724 at the 2000 census, but according to local officials, the population has doubled to approximately 40,000 as of 2006, designating the City as one of the state's highest population growth areas. The City's population density of 15,500 per square mile in only 3 square miles represents one of the highest population densities outside an urban area in the State. In addition, Coachella is a stable community as evidenced by its unusually high rate of 60% home ownership.

Since Congress passed the North American Free Trade Agreement (NAFTA), Highway 86, the road that runs through downtown Coachella, has been nicknamed the NAFTA Highway. Hundreds of tractor-trailer trucks pass through this major distribution artery on their way to the Mexican border and southern markets.

Significant issues that will affect the growth of the City and its economic viability in the future are:

- The expansion of the Indian gaming industry in the area.
- Advancement of urban development from the west into Coachella.
- Attractiveness of relatively inexpensive land in a commercially friendly environment.
- The City's ability to obtain financing and other assistance for infrastructure expansion.
- Annexation of new areas into the City.

The City operates under a council-manager format of government which consists of Mayor, four Councilmember's and the City Manager. The position of Mayor is directly elected every two years and the other Council Members are elected at large for staggered four-year terms. In addition, the four Council Members rotate the position of Mayor Pro-Tem on an annual basis.

The City of Coachella is a full-service City and provides the following services:

- Highways, engineering, building, streets and park maintenance
- Planning and zoning
- Public improvements
- General administrative services
- Water, sewer and refuse services (Water Authority and Sanitary District)
- Neighborhood services including code enforcement and animal control
- Redevelopment and economic development projects (Coachella Redevelopment Agency)

In addition, some services are also provided to the City and its citizens by contract with other government agencies and organizations. These services include police and fire protection through the County of Riverside, library services through County of Riverside, City promotion through the Coachella Chamber of Commerce, electricity service through the Imperial Irrigation District, refuse collection through Waste Management Company, public transit through Sunline Transit Agency, and cable service through Time Warner. The City of Coachella also is financially accountable for all legally separate component units including the Redevelopment Agency, Water Authority, Sanitation District and Financing Authority. Additional information on these legally separate entities can be found in the notes to the financial statements.

Pursuant to City ordinance, the City Manager and Finance Director are responsible for the preparation of the annual budget for City Council consideration prior to the start of the fiscal year. The annual budget serves as the foundation for the City of Coachella's financial planning and control.

The City maintains budget controls to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the City Council. Activities of the General Fund and Special Revenue, Debt Service, and Capital Projects Funds are included in the annual appropriated budget. Budgetary amounts for Debt Service, Capital Projects, and Certain Special Revenue Funds are adopted annually, however, budgets are considered to be long-term in nature.

The adopted budget for fiscal year 2005-2006 was prepared in accordance with accounting principles generally accepted in the United States of America. As reflected in the statements and schedules included in the financial section of this report, the City continues to meet its responsibility for sound financial management.

LOCAL ECONOMY

According to the State of California Economic Development (EDD), as of June 2006, the total workforce for the City of Coachella was 10,800 of which 10,000 were employed for a 7.7% unemployment rate.

New commercial development is currently in process, by June 2006 the Grapefruit Center (Food 4 Less) was at 75% of completion and the Jackson Square (Albertson's) which was at 50% of completion.

LONG TERM FINANCIAL PLANNING

Each year the City embarks on a strategic planning process which begins in the spring with a discussion of the City Council goals and ends with an adoption of the budget in June.

The documents that are generated in this strategic planning process include a presentation of the financial achievements of the past fiscal year, a cash flow projection for each Fund, financial management strategies, and a recommendation report for the coming fiscal year. Within the financial strategies and recommendation report, a "built out" analysis is included, which estimates the annual General Fund revenue.

During Fiscal Year 2005-2006, the General Fund balance increased by \$4.7 million which consists of revenue increases in each category: taxes, licenses and permit fees, charges for services, intergovernmental and interest earnings.

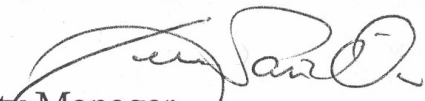
The General Fund balance as of June 30, 2006 was \$11.3 million of which \$1.6 was reserved and \$9.6 million was unreserved with designations. These designations of the General Fund balance at year end can be found in the Footnotes to the Financial Statements.

ACKNOWLEDGMENTS

The preparation of this report could not have been accomplished without the efficient and dedicated services of the entire staff of the Finance Department. Due credit is given to the Mayor and the City Council Member for their support in planning and conduction of City operations in a responsible and progressive manner. Recognition is also given to all employees of the City of Coachella who continue to serve our community with commitment and dedication throughout the year, and to the citizens of the City of Coachella, our greatest appreciation for your continued support, input and guidance in helping us serve you better, thus preserving our City's quality of life and reputation for innovation and leadership.

Respectfully Submitted,

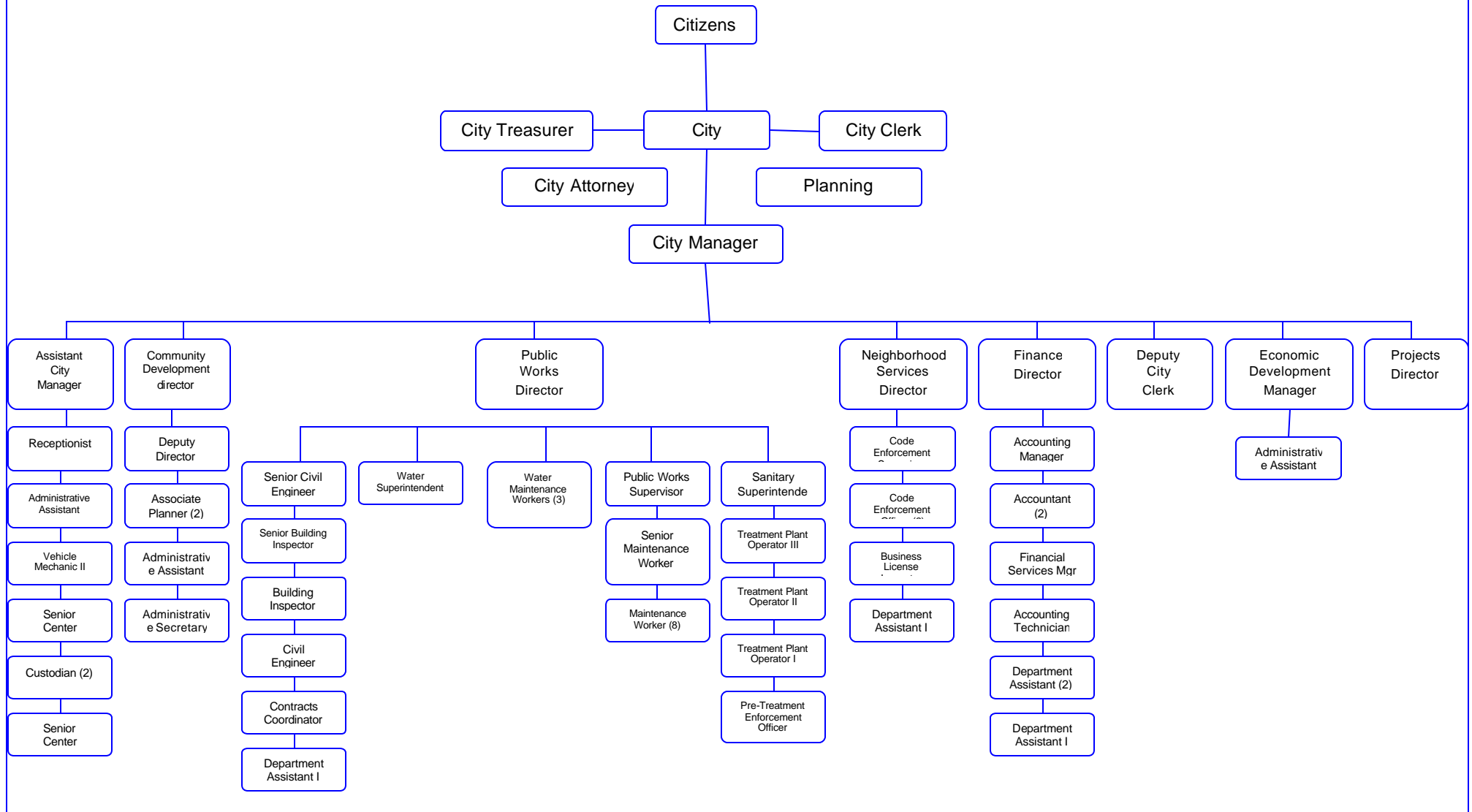
Jerry Santillan


City Manager

John A. Gerardi, CPA


Finance Director

City of Coachella Organizational Chart



CITY OF COACHELLA

List of Principal Officials
as of June 30, 2006

City Council – Manager Form of Government

CITY COUNCIL

JESSE VILLARREAL
Mayor

JUAN DE LARA
Mayor Pro-Tem

RICHARD MACKNICKI
Council Member

GILBERT RAMIREZ
Council Member

EDUARDO GARCIA
Council Member

CITY ADMINISTRATION

JERRY SANTILLAN
City Manager

Assistant City Manager
City Attorney
City Treasurer
City Clerk
Neighborhood Services Director
Public Works Director
Community Development Director
Chief of Police
Fire Chief
Economic Development Manager

Linda Garza
Jimmy Gutierrez
Yvonne Gaines
Isabel Castillon
Steve Brown
Eldon Lee
Carmen Manriquez
Walt Meyer
Ray Paiz
Lorie Williams

JOHN QUINN
Projects Director, Interim Finance Director

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City of Coachella as of and for the year ended June 30, 2006, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Coachella'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 the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City of Coachella as of June 30, 2006, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued a report dated December 15, 2006, on our consideration of the City of Coachella's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis and budgetary comparison information are not a required part of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

To the Honorable Mayor and Members of the City Council
City of Coachella
Coachella, California

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

December 15, 2006

CITY OF COACHELLA

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Coachella (City), we offer readers of these financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2006. We encourage readers to consider the information presented here in conjunction with additional information we have furnished in our letter of transmittal. All amounts are expressed in millions of dollars unless otherwise stated.

Financial Highlights

The total assets of the City of Coachella exceeded its total liabilities at the close of the fiscal year by \$50.75 million. Of this amount, \$37.0 million is invested in capital assets, net of any related debt. In addition, \$5.16 million restricted for debt service, \$49.78 million is restricted for capital projects, and \$7.69 million is restricted for special revenue projects. This leaves a deficit balance of \$48.88 million as unrestricted net assets.

The City's total net assets increased by \$19.69 million between FY 2005 and FY 2006; year over year increases were realized in charges for services (\$7.01 million), operating grants and contributions (\$2.56 million), and tax revenue (\$3.65 million).

As of the close of the fiscal year, the City of Coachella's governmental funds reported combined ending fund balances of \$69.64 million, an increase of \$36.54 million in comparison with the prior year. Approximately 73.2 percent of this total amount, \$50.97 million, is available for spending at the City's discretion (unreserved fund balance) per individual fund requirements.

The City incurred additional debt obligations in the amount of \$49.59 million during the fiscal year. The additional debt was due to the issuance of tax allocation revenue refunding bonds (\$23.12 million) and taxable subordinate housing set-aside revenue bonds (\$10.73 million) for the Redevelopment Agency, wastewater revenue refunding bonds (\$5 million) and a State Revolving Fund loan of \$10.74 million for the Coachella Sanitary District. The State Revolving Fund loan represents reimbursements for expenses incurred with the Sewer Treatment Plant expansion project; when all costs for this project are determined, a total amount for the loan, currently estimated to be \$20.5 million, will be calculated and recorded.

In addition, the City paid off a bond anticipation note in the amount of \$5.0 million with the proceeds from the wastewater revenue refunding bonds.

Overview of the Financial Statements

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

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

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

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

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

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

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the City's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City of Coachella maintains fifty three individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund. The CDBG Housing Grants fund and the Redevelopment Agency's capital projects and debt service funds are considered to be major funds. Data from the three other funds are combined into a single, aggregate presentation. Individual fund data for each of these non-major governmental funds is provided in the form of *combining statements* elsewhere in this report.

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

Proprietary funds: The City of Coachella maintains one type of proprietary fund. *Enterprise funds* are used to report on the same functions as presented in *business-type activities* on the government-wide financial statements. The City uses enterprise funds to account for its Water Authority, Sanitary District, and refuse collection operation. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail.

Fiduciary funds: Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide

financial statement because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

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

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

Government-Wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City of Coachella, assets exceeded liabilities by \$50.75 million at the close of the fiscal year. By far the largest portion of the City's net assets, \$37.0 million reflects its investment in capital assets (e.g. land, buildings, machinery, and equipment), less any related debt used to acquire those assets and is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

City of Coachella's Net Assets

	Governmental Activities		Business-Type Activities		Total	
	FY 2006	FY 2005	FY 2006	FY 2005	FY 2006	FY 2005
Current and restricted assets	\$ 78,063,404	\$ 38,265,281	\$ 17,590,729	\$ 8,233,406	\$ 95,654,133	\$ 46,498,687
Capital assets	<u>21,349,783</u>	<u>18,031,336</u>	<u>36,215,114</u>	<u>21,554,137</u>	<u>57,564,897</u>	<u>39,585,473</u>
Total Assets	<u>\$ 99,413,187</u>	<u>\$ 56,296,617</u>	<u>\$ 53,805,843</u>	<u>\$ 29,787,543</u>	<u>\$ 153,219,030</u>	<u>\$ 86,084,160</u>
Long-term debt outstanding	\$ 53,998,550	\$ 29,791,150	\$ 33,824,839	\$ 18,438,036	\$ 87,823,389	\$ 48,229,186
Other liabilities	<u>8,705,673</u>	<u>5,415,466</u>	<u>5,938,142</u>	<u>1,373,529</u>	<u>14,643,815</u>	<u>6,788,995</u>
Total Liabilities	<u>\$ 62,704,223</u>	<u>\$ 35,206,616</u>	<u>\$ 39,762,981</u>	<u>\$ 19,811,565</u>	<u>\$ 102,467,204</u>	<u>\$ 55,018,181</u>
Net assets:						
Invested in capital assets, net of related ebt	\$ 21,094,484	\$ 16,345,742	\$ 15,907,813	\$ 9,400,692	\$ 37,002,297	\$ 25,746,434
Restricted	47,977,284	-	14,656,111	6,187,555	62,633,395	6,187,555
Unrestricted	<u>(32,362,804)</u>	<u>4,744,259</u>	<u>(16,521,062)</u>	<u>(5,612,269)</u>	<u>(48,883,866)</u>	<u>(868,010)</u>
Total Net Assets	<u>\$ 36,708,964</u>	<u>\$ 21,090,001</u>	<u>\$ 14,042,862</u>	<u>\$ 9,975,978</u>	<u>\$ 50,751,826</u>	<u>\$ 31,065,979</u>

The additional portion of the City's net assets \$62.63 million represents resources that are subject to external restrictions on how they may be used.

The City's net assets increased by \$19.69 million or 63.3 percent, during the fiscal year. Approximately 40 percent (\$7.87 million) is attributable to an increase in charges for services, operating grants, and investment income. The remainder of this growth largely reflects an increase in the City's general revenues, interest and rental revenues.

City of Coachella's Changes in Net Assets

	Governmental Activities		Business-Type Activities		Total	
	FY 2006	FY 2005	FY 2006	FY 2005	FY 2006	FY 2005
REVENUES:						
Program Revenues:						
Charges for services	\$ 11,260,751	\$ 7,438,412	\$ 11,998,585	\$ 8,809,903	\$ 23,259,336	\$ 16,248,315
Operating grants and contributions	4,760,299	2,199,962	-	-	4,760,299	2,199,962
Capital grants and contributions	68,274	1,770,267	-	-	68,274	1,770,267
General Revenues:						
Intergovernmental Revenue	989,493	869,043	-	-	989,493	869,043
Property Taxes	8,859,051	6,284,450	38,055	37,635	8,897,106	6,322,085
Taxes	4,923,454	3,853,406	-	-	4,923,454	3,853,406
Other revenues	359,950	2,124,611	-	-	359,950	2,124,611
Interest and rental income	986,665	579,116	400,831	124,846	1,387,496	703,962
Gain in insurance reimbursement	-	206,142	-	-	-	206,142
Net transfers	<u>(770,990)</u>	<u>-</u>	<u>770,990</u>	<u>1,927,847</u>	<u>-</u>	<u>1,927,847</u>
TOTAL REVENUES	<u>31,436,947</u>	<u>25,325,409</u>	<u>13,208,461</u>	<u>10,900,231</u>	<u>44,645,408</u>	<u>36,225,640</u>
EXPENSES:						
General government	9,640,173	8,426,030	-	-	9,640,173	8,426,030
Public safety	4,898,669	4,656,197	-	-	4,898,669	4,656,197
Public works	2,195,931	1,880,710	-	-	2,195,931	1,880,710
Parks & recreation	162,680	218,301	-	-	162,680	218,301
Payments to other agencies	1,130,745	1,174,295	-	-	1,130,745	1,174,295
Interest on long-term debt	1,355,416	1,300,793	-	-	1,355,416	1,300,793
Operating transfers in & out (net)	-	1,927,847	-	-	-	1,927,847
Operating expenses	-	-	6,388,056	5,503,551	6,388,056	5,503,551
Non-operating expenses	<u>-</u>	<u>-</u>	<u>912,131</u>	<u>851,880</u>	<u>912,131</u>	<u>851,880</u>
TOTAL EXPENSES	<u>19,383,614</u>	<u>19,584,173</u>	<u>7,300,187</u>	<u>6,355,431</u>	<u>26,683,801</u>	<u>25,939,604</u>
INCREASE (DECREASE) IN NET ASSETS	<u>12,053,333</u>	<u>5,741,236</u>	<u>5,908,274</u>	<u>4,544,800</u>	<u>17,961,607</u>	<u>10,286,036</u>
BEGINNING NET ASSETS	24,655,631	15,464,106	8,134,588	5,262,151	32,790,219	20,726,257
RESTATEMENT OF NET ASSETS	<u>-</u>	<u>(115,341)</u>	<u>-</u>	<u>169,027</u>	<u>-</u>	<u>53,686</u>
ENDING NET ASSETS	<u>\$ 36,708,964</u>	<u>\$ 21,090,001</u>	<u>\$ 14,042,862</u>	<u>\$ 9,975,978</u>	<u>\$ 50,751,826</u>	<u>\$ 31,065,979</u>

Governmental activities: Governmental activities increased the City's net assets by \$15.62 million thereby accounting for 74.1 percent of the total growth. Key elements of this increase are as follows:

Charges for services increased \$3.83 million directly reflecting the growth in residential development the City has experienced in recent years. Operating grants and contributions increased \$2.56 million while capital grants and contributions decreased \$1.7 million. As the City's population continued to increase tax revenue from governmental activities increased by \$3.65 million with property taxes leading the way with an increase of \$2.58 million.

Total expenses from governmental activities decreased \$.20 million during the fiscal year and, for the most part, were unchanged from the prior fiscal year.

Business-type Activities: Business-type activities increased net assets by \$4.07 million or 40.7 percent. Business-type revenues increased \$2.31 million or 21.2 percent and were derived mostly from increases in charges for services. During the same period, expenses increased \$.94 million which closely paralleled inflation, and the growth in the demand for services.

Financial Analysis of the Government's Funds

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

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

At the end of the fiscal year, the City's governmental funds reported combined ending fund balances of \$69.64 million, an increase of \$36.54 million in comparison with the prior year. Approximately 73.2 percent of this total or \$50.97 million constitutes unreserved fund balance, which is available for spending at the City's discretion. The remainder of fund balance, \$18.67 million, is *reserved or designated* to indicate that it is not available for new spending because it has already been committed to liquidate contracts and purchase orders of the prior period, pay debt service, or to pay for a variety of other restricted purposes.

The general fund is the chief operating fund of the City. At the end of the current fiscal year, unreserved, undesignated fund balance of the general fund was \$9.65 million, while the total fund balance reached \$11.27 million. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 83.7 percent of total general fund expenditures, while total fund balance represents 97.7 percent of the same amount.

The fund balance of the City's general fund increased by \$4.66 million during the current fiscal year; general fund revenues were \$15.42 million and expenses were \$11.53 million. The remainder of the increase is attributable to other financing sources, \$.77 million, and a prior period adjustment of approximately \$.08 million to reclassify a liability to the correct year.

The CDBG Housing Grant Fund, a special revenue fund, ended the year with a fund balance of \$2.52 million. The amount of \$1.12 million was the net change in fund balance and \$.92 million was a prior period adjustment to record revenue in the previous year.

Capital Project Funds are a part of the City's Redevelopment Agency (RDA). At the end of the fiscal year the capital projects fund ended the year with a fund balance of \$28.10 million. During the 2005-06 fiscal year, the City merged all four (4) RDA project areas into one and is now reported as such.

Debt Service Funds are also part of the RDA and ended the year with a fund balance of \$4.74 million, a slight increase which is the result of increased interest income.

Proprietary funds: The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. The proprietary funds include the Coachella Water Authority, the Coachella Sanitary District, and the City's refuse fund.

Total net assets for proprietary funds finished the year at \$14.04 million. The Water Authority accounted for \$2.04 million of this total with the Sanitary District and Refuse accounting for \$11.86 million and \$.14 million, respectively.

The *Coachella Water Authority's* net assets increased \$1.9 million over fiscal year 2004-2005. During the year, the Authority had total revenues and other financing sources of \$5.27 million and expenses and other financing uses of \$3.41 million. Therefore, revenues/other financing sources exceeded expenses/other financing uses by \$1.85 million for the fiscal year. In addition, the Authority's total revenues/other financing uses increased \$1.43 million or 37.3 percent over the previous fiscal year, while expenses/other financing uses increased \$.54 million or 19.0 percent. The Authority's operating revenues increased \$1.48 million and operating expenses increased by \$.55 million.

During the year the Authority's capital assets increased \$.43 million due to various projects to the water supply infrastructure including supply lines and water wells. In addition, long-term liabilities were reduced by a principal payment of \$250,000 on Series 2003 bonds totaling \$13.41 million issued on July 1, 2003 and carrying an average interest rate of 5 percent.

The *Coachella Sanitary District's* net assets increased \$2.11 million or 21.6 percent over fiscal year 2004-2005. The increase is attributable to the increase in net assets restricted for debt service. The District had revenues and other financing sources of \$7.01 million and expenses and other financing uses of \$3.02 million. Revenues/other financing sources exceeded expenses/other financing uses by \$3.99 for the fiscal year. Year over year results show that total revenues/other financing sources increased \$.68 million or 10.7 percent while expenses/other financing uses increased \$.19 million or 6.6 percent. Operating revenue increased \$1.48 million from \$4.54 million in fiscal year 2004-2005 to \$6.02 million in the current fiscal year.

The District's investment in capital assets increased by \$14.23 million during the fiscal year due to the expansion of the sewer treatment plant. In addition, the District's net assets restricted for capital projects increased by \$7.31 million.

Long-term liabilities increased by \$15.61 million which is primarily due to the issuance of three new debt obligations and the repayment of a bond anticipation note. First, the District issued \$5.73 million in revenue refunding bonds series 2005A with an average interest rate of 4.2 percent for the early refunding of \$3.34 million of outstanding 1995 revenue certificates of deposits with an average interest rate of 7.08 percent. Second, the District entered into a revolving fund loan agreement with the State of California – State Water Resources Control Board in the amount \$23.66 million to pay for various improvements to the wastewater system. The current amount outstanding is \$10.74 million with a 2.3 percent interest rate. Also, on behalf of the District, the Coachella Financing Authority issued \$5.0 million in Revenue Refunding Bonds with an average interest rate of 4.25 percent. These funds were used to payoff bond anticipation notes which were used to finance certain wastewater system improvements.

The *Coachella Refuse Fund's* net assets increased \$.06 million or 77.0 percent over fiscal year 2004-2005. During the year, the fund had revenues of \$.95 million and expenses of \$.89 million. Revenues exceeded expenses as reported by the fund by \$.06 million for the fiscal year. The funds revenues increased \$.22 million or 30.8 percent from the prior year while expenses increased \$.24 million or 36.9 percent.

Capital Asset and Debt Administration

Capital assets: The City's investment in capital assets for its governmental and business-type activities at June 30, 2006, amounts to \$57.56 million (net of accumulated depreciation). The

City invests in a broad range of capital assets including land, streets, bridges, drainage systems, traffic lights, parks, buildings, art work, vehicles and equipment. This amount represents a net increase (including additions and deductions) of \$17.98 million or 45.4 percent over the previous year.

CITY OF COACHELLA'S CAPITAL ASSETS (Net of depreciation)

	Governmental Activities		Business Type Activities		Total	
	FY 2006	FY 2005	FY 2006	FY 2005	FY 2006	FY 2005
Land	\$ 231,819	\$ 231,819	\$ 649,936	\$ 649,936	\$ 881,755	\$ 881,755
Construction in progress	-	-	23,557,833	8,929,845	23,557,833	8,929,845
Buildings and improvements	1,873,042	1,691,168	329,672	346,680	2,202,714	2,037,848
Improvements other than buildings	-	-	6,692,607	6,489,805	6,692,607	6,489,805
Equipment	1,441,667	1,570,425	4,985,066	5,137,871	6,426,733	6,708,296
Infrastructure	17,798,122	14,531,062	-	-	17,798,122	14,531,062
Furniture	5,133	6,862	-	-	5,133	6,862
Totals	\$ 21,349,783	\$ 18,031,336	\$ 36,215,114	\$ 21,554,137	\$ 57,564,897	\$ 39,585,473

A highlight of the major capital asset events during the current fiscal year included the following:

- Buildings & Building Improvements - \$939,544
- Improvements Other Than Buildings - \$4,279,507
- Machinery & Equipment - \$426,598
- Sanitary Plant Expansion Project - \$14,627,988

Long-term debt: At the end of the current fiscal year, the City's governmental activities had \$54 million in bonds, notes, contracts, and compensated absences compared to \$29.79 million last year, an increase of \$24.21 million, or 81.3 percent. During the year the City's Redevelopment Agency conducted two financing programs by issuing \$23.12 million in subordinated tax allocation bonds and \$10.73 million in taxable subordinated housing set-aside revenue bonds. In addition, a bond anticipation note in the amount of \$5 million was paid off.

Business type activities saw an increase of \$15.39 million in long-term debt to \$33.8 million. The Coachella Sanitary District is responsible for the repayment of \$5 million in revenue refunding bonds which was used to pay off the bond anticipation note above. In addition, the District borrowed \$10.74 million out of a maximum loan of \$23.66 million from the State Revolving Fund (SRF).

Economic Factors and Next Year's Budget

The impact of the fiscal year 2005-06 and fiscal year 2006-07 budgets on the City's financial statements will depend on a variety of factors including the state legislature's actions, the pace of infrastructure expansion in the City and the continuing growth in the Coachella Valley.

State Budget Impact: The state has experienced resurgence in economic health and mostly likely will not resort to taking revenues from the cities in the foreseeable future. In actuality, with the passage of proposition 1B the City should begin to realize the benefits of the capital improvement program by the State. However, spending by the legislature is still relatively high and new elections could reshape fiscal policy in an unknown direction.

Sales Tax: The City has experienced significant growth in sales tax revenues over the last few years and the future continues to look very encouraging. Fiscal years 2005 and 2006 produced 14.2 and 29.7 percent year-over-year increases respectively. The largest increases were realized in the construction, food product and transportation components. Transportation and construction will need to be monitored closely as they are impacted greatly by fluctuations in the overall economy. The City should see a continued increase with food product and general retail as new commercial centers continue to be developed.

Revenue Outlook: Preliminary fiscal year 2006-07 projections are certain to exceed \$17 million providing the City with a balanced budget. Taxes (\$9 million) and charges for services (\$4.5 million) are expected to be the major contributors in the fiscal year. Although the City is projecting a slow down in residential construction, there should be an offsetting increase in commercial development construction.

Expenditure Outlook: Fiscal year 2006-07 will see general fund expenditures exceeding \$17 million. The Public Safety budget continues to dominate with a police contract of over \$6.7 million and a fire protection budget of \$2.5 million. Beginning this fiscal year assessments from the public safety community facilities district (CFD) will begin to offset some of the burden of providing police and fire services to a growing population.

Growth also means the City is hiring more people and providing them with benefits. For fiscal year 2006-07 the City will add 15 new positions overall. Payroll expense is projected to grow to over \$6 million a 23% increase over 2005-06.

Requests for information

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the City's Finance Department, at the City of Coachella, 1515 6th Street, Coachella California 92236.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

CITY OF COACHELLA
STATEMENT OF NET ASSETS
JUNE 30, 2006

	Governmental Activities	Business-type Activities	Total
ASSETS:			
Cash and investments	\$ 34,144,737	\$ 4,215,917	\$ 38,360,654
Accounts receivable	4,224,841	1,061,923	5,286,764
Interest receivable	251,772	66,421	318,193
Loans receivable	2,676,511	-	2,676,511
Internal balances	(614,308)	614,308	-
Due from other governments	17,370	-	17,370
Prepaid expenses and deposits	1,622,156	159,055	1,781,211
Deferred charges	-	839,607	839,607
Land held for resale	1,176,771	-	1,176,771
Restricted assets:			
Cash and investments w/fiscal agents	34,563,554	10,633,498	45,197,052
Capital assets:			
Non-depreciable	231,819	649,936	881,755
Depreciable-net	<u>21,117,964</u>	<u>35,565,178</u>	<u>56,683,142</u>
 TOTAL ASSETS	 <u>99,413,187</u>	 <u>53,805,843</u>	 <u>153,219,030</u>
LIABILITIES:			
Accounts payable	2,708,911	4,665,245	7,374,156
Accrued liabilities	706,484	32,978	739,462
Compensated absences	-	273,934	273,934
Deposits payable	32,508	584,784	617,292
Amounts due under pass-through agreements	107,078	-	107,078
Deferred revenue	4,869,925	-	4,869,925
Interest payable	280,767	381,201	661,968
Noncurrent liabilities:			
Due within one year	1,879,489	415,573	2,295,062
Due in more than one year	<u>52,119,061</u>	<u>33,409,266</u>	<u>85,528,327</u>
 TOTAL LIABILITIES	 <u>62,704,223</u>	 <u>39,762,981</u>	 <u>102,467,204</u>
NET ASSETS (DEFICIT):			
Invested in capital assets, net of related debt	21,094,484	15,907,813	37,002,297
Restricted for:			
Debt service	4,735,946	426,017	5,161,963
Capital projects	35,546,510	14,230,094	49,776,604
Special revenue projects	7,694,828	-	7,694,828
Unrestricted (deficit)	<u>(32,362,804)</u>	<u>(16,521,062)</u>	<u>(48,883,866)</u>
 TOTAL NET ASSETS (DEFICIT)	 <u>\$ 36,708,964</u>	 <u>\$ 14,042,862</u>	 <u>\$ 50,751,826</u>

See accompanying notes to the basic financial statements.

CITY OF COACHELLA

STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2006

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental activities:				
General government	\$ 9,640,173	\$ 5,475,037	\$ 2,796,085	\$ 68,274
Public safety	4,898,669	145,089	100,000	-
Public works	2,195,931	5,640,625	1,864,214	-
Parks and recreation	162,680	-	-	-
Payments to other agencies	1,130,745	-	-	-
Interest on long-term debt	1,355,416	-	-	-
Total governmental activities	<u>19,383,614</u>	<u>11,260,751</u>	<u>4,760,299</u>	<u>68,274</u>
Business-type activities:				
Water	3,414,611	5,030,444	-	-
Sewer	2,996,869	6,020,423	-	-
Refuse	888,707	947,718	-	-
Total business-type activities	<u>7,300,187</u>	<u>11,998,585</u>	<u>-</u>	<u>-</u>
Total primary government	<u>\$ 26,683,801</u>	<u>\$ 23,259,336</u>	<u>\$ 4,760,299</u>	<u>\$ 68,274</u>

General Revenues:

Taxes:

Taxes

Property taxes

Intergovernmental

Interest and rental income

Other income

Transfers - net

Change in net assets

Net Assets - Beginning (Restated)

Net Assets - Ending

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business-type Activities	Total
\$ (1,300,777)	\$ -	\$ (1,300,777)
(4,653,580)	-	(4,653,580)
5,308,908	-	5,308,908
(162,680)	-	(162,680)
(1,130,745)	-	(1,130,745)
(1,355,416)	-	(1,355,416)
<u>(3,294,290)</u>	<u>-</u>	<u>(3,294,290)</u>
-	1,615,833	1,615,833
-	3,023,554	3,023,554
-	59,011	59,011
<u>-</u>	<u>4,698,398</u>	<u>4,698,398</u>
<u>\$ (3,294,290)</u>	<u>\$ 4,698,398</u>	<u>\$ 1,404,108</u>
\$ 4,923,454	\$ -	\$ 4,923,454
8,859,051	38,055	8,897,106
989,493	-	989,493
986,665	400,831	1,387,496
359,950	-	359,950
(770,990)	770,990	-
<u>12,053,333</u>	<u>5,908,274</u>	<u>17,961,607</u>
24,655,631	8,134,588	32,790,219
<u>\$ 36,708,964</u>	<u>\$ 14,042,862</u>	<u>\$ 50,751,826</u>

See accompanying notes to the basic financial statements.

FUND FINANCIAL STATEMENTS

CITY OF COACHELLA
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2006

		Special Revenue Fund	Capital Projects Fund
		CDBG Housing Grants	Redevelopment Agency
	General		
ASSETS:			
Cash and investments	\$ 11,439,735	\$ 2,372,903	\$ 6,639,693
Accounts receivable	350,824	2,049,010	74,566
Interest receivable	42,578	4,773	3,476
Loans receivable	-	2,676,511	-
Advances to other funds	192,938	-	-
Due from other funds	104,741	-	-
Due from other governments	-	-	17,370
Prepaid expenses and deposits	1,617,653	-	2,123
Land held for resale	-	-	1,047,122
Restricted assets:			
Cash and investments w/fiscal agents	-	-	20,488,384
TOTAL ASSETS	\$ 13,748,469	\$ 7,103,197	\$ 28,272,734
LIABILITIES AND FUND BALANCES:			
LIABILITIES:			
Accounts payable	\$ 1,074,205	\$ 10,395	\$ 60,311
Accrued liabilities	691,929	-	6,042
Deposits	31,738	-	-
Amounts due under pass-through agreements	-	-	-
Due to other funds	671,582	-	104,741
Deferred revenue	6,834	4,576,915	-
Advances from other funds	-	-	-
TOTAL LIABILITIES	2,476,288	4,587,310	171,094
FUND BALANCES:			
Reserved for:			
Debt service	-	-	-
Notes and interfund receivables	-	-	-
Prepaid and deposits	1,617,653	-	-
Low income and moderate housing	-	-	-
Land held for resale	-	-	1,047,122
Unreserved:			
General fund	9,654,528	-	-
Special revenue projects	-	2,515,887	-
Capital projects	-	-	27,054,518
TOTAL FUND BALANCES	11,272,181	2,515,887	28,101,640
TOTAL LIABILITIES AND FUND BALANCES	\$ 13,748,469	\$ 7,103,197	\$ 28,272,734

Debt Service Funds		
Redevelopment Agency	Other Governmental Funds	Total Governmental Funds
\$ 195,767	\$ 13,496,639	\$ 34,144,737
136,019	1,614,422	4,224,841
3,814	197,131	251,772
-	-	2,676,511
-	-	192,938
-	251,383	356,124
-	-	17,370
-	2,380	1,622,156
-	129,649	1,176,771
<u>4,512,258</u>	<u>9,562,912</u>	<u>34,563,554</u>
<u>\$ 4,847,858</u>	<u>\$ 25,254,516</u>	<u>\$ 79,226,774</u>
\$ -	\$ 1,564,000	\$ 2,708,911
-	8,513	706,484
-	770	32,508
107,078	-	107,078
-	194,109	970,432
-	286,176	4,869,925
-	192,938	192,938
<u>107,078</u>	<u>2,246,506</u>	<u>9,588,276</u>
4,740,780	9,204	4,749,984
-	1,202,955	1,202,955
-	-	1,617,653
-	9,918,021	9,918,021
-	129,649	1,176,771
-	-	9,654,528
-	11,678,718	14,194,605
-	69,463	27,123,981
<u>4,740,780</u>	<u>23,008,010</u>	<u>69,638,498</u>
<u>\$ 4,847,858</u>	<u>\$ 25,254,516</u>	<u>\$ 79,226,774</u>

See accompanying notes to the basic financial statements.

CITY OF COACHELLA

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2006

Fund balances of governmental funds	\$ 69,638,498
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Amounts reported for governmental activities in the Statement of Net Assets are different because:

When capital assets (land, buildings, infrastructure, and equipment) that are to be used in governmental activities are purchased or constructed, the cost of these assets are reported as expenditures in governmental funds. However, the Statement of Net Assets includes those capital assets among the assets of the City as a whole.

Non-depreciable assets	231,819	
Depreciable assets	28,666,004	
Accumulated depreciation	<u>(7,548,040)</u>	21,349,783

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

Compensated absences	(560,355)	
Leases payable	(255,299)	
Bonds payable	<u>(53,182,896)</u>	(53,998,550)

Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.	<u>(280,767)</u>
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Net assets of governmental activities	<u>\$ 36,708,964</u>
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See accompanying notes to the basic financial statements

CITY OF COACHELLA

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2006

		Special Revenue Fund	Capital Projects Fund
		CDBG Housing Grants	Redevelopment Agency
	General		
REVENUES:			
Taxes	\$ 6,358,594	\$ -	\$ -
Property tax increment	-	-	-
Licenses and permits	3,234,688	-	-
Intergovernmental revenue	3,233,703	1,487,463	-
Charges for services	1,646,483	-	-
Fines and forfeits	265,591	-	-
Interest and rental income	270,628	15,164	134,316
Other income	411,071	-	2,347
TOTAL REVENUES	<u>15,420,758</u>	<u>1,502,627</u>	<u>136,663</u>
EXPENDITURES :			
Current:			
General government:			
Departmental	2,529,267	-	-
Nondepartmental	1,344,411	377,695	1,130,890
Public safety	4,898,669	-	-
Public works	1,986,634	-	-
Parks and recreation	162,680	-	-
Payment to other agencies	50,000	-	-
Debt service:			
Bond issue cost	-	-	164,436
Principal payments on bonds and leases	-	-	-
Interest payments on bonds and leases	-	-	-
Capital outlays	561,954	-	-
TOTAL EXPENDITURES	<u>11,533,615</u>	<u>377,695</u>	<u>1,295,326</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>3,887,143</u>	<u>1,124,932</u>	<u>(1,158,663)</u>
OTHER FINANCING SOURCES (USES):			
Bond discount	-	-	(1,376,945)
Proceeds from bonds	-	-	33,845,000
Operating transfers in	1,620,918	-	30,390,621
Operating transfers out	(846,952)	-	(44,413,577)
TOTAL OTHER FINANCING SOURCES (USES)	<u>773,966</u>	<u>-</u>	<u>18,445,099</u>
Net change in fund balance	4,661,109	1,124,932	17,286,436
Fund balance, Beginning of year	6,530,843	479,258	10,821,399
Prior period adjustment	80,229	911,697	(6,195)
Fund balance as restated-Beginning of year	<u>6,611,072</u>	<u>1,390,955</u>	<u>10,815,204</u>
FUND BALANCE, End of year	<u>\$ 11,272,181</u>	<u>\$ 2,515,887</u>	<u>\$ 28,101,640</u>

Debt Service Fund		
Redevelopment Agency	Other Governmental Funds	Total Governmental Funds
\$ -	\$ 259,653	\$ 6,618,247
5,431,925	-	5,431,925
-	55,487	3,290,175
-	3,145,123	7,866,289
-	4,925,864	6,572,347
-	122,243	387,834
84,273	367,863	872,244
-	755,458	1,168,876
<u>5,516,198</u>	<u>9,631,691</u>	<u>32,207,937</u>
-	-	2,529,267
329,187	2,770,459	5,952,642
-	-	4,898,669
-	209,297	2,195,931
-	-	162,680
1,080,745	-	1,130,745
-	-	164,436
1,923,824	1,326,472	3,250,296
1,150,815	178,950	1,329,765
-	3,741,824	4,303,778
<u>4,484,571</u>	<u>8,227,002</u>	<u>25,918,209</u>
<u>1,031,627</u>	<u>1,404,689</u>	<u>6,289,728</u>
-	-	(1,376,945)
-	-	33,845,000
4,123,520	19,295,803	55,430,862
<u>(3,245,106)</u>	<u>(7,696,217)</u>	<u>(56,201,852)</u>
<u>878,414</u>	<u>11,599,586</u>	<u>31,697,065</u>
1,910,041	13,004,275	37,986,793
1,159,374	14,114,058	33,104,932
1,671,365	(4,110,323)	(1,453,227)
2,830,739	10,003,735	31,651,705
<u>\$ 4,740,780</u>	<u>\$ 23,008,010</u>	<u>\$ 69,638,498</u>

See accompanying notes to the basic financial statements.

CITY OF COACHELLA

RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2006

Net change in fund balances-total governmental funds		\$ 37,986,793
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays (\$4,303,778) exceeded depreciation (\$1,004,188).		
		3,299,590
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
Net change in compensated absences	(112,101)	
Net change in accrual interest payable	(25,651)	
Amortization of bond discount and cost of issuance	(41,976)	(179,728)
Repayment of principal on leases and notes payable are expenditures in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.		
		1,430,295
Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. The net amount by which bond proceeds (\$33,845,000), exceed bond principal repayments (\$1,820,000), and payments for bond issuance cost and bond discounts/premium (\$1,541,383).		
		<u>(30,483,617)</u>
Change in net assets of governmental activities		<u>\$ 12,053,333</u>

See accompanying notes to the basic financial statements

CITY OF COACHELLA
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2006

	Enterprise Funds			
	Water Authority	Sanitary District	Refuse	Total
ASSETS:				
Current Assets:				
Cash and investments	\$ 3,101,647	\$ 934,839	\$ 179,431	\$ 4,215,917
Accounts receivable	395,729	539,956	126,238	1,061,923
Interest receivable	52,579	13,383	459	66,421
Due from other funds	614,308	-	-	614,308
Total Current Assets	4,164,263	1,488,178	306,128	5,958,569
Non-Current Assets:				
Restricted:				
Cash with fiscal agent	3,883,039	6,750,459	-	10,633,498
PERS Reserve	85,222	73,833	-	159,055
Capital Assets:				
Land	315,935	334,001	-	649,936
Buildings	198,416	481,913	-	680,329
Improvements other than buildings	4,957,955	6,979,013	-	11,936,968
Machinery and equipment	6,128,184	5,189,211	-	11,317,395
Construction-in-progress	1,852,334	21,705,499	-	23,557,833
Less: accumulated depreciation	(6,283,315)	(5,644,032)	-	(11,927,347)
Deferred charges	598,432	241,175	-	839,607
Total Non-Current Assets	11,736,202	36,111,072	-	47,847,274
TOTAL ASSETS	15,900,465	37,599,250	306,128	53,805,843
LIABILITIES:				
Current Liabilities:				
Accounts payable	67,221	4,432,824	165,200	4,665,245
Accrued liabilities	18,627	14,351	-	32,978
Accrued interest payable	192,804	188,397	-	381,201
Deposits payable	584,784	-	-	584,784
Compensated absences	185,924	88,010	-	273,934
Current portion of bonds and leases payable	260,000	155,573	-	415,573
Total Current Liabilities	1,309,360	4,879,155	165,200	6,353,715
Non-current liabilities:				
Bonds and leases payable after one year	12,549,453	20,859,813	-	33,409,266
Total Non-Current Liabilities	12,549,453	20,859,813	-	33,409,266
TOTAL LIABILITIES	13,858,813	25,738,968	165,200	39,762,981
NET ASSETS (DEFICIT):				
Invested in capital assets, net of related debt	(285,950)	16,193,763	-	15,907,813
Restricted for:				
Debt service	66,858	359,159	-	426,017
Capital projects	4,917,683	9,312,411	-	14,230,094
Unrestricted	(2,656,939)	(14,005,051)	140,928	(16,521,062)
TOTAL NET ASSETS	\$ 2,041,652	\$ 11,860,282	\$ 140,928	\$ 14,042,862

See accompanying notes to the basic financial statements.

CITY OF COACHELLA

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
 PROPRIETARY FUNDS
 YEAR ENDED JUNE 30, 2006

	Enterprise Funds			
	Water Authority	Sanitary District	Refuse	Total
OPERATING REVENUES:				
Charges for services	\$ 2,467,129	\$ 2,852,399	\$ 947,718	\$ 6,267,246
Connection charges	2,339,310	3,050,393	-	5,389,703
Other income	224,005	117,631	-	341,636
TOTAL OPERATING REVENUES	<u>5,030,444</u>	<u>6,020,423</u>	<u>947,718</u>	<u>11,998,585</u>
OPERATING EXPENSES:				
Salaries and benefits	707,554	736,616	-	1,444,170
Administrative costs-General Fund	135,786	52,691	-	188,477
Professional services	638,258	717,007	878,216	2,233,481
Materials and supplies	227,106	157,919	-	385,025
Repairs and maintenance	53,208	50,682	-	103,890
Equipment rental	-	6,579	-	6,579
Utilities	416,825	264,214	-	681,039
General office	9,383	15,262	-	24,645
Depreciation	414,743	343,684	-	758,427
Other	244,894	306,938	10,491	562,323
TOTAL OPERATING EXPENSES	<u>2,847,757</u>	<u>2,651,592</u>	<u>888,707</u>	<u>6,388,056</u>
OPERATING INCOME	<u>2,182,687</u>	<u>3,368,831</u>	<u>59,011</u>	<u>5,610,529</u>
NON-OPERATING REVENUES (EXPENSES):				
Taxes	-	38,055	-	38,055
Interest revenue	238,681	159,866	2,284	400,831
Interest expense and fiscal charges	(566,854)	(345,277)	-	(912,131)
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>(328,173)</u>	<u>(147,356)</u>	<u>2,284</u>	<u>(473,245)</u>
OPERATING INCOME BEFORE OPERATING TRANSFERS	<u>1,854,514</u>	<u>3,221,475</u>	<u>61,295</u>	<u>5,137,284</u>
Operating transfers in	-	796,621	-	796,621
Operating transfers out	-	(25,631)	-	(25,631)
CHANGE IN NET ASSETS	<u>1,854,514</u>	<u>3,992,465</u>	<u>61,295</u>	<u>5,908,274</u>
NET ASSETS, beginning of year as restated	<u>187,138</u>	<u>7,867,817</u>	<u>79,633</u>	<u>8,134,588</u>
NET ASSETS, end of year	<u>\$ 2,041,652</u>	<u>\$ 11,860,282</u>	<u>\$ 140,928</u>	<u>\$ 14,042,862</u>

See accompanying notes to the basic financial statements.

CITY OF COACHELLA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2006

	Enterprise Funds			
	Water Authority	Sanitary District	Refuse	Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	\$ 4,910,092	\$ 5,854,565	\$ 922,759	\$ 11,687,416
Payments to suppliers	(1,657,235)	(621,866)	(785,654)	(3,064,755)
Payments to employees for services	(620,544)	(733,669)	-	(1,354,213)
Net cash provided by operating activities	<u>2,632,313</u>	<u>4,499,030</u>	<u>137,105</u>	<u>7,268,448</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES				
Taxes	-	38,055	-	38,055
Reimbursement to other funds	-	(2,876,799)	-	(2,876,799)
Operating transfers in	-	796,621	-	796,621
Operating transfers out	-	(25,631)	-	(25,631)
Net cash used by non-capital activities	<u>-</u>	<u>(2,067,754)</u>	<u>-</u>	<u>(2,067,754)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Purchase of equipment	-	(16,166)	-	(16,166)
Payment for construction in progress	-	(10,865,700)	-	(10,865,700)
Proceeds from issuance of long term debt	-	13,914,056	-	13,914,056
Principal paid on long-term debt	(250,000)	(105,000)	-	(355,000)
Payment for improvement other than buildings	(754,002)	-	-	(754,002)
Interest paid on long-term debt	(570,979)	(217,096)	-	(788,075)
Premium paid on retirement of refunded debt	-	-	-	-
Net cash provided (used) for capital and related financing activities	<u>(1,574,981)</u>	<u>2,710,094</u>	<u>-</u>	<u>1,135,113</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest on investments	<u>194,868</u>	<u>146,537</u>	<u>2,790</u>	<u>344,195</u>
Net cash provided by investment activities	<u>194,868</u>	<u>146,537</u>	<u>2,790</u>	<u>344,195</u>
Net increase in cash and cash equivalents	1,252,200	5,287,907	139,895	6,680,002
Cash and cash equivalents-beginning of year	<u>5,732,486</u>	<u>2,397,391</u>	<u>39,536</u>	<u>8,169,413</u>
Cash and cash equivalents-end of year	<u>\$ 6,984,686</u>	<u>\$ 7,685,298</u>	<u>\$ 179,431</u>	<u>\$ 14,849,415</u>
Reconciliation of operating income to net cash provided (used) by operating activities				
Operating income	\$ 2,182,687	\$ 3,368,831	\$ 59,011	\$ 5,610,529
Adjustments not affecting cash				
Depreciation	414,743	343,684	-	758,427
Restatement of retained earnings	(22,207)	14,473	-	(7,734)
Unamortized bond premium	(13,684)	-	-	(13,684)
CHANGE IN ASSETS AND LIABILITIES				
(Increase) decrease in accounts receivable	124,160	(39,422)	(25,465)	59,273
(Increase) decrease in prepaid expenses	-	166,290	-	166,290
Increase (decrease) in accounts payable	(276,294)	642,227	103,559	469,492
Increase (decrease) in accrued payroll	10,356	3,014	-	13,370
Increase (decrease) in deposits payable	135,898	-	-	135,898
Increase (decrease) in compensated absences payable	<u>76,654</u>	<u>(67)</u>	<u>-</u>	<u>76,587</u>
Total adjustments	<u>449,626</u>	<u>1,130,199</u>	<u>78,094</u>	<u>1,657,919</u>
Net cash provided by operating activities	<u>\$ 2,632,313</u>	<u>\$ 4,499,030</u>	<u>\$ 137,105</u>	<u>\$ 7,268,448</u>

See accompanying notes to the basic financial statements.

CITY OF COACHELLA
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
JUNE 30, 2006

ASSETS:

Cash and investments	\$ 1,563,304
Cash and investments with fiscal agents	537,821
Receivables	<u>1,457</u>

TOTAL ASSETS	<u><u>\$ 2,102,582</u></u>
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LIABILITIES:

Employee contribution	\$ 552,816
Pass throughs	586,724
Claims payable	91,517
Deposits payable	<u>871,525</u>

TOTAL LIABILITIES	<u><u>\$ 2,102,582</u></u>
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See accompanying notes to the basic financial statements.

NOTES TO FINANCIAL STATEMENTS

CITY OF COACHELLA

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Description of the Reporting Entity

The financial statements of the City of Coachella (City) have been prepared in conformity with accounting principles generally accepted in the United States of America and the Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

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

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

Coachella Redevelopment Agency – The Coachella Redevelopment Agency (the Agency) was established pursuant to the State of California Health and Safety Code, Section 33000 entitled "Community Redevelopment Law". The purpose of the Agency is to prepare and execute plans for the improvement, rehabilitation and redevelopment of blighted areas within the limits of the City. The Agency is considered a component unit of the City and has been blended into the City's general purpose financial statements for reporting purposes. Separate financial statements of the Agency can be obtained at City Hall.

CITY OF COACHELLA

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A. Description of the Reporting Entity (Continued)

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

Coachella Water Authority - The Coachella Water Authority (the Authority) was created to provide water treatment and distribution services to the City of Coachella. The Authority is considered a component unit of the City and has been blended into the City's general purpose financial statements for reporting purposes. Separate financial statements of the Authority can be obtained at City Hall.

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

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

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

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

CITY OF COACHELLA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basis of Presentation

Government-wide Financial Statements

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

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

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

Fund Financial Statements

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

CITY OF COACHELLA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basis of Presentation (Continued)

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

The funds of the financial reporting entity are described below:

Governmental Fund Types

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

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

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

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

Proprietary Fund Types

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

CITY OF COACHELLA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basis of Presentation (Continued)

Fiduciary Fund Type

Trust and Agency Funds – The Trust and Agency Funds are used to account for financial resources deposited and held in a trustee or agency capacity. Agency funds are custodial in nature and do not involve measurement of results of operations.

Major Funds

Governmental Funds

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

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

Redevelopment Agency Merged Project Area Capital Project Fund – Accounts for the acquisition, improvement and rehabilitation of property within the merged Capital Project Areas.

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

Proprietary Funds

Water Authority – Accounts for the collection of revenues and expenses incurred in connection with operating and managing the City's water system.

Sanitary District – Accounts for the collection of revenues and expenses incurred in connection with operating and maintaining the City's sewer system.

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

CITY OF COACHELLA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus and Basis of Accounting

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

Measurement Focus

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

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

- a. All governmental funds utilize a “current financial resources” measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available expendable financial resources during a given period. These funds use fund balance as their measure of available expendable financial resources at the end of the period.
- b. The proprietary fund utilizes an “economic resources” measurement focus. Proprietary fund equity is classified as net assets.
- c. Agency funds are not involved in the measurement of results of operations; therefore, measurement focus is not applicable to them.

Basis of Accounting

In the government-wide Statement of Net Assets and Statement of Activities, both governmental and business-like activities are presented using the accrual basis of accounting.

CITY OF COACHELLA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus and Basis of Accounting (Continued)

Basis of Accounting (Continued)

Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

In the fund financial statements, governmental funds and agency funds are presented on the modified accrual basis of accounting. Under this modified accrual basis of accounting, revenues are recognized when "measurable and available". Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or soon enough thereafter to pay current liabilities. Revenues which are susceptible to accrual include property taxes and special assessments that are levied for and due for the fiscal year and collected within 60 days after year-end. Licenses, permits, fines, forfeits, charges for services and miscellaneous revenues are recorded as governmental fund type revenues when received in cash because they are not generally measurable until actually received. In accordance with Government Accounting Standards Board (GASB) Statement No. 22, revenue from taxpayer assessed taxes, such as sales taxes, are recognized in the accounting period in which they become both measurable and available to finance expenditures of the fiscal period. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Expenditures are recognized when the fund liability is incurred, if measurable, except for un-matured interest on long-term debt, which is recognized when due.

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

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

CITY OF COACHELLA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus and Basis of Accounting (Continued)

Basis of Accounting (Continued)

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

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

D. Cash and Investments

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

The City adopted a revised investment policy on April 12, 2006. This policy allows the City to invest surplus monies in the State's Local Agency Investment Fund and in obligations of the U.S. Treasury. The types of investments comply with state laws.

A substantial portion of the City's investments are in short-term, highly liquid instruments, with original maturities of three months or less (including \$11,245,958 of funds on deposit with the California Local Agency Investment Fund). For purpose of the statements of cash flows, all cash and investments held by the enterprise (other than restricted cash and investments) are considered to be short term and, accordingly, are classified as cash and cash equivalents.

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

CITY OF COACHELLA

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Cash and Investments (Continued)

The following schedule summarizes capital asset useful lives:

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

E. Inventories

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

F. Capital Assets and Depreciation

Capital assets, which include property, plant, equipment and infrastructure assets are stated at cost or appraised historical cost if the original cost is not available. Contributed capital assets are stated at fair market value at the time received. When the assets are retired or sold, the cost of the assets and related accumulated depreciation are eliminated from the accounts and any resultant gain or loss is charged to operations. Generally, Capital assets purchased with a cost of more than \$5,000 are capitalized if they have a estimated life in excess of one year.

G. Funds Servicing Long Term Debt

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

H. Claims and Judgments

The City accounts for material claims and judgments in accordance with NCGA Statement No. 4. When it is probable that a claim liability has been incurred at year-end and the amount of the loss can be reasonably estimated, the City records the estimated loss, net of any insurance coverage. At June 30, 2006, in the opinion of the City Attorney, the City had no material claims which would require a loss provision in the financial statements. Small dollar claims and judgments are recorded as expenditures when paid.

CITY OF COACHELLA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. Compensated Absences Payable

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

J. Property Taxes

The City's property taxes are levied and collected by the Riverside County Treasurer. Property taxes (secured and unsecured) are levied on August 20 based upon the previous March 1 assessed values as determined by the Riverside County Assessor. Taxes are due in two equal installments on December 10 and April 10 following the levy date. The property taxes go into a pool and are then allocated to the cities based on complex formulas prescribed by state statutes. The City accrues only those taxes, which are received within 60 days after year-end.

K. Budgets and Budgetary Accounting

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

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

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

CITY OF COACHELLA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

K. Budgets and Budgetary Accounting (Continued)

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

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

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

An annual budget for fiscal year 2005-2006 was adopted and approved by the City Council for the General, Special Revenue, Debt Service, and Enterprise Funds. The budget for the Capital Projects Funds is established on a project by project basis. The total budget for all funds (including the fiscal year 2005-06 capital projects fund) was \$56,963,018.

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

L. Interfund Transfers

Interfund transfers consisting of identified services performed for other funds or costs billed to other funds are treated as expenditures in the fund receiving the services.

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

M. Use of Estimates

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

CITY OF COACHELLA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

2. CASH AND INVESTMENTS

Cash and investments reported in the accompanying financial statements consisted of the following at June 30, 2006:

Statement of net assets:	
Cash and investments	\$ 38,360,654
Cash with fiscal agent	45,197,052
Statement of fiduciary assets:	
Cash and investments	1,563,304
Cash with fiscal agent	<u>537,821</u>
Total cash and investments	<u><u>\$ 85,658,831</u></u>

Cash and Investments as of June 30, 2006, consist of the following:

Cash on hand	\$ 1,500
Deposits in escrow accounts	1,118,460
Deposits with financial institutions	11,860,569
Deposits with government agency	433,713
Investments	<u>72,244,589</u>
Total cash and investments	<u><u>\$ 85,658,831</u></u>

Investments Authorized by the City's Investment Policy

The table below identifies the investment types that are authorized by the City's investment policy. This table does not address investments of debt proceeds held by bond trustee that are governed by the provisions of debt agreements of the City, rather than the general provision of the City's investment policy.

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage Portfolio*</u>	<u>Maximum Investment in One Issuer</u>
Demand Deposits	N/A	None	None
Certificates of Deposit	N/A	30%	\$99,000
Mutual Funds	N/A	15%	None
Obligations of U.S. Federal Agencies	N/A	10%	30%
Government Securities Money Market funds	N/A	None	\$2 Million
Local Agency Investment Fund	N/A	\$ 30 Million	\$30 Million

*Excluding amounts held by bond trustee that are not subject to California Government Code Restrictions.

CITY OF COACHELLA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

2. CASH AND INVESTMENTS (CONTINUED)

Investments Authorized by debt Agreements

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage Portfolio*</u>	<u>Maximum Investment in One Issuer</u>
Demand Deposits	N/A	None	None
Certificates of Deposit	N/A	30%	\$ 99,000
Mutual Funds	N/A	15%	None
Obligations of U.S. Federal Agencies	N/A	10%	30%
Government Securities Money Market funds	N/A	None	\$ 2 Millilon
Local Agency Investment Fund	N/A	\$ 30 Million	\$ 30 Million

*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 provisions of the debt agreements, rather than the general provisions of the California Government Code or the City's investment policy. The table below identifies the investments types that are authorized for investments held by bond trustee.

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage Portfolio</u>	<u>Maximum Investment in One Issuer</u>
Government Securities Money Market Funds	N/A	10%	\$ 2 Million

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 City manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash 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.

CITY OF COACHELLA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

2. CASH AND INVESTMENTS (CONTINUED)

As of June 30, 2006 the City's investments were as follows:

<u>Investment Type</u>	<u>Amount</u>	<u>Maturity Date</u>
Local Agency Investment Fund (LAIF)	\$ 11,245,958	None
Corporate Bonds	2,431,933	
Money Market Funds	105,684	Daily
Mutual Funds	517,562	None
U.S. Treasury Securities	9,524,635	
Obligations of U.S. Federal Agencies	4,856,201	12-36 Months
Held by Bond Trustee:		
Governmental Securities Money Market Fund	14,673,015	Daily
Investment Agreements	<u>28,889,601</u>	
Total	<u>\$ 72,244,589</u>	

The City did not have any investments considered to be highly sensitive to interest rate fluctuation at June 30, 2006.

Credit Risk

The City's investment policy, or debt agreements and the actual rating as of the year-end for each investment type are as follows:

<u>Investment Type</u>	<u>Amount</u>	<u>Minimum Legal Rating</u>	<u>Exempt From Disclosure</u>	<u>Rating as of Year End</u>		
				<u>AAA</u>	<u>AA</u>	<u>Not Rated</u>
Corporate bonds	\$ 2,431,933	A	\$ -	\$ 2,431,933	\$ -	\$ -
Local Agency Investment fund (LAIF)	11,245,958	N/A	-	-	-	11,245,958
Money Market Funds	105,684	N/A	-	105,684	-	-
Mutual Funds	517,562	N/A	-	-	-	517,562
U.S. Treasury Securities	9,524,635		9,524,635	-	-	-
Obligations of U.S. Federal Agencies	4,856,201	N/A	-	4,856,201	-	-
Held by bond trustee:						
Investment Agreements	28,889,601			28,889,601		
Money Market Fund	<u>14,673,015</u>	A	<u>-</u>	<u>14,673,015</u>	<u>-</u>	<u>-</u>
	<u>\$ 72,244,589</u>		<u>\$ 9,524,635</u>	<u>\$ 50,956,434</u>	<u>\$ -</u>	<u>\$ 11,763,520</u>

CITY OF COACHELLA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

2. CASH AND INVESTMENTS (CONTINUED)

Concentration of Credit Risk

The investment policy of the City contains no limitations on the amount 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 totals City's investments are as follows:

<u>Investment Type</u>	<u>Amount</u>	<u>Issuer</u>
Money Market Funds	\$ 14,673,015	Blackrock Institutional Fund
Investment Agreements	28,889,601	XL Asset Funding Company LLC
Obligations of U.S. Federal Agencies	4,856,201	FNMA & FHLMC
Local Agency Investment Fund	<u>11,245,958</u>	State of California
	<u>\$ 59,664,775</u>	

Custodial Credit Risk

Deposits are exposed to custodial risks if they are uninsured and uncollateralized. Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the City 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. Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the City and are held by either the counterparty or the counterparty's trust department or agent but not in the City's name.

All cash and certificates of deposit are entirely insured or collateralized. The California Government Codes requires California banks and savings and loan associations to secure City deposits by pledging government securities, which equal at least 110% of the City's deposits. California law also permits financial institutions to secure City's deposits by pledging of first trust deed mortgage notes in excess of 150% of the City's deposits. Collateral requirements may be waived for deposits that are fully insured up to \$100,000 by the Federal Deposit Insurance Corporation (FDIC). All of the City's investments are held in the name of the City with the City's custodial bank or by the City's counterparty's trust department.

CITY OF COACHELLA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

2. CASH AND INVESTMENTS (CONTINUED)

Investment in State Investment Pool

The City is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by the California Government Code under the oversight of the Treasurer of the State of California. The fair value of the City's investment in this pool is reported in the accompanying financial statements at amounts based upon the City's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized costs basis. LAIF invests some of its portfolio in derivatives. Detailed information on derivative investments held by this pool is not readily available.

3. DUE TO / FROM OTHER FUNDS

Interfund receivables and payables balances at June 30, 2006 are as follows:

	Interfund Receivable	Interfund Payable
General Fund	\$ 104,741	\$ 671,582
<u>Special Revenue Funds:</u>		
Fire Protection District	-	194,109
Low & Mod Housing Set-Aside Fund	251,383	-
<u>Capital Projects Funds:</u>		
RDA Project Area #2	-	104,741
<u>Proprietary Funds:</u>		
Water Enterprise	614,308	-
	<u>\$ 970,432</u>	<u>\$ 970,432</u>

Loan balances resulted from interfund transfers to provide temporary funds for operations.

Advances to other funds/advances from other funds at June 30, 2006 are as follows:

	Advances to Other Funds	Advances from Other Funds
General Fund	\$ 192,938	\$ -
<u>Special Revenue Funds:</u>		
ECD Entitlement	-	150,227
Federal and State Police Programs	-	37,877
<u>Debt Service Funds:</u>		
Coachella Financing Authority	-	4,834
	<u>\$ 192,938</u>	<u>\$ 192,938</u>

The advances for the general fund to other governmental funds were made for cash shortages.

CITY OF COACHELLA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

4. INTERFUND TRANSACTIONS

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

	Transfers In	Transfers Out
<u>General Fund</u>	\$ 1,620,918	\$ 846,952
<u>Special Revenue Funds</u>		
State Gas Tax	-	1,175,923
Street Improvements	-	5,287,054
Fire Protection District	1,016,357	-
ECD Entitlement	-	961,131
Educational Government	8,750	-
Federal and State Police Programs	-	71,864
Low & Mod Housing Set-Aside	1,086,384	200,000
Low & Mod Housing Bond Fund	9,336,831	-
<u>Deb Service Funds</u>		
RDA Project Area #1	239,207	147,893
RDA Project Area #2	502,763	305,589
RDA Project Area #3	1,092,487	457,531
RDA Project Area #4	2,289,063	2,334,093
Coachella Financing Authority	1,400,581	245
General Leases	8,203	-
<u>Capital Projects Funds</u>		
RDA Project Area #1	2,641,995	4,158,298
RDA Project Area #2	5,632,882	8,163,183
RDA Project Area #3	12,066,292	16,889,347
RDA Project Area #4	9,291,311	15,202,749
RDA Administration	758,141	-
Improvement Projects Fund	6,438,697	-
<u>Proprietary Funds</u>		
Water Enterprise	796,621	25,631
	<u>\$ 56,227,483</u>	<u>\$ 56,227,483</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

CITY OF COACHELLA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

5. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2006 is as follows:

	Beginning Balance	Adjustments	Additions	Retirements	Reclassifications	Ending Balance
Governmental Activities:						
Non-Depreciable Assets:						
Land	\$ 231,819	-	\$ -	\$ -	\$ -	\$ 231,819
Depreciable Assets:						
Buildings	3,532,038	20	350,763	-	-	3,882,821
Infrastructure	15,302,752	9,690	3,690,726	-	-	19,003,168
Equipment	5,493,034	52,619	262,289	-	(34,905)	5,773,037
Furniture and fixtures	6,978	-	-	-	-	6,978
Totals at historical cost	24,566,621	62,329	4,303,778	-	(34,905)	28,897,823
Less Accumulated Depreciation:						
Buildings	(1,840,870)	(41,064)	(127,845)	-	-	(2,009,779)
Infrastructure	(771,690)	(119)	(433,237)	-	-	(1,205,046)
Equipment	(3,922,609)	(1,956)	(441,710)	-	34,905	(4,331,370)
Furniture and fixtures	(116)	(333)	(1,396)	-	-	(1,845)
Total: Accumulated Depreciation	(6,535,285)	(43,472)	(1,004,188)	-	34,905	(7,548,040)
Governmental Activities Capital Assets, Net	18,031,336	18,857	3,299,590	-	-	21,349,783
Business-Type Activities:						
Non-Depreciable Assets:						
Land	649,936	-	-	-	-	649,936
Construction in Progress	8,929,845	-	14,627,988	-	-	23,557,833
Depreciable Assets:						
Buildings	680,329	-	-	-	-	680,329
Improvements other than buildings	11,348,187	-	588,781	-	-	11,936,968
Equipment	11,153,086	-	164,309	-	-	11,317,395
Total at historical cost	32,761,383	-	15,381,078	-	-	48,142,461
Less Accumulated Depreciation:						
Buildings	(333,649)		(17,008)	-	-	(350,657)
Improvements other than buildings	(4,858,382)		(385,979)	-	-	(5,244,361)
Equipment	(6,015,215)		(317,114)	-	-	(6,332,329)
Total: Accumulated Depreciation	(11,207,246)		(720,101)	-	-	(11,927,347)
Business-Type Activities Capital Assets, Net	\$ 21,554,137	\$ -	\$ 14,660,977	\$ -	\$ -	\$ 36,215,114
Depreciation expense was charged to governmental functions as follows:						
General government						\$ 951,823
Public safety						46,955
Public works						5,410
Total Depreciation Expense						\$ 1,004,188

CITY OF COACHELLA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

6. LAND HELD FOR RESALE

Land acquired by the City and held for resale is recorded at cost unless market value is determined to be below cost. Any resale of land is not anticipated in the near future, a corresponding portion of the fund balance, which is not available for current expenditures, has been reserved. The balance in this account as of June 30, 2006 is \$1,176,771.

7. AMOUNTS DUE UNDER PASS-THROUGH AGREEMENTS

Property taxes related to the incremental increase in assessed values after the adoption of the redevelopment plan are, except where otherwise provided by specific agreement, allocated to the Redevelopment Agency. The Agency has entered into various pass-through agreements with other agencies to allocate its tax increment revenue. At June 30, 2006, the Agency is holding \$107,078 in trust on behalf of other agencies and entities related to specific pass-through agreements.

8. LONG-TERM DEBT

Long-term liability activity for the year ended June 30, 2006, was as follows:

	Beginning Balance	Adjustments	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Governmental Activities:						
Lease payable	\$ 306,770	\$ -	\$ -	\$ (51,471)	\$ 255,299	\$ 54,489
Notes payable	1,378,824	-	-	(1,378,824)	-	-
Bond anticipation note	5,000,000 *	(5,000,000)	-	-	-	-
Tax allocation refunding bonds	9,110,002	-	-	(1,480,000)	7,630,002	210,000
Tax allocation revenue refunding bonds	14,465,000	-	-	(340,000)	14,125,000	210,000
Subordinate tax allocation bonds	-	-	23,120,000	-	23,120,000	925,000
Taxable subordinate housing set-aside revenue bonds	-	-	10,725,000	-	10,725,000	480,000
Compensated absences	448,254	-	112,101	-	560,355	-
	30,708,850	(5,000,000)	33,957,101	(3,250,295)	56,415,656	1,879,489
Less: Bond discount and deferred amount on refunding	917,700	-	1,541,382	41,976	2,417,106	-
Governmental Activities Long-Term Liabilities	\$ 29,791,150	\$ (5,000,000)	\$ 32,415,719	\$ (3,292,271)	\$ 53,998,550	\$ 1,879,489
Business-Type Activities:						
Bonds and Loans Payable						
Wastewater revenue refunding bonds	\$ -	\$ -	\$ 5,000,000	\$ -	\$ 5,000,000	\$ 50,573
Refunding bonds	5,725,000	-	-	(105,000)	5,620,000	105,000
Revenue bonds	12,690,000	-	-	(250,000)	12,440,000	260,000
Revolving fund loan	-	-	10,741,797	-	10,741,797	-
	18,415,000	-	15,741,797	(355,000)	33,801,797	415,573
Less bond discount on revenue bonds	(360,100)	-	-	13,689	(346,411)	-
Plus premium on revenue bonds	383,136	-	-	(13,683)	369,453	-
Business-Type Activities Long-Term Liabilities	\$ 18,438,036	\$ -	\$ 15,741,797	\$ (354,994)	\$ 33,824,839	\$ 415,573

* Bond anticipation note was improperly reported on last year's report as a long-term liability.

CITY OF COACHELLA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

8. LONG-TERM DEBT (Continued)

Long-Term Liabilities – Governmental Activities

Leases Payable

The City has entered into several non-cancelable long-term leases for the purchase of certain equipment utilized by departments and operating divisions of the City. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of their minimum lease payments as of the inception date. The assets acquired during the fiscal year under the lease agreements are recorded at their acquisition cost of \$364,281.

The following is a schedule of the future minimum lease payments under these capital leases, together with the present value of the net minimum lease payments, as of June 30, 2006:

<u>Fiscal Year</u>	
2006-07	\$ 66,326
2007-08	63,983
2008-09	52,268
2009-10	52,268
2010-11	<u>52,268</u>
	287,113
Less: Amount representing interest	<u>(31,814)</u>
Present value of net minimum lease payments	<u>\$ 255,299</u>

Compensated Absences Payable

Compensated absences in the City's governmental funds are classified as long-term liabilities. The City believes that the current portion of compensated balances is negligible and is therefore not reported. Compensated absence liabilities related to governmental activities is normally paid from funds reporting payroll and related expenditures. The balance at June 30, 2006 is \$560,355.

Bond Anticipation Note

On May 1, 2004, the Coachella Financing Authority issued \$5,000,000 in bond anticipation notes to provide short-term financing to finance certain improvements in the waste water system of the Coachella Sanitary District. These notes were paid in full with proceeds from bonds issued by the Coachella Financing Authority and purchased by the USDA Rural Development. The initial proceeds from the bond anticipation notes were loaned to the Coachella Sanitary District. The total amount outstanding as of June 30, 2006 is \$0.

CITY OF COACHELLA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

8. LONG-TERM DEBT (Continued)

Long-Term Liabilities – Governmental Activities (Continued)

Tax Allocation Revenue and Refunding Bonds

The tax allocation bonds are special obligations of the Coachella Redevelopment Agency and the Coachella Financing Authority and are secured by an irrevocable pledge of tax revenues as provided under the Bond Resolution. The bonds and any interest are not a debt of the City, the State of California or any of its political subdivisions; neither the City, the State of California nor any of its political subdivisions are liable for the bonds. In no event shall the bonds and interest thereon be payable out of any funds or properties other than those provided under the Bond Resolution. The following is a summary of the tax allocation revenue refunding and subordinate bonds outstanding as of June 30, 2006:

<u>Tax Allocation Revenue Refunding and Subordinate Bonds</u>	<u>Issue Bonds</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Balance Outstanding 6/30/06</u>
<u>Individual Project Areas</u>				
Project Area No. 1	12/04	12/2030	4.4%-5.25%	\$ 2,405,000
Project Area No. 2	06/99	06/2019	4.4%-6.15%	1,415,002
Project Area No. 2	12/04	12/2030	4.4%-5.25%	2,365,000
Project Area No. 3	12/98	12/2028	3.85%-5.875%	6,215,000
Project Area No. 4	12/04	12/2034	4.5%-5.25%	9,355,000
				<u>21,755,002</u>
<u>Merged Project Areas</u>				
Non-Housing Bonds	05/06	09/2036	3.45%-5.25%	23,120,000
Housing Bonds	05/06	09/2036	5.3%-6.25%	10,725,000
				<u>33,845,000</u>
Total Tax Allocation Revenue Refunding and Subordinate Bonds				<u>\$ 55,600,002</u>
Less: Bond discount and deferred amount on refunding				<u>(2,417,106)</u>
Total				<u>\$ 53,182,896</u>

CITY OF COACHELLA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

8. LONG-TERM DEBT (Continued)

Long-Term Liabilities – Governmental Activities (Continued):

The minimum annual requirements to amortize all governmental activities long-term debt, other than compensated absences, as of June 30, 2006, including interest payments are as follows:

<u>Fiscal Year</u>	<u>Leases</u>	<u>Tax Allocation Refunding Bonds</u>	<u>Tax Allocation Revenue Bonds</u>	<u>Non-Housing Bonds</u>	<u>Housing Bonds</u>
2006-07	\$ 66,326	\$ 655,132	\$ 840,800	\$ 1,206,903	\$ 656,310
2007-08	63,983	659,234	846,706	1,333,649	747,230
2008-09	52,268	657,334	842,160	1,337,099	750,605
2009-10	52,268	659,741	851,991	1,594,851	903,450
2010-11	52,268	660,347	850,997	1,411,121	771,420
2012-2016	-	3,296,134	4,255,637	7,072,926	3,866,735
2017-2021	-	2,972,267	4,383,918	7,279,586	3,855,173
2022-2026	-	2,498,219	5,296,462	6,940,854	3,761,837
2027-2031	-	1,494,798	5,728,598	7,367,728	3,907,028
2032-2036	-	-	2,864,673	6,470,536	3,240,147
	287,113	13,553,206	26,761,942	42,015,253	22,459,935
Less: Interest payments	(31,814)	(5,923,204)	(12,636,942)	(18,895,253)	(11,734,935)
Total Principal Due	\$ 255,299	\$ 7,630,002	\$ 14,125,000	\$ 23,120,000	\$ 10,725,000

Long-Term Liabilities – Business-type Activities

Water Revenue Bonds

On July 1, 2003, the Coachella Water Authority issued \$13,410,000 in water revenue bonds, series 2003 with an average interest rate of 5.00%, payable semi-annually on March 1 and September 1 of each year, commencing March 1, 2004. Proceeds of the bonds were used to prepay and defease the outstanding Water Revenue Refunding Certificates of Participation, Series 1992, to finance the cost of improvements to the water system for the City of Coachella and to make an upfront lease payment to the City. The balance at June 30, 2006 is \$12,809,453 (\$12,440,000 plus unamortized premium on bonds of \$369,453).

Sewer Revenue Bonds

On March 30, 2005; the Sanitary District issued \$5,725,000 in revenue refunding bonds, series 2005A with an average interest rate of 4.20% for the early refunding of \$3,340,000 of outstanding 1995 revenue certificates of participation with an average interest rate of 7.08%. The balance at June 30, 2006 is \$5,273,589 (\$5,620,000 net of unamortized discount and issuance costs of \$346,411).

CITY OF COACHELLA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

8. LONG-TERM DEBT (Continued)

Long-Term Liabilities – Business-type Activities (Continued):

Wastewater Revenue Refunding Bonds

On September 26, 2005 the Coachella Financing Authority issued \$5,000,000 in wastewater refunding bonds (USDA) to finance certain improvements in the wastewater system of the Sanitary District. The proceeds from these bonds were loaned to the Sanitary District. Principal and interest is payable semi-annually on March 26 and September 26, commencing on September 26, 2006. Average interest rate on these bonds is 4.25%. The total amount outstanding as of June 30, 2006 is \$5,000,000.

Revolving Fund Loan

On September 26, 2005 the Sanitary District applied for and received a revolving fund loan in the amount of \$23,658,615 with an interest rate of 2.3% from State of California – State Water Resources Control Board. The purpose of this loan is to reimburse the Sanitary District for costs associated with the expansion of its sewer treatment plant. The actual total amount of the loan will be determined upon completion of the project and all costs are known. Repayment of this loan shall be paid in annual installments commencing on the date that is one (1) year after completion of construction and shall be fully amortized not later than twenty (20) years after completion of construction. Estimated date for completion of construction is March 2007. The total amount outstanding as of June 30, 2006 is \$10,741,797.

The minimum annual requirements to amortize all business-type activities long-term debt bonds and loans including principal and interest payments are as follows:

CITY OF COACHELLA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

8. LONG-TERM DEBT (Continued)

Long-Term Liabilities – Business-type Activities (Continued)

Year Ending June 30,	Water Revenue Bonds	Sewer Revenue Bonds	Wastewater Revenue Refunding Bonds	Revolving Fund Loan
2007	\$ 838,413	\$ 351,019	256,823	-
2008	836,913	352,869	256,845	1,048,568
2009	833,962	349,569	256,867	1,048,568
2010	835,187	351,269	256,890	1,048,568
2011	835,387	351,094	256,915	1,048,568
2012-2016	4,182,053	1,755,970	1,284,976	5,242,841
2017-2021	4,181,550	1,758,880	1,285,754	5,139,710
2022-2026	4,185,000	1,761,256	1,286,710	-
2027-2031	4,188,500	1,758,663	1,287,883	-
2032-2036	1,672,500	1,405,635	1,289,320	-
2037-2041	-	-	1,291,083	-
2042-2046	-	-	1,293,248	-
Total principal and interest	22,589,465	10,196,224	10,303,314	14,576,823
Less: Interest payments	(10,149,465)	(4,576,224)	(5,303,314)	(3,835,026)
Total principal due	<u>\$ 12,440,000</u>	<u>\$ 5,620,000</u>	<u>\$ 5,000,000</u>	<u>\$ 10,741,797</u>

9. DEFEASED OBLIGATIONS

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

The amounts of defeased debts still outstanding at June 30, 2006, are as follows:

<u>Issue</u>	<u>Defeased Amount Outstanding</u>
1986 Sanitary District Certificates of Participation	\$ 425,000

CITY OF COACHELLA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

10. PENSION PLAN

A. Plan Description

The City of Coachella Contributes to the California Public Employees Retirement System (PERS), an agent multiple-employer public employee defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. PERS acts as a common investment and administrative agent for participating public entities within the State of California. Benefit provisions and all other requirements are established by state statute and city ordinance.

Copies of PERS' annual financial report may be obtained from the executive office at 404 P Street, Sacramento, CA 95814.

B. Funding Policy

Participants are required to contribute 8% (9% for safety employees) of their annual covered salary. The City makes the contribution required of City employees on their behalf and for their account. The City is required to contribute at an actuarially determined rate: the rate for fiscal year 2004-2005 is 13.83% for non-safety employees. The contribution requirements of plan members and the City are established and may be amended by PERS.

C. Annual Pension Cost

For 2006, the City's annual pension cost of \$638,231 for PERS was equal to the City's required and actual contributions. The required contribution was determined as part of the June 30, 2003, actuarial valuation using the entry age normal actuarial cost of method. The actuarial assumptions included (a) 7.75% investment rate of return (net of administrative expenses), (b) projected annual salary increases that vary by duration of service, and (c) 3.25% per year cost-of-living adjustments. Both (a) and (b) included an inflation component of 3.00%. The actuarial value of PERS assets was determined using techniques that smooth the effects of short term volatility in the market value of investments over a four-year period (smoothed market value). Initial unfunded liabilities are amortized over a closed period that depends on the plan's rate of entry into PERS. Subsequent, plan amendments are amortized as a level percentage of pay over a closed 20 year period.

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

<u>Fiscal Year</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/2004	\$ 188,303	100%	\$ -
6/30/2005	406,334	100%	-
6/30/2006	638,231	100%	-

CITY OF COACHELLA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

10. PENSION PLAN (Continued)

E. Schedule of Funding Progress of PERS:

<u>Stand Alone</u>						
<u>Miscellaneous Plan</u>						
Value Date	Entry Age Normal Accrued Liability (a)	Actuarial Value of Assets (b)	Unfunded Liability (Excess Assets) (a-b)	Funded Status (b)/(a)	Annual Covered Payroll (c)	UAAL As a % of Payroll (a)-(b)/(c)
6/30/2003	\$ 9,910,798	\$ 13,205,938	\$ (3,295,140)	133.25%	\$ 2,494,858	(132.08%)
6/30/2004	10,339,896	14,423,783	(4,083,887)	139.50%	2,833,664	(144.12%)
6/30/2005	No Longer Available					
<u>Safety Plan</u>						
Valuation Date	Entry Age Normal Accrued Liability (a)	Actuarial Value of Assets (b)	Unfunded Liability (Excess Assets) (a-b)	Funded Status (b)/(a)	Annual Covered Payroll (c)	UAAL As a % of Payroll (a)-(b)/(c)
6/30/2003	\$ 10,214,040	\$ 8,920,111	\$ 1,293,929	87.33%	\$ -	N/A
6/30/2004	10,214,040	8,860,162	\$ 1,353,878	86.74%	-	N/A
6/30/2005	No Longer Available					
<u>Risk Pool</u>						
<u>Miscellaneous Plan</u>						
Value Date	Entry Age Normal Accrued Liability (a)	Actuarial Value of Assets (b)	Unfunded Liability (Excess Assets) (a-b)	Funded Status (b)/(a)	Annual Covered Payroll (c)	UAAL As a % of Payroll (a)-(b)/(c)
6/30/2003	\$ 335,029,580	\$ 270,866,705	\$ 64,162,875	80.85%	\$ 75,357,397	85.19%
6/30/2004	426,958,282	334,956,019	92,002,263	78.45%	90,667,029	104.78%
6/30/2005	499,323,280	405,480,805	93,842,475	81.21%	108,618,321	86.40%
<u>Safety Plan</u>						
Valuation Date	Entry Age Normal Accrued Liability (a)	Actuarial Value of Assets (b)	Unfunded Liability (Excess Assets) (a-b)	Funded Status (b)/(a)	Annual Covered Payroll (c)	UAAL As a % of Payroll (a)-(b)/(c)
6/30/2003	\$ 319,127,268	\$ 307,383,212	\$ 11,744,056	96.32%	\$ -	N/A
6/30/2004	357,919,985	331,405,998	26,513,987	92.59%	-	N/A
6/30/2005	369,091,183	347,539,822	21,551,361	94.16%	-	N/A

CITY OF COACHELLA

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2006

11. SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The City maintains three enterprise funds, which account for the activities related to the provision of water, sanitary, and refuse services. The City issued separate revenue bonds to finance capital improvements on its water and sewer component units. The two component units are accounted for in separate funds, but investors in those bonds rely solely on the revenue generated by the individual activities for repayment. The Water Authority operates the City's water supply system. The Sanitary District operates the City's sewage treatment plant, sewage pumping stations, and collection systems.

Segment information for each of these enterprise funds for the year ended June 30, 2006 is as follows:

	Water Authority	Sanitary District	Refuse
CONDENSED STATEMENT OF NET ASSETS			
Assets:			
Current assets	\$ 4,164,263	\$ 1,488,178	\$ 306,128
Non-current assets	11,736,202	36,111,072	-
Total assets	15,900,465	37,599,250	306,128
Liabilities:			
Interfund payables	-	-	-
Other current liabilities	1,309,360	4,879,155	165,200
Non-current liabilities	12,549,453	20,859,813	-
Total liabilities	13,858,813	25,738,968	165,200
Net assets:			
Invested in capital assets, net of related debt	(285,950)	16,193,763	-
Restricted	4,984,541	9,671,570	-
Unrestricted	(2,656,939)	(14,005,051)	140,928
Total net assets	\$ 2,041,652	\$ 11,860,282	\$ 140,928
CONDENSED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS			
Operating revenues (pledged against bonds)	\$ 5,030,444	\$ 6,020,423	\$ 947,718
Depreciation expense	(414,743)	(343,684)	-
Other operating expenses	(2,433,014)	(2,307,908)	(888,707)
Operating income	2,182,687	3,368,831	59,011
Non-operating revenues (expenses):			
Taxes	-	38,055	-
Investment income	238,681	159,866	2,284
Interest expense	(566,854)	(345,277)	-
Transfers in	-	796,621	-
Transfers out	-	(25,631)	-
Change in net assets	1,854,514	3,992,465	61,295
Beginning net assets	187,138	7,867,817	79,633
Ending net assets	\$ 2,041,652	\$ 11,860,282	\$ 140,928
CONDENSED STATEMENT OF CASH FLOWS			
Net cash provided (used) by:			
Operating activities	\$ 2,632,313	\$ 4,499,030	\$ 137,105
Non-capital financing activities	-	(2,067,754)	-
Capital and related financing activities	(1,574,981)	2,710,094	-
Investing activities	194,868	146,537	2,790
Net increase (decrease)	1,252,200	5,287,907	139,895
Beginning cash and cash equivalents	5,732,486	2,397,391	39,536
Ending cash and cash equivalents	\$ 6,984,686	\$ 7,685,298	\$ 179,431

CITY OF COACHELLA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

12. RESERVES

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

At June 30, 2006, amounts were reserved for the following purposes:

Restricted Net Assets:

Restricted for Capital Projects – Amounts available from bond proceeds for capital projects.

Restricted for Debt Service – Amounts set aside to finance retirement of principal and interest on long-term debt.

Reservations of Fund Balance:

Reserve for Debt Service-Amounts set aside to retire of principal and interest on long-term debt.

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

Reserve for Prepaid and Deposits-Represents amounts in the PERS reserve account and other prepaid expenses not available for appropriation.

Reserve for Land Held for Resale-Represents amounts invested in land to be sold in the future not available for appropriation.

Reserve for Low Income Projects-represents amounts invested in low income housing projects.

13. DEFERRED COMPENSATION PLAN

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

14. SUBSEQUENT EVENTS

On December 13, 2006, the City terminated the contract with the firm that provided services as the City Attorney. The term remaining on this contract was over 4 years. The firm is seeking compensation for the fees that would have been collected under this contract. The City plans to contest this claim, if made, and in the opinion of its current legal counsel, the ultimate liability of this claim, if any, cannot be reasonably determined at this time.

CITY OF COACHELLA

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2006

15. CONTINGENCIES

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

In the normal course of operations, the City participates in various federal or state grant/loan programs from year to year. The grant/loan programs are often subject to additional audits by agents of the granting or loaning agency, the purpose of that is to ensure compliance with the specific conditions of the grant or loan. Any liability for reimbursement that may arise as a result of these audits cannot be reasonably determined at this time, although it is believed the amount, if any, would not be material.

16. RESTATEMENT OF BEGINNING FUND BALANCES – GOVERNMENTAL FUNDS

Fund balances as of July 1, 2005 were restated as follows:

Description	As Previously Reported June 30, 2005	As Restated July 1, 2005	Total Adjustments	
General Fund	\$ 6,530,843	\$ 6,611,072	\$ 80,229	(1)
Fire Protection District	420,148	392,479	(27,669)	(2)
Air Quality Improvements	260,474	91,120	(169,354)	(3)
CDBG Housing Grant	479,258	1,390,955	911,697	(4)
Lighting and Landscaping	276,204	271,960	(4,244)	(5)
Low and Mod Housing Set-Aside	2,489,012	1,752,216	(736,796)	(6)
Coachella Financing Authority	3,108,687	(63,573)	(3,172,260)	(7)
RDA Administration	309,003	302,808	(6,195)	(8)
RDA Debt Service Project Area #1	(1,383,227)	288,138	1,671,365	(9)
Total net fund balance adjustments			<u>\$ (1,453,227)</u>	

- (1) Adjustment to recognize liability for current year.
- (2) Adjustment to prior year revenue.
- (3) Adjustment to reclassify expense to other fund.
- (4) Adjustment to record prior year revenue.
- (5) Adjustment to reverse duplicate posting.
- (6) Adjustment to reclassify prior year activities.
- (7) Adjustment to overstatement of liabilities.
- (8) Adjustment to prior year expenses.
- (9) Adjustment to understatement of liabilities.

17. RESTATEMENT OF BEGINNING NET ASSETS – GOVERNMENTAL-WIDE FINANCIAL STATEMENTS

Net assets for governmental activities at July 1, 2005 were restated as follows:

Net assets at July 1, 2005	\$21,090,001
Changes to governmental beginning fund balance	(1,453,227)
Adjustment to City's capital assets	18,857
Adjustment to City's long-term liabilities	<u>5,000,000</u>
Net assets as restated at July 1, 2005	<u>\$24,655,631</u>

CITY OF COACHELLA

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2006

17. RESTATEMENT OF BEGINNING NET ASSETS – GOVERNMENTAL-WIDE FINANCIAL STATEMENTS (Continued)

Net assets for Business-type activities at July 1, 2005 were restated as follows:

Net assets at July 1, 2005	\$ 9,975,978
Adjustment to fixed assets	(5,915)
Adjustment to long-term debt	(1,827,741)
Adjustment to prior year expenses	(7,734)
Net assets as restated at July 1, 2005	<u>\$ 8,134,588</u>

18. RISK MANAGEMENT

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, 2006, coverage is provided from \$125,000 to \$10,000,000 per occurrence. This coverage represents a transfer of risk from the members of the Authority for those losses in excess of the member's self insured retention (SIR). The City has a SIR of \$125,000. Covered losses include losses resulting from any one occurrence because of personal injury, property damage or public officials' errors and omissions. Member premiums are subject to retrospective rating adjustments.

For those members choosing to establish deductibles under the liability program, losses in excess of the deductible amounts are paid by the Authority from separate accounts maintained for each participant. The deductible feature of the program acts as a claims servicing type of public entity risk pool and does not represent an additional transfer of risk. The City does not participate in the deductible pool. At June 30, 2006, the City did not have a liability to the Authority for claims losses. Authority claims administrators have estimated a loss reserve for the City under the program of \$114,048 as of June 30, 2006. For the year ended June 30, 2006, the balance in this account was reduced by \$19,633.

The Worker's Compensation Insurance Program is a claims servicing pool, a banking pool and an insurance purchasing pool. As an insurance purchasing pool, the program allows participating members to obtain the benefits of the economies of scale in securing excess worker's compensation coverage. Coverage is provided from \$250,000 to \$10,000,000 for each accident or employee. The program, as a claims servicing pool maintains separate accounts for each program member from which that member's losses are paid. The worker's compensation insurance program does not provided for a transfer of risk and advance funds to pay member losses in excess of member funds on deposit in the manner

CITY OF COACHELLA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

18. RISK MANAGEMENT (Continued)

of a banking pool. Participant premium deposits are subject to retroactive rating adjustments. At June 30, 2006, the City did not have a liability to the Authority for worker's compensation losses. Authority claims administrators have estimated a loss reserve for the City of \$424,601 under this program at June 30, 2006. For the year ended June 30, 2006, the balance in this account was reduced by \$39,840

19. FUND DEFICITS

The following funds had a deficit balance at June 30, 2006:

Special Revenue Fund:	
ECD Entitlement Project	\$71,368
Debt Service Fund:	
Coachella Financing Authority	4,834

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF COACHELLA
SUPPLEMENTARY INFORMATION

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

CITY OF COACHELLA

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2006

1. Budgets and Budgetary Accounting

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

2. Expenditures in Excess of Appropriations

There were no expenditures in excess of appropriations at June 30, 2006.

CITY OF COACHELLA

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES BUDGET TO ACTUAL – GENERAL FUND YEAR ENDED JUNE 30, 2006

	<u>Budgeted Amounts</u>			Variance With Final Budget
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Positive (Negative)</u>
REVENUES:				
Taxes	\$ 4,382,952	\$ 4,237,010	\$ 6,358,594	\$ 2,121,584
Licenses and permits	2,364,399	2,464,407	3,234,688	770,281
Intergovernmental revenue	1,773,014	1,800,180	3,233,703	1,433,523
Charges for services	674,754	1,444,904	1,646,483	201,579
Fines and forfeits	841,534	886,369	265,591	(620,778)
Interest and rental income	66,700	268,063	270,628	2,565
Other income	<u>976,539</u>	<u>396,286</u>	<u>411,071</u>	<u>14,785</u>
TOTAL REVENUES	11,079,892	11,497,219	15,420,758	3,923,539
EXPENDITURES :				
Current:				
General government:				
Departmental	2,267,367	2,298,118	2,529,267	(231,149)
Non-departmental	882,000	1,006,314	1,344,411	(338,097)
Public safety	5,163,771	5,381,452	4,898,669	482,783
Public works	2,058,672	2,228,582	1,986,634	241,948
Parks and recreation	15,187	151,991	162,680	(10,689)
Payment to other agencies	2,308	1,440	50,000	(48,560)
Capital outlays	<u>348,129</u>	<u>628,696</u>	<u>561,954</u>	<u>66,742</u>
TOTAL EXPENDITURES	10,737,434	11,696,593	11,533,615	162,978
EXCESS OF REVENUES OVER (UNDER)				
EXPENDITURES	342,458	(199,374)	3,887,143	4,086,517
OTHER FINANCING SOURCES (USES):				
Operating transfers in	1,832,332	1,832,332	1,620,918	(211,414)
Operating transfers out	<u>(1,437,087)</u>	<u>(1,437,087)</u>	<u>(846,952)</u>	<u>590,135</u>
TOTAL OTHER FINANCING SOURCES (USES)	395,245	395,245	773,966	378,721
Net change in fund balance	737,703	195,871	4,661,109	4,465,238
Fund balance, beginning of year	6,530,843	6,530,843	6,530,843	-
Prior period adjustment	<u>-</u>	<u>-</u>	<u>80,229</u>	<u>80,229</u>
FUND BALANCE, end of year	<u>\$ 7,268,546</u>	<u>\$ 6,726,714</u>	<u>\$ 11,272,181</u>	<u>\$ 4,545,467</u>

CITY OF COACHELLA

SCHEDULE OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET TO ACTUAL – CDBG HOUSING GRANTS
YEAR ENDED JUNE 30, 2006

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Grants	\$ 879,919	\$ 879,919	\$ 1,487,463	\$ 607,544
Interest and rents	<u>-</u>	<u>-</u>	<u>15,164</u>	<u>15,164</u>
TOTAL REVENUES	879,919	879,919	1,502,627	622,708
EXPENDITURES				
Non-departmental	<u>369,900</u>	<u>1,150,384</u>	<u>377,695</u>	<u>772,689</u>
TOTAL EXPENDITURES	369,900	1,150,384	377,695	772,689
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	510,019	(270,465)	1,124,932	(149,981)
NET CHANGE IN FUND BALANCE	510,019	(270,465)	1,124,932	1,395,397
Fund balance, beginning of year	479,258	479,258	479,258	-
Prior period adjustment	<u>-</u>	<u>-</u>	<u>911,697</u>	<u>911,697</u>
FUND BALANCE, end of the year	<u>\$ 989,277</u>	<u>\$ 208,793</u>	<u>\$ 2,515,887</u>	<u>\$ 2,307,094</u>

SUPPLEMENTARY SCHEDULES

CITY OF COACHELLA
COMBINING BALANCE SHEET
OTHER GOVERNMENTAL FUNDS
JUNE 30, 2006

	Special Revenue Funds	Debt Service Funds	Capital Project Funds	Total Other Governmental Funds
ASSETS:				
Cash and investments	\$ 13,192,518	\$ 14,038	\$ 290,083	\$ 13,496,639
Accounts receivable	1,614,422	-	-	1,614,422
Interest receivable	195,646	-	1,485	197,131
Due from other government	251,383	-	-	251,383
Prepaid expenses and deposits	2,380	-	-	2,380
Land held for resale	129,649	-	-	129,649
Restricted assets:				
Cash and investments w/fiscal agents	9,562,912	-	-	9,562,912
TOTAL ASSETS	\$ 24,948,910	\$ 14,038	\$ 291,568	\$ 25,254,516
LIABILITIES AND FUND BALANCES:				
LIABILITIES:				
Accounts payable	\$ 1,341,895	\$ -	\$ 222,105	\$ 1,564,000
Accrued liabilities	8,513	-	-	8,513
Deposits	770	-	-	770
Due to other funds	194,109	-	-	194,109
Deferred revenue	286,176	-	-	286,176
Advances from other funds	188,104	4,834	-	192,938
TOTAL LIABILITIES	2,019,567	4,834	222,105	2,246,506
FUND BALANCES:				
Reserved for:				
Debt service	-	9,204	-	9,204
Notes and interfund receivables	1,202,955	-	-	1,202,955
Low income and moderate housing	9,918,021	-	-	9,918,021
Land held for resale	129,649	-	-	129,649
Unreserved:				
Special revenue projects	11,678,718	-	-	11,678,718
Capital projects	-	-	69,463	69,463
TOTAL FUND BALANCES	22,929,343	9,204	69,463	23,008,010
TOTAL LIABILITIES AND FUND BALANCES	\$ 24,948,910	\$ 14,038	\$ 291,568	\$ 25,254,516

CITY OF COACHELLA

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE OTHER GOVERNMENTAL FUNDS YEAR ENDED JUNE 30, 2006

	Special Revenue Funds	Debt Service Funds	Capital Project Funds	Total Other Governmental Funds
REVENUES:				
Taxes	\$ 259,653	\$ -	\$ -	\$ 259,653
Licenses and permits	55,487	-	-	55,487
Intergovernmental revenue	3,145,123	-	-	3,145,123
Charges for services	4,925,864	-	-	4,925,864
Fines and forfeits	-	122,243	-	122,243
Interest and rental income	366,627	-	1,236	367,863
Other income	755,458	-	-	755,458
TOTAL REVENUES	9,508,212	122,243	1,236	9,631,691
EXPENDITURES :				
Current:				
General government:				
Non-departmental	2,742,542	13,194	14,723	2,770,459
Public works	209,297	-	-	209,297
Debt service:				
Principal retirements on bonds and leases	40,718	1,285,754	-	1,326,472
Interest payments on bonds and leases	-	178,950	-	178,950
Capital outlays	74,181	-	3,667,643	3,741,824
TOTAL EXPENDITURES	3,066,738	1,477,898	3,682,366	8,227,002
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	6,441,474	(1,355,655)	(3,681,130)	1,404,689
OTHER FINANCING SOURCES (USES):				
Operating transfers in	11,448,322	1,408,784	6,438,697	19,295,803
Operating transfers out	(7,695,972)	(245)	-	(7,696,217)
TOTAL OTHER FINANCING SOURCES (USES)	3,752,350	1,408,539	6,438,697	11,599,586
Net change in fund balance	10,193,824	52,884	2,757,567	13,004,275
Fund balance, beginning of year	13,673,582	3,128,580	(2,688,104)	14,114,058
Prior period adjustment	(938,063)	(3,172,260)	-	(4,110,323)
FUND BALANCE, end of year	\$ 22,929,343	\$ 9,204	\$ 69,463	\$ 23,008,010

CITY OF COACHELLA
NON-MAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2006

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

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

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

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

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

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

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

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

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

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

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

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

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

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

CITY OF COACHELLA

NON-MAJOR SPECIAL REVENUE FUNDS JUNE 30, 2006

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

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

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

Low & Mod Housing Bond Fund – Accounts for proceeds from housing bonds that are legally restricted for increasing and improving housing for low and moderate income households.

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

CITY OF COACHELLA

COMBINING BALANCE SHEET
NON-MAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2006

	State Gas Tax	Air Quality Improvement	Avenue 52 Bridge	AVA Program	SB821 Sidewalk Improvements	Street Improvement Fund	Police Asset Forfeiture	Fire Protection District	Landscape & Lighting District
ASSETS:									
Cash and investments	\$ 269,344	\$ 105,560	\$ 585,231	\$ 128,694	\$ 307	\$ -	\$ 42,884	\$ 1,127,477	\$ 628,374
Accounts receivable	107,297	9,620	-	13,090	-	-	-	3,126	26,185
Interest receivable	1,883	408	2,267	465	1	-	147	398	2,414
Loans receivable	-	-	-	-	-	-	-	-	-
Due from other funds	-	-	-	-	-	-	-	-	-
Prepaid expenses and deposits	-	-	-	-	-	-	-	-	-
Land held for resale	-	-	-	-	-	-	-	-	-
Restricted assets:									
Cash and investments w/fiscal agents	-	-	-	-	-	-	-	426,081	-
TOTAL ASSETS	<u>\$ 378,524</u>	<u>\$ 115,588</u>	<u>\$ 587,498</u>	<u>\$ 142,249</u>	<u>\$ 308</u>	<u>\$ -</u>	<u>\$ 43,031</u>	<u>\$ 1,557,082</u>	<u>\$ 656,973</u>
LIABILITIES AND FUND BALANCES:									
LIABILITIES:									
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 954,277	\$ 14,014
Accrued liabilities	-	-	-	-	-	-	-	-	-
Deposits	-	-	-	-	-	-	770	-	-
Due to other funds	-	-	-	-	-	-	-	194,109	-
Deferred revenue	-	-	-	-	-	-	-	-	-
Advances from other funds	-	-	-	-	-	-	-	-	-
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>770</u>	<u>1,148,386</u>	<u>14,014</u>
FUND BALANCES									
Reserved for:									
Notes and interfund receivables	-	-	-	-	-	-	-	-	-
Low income and moderate housing	-	-	-	-	-	-	-	-	-
Land held for resale	-	-	-	-	-	-	-	-	-
Unreserved:									
Designated for special revenue purposes	<u>378,524</u>	<u>115,588</u>	<u>587,498</u>	<u>142,249</u>	<u>308</u>	<u>-</u>	<u>42,261</u>	<u>408,696</u>	<u>642,959</u>
TOTAL FUND BALANCES (DEFICITS)	<u>378,524</u>	<u>115,588</u>	<u>587,498</u>	<u>142,249</u>	<u>308</u>	<u>-</u>	<u>42,261</u>	<u>408,696</u>	<u>642,959</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 378,524</u>	<u>\$ 115,588</u>	<u>\$ 587,498</u>	<u>\$ 142,249</u>	<u>\$ 308</u>	<u>\$ -</u>	<u>\$ 43,031</u>	<u>\$ 1,557,082</u>	<u>\$ 656,973</u>

ECD Entitlement Project	Educational Government Cable Corp	Supplemental Law Enforcement	Local Transportation	Federal & State Police Grants	CDBG Economic Development	Low & Mod. Housing Set-Aside Fund	Low & Mod. Housing Bond Fund	Development Impact	Total Non-Major Special Revenue Funds
\$ -	\$ 2,364	\$ 103,630	\$ 1,701,906	\$ -	\$ 108,061	\$ 842,147	\$ 127,081	\$ 7,419,458	\$ 13,192,518
171,830	-	-	82,038	63,019	84,368	1,053,849	-	-	1,614,422
3,086	-	492	6,448	40	923	149,106	2,156	25,412	195,646
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	251,383	-	-	251,383
-	-	-	794	-	-	1,586	-	-	2,380
-	-	-	-	-	-	129,649	-	-	129,649
-	-	-	-	-	-	-	9,136,831	-	9,562,912
<u>\$ 174,916</u>	<u>\$ 2,364</u>	<u>\$ 104,122</u>	<u>\$ 1,791,186</u>	<u>\$ 63,059</u>	<u>\$ 193,352</u>	<u>\$ 2,427,720</u>	<u>\$ 129,237</u>	<u>\$ 7,444,870</u>	<u>\$ 15,385,998</u>
\$ 6,854	\$ 1,355	\$ 21,170	\$ -	\$ -	\$ 25,941	\$ 318,284	\$ -	\$ -	\$ 1,341,895
-	-	-	-	-	-	8,513	-	-	8,513
-	-	-	-	-	-	-	-	-	770
-	-	-	-	-	-	-	-	-	194,109
89,203	-	-	-	10,883	69,724	116,366	-	-	286,176
150,227	-	-	-	37,877	-	-	-	-	188,104
<u>246,284</u>	<u>1,355</u>	<u>21,170</u>	<u>-</u>	<u>48,760</u>	<u>95,665</u>	<u>443,163</u>	<u>-</u>	<u>-</u>	<u>2,019,567</u>
-	-	-	-	-	-	1,202,955	-	-	1,202,955
-	-	-	-	-	-	651,953	9,266,068	-	9,918,021
-	-	-	-	-	-	129,649	-	-	129,649
<u>(71,368)</u>	<u>1,009</u>	<u>82,952</u>	<u>1,791,186</u>	<u>14,299</u>	<u>97,687</u>	<u>-</u>	<u>-</u>	<u>7,444,870</u>	<u>11,678,718</u>
<u>(71,368)</u>	<u>1,009</u>	<u>82,952</u>	<u>1,791,186</u>	<u>14,299</u>	<u>97,687</u>	<u>1,984,557</u>	<u>9,266,068</u>	<u>7,444,870</u>	<u>22,929,343</u>
<u>\$ 174,916</u>	<u>\$ 2,364</u>	<u>\$ 104,122</u>	<u>\$ 1,791,186</u>	<u>\$ 63,059</u>	<u>\$ 193,352</u>	<u>\$ 2,427,720</u>	<u>\$ 9,266,068</u>	<u>\$ 7,444,870</u>	<u>\$ 24,948,910</u>

CITY OF COACHELLA

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES NON-MAJOR SPECIAL REVENUE FUNDS YEAR ENDED JUNE 30, 2006

	State Gas Tax	Air Quality Improvement	Avenue 52 Bridge	AVA Program	SB821 Sidewalk Improvements	Street Improvement Fund	Police Asset Forfeiture	Fire Protection District	Landscape & Lighting District
REVENUES:									
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 259,653	\$ -
Property tax increment	-	-	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-	-	-
Intergovernmental revenue	726,631	37,641	-	70,754	-	-	-	4,013	-
Charges for services	-	-	-	-	-	-	-	145,089	-
Interest and rental income	12,385	3,099	9,644	1,568	5	138,056	687	15,549	6,823
Other income	-	-	-	-	-	-	-	-	575,746
TOTAL REVENUES	739,016	40,740	9,644	72,322	5	138,056	687	424,304	582,569
EXPENDITURES :									
Current:									
General government:									
Non-departmental	-	16,272	-	-	-	-	-	-	2,273
Public safety	-	-	-	-	-	-	-	1,357,628	-
Public works	-	-	-	-	-	-	-	-	209,297
Parks and recreation	-	-	-	-	-	-	-	-	-
Debt service:									
Principal retirements on bonds and leases	-	-	-	-	-	-	-	40,718	-
Interest payments	-	-	-	-	-	-	-	11,551	-
Capital outlays	-	-	-	-	-	-	-	26,098	-
TOTAL EXPENDITURES	-	16,272	-	-	-	-	-	1,435,995	211,570
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	739,016	24,468	9,644	72,322	5	138,056	687	(1,011,691)	370,999
OTHER FINANCING SOURCES (USES):									
Operating transfers in	-	-	-	-	-	-	-	1,016,357	-
Operating transfers out	(1,175,923)	-	-	-	-	(5,287,054)	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	(1,175,923)	-	-	-	-	(5,287,054)	-	1,016,357	-
Net change in fund balance	(436,907)	24,468	9,644	72,322	5	(5,148,998)	687	4,666	370,999
Fund balance, Beginning of year	815,431	260,474	577,854	69,927	303	5,148,998	41,574	420,148	276,204
Prior period adjustment	-	(169,354)	-	-	-	-	-	(27,669)	(4,244)
FUND BALANCE, End of year	\$ 378,524	\$ 115,588	\$ 587,498	\$ 142,249	\$ 308	\$ -	\$ 42,261	\$ 397,145	\$ 642,959

EOD Entitlement Project	Educational Government Cable Corp	Supplemental Law Enforcement	Local Transportation	Federal & State Police Grants	CDBG Economic Development	Low & Mod. Housing Set-Aside	Low & Mod. Housing Bond Fund	Development Impact	Total Non-Major Special Revenue Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 259,653
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	55,487	55,487
1,096,837	-	100,000	940,307	88,882	80,058	-	-	-	3,145,123
-	-	-	-	-	-	-	-	4,780,775	4,925,864
12,234	-	1,933	29,900	90	4,697	47,244	7,243	75,470	366,627
-	-	-	-	-	-	179,712	-	-	755,458
<u>1,109,071</u>	<u>-</u>	<u>101,933</u>	<u>970,207</u>	<u>88,972</u>	<u>84,755</u>	<u>226,956</u>	<u>7,243</u>	<u>4,911,732</u>	<u>9,508,212</u>
84,021	10,356	98,456	-	3,366	89,171	880,999	200,000	-	2,742,542
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	209,297
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	40,718
-	-	-	-	-	-	-	-	-	-
48,083	-	-	-	-	-	-	-	-	74,181
<u>132,104</u>	<u>10,356</u>	<u>98,456</u>	<u>-</u>	<u>3,366</u>	<u>89,171</u>	<u>880,999</u>	<u>200,000</u>	<u>-</u>	<u>3,066,738</u>
976,967	(10,356)	3,477	970,207	85,606	(4,416)	(654,043)	(192,757)	4,911,732	6,441,474
-	8,750	-	-	-	-	1,086,384	9,336,831	-	11,448,322
(961,131)	-	-	-	(71,864)	-	(200,000)	-	-	(7,695,972)
<u>(961,131)</u>	<u>8,750</u>	<u>-</u>	<u>-</u>	<u>(71,864)</u>	<u>-</u>	<u>886,384</u>	<u>9,336,831</u>	<u>-</u>	<u>3,752,350</u>
15,836	(1,606)	3,477	970,207	13,742	(4,416)	232,341	9,144,074	4,911,732	10,193,824
(87,204)	2,615	79,475	820,979	557	102,103	2,489,012	121,994	2,533,138	13,673,582
-	-	-	-	-	-	(736,796)	-	-	(938,063)
<u>\$ (71,368)</u>	<u>\$ 1,009</u>	<u>\$ 82,952</u>	<u>\$ 1,791,186</u>	<u>\$ 14,299</u>	<u>\$ 97,687</u>	<u>\$ 1,984,557</u>	<u>\$9,266,068</u>	<u>\$ 7,444,870</u>	<u>\$ 22,929,343</u>

CITY OF COACHELLA

SCHEDULE OF REVENUES
EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET TO ACTUAL – STATE GAS FUND
YEAR ENDED JUNE 30, 2006

	<u>Budgeted Amounts</u>			Variance With Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
REVENUES				
Intergovernmental Revenue	\$ 569,854	\$ 569,854	\$ 726,631	\$ 156,777
Interest Income	2,406	2,406	12,385	9,979
TOTAL REVENUES	572,260	572,260	739,016	166,756
OTHER FINANCING SOURCES (USES):				
Operating Transfer Out	(580,000)	(580,000)	(1,175,923)	(595,923)
TOTAL OTHER FINANCING SOURCES	(580,000)	(580,000)	(1,175,923)	(595,923)
NET CHANGE IN FUND BALANCE	(7,740)	(7,740)	(436,907)	(429,167)
Fund balance, beginning of year	815,431	815,431	815,431	-
FUND BALANCE, end of the year	<u>\$ 807,691</u>	<u>\$ 807,691</u>	<u>\$ 378,524</u>	<u>\$ (429,167)</u>

CITY OF COACHELLA

SCHEDULE OF REVENUES
EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET TO ACTUAL – AIR QUALITY IMPROVEMENT
YEAR ENDED JUNE 30, 2006

	<u>Budgeted Amounts</u>			Variance With Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
REVENUES				
Intergovernmental Revenue	\$ 32,448	\$ 32,448	\$ 37,641	\$ 5,193
Interest Income	-	-	3,099	3,099
TOTAL REVENUES	<u>32,448</u>	<u>32,448</u>	<u>40,740</u>	<u>8,292</u>
EXPENDITURES				
Non-Departmental	<u>13,000</u>	<u>8,266</u>	<u>16,272</u>	<u>8,006</u>
TOTAL EXPENDITURES	<u>13,000</u>	<u>8,266</u>	<u>16,272</u>	<u>8,006</u>
NET CHANGE IN FUND BALANCE	19,448	24,182	24,468	286
Fund balance, beginning of year	260,474	260,474	260,474	-
Prior period adjustment	-	-	(169,354)	(169,354)
FUND BALANCE, end of the year	<u>\$ 279,922</u>	<u>\$ 284,656</u>	<u>\$ 115,588</u>	<u>\$ (169,068)</u>

CITY OF COACHELLA
SCHEDULE OF REVENUES
EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET TO ACTUAL – AVENUE 52 BRIDGE
YEAR ENDED JUNE 30, 2006

	<u>Budgeted Amounts</u>			Variance With Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
REVENUES				
Interest Income	<u>\$ 1,476</u>	<u>\$ 1,476</u>	<u>\$ 9,644</u>	<u>\$ 8,168</u>
TOTAL REVENUES	1,476	1,476	9,644	8,168
 NET CHANGE IN FUND BALANCE	 1,476	 1,476	 9,644	 8,168
 Fund balance, beginning of year	 <u>577,854</u>	 <u>577,854</u>	 <u>577,854</u>	 <u>-</u>
FUND BALANCE, end of the year	<u>\$ 579,330</u>	<u>\$ 579,330</u>	<u>\$ 587,498</u>	<u>\$ 8,168</u>

CITY OF COACHELLA

SCHEDULE OF REVENUES
EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET TO ACTUAL – AVA PROGRAM
YEAR ENDED JUNE 30, 2006

	<u>Budgeted Amounts</u>			Variance With Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
REVENUES				
Intergovernmental Revenue	\$ 26,250	\$ 26,250	\$ 70,754	\$ 44,504
Interest Income	<u>88</u>	<u>88</u>	<u>1,568</u>	<u>1,480</u>
TOTAL REVENUES	26,338	26,338	72,322	45,984
NET CHANGE IN FUND BALANCE	26,338	26,338	72,322	45,984
Fund balance, beginning of year	<u>69,927</u>	<u>69,927</u>	<u>69,927</u>	<u>-</u>
FUND BALANCE, end of the year	<u><u>\$ 96,265</u></u>	<u><u>\$ 96,265</u></u>	<u><u>\$ 142,249</u></u>	<u><u>\$ 45,984</u></u>

CITY OF COACHELLA

SCHEDULE OF REVENUES
EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET TO ACTUAL – SB821 SIDEWALK IMPROVEMENTS
YEAR ENDED JUNE 30, 2006

	<u>Budgeted Amounts</u>			<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
REVENUES				
Intergovernmental Revenue	\$ 22,605	\$ 22,605	\$ -	\$ (22,605)
Interest Income	<u>1</u>	<u>1</u>	<u>5</u>	<u>4</u>
TOTAL REVENUES	22,606	22,606	5	(22,601)
NET CHANGE IN FUND BALANCE	22,606	22,606	5	(22,601)
Fund balance, beginning of year	<u>303</u>	<u>303</u>	<u>303</u>	<u>-</u>
FUND BALANCE, end of the year	<u>\$ 22,909</u>	<u>\$ 22,909</u>	<u>\$ 308</u>	<u>\$ (22,601)</u>

CITY OF COACHELLA

SCHEDULE OF REVENUES
EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET TO ACTUAL – STREET IMPROVEMENT FUND
YEAR ENDED JUNE 30, 2006

	Budgeted Amounts			Variance With Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES				
Intergovernmental Revenue	\$ -	\$ -	\$ -	\$ -
Interest Income	-	-	138,056	138,056
TOTAL REVENUES	-	-	138,056	138,056
EXPENDITURES				
Other professional/contract services	-	-	-	-
TOTAL EXPENDITURES	-	-	-	-
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	-	138,056	138,056
OTHER FINANCING SOURCES (USES):				
Operating Transfers in	-	-	-	-
Operating Transfers out	-	-	(5,287,054)	(5,287,054)
TOTAL OTHER FINANCING SOURCES	-	-	(5,287,054)	(5,287,054)
NET CHANGE IN FUND BALANCE	-	-	(5,148,998)	(5,148,998)
Fund balance, beginning of year	5,148,998	5,148,998	5,148,998	-
Prior period adjustment	-	-	-	-
FUND BALANCE, end of the year	<u>\$ 5,148,998</u>	<u>\$ 5,148,998</u>	<u>\$ -</u>	<u>\$ (5,148,998)</u>

CITY OF COACHELLA

SCHEDULE OF REVENUES
EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET TO ACTUAL – POLICE ASSET FORFEITURES FUND
YEAR ENDED JUNE 30, 2006

	<u>Budgeted Amounts</u>			Variance With Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
REVENUES				
Interest Income	<u>\$ 118</u>	<u>\$ 118</u>	<u>\$ 687</u>	<u>\$ 569</u>
TOTAL REVENUES	118	118	687	569
NET CHANGE IN FUND BALANCE	118	118	687	569
Fund balance, beginning of year	<u>41,574</u>	<u>41,574</u>	<u>41,574</u>	<u>-</u>
FUND BALANCE, end of the year	<u>\$ 41,692</u>	<u>\$ 41,692</u>	<u>\$ 42,261</u>	<u>\$ 569</u>

CITY OF COACHELLA

SCHEDULE OF REVENUES
EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET TO ACTUAL – FIRE PROTECTION DISTRICT
YEAR ENDED JUNE 30, 2006

	Budgeted Amounts			Variance With Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES				
Intergovernmental Revenue	\$ -	\$ -	\$ 4,013	\$ 4,013
Taxes	163,353	163,353	259,653	96,300
Charges for services	125,000	125,000	145,089	20,089
Interest Income	1,082	1,082	15,549	14,467
TOTAL REVENUES	289,435	289,435	424,304	134,869
EXPENDITURES				
Non-Departmental	1,612,587	1,555,428	1,346,077	209,351
General government support allocation	115,263	96,052	96,052	-
Debt Service				
Principal payments	39,060	53,152	40,718	12,434
Interest payments	13,200	13,200	11,551	1,649
Capital outlays	40,012	87,012	26,098	60,914
TOTAL EXPENDITURES	1,820,122	1,708,792	1,424,444	284,348
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(1,530,687)	(1,419,357)	(1,000,140)	419,217
OTHER FINANCING SOURCES (USES);				
Operating Transfers in	1,421,087	1,421,087	1,016,357	(404,730)
TOTAL OTHER FINANCING SOURCES	1,421,087	1,421,087	1,016,357	(404,730)
NET CHANGE IN FUND BALANCE	(109,600)	1,730	16,217	14,487
Fund balance, beginning of year	420,148	420,148	420,148	-
Prior period adjustment	-	-	(27,669)	(27,669)
FUND BALANCE, beginning of year	\$ 310,548	\$ 421,878	\$ 408,696	\$ (13,182)

CITY OF COACHELLA

SCHEDULE OF REVENUES
EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET TO ACTUAL – LANDSCAPE & LIGHTING DISTRICT
YEAR ENDED JUNE 30, 2006

	Budgeted Amounts			Variance With Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES				
Other Income	\$ 244,028	\$ 244,028	\$ 575,746	\$ 331,718
Interest Income	916	916	6,823	5,907
TOTAL REVENUES	244,944	244,944	582,569	337,625
Expenditures				
Non-Departmental	-	-	2,273	2,273
Public Works	168,266	175,668	209,297	33,629
TOTAL EXPENDITURES	168,266	175,668	211,570	35,902
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	76,678	69,276	370,999	301,723
NET CHANGE IN FUND BALANCE	76,678	69,276	370,999	301,723
Fund balance, beginning of year	276,204	276,204	276,204	-
Prior period adjustment	-	-	(4,244)	(4,244)
FUND BALANCE, end of the year	<u>\$ 352,882</u>	<u>\$ 345,480</u>	<u>\$ 642,959</u>	<u>\$ 297,479</u>

CITY OF COACHELLA

SCHEDULE OF REVENUES
EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET TO ACTUAL – ECD ENTITLEMENT
YEAR ENDED JUNE 30, 2006

	Budgeted Amounts			Variance With Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES				
Intergovernmental Revenue	\$ 652,301	\$ 652,301	\$ 1,096,837	\$ 444,536
Interest Income	-	-	12,234	12,234
TOTAL REVENUES	652,301	652,301	1,109,071	456,770
EXPENDITURES				
Non-Departmental	119,329	903,675	84,021	819,654
Capital outlays	-	-	48,083	(48,083)
TOTAL EXPENDITURES	119,329	903,675	132,104	(771,570)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	532,972	(251,374)	976,967	1,228,341
OTHER FINANCING SOURCES (USES);				
Operating Transfers out	(544,150)	(544,150)	(961,131)	(416,981)
TOTAL OTHER FINANCING SOURCES	(544,150)	(544,150)	(961,131)	(416,981)
NET CHANGE IN FUND BALANCE	(11,178)	(795,524)	15,836	811,360
Fund balance, beginning of year	(87,204)	(87,204)	(87,204)	-
Prior period adjustment	-	-	-	-
FUND BALANCE, end of the year	\$ (98,382)	\$ (882,728)	\$ (71,368)	\$ 811,360

CITY OF COACHELLA

SCHEDULE OF REVENUES
EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET TO ACTUAL – EDUCATION AND GOVERNMENT ACCESS FUND
YEAR ENDED JUNE 30, 2006

	Budgeted Amounts			Variance With Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES				
Interest Income	\$ 8	\$ 8	\$ -	\$ (8)
TOTAL REVENUES	8	8	-	(8)
EXPENDITURES				
Non-Departmental	16,000	14,154	10,356	3,798
TOTAL EXPENDITURES	16,000	14,154	10,356	3,798
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(15,992)	(14,146)	(10,356)	3,790
OTHER FINANCING SOURCES (USES); Operating Transfers in	16,000	16,000	8,750	(7,250)
TOTAL OTHER FINANCING SOURCES	16,000	16,000	8,750	(7,250)
NET CHANGE IN FUND BALANCE	8	1,854	(1,606)	(3,460)
Fund balance, beginning of year	2,615	2,615	2,615	-
FUND BALANCE, end of the year	<u>\$ 2,623</u>	<u>\$ 4,469</u>	<u>\$ 1,009</u>	<u>\$ (3,460)</u>

CITY OF COACHELLA
SCHEDULE OF REVENUES
EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET TO ACTUAL – SUPPLEMENTAL LAW ENFORCEMENT SERVICES AB3229
YEAR ENDED JUNE 30, 2006

	Budgeted Amounts			Variance With Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES				
Intergovernmental Revenue	\$ 100,000	\$ 100,000	\$ 100,000	\$ -
Interest Income	24	24	1,933	1,909
TOTAL REVENUES	100,024	100,024	101,933	1,909
EXPENDITURES				
Non-Departmental	100,244	9,406	98,456	(89,051)
TOTAL EXPENDITURES	100,244	9,406	98,456	89,051
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(220)	90,618	3,477	(87,142)
NET CHANGE IN FUND BALANCE	(220)	90,618	3,477	(87,142)
Fund balance, beginning of year	79,475	79,475	79,475	-
Prior period adjustment	-	-	-	-
FUND BALANCE, end of the year	<u>\$ 79,255</u>	<u>\$ 170,093</u>	<u>\$ 82,952</u>	<u>\$ (87,142)</u>

CITY OF COACHELLA

SCHEDULE OF REVENUES
EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET TO ACTUAL – LOCAL TRANSPORTATION
YEAR ENDED JUNE 30, 2006

	Budgeted Amounts			Variance With Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES				
Intergovernmental Revenue	\$ 967,372	\$ 967,372	\$ 940,307	\$ 27,065
Interest Income	2,212	2,212	29,900	(27,688)
TOTAL REVENUES	969,584	969,584	970,207	(623)
EXPENDITURES				
Non-Departmental	369,373	1,278,746	-	1,278,746
TOTAL EXPENDITURES	369,373	1,278,746	-	1,278,746
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	600,211	(309,162)	970,207	1,279,369
NET CHANGE IN FUND BALANCE	600,211	(309,162)	970,207	1,279,369
Fund balance, beginning of year	820,979	820,979	820,979	-
Prior period adjustment	-	-	-	-
FUND BALANCE, end of the year	<u>\$ 1,421,190</u>	<u>\$ 511,817</u>	<u>\$ 1,791,186</u>	<u>\$ 1,279,369</u>

CITY OF COACHELLA

SCHEDULE OF REVENUES
EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET TO ACTUAL – POLICE GRANTS
YEAR ENDED JUNE 30, 2006

	Budgeted Amounts			Variance With Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES				
Intergovernmental Revenue	\$ 107,000	\$ 107,000	\$ 88,882	\$ (18,118)
Interest Income	14,209	14,209	90	(14,119)
TOTAL REVENUES	121,209	121,209	88,972	(32,237)
EXPENDITURES				
Other Professional/Contract Services	42,403	46,510	3,366	43,144
TOTAL EXPENDITURES	42,403	46,510	3,366	43,144
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	78,806	74,699	85,606	10,907
OTHER FINANCING SOURCES (USES);				
Operating Transfers out	-	-	(71,864)	(71,864)
TOTAL OTHER FINANCING SOURCES	-	-	(71,864)	(71,864)
NET CHANGE IN FUND BALANCE	78,806	74,699	13,742	(60,957)
Fund balance, beginning of year	557	557	557	-
Prior period adjustment	-	-	-	-
FUND BALANCE, end of the year	<u>\$ 79,363</u>	<u>\$ 75,256</u>	<u>\$ 14,299</u>	<u>\$ (60,957)</u>

CITY OF COACHELLA
SCHEDULE OF REVENUES
EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET TO ACTUAL – CDBG ECONOMIC DEVELOPMENT
YEAR ENDED JUNE 30, 2006

	Budgeted Amounts			Variance With Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES				
Intergovernmental Revenue	\$ 3,028	\$ 3,028	\$ 80,058	\$ 77,030
Interest Income	242	242	4,697	4,455
TOTAL REVENUES	3,270	3,270	84,755	81,485
EXPENDITURES				
Other Professional/Contract Services	107,950	235,283	89,171	146,112
TOTAL EXPENDITURES	107,950	235,283	89,171	146,112
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(104,680)	(232,013)	(4,416)	227,597
NET CHANGE IN FUND BALANCE	(104,680)	(232,013)	(4,416)	227,597
Fund balance, beginning of year	102,103	102,103	102,103	-
Prior period adjustment	-	-	-	-
FUND BALANCE, end of the year	<u>\$ (2,577)</u>	<u>\$ (129,910)</u>	<u>\$ 97,687</u>	<u>\$ 227,597</u>

CITY OF COACHELLA

SCHEDULE OF REVENUES
EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET TO ACTUAL – LOW/MOD HOUSING SET ASIDE
YEAR ENDED JUNE 30, 2006

	Budgeted Amounts			Variance With Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES				
Intergovernmental Revenue	\$ -	\$ 17,608	\$ 47,244	\$ 29,636
Interest Income	-	169,046	179,712	10,666
TOTAL REVENUES	-	186,654	226,956	40,302
EXPENDITURES				
Non-Departmental	797,776	511,671	880,999	369,328
TOTAL EXPENDITURES	797,776	511,671	880,999	369,328
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(797,776)	(325,017)	(654,043)	(329,026)
OTHER FINANCING SOURCES (USES);				
Operating Transfers out	1,681,706	1,837,921	1,086,384	(751,537)
Operating Transfers in	-	-	(200,000)	(200,000)
TOTAL OTHER FINANCING SOURCES	1,681,706	1,837,921	886,384	(951,537)
NET CHANGE IN FUND BALANCE	883,930	1,512,904	232,341	(1,280,563)
Fund balance, beginning of year	2,489,012	2,489,012	2,489,012	-
Prior period adjustment	-	-	(736,796)	(736,796)
FUND BALANCE, end of the year	\$ 3,372,942	\$ 4,001,916	\$ 1,984,557	\$ (2,017,359)

CITY OF COACHELLA

SCHEDULE OF REVENUES
EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET TO ACTUAL – DEVELOPMENT IMPACT
YEAR ENDED JUNE 30, 2006

	Budgeted Amounts			Variance With Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES				
Intergovernmental Revenue	\$ 988,970	\$ 988,970	\$ 4,780,775	\$ 3,791,805
Licenses and Permits	-	-	55,487	55,487
Interest Income	596	596	75,470	74,874
TOTAL REVENUES	989,566	989,566	4,911,732	3,922,166
NET CHANGE IN FUND BALANCE	989,566	989,566	4,911,732	3,922,166
Fund balance, beginning of year	2,533,138	2,533,138	2,533,138	-
Prior period adjustment	-	-	-	-
FUND BALANCE, end of the year	<u>\$ 3,522,704</u>	<u>\$ 3,522,704</u>	<u>\$ 7,444,870</u>	<u>\$ 3,922,166</u>

CITY OF COACHELLA
NON-MAJOR DEBT SERVICE FUNDS
JUNE 30, 2006

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

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

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

CITY OF COACHELLA
COMBING BALANCE SHEET
NON-MAJOR DEBT SERVICE FUNDS
JUNE 30, 2006

	<u>General Leases</u>	<u>Coachella Financing Authority</u>	<u>Total Non-Major Debt Service Funds</u>
ASSETS:			
Cash and investments	\$ 14,038	\$ -	\$ 14,038
Cash and investments w/fiscal agents	-	-	-
Accounts receivable	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL ASSETS	<u>\$ 14,038</u>	<u>\$ -</u>	<u>\$ 14,038</u>
LIABILITIES AND FUND BALANCES:			
LIABILITIES:			
Advances from other funds	<u>\$ -</u>	<u>\$ 4,834</u>	<u>\$ 4,834</u>
TOTAL LIABILITIES	<u>-</u>	<u>4,834</u>	<u>4,834</u>
FUND BALANCES			
Reserved for:			
Debt Service	<u>14,038</u>	<u>(4,834)</u>	<u>9,204</u>
TOTAL FUND BALANCES	<u>14,038</u>	<u>(4,834)</u>	<u>9,204</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 14,038</u>	<u>\$ -</u>	<u>\$ 14,038</u>

CITY OF COACHELLA

COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
NON-MAJOR DEBT SERVICE FUNDS
YEAR ENDED JUNE 30, 2006

	General Leases	Coachella Financing Authority	Total Non-Major Debt Service Funds
REVENUES:			
Interest and rental income	\$ -	\$ 122,243	\$ 122,243
TOTAL REVENUES	-	122,243	122,243
EXPENDITURES :			
Current:			
General government:			
Non-departmental	-	13,194	13,194
Debt service:			
Principal payments	10,754	1,275,000	1,285,754
Interest payments on bonds and leases	3,304	175,646	178,950
TOTAL EXPENDITURES	14,058	1,463,840	1,477,898
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(14,058)	(1,341,597)	(1,355,655)
OTHER FINANCING SOURCES (USES):			
Operating transfers in	8,203	1,400,581	1,408,784
Operating transfers out	-	(245)	(245)
TOTAL OTHER FINANCING SOURCES (USES)	8,203	1,400,336	1,408,539
Net change in fund balance	(5,855)	58,739	52,884
Fund balance, Beginning of year	19,893	3,108,687	3,128,580
Prior period adjustment	-	(3,172,260)	(3,172,260)
Fund balance as restated Beginning of year	19,893	(63,573)	(43,680)
FUND BALANCE, End of year	\$ 14,038	\$ (4,834)	\$ 9,204

CITY OF COACHELLA

SCHEDULE OF REVENUES EXPENDITURES AND CHANGES IN FUND BALANCE BUDGET TO ACTUAL – GENERAL LEASES YEAR ENDED JUNE 30, 2006

	Budgeted Amounts			Variance With Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES				
State Grant Revenues	\$ -	\$ -	\$ -	\$ -
Interest Income	-	-	-	-
TOTAL REVENUES	-	-	-	-
EXPENDITURES				
Other Professional/Contract Services	30,600	30,992	10,754	(20,238)
Interest payments	6,300	3,607	3,304	(303)
TOTAL EXPENDITURES	36,900	34,599	14,058	(20,541)
OTHER FINANCING SOURCES (USES);				
Operating Transfers in	39,154	39,154	8,203	(30,951)
TOTAL OTHER FINANCING SOURCES	39,154	39,154	8,203	(30,951)
NET CHANGE IN FUND BALANCE	2,254	4,555	(5,855)	(10,410)
Fund balance, beginning of year	19,893	19,893	19,893	-
Prior period adjustment	-	-	-	-
FUND BALANCE, end of the year	<u>\$ 22,147</u>	<u>\$ 24,448</u>	<u>\$ 14,038</u>	<u>\$ (10,410)</u>

CITY OF COACHELLA

SCHEDULE OF REVENUES
EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET TO ACTUAL – FINANCE AUTHORITY
YEAR ENDED JUNE 30, 2006

	Budgeted Amounts			Variance With Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES				
Interest Income	\$ 12,501	\$ 12,501	\$ 122,243	\$ 109,742
TOTAL REVENUES	12,501	12,501	122,243	109,742
EXPENDITURES				
Non-Departmental	9,428	9,046	13,194	4,148
Debt Service				
Principal payments	155,000	5,025,000	1,275,000	3,750,000
Interest payments on bonds and leases	121,406	121,406	175,646	(54,240)
TOTAL EXPENDITURES	285,834	5,155,452	1,463,840	3,691,612
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(273,333)	(5,142,951)	(1,341,597)	3,801,354
OTHER FINANCING SOURCES (USES);				
Operating Transfers in	165,593	165,593	1,400,581	1,234,988
Operating Transfers out	-	-	(245)	(245)
TOTAL OTHER FINANCING SOURCES	165,593	165,593	1,400,336	1,234,743
NET CHANGE IN FUND BALANCE	(107,740)	(4,977,358)	58,739	5,036,097
Fund balance, beginning of year	3,108,687	3,108,687	3,108,687	-
Prior period adjustment	-	-	(3,172,260)	(3,172,260)
FUND BALANCE, end of the year	\$ 3,000,947	\$ (1,868,671)	\$ (4,834)	\$ 1,863,837

CITY OF COACHELLA
NON-MAJOR CAPITAL PROJECT FUNDS
JUNE 30, 2006

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

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

CITY OF COACHELLA
COMBINING BALANCE SHEET
NON-MAJOR CAPITAL PROJECTS FUNDS
JUNE 30, 2006

	Improvement Projects Fund	Total Non-Major Capital Projects Fund
ASSETS:		
Cash and investments	\$ 290,083	\$ 290,083
Cash and investments w/fiscal agents	-	-
Accounts receivable	1,485	1,485
Due from other governments	-	-
Prepaid expenses and deposits	-	-
Land held for resale	-	-
	<hr/>	<hr/>
TOTAL ASSETS	\$ 291,568	\$ 291,568
LIABILITIES AND FUND BALANCES:		
LIABILITIES:		
Accounts payable	\$ 222,105	\$ 222,105
Accrued liabilities	-	-
Due to other funds	-	-
Advances from other funds	-	-
	<hr/>	<hr/>
TOTAL LIABILITIES	222,105	222,105
FUND BALANCES		
Land held for resale	-	-
Unreserved Capital Projects	69,463	69,463
	<hr/>	<hr/>
TOTAL FUND BALANCES	69,463	69,463
	<hr/>	<hr/>
TOTAL LIABILITIES AND FUND BALANCES	\$ 291,568	\$ 291,568

CITY OF COACHELLA

COMBINING STATEMENT OF REVENUES.
EXPENDITURES AND CHANGES IN FUND BALANCES
NON-MAJOR CAPITAL PROJECT FUNDS
YEAR ENDED JUNE 30, 2006

	Improvement Projects Fund	Total Non-Major Capital Projects Fund
REVENUES:		
Interest and rental income	\$ 1,236	\$ 1,236
TOTAL REVENUES	<u>1,236</u>	<u>1,236</u>
EXPENDITURES :		
Current:		
General government		
Non-departmental	14,723	14,723
Debt service:		
Capital outlays	<u>3,667,643</u>	<u>3,667,643</u>
TOTAL EXPENDITURES	<u>3,682,366</u>	<u>3,682,366</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(3,681,130)</u>	<u>(3,681,130)</u>
OTHER FINANCING SOURCES (USES):		
Operating transfers in	6,438,697	6,438,697
Operating transfers out	<u>-</u>	<u>-</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>6,438,697</u>	<u>6,438,697</u>
Net change in fund balance	2,757,567	2,757,567
Fund balance, beginning of year	<u>(2,688,104)</u>	<u>(2,688,104)</u>
FUND BALANCE, end of year	<u>\$ 69,463</u>	<u>\$ 69,463</u>

CITY OF COACHELLA

SCHEDULE OF REVENUES
EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET TO ACTUAL – CAPITAL PROJECTS
YEAR ENDED JUNE 30, 2006

	Budgeted Amounts			Variance With Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES				
Intergovernmental Revenue	\$ 3,226,129	\$ 3,226,129	\$ -	\$ (3,226,129)
Interest Income	-	-	1,236	1,236
TOTAL REVENUES	3,226,129	3,226,129	1,236	(3,224,893)
EXPENDITURES				
Non-Departmental	-	-	14,723	(14,723)
Capital Outlays	1,532,000	2,735,477	3,667,643	(932,166)
TOTAL EXPENDITURES	1,532,000	2,735,477	3,682,366	(946,889)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	1,694,129	490,652	(3,681,130)	(4,171,782)
OTHER FINANCING SOURCES (USES);				
Operating Transfers in	-	-	6,438,697	6,438,697
TOTAL OTHER FINANCING SOURCES	-	-	6,438,697	6,438,697
NET CHANGE IN FUND BALANCE	1,694,129	490,652	2,757,567	2,266,915
Fund balance, beginning of year	(2,688,104)	(2,688,104)	(2,688,104)	-
Prior period adjustment	-	-	-	-
FUND BALANCE, end of the year	<u>\$ (993,975)</u>	<u>\$ (2,197,452)</u>	<u>\$ 69,463</u>	<u>\$ 2,266,915</u>

CITY OF COACHELLA

AGENCY FUNDS

JUNE 30, 2006

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

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

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

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

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

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

Employee Flex Plan Deposits Fund – This fund is used to account for reserves held on behalf of employees on supplementary insurance plan. Employees are reimbursed for out-of-pocket medical expenses when claims are submitted.

CITY OF COACHELLA
COMBINING BALANCE SHEET
AGENCY FUNDS
JUNE 30, 2006

	Agency						
	Deferred Compensation Fund	Self Insured Dental Plan - COBO	General Deposits Fund	Public Schools Capital Facilities Fund	Flood Control Capital Facilities Fund	Employee Flex Plan Deposits Fund	Totals
ASSETS:							
Cash and investments	\$ -	\$ 14,937	\$ 962,266	\$ 36,442	\$ 548,883	\$ 776	\$ 1,563,304
Cash and investments with fiscal agent	517,562	20,259	-	-	-	-	537,821
Interest receivable	-	58	-	-	1,399	-	1,457
TOTAL ASSETS	<u>\$ 517,562</u>	<u>\$ 35,254</u>	<u>\$ 962,266</u>	<u>\$ 36,442</u>	<u>\$ 550,282</u>	<u>\$ 776</u>	<u>\$ 2,102,582</u>
LIABILITIES:							
Employee contribution	\$ 517,562	\$ 35,254	\$ -	\$ -	\$ -	\$ -	\$ 552,816
Pass throughs	-	-	-	36,442	550,282	-	586,724
Claims payable	-	-	90,741	-	-	776	91,517
Deposits payable	-	-	871,525	-	-	-	871,525
TOTAL LIABILITIES	<u>\$ 517,562</u>	<u>\$ 35,254</u>	<u>\$ 962,266</u>	<u>\$ 36,442</u>	<u>\$ 550,282</u>	<u>\$ 776</u>	<u>\$ 2,102,582</u>

CITY OF COACHELLA

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES AGENCY FUNDS JUNE 30, 2006

	Balance June 30, 2005	Additions	Deletions	Balance June 30, 2006
DEFERRED COMPENSATION FUND				
ASSETS				
Cash	\$ -	\$ -	\$ -	\$ -
Cash with fiscal agent	424,187	93,375	-	517,562
Total assets	<u>\$ 424,187</u>	<u>\$ 93,375</u>	<u>\$ -</u>	<u>\$ 517,562</u>
LIABILITIES				
Employee contribution	<u>\$ 424,187</u>	<u>\$ 186,750</u>	<u>\$ 93,375</u>	<u>\$ 517,562</u>
Total liabilities	<u>\$ 424,187</u>	<u>\$ 186,750</u>	<u>\$ 93,375</u>	<u>\$ 517,562</u>
SELF INSURED DENTAL PLAN-COBO				
ASSETS				
Cash	\$ 14,688	\$ 315	\$ 66	\$ 14,937
Cash with fiscal agent	24,501	-	4,242	20,259
Interest receivable	60	58	60	58
Total assets	<u>\$ 39,249</u>	<u>\$ 373</u>	<u>\$ 4,368</u>	<u>\$ 35,254</u>
LIABILITIES				
Employee contribution	<u>\$ 39,249</u>	<u>\$ 4,994</u>	<u>\$ 8,989</u>	<u>\$ 35,254</u>
Total liabilities	<u>\$ 39,249</u>	<u>\$ 4,994</u>	<u>\$ 8,989</u>	<u>\$ 35,254</u>
GENERAL DEPOSITS FUND				
ASSETS				
Cash	\$ 555,449	\$ 5,798,173	\$ 5,397,956	\$ 955,666
Investments	6,600	-	-	6,600
Total assets	<u>\$ 562,049</u>	<u>\$ 5,798,173</u>	<u>\$ 5,397,956</u>	<u>\$ 962,266</u>
LIABILITIES				
Claims payable	\$ 840	\$ 8,427,716	\$ 8,337,815	\$ 90,741
Deposits payable	561,209	745,031	434,715	871,525
Total liabilities	<u>\$ 562,049</u>	<u>\$ 9,172,747</u>	<u>\$ 8,772,530</u>	<u>\$ 962,266</u>
PUBLIC SCHOOL CAPITAL FACILITIES FUND				
ASSETS				
Cash	\$ 29,422	\$ 527,568	\$ 520,548	\$ 36,442
Interest receivable	38	-	38	-
Total assets	<u>\$ 29,460</u>	<u>\$ 527,568</u>	<u>\$ 520,586</u>	<u>\$ 36,442</u>
LIABILITIES				
Pass throughs	<u>\$ 29,460</u>	<u>\$ 1,048,079</u>	<u>\$ 1,041,097</u>	<u>\$ 36,442</u>
Total liabilities	<u>\$ 29,460</u>	<u>\$ 1,048,079</u>	<u>\$ 1,041,097</u>	<u>\$ 36,442</u>
FLOOD CONTROL CAPITAL FACILITIES FUND				
ASSETS				
Cash	\$ 355,849	\$ 194,154	\$ 1,120	\$ 548,883
Interest receivable	932	1,400	933	1,399
Total assets	<u>\$ 356,781</u>	<u>\$ 195,554</u>	<u>\$ 2,053</u>	<u>\$ 550,282</u>
LIABILITIES				
Pass throughs	<u>\$ 356,781</u>	<u>\$ 579,489</u>	<u>\$ 385,988</u>	<u>\$ 550,282</u>
Total liabilities	<u>\$ 356,781</u>	<u>\$ 579,489</u>	<u>\$ 385,988</u>	<u>\$ 550,282</u>
EMPLOYEE FLEX PLAN DEPOSITS FUND				
ASSETS				
Cash	\$ 572	\$ 15,675	\$ 15,471	\$ 776
Total assets	<u>\$ 572</u>	<u>\$ 15,675</u>	<u>\$ 15,471</u>	<u>\$ 776</u>
LIABILITIES				
Claims payable	<u>\$ 572</u>	<u>\$ 30,172</u>	<u>\$ 29,968</u>	<u>\$ 776</u>
Total liabilities	<u>\$ 572</u>	<u>\$ 30,172</u>	<u>\$ 29,968</u>	<u>\$ 776</u>

STATISTICAL SECTION

CITY OF COACHELLA

NET ASSETS BY COMPONENT LAST FOUR FISCAL YEARS (accrual basis of accounting)

	Fiscal Year			
	2003	2004	2005	2006
Governmental activities:				
Invested in capital assets, net of related debt	\$ 10,033,810	\$ 10,566,657	\$ 16,345,742	\$ 21,094,484
Restricted	-	-	-	47,977,285
Unrestricted	<u>(8,749,032)</u>	<u>4,897,449</u>	<u>4,744,259</u>	<u>(32,362,804)</u>
Total governmental activities net asset	<u>\$ 1,284,778</u>	<u>\$ 15,464,106</u>	<u>\$ 21,090,001</u>	<u>\$ 36,708,965</u>
Business-type activities:				
Invested in capital assets, net of related debt	\$ (156,851)	\$ (2,772,962)	\$ 9,400,692	\$ 15,907,813
Restricted	5,293,425	5,303,197	6,187,555	14,656,111
Unrestricted	<u>3,747,880</u>	<u>2,731,916</u>	<u>(5,612,269)</u>	<u>(16,521,062)</u>
Total business-type activities net asset	<u>\$ 8,884,454</u>	<u>\$ 5,262,151</u>	<u>\$ 9,975,978</u>	<u>\$ 14,042,862</u>
Primary government:				
Invested in capital assets, net of related debt	\$ 9,876,959	\$ 7,793,695	\$ 25,746,434	\$ 37,002,297
Restricted	5,293,425	5,303,197	6,187,555	62,633,396
Unrestricted	<u>(5,001,152)</u>	<u>7,629,365</u>	<u>(868,010)</u>	<u>(48,883,866)</u>
Total primary government net assets	<u>\$ 10,169,232</u>	<u>\$ 20,726,257</u>	<u>\$ 31,065,979</u>	<u>\$ 50,751,827</u>

*The City of Coachella implemented GASB 34 for the fiscal year ended June 30, 2003.
Information prior to the implementation of GASB 34 is not available.*

CITY OF COACHELLA

CHANGES IN NET ASSETS LAST FOUR FISCAL YEARS (accrual basis of accounting)

	Fiscal Year			
	2003	2004	2005	2006
Expenses:				
Governmental activities:				
General government	\$ 5,019,776	\$ 5,546,488	\$ 8,426,030	\$ 9,640,173
Public safety	2,438,945	3,329,250	4,656,197	4,898,669
Public works	1,840,019	2,456,293	1,880,710	2,195,931
Parks and recreation	282,077	177,507	218,301	162,680
Payments to other agencies	656,998	1,382,333	1,174,295	1,130,745
Interest on long-term debt	1,288,291	1,276,708	1,300,793	1,355,416
Transfers	-	-	1,927,847	-
Total governmental activities expenses	\$ 11,526,106	\$ 14,168,579	\$ 19,584,173	\$ 19,383,614
Business-type activities				
Operating transfers in and out (net)	\$ 1,000	\$ 5,001,000	\$ -	\$ -
Operating expenses	4,255,450	5,039,036	5,503,551	6,388,056
Non-operating expenses	753,251	892,446	851,880	912,131
Total business-type activities net expenses	\$ 5,009,701	\$ 10,932,482	\$ 6,355,431	\$ 7,300,187
Total primary government expenses	\$ 16,535,807	\$ 25,101,061	\$ 25,939,604	\$ 26,683,801
Program Revenues				
Governmental activities:				
Charges for services	\$ 1,738,017	\$ 3,536,238	\$ 7,438,412	\$ 11,260,751
Operating grants and contributions	2,618,170	2,072,536	2,199,962	4,760,299
Capital grants and contributions	1,353,920	6,025,655	1,770,267	68,274
Total governmental activities program revenue	\$ 5,710,107	\$ 11,634,429	\$ 11,408,641	\$ 16,089,324
Business Type Activities				
Charges for services	\$ 4,855,667	\$ 6,968,177	\$ 8,809,903	\$ 11,998,585
Total primary government program revenues	\$ 10,565,774	\$ 18,602,606	\$ 20,218,544	\$ 28,087,909
Net revenues (expenses):				
Governmental activities	\$ (5,815,999)	\$ (2,534,150)	\$ (8,175,532)	\$ (3,294,290)
Business-type activities	(154,034)	(3,964,305)	2,454,472	4,698,398
Total net revenues (expenses)	\$ (5,970,033)	\$ (6,498,455)	\$ (5,721,060)	\$ 1,404,108

CITY OF COACHELLA

CHANGES IN NET ASSETS (CONTINUED) LAST FOUR FISCAL YEARS (accrual basis of accounting)

	Fiscal Year			
	2003	2004	2005	2006
General Revenues				
Governmental activities:				
Intergovernmental revenue	\$ -	\$ 2,295,554	\$ 869,043	\$ 989,493
Licenses and permits	1,012,506	-	-	
Taxes:				
Property taxes	4,034,206	4,330,608	6,284,450	8,859,051
Other taxes	3,876,387	4,146,617	3,853,406	4,923,454
Other revenues	488,209	662,141	2,124,611	359,950
Interest and rental income	219,553	185,040	579,116	986,665
Gain on insurance reimbursement	-	-	206,142	
Gain on sale of land	83,877	-	-	
Transfers	1,000	5,001,000	-	(770,990)
Total governmental activities	<u>\$ 9,715,738</u>	<u>\$ 16,620,960</u>	<u>\$ 13,916,768</u>	<u>\$ 15,347,623</u>
Business-type activities				
Interest and rental income	\$ 155,484	\$ 156,460	\$ 124,846	\$ 400,831
Other taxes	41,650	44,245	37,635	38,055
Other revenues	108,771	141,297	-	
Transfers	-	-	1,927,847	770,990
Total business-type activities net	<u>\$ 305,905</u>	<u>\$ 342,002</u>	<u>\$ 2,090,328</u>	<u>\$ 1,209,876</u>
Total primary government	\$ 10,021,643	\$ 16,962,962	\$ 16,007,096	\$ 16,557,499
Changes in Net Assets				
Governmental activities	\$ 3,899,739	\$ 14,086,810	\$ 5,741,236	\$ 12,053,333
Business-type activities	151,871	(3,622,303)	4,544,800	5,908,274
Total primary government	\$ 4,051,610	\$ 10,464,507	\$ 10,286,036	\$ 17,961,607

*The City of Coachella implemented GASB 34 for the fiscal year ended June 30, 2003.
Information prior to the implementation of GASB 34 is not available.*

CITY OF COACHELLA

FUND BALANCES OF GOVERNMENTAL FUNDS LAST FOUR FISCAL YEARS (modified accrual basis of accounting)

	Fiscal Year			
	2003	2004	2005	2006
General Fund:				
Reserved	\$ 1,231,982	\$ 1,535,312	\$ 1,755,469	\$ 1,617,653
Unreserved	1,351,388	2,270,521	4,775,374	9,654,528
Total general fund	<u>\$ 2,583,370</u>	<u>\$ 3,805,833</u>	<u>\$ 6,530,843</u>	<u>\$ 11,272,181</u>
All other government funds:				
Reserved	\$ 5,376,291	\$ 4,029,551	\$ 4,807,687	\$ 17,047,731
Unreserved, reported in:				
Special revenue funds	3,112,274	9,241,332	11,541,834	\$ 14,194,605
Capital project funds	<u>(2,182,986)</u>	<u>10,370,501</u>	<u>10,224,567</u>	<u>27,123,981</u>
Total all other government funds	<u>\$ 6,305,579</u>	<u>\$ 23,641,384</u>	<u>\$ 26,574,088</u>	<u>\$ 58,366,317</u>

The City of Coachella has elected to show only four years of data on this schedule.

CITY OF COACHELLA

CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS LAST FOUR FISCAL YEARS (modified accrual basis of accounting)

	Fiscal Year			
	2003	2004	2005	2006
Revenues:				
Taxes	\$ 2,958,051	\$ 3,756,211	\$ 5,402,265	\$ 6,618,247
Property tax increment	3,544,457	3,991,338	4,237,821	5,431,925
Licenses and permits	615,456	1,207,374	3,009,837	3,290,175
Intergovernmental revenue	6,633,852	11,788,055	5,834,304	7,866,289
Charges for services	1,482,197	1,283,425	3,224,975	6,572,347
Fines and forfeits	205,357	182,688	278,193	387,834
Interest and rental income	213,549	185,040	485,453	872,244
Other income	<u>681,756</u>	<u>860,258</u>	<u>2,646,419</u>	<u>\$ 1,168,876</u>
Total revenues	<u>\$ 16,334,675</u>	<u>\$ 23,254,389</u>	<u>\$ 25,119,267</u>	<u>\$ 32,207,937</u>
Expenditures:				
Current:				
General government:				
Departmental	\$ 1,881,558	\$ 1,789,569	\$ 2,071,157	\$ 2,529,267
Non-departmental	3,531,067	3,571,096	5,968,831	5,952,642
Public safety	2,847,491	3,289,212	4,252,008	4,898,669
Public works	1,617,591	2,044,322	1,875,568	2,195,931
Parks and recreation	339,159	173,714	218,301	162,680
Payment to other agencies	656,998	1,382,333	1,174,295	1,130,745
Capital outlays	6,259,930	3,714,839	-	-
Debt service:				
Bond issue costs	-	114,213	179,417	164,436
Principal retirements	378,619	392,335	1,484,577	3,250,296
Interest and fiscal changes	1,123,031	1,115,336	1,207,049	1,329,765
Capital outlays	<u>-</u>	<u>-</u>	<u>5,265,524</u>	<u>4,303,778</u>
Total expenditures	<u>\$ 18,635,444</u>	<u>\$ 17,586,969</u>	<u>\$ 23,696,727</u>	<u>\$ 25,918,209</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (2,300,769)</u>	<u>\$ 5,667,420</u>	<u>\$ 1,422,540</u>	<u>\$ 6,289,728</u>
Other financing sources (uses):				
Proceeds from loan	\$ -	\$ 2,419,871		
Proceeds from bond debt	-	5,000,000	14,465,000	33,845,000
Discount on bond debt	-	(26,850)	(655,617)	(1,376,945)
Premium on bond debt	-	-	54,763	
Payment to bond agent	-	-	(7,838,700)	
Gain on sale of land	83,877	-		
Transfers in	6,443,683	8,310,205	17,971,517	55,430,862
Transfers out	<u>(6,609,204)</u>	<u>(3,309,205)</u>	<u>(19,899,361)</u>	<u>(56,201,852)</u>
Total other financing sources (uses)	<u>\$ (81,644)</u>	<u>\$ 12,394,021</u>	<u>\$ 4,097,602</u>	<u>\$ 31,697,065</u>
Extraordinary item:				
Insurance recovery-building	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 290,146</u>	<u>\$ -</u>
Net change in fund balances	<u>\$ (2,382,413)</u>	<u>\$ 18,061,441</u>	<u>\$ 5,810,288</u>	<u>\$ 37,986,793</u>
Debt service as a percentage of non-capital expenditures	13.8%	12.3%	17.3%	27.1%

The City of Coachella has elected to show only four years of data on this schedule.

CITY OF COACHELLA

SCHEDULE OF NET ASSESSED VALUE
LAST TEN FISCAL YEARS

<u>Fiscal Year End</u>	<u>Gross Assessed Value</u>	<u>Less Property Exemptions</u>	<u>Less Homeowners Exemption</u>	<u>Net Assessed Value</u>	<u>Total Direct Tax Rate</u>	<u>Percent of Assessed Value Growth</u>
1997	424,381,877	22,594,804	11,710,476	390,076,597	6.11	2.48%
1998	434,044,235	23,361,663	12,199,934	398,482,638	6.22	2.15%
1999	443,999,360	23,857,952	12,343,032	407,798,376	6.30	2.34%
2000	448,412,836	24,203,221	12,197,062	412,012,553	6.27	1.03%
2001	486,817,887	24,518,383	12,218,317	450,081,187	6.60	9.24%
2002	518,929,607	36,613,512	12,316,944	469,999,151	6.69	4.43%
2003	563,976,091	37,114,840	12,600,169	514,261,082	6.77	9.42%
2004	633,683,194	44,960,946	13,236,128	575,486,120	6.90	11.91%
2005	740,838,899	90,131,233	13,456,266	637,251,400	6.51	10.73%
2006	1,025,752,377	93,172,403	14,462,424	918,117,550	5.61	44.07%

Source: Riverside County Auditor-Controller Office
HDL Coren & Cone

CITY OF COACHELLA

UNADJUSTED ASSESSED VALUE HISTORY LAST TEN FISCAL YEARS (in thousands of dollars)

Category	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Residential	\$ 156,374	\$ 166,886	\$ 175,778	\$172,923	\$193,193	\$ 205,977	\$ 235,893	\$284,174	\$ 299,928	\$500,153
Commercial	47,234	48,295	49,675	50,291	50,574	55,630	54,728	57,058	58,259	65,183
Industrial	55,231	55,556	56,476	58,918	60,631	62,335	68,526	71,983	74,463	78,161
Dry Farm	4,879	7,765	9,162	9,514	9,458	10,405	11,413	11,393	12,873	13,533
Institutional	931	948	701	773	788	660	744	1,875	2,479	2,011
Irrigated	11,183	9,493	9,634	9,077	9,298	9,551	15,010	13,989	15,525	20,615
Miscellaneous	2,040	1,452	1,271	546	392	632	580	577	573	565
Recreational	-	-	153	156	159	162	165	434	443	176
Vacant Land	62,081	61,577	57,631	58,328	59,440	60,312	67,222	75,486	103,712	192,513
SBE Nonunitary	789	1,307	1,406	1,237	1,482	1,237	1,223	967	1,062	1,028
Possessory Int.	9,389	5,810	4,235	5,019	5,391	4,936	5,184	8,746	4,807	4,888
Unsecured	21,008	22,661	24,688	29,689	43,169	40,769	35,624	37,325	44,225	45,729
Exempt	(3,122)	(3,379)	(3,255)	(3,262)	(2,461)	(2,850)	(2,417)	(2,465)	(2,926)	(3,025)
Unknown	31,498	30,294	29,790	29,002	29,829	30,966	31,801	9,542	33,437	9,053
Totals	<u>\$ 399,515</u>	<u>\$ 408,665</u>	<u>\$ 417,345</u>	<u>\$422,211</u>	<u>\$461,343</u>	<u>\$ 480,722</u>	<u>\$ 525,696</u>	<u>\$571,084</u>	<u>\$ 648,860</u>	<u>\$930,583</u>
Total Direct Rate	<u>0.61051%</u>	<u>0.32219%</u>	<u>0.62985%</u>	<u>0.62728%</u>	<u>0.65995%</u>	<u>0.66933%</u>	<u>0.67652%</u>	<u>0.68972%</u>	<u>0.65061%</u>	<u>0.56105%</u>

Note:

In 1978 the voters of the State of California passed Proposition 13 which limited taxes to a total maximum rate of 1%, based upon the assessed value of the property being taxed. Each year, the assessed value of property may be increased by an "inflation factor" limited to a maximum of 2%. With few exceptions, property is only reassessed as a result of new construction activity or at the time the property is sold to a new owner. At that point the new assessed value is reassessed based on the added value of the construction or at the purchase price (market value) of the property sold. The assessed valuation data shown above represents the only data available with respect to the actual market value of taxable property and is subject to the limitations described above.

CITY OF COACHELLA

SALES TAX BY ECONOMIC CATEGORY AND SEGMENT LAST TEN FISCAL YEARS

Economic Category	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Transportation	\$ 359,702	\$379,177	\$ 405,409	\$ 464,977	\$ 633,897	\$ 691,583	\$ 772,479	\$ 864,596	\$ 969,274	\$ 1,171,167
Food Products	201,646	229,341	276,712	325,427	357,259	363,360	383,007	373,826	425,829	593,242
Business to Business	189,750	207,423	202,759	250,114	262,617	240,494	275,173	329,116	414,563	559,555
Construction	86,011	96,337	106,410	147,734	175,598	165,319	162,665	266,085	350,322	510,075
General Retail	67,421	58,694	64,987	77,948	86,963	92,055	99,466	138,353	159,880	184,417
Miscellaneous	3,219	5,184	3,051	4,705	4,805	3,581	3,207	3,220	3,181	3,475
Totals	\$ 907,749	\$976,156	\$ 1,059,328	\$ 1,270,905	\$ 1,521,139	\$ 1,556,392	\$ 1,695,997	\$ 1,975,196	\$ 2,323,049	\$ 3,021,931
Economic Segment										
Service Stations	\$ 266,112	\$280,115	\$ 287,015	\$ 336,408	\$ 488,827	\$ 524,807	\$ 597,138	\$ 676,344	\$ 730,448	\$ 919,648
Building Materials - Wholesale	83,819	94,677	104,803	144,690	173,292	163,955	161,662	265,030	348,732	486,128
Energy Sales	123,434	139,352	137,873	188,897	195,653	150,689	172,407	250,039	328,562	466,122
Food Markets	87,175	115,332	163,587	189,426	194,129	184,114	186,739	190,240	212,243	344,543
Restaurants	84,560	93,844	93,630	121,148	156,008	173,846	186,223	177,140	205,904	241,761
Auto Sales - Used	22,493	27,941	41,342	48,688	56,890	74,263	77,070	83,900	123,080	130,192
Auto Parts / Repair	72,019	71,990	77,272	79,881	88,180	92,513	98,271	104,352	115,746	121,327
Chemical Products	48,046	46,097	40,805	47,384	45,048	47,498	52,917	50,771	52,644	54,524
Furniture / Appliances	15,369	8,505	10,917	13,762	11,744	11,035	11,681	17,145	29,322	39,227
Miscellaneous Retail	12,114	10,914	12,745	18,400	22,498	23,225	25,432	30,141	35,126	38,076
Apparel Stores	19,027	19,729	20,748	22,203	23,510	23,824	24,632	28,256	27,460	36,950
Drug Stores	17,384	16,012	16,144	16,409	18,695	20,552	22,745	27,159	32,005	32,996
Light Industry	7,772	12,807	12,329	4,665	6,469	7,716	9,079	20,024	27,655	32,572
Building Materials - Retail	2,192	1,660	1,607	3,044	2,306	1,364	1,003	1,055	1,590	23,947
Florist / Nursery	2,871	3,096	3,751	4,580	5,908	6,074	6,252	24,367	21,417	17,466
Recreation Products	-	14	207	624	803	2,303	2,908	4,611	6,708	10,700
Department Stores	656	424	475	1,970	3,805	5,042	5,816	6,674	7,842	9,002
Liquor Stores	29,644	19,929	19,251	14,630	6,947	5,215	9,876	6,281	5,775	4,916
Leasing	4,091	2,981	6,338	4,842	3,831	5,432	3,792	3,790	4,426	4,879
Miscellaneous Other	2,509	3,982	2,384	4,068	4,296	2,939	2,645	2,622	2,204	2,313
Food Processing Equipment	267	236	244	223	175	185	169	165	1,907	2,022
Business Services	358	531	(302)	4	2,513	64	225	394	1,276	1,458
Health and Government	710	782	667	468	509	642	562	598	977	1,162
Auto Sales - New	-	-	-	-	-	-	-	-	-	-
Closed Account Adjustment	-	420	-	169	-	-	-	-	-	-
Electronic Equipment	(32)	(33)	(9)	-	-	-	-	-	-	-
Heavy Industry	6,061	5,659	5,714	4,322	9,103	29,095	36,753	4,098	-	-
Miscellaneous Vehicle Sales	(922)	(869)	(220)	-	-	-	-	-	-	-
Office Equipment	20	29	11	-	-	-	-	-	-	-
Totals	\$ 907,749	\$976,156	\$ 1,059,328	\$ 1,270,905	\$ 1,521,139	\$ 1,556,392	\$ 1,695,997	\$ 1,975,196	\$ 2,323,049	\$ 3,021,931

Source: MBIA MuniServices Company

CITY OF COACHELLA

DIRECT AND OVERLAPPING PROPERTY TAX RATES LAST TEN FISCAL YEARS (rate per \$100 of assessed value)

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
City Direct Rates:										
City Basic Rate	\$ 0.077	\$ 0.077	\$ 0.077	\$ 0.077	\$ 0.077	\$ 0.077	\$ 0.077	\$ 0.077	\$ 0.077	\$ 0.077
Fire Protection District	0.054	0.054	0.054	0.054	0.054	0.054	0.054	0.054	0.054	0.054
Total City Direct Rate	\$ 0.131	\$ 0.131	\$ 0.131	\$ 0.131	\$ 0.131	\$ 0.131	\$ 0.131	\$ 0.131	\$ 0.131	\$ 0.131
Overlapping Rates:										
Proposition 13 Rate:										
County Storm Water	\$ 0.032	\$ 0.032	\$ 0.032	\$ 0.032	\$ 0.032	\$ 0.032	\$ 0.032	\$ 0.032	\$ 0.032	\$ 0.032
Mosquito Abatement	0.013	0.013	0.013	0.013	0.013	0.013	0.013	0.013	0.013	0.013
Public Cemetery	0.003	0.003	0.003	0.003	0.003	0.003	0.003	0.003	0.003	0.003
Recreation & Park	0.019	0.019	0.019	0.019	0.019	0.019	0.019	0.019	0.019	0.019
Resource Conservation	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Unified School District	0.432	0.432	0.432	0.432	0.432	0.432	0.432	0.432	0.432	0.432
Water Improvement District 1	0.012	0.012	0.012	0.012	0.012	0.012	0.012	0.012	0.012	0.012
County Water	0.025	0.025	0.025	0.025	0.025	0.025	0.025	0.025	0.025	0.025
County Free Library	0.025	0.025	0.025	0.025	0.025	0.025	0.025	0.025	0.025	0.025
County General	0.196	0.196	0.196	0.196	0.196	0.196	0.196	0.196	0.196	0.196
Desert Community College	0.070	0.070	0.070	0.070	0.070	0.070	0.070	0.070	0.070	0.070
Regional Park and Open Space	0.003	0.003	0.003	0.003	0.003	0.003	0.003	0.003	0.003	0.003
School Equalization Aid	0.038	0.038	0.038	0.038	0.038	0.038	0.038	0.038	0.038	0.038
Total Proposition 13 Rate	\$ 1.000	\$ 1.000	\$ 1.000	\$ 1.000	\$ 1.000	\$ 1.000	\$ 1.000	\$ 1.000	\$ 1.000	\$ 1.000
Voter Approved Rate:										
Unified School District	\$ -	\$ 0.056	\$ 0.052	\$ 0.052	\$ 0.049	\$ 0.045	\$ 0.037	\$ 0.033	\$ 0.031	\$ 0.060
Water District	0.021	0.021	0.021	0.021	0.021	0.021	0.021	0.021	0.021	0.021
Desert Community College	-	-	-	-	-	-	-	-	0.020	0.020
Total Voter Approved Rate	\$ 0.021	\$ 0.077	\$ 0.073	\$ 0.073	\$ 0.070	\$ 0.066	\$ 0.058	\$ 0.053	\$ 0.071	\$ 0.100
Total Tax Rate	\$ 1.021	\$ 1.077	\$ 1.073	\$ 1.073	\$ 1.070	\$ 1.066	\$ 1.058	\$ 1.053	\$ 1.071	\$ 1.100

Note:

In 1978, California voters passed Proposition 13 which sets the property tax rate at a 1.00% fixed amount. This 1.00% is shared by all taxing agencies for which the subject property resic
In addition to the 1.00% fixed amount, voters approved additional assessments for bond repayments to the Coachella Unified School District, Coachella Valley Water District, and Deser

CITY OF COACHELLA

PRINCIPAL PROPERTY TAXPAYERS CURRENT YEAR AND NINE YEARS AGO

Taxpayer	2006			1997		
	Taxable	Rank	Percentage of	Taxable	Rank	Percentage of Total
	Assessed Value		Total Taxable Assessed Value	Assessed Value		Taxable Assessed Value
Coachella Valley Housing Coalition	20,930,728	1	11.7%	-		0.0%
Armtec Defense Products Company	20,638,324	2	13.3%	14,038,575	1	12.5%
Sun World Packing Corporation	11,046,362	3	7.1%	8,506,771	3	7.6%
Dillon Road Associates	11,000,000	4	7.1%	-		0.0%
Desert Mist Cooling	10,247,342	5	6.6%	4,217,380		3.8%
TA Operating Corporation	9,500,871	6	6.1%	8,923,714	2	8.0%
MFJK Partnership	9,424,006	7	6.1%	2,920,792		2.6%
Halum Markets Inc.	8,573,604	8	5.5%	-		0.0%
Amazing Coachella Inc.	7,977,528	9	5.1%	-		0.0%
Camp Court LLC	6,775,038	10	4.4%	-		0.0%
Anthony Vineyards Inc	6,651,488		4.3%	-		0.0%
Guerrero Primitivo	5,824,000		3.8%	-		0.0%
Peter Rabbit Farms	4,959,155		3.2%	2,950,276		2.6%
HRG Coachella 1 THS LLC	4,784,623		3.1%	-		0.0%
Rancho Heights	4,582,171		3.0%	6,920,340	5	6.2%
J & J Brothers Construction Company Inc.	4,478,014		2.9%	-		0.0%
Sun & Sands Enterprises LLC	4,098,012		2.6%	-		0.0%
Coachella Investors	3,715,917		2.4%	5,125,528	8	4.6%
Vons Companies, Inc.	-		0.0%	7,115,901	4	6.4%
Kmart Corporation	-		0.0%	6,576,274	6	5.9%
Colony Cablevision of California	-		0.0%	5,730,713	7	5.1%
Mitsui Fudosan, Inc.	-		0.0%	4,660,257	9	4.2%
Thomas C. Mouradick	-		0.0%	4,218,025	10	3.8%
Totals	<u>\$ 155,207,183</u>		<u>98.3%</u>	<u>\$ 81,904,546</u>		<u>73.1%</u>

The amounts shown above include assessed value data for both the City and the Redevelopment Agency.

Source: Riverside County Assessor's Office
HDL Coren & Cone

CITY OF COACHELLA

RATIOS OF OUTSTANDING DEBT TYPE LAST FIVE YEARS

Fiscal Year End	Governmental Activities					Business-Type Activities					Total Primary Government	Percentage of Total Revenue
	Redevelopment Loan	Redevelopment Bonds	Financing Authority Notes	Capital Leases	Compensate d Absences	Refunding Bonds	Revenue Bonds	Revolving Fund Loan	Certificates of Participation	Capital Leases		
2002	1,642,565	17,900,002	-	52,887	405,696	-	-	-	11,320,898	421,766	31,743,814	320.26%
2003	-	17,545,002	-	81,797	373,819	-	-	-	11,050,541	216,184	29,267,343	176.15%
2004	2,419,870	17,175,002	5,000,000	370,301	434,673	13,152,004	-	-	3,340,000	-	41,891,850	117.79%
2005	1,378,824	22,657,302	5,000,000	306,770	448,254	5,725,000	12,713,036	-	-	-	48,229,186	133.14%
2006	-	53,077,896	-	255,299	560,355	10,620,000	12,463,042	10,741,797	-	-	87,718,389	196.48%

Source: City of Coachella

CITY OF COACHELLA

LEGAL DEBT MARGIN INFORMATION LAST TEN YEARS

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Assessed valuation	424,381,877	434,044,235	443,399,360	448,412,836	486,817,887	518,929,607	563,976,091	633,683,194	740,838,899	1,025,752,377
Conversion percentage	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%
Adjusted assessed valuation	106,095,469	108,511,059	110,849,840	112,103,209	121,704,472	129,732,402	140,994,023	158,420,799	185,209,725	256,438,094
Debt limit percentage	15%	15%	15%	15%	15%	15%	15%	15%	15%	15%
Debt limit	15,914,320	16,276,659	16,627,476	16,815,481	18,255,671	19,459,860	21,149,103	23,763,120	27,781,459	38,465,714
Total net debt applicable to limit: General obligation bonds	-	-	-	-	-	-	-	-	-	-
Legal debt margin	<u>\$ 15,914,320</u>	<u>\$ 16,276,659</u>	<u>\$16,627,476</u>	<u>\$ 16,815,481</u>	<u>\$18,255,671</u>	<u>\$19,459,860</u>	<u>\$ 21,149,103</u>	<u>\$23,763,120</u>	<u>\$ 27,781,459</u>	<u>\$ 38,465,714</u>
Total debt applicable to the limit as a percentage of debt limit	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

The Government Code of the State of California provides for a legal debt limit of 15% of gross assessed valuation. However, this provision was enacted when assessed valuation was based upon 25% of market value. Effective with the 1981-82 fiscal year, each parcel is now assessed at 100% of market values (as of the most change in ownership for that parcel). The computations shown above reflect a conversion of assessed valuation data for each fiscal year from the current full valuation perspective to the 25% level that was in effect at the time that the legal debt margin was enacted by the State of California for local governments located within the state.

Source: Riverside County Assessors Office
HDL Coren & Cone

CITY OF COACHELLA

REVENUE BOND COVERAGE – COACHELLA SANITARY DISTRICT LAST THREE YEARS

Fiscal Year	Gross	Gross	Net Revenue	Debt Service Requirements			Coverage (2)
	Revenues	Expenses (1)	Available for Debt Service	Principal	Interest	Total	
2004	3,799,752	1,872,625	1,927,127			337,906	5.70
2005	4,603,157	2,241,179	2,361,978	-	-	337,062	7.01
2006	6,218,344	2,307,908	3,910,436	105,000	240,863	345,863	11.31

(1) Operating expenses less depreciation and debt service, per bond official statement

(2) 1.25 debt service coverage requirement, per bond resolutions

Source: City of Coachella

CITY OF COACHELLA

REVENUE BOND COVERAGE – COACHELLA WATER AUTHORITY LAST THREE YEARS

Fiscal Year	Gross	Gross	Net Revenue	Debt Service Requirements			
	Revenues	Expenses (1)	Available for Debt Service	Principal	Interest	Total	Coverage (2)
2004	2,906,703	1,418,263	1,488,440	475,000	361,840	836,840	1.78
2005	3,642,708	1,861,843	1,780,865	245,000	590,788	835,788	2.13
2006	5,269,125	2,433,014	2,836,111	250,000	584,663	834,663	3.40

(1) Operating expenses less depreciation, per bond official statement

(2) 1.25 debt service coverage requirement, per bond resolutions

Source: City of Coachella

CITY OF COACHELLA
DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST SIX FISCAL YEARS

<u>Calendar Year</u>	<u>Population</u>	<u>Total Work Force</u>	<u>Employed</u>	<u>Unemployed</u>	<u>Unemployment Rate</u>	<u>School Enrollment</u>
2000	22,724	8,600	7,900	700	8.4%	11,932
2001	23,365	9,100	8,300	800	8.6%	12,636
2002	24,427	9,500	8,600	900	9.9%	13,173
2003	27,117	10,000	9,000	1,000	9.9%	13,687
2004	28,144	10,400	9,500	900	8.6%	14,621
2005	30,964	10,800	9,900	900	8.4%	15,452

Sources: California Department of Finance
California Department of Education
California Employment Development Department

CITY OF COACHELLA
PRINCIPAL EMPLOYERS
CALENDAR YEAR 2005 AND FIVE YEARS AGO

Employer	2005			2001		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Coachella Valley Unified School District	1100	1	10.19%	1000	1	10.99%
Sun World, Inc.	600	2	5.56%	600	2	6.59%
Coachella Valley Water District	450	3	4.17%	450	3	4.95%
Spotlight 29 Casino	350	4	3.24%	350	4	3.85%
Armtec Industries	280	5	2.59%	300	5	3.30%
Golden Ace Farms	203	6	1.88%	203	6	2.23%
American AG	200	7	1.85%	200	7	2.20%
Cal Date	170	8	1.57%	170	8	1.87%

Source: City of Coachella

CITY OF COACHELLA

FIVE YEAR STAFFING HISTORY (FULL TIME EQUIVALENTS)

	<u>2002-03</u>	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>
General Government					
Administration	5.50	5.50	5.50	5.00	8.00
Community Development	4.50	4.50	4.00	4.75	5.75
Finance	4.50	4.50	4.75	4.33	4.08
General Government	2.00	2.00	2.00	2.00	2.00
Neighborhood Services	4.25	7.00	7.65	5.75	9.25
Public Works	13.05	13.25	14.55	21.15	25.08
Senior Center	3.00	3.00	3.00	3.00	3.00
Redevelopment Agency	4.25	4.25	3.25	4.00	6.33
Sanitary District	7.70	7.70	7.95	11.28	10.44
Water Agency	6.55	6.55	6.80	7.74	13.07
Grand Total	<u>55.30</u>	<u>58.25</u>	<u>59.45</u>	<u>69.00</u>	<u>87.00</u>

- (1) This report does not include elected officials.
- (2) All part-time employees are treated as .5 FTE in this report.
- (3) Some positions are distributed among two or more departments for accounting purposes.
- (4) Some City staff and management also serve in similar functions for component units such as Sanitary District and Redevelopment Agency.

Source: City of Coachella

CITY OF COACHELLA
CAPITAL ASSET STATISTICS BY FUNCTION
LAST FOUR FISCAL YEARS

Function	Fiscal Years			
	2003	2004	2005	2006
Public Safety				
Police				
Substations	0	0	0	1
Service hours	N/A	N/A	84	110
Fire Stations	1	1	1	1
Personnel (full time)	9	9	9	18
Support personnel	N/A	N/A	19	20
Highways and street				
Streets (miles)	65	65	65	65
Streetlights	804	804	804	804
Culture and Recreation				
Parks acreage	269.39	269.39	269.39	269.39
Parks	7	7	7	7
Swimming pools	2	2	2	2
Tennis courts	2	2	2	2
Community centers	1	1	1	1
Water				
Water meeters active	1,971	2,211	2,974	4,216
Fire hydrants	3	4	15	35
Sanitary				
Plants	1	1	1	1
(capacity/gallons)	1,200,000	1,200,000	1,200,000	2,400,000

Source: City of Coachella