

CITY OF COACHELLA
COMPREHENSIVE ANNUAL
FINANCIAL REPORT
WITH REPORT ON AUDIT
BY INDEPENDENT
CERTIFIED PUBLIC ACCOUNTANTS
JUNE 30, 2005



CITY OF COACHELLA
COMPREHENSIVE ANNUAL FINANCIAL REPORT

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, 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, 2005, 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, 2005, 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 23, 2005, 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.

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

December 23, 2005

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, 2005. We encourage readers to consider the information presented here in conjunction with additional information we have furnished in our letter of transmittal. All amounts are expressed in millions of dollars unless otherwise stated.

FINANCIAL HIGHLIGHTS

- The assets of the City of Coachella exceeded its liabilities at the close of the fiscal year by \$31.06 million (net assets). Of this amount, (\$.87 million) (unrestricted net assets) may be used to meet the government's ongoing obligations to its citizens and creditors.
- The City's total net assets increased by \$10.28 million; Of this amount, approximately \$5.74 million was due to an increase in charges for services.
- As of the close of the fiscal year, the City of Coachella's governmental funds reported combined ending fund balances of \$21.09 million, an increase of \$5.62 million in comparison with the prior year. Approximately 36.38 percent of this total amount, \$4.74 million, is available for spending at the City's discretion (unreserved fund balance) per individual fund requirements.
- At the end of the fiscal year, unreserved fund balances from the General Fund were \$4.74 million, from the Street Improvement Fund was \$5.14 million, and from Redevelopment Agency Project Area 4 was \$6.93 million.
- The City's total debt increased by \$8.33million (17.85 percent) during the fiscal year. The key factor in this increase was the issuance of revenue refunding bonds of \$5.73 million for the Coachella Sanitary District and \$14.46 million for Governmental Activities.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

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

reported in this statement for some items that will only result in cash flows in future fiscal periods.

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

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

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

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

The City maintains seven individual governmental funds. Information presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, street improvement fund, capital projects fund, and debt service fund, all of which are considered to be major funds. Data from the three other funds are combined into a single, aggregate presentation. Individual fund data for each of these non-major governmental funds is provided in the form of *combing statements* elsewhere in this report.

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

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

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

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City of Coachella, assets exceeded liabilities by \$31.06 million (Table 1). One of the largest portions of the City's net assets 82.88 percent, reflects its investment in capital assets (e.g. land, buildings, machinery, and equipment), less any related debt used to acquire those assets still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net assets 19.92 percent represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (\$.868 million) may be used to meet the City's ongoing obligations to citizens and creditors.

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

Table 1
Net Assets
As of June 30, 2005 and 2004

	Governmental Activities		Business Type Activities		Total	
	FY 2005	FY 2004	FY 2005	FY 2004	FY 2005	FY 2004
Current and restricted assets	\$ 38,265,281	\$ 30,366,261	\$ 8,233,406	\$ 9,749,383	\$ 46,498,687	\$ 40,115,644
Capital assets	18,031,336	13,578,107	21,554,137	13,719,042	39,585,473	27,297,149
TOTAL ASSETS	56,296,617	43,944,368	29,787,543	23,468,425	86,084,160	67,412,793
Long-term debt outstanding	29,791,150	25,399,846	18,438,036	16,492,004	48,229,186	41,891,850
Other liabilities	5,415,466	3,080,416	1,373,529	1,714,270	6,788,995	4,794,686
TOTAL LIABILITIES	35,206,616	28,480,262	19,811,565	18,206,274	55,018,181	46,686,536
Net assets:						
Invested in capital assets, net of related debt	16,345,742	10,566,657	9,400,692	(2,772,962)	25,746,434	7,793,695
Restricted	-	-	6,187,555	5,303,197	6,187,555	5,303,197
Unrestricted	4,744,259	4,897,449	(5,612,269)	2,731,916	(868,010)	7,629,365
TOTAL NET ASSETS	\$ 21,090,001	\$ 15,464,106	\$ 9,975,978	\$ 5,262,151	\$ 31,065,979	\$ 20,726,257

The City's net assets increased by \$10.34 million (Table 2), during the fiscal year. Approximately 60 percent is attributable to an increase in charge for services, operating grants, and investment income. The remainder of this growth largely reflects an increase in the City's general revenues.

Governmental activities. Governmental activities increased the City's net assets by \$5.63 million thereby accounting for 54.44 percent of the total growth in the net assets of the City. Key elements of this increase are as follows:

The increase in charges for services of \$3.90 million reflecting a reporting change and is partially offset by the decrease in capital grants and contributions of (\$4.25 million). Operating grants also reported an increase of \$127,000, while property taxes increased \$1.95 million. Intergovernmental revenues decreased by (\$1.42 million). The City also reported a gain on insurance reimbursement of \$206,000.

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

Business-type Activities. Business-type activities increased net assets by \$4.71 million or 89.58 percent. Key elements are as follows:

Total revenues increased \$3.59 million reflecting increases in charges for services. At the same time, expenses decreased \$4.57 million.

Table 2
Changes in Net Assets
As of June 30, 2005 and 2004

	Governmental Activities		Business Type Activities		Total	
	FY 2005	FY 2004	FY 2005	FY 2004	FY 2005	FY 2004
REVENUES:						
Program Revenues:						
Charges for services	\$ 7,438,412	\$ 3,536,238	\$ 8,809,903	\$ 6,968,177	\$ 16,248,315	\$ 10,504,415
Operating grants and contributions	2,199,962	2,072,536	-	-	2,199,962	2,072,536
Capital grants and contributions	1,770,267	6,025,655	-	-	1,770,267	6,025,655
General Revenues:						
Intergovernmental revenue	869,043	2,295,554	-	-	869,043	2,295,554
Licence and permits	-	-	-	-	-	-
Property taxes	6,284,450	4,330,608	37,635	-	6,322,085	4,330,608
Taxes	3,853,406	4,146,617	-	44,245	3,853,406	4,190,862
Other revenues	2,124,611	662,141	-	141,297	2,124,611	803,438
Interest and rental income	579,116	185,040	124,846	156,460	703,962	341,500
Gain in insurance reimbursement	206,142	-	-	-	206,142	-
Net transfers	-	5,001,000	1,927,847	-	1,927,847	5,001,000
Proceeds from bonds	-	-	-	-	-	-
TOTAL REVENUES	<u>25,325,409</u>	<u>28,255,389</u>	<u>10,900,231</u>	<u>7,310,179</u>	<u>36,225,640</u>	<u>35,565,568</u>
EXPENSES:						
General government	8,426,030	5,546,488	-	-	8,426,030	5,546,488
Public safety	4,656,197	3,329,250	-	-	4,656,197	3,329,250
Public works	1,880,710	2,456,293	-	-	1,880,710	2,456,293
Parks, recreation	218,301	177,507	-	-	218,301	177,507
Paymentes to other agencies	1,174,295	1,382,333	-	-	1,174,295	1,382,333
Interest on long-term debt	1,300,793	1,276,708	-	-	1,300,793	1,276,708
Operating trasnfers in & out (net)	1,927,847	-	-	5,001,000	1,927,847	5,001,000
Operating expenses	-	-	5,503,551	5,039,036	5,503,551	5,039,036
Non-operating expenses	-	-	851,880	892,446	851,880	892,446
TOTAL EXPENSES	<u>19,584,173</u>	<u>14,168,579</u>	<u>6,355,431</u>	<u>10,932,482</u>	<u>25,939,604</u>	<u>25,101,061</u>
INCREASE (DECREASE) IN NET ASSETS	<u>5,741,236</u>	<u>14,086,810</u>	<u>4,544,800</u>	<u>(3,622,303)</u>	<u>10,286,036</u>	<u>10,464,507</u>
BEGINNING NET ASSETS	15,464,106	1,284,778	5,262,151	8,884,454	20,726,257	10,169,232
RESTAMENT ON NET ASSETS	(115,341)	92,518	169,027	-	53,686	92,518
ENDING NET ASSETS	<u>\$ 21,090,001</u>	<u>\$ 15,464,106</u>	<u>\$ 9,975,978</u>	<u>\$ 5,262,151</u>	<u>\$ 31,065,979</u>	<u>\$ 20,726,257</u>

FINACIAL ANALYSIS OF THE GOVERNMENTS FUNDS

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

Governmental funds. The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of expendable 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 \$21.09 million, an increase of \$5.62 million in comparison to the prior year. Approximately 22.50 percent of this total or \$4.74 million constitutes unreserved fund balance, which is available for spending at the City's discretion. The remainder of fund balance is reserved or designated to indicate that it is not available for new spending because it has already been committed to liquidate contracts and purchase orders of the prior period, pay debt service, or to pay for a variety of other restricted purposes.

The *general fund* is the chief operating fund of the City. At the end of the fiscal year, unreserved fund balance of the general fund was \$4.77 million, while the fund balance reached \$6.53 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 45.13 percent of total general fund expenditures, while total fund balance represents 61.72 percent of the same amount.

The fund balance of the City's general fund increased by \$2.97 million during the fiscal year, this is a result of the increase of revenue from taxes and, licenses and permits.

The *street improvement fund* has a \$5.14 million ending fund balance. This is a result of interest income.

Capital projects encompass the Redevelopment Agency Project Area #4. At the end of the fiscal year, Redevelopment Agency Project Area #4 had an ending fund balance of \$6.94 million, all of which is unreserved fund balance and is primarily held in cash and short-term investments.

The *debt service fund* is made up of two components, Redevelopment Agency Project Area #4 and Coachella Financing Authority. The Redevelopment Agency Project Area #4 had an ending fund balance of \$1.38 million, a slight increase which is the result of interest income. The Coachella Financing Authority's ending balance is \$3.10 million all of which is reserved for capital projects.

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

Unrestricted net assets for proprietary funds totaled (\$5.62 million). The Water enterprise accounted for (\$2.00 million) of this total with the Sanitary District and Refuse accounting for (\$3.68 million) and \$79,000 respectively.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets. At the end of 2005, the City had \$38.08 million invested in a broad range of capital assets (table 3), 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 \$10.78 million or 39.52 percent over last year.

TABLE 3

CAPITAL ASSETS AT YEAR- END
(NET OF DEPRECIATION)

For the years ended June 30, 2005 and 2004

	Governmental Activities		Business Type Activities		Total	
	FY 2005	FY 2004	FY 2005	FY 2004	FY 2005	FY 2004
Land	\$ 231,819	\$ 221,280	\$ 649,936	\$ 649,936	\$ 881,755	\$ 871,216
Construction in progress	-	-	7,428,198	552,167	7,428,198	552,167
Buildings and improvements	1,691,168	1,479,731	346,680	363,686	2,037,848	1,843,417
Improvements other than buildings	-	-	6,489,805	6,709,623	6,489,805	6,709,623
Equipment	1,570,425	1,441,645	5,137,871	5,443,630	6,708,296	6,885,275
Infrastructure	14,531,062	10,435,451	-	-	14,531,062	10,435,451
Furniture	6,862	-	-	-	6,862	-
Totals	<u>\$18,031,336</u>	<u>\$13,578,107</u>	<u>\$20,052,490</u>	<u>\$13,719,042</u>	<u>\$38,083,826</u>	<u>\$27,297,149</u>

This year's major additions included:

- Avenue 50 grade separation \$264,000
- Street Construction \$539,000
- Building \$352,000
- Land \$10,000
- Computer software \$205,000
- Equipment \$381,000
- Improvements to parks \$294,000
- Sewer trunk expansion project \$1.627 million
- Sanitary plant expansion project \$6.751 million

Long-term debt. At year-end, the City's governmental activities had \$29.79 million in bonds, notes, contracts, and compensated absences compared to \$25.39 million last year, an increase of \$4.39 million, or 17.3 percent.

Three new bonds were issued during the fiscal year ended June 30, 2005. The City was able to meet its current year debt obligation in a timely manner. Debts issued in the prior year have been used for refunding bonds and to finance various capital projects.

TABLE 4

OUTSTANDING DEBT, AT YEAR-END

For the years ended June 30, 2005 and 2004

	Governmental Activities		Business Type Activities		Total	
	2005	2004	2005	2004	2005	2004
Compensated absences	\$ 448,254	\$ 434,673	\$ -	\$ -	\$ 448,254	\$ 434,673
Notes payable	1,378,824	2,419,870	-	-	1,378,824	2,419,870
Contracts and leases payable	306,770	370,301	-	-	306,770	370,301
Revenue bonds and notes	27,657,302	22,175,002	18,438,036	16,492,004	46,095,338	38,667,006
Totals	<u>\$ 29,791,150</u>	<u>\$ 25,399,846</u>	<u>\$ 18,438,036</u>	<u>\$ 16,492,004</u>	<u>\$ 48,229,186</u>	<u>\$ 41,891,850</u>

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

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 a continuing high rate of growth in the Coachella Valley.

State Budget Impact. The state is experiencing a resurgence in economic health and mostly likely will not resort to taking revenues from the cities for the foreseeable future. However, spending by the legislature is still relatively high and new elections in November could reshape fiscal policy in an unknown direction.

Sales Tax. The year-to-year sales tax figures look very encouraging for the City. Calendar years 2004 and 2005 produced 30 and 32 percent year-to-year increases respectively. These percentages were the fourth highest in the entire state on a year-to-year basis. The sales tax is now taking hold and producing a more consistent source of revenue that can help alleviate fears of what will happen when the one-time construction revenues begin to taper off.

Revenue Outlook. Fiscal year 2005-06 general fund revenue is expected to finish at over \$14 million. Preliminary fiscal year 2006-07 projections are certain to exceed \$15.5 million. Sales tax (\$3 million), construction revenue (\$2.5 million) and tax increment (\$4.6 million) are expected to be the three major contributors in fiscal year 2005-06. The same pattern should follow for fiscal year 2006-07.

Expenditure Outlook. Fiscal year 2005-06 will see general fund expenditures exceeding \$13 million. The Public Safety budget continues to dominate with a police contract of over \$5.1 million and a fire protection budget of \$1.4 million. In late 2007 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. The City's payroll is now over \$5 million per year and will most likely grow to near \$6 million at the end of fiscal year 2006-07.

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, 2005

	Governmental Activities	Business-type Activities	Total
ASSETS:			
Cash and investments	\$ 19,980,153	\$ 872,159	\$ 20,852,312
Cash and investments w/fiscal agents	10,425,075	7,297,254	17,722,329
Accounts receivable	2,509,345	1,121,196	3,630,541
Interest receivable	84,614	9,784	94,398
Loans receivable	78,410	-	78,410
Interfund balances	2,262,491	(2,262,491)	-
Due from other governments	19,245	-	19,245
Prepaid expenses and deposits	1,759,177	325,345	2,084,522
Deferred charges	-	870,159	870,159
Land held for resale	1,146,771	-	1,146,771
Capital assets			
Non-depreciable	231,819	649,936	881,755
Depreciable-net	17,799,517	20,904,201	38,703,718
	<u>56,296,617</u>	<u>29,787,543</u>	<u>86,084,160</u>
TOTAL ASSETS			
	<u>56,296,617</u>	<u>29,787,543</u>	<u>86,084,160</u>
LIABILITIES:			
Current Liabilities:			
Accounts payable	1,902,495	450,543	2,353,038
Accrued liabilities	758,285	19,608	777,893
Compensated absences	-	197,347	197,347
Deposits payable	36,833	448,886	485,719
Amounts due under pass-through agreements	73,550	-	73,550
Deferred revenue	2,389,187	-	2,389,187
Interest payable	255,116	257,145	512,261
Noncurrent liabilities:			
Due within one year	627,980	355,000	982,980
Due in more than one year	29,163,170	18,083,036	47,246,206
	<u>35,206,616</u>	<u>19,811,565</u>	<u>55,018,181</u>
TOTAL LIABILITIES			
	<u>35,206,616</u>	<u>19,811,565</u>	<u>55,018,181</u>
NET ASSETS (DEFICIT):			
Invested in capital assets, net of related debt	16,345,742	9,400,692	25,746,434
Restricted for:			
Debt service	-	388,606	388,606
Capital projects	-	5,798,949	5,798,949
Special projects	-	-	-
Unrestricted (deficit)	4,744,259	(5,612,269)	(868,010)
	<u>21,090,001</u>	<u>9,975,978</u>	<u>31,065,979</u>
TOTAL NET ASSETS (DEFICIT)			
	<u>\$ 21,090,001</u>	<u>\$ 9,975,978</u>	<u>\$ 31,065,979</u>

See accompanying notes to the basic financial statements.

CITY OF COACHELLA

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2005

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental activities:				
General government	\$ 8,426,030	\$ 4,918,478	\$ 1,052,822	\$ 1,030,838
Public safety	4,656,197	391,333	355,232	-
Public works	1,880,710	2,128,601	791,908	739,429
Parks and recreation	218,301	-	-	-
Payments to other agencies	1,174,295	-	-	-
Interest on long-term debt	1,300,793	-	-	-
Total governmental activities	17,656,326	7,438,412	2,199,962	1,770,267
Business-type activities:				
Water	2,870,261	3,545,777	-	-
Sewer	2,835,981	4,540,985	-	-
Refuse	649,189	723,141	-	-
Total business-type activities	6,355,431	8,809,903	-	-
Total primary government	\$ 24,011,757	\$ 16,248,315	\$ 2,199,962	\$ 1,770,267

General Revenues:

Taxes:

Taxes

Property taxes

Intergovernmental

Interest and rental income

Other income

Gain on sale of land

Transfers in

Change in net assets

Net Assets - Beginning (Restated)

Net Assets - Ending

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business-type Activities	Total
\$ (1,423,892)	\$ -	\$ (1,423,892)
(3,909,632)	-	(3,909,632)
1,779,228	-	1,779,228
(218,301)	-	(218,301)
(1,174,295)	-	(1,174,295)
(1,300,793)	-	(1,300,793)
(6,247,685)	-	(6,247,685)
-	675,516	675,516
-	1,705,004	1,705,004
-	73,952	73,952
-	2,454,472	2,454,472
\$ (6,247,685)	\$ 2,454,472	\$ (3,793,213)
\$ 3,853,406	\$ -	\$ 3,853,406
6,284,450	37,635	6,322,085
869,043	-	869,043
579,116	124,846	703,962
2,124,611	-	2,124,610
206,142	-	206,142
(1,927,847)	1,927,847	-
5,741,236	4,544,800	10,286,035
15,348,765	5,431,178	20,779,944
\$ 21,090,001	\$ 9,975,978	\$ 31,065,979

See accompanying notes to the basic financial statements

FUND FINANCIAL STATEMENTS

CITY OF COACHELLA

BALANCE SHEET
GOVERNMENTAL FUNDS

JUNE 30, 2005

	General Fund	Street Improvement Fund	Capital Projects Redevelopment Agency Project Area #4
ASSETS:			
Cash and investments	\$ 1,237,551	\$ -	\$ 6,897,726
Cash and investments w/fiscal agents	-	5,112,731	-
Accounts receivable	291,244	-	40,061
Interest receivable	22,996	36,267	-
Loans receivable	-	-	-
Advances to other funds	5,106,471	-	-
Due from other funds	1,971,927	-	-
Due from other governments	1,875	-	830
Prepaid expenses and deposits	1,755,469	-	-
Land held for resale	-	-	-
TOTAL ASSETS	<u>\$ 10,387,533</u>	<u>\$ 5,148,998</u>	<u>\$ 6,938,617</u>
LIABILITIES AND FUND BALANCES:			
LIABILITIES:			
Accounts payable	\$ 818,402	\$ -	\$ -
Accrued liabilities	731,849	-	-
Deposits	36,063	-	-
Amounts due under pass-through agreements	-	-	-
Due to other funds	671,582	-	-
Deferred revenue	1,598,794	-	-
Advances from other funds	-	-	-
TOTAL LIABILITIES	<u>3,856,690</u>	<u>-</u>	<u>-</u>
FUND BALANCES:			
Reserved for:			
Debt service	-	-	-
Deposits	-	-	-
Notes and interfund receivables	-	-	-
Prepaid and deposits	1,755,469	-	-
Low income and moderate housing	-	-	-
Land held for resale	-	-	-
Unreserved:			
General fund	4,775,374	-	-
Special revenue	-	5,148,998	-
Capital projects	-	-	6,938,617
TOTAL FUND BALANCES (DEFICITS)	<u>6,530,843</u>	<u>5,148,998</u>	<u>6,938,617</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 10,387,533</u>	<u>\$ 5,148,998</u>	<u>\$ 6,938,617</u>

<u>Debt Service</u>			
RDA Project Area #4	Coachella Financing Authority	Other Governmental	Total
\$ 504,435	\$ 291	\$11,340,150	\$ 19,980,153
875,102	3,108,395	1,328,847	10,425,075
18,899	1	2,159,140	2,509,345
-	-	25,351	84,614
-	-	78,410	78,410
-	-	-	5,106,471
-	-	251,383	2,223,310
-	-	16,540	19,245
-	-	3,708	1,759,177
-	-	1,146,771	1,146,771
<u>\$ 1,398,436</u>	<u>\$ 3,108,687</u>	<u>\$16,350,300</u>	<u>\$ 43,332,571</u>
\$ -	\$ -	\$ 1,084,093	\$ 1,902,495
18,758	-	7,678	758,285
-	-	770	36,833
-	-	73,550	73,550
-	-	2,166,036	2,837,618
-	-	790,393	2,389,187
-	-	2,229,672	2,229,672
<u>18,758</u>	<u>-</u>	<u>6,352,192</u>	<u>10,227,640</u>
1,372,314	-	(200,411)	1,171,903
-	292	-	292
7,364	-	1,313,149	1,320,513
-	-	-	1,755,469
-	-	1,168,208	1,168,208
-	-	1,146,771	1,146,771
-	-	-	4,775,374
-	-	6,392,836	11,541,834
-	3,108,395	177,555	10,224,567
<u>1,379,678</u>	<u>3,108,687</u>	<u>9,998,108</u>	<u>33,104,931</u>
<u>\$ 1,398,436</u>	<u>\$ 3,108,687</u>	<u>\$ 16,350,300</u>	<u>\$ 43,332,571</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, 2005

Fund balances of governmental funds	\$ 33,104,931
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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	
Net change in accrual interest payable	24,334,802	
Accumulated depreciation	<u>(6,535,285)</u>	18,031,336

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	(448,254)	
Leases payable	(306,770)	
Notes payable	(1,378,824)	
Bonds payable	<u>(28,575,002)</u>	(29,791,150)

Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.	<u>(255,116)</u>
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Net assets of governmental activities	\$ <u>21,090,001</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
FOR THE YEAR ENDED JUNE 30, 2005

	General Fund	Street Improvement Fund	Capital Projects Redevelopment Agency Project Area#4
REVENUES:			
Taxes	\$ 5,220,726	\$ -	\$ -
Property tax increment	-	-	-
Licenses and permits	2,946,039	-	-
Intergovernmental revenue	2,079,576	-	-
Charges for services	1,248,948	-	-
Fines and forfeits	254,137	-	-
Interest and rental income	146,927	112,732	80,268
Other income	1,361,661	-	-
TOTAL REVENUES	13,258,014	112,732	80,268
EXPENDITURES :			
Current:			
General government:			
Departmental	2,071,157	-	-
Non-departmental	1,766,065	-	-
Public safety	4,229,522	-	-
Public works	1,713,449	-	-
Parks and recreation	146,046	-	-
Payment to other agencies	3,293	-	-
Debt service:			
Bond issue cost	-	-	118,505
Principal payments on bonds and leases	-	-	1,041,046
Interest payments on bonds and leases	-	-	-
Capital outlays	651,301	-	4,500
TOTAL EXPENDITURES	10,580,833	-	1,164,051
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	2,677,181	112,732	(1,083,783)
OTHER FINANCING SOURCES (USES):			
Bond discount	-		(433,918)
Bond premium	-		54,763
Proceeds from bonds	-	-	9,625,000
Payment to refunding bond escrow agent	-	-	-
Operating transfers in	1,190,329	-	4,129,419
Operating transfers out	(894,400)	-	(9,127,340)
TOTAL OTHER FINANCING SOURCES (USES)	295,929	-	4,247,924
EXTRAORDINARY ITEM			
Insurance recovery-building	-	-	-
Net change in fund balance	2,973,110	112,732	3,164,141
Fund balance, beginning of year	3,805,833	5,036,266	3,774,476
Prior period adjustment	(248,100)	-	-
Fund balance as restated-beginning of year	3,557,733	5,036,266	3,774,476
FUND BALANCE, end of year	\$ 6,530,843	\$ 5,148,998	\$ 6,938,617

Debt Service			
RDA Project Area #4	Coachella Financing Authority	Other Governmental	Total
\$ -	\$ -	\$ 181,539	\$ 5,402,265
2,171,869	-	2,065,952	4,237,821
	-	63,798	3,009,837
	-	3,754,728	5,834,304
	-	1,976,027	3,224,975
	-	24,056	278,193
19,524	7,417	118,585	485,453
29,550	73,507	1,181,701	2,646,419
<u>2,220,943</u>	<u>80,924</u>	<u>9,366,386</u>	<u>25,119,267</u>
	-	-	2,071,157
202,513	11,783	3,988,470	5,968,831
	-	22,486	4,252,008
	-	162,119	1,875,568
	-	72,255	218,301
726,944	-	444,058	1,174,295
	-	60,912	179,417
115,000	25,000	303,531	1,484,577
388,774	147,069	671,206	1,207,049
<u>-</u>	<u>-</u>	<u>4,609,723</u>	<u>5,265,524</u>
<u>1,433,231</u>	<u>183,852</u>	<u>10,334,760</u>	<u>18,431,203</u>
<u>787,712</u>	<u>(102,928)</u>	<u>(968,374)</u>	<u>6,688,064</u>
-	-	(221,699)	(655,617)
		-	54,763
-	-	4,840,000	14,465,000
(4,809,300)	-	(3,029,400)	(7,838,700)
5,096,125	85,125	7,470,519	17,971,517
(800,839)	(1,734,260)	(7,342,522)	(19,899,361)
<u>(514,014)</u>	<u>(1,649,135)</u>	<u>1,716,898</u>	<u>4,097,602</u>
<u>-</u>	<u>-</u>	<u>290,146</u>	<u>290,146</u>
273,698	(1,752,063)	1,038,670	5,810,288
1,105,980	4,860,750	8,863,912	27,447,217
-	-	95,526	(152,574)
1,105,980	4,860,750	8,959,438	27,294,643
<u>\$ 1,379,678</u>	<u>\$ 3,108,687</u>	<u>\$ 9,998,108</u>	<u>\$ 33,104,931</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

For the Year Ended June 30, 2005

Net change in fund balances-total governmental funds		\$ 5,810,288
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 (\$5,265,524) exceeded depreciation (\$765,524).		
		4,500,000
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	(13,581)	
Net change in accrual interest payable	(93,744)	
Amortization of bond discount and cost of issuance	(16,271)	(123,596)
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.		
		1,104,577
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 (\$14,465,000), exceed bond principal repayments (\$380,000), payments to the bond refunding agent (\$7,838,700) and payments for bond issuance cost and bond discounts/premium (\$780,271).		
		(5,466,029)
The statement of activities reports a gain on the disposition of assets based on the difference between the gross proceeds received and the net book value of the assets at the time of disposition. Governmental funds report revenue from disposition of assets based on gross proceeds. The net effect in the statement of activities was calculated as follows:		
Gross proceeds from disposition of assets	(290,146)	
Net gain on disposition of assets	<u>206,142</u>	<u>(84,004)</u>
Change in net assets of governmental activities		<u>\$ 5,741,236</u>

See accompanying notes to the basic financial statements

CITY OF COACHELLA

STATEMENT OF NET ASSETS
PROPRIETARY FUNDS

JUNE 30, 2005

	Enterprise Funds			
	Water Enterprise	Sanitary District	Refuse	Total
ASSETS:				
Current Assets:				
Cash and investments	\$ 818,033	\$ 14,590	\$ 39,536	\$ 872,159
Accounts receivable	519,889	500,534	100,773	1,121,196
Interest receivable	8,766	53	965	9,784
Due from other funds	614,308	-	-	614,308
Prepaid expenses and deposits	-	166,290	-	166,290
Total Current Assets	1,960,996	681,467	141,274	2,783,737
Non-Current Assets:				
Restricted:				
Cash with fiscal agent	4,914,453	2,382,801	-	7,297,254
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	4,369,174	6,979,013	-	11,348,187
Machinery and equipment	5,980,041	5,173,045	-	11,153,086
Construction-in-progress	1,835,256	7,094,589	-	8,929,845
Less: accumulated depreciation	(5,954,572)	(5,252,674)	-	(11,207,246)
Deferred Charges	620,596	249,563	-	870,159
Total Non-Current Assets	12,364,521	17,516,084	-	29,880,605
TOTAL ASSETS	14,325,517	18,197,551	141,274	32,664,342
LIABILITIES:				
Current Liabilities:				
Accounts payable	343,515	45,387	61,641	450,543
Accrued liabilities	8,271	11,337	-	19,608
Accrued interest payable	196,929	60,216	-	257,145
Deposits payable	448,886	-	-	448,886
Advances from other funds	-	2,876,799	-	2,876,799
Compensated absences	109,270	88,077	-	197,347
Current portion of bonds and leases payable	250,000	105,000	-	355,000
Total Current Liabilities	1,356,871	3,186,816	61,641	4,605,328
Non-current liabilities:				
Bonds and leases payable after one year	12,823,136	5,259,900	-	18,083,036
Total Non-Current Liabilities	12,823,136	5,259,900	-	18,083,036
TOTAL LIABILITIES	14,180,007	8,446,716	61,641	22,688,364
NET ASSETS (DEFICIT):				
Invested in capital assets, net of related debt	(1,679,223)	11,079,915	-	9,400,692
Restricted for:				
Debt service	33,478	355,128	-	388,606
Capital projects	3,798,949	2,000,000	-	5,798,949
Unrestricted	(2,007,694)	(3,684,208)	79,633	(5,612,269)
TOTAL NET ASSETS	\$ 145,510	\$ 9,750,835	\$ 79,633	\$ 9,975,978

CITY OF COACHELLA

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

FOR THE YEAR ENDED JUNE 30, 2005

	Enterprise Funds			
	Water Enterprise	Sanitary District	Refuse	Total
OPERATING REVENUES:				
Charges for services	\$ 1,887,182	\$ 2,329,473	\$ 723,141	\$ 4,939,796
Connection charges	1,611,522	2,084,738	-	3,696,260
Other income	47,073	126,774	-	173,847
TOTAL OPERATING REVENUES	3,545,777	4,540,985	723,141	8,809,903
OPERATING EXPENSES:				
Salaries and benefits	454,589	734,068	-	1,188,657
Administrative costs-General Fund	253,352	56,477	-	309,829
Professional services	555,728	658,077	649,189	1,862,994
Materials and supplies	147,274	126,766	-	274,040
Repairs and maintenance	33,491	8,516	-	42,007
Equipment rental	-	12,120	-	12,120
Utilities	411,818	307,518	-	719,336
General office	5,317	14,189	-	19,506
Depreciation	431,314	320,026	-	751,340
Other	274	323,448	-	323,722
TOTAL OPERATING EXPENSES	2,293,157	2,561,205	649,189	5,503,551
OPERATING INCOME (LOSS)	1,252,620	1,979,780	73,952	3,306,352
NON-OPERATING REVENUES (EXPENSES):				
Taxes	-	37,635	-	37,635
Interest revenue	96,931	24,537	3,378	124,846
Interest expense and fiscal charges	(577,104)	(274,776)	-	(851,880)
TOTAL NON-OPERATING REVENUES (EXPENSES)	(480,173)	(212,604)	3,378	(689,399)
OPERATING INCOME (LOSS) BEFORE OPERATING TRANSFERS	772,447	1,767,176	77,330	2,616,953
Operating transfers in	194,627	1,734,260	-	1,928,887
Operating transfers out	-	-	(1,040)	(1,040)
CHANGE IN NET ASSETS	967,074	3,501,436	76,290	4,544,800
NET ASSETS, beginning of year	(821,564)	6,249,399	3,343	5,431,178
NET ASSETS, end of year	\$ 145,510	\$ 9,750,835	\$ 79,633	\$ 9,975,978

See accompanying notes to the basic financial statements

CITY OF COACHELLA

COMBINING STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS

FOR THE YEAR ENDED JUNE 30, 2005

	Water Enterprise	Sanitary District	Refuse	Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers and users	\$ 3,997,561	\$ 6,973,417	\$ 622,089	\$ 11,593,067
Payments to suppliers	(1,413,360)	(2,761,676)	(1,040,770)	(5,215,806)
Net cash provided by operating activities	2,584,201	4,211,741	(418,681)	6,377,261
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES				
Taxes	-	37,635	-	37,635
Operating transfers in	194,627	1,734,260	-	1,928,887
Operating transfers out	-	-	(1,040)	(1,040)
Net cash provided by non-capital activities	194,627	1,771,895	(1,040)	1,965,482
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Purchase of equipment	-	(4,470)	-	(4,470)
Payment for construction in progress	-	(6,751,439)	-	(6,751,439)
Proceeds from issuance of long term debt	-	5,358,207	-	5,358,207
Principal paid on long-term debt	(245,000)	(3,340,000)	-	(3,585,000)
Payment for improvement other than buildings	(1,693,746)	-	-	(1,693,746)
Interest paid on long-term debt	(590,787)	(266,858)	-	(857,645)
Premium paid on retirement of refunded debt	-	(64,800)	-	(64,800)
Net cash (used) for capital and related financing activities	(2,529,533)	(5,069,360)	-	(7,598,893)
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest on investments	96,931	24,537	3,378	124,846
Net cash provided by investment activities	96,931	24,537	3,378	124,846
Net increase in cash and cash equivalents	346,226	938,813	(416,343)	868,696
Cash and cash equivalents-beginning of year	5,386,260	1,458,578	455,879	7,300,717
Cash and cash equivalents-end of year	\$ 5,732,486	\$ 2,397,391	\$ 39,536	\$ 8,169,413
Reconciliation of operating income to net cash provided (used) by operating activities				
Operating income	\$ 1,252,621	\$ 1,979,780	\$ 73,952	\$ 3,306,353
Adjustments not affecting cash				
Depreciation	430,420	320,026	-	750,446
Restatement of retained earnings	-	44,330	-	44,330
CHANGE IN ASSETS AND LIABILITIES				
(Increase) decrease in accounts receivable	430,683	(447,711)	(100,773)	(117,801)
(Increase) decrease in Interest receivable	(4,198)	3,344	(279)	(1,133)
(Increase) decrease in prepaid expenses	-	(166,290)	-	(166,290)
Increase (decrease) in accounts payable	321,065	(369,082)	(391,581)	(439,598)
Increase (decrease) in accrued payroll	8,270	11,337	-	19,607
Increase (decrease) in deposits payable	95,439	-	-	95,439
Increase (decrease) in compensated absences payable	24,602	(41,744)	-	(17,142)
Increase (decrease) in interest payable	-	951	-	951
Increase (decrease) in retained earnings	25,299	-	-	25,299
Increase (decrease) due from other funds	-	2,876,799	-	2,876,799
Total adjustments	1,331,580	2,231,960	(492,633)	3,070,907
Net cash provided by operating activities	\$ 2,584,201	\$ 4,211,740	\$ (418,681)	\$ 6,377,260

See accompanying notes to financial statements

See accompanying notes to the basic financial statements
CITY OF COACHELLA

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
FIDUCIARY FUNDS-AGENCY
June 30, 2005

ASSETS:

Cash and investments	\$	962,580
Cash and investments with fiscal agents		448,688
Receivables		<u>1,030</u>
TOTAL ASSETS	\$	<u><u>1,412,298</u></u>

LIABILITIES:

Employee contribution	\$	463,436
Pass throughs		386,241
Claims payable		1,412
Deposits payable		<u>561,209</u>
TOTAL LIABILITIES	\$	<u><u>1,412,298</u></u>

See accompanying notes to the basic financial statements

NOTES TO FINANCIAL STATEMENTS

CITY OF COACHELLA

NOTES TO FINANCIAL STATEMENTS

June 30, 2005

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

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

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

A. Description of the Reporting Entity:

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

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

The Coachella Redevelopment Agency, the Coachella 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

CITY OF COACHELLA

NOTES TO FINANCIAL STATEMENTS

June 30, 2005

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

A. Description of the Reporting Entity (Continued):

Coachella Redevelopment Agency (Continued):

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 the city hall.

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

Coachella 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 the City Hall.

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

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

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

CITY OF COACHELLA

NOTES TO FINANCIAL STATEMENTS

June 30, 2005

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

A. Description of the Reporting Entity (Continued):

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

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,

CITY OF COACHELLA

NOTES TO FINANCIAL STATEMENTS

June 30, 2005

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

B. Basis of Presentation (Continued):

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:

- 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

CITY OF COACHELLA
NOTES TO FINANCIAL STATEMENTS

June 30, 2005

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

B. Basis of Presentation (Continued):

Proprietary Fund Types (Continued):

periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Fiduciary Fund Type:

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

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

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

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

Coachella Financing Authority – Accounts for the public financing Authority bond proceeds that will be used from specific projects and programs of the City.

Proprietary Funds:

Water Enterprise Fund – 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

CITY OF COACHELLA
NOTES TO FINANCIAL STATEMENTS

June 30, 2005

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

Proprietary Funds (Continued):

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.

C. Measurement Focus and Basis of Accounting:

Measurement focus is a term used to describe "with" 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, 2005

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. Grant funds and reimbursements of expenses under contractual agreements are reported in governmental fund types and are recorded as a receivable when earned rather than when susceptible to accrual. Generally, this occurs when authorized expenditures are made under the grant program or contractual agreement. Expenditures are recognized when the fund liability is incurred, if measurable, except for unmatured interest on long-term debt, which is recognized when due.

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, 2005

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (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 July 9, 2003. 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 \$16,121,459 of funds on deposit with the California Local Agency Investment Fund). For purpose of the statements of cash flows, all cash and investments held by the enterprise (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, 2005

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 inventory levels to warrant recording the inventories on the City's balance sheet.

F. Capital Assets and Depreciation

Capital assets, which include property, plant, equipment and infrastructure assets are stated at cost or appraised historical cost if the original cost is not available. Contributed capital assets are stated at fair market value at the time received. When the assets are retired or sold, the cost of the assets and related accumulated depreciation are eliminated from the accounts and any resultant gain or loss is charged to operations. Generally, Capital assets purchased with a cost of more than \$5000 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, 2005, in the opinion of the City Attorney, the City had

CITY OF COACHELLA

NOTES TO FINANCIAL STATEMENTS

June 30, 2005

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

H. Claims and Judgments (Continued:)

no material claims which would require a loss provision in the financial statements. Small dollar claims and judgments are recorded as expenditures when paid.

I. Compensated Absences Payable

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

CITY OF COACHELLA

NOTES TO FINANCIAL STATEMENTS

June 30, 2005

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

K. Budgets and Budgetary Accounting (Continued:)

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

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

Any budget modifications which would result in an appropriation increase, a transfer of appropriations amount 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 2004-2005 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 2004-05 capital projects fund) was \$64,829,484.

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

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).

CITY OF COACHELLA

NOTES TO FINANCIAL STATEMENTS

June 30, 2005

2. CASH AND INVESTMENTS (CONTINUED):

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.

2. CASH AND INVESTMENTS:

Cash and investments reported in the accompanying financial statements consisted of the following at June 30, 2005:

Statement of net assets:	
Cash and investments	\$ 20,852,312
Cash with fiscal agent	17,722,329
Statement of fiduciary assets:	
Cash and investments	962,580
Cash with fiscal agent	<u>448,688</u>
Total cash and investments	<u>\$ 39,985,909</u>

Cash and Investments as of June 30, 2005, consist of the following:

Cash on hand	\$ 1,500
Deposits with financial institutions	3,449,351
Deposits with Government agency	161,852
Investments	<u>36,373,206</u>
Total cash and investments	<u>\$ 39,985,909</u>

Investments Authorized by the City's Investment Policy

The table below identified 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.

CITY OF COACHELLA
NOTES TO FINANCIAL STATEMENTS

June 30, 2005

2. CASH AND INVESTMENTS (CONTINUED):

<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, 2005

2. CASH AND INVESTMENTS (CONTINUED):

As of June 30, 2005 the City's investments were as follows:

<u>Investment Type</u>	<u>Amount</u>	<u>Maturity Date</u>
Local Agency Investment Fund (LAIF)	\$ 21,435,616	None
Money Market Funds	41,309	Daily
Mutual Funds	424,186	None
Obligations of U.S. Federal Agencies	2,956,592	12-36 Months
Held by Bond Trustee:		
Governmental Securities Money Market Fund	<u>11,515,503</u>	Daily
Total	<u><u>\$ 36,373,206</u></u>	

Investments with Fair Values Highly Sensitive to Interest Rate Fluctuation

The City did not have any investments considered to be highly sensitive to interest rate fluctuation at June 30, 2005.

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>
Local Agency						
Investment fund (LAIF)	\$ 21,435,616	N/A	\$ -	\$ -	\$ -	\$ 21,961,165
Money Market Funds	41,309	N/A	-	-	-	41,309
Mutual Funds	424,186	N/A	-	-	-	424,186
Obligations of U.S. Federal Agencies	2,956,592	N/A	-	2,956,592	-	-
Held by bond trustee:						
Governmental Securities						
Money Market Fund	<u>11,515,503</u>	A	<u>-</u>	<u>11,515,503</u>	<u>-</u>	<u>-</u>
	<u><u>\$ 36,373,206</u></u>		<u><u>\$ -</u></u>	<u><u>\$ 14,472,095</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 22,426,660</u></u>

CITY OF COACHELLA
NOTES TO FINANCIAL STATEMENTS

June 30, 2005

2. CASH AND INVESTMENTS (CONTINUED):

Concentration of Credit Risk

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

<u>Investment Type</u>	<u>Amount</u>	<u>Issuer</u>
Governmental Securities Money Market Fund	<u>\$ 11,515,503</u>	Blackrock Institutional Fund
Total	<u><u>\$ 11,515,503</u></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's 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.

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

CITY OF COACHELLA

NOTES TO FINANCIAL STATEMENTS

June 30, 2005

2. CASH AND INVESTMENTS (CONTINUED):

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, 2005 are as follows:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	\$ 1,971,927	\$ 671,582
Special revenue funds:		
Fire protection district	-	194,109
CDBG economic development	-	25,000
Low & mod housing set aside fund	251,383	-
Federal and state police grant	-	170,821
Capital Projects :		
Debt service area #1	-	1,671,365
RDA project area #2	-	104,741
Proprietary Funds:		
Water enterprise	614,308	-
	<u>\$ 2,837,618</u>	<u>\$ 2,837,618</u>

Advances to other funds/advances from other funds at June 30, 2005 are as follows:

	<u>Advances to Other Funds</u>	<u>Advances from Other Funds</u>
General fund	\$ 5,106,471	\$ -
Improvements project fund	-	2,229,672
Proprietary Funds:		
Sanitary district	-	2,876,799
	<u>\$ 5,106,471</u>	<u>\$ 5,106,471</u>

CITY OF COACHELLA

NOTES TO FINANCIAL STATEMENTS

June 30, 2005

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>	\$ 1,190,329	\$ 894,400
Redevelopment Agency #4	4,129,419	9,127,340
Improvements Projects Fund	50,000	-
Redevelopment Agency #1	1,909,167	122,454
Coachella Finance Authority	85,125	1,734,260
<u>Special Revenue Funds</u>		
State Gas Tax	-	640,208
AVA Program	-	30,000
Fire Protection District	847,754	-
ECD Entitlement	-	363,585
Educational Government	9,000	-
Federal and State Police Programs	-	205,493
CDBG Economic Development	-	194,627
Low & Mod Housing Set Aside	847,566	577,414
Low & Mod Housing Bond Fund	264,546	-
<u>Deb Service Funds</u>		
General Leases	37,646	-
RDA Project Area #2	1,303,213	260,543
RDA Project Area #3	99,630	383,704
RDA Project Area #4	5,096,125	800,842
<u>Capital Projects Funds</u>		
RDA Project Area #1	1,008,069	2,327,333
RDA Project Area #2	1,071,984	2,237,161
RDA Project Area #3	21,944	-
<u>Proprietary Funds</u>		
Water Enterprise	194,627	-
Sanitary District	1,734,260	-
Refuse	-	1,040
	<u>\$ 19,900,404</u>	<u>\$ 19,900,404</u>

CITY OF COACHELLA
NOTES TO FINANCIAL STATEMENTS

June 30, 2005

5. CAPITAL ASSETS:

Capital asset activity for the year ended June 30, 2005 is as follows:

	Beginning Balance	Adjustments	Additions	Retirements	Reclassifications	Ending Balance
Governmental Activities:						
Non-Depreciable Assets:						
Land	\$ 221,280	-	\$ 10,539	\$ -	\$ -	\$ 231,819
Depreciable Assets:						
Buildings	3,210,927		434,916	113,805	-	3,532,038
Infrastructure	10,891,186	7,118	4,404,448	-	-	15,302,752
Equipment	5,049,486	34,905	408,643	-	-	5,493,034
Furniture and fixtures	-	-	6,978	-	-	6,978
Totals at historical cost	19,372,879	42,023	5,265,524	113,805	-	24,566,621
Less Accumulated Depreciation:						
Buildings	(1,731,196)	(16,887)	(122,588)	29,801	-	(1,840,870)
Infrastructure	(455,735)	352	(276,232)	-	(40,075)	(771,690)
Equipment	(3,607,841)	11,745	(366,588)	-	40,075	(3,922,609)
Furniture and fixtures	-	-	(116)	-	-	(116)
Total: Accumulated Depreciation	(5,794,772)	(4,790)	(765,524)	29,801	-	(6,535,285)
Governmental Activities Capital Assets, Net	13,578,107		4,500,000	143,606	-	18,031,336
Business-Type Activities:						
Non-Depreciable Assets:						
Land	649,936	-	-	-	-	649,936
Construction in Progress	552,167	-	6,876,031	-	-	7,428,198
Depreciable Assets:						
Buildings	680,329	-	-	-	-	680,329
Improvements other than buildings	11,285,149	-	69,085	-	(6,047)	11,348,187
Equipment	11,144,147	-	8,939	-	-	11,153,086
Total at historical cost	24,311,728	-	6,954,055	-	(6,047)	31,259,736
Less Accumulated Depreciation:						
Buildings	(316,643)		(17,006)	-	-	(333,649)
Improvements other than buildings	(4,575,526)		(282,856)	-	-	(4,858,382)
Equipment	(5,700,517)		(314,698)	-	-	(6,015,215)
Total: Accumulated Depreciation	(10,592,686)		(614,560)	-	-	(11,207,246)
Business-Type Activities Capital Assets, Net	\$ 13,719,042	\$ -	\$ 6,339,495	\$ -	\$ (6,047)	\$ 20,052,490
Depreciation expense was charged to governmental functions as follows:						
General government						\$ 356,193
Public safety						404,189
Public works						5,142
Parks and recreation						-
Total Depreciation Expense						\$ 765,524

CITY OF COACHELLA
NOTES TO FINANCIAL STATEMENTS

June 30, 2005

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.

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, 2005, the Agency is holding \$73,550 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, 2005, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Governmental Activities:					
Lease payable	\$ 370,301	\$ -	\$ (63,531)	\$ 306,770	\$ 51,471
Notes payable	2,419,870	-	(1,041,046)	1,378,824	31,509
Bond anticipation note	5,000,000	-	-	5,000,000	-
Tax allocation refunding bonds	17,175,002	-	(8,065,000)	9,110,002	205,000
Tax allocation revenue refunding bonds	-	14,465,000	-	14,465,000	340,000
Compensated absences	434,673	13,581	-	448,254	-
	<u>25,399,846</u>	<u>14,478,581</u>	<u>(9,169,577)</u>	<u>30,708,850</u>	<u>627,980</u>
Less: Bond discount and deferred amount on refunding.	-	933,971	16,271	917,700	-
Governmental Activities Long-Term Liabilities	<u>\$ 25,399,846</u>	<u>\$ 13,544,610</u>	<u>\$ (9,185,848)</u>	<u>\$ 29,791,150</u>	<u>\$ 627,980</u>
Business-Type Activities:					
Bonds and Loans Payable					
Certificates of participation	\$ 3,340,000	\$ -	\$ (3,340,000)	\$ -	\$ -
Refunding bonds	-	5,725,000	-	5,725,000	105,000
Revenue bonds	12,935,000	-	(245,000)	12,690,000	250,000
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>16,275,000</u>	<u>5,725,000</u>	<u>(3,585,000)</u>	<u>18,415,000</u>	<u>355,000</u>
Less bond discount on revenue bonds	(179,816)	(188,201)	7,917	(360,100)	-
Plus premium on revenue bonds	396,820	-	(13,684)	383,136	-
Business-Type Activities Long-Term Liabilities	<u>\$ 16,492,004</u>	<u>\$ 5,536,799</u>	<u>\$ (3,590,767)</u>	<u>\$ 18,438,036</u>	<u>\$ 355,000</u>

CITY OF COACHELLA
NOTES TO FINANCIAL STATEMENTS

June 30, 2005

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 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, 2005:

<u>Fiscal Year</u>	
2005-06	\$ 66,326
2006-07	66,326
2007-08	63,983
2008-09	52,268
2008-10	52,268
2011-2014	<u>52,268</u>
	353,439
Less: Amount representing interest	<u>(46,669)</u>
Present value of net minimum lease payments	<u><u>\$ 306,770</u></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, 2005 is \$448,254.

Notes Payable

On June 26, 2005, the Coachella Redevelopment Agency (the Agency) entered into an amended tax allocation loan agreement with the California Infrastructure and Economic Development Bank. Loan proceeds were used to finance a capital project located within one of the Agency's authorized project areas. Total amount loaned to the Agency for this project was \$2,419,870.

CITY OF COACHELLA

NOTES TO FINANCIAL STATEMENTS

June 30, 2005

8. LONG-TERM DEBT (Continued):

Notes Payable (Continued):

The interest rate is 3.5% per year and the loan is payable in 30 years. The balance as of June 30, 2005 is \$1,378,824.

Bond Anticipation Note

In May 1, 2004, the Coachella Financing Authority issued \$5,000,000 in bond anticipation notes to finance certain improvements in the waste water system of the Coachella Sanitary District. The City has applied for, and intends to assist the authority in refunding the notes with proceeds from a loan administered by the USDA Rural Development. The USDA has approved a \$5,000,000 loan subject to the City complying with certain conditions. The note will bear an interest rate of 3.00%, payable semi-annually on April 1 and October 1 of each year, commencing October 1, 2004. The total amount outstanding as of June 30, 2005 is \$5,000,000

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 reviews 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 bonds outstanding as of June 30, 2005:

Name of Issue	Issue Date	Date of Maturity	Rate of Interest	Amounts of Original Issues	Amounts Outstanding 6/30/05
RDA-Project Area No. 1	12/04	12/2030	4.40%-5.25%	\$ 2,470,000	\$ 2,470,000
RDA-Project Area No. 2	12/94	12/2024	4.00%-7.25%	1,895,000	1,490,000
RDA-Project Area No. 2	12/04	12/2030	4.40%-5.25%	2,370,000	2,370,000
RDA-Project Area No. 3	12/98	12/2028	3.85%-5.875%	7,020,000	6,345,000
RDA-Project Area No. 4	12/04	12/2034	4.50%-5.25%	9,625,000	9,625,000
RDA-Financing Authority	06/93	09/2023	8.60%-9.50%	1,460,000	<u>1,275,002</u>
Total Tax Allocation Bonds Revenue and Refunding Bonds					<u>\$ 23,575,002</u>
Less: Bond discount and deferred amount on refunding					<u>(917,700)</u>
Total					<u><u>\$ 22,657,302</u></u>

CITY OF COACHELLA

NOTES TO FINANCIAL STATEMENTS

June 30, 2005

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, 2005, including interest payments are as follows:

Fiscal Year	Leases	Notes Payable	Tax Allocation Revenue Bonds	Tax Allocation Refunding Bonds	Anticipation Notes
2005-06	\$ 66,326	\$ 149,673	\$ 946,138	\$ 805,819	\$ 5,100,000
2006-07	66,326	79,769	942,455	803,069	-
2007-08	63,983	79,769	947,746	804,396	-
2008-09	52,268	79,768	942,490	804,722	-
2009-10	52,268	79,768	951,524	808,892	-
2011-2015	52,268	398,841	4,737,393	4,033,817	-
2016-2020	-	398,841	4,681,098	3,867,875	-
2021-2025	-	398,841	5,504,379	3,084,244	-
2026-2030	-	398,841	5,917,409	1,996,731	-
2030-2034	-	79,768	4,017,928	-	-
	353,439	2,143,879	29,588,560	17,009,565	5,100,000
Less: Interest payments	(46,669)	(765,055)	(15,123,560)	(7,899,563)	(100,000)
Total Principal Due	\$ 306,770	\$ 1,378,824	\$ 14,465,000	\$ 9,110,002	\$ 5,000,000

Long-term Liabilities – Business-type Activities

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, 2005 is \$13,073,136 (\$12,690,000 plus unamortized premium on bonds of \$383,136).

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, 2005 is \$5,364,900 (\$5,725,000 net of unamortized discount and issuance costs of \$360,000).

CITY OF COACHELLA

NOTES TO FINANCIAL STATEMENTS

June 30, 2005

8. LONG-TERM DEBT: (Continued)

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

Revenue Bonds (Continued):

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

Year Ending June 30,	Water Bonds	Sewer Bonds
2006	\$ 834,663	\$ 345,863
2007	838,412	351,018
2008	836,912	352,869
2009	833,962	349,569
2010	835,188	351,269
2011-2015	4,179,238	1,756,188
2016-2020	4,181,613	1,757,036
2021-2025	4,187,750	1,760,176
2026-2030	4,185,000	1,760,319
2031-2035	2,511,500	1,757,780
Total principal and interest	23,424,238	10,542,087
Less: Interest payments	(10,734,238)	(4,817,087)
Total principal due	<u>\$ 12,690,000</u>	<u>\$ 5,725,000</u>

9. ADVANCE REFUNDING OF DEBT:

On December 12, 2004, the City issued \$14.465 million in tax allocation revenue refunding bonds with interest rates ranging between 4.49% and 5.25%. The City issued the bonds to advance refund \$7.8 million of the outstanding series 1994 bonds with a 7.25% interest rate. The City used the net proceeds along with other resources to purchase U.S. government securities. These securities were deposited in an irrevocable trust to provide for all future debt service on the refunded portion of the 2004 series of bonds. The outstanding balance of the refunding bonds is \$14,465,000 at June 30, 2005.

The advance refunding reduced total debt service payments over the next 20 years by nearly \$14.63 million. This results in an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$1.17 million.

CITY OF COACHELLA
NOTES TO FINANCIAL STATEMENTS

June 30, 2005

9. ADVANCE REFUNDING OF DEBT (Continued):

On April 1, 2005, the City issued \$5.725 million in wastewater revenue refunding bonds with interest rates ranging between 3.00% and 4.50%. The City issued the bonds to advance refund \$3.34 million of the outstanding series 1995 bonds with a 6.30% interest rate. The City used the net proceeds along with other resources to purchase U.S. government securities. These securities were deposited in an irrevocable trust to provide for all future debt service on the refunded portion of the 2005 series of bonds. The outstanding balance of the refunding bonds is \$5,725,000 at June 30, 2005.

The advance refunding reduced total debt service payments over the next 20 years by nearly \$4.80 million. This results in an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$1.14 million.

10. 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, 2005, are as follows:

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

11. PENSION PLAN

A. Plan Description

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

CITY OF COACHELLA

NOTES TO FINANCIAL STATEMENTS

June 30, 2005

11. PENSION PLAN (Continued)

B. Funding Policy

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

C. Annual Pension Cost

For 2005, the City's annual pension cost of \$406,334 for PERS was equal to the City's required and actual contributions. The required contribution was determined as part of the June 30, 2000, actuarial valuation using the entry age normal actuarial cost of method. The actuarial assumptions included (a) 8.25% investment rate of return (net of administrative expenses), (b) projected annual salary increases that vary by duration of service, and (c) 3.50% per year cost-of-living adjustments. Both (a) and (b) included an inflation component of 3.75%. The actuarial value of PERS assets was determined using techniques that smooth the effects of short term volatility in the market value of investments over a four-year period (smoothed market value). Initial unfunded liabilities are amortized over a closed period that depends on the plan's rate of entry into PERS. Subsequent, plan amendments are amortized as a level percentage of pay over a closed 20 year period.

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

<u>Fiscal Year</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/2003	\$ 177,256	100%	\$ -
6/30/2004	188,303	100%	-
6/30/2005	406,334	100%	-

CITY OF COACHELLA
NOTES TO FINANCIAL STATEMENTS

June 30, 2005

11. PENSION PLAN (Continued)

E. Schedule of Funding Progress of PERS:

Miscellaneous Plan

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]
6/30/2002	\$ 6,837,263	\$ 9,795,760	\$ (2,958,497)	143.27%	\$ 2,395,976	(123.48%)
6/30/2003	9,910,798	13,205,938	(3,295,140)	133.25%	2,494,858	(16.50%)
6/30/2004	10,339,896	14,423,783	(4,083,887)	139.50%	2,833,664	(16.50%)

Safety Plan

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}
6/30/2002	\$ 9,565,268	\$ 9,130,452	\$ 434,816	95.45%	\$ -	N/A
6/30/2003	10,214,040	8,920,111	1,293,929	87.33%	-	N/A
6/30/2004	10,214,040	8,860,162	1,353,878	86.74%	-	N/A

12. 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, 2005 is as follows:

CITY OF COACHELLA

NOTES TO FINANCIAL STATEMENTS

June 30, 2005

	Water Authority	Sanitary District	Refuse
CONDENSED STATEMENT OF NET ASSETS			
Assets:			
Current assets	\$ 1,960,996	\$ 681,467	\$ 141,274
Non-current assets	12,364,521	17,516,084	-
Total assets	14,325,517	18,197,551	141,274
Liabilities:			
Interfund payables	-	2,876,799	-
Other current liabilities	1,356,871	310,017	61,641
Non-current liabilities	12,823,136	5,259,900	-
Total liabilities	14,180,007	8,446,716	61,641
Net assets:			
Invested in capital assets, net of related debt	(1,679,223)	11,079,915	-
Restricted	3,832,427	2,355,128	
Unrestricted	(2,007,694)	(3,684,208)	79,633
Total net assets	\$ 145,510	\$ 9,750,835	\$ 79,633

CONDENSED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

Operating revenues (pledged against bonds)	\$ 3,545,777	\$ 4,540,985	\$ 723,141
Depreciation expense	(431,314)	(320,026)	-
Other operating expenses	(1,861,843)	(2,241,179)	(649,189)
Operating income	1,252,620	1,979,780	73,952
Non-operating revenues (expenses):			
Investment income	96,931	62,172	3,378
Interest expense	(577,104)	(274,776)	-
Transfers in	194,627	1,734,260	-
Transfers out	-	-	(1,040)
Change in net assets	967,074	3,501,436	76,290
Beginning net assets	(821,564)	6,249,399	3,343
Ending net assets	\$ 145,510	\$ 9,750,835	\$ 79,633

CONDENSED STATEMENT OF CASH FLOWS

Net cash provided (used) by:			
Operating activities	\$ 2,584,201	\$ 4,211,741	\$ (418,681)
Non-capital financing activities	194,627	1,771,895	(1,040)
Capital and related financing activities	(2,529,533)	(5,069,360)	-
Investing activities	96,931	24,537	3,378
Net increase (decrease)	346,226	938,813	(416,343)
Beginning cash and cash equivalents	5,386,260	1,458,578	455,879
Ending cash and cash equivalents	\$ 5,732,486	\$ 2,397,391	\$ 39,536

CITY OF COACHELLA
NOTES TO FINANCIAL STATEMENTS

June 30, 2005

13. 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, 2005, amounts were reserved for the following purposes:

Reservations of Net Assets:

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

Reserve for Debt Service – Amounts available which will be used for finance retirement or principal and interest payments.

Reservations of Fund Balances:

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

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

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

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

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

14. 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.

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

CITY OF COACHELLA
NOTES TO FINANCIAL STATEMENTS

June 30, 2005

14. DEFERRED COMPENSATION PLAN (Continued)

Participants under the plan are equal to those of general creditors of the City in amounts equal to the fair market value of the deferred accounts for each participant.

15. CONTINGENT LIABILITIES

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

16. RESTATEMENT OF BEGINNING FUND BALANCES – GOVERNMENTAL FUNDS

Fund balances as of July 1, 2004 were restated as follows:

Description	As Previously Reported June 30, 2004	As Restated July 1, 2004	Total Adjustments	
General Fund	\$ 3,805,833	\$ 3,557,733	\$ (248,100)	(1)
Fire Protection District	298,232	456,966	158,733	(2)
Ecd Entitlement Project	(136,731)	(79,431)	57,300	(3)
CDBG Housing Grant	513,461	482,157	(31,304)	(4)
Educational Government Cable Corp	35,670	765	(34,905)	(5)
CDBG Economic Development	213,041	155,741	(57,300)	(6)
RDA Project Area #3	650,064	653,066	3,002	(7)
Total net fund balance adjustments			<u>\$ (152,574)</u>	

- (1) Adjustment to recognize liability for current year.
- (2) Adjustment to recognize prior year revenue.
- (3) Adjustment to reclassify revenues from other fund.
- (4) Adjustment to reclassify expenses from prior year.
- (5) Adjustment to fixed assets.
- (6) Adjustment to reclassify revenues to other fund.
- (7) Adjustment to overstatement of liabilities.

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

Net assets at July 1, 2004 were restated as follows:

Net assets at July 1, 2004	\$15,464,106
Changes to governmental beginning fund balance	(152,574)
Adjustments to City's capital assets	<u>37,233</u>
Net assets as restated at July 1, 2004	<u>\$15,348,765</u>

CITY OF COACHELLA

NOTES TO FINANCIAL STATEMENTS

June 30, 2005

18. SELF-INSURANCE PROGRAMS

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

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

The Liability Program is a risk sharing pool with a deductible option. At June 30, 2005, 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, 2005, the City did not have a liability to the Authority for claims losses. Authority claims administrators have estimated a loss reserve for the City under the program of \$3,607 as of June 30, 2005.

The Worker's Compensation Insurance Program is a claims servicing pool, a banking pool and an insurance purchasing pool. As an insurance purchasing pool, the program allows participating members to obtain the benefits of the economies of scale in securing excess worker's compensation coverage. Coverage is provided from \$250,000 to \$10,000,000 for each accident or employee. The program, as a claims servicing pool maintains separate accounts for each program member from which that member's losses are paid. The worker's compensation insurance program does not provided for a transfer of risk and advance funds to pay member losses in excess of member funds on deposit in the manner of a banking pool. Participant premium deposits are subject to retroactive rating adjustments. At June 30, 2005, the City did not have a liability to the Authority for worker's compensation losses. Authority claims administrators have estimated a loss reserve for the City of \$255,806 under this program at June 30, 2005.

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 by law of contractual agreement to some other fund. Expenditures of this fund include general operating expenses and capital improvement costs which are not paid through other funds.

CITY OF COACHELLA

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

Year Ended June 30, 2005

1. Budgets and Budgetary Accounting

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

2. Expenditures in Excess of Appropriations

There were no expenditures in excess of appropriations at June 30, 2005.

CITY OF COACHELLA

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

FOR THE YEAR ENDED June 30, 2005

	Budgeted Amounts			Variance Over/(Under)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Final Budget</u>
REVENUES:				
Taxes	\$ 3,751,766	\$ 3,751,766	\$ 5,220,726	\$ 1,468,960
Licenses and permits	1,828,648	1,828,648	2,946,039	1,117,391
Intergovernmental revenue	1,693,040	1,693,040	2,079,576	386,536
Charges for services	610,736	610,736	1,248,948	638,212
Fines and forfeits	376,782	376,782	254,137	(122,645)
Interest and rental income	50,761	50,761	146,927	96,166
Other income	1,512,098	1,512,098	1,361,661	(150,437)
TOTAL REVENUES	9,823,831	9,823,831	13,258,014	3,434,183
EXPENDITURES :				
Current:				
General government:				
Departmental	2,328,039	2,361,779	2,071,157	290,622
Non-departmental	1,686,329	1,933,208	1,766,065	167,143
Public safety	4,018,112	4,018,112	4,229,522	(211,410)
Public works	311,804	705,823	1,713,449	(1,007,626)
Parks and recreation	794,183	794,183	146,046	648,137
Payment to other agencies	4,100	4,100	3,293	807
Capital outlays	171,850	379,912	651,301	(271,389)
TOTAL EXPENDITURES	9,314,417	10,197,117	10,580,833	(383,716)
EXCESS OF REVENUES OVER (UNDER)				
EXPENDITURES	509,414	(373,286)	2,677,181	3,050,467
OTHER FINANCING SOURCES (USES):				
Operating transfers in	1,026,216	1,026,216	1,190,329	164,113
Operating transfers out	(894,400)	(894,400)	(894,400)	-
TOTAL OTHER FINANCING SOURCES (USES)	131,816	131,816	295,929	164,113
Net change in fund balance	641,230	(241,470)	2,973,110	3,214,580
Fund balance, beginning of year	2,583,370	2,583,370	3,805,833	-
Prior period adjustment	-	-	(248,100)	(248,100)
FUND BALANCE, end of year	\$ 3,224,600	\$ 2,341,900	\$ 6,530,843	\$ 2,966,480

CITY OF COACHELLA

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

FOR THE YEAR ENDED June 30, 2005

	<u>Budgeted Amounts</u>			Variance Over/(Under) Final Budget
REVENUES:	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Grants	\$ 257,088	\$ 257,088	\$ -	\$ (257,088)
RCTC-Measure "A" TUMF	250,000	250,000	-	(250,000)
Interest and rents	<u>2,127</u>	<u>2,127</u>	<u>112,732</u>	<u>110,605</u>
TOTAL REVENUES	509,215	509,215	112,732	(396,483)
EXPENDITURES :				
Operating transfers	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL EXPENDITURES	-	-	-	-
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	509,215	509,215	112,732	(396,483)
Net change in fund balance	509,215	509,215	112,732	(396,483)
Fund balance, beginning of year	<u>5,036,266</u>	<u>5,036,266</u>	<u>5,036,266</u>	<u>-</u>
FUND BALANCE, end of year	<u>\$ 5,545,481</u>	<u>\$ 5,545,481</u>	<u>\$ 5,148,998</u>	<u>\$ (396,483)</u>

SUPPLEMENTARY SCHEDULES

CITY OF COACHELLA

COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS

JUNE 30, 2005

	Special Revenue Funds	Debt Service Funds	Capital Project Funds	Non-Major Governmental Funds
ASSETS:				
Cash and investments	\$ 8,023,480	\$ 471,043	\$ 2,845,627	\$ 11,340,150
Cash and investments w/fiscal agents	188,965	1,069,468	70,414	1,328,847
Accounts receivable	1,875,118	3,993	280,029	2,159,140
Interest receivable	25,351	-	-	25,351
Loans receivable	78,410	-	-	78,410
Due from other government	251,383	-	-	251,383
Due from other funds	-	-	16,540	16,540
Prepaid expenses and deposits	1,586	-	2,122	3,708
Land held for resale	129,649	-	1,017,122	1,146,771
TOTAL ASSETS	<u>\$ 10,573,942</u>	<u>\$ 1,544,504</u>	<u>\$ 4,231,854</u>	<u>\$ 16,350,300</u>
LIABILITIES AND FUND BALANCES:				
LIABILITIES:				
Accounts payable	384,810	-	699,283	1,084,093
Accrued liabilities	4,197	-	3,481	7,678
Deposits	770	-	-	770
Amounts due under pass-through agreements	-	73,550	-	73,550
Due to other funds	389,930	1,671,365	104,741	2,166,036
Advances from other funds	790,393	-	-	790,393
Deferred revenue	-	-	2,229,672	2,229,672
TOTAL LIABILITIES	<u>1,570,100</u>	<u>1,744,915</u>	<u>3,037,177</u>	<u>6,352,192</u>
FUND BALANCES:				
Reserved for:				
Debt service	-	(200,411)	-	(200,411)
Notes and interfund receivables	1,313,149	-	-	1,313,149
Low income and moderate housing	1,168,208	-	-	1,168,208
Land held for resale	129,649	-	1,017,122	1,146,771
Unreserved:				
Special revenue	6,392,836	-	-	6,392,836
Capital projects	-	-	177,555	177,555
TOTAL FUND BALANCES	<u>9,003,842</u>	<u>(200,411)</u>	<u>1,194,677</u>	<u>9,998,108</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 10,573,942</u>	<u>\$ 1,544,504</u>	<u>\$ 4,231,854</u>	<u>\$ 16,350,300</u>

CITY OF COACHELLA

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

FOR THE YEAR ENDED JUNE 30, 2005

	Special Revenue Funds	Debt Service Funds	Capital Project Funds	Total Non-Major Governmental Funds
REVENUES:				
Taxes	\$ 181,539	\$ -	\$ -	\$ 181,539
Property tax increments	-	2,065,952	-	2,065,952
Licenses and permits	63,798	-	-	63,798
Intergovernmental revenue	3,171,299	-	583,429	3,754,728
Charges for services	1,976,027	-	-	1,976,027
Fines and forfeits	-	24,056	-	24,056
Interest and rental income	91,771	-	26,814	118,585
Other income	1,000,108	-	181,593	1,181,701
TOTAL REVENUES	6,484,542	2,090,008	791,836	9,366,386
EXPENDITURES :				
Current:				
General government:				
Non-departmental	3,368,406	136,582	483,482	3,988,470
Public safety	22,486	-	-	22,486
Public works	162,119	-	-	162,119
Parks and recreation	72,255	-	-	72,255
Payment to other agencies	-	346,138	97,920	444,058
Debt service:				
Bond issue costs	-	-	60,912	60,912
Principal retirements on bonds and leases	39,058	264,473	-	303,531
Interest payments on bonds and leases	-	671,206	-	671,206
Capital outlays	406,531	-	4,203,192	4,609,723
TOTAL EXPENDITURES	4,070,855	1,418,399	4,845,506	10,334,760
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	2,413,687	671,609	(4,053,670)	(968,374)
OTHER FINANCING SOURCES (USES):				
Bond discount	-	-	(221,699)	(221,699)
Proceeds from bonds	-	-	4,840,000	4,840,000
Payment to refunding bond escrow agent	-	(3,029,400)	-	(3,029,400)
Operating transfers in	1,968,866	3,349,656	2,151,997	7,470,519
Operating transfers out	(2,011,327)	(766,701)	(4,564,494)	(7,342,522)
TOTAL OTHER FINANCING SOURCES (USES)	(42,461)	(446,445)	2,205,804	1,716,898
EXTRAORDINARY ITEM				
Insurance recovery building	-	-	290,146	290,146
Net change in fund balance	2,371,226	225,164	(1,557,720)	1,038,670
Fund balance, beginning of year	6,540,092	(428,577)	2,752,397	8,863,912
Prior period adjustment	92,524	3,002	-	95,526
FUND BALANCE, end of year	\$ 9,003,842	\$ (200,411)	\$ 1,194,677	\$ 9,998,108

City of Coachella
Non-Major Special Revenue Funds
June 30, 2005

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

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

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

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

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

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

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

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

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

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

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

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

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

City of Coachella
Non-Major Special Revenue Funds
June 30, 2005

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.

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, 2005

	State Gas Tax	Air Quality Improvement	Avenue 52 Bridge	AVA Program	SB821 Sidewalk Improvements	Police Asset Forfeiture	Fire Protection District	Landscape & Lighting District	ECD Entitlement Project
ASSETS:									
Cash and investments	\$ 756,944	\$ 239,401	\$ 575,510	\$ 69,564	\$ 302	\$ 42,192	\$ 696,218	\$ 264,527	\$ 58,471
Cash and investments w/fiscal agents	-	-	-	-	-	-	155,778	-	-
Accounts receivable	55,711	20,109	-	-	-	-	28,296	14,684	137,007
Interest receivable	2,776	964	2,344	363	1	152	-	1,242	1,823
Loans receivable	-	-	-	-	-	-	-	-	-
Due from other funds	-	-	-	-	-	-	-	-	-
Prepaid expenses and deposits	-	-	-	-	-	-	-	-	-
Land held for resale	-	-	-	-	-	-	-	-	-
TOTAL ASSETS	\$ 815,431	\$ 260,474	\$ 577,854	\$ 69,927	\$ 303	\$ 42,344	\$ 880,292	\$ 280,453	\$ 197,301
LIABILITIES AND FUND BALANCES:									
LIABILITIES:									
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 266,035	\$ 4,249	\$ 28,989
Accrued liabilities	-	-	-	-	-	-	-	-	-
Deposits	-	-	-	-	-	770	-	-	-
Due to other funds	-	-	-	-	-	-	194,109	-	-
Deferred revenue	-	-	-	-	-	-	-	-	255,516
Advances from other funds	-	-	-	-	-	-	-	-	-
TOTAL LIABILITIES	-	-	-	-	-	770	460,144	4,249	284,505
FUND BALANCES									
Reserved for:									
Notes and interfund receivables	-	-	-	-	-	-	-	-	-
Low income and moderate housing	-	-	-	-	-	-	-	-	-
Land held for resale	-	-	-	-	-	-	-	-	-
Unreserved:									
Designated for special revenue purposes	815,431	260,474	577,854	69,927	303	41,574	420,148	276,204	(87,204)
TOTAL FUND BALANCES (DEFICITS)	815,431	260,474	577,854	69,927	303	41,574	420,148	276,204	(87,204)
TOTAL LIABILITIES AND FUND BALANCES	\$ 815,431	\$ 260,474	\$ 577,854	\$ 69,927	\$ 303	\$ 42,344	\$ 880,292	\$ 280,453	\$ 197,301

CDBG Housing Grants	Educational Government Cable Corp	Supplemental Law Enforcement	Local Transportation	Federal & State Police Grants	CDBG Economic Development	Low & Mod. Housing Set-Aside Fund	Low & Mod. Housing Bond Fund	Development Impact	Total 2005
\$ 470,675	\$ 2,615	\$ 79,110	\$ 895,219	\$ -	\$ 66,444	\$ 1,161,547	\$ 120,683	\$ 2,524,058	\$ 8,023,480
-	-	-	-	-	33,187	-	-	-	188,965
217,272	-	-	-	171,702	168,571	1,061,766	-	-	1,875,118
657	-	365	3,820	13	440	-	1,311	9,080	25,351
78,410	-	-	-	-	-	-	-	-	78,410
-	-	-	-	-	-	251,383	-	-	251,383
-	-	-	-	-	-	1,586	-	-	1,586
-	-	-	-	-	-	129,649	-	-	129,649
<u>\$ 767,014</u>	<u>\$ 2,615</u>	<u>\$ 79,475</u>	<u>\$ 899,039</u>	<u>\$ 171,715</u>	<u>\$ 268,642</u>	<u>\$ 2,605,931</u>	<u>\$ 121,994</u>	<u>\$ 2,533,138</u>	<u>\$ 10,573,942</u>
\$ 5,622	\$ -	\$ -	\$ 78,060	\$ 337	\$ 1,296	\$ 222	\$ -	\$ -	\$ 384,810
-	-	-	-	-	-	4,197	-	-	4,197
-	-	-	-	-	-	-	-	-	770
-	-	-	-	170,821	25,000	-	-	-	389,930
282,134	-	-	-	-	140,243	112,500	-	-	790,393
-	-	-	-	-	-	-	-	-	-
<u>287,756</u>	<u>-</u>	<u>-</u>	<u>78,060</u>	<u>171,158</u>	<u>166,539</u>	<u>116,919</u>	<u>-</u>	<u>-</u>	<u>1,570,100</u>
-	-	-	-	-	-	1,313,149	-	-	1,313,149
-	-	-	-	-	-	1,046,214	121,994	-	1,168,208
-	-	-	-	-	-	129,649	-	-	129,649
<u>479,258</u>	<u>2,615</u>	<u>79,475</u>	<u>820,979</u>	<u>557</u>	<u>102,103</u>	<u>-</u>	<u>-</u>	<u>2,533,138</u>	<u>6,392,836</u>
<u>479,258</u>	<u>2,615</u>	<u>79,475</u>	<u>820,979</u>	<u>557</u>	<u>102,103</u>	<u>2,489,012</u>	<u>121,994</u>	<u>2,533,138</u>	<u>9,003,842</u>
<u>\$ 767,014</u>	<u>\$ 2,615</u>	<u>\$ 79,475</u>	<u>\$ 899,039</u>	<u>\$ 171,715</u>	<u>\$ 268,642</u>	<u>\$ 2,605,931</u>	<u>\$ 121,994</u>	<u>\$ 2,533,138</u>	<u>\$ 10,573,942</u>

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

FOR THE YEAR ENDED JUNE 30, 2005

	State Gas Tax	Air Quality Improvement	Avenue 52 Bridge	AVA Program	SB821 Sidewalk Improvements	Police Asset Forfeiture	Fire Protection District	Landscape & Lighting District	ECD Entitlement Project
REVENUES:									
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 181,539	\$ -	\$ -
Property tax increment									
Licenses and permits	-	-	-	-	-	-	1,850	-	-
Intergovernmental revenue	535,570	201,380	-	54,958	-	-	-	-	663,924
Charges for services	-	-	-	-	-	-	157,992	-	-
Interest and rental income	9,328	2,032	7,157	917	4	509	6,285	3,341	6,494
Other income	-	-	-	-	-	-	21	248,621	-
TOTAL REVENUES	544,898	203,412	7,157	55,875	4	509	347,687	251,962	670,418
EXPENDITURES :									
Current:									
General government:									
Non-departmental	-	13,382	-	-	-	-	1,173,216	1,680	166,464
Public safety	-	-	-	-	-	-	-	-	-
Public works	-	-	-	-	-	-	-	162,119	-
Parks and recreation	-	-	-	-	-	-	-	-	72,255
Debt service:									
Principal retirements on bonds and leases	-	-	-	-	-	-	39,058	-	-
Capital outlays	-	-	-	-	-	-	19,984	-	75,887
TOTAL EXPENDITURES	-	13,382	-	-	-	-	1,232,258	163,799	314,606
EXCESS OF REVENUES OVER (UNDER)									
EXPENDITURES	544,898	190,030	7,157	55,875	4	509	(884,571)	88,163	355,812
OTHER FINANCING SOURCES (USES):									
Operating transfers in	-	-	-	-	-	-	847,754	-	-
Operating transfers out	(640,208)	-	-	(30,000)	-	-	-	-	(363,585)
TOTAL OTHER FINANCING SOURCES (USES)	(640,208)	-	-	(30,000)	-	-	847,754	-	(363,585)
Net change in fund balance	(95,310)	190,030	7,157	25,875	4	509	(36,817)	88,163	(7,773)
Fund balance, Beginning of year	910,741	70,444	570,697	44,052	299	41,065	298,232	188,041	(136,731)
Prior period adjustment	-	-	-	-	-	-	158,733	-	57,300
FUND BALANCE, End of year	\$ 815,431	\$ 260,474	\$ 577,854	\$ 69,927	\$ 303	\$ 41,574	\$ 420,148	\$ 276,204	\$ (87,204)

CDBG Housing Grant	Educational Government Cable Corp	Supplemental Law Enforcement	Local Transportation	Federal & State Police Grants	CDBG Economic Development	Low & Mod. Housing Set-Aside	Low & Mod. Housing Bond Fund	Development Impact	Total 2005
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 181,539
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	61,948	63,798
524,629	-	100,000	-	255,232	835,606	-	-	-	3,171,299
-	-	-	-	-	-	-	-	1,818,035	1,976,027
1,871	1	887	11,143	165	2,693	12,606	4,410	21,928	91,771
-	-	-	-	-	-	751,466	-	-	1,000,108
<u>526,500</u>	<u>1</u>	<u>100,887</u>	<u>11,143</u>	<u>255,397</u>	<u>838,299</u>	<u>764,072</u>	<u>4,410</u>	<u>1,901,911</u>	<u>6,484,542</u>
478,962	7,151	10,113	-	52,814	437,424	762,654	264,546	-	3,368,406
-	-	22,486	-	-	-	-	-	-	22,486
-	-	-	-	-	-	-	-	-	162,119
-	-	-	-	-	-	-	-	-	72,255
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	39,058
50,437	-	-	-	337	259,886	-	-	-	406,531
<u>529,399</u>	<u>7,151</u>	<u>32,599</u>	<u>-</u>	<u>53,151</u>	<u>697,310</u>	<u>762,654</u>	<u>264,546</u>	<u>-</u>	<u>4,070,855</u>
<u>(2,899)</u>	<u>(7,150)</u>	<u>68,288</u>	<u>11,143</u>	<u>202,246</u>	<u>140,989</u>	<u>1,418</u>	<u>(260,136)</u>	<u>1,901,911</u>	<u>2,413,687</u>
-	9,000	-	-	-	-	847,566	264,546	-	1,968,866
-	-	-	-	(205,493)	(194,627)	(577,414)	-	-	(2,011,327)
-	9,000	-	-	(205,493)	(194,627)	270,152	264,546	-	(42,461)
(2,899)	1,850	68,288	11,143	(3,247)	(53,638)	271,570	4,410	1,901,911	2,371,226
513,461	35,670	11,187	809,836	3,804	213,041	2,217,442	117,584	631,227	6,540,092
(31,304)	(34,905)	-	-	-	(57,300)	-	-	-	92,524
<u>\$ 479,258</u>	<u>\$ 2,615</u>	<u>\$ 79,475</u>	<u>\$ 820,979</u>	<u>\$ 557</u>	<u>\$ 102,103</u>	<u>\$ 2,489,012</u>	<u>\$ 121,994</u>	<u>\$ 2,533,138</u>	<u>\$ 9,003,842</u>

City of Coachella
Non-Major Debt Service Funds
June 30, 2005

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 RDA Project Area #1 – Accounts for payments of principal and interest for long-term debt of the Redevelopment Agency – Project Area No. 1.

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

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

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

COMBINING BALANCE SHEET
NON-MAJOR DEBT SERVICE FUNDS

JUNE 30, 2005

	General Leases	Redevelopment Agency Project Area #1	RDA Project Area #2	RDA Project Area #3	Total 2005
ASSETS:					
Cash and investments	\$ 19,893	\$ 114,372	\$ 192,217	\$ 144,561	471,043
Cash and investments w/fiscal agents	-	194,872	347,963	526,633	1,069,468
Accounts receivable	-	424	902	2,667	3,993
TOTAL ASSETS	<u>\$ 19,893</u>	<u>\$ 309,668</u>	<u>\$ 541,082</u>	<u>\$ 673,861</u>	<u>\$ 1,544,504</u>
LIABILITIES AND FUND BALANCES:					
LIABILITIES:					
Amounts due to under pass-through agreements	\$ -	\$ 21,530	\$ 35	\$ 51,985	\$ 73,550
Due to other funds	-	1,671,365	-	-	1,671,365
TOTAL LIABILITIES	<u>-</u>	<u>1,692,895</u>	<u>35</u>	<u>51,985</u>	<u>1,744,915</u>
FUND BALANCES					
Reserved for:					
Debt Service	<u>19,893</u>	<u>(1,383,227)</u>	<u>541,047</u>	<u>621,876</u>	<u>(200,411)</u>
TOTAL FUND BALANCES	<u>19,893</u>	<u>(1,383,227)</u>	<u>541,047</u>	<u>621,876</u>	<u>(200,411)</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 19,893</u>	<u>\$ 309,668</u>	<u>\$ 541,082</u>	<u>\$ 673,861</u>	<u>\$ 1,544,504</u>

CITY OF COACHELLA

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

FOR THE YEAR ENDED JUNE 30, 2005

	General Leases	Redevelopment Agency Project Area #1	RDA Project Area #2	RDA Project Area #3	Total 2005
REVENUES:					
Property tax increment	\$ -	\$ 356,232	\$ 649,234	\$ 1,060,486	\$ 2,065,952
Interest and rental income	-	4,228	7,894	11,934	24,056
TOTAL REVENUES	-	360,460	657,128	1,072,420	2,090,008
EXPENDITURES :					
Current:					
General government:					
Non-departmental	-	30,558	34,646	71,378	136,582
Payment to other agencies	-	37,454	57,289	251,395	346,138
Debt service:					-
Principal payments	24,473	45,000	70,000	125,000	264,473
Interest payments on bonds and leases	5,189	114,913	179,341	371,763	671,206
TOTAL EXPENDITURES	29,662	227,925	341,276	819,536	1,418,399
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(29,662)	132,535	315,852	252,884	671,609
OTHER FINANCING SOURCES (USES):					
Payment to refunding bond escrow agent	-	(1,851,300)	(1,178,100)	-	(3,029,400)
Operating transfers in	37,646	1,909,167	1,303,213	99,630	3,349,656
Operating transfers out	-	(122,454)	(260,543)	(383,704)	(766,701)
TOTAL OTHER FINANCING SOURCES (USES)	37,646	(64,587)	(135,430)	(284,074)	(446,445)
Net change in fund balance	7,984	67,948	180,422	(31,190)	225,164
Fund balance, Beginning of year	11,909	(1,451,175)	360,625	650,064	(428,577)
Prior period adjustment	-	-	-	3,002	3,002
Fund balance as restated Beginning of year	11,909	(1,451,175)	360,625	653,066	(425,575)
FUND BALANCE, End of year	\$ 19,893	\$(1,383,227)	\$ 541,047	\$ 621,876	\$ (200,411)

City of Coachella
Non-Major Capital Project Funds
June 30, 2005

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

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

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

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

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

JUNE 30, 2005

	RDA Project Area #1	RDA Project Area #2	RDA Project Area #3	Improvement Projects Fund	Total 2005
ASSETS:					
Cash and investments	\$ 1,492,474	\$ 1,165,926	\$ 187,227	\$ -	2,845,627
Cash and investments w/fiscal agents	-	-	70,414	-	70,414
Accounts receivable	4,757	4,756	43,905	226,611	280,029
Due from other governments	-	-	16,540	-	16,540
Prepaid expenses and deposits	2,122	-	-	-	2,122
Land held for resale	740,812	251,142	25,168	-	1,017,122
TOTAL ASSETS	<u>2,240,165</u>	<u>1,421,824</u>	<u>343,254</u>	<u>226,611</u>	<u>4,231,854</u>
LIABILITIES AND FUND BALANCES:					
LIABILITIES:					
Accounts payable	\$ 14,240	\$ -	\$ -	\$ 685,043	\$ 699,283
Accrued liabilities	3,481	-	-	-	3,481
Due to other funds	-	104,741	-	-	104,741
Advances from other funds	-	-	-	2,229,672	2,229,672
TOTAL LIABILITIES	<u>17,721</u>	<u>104,741</u>	<u>-</u>	<u>2,914,715</u>	<u>3,037,177</u>
FUND BALANCES:					
Land held for resale	740,812	251,142	25,168	-	1,017,122
Unreserved					
Capital Projects	<u>1,481,632</u>	<u>1,065,941</u>	<u>318,086</u>	<u>(2,688,104)</u>	<u>177,555</u>
TOTAL FUND BALANCES	<u>2,222,444</u>	<u>1,317,083</u>	<u>343,254</u>	<u>(2,688,104)</u>	<u>1,194,677</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 2,240,165</u>	<u>\$ 1,421,824</u>	<u>\$ 343,254</u>	<u>\$ 226,611</u>	<u>\$ 4,231,854</u>

CITY OF COACHELLA

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

FOR THE YEAR ENDED JUNE 30, 2005

	RDA Project Area #1	RDA Project Area #2	RDA Project Area #3	Improvement Projects Fund	Total 2005
REVENUES:					
Intergovernmental revenue	\$ -	\$ -	\$ -	\$ 583,429	\$ 583,429
Interest and rental income	12,668	10,040	3,737	369	26,814
Other revenue	18,489	7,104	-	156,000	181,593
TOTAL REVENUES	31,157	17,144	3,737	739,798	791,836
EXPENDITURES :					
Current:					
General government					
Non-departmental	471,578	11,904	-	-	483,482
Payments to other agencies	97,920	-	-	-	97,920
Debt service:					
Bond issue costs	31,065	29,847	-	-	60,912
Capital outlays	-	90,519	-	4,112,673	4,203,192
TOTAL EXPENDITURES	600,563	132,270	-	4,112,673	4,845,506
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(569,406)	(115,126)	3,737	(3,372,875)	(4,053,670)
OTHER FINANCING SOURCES (USES):					
Bond Discount	(111,602)	(110,097)	-	-	(221,699)
Proceeds from bonds	2,470,000	2,370,000	-	-	4,840,000
Operating transfers in	1,008,069	1,071,984	21,944	50,000	2,151,997
Operating transfers out	(2,327,333)	(2,237,161)	-	-	(4,564,494)
TOTAL OTHER FINANCING SOURCES (USES)	1,039,134	1,094,726	21,944	50,000	2,205,804
EXTRAORDINARY ITEM				-	-
Insurance Recovery-Building	290,146	-	-	-	290,146
Net change in fund balance	759,874	979,600	25,681	(3,322,875)	(1,557,720)
Fund balance, beginning of year	1,462,570	337,483	317,573	634,771	2,752,397
FUND BALANCE, end of year	\$ 2,222,444	\$ 1,317,083	\$ 343,254	\$ (2,688,104)	\$ 1,194,677

City of Coachella
Agency Funds
June 30, 2005

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

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

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

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

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

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

CITY OF COACHELLA

COMBINING STATEMENT OF ASSETS AND LIABILITIES
ALL AGENCY FUNDS

JUNE 30, 2005

	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	\$ -	\$ 14,688	\$ 562,049	\$ 29,422	\$ 355,849	\$ 572	\$ 962,580
Cash and investments with fiscal agent	424,187	24,501	-	-	-	-	448,688
Interest receivable	-	60	-	38	932	-	1,030
TOTAL ASSETS	<u>\$ 424,187</u>	<u>\$ 39,249</u>	<u>\$ 562,049</u>	<u>\$ 29,460</u>	<u>\$ 356,781</u>	<u>\$ 572</u>	<u>\$ 1,412,298</u>
LIABILITIES:							
Employee contribution	\$ 424,187	\$ 39,249	\$ -	\$ -	\$ -	\$ -	\$ 463,436
Pass throughs	-	-	-	29,460	356,781	-	386,241
Claims payable	-	-	840	-	-	572	1,412
Deposits payable	-	-	561,209	-	-	-	561,209
TOTAL LIABILITIES	<u>\$ 424,187</u>	<u>\$ 39,249</u>	<u>\$ 562,049</u>	<u>\$ 29,460</u>	<u>\$ 356,781</u>	<u>\$ 572</u>	<u>\$ 1,412,298</u>

CITY OF COACHELLA
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS
JUNE 30, 2005

	Balance June 30, 2004	Additions	Deletions	Balance June 30, 2005
183 <u>DEFERRED COMPENSATION FUND</u>				
ASSETS				
Cash	\$ -	\$ -	\$ -	\$ -
Cash with fiscal agent	441,005	-	16,818	424,187
Total assets	<u>\$ 441,005</u>	<u>\$ -</u>	<u>\$ 16,818</u>	<u>\$ 424,187</u>
LIABILITIES				
Employee contribution	\$ 441,005	-	16,818	424,187
Total liabilities	<u>\$ 441,005</u>	<u>\$ -</u>	<u>\$ 16,818</u>	<u>\$ 424,187</u>
184 <u>SELF INSURED DENTAL PLAN-COBO</u>				
ASSETS				
Cash	\$ 14,541	\$ 147	\$ -	\$ 14,688
Cash with fiscal agent	39,784	-	15,283	24,501
Interest receivable	25	92	57	60
Total assets	<u>\$ 54,350</u>	<u>\$ 239</u>	<u>\$ 15,340</u>	<u>\$ 39,249</u>
LIABILITIES				
Employee contribution	\$ 54,350	\$ 15,680	\$ 30,781	\$ 39,249
Total liabilities	<u>\$ 54,350</u>	<u>\$ 15,680</u>	<u>\$ 30,781</u>	<u>\$ 39,249</u>
185 <u>GENERAL DEPOSITS FUND</u>				
ASSETS				
Cash	\$ 578,703	\$ -	\$ 23,254	\$ 555,449
Investments	6,600	-	-	6,600
Total assets	<u>\$ 585,303</u>	<u>\$ -</u>	<u>\$ 23,254</u>	<u>\$ 562,049</u>
LIABILITIES				
Claims payable	\$ 177,303	\$ 9,153,309	\$ 9,329,772	\$ 840
Deposits payable	408,000	719,534	566,325	561,209
Total liabilities	<u>\$ 585,303</u>	<u>\$ 9,872,843</u>	<u>\$ 9,896,097</u>	<u>\$ 562,049</u>
186 <u>PUBLIC SCHOOL CAPITAL FACILITIES FUND</u>				
ASSETS				
Cash	\$ 9,176	\$ 20,246	\$ -	\$ 29,422
Interest receivable	8	58	28	38
Total assets	<u>\$ 9,184</u>	<u>\$ 20,304</u>	<u>\$ 28</u>	<u>\$ 29,460</u>
LIABILITIES				
Pass throughs	\$ 9,184	\$ 20,276	\$ -	\$ 29,460
Total liabilities	<u>\$ 9,184</u>	<u>\$ 20,276</u>	<u>\$ -</u>	<u>\$ 29,460</u>
187 <u>FLOOD CONTROL CAPITAL FACILITIES FUND</u>				
ASSETS				
Cash	\$ 226,784	\$ 129,065	\$ -	\$ 355,849
Interest receivable	196	736	-	932
Total assets	<u>\$ 226,980</u>	<u>\$ 129,801</u>	<u>\$ -</u>	<u>\$ 356,781</u>
LIABILITIES				
Pass throughs	\$ 226,980	\$ 129,801	\$ -	\$ 356,781
Total liabilities	<u>\$ 226,980</u>	<u>\$ 129,801</u>	<u>\$ -</u>	<u>\$ 356,781</u>
189 <u>EMPLOYEE FLEX PLAN DEPOSITS FUND</u>				
ASSETS				
Cash	\$ 758	\$ 11,788	\$ 11,974	\$ 572
Total assets	<u>\$ 758</u>	<u>\$ 11,788</u>	<u>\$ 11,974</u>	<u>\$ 572</u>
LIABILITIES				
Claims payable	\$ 758	\$ 21,323	\$ 21,508	\$ 572
Total liabilities	<u>\$ 758</u>	<u>\$ 21,323</u>	<u>\$ 21,508</u>	<u>\$ 572</u>

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

To the City Council
City of Coachella
Coachella, California

We have audited the 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, 2005, which collectively comprise the City's basic financial statements as listed in the table of contents. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered City of Coachella's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect City of Coachella's ability to record, process, summarize and report financial data consistent with the assertions of management in the general purpose financial statements. The reportable condition is described in a separate letter issued to the management of the City of Coachella dated December 23, 2005.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe none of the reportable conditions described above is a material weakness.

Compliance and Other Matters

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

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

December 23, 2005