

**COACHELLA VALLEY ASSOCIATION  
OF GOVERNMENTS, CALIFORNIA**

**AIR QUALITY IMPROVEMENT FUND**

**FINANCIAL STATEMENTS  
WITH INDEPENDENT AUDITOR'S REPORTS**

***For the Years Ended June 30, 2011 and 2010***



**SIMPSON & SIMPSON**  
CERTIFIED PUBLIC ACCOUNTANTS

U.S. BANK TOWER  
633 WEST 5TH STREET, SUITE 3320  
LOS ANGELES, CA 90071



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**COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS, CALIFORNIA  
AIR QUALITY IMPROVEMENT FUND**

**Table of Contents**

	<u>Page</u>
Independent Auditor's Report	1
Financial Statements	
Balance Sheets	3
Statements of Revenues, Expenditures and Changes in Fund Balance	4
Notes to Financial Statements	5
Independent Auditor's Report on Compliance with Requirements That Could Have a Direct and Material Effect on the Air Quality Improvement Fund and on Internal Control Over Compliance	9
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	11
Schedule of Finding and Recommendation	13



SIMPSON & SIMPSON  
CERTIFIED PUBLIC ACCOUNTANTS

FOUNDING PARTNERS  
MR. MARCEL C. SIMPSON, CPA  
MELBA W. SIMPSON, CPA

U.S. BANK TOWER  
633 WEST 5TH STREET, SUITE 3320  
LOS ANGELES, CA 90071  
(213) 736-6664 TELEPHONE  
(213) 736-6692 FAX  
www.simpsonandsimpsoncpas.com

## INDEPENDENT AUDITOR'S REPORT

The Governing Board of  
The South Coast Air Quality Management District

We have audited the accompanying financial statements of the Air Quality Improvement Fund (Fund) of the Coachella Valley Association of Governments, California (CVAG) as of and for the years ended June 30, 2011 and 2010, as listed in the table of contents. These financial statements are the responsibility of CVAG's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Note 1 to the financial statements, the accompanying financial statements of the Fund are intended to present the financial position and the changes in the financial position attributable to the Fund. They do not purport to, and do not, present fairly the financial position of the Coachella Valley Association of Governments, California, as of June 30, 2011 and 2010, and the changes in its financial position for the years then ended, in conformity with U.S. generally accepted accounting principles.

As discussed in Note 2 to the financial statements, CVAG adopted the provisions of Government Accounting Standards Board (GASB) Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, for the fiscal year ended June 30, 2011.



In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Air Quality Improvement Fund of the Coachella Valley Association of Governments, California, as of June 30, 2011 and 2010, and the changes in financial position thereof for the years then ended, in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 18, 2013, on our consideration of the Fund's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audits.

A handwritten signature in cursive script that reads "Simpson E. Simpson". The signature is written in dark ink and is positioned above the typed name and date.

Los Angeles, California  
March 18, 2013

**COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS CALIFORNIA  
AIR QUALITY IMPROVEMENT FUND**

**BALANCE SHEETS  
June 30, 2011 and 2010**

	2011	2010
<b>Assets</b>		
Cash and Investments	\$ 361,606	\$ -
Interest Receivable	250	-
Due from Other Governments	96,492	87,908
Due from Other Funds	10,916	92,066
Total Assets	\$ 469,264	\$ 179,974
<b>Liabilities</b>		
Accounts Payable	\$ 3,845	\$ 53,544
Deferred Revenue	38,881	51,171
Total Liabilities	42,726	104,715
<b>Fund Balance</b>		
Restricted for Air Quality Improvement	426,538	75,259
Total Liabilities and Fund Balance	\$ 469,264	\$ 179,974

See accompanying notes to the financial statements.

**COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS CALIFORNIA  
AIR QUALITY IMPROVEMENT FUND**

**STATEMENTS OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE  
For the Years Ended June 30, 2011 and 2010**

	2011	2010
<b>Revenues</b>		
Motor Vehicle Fees	\$ 396,022	\$ 223,481
Investment Income	250	-
Total Revenues	396,272	223,481
 <b>Expenditures</b>		
Program Expenditures	45,204	185,370
Total Expenditures	45,204	185,370
 <b>Excess of Revenues over Expenditures</b>	351,068	38,111
 <b>Other Financing Sources (Uses)</b>		
Transfers In	211	-
Transfers Out	-	(114,088)
Total Other Financing Sources (Uses)	211	(114,088)
 <b>Net Change in Fund Balance</b>	351,279	(75,977)
 <b>Fund Balance, Beginning of Year</b>	75,259	151,236
 <b>Fund Balance, End of Year</b>	\$ 426,538	\$ 75,259

See accompanying notes to the financial statements.

**COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS, CALIFORNIA  
AIR QUALITY IMPROVEMENT FUND**

**NOTES TO FINANCIAL STATEMENTS  
June 30, 2011 and 2010**

**1. GENERAL INFORMATION**

The financial statements are intended to reflect the financial position and changes in the financial position attributable to the Air Quality Improvement Fund (Fund) of the Coachella Valley Association of Governments, California (CVAG). These financial statements are exclusively for the Fund and do not purport to, and do not present fairly the financial position and changes in the financial position for the CVAG.

The South Coast Air Quality Management District (SCAQMD) is authorized under *Assembly Bill 2766 (AB 2766) Chapter 1705 [California Health and Safety Code (CHSC) Sections 44220 through 44247]* to impose a motor vehicle registration fee to be used by the SCAQMD and local governments specifically for programs to reduce air pollution from mobile sources and related planning, monitoring, enforcement, and technical studies necessary for the implementation of the California Clean Air Act of 1988.

The California Department of Motor Vehicles collects the vehicle registration fee and subvenes it to SCAQMD. Upon receipt, the vehicle registration fee is split into segments with 40% of the revenue placed in a special revenue fund designated as the Air Quality Improvement Trust Fund for quarterly distribution to local governments. Local governments are permitted to pool their resources for implementing the requirements for the use of AB 2766 funds through joint powers agreement. The entity created through the joint powers agreement undertakes programs to reduce air pollution from motor vehicles, which are funded by the member-governments. CVAG is such an entity, with members consisting of the County of Riverside Unincorporated, Cities of Cathedral City, Coachella, Desert Hot Springs, Indian Wells, Indio, La Quinta, Palm Desert, Palm Springs, and Rancho Mirage.

CHSC Section 44243 requires cities and counties receiving the AB 2766 funds to separately account for the revenues and to expend the revenues for air pollution reduction measures pursuant to the California Clean Air Act of 1988 or the SCAQMD's Air Quality Management Plan pursuant to Article 5 of Chapter 5.5 of Part 3 of the CHSC.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Fund Accounting**

The financial activity of CVAG is accounted for on the basis of funds, each of which is considered a separate accounting entity with a self-balancing set of accounts. Monies under AB 2766 are accounted for in the AB 2766 Grant Fund (Fund), which is a special revenue fund.

**COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS, CALIFORNIA  
AIR QUALITY IMPROVEMENT FUND**

**NOTES TO FINANCIAL STATEMENTS  
June 30, 2011 and 2010**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Basis of Accounting**

Special revenue funds are presented using the modified-accrual basis of accounting. Their revenues are recognized when they become measurable and available as net current assets. Measurable means that the amounts can be estimated, or otherwise determined. Available means that the amounts were collected during the reporting period or soon enough thereafter to be available to finance the expenditures accrued for the reporting period. CVAG generally considers revenues available if they are collected within 90 days after the fiscal year-end. Significant revenues subject to accrual under the measurable and available criteria include grant revenues.

Revenue recognition is subject to the measurable and availability criteria for the governmental funds in the fund financial statements. Exchange transactions are recognized as revenues in the period in which they are earned (i.e., the related goods or services are provided). Locally imposed derived tax revenues are recognized as revenues in the period in which the underlying exchange transaction upon which they are based takes place. Imposed nonexchange transactions are recognized as revenues in the period for which they were imposed. If the period of use is not specified, they are recognized as revenues when an enforceable legal claim to the revenues arises or when they are received, whichever occurs first. Government-mandated and voluntary nonexchange transactions are recognized as revenues when all applicable eligibility requirements have been met.

**Measurement Focus**

Special revenue funds are accounted for on a spending measurement focus. Generally, only current assets and current liabilities are included on the balance sheet. The statement of revenues, expenditures and changes in fund balance for special revenue funds generally present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets.



**COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS, CALIFORNIA  
AIR QUALITY IMPROVEMENT FUND**

**NOTES TO FINANCIAL STATEMENTS  
June 30, 2011 and 2010**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Fund Balance**

The accompanying financial statements reflect certain changes that have been made with respect to the reporting of the components of fund balances for governmental funds. In previous years, fund balances for governmental funds were reported in accordance with previous standards that included components for reserved fund balance, unreserved fund balance, designated fund balance, and undesignated fund balance. Due to the implementation of Government Accounting Standards Board Statement No. 54 (GASB 54), the Fund's fund balance is reported in the restricted fund balance, which includes amounts that can be spent only for specific purposes stipulated by constitution, external resource providers, or through enabling legislation. If the Board action limiting the use of funds is included in the same action (legislation) that created (enables) the funding source, then it is restricted. Prior year amounts have been restated to reflect the component designations required by GASB 54.

**Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from these estimates.

**Adoption of New Accounting Standards**

CVAG implemented GASB 54 – Fund Balance Reporting and Governmental Fund Type Definitions as of June 30, 2011. The statement issued in February 2009, has left unchanged the total amount reported as fund balances; but has substantially altered the categories and terminology used to describe its components. The new categories and terminology reflect an innovative approach that will focus, not on financial resources available for appropriation, but on “the extent to which the government is bound to honor constraints on the specific purposes for which amounts in the fund balance can be spent.” Prior year amounts have been restated to reflect the component designations required by GASB 54.

**COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS, CALIFORNIA  
AIR QUALITY IMPROVEMENT FUND**

**NOTES TO FINANCIAL STATEMENTS  
June 30, 2011 and 2010**

**3. CASH AND INVESTMENTS**

Cash is pooled with other CVAG funds to maximize investment opportunities and yields. Investment income resulting from this pooling is allocated to the respective funds of CVAG, including the Fund, based on average monthly cash balances.

**4. DUE FROM OTHER GOVERNMENTS AND DEFERRED REVENUE**

Due from other governments amount represents the AB 2766 funds distributed by the member cities to CVAG, but not yet received by CVAG. Funds not received within 90 days after year end are recorded as deferred revenue.

**5. DUE FROM OTHER FUNDS AND INTERFUND TRANSFERS**

Due from other funds in the amount of \$10,916 as of June 30, 2011 represent amount due from the Air Quality Enhancement Fund for pending reimbursements. Due from other funds in the amount of \$92,066 as of June 30, 2010 represent amount due from the Street Sweeping Fund for pending reimbursements.

Transfers in in the amount of \$211 for the year ended June 30, 2011 represent amount transferred to the General Fund for program expenditures. Transfers out in the amount of \$114,088 for the year ended June 30, 2010 represent amount transferred to the Street Sweeping Fund.



SIMPSON & SIMPSON  
CERTIFIED PUBLIC ACCOUNTANTS

FOUNDING PARTNERS  
BRAUNARD C. SIMPSON, CPA  
MELBA W. SIMPSON, CPA

U.S. BANK TOWER  
633 WEST 5TH STREET, SUITE 3320  
LOS ANGELES, CA 90071  
(213) 736-6664 TELEPHONE  
(213) 736-6692 FAX  
www.simpsonandsimpsoncpas.com

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH  
REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT  
ON THE AIR QUALITY IMPROVEMENT FUND AND  
ON INTERNAL CONTROL OVER COMPLIANCE**

The Governing Board of  
The South Coast Air Quality Management District

Compliance

We have audited the compliance of the Air Quality Improvement Fund (Fund) of the Coachella Valley Association of Governments, California (CVAG) with the compliance requirements described in *Assembly Bill 2766 (AB 2766) Chapter 1705 [Health and Safety Code Sections 44220 through 44247]*, adopted by the South Coast Air Quality Management District (SCAQMD) for the years ended June 30, 2011 and 2010. Compliance with the requirements of laws and regulations applicable to the Fund is the responsibility of CVAG's management. Our responsibility is to express an opinion on the Fund's compliance based on our audits.

We conducted our audits of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and AB 2766. Those standards and AB2766 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on the Fund occurred. An audit includes examining, on a test basis, evidence about CVAG's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinion. Our audits do not provide a legal determination on CVAG's compliance with those requirements.

In our opinion, CVAG complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the Fund for the years ended June 30, 2011 and 2010.





### Internal Control Over Compliance

Management of CVAG is responsible for establishing and maintaining effective internal control over compliance with requirements of laws and regulations applicable to the Fund. In planning and performing our audits, we considered CVAG's internal control over compliance with requirements that could have a direct and material effect on the Fund to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with AB 2766, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of CVAG's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is reasonable possibility that material noncompliance with a type of compliance requirement will not be prevented, or detected and corrected, on a timely basis.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the Coachella Valley Association of Governments and the South Coast Air Quality Management District and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "Simpson &amp; Simpson". The signature is written in dark ink and is located below the main body of text.

Los Angeles, California  
March 18, 2013



SIMPSON & SIMPSON  
CERTIFIED PUBLIC ACCOUNTANTS

EQUINING PARTNERS  
BRUCE ARD C. SIMPSON, CPA  
MELBA W. SIMPSON, CPA

U.S. BANK TOWER  
633 WEST 5TH STREET, SUITE 3320  
LOS ANGELES, CA 90071  
(213) 736-6664 TELEPHONE  
(213) 736-6692 FAX  
www.simpsonandsimpsoncpas.com

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

The Governing Board of  
The South Coast Air Quality Management District

We have audited the financial statements of the Air Quality Improvement Fund (Fund) of the Coachella Valley Association of Governments, California (CVAG) as of and for the years ended June 30, 2011 and 2010, and have issued our report thereon dated March 18, 2013. We conducted our audits 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

Management of CVAG is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audits, we considered CVAG's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of CVAG's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of CVAG's internal control over financial reporting.

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



Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Fund'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 statement 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 or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Coachella Valley Association of Governments and the South Coast Air Quality Management District and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "Simpson &amp; Simpson". The signature is written in dark ink.

Los Angeles, California  
March 18, 2013

**COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS, CALIFORNIA  
AIR QUALITY IMPROVEMENT FUND**

**SCHEDULE OF FINDING AND RECOMMENDATION  
For the Years Ended June 30, 2011 and 2010**

There were no audit findings or recommendations for the years ended June 30, 2010 and June 30, 2011.