

COACHELLA VALLEY
ASSOCIATION OF GOVERNMENTS
Comprehensive Annual Financial Report
Year ended June 30, 2012

(This page intentionally left blank)

COACHELLA VALLEY
ASSOCIATION OF GOVERNMENTS

Comprehensive Annual Financial Report

Year ended June 30, 2012

TABLE OF CONTENTS

	Page
INDEPENDENT AUDITORS' REPORT	1
Management's Discussion and Analysis	3
FINANCIAL STATEMENTS:	
Government-wide Financial Statements:	
Statement of Net Assets	12
Statement of Activities	13
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet	14
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets	17
Statement of Revenues, Expenditures and Changes in Fund Balances	18
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	20
Notes to Basic Financial Statements	21
Required Supplementary Information:	
Budgetary Comparison Schedules:	
General Fund	49
Transportation Uniform Mitigation Fees Special Revenue Fund	50
Measure A Special Revenue Fund	51
Homeless Fund	52
Energy Partnership Fund	53
Note to Required Supplementary Information	54
Supplementary Schedules:	
Other Governmental Funds:	
Combining Balance Sheet	56
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	58

(This page intentionally left blank)



Mayer Hoffman McCann P.C.

An Independent CPA Firm

2301 Dupont Drive, Suite 200
Irvine, California 92612
949-474-2020 ph
949-263-5520 fx
www.mhm-pc.com

Executive Committee
Coachella Valley Association of Governments
Palm Desert, California

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Coachella Valley Association of Governments ("Association") as of and for the year ended June 30, 2012, which collectively comprise the basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the management of the Association's. Our responsibility is to express opinions on these financial statements based on our audit. The prior year partial comparative information has been derived from the financial statements of the Association for the year ended June 30, 2011, and in our report dated February 14, 2012, we expressed an unqualified opinion on those financial statements.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Association, as of June 30, 2012, and the respective changes in financial position of the Association in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that *management's discussion and analysis* and budgetary comparison information on pages 3-10 and 49-53 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of the financial reporting for placing the basic

financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express and opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Association's basic financial statements. The supplementary schedules, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

In accordance with *Government Auditing Standards*, we have also issued a report dated January 16, 2013 on our consideration of the Associations' internal control over financial reporting and 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Mayer Hoffman McCann P.C.

Irvine, California
January 16, 2013

COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2012

The following discussion and analysis of the financial performance of Coachella Valley Association of Governments ("Association") provides an overview of the Association's financial activities for the fiscal year ended June 30, 2012. Please read it in conjunction with the financial statements identified in the accompanying table of contents.

Using the Accompanying Financial Statements

This annual report consists of a series of financial statements. The *Statement of Net Assets* and the *Statement of Activities* provide information about the activities of the Association as a whole and present a long-term view of the Association's finances. Also included in the accompanying report are the *fund financial statements*. The fund financial statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the Association's operations in more detail than the government-wide statements by providing information about the Association's most significant funds.

OVERVIEW OF THE FINANCIAL STATEMENTS

The annual report consists of four parts – *management's discussion and analysis* (this section), the *basic financial statements*, *required supplementary information*, and a section that presents *combining statements* for nonmajor governmental funds. The *basic financial statements* include two kinds of statements that present different views of the Association:

- The first two statements are *government-wide financial statements* that provide both *long-term* and *short-term* information about the Association's overall financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the Association government, reporting the Association's operations in *more detail* than the government-wide statements.

The financial statements also include *notes* that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that provided additional financial and budgetary information.

See independent auditors' report.

COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS

MANAGEMENT'S DISCUSSION AND ANALYSIS
(CONTINUED)

June 30, 2012

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Reporting the Association as a Whole

The accompanying **government-wide financial statements** include two statements that present financial data for the Association as a whole. One of the most important questions asked about the Association's finances is, "Is the Association as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the Association as a whole and about its activities in a way that helps answer this question. These statements include *all* assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Association's net assets and changes in them. You can think of the Association's net assets – the difference between assets and liabilities – as one way to measure the Association's financial health, or *financial position*. Over time, *increases and decreases* in the Association's net assets are one indicator of whether its *financial health* is improving or deteriorating.

Reporting the Association's Major Funds

The **fund financial statements** provide detailed information about the Association's most significant funds - not the Association as a whole. Some funds are required to be established by grant or legal requirements. However, the Executive Committee establishes other funds to help it control and manage money for particular purposes or to show that it is meeting administrative responsibilities for using certain resources.

Governmental funds – the Association's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year end that are available for spending. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other *current financial* assets that can readily be converted to cash. The governmental fund statements provide a detailed *short-term view* of the Association's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Association's programs.

See independent auditors' report.

COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS

MANAGEMENT'S DISCUSSION AND ANALYSIS
(CONTINUED)

June 30, 2012

GOVERNMENT-WIDE FINANCIAL STATEMENTS

A summary of the government-wide *statement of net assets* follows:

Statements of Net Assets

	Fiscal Year 2012	Fiscal Year 2011	Dollar Change	Total Percent Change
Assets:				
Cash and investments	\$ 44,485,810	\$ 46,893,268	\$ (2,407,458)	(5.1) %
Accounts receivable	458,795	157,017	301,778	192.2 %
Interest receivable	40,761	60,866	(20,105)	(33.0) %
Due from other governments	5,182,751	2,923,706	2,259,045	77.3 %
Loans receivable	10,164,115	12,053,549	(1,889,434)	(15.7) %
Capital assets:				
Land	10,682,344	10,682,344	-	- %
Other capital assets, net	149,429	178,900	(29,471)	(16.5) %
Total Assets	<u>71,164,005</u>	<u>72,949,650</u>	<u>(1,785,645)</u>	<u>(2.5) %</u>
Liabilities:				
Accounts payable	510,015	308,152	201,863	65.5 %
Due to other governments	3,233,218	2,013,745	1,219,473	60.6 %
Noncurrent liabilities:				
Due within one year:				
Revenue bonds payable	961,135	818,652	142,483	17.4 %
Compensated absences	139,618	117,709	21,909	18.6 %
Due in more than one year:				
Revenue bonds payable	27,228,094	25,541,226	1,686,868	6.6 %
Insurance payable	102,700	108,427	(5,727)	(5.3) %
Advancement of 2009 Measure "A" funds	1,290,517	-	1,290,517	100.0 %
Compensated absences	-	14,702	(14,702)	(100.0) %
Total Liabilities	<u>33,465,297</u>	<u>28,922,613</u>	<u>4,542,684</u>	<u>15.7 %</u>
Net Assets:				
Invested in capital assets, net of related debt	10,831,773	10,861,244	(29,471)	0.3 %
Restricted for Transportation	25,505,577	31,882,077	(6,376,500)	(20.0) %
Restricted for Other	314,078	507,150	(193,072)	(38.1) %
Unrestricted	1,047,280	776,566	270,714	34.9 %
Total Net Assets	<u>\$ 37,698,708</u>	<u>\$ 44,027,037</u>	<u>\$ (6,328,329)</u>	<u>(14.4) %</u>

See independent auditors' report.

COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS

MANAGEMENT'S DISCUSSION AND ANALYSIS
(CONTINUED)

June 30, 2012

GOVERNMENT-WIDE FINANCIAL STATEMENTS (CONTINUED)

A summary of the government-wide *statement of activities* follows:

Statements of Activities

	Fiscal Year 2012	Fiscal Year 2011	Dollar Change	Total Percent Change
Operating Expenses:				
Administrative	\$ 296,995	\$ 552,832	\$ (255,837)	(46.3) %
Transportation	17,206,266	10,454,841	6,751,425	64.6 %
Other	4,202,454	3,074,986	1,127,468	36.7 %
Interest expense	<u>1,590,544</u>	<u>1,369,678</u>	<u>220,866</u>	16.1 %
Total Expenses	<u>23,296,259</u>	<u>15,452,337</u>	<u>7,843,922</u>	50.8 %
Program Revenues:				
Operating grants and contributions	16,571,215	13,876,887	2,694,328	19.4 %
General Revenues:				
Interest income	2,287	3,529	(1,242)	(35.2) %
Other revenues	<u>394,428</u>	<u>381,307</u>	<u>13,121</u>	3.4 %
Total Revenues	<u>16,967,930</u>	<u>14,261,723</u>	<u>2,706,207</u>	19.0 %
Changes in Net Assets	(6,328,329)	(1,190,614)	(5,137,715)	(431.5) %
Net Assets - Beginning of Year	<u>44,027,037</u>	<u>45,217,651</u>	<u>(1,190,614)</u>	(2.6) %
Net Assets - End of Year	<u>\$ 37,698,708</u>	<u>\$ 44,027,037</u>	<u>\$ (6,328,329)</u>	(14.4) %

The increase or decrease in net assets can provide an indication as to whether the overall financial position of the Association improved or deteriorated during the year. Net assets of the Association's governmental activities decreased by 14.4 percent (\$37.70 million compared to \$44.03 million). The net assets of the Association changed as a result of the revenue and expense fluctuations and also Long Term Debts described below for the activities of the Association.

See independent auditors' report.

COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS

MANAGEMENT'S DISCUSSION AND ANALYSIS
(CONTINUED)

June 30, 2012

MAJOR FUNDS

General Fund - The General Fund accounts for all of the general revenues of the Association not specifically levied or collected for some special purpose, and for the expenditures related to the rendering of general services by the Association. At the end of the current fiscal year, unreserved fund balance of the General Fund was \$1,099,734.

The reasons for significant changes in the revenues and expenditures of the Association's General Fund from the prior year are as follows:

- An increase in the total revenues by \$11,779, mainly due to an increase in the member dues and miscellaneous incomes.
- A decrease in Salaries and Benefits expenditures by \$114,661 due to not replacing a vacant position as well as restructuring of the organization.

Transportation Uniform Mitigation Fees (TUMF) Fund - The TUMF Fund accounts for the revenues generated by the Traffic Mitigation Fees and provides additional funds necessary to construct the transportation improvements generated by the development in the valley. At the end of the current fiscal year, the total fund balance was \$13,569,873.

The reasons for significant changes in the revenues and expenditures of the Association's TUMF Fund from the prior year are as follows:

- A decrease in Mitigation Fees revenue by \$906,445 mainly due to a lack of start-up construction projects in the current fiscal year.
- A decrease in Investment Income revenue by \$54,757 mainly due to continuing low interest yields and also due to lower investment balances in the Fund.
- A decrease in Total Expenditures by \$1,044,473 mainly due to a decrease in the allocated amount of reimbursement requests received from the jurisdictions.

Measure A Fund - The Measure A Fund accounts for the revenues generated by the Measure A half cent sales tax and is used mainly for the construction and/or improvement of the regional arterials in the Coachella Valley. At the end of the current fiscal year, the total fund balance was \$30,637,608.

The reasons for significant changes in the revenues and expenditures of the Association's Measure A Fund from the prior year are as follows:

- An increase in Measure A revenues by \$2,149,667. This increase does not have a direct relationship to the amount of Sales Tax collected but the amount of reimbursement that was requested by the Association. See note 13 for further clarification.

See independent auditors' report.

COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS

MANAGEMENT'S DISCUSSION AND ANALYSIS
(CONTINUED)

June 30, 2012

- A decrease in Total Expenditures by \$3,711,916 mainly due to a smaller amount of payment for debt service.

Homeless Fund - The Homeless Fund accounts for the revenues received from the various Association's jurisdictions as well as from other agencies and is used mainly for the running of the Roy's Desert Resource Center. At the end of the current fiscal year, the total fund balance was \$136,656.

The reasons for significant changes in the revenues and expenditures of the Homeless Fund from the prior year are as follows:

- An increase in Other Governmental revenue by \$253,750 due to an increased effort to secure additional funding.
- A decrease in Total Expenditures by \$66,233 due mainly to the Shelter reducing the number of available beds for part of the year.

Energy Partnership Fund - The Energy Partnership Fund accounts for the revenues received from Southern California Edison and is used mainly to generate energy and climate action plans, a voluntary green building program, and energy management tools for participating jurisdictions. At the end of the current fiscal year, the total fund deficit was \$24,314.

The reasons for significant changes in the revenues and expenditures of the Energy Partnership Fund from the prior year are as follows:

- An increase in Other Governmental revenue by \$1,637,137 due mainly to the major portion of the funding became available only in the last quarter of the prior year.
- An increase in Total Expenditures by \$1,643,681 due mainly to major work being done for only part of the prior year.

See independent auditors' report.

COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS

MANAGEMENT'S DISCUSSION AND ANALYSIS
(CONTINUED)

June 30, 2012

CAPITAL ASSETS AND DEBT ADMINISTRATION

CAPITAL ASSETS

A summary of the Association's *capital assets* follows:

	Capital Assets (net of depreciation)		
	Balance <u>June 30, 2012</u>	Balance <u>June 30, 2011</u>	Increase <u>(Decrease)</u>
Land	\$ 10,682,344	\$ 10,682,344	\$ -
Furniture and equipment	60,377	71,668	(11,291)
Vehicles	<u>89,052</u>	<u>107,232</u>	<u>(18,180)</u>
Total	<u>\$ 10,831,773</u>	<u>\$ 10,861,244</u>	<u>\$ (29,471)</u>

The decrease to Furniture and Equipment and to Vehicles is mainly due to depreciation.

Additional information on the Association's capital assets is presented in Note 6 of the Notes to Basic Financial Statements.

DEBT ADMINISTRATION

The only activity relating to long-term debt was scheduled annual retirements.

	Long-Term Debt		
	Balance <u>June 30, 2012</u>	Balance <u>June 30, 2011</u>	Increase <u>(Decrease)</u>
Revenue bonds payable	\$ 28,189,229	\$ 26,359,878	\$ 1,829,351
Insurance payable	102,700	108,427	(5,727)
Advancement of 2009 Measure "A" funds	1,290,517	-	1,290,517
Compensated absences	<u>139,618</u>	<u>132,411</u>	<u>7,207</u>
Total	<u>\$ 29,722,064</u>	<u>\$ 26,600,716</u>	<u>\$ 3,121,348</u>

Additional information on long-term debt is presented in Note 8 of the Notes to Basic Financial Statements.

See independent auditors' report.

COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS

MANAGEMENT'S DISCUSSION AND ANALYSIS
(CONTINUED)

June 30, 2012

GENERAL FUND BUDGET

There were some major deviations between the final budget of the General Fund and its actual operating results namely:

- Salaries expenditures under budget by \$ 152,286
- Benefits expenditures under budget by \$ 64,802
- Transfers in under budget by \$ 254,811

The deviations occurred because the budget reflected the budgeted expenditures for the General Fund with a Transfers In from other funds to cover the allocated costs to those funds. However, for the financial statements, instead of affecting the Transfers In, the expenditures allocations are transferred to the respective funds directly.

CONTACTING THE ASSOCIATION'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, members, and resource providers with a general overview of the Authority's finances and to show the Authority's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Association's Office, attention Director of Administrative Services Department, at 73710 Fred Waring Drive, Suite 200, Palm Desert, California 92260.

See independent auditors' report.

BASIC FINANCIAL STATEMENTS

COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS

Statement of Net Assets

June 30, 2012

(with comparative prior year information)

	<u>Governmental Activities</u>	
	<u>2012</u>	<u>2011</u>
Assets:		
Cash and investments (note 2)	\$ 44,485,810	46,893,268
Accounts receivable	458,795	157,017
Interest receivable	40,761	60,866
Due from other governments	5,182,751	2,923,706
Loans receivable (note 3)	10,164,115	12,053,549
Capital assets (note 6):		
Capital assets, not depreciated	10,682,344	10,682,344
Capital assets, being depreciated, net	<u>149,429</u>	<u>178,900</u>
Total assets	<u>71,164,005</u>	<u>72,949,650</u>
Liabilities:		
Accounts payable	510,015	308,152
Due to other governments	3,233,218	2,013,745
Noncurrent liabilities (note 8):		
Due within one year	1,100,753	936,361
Due in more than one year	<u>28,621,311</u>	<u>25,664,355</u>
Total liabilities	<u>33,465,297</u>	<u>28,922,613</u>
Net assets:		
Invested in capital assets	10,831,773	10,861,244
Restricted for:		
Transportation	25,038,282	31,910,999
Other	860,732	30,723
Unrestricted	<u>967,921</u>	<u>1,224,071</u>
Total net assets	<u>\$ 37,698,708</u>	<u>44,027,037</u>

See accompanying notes to the basic financial statements.

COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS

Statement of Activities

Year ended June 30, 2012

(with comparative information for the prior year)

	Expenses	Program Revenues			Net Governmental Activities	
		Charges for Services	Operating Contributions and Grants	Capital Contributions and Grants	2012	2011
Governmental activities:						
Administrative	\$ 296,995	-	-	-	(296,995)	(552,832)
Transportation	17,206,266	-	13,554,281	-	(3,651,985)	44,213
Other	4,202,454	-	3,016,934	-	(1,185,520)	302,847
Interest expense	1,590,544	-	-	-	(1,590,544)	(1,369,678)
Total governmental activities	<u>\$ 23,296,259</u>	<u>-</u>	<u>16,571,215</u>	<u>-</u>	<u>(6,725,044)</u>	<u>(1,575,450)</u>
General revenues:						
Investment income					2,287	3,529
Other revenues					394,428	381,307
Total general revenues					<u>396,715</u>	<u>384,836</u>
Change in net assets					(6,328,329)	(1,190,614)
Net assets at beginning of year					<u>44,027,037</u>	<u>45,217,651</u>
Net assets at end of year					<u>\$ 37,698,708</u>	<u>44,027,037</u>

See accompanying notes to the basic financial statements.

COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS

Governmental Funds - Balance Sheet

June 30, 2012

(with comparative information for the prior year)

	General	Special Revenue	
		Transportation Uniform Mitigation Fees	Measure A
<u>Assets</u>			
Assets:			
Cash and investments	\$ 863,882	14,041,542	28,632,558
Accounts receivable	2,550	-	-
Interest receivable	540	13,452	26,058
Due from other governments	2,878	330,304	4,463,231
Due from other funds (note 4)	248,702	-	36,983
Total assets	<u>\$ 1,118,552</u>	<u>14,385,298</u>	<u>33,158,830</u>
<u>Liabilities and Fund Balance</u>			
Liabilities:			
Accounts payable	\$ 18,508	681	25,899
Due to other governments	210	814,744	2,352,133
Due to other funds (note 4)	-	-	-
Deferred revenue	100	-	143,190
Total liabilities	<u>18,818</u>	<u>815,425</u>	<u>2,521,222</u>
Fund balances:			
Restricted for:			
Transportation	-	13,569,873	30,637,608
Environmental	-	-	-
Unassigned	1,099,734	-	-
Total fund balances	<u>1,099,734</u>	<u>13,569,873</u>	<u>30,637,608</u>
Total liabilities and fund balances	<u>\$ 1,118,552</u>	<u>14,385,298</u>	<u>33,158,830</u>

See accompanying notes to basic financial statements.

Special Revenue

Homeless Fund	Energy Partnership Fund	Nonmajor Governmental Funds	Totals	
			2012	2011
192,633	-	755,195	44,485,810	46,893,268
-	456,245	-	458,795	157,017
107	-	604	40,761	60,866
108,095	-	278,243	5,182,751	2,923,706
-	-	-	285,685	225,255
<u>300,835</u>	<u>456,245</u>	<u>1,034,042</u>	<u>50,453,802</u>	<u>50,260,112</u>
98,967	262,491	103,469	510,015	308,152
65,212	253	666	3,233,218	2,013,745
-	217,815	67,870	285,685	225,255
-	-	39,127	182,417	775,800
<u>164,179</u>	<u>480,559</u>	<u>211,132</u>	<u>4,211,335</u>	<u>3,322,952</u>
-	-	34,223	44,241,704	45,708,443
-	-	814,103	814,103	447,288
<u>136,656</u>	<u>(24,314)</u>	<u>(25,416)</u>	<u>1,186,660</u>	<u>781,429</u>
<u>136,656</u>	<u>(24,314)</u>	<u>822,910</u>	<u>46,242,467</u>	<u>46,937,160</u>
<u>300,835</u>	<u>456,245</u>	<u>1,034,042</u>	<u>50,453,802</u>	<u>50,260,112</u>

(This page intentionally left blank)

COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS
Governmental Funds

Reconciliation of the Balance Sheet of Governmental Funds to
the Statement of Net Assets

June 30, 2012

Fund balances of governmental funds	\$ 46,242,467
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets net of depreciation have not been recorded as assets in the governmental fund financial statements.	
Cost of capital assets	12,756,824
Accumulated depreciation	(1,925,051)
Loans receivable has not been reported in the governmental funds.	10,164,115
Long term liabilities have not been reported as liabilities in the governmental fund financial statements.	(29,479,746)
Claims payable have not been recorded as a liability in the governmental fund financial statements.	(102,700)
Compensated absences have not been recorded as liabilities in the governmental fund financial statements.	(139,618)
Revenues that are measurable but not available have been deferred in the governmental fund financial statements.	<u>182,417</u>
Net assets of governmental activities	<u>\$ 37,698,708</u>

See accompanying notes to the basic financial statements.

COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS
Statement of Revenues, Expenditures and Changes in Fund Balances
Year ended June 30, 2012

(with comparative information for the prior year)

	Special Revenue		
	General	Transportation	Measure
		Fund	
Revenues:			
Mitigation fees	\$ -	1,065,165	-
Measure A (note 13)	-	1,262,965	7,729,219
Member dues	375,053	-	-
Grants	-	-	-
Investment income	2,287	68,813	148,171
Loan repayments	-	180,000	551,346
Other governmental	-	-	3,340,994
Miscellaneous	19,275	3,000	-
Total revenues	396,615	2,579,943	11,769,730
Expenditures:			
Salaries	126,537	296,219	383,742
Benefits	43,914	102,179	135,854
Communications	1,125	3,821	4,448
Advertising	1,143	-	-
Insurance	5,844	14,071	12,710
Memberships and per diem	9,485	5,113	5,507
General and office expenses	2,946	10,722	12,186
Professional services	17,412	18,164	20,797
Consultants	30,000	11,440	97,543
Leases and maintenance	11,681	27,768	35,119
Staff training	127	332	354
Transportation and meetings	11,282	2,560	3,100
Utilities	1,832	4,093	5,159
Project costs	-	6,428,995	9,609,502
Capital outlay	2,716	-	-
Debt service:			
Principal	-	-	3,416,901
Interest	-	-	1,590,544
Total expenditures	266,044	6,925,477	15,333,466
Excess (deficiency) of revenues over (under) expenditures	130,571	(4,345,534)	(3,563,736)
Other financing sources (uses):			
Revenue bonds issued	-	-	2,648,003
Advances received	-	-	3,888,766
Transfers in (note 5)	-	-	-
Transfers out (note 5)	-	-	-
Total other financing sources (uses)	-	-	6,536,769
Net change in fund balances	130,571	(4,345,534)	2,973,033
Fund balances (deficit) at beginning of year	969,163	17,915,407	27,664,575
Fund balances (deficit) at end of year	<u>\$ 1,099,734</u>	<u>13,569,873</u>	<u>30,637,608</u>

See accompanying notes to basic financial statements.

Special Revenue				
Homeless Fund	Energy Partnership Fund	Nonmajor Governmental Funds	Totals	
			2012	2011
-	-	-	1,065,165	1,971,610
-	-	-	8,992,184	6,658,295
-	-	-	375,053	370,293
-	1,892,926	144,806	2,037,732	387,339
126	-	2,414	221,811	287,485
-	-	-	731,346	493,732
1,998,561	-	1,396,957	6,736,512	4,014,967
-	323	3,505	26,103	51,882
<u>1,998,687</u>	<u>1,893,249</u>	<u>1,547,682</u>	<u>20,185,906</u>	<u>14,235,603</u>
-	159,371	339,970	1,305,839	1,442,687
-	65,205	121,180	468,332	483,051
-	1,550	2,961	13,905	14,848
-	-	8,843	9,986	24,010
-	6,118	30,871	69,614	66,284
-	3,950	7,343	31,398	38,291
14	3,545	17,643	47,056	51,016
1,822,261	12,467	33,853	1,924,954	1,971,408
-	1,597,043	51,318	1,787,344	388,190
-	14,315	30,678	119,561	131,570
-	102	486	1,401	3,265
-	2,578	2,432	21,952	23,523
-	2,235	4,672	17,991	18,188
1,080	-	548,297	16,587,874	16,908,107
-	-	-	2,716	10,788
-	-	-	3,416,901	8,075,336
-	-	-	1,590,544	1,383,124
<u>1,823,355</u>	<u>1,868,479</u>	<u>1,200,547</u>	<u>27,417,368</u>	<u>31,033,686</u>
<u>175,332</u>	<u>24,770</u>	<u>347,135</u>	<u>(7,231,462)</u>	<u>(16,798,083)</u>
-	-	-	2,648,003	7,411,752
-	-	-	3,888,766	4,047,451
-	-	499,961	499,961	15,293
-	-	(499,961)	(499,961)	(15,293)
-	-	-	6,536,769	11,459,203
175,332	24,770	347,135	(694,693)	(5,338,880)
<u>(38,676)</u>	<u>(49,084)</u>	<u>475,775</u>	<u>46,937,160</u>	<u>52,276,040</u>
<u>136,656</u>	<u>(24,314)</u>	<u>822,910</u>	<u>46,242,467</u>	<u>46,937,160</u>

COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS

Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities

Year ended June 30, 2012

Net changes in fund balances - total governmental funds \$ (694,693)

Amounts reported for governmental activities in the Statement of Activities
are different because:

When capital assets owned by the Association are purchased

or constructed, the resources expended for those assets are reported as expenditures in governmental funds. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. As a result, fund balance decreases by the amount of financial resources expended, whereas net assets decreased by the amount of depreciation expense charged for the year.

Depreciation expense (29,471)

Repayment of long-term debt is an expenditure in the governmental funds and thus, has the effect of reducing fund balance because current financial resources have been used.

The issuance of long-term debt provides current financial resources to governmental funds. For the Association as a whole, however, the payment reduces the liability in the Statement of Net Assets and does not result in the recording of an expense in the Statement of Activities. The issuance of long-term debt increases the liability in the Statement of Net Assets and does not result in the recording of a revenue in the Statement of Activities.

Repayment of Revenue Bonds	818,652
Repayment of Advances from Riverside County Transportation Commission	2,598,249
Issuance of Revenue Bonds	(2,648,003)
Advances received from Riverside County Transportation Commission	(3,888,766)

Changes in compensated absences payable is an expenditure in the governmental funds, but the expenditure reduces long-term liabilities in the statement of net assets. (7,207)

Changes in claims payable is an expenditure in the governmental funds, but the expenditure reduces long-term liabilities in the statement of net assets. 5,727

Additions to loans receivable are recorded as an increase of the loan receivable account balance for the Statement of Activities. This is the amount of new loans made. 1,145,077

Payments on outstanding loans are recorded as a reduction of the loan receivable account balance for the Statement of Activities. This is the amount of loan payments that were made. (3,034,511)

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. This is the net change in deferred revenue for the current period. (593,383)

Changes in net assets of governmental activities \$ (6,328,329)

See accompanying notes to the basic financial statements.

COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS

Notes to Basic Financial Statements

Year ended June 30, 2012

1. Summary of Significant Accounting Policies

a. Description of Reporting Entity:

The Coachella Valley Association of Governments (the Association) was formed under California's Joint Powers Law on January 22, 1974 for the purpose of improving and coordinating the common governmental responsibilities and services on an area-wide and regional basis under Section 6500 et. seq. of the Government Code.

During its early years, the Association served as an environmental watch dog and as a forum for the exchange of ideas. In 1984, as a result of a major rethinking of the Association's purpose, goals and objectives, the Association's work was expanded to include providing direct services along with its prior work. The basic financial statements of the Association include all activities for which the Association is financially accountable.

In June 1989, the Association's Joint Powers Agreement was amended to provide additional powers that could be used to operate programs created through implementing agreements. The first such agreement was to make the Association the Transportation Authority for the Coachella Valley. As this Authority, the Association has the responsibility to coordinate the building of \$890,000,000 worth of regional arterials and advise the Riverside County Transportation Commission (RCTC) on State highway projects on Highways 86 and 111. The philosophy behind the new agreements is that the Association should serve as an umbrella, for programs that might otherwise become single purpose special districts that could operate without concern for how their operations affect each other and general purpose local governments. The structure of the Association assures that regional programs will be integrated with each other so we get a better overall result.

In 1991, the Association and the South Coast Air Quality Management District (SCAQMD) pioneered a new way to address air quality issues around the PM-10 mitigation issue. Instead of promulgating rules for the area, SCAQMD indicates the standards that must be met and works with local government to develop measures tailored to the sub-region that can help it meet the standards.

COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS

Notes to Basic Financial Statements

(Continued)

1. Summary of Significant Accounting Policies, (Continued)

a. Description of Reporting Entity, (Continued):

In early 1992, the Association and County Waste Management began implementation of the AB 939 garbage reduction plan previously developed by the Association and its members. The goal is implementation of coordinated valley-wide efforts to meet the State's mandated goals of 25% reduction in waste going into landfills by 1995 and 50% by 2000.

Major sources of revenue for the Association consists of Measure A half-cent sales taxes and Transportation Uniform Mitigation Fees. The Association has an agreement with RCTC to receive a share of the Measure A half-cent sales taxes.

General Assembly

The General Assembly is a 65 member body composed of the five members of the Riverside County Board of Supervisors, Mayors, City Council members, and five Tribal members of each member Tribe. Current members are: The County of Riverside, the Cities of Blythe, Cathedral City, Coachella, Desert Hot Springs, Indian Wells, Indio, La Quinta, Palm Desert, Palm Springs, and Rancho Mirage, the Agua Caliente Band of Cahuilla Indians, and the Cabazon Band of Mission Indians.

The General Assembly is the top policy making body of the Association and is required to meet annually to elect officers and adopt work plans and budgets for the ensuing year.

Executive Committee

The Executive Committee is a 17 member body composed of the *five* members of the Riverside County Board of Supervisors, Mayors, and the Tribal Council Chairmen, unless a member's jurisdictional body designates another member of the Association Council or Tribal Council to serve as the member. It is the top policy making body of the Association between sessions of the General Assembly and acts for the General Assembly except when the General Assembly is in session. It employs and oversees the work of the Association's Executive Director and Legal Counsel. In turn, the Executive Director employs and terminates the staff needed to carry out the overall work programs of the Association.

COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS

Notes to Basic Financial Statements

(Continued)

1. Summary of Significant Accounting Policies, (Continued)

Advisory Committees

A number of advisory committees have developed over the years to provide input to the Association's Executive Committee's decision making.

b. Basis of Accounting and Measurement Focus:

The basic financial statements of the Association are composed of the following:

- Government-wide financial statements
- Fund financial statements
- Notes to basic financial statements

Financial reporting for the government-wide financial statements is based upon all GASB pronouncements, as well as the FASB Statements and Interpretations, APB Opinions, and Accounting Research Bulletins that were issued on or before November 30, 1989 that do not conflict with or contradict GASB pronouncements. FASB Pronouncements issued after November 30, 1989 are not followed in the preparation of the accompanying financial statements.

Government-wide Financial Statements

Government-wide financial statements display information about the reporting government as a whole, except for its fiduciary activities. These statements include separate columns for the governmental and business-type activities of the primary government (including its blended component units), as well as its discretely presented component units. The Association has no business-type activities or discretely presented component units. Eliminations have been made in the Statement of Activities so that certain allocated expenses are recorded only once (by the function to which they were allocated). However, administrative expenses have not been allocated as indirect expenses to the various functions of the Association.

Government-wide financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Under the economic resources measurement focus, all (both current and long-term) economic resources and obligations of the reporting government are reported in the government-wide

COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS

Notes to Basic Financial Statements

(Continued)

1. Summary of Significant Accounting Policies, (Continued)

Government-wide Financial Statements, (Continued)

financial statements. Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Under the accrual basis of accounting, revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets, and liabilities resulting from nonexchange transactions are recognized in accordance with the requirements of GASB Statement No. 33.

Program revenues include charges for services, special assessments, and payments made by parties outside of the reporting government's citizenry if that money is restricted to a particular program. Program revenues are netted with program expenses in the Statement of Activities to present the net cost of each program.

Amounts paid to acquire capital assets are capitalized as assets in the government-wide financial statements, rather than reported as expenditure. Proceeds of long-term debt are recorded as a liability in the government-wide financial statements, rather than as an other financing source. Amounts paid to reduce long-term indebtedness of the reporting government are reported as a reduction of the related liability, rather than as expenditure.

Fund Financial Statements

The underlying accounting system of the Association is organized and operated on the basis of separate funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balances, revenues and expenditures or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Fund financial statements for the primary government's governmental funds are presented after the government-wide financial statements. These statements display information about major funds individually and other governmental funds in the aggregate.

COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS

Notes to Basic Financial Statements

(Continued)

1. Summary of Significant Accounting Policies, (Continued)

Governmental Funds

In the fund financial statements, governmental 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. The Association 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.

In the fund financial statements, governmental funds are presented using the current financial resources measurement focus. This means that only current assets and current liabilities are generally included on their balance sheets. Long-term loans to other agencies are reported as expenditures (outflows of current financial resources). Repayments of the same are reported as revenues (inflows of current financial resources). The reported fund balance (net current assets) is considered to be a measure of "available spendable resources". Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.

COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS

Notes to Basic Financial Statements

(Continued)

1. Summary of Significant Accounting Policies, (Continued)

Governmental Funds (Continued)

Noncurrent portions of long-term receivables due to governmental funds are reported on their balance sheets in spite of their spending measurement focus. Special reporting treatments are used to indicate, however, that they should not be considered "available spendable resources", since they do not represent net current assets. Recognition of governmental fund type revenues represented by noncurrent receivables are deferred until they become current receivables. Noncurrent portions of other long-term receivables are offset by fund balance reserve accounts.

Because of their spending measurement focus, expenditure recognition for governmental fund types excludes amounts represented by noncurrent liabilities. Since they do not affect net current assets, such long-term amounts are not recognized as governmental fund type expenditures or fund liabilities.

Amounts expended to acquire capital assets are recorded as expenditures in the year that resources were expended, rather than as fund assets. The proceeds of long-term debt are recorded as other financing sources rather than as a fund liability. Amounts paid to reduce long-term indebtedness are reported as fund expenditures.

When both restricted and unrestricted resources are combined in a fund, expenses are considered to be paid first from restricted resources, and then from unrestricted resources.

Governmental Fund Balances

Fund balances are reported in the fund statements in the following classifications:

Nonspendable Fund Balance – this includes amounts that cannot be spent because they are either not spendable in form (such as inventory) or legally or contractually required to be maintained intact (such as endowments).

Restricted Fund Balance – this 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.

COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS

Notes to Basic Financial Statements

(Continued)

1. Summary of Significant Accounting Policies, (Continued)

Governmental Fund Balances (Continued)

Committed Fund Balance – this includes amounts that can be used only for the specific purposes determined by a formal action of the Board. It includes legislation (Executive Committee action) that can only be overturned by new legislation requiring the same type of voting consensus that created the original action. Therefore, if the Executive Committee action limiting the use of the funds is separate from the action (legislation) that created (enables) the funding source, then it is committed, not restricted. The Association considers a resolution to constitute a formal action of the Executive Committee for the purposes of establishing committed fund balance.

Assigned Fund Balance – this includes amounts that are designated or expressed by the Executive Committee, but does not require a formal action like a resolution or ordinance. The Executive Committee may delegate the ability of an employee or committee to assign uses of specific funds, for specific purposes.

Unassigned Fund Balance – this includes the remaining spendable amounts which are not included in one of the other classifications.

It is the Association's policy that restricted resources will be applied first, followed by (in order of application) committed, assigned, and unassigned resources, in the absence of a formal policy adopted by the Executive Committee.

c. Fund Classifications:

The Association reports the following major governmental funds:

General Fund - This fund is used to account for all of the general revenues of the Association not specifically levied or collected for some special purpose, and for the expenditures related to the rendering of general services by the Association.

COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS

Notes to Basic Financial Statements

(Continued)

1. Summary of Significant Accounting Policies, (Continued)

c. Fund Classifications, (Continued):

Transportation Uniform Mitigation Fees Special Revenue Fund - This fund is used to account for the revenues generated by the Traffic Mitigation Fees and provides additional funds necessary to construct the transportation improvements generated by the development in the valley.

Measure A Special Revenue Fund - This fund is used to account for the revenues generated by the Measure A half-cent sales tax and is used mainly for the construction and/or improvement of the regional arterials in the Coachella Valley.

Homeless Special Revenue Fund - This fund is used to account for the revenues and expenses related to the Roy Desert Resource Center.

Energy Partnership Fund - This fund is used to account for revenues received from Southern California Edison to work with cities to improve energy conservation within the city government areas services by SCE.

The Association's fund structure also includes the following fund type:

Special Revenue Funds - These funds are used to account for proceeds of specific revenue sources that are legally restricted or otherwise designated for specific purposes.

d. Reclassification and Eliminations:

Interfund balances must generally be eliminated in the government-wide financial statements, except for net residual amounts due between governmental activities. Any allocations must reduce the expenses of the function from which the expenses are being allocated, so that expenses are reported only once - in the function in which they are allocated.

COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS

Notes to Basic Financial Statements

(Continued)

1. Summary of Significant Accounting Policies, (Continued)

e. Cash and Investments:

Investments are reported in the accompanying balance sheet at fair value, except for certain certificates of deposit that are reported at cost because they are not transferable and they have terms that are not affected by changes in market interest rates.

Changes in fair value that occur during a fiscal year are recognized as investment income reported for that fiscal year. Investment income includes interest earnings, changes in fair value, and any gains or losses realized upon the liquidation or sale of investments.

The Association pools cash and investments of all funds. Each fund's share in this pool is displayed in the accompanying financial statements as cash and investments. Investment income earned by the pooled investments is allocated to the various funds based on each fund's average cash and investment balance.

f. Employee Leave Benefits:

Vacation time begins to accumulate as of the first day of employment to a maximum of two and a half times the employee's annual entitlement. Sick leave accumulates at the rate of 8.67 hours per month without limit. Employees are not entitled to compensation for accrued sick time upon separation from the Association.

g. Capital Assets:

Capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date received. Generally, the Association capitalizes capital assets purchases in excess of \$5,000 for capital assets. Capital outlay expenditures include payments to other governments for capital projects that are managed by other governments and ongoing maintenance of those assets lies with those other governments. As such those capital assets have not been reflected in the Statement of Net Assets of the Association.

Capital assets used in operations are depreciated over their estimated useful lives using the straight-line method in the government-wide financial statements. Depreciation expense is charged as an expense against operations and accumulated

COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS

Notes to Basic Financial Statements

(Continued)

1. Summary of Significant Accounting Policies, (Continued)

depreciation is reported on the Statement of Net Assets. The ranges of lives used for depreciation purposes for each capital asset class are as follows:

Furniture and equipment	7-25 years
Vehicles	7 years

h. Use of Estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 expenditures/expenses during the reporting period. Actual results could differ from those estimates.

i. Comparative Data:

The amounts shown for the year ended June 30, 2011 in the accompanying financial statements are included to provide a basis for comparison with 2012 and present summarized totals only. The 2011 totals are not intended to present all information necessary for a fair presentation in conformity with accounting principles generally accepted in the United States of America. Such information should be read in conjunction with the Association's financial statements for the year ended June 30, 2011.

2. Cash and Investments

Cash and investments of the Association consisted of the following at June 30, 2012:

Cash on hand	\$	300
Deposits with financial institutions		<u>171,103</u>
Total cash and deposits		171,403
Investments:		
Local Agency Investment Fund		21,651,252
Riverside County Pooled Investment Fund		<u>22,663,155</u>
Total investments		<u>44,314,407</u>
Total cash and investments		<u>\$44,485,810</u>

COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS

Notes to Basic Financial Statements

(Continued)

2. Cash and Investments, (Continued)

Deposits

The Association is a voluntary participant in the County of Riverside Treasury Pool. The fair value of the Association's investment in this pool is reported in the accompanying financial statements at amounts based upon the Association's pro-rata share of the fair value provided by the County for the entire County portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the County.

The Association's deposits with financial institutions were insured or collateralized as required by State Law.

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

The table below identifies the investment types that are authorized for the Association by the California Government Code (or the Association's investment policy, where more restrictive). The table also identifies certain provisions of the California Government Code (or the Association's investment policy, where more restrictive) that address interest rate risk, credit risk, and concentration of credit risk.

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment in One Issuer</u>
United States Treasury Obligations	3 years	None	None
Money Market Mutual Funds investing in United States Treasury Investments	N/A	20%	10%
County Pooled Investment Funds	N/A	None	None
Local Agency Investment Fund (LAIF)	N/A	None	None

N/A - Not Applicable

COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS

Notes to Basic Financial Statements

(Continued)

2. Cash and Investments, (Continued)

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the Association 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.

The Association's investments in the Local Agency Investment Fund of \$21,651,252 and the Riverside County Pooled Investment Fund of \$22,663,155 are available on demand.

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the California Government Code, the Association's investment policy, or debt agreements, and the actual rating as of year end for each investment type:

<u>Investment</u>	Minimum Legal Rating	<u>Unrated</u>
Local Agency Investment Fund	N/A	\$21,651,252
Riverside County Pooled Investment Fund	N/A	22,663,155

COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS

Notes to Basic Financial Statements

(Continued)

2. Cash and Investments, (Continued)

Investment in State Investment Pool

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

Investment in Riverside County Investment Pool

The Association is a voluntary participant in the County of Riverside Treasury Pool. The fair value of the Association's investment in this pool is reported in the accompanying financial statements at amounts based upon the Association's pro-rata share of the fair value provided by the County for the entire County portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the County.

COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS

Notes to Basic Financial Statements

(Continued)

3. Loans Receivable

Outstanding
Balance at
June 30, 2012

The Association made loans to the following entities for the construction of the Monterey, Cook and Washington interchanges:

County of Riverside, payable through 2016	\$2,900,137
City of Indian Wells, payable through 2017	335,415

The Association made a loan to the following entity for the construction of Mesquite Avenue from Gene Autry Trail to Dinah Shore Drive:

City of Palm Springs, payable through 2039	281,374
--	---------

The Association made a loan to the following entity for the construction of Hobson Way:

City of Blythe, payable through 2015	540,000
--------------------------------------	---------

The Association made loans to the following entities for the construction of Miles Avenue/Clinton Street:

City of Indio, payable through 2022	2,511,784
County of Riverside, payable through 2022	2,511,784

The Association is paying 100% of the cost incurred on Jefferson/I-10 Interchange until the start of construction. The impacted jurisdictions will pay their portion of the 25% local share once construction on the interchange begins.

1,083,621

Total loans receivable

\$10,164,115

COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS

Notes to Basic Financial Statements

(Continued)

4. Interfund Receivables and Payables

<u>Receivable Funds</u>	<u>Payable Funds</u>	<u>Amount</u>
General Fund	Energy Partnership Fund	\$ 217,815
	Other Governmental Funds	<u>30,887</u>
		248,702
Measure A Fund	Other Governmental Funds	<u>36,983</u>
		\$ <u>285,685</u>

Amounts loaned to the Energy Partnership Fund by the General Fund as well as the amounts loaned to the Other Governmental Funds by the General Fund, and the Measure A Special Revenue Fund represent short-term borrowings to manage cash flows.

5. Interfund Transfers

<u>Transfer In to Fund</u>	<u>Transfers Out of Funds</u>	<u>Amount</u>
Other Governmental Funds	Other Governmental Funds	\$ <u>499,961</u>
		\$ <u>499,961</u>

The Other Governmental Funds transferred \$499,961 to the Other Governmental Funds to pay for expenditures incurred and for indirect expenditures not reimbursed by grant funds.

COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS

Notes to Basic Financial Statements

(Continued)

6. Capital Assets

A summary of capital asset activity for the year ended June 30, 2012 is as follows:

	<u>Balance at July 1, 2011</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at June 30, 2012</u>
Capital assets, not being depreciated				
Land	\$10,682,344	-	-	10,682,344
Capital assets, being depreciated:				
Furniture and equipment	498,907	-	(333,939)	164,968
Vehicles	<u>1,909,512</u>	-	-	<u>1,909,512</u>
Total capital assets, being depreciated	<u>2,408,419</u>	-	<u>(333,939)</u>	<u>2,074,480</u>
Less accumulated depreciation:				
Furniture and equipment	(427,239)	(11,291)	333,939	(104,591)
Vehicles	<u>(1,802,280)</u>	<u>(18,180)</u>	-	<u>(1,820,460)</u>
Total accumulated depreciation	<u>(2,229,519)</u>	<u>(29,471)</u>	<u>333,939</u>	<u>(1,925,051)</u>
Total capital assets being depreciated, net	<u>178,900</u>	<u>(29,471)</u>	-	<u>149,429</u>
Total capital assets, net	<u>\$10,861,244</u>	<u>(29,471)</u>	-	<u>10,831,773</u>

Depreciation expense was charged to the following function in the Statement of Activities:

Transportation	<u>\$29,471</u>
----------------	-----------------

COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS

Notes to Basic Financial Statements

(Continued)

7. Transportation Uniform Mitigation Fee Program

As required under Measure A, Measure A monies cannot be allocated to individual cities in the Coachella Valley unless they participate in the Traffic Uniform Mitigation Fee (TUMF) program necessary for implementation of the planned Regional Arterial System. The participating cities collected the following amounts of TUMF since inception, which have been remitted to the Association:

<u>Fiscal Period</u>		<u>Fiscal Year</u>	
<u>From</u>	<u>To</u>	<u>Ending</u>	
1990	1994		\$ 13,585,887
1995	1999		13,642,573
2000	2004		26,394,448
		2005	8,889,616
		2006	8,830,809
		2007	11,139,455
		2008	8,759,562
		2009	3,279,518
		2010	1,943,744
		2011	1,971,610
		2012	<u>1,262,965</u>
			<u>\$99,700,187</u>

In addition, the Association received \$18,532,990 cumulatively through June 30, 2012 relating to Measure A in lieu of TUMF for the Cities of Coachella and Desert Hot Springs, which were not participating in the TUMF program previously, and the City of La Quinta, which is not participating in the TUMF program at this time.

COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS

Notes to Basic Financial Statements

(Continued)

8. Long-term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2012 is as follows:

	<u>Balance at July 1, 2011</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at June 30, 2012</u>	<u>Due within One Year</u>
Revenue bonds payable	\$ 26,359,878	2,648,003	(818,652)	28,189,229	961,135
Advancement of RCTC Measure "A" funds	-	3,888,766	(2,598,249)	1,290,517	-
Insurance payable	108,427	-	(5,727)	102,700	-
Compensated absences	<u>132,411</u>	<u>88,178</u>	<u>(80,971)</u>	<u>139,618</u>	<u>139,618</u>
Totals	<u>\$ 26,600,716</u>	<u>6,624,947</u>	<u>(3,503,599)</u>	<u>29,722,064</u>	<u>1,100,753</u>

Revenue Bonds Payable

On October 1, 2009, Riverside County Transportation Commission (RCTC) issued \$185,000,000 of 2009 Sales Tax Revenue Bonds Series A, B and C (Bonds). The Association's participation in the Bonds was \$21,551,975. The Association's portion of the Bond proceeds is for reimbursement of the Association's highway and regional arterial program expenditures. Principal and interest on the Bonds are payable monthly through September 1, 2029. The rate of interest is 4.972% and 5.662% per annum.

On November 17, 2010, Riverside County Transportation Commission (issued \$150,000,000 of 2010 Sales Tax Revenue Bonds, Series A and B. The Association's participation in the Bonds was \$8,584,820. The Association's portion of the Bond proceeds was for reimbursement of the Association's highway and regional arterial program expenditures that were previously reflected in long-term liabilities as Advancement of Measure A funds. During the year ended June 30, 2012, an additional amount of \$2,648,003 of Measure A advances was converted to bonds payable. Principal and interest on the Bonds are payable monthly through September 1, 2029. The rate of interest is 7.307% per annum.

COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS

Notes to Basic Financial Statements

(Continued)

8. Long-term Liabilities, (Continued)

As of June 30, 2012, annual debt service requirement of the revenue bonds payable is as follows:

Fiscal Year <u>Ending</u>	<u>Principal</u>	<u>Interest</u>
2013	\$ 961,135	1,611,535
2014	1,020,978	1,554,380
2015	1,084,609	1,493,639
2016	1,152,274	1,429,084
2017	1,224,233	1,360,470
2018-2022	7,371,286	5,611,934
2023-2027	9,997,391	3,116,649
2028-2030	<u>5,377,323</u>	<u>359,738</u>
Total	<u>\$28,189,229</u>	<u>16,537,429</u>

Advancement of RCTC Measure "A" Funds

On November 17, 2005, the Association entered into an agreement with the Riverside County Transportation Commission (RCTC) for advancement of Measure "A" highway and major regional road project funds. These funds were used to finance a portion of the cost of highway and regional road improvements projects. Under the terms of the agreement, the amount of the advance shall not exceed \$43,300,000, and shall accrue interest from the date of the advance at a rate of ½ percent over the interest rate paid by RCTC. The Association shall repay the advance, together with all accrued and unpaid interest, to RCTC in 240 monthly installments or until RCTC converts the advances to bonds. The amount of funds advanced to the Association in fiscal year ended June 30, 2012 was \$3,888,766. As of June 30, 2012, the outstanding balance of the advancement was \$1,290,517.

Compensated Absences

The Association's policies relating to compensated absences are described in Note 1. This liability amounting to \$139,618 at June 30, 2012 is expected to be paid in future years from future resources and is typically liquidated from the General Fund.

COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS

Notes to Basic Financial Statements

(Continued)

9. Liability, Property And Workers' Compensation Protection

Description Self-Insurance Pool Pursuant to Joint Powers Agreement:

The Association is a member of the California Joint Powers Insurance Authority (Insurance Authority). The Insurance Authority is composed of 123 California public entities and is organized under a joint powers agreement pursuant to California Government Code Section 6500 et. seq. The purpose of the Insurance Authority is to arrange and administer programs for the pooling of self-insured losses, to purchase excess insurance or reinsurance, and to arrange for group purchased insurance for property and other coverages. The Insurance Authority's pool began covering claims of its members in 1978. Each member government has an elected official as its representative on the Board of Directors. The Board operates through a nine-member Executive Committee.

Self-Insurance Programs of the Insurance Authority:

Each member pays an annual contribution (formerly called the primary deposit) to cover estimated losses for the coverage period. This initial funding is paid at the beginning of the coverage period. After the close of the coverage period, outstanding claims are valued. A retrospective deposit computation is then conducted annually thereafter until all claims incurred during the coverage period are closed on a pool-wide basis. This subsequent cost re-allocation among members based on actual claim development can result in adjustments of either refunds or additional deposits required.

The total funding requirement for self-insurance programs is estimated using actuarial models and pre-funded through the annual contribution. Costs are allocated to individual agencies based on exposure (payroll) and experience (claims) relative to other members of the risk-sharing pool. Additional information regarding the cost allocation methodology is provided below.

General Liability Insurance

In the liability program claims are pooled separately between police and non-police exposures. (1) The payroll of each member is evaluated relative to the payroll of other members. A variable credibility factor is determined for each member, which establishes the weight applied to payroll and the weight applied to losses within the formula. (2) The first layer of losses includes incurred costs up to \$30,000 for each occurrence and is

COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS

Notes to Basic Financial Statements

(Continued)

9. Liability, Property And Workers' Compensation Protection, (Continued)

General Liability Insurance, (Continued)

evaluated as a percentage of the pool's total incurred costs within the first layer. (3) The second layer of losses includes incurred costs from \$30,000 to \$750,000 for each

occurrence and is evaluated as a percentage of the pool's total incurred costs within the second layer. (4) Incurred costs in excess of \$750,000 up to the reinsurance attachment point of \$5 million are distributed based on the outcome of cost allocation within the first and second loss layers. (5) Costs of covered claims from \$5 million to \$10 million are paid under a reinsurance contract subject to a \$2.5 million annual aggregate deductible. Costs of covered claims from \$10 million to \$15 million are paid under two reinsurance contracts subject to a combined \$3 million annual aggregate deductible. On a cumulative basis for all 2011-12 reinsurance contracts the annual aggregate deductible is \$5.5 million. (6) Costs of covered claims from \$15 million up to \$50 million are covered through excess insurance policies.

The overall coverage limit for each member including all layers of coverage is \$50 million per occurrence.

Costs of covered claims for subsidence losses are paid by reinsurance and excess insurance with a pooled sub-limit of \$35 million per occurrence. This \$35 million subsidence sub-limit is composed of (a) \$5 million retained within the pool's SIR, (b) \$10 million in reinsurance and (c) \$20 million in excess insurance. The excess insurance layer has a \$20 million annual aggregate.

Purchased Insurance:

Property Insurance

The Association participates in the all-risk property protection program of the Authority. This insurance protection is underwritten by several insurance companies. The Association's property is currently insured according to a schedule of covered property submitted by the Association to the Authority. Coachella Valley Association of Governments property currently has all-risk property insurance protection in the amount of \$682,497. There is a \$5,000 deductible per occurrence except for non-emergency vehicle insurance which has a \$1,000 deductible. Premiums for the coverage are paid annually and are not subject to retrospective adjustments.

COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS

Notes to Basic Financial Statements

(Continued)

9. Liability, Property And Workers' Compensation Protection, (Continued)

Crime Insurance, (Continued)

The Coachella Valley Association of Governments purchases crime insurance coverage in the amount of \$1,000,000 with a \$2,500 deductible. The fidelity coverage is provided through the Authority. Premiums are paid annually and are not subject to retrospective adjustments.

Adequacy of Protection:

During the past three fiscal years, none of the above programs of protection experienced settlements or judgments that exceeded pooled or insured coverage. There were also no significant reductions in pooled or insured liability coverage in 2011-12.

Included in long-term liabilities is a cumulative deposit payable due to the Insurance Authority in the amount of \$102,700.

The aforementioned information is not included in the accompanying financial statements. Complete financial statements for the Insurance Authority may be obtained at their administrative office located at 8081 Moody Street, La Palma, California 90623.

COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS

Notes to Basic Financial Statements

(Continued)

10. Operating Leases

The Association leases office space under an operating lease which was amended in September 1998 to extend the lease term to August 14, 2016. The lease was again amended in February 2008 to increase the amount of office space leased. The base rent is subject to annual revisions based on changes in the Consumer Price Index. The lease also requires payment of a share of common area operating costs. The rental expense for the fiscal year ended June 30, 2012 was \$97,913. Minimum rental commitments exclusive of the allocation of operating costs are as follows:

Year Ending	
<u>June 30</u>	
2013	\$ 99,276
2014	99,443
2015	99,443
2016	99,443
2017	<u>12,430</u>
	<u>\$410,035</u>

11. Defined Benefit Pension Plan

Plan Description

The Association participates in the Miscellaneous 2% at 55 Risk Pool of the California Public Employee's Retirement System (PERS), a cost-sharing, multiple-employer defined benefit pension plan administered by PERS. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions and all other requirements are established by State statute and District ordinance. Copies of the PERS' annual financial report may be obtained from the PERS Executive Office - 400 P Street, Sacramento, California 95814.

COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS

Notes to Basic Financial Statements

(Continued)

11. Defined Benefit Pension Plan, (Continued)

Funding Policy

The contribution requirements of the plan members are established by State statute and the employer contribution rate is established and may be amended by PERS. Active Association employees are required to contribute 7% of their annual covered salary to PERS. The Association makes the contributions required of Association employees on their behalf and for their account. The Association is required to contribute the actuarially determined remaining amounts necessary to fund the benefits for its members. The current rate is 11.137% of covered payroll. The Association's contributions to CalPERS for the years ending June 30, 2012, 2011 and 2010 were \$143,157, \$143,289, and \$158,479, respectively and were equal to the required contribution for each year.

12. Capital Projects and Programs

The following represents the unexpended project budgets as of June 30, 2012. Unexpended project budgets may be reprogrammed to other projects upon finalization of all pending items (final bills, disposition of change orders, etc.).

Jefferson Street and Varner Road (North of I-10)	\$ 4,500,000
Jefferson/I-10 Interchange	7,175,515
Palm Drive/Gene Autry/I-10 Interchange	15,854,383
Monroe Street (Miles Avenue to I-10)	5,626,995
Indian Avenue/I-10 Interchange	729,008
Indian Avenue (Garnet to and including Railroad Crossing Bridge)	4,085,094
Gene Autry Trail (I-10 to Vista Chino Drive)	1,272,583
Varner Road (Adams to Jefferson)	1,943,865
Indian Canyon Drive (across White Water River Wash)	605,748
Dillon Road Grade Separation	2,361,067
Monterey/I-10 Interchange	2,846,571
Madison Street (Avenue 50 to Indio Boulevard)	14,459,943
Highway 111 (Indian Wells)	4,999,330
Portola Avenue (North of Gerald Ford Drive)	534,935
Palm & Date Palm/I-10 Interim Projects	589,709

COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS

Notes to Basic Financial Statements

(Continued)

12. Capital Projects and Programs, (Continued)

Interchange Preparation Fund	5,946,910
Adams Street Bridge	1,103,152
Cathedral Canyon Bridge	1,809,812
Date Palm Drive Bridge	1,608,925
Date Palm/I-10 Interchange	8,247,226
Bob Hope/Ramon (I-10 Interchange)	7,334,000
Dillon (I-10 & Dillon/SR865 Interchanges)	149,239
Vista Chino Drive	375,000
Varner Road (Impr. at Ramon)	374,153
Varner Road (Ramon to Monterey)	1,496,605
Airport Blvd. (Harrison to Hwy 111)	7,898,603
Frank Sinatra Bridge over WWR	3,035,822
Avenue 56 Grade Separation	8,764,898
Avenue 66 Grade Separation	255,342
Ramon Road Bridge Widening	8,059,911
Avenue 52 Grade Separation	2,090,625
Vista Chino Drive Bridge	86,025
Date Palm Dr. Improvement (to and including Vista Chino Dr. intersection)	560,062
Washington St./Hwy 111 Intersection Improvements	<u>582,483</u>
Unexpended project budgets	127,363,539
Less amounts to be provided in future years	<u>(83,156,058)</u>
Restricted fund balance associated with specific capital projects and programs	<u>\$44,207,481</u>

13. Measure A Fund Program

Measure A is a half-cent local retail transaction and use tax that was initially approved by the voters in November 1988 for 20 years and extended in November 2002 for an additional 30 years, through June 2039, to fund key transportation improvements in Riverside County. RCTC has the responsibility of receiving and managing the Measure A funds, including the allocation of the Measure A funds to the three geographic areas of the County and the programs within each area. The Association does not have direct control over the Coachella Valley highways and regional arterial program funds that are allocated by RCTC in accordance with the extended Measure A ordinance. Revenues are recognized when a Measure A highway or regional arterial program project expenditures,

COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS

Notes to Basic Financial Statements

(Continued)

13. Measure A Fund Program, (Continued)

including debt service payments on advances (see Note 8), have been incurred. Measure A funds controlled by RCTC related to the Coachella Valley highway and regional arterial program that have not been expended by the Association are held by RCTC in a separate restricted special revenue fund. The Association's allocation of the Measure A funds for the past five years is as follows:

Fiscal Year <u>Ending</u>	
2008	\$ 13,899,508
2009	11,149,164
2010	14,489,106
2011	14,299,352
2012	15,499,553

14. Fund Deficits

The following funds reported deficit balances at June 30, 2012:

Energy Partnership Fund	\$ (24,314)
Other Governmental Funds:	
Tire Amnesty Fund	(25,416)

Certain deficit balances are a result of the implementation of GASB Statement No. 33. Grant revenues not collected within 90 days of the end of the fiscal year are recorded as deferred revenue instead of revenue. Deferred revenue associated with the above mentioned deficits are as follows:

Other Governmental Funds:	
Tire Amnesty Fund	\$ 25,416

COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS

Notes to Basic Financial Statements

(Continued)

15. Commitments and Contingencies

The California Department of Transportation's Audit and Investigations Divisions audited the costs claimed by and reimbursed to the Association for the period November 1, 1999 through May 31, 2004. As a result of the audit, the Department of Transportation is seeking a reimbursement from the Association of approximately \$5,100,000 for disallowed costs. The Association has requested that the Riverside County Transportation Commission (RCTC), who is in charge of administering the Congestion, Mitigation and Air Quality (CMAQ) funds, to enter into an agreement with the Department of Transportation to deprogram \$2.6 million in projects eligible to be reimbursed under the current CMAQ project cycle. The balance of \$2.5 million would be repaid from deprogramming future CMAQ project cycles. As a result, no liability has been recorded in the accompanying financial statements.

The Association approved a contribution of \$30 million for the Coachella Valley Multiple Species Habitat Conservation Plan (CVMSHCP), which would mitigate all of the regional transportation projects listed in the current Transportation Project Prioritization Study (TPPS). Under the CVMSHCP, the \$30 million of transportation funds would contribute to both land acquisition and the establishment of an Endowment Fund, which would ensure monitoring and management of the acquired lands. The CVMSHCP area includes 1.1 million acres, encompassing the entire Coachella Valley and the surrounding mountains. The MSHCP will benefit the local jurisdictions by providing Take Authorization for all development, including public infrastructure projects, undertaken by the Permittees (signatories to the MSHCP) outside the Conservation Areas. By providing Take Authorization for public and private development projects, the MSHCP eliminates the need for projects to conduct biological surveys and negotiate individual project mitigation with the US Fish and Wildlife Service and the California Department of Fish and Game. At June 30, 2012, the remaining commitment to the MSHCP is \$14,038,064. The liability has not been recorded in the accompanying financial statements because the contributions are contingent upon the receipt of future transportation revenues that have not yet been earned.

REQUIRED SUPPLEMENTARY INFORMATION

COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS

General Fund

Schedule of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual

Year ended June 30, 2012

	Budget		Actual	Variance with
	Original	Final		Final Budget Positive (Negative)
Revenues:				
Member dues	\$ 375,053	375,053	375,053	-
Investment income	5,000	5,000	2,287	(2,713)
Miscellaneous	2,000	2,000	19,275	17,275
Total revenues	382,053	382,053	396,615	14,562
Expenditures:				
Salaries	278,823	278,823	126,537	152,286
Benefits	108,716	108,716	43,914	64,802
Communications	2,074	2,074	1,125	949
Advertising	209	209	1,143	(934)
Insurance	12,054	12,054	5,844	6,210
Memberships and per diem	33,909	33,909	9,485	24,424
General and office expenses	9,910	9,910	2,946	6,964
Professional services	10,747	10,747	17,412	(6,665)
Consultants	60,000	60,000	30,000	30,000
Leases and maintenance	27,722	27,722	11,681	16,041
Printing	303	303	-	303
Staff training	2,696	2,696	127	2,569
Transportation and meetings	10,227	10,227	11,282	(1,055)
Utilities	3,966	3,966	1,832	2,134
Capital outlay	20,000	20,000	2,716	17,284
Total expenditures	581,356	581,356	266,044	315,312
Excess (deficiency) of revenues over (under) expenditures	(199,303)	(199,303)	130,571	329,874
Other financing sources (uses):				
Transfers in	254,811	254,811	-	(254,811)
Transfers out	(28,131)	(28,131)	-	28,131
Total other financing sources (uses)	226,680	226,680	-	(226,680)
Net change in fund balances	27,377	27,377	130,571	103,194
Fund balance at beginning of year	969,163	969,163	969,163	-
Fund balances at end of year	\$ 996,540	996,540	1,099,734	103,194

COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS

Transportation Uniform Mitigation Fees Fund

Schedule of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual

Year ended June 30, 2012

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Mitigation fees	\$ 1,500,000	1,500,000	1,065,165	(434,835)
Measure A	930,000	930,000	1,262,965	332,965
Investment income	63,928	63,928	68,813	4,885
Loan repayment	180,000	180,000	180,000	-
Miscellaneous	-	-	3,000	3,000
Total revenues	2,673,928	2,673,928	2,579,943	(93,985)
Expenditures:				
Salaries	301,083	301,083	296,219	4,864
Benefits	103,565	103,565	102,179	1,386
Communications	4,868	4,868	3,821	1,047
Advertising	1,725	1,725	-	1,725
Insurance	12,055	12,055	14,071	(2,016)
Memberships and per diem	3,825	3,825	5,113	(1,288)
General and office expenses	19,319	19,319	10,722	8,597
Professional services	17,662	17,662	18,164	(502)
Consultants	110,000	110,000	11,440	98,560
Leases and maintenance	34,337	34,337	27,768	6,569
Printing	1,113	1,113	-	1,113
Staff training	5,739	5,739	332	5,407
Transportation and meetings	1,405	1,405	2,560	(1,155)
Utilities	4,553	4,553	4,093	460
Project costs	3,278,707	3,278,707	6,428,995	(3,150,288)
Total expenditures	3,899,956	3,899,956	6,925,477	(3,025,521)
Excess (deficiency) of revenues over (under) expenditures	(1,226,028)	(1,226,028)	(4,345,534)	(3,119,506)
Other financing sources (uses):				
Transfers out	(64,366)	(64,366)	-	64,366
Total other financing sources (uses)	(64,366)	(64,366)	-	64,366
Net change in fund balances	(1,290,394)	(1,290,394)	(4,345,534)	(3,055,140)
Fund balance at beginning of year	17,915,407	17,915,407	17,915,407	-
Fund balances at end of year	\$ 16,625,013	16,625,013	13,569,873	(3,055,140)

COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS

Measure A Fund

Schedule of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual

Year ended June 30, 2012

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Measure A	12,000,000	12,000,000	7,729,219	(4,270,781)
Investment income	52,304	52,304	148,171	95,867
Loan repayments	749,871	749,871	551,346	(198,525)
Other governmental	58,111,587	58,111,587	3,340,994	(54,770,593)
Total revenues	<u>70,913,762</u>	<u>70,913,762</u>	<u>11,769,730</u>	<u>(59,144,032)</u>
Expenditures:				
Salaries	283,062	283,062	383,742	(100,680)
Benefits	99,633	99,633	135,854	(36,221)
Communications	4,734	4,734	4,448	286
Advertising	1,711	1,711	-	1,711
Insurance	11,331	11,331	12,710	(1,379)
Memberships and per diem	3,811	3,811	5,507	(1,696)
General and office expenses	18,755	18,755	12,186	6,569
Professional services	17,126	17,126	20,797	(3,671)
Consultants	90,000	90,000	97,543	(7,543)
Leases and maintenance	32,636	32,636	35,119	(2,483)
Printing	1,106	1,106	-	1,106
Staff training	6,090	6,090	354	5,736
Transportation and meetings	2,081	2,081	3,100	(1,019)
Utilities	4,283	4,283	5,159	(876)
Project costs	2,500	2,500	9,609,502	(9,607,002)
Capital outlay	-	-	-	-
Debt service:				
Principal	2,038,107	2,038,107	3,416,901	(1,378,794)
Interest	-	-	1,590,544	(1,590,544)
Total expenditures	<u>2,616,966</u>	<u>2,616,966</u>	<u>15,333,466</u>	<u>(12,716,500)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>68,296,796</u>	<u>68,296,796</u>	<u>(3,563,736)</u>	<u>(71,860,532)</u>
Other financing sources (uses):				
Revenue bonds issued	-	-	2,648,003	2,648,003
Advances received	-	-	3,888,766	3,888,766
Transfers out	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>6,536,769</u>	<u>6,536,769</u>
Net change in fund balances	68,296,796	68,296,796	2,973,033	(65,323,763)
Fund balance at beginning of year	<u>27,664,575</u>	<u>27,664,575</u>	<u>27,664,575</u>	<u>-</u>
Fund balances at end of year	<u>\$ 95,961,371</u>	<u>95,961,371</u>	<u>30,637,608</u>	<u>(65,323,763)</u>

COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS

Homeless Fund

Schedule of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual

Year ended June 30, 2012

	Budget		Actual	Variance with
	Original	Final		Final Budget
				Positive
				(Negative)
Revenues:				
Investment income	\$ 1,000	1,000	126	(874)
Other governmental	1,790,110	1,790,110	1,998,561	208,451
Total revenues	1,791,110	1,791,110	1,998,687	207,577
Expenditures:				
General and office expenses	-	-	14	(14)
Consultants	1,894,457	1,894,457	1,822,261	72,196
Project Costs	36,000	36,000	1,080	34,920
Total expenditures	1,930,457	1,930,457	1,823,355	107,116
Excess				
of revenues over				
(under) expenditures	(139,347)	(139,347)	175,332	314,693
Net change in fund balances	(139,347)	(139,347)	175,332	314,693
Fund balances (deficit) at				
beginning of year	(38,676)	(38,676)	(38,676)	-
Fund balances at end of year	\$ (178,023)	(178,023)	136,656	314,693

COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS

Energy Partnership Fund

Schedule of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual

Year ended June 30, 2012

	Budget		Actual	Variance with
	Original	Final		Final Budget Positive (Negative)
Revenues:				
Other governmental	\$ 3,379,187	3,379,187	1,892,926	(1,486,261)
Miscellaneous	-	-	323	323
Total revenues	<u>3,379,187</u>	<u>3,379,187</u>	<u>1,893,249</u>	<u>(1,485,938)</u>
Expenditures:				
Salaries	125,370	125,370	159,371	(34,001)
Benefits	56,110	56,110	65,205	(9,095)
Communications	933	933	1,550	(617)
Insurance	5,017	5,017	6,118	(1,101)
Memberships and per diem	93	93	3,950	(3,857)
General and office expenses	4,090	4,090	3,545	545
Professional services	3,885	3,885	12,467	-
Consultants	-	-	1,597,043	(1,597,043)
Leases and maintenance	11,793	11,793	14,315	(2,522)
Staff training	1,310	1,310	102	1,208
Transportation and meetings	776	776	2,578	(1,802)
Utilities	1,895	1,895	2,235	(340)
Total expenditures	<u>211,272</u>	<u>211,272</u>	<u>1,868,479</u>	<u>(1,597,043)</u>
Excess (deficiency) of revenues over (under) expenditures	3,167,915	3,167,915	24,770	(3,082,981)
Net change in fund balances	3,167,915	3,167,915	24,770	(3,082,981)
Fund balances (deficit) at beginning of year	<u>(49,084)</u>	<u>(49,084)</u>	<u>(49,084)</u>	<u>-</u>
Fund balances (deficit) at end of year	<u>\$ 3,118,831</u>	<u>3,118,831</u>	<u>(24,314)</u>	<u>(3,082,981)</u>

COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS

Note to Required Supplementary Information

Year ended June 30, 2012

1. Budgets & Budgetary Accounting

The Association adopts an annual budget prepared on the modified accrual basis of accounting for its governmental funds. The Executive Director or his designee is authorized to transfer budgeted amounts between the accounts of any department. Revisions that alter the total appropriations of any department or fund are approved by the Executive Committee. Prior year appropriations lapse unless they are approved for carryover into the following fiscal year. Expenditures may not legally exceed appropriations at the department level.

SUPPLEMENTARY SCHEDULES

COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS
Nonmajor Governmental Funds

Combining Balance Sheet

June 30, 2012

	Special Projects	Multi-Species Habitat Conservation	AB2766 Grant	Oil Grant
<u>Assets</u>				
Cash and investments	\$ 31,223	-	162,152	62,125
Interest receivable	-	-	163	36
Due from other governments	9,000	81,260	79,936	-
Total assets	\$ 40,223	81,260	242,251	62,161
<u>Liabilities and Fund Balances</u>				
Liabilities:				
Accounts payable	\$ -	1,898	-	10,463
Due to other governments	-	-	-	-
Due to other funds	-	36,983	-	-
Deferred revenue	6,000	-	7,711	-
Total liabilities	6,000	38,881	7,711	10,463
Fund balances:				
Restricted for:				
Transportation	34,223	-	-	-
Environmental	-	42,379	234,540	51,698
Unassigned	-	-	-	-
Total fund balances	34,223	42,379	234,540	51,698
Total liabilities and fund balances	\$ 40,223	81,260	242,251	62,161

<u>Tire Amnesty</u>	<u>AB939 Grant</u>	<u>Air Quality Enhancement</u>	<u>Street Sweeping</u>	<u>Total</u>
-	-	9,944	489,751	755,195
-	-	10	395	604
<u>25,416</u>	<u>20,131</u>	<u>-</u>	<u>62,500</u>	<u>278,243</u>
<u>25,416</u>	<u>20,131</u>	<u>9,954</u>	<u>552,646</u>	<u>1,034,042</u>
5,752	-	4	85,352	103,469
666	-	-	-	666
18,998	11,889	-	-	67,870
<u>25,416</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>39,127</u>
<u>50,832</u>	<u>11,889</u>	<u>4</u>	<u>85,352</u>	<u>211,132</u>
-	-	-	-	34,223
-	8,242	9,950	467,294	814,103
<u>(25,416)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(25,416)</u>
<u>(25,416)</u>	<u>8,242</u>	<u>9,950</u>	<u>467,294</u>	<u>822,910</u>
<u>25,416</u>	<u>20,131</u>	<u>9,954</u>	<u>552,646</u>	<u>1,034,042</u>

COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS

Nonmajor Governmental Funds

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Year ended June 30, 2012

	Special Projects	Multi-Species Habitat Conservation	AB 2766 Grant	Oil Grant
Revenues:				
Grants	\$ -	-	-	111,007
Investment income	-	2	887	146
Other governmental	23,800	581,071	334,192	-
Miscellaneous	3,400	-	-	105
Total revenues	<u>27,200</u>	<u>581,073</u>	<u>335,079</u>	<u>111,258</u>
Expenditures:				
Salaries	-	294,236	21,725	4,014
Benefits	-	104,853	7,263	1,455
Communications	-	2,574	183	33
Advertising	-	925	-	6,600
Insurance	-	13,104	1,114	257
Memberships and per diem	-	1,960	2,684	21
General and office expenses	9	12,959	530	2,286
Professional services	1,141	23,561	1,909	3,555
Consultants	-	-	-	51,318
Leases and maintenance	-	26,512	1,961	376
Staff training	-	459	12	2
Transportation and meetings	-	1,751	374	5
Utilities	-	4,026	301	57
Project costs	22,550	-	-	9,144
Total expenditures	<u>23,700</u>	<u>486,920</u>	<u>38,056</u>	<u>79,123</u>
Excess (deficiency) of revenues over (under) expenditures	<u>3,500</u>	<u>94,153</u>	<u>297,023</u>	<u>32,135</u>
Other financing sources (uses):				
Transfers in	-	-	-	2,312
Transfers out	-	-	(489,021)	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(489,021)</u>	<u>2,312</u>
Net change in fund balances	3,500	94,153	(191,998)	34,447
Fund balances (deficit) at beginning of year	<u>30,723</u>	<u>(51,774)</u>	<u>426,538</u>	<u>17,251</u>
Fund balances (deficit) at end of year	<u>\$ 34,223</u>	<u>42,379</u>	<u>234,540</u>	<u>51,698</u>

<u>Tire Amnesty</u>	<u>AB939 Grant</u>	<u>Air Quality Enhancement</u>	<u>Street Sweeping</u>	<u>Totals</u>
33,799	-	-	-	144,806
-	-	15	1,364	2,414
-	31,860	26,034	400,000	1,396,957
-	-	-	-	3,505
<u>33,799</u>	<u>31,860</u>	<u>26,049</u>	<u>401,364</u>	<u>1,547,682</u>
3,332	8,046	601	8,016	339,970
1,452	3,346	201	2,610	121,180
26	70	6	69	2,961
1,318	-	-	-	8,843
246	348	16	15,786	30,871
15	2,606	6	51	7,343
99	476	13	1,271	17,643
1,220	166	18	2,283	33,853
-	-	-	-	51,318
312	726	59	732	30,678
2	5	1	5	486
4	275	1	22	2,432
47	113	10	118	4,672
<u>23,737</u>	<u>-</u>	<u>3,000</u>	<u>489,866</u>	<u>548,297</u>
<u>31,810</u>	<u>16,177</u>	<u>3,932</u>	<u>520,829</u>	<u>1,200,547</u>
<u>1,989</u>	<u>15,683</u>	<u>22,117</u>	<u>(119,465)</u>	<u>347,135</u>
8,628	-	-	489,021	499,961
-	(10,940)	-	-	(499,961)
<u>8,628</u>	<u>(10,940)</u>	<u>-</u>	<u>489,021</u>	<u>-</u>
10,617	4,743	22,117	369,556	347,135
<u>(36,033)</u>	<u>3,499</u>	<u>(12,167)</u>	<u>97,738</u>	<u>475,775</u>
<u>(25,416)</u>	<u>8,242</u>	<u>9,950</u>	<u>467,294</u>	<u>822,910</u>