

February 3, 2016

To the Executive Committee of the  
Coachella Valley Association of Governments  
Palm Desert, California

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Coachella Valley Association of Governments (CVAG) for the year ended June 30, 2015. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated July 10, 2015. Professional standards also require that we communicate to you the following information related to our audit.

### **Significant Audit Findings**

#### ***Qualitative Aspects of Accounting Practices***

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by CVAG are described in the notes to the financial statements.

As described in Note 1, CVAG changed accounting policies related to pensions reporting by adopting Statement of Governmental Accounting Standards (GASB Statement) No. 68, Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27 and GASB Statement No. 71 – Pension Transition for Contributions made subsequent to the Measurement Date, an amendment to GASB Statement No. 68; in fiscal year 2014-2015. Accordingly, the cumulative effect of the accounting change as of the beginning of the year is reported in the government-wide statement of activities.

We noted no transactions entered into by CVAG during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

The financial statement disclosures are neutral, consistent, and clear.

#### ***Difficulties Encountered in Performing the Audit***

We encountered no significant difficulties in dealing with management in performing and completing our audit.

#### ***Corrected and Uncorrected Misstatements***

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. These differences are described below. In addition, none of the misstatements detected as a result of audit



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procedures by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Unadjusted Audit Differences	Current Year Over (Under) Revenues and Expenditures/Expenses and Changes in Fund Balance/Equity
Pass on recording accrued payroll	\$ (52,301)
Pass on fair market value adjustment for LAIF investment	8,207
Cumulative effect (before effect of prior year differences)	(44,094)
Effect of unadjusted audit difference - prior year	37,281
Cumulative effect (after effect of prior year differences)	\$ (6,813)

#### ***Disagreements with Management***

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

#### ***Management Representations***

We have requested certain representations from management that are included in the management representation letter dated February 3, 2016.

#### ***Management Consultations with Other Independent Accountants***

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to CVAG's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

#### ***Other Audit Findings or Issues***

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as CVAG's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

#### **Other Matters**

We applied certain limited procedures to management discussion and analysis, budgetary comparison schedules of the General Fund, the Transportation Uniform Mitigation Fees Special Revenue Fund, the Measure A Special Revenue Fund, the schedule of proportionate share of the net pension liability, and the schedule of plan contributions; which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses



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to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

The following new Governmental Accounting Standards Board (GASB) pronouncements were effective for fiscal year 2014-2015 audit:

*GASB Statement No. 68, Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27.*

*GASB Statement No. 69, Government Combinations and Disposals of Government Operations.*

*GASB Statement No. 71, Pension Transition for Contributions Made Subsequent to Measurement Date – an Amendment of GASB Statement No. 68.*

The following Governmental Accounting Standards Board (GASB) pronouncements are effective in the following fiscal year audit and should be reviewed for proper implementation by management:

Fiscal year 2015-2016

*GASB Statement No. 72, Fair Value Measurement and Application.*

*GASB Statement No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statement Nos. 67 and 68.*

*GASB Statement No. 76, The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments.*

Fiscal year 2016-2017

*GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans.*

Fiscal year 2017-2018

*GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.*

**Restriction on Use**

This information is intended solely for the use of the Executive Committee of CVAG and management of CVAG and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

A handwritten signature in cursive script that reads 'Lance, Soll &amp; Lughard, LLP'.

Brea, California