

COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS, CALIFORNIA

AIR QUALITY IMPROVEMENT FUND

Financial Statements With Independent Auditor's Report

For the Years Ended June 30, 2009 and 2008

Submitted by

TCBA

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

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THOMPSON, COBB, BAZILIO & ASSOCIATES, PC

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INDEPENDENT AUDITOR'S REPORT

The Governing Board of
The South Coast Air Quality Management District

We have audited the accompanying financial statements of the Air Quality Improvement Fund, a fund of the Coachella Valley Association of Governments, California (CVAG), as of and for the years ended June 30, 2009 and 2008, as listed in the table of contents. These financial statements are the responsibility of the CVAG's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

As discussed more fully in note 1 to the financial statements, the accompanying financial statements of the Fund are intended to present the financial position and the changes in the financial position attributable to the Fund. They do not purport to, and do not, present fairly the financial position of the Coachella Valley Association of Governments, California as of June 30, 2009 and 2008, and the changes in its financial position for the years then ended, in conformity with U.S. generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Air Quality Improvement Fund as of June 30, 2009 and 2008, and the changes in financial position thereof for the years then ended, in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 24, 2011, on our consideration of the Fund's 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 audits.

The accompanying Required Supplementary Information, such as budgetary information, as listed in the table of contents is not a required part of the financial statements but is supplementary information required by the Government Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the Required Supplementary Information. However, we did not audit the information and express no opinion on it.

Torrance, CA
February 24, 2011

Thompson, Cobb, Bazilio & Associates, P.C.

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

**BALANCE SHEETS
JUNE 30, 2009 AND 2008**

	<u>2009</u>	<u>2008</u>
ASSETS		
Due from other funds	\$ 118,629	\$ 476,622
Due from other government	88,928	117,744
Interest receivable	-	1,498
Total Assets	<u>\$ 207,557</u>	<u>\$ 595,864</u>
LIABILITIES		
Accounts payable	\$ 5,052	\$ 923
Due to other government	169	-
Deferred revenue	<u>51,100</u>	<u>55,364</u>
	<u>56,321</u>	<u>56,287</u>
FUND BALANCE		
Unreserved-undesignated	<u>151,236</u>	<u>539,577</u>
Total Liabilities and Fund Balance	<u>\$ 207,557</u>	<u>\$ 595,864</u>

The accompanying notes are an integral part of these financial statements.

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

**STATEMENT OF REVENUES AND EXPENDITURES
AND CHANGES IN FUND BALANCE
FOR THE YEARS ENDED JUNE 30, 2009 AND 2008**

	<u>2009</u>	<u>2008</u>
REVENUES		
Motor vehicles fees	\$ 231,618	\$ 227,970
Interest income	-	15,266
Other revenue	-	17
Total Revenues	<u>231,618</u>	<u>243,253</u>
EXPENDITURES		
Direct Program	609,642	203,249
Administration	10,317	11,973
Total Expenditures	<u>619,959</u>	<u>215,222</u>
NET CHANGE IN FUND BALANCE	(388,341)	28,031
FUND BALANCE, BEGINNING OF YEAR	<u>539,577</u>	<u>511,546</u>
FUND BALANCE, END OF YEAR	<u><u>\$ 151,236</u></u>	<u><u>\$ 539,577</u></u>

The accompanying notes are an integral part of these financial statements.

COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS, CALIFORNIA AIR QUALITY IMPROVEMENT FUND

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2009 AND 2008

1. GENERAL INFORMATION

The financial statements are intended to reflect the financial position and results of operations for the Air Quality Improvement Fund only.

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fund Accounting

The financial activity of the Coachella Valley Association of Governments is accounted for on the basis of funds and account groups, each of which is considered a separate accounting entity with a self-balancing set of accounts. Monies under AB 2766 are accounted for in the Air Quality Improvement Fund, which is a Special Revenue Fund.

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

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009 AND 2008**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Basis of Accounting

Special Revenue Funds are accounted for using the modified accrual basis of accounting. Revenues are recognized when they become measurable and available to finance expenditures of the current period. Expenditures are recorded when the liability is incurred.

Measurement Focus

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

Budgetary Accounting

The budget for Special Revenue Funds is adopted on a basis substantially consistent with Generally Accepted Accounting Principles (GAAP). Accordingly, actual revenues and expenditures can be compared with related budgeted amounts without any significant reconciling items.

3. CASH

Cash is pooled with other CVAG's funds to maximize investment opportunities and yields. Investment income resulting from this pooling is allocated to the respective funds of the CVAG, including the Air Quality Special Revenue Fund, based upon monthly cash balances.

4. DUE FROM OTHER GOVERNMENTS AND DEFERRED REVENUE

As of June 30, 2009, the due from other governments in the amount of \$88,928 represents the AB 2766 fourth quarter funds allocated for distribution by the SCAQMD but not received by the CVAG, of which \$51,100 of the funds are not received within 120 days after year-end and are recorded as deferred revenues.

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

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009 AND 2008**

As of June 30, 2008, the due from other governments in the amount of \$117,744 represents the AB 2766 fourth quarter funds allocated for distribution by the SCAQMD but not received by the CVAG, of which \$55,364 of the funds are not received within 120 days after year-end and are recorded as deferred revenues.

5. DUE FROM OTHER FUNDS

Due from other funds for fiscal years 2009 and 2008 consisted of receivable from:

	<u>2009</u>	<u>2008</u>
Street Sweeping Fund	<u>\$ 118,629</u>	<u>\$ 476,622</u>

REQUIRED SUPPLEMENTARY INFORMATION

COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS, CALIFORNIA
AIR QUALITY IMPROVEMENT FUND

**STATEMENT OF REVENUES AND EXPENDITURES
AND CHANGES IN FUND BALANCE – BUDGET TO ACTUAL
FOR THE YEARS ENDED JUNE 30, 2009 AND 2008**

	2009				2008			
	Budget Amounts				Budget Amounts			
	Original	Final	Actual	Variance with Final Budget	Original	Final	Actual	Variance with Final Budget
<u>Revenues</u>								
Motor vehicle fees	\$ 230,000	\$ 230,000	\$ 231,618	\$ 1,618	\$ 220,000	\$ 220,000	\$ 227,970	\$ 7,970
Interest income	10,000	10,000	-	(10,000)	1,000	1,000	15,266	14,266
Other income	-	-	-	-	500,000	500,000	17	(499,983)
Total revenues	240,000	240,000	231,618	(8,382)	721,000	721,000	243,253	(477,747)
<u>Expenditures</u>								
Direct Program	191,739	191,739	606,747	(415,008)	1,151,013	1,151,013	201,672	949,341
Administrative expenses	39,520	39,520	13,212	26,308	47,477	47,477	13,550	33,927
Total expenditures	231,259	231,259	619,959	(388,700)	1,198,490	1,198,490	215,222	983,268
Excess (deficit) of revenues over expenditures	8,741	8,741	(388,341)	(397,082)	(477,490)	(477,490)	28,031	505,521
Fund balance, beginning of year	539,577	539,577	539,577	-	511,546	511,546	511,546	-
Fund balance, end of year	\$ 548,318	\$ 548,318	\$ 151,236	\$ (397,082)	\$ 34,056	\$ 34,056	\$ 539,577	\$ 505,521

See accompanying notes to the financial statements.

THOMPSON, COBB, BAZILIO & ASSOCIATES, PC

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO THE AIR QUALITY IMPROVEMENT FUND AND ON INTERNAL CONTROL OVER COMPLIANCE

The Governing Board of
The South Coast Air Quality Management District

Compliance

We have audited the compliance of the Air Quality Improvement Fund (Fund) of the Coachella Valley Association of Governments, California (CVAG) with the requirements described in *Assembly Bill 2766 (AB 2766) Chapter 1705 [Health and Safety Code Sections 44220 through 44247]*, adopted by the South Coast Air Quality Management District (SCAQMD) for the years ended June 30, 2009 and 2008. Compliance with the requirements of laws and regulations applicable to the Fund is the responsibility of the CVAG's management. Our responsibility is to express an opinion on the Fund's compliance based on our audits.

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

In our opinion, the CVAG complied, in all material respects, with the requirements referred to above that are applicable to the Fund for the years ended June 30, 2009 and 2008.

Internal Control Over Compliance

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

Accordingly, we do not express an opinion on the effectiveness of the CVAG's internal control over compliance.

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

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

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

Torrance, CA
February 24, 2011

Thompson, Cobb, Bazilio & Associates, P.C.

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

The Governing Board of
The South Coast Air Quality Management District

We have audited the Air Quality Improvement Fund (Fund) of the Coachella Valley Association of Governments, California (CVAG) as of and for the years ended June 30, 2009 and 2008, and have issued our report thereon dated, March 23, 2011. We conducted our audits in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

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

Torrance, CA
February 24, 2011

Thompson, Cobb, Bazilio & Associates, P.C.

COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS, CALIFORNIA
AIR QUALITY IMPROVEMENT FUND

**SCHEDULE OF FINDINGS AND RECOMMENDATIONS
FOR THE YEARS ENDED JUNE 30, 2009 AND 2008**

There were no audit findings or recommendations for the years ended June 30, 2009 and 2008.