



FINANCE COMMITTEE AGENDA

**Tuesday, March 3, 2026
10:00 a.m.**

**Coachella Valley Association of Governments
74-199 El Paseo, Suite 100
Palm Desert, CA 92260**

Members of the Committee and the public may attend and participate by video at the following remote location:

**Desert Hot Springs City Hall
11999 Palm Drive
Desert Hot Springs, CA 92240**

Members of the public may use the following link for listening access and ability to address the Finance Committee when called upon:

<https://us02web.zoom.us/j/82163035901?pwd=wi6Br7Hmx7LEIU3uVPZR6JyRMPOjcR.1>

**Dial In: + 1 669 900 9128
Webinar ID: 821 6303 5901
Password: 494110**

Public Comment is encouraged to be emailed to the Finance Committee prior to the Meeting at cvag@cvag.org by 5:00 p.m. on the day prior to the committee meeting. Comments intended to be read aloud should be no more than 300 characters.

THIS MEETING IS ADA ACCESSIBLE.

**ACTION MAY RESULT ON ANY ITEMS ON THIS AGENDA.
UNLESS OTHERWISE STATED, ALL ACTION ITEMS WILL BE PRESENTED TO THE
EXECUTIVE COMMITTEE.**

1. **CALL TO ORDER / ROLL CALL** – Vice Chair Ted Weill, Councilmember, City of Rancho Mirage

Roll Call
Pledge of Allegiance
Agenda Modifications
Conflict of Interest Disclosure

P4

2. **PUBLIC COMMENTS ON AGENDA ITEMS**

This is the time and place for members of the public to address the Finance Committee on agenda items. At the discretion of the Chair, comments may be taken at the time items are presented. Please limit comments to three (3) minutes.

3. **CONSENT CALENDAR**

- A. **Approve the minutes of May 27, 2025, Finance Committee meeting** P5
- B. **Authorize additional funds in an amount not to exceed \$5,512.50 to Euna Solutions for one additional year of the Budget Book Studio software subscription** P9
- C. **Confirm the officer rotation and appoint Rancho Mirage Councilmember Ted Weill as Committee Chair and Coachella Mayor Steven Hernandez as Committee Vice Chair for Fiscal Year 2025-26** P13
- D. **Direct staff to include a CalPERS Unfunded Accrued Liability payment of \$332,880 for the Miscellaneous combined risk pool, inclusive of an Additional Discretionary Payment of \$104,545, in the Fiscal Year 2026-27 Budget** P14
- E. **Receive and file the Matrix Consulting Group report on allocation methodology and direct staff to analyze the implementation into current operations and the Fiscal Year 2026-27 Budget** P54

4. **DISCUSSION /ACTION**

- A. **CVAG's Audit for Fiscal Year 2024-25 and Related Reports** – Claude Kilgore P65

Recommendation: Receive and file the Audited Financial Statements for the fiscal year ended June 30, 2025, Report on Internal Controls over Financial Reporting, the Auditor's

Communication with Those Charged with Governance, and the Single Audit on Federal Awards

B. Continued Analysis of Cash Flow Concerns – Jonathan Hoy **P158**

Recommendation: Direct the Executive Director to form an ad hoc committee comprised of Transportation, Finance and/or Executive Committee members, as well as member jurisdictions' staff, to consider and recommend policy changes addressing cash flow, including the Transportation Uniform Mitigation Fee, reducing regional costs and increasing regional revenue

C. Update on the Enterprise Resource Planning (ERP) Project – Claude Kilgore **P163**

Recommendation: Information

D. Establishing a Fraud Hotline – Claude Kilgore **P165**

Recommendation: Approve the roll out plan for the STOPit fraud hotline and include the Chair of the Finance Committee as part of the reporting process

5. INFORMATION

A. Unaudited investment report through September 30, 2025 **P167**

B. Unaudited investment report through December 31, 2025 **P168**

6. PUBLIC COMMENTS ON NON-AGENDA ITEMS

This is the time and place for members of the public to address the Finance Committee on non-agenda items. Please limit comments to two (2) minutes.

7. ANNOUNCEMENTS

The next meeting of the **Executive Committee** will be held on Monday, March 16, 2026, at 4:00 p.m. at the Coachella Valley Water District, Steve Robbins Administration Building Training Room, 75515 Hovely Lane East, Palm Desert, 92260.

8. ADJOURNMENT

ITEM 1A

**FINANCE COMMITTEE
ROSTER**



Jurisdiction	Members	Term
City of Rancho Mirage	Ted Weill, Committee Vice Chair Councilmember	FY 2025/2026
City of Coachella	Steven Hernandez Mayor	FY 2026/2027
Palm Desert	Jan Harnik Councilmember	FY 2027/2028
City of Blythe	Mallory Crecelius Interim City Manager/ City Clerk	FY 2025/2026
City of Desert Hot Springs	Doria Wilms City Manager	FY 2026/2027
City of Palm Springs	Scott Stiles City Manager	FY 2027/2028

ITEM 3A

**FINANCE COMMITTEE
MINUTES OF MEETING**

May 27, 2025



1. CALL TO ORDER

The May 27, 2025, Finance Committee meeting was called to order at 10 a.m. by Vice Chair Ted Weill, Mayor, City of Rancho Mirage, at the Coachella Valley Association of Governments, located at 74-199 El Paseo Drive, Suite 100, Palm Desert, 92260.

ROLL CALL

MEMBERS PRESENT

Mayor Ted Weill (*Vice Chair*)
City Manager Jon McMillen
Interim City Manager/City Clerk Mallory Crecelius
Interim City Manager Doria Wilms

AGENCY

City of Rancho Mirage
City of La Quinta
City of Blythe
City of Desert Hot Springs

MEMBERS NOT PRESENT

Tribal Chairman Reid Milanovich (*Chair*)
Mayor Steven Hernandez

AGENCY

Agua Caliente Band of Cahuilla Indians
City of Coachella

2. PUBLIC COMMENTS ON AGENDA ITEMS

None.

3. CONSENT CALENDAR

IT WAS MOVED BY INTERIM CITY MANAGER/CITY CLERK CRECELIUS AND SECONDED BY CITY MANAGER MCMILLEN TO APPROVE THE CONSENT CALENDAR ITEMS:

A. APPROVE MINUTES OF THE FEBRUARY, 2025, FINANCE COMMITTEE MEETING

THE MOTION CARRIED WITH 4 AYES AND 2 MEMBERS ABSENT FOR THE VOTE.

TRIBAL CHAIRMAN MILANOVICH	ABSENT
MAYOR WEILL	AYE
MAYOR HERNANDEZ	ABSENT
CITY MANAGER MCMILLEN	AYE
INTERIM CITY MANAGER/CITY CLERK CRECELIUS	AYE
INTERM CITY MANAGER WILMS	AYE

4. DISCUSSION/ ACTION

A. Improvements to CVAG’s One Paseo Office

Chief Operating Officer Erica Felci presented the staff report.

IT WAS MOVED BY INTERIM CITY MANAGER WILMS AND SECONDED BY INTERIM CITY MANAGER/CITY CLERK CRECELIUS TO AUTHORIZE THE EXECUTIVE DIRECTOR TO EXECUTE AN AGREEMENT WITH A GENERAL CONTRACTOR, AT A COST NOT TO EXCEED \$350,000, TO COMPLETE A REMODEL TO CVAG’S ONE PASEO OFFICE IN ORDER TO COMBINE SUITES, ADDRESS SECURITY NEEDS AND CREATE OVERALL EFFICIENCIES

THE MOTION CARRIED WITH 4 AYES AND 2 MEMBERS ABSENT FOR THE VOTE.

TRIBAL CHAIRMAN MILANOVICH	ABSENT
MAYOR WEILL	AYE
MAYOR HERNANDEZ	ABSENT
CITY MANAGER MCMILLEN	AYE
INTERIM CITY MANAGER/CITY CLERK CRECELIUS	AYE
INTERM CITY MANAGER WILMS	AYE

B. Fiscal Year 2025-26 Agency-Wide, Programs, and Individual Funds Budget

Director of Finance Claude Kilgore presented the staff report providing an overview of the 2025-2026 Fiscal Year Budget.

Brief member discussion ensued with Mr. Kilgore and Ms. Felci answering questions from the Committee regarding travel and training budgets.

IT WAS MOVED BY CITY MANAGER MCMILLEN AND SECONDED BY INTERIM CITY MANAGER WILMS TO ACCEPT THE PRELIMINARY BUDGET FOR FISCAL YEAR 2025-26 AND RECOMMEND THE EXECUTIVE COMMITTEE APPROVE THE BUDGET

THE MOTION CARRIED WITH 4 AYES AND 2 MEMBERS ABSENT FOR THE VOTE.

TRIBAL CHAIRMAN MILANOVICH	ABSENT
MAYOR WEILL	AYE
MAYOR HERNANDEZ	ABSENT
CITY MANAGER MCMILLEN	AYE
INTERIM CITY MANAGER/CITY CLERK CRECELIUS	AYE
INTERM CITY MANAGER WILMS	AYE

C. Extension of Engagement with CVAG/CVCC/DCE Independent Auditor

Mr. Kilgore presented the staff report.

IT WAS MOVED BY CITY MANAGER MCMILLEN AND SECONDED BY INTERIM CITY MANAGER/CITY CLERK CRECELIUS TO AUTHORIZE THE EXECUTIVE DIRECTOR TO AMEND THE AGREEMENT WITH DAVIS FARR LLP, ADDING AN ADDITIONAL \$5,210

FOR FISCAL YEAR 2024-25 SERVICES AND EXTENDING AUDIT SERVICES THROUGH FISCAL YEAR 2025-26 AT A COST OF \$35,100 TO CVAG

THE MOTION CARRIED WITH 4 AYES AND 2 MEMBERS ABSENT FOR THE VOTE.

TRIBAL CHAIRMAN MILANOVICH	ABSENT
MAYOR WEILL	AYE
MAYOR HERNANDEZ	ABSENT
CITY MANAGER MCMILLEN	AYE
INTERIM CITY MANAGER/CITY CLERK CRECELIUS	AYE
INTERM CITY MANAGER WILMS	AYE

D. Fiscal Year 2023-24 Transportation Uniform Mitigation Fee Agreed Upon Procedures (AUP) Final Report

Mr. Kilgore presented the staff report.

Brief member discussion ensued with the Committee members providing praise to staff for a job well done on this report.

IT WAS MOVED BY INTERIM CITY MANAGER WILMS AND SECONDED BY CITY MANAGER MCMILLEN TO RECEIVE AND FILE THE FISCAL YEAR 2023-24 TRANSPORTATION UNIFORM MITIGATION FEE AGREED UPON PROCEDURES FINAL REPORT

THE MOTION CARRIED WITH 4 AYES AND 2 MEMBERS ABSENT FOR THE VOTE.

TRIBAL CHAIRMAN MILANOVICH	ABSENT
MAYOR WEILL	AYE
MAYOR HERNANDEZ	ABSENT
CITY MANAGER MCMILLEN	AYE
INTERIM CITY MANAGER/CITY CLERK CRECELIUS	AYE
INTERM CITY MANAGER WILMS	AYE

5. INFORMATION

A. Update on the Enterprise Resource Planning (ERP) Project

B. Unaudited investment report through March 2025

These items were placed in the agenda packet for members' information.

6. PUBLIC COMMENTS ON NON-AGENDA ITEMS

None.

7. ANNOUNCEMENTS

The next meeting of the **Executive Committee** will be held on Monday, June 2, 2025 at 4:30 p.m. at the CVAG conference room, 73-710 Fred Waring Drive, Suite 104, Palm Desert, 92260.

The next meeting of the **General Assembly** will be held on Monday, June 30, 2025, at 6 p.m. at the Westin Rancho Mirage Golf Resort & Spa, 71333 Dinah Shore Dr, Rancho Mirage, 92270.

8. **ADJOURNMENT**

There being no further business, Vice Chair Weill adjourned the meeting at 10:34 a.m.

Respectfully submitted,

Elysia Regalado
Management Analyst, Administration

ITEM 3B

Coachella Valley Association of Governments
Finance Committee
February 23, 2026



STAFF REPORT

Subject: Additional funds for the budget book software

Contact: Jiajing Cheng, Accountant (jcheng@cvag.org)

Recommendation: Authorize additional funds in an amount not to exceed \$5,512.50 to Euna Solutions for one additional year of the Budget Book Studio software subscription

Background: CVAG staff continue to improve the efficiency and accuracy of the budgeting and budget reporting process. In December 2021, the Executive Committee approved a five-year agreement with Questica for budgeting software, with a total contract amount not to exceed \$108,673. Questica is now being used by CVAG to support core budgeting functions.

Questica was rebranded to Euna Solutions and CVAG's agreement with them has been modified as CVAG's needs evolved and as additional features were approved. One of the additions was a one-year agreement for Budget Book Studio, which was approved in September 2024 to streamline internal budget document preparation and reduce manual data compilation. The initial agreement included a one-time implementation services fee and an annual subscription for a total cost of \$7,000, bringing the entire contract to a not-to-exceed total of \$115,673. Budget Book Studio has improved internal collaboration, simplified the editing and review processes, and enhanced integration between budget data and reporting documents.

Staff is now recommending authorization for one additional year of the Budget Book Studio subscription, which will provide the software through the preparation of the Fiscal Year 2026-27 budgets. No additional implementation services are required for the renewal period. If approved, the conclusion of this year's engagement with Budget Book Studio will align with the expiration of the original 2021 agreement. CVAG staff will be assessing the agreements with Euna Solutions and look to renegotiate any needed contracts for a future approval.

Fiscal Analysis: The one-year subscription cost for Budget Book Studio is \$5,512.50. With this addition, the total contract amount for both Questica budgeting software and Budget Book Studio under Euna Solutions shall not exceed \$150,685.50.

Attachment: Quote for Budget Book Studio

EUNA
Budget Professional

Price Quote – BBS

Prepared for

JJ Cheng

Coachella Valley Association of Governments

By

Michael Woods
Euna Solutions, Inc.

November 21, 2025

Euna Budget Professional Price Quote

Quotation ID#: 20251121CVAG Rev 1 November 21, 2025

Description:

Estimated Annual SaaS fee for the BudgetBook Studio Module.

December 5th 2025 – December 4th 2026: **\$5,512.50**

Limitations

Anything not explicitly mentioned in the above specification cannot be assumed as part of the work to be performed.

Pricing Notes

Quotation ID#: 20251121CVAG Rev 1 **November 21, 2025**

- Above pricing in US dollars
- Applicable Taxes Extra
- Fixed Price Items:
 - Terms of Payment:
 - Software License
 - To be charged in full before renewal period begins
 - Invoice to be issued 30 days in advance

Acceptance

Quotation ID#: 20251121CVAG

Rev 1 **November 21, 2025**

Authorized Signature: _____

Authorized Name: _____

Organization Name: **Coachella Valley Association of Governments**

PO/Reference:

Date: _____

Upon accepting this offer, please scan and email back all pages of the signed Quotation and include an authorized purchase order, if applicable.

Euna Solutions, Inc.

Authorized Signature: _____

Authorized Name: _____

Organization Name: **Euna Solutions, Inc.**

Date: _____

ITEM 3C

**Coachella Valley Association of Governments
Finance Committee
March 3, 2026**



STAFF REPORT

Subject: Finance Committee Officer Selection

Contact: Tom Kirk, Executive Director (tkirk@cvaq.org)

Recommendation: Confirm the officer rotation and appoint Rancho Mirage Councilmember Ted Weill as Committee Chair and Coachella Mayor Steven Hernandez as Committee Vice Chair for Fiscal Year 2025-26

Background: The CVAG Executive Committee established an Audit Committee on April 30, 2018 that was made up of three city managers (or their designees) and three Executive Committee members. The Audit Committee historically met prior to the start of audit fieldwork to suggest any particular review areas for the engagement as well as to review, receive, and file the independent auditor's report over the combined annual financial report. After CVAG transitioned its Technical Advisory Committee into an informal working group, the Audit Committee began to take on more financial oversight. In order to reflect these additional responsibilities, the CVAG Executive Committee in September 2019 renamed it the Finance Committee and formally expanded the committee's responsibilities.

At the Finance Committee meeting on February 20, 2020, CVAG staff sought direction from the Finance Committee on how to select members moving forward each fiscal year. The Committee recommended that the two longest serving members – one elected official and one city manager – should be rotated off on a yearly basis, which means that each member will serve for three years. This allows the Committee to retain working knowledge and work cohesively while gaining new input. In June 2025, the Executive Committee appointed Palm Desert Councilmember Jan Harnik and Palm Springs City Manager Scott Stiles to the committee for terms extending through June 30, 2028.

The Finance Committee annually rotates its officer positions based on the seniority among elected officials. The rotation was put in place to ensure the longest serving elected official serves as Chair, and the second-longest serves as Vice Chair. This rotation was not included in the previous agenda. Staff is now recommending that the Finance Committee confirm the officer rotation for the current fiscal year. Based on that rotation, staff recommends the Committee appoint Rancho Mirage Councilmember Ted Weill as Committee Chair and Coachella Mayor Steven Hernandez as Vice Chair for Fiscal Year 2025-26.

Fiscal Analysis: There is no fiscal impact.

ITEM 3D

**Coachella Valley Association of Governments
Finance Committee
March 3, 2026**



STAFF REPORT

Subject: CalPERS Unfunded Accrued Liability

Contact: Claude T. Kilgore, Director of Finance (ckilgore@cvag.org)

Recommendation: Direct staff to include a CalPERS Unfunded Accrued Liability payment of \$332,880 for the Miscellaneous combined risk pool, inclusive of an Additional Discretionary Payment of \$104,545, in the Fiscal Year 2026-27 Budget

Background: The CalPERS Unfunded Accrued Liability (UAL) represents a significant burden for most California agencies. While CVAG is not immune to such strain, it fairs better than most. For context, the average funded status of miscellaneous plans at other public agencies in California at June 30, 2024 was 75.5% while CVAG's funded ratio was 85.6%. Part of the reason that CVAG is in a more favorable position than other agencies is because it has been making an Additional Discretionary Payments (ADP) each year since the 2019 recommendations of the Finance Committee (formerly the Audit Committee) with the concurrence of the Administrative/Personnel Committee. The payments have placed CVAG on a trajectory to paydown the entire UAL sooner than would be previously possible by simply making the minimum required annual payment.

Each year, CalPERS releases an annual valuation report for each Plan of an agency. These reports are on a roughly two-year lag (currently June 30, 2024 reports are available), and the UAL is subject to increase or decrease each year due to CalPERS' investment results, assumption changes, and payroll projections, among other items. CVAG maintains a Miscellaneous (Classic) plan, as well as a Miscellaneous California Public Employees' Pension Reform Act (PEPRA) plan for employees who are newer to the statewide retirement system. Beginning for the first time this year (with actuarial reports for June 30, 2024), CalPERS only issued one Miscellaneous plan report consolidated for both Classic and PEPRA. CalPERS implemented this consolidation to simplify reporting and improve administrative efficiency

Based on the Committees' direction, a paydown approach for the Miscellaneous (Classic) plan was developed beginning in Fiscal Year 2019-2020 that included a one-time \$1,000,000 payment in the first year and then full Minimum UAL Payments each fiscal year with an annual ADP to bring the total UAL payment to around \$200,000 annually. When this paydown was established, this formula would have allowed paying off CVAG's UAL over an approximate 10-year period. Payments were made under this schedule for fiscal years 2020-2021, 2021-2022, and 2022-2023.

However, subsequent investment results at CalPERS and other factors shifted UAL valuation input assumptions. As a result, in fiscal years 2023-2024 and 2024-2025, CVAG's Committees directed an increased total payment amount of \$250,000 plus minimum PEPRA and directed staff to reconsider the amount on an ongoing basis as part of the budgetary process. For the current fiscal year (2025-2026), the amount was reviewed and increased to a total paydown amount of \$300,000 in addition to the PEPRA minimum.

The minimum UAL payment for FY 2026-2027 is \$228,335, covering both PEPRA and Classic under CalPERS' new consolidated miscellaneous plan report which indicates a \$2,182,890 UAL at June 30, 2024. This year, CVAG staff noted that even though the minimum required payment increased from the prior year, the overall UAL decreased, largely due to recent ADPs and because of a CalPERS investment return greater than the assumed discount rate at June 30, 2024. Beyond the excess return for 2024, CalPERS reported an investment return of 12.1% for June 30, 2025, which is 5.3% higher than the assumed rate of 6.8%; however, this gain has not yet been reflected in the actuarial valuation report. By multiplying the 5.3% excess return by the market value of CVAG's plan assets – which are approximately \$13 million – a projected \$689,000 reduction in UAL will ultimately lower CVAG's overall obligation and will be gradually incorporated into the minimum required annual payments over time rather than being recognized all at once.

Given the above factors, CVAG staff is now bringing this item back to the Finance Committee for review and is recommending a total payment of \$332,880 into the Miscellaneous risk pool. This represents a continued approach of paying \$300,000 to the Classic portion of the plan, plus paying an amount for the PEPRA portion of the plan as well. Maintaining the current paydown strategy will serve continued prudent management of CVAG's UAL and shorten the overall pay-off timeline while supporting long-term fiscal stability. With current staffing levels and programmatic needs, it will also not overburden projects or programs.

With the new combined reporting at CalPERS, the PEPRA portion of the Miscellaneous risk pool is identified on page 29 of the actuarial valuation report at 14.4% of the Plan's total accrued liabilities. By taking this 14.4% and multiplying it by the minimum UAL payment of \$228,335, \$32,880 is implied as the PEPRA portion of the minimum required payment. Adding this to the planned \$300,000 paydown amount for the Classic portion means that CVAG will pay a total amount of \$332,880 for the Miscellaneous risk pool. This represents an Additional Discretionary Payment of \$104,545 for FY 2026-27, similar to the \$108,703 ADP in 2025-26.

Fiscal Analysis: CVAG's Unfunded Accrued Liability at June 30, 2024 is \$2,182,890, not including the ADP of \$108,703 made in July 2025. The required employer contribution set by CalPERS for Fiscal Year 2026-27 is \$228,335 for the Miscellaneous risk pool, CVAG's only risk pool encompassing both Classic and PEPRA plans. Pending the Finance Committee's approval of staff recommendation, an additional cost of \$104,545 will be built in the 2026-27 budget, for total payment of \$332,880. This would represent one of only seven remaining ADPs currently demonstrated as necessary to payoff the total UAL to \$0 in fiscal year 2032-33.

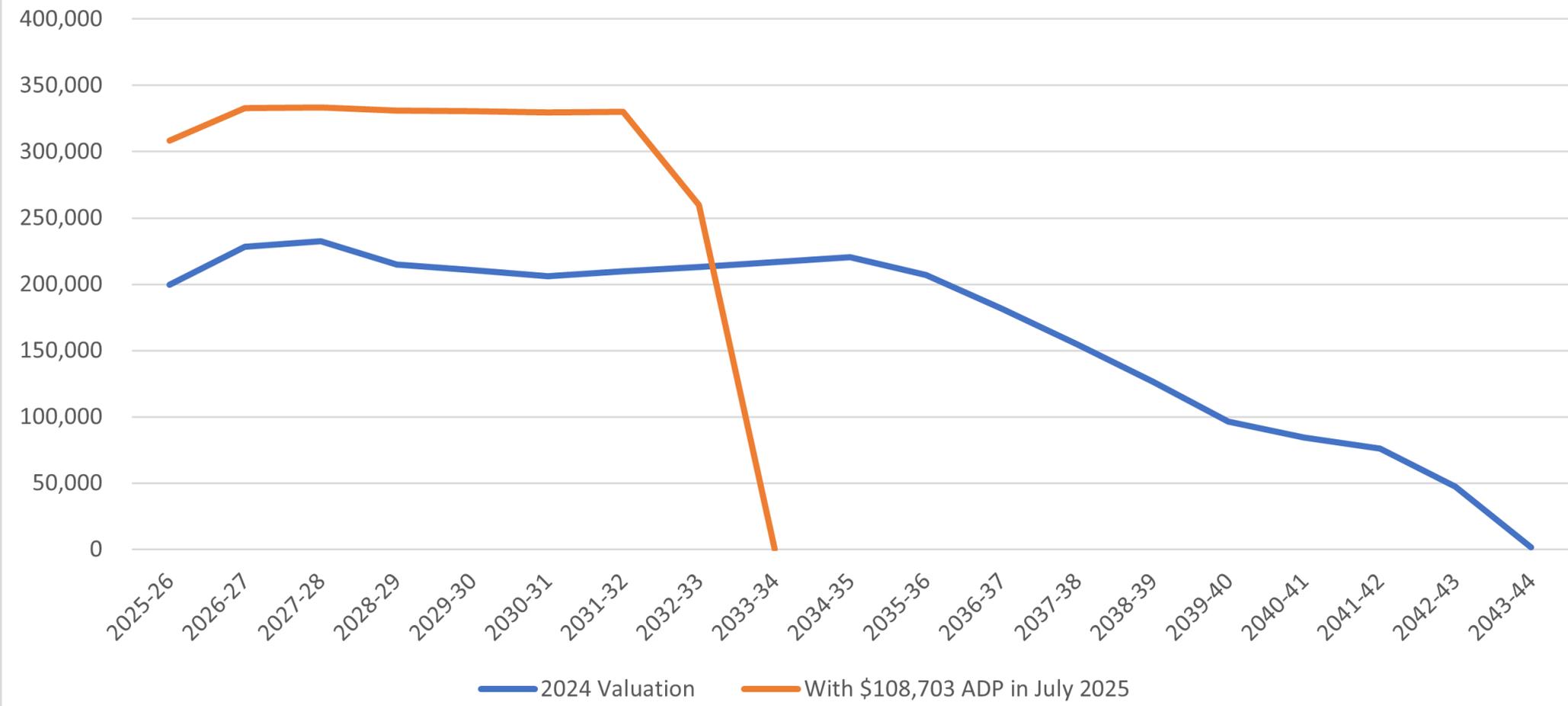
CVAG staff would note that it recently worked with its CalPERS actuary, Kurt Schnieder, to evaluate various paydown options and the resulting impact on the timeline to payoff CVAG's UAL. By maintaining the current strategy in Fiscal Year 2026-27 and subsequent years, the timeline to reduce the UAL to \$0 would be shortened by 10 years and CVAG's Miscellaneous Plan would be reach a fully funded status in 2032-33. Conversely, if CVAG made no ADPs and only paid the CalPERS minimum contribution amount each year, the Plan would be fully funded in Fiscal Year 2042-43.

Based on the Finance Committee's approval, CVAG staff will incorporate the \$104,545 ADP as part of the draft budget for Fiscal Year 2025-26. It will be presented to the Finance Committee in the spring prior to going to the Executive Committee and General Assembly for review and approval.

Attachments:

1. Graph of CVAG's CalPERS Unfunded Accrued Liability and Various Paydown Approaches
2. Actuarial Valuation for the Rate Plans of the Coachella Valley Association of Governments in the Miscellaneous Risk Pool as of June 30, 2024 (most recent report available)

Annual Amortization Payments



California Public Employees' Retirement System

Actuarial Valuation for the
Rate Plans of the Coachella Valley
Association of Governments in the
Miscellaneous Risk Pool
as of June 30, 2024

(CalPERS ID: 3910122713)
(Rate Plan IDs: 1104, 26564)

Required Contributions for Fiscal Year

July 1, 2026 — June 30, 2027

Table of Contents

Section 1 – Employer Specific Information

Section 2 – Miscellaneous Risk Pool Actuarial Information

Section 1

California Public Employees' Retirement System

**Employer Specific Information
for the
Rate Plans of the
Coachella Valley Association of Governments
in the Miscellaneous Risk Pool**

**(CalPERS ID: 3910122713)
(Rate Plan IDs: 1104, 26564)**

Table of Contents — Section 1

Actuarial Certification	1
Highlights and Executive Summary	2
Introduction	3
Purpose of Section 1	3
Summary of Key Valuation Results	4
Changes Since the Prior Year's Valuation.....	5
Subsequent Events.....	5
Liabilities and Contributions	6
Determination of Required Contributions	7
Required Employer Contributions	8
Member Contribution Rates	9
Breakdown of Entry Age Accrued Liability.....	10
Allocation of Plan's Share of Pool's Experience.....	10
Development of the Plan's Share of Pool's Assets	10
Funded Status – Funding Policy Basis.....	11
Additional Employer Contributions.....	12
Projected Employer Contributions.....	13
Schedule of Amortization Bases.....	14
Amortization Schedule and Alternatives	16
Employer Contribution History	18
Funding History.....	18
Risk Analysis	19
Future Investment Return Scenarios	20
Discount Rate Sensitivity	21
Mortality Rate Sensitivity.....	22
Maturity Measures	22
Maturity Measures History.....	23
Funded Status – Termination Basis.....	24
Funded Status – Low-Default-Risk Basis	25
Supplementary Information	26
Normal Cost by Benefit Group	27
Summary of Valuation Data	28
Status of PEPRA Transition	29
Surcharge for Class 1 Benefits	29
Plan's Major Benefit Options	30

Actuarial Certification

It is our opinion that the valuation has been performed in accordance with generally accepted actuarial principles as well as the applicable Standards of Practice promulgated by the Actuarial Standards Board. While this report, consisting of Section 1 and Section 2, is intended to be complete, our office is available to answer questions as needed. All of the undersigned are actuaries who satisfy the *Qualification Standards for Actuaries Issuing Statements of Actuarial Opinion in the United States* of the American Academy of Actuaries with regard to pensions.

Actuarial Methods and Assumptions

It is our opinion that the assumptions and methods, as recommended by the Chief Actuary and adopted by the CalPERS Board of Administration, are internally consistent and reasonable for this plan.

Randall Dziubek, ASA, MAAA
Deputy Chief Actuary, Valuation Services, CalPERS

Scott Terando, ASA, EA, MAAA, FCA, CFA
Chief Actuary, CalPERS

Actuarial Data and Rate Plan Results

To the best of my knowledge and having relied upon the attestation above that the actuarial methods and assumptions are reasonable as well as the information in Section 2 of this report, this report is complete and accurate and contains sufficient information to disclose, fully and fairly, the funded condition of the rate plans of the Coachella Valley Association of Governments in the Miscellaneous Risk Pool and satisfies the actuarial valuation requirements of Government Code section 7504. This valuation and related validation work was performed by the CalPERS Actuarial Office. The valuation was based on the member and financial data as of June 30, 2024, provided by the various CalPERS databases and the benefits under this plan with CalPERS as of the date this report was produced. Section 1 of this report is based on the member and financial data for Coachella Valley Association of Governments, while Section 2 is based on the corresponding information for all agencies participating in the Miscellaneous Risk Pool to which the plan belongs.

Kurt Schneider, MPA, ASA, EA, MAAA
Supervising Actuary, CalPERS

Highlights and Executive Summary

- **Introduction** 3
- **Purpose of Section 1** 3
- **Summary of Key Valuation Results** 4
- **Changes Since the Prior Year's Valuation** 5
- **Subsequent Events** 5

Introduction

This report presents the results of the June 30, 2024, actuarial valuation of the rate plans of the Coachella Valley Association of Governments in the Miscellaneous Risk Pool of the California Public Employees' Retirement System (CalPERS). This actuarial valuation sets the minimum required contributions for fiscal year (FY) 2026-27.

Purpose of Section 1

This Section 1 report for the rate plans of the Coachella Valley Association of Governments in the Miscellaneous Risk Pool of CalPERS was prepared by the Actuarial Office using data as of June 30, 2024. This report contains actuarial information for the following rate plan(s).

- 1104, Miscellaneous Plan
- 26564, PEPRAs Miscellaneous Plan

The purpose of the valuation is to:

- Set forth the assets and accrued liabilities of these rate plans as of June 30, 2024;
- Determine the minimum required employer contributions for these rate plans for FY July 1, 2026, through June 30, 2027;
- Determine the required member contribution rate for FY July 1, 2026, through June 30, 2027, for employees subject to the California Public Employees' Pension Reform Act of 2013 (PEPRA); and
- Provide actuarial information as of June 30, 2024, to the CalPERS Board of Administration (board) and other interested parties.

The pension funding information presented in this report should not be used in financial reports subject to Governmental Accounting Standards Board (GASB) Statement No. 68 for a Cost Sharing Employer Defined Benefit Pension Plan. A separate accounting valuation report for such purposes is available on the CalPERS website (www.calpers.ca.gov).

The measurements shown in this actuarial valuation may not be applicable for other purposes. The agency should contact a CalPERS actuary before disseminating any portion of this report for any reason that is not explicitly described above.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; changes in actuarial policies; changes in plan provisions or applicable law; and differences between the required contributions determined by the valuation and the actual contributions made by the agency.

Assessment and Disclosure of Risk

This report includes the following risk disclosures consistent with the guidance of the Actuarial Standards of Practice:

- A "Scenario Test," projecting future results under different investment income returns.
- A "Sensitivity Analysis," showing the impact on current valuation results using alternative discount rates of 5.8% and 7.8%.
- A "Sensitivity Analysis," showing the impact on current valuation results assuming rates of mortality are 10% lower or 10% higher than our current post-retirement mortality assumptions adopted in 2021.
- Plan maturity measures indicating how sensitive a plan may be to the risks noted above.
- The funded status on a termination basis.
- A low-default-risk obligation measure (LDRM) of benefit costs accrued as of the valuation date.

Summary of Key Valuation Results

Below is a brief summary of key valuation results along with page references where more detailed information can be found.

Required Employer Contributions — page 8

	Fiscal Year 2025-26	Fiscal Year 2026-27
Employer Normal Cost Rates		
Rate Plan 1104	13.38%	13.36%
Rate Plan 26564	8.27%	8.24%
Unfunded Accrued Liability (UAL) Contribution Amount	\$206,319	\$235,971
Paid either as		
Option 1) 12 Monthly Payments of	\$17,193.25	\$19,664.25
Option 2) Annual Prepayment in July	\$199,643	\$228,335

Member Contribution Rates — page 9

	Fiscal Year 2025-26	Fiscal Year 2026-27
Rate Plan 1104	7.00%	7.00%
Rate Plan 26564	8.25%	8.25%

Projected Employer Contributions — page 13

Fiscal Year	Normal Cost (% of payroll)		Annual UAL Payment
	Rate Plan 1104	Rate Plan 26564	
2027-28	13.4%	8.2%	\$240,000
2028-29	13.4%	8.2%	\$222,000
2029-30	13.4%	8.2%	\$218,000
2030-31	13.4%	8.2%	\$213,000
2031-32	13.4%	8.2%	\$217,000

Funded Status — Funding Policy Basis — page 11

	June 30, 2023	June 30, 2024
Entry Age Accrued Liability (AL)	\$13,899,462	\$15,146,437
Market Value of Assets (MVA)	11,489,837	12,963,547
Unfunded Accrued Liability (UAL) [AL – MVA]	\$2,409,625	\$2,182,890
Funded Ratio [MVA ÷ AL]	82.7%	85.6%

Summary of Valuation Data — Page 28

	June 30, 2023	June 30, 2024
Active Member Count	30	36
Annual Covered Payroll	\$2,651,657	\$3,642,240
Transferred Member Count	13	14
Separated Member Count	27	26
Retired Members and Beneficiaries Count	31	29

Changes Since the Prior Year's Valuation

Benefits

The standard actuarial practice at CalPERS is to recognize mandated legislative benefit changes in the first annual valuation following the effective date of the legislation. For pooled rate plans, voluntary benefit changes by plan amendment are generally included in the first valuation with a valuation date on or after the effective date of the amendment.

Please refer to the [Plan's Major Benefit Options](#) in this report and Appendix B of the Section 2 Report for a summary of the plan provisions used in this valuation.

Board Policy

On April 16, 2024, the board took action to modify the Funding Risk Mitigation Policy to remove the automatic change to the discount rate when the investment return exceeds various thresholds. Rather than an automatic change to the discount rate, a board discussion would be placed on the calendar. The 95th percentile return in the [Future Investment Return Scenarios](#) exhibit in this report, which includes returns high enough to trigger a board discussion, does not reflect any change in the discount rate.

Actuarial Methods and Assumptions

There are no significant changes to the actuarial methods or assumptions for the June 30, 2024, actuarial valuation.

Report Enhancements

Effective with the June 30, 2024, Actuarial Valuation, separate amortization schedules for each tier of benefits are no longer necessary. Multiple amortization schedules, and thus multiple Section 1 reports, will be combined. We believe this gives the employer a clearer picture of the pension plan's financial health and long-term costs.

Subsequent Events

This actuarial valuation report reflects fund investment return through June 30, 2024, as well as statutory changes, regulatory changes and board actions through January 2025.

CalPERS will be completing an Asset Liability Management (ALM) review process in November 2025 that will review the capital market assumptions and the CalPERS Total Fund Investment Policy and ascertain whether a change in the discount is warranted. In addition, the Actuarial Office will be presenting the findings of its Experience Study which reviews economic assumptions other than the discount rate as well as all demographic assumptions and makes recommendations to modify actuarial assumptions where appropriate. Any changes in actuarial assumptions will be reflected in the June 30, 2025, actuarial valuations.

The 2024 annual benefit limit under Internal Revenue Code (IRC) section 415(b) and annual compensation limits under IRC section 401(a)(17) and Government Code section 7522.10 were used for this valuation and are assumed to increase 2.3% per year based on the price inflation assumption. The actual 2025 limits, determined in October 2024, are not reflected.

To the best of our knowledge, there have been no other subsequent events that could materially affect current or future certifications rendered in this report.

Liabilities and Contributions

- **Determination of Required Contributions** 7
- **Required Employer Contributions** 8
- **Member Contribution Rates** 9
- **Breakdown of Entry Age Accrued Liability** 10
- **Allocation of Plan's Share of Pool's Experience** 10
- **Development of the Plan's Share of Pool's Assets** 10
- **Funded Status – Funding Policy Basis** 11
- **Additional Employer Contributions** 12
- **Projected Employer Contributions** 13
- **Schedule of Amortization Bases** 14
- **Amortization Schedule and Alternatives** 16
- **Employer Contribution History** 18
- **Funding History** 18

Determination of Required Contributions

Contributions to fund the plan are determined by an actuarial valuation performed each year. The valuation employs complex calculations based on a set of actuarial assumptions and methods. See Appendix A in Section 2 for information on the assumptions and methods used in this valuation. The valuation incorporates all plan experience through the valuation date and sets required contributions for the fiscal year that begins two years after the valuation date.

Contribution Components

Two components comprise required contributions:

- Normal Cost — expressed as a percentage of pensionable payroll
- Unfunded Accrued Liability (UAL) Contribution — expressed as a dollar amount

Normal Cost represents the value of benefits allocated to the upcoming year for active employees. If all plan experience exactly matched the actuarial assumptions, normal cost would be sufficient to fully fund all benefits. The employer and employees each pay a share of the normal cost with contributions payable as part of the regular payroll reporting process. The contribution rate for Classic members is set by statute based on benefit formula whereas for PEPRAs members it is based on 50% of the total normal cost.

When plan experience differs from the actuarial assumptions, UAL emerges. The new UAL may be positive or negative. If the total UAL is positive (i.e., accrued liability exceeds assets), the employer is required to make contributions to pay off the UAL over time. This is called the UAL Contribution component. There is an option to prepay this amount during July of each fiscal year, otherwise it is paid monthly.

In measuring the UAL each year, plan experience is split by source. Common sources of UAL include investment experience different than expected, non-investment experience different than expected, assumption changes and benefit changes. Each source of UAL (positive or negative) forms a base that is amortized, or paid off, over a specified period of time in accordance with the CalPERS [Actuarial Amortization Policy](#). The UAL Contribution is the sum of the payments on all bases. See the [Schedule of Amortization Bases](#) section of this report for an inventory of existing bases and Appendix A in Section 2 for more information on the amortization policy.

Required Employer Contributions

The required employer contributions in this report do not reflect any cost sharing arrangement between the agency and the employees. For employee contribution rates, see [Member Contribution Rates](#).

Required Employer Contributions	Fiscal Year 2026-27
Employer Normal Cost Rate	
Classic Rate Plan 1104	13.36%
PEPRA Rate Plan 26564	8.24%
Plus	
Unfunded Accrued Liability (UAL) Contribution Amount[†]	\$235,971
Paid either as	
1) Monthly Payment	\$19,664.25
Or	
2) Annual Prepayment Option[‡]	\$228,335
<p>The total minimum required employer contribution is the sum of the Plan's Employer Normal Cost Rate (expressed as a percentage of payroll and paid as payroll is reported) and the Unfunded Accrued Liability (UAL) Contribution Amount (billed monthly(1) or prepaid annually(2) in dollars).</p> <p>[†]The required payment on amortization bases does not take into account any additional discretionary payment made after April 30, 2025.</p> <p>[‡]Only the UAL portion of the employer contribution can be prepaid (which must be received in full no later than July 31).</p>	

Development of Normal Cost as a Percentage of Payroll

	Fiscal Year 2025-26	Fiscal Year 2026-27
Classic Rate Plan 1104		
Base Total Normal Cost for Formula	18.87%	18.85%
Surcharge for Class 1 Benefits ¹	1.44%	1.44%
Plan's Total Normal Cost	20.31%	20.29%
Offset Due to Employee Contributions ²	(6.93%)	(6.93%)
Employer Normal Cost for Rate Plan 1104	13.38%	13.36%
PEPRA Rate Plan 26564		
Base Total Normal Cost for Formula	15.71%	15.68%
Surcharge for Class 1 Benefits ¹	0.81%	0.81%
Plan's Total Normal Cost	16.52%	16.49%
Offset Due to Employee Contributions ²	(8.25%)	(8.25%)
Employer Normal Cost for Rate Plan 26564	8.27%	8.24%

¹ See [Surcharge for Class 1 Benefits](#) in the supplementary information section of this report.

² This is the expected employee contributions, taking into account individual benefit formula and any offset from the use of a modified formula, divided by projected annual payroll. For member contribution rates above the breakpoint for each benefit formula, see [Member Contribution Rates](#).

Member Contribution Rates

The required member contributions in this report do not reflect any cost sharing arrangement between the agency and the employees.

Classic Members

Each member contributes toward their retirement based upon the retirement formula. The standard Classic member contribution rate above the breakpoint, if any, is as described below.

<u>Benefit Formula</u>	<u>Percent Contributed above the Breakpoint</u>
Miscellaneous, 1.5% at age 65	2%
Miscellaneous, 2% at age 60	7%
Miscellaneous, 2% at age 55	7%
Miscellaneous, 2.5% at age 55	8%
Miscellaneous, 2.7% at age 55	8%
Miscellaneous, 3% at age 60	8%

Auxiliary organizations of the CSU system may elect reduced contribution rates for Miscellaneous members, in which case the contribution rate above the breakpoint is 6% if members are not covered by Social Security and 5% if they are.

PEPRA Members

The California Public Employees' Pension Reform Act of 2013 (PEPRA) established new benefit formulas, final compensation period, and contribution requirements for "new" employees (generally those first hired into a CalPERS-covered position on or after January 1, 2013). In accordance with Government Code Section 7522.30(b), "new members ... shall have an initial contribution rate of at least 50% of the normal cost rate." The normal cost rate for the plan is dependent on the benefit levels, actuarial assumptions and demographics of the risk pool, particularly members' entry age. Should the total normal cost rate of the plan change by more than 1% from the base total normal cost rate established for the plan, the new member rate shall be 50% of the new normal cost rate rounded to the nearest quarter percent.

The table below shows the determination of the PEPRA member contribution rates effective July 1, 2026, based on 50% of the total normal cost rate as of the June 30, 2024, valuation.

<u>Rate Plan Identifier</u>	<u>Benefit Group Name</u>	<u>Basis for Current Rate</u>		<u>Rates Effective July 1, 2026</u>			
		<u>Total Normal Cost</u>	<u>Member Rate</u>	<u>Total Normal Cost</u>	<u>Change in Normal Cost</u>	<u>Adj. Needed</u>	<u>Member Rate</u>
26564	PEPRA Miscellaneous Plan	16.25%	8.25%	16.49%	0.24%	No	8.25%

Breakdown of Entry Age Accrued Liability

Active Members	\$4,849,842
Transferred Members	1,100,818
Separated Members	624,015
Members and Beneficiaries Receiving Payments	<u>8,571,762</u>
Total	\$15,146,437

Allocation of Plan's Share of Pool's Experience

It is the policy of CalPERS to ensure equity within the risk pools by allocating the pool's experience gains/losses and assumption changes in a manner that treats each employer equitably and maintains benefit security for the members of the System while minimizing substantial variations in employer contributions. The pool's experience gains/losses and impact of assumption/method changes is allocated to the plan as follows:

1. Plan's Accrued Liability	\$15,146,437
2. Projected UAL Balance at 6/30/2024	2,314,162
3. Other UAL Adjustments (Golden Handshake, Prior Service Purchase, etc.)	0
4. Adjusted UAL Balance at 6/30/2024 for Asset Share	2,429,181
5. Pool's Accrued Liability ¹	24,701,567,178
6. Sum of Pool's Individual Plan UAL Balances at 6/30/2024 ¹	5,686,499,631
7. Pool's 2023-24 Investment (Gain)/Loss ¹	(476,088,386)
8. Pool's 2023-24 Non-Investment (Gain)/Loss ¹	305,188,638
9. Plan's Share of Pool's Investment (Gain)/Loss: $[(1) - (4)] \div [(5) - (6)] \times (7)$	(318,407)
10. Plan's Share of Pool's Non-Investment (Gain)/Loss: $(1) \div (5) \times (8)$	187,135
11. Plan's New (Gain)/Loss as of 6/30/2024: $(9) + (10)$	(131,272)
12. Increase in Pool's Accrued Liability due to Change in Assumptions ¹	0
13. Plan's Share of Pool's Change in Assumptions: $(1) \div (5) \times (12)$	0
14. Increase in Pool's Accrued Liability due to Funding Risk Mitigation ¹	0
15. Plan's Share of Pool's Change due to Funding Risk Mitigation: $(1) \div (5) \times (14)$	0
16. Offset due to Funding Risk Mitigation	0
17. Plan's Investment (Gain)/Loss: $(9) - (16)$	(318,407)

¹ Does not include plans that transferred to the pool on the valuation date.

Development of the Plan's Share of Pool's Assets

18. Plan's UAL: $(2) + (3) + (11) + (13) + (15)$	\$2,182,890
19. Plan's Share of Pool's Market Value of Assets (MVA): $(1) - (18)$	\$12,963,547

For a reconciliation of the pool's Market Value of Assets (MVA), information on the fund's asset allocation and a history of CalPERS investment returns, see [Section 2](#), which can be found on the CalPERS website (www.calpers.ca.gov).

Funded Status – Funding Policy Basis

The table below provides information on the current funded status of the plan under the funding policy. The funded status for this purpose is based on the market value of assets relative to the funding target produced by the entry age actuarial cost method and actuarial assumptions adopted by the board. The actuarial cost method allocates the total expected cost of a member's projected benefit (**Present Value of Benefits**) to individual years of service (the **Normal Cost**). The value of the projected benefit that is not allocated to future service is referred to as the **Accrued Liability** and is the plan's funding target on the valuation date. The **Unfunded Accrued Liability (UAL)** equals the funding target minus the assets. The UAL is an absolute measure of funded status and can be viewed as employer debt. The **Funded Ratio** equals the assets divided by the funding target. The funded ratio is a relative measure of the funded status and allows for comparisons between plans of different sizes.

	June 30, 2023	June 30, 2024
1. Present Value of Benefits	\$18,194,421	\$20,898,130
2. Entry Age Accrued Liability	13,899,462	15,146,437
3. Market Value of Assets (MVA)	11,489,837	12,963,547
4. Unfunded Accrued Liability (UAL) [(2) – (3)]	\$2,409,625	\$2,182,890
5. Funded Ratio [(3) ÷ (2)]	82.7%	85.6%

A funded ratio of 100% (UAL of \$0) implies that the funding of the plan is on target and that future contributions equal to the normal cost of the active plan members will be sufficient to fully fund all retirement benefits if future experience matches the actuarial assumptions. A funded ratio of less than 100% (positive UAL) implies that in addition to normal costs, payments toward the UAL will be required. Plans with a funded ratio greater than 100% have a negative UAL (or surplus) but are required under current law to continue contributing the normal cost in most cases, preserving the surplus for future contingencies.

Calculations for the funding target reflect the expected long-term investment return of 6.8%. If it were known on the valuation date that future investment returns will average something greater/less than the expected return, calculated normal costs and accrued liabilities provided in this report would be less/greater than the results shown. Therefore, for example, if actual average future returns are less than the expected return, calculated normal costs and UAL contributions will not be sufficient to fully fund all retirement benefits. Under this scenario, required future normal cost contributions will need to increase from those provided in this report, and the plan will develop unfunded liabilities that will also add to required future contributions. For illustrative purposes, funded statuses based on a 1% lower and higher average future investment return (discount rate) are as follows:

	1% Lower Average Return	Current Assumption	1% Higher Average Return
Discount Rate	5.8%	6.8%	7.8%
1. Entry Age Accrued Liability	\$17,108,635	\$15,146,437	\$13,527,306
2. Market Value of Assets (MVA)	12,963,547	12,963,547	12,963,547
3. Unfunded Accrued Liability (UAL) [(1) – (2)]	\$4,145,088	\$2,182,890	\$563,759
4. Funded Ratio [(2) ÷ (1)]	75.8%	85.6%	95.8%

The [Risk Analysis](#) section of the report provides additional information regarding the sensitivity of valuation results to the expected investment return and other factors. Also provided in that section are measures of funded status that are appropriate for assessing the sufficiency of plan assets to cover estimated termination liabilities.

Additional Employer Contributions

The CalPERS amortization policy provides a systematic methodology for paying down a plan's unfunded accrued liability (UAL) over a reasonable period of years. The projected schedule of required payments for this plan under the amortization policy is provided in [Amortization Schedule and Alternatives](#). Certain aspects of the policy such as 1) layered amortization bases (positive and negative) with different remaining payoff periods, and 2) the phase-in of required payments toward investment gains and losses, can result in volatility in year-to-year projected UAL payments. Provided below is information on how an Additional Discretionary Payment (ADP), together with your required UAL payment of \$235,971 for FY 2026-27, may better accomplish your agency's specific objectives with regard to either smoothing out projected future payments or achieving a greater reduction in UAL than would otherwise occur when making only the minimum required payment. Such additional payments are allowed at any time and can also result in significant long-term savings.

Fiscal Year 2026-27 Employer Contribution Versus Agency Funding Objectives

The interest-to-payment ratio for the FY 2026-27 minimum required UAL payment is 54%, which means the required payment of \$235,971 includes \$127,303 of interest cost and results in a \$108,668 reduction in the UAL, as can be seen in [Amortization Schedule and Alternatives](#) (see columns labelled Current Amortization Schedule). If the interest-to-payment ratio is close to 100%, and the reduction in the UAL is small, it may indicate that required contributions will be increasing in the coming years, which would be shown in [Projected Employer Contributions](#). Another measure that can be used to evaluate how well the FY 2026-27 required UAL payment meets the agency's specific funding objectives is the number of years required to pay off the existing UAL if the annual payment were held constant in future years. With an annual payment of \$235,971 it would take 12.3 years to pay off the current UAL. A result that is longer than the agency's target funding period suggests that the option of supplementing the minimum payment with an ADP should be weighed against the agency's budget constraints.

Provided below are select ADP options for consideration. Making such an ADP during FY 2026-27 does not require an ADP be made in any future year, nor does it change the remaining amortization period of any portion of unfunded liability. For information on permanent changes to amortization periods, see [Amortization Schedule and Alternatives](#). Agencies considering making an ADP should contact CalPERS for additional information.

Fiscal Year 2026-27 Employer Contributions — Illustrative Scenarios

If the Annual UAL Payment Each Year Were...	The Current UAL Would be Paid Off in...	This Would Require an ADP ¹ in FY 2026-27 of...	Plus the Estimated Normal Cost of...	Estimated Total Contribution
\$235,971	12.3 years	\$0	\$366,974	\$602,945
271,377	10 years	35,406	366,974	638,351
466,683	5 years	230,712	366,974	833,657

¹ The ADP amounts are assumed to be made in the middle of the fiscal year. A payment made earlier or later in the fiscal year would have to be less or more than the amount shown to have the same effect on the UAL amortization.

The calculations above are based on the projected UAL as of June 30, 2026, as determined in the June 30, 2024, actuarial valuation. New unfunded liabilities can emerge in future years due to assumption or method changes, changes in plan provisions, and actuarial experience different than assumed. Making an ADP illustrated above for the indicated number of years will not result in a plan that is exactly 100% funded in the indicated number of years. Valuation results will vary from one year to the next and can diverge significantly from projections over a period of several years.

Additional Discretionary Payment History

The following table provides a recent history of actual ADPs made to the plan through April 30, 2025.

Fiscal Year	ADP	Fiscal Year	ADP
2019-20	\$1,016,741	2022-23	\$92,511
2020-21	197,530	2023-24	151,936
2021-22	112,311	2024-25	112,647

Projected Employer Contributions

The table below shows the required and projected employer contributions (before cost sharing) for the next six fiscal years. The projection assumes that all actuarial assumptions will be realized and that no further changes to assumptions, contributions, benefits, or funding will occur during the projection period. In particular, the investment return beginning with FY 2024-25 is assumed to be 6.80% per year, net of investment and administrative expenses. Future contribution requirements may differ significantly from those shown below. The actual long-term cost of the plan will depend on the actual benefits and expenses paid and the actual investment experience of the fund.

The normal cost rates for each rate plan are assumed to remain constant. However, the employer contribution amounts will vary due to changes in payroll. The actuarial valuation does not include payroll beyond the valuation date. For the most realistic projections, the employer should apply projected payroll amounts to the rates below based on the most recent information available, such as current payroll as well as any plans to fill vacancies or add or remove positions.

Rate Plan Identifier	Covered Payroll June 30, 2024	Required Contribution	Projected Future Employer Contributions (Assumes 6.80% Return for Fiscal Year 2024-25 and Beyond)				
		2026-27	2027-28	2028-29	2029-30	2030-31	2031-32
Normal Cost Rates (Percentage of Payroll)							
1104	\$880,098	13.36%	13.4%	13.4%	13.4%	13.4%	13.4%
26564	2,762,142	8.24%	8.2%	8.2%	8.2%	8.2%	8.2%
UAL Payment		\$235,971	\$240,000	\$222,000	\$218,000	\$213,000	\$217,000

Unlike the normal cost rates, the required UAL payments are expected to vary significantly from the projections above due to experience, particularly investment experience. For projected contributions under alternate investment return scenarios, please see the [Future Investment Return Scenarios](#) exhibit. Our online pension plan projection tool, [Pension Outlook](#), is available in the Employers section of the CalPERS website. Pension Outlook can help plan and budget pension costs under various scenarios.

For ongoing plans, investment gains and losses are amortized using an initial 5-year ramp. For more information, please see Amortization of Unfunded Actuarial Accrued Liability in Appendix A of the Section 2 Report. This method phases in the impact of the change in UAL over a 5-year period in order to reduce employer cost volatility from year to year. As a result of this methodology, dramatic changes in the required employer contributions in anyone year are less likely. However, required contributions can change gradually and significantly over the next five years. In years when there is a large investment loss, the relatively small amortization payments during the initial ramp period could result in contributions that are less than interest on the UAL (i.e. negative amortization) while the contribution impact of the increase in the UAL is phased in.

Schedule of Amortization Bases

Below is the schedule of the plan's amortization bases. Note that there is a two-year lag between the valuation date and the start of the contribution year.

- The assets, liabilities and funded status of the plan are measured as of the valuation date: June 30, 2024.
- The required employer contributions determined by the valuation are for the fiscal year beginning two years after the valuation date: FY 2026-27.

This two-year lag is necessary due to the amount of time needed to extract and test the membership and financial data, and the need to provide public agencies with their required employer contribution well in advance of the start of the fiscal year.

The Unfunded Accrued Liability (UAL) is used to determine the employer contribution and therefore must be rolled forward two years from the valuation date to the first day of the fiscal year for which the contribution is being determined. The UAL is rolled forward each year by subtracting the expected payment on the UAL for the fiscal year and adjusting for interest. The expected payment on the UAL for FY 2024-25 is based on the actuarial valuation two years ago, adjusted for additional discretionary payments made on or before April 30, 2025, if necessary, and the expected payment for FY 2025-26 is based on the actuarial valuation one year ago.

Reason for Base	Date Est.	Ramp Level 2026-27	Ramp Shape	Escalation Rate	Amort. Period	Balance 6/30/24	Expected Payment 2024-25	Balance 6/30/25	Expected Payment 2025-26	Balance 6/30/26	Minimum Required Payment 2026-27
Investment (Gain)/Loss	6/30/15	100%	Up/Dn	2.80%	13	456,339	40,594	445,419	41,730	432,582	48,967
Assumption Change	6/30/16	No Ramp		2.80%	2	37,242	10,180	29,254	10,464	20,429	10,758
Investment (Gain)/Loss	6/30/16	No Ramp		2.80%	2	17,061	4,663	13,402	4,794	9,359	4,928
Assumption Change	6/30/17	100%	Up/Dn	2.80%	13	200,647	19,898	193,728	20,455	185,762	21,028
Assumption Change	6/30/18	100%	Up/Dn	2.80%	14	338,388	31,703	328,635	32,590	317,302	33,503
Method Change	6/30/18	100%	Up/Dn	2.80%	14	92,094	8,628	89,440	8,870	86,355	9,118
Investment (Gain)/Loss	6/30/19	100%	Up Only	0.00%	15	46,937	3,741	46,263	4,676	44,577	4,676
Non-Investment (Gain)/Loss	6/30/19	No Ramp		0.00%	15	42,188	4,124	40,795	4,124	39,307	4,123
Investment (Gain)/Loss	6/30/20	100%	Up Only	0.00%	16	258,849	15,564	260,366	20,752	256,625	25,939
Non-Investment (Gain)/Loss	6/30/20	No Ramp		0.00%	16	36,689	3,479	35,589	3,479	34,414	3,479
Assumption Change	6/30/21	No Ramp		0.00%	17	46,002	4,242	44,746	4,242	43,405	4,243
Net Investment (Gain)	6/30/21	80%	Up Only	0.00%	17	(1,360,615)	(55,931)	(1,395,335)	(83,897)	(1,403,515)	(111,862)
Non-Investment (Gain)/Loss	6/30/21	No Ramp		0.00%	17	(51,793)	(4,776)	(50,379)	(4,777)	(48,868)	(4,776)
Investment (Gain)/Loss	6/30/22	60%	Up Only	0.00%	17	1,660,226	83,598	1,686,728	104,230	1,693,710	134,991
Non-Investment (Gain)/Loss	6/30/22	No Ramp		0.00%	18	16,488	1,483	16,077	1,483	15,638	1,483
Non-Investment (Gain)/Loss	6/30/22	No Ramp		0.00%	17	64,112	17,508	50,378	4,776	48,868	4,776
Partial Fresh Start	6/30/22	60%	Up Only	0.00%	18	105,252	2,262	110,071	4,525	112,880	6,787
Investment (Gain)/Loss	6/30/23	40%	Up Only	0.00%	19	9,495	0	10,141	218	10,605	436
Investment (Gain)/Loss	6/30/23	40%	Up Only	0.00%	1	69,618	70,450	1,546	1,598	0	0
Non-Investment (Gain)/Loss	6/30/23	No Ramp		0.00%	19	228,943	0	244,511	21,987	238,415	21,987

Schedule of Amortization Bases (continued)

Reason for Base	Date Est.	Ramp Level 2026-27	Ramp Shape	Escalation Rate	Amort. Period	Balance 6/30/24	Expected Payment 2024-25	Balance 6/30/25	Expected Payment 2025-26	Balance 6/30/26	Minimum Required Payment 2026-27
Investment (Gain)/Loss	6/30/24	20%	Up Only	0.00%	20	(318,407)	0	(340,059)	0	(363,183)	(7,807)
Non-Investment (Gain)/Loss	6/30/24	No Ramp		0.00%	20	187,135	0	199,860	0	213,450	19,194
Total						2,182,890	261,410	2,061,176	206,319	1,988,117	235,971

The (gain)/loss bases are the plan's allocated share of the risk pool's (gain)/loss for the fiscal year as disclosed in [Allocation of Plan's Share of Pool's Experience](#) earlier in this report. These (gain)/loss bases will be amortized in accordance with the CalPERS amortization policy in effect at the time the base was established.

Amortization Schedule and Alternatives

The amortization schedule on the previous page(s) shows the minimum contributions required according to the CalPERS amortization policy. Each year, many agencies express a desire for a more stable pattern of payments or indicate interest in paying off the unfunded accrued liabilities more quickly than required. As such, we have provided alternative amortization schedules to help analyze the current amortization schedule and illustrate the potential savings of accelerating unfunded liability payments.

Shown on the following page are future year amortization payments based on 1) the current amortization schedule reflecting the individual bases and remaining periods shown on the previous page, and 2) alternative "fresh start" amortization schedules using two sample periods that would both result in interest savings relative to the current amortization schedule. To initiate a fresh start, please contact a CalPERS actuary.

The current amortization schedule typically contains both positive and negative bases. Positive bases result from plan changes, assumption changes, method changes or plan experience that increase unfunded liability. Negative bases result from plan changes, assumption changes, method changes, or plan experience that decrease unfunded liability. The combination of positive and negative bases within an amortization schedule can result in unusual or problematic circumstances in future years, such as:

- When a negative payment would be required on a positive unfunded actuarial liability; or
- When the payment would completely amortize the total unfunded liability in a very short time period, and results in a large change in the employer contribution requirement.

In any year when one of the above scenarios occurs, the actuary will consider corrective action such as replacing the existing unfunded liability bases with a single "fresh start" base and amortizing it over an appropriate period.

The current amortization schedule on the following page may appear to show that, based on the current amortization bases, one of the above scenarios will occur at some point in the future. It is impossible to know today whether such a scenario will in fact arise since there will be additional bases added to the amortization schedule in each future year. Should such a scenario arise in any future year, the actuary will take appropriate action based on guidelines in the CalPERS [Actuarial Amortization Policy](#).

Amortization Schedule and Alternatives (continued)

Date	Current Amortization Schedule		Alternative Schedules			
	Balance	Payment	10 Year Amortization		5 Year Amortization	
	Balance	Payment	Balance	Payment	Balance	Payment
6/30/2026	1,988,117	235,971	1,988,117	271,377	1,988,117	466,683
6/30/2027	1,879,449	240,019	1,842,857	271,377	1,641,020	466,683
6/30/2028	1,759,205	221,811	1,687,719	271,377	1,270,320	466,683
6/30/2029	1,649,603	217,554	1,522,032	271,377	874,412	466,684
6/30/2030	1,536,948	213,173	1,345,078	271,377	451,582	466,683
6/30/2031	1,421,160	216,699	1,156,091	271,377		
6/30/2032	1,293,853	220,316	954,253	271,376		
6/30/2033	1,154,151	224,038	738,691	271,376		
6/30/2034	1,001,103	227,863	508,471	271,377		
6/30/2035	833,696	213,847	262,595	271,376		
6/30/2036	669,388	187,699				
6/30/2037	520,928	159,990				
6/30/2038	391,011	130,651				
6/30/2039	282,577	99,606				
6/30/2040	198,856	87,407				
6/30/2041	122,046	78,603				
6/30/2042	49,113	49,186				
6/30/2043	1,621	1,675				
6/30/2044						
6/30/2045						
6/30/2046						
6/30/2047						
6/30/2048						
6/30/2049						
Total		3,026,108		2,713,767		2,333,416
Interest Paid		1,037,991		725,650		345,299
Estimated Savings				312,341		692,692

Employer Contribution History

The table below provides a recent history of the employer contribution requirements for the plan, as determined by the annual actuarial valuation. Changes due to prepayments or plan amendments after the valuation report was finalized are not reflected.

Valuation Date	Contribution Year	Employer Normal Cost Rate		Unfunded Liability Payment
		Rate Plan 1104	Rate Plan 26564	
06/30/2015	2017-18	9.599%	6.908%	\$92,459
06/30/2016	2018-19	10.152%	7.266%	125,570
06/30/2017	2019-20	10.868%	7.072%	154,215
06/30/2018	2020-21	11.746%	7.874%	180,499
06/30/2019	2021-22	11.60%	7.73%	100,658
06/30/2020	2022-23	11.61%	7.76%	111,582
06/30/2021	2023-24	13.26%	8.00%	101,343
06/30/2022	2024-25	13.31%	8.18%	145,691
06/30/2023	2025-26	13.38%	8.27%	206,319
06/30/2024	2026-27	13.36%	8.24%	235,971

Funding History

The table below shows the recent history of the actuarial accrued liability, share of the pool's market value of assets, unfunded accrued liability, funded ratio and annual covered payroll.

Valuation Date	Accrued Liability (AL)	Share of Pool's Market Value of Assets (MVA)	Unfunded Accrued Liability (UAL)	Funded Ratio	Annual Covered Payroll
06/30/2015	\$8,263,956	\$6,681,186	\$1,582,770	80.8%	\$1,483,696
06/30/2016	8,757,240	6,570,997	2,186,243	75.0%	1,676,646
06/30/2017	9,457,318	7,286,814	2,170,504	77.0%	1,630,754
06/30/2018	10,241,906	7,687,046	2,554,860	75.1%	1,633,827
06/30/2019	10,949,969	8,237,782	2,712,187	75.2%	1,777,257
06/30/2020	11,474,291	9,539,434	1,934,857	83.1%	1,817,433
06/30/2021	12,362,197	11,946,787	415,410	96.6%	1,673,211
06/30/2022	13,174,464	11,019,078	2,155,386	83.6%	2,183,651
06/30/2023	13,899,462	11,489,837	2,409,625	82.7%	2,651,657
06/30/2024	15,146,437	12,963,547	2,182,890	85.6%	3,642,240

Risk Analysis

- **Future Investment Return Scenarios** 20
- **Discount Rate Sensitivity** 21
- **Mortality Rate Sensitivity** 22
- **Maturity Measures** 22
- **Maturity Measures History** 23
- **Funded Status – Termination Basis** 24
- **Funded Status – Low-Default-Risk Basis** 25

Future Investment Return Scenarios

Analysis using the investment return scenarios from the Asset Liability Management process completed in 2021 was performed to determine the effects of various future investment returns on required employer UAL contributions. The CalPERS [Funding Risk Mitigation Policy](#) stipulates that when the investment return exceeds the discount rate by at least 2% the board will consider adjustments to the discount rate. The projections below use a discount rate of 6.8% for all scenarios even though an annual return of 10.8% is high enough to trigger a board discussion on the discount rate. The projections also assume that all other actuarial assumptions will be realized and that no further changes in assumptions, contributions, benefits, or funding will occur.

The employer normal cost rates are not affected by investment returns, and since no future assumption changes are being reflected, the projected employer normal cost rates for every future investment return scenario are the same as those shown earlier in this report. See [Projected Employer Contributions](#) for more information on projecting the employer normal cost.

The first table shows projected UAL contribution requirements if the fund were to earn either 3.0% or 10.8% annually. These alternate investment returns were chosen because 90% of long-term average returns are expected to fall between them over the 20-year period ending June 30, 2044.

Assumed Annual Return FY 2024-25 through FY 2043-44	Projected Employer UAL Contributions				
	2027-28	2028-29	2029-30	2030-31	2031-32
3.0% (5th percentile)	\$252,000	\$258,000	\$291,000	\$337,000	\$404,000
10.8% (95th percentile)	\$227,000	\$182,000	\$0	\$0	\$0

Required UAL contributions outside of this range are also possible. In particular, whereas it is unlikely that investment returns will average less than 3.0% or greater than 10.8% over a 20-year period, the likelihood of a single investment return less than 3.0% or greater than 10.8% in any given year is much greater. The following analysis illustrates the effect of an extreme, single year investment return.

The portfolio has an expected volatility (or standard deviation) of 12.0% per year. Accordingly, in any given year there is a 16% probability that the annual return will be -5.2% or less and a 2.5% probability that the annual return will be -17.2% or less. These returns represent one and two standard deviations below the expected return of 6.8%.

The following table shows the effect of one and two standard deviation investment losses in FY 2024-25 on the FY 2027-28 contribution requirements. Note that a single-year investment gain or loss decreases or increases the required UAL contribution amount incrementally for each of the next five years, not just one, due to the 5-year ramp in the amortization policy. However, the contribution requirements beyond the first year are also impacted by investment returns beyond the first year. Historically, significant downturns in the market are often followed by higher than average returns. Such investment gains would offset the impact of these single year negative returns in years beyond FY 2027-28.

Assumed Annual Return for Fiscal Year 2024-25	Required Employer UAL Contributions	Projected Employer UAL Contributions
	2026-27	2027-28
(17.2%) (2 standard deviation loss)	\$235,971	\$316,000
(5.2%) (1 standard deviation loss)	\$235,971	\$278,000

- Without investment gains (returns higher than 6.8%) in FY 2025-26 or later, projected contributions rates would continue to rise over the next four years due to the continued phase-in of the impact of the illustrated investment loss in FY 2024-25.
- The Pension Outlook Tool can be used to model projected contributions for these scenarios beyond FY 2027-28 as well as to model other investment return scenarios.

Discount Rate Sensitivity

The discount rate assumption is calculated as the sum of the assumed real rate of return and the assumed annual price inflation, currently 4.5% and 2.3%, respectively. Changing either the price inflation assumption or the real rate of return assumption will change the discount rate. The sensitivity of the valuation results to the discount rate assumption depends on which component of the discount rate is changed. Shown below are various valuation results as of June 30, 2024, assuming alternate discount rates by changing the two components independently. Results are shown using the current discount rate of 6.8% as well as alternate discount rates of 5.8% and 7.8%. The rates of 5.8% and 7.8% were selected since they illustrate the impact of a 1.0% increase or decrease to the 6.8% assumption.

Sensitivity to the Discount Rate Due to Varying the Real Rate of Return Assumption

As of June 30, 2024	1% Lower Real Return Rate	Current Assumptions	1% Higher Real Return Rate
Discount Rate	5.8%	6.8%	7.8%
Price Inflation	2.3%	2.3%	2.3%
Real Rate of Return	3.5%	4.5%	5.5%
a) Total Normal Cost			
Rate Plan 1104	25.54%	20.29%	16.30%
Rate Plan 26564	20.65%	16.49%	13.33%
b) Accrued Liability	\$17,108,635	\$15,146,437	\$13,527,306
c) Market Value of Assets	\$12,963,547	\$12,963,547	\$12,963,547
d) Unfunded Liability/(Surplus) [(b) - (c)]	\$4,145,088	\$2,182,890	\$563,759
e) Funded Ratio	75.8%	85.6%	95.8%

Sensitivity to the Discount Rate Due to Varying the Price Inflation Assumption

As of June 30, 2024	1% Lower Price Inflation	Current Assumptions	1% Higher Price Inflation
Discount Rate	5.8%	6.8%	7.8%
Price Inflation	1.3%	2.3%	3.3%
Real Rate of Return	4.5%	4.5%	4.5%
a) Total Normal Cost			
Rate Plan 1104	21.27%	20.29%	18.52%
Rate Plan 26564	17.39%	16.49%	14.99%
b) Accrued Liability	\$15,656,129	\$15,146,437	\$14,114,386
c) Market Value of Assets	\$12,963,547	\$12,963,547	\$12,963,547
d) Unfunded Liability/(Surplus) [(b) - (c)]	\$2,692,582	\$2,182,890	\$1,150,839
e) Funded Ratio	82.8%	85.6%	91.8%

Mortality Rate Sensitivity

The following table looks at the change in the June 30, 2024, plan costs and funded status under two different longevity scenarios, namely assuming rates of post-retirement mortality are 10% lower or 10% higher than our current mortality assumptions adopted in 2021. This type of analysis highlights the impact on the plan of a change in the mortality assumption.

As of June 30, 2024	10% Lower Mortality Rates	Current Assumptions	10% Higher Mortality Rates
a) Total Normal Cost			
Rate Plan 1104	20.63%	20.29%	19.97%
Rate Plan 26564	16.77%	16.49%	16.23%
b) Accrued Liability	\$15,466,008	\$15,146,437	\$14,853,437
c) Market Value of Assets	\$12,963,547	\$12,963,547	\$12,963,547
d) Unfunded Liability/(Surplus) [(b) - (c)]	\$2,502,461	\$2,182,890	\$1,889,890
e) Funded Ratio	83.8%	85.6%	87.3%

Maturity Measures

As pension plans mature they become more sensitive to risks. Understanding plan maturity and how it affects the ability of a pension plan sponsor to tolerate risk is important in understanding how the pension plan is impacted by investment return volatility, other economic variables and changes in longevity or other demographic assumptions.

Since it is the employer that bears the risk, it is appropriate to perform this analysis on a pension plan level considering all rate plans. The following measures include only the rate plans covered in this report. One way to look at the maturity level of CalPERS and its plans is to look at the ratio of a plan's retiree liability to its total liability. A pension plan in its infancy will have a very low ratio of retiree liability to total liability. As the plan matures, the ratio increases. A mature plan will often have a ratio above 60%-65%.

Ratio of Retiree Accrued Liability to Total Accrued Liability	June 30, 2023	June 30, 2024
1. Retiree Accrued Liability	\$8,724,163	\$8,571,762
2. Total Accrued Liability	\$13,899,462	\$15,146,437
3. Ratio of Retiree AL to Total AL [(1) ÷ (2)]	63%	57%

Another measure of the maturity level of CalPERS and its plans is the ratio of actives to retirees, also called the support ratio. A pension plan in its infancy will have a very high ratio of active to retired members. As the plan matures and members retire, the ratio declines. A mature plan will often have a ratio near or below one.

To calculate the support ratio for the rate plan, retirees and beneficiaries receiving a continuance are each counted as one, even though they may have only worked a portion of their careers as an active member of this rate plan. For this reason, the support ratio, while intuitive, may be less informative than the ratio of retiree liability to total accrued liability above.

For comparison, the support ratio for all CalPERS public agency plans as of June 30, 2023, was 0.78 and was calculated consistently with how it is for the individual rate plan. Note that to calculate the support ratio for all public agency plans, a retiree with service from more than one CalPERS agency is counted as a retiree more than once.

Support Ratio	June 30, 2023	June 30, 2024
1. Number of Actives	30	36
2. Number of Retirees	31	29
3. Support Ratio [(1) ÷ (2)]	0.97	1.24

Maturity Measures (continued)

The actuarial calculations supplied in this communication are based on various assumptions about long-term demographic and economic behavior. Unless these assumptions (e.g., terminations, deaths, disabilities, retirements, salary increases, investment return) are exactly realized each year, there will be differences on a year-to-year basis. The year-to-year differences between actual experience and the assumptions are called actuarial gains and losses and serve to lower or raise required employer contributions from one year to the next. Therefore, employer contributions will inevitably fluctuate, especially due to the ups and downs of investment returns.

Asset Volatility Ratio

Shown in the table below is the asset volatility ratio (AVR), which is the ratio of market value of assets to payroll. Plans that have a higher AVR experience more volatile employer contributions (as a percentage of payroll) due to investment return. For example, a plan with an AVR of 8 may experience twice the contribution volatility due to investment return volatility than a plan with an AVR of 4. It should be noted that this ratio is a measure of the current situation. It increases over time but generally tends to stabilize as a plan matures.

Liability Volatility Ratio

Also shown in the table below is the liability volatility ratio (LVR), which is the ratio of accrued liability to payroll. Plans that have a higher LVR experience more volatile employer contributions (as a percentage of payroll) due to changes in liability. For example, a plan with an LVR of 8 is expected to have twice the contribution volatility of a plan with an LVR of 4 when there is a change in accrued liability, such as when there is a change in actuarial assumptions. It should be noted that this ratio indicates a longer-term potential for contribution volatility, since the AVR, described above, will tend to move closer to the LVR as the funded ratio approaches 100%.

Contribution Volatility	June 30, 2023	June 30, 2024
1. Market Value of Assets	\$11,489,837	\$12,963,547
2. Payroll	\$2,651,657	\$3,642,240
3. Asset Volatility Ratio (AVR) [(1) ÷ (2)]	4.3	3.6
4. Accrued Liability	\$13,899,462	\$15,146,437
5. Liability Volatility Ratio (LVR) [(4) ÷ (2)]	5.2	4.2

Maturity Measures History

Valuation Date	Ratio of Retiree Accrued Liability to Total Accrued Liability	Support Ratio	Asset Volatility Ratio	Liability Volatility Ratio
06/30/2017	52%	0.63	4.5	5.8
06/30/2018	49%	0.65	4.7	6.3
06/30/2019	49%	0.70	4.6	6.2
06/30/2020	49%	0.70	5.2	6.3
06/30/2021	65%	0.70	7.1	7.4
06/30/2022	68%	0.87	5.0	6.0
06/30/2023	63%	0.97	4.3	5.2
06/30/2024	57%	1.24	3.6	4.2

Funded Status – Termination Basis

The funded status measured on a termination basis is an estimated range for the financial position of the plan had the contract with CalPERS been terminated as of June 30, 2024. The accrued liability on a termination basis (termination liability) is calculated differently from the plan’s ongoing funding liability. For the termination liability calculation, both compensation and service are frozen as of the valuation date and no future pay increases or service accruals are assumed. This measure of funded status is not appropriate for assessing the need for future employer contributions in the case of an ongoing plan, that is, for an employer that continues to provide CalPERS retirement benefits to active employees. Unlike the actuarial cost method used for ongoing plans, the termination liability is the present value of the benefits earned through the valuation date.

A more conservative investment policy and asset allocation strategy was adopted by the board for the Terminated Agency Pool. The Terminated Agency Pool has limited funding sources since no future employer contributions will be made. Therefore, expected benefit payments are secured by risk-free assets and benefits security for members is increased while limiting the funding risk. However, this asset allocation has a lower expected rate of return than the remainder of the PERF and consequently, a lower discount rate assumption. The lower discount rate for the Terminated Agency Pool results in higher liabilities for terminated plans.

The discount rate used for actual termination valuations is a weighted average of the 10-year and 30-year Treasury yields where the weights are based on matching asset and liability durations as of the termination date. The discount rates used in the following analysis is based on 20-year Treasury bonds, which is a good proxy for most plans. The discount rate upon contract termination will depend on actual Treasury rates on the date of termination, which varies over time, as demonstrated below.

Valuation Date	20-Year Treasury Rate	Valuation Date	20-Year Treasury Rate
06/30/2015	2.83%	06/30/2020	1.18%
06/30/2016	1.86%	06/30/2021	2.00%
06/30/2017	2.61%	06/30/2022	3.38%
06/30/2018	2.91%	06/30/2023	4.06%
06/30/2019	2.31%	06/30/2024	4.61%

As Treasury rates are variable, the table below shows a range for the termination liability using discount rates 1% below and above the 20-year Treasury rate on the valuation date. The price inflation assumption is the 20-year Treasury breakeven inflation rate, that is, the difference between the 20-year inflation indexed bond and the 20-year fixed-rate bond.

The Market Value of Assets (MVA) also varies with interest rates and will fluctuate depending on other market conditions on the date of termination. Since it is not possible to approximate how the MVA will change in different interest rate environments, the results below use the MVA as of the valuation date.

	Discount Rate: 3.61% Price Inflation: 2.45%	Discount Rate: 5.61% Price Inflation: 2.45%
1. Termination Liability ¹	\$22,319,260	\$17,044,607
2. Market Value of Assets (MVA)	12,963,547	12,963,547
3. Unfunded Termination Liability [(1) – (2)]	\$9,355,713	\$4,081,060
4. Funded Ratio [(2) ÷ (1)]	58.1%	76.1%

¹ The termination liabilities calculated above include a 5% contingency load. The contingency load and other actuarial assumptions can be found in Appendix A of the Section 2 report.

In order to terminate, first contact our Pension Contract Services unit to initiate a Resolution of Intent to Terminate. The completed Resolution will allow a CalPERS actuary to provide a preliminary termination valuation with a more up-to-date estimate of the plan’s assets and liabilities. Before beginning this process, please consult with a CalPERS actuary.

Funded Status – Low-Default-Risk Basis

Actuarial Standard of Practice (ASOP) No. 4, *Measuring Pension Obligations and Determining Pension Plan Costs or Contributions*, requires the disclosure of a low-default-risk obligation measure (LDROM) of benefit costs accrued as of the valuation date using a discount rate based on the yields of high quality fixed income securities with cash flows that replicate expected benefit payments. Conceptually, this measure represents the level at which financial markets would value the accrued plan costs, and would be approximately equal to the cost of a portfolio of low-default-risk bonds with similar financial characteristics to accrued plan costs.

As permitted in ASOP No. 4, the Actuarial Office uses the Entry Age Actuarial Cost Method to calculate the LDROM. This methodology is in line with the measure of “benefit entitlements” calculated by the Bureau of Economic Analysis and used by the Federal Reserve to report the indebtedness due to pensions of plan sponsors and, conversely, the household wealth due to pensions of plan members.

As shown below, the discount rate used for the LDROM is 5.35%, which is the Standard FTSE Pension Liability Index¹ discount rate as of June 30, 2024.

Selected Measures on a Low-Default-Risk Basis	June 30, 2024
Discount Rate	5.35%
1. Accrued Liability – Low-Default-Risk Basis (LDROM)	
a) Active Members	\$6,146,648
b) Transferred Members	1,452,258
c) Separated Members	738,928
d) Members and Beneficiaries Receiving Payments	9,786,881
e) Total	\$18,124,715
2. Market Value of Assets (MVA)	12,963,547
3. Unfunded Accrued Liability – Low-Default-Risk Basis [(1e) – (2)]	\$5,161,168
4. Unfunded Accrued Liability – Funding Policy Basis	2,182,890
5. Present Value of Unearned Investment Risk Premium [(3) – (4)]	\$2,978,278

The difference between the unfunded liabilities on a low-default-risk basis and on the funding policy basis represents the present value of the investment risk premium that must be earned in future years to keep future contributions for currently accrued plan costs at the levels anticipated by the funding policy.

Benefit security for members of the plan relies on a combination of the assets in the plan, the investment income generated from those assets, and the ability of the plan sponsor to make necessary future contributions. If future returns fall short of 6.8%, benefit security could be at risk without higher than currently anticipated future contributions.

The funded status on a low-default-risk basis is not appropriate for assessing the sufficiency of plan assets to cover the cost of settling the plan’s benefit obligations (see [Funded Status – Termination Basis](#)), nor is it appropriate for assessing the need for future contributions (see [Funded Status – Funding Policy Basis](#)).

¹ This index is based on a yield curve of hypothetical AA-rated zero-coupon corporate bonds whose maturities range from 6 months to 30 years. The index represents the single discount rate that would produce the same present value as discounting a standardized set of liability cash flows for a fully open pension plan using the yield curve. The liability cash flows are reasonably consistent with the pattern of benefits expected to be paid from the entire Public Employees’ Retirement Fund for current and former plan members. A different index, hence a different discount rate, may be needed to measure the LDROM for a subset of the fund, such as a single rate plan or a group of retirees.

Supplementary Information

- **Normal Cost by Benefit Group** 27
- **Summary of Valuation Data** 28
- **Status of PEPRA Transition** 29
- **Surcharge for Class 1 Benefits** 29
- **Plan's Major Benefit Options** 30

Normal Cost by Benefit Group

The table below displays the Total Normal Cost broken out by benefit group as of the valuation date, June 30, 2024. The Total Normal Cost is the annual cost of service accrual for the fiscal year for active employees and can be viewed as the long-term contribution rate for the benefits contracted. Generally, the normal cost for a benefit group subject to more generous benefit provisions will exceed the normal cost for a group with less generous benefits. Future measurements of the Total Normal Cost for each group may differ significantly from the current values due to such factors as: changes in economic and demographic assumptions, changes in plan benefits or applicable law.

Rate Plan Identifier	Benefit Group Name	Total Normal Cost as of June 30, 2024	Offset due to Employee Contributions as of June 30, 2024	Employer Normal Cost as of June 30, 2024	Number of Actives	Payroll on 6/30/2024
1104	Miscellaneous Plan	20.29%	6.93%	13.36%	6	\$880,098
26564	PEPRA Miscellaneous Plan	<u>16.49%</u>	<u>8.25%</u>	<u>8.24%</u>	<u>30</u>	<u>2,762,142</u>
	<i>Hypothetical Plan Totals¹</i>	<i>17.41%</i>	<i>7.93%</i>	<i>9.48%</i>	<i>36</i>	<i>\$3,642,240</i>

¹ The hypothetical employer normal cost and contribution rates for the total plan are provided for illustrative purposes only and are based on the payroll as of the valuation date. This snapshot of the cost of providing benefits can be compared from one valuation date to the next as members retire from older tiers and are replaced by members in new tiers. The employer normal cost rate for contribution purposes varies by rate plan and applies to the covered payroll of members in each respective rate plan.

Note that if a Benefit Group above has multiple bargaining units, each of which has separately contracted for different benefits such as Employer Paid Member Contributions, then the Normal Cost shown for the respective benefit level does not reflect those differences.

Summary of Valuation Data

The table below shows a summary of the plan's member data upon which this valuation is based:

	June 30, 2023	June 30, 2024
Active Members		
Counts	30	36
Average Attained Age	N/A	45.0
Average Entry Age to Rate Plan	N/A	40.5
Average Years of Credited Service	N/A	4.0
Average Annual Covered Pay	\$88,389	\$101,173
Annual Covered Payroll	\$2,651,657	\$3,642,240
Present Value of Future Payroll	\$24,712,335	\$33,122,073
Transferred Members		
Counts	13	14
Separated Members		
Counts	27	26
Retired Members and Beneficiaries*		
Counts	31	29
Average Annual Benefits	\$23,040	\$23,925
Total Annual Benefits	\$714,231	\$693,819

Counts of members included in the valuation are counts of the records processed by the valuation. Multiple records may exist for those who have service in more than one valuation group. This does not result in double counting of liabilities.

* Values include community property settlements.

Status of PEPRA Transition

The California Public Employees' Pension Reform Act of 2013 (PEPRA), which took effect in January 2013, changed CalPERS retirement benefits and placed compensation limits on new members joining CalPERS on or after January 1, 2013. One of the objectives of PEPRA was to improve the ability of employers to manage the costs of retirement benefits for their members. While such changes can reduce future benefit costs in a meaningful way, the full impact on employer contributions will not occur until all active members are subject to the rules and provisions of PEPRA. The table below illustrates the status of this transition as of June 30, 2024.

	Classic	PEPRA	PEPRA as a Percent of Total
Active Members			
Count	6	30	83.3%
Average Attained Age	49.7	44.1	
Average Entry Age	35.2	41.5	
Average Years of Credited Service	11.0	2.5	
Average Annual Covered Payroll	\$146,683	\$92,071	
Annual Covered Payroll	\$880,098	\$2,762,142	75.8%
Present Value of Future Payroll	\$6,430,249	\$26,691,824	80.6%
Transferred Members			
Count	7	7	50.0%
Separated Members			
Count	10	16	61.5%
Retired Members and Beneficiaries Receiving Payments			
Count	28	1	3.4%
Average Annual Benefit	\$24,719	\$1,699	
Total Annual Benefits	\$692,120	\$1,699	0.2%
Accrued Liabilities			
Active Members	\$3,300,125	\$1,549,717	32.0%
Transferred Members	685,214	415,604	37.8%
Separated Members	432,659	191,356	30.7%
Retired Members and Beneficiaries	<u>8,548,239</u>	<u>23,523</u>	<u>0.3%</u>
Total	\$12,966,237	\$2,180,200	14.4%

Surcharge for Class 1 Benefits

This plan has the following Class 1 benefit provisions which result in the surcharges indicated:

Class 1 benefit provisions	Rate Plan 1104	Rate Plan 26564
One Year Final Compensation (FAC 1)	0.64%	N/A
Post-Retirement Survivor Allowance (PRSA)	<u>0.80%</u>	<u>0.81%</u>
Surcharge for Class 1 Benefits	1.44%	0.81%

Plan's Major Benefit Options

Shown below is a summary of the major optional benefits for which the agency has contracted. A description of principal standard and optional plan provisions is in Section 2.

Rate Plan 1104	Benefit Group		
Member Category	Misc	Misc	
Demographics			
Actives	Yes	No	
Transfers/Separated	Yes	No	
Receiving	Yes	Yes	
Benefit Provision			
Benefit Formula	2% @ 55		
Social Security Coverage	No		
Full/Modified	Full		
Employee Contribution Rate	7.00%		
Final Average Compensation Period	One Year		
Sick Leave Credit	Yes		
Non-Industrial Disability	Standard		
Industrial Disability	No		
Pre-Retirement Death Benefits			
Optional Settlement 2	Yes		
1959 Survivor Benefit Level	Level 3		
Special	No		
Alternate (firefighters)	No		
Post-Retirement Death Benefits			
Lump Sum	\$2,000	\$2,000	
Survivor Allowance (PRSA)	Yes	Yes	
COLA	2%	2%	

Plan's Major Benefit Options (Continued)

Shown below is a summary of the major optional benefits for which the agency has contracted. A description of principal standard and optional plan provisions is in Section 2.

Rate Plan 26564	Benefit Group	
Member Category	Misc	
Demographics		
Actives	Yes	
Transfers/Separated	Yes	
Receiving	Yes	
Benefit Provision		
Benefit Formula	2% @ 62	
Social Security Coverage	No	
Full/Modified	Full	
Employee Contribution Rate	8.25%	
Final Average Compensation Period	Three Year	
Sick Leave Credit	Yes	
Non-Industrial Disability	Standard	
Industrial Disability	No	
Pre-Retirement Death Benefits		
Optional Settlement 2	Yes	
1959 Survivor Benefit Level	Level 3	
Special	No	
Alternate (firefighters)	No	
Post-Retirement Death Benefits		
Lump Sum	\$2,000	
Survivor Allowance (PRSA)	Yes	
COLA	2%	

Section 2

California Public Employees' Retirement System

Risk Pool Actuarial Valuation Information

[Section 2](#) may be found on the CalPERS website (www.calpers.ca.gov) in the Forms & Publications section

ITEM 3E

**Coachella Valley Association of Governments
Finance Committee
March 3, 2026**



STAFF REPORT

Subject: Indirect Cost Rates Report and Implementation

Contact: Claude T. Kilgore, Director of Finance (ckilgore@cvag.org)

Recommendation: Receive and file the Matrix Consulting Group report on allocation methodology and direct staff to analyze the implementation into current operations and the Fiscal Year 2026-27 Budget

Background: In the fall of 2024, under the Executive Director's signing authority, CVAG staff requested quotes for a consultant to prepare a full cost allocation plan as well a plan compliant with Federal Office of Management and Budget (OMB) 2 CFR Part 200 – the latter of which is typically used for federal and some state grants. In early 2025, Matrix Consulting Group was hired to review CVAG's allocation methodology in conjunction with the roll out of the Enterprise Resource Planning (ERP) system. This marks the first external comprehensive assessment of CVAG's cost allocation practices. The purpose of these plans is to arrive at indirect rates used to charge project, programs, and outside entities for their fair share of CVAG's administrative and overhead costs.

Historically, CVAG's cost allocation process involved tracking hours worked on a mix of programs, projects and departments, with separate line items for programs within the three agencies that CVAG staffs through administrative agreements (Coachella Valley Conservation Commission, Desert Community Energy and the Coachella Valley Power Agency). Since most of this work was done through Excel and not a budgeting or time keeping system, it resulted in a labor-intensive untimely process that required thousands of journal entries each quarter that were often completed after the close of reporting periods. This reduced the usefulness of the allocations for timely financial decision-making and made the process cumbersome for both accounting staff as well as confusing for department end users.

As part of the review, CVAG staff talk to peer agencies, including Western Riverside Council of Governments, Coachella Valley Water District, the City of Palm Desert, the City of Indian Wells, and Riverside County Transportation Commission. Staff compared practices for administrative time tracking and general administrative overhead. These discussions revealed that CVAG's approach of tracking staff hours based was unique in its extensive allocation methodology.

As identified in the attached report, The Matrix Consulting Group conducted a comprehensive review of CVAG's indirect cost allocation practices to develop new Full Cost and OMB-Compliant indirect rates. The primary objective was to streamline cost recovery for both internal cost centers and external parties, while ensuring compliance with OMB guidelines under 2 CFR Part 200. The review found that CVAG's previous manual process for assigning indirect expenses was labor-

intensive and delayed timely financial reporting, prompting the need for an industry-standard methodology.

Two methodologies were provided: the OMB-Compliant approach, which disallows certain costs (such as lobbying and marketing) for state and federal grants, and the Full Cost approach, which aggregates all administrative costs for broader cost recovery. For Fiscal Year 2025, the OMB-Compliant indirect rate was calculated at 42.36%, based on \$2.2 million in allowable indirect costs and \$5.2 million in direct personnel costs. For Fiscal Year 2026, the Full Cost indirect rate was calculated at 75.58%, based on \$3.7 million in indirect costs and \$5.0 million in direct personnel costs. As outlined in the report, the Full Cost methodology aggregated all agency expenses into an “administration” cost center that houses not only operational expenses but also staff who are purely administrative. Due to the recategorization of expenses and staffing to implement these changes, it could only be used for a Full Cost indirect rate. In future years, the OMB rate would be automatically higher, because there would be higher actual expenses incurred in the “administration” cost center than could have been achieved in this first implementation year. As such, CVAG staff anticipates the spread between the OMB compliant rate and the Full Cost rate to lessen in future years.

Both rates can be applied to employee salaries and benefits to generate fully burdened hourly rates that capture all relevant overhead costs. The memo recommends adopting these rates to align CVAG with industry standards, improve process efficiency, and enable more timely financial reporting. CVAG staff will continue working with Matrix Consulting Group as these methods are evaluated and implemented, should further refinement be necessary. Modifications to rates or implementation strategies may be required to ensure that final allocations achieve the desired objectives.

By adopting a new methodology, CVAG staff will significantly reduce the time time dedicated to calculating allocations, achieve real-time and easier to understand operating results, have more comparable data year-over-year and align with methodologies widely used by other California jurisdictions. Starting in fiscal year 2025-26, CVAG staff will use the full cost allocation rates to assign administrative overhead aligned with the new Chart of Accounts established during the implementation of CVAG’s new ERP system Oracle NetSuite for Government. These allocations will be clearly identified as operating transfers to the general fund, making them more transparent than in the past when they were lumped with other expenditures.

The issue of how CVAG staff time is allocated across its sister agencies had previously been discussed by the CVAG Finance Committee when Desert Community Energy was launched. CVAG staff recently shared the Matrix report with Sabby Jonathan, a Certified Public Accountant and former Mayor of Palm Desert who had been Vice Chair of both CVAG’s Finance Committee and DCE. Mr. Jonathan reviewed the methodology, noted that the the Full Cost methodology results in greater cost recovery for CVAG, and provided some constructive follow-up for CVAG to consider as it rolls out the recommendations.

CVAG staff will monitor and evaluate the process to prevent undue burden on any program. The expectation is that changing the methodology should not significantly impact how overhead is currently being charged. Updates to the allocation method or final report may be necessary during its implementation, with ongoing support from the consultant. The Finance Committee will also be able to review the impact on the Fiscal Year 2026-27 Budget in the coming months when the budget is presented using the new allocation methodology. At the conclusion of each fiscal year’s audit, CVAG staff will be able to utilize the model provided by the cost consultant to update the OMB rate. Once an adopted budget is received each year, CVAG will be able to update the full

cost rate. CVAG staff have been advised to conduct regular updates independently and, approximately every three years, to consult with a cost specialist for further review and revisions.

Fiscal Analysis: The total not-to-exceed amount for the contract with The Matrix Consulting Group is for \$21,000. To date, billed costs are roughly \$15,000. Additional work may be required during implementation of the results or when the models are first updated by CVAG staff for future fiscal years.

Implementing the study results will require staff time but will streamline existing manual processes and save time compared to previous allocation methods. The impact on cost centers and programs is expected to remain similar to current overhead charges, as the new methodology should not cause significant changes.

Attachment: Matrix Consulting Group's Results of FY2025 & FY2026 Indirect Cost Rates

Results of FY2025 & FY2026 Indirect Cost Rates

The Coachella Valley Association of Governments (CVAG or Association) contracted with the Matrix Consulting Group to develop Full Cost and OMB-Compliant Indirect Rates. This memo provides a brief overview of the background and methodologies used to calculate rates, a summary of the resulting values, and implementation options.

PURPOSE

The primary objective of a Cost Allocation Plan is to determine the indirect costs associated with Association operations. The Matrix Consulting Group worked with CVAG to develop two types of Cost Plans: Full Cost and Federal Office of Management and Budget (OMB) 2 CFR Part 200 Compliant. The primary difference between a Full Cost and an OMB-Compliant Cost plan is the type of costs considered "indirect." For example, costs associated with litigation, legislation or lobbying, and marketing must be disallowed in an OMB-Compliant Cost Plan, whereas these costs can be included in a Full Cost Plan.

The purpose of the Full Cost Plan is to recover costs from both internal cost centers and external parties for specific reimbursable grant work. The OMB Compliant Cost Plan is used to recover costs from State and / or Federal programs and projects. The results of these plans are indirect rates.

Indirect rates are a mechanism for fairly and equitably determining what proportion of administrative costs a project or program should bear. An indirect cost rate is the ratio of total indirect (administrative or overhead) costs to the benefiting direct costs, after excluding unallowable, extraordinary, or distorting expenses. These rates allow the Association to charge projects, programs, and outside entities for their fair share of indirect costs.

The Indirect Cost Rates developed for the Association are calculated based upon indirect costs established in the Indirect Cost Rate Workbooks (used as the basis for this memo and provided to CVAG staff for review). These workbooks were compiled in accordance with Generally Accepted Accounting Principles. The OMB-Compliant Indirect Rate is based on the indirect cost allocation methods defined in 2 CFR Part 200.

CURRENT METHODOLOGY

The Association currently has a manual process for assigning indirect expenses to different programs, projects, and activities that is performed multiple times per fiscal year. All indirect costs are coded to a temporary administrative accounting code, then redistributed based on actual timesheet information and reallocated to the relevant cost centers. This is a labor-intensive process and does not allow for timely financial reporting. While the use of actual time information is accurate, it also requires staff to ensure they account for time accurately in the appropriate cost categories. Instead of performing manual calculations, it was proposed that the Association develop an indirect rate to apply to staff billable rates

when charging out to various cost centers, thereby directly recovering the indirect expenses. This is an industry standard methodology.

PROPOSED METHODOLOGIES

The first step in developing an Indirect Cost Rate is to identify costs as indirect or direct. Indirect costs are those that benefit the Association as a whole, such as salaries for time spent on general accounting functions or expenditures for technology servers. Direct costs are those that benefit only a specific project or program, such as staff hired to work on one of CVAG’s sister agencies, like the Coachella Valley Conservation Commission. For an Indirect Cost Rate to be applicable towards state or federal grants, it must comply with 2 CFR 200.

The project team utilized two different methodologies to determine CVAG’s applicable indirect costs:

1. **OMB Compliant Methodology:** This involves categorizing all Association expenses as direct or indirect; the categorized expenditures are then used to calculate an indirect rate. This was done for the OMB Compliant rate.
2. **Full Cost Methodology:** This method aggregates all agency expenses into an “administration” cost center that houses not only operational expenses but also staff who are purely administrative. Due to the recategorization of expenses and staffing, it can only be used for a Full Cost indirect rate.

The agency can review these rates and determine the best billing approach for projects and programs.

OMB COMPLIANT RATE METHODOLOGY

The OMB Compliant Rate Methodology is the simplest. Using this methodology, the project team reviewed all Association expenditures and classified them as direct or indirect. Table 1 shows the indirect costs that resulted from this classification.

TABLE 1: OMB-COMPLIANT INDIRECT COSTS

Expenditure Type	OMB-Compliant (FY25 Actuals)
Salaries and Benefits	\$1,239,156
Supplies and Services	\$904,183
Meetings and Forums	\$24,114
Capital	\$262,971
Debt-Related Costs	\$0
Total	\$2,430,425

As Table 1 indicates, the total indirect costs using an OMB-compliant methodology are \$2.4 million.

After classifying the Association’s costs as direct or indirect, any unallowable or disallowed expenditures were also identified. For the OMB-Compliant Rate, disallowed costs are items that cannot be allocated under 2 CFR 200. Table 2 summarizes the unallowable costs for the OMB-Compliant Rate.

TABLE 2: UNALLOWABLE EXPENDITURES

Expenditure Type	OMB-Compliant (FY25 Actuals)
Supplies and Services	(\$12,334)
Meetings and Forums	(\$20,428)
Total	(\$32,762)

As noted, only specific line items from supplies and services, meetings, and CVAG General Assembly costs were disallowed. Accounting for the disallowed costs, Table 3 shows the total indirect costs to be allocated.

TABLE 3: OMB-COMPLIANT ALLOCABLE COSTS

Expenditure Type	OMB-Compliant (FY25 Actuals)
Salaries and Benefits	\$1,052,128
Supplies and Services	\$891,849
Meetings and Forums	\$3,686
Capital	\$262,971
Debt-Related Costs	\$0
Total	\$2,210,635

Once the allocable indirect costs were determined, they were converted into rates, as explained next.

The conversion of dollar amounts to rates is done by dividing the total indirect costs associated with a program, project, or service by a rate base. The base used depends on the item to which the rate will be applied. CVAG desires to apply this rate towards employee salaries and benefits, so the rate base used was direct personnel costs. This rate base is commonly used among similar agencies. Direct personnel costs under this methodology include salaries and benefits for all employees' time spent on specific projects or programs, including those employees with primarily administrative functions.

The total direct salaries and benefits for the OMB-Compliant Rate were **\$5,218,111**.¹

The indirect costs and rate base identified here result in one OMB Compliant Rate. The rate is presented in the 'Summary of Results' section below.

FULL COST METHODOLOGY

The Full Cost Methodology was applied only to the Full Cost rate because it requires adjustments that are not permitted under the more restrictive OMB requirements, although it is an acceptable methodology for other contexts. Under this methodology, all costs associated with personnel whose primary functions are administrative² were reassigned to the indirect cost pool, including costs previously allocated directly to projects and/or programs. In subsequent years, using this methodology would allow the Association to simplify its payroll allocation process, as time for administrative

¹ These amounts include the salaries and benefits for all employees, less the administrative salaries and benefits associated with time charged to a temporary administrative accounting code.

² The administrative positions for which adjustments were made include: Program Manager – Accounting/Finance, Management Analyst II – Contracts Administration, Program Specialist II – Administration, Office Manager, Program Specialist II – Accounting / Finance, Director – Finance and Administration, Deputy Clerk, Program Specialist I – Administration, Senior Accountant, Deputy Executive Director, Program Specialist I – Accounting / Finance, and Executive Director.

positions would no longer need to be manually split between the administrative function and other projects and programs; costs would be charged entirely through the cost allocation process.

Using this methodology, Table 4 summarizes the budgeted indirect costs, the cost adjustments and disallowed costs that modify those amounts, and the total costs to be allocated using the Full Cost Rate.

TABLE 4: FULL COST ALLOWABLE INDIRECT COST CALCULATION

Expenditure Type	FY26 Budgeted Indirect Costs	Cost Adjustments	Disallowed Costs	Total Indirect Costs
Salaries and Benefits	\$1,327,784	\$1,272,402	\$0	\$2,600,186
Supplies and Services	\$997,106	\$0	(\$48,958)	\$948,148
Meetings and Forums	\$104,300	\$0	(\$62,100)	\$42,200
Capital	\$626,159	(\$335,000)	\$0	\$291,159
Debt-Related Costs	\$296,116	\$0	\$0	\$296,116
Total	\$3,351,464	\$937,402	(\$111,058)	\$4,177,809

This methodology requires several cost adjustments. The adjustment to salaries and benefits reflects the additional administrative staff costs that were previously allocated to various cost centers and are now being moved back wholly to the administrative function. The capital cost adjustment amortizes budgeted capital costs across the estimated useful life of the assets, spreading the cost over the time these assets will be used. The disallowed costs reflect one-time expenditures that would distort the overhead allocation and other costs that the Association chooses not to allocate. Examples include costs associated with the CVAG General Assembly.

Once these cost adjustments were made, the remaining expenditures were assigned to functions that reflect the administrative work performed on behalf of projects and programs. To accomplish this, a portion of each position's time was assigned to one of three functional areas: General Administration, Finance, and Non-Allocable Support. Non-Allocable Support represents time spent on activities that do not benefit projects and/or programs and should not be allocated, such as intergovernmental relations or lobbying.

After assigning time to the appropriate function for all positions, the percentage of time spent in each area was compiled into a single overall percentage for each functional area. These percentages were then multiplied by the total allocable expenditures to assign an expenditure dollar value to each function. Some expenses specific to the El Paseo Office were assigned to a fourth functional area rather than allocated based on staff time. The total allocable amount per functional area is summarized in Table 5.

TABLE 5: FULL COST INDIRECT COSTS BY FUNCTION

Expenditure Type	General Administration	Finance	El Paseo Office	Non-Allocable Support
Salaries and Benefits	\$1,215,673	\$1,079,541	\$0	\$304,972
Supplies and Services	\$332,235	\$295,031	\$237,535	\$83,347
Meetings and Forums	\$19,730	\$17,520	\$0	\$4,950
Capital	\$117,425	\$104,276	\$40,000	\$29,458
Debt-Related Costs	\$38,988	\$34,622	\$212,724	\$9,781
Total	\$1,724,051	\$1,530,990	\$490,259	\$432,508

After assigning costs to the functional areas, the project team then allocated the costs to the appropriate cost centers using data metrics. The following metrics were used:

- **General Administration:** # of Budgeted FTE³
- **Finance:** # of GL Transactions
- **El Paseo Office:** El Paseo Office Payroll Allocation

At this point, any expenses assigned to the Non-Allocable Expense function were dropped from the calculation and not allocated further.

Using the assigned metrics, each cost center received a dollar value allocation from each relevant functional area. These allocations were summed to generate a total-dollar-value allocation by project/program; this allocation represents the total indirect support provided to each cost center.

To generate a rate, the project team aggregated all indirect costs across all projects and programs to determine the Association’s overall indirect costs; the total allocable amount was **\$3,745,301**.

These costs were then divided by the indirect cost rate base (direct personnel costs) to generate an alternative Full Cost Indirect Cost Rate. The direct personnel costs in this model exclude administrative staff; they cover only the salaries and benefits of staff who work primarily on projects rather than general administration. The direct personnel costs used as the rate base under the alternative model were **\$4,955,598**.⁴

The Alternative Full Cost Indirect Rate calculation is shown in the ‘Summary of Results’ section below.

SUMMARY OF RESULTS

Two indirect rates were developed that CVAG may use to recover indirect costs: one Full Cost rate with a direct personnel base and one OMB-Compliant rate with a direct personnel rate. The following subsections summarize the Indirect Cost Rate calculations.

FULL COST INDIRECT RATE

One Full Cost rate, including all administrative staff costs as indirect costs, was calculated based on direct personnel expenditures.

$$\frac{\text{FY26 Full Cost Indirect Costs}}{\text{FY26 Full Cost Direct Salaries \& Benefits}} = \frac{\$3,745,301}{\$4,955,598} = 75.58\%$$

Using FY26 budgeted expenditures, \$3.7 million was identified as allowable indirect costs for the Alternative Rate. The indirect rate base is direct salaries and benefits costs, which totaled \$5.0 million. This results in a Full Cost Rate of 76%.

³ The number of budgeted FTE was modified to move all administrative personnel fully to the temporary administrative accounting code from any projects to which a portion of their time was assigned.

⁴ The rate base includes salaries and fringe benefits for all employees whose job functions are primarily project-related, rather than administrative. The salaries and benefits of all administrative employees have been removed and included as overhead.

The full cost indirect rate can be applied to employee salaries and benefits charged to both internal cost centers and external parties to determine proportionate indirect costs.

OMB INDIRECT RATE

The project team also calculated an **OMB-Compliant** rate using the base methodology discussed above. This rate excludes additional unallowable costs and is based on audited actual expenditures, rather than budgeted expenditures. This allows the rate to comply with Federal OMB requirements.

$$\frac{\text{FY25 OMB Indirect Costs}}{\text{FY25 OMB Direct Salaries \& Benefits}} = \frac{\$2,210,635}{\$5,218,111} = 42.36\%$$

Using FY25 actual expenditures, the project team identified approximately \$2.2 million in allowable indirect costs. The direct personnel costs included here represent time spent on projects and/or programs, whether by project or administrative staff. Using FY25 actuals, there are about \$5.2 million in direct personnel costs, resulting in an OMB Compliant rate of 42%.

The OMB Compliant rate would apply to hourly rates for CVAG staff working on State or Federal projects or programs.

IMPLEMENTATION OF RESULTS

The indirect cost rates calculated for CVAG are based on salaries and benefits. Therefore, the rate would be applied to a position's hourly rate to determine the associated indirect cost. Using the OMB Compliant Rate as an example, the indirect rate of 42.36% applied to an hourly rate of \$100 yields an indirect cost of \$42.36 per hour. The total hourly rate of \$142.36 would allow the Association to account for direct (salaries) and indirect (overhead) costs.

Similarly, for any projects and programs not related to federal or state grants, the Association could apply the full cost rate to allow for greater cost recovery. For example, if the Full Cost Rate of 75.58% were applied to the same \$100 hourly rate, the indirect cost would be \$75.58 per hour. The total hourly rate of \$175.58 would allow CVAG to bill for both direct salary costs and the associated overhead support at a higher level than the OMB-Compliant rate.

FULLY BURDENED HOURLY RATES

Both the Full Cost Rate and the OMB-Compliant Rate can be applied to employees' hourly rates to generate a fully burdened hourly rate that encompasses both the individual employee's cost and the overhead cost associated with supporting that employee. Fully burdened hourly rates allow the Association to capture and recover all relevant costs with a single charge. Tables 6 and 7 present the calculation of fully burdened hourly rates using both the Full Cost Rate and the OMB-Compliant rate.⁵

⁵ For simplicity, the average hourly rate by position title was used as the basis for this calculation; the full calculation for each employee has been provided separately to CVAG staff.

TABLE 6: FULL COST FULLY BURDENED HOURLY RATES

Position Title	Average Productive Time Hourly Rate ⁶	Full Cost Indirect Overhead	Fully Burdened Hourly Rate
Assistant Director	\$147	\$111	\$259
Deputy Clerk	\$87	\$0	\$87
Deputy Executive Director	\$168	\$0	\$168
Director	\$165	\$125	\$289
Executive Director	\$296	\$0	\$296
Management Analyst I	\$74	\$56	\$130
Management Analyst II	\$84	\$63	\$147
Office Manager	\$96	\$0	\$96
Program Manager	\$124	\$93	\$217
Program Specialist I	\$62	\$0	\$62
Program Specialist II	\$62	\$47	\$108
Program Specialist III	\$76	\$58	\$134
Senior Accountant	\$84	\$0	\$84

TABLE 7: OMB-COMPLIANT FULLY BURDENED HOURLY RATES

Position Title	Average Productive Time Hourly Rate ⁷	OMB Indirect Overhead	Fully Burdened Hourly Rate
Assistant Director	\$147	\$62	\$210
Deputy Clerk	\$87	\$37	\$124
Deputy Executive Director	\$168	\$71	\$239
Director	\$165	\$70	\$235
Executive Director	\$296	\$125	\$422
Management Analyst I	\$74	\$31	\$105
Management Analyst II	\$84	\$35	\$119
Office Manager	\$96	\$41	\$136
Program Manager	\$124	\$52	\$176
Program Specialist I	\$62	\$26	\$89
Program Specialist II	\$62	\$26	\$88
Program Specialist III	\$76	\$32	\$108
Senior Accountant	\$84	\$36	\$120

It is important to note that, for the Full Cost fully burdened hourly rates in Table 6, some positions *do not incur any overhead*. These administrative positions are included in the calculation of the indirect costs; as such, they do not incur additional overhead, and care should be taken when charging for hours associated with these employees.

SUMMARY

This memo presents two indirect rates that the Association can use to recover its indirect overhead costs. One rate is a Full Cost Rate that CVAG can use to recover costs from both internal cost centers and external entities; the other is an OMB-Compliant Rate that staff can apply to projects and programs related to state and federal grants. Both rates will enable the Association to streamline current

⁶ The productive time hourly rates presented here include the average salaries and benefits of all employees with a given position title. The base salaries and benefits costs are then modified to account for productive working hours, or the total available hours (2,080) less time off that can be taken for sick leave, vacation, or holidays. The net productive hours amount used was 1,732 for all full-time employees.

processes and achieve more timely financial reporting, while maintaining flexibility to meet current and future needs.

The agency should review the information in this memo and utilize this approach in the future to charge and recover for its administrative overhead. Association staff can use the Excel-based models provided to recalculate the full cost rates each fiscal year by updating the data inputs.

ITEM 4A

**Coachella Valley Association of Governments
Finance Committee
March 3, 2026**



STAFF REPORT

Subject: CVAG's Audit for Fiscal Year 2024-25 and Related Reports

Contact: Claude T. Kilgore, Director of Finance (ckilgore@cvag.org)

Recommendation: Receive and file the Audited Financial Statements for the fiscal year ended June 30, 2025, Report on Internal Controls over Financial Reporting, the Auditor's Communication with Those Charged with Governance, and the Single Audit on Federal Awards

Background: CVAG's Financial Statements Audit Procurement Policy, adopted on June 3, 2002, requires CVAG to obtain proposals from auditing firms qualified to perform CVAG's annual financial audit every five years. In June 2021, CVAG hired the audit firm of Davis Farr LLP – a firm with an impressive history of professional work in the Coachella Valley – for engagement as CVAG's, as well as the Coachella Valley Conservation Commission's and Desert Community Energy's independent auditor for the five fiscal years starting with Fiscal Year 2020-21. This is the fourth audit provided by Davis Farr LLP. In spring 2025, CVAG approved a one-time extension to add a sixth year to the engagement to ensure auditor continuity during the implementation of CVAG's Enterprise Resource Planning (ERP) system.

Davis Farr LLP performed the annual audit over CVAG's Basic Financial Statements as of June 30, 2025, and for the fiscal year then ended which include the Government-Wide Financial Statements including the Statement of Net Position and Statement of Activities as well as Fund Financial Statements which include Balance Sheet – Governmental Funds, Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position, Statement of Revenues, Expenditures and Changes in fund Balance – Governmental Funds, Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities, and Notes to the Basic Financial Statements. Davis Farr issued an Unmodified Opinion on February 12, 2026, which means that CVAG's Basic Financial Statements present fairly, in all material respects, the respective financial position of CVAG as of June 30, 2025 for the year then ended in accordance with US GAAP (Generally Accepted Accounting Principles).

In accordance with Government Auditing Standards, Davis Farr also issued a report on their consideration of CVAG's internal control over financial reporting and their tests of CVAG's compliance with certain provisions of laws, regulations, contracts, and grant agreements as well as other matters; Davis Farr was not engaged to provide an opinion on internal control over financial reporting or on compliance. During its testing, Davis Farr did not identify any material weaknesses or significant deficiencies in internal controls nor did it identify any current year findings. Finally, Davis Farr has provided a letter to the CVAG Executive Committee members outlining Significant Audit Findings as promulgated by AU-C Section 260, "The Auditor's

Communication with Those Charged With Governance” which further notes no current year audit findings.

As part of the single audit, and in accordance with the Office of Management and Budget (OMB) Compliance Supplement, Davis Farr also issued a Report on Compliance with Each Major Federal Program, Report on Internal Control Over Compliance, and Report on the Schedule of Expenditures of Federal Awards Required by the Uniform Guidance. In Davis Farr’s opinion, the schedule of expenditures of federal awards prepared by CVAG is fairly stated in all material respects in relation to the basic financial statements as a whole.

For fiscal year 2024-25, governmental revenues of \$121.4 million exceeded expenses of \$43.0 million resulting in the \$78.4 million increase in net position bringing CVAG’s total net position to about \$304.0 million, an increase of 34.8 percent compared with 2024. The increase is primarily due to a 48.8 percent, or \$77.2 million, increase in capital assets, net of depreciation, mostly for transportation projects like the CV Sync regional synchronization program and the CV Link multi-modal pathway.

A member of the Davis Farr team will present the reports to the Finance Committee at its meeting and will be available to address any questions or comments. The audit reports will then be presented to the Executive Committee at its next meeting.

Fiscal Analysis: The professional fees associated with the audit were previously budgeted and there is no additional financial impact.

Attachments:

1. Auditor’s Communication with Those Charged with Governance
2. CVAG’s Audited Financial Statements for the year ended June 30, 2025
3. Single Audit on Federal Awards, including the Report on Internal Controls over Financial Reporting

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

We have audited the financial statements of the governmental activities, each major fund and aggregate remaining fund information of Coachella Valley Association of Governments (CVAG) as of and for the year ended June 30, 2025, and have issued our report thereon dated February 11, 2026. Professional standards require that we advise you of the following matters relating to our audit.

Our Responsibility in Relation to the Financial Statement Audit

As communicated in our engagement letter dated June 27, 2025, our responsibility, as described by professional standards, is to form and express opinions about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of CVAG's internal control over financial reporting. Accordingly, as part of our audit, we considered the internal control of CVAG solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

Planned Scope and Timing of the Audit

We conducted our audit consistent with the planned scope and timing we previously communicated to you.

Compliance with All Ethics Requirements Regarding Independence

The engagement team, others in our firm, as appropriate, and our firm have complied with all relevant ethical requirements regarding independence under the American Institute of Certified Public Accountants ("AICPA") independence standards, contained in the Code of Professional Conduct.

We identified self-review threats to independence as a result of non-attest services provided. Those non-attest services included the preparation of the financial statements and recording journal entries detected during the audit process. To mitigate the risk, management has compared the draft financial statements and footnotes to the underlying accounting records to

verify accuracy and has reviewed a disclosure checklist to ensure footnotes are complete and accurate.

Additionally, we utilize a quality control reviewer to perform a second review of journal entries and the financial statements. We believe these safeguards are sufficient to reduce the independence threats to an acceptable level.

Significant Risks Identified

We have identified the following significant risks:

- Compliance with Federal grant requirements - Risk of errors in recording federal grant revenues and expenditures due to the significance of grant activity. We reviewed expenditures incurred and related revenues to ensure proper recording, compliance with federal requirements, and cutoff.

Qualitative Aspects of the Entity's Significant Accounting Practices

Significant Accounting Policies

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by CVAG is included in Note 1 to the financial statements. During the year, CVAG changed accounting policies regarding risk disclosures related to government vulnerabilities due to concentrations and constraints by adopting Statement of Governmental Accounting Standards (GASB Statement) No. 102, Certain Risk Disclosures. The adoption of this statement had no impact on CVAG's financial position or results of operations. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Significant Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on 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 markedly from management's current judgments.

The most sensitive accounting estimates affecting the financial statements are the following:

- Management's estimate of revenue and expense accruals related to federal grant programs. We evaluated the key factors and assumptions used to develop the amounts recorded as accruals and determined that it is reasonable in relation to the financial statements taken as a whole.
- Management's estimate of transactions related to net pension liabilities based on actuarial information. We evaluated the key factors and assumptions used to develop the amounts by the actuary and determined that it is reasonable in relation to the financial statements taken as a whole.

Financial Statement Disclosures

Certain financial statement disclosures involve significant judgment and are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting CVAG's financial statements relate to pension.

Significant Unusual Transactions

For purposes of this communication, professional standards require us to communicate to you significant unusual transactions identified during our audit. There were no significant unusual transactions identified as a result of our audit procedures.

Significant Difficulties Encountered during the Audit

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

Uncorrected and Corrected Misstatements

For purposes of this communication, professional standards also require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole and each applicable opinion unit. Management has corrected all identified misstatements.

In addition, professional standards require us to communicate to you all material, corrected misstatements that were brought to the attention of management as a result of our audit procedures. None of the misstatements identified by us as a result of our audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to CVAG's financial statements or the auditor's report. No such disagreements arose during the course of the audit.

Circumstances that Affect the Form and Content of the Auditor's Report

For purposes of this letter, professional standards require that we communicate any circumstances that affect the form and content of our auditor's report. No such circumstances were identified during the audit.

Representations Requested from Management

We have requested certain written representations from management, which are included in the letter dated February 11, 2026.

Management's Consultations with Other Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

Other Significant Matters, Findings, or Issues

In the normal course of our professional association with CVAG we generally discuss a variety of matters, including the application of accounting principles and auditing standards, significant events or transactions that occurred during the year, operating and regulatory conditions

affecting CVAG, and operational plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as CVAG's auditors.

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

DavisFarrLLP

Irvine, California
February 11, 2026

COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2025



DavisFarr

CERTIFIED PUBLIC ACCOUNTANTS

COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS

Financial Statements

Year ended June 30, 2025

(With Independent Auditor's Report Thereon)

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COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS

Financial Statements

Year ended June 30, 2025

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditor's Report	1
Management's Discussion and Analysis	5
Basic Financial Statements:	
Government-Wide Financial Statements	
Statement of Net Position	16
Statement of Activities	17
Fund Financial Statements	
Balance Sheet – Governmental Funds	18
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	20
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	22
Reconciliation of Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	25
Notes to Basic Financial Statements	28
Required Supplementary Information:	
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual - General Fund	54
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual - Transportation Uniform Mitigation Fees	55
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual - Measure A	56
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual - CV Link	57
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – CV Sync	58
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Grant Funding	59
Schedule of Proportionate Share of Net Pension Liability (Asset) – Miscellaneous Plan	60
Schedule of Pension Contributions – Miscellaneous Plan	61
Notes to Required Supplementary Information	62
Supplementary Information:	
Combining Balance Sheet – Nonmajor Governmental Funds	67
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance – Nonmajor Governmental Funds	70

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Independent Auditor's Report

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

Report on the Audit of the Financial Statements

Opinions

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), as of and for the year June 30, 2025, and the related notes to the financial statements, which collectively comprise CVAG's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of CVAG, as of June 30, 2025, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of CVAG and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

CVAG's management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about CVAG's ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions.

Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of CVAG's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about CVAG's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the *management's discussion and analysis, budgetary comparison information and pension schedules* be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 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 about 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 an opinion or provide any assurance.

Report on Summarized Comparative Information

We have previously audited CVAG's 2024 financial statements, and we expressed unmodified audit opinions on those audited financial statements in our report dated January 31, 2025. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2024 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise CVAG's basic financial statements. The *combining nonmajor fund financial statements* are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The *combining nonmajor fund financial statements* are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such 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 basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the *combining nonmajor fund financial statements* are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 11, 2026 on our consideration of CVAG's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering CVAG's internal control over financial reporting and compliance.

DavisFarrLLP

Irvine, California
February 11, 2026

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COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2025

The following is a discussion and analysis of the Coachella Valley Association of Governments' ("CVAG" or "Association") financial performance and includes a summary of CVAG's financial statements coupled with a detailed analysis of CVAG's financial position and results of operations for the fiscal year ended June 30, 2025, with comparative information from the fiscal year ended June 30, 2024. The purpose of the management's discussion and analysis (MD&A) is to help CVAG member agencies and other stakeholders understand what the financial statements and notes in this financial report say about CVAG's financial health and why it has changed since last year. It contains information drawn from those other parts of the report, accompanied by explanations informed by CVAG staff's knowledge of the Association's finances. Please read this discussion and analysis in conjunction with the financial statements, including the notes to the financial statements identified in the accompanying tables.

If you have any questions about this report or require further information, please contact 760.346.1127 and ask for the Director of Finance.

OVERVIEW OF THE FINANCIAL STATEMENTS

The annual report consists of three parts - management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the CVAG:

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

The financial statements also include *notes* that delve deeper into CVAG's finances as reported in the basic financial statements. The information in the notes is as important to understanding the information in the financial statements as the statements themselves. CVAG uses notes to (1) present information in greater details than is possible within the financial statements, (2) explain the nature of amounts reported in the financial statements and how those amounts were determined, and (3) report certain information that does not meet the requirements for inclusion in the financial statements (such as certain commitments). The statements and notes are followed by a section of *required supplementary information and notes to required supplementary information* that provide additional financial and budgetary-to-actuals information.

Types of Information in the Financial Statements

The government-wide financial statements use the economic resources measurement focus and accrual basis of accounting much like how private sector financial statements are presented. In other words, they comprehensively report all types of financial statement elements:

- Assets – resources that the Association controls, which are mostly in the form of capital assets like CV Sync, an infrastructure asset and other construction in progress, as well as receivables from other governments, and cash and investments.
- Liabilities - amounts CVAG owes to others such as to vendors for work performed

- but not yet paid.
- Deferred outflows of resources and deferred inflows of resources—flows that occurred during the year, or in prior years, that will not be reported as expenses and revenues until the future year to which they are related.
 - Revenues and Expenses – inflows and outflows of resources, respectively, related to the current year.

More details about the measurement focuses and the basis of accounting can be found in Note 1 of the notes to the financial statements, the summary of significant accounting policies.

Governmental fund financial statements use the current economic resources measurement focus and modified accrual basis of accounting to report on the sources, uses, and balances of current financial resources. CVAG's basic services such as project and program costs are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year end. Governmental funds do not report non-financial assets, such as capital assets, but they do report the flows of current financial resources related to those long-term items like the spending of cash on construction of CV Sync and the related cash receipt of grant funding reimbursements. In general, the governmental fund statements provide a detailed short-term view of CVAG general government operations and the basic services it provides as opposed to the comprehensive, long-term view provided in the government-wide financial statements.

ANALYSIS OF CVAG'S FINANCES

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

Statement of Net Position (amounts expressed in thousands)

	Fiscal Year 2025	Fiscal Year 2024	Dollar Change	Total Percentage Change
<u>Assets:</u>				
Cash and investments	\$ 59,680	\$ 42,880	\$ 16,800	39.18%
Other current assets	50,800	60,482	(9,683)	(16.01%)
Capital assets, net of depreciation	<u>235,535</u>	<u>158,294</u>	<u>77,241</u>	<u>48.80%</u>
Total Assets	<u>346,015</u>	<u>261,656</u>	<u>84,359</u>	<u>32.24%</u>
<u>Deferred Outflows of Resources:</u>				
Deferred pension related items	<u>1,201</u>	<u>1,440</u>	<u>(239)</u>	<u>(16.60%)</u>
Total Deferred Outflows of Resources	<u>1,201</u>	<u>1,440</u>	<u>(239)</u>	<u>(16.60%)</u>
<u>Liabilities:</u>				
Current liabilities	27,602	19,818	7,784	39.27%
Noncurrent liabilities:				
Due within one year:	2,932	2,672	260	9.74%
Due in more than one year:	<u>12,612</u>	<u>14,870</u>	<u>(2,258)</u>	<u>(15.18%)</u>
Total Liabilities	<u>43,147</u>	<u>37,361</u>	<u>5,786</u>	<u>15.49%</u>
<u>Deferred Inflows of Resources:</u>				
Deferred pension related items	<u>60</u>	<u>130</u>	<u>(70)</u>	<u>(53.95%)</u>
Total Deferred Inflows of Resources	<u>60</u>	<u>130</u>	<u>(70)</u>	<u>(53.95%)</u>
<u>Net Position:</u>				
Investment in capital assets	233,174	156,308	76,866	49.18%
Restricted:				
Transportation	67,580	67,941	(360)	(0.53%)
Environmental	755	904	(149)	(16.47%)
Homeless	2,144	2,459	(315)	(12.82%)
Unrestricted	<u>355</u>	<u>(2,008)</u>	<u>2,362</u>	<u>117.67%</u>
Total Net Position	<u>\$ 304,009</u>	<u>\$ 225,605</u>	<u>\$ 78,404</u>	<u>34.75%</u>

Note: Totals may not sum precisely due to rounding differences.

The table above demonstrates that as of June 30, 2025, CVAG's total net position – assets and deferred outflows minus liabilities and deferred inflows – was about \$304.0 million, an increase of \$78.4 million or 34.8 percent compared with 2024. The increase is primarily due to a 48.8 percent or \$77.2 million increase in capital assets, net of depreciation, mostly for transportation projects like CV Sync and CV Link. All the increase in net position was the result of the financial performance of the governmental activities as CVAG has no business-type activities. The following sections of the MD&A analyze the finances of the governmental activities.

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

Statements of Activities
(amounts expressed in thousands)

	Fiscal Year 2025	Fiscal Year 2024	Dollar Change	Total Percentage Change
<u>Operating Expenses:</u>				
Administrative	\$ 3,078	\$ 2,810	\$ 269	9.57%
Transportation	36,463	22,374	14,089	62.97%
Other	2,654	1,782	872	48.96%
Interest expense	828	937	(109)	(11.64%)
Total Expenses	<u>43,024</u>	<u>27,903</u>	<u>15,121</u>	<u>54.19%</u>
<u>Program Revenues:</u>				
Charges for services	2,960	2,475	485	19.59%
Operating contributions and grants	8,644	9,434	(789)	(8.37%)
Capital contributions and grants	106,933	102,451	4,482	4.37%
<u>General Revenues:</u>				
Investment income (loss)	2,868	2,611	257	9.86%
Gain on sale of land	-	370	(370)	(100.00%)
Other	23	-	23	100.00%
Total Revenues	<u>121,428</u>	<u>117,341</u>	<u>4,087</u>	<u>3.48%</u>
Changes in Net Position	78,404	89,438	(11,034)	(12.34%)
Net Position - Beginning	225,605	136,167	89,438	65.68%
Net Position - Ending	<u>\$ 304,009</u>	<u>\$ 225,605</u>	<u>\$ 78,404</u>	<u>34.75%</u>

The Statement of Activities shows that in fiscal year 2025, governmental revenues of \$121.4 million exceeded expenses of \$43.0 million resulting in the \$78.4 million increase in net position. Several factors contributed to this growth, with key drivers including capital and operating contributions from other jurisdictions, such as Caltrans and Riverside County Transportation Commission (RCTC), which provide reimbursement for many of CVAG's projects. These items and other governmental activities will be discussed next.

Increases in Program Revenues

In fiscal year 2025, total program revenue increased primarily due to capital contributions and grants which were up by 4.4 percent from the prior year mostly related to CV Link construction activity as the project advanced toward completion. In addition, regional arterial projects like Avenue 50 related incurred higher construction costs compared to the prior year as cities and lead agencies advanced additional construction phases as did CVAG for the projects it leads. Reimbursements associated with these increased construction activities further contributed to revenue growth.

Increases in Expenses

Total expenses increased by \$15.1 million, or 54.2 percent, from fiscal year 2024. This increase is primarily attributed to heightened transportation construction activity, as outlined in the "Increase in Program Revenues" section. Key regional arterial projects particularly in the East Valley, such as the Avenue 50 Bridge in Coachella, Airport Boulevard Bridge, Avenue 50 in the Cities of Coachella and Indio as well as Avenue 48, incurred higher construction costs compared to the prior year as cities and other lead agencies advanced additional phases of construction. Other notable projects with ongoing costs included Indian Canyon Drive in the City of Palm Springs Dune Palms and Bridge in City of La Quinta. CVAG does not capitalize the regional arterial constructed by other agencies.

Governmental Funds

General Fund - The General Fund accounts for all the general revenues of CVAG not specifically levied or collected for some special purpose, and for the expenditures related to the rendering of general services by CVAG. At the end of the current fiscal year, the fund balance of the General Fund was about \$3.8 million.

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

- Investment revenue decreased by \$18 thousand in fiscal year 2025 compared to fiscal year 2024. This growth was primarily driven by lower yields on investments as interest rates decreased. Meanwhile, miscellaneous revenue also decreased, as contributions from the Imperial Irrigation District (IID) and Coachella Valley Water District (CVWD) that were received in fiscal year 2024 for long-term governance and strategic initiatives of the Coachella Valley Energy Commission (CVEC) were discontinued in fiscal year 2025.
- Total expenditures increased by \$145 thousand, primarily due to higher salaries and benefits being charged to the general fund reflecting increased staff time on projects like the CVEC which were offset by previously received revenue. Additionally, fiscal year 2025 increased by approximately \$45.5 thousand mostly due to additional lease costs under GASB No. 87; these expenditures were offset in the General Fund by the recognition of corresponding revenue.

Transportation Uniform Mitigation Fees (TUMF) Fund - The TUMF Fund accounts for the revenues generated by the Traffic Uniform 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 \$13.5 million.

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

- Total revenues increased by \$1.9 million. While the base calculation for TUMF rose, overall collections increased due to continued permitting of growth-oriented building development projects within CVAG's member jurisdictions.
- The increase in total expenditures by \$4.3 million is primarily attributable to higher project cost reimbursements, driven by increased transportation construction activity for ongoing regional arterial projects mentioned above.

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 regional arterials in the Coachella Valley. All taxes collected are held by the Riverside County Transportation Commission (RCTC) and CVAG requests reimbursement on eligible project costs once incurred. At the end of the current fiscal year, the total fund balance was \$53.3 million.

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

- The reimbursements for CV Link and regional arterial projects significantly increased in FY25 due to a higher volume of project activities as well as a shift in the reimbursement strategy as external funding becomes exhausted as some of the projects like and CV Link near completion.

- The increase in expenditures is primarily attributed to ongoing arterial projects, resulting in a total rise of \$8.3 million for work completed across various arterial initiatives.

CV Link Fund - The CV Link Fund is used for the construction of the CV Link project in the Coachella Valley. At the end of the current fiscal year, the total fund balance was (\$304) thousand. The fund deficit reflects outstanding retainage payable and is offset by incoming grant revenue on the government-wide financial statements, which is reported as a deferred inflow of resources on the governmental funds financial statements.

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

- Grants increased by \$4.1 million, primarily due to higher grant revenue that reimbursed project costs driven by increased construction activities, as the project nears completion.
- Total expenditure increased from the prior year by \$31.3 million due to increased activity on multiple segments of the CV Link project during fiscal year 2025 as it neared completion.

CV Sync Fund - The CV Sync Fund is used for the construction and preparation of the CV Sync project in the Coachella Valley which provides traffic signal synchronization utilizing broadband fiber networks. At the end of the current fiscal year, the total fund balance was (\$40) thousand. The fund deficit is offset by incoming grant revenue of \$40 thousand on the government-wide financial statements that is treated as a deferred inflow of resources on the governmental funds financial statements.

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

- Grant revenues decreased significantly by \$25.0 million, due to a reduction in construction expenditures compared to the prior fiscal year. Phase 2 construction was still ongoing as of June 30, 2025, with integration and system testing expected to be completed by June 30, 2026. As a result, reimbursable project costs for the current fiscal year were lower, contributing to the decline in grant revenue.

Grant Funding - The Grant Funding Fund is used to account for transportation-related grant revenues, local contributions, and the related expenditures for eligible transportation programs and projects, excluding CV Link, CV Sync, TUMF, and Measure A-funded activities. At the end of the current fiscal year, the total fund balance was (\$2.1) million. The fund deficit is offset by incoming revenue on the government-wide financial statements that is treated as a deferred inflow of resources on the governmental funds financial statements.

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

- Total revenues increased by \$851 thousand, reflecting higher project expenditures on ongoing regional arterial projects, such as the Jackson Street/I-10 Interchange and Avenue 48 between Van Buren Street and Dillon Road, which resulted in increased reimbursements.

SIGNIFICANT CAPITAL ASSET AND LONG-TERM FINANCING ACTIVITY

CAPITAL ASSETS

A summary of CVAG's *capital assets* is as follows:

Capital Assets
Net of Depreciation
(amounts expressed in thousands)

	Balance June 30, 2025	Balance June 30, 2024	Increase (Decrease)	Total Percentage Change
Land and construction in progress	\$ 208,387	\$ 129,810	\$ 78,577	60.53%
Infrastructure	23,452	25,096	(1,644)	(6.55%)
Furniture	52	39	13	33.44%
Easement	1,360	1,377	(17)	(1.22%)
Right to use assets	1,717	1,363	354	25.96%
Subscription Assets and Software as a Service (SaaS)	502	533	(31)	(5.81%)
Equipment and Vehicles	64	76	(12)	(15.33%)
Total	<u>\$ 235,535</u>	<u>\$ 158,294</u>	<u>\$ 77,241</u>	<u>48.80%</u>

Note: Totals may not sum precisely due to rounding differences.

The increase in land and construction-in-progress assets is primarily attributed to the ongoing construction of CV Link, CV Sync, and the Arts and Music Line. Additionally, the right to use assets account grew in fiscal year 2025 as a result of CVAG entering into a new office lease agreement.

DEBT ADMINISTRATION

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

Long-Term Debt
(amounts expressed in thousands)

	Balance June 30, 2025	Balance June 30, 2024	Increase (Decrease)	Total Percentage Change
Revenue bonds payable	\$ 11,068	\$ 13,335	\$ (2,267)	(17.00%)
Compensated absences	386	310	76	24.47%
Lease Liability	1,855	1,463	392	26.78%
Subscription-based IT payable	506	523	(16)	(3.13%)
Total	<u>\$ 13,814</u>	<u>\$ 15,630</u>	<u>\$ (1,816)</u>	<u>(11.62%)</u>

Note: Totals may not sum precisely due to rounding differences.

In fiscal year 2025, CVAG entered into a new office lease agreement, which resulted in a significant increase in lease liability. The associated long-term obligations will be recognized and amortized over the term of the contract in accordance with GASB No. 87. This lease reflects CVAG's commitment to securing operational space to support its ongoing programs and administrative functions.

CURRENTLY KNOWN FACTS, DECISIONS, OR CONDITIONS

CVAG has identified several relevant factors that will influence its finances in the future and have either been included in the fiscal year 2026 budget or will be included in a future budget:

- Transportation Cash Flow Constraints - CVAG oversees cash flow as a critical element of its financial planning and monitoring activities related to expenditures on regional capital projects. These cashflow projections heavily rely on Measure A and Transportation Uniform Mitigation Fee (TUMF) revenue. CVAG's worsening long-term cash flow outlook for its transportation program demonstrate that available balances at the Riverside County Transportation Commission (RCTC) will be exhausted in fiscal year 2027 and internal CVAG available balances in TUMF and Measure A will be exhausted in subsequent fiscal years although current year revenues will still be collected. These challenges are in despite of significant success in securing external grants and are driven largely by declining local revenues, rising construction costs, and nearly \$1 billion in unfunded future interchange projects. To address this, CVAG staff have continued refining cash flow projections, are updating the Transportation Project Prioritization Study and the Transportation Uniform Mitigation Fee Nexus Study in fiscal year 2026 and are evaluating both revenue-enhancement and expenditure-reduction policy options such as adjusting the cost-sharing formula, increasing fees or taxes, reprioritizing projects, and limiting CVAG participation in high-cost projects. In fiscal year 2026, CVAG staff are forming an ad hoc committee composed of Transportation, Finance, Executive Committee members, and member-jurisdiction staff to review updated projections and studies and to develop policy recommendations for addressing short- and long-term cash flow challenges.
- CVLink Grand Openings- In the November 2025, grand opening celebrations were held for the CV Link as the active transportation pathway was placed into service. While punch list items and some costs will continue to be incurred in fiscal year 2026, most of the work has completed and costs are expected to decrease in future years. However, CVAG will, in collaboration with Desert Hot Springs, Riverside County, and Torres Martinez Desert Cahuilla Indians, initiate studies of future extension of CV Link to Desert Hot Springs and the Salton Sea.
- Grant Awards and Federal Funding Uncertainty - With the new federal administration, there continues to be uncertainty about federal funding opportunities and associated policies. Additionally, policy priorities have shifted to eliminate disadvantaged and equity metrics, focusing instead on modernization, the economy, and merit. These changes are impacting funding opportunities for CVAG and the region and have caused the agency to adjust the narrative of specific projects to align with the new priorities once the federal administration makes them known. CVAG will continue to monitor the new administration's budget actions and associated policies and will report any funding opportunities to advance priority projects.
- Staffing for a New Joint Powers Authority- Over the past several years, CVAG has been actively collaborating with the Imperial Irrigation District (IID), member jurisdictions, and the Coachella Valley Water District (CVWD) to address long-term electricity service issues in eastern Riverside County through the Coachella Valley Energy Commission (CVEC). In 2024, CVEC unanimously approved a resolution to create a new joint powers authority (JPA). In May 2025, the Cities of La Quinta and Indio as well as the County of Riverside formed the new JPA named the Coachella Valley Power Agency (CVPA). In June 2025, CVAG entered into a staffing agreement with the CVPA which is similar to the staffing arrangement that CVAG already has for the Coachella Valley Conservation Commission and Desert Community Energy. The staffing agreement allows CVAG to be reimbursed for staff time, administrative costs and overhead related to the specific agency. While negligible staff time was incurred for CVPA in fiscal year 2025, the budget for fiscal year 2026 allocates up to \$300 thousand for direct and indirect costs.

- Investment Income - Given the downward swing in short-term interest rates, CVAG expects a decrease in investment income for fiscal year 2026 and conservatively budgeted a little over \$1.5 million as revenue compared to closer to \$2.5 million received in fiscal year 2025.

CONTACTING THE ASSOCIATION'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, members, and resource providers with a general overview of CVAG's finances and to show CVAG's accountability for the money it receives. If you have questions about this report or need additional financial information, contact CVAG's Office, attention Director of Finance, at 74-199 El Paseo Dr., Suite 100, Palm Desert, CA 92260.

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BASIC FINANCIAL STATEMENTS

COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS

Statement of Net Position

June 30, 2025

(with comparative prior year information)

	Governmental Activities	
	2025	2024
Assets:		
Cash and investments (note 3)	\$ 59,680,030	42,879,857
Accounts receivable	44,200	49,772
Interest receivable	612,614	522,945
Deposits receivable	75,666	115,295
Prepaid items	105,448	99,568
Loans receivable (note 4)	145,899	156,320
Due from other governments	49,815,812	59,538,446
Capital assets, not being depreciated (note 7)	208,387,416	129,809,928
Capital assets, net of depreciation (note 7)	27,147,448	28,483,854
Total Assets	346,014,533	261,655,985
Deferred Outflows of Resources:		
Deferred amounts from pension plans (note 12)	1,200,733	1,439,716
Total Deferred Outflows of Resources	1,200,733	1,439,716
Liabilities:		
Accounts payable	13,177,145	12,464,048
Accrued liabilities	426,145	122,185
Due to other governments	13,998,648	7,232,182
Noncurrent Liabilities		
Due within one year		
Bonds payable (note 9)	2,408,158	2,267,354
Compensated absences (note 10)	289,366	232,473
Subscription-based IT payable (note 9)	60,569	54,127
Lease liability (note 9)	174,156	118,101
Due in more than one year		
Bonds payable (note 9)	8,659,513	11,067,671
Net pension liability (note 12)	1,730,527	1,911,983
Compensated absences (note 10)	96,455	77,491
Subscription-based IT payable (note 9)	445,631	468,422
Lease liability (note 9)	1,680,353	1,344,657
Total Liabilities	43,146,666	37,360,694
Deferred Inflows of Resources:		
Deferred amounts from pension plans (note 12)	59,770	129,794
Total Deferred Inflows of Resources	59,770	129,794
Net Position:		
Net investment in capital assets	233,174,155	156,308,475
Restricted:		
Transportation	67,580,362	67,940,657
Environmental	755,328	904,261
Homeless	2,144,276	2,459,489
Unrestricted	354,709	(2,007,669)
Total Net Position	\$ 304,008,830	225,605,213

See accompanying notes to the basic financial statements.

COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS

Statement of Activities

Year ended June 30, 2025

(with comparative prior year information)

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expenses) Revenues and Changes in Net Position</u>	
		<u>Charges for Services</u>	<u>Operating Contributions and Grants</u>	<u>Capital Contributions and Grants</u>	<u>Governmental Activities</u>	
					<u>2025</u>	<u>2024</u>
Governmental Activities:						
Administrative	\$ 3,078,392	2,959,804	714,727	-	596,139	361,325
Transportation	36,463,031	-	4,772,898	106,932,801	75,242,668	87,014,736
Other	2,654,306	-	3,156,739	-	502,433	18,109
Interest expense	828,302	-	-	-	(828,302)	(937,450)
Total Governmental Activities	<u>\$ 43,024,031</u>	<u>2,959,804</u>	<u>8,644,364</u>	<u>106,932,801</u>	<u>75,512,938</u>	<u>86,456,720</u>
			General Revenues:			
			Investment income		2,868,166	2,610,734
			Gain on sale of land		-	370,288
			Other		22,513	-
			Total General Revenues		<u>2,890,679</u>	<u>2,981,022</u>
			Change in Net Position		78,403,617	89,437,742
			Net Position - Beginning		<u>225,605,213</u>	<u>136,167,471</u>
			Net Position - Ending		<u>\$ 304,008,830</u>	<u>225,605,213</u>

See accompanying notes to the basic financial statements.

COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS

Balance Sheet - Governmental Funds

June 30, 2025

(with comparative prior year information)

	<u>General</u>	<u>TUMF</u>	<u>Measure A</u>	<u>CV Link</u>
Assets:				
Cash and investments	\$ 3,337,056	14,211,197	38,370,437	1,561,632
Accounts receivable	11,515	-	-	-
Interest receivable	5,282	133,771	454,464	149
Deposits	20,961	-	10,000	39,372
Prepaid items	65,683	1,614	2,998	-
Due from other governments	128,599	739,140	31,959,367	7,602,473
Due from other funds (note 5)	<u>481,352</u>	<u>2,309,872</u>	<u>-</u>	<u>420,697</u>
Total Assets	<u>\$ 4,050,448</u>	<u>17,395,594</u>	<u>70,797,266</u>	<u>9,624,323</u>
Liabilities, Deferred Inflows of Resources, and Fund Balances:				
Liabilities:				
Accounts payable	\$ 110,210	61,860	330,819	8,867,828
Accrued liabilities	154,887	-	-	264,000
Due to other governments	4,838	3,475,560	8,211,601	756,495
Due to other funds (note 5)	<u>-</u>	<u>-</u>	<u>215,482</u>	<u>-</u>
Total Liabilities	<u>269,935</u>	<u>3,537,420</u>	<u>8,757,902</u>	<u>9,888,323</u>
Deferred Inflows of Resources:				
Unavailable revenues	<u>26,825</u>	<u>396,563</u>	<u>8,741,203</u>	<u>40,000</u>
Total Deferred Inflows of Resources	<u>26,825</u>	<u>396,563</u>	<u>8,741,203</u>	<u>40,000</u>
Fund Balances (Deficits):				
Nonspendable	65,683	1,614	2,998	-
Restricted:				
Transportation	-	13,459,997	53,295,163	-
Environmental	-	-	-	-
Homeless	-	-	-	-
Unassigned	<u>3,688,005</u>	<u>-</u>	<u>-</u>	<u>(304,000)</u>
Total Fund Balances (Deficits)	<u>3,753,688</u>	<u>13,461,611</u>	<u>53,298,161</u>	<u>(304,000)</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances (Deficits)	<u>\$ 4,050,448</u>	<u>17,395,594</u>	<u>70,797,266</u>	<u>9,624,323</u>

See accompanying notes to the basic financial statements.

COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS

Balance Sheet - Governmental Funds

June 30, 2025

(with comparative prior year information)

	<u>CV Sync</u>	<u>Grant Funding</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>	
				2025	2024
Assets:					
Cash and investments	-	-	2,199,708	59,680,030	42,879,857
Accounts receivable	-	-	32,685	44,200	49,772
Interest receivable	-	-	18,948	612,614	522,945
Deposits	2,433	-	2,900	75,666	115,295
Prepaid items	2,977	-	32,176	105,448	99,568
Due from other governments	2,406,941	3,739,716	3,239,576	49,815,812	59,538,446
Due from other funds (note 5)	876,054	-	275,126	4,363,101	17,876,081
Total Assets	<u>3,288,405</u>	<u>3,739,716</u>	<u>5,801,119</u>	<u>114,696,871</u>	<u>121,081,964</u>
 Liabilities, Deferred Inflows of Resources, and Fund Balances:					
Liabilities:					
Accounts payable	3,029,850	673,060	103,518	13,177,145	12,464,048
Accrued liabilities	-	-	7,258	426,145	122,185
Due to other governments	258,554	1,230,551	61,049	13,998,648	7,232,182
Due to other funds (note 5)	-	1,745,616	2,402,003	4,363,101	17,876,081
Total Liabilities	<u>3,288,404</u>	<u>3,649,227</u>	<u>2,573,828</u>	<u>31,965,039</u>	<u>37,694,496</u>
 Deferred Inflows of Resources:					
Unavailable revenues	40,000	2,177,118	338,818	11,760,527	11,145,850
Total Deferred Inflows of Resources	<u>40,000</u>	<u>2,177,118</u>	<u>338,818</u>	<u>11,760,527</u>	<u>11,145,850</u>
 Fund Balances (Deficits):					
Nonspendable	2,977	-	32,176	105,448	99,568
Restricted:					
Transportation	-	-	132,346	66,887,506	70,129,832
Environmental	-	-	755,328	755,328	904,261
Homeless	-	-	2,144,276	2,144,276	2,459,489
Unassigned	(42,976)	(2,086,629)	(175,653)	1,078,747	(1,351,532)
Total Fund Balances (Deficits)	<u>(39,999)</u>	<u>(2,086,629)</u>	<u>2,888,473</u>	<u>70,971,305</u>	<u>72,241,618</u>
 Total Liabilities, Deferred Inflows of Resources, and Fund Balances (Deficits)	<u>3,288,405</u>	<u>3,739,716</u>	<u>5,801,119</u>	<u>114,696,871</u>	<u>121,081,964</u>

See accompanying notes to the basic financial statements.

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COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS

**Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Position**

June 30, 2025

Fund Balances of Governmental Funds	\$ 70,971,305
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	
Capital assets	239,960,656
Accumulated depreciation	(4,425,792)
Loans receivable that have not been included in the governmental fund activity that do not provide current financial resources and are recognized in the statement of activities.	
	145,899
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds.	
Bonds payable	(11,067,671)
Net pension liability	(1,730,527)
Compensated absences	(385,821)
Subscription-based IT payable	(506,200)
Lease liability	(1,854,509)
Revenues reported as unavailable in the governmental funds but recognized in the statement of activities. These are included in intergovernmental revenues in the governmental fund activity.	
	11,760,527
Deferred outflows and inflows of resources related to pensions have not been reported in the governmental funds.	
Deferred outflows of resources related to pensions	1,200,733
Deferred inflows of resources related to pensions	<u>(59,770)</u>
Net Position of Governmental Activities	<u>\$ 304,008,830</u>

See accompanying notes to the basic financial statements.

COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS
Statement of Revenues, Expenditures and
Changes in Fund Balances - Governmental Funds
Year ended June 30, 2025
(with comparative prior year information)

	<u>General</u>	<u>TUMF</u>	<u>Measure A</u>	<u>CV Link</u>
Revenues:				
Member dues	\$ 596,940	-	-	-
Mitigation fees	-	6,525,686	-	-
Measure A	-	-	72,430,684	-
Grants	-	-	-	12,276,399
Investment income (loss)	41,526	874,385	1,851,217	639
Loan repayments	-	-	10,421	-
Other governmental	-	-	-	1,650,000
Miscellaneous	<u>76,538</u>	<u>-</u>	<u>22,513</u>	<u>1,780</u>
Total Revenues	<u>715,004</u>	<u>7,400,071</u>	<u>74,314,835</u>	<u>13,928,818</u>
Expenditures:				
Current:				
Salaries	199,851	400,391	653,106	81,935
Benefits	94,879	165,197	261,498	40,642
Meeting Attendance Stipends	21,132	2,482	4,610	-
General and office expenses	17,495	35,891	62,914	11,555
Professional services	10,763	152,620	247,390	67,181
Consultants	46,269	45,667	83,218	3,028
Capital outlay	539,297	372,159	2,539,265	50,607,507
Employee Travel or Training	271	2,698	4,918	302
Facility expenses	20,341	34,769	58,735	24,291
Project costs	21,275	8,190,987	17,343,941	1,067,865
Debt service:				
Principal retirement	9,105	16,960	2,295,952	7,517
Interest and fiscal charges	<u>4,287</u>	<u>7,988</u>	<u>758,348</u>	<u>3,540</u>
Total Expenditures	<u>984,965</u>	<u>9,427,809</u>	<u>24,313,895</u>	<u>51,915,363</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(269,961)</u>	<u>(2,027,738)</u>	<u>50,000,940</u>	<u>(37,986,545)</u>
Other Financing Sources (Uses):				
Proceeds from lease (note 9)	526,047	-	-	-
Sale of land	-	-	-	-
Transfers in (note 6)	736,738	-	3,612,875	37,750,015
Transfers out (note 6)	<u>-</u>	<u>(208,809)</u>	<u>(54,329,403)</u>	<u>(31,332)</u>
Total Other Financing Sources (Uses)	<u>1,262,785</u>	<u>(208,809)</u>	<u>(50,716,528)</u>	<u>37,718,683</u>
Net Change in Fund Balances	992,824	(2,236,547)	(715,588)	(267,862)
Fund Balance (Deficit) - Beginning, as previously presented	<u>2,760,864</u>	<u>15,698,158</u>	<u>54,013,749</u>	<u>(36,138)</u>
Change within financial reporting entity (nonmajor to major fund)	-	-	-	-
Fund Balance (Deficit) - Beginning, as restated	<u>2,760,864</u>	<u>15,698,158</u>	<u>54,013,749</u>	<u>(36,138)</u>
Fund Balance (Deficit) - Ending	<u>\$ 3,753,688</u>	<u>13,461,611</u>	<u>53,298,161</u>	<u>(304,000)</u>

See accompanying notes to the basic financial statements.

COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS

**Statement of Revenues, Expenditures and
Changes in Fund Balances - Governmental Funds**

Year ended June 30, 2025

(with comparative prior year information)

	CV Sync	Grant Funding	Other Governmental Funds	Total Governmental Funds	
				2025	2024
Revenues:					
Member dues	-	-	-	596,940	581,782
Mitigation fees	-	-	-	6,525,686	4,931,424
Measure A	-	-	-	72,430,684	54,080,827
Grants	14,859,580	-	1,449,501	28,585,480	48,269,355
Investment income	-	-	141,925	2,909,692	2,669,804
Loan repayments	-	-	-	10,421	10,421
Other governmental	-	2,474,164	5,012,351	9,136,515	7,872,724
Miscellaneous	-	-	527,143	627,974	934,482
Total Revenues	<u>14,859,580</u>	<u>2,474,164</u>	<u>7,130,920</u>	<u>120,823,392</u>	<u>119,350,819</u>
Expenditures:					
Current:					
Salaries	459,326	88,803	2,265,086	4,148,498	3,338,178
Benefits	173,968	33,262	1,004,236	1,773,682	1,552,157
Meeting Attendance Stipends	-	-	4,934	33,158	35,769
General and office expenses	43,576	6,402	194,857	372,690	795,255
Professional services	20,663	460,197	99,765	1,058,579	750,210
Consultants	895,854	1,211,168	56,572	2,341,776	972,632
Capital outlay	24,230,211	853,734	164,612	79,306,785	87,286,216
Employee Travel or Training	3,228	135	33,806	45,358	51,119
Facility expenses	94,990	8,401	278,308	519,835	207,101
Project costs	1,573	1,805,538	1,341,911	29,773,090	17,637,386
Debt service:					
Principal retirement	29,992	3,781	82,976	2,446,283	2,250,875
Interest and fiscal charges	13,243	1,779	39,117	828,302	937,450
Total Expenditures	<u>25,966,624</u>	<u>4,473,200</u>	<u>5,566,180</u>	<u>122,648,036</u>	<u>115,814,348</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(11,107,044)</u>	<u>(1,999,036)</u>	<u>1,564,740</u>	<u>(1,824,644)</u>	<u>3,536,471</u>
Other Financing Sources (Uses):					
Proceeds from lease (note 9)	-	-	28,284	554,331	480,447
Sale of land	-	-	-	-	3,369,374
Transfers in (note 6)	17,456,969	1,144,729	481,838	61,183,164	38,831,611
Transfers out (note 6)	<u>(3,618,816)</u>	<u>-</u>	<u>(2,994,804)</u>	<u>(61,183,164)</u>	<u>(38,831,611)</u>
Total Other Financing Sources (Uses)	<u>13,838,153</u>	<u>1,144,729</u>	<u>(2,484,682)</u>	<u>554,331</u>	<u>3,849,821</u>
Net Change in Fund Balances	2,731,109	(854,307)	(919,942)	(1,270,313)	7,386,292
Fund Balance (Deficit) - Beginning, as previously presented	<u>(2,771,108)</u>	<u>-</u>	<u>2,576,093</u>	<u>72,241,618</u>	<u>64,855,326</u>
Change within financial reporting entity (nonmajor to major fund)	-	(1,232,322)	1,232,322	-	-
Fund Balance (Deficit) - Beginning, as restated	<u>(2,771,108)</u>	<u>(1,232,322)</u>	<u>3,808,415</u>	<u>72,241,618</u>	<u>64,855,326</u>
Fund Balance (Deficit) - Ending	<u>(39,999)</u>	<u>(2,086,629)</u>	<u>2,888,473</u>	<u>70,971,305</u>	<u>72,241,618</u>

See accompanying notes to the basic financial statements.

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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, 2025

Net Change in Fund Balances - Total Governmental Funds \$ (1,270,313)

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the costs of these assets are allocated over their estimated useful lives as depreciation expense.

Cost of assets capitalized	79,306,782
Depreciation expense	(2,065,700)

Repayment of long term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. 2,446,283

Issuance of long-term liabilities is a revenue in the governmental funds, but increases long-term liabilities in the statement of net position. (554,331)

Repayment on loans receivable are recorded as a reduction of the loan receivable balance for the statement of activities. (10,421)

Revenues are reported as unavailable in the governmental funds but recognized in the statement of activities. These are included in the intergovernmental revenues in the governmental fund activity. 614,677

Some expenses reported in the statements of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.

Change in compensated absences	(75,857)
Changes in net pension liability and related deferred inflows and outflows of resources	<u>12,497</u>

Change in Net Position of Governmental Activities \$ 78,403,617

See accompanying notes to the basic financial statements.

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NOTES TO THE BASIC FINANCIAL STATEMENTS

COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS

Notes to the Basic Financial Statements

Year ended June 30, 2025

Note 1: Summary of Significant Accounting Policies

(a) Description of Reporting Entity

The Coachella Valley Association of Governments (CVAG) is a joint powers authority that was formed in 1973 for the purpose of improving and coordinating the common governmental responsibilities and services across eastern Riverside County. Its formative years were focused on serving as an environmental watchdog and as a forum for the exchange of ideas. After its founders successfully blocked an oil refinery from being built in the Banning pass, CVAG's member agencies implemented policies that evolved its mission. The agency has since achieved a long list of accomplishments in transportation, sustainability, conservation, green energy and regional community resources. Today, CVAG has 15 member agencies. It is governed by an Executive Committee consisting of the mayor or an elected official representing every city council in the Coachella Valley and the City of Blythe; all five Riverside County Supervisors; and the Tribal Chairs from the Agua Caliente Band of Cahuilla Indians, Cabazon Band of Cahuilla Indians, Torres Martinez Desert Cahuilla Indians, and Twenty-Nine Palms Band of Mission Indians. The basic financial statements of CVAG include all activities for which CVAG is financially accountable.

One of CVAG's most recognized successes is coordinating improvements along the regional transportation network. This responsibility was firmly established in 1989, when Riverside County voters passed the Measure A half-cent sales tax measure and further instilled trust in CVAG to develop a regional arterial network. That same year, CVAG's Joint Powers Agreement was amended to provide additional powers. CVAG establishes its priorities according to the Transportation Project Prioritization Study (TPPS), which is a merit-based method of prioritizing all regional projects in the Coachella Valley. Project priorities are based on criteria adopted by the CVAG Executive Committee, as recommended by civil engineers and public works professionals, and publicly reviewed by elected officials representing every CVAG member jurisdiction. The TPPS is updated every few years as the Coachella Valley's population grows and becomes more diverse in order to address different mobility needs, new technologies, state and federal policy as well as worldwide climate and economic trends. Updates to the TPPS also allow CVAG to incorporate new and innovative strategies that help reduce traffic congestion and increase economic productivity. CVAG and its member agencies seek out and secure state and federal funds to lessen the need to use local and regional funds for projects, which is evidenced in the funding makeup for interchange projects along Interstate 10, the regional signal synchronization program CV Sync and the multi-modal pathway CV Link. Measure A and the region's Transportation Uniform Mitigation Fee (TUMF) program provide the regional share of funding for projects like these. In addition to helping plan, fund and even construct projects, CVAG has the role of advising the Riverside County Transportation Commission (RCTC) on regional priority projects, including State highway projects on Highways 86 and 111.

CVAG has never lost sight of its roots and continues to spearhead a range of environmental programs that help create a more sustainable community. This includes managing a groundbreaking regional street sweeping to address air quality issues stemming from PM-10, which relies on AB 2766 funding from member cities. CVAG's other longstanding programs include a used oil recycling program and a tire amnesty program, both of which utilize grants from CalRecycle. This year, and in the years ahead, CVAG staff is working to ensure the region secures its share of funding for energy efficiency programs from the Inland Regional Energy Network (IREN), which is a partnership with Western Riverside Council of Governments and San Bernardino Council of Governments.

COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS

Notes to the Basic Financial Statements

Year ended June 30, 2025

Note 1: Summary of Significant Accounting Policies (Continued)

CVAG manages a unique array of programs as compared to its other JPA counterparts in California, including a homelessness program that relies on local funding to house chronically homeless individuals. Through staffing agreements, CVAG also provides administrative support to three other joint powers authorities: the Coachella Valley Conservation Commission (CVCC), Desert Community Energy (DCE) and the Coachella Valley Power Agency (CVPA). While its programs are diverse, CVAG's mission is consistent: Invest in projects that make eastern Riverside County a better place to live, work and play to ensure the desert's unique environment is preserved for future generations.

Major sources of revenue for CVAG consists of Measure A half-cent sales taxes and Transportation Uniform Mitigation Fees. CVAG 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, Rancho Mirage, the Agua Caliente Band of Cahuilla Indians, the Cabazon Band of Mission Indians, the Torres Martinez Desert Cahuilla Indians, and the Twenty-Nine Palms Band of Mission Indians. The General Assembly is the top policy making body of CVAG 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 19-member body composed of five members of the Riverside County Board of Supervisors, Mayors or Council Members of each City, and the Tribal Council Chairs, unless a member's jurisdictional body designates another member of CVAG General Assembly or Tribal Council to serve as the member. It is the top policy making body of CVAG 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 CVAG's Executive Director. In turn, the Executive Director employs and terminates the staff needed to carry out the overall work programs of CVAG.

Advisory Committees

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

COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS

Notes to the Basic Financial Statements

Year ended June 30, 2025

Note 1: Summary of Significant Accounting Policies (Continued)

(b) Basis of Accounting and Measurement Focus

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

- Government-Wide financial statements
- Fund financial statements
- Notes to the basic 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. CVAG 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 CVAG.

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 financial statements. The basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements.

Under the 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 expenditures. Proceeds of long-term debt are recorded as a liability in the government-wide financial statements, rather than as another 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 expenditures.

COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS

Notes to the Basic Financial Statements

Year ended June 30, 2025

Note 1: Summary of Significant Accounting Policies (Continued)

Fund Financial Statements

The underlying accounting system of CVAG 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, deferred inflows of resources and 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.

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. CVAG generally considers revenues available if they are collected within 120 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 the Basic Financial Statements

Year ended June 30, 2025

Note 1: Summary of Significant Accounting Policies (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.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net assets that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The government has one item that qualifies under this type of reporting; deferred items related to pension obligations.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

The government has two items that qualify for reporting in this category. Unavailable revenues, which arises only under a modified accrual basis of accounting, are reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from one source for a grant. This amount is deferred and recognized as an inflow of resources in the period that the amounts become available. The second item, reported in the government-wide statement of net position, relates to deferred items related to pension obligations.

Leases

CVAG recognizes the right to use assets and a lease payable in the financial statements. At the commencement of the lease, CVAG initially measures the right to use asset amount and lease payable at the present value of payments expected to be paid during the lease term. Subsequently, the lease payable is reduced by the principal portion of lease payments made.

COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS

Notes to the Basic Financial Statements

Year ended June 30, 2025

Note 1: Summary of Significant Accounting Policies (Continued)

Key estimates and judgments include how CVAG determines the discount rate it uses to discount the expected lease payments to present value and the lease term. CVAG used an estimated borrowing rate as the discount rate and the term includes the noncancellable period of the lease.

Subscription-Based Information Technology (IT) Arrangements

CVAG is a participant in subscription-based IT arrangements as detailed in Footnote 9. CVAG recognizes a subscription-based IT payable and the right to use IT assets in financial statements.

At the commencement of the arrangement, CVAG initially measures the payable at the present value of payments expected to be paid during the arrangement term. Subsequently, the payable is reduced by the principal portion of payments made. The right to use assets are initially measured at the initial amount of the subscription-based IT payable. Subsequently, the right to use assets are amortized over the life of the arrangement term.

Net Pension Liability

In government-wide financial statements, retirement plans (pensions) are required to be recognized and disclosed using the accrual basis of accounting (see Note 12 and the required supplementary information (RSI) section immediately following the Notes to Financial Statements), regardless of the amount recognized as pension expenditures on the governmental fund statements, which use the modified accrual basis of accounting.

In general, CVAG recognizes a net pension liability, which represents CVAG's proportionate share of the excess of the total pension liability over the fiduciary net position of the pension reflected in the actuarial report provided by the California Public Employees' Retirement System (CalPERS). The net pension liability is measured as of CVAG's prior fiscal year-end. Changes in the net pension liability are recorded, in the period incurred, as pension expense or as deferred inflows of resources or deferred outflows of resources depending on the nature of the change. The changes in net pension liability that are recorded as deferred inflows of resources or deferred outflows of resources (that arise from changes in actuarial assumptions or other inputs and differences between expected or actual experience) are amortized over the weighted average remaining service life of all participants in the respective pension plan and are recorded as a component of pension expense beginning with the period in which they are incurred.

For purposes of measuring the net pension liability and deferred outflows/inflows or resources relating to pensions and pension expense, information about the fiduciary net position of CVAG's pension plan with CalPERS and additions to/deductions from the plan's fiduciary net position have been determined on the same basis as they are reported by CalPERS.

For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefits terms. Investments are reported at fair value.

COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS

Notes to the Basic Financial Statements

Year ended June 30, 2025

Note 1: Summary of Significant Accounting Policies (Continued)

Net Position

In governmental-wide financial statements, Net Position are categorized as follows:

Net Investment in Capital Assets – This component of net position consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of debt that are attributable to the acquisition, construction, or improvement of those assets.

Restricted – This component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets.

Unrestricted – This component of net position is the amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

When expenses are incurred for purposes for which both restricted and unrestricted Net Position are available, CVAG's policy is to apply restricted Net Position first, then unrestricted Net Position as they are needed.

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 Executive Committee action limiting the use of funds is included in the same action (legislation) that created (enables) the funding source, then it is restricted.

Committed Fund Balance — this includes amounts that can be used only for the specific purposes determined by a formal action of the Executive Committee. 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. CVAG 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 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.

COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS

Notes to the Basic Financial Statements

Year ended June 30, 2025

Note 1: Summary of Significant Accounting Policies (Continued)

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

It is CVAG'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

CVAG reports the following major governmental funds:

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

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

CV Link Special Revenue Fund - This fund is used to account for revenues and expenditures specifically generated for and by the CV Link project.

CV Sync Special Revenue Fund - This fund is used to account for revenues and expenditures specifically generated for and by the CV Sync project.

Grant Funding Special Revenue Fund - This Fund is used to account for transportation-related grant revenues, local contributions, and the related expenditures for eligible transportation programs and projects, excluding CV Link, CV Sync, TUMF, and Measure A-funded activities.

CVAG'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 the Basic Financial Statements

Year ended June 30, 2025

Note 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 the 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.

CVAG 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 between 96 and 176 hours accumulated per year depending on length of employment. 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 CVAG.

(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, donated works of art and similar items, and capital assets received as part of a service concession arrangement are recorded at acquisition value at the date of acquisition. Generally, CVAG 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 position of CVAG.

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 depreciation is reported on the Statement of Net Position. 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
Easements	50 years
Infrastructure	15-50 years
Right to use/Subscription	Lesser of useful life or lease period

COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS

Notes to the Basic Financial Statements

Year ended June 30, 2025

Note 1: Summary of Significant Accounting Policies (Continued)

(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) Implementation of New Accounting Standards

During the year ended June 30, 2025, CVAG adopted new accounting guidance by implementing the provisions of Governmental Accounting Standards Board (GASB) Statement No. 102, *Certain Risk Disclosures*, which seeks to provide users of government financial statements with essential information about risks related to a government's vulnerabilities due to certain concentrations or constraints.

(j) Prior Year Data

Selected information regarding the prior year has been included in the accompanying financial statements. This information has been included for comparison purposes only and does not represent a complete presentation in accordance with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the government's prior year financial statements, from which this selected financial data was derived. In addition, certain minor reclassifications of the prior year's data have been made to enhance their comparability to the current year.

Note 2: Stewardship, Compliance, and Accountability

The table below represents funds that reported a fund deficit at June 30, 2025. This is due to accounts receivable and due from other governments at June 30, 2025 not received within the availability period.

CV Link	\$ (304,000)
CV Sync	(39,999)
Grant Funding	(2,086,629)
Street Sweeping	(120,786)
Tire Amnesty	(50,000)

Note 3: Cash and Investments

Cash and investments of CVAG consisted of the following at June 30, 2025:

Cash on hand	\$ 4,950
Deposits with financial institutions	<u>938,611</u>
Total cash and deposits	<u>943,561</u>
Investments:	
Local Agency Investment Fund	41,140,158
Riverside County Pooled Investment Fund	15,595,311
California Asset Management Program	<u>2,001,000</u>
Total investments	<u>58,736,469</u>
Total cash and investments	<u>\$ 59,680,030</u>

COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS

Notes to the Basic Financial Statements

Year ended June 30, 2025

Note 3: Cash and Investments (Continued)

Disclosure Relating to Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and CVAG's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies.

California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

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

The table below identifies the investment types that are authorized for CVAG by the California Government Code (or CVAG's investment policy, where more restrictive). The table also identifies certain provisions of the California Government Code (or CVAG'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

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 CVAG 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.

CVAG's investments in the Local Agency Investment Fund of \$41,140,158, Riverside County Pooled Investment Fund of \$15,595,311 and the California Asset Management Program of \$2,001,000 are available on demand.

COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS

Notes to the Basic Financial Statements

Year ended June 30, 2025

Note 3: Cash and Investments (Continued)

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that the 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, CVAG's investment policy, or debt agreements, and the actual rating as of year-end for each investment type:

<u>Investment Type</u>	<u>Actual/Minimum Rating</u>	<u>Amount</u>
Local Agency Investment Fund	N/A	\$ 41,140,158
Riverside County Pooled Investment Fund	AAA/AAA	15,595,311
California Asset Management Program	AAA/N/A	<u>2,001,000</u>
Total		<u>\$ 58,736,469</u>

Investment in State Investment Pool (LAIF)

CVAG is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by the California Government Code under the oversight of the Treasurer of the State of California. The fair value of CVAG's investment in this pool is reported in the accompanying financial statements at amounts based on the City's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. LAIF is not registered with the Securities and Exchange Commission and is not rated. Deposits and withdrawals in LAIF are made on the basis of \$1 and not fair value. Accordingly, CVAG's investment in this pool is measured on uncategorized inputs not defined as Level 1, 2, or 3.

Investment in Riverside County Investment Pool

CVAG is a voluntary participant in the County of Riverside Treasury Pool. The fair value of CVAG's investment in this pool is reported in the accompanying financial statements at amounts based upon CVAG'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.

Investment in California Asset Management Program

CVAG is a voluntary participant in the California Asset Management Program (CAMP). The funds are invested in a short-term money market portfolio rated AAA and as such, the fair market value is equivalent to the amount invested. The balance available for withdrawal is based on the accounting records maintained by CAMP.

Fair Value Hierarchy

CVAG categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. All CVAG investments are not subject to fair value rating.

COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS

Notes to the Basic Financial Statements

Year ended June 30, 2025

Note 4: Loans Receivable

CVAG 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 \$ 145,899

Note 5: Interfund Receivables and Payables

Interfund receivables and payables represent short-term borrowings to manage cash flows.

<u>Due to</u>	<u>Due From</u>	<u>Amount</u>
General Fund	Other Governmental Funds	\$ 481,352
TUMF	Grant Funding	1,745,616
TUMF	Other Governmental Funds	<u>564,256</u>
		<u>2,309,872</u>
CV Link	Other Governmental Funds	<u>420,697</u>
CV Sync	Measure A	215,482
CV Sync	Other Governmental Funds	<u>660,572</u>
		<u>876,054</u>
Other Governmental Funds	Other Governmental Funds	<u>275,126</u>
		<u>\$ 4,363,101</u>

Note 6: Interfund Transfers

Transfers in and out between funds for the year ending June 30, 2025 were as follows:

<u>Transfer In</u>	<u>Transfer Out</u>	<u>Amount</u>
General Fund	TUMF	\$ 208,809
General Fund	Measure A	168,321
General Fund	CV Link	31,332
General Fund	CV Sync	5,941
General Fund	Other Governmental Funds	<u>322,335</u>
		<u>736,738</u>
Measure A	CV Sync	<u>3,612,875</u>
CV Link	Measure A	36,704,113
CV Link	Other Governmental Funds	<u>1,045,902</u>
		<u>37,750,015</u>
CV Sync	Measure A	<u>17,456,969</u>
Grant Funding	Other Governmental Funds	<u>1,144,729</u>
Other Governmental Funds	Other Governmental Funds	<u>481,838</u>
	Total	<u>\$ 61,183,164</u>

The two largest transfers above were from the Measure A Fund. The largest transfer, approximately \$36.7 million, was to the CV Link Fund to cover expenditures for the CV Link active transportation pathway, for which Measure A is a funding source. The second largest transfer, totaling about \$17.5 million, was to the CV Sync Fund for costs related to the traffic signal synchronization project, which also utilizes Measure A funding.

COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS

Notes to the Basic Financial Statements

Year ended June 30, 2025

Note 7: Capital Assets

A summary of capital asset activity for the year ended June 30, 2025, is as follows:

	Balance at July 1, 2024	Additions	Deletions	Balance at June 30, 2025
Capital assets, not depreciated:				
Land	\$ 7,683,258	-	-	7,683,258
Construction in progress	<u>122,126,670</u>	<u>78,577,488</u>	-	<u>200,704,158</u>
Total capital assets, not depreciated	<u>129,809,928</u>	<u>78,577,488</u>	-	<u>208,387,416</u>
Capital assets, being depreciated:				
Furniture	72,638	15,675	-	88,313
Easement	1,424,545	-	-	1,424,545
Equipment and Vehicles	360,078	-	-	360,078
Infrastructure	26,848,101	159,288	-	27,007,389
Right to use assets	1,566,481	516,782	-	2,083,263
Subscription asset	<u>572,103</u>	<u>37,549</u>	-	<u>609,652</u>
Total capital assets, being depreciated	<u>30,843,946</u>	<u>729,294</u>	-	<u>31,573,240</u>
Less accumulated depreciation:				
Furniture	(33,542)	(2,600)	-	(36,142)
Easement	(47,481)	(16,750)	-	(64,231)
Equipment and Vehicles	(284,291)	(11,622)	-	(295,913)
Infrastructure	(1,752,544)	(1,803,278)	-	(3,555,822)
Right to use assets	(203,328)	(162,938)	-	(366,266)
Subscription asset	<u>(38,906)</u>	<u>(68,512)</u>	-	<u>(107,418)</u>
Total accumulated depreciation	<u>(2,360,092)</u>	<u>(2,065,700)</u>	-	<u>(4,425,792)</u>
Total capital assets, being depreciated, net	<u>28,483,854</u>	<u>(1,336,406)</u>	-	<u>27,147,448</u>
Total capital assets, net	<u>\$ 158,293,782</u>	<u>77,241,082</u>	-	<u>235,534,864</u>

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

Transportation	<u>\$2,065,700</u>
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COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS

Notes to the Basic Financial Statements

Year ended June 30, 2025

Note 8: 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 CVAG:

<u>Fiscal Period</u>		<u>Fiscal Year Ending</u>	<u>Total</u>
<u>From</u>	<u>To</u>		
1990	1994		\$ 13,585,887
1995	1999		13,642,573
2000	2004		26,394,448
2005	2009		40,898,960
2010	2014		11,556,909
2015	2019		19,017,989
		2020	4,990,263
		2021	5,897,592
		2022	10,795,963
		2023	7,715,614
		2024	4,931,424
		2025	6,525,686
			<u>\$ 165,953,308</u>

In addition, CVAG received \$24,383,399 relating to Measure A in lieu of TUMF for the Cities of Coachella, Desert Hot Springs, and La Quinta who were deferred participants in the TUMF program. All amounts owed to CVAG from these agencies were repaid in full by June 30, 2020.

Note 9: Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2025, is as follows:

	<u>Balance at July 1, 2024</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at June 30, 2025</u>	<u>Due within One Year</u>
Revenue bonds payable	\$ 13,335,025	-	(2,267,354)	11,067,671	2,408,158
Lease liability	1,462,758	516,782	(125,031)	1,854,509	174,156
Subscription-based IT payable	522,549	37,549	(53,898)	506,200	60,569
	<u>\$ 15,320,332</u>	<u>554,331</u>	<u>(2,446,283)</u>	<u>13,428,380</u>	<u>2,642,883</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). CVAG's participation in the Bonds was \$25,349,990. CVAG's portion of the Bond proceeds is for reimbursement of CVAG'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.

COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS

Notes to the Basic Financial Statements

Year ended June 30, 2025

Note 9: Long-Term Liabilities (Continued)

On November 17, 2010, RCTC issued \$150,000,000 of 2010 Sales Tax Revenue Bonds, Series A and B. CVAG's participation in the Bonds was \$8,584,820. CVAG's portion of the Bond proceeds was for reimbursement of CVAG's highway and regional arterial program expenditures that were previously reflected in long-term liabilities as Advancement of Measure A funds. Principal and interest on the Bonds are payable monthly through September 1, 2029. The rate of interest is 7.307% per annum.

As of June 30, 2025, annual debt service requirement of the revenue bonds payable is as follows:

Fiscal Year Ending	Principal	Interest	Total
2026	\$ 2,408,158	604,074	3,012,232
2027	2,557,867	454,366	3,012,233
2028	2,717,055	295,178	3,012,233
2029	2,886,333	125,900	3,012,233
2030	498,258	3,781	502,039
	<u>\$ 11,067,671</u>	<u>1,483,299</u>	<u>12,550,970</u>

There are no assets pledged as collateral for the debt, no required reserve, and no unused lines of credit. There are no finance-related consequences related to significant events of default or termination, and there are no acceleration clauses.

Lease Liability Payable

CVAG entered into 3 leases for office space with a lease term of ten years. CVAG is required to make monthly fixed payments ranging from \$11,444 to \$14,932, \$2,453 to \$3,201 and \$5,520 to \$6,476, with a discount rate of 3.83% to 5%. In addition, CVAG entered into a ten-year storage space lease in May 2025 with required monthly payments ranging from \$2,453 to \$3,201. As of June 30, 2025, the total lease liability recorded was \$1,854,509.

As of June 30, 2025, annual debt service requirement of the revenue lease liability is as follows:

Fiscal Year Ending	Principal	Interest	Total
2026	\$ 174,156	73,709	247,865
2027	188,037	66,234	254,271
2028	202,532	58,173	260,705
2029	223,240	49,378	272,618
2030	239,309	39,791	279,100
2031-2035	827,235	55,352	882,587
	<u>\$ 1,854,509</u>	<u>342,637</u>	<u>2,197,146</u>

COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS

Notes to the Basic Financial Statements

Year ended June 30, 2025

Note 9: Long-Term Liabilities (Continued)

Subscription-Based IT Payable

CVAG has entered into a subscription-based IT arrangements for various budget software and is required to make annual payments ranging from \$21,499 to \$22,574 over the arrangement terms. The payable at June 30, 2025, was \$506,200.

The future principal and interest lease payments as of June 30, 2025, are as follows:

Fiscal Year Ending	Principal	Interest	Total
2026	\$ 60,569	24,172	84,741
2027	40,640	21,527	62,167
2028	42,711	19,457	62,168
2029	44,886	17,281	62,167
2030	57,332	14,806	72,138
2031-2034	<u>260,062</u>	<u>28,489</u>	<u>288,551</u>
	<u>\$ 506,200</u>	<u>125,732</u>	<u>631,932</u>

Note 10: Compensated Absences

CVAG's policies relating to compensated absences are described in Note 1.

	Balance at July 1, 2024	Additions	Deletions	Balance at June 30, 2025	Due within One Year
Compensated absences	<u>\$ 309,964</u>	<u>75,857</u>	<u>-</u>	<u>385,821</u>	<u>289,366</u>

Note 11: Liability, Property and Workers' Compensation Protection

Description of Self-Insurance Pool Pursuant to Joint Powers Agreement

The Coachella Valley Association of Governments is a member of the California Joint Powers Insurance Authority (Authority). The Authority is composed of 125 California public entities and is organized under a joint powers agreement pursuant to California Government Code §6500 et seq. The purpose of the 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 lines of coverage. The Authority 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.

COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS

Notes to the Basic Financial Statements

Year ended June 30, 2025

Note 11: Liability, Property and Workers' Compensation Protection (Continued)

Primary Self-Insurance Programs of the Authority

Each member pays an annual contribution at the beginning of the coverage period. The total funding requirement for primary self-insurance programs is based on an actuarial analysis. Costs are allocated to individual agencies based on payroll and claims history, relative to other members of the risk-sharing pool.

Primary Liability Program

Claims are pooled separately between police and general government 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 costs incurred up to \$30,000 for each occurrence and is evaluated as a percentage of the pool's total costs incurred within the first layer. (3) The second layer of losses includes costs incurred from \$30,000 to \$750,000 for each occurrence and is evaluated as a percentage of the pool's total costs incurred within the second layer. (4) Incurred costs, from \$750,000 to \$50 million, are distributed based on the outcome of cost allocation within the first and second loss layers.

The overall coverage limit for each member, including all layers of coverage, is \$50 million per occurrence. Subsidence losses have a sub-limit of \$40 million per occurrence. The coverage structure includes retained risk that is pooled among members, reinsurance, and excess insurance.

More detailed information about the various layers of coverage is available on the following website: <https://cjpia.org/protection/coverage-programs>.

Purchased Insurance

Property Insurance

The Coachella Valley Association of Governments participates in the all-risk property protection program of the Authority. This insurance protection is underwritten by several insurance companies. Coachella Valley Association of Governments property is currently insured according to a schedule of covered property submitted by the Coachella Valley Association of Governments to the Authority.

Coachella Valley Association of Governments property currently has all-risk property insurance protection in the amount of "Non-participant." There is a \$10,000 deductible per occurrence except for non-emergency vehicle insurance which has a \$2,500 deductible.

Crime Insurance

The Coachella Valley Association of Governments purchases crime insurance coverage in the amount of "Non-Participant" with a "Non-Participant" deductible. The fidelity coverage is provided through the Authority.

COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS

Notes to the Basic Financial Statements

Year ended June 30, 2025

Note 11: Liability, Property and Workers' Compensation Protection (Continued)

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 2024-25.

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.

Note 12: Pension Plan

Plan Description

CVAG contributes to the California Public Employees Retirement System (CalPERS), a cost-sharing multiple-employer public employee defined benefit pension plan. All qualified permanent and probationary employees are eligible to participate in the CVAG's Miscellaneous Employee Pension Plans, cost-sharing multiple employer defined benefit pension plans administered by CalPERS. PERS provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. CalPERS acts as a common investment and administrative agent for participating public entities within the State of California. Benefit provisions and all other requirements are established by state statute and CVAG Executive Committee resolution. Copies of CalPERS' annual financial report may be obtained from their executive office located at 400 P Street, Sacramento, California 95814.

Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full-time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: The Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost-of-living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

The Public Employees' Pension Reform Act of 2013 (PEPRA) mandated new benefit formulas and new member contributions for new members (as defined by PEPRA) hired after January 1, 2013.

COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS

Notes to the Basic Financial Statements

Year ended June 30, 2025

Note 12: Pension Plan (Continued)

The provisions and benefits of the plan in effect at June 30, 2025, are summarized as follows:

	<u>Tier 1</u>	<u>PEPRA</u>
	Prior to January 1, 2013	On or after January 1, 2013
Hire Date		
Benefit formula	2% @ 55	2% @ 62
Benefit vesting schedule	5 years' service	5 years' service
Benefit payments	monthly for life	monthly for life
Retirement age	50 and up	52 and up
Monthly benefits, as a % of eligible compensation	1.43% - 2.42%	1.00% - 2.50%
Required employee contribution rates	6.93%	8.25%
Required employer contribution rates	13.31%	8.18%

Contribution Description

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on July 1 following notice of a change in the rate. The total plan contributions are determined through CalPERS annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. Employer contribution rates may change if plan contracts are amended. Payments made by the employer to satisfy contribution requirements that are identified by the pension plan terms as plan member contribution requirements are classified as plan member contributions.

For the year ending June 30, 2025, the contributions recognized as part of pension expense were \$586,693.

Pension Liabilities, Pension Expense and Deferred Outflows and Deferred Inflows of Resources Related to Pensions

The following table shows the Plan's proportionate share of the net pension liability over the measurement period.

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (c) = (a) - (b)
Measurement Date:			
Balance at: 6/30/23	\$ 13,575,139	11,663,156	1,911,983
Balance at: 6/30/24	<u>14,333,564</u>	<u>12,603,037</u>	<u>1,730,527</u>
Net Changes During 2023-24	<u>\$ 758,425</u>	<u>939,881</u>	<u>(181,456)</u>

COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS

Notes to the Basic Financial Statements

Year ended June 30, 2025

Note 12: Pension Plan (Continued)

CVAG’s net pension liability for each Plan is measured as a proportionate share of the net pension liability. The net pension liability of each of the Plans is measured as of June 30, 2024, and the total pension liability for each Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2023 rolled forward to June 30, 2024 using standard update procedures. CVAG’s proportion of the net pension liability was based on a projection of the CVAG’s long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined. The CVAG’s proportionate share of the net pension liability for each Plan as of June 30, 2023 and 2024, was as follows:

Proportion - June 30, 2023	0.03824%
Proportion - June 30, 2024	<u>0.03578%</u>
Change - Increase (Decrease)	<u>-0.00246%</u>

For the year ended June 30, 2025, CVAG recognized a total pension expense of \$653,257. At June 30, 2025, the CVAG reported deferred outflows and deferred inflows of resources related to pensions as follows:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Contributions subsequent to the measurement date	\$ 665,752	-
Changes in assumptions	44,478	-
Differences between expected and actual experience	149,620	5,838
Adjustment due to difference in contributions	77,836	53,932
Adjustment due to difference in proportions	163,423	-
Net difference between projected and actual earnings on pension plan investments	<u>99,624</u>	<u>-</u>
	<u>\$ 1,200,733</u>	<u>59,770</u>

The \$665,752 reported as deferred outflows of resources related to contributions subsequent to the measurement date and contributions made in excess of CVAG’s proportionate share of contributions; will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2026. Other amounts reported as deferred outflows or deferred inflows of resources related to pensions will be recognized as pension expense as follows:

<u>Fiscal Year Ended June 30,</u>	<u>Deferred Outflows/(Inflows) of Resources</u>
2026	\$218,485
2027	257,738
2028	33,128
2029	(34,140)
2030	-
	<u>\$ 475,211</u>

COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS

Notes to the Basic Financial Statements

Year ended June 30, 2025

Note 12: Pension Plan (Continued)

Actuarial Methods and Assumptions Used to Determine Total Pension Liability

The collective total pension liability for the June 30, 2024 measurement period was determined by an actuarial valuation as of June 30, 2023, with update procedures used to roll forward the total pension liability to June 30, 2024. The collective total pension liability was based on the following assumptions

Actuarial Cost Method	Entry Age Actuarial Cost Method
Actuarial Assumptions:	
Investment rate of return	6.90%
Inflation	2.30%
Salary Increases	Varies by Entry Age and Service
Mortality Rate Table ⁽¹⁾	Derived using CalPERS' Membership Data for all Funds
Post Retirement Benefit Increase	Contract COLA up to 2.30% until Purchasing Power Protection Allowance Floor on Purchasing Power applies

⁽¹⁾ The mortality table was developed based on CalPERS-specific data. The rates incorporate Generational Mortality to capture ongoing mortality improvement using 80% of Scale MP 2020 published by the Society of Actuaries. For more details, please refer to the 2021 experience study report that can be found on the CalPERS website.

Discount Rate

The discount rate used to measure the total pension liability for PERF C was 6.90 percent. The projection of cash flows used to determine the discount rate assumed contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

In determining the long-term expected rate of return, CalPERS took into account long-term market return expectations as well as the expected pension fund cash flows. Projected returns for all asset classes are estimated and combined with risk estimates, are used to project compound (geometric) returns over the long term. The discount rate used to discount liabilities was informed by the long-term projected portfolio return.

The table on the next page reflects long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. The target allocation shown was adopted by the Board effective on July 1, 2014.

COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS

Notes to the Basic Financial Statements

Year ended June 30, 2025

Note 12: Pension Plan (Continued)

Asset Class	Assumed Asset Allocation	Real Return Years 1-10 ^{1,2}
Global equity - cap-weighted	30%	4.54%
Global equity non-cap weighted	12%	3.84%
Private equity	13%	7.28%
Treasury	5%	0.27%
Mortgage-backed securities	5%	0.50%
Investment grade corporates	10%	1.56%
High yield	5%	2.27%
Emerging market debt	5%	2.48%
Private debt	5%	3.57%
Real assets	15%	3.21%
Leverage	-5%	-0.59%
Total	100%	

¹ An expected inflation of 2.30% used for this period.

² Figures are based on the 2021 Asset Liability Management Study.

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the CVAG’s proportionate share of the net pension liability of the Plan as of the measurement date, calculated using the discount rate of 6.90% for each Plan, as well as what the CVAG’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1% point lower (5.90%) or 1% point higher (7.90%) than the current rate:

	1% Decrease (5.90%)	Discount Rate (6.90%)	1% Increase (7.90%)
Net pension liability (asset)	\$ 3,664,704	1,730,527	138,415

Pension Plan Fiduciary Net Position

Detailed information about each pension plan’s fiduciary net position is available in the separately issued CalPERS financial reports.

COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS

Notes to the Basic Financial Statements

Year ended June 30, 2025

Note 13: Capital Projects and Programs

The following represents the unexpended project budgets as of June 30, 2025. Unexpended project budgets may be reprogrammed to other projects upon finalization of all pending items (final bills, disposition of change orders, etc.)

Airport Boulevard Bridge Replacement (Orange St to Desert Cactus Drive)	\$	3,758,731
Arts & Music Line		208,475
AVE 50 (JEFFERSON TO JACKSON)		208,685
Ave 50 Bridge (Washington St & La Quinta Evacuation Channel)		3,778,219
Avenue 44 Bridge		6,248,498
Avenue 48 (between Van Buren and Dillon Road)		684,662
Avenue 50 (bet. Calhoun St. & Cesar Chaves (formerly Harrison St.))		2,719,029
Avenue 50 (between SR86 and I-10)		5,500,000
Avenue 50 and Jackson St. Intersection Improvements		1,035,329
Avenue 50 Bridge		6,177,143
Avenue 66 Grade Separation		181,017
CV Link		9,572,791
CV Link Connectors		3,786,507
CV Sync Regional Traffic Signal Synchronization		8,616,537
CV Sync Varner Road I-10 Bypass (III)		4,055,534
Dune Palms Road Bridge		1,835,544
East Palm Canyon Dr. Bridge (over Palm Canyon Wash)		752,027
Flood & Blowsand - Indian Canyon		5,722,709
Indian Avenue (Garnet to and including Railroad Crossing Bridge)		2,418,771
Interchange Preparation Fund		6,424,855
JACKSON ST I10 INTERCHANGE		2,799,017
Madison Street (Avenue 52 to Indio Boulevard)		1,341,321
Portola / I-10 Interchange		12,161,922
Ramon Road Bridge Widening		5,677,743
S. Palm Canyon Dr. Bridge (over Tahquitz Creek Channel)		552,739
Vista Chino Drive Bridge		7,717,758
Total unexpended project budgets		103,935,563
Less: amounts to be provided in future years		<u>(39,606,419)</u>
Restricted fund balance associated with specific capital projects and programs	\$	<u>64,329,144</u>

COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS

Notes to the Basic Financial Statements

Year ended June 30, 2025

Note 14: Measure A Fund Program

Measure A is a half-cent local retail sales tax that was initially approved by the voters in November 1988 for 20 years and extended in November 2009 for an additional 30 years, through June 2039, to fund key transportation improvements in Riverside County. The Riverside County Transportation Commission (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. CVAG does not have direct control over the Coachella Valley highways and regional arterial program funds that are allocated to it by RCTC in accordance with the extended Measure A ordinance. As such, revenues are recognized when a Measure A highway or regional arterial program project expenditures, including debt service payments on advances (see Note 9), 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 CVAG are held by RCTC in a separate restricted special revenue fund. CVAG's allocation of the Measure A funds held at RCTC for the past five years is as follows:

Fiscal Year Ended June 30,	
2021	\$ 26,018,189
2022	27,299,763
2023	27,829,419
2024	27,185,225
2025	26,259,802

Note 15: Commitments and Contingencies

CVAG 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, 2025, the remaining commitment to the MSHCP is \$5,175,000. The liability has not been recorded in the accompanying financial statements because the contributions are contingent upon the receipt of future transportation revenues that are uncertain as to the timing and amount of collection.

REQUIRED SUPPLEMENTARY INFORMATION

COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS

**Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - General Fund**

Year ended June 30, 2025

	Budget Amounts		Variance with Original Budget Over (Under)	Actual	Variance with Final Budget Over (Under)
	Original	Final	Final Budget	Amounts	Actual Amounts
Revenues:					
Member dues	\$ 596,940	596,940	-	596,940	-
Investment income	20,548	20,548	-	41,526	20,978
Miscellaneous	58,000	58,000	-	76,538	18,538
Total Revenues	<u>675,488</u>	<u>675,488</u>	<u>-</u>	<u>715,004</u>	<u>39,516</u>
Expenditures:					
Current:					
Salaries	191,338	191,338	-	199,851	8,513
Benefits	86,045	86,045	-	94,879	8,834
Meeting attendance stipends	37,958	37,958	-	21,132	(16,826)
Office operations	8,573	8,573	-	17,495	8,922
Professional services	3,201	3,201	-	10,763	7,562
Consultants/service providers	181,108	181,108	-	46,269	(134,839)
Capital outlay	539,923	539,923	-	539,297	(626)
Employee travel or training	330	330	-	271	(59)
Facility expenses	14,315	14,315	-	20,341	6,026
Construction/project costs	50,060	50,060	-	21,275	(28,785)
Debt service:					
Principal retirement	6,927	6,927	-	9,105	2,178
Interest and fiscal charges	2,632	2,632	-	4,287	1,655
Total Expenditures	<u>1,122,410</u>	<u>1,122,410</u>	<u>-</u>	<u>984,965</u>	<u>(137,445)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(446,922)</u>	<u>(446,922)</u>	<u>-</u>	<u>(269,961)</u>	<u>176,961</u>
Other Financing Sources (Uses):					
Issuance of lease	523,035	523,035	-	526,047	1,049,082
Transfers in	1,000,000	1,000,000	-	736,738	263,262
Transfers out	(288,261)	(288,261)	-	-	288,261
Total Other Financing Sources (Uses)	<u>1,234,774</u>	<u>1,234,774</u>	<u>-</u>	<u>1,262,785</u>	<u>1,600,605</u>
Net Change in Fund Balance	787,852	787,852	-	992,824	204,972
Fund Balance - Beginning	<u>2,760,864</u>	<u>2,760,864</u>	<u>-</u>	<u>2,760,864</u>	<u>-</u>
Fund Balance - Ending	<u>\$ 3,548,716</u>	<u>3,548,716</u>	<u>-</u>	<u>3,753,688</u>	<u>204,972</u>

See accompanying notes to required supplementary information.

COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS

**Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - TUMF**

Year ended June 30, 2025

	Budget Amounts		Variance with Original Budget Over (Under)	Actual	Variance with Final Budget Over (Under)
	Original	Final	Final Budget	Amounts	Actual Amounts
Revenues:					
Mitigation fees	\$ 5,244,197	5,244,197	-	6,525,686	1,281,489
Investment income	268,093	268,093	-	874,385	606,292
Total Revenues	<u>5,512,290</u>	<u>5,512,290</u>	<u>-</u>	<u>7,400,071</u>	<u>1,887,781</u>
Expenditures:					
Current:					
Salaries	432,646	432,646	-	400,391	(32,255)
Benefits	204,635	204,635	-	165,197	(39,438)
Meeting attendance stipends	3,430	3,430	-	2,482	(948)
Office operations	23,243	23,243	-	35,891	12,648
Professional services	661,036	661,036	-	152,620	(508,416)
Consultants/service providers	2,270,929	2,270,929	-	45,667	(2,225,262)
Capital outlay	15,297	15,297	-	372,159	356,862
Employee travel or training	7,451	7,451	-	2,698	(4,753)
Facility expenses	25,499	25,499	-	34,769	9,270
Construction/project costs	11,016,340	11,016,340	-	8,190,987	(2,825,353)
Debt service:					
Principal retirement	12,366	12,366	-	16,960	4,594
Interest and fiscal charges	5,078	5,078	-	7,988	2,910
Total Expenditures	<u>14,677,950</u>	<u>14,677,950</u>	<u>-</u>	<u>9,427,809</u>	<u>(5,250,141)</u>
Excess of Revenues over Expenditures	<u>(9,165,660)</u>	<u>(9,165,660)</u>		<u>(2,027,738)</u>	<u>7,137,922</u>
Other Financing Sources (Uses):					
Transfers out	<u>(5,008,809)</u>	<u>(5,008,809)</u>	-	<u>(208,809)</u>	<u>4,800,000</u>
Total Other Financing Sources (Uses)	<u>(5,008,809)</u>	<u>(5,008,809)</u>	<u>-</u>	<u>(208,809)</u>	<u>4,800,000</u>
Net Change in Fund Balance	(14,174,469)	(14,174,469)	-	(2,236,547)	11,937,922
Fund Balance - Beginning	<u>15,698,158</u>	<u>15,698,158</u>	-	<u>15,698,158</u>	<u>-</u>
Fund Balance - Ending	<u>\$ 1,523,689</u>	<u>1,523,689</u>	<u>-</u>	<u>13,461,611</u>	<u>11,937,922</u>

See accompanying notes to required supplementary information.

COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS

**Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - Measure A**

Year ended June 30, 2025

	Budget Amounts		Variance with Original Budget Over (Under)	Actual	Variance with Final Budget Over (Under)
	Original	Final	Final Budget	Amounts	Actual Amounts
Revenues:					
Measure A	\$ 88,815,748	88,815,748	-	70,192,066	(18,623,682)
Investment income	1,019,725	1,019,725	-	1,851,217	831,492
RCTC admin reimbursements	6,664,448	6,664,448	-	2,249,039	(4,415,409)
Miscellaneous	10,421	10,421	-	22,513	12,092
Total Revenues	<u>96,510,342</u>	<u>96,510,342</u>	<u>-</u>	<u>74,314,835</u>	<u>(22,195,507)</u>
Expenditures:					
Current:					
Salaries	857,197	857,197	-	653,106	(204,091)
Benefits	398,063	398,063	-	261,498	(136,565)
Meeting attendance stipends	6,370	6,370	-	4,610	(1,760)
Office operations	144,847	144,847	-	62,914	(81,933)
Professional services	434,690	434,690	-	247,390	(187,300)
Consultants/service providers	5,947,751	5,947,751	-	83,218	(5,864,533)
Capital outlay	233,169	233,169	-	2,539,265	2,306,096
Employee travel or training	13,930	13,930	-	4,918	(9,012)
Facility expenses	49,325	49,325	-	58,735	9,410
Construction/project costs	18,087,041	18,087,041	-	17,343,941	(743,100)
Debt service:					
Principal	2,291,267	2,291,267	-	2,295,952	4,685
Interest	754,607	754,607	-	758,348	3,741
Total Expenditures	<u>29,218,257</u>	<u>29,218,257</u>	<u>-</u>	<u>24,313,895</u>	<u>(4,904,362)</u>
Excess of Revenues Over Expenditures	<u>67,292,085</u>	<u>67,292,085</u>	<u>-</u>	<u>50,000,940</u>	<u>(17,291,145)</u>
Other Financing Sources (Uses):					
Transfers in	-	-	-	3,612,875	3,612,875
Transfers out	(64,162,241)	(64,162,241)	-	(54,329,403)	9,832,838
Total Other Financing Sources (Uses)	<u>(64,162,241)</u>	<u>(64,162,241)</u>	<u>-</u>	<u>(50,716,528)</u>	<u>13,445,713</u>
Net Change in Fund Balance	3,129,844	3,129,844	-	(715,588)	(3,845,432)
Fund Balance - Beginning	54,013,749	54,013,749	-	54,013,749	-
Fund Balance - Ending	<u>\$ 57,143,593</u>	<u>57,143,593</u>	<u>-</u>	<u>53,298,161</u>	<u>(3,845,432)</u>

See accompanying notes to required supplementary information.

COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS

**Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - CV Link**

Year ended June 30, 2025

	Budget Amounts		Variance with Original Budget Over (Under)	Actual	Variance with Final Budget Over (Under)
	Original	Final	Final Budget	Amounts	Actual Amounts
Revenues:					
Grants	\$ 16,152,205	16,152,205	-	12,276,399	(3,875,806)
Investment income	500	500	-	639	139
Other governmental	1,670,000	1,670,000	-	1,650,000	(20,000)
Miscellaneous	100,000	100,000	-	1,780	(98,220)
Total Revenues	17,922,705	17,922,705	-	13,928,818	(3,993,887)
Expenditures:					
Current:					
Salaries	113,582	113,582	-	81,935	(31,647)
Benefits	50,228	50,228	-	40,642	(9,586)
Meeting attendance stipends	-	-	-	-	-
Office operations	12,024	12,024	-	11,555	(469)
Professional services	877,167	877,167	-	67,181	(809,986)
Consultants/service providers	1,545	1,545	-	3,028	1,483
Capital outlay	62,224,906	62,224,906	-	50,607,507	(11,617,399)
Employee travel or training	460	460	-	302	(158)
Facility expenses	21,174	21,174	-	24,291	3,117
Construction/project costs	2,200	2,200	-	1,067,865	1,065,665
Debt service:					
Principal retirement	10,248	10,248	-	7,517	(2,731)
Interest and fiscal charges	3,930	3,930	-	3,540	(390)
Total Expenditures	63,317,464	63,317,464	-	51,915,363	(11,402,101)
Excess (Deficiency) of Revenues Over (Under) Expenditures	(45,394,759)	(45,394,759)	-	(37,986,545)	7,408,214
Other Financing Sources (Uses):					
Transfers in	45,426,091	45,426,091	45,426,091	37,750,015	(7,676,076)
Transfers out	(31,332)	(31,332)	(31,332)	(31,332)	-
Total Other Financing Sources (Uses)	45,394,759	45,394,759	45,394,759	37,718,683	(7,676,076)
Net Change in Fund Balance	-	-	45,394,759	(267,862)	(267,862)
Fund Balance (Deficit) - Beginning	(36,138)	(36,138)	-	(36,138)	-
Fund Balance (Deficit) - Ending	\$ (36,138)	(36,138)	-	(304,000)	(267,862)

See accompanying notes to required supplementary information.

COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS

**Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - CV Sync**

Year ended June 30, 2025

	Budget Amounts		Variance with Original Budget Over (Under)	Actual	Variance with Final Budget Over (Under)
	Original	Final	Final Budget	Amounts	Actual Amounts
Revenues:					
Grants	\$ 20,902,400	20,902,400	-	14,859,580	(6,042,820)
Total Revenues	20,902,400	20,902,400	-	14,859,580	(6,042,820)
Expenditures:					
Current:					
Salaries	165,902	165,902	-	459,326	293,424
Benefits	63,191	63,191	-	173,968	110,777
Office operations	31,841	31,841	-	43,576	11,735
Professional services	1,957,341	1,957,341	-	20,663	(1,936,678)
Consultants/service providers	104,056	104,056	-	895,854	791,798
Capital outlay	42,432,081	42,432,081	-	24,230,211	(18,201,870)
Employee travel or training	1,208	1,208	-	3,228	2,020
Facility expenses	121,769	121,769	-	94,990	(26,779)
Construction/project costs	-	-	-	1,573	1,573
Debt service:					
Principal retirement	40,341	40,341	-	29,992	(10,349)
Interest and fiscal charges	16,018	16,018	-	13,243	(2,775)
Total Expenditures	44,933,748	44,933,748	-	25,966,624	(18,967,124)
Excess (Deficiency) of Revenues Over (Under) Expenditures	(24,031,348)	(24,031,348)	-	(11,107,044)	12,924,304
Other Financing Sources (Uses):					
Transfers in	24,037,290	24,037,290	-	17,456,969	(6,580,321)
Transfers out	(5,942)	(5,942)	-	(3,618,816)	(3,612,874)
Total Other Financing Sources (Uses)	24,031,348	24,031,348	-	13,838,153	(10,193,195)
Net Change in Fund Balance	-	-		2,731,109	2,731,109
Fund Balance (Deficit) - Beginning	(2,771,108)	(2,771,108)	-	(2,771,108)	-
Fund Balance (Deficit) - Ending	\$ (2,771,108)	(2,771,108)	-	(39,999)	2,731,109

See accompanying notes to required supplementary information.

COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS

**Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - Grant Funding**

Year ended June 30, 2025

	Budget Amounts		Variance with Original Budget Over (Under) Final Budget	Actual Amounts	Variance with Final Budget Over (Under) Actual Amounts
	Original	Final			
Revenues:					
Grants	\$ 10,570,342	10,570,342	-	-	(10,570,342)
Other governmental	4,685,625	4,685,625	-	2,474,164	(2,211,461)
Total Revenues	<u>15,255,967</u>	<u>15,255,967</u>	<u>-</u>	<u>2,474,164</u>	<u>(12,781,803)</u>
Expenditures:					
Current:					
Salaries	165,655	165,655	-	88,803	(76,852)
Benefits	60,737	60,737	-	33,262	(27,475)
Office operations	1,249	1,249	-	6,402	5,153
Professional services	10,570,342	10,570,342	-	460,197	(10,110,145)
Consultants/service providers	976,125	976,125	-	1,211,168	235,043
Capital outlay	-	-	-	853,734	853,734
Employee travel or training	-	-	-	135	135
Facility expenses	7,405	7,405	-	8,401	996
Construction/project costs	2,815,750	2,815,750	-	1,805,538	(1,010,212)
Debt service:					
Principal retirement	3,599	3,599	-	3,781	182
Interest and fiscal charges	1,592	1,592	-	1,779	187
Total Expenditures	<u>14,602,454</u>	<u>14,602,454</u>	<u>-</u>	<u>4,473,200</u>	<u>(10,129,254)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>653,513</u>	<u>653,513</u>	<u>-</u>	<u>(1,999,036)</u>	<u>(2,652,549)</u>
Other Financing Sources (Uses):					
Transfers in	-	-	-	1,144,729	1,144,729
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,144,729</u>	<u>1,144,729</u>
Net Change in Fund Balance	653,513	653,513		(854,307)	(1,507,820)
Fund Balance (Deficit) - Beginning, as previously presented	-	-	-	-	-
Change within financial reporting entity (nonmajor to major fund)	-	-	-	(1,232,322)	(1,232,322)
Fund Balance (Deficit) - Beginning, as restated	-	-	-	(1,232,322)	(1,232,322)
Fund Balance (Deficit) - Ending	<u>\$ 653,513</u>	<u>653,513</u>	<u>-</u>	<u>(2,086,629)</u>	<u>(2,740,142)</u>

See accompanying notes to required supplementary information.

COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS

Schedule of Proportionate Share of the Net Pension Liability (Asset) - Miscellaneous Plan

Last Ten Years

	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>
Measurement Date	06/30/24	06/30/23	06/30/22	06/30/21	06/30/20
Proportion of the net pension liability (asset)	0.03578%	0.03824%	0.03673%	-0.00291%	0.03868%
Proportionate share of the net pension liability (asset)	\$ 1,730,527	1,911,983	1,718,540	(55,246)	1,631,820
Covered payroll	\$ 3,491,614	2,768,533	2,151,212	1,800,316	1,787,612
Proportionate Share of the net pension liability as a percentage of covered payroll	49.56%	69.06%	79.89%	-3.07%	91.28%
Plan fiduciary net position as a percentage of the total pension liability	79.91%	77.97%	78.18%	90.49%	77.71%
	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Measurement Date	06/30/19	06/30/18	06/30/17	06/30/16	06/30/15
Proportion of the net pension liability (asset)	0.02398%	0.02306%	0.02283%	0.02221%	0.02071%
Proportionate share of the net pension liability (asset)	2,457,681	2,222,478	2,264,005	1,921,675	1,421,670
Covered payroll	1,757,237	1,399,410	1,595,046	1,555,017	1,364,384
Proportionate Share of the net pension liability as a percentage of covered payroll	139.86%	158.82%	141.94%	123.58%	104.20%
Plan fiduciary net position as a percentage of the total pension liability	75.26%	73.39%	73.31%	75.87%	79.89%

Summary of Changes of Benefits or Assumptions:

Benefit Changes: There were no changes to benefit terms that applied to all members of the Public Agency Pool. However, individual employers in the Plan may have provided a benefit improvement to their employees by granting Two Years Additional Service Credit to members retiring during a specified time period (a.k.a Golden Handshakes). Employers that have done so may need to report this information as a separate liability in their financial statements as CalPERS considers such amounts to be separate financed employer-specific liabilities.

Changes in Assumptions: There were no assumption changes in 2023 or 2024. Effective with the June 30, 2021 valuation date (June 30, 2022 measurement date), the accounting discount rate was reduced from 7.15% to 6.90%. In determining the long-term expected rate of return, CalPERS took into account long-term market return expectations as well as the expected pension fund cash flows. In addition, demographic assumptions and the price inflation assumption were changed in accordance with the 2021 CalPERS Experience Study and Review of Actuarial Assumptions. The accounting discount rate was 7.15 for measurement date June 30, 2017, through June 30, 2021, and 7.65% for measurement dates June 30, 2015 through June 30, 2016.

COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS
Schedule of Pension Contributions - Miscellaneous Plan

Last Ten Years

	2025	2024	2023	2022	2021
Actuarially determined contributions - Miscellaneous	\$ 665,752	586,693	445,354	397,881	445,354
Contributions in relation to the actuarially determined contribution	<u>(665,752)</u>	<u>(586,693)</u>	<u>(445,354)</u>	<u>(397,881)</u>	<u>(445,354)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Covered payroll	\$4,305,801	3,491,614	2,768,533	2,151,212	1,800,316
Contributions as a percentage of covered payroll	15.46%	16.80%	16.09%	18.50%	24.74%
	2020	2019	2018	2017	2016
Actuarially determined contributions - Miscellaneous	\$1,341,435	294,482	242,382	221,669	217,333
Contributions in relation to the actuarially determined contribution	<u>(1,341,435)</u>	<u>(294,482)</u>	<u>(242,382)</u>	<u>(221,669)</u>	<u>(217,333)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Covered payroll	\$1,787,612	1,757,237	1,399,410	1,595,046	1,555,017
Contributions as a percentage of covered payroll	75.04%	16.76%	17.32%	13.90%	13.98%

Methods and assumptions used to determine contribution rates:

Actuarial Valuation Date	June 30, 2022
Actuarial Cost Method	Entry Age
Amortization Method	Level Percent of Payroll
Asset Valuation Method	Market Value
Discount Rate	6.80%
Projected Salary	Varies by entry age and service
Inflation	2.30%
Payroll Growth	2.80%

Coachella Valley Association of Governments
Notes to Required Supplementary Information
Year ended June 30, 2025

Note 1: Budgets and Budgetary Accounting

CVAG adopts an annual budget prepared on the modified accrual basis of accounting for its governmental funds. The Executive Director or 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 fund level.

COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS

Notes to Required Supplementary Information

Year ended June 30, 2025

	General Fund Over (Under)	TUMF Over (Under)	Measure A Over (Under)
BUDGETARY REVENUES			
Differences - final budget to actual:			
Mitigation Fees: The increase in development mitigation fees from the budget is primarily due to more projects being permitted than expected.	\$ -	1,281,489	-
Investment income: The actual amount of interest income exceeded the budgeted amount due to the conservative estimates originally developed during the budget process. Actual results saw higher return on investments than anticipated.	-	606,292	-
Measure A: The decrease is primarily attributable to actual expenditures for CV Link and CV Sync coming in below expectations for the fiscal year, along with lower-than-anticipated activity in regional arterial projects.	-	-	(18,623,682)
RCTC admin reimbursements: The decrease is attributable to the budgeted revenue for fiscal year 2025 not being realized as actual expenditures were below expectations.	-	-	(4,415,409)
BUDGETARY EXPENSES			
Differences - final budget to actual:			
Consultants/Service Providers: The decrease across funds was primarily due to postponed studies, unavailable grants, lower vendor services, and certain costs being reclassified to capital outlay, as detailed below:	(134,839)	(2,225,262)	(5,864,533)
<u>General fund</u> - The decrease reflects lower actual expenditures for vendor services related to the Coachella Valley Energy Commission Strategic Plan compared to expectations.			
<u>TUMF</u> - The variance is primarily attributable to the Transportation Program Prioritization Study being postponed to fiscal year 2026, and to non-reimbursed local match expenditures for the Bicycle & Pedestrian Safety Program not being incurred, as the associated grant that would have funded the majority of these project costs was not available in fiscal year 2025.			
<u>Measure A</u> - The variance is primarily attributable to the Transportation Program Prioritization Study being postponed to fiscal year 2026, and to Bicycle & Pedestrian Safety Program expenditures not being incurred, as the related grants that would have funded most of these project costs were not awarded or not applied for as anticipated. In addition, certain costs related to the Arts and Music Line were originally budgeted in this account but were actualized in capital outlay as explained next.			
Capital Outlay: The increase compared to the budget is primarily due to the capitalization of expenses related to the Arts and Music Line project. CVAG initially incurred local funding expenses for project discovery under the assumption that the project would be treated as a non-capital arterial initiative. After the budget was approved and it was confirmed that CVAG would lead the project, these costs were reclassified and capitalized as part of the project's capital outlay.	-	-	2,306,096
Professional services: Actual expenditures were lower than budgeted primarily because anticipated software support services did not occur during the fiscal year as originally planned.	-	(508,416)	-
Construction/Project Costs: The variance is primarily due to regional arterial project activity being lower than anticipated.	-	(2,825,353)	-

COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS

Notes to Required Supplementary Information

Year ended June 30, 2025

	CV Link Over (Under)	CV Sync Over (Under)	Grant Funding Over (Under)
BUDGETARY REVENUES			
Differences - final budget to actual:			
Other governmental: The amount is underbudget primarily due to regional arterial project activity being lower than anticipated, resulting in a corresponding decrease in reimbursement revenue.	\$ -	-	(2,211,461)
Grants: The decrease, as detailed below, was primarily due to reduced project activity, the completion of major construction phases in the prior year, and anticipated grant revenues not being earned in the current fiscal year.	(3,875,806)	(6,042,820)	(10,570,342)
<u>CV Link</u> - The decrease is mainly due to reduced project activity and changes in the reimbursement approach for the CV Link project as available external funding is fully utilized and the project approaches completion.			
<u>CV Sync</u> - The decrease is mainly due to reduced project activity for the CV Sync project, as a significant portion of construction and implementation was completed in the prior year, leading to lower reimbursable expenditures in the current year.			
<u>Grant Funding</u> - The decrease is primarily due to approximately \$9.9 million in anticipated grant revenue not being earned in the current fiscal year.			
BUDGETARY EXPENSES			
Differences - final budget to actual:			
Salaries: The amount is under budget due to vacant positions and fewer staff hours than anticipated during the fiscal year.	-	-	(76,852)
Professional services: CV Link and CV Sync were under budget mainly due to budgeted operations and maintenance expenditures that did not occur during the fiscal year, and Grant Funding was under budget due to \$9.9 million in grant revenue not being applied for or awarded, resulting in lower expenditures.	(809,986)	(1,936,678)	(10,110,145)
Capital Outlay: The decrease is primarily due to lower construction activity for CV Link than anticipated, and reduced CV Sync construction activity compared to expectations, reflecting the near completion of Phase II and the significant portion of work completed in fiscal year 2024.	(11,617,399)	(18,201,870)	-
Construction/Project Costs: The variance is primarily due to regional arterial project activity being lower than anticipated.	-	-	(1,010,212)
Capital Outlay: The increase compared to the budget is primarily due to the capitalization of expenses related to the Arts and Music Line project. CVAG initially incurred local funding expenses for project discovery under the assumption that the project would be treated as a non-capital arterial initiative. After the budget was approved and it was confirmed that CVAG would lead the project, these costs were reclassified and capitalized as part of the project's capital outlay.	-	-	853,734
Construction/Project Costs: The overage is primarily due to non-capitalizable expenditures that were not anticipated; however, these costs were fully covered by grant funding.	1,065,665	-	-
Consultants/Service Providers: The increase is due to higher non-capitalizable CV Sync costs and unbudgeted transportation studies fully funded by grants, as detailed below:	-	791,798	235,043
<u>CV Sync</u> - The overage is primarily due to higher-than-budgeted non-capitalizable expenditures, such as feasibility studies. Most of the budgeted amount was for design and construction, which was budgeted as Capital Outlay.			
<u>Grant Funding</u> - The overage is primarily due to transportation-related studies that were not budgeted; however, the related costs are fully covered by grant funding.			

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SUPPLEMENTARY INFORMATION

COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS

**Combining Balance Sheet
Nonmajor Governmental Funds**

June 30, 2025

	Special Revenue Funds						
	Other Transportation	Special Projects	Multi-Species Habitat Conservation	AB2766 Grant	Oil Grant	AB939 Grant	Air Quality Enhancement
Assets:							
Cash and investments	\$ 848	51,861	-	109,333	307	16,061	1,198
Accounts receivable	-	-	-	-	-	-	-
Interest receivable	172	-	-	2,127	62	244	154
Due from other governments	1,356,155	3,000	416,123	332,441	53,765	-	40,000
Due from other funds	4,399	-	-	270,727	-	-	-
Deposits	-	-	-	-	-	-	-
Prepaid expenses	-	-	4,955	-	-	-	-
Total Assets	\$ 1,361,574	54,861	421,078	714,628	54,134	16,305	41,352
Liabilities, Deferred Inflows of Resources, and Fund Balances (Deficits):							
Liabilities:							
Accounts payable	\$ -	-	293	-	1,899	-	-
Accrued liabilities	-	-	-	-	-	-	-
Due to other governments	-	-	-	-	-	-	40,000
Due to other funds	1,229,228	-	420,697	-	128	-	-
Total Liabilities	1,229,228	-	420,990	-	2,027	-	40,000
Deferred Inflows of Resources							
Unavailable revenues	-	-	-	52,985	-	-	-
Total Deferred Inflows of Resources	-	-	-	52,985	-	-	-
Fund Balances (Deficits):							
Nonspendable	-	-	4,955	-	-	-	-
Restricted:							
Transportation	132,346	-	-	-	-	-	-
Environmental	-	23,921	-	661,643	52,107	16,305	1,352
Homeless	-	30,940	-	-	-	-	-
Unassigned	-	-	(4,867)	-	-	-	-
Total Fund Balances (Deficits)	132,346	54,861	88	661,643	52,107	16,305	1,352
Total Liabilities, Deferred Inflows of Resources, and Fund Balances (Deficits)	\$ 1,361,574	54,861	421,078	714,628	54,134	16,305	41,352

COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS

**Combining Balance Sheet
Nonmajor Governmental Funds**

June 30, 2025

	Special Revenue Funds (Continued)					Total
	Street Sweeping	Homeless	Tire Amnesty	I-REN	Desert Community Energy	Governmental Funds
Assets:						
Cash and investments	-	2,020,100	-	-	-	2,199,708
Accounts receivable	-	32,685	-	-	-	32,685
Interest receivable	-	16,189	-	-	-	18,948
Due from other governments	429,249	100,000	50,000	248,586	210,257	3,239,576
Due from other funds	-	-	-	-	-	275,126
Deposits	-	2,900	-	-	-	2,900
Prepaid expenses	-	27,221	-	-	-	32,176
Total Assets	429,249	2,199,095	50,000	248,586	210,257	5,801,119
Liabilities, Deferred Inflows of Resources, and Fund Balances (Deficits):						
Liabilities:						
Accounts payable	76,112	17,947	7,124	-	143	103,518
Accrued liabilities	7,258	-	-	-	-	7,258
Due to other governments	-	696	-	20,353	-	61,049
Due to other funds	270,727	-	42,876	228,233	210,114	2,402,003
Total Liabilities	354,097	18,643	50,000	248,586	210,257	2,573,828
Deferred Inflows of Resources						
Unavailable revenues	195,938	39,895	50,000	-	-	338,818
Total Deferred Inflows of Resources	195,938	39,895	50,000	-	-	338,818
Fund Balances (Deficits):						
Nonspendable	-	27,221	-	-	-	32,176
Restricted:						
Transportation	-	-	-	-	-	132,346
Environmental	-	-	-	-	-	755,328
Homeless	-	2,113,336	-	-	-	2,144,276
Unassigned	(120,786)	-	(50,000)	-	-	(175,653)
Total Fund Balances (Deficits)	(120,786)	2,140,557	(50,000)	-	-	2,888,473
Total Liabilities, Deferred Inflows of Resources, and Fund Balances (Deficits)	429,249	2,199,095	50,000	248,586	210,257	5,801,119

COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS

**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds**

Year ended June 30, 2025

	Special Revenue Funds						
	Other Transportation	Special Projects	Multi-Species Habitat Conservation	AB2766 Grant	Oil Grant	AB939 Grant	Air Quality Enhancement
Revenues:							
Grants	\$ 1,161,774	-	-	-	53,765	-	-
Investment income (loss)	1,020	-	-	17,538	541	1,973	1,352
Other governmental	882,500	-	1,648,408	374,378	-	16,526	40,000
Miscellaneous	-	27,000	-	-	-	-	-
Total Revenues	2,045,294	27,000	1,648,408	391,916	54,306	18,499	41,352
Expenditures:							
Current:							
Salaries	17,132	-	822,937	18,568	4,801	6,745	3,781
Benefits	7,326	-	371,757	8,069	2,223	3,020	1,693
Meeting Attendance Stipends	-	-	-	2,467	-	2,467	-
General and office expenses	993	-	72,959	1,034	257	398	216
Professional services	689	-	26,516	490	2,024	177	94
Consultants	14,741	-	13,390	372	5,466	115	25
Capital outlay	905	-	66,665	1,042	282	411	269
Employee Travel or Training	23	-	10,955	25	7	9	5
Utilities	1,508	-	80,490	1,522	360	613	313
Project costs	-	22,550	4,187	-	-	-	40,000
Debt service:							
Principal retirement	757	-	36,922	805	204	298	162
Interest and fiscal charges	356	-	17,424	379	96	140	77
Total Expenditures	44,430	22,550	1,524,202	34,773	15,720	14,393	46,635
Excess (Deficiency) of Revenues Over (Under) Expenditures	2,000,864	4,450	124,206	357,143	38,586	4,106	(5,283)
Other Financing Sources (Uses):							
Proceeds of lease	-	-	14,142	-	-	-	-
Transfers in	-	-	-	-	-	-	6,581
Transfers out	(2,291,205)	-	(138,348)	(488,197)	-	(37,350)	-
Total Other Financing Sources (Uses)	(2,291,205)	-	(124,206)	(488,197)	-	(37,350)	6,581
Net Change in Fund Balances	(290,341)	4,450	-	(131,054)	38,586	(33,244)	1,298
Fund Balance (Deficit) - Beginning, as previously presented	422,687	50,411	88	792,697	13,521	49,549	54
Change within financial reporting entity (nonmajor to major fund)	-	-	-	-	-	-	-
Fund Balance (Deficit) - Beginning, as restated	422,687	50,411	88	792,697	13,521	49,549	54
Fund Balance (Deficit) - Ending	\$ 132,346	54,861	88	661,643	52,107	16,305	1,352

COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS

**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds**

Year ended June 30, 2025

	Special Revenue Funds (Continued)						Total Governmental Funds
	Street Sweeping	Homeless	Tire Amnesty	Formerly Non- major Fund Grant Funding	I-REN	Desert Community Energy	
Revenues:							
Grants	233,312	-	-	-	650	-	1,449,501
Investment income (loss)	-	119,501	-	-	-	-	141,925
Other governmental	-	1,239,286	-	-	-	811,253	5,012,351
Miscellaneous	-	-	-	-	500,143	-	527,143
Total Revenues	<u>233,312</u>	<u>1,358,787</u>	<u>-</u>	<u>-</u>	<u>500,793</u>	<u>811,253</u>	<u>7,130,920</u>
Expenditures:							
Current:							
Salaries	18,922	643,420	4,709	-	261,973	462,098	2,265,086
Benefits	7,755	311,112	2,535	-	116,087	172,659	1,004,236
Meeting Attendance Stipends	-	-	-	-	-	-	4,934
General and office expenses	1,260	53,839	294	-	27,120	36,487	194,857
Professional services	475	50,104	112	-	6,668	12,416	99,765
Consultants	344	10,647	28	-	4,151	7,293	56,572
Capital outlay	1,185	47,246	355	-	16,788	29,464	164,612
Employee Travel or Training	24	16,597	6	-	1,289	4,866	33,806
Utilities	1,739	124,889	416	-	24,524	41,934	278,308
Project costs	832,118	410,914	32,142	-	-	-	1,341,911
Debt service:							
Principal retirement	846	10,605	207	-	11,688	20,482	82,976
Interest and fiscal charges	398	4,997	97	-	5,505	9,648	39,117
Total Expenditures	<u>865,066</u>	<u>1,684,370</u>	<u>40,901</u>	<u>-</u>	<u>475,793</u>	<u>797,347</u>	<u>5,566,180</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(631,754)</u>	<u>(325,583)</u>	<u>(40,901)</u>	<u>-</u>	<u>25,000</u>	<u>13,906</u>	<u>1,564,740</u>
Other Financing Sources (Uses):							
Proceeds of lease	-	14,142	-	-	-	-	28,284
Transfers in	447,978	-	27,279	-	-	-	481,838
Transfers out	-	-	(798)	-	(25,000)	(13,906)	(2,994,804)
Total Other Financing Sources (Uses)	<u>447,978</u>	<u>14,142</u>	<u>26,481</u>	<u>-</u>	<u>(25,000)</u>	<u>(13,906)</u>	<u>(2,484,682)</u>
Net Change in Fund Balances	(183,776)	(311,441)	(14,420)	-	-	-	(919,942)
Fund Balance (Deficit) - Beginning, as previously presented	<u>62,990</u>	<u>2,451,998</u>	<u>(35,580)</u>	<u>(1,232,322)</u>	<u>-</u>	<u>-</u>	<u>2,576,093</u>
Change within financial reporting entity (nonmajor to major fund)	-	-	-	1,232,322	-	-	1,232,322
Fund Balance (Deficit) - Beginning, as restated	<u>62,990</u>	<u>2,451,998</u>	<u>(35,580)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,808,415</u>
Fund Balance (Deficit) - Ending	<u>(120,786)</u>	<u>2,140,557</u>	<u>(50,000)</u>	<u>(1,232,322)</u>	<u>-</u>	<u>-</u>	<u>1,656,151</u>

COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS

Single Audit Report on Federal Awards

Year Ended June 30, 2025

COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS

Single Audit Report on Federal Awards

Year Ended June 30, 2025

TABLE OF CONTENTS

	<u>Page</u>
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	1
Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance	3
Schedule of Expenditures of Federal Awards	6
Note to the Schedule of Expenditures of Federal Awards	7
Schedule of Findings and Questioned Costs	8
Summary Schedule of Prior Audit Findings	10

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

Independent Auditor's Report

Executive Committee
Coachella Valley Association of Governments
Palm Desert, California

We have audited, in accordance with the 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, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Coachella Valley Association of Governments (CVAG), as of and for the year ended June 30, 2025 and the related notes to the financial statements, which collectively comprise the CVAG's basic financial statements, and have issued our report thereon dated February 11, 2026.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the CVAG's internal control over financial reporting (internal control) as a basis for designing the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the CVAG's internal control. Accordingly, we do not express an opinion on the effectiveness of the CVAG's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the CVAG's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that have not been identified.

Executive Committee
Coachella Valley Association of Governments
Palm Desert, California

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the CVAG's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the CVAG's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the CVAG's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

DavisFarrLLP

Irvine, California
February 11, 2026

Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; and Report on the Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

Independent Auditor's Report

Executive Committee
Coachella Valley Association of Governments
Palm Desert, CA

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the Coachella Valley Association of Government's (CVAG) compliance with the types of compliance requirements identified as subject to audit in the OMB Compliance Supplement that could have a direct and material effect on each of CVAG's major federal programs for the year ended June 30, 2025. The CVAG's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the CVAG complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2025.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the CVAG and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the CVAG's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the CVAG's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the CVAG's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the CVAG's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the CVAG's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the CVAG's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the CVAG's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis.

Executive Committee
Coachella Valley Association of Governments
Palm Desert, California

A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of CVAG as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the CVAG's basic financial statements. We issued our report thereon, dated February 11, 2026, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is 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 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 basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

DavisFarrLLP

Irvine, California
February 11, 2026

COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2025

Federal Grantor/Pass-Through Grantor/Program Title	Assistance Listing Number	Program Identification Number	Federal Expenditures	Amount Provided to Subrecipients
<u>U.S. Department of Transportation</u>				
Passed through the California Department of Transportation:				
Highway Planning and Construction:				
Active Transportation Program (STIP) (CV Link - Segment 1&2)	20.205	08-6164R	\$ 2,419,907	\$ -
Congestion Mitigation and Air Quality (CMAQ) (CV Link - Segment 3)	20.205	08-6164F15	3,519,868	-
Congestion Mitigation and Air Quality (CMAQ) (CV Link - Segment 4)	20.205	08-6164F15	1,824,372	-
Congestion Mitigation and Air Quality (CMAQ) (CV Link - Segment 5)	20.205	08-6164F15	3,295,147	-
Congestion Mitigation and Air Quality (CMAQ) (CV Sync - Phase II)	20.205	08-6164F15	12,127,728	-
Coronavirus Response and Relief Supplemental Appropriations Act (CRRSAA) (CV Sync - Phase II)	20.205	08-6164F15	743	-
Total Highway Planning and Construction			<u>23,187,765</u>	<u>-</u>
Total Expenditure of Federal Awards			\$ <u>23,187,765</u>	\$ <u>-</u>

See Note to Schedule of Expenditures of Federal Awards.

COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS

Note to the Schedule of Expenditures of Federal Awards

Year Ended June 30, 2025

(1) Summary of Significant Accounting Policies Applicable to the Schedule of Expenditures of Federal Awards

Scope of Presentation

The accompanying Schedule of Expenditures of Federal Awards (Schedule) presents the activity of all federal financial assistance programs of the Coachella Valley Association of Governments under programs of the federal government for the year ended June 30, 2025. All financial assistance received directly from federal agencies is included in the accompanying Schedule. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). CVAG did not use the 10% de minimis indirect cost rate as covered in section 200.414 of the Uniform Guidance.

Basis of Accounting

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS

Schedule of Findings and Questioned Costs

Year Ended June 30, 2025

Section I - Summary of Auditor's Results

Financial Statements

- | | |
|---|------------|
| 1. Type of auditor's report issued on whether the financial statements audited were prepared in accordance with GAAP: | Unmodified |
| 2. Internal control over financial reporting: | |
| a. Material weakness(es) identified? | No |
| b. Significant deficiency(ies) identified? | No |
| 3. Noncompliance material to the financial statements noted? | No |

Federal Awards

- | | |
|--|---------------|
| 1. Internal control over major programs: | |
| a. Material weakness(es) identified? | No |
| b. Significant deficiency(ies) identified? | None Reported |
| 2. Type of auditor's report issued on compliance for major programs: | Unmodified |
| 3. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516 (a)? | No |

4. Identification of major programs:

Assistance Listing Number
20.205

Name of Federal Program or Cluster
United States Department
of Transportation
Highway Planning and
Construction

- | | |
|---|-----------|
| 5. Dollar threshold used to distinguish between Type A and Type B programs: | \$750,000 |
| 6. Auditee qualified as a low-risk auditee? | Yes |

COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS

Schedule of Findings and Questioned Costs

Year Ended June 30, 2025

Section II - Financial Statement Findings

There were no financial statement findings for the year ended June 30, 2025.

Section III - Federal Award Findings and Questioned Costs

There were no federal award findings or questioned costs for the year ended June 30, 2025.

COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS

Schedule of Findings and Questioned Costs

Year Ended June 30, 2025

Section IV – Summary of Prior Audit Findings and Current Status

For the fiscal year ending June 30, 2024, there were no findings or questioned costs.

ITEM 4B

Coachella Valley Association of Governments
Finance Committee
March 3, 2026



STAFF REPORT

Subject: Continued Analysis of Cash Flow Concerns

Contact: Jonathan Hoy, Director of Transportation (jhoy@cvag.org)

Recommendation: Direct the Executive Director to form an ad hoc committee comprised of Transportation, Finance and/or Executive Committee members, as well as member jurisdictions' staff, to consider and recommend policy changes addressing cash flow, including the Transportation Uniform Mitigation Fee, reducing regional costs and increasing regional revenue

Transportation Committee: Concurred and provided some initial nominees for the ad hoc (Meeting of February 2)

Background: CVAG oversees cash flow as a critical element of its financial planning, monitoring expenditures on regional capital projects that have reimbursement agreements approved by the Transportation and Executive Committees. Additionally, CVAG staff collaborate with member jurisdictions to develop cash flow projections based on upcoming projects that may seek regional funding. These cashflow projections heavily rely on Measure A and Transportation Uniform Mitigation Fee (TUMF) revenue that is programmed through the Transportation Project Prioritization Study (TPPS) and TUMF Nexus Study, both of which are being updated this year.

A cashflow shortfall was highlighted in 2020, when CVAG staff identified projected cash flow shortfalls and presented these findings to the Transportation and Executive Committees. A link to the [December 7, 2020 Executive Committee staff report](#) is included here for reference. Revenue from the Measure A sales tax and the TUMF were down by double digits, and once-reliable funding sources like the State Transportation Improvement Program (STIP) were dwindling. The COVID-19 pandemic further impacted cash flow through significant reductions in formula-based city and county local streets and roads (LSR) funds from the state, including the Highway Users Tax Account (HUTA) and the Road Maintenance and Rehabilitation Account (SB1 funding that does not flow to CVAG).

Updated cashflow projections were provided to the Transportation and Executive Committees in September 2025. At the time, the Executive Committee directed the Executive Director to further analyze potential policy changes to address short and long term cashflow considerations. A link to the [September 29, 2025 Executive Committee Cashflow Analysis presentation](#) is included here for reference.

With this report, staff is recommending that an ad hoc committee be formed to review updated cashflow projections. Additionally, this ad hoc would serve as a policy sounding board as CVAG completes an update to the TPPS and TUMF Nexus Study. The ad hoc is recommended to include members of both the Transportation, Finance and/or Executive Committees, as well as member

jurisdictions' staff in order to represent the jurisdictions that pay TUMF or participate through in-lieu TUMF. This ad hoc would help provide recommendations to the CVAG Transportation and Executive Committees on potential policy changes to address short-term and long-term cash flow considerations, including options for reducing regional costs and increasing regional revenue.

CVAG Efforts to Secure Funding

CVAG and the Riverside County Transportation Commission (RCTC) have had a long-standing policy to secure funding for regional transportation projects. In December 2022, the CVAG Executive Committee authorized a Memorandum of Understanding to formalize funding distributions. Through this collaborative process, CVAG staff identified approximately \$42 million in state and federal funds to be allocated to the Coachella Valley. These funds were programmed to the Interstate 10-Monroe Street interchange project, CVAG's top transportation priority as identified in the current TPPS. CVAG and RCTC also worked together to allocate over \$50 million in Congestion Mitigation and Air Quality (CMAQ) program funds for CV Sync Phase II and construction of the regional signal synchronization project.

CVAG staff also continues to work with its member jurisdictions to ensure Coachella Valley projects are well positioned for competitive pots of external funding. The latest example of this is Southern California Association of Governments' (SCAG) 2025 Call for Projects related to Surface Transportation Block Grant (STBG) and CMAQ funding. As detailed in a separate staff report, in December 2025, SCAG recommended \$30 million of STBG funding for the Monroe Street I-10 Interchange project, and \$20 million of CMAQ funding for the Arts and Music Line Project in the cities of La Quinta, Indio and Coachella.

Cash Flow Analysis

Despite successful efforts to secure state and federal grants, including the \$50 million of STBG and CMAQ funding awarded by SCAG in December, the regional funding forecast has not improved.

The updated revenue and expenditure estimates used to prepare CVAG's latest cash flow analysis only account for currently obligated projects listed in CVAG's approved Fiscal Year 2025-26 Budget. The analysis does not include expenditures for potential new projects or project phases lacking an executed reimbursement agreement between CVAG and the member jurisdiction. For example, only the Interstate 10 interchange at Monroe Street is included—no other interchanges were considered. Even with the additional \$50 million awarded by SCAG in December 2025, the updated five-year cash flow analysis projects a negative fund balance of more than \$4 million at the end of Fiscal Year 2028-29.

A funding breakdown of completed and future interchanges is below. As staff has previously noted, federal and state funding covered 65% of the cost to construct the seven most recently completed interchanges, this includes Monroe Street I-10 Interchange, since it will be advertised for construction this year. However, federal and state funding only accounts for 0.5% of the seven future interchange projects. Without a change, no funding will be available for future interchanges and bridge projects with a combined price tag of nearly \$800 million.

Recently Completed Interchange Projects				Future Interchange/Bridge Projects			
Description	Total	Local	Federal/State	Description	Total	Local	Federal/State
Bob Hope/I-10	\$52,000,000	\$1,495,000	\$50,505,000	Jackson/I-10	\$145,000,000	\$145,000,000	\$0
Indian Canyon/I-10	\$35,000,000	\$9,000,000	\$26,000,000	Portola/I-10	\$140,000,000	\$138,725,000	\$1,275,000
Palm Dr/Gene Autry/I-10	\$35,000,000	\$6,400,000	\$28,600,000	Avenue 50/SR86	\$60,000,000	\$59,200,000	\$800,000
Date Palm/I-10	\$31,400,000	\$4,300,000	\$27,100,000	Avenue 50/I10	\$120,000,000	\$118,000,000	\$2,000,000
Jefferson St/I-10	\$71,300,000	\$23,300,000	\$48,000,000	Dillon/SR86	\$90,000,000	\$90,000,000	\$0
Monterey/I-10	\$10,300,000	\$7,735,097	\$2,564,903	Dillon I-10	\$90,000,000	\$90,000,000	\$0
Monroe/I-10*	\$175,000,000	\$87,826,000	\$87,174,000	DaVall/I-10	\$145,000,000	\$145,000,000	\$0
Total:	\$410,000,000	\$140,056,097	\$269,943,903	Total:	\$790,000,000	\$785,925,000	\$4,075,000

Ever rising construction costs of projects such as the Monroe Street interchange indicate that the region's financial situation will be even more dire.

The Monroe Street I-10 Interchange project is scheduled to advertise for construction in fall of 2026. Compared to Jefferson Street (the last interchange constructed), construction costs have increased approximately 150%. After accounting for the \$87 million in outside funding that CVAG helped secure, the remaining local funds required total approximately \$87 million. Applying the current 75/25 cost-sharing formula results in an estimated \$65 million share for CVAG and \$22 million share for local jurisdictions.

Under CVAG's interchange proportionate share policy, these cash flow impacts will directly affect many member jurisdictions in the near future. The proportionate share policy was established in 2003 for five Coachella Valley interchange projects: Indian Canyon Drive, Palm Drive/Gene Autry Trail, Date Palm Drive, Bob Hope Drive, and Jefferson Street. CVAG retained a traffic impact/transportation planning firm to conduct a benefit assessment analysis that determined the percentage of trips by jurisdiction using each interchange, creating a ratio for the 25% local share responsibility. In January 2026, CVAG contracted with a professional traffic engineering consultant to conduct a proportionate share study for the local share of the Monroe project similar to that done for prior interchange projects. Staff anticipates having preliminary figures available in the spring, so member jurisdictions can begin considering them as part of their own budgets.

Transportation Project Prioritization Study (TPPS) Status Update

In addition to CVAG's work on cashflow, CVAG's consultants and staff are working on an update to the TPPS) and companion documents including the Regional Arterial Cost Estimate (RACE), Active Transportation Plan (ATP), and the TUMF Nexus Study. This update is deeply interconnected with cashflow and will have a tremendous impact on project delivery. The recommended ad hoc committee will also review these documents and make policy recommendations for Transportation and Executive Committees consideration.

Staff is anticipating the TPPS will be completed in 2026. The project team has completed their data collection meetings with jurisdictions' staff. They are currently completing their review for inclusion into the TPPS and the ATP. CVAG will be using the criteria discussed by the Transportation and Executive Committee as the starting point for the development of the 2025 TPPS Prioritization Criteria Update. Those criteria, as narrowed down by the Transportation Committee in October 2024, include the following: build infrastructure in disadvantaged communities; improve climate and disaster resiliency; fill system gaps; add pedestrian and bicycle routes; improve mobility for disadvantaged people; reduce congestion; reduce accidents; improve pavement condition; improve access in and out of the Coachella Valley; improve access in and out of events; and reduce vehicle miles traveled/ encourage infill development

While the TPPS prioritizes projects, the Regional Arterial Cost Estimate (RACE) provides a uniform methodology used to determine feasible transportation projects studied in the TPPS and estimate the costs to complete the ultimate improvements. The costs will help determine the approximate funding amounts required for each transportation infrastructure project, including construction, right-of-way, and impact factors to cover other related project costs such as design, utility relocations, and construction management and inspection. The project cost estimates are used as an input to the TUMF Nexus Study, which is underway.

Policy Considerations Moving Forward

In addition to providing insights on the TUMF Nexus Study, the recommended ad hoc committee will consider short and long-term policies to address cashflow deficits. These which may include but not limited to the following:

Revenue Enhancement Options:

- Adjust the cost-sharing policy: The current 75/25 cost sharing formula was established in 2007. Prior to 2007, the cost sharing formula was 50/50. Considering that Road Maintenance and Rehabilitation Account (RMRA) funds (SB1 funding that goes directly to cities and county, not CVAG) have doubled in the last decade, and many cities have their own sales tax measures, CVAG could return to the original 50/50 formula split instead of the current 75/25 split;
- Increase the sales tax: For years, there have been conversations by RCTC about whether to pursue a new sales tax measure to increase cash flow revenues. The region's current Measure A is a half-cent sales tax extended by voters in 2002 for 30 years. RCTC adopted a Traffic Relief Plan to identify the types of projects that could be funded if more revenue is available, and it incorporates CVAG's TPPS. There has been no decision by RCTC about if or when to put something before voters.
- Increase development fees: Feedback will be needed on the potentially substantial increase to the TUMF fee. In 2017, CVAG's TUMF Nexus Study calculated a maximum fee of \$8,409 per single-family residence. However, in consideration of funding constraints and project feasibility over a 15-25 year timeframe, the Executive Committee adopted a reduced fee of \$2,310 per single-family residence in 2018. TUMF is raised slightly every year due to an inflation adjustment and is currently \$2,840, as compared to the \$15,476 assessed by Western Riverside Council of Governments as of April 1, 2025.

Expenditure Reduction Options:

- Adjust project prioritization: Collaborate with Riverside County and valley cities to reprioritize or eliminate projects from the TPPS.
- Reconsider interchange or large project funding: Evaluate whether CVAG should continue funding interchange projects given their significant cost impact.
- Cap CVAG funding for any single project.
- Limit CVAG funding to specific project phases: CVAG could establish a policy to fund only pre-construction activities, or to fund only the construction phase.
- Eliminate projects in jurisdictions that do not collect TUMF or in-lieu TUMF.

Staff is recommending that an ad hoc committee be formed to review cashflow projections and updated TPPS and TUMF studies to help provide guidance to the Transportation and Executive Committees on potential policy changes to address short-term and long-term cash flow considerations, including options for reducing regional costs and increasing regional revenue. This ad hoc would include members from the Transportation and Finance Committees, as well as city managers or their designees. The Executive Director would seek volunteers and ensure the ad hoc is not comprised of a quorum of any standing committee.

The Transportation Committee considered this item at their meeting on February 2. Members concurred with the creation of the ad hoc and began submitting names for consideration. Below is a table with CVAG member jurisdictions that participate in TUMF or in-lieu TUMF, and the individuals who have confirmed interest to date:

Member Jurisdiction	Representative
Agua Caliente Band of Cahuilla Indians	TBD
City of Cathedral City	Mayor Raymond Gregory
City of Coachella	TBD
City of Desert Hot Springs	Mayor Scott Matas
City of Indian Wells	CM Chris Freeland
City of Indio	CM Bryan Montgomery
City of La Quinta	Mayor Pro Tem Kathleen Fitzpatrick or CM Jon McMillen
City of Palm Desert	Councilmember Jan Harnik
City of Palm Springs	TBD
City of Rancho Mirage	TBD
County of Riverside	Supervisor V. Manuel Perez

Fiscal Analysis: There is no additional cost to CVAG to form an ad hoc committee to provide guidance to the Transportation and Executive Committees.

CVAG faces a projected \$4 million budget deficit at the end of Fiscal Year 2028-29, with nearly \$1 billion in unfunded future interchange projects. Despite CVAG securing \$235 million in outside funding over the last five years, rising costs — as exemplified by the Monroe Street interchange's 150% cost increase — have created a substantial funding gap. CVAG is facing some difficult options — whether it is changing the cost-sharing formula from 75/25 to 50/50, increasing taxes or fees, or reducing project commitments. These policy considerations will require careful evaluation of their impacts on regional transportation goals, member agency capacity, and overall system functionality.

ITEM 4C

**Coachella Valley Association of Governments
Finance Committee
March 3, 2026**



STAFF REPORT

Subject: Update on the Enterprise Resource Planning (ERP) Project

Contact: Claude T. Kilgore, Director of Finance (ckilgore@cvag.org)

Recommendation: Information

Background: CVAG is now in the final stages of replacing its outdated financial systems with an Enterprise Resource Planning (ERP) solution. The shift to Oracle NetSuite for Government (NS4G) was approved in May 2024 following a public procurement process and review by both the Finance and Executive Committees. CVAG staff had secured significant discounts of up to 57% on recurring software costs and up to 36% on the hourly rate for implementation services. In April 2025, the Executive Committee authorized up to 15 additional licenses for employees as well as a new technology Oracle's bill capture program. This program utilizes Optical Character Recognition (OCR) and Artificial Intelligence (AI) to increase efficiency when invoices are sent from vendors, as they are automatically scanned and uploaded into the NS4G system, reducing the need for manual initiation of the bill payment process and placing them in one virtual file cabinet within the system.

The long-anticipated ERP implementation began in July 2024, and the system has been active agency-wide since CVAG's go-live date in July 2025. Staff would note that the launch date went as scheduled, and staff in all departments spent considerable time last summer smoothing out processing. Some of the benefits already realized include efficiency in bill submission via automated workflow approvals; reduction in manual bill payment processes; cleaner and simpler accounting entries; streamlined bank processing; and better insight agency-wide as to the status of a particular record.

In January 2026, CVAG staff implemented Oracle's Human Resources and Payroll (HRPY) module. The HRPY module operates on licenses for Oracle's employee center where everyone receiving a paycheck needs to be a registered user with license. This includes elected officials who receive a stipend for attending meetings at CVAG or the Coachella Valley Conservation Commission (CVCC), which CVAG is contracted to administer. This is similar to the process CVAG through its former vendor, Paychex. Soon, CVAG will no longer rely on Paychex to provide tax forms for staff or elected officials. Instead, staff and elected officials can log-in directly into Oracle to view their meeting attendance stipend paystubs and other tax information like IRS form W-2 for calendar year 2026 payments. This change increases CVAG staff's back-end control and should streamline the process.

Although CVAG staff have been working within the new system for over seven months, several implementation items were deferred to prioritize essential operational functions. CVAG staff are proceeding with completion of lingering implementation tasks including the fixed asset module,

review and verification of historical data, development of standard operating procedures, and enhancement of reporting features, among others.

To complete this implementation, staff required additional support from Oracle and needed additional licenses be purchased. In December 2025, the Executive Committee approved an increase of \$7,709 for Oracle implementation support services, along with the addition of employee center licenses to facilitate payment of meeting attendance stipends for elected officials. The authorization also allowed for annual adjustments to the number of end user and employee center licenses, based on staffing and committee membership, provided these costs stay within CVAG's approved operating budget each fiscal year. These expenditures will be reviewed and incorporated into the annual operating budget for approval.

Staff is providing this recap as part of its continued updates to the Finance Committee about the ERP rollout.

Fiscal Analysis: There is no cost to CVAG for this update. CVAG's agreement with Oracle America, Inc. for the implementation of Oracle NetSuite for Government system, as well as related support, cloud services and licenses, is for a not-to-exceed amount of \$909,770. Some of these costs are offset by cost savings seen by an early termination with the contract CVAG had for an implementation consultant as well as changes to Paychex.

As is true for all CVAG agencywide system implementations, a portion of the costs will be allocated to CVCC, Desert Community Energy (DCE), and the Coachella Valley Power Agency (CVPA) based on their respective share of overhead.

ITEM 4D

**Coachella Valley Association of Governments
Finance Committee
March 3, 2026**



STAFF REPORT

Subject: Establishing a Fraud Hotline

Contact: Claude T. Kilgore, Director of Finance (ckilgore@cvag.org)

Recommendation: Approve the roll out plan for the STOPit fraud hotline and include the Chair of the Finance Committee as part of the reporting process

Background: CVAG is committed to maintaining responsible fiscal operations, including efforts to prevent fraud and financial abuse. In the fall of 2022, under the direction of the Executive Director, an outside consultant, Citygate and Associates, was brought in to conduct a review of its finance department operations. This review was modeled after a similar assessment that Citygate performed for the Western Riverside Council of Governments. Citygate provided their recommendations in a released their report to the Executive Director in January 2023. Among the most urgent recommendations was the selection and implementation of a new Enterprise Resource Planning (ERP) system, which is now substantially underway as detailed in a separate staff report.

With the ERP implementation progressing, CVAG staff are focusing on Citygate's additional recommendations, including the establishment of a fraud prevention hotline that would allow for anonymous reporting of potential fraud. CVAG staff has no reason to believe that fraudulent behavior exists, but does want to continue to promote a transparent workplace and follow best practices. To evaluate options for a fraud hotline program, CVAG staff consulted their self-insurance provider, the California Joint Powers Insurance Authority (CJPIA), which recently partnered with STOPit Solutions from Lightspeed Systems. STOPit enables employees to anonymously report concerns about fraud through three methods: a mobile app, a web link, or by calling a hotline.

In November 2025, CVAG entered into a no-cost agreement with Lightspeed Solutions to implement the STOPit program. Staff recently participated in an onboarding call. The program is anticipated to be operational within the next 30 to 60 days. Certain implementation details are still being finalized, such as determining who on staff will receive complaints. The current plan is for all initial complaints to be routed to a Human Resources staff and a non-finance department director, who will immediately notify the Executive Director, Deputy Executive Director, and Director of Finance provided none of these individuals are named in the complaint. If one is named, they will not be alerted. When a complaint is deemed legitimate, staff is recommending the Chair of the CVAG Finance Committee also be notified promptly.

By implementing such a program, CVAG staff hopes to complement other internal controls and continue to safeguard public funds. It is common for other agencies to establish fraud hotlines as part of their best practices, and the subject frequently arises during annual audit discussions.

Having these tools in place will provide the team with greater confidence in their ability to detect and address potential issues proactively. Depending on the outcome of the program, CVAG staff may also consider extending this initiative to include additional reporting areas, such as human resources or workplace violence reporting mandated under California's SB 553.

Fiscal Analysis: There is no cost to the STOPit program as it is included in CVAG's self-insurance costs through the CJPIA.

**COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS
INVESTMENT REPORT
FOR SEPTEMBER 30, 2025**

Description	Carrying Amount	% of Total	Fair Market Value		% of Total	Interest Rate Yield
CASH AND INVESTMENTS UNDER THE DIRECTION OF CVAG						
County of Riverside Treasury	\$ 13,741,568	23.88%	\$ 13,745,316	[a]	23.85%	3.94%
Local Agency Investment Fund (LAIF)	\$ 41,557,452	72.22%	\$ 41,637,640	[b]	72.26%	4.34%
Wells Fargo - Imprest Checking	\$ 193,523	0.34%	\$ 193,523		0.34%	N/A
Wells Fargo - Payroll Checking	\$ 15,800	0.03%	\$ 15,800		0.03%	N/A
PayPal	\$ 4,480	0.01%	\$ 4,480		0.01%	N/A
Petty Cash	\$ 300	0.00%	\$ 300		0.00%	N/A
CAMP	\$ 2,023,237	3.52%	\$ 2,023,237		3.51%	4.27%
Overall Total	\$ 57,536,359	100.00%	\$ 57,620,295		100.00%	

Note:

[a] Source of Market Values - County of Riverside Treasurer's Pooled Investment Fund Monthly Report - September 2025. Paper Gain/(Loss) was 0.027%. Fair market value does not include accrued interest.

[b] Source of Market Values - LAIF, State of California Pooled Money Investment Account Market Valuation - September 2025. Paper Gain/(Loss) was 0.193%. Fair market value includes accrued interest.

I hereby certify that the investment portfolio of the Coachella Valley Association of Governments (CVAG) complies with the California Government Sections pertaining to the investment of agency funds. CVAG's written Investment Policy is more stringent than the requirements of California law, as this policy requires diversity of investments. The policy also states that no more than 55% of the total investment portfolio will be invested in a single security type or with a single financial institution, with the exception of LAIF, whereby CVAG has the option of investing up to the maximum allowable by LAIF.

The investment portfolio provides CVAG the ability to meet its expenditure requirements for at least the next six months.

Submitted by:



Claude T. Kilgore
Director of Finance

**COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS
INVESTMENT REPORT
FOR DECEMBER 31, 2025**

Description	Carrying Amount	% of Total	Fair Market Value		% of Total	Interest Rate Yield
CASH AND INVESTMENTS UNDER THE DIRECTION OF CVAG						
County of Riverside Treasury	\$ 15,319,964	25.10%	\$ 15,333,003	[a]	25.10%	3.83%
Local Agency Investment Fund (LAIF)	\$ 22,011,418	36.06%	\$ 22,059,435	[b]	36.11%	4.20%
Wells Fargo - Imprest Checking	\$ 1,585,522	2.60%	\$ 1,585,522		2.60%	N/A
Wells Fargo - Payroll Checking	\$ 49,766	0.08%	\$ 49,766		0.08%	N/A
PayPal	\$ 4,480	0.01%	\$ 4,480		0.01%	N/A
Petty Cash	\$ 300	0.00%	\$ 300		0.00%	N/A
CAMP	\$ 22,057,046	36.14%	\$ 22,057,046		36.11%	3.90%
Overall Total	\$ 61,028,496	99.99%	\$ 61,089,552		100.01%	

Note:

[a] Source of Market Values - County of Riverside Treasurer's Pooled Investment Fund Monthly Report - December 2025. Paper Gain/(Loss) was 0.085%. Fair market value does not include accrued interest.

[b] Source of Market Values - LAIF, State of California Pooled Money Investment Account Market Valuation - December 2025. Paper Gain/(Loss) was 0.218%. Fair market value includes accrued interest.

I hereby certify that the investment portfolio of the Coachella Valley Association of Governments (CVAG) complies with the California Government Sections pertaining to the investment of agency funds. CVAG's written Investment Policy is more stringent than the requirements of California law, as this policy requires diversity of investments. The policy also states that no more than 55% of the total investment portfolio will be invested in a single security type or with a single financial institution, with the exception of LAIF, whereby CVAG has the option of investing up to the maximum allowable by LAIF.

The investment portfolio provides CVAG the ability to meet its expenditure requirements for at least the next six months.

Submitted by:



Claude T. Kilgore
Director of Finance