

COACHELLA VALLEY
ASSOCIATION OF GOVERNMENTS

Comprehensive Annual Financial Report

Year ended June 30, 2011

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ASSOCIATION OF GOVERNMENTS

Comprehensive Annual Financial Report

Year ended June 30, 2011

TABLE OF CONTENTS

	Page
INDEPENDENT AUDITORS' REPORT	1
Management's Discussion and Analysis	3
FINANCIAL STATEMENTS:	
Government-wide Financial Statements:	
Statement of Net Assets	12
Statement of Activities	13
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet	14
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets	17
Statement of Revenues, Expenditures and Changes in Fund Balances	18
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	20
Notes to Basic Financial Statements	21
Required Supplementary Information:	
Budgetary Comparison Schedules:	
General Fund	48
Transportation Uniform Mitigation Fees Special Revenue Fund	49
Measure A Special Revenue Fund	50
Multi-Species Habitat Conservation Plan Special Revenue Fund	51
Note to Required Supplementary Information	52
Supplementary Schedules:	
Other Governmental Funds:	
Combining Balance Sheet	54
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	56

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Executive Committee
Coachella Valley Association of Governments
Palm Desert, California

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Coachella Valley Association of Governments ("Association") as of and for the year ended June 30, 2011, which collectively comprise the basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the management of the Association's. Our responsibility is to express opinions on these financial statements based on our audit. The prior year partial comparative information has been derived from the financial statements of the Association for the year ended June 30, 2010, and in our report dated February 17, 2011, we expressed an unqualified opinion on those financial statements.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Association, as of June 30, 2011, and the respective changes in financial position of the Association in conformity with accounting principles generally accepted in the United States of America.

As described further in note 1 to the financial statements, the accompanying financial statements reflect certain changes in the reporting of fund types and fund balance classifications for governmental funds due to the implementation of GASB Statement No. 54.

The information identified in the accompanying table of contents as *management's discussion and analysis* and *required supplementary information* is not a required part of the basic financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Association's basic financial statements. The supplementary schedules, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The supplementary schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued a report dated February 14, 2012 on our consideration of the Associations' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Mayer Hoffman McCann P.C.

Irvine, California
February 14, 2012

COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2011

The following discussion and analysis of the financial performance of Coachella Valley Association of Governments ("Association") provides an overview of the Association's financial activities for the fiscal year ended June 30, 2011. Please read it in conjunction with the financial statements identified in the accompanying table of contents.

Using the Accompanying Financial Statements

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

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

June 30, 2011

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Reporting the Association as a Whole

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

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

Reporting the Association's Major Funds

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

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

COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS

MANAGEMENT'S DISCUSSION AND ANALYSIS
(CONTINUED)

June 30, 2011

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

Statements of Net Assets

	Fiscal Year 2011	Fiscal Year 2010	Dollar Change	Total Percent Change
Assets:				
Cash and investments	\$ 46,893,268	\$ 54,743,514	\$ (7,850,246)	(14.3) %
Accounts receivable	157,017	2,973	154,044	5,181.4 %
Interest receivable	60,866	102,260	(41,394)	(40.5) %
Due from other governments	2,923,706	7,305,034	(4,381,328)	(60.0) %
Loans receivable	12,053,549	4,916,080	7,137,469	145.2 %
Capital assets:				
Land	10,682,344	10,682,344	-	- %
Other capital assets, net	178,900	207,484	(28,584)	(13.8) %
Total Assets	<u>72,949,650</u>	<u>77,959,689</u>	<u>(5,010,039)</u>	(6.4) %
Liabilities:				
Accounts payable	308,152	262,217	45,935	17.5 %
Due to other governments	2,013,745	9,359,576	(7,345,831)	(78.5) %
Interest payable	-	13,446	(13,446)	(100.0) %
Noncurrent liabilities:				
Due within one year:				
Revenue bonds payable	818,652	581,056	237,596	40.9 %
Compensated absences	117,709	104,630	13,079	12.5 %
Due in more than one year:				
Revenue bonds payable	25,541,226	19,081,231	6,459,995	33.9 %
Insurance payable	108,427	-	108,427	100.0 %
Advancement of 2009 Measure "A" funds	-	3,313,724	(3,313,724)	(100.0) %
Compensated absences	14,702	26,158	(11,456)	(43.8) %
Total Liabilities	<u>28,922,613</u>	<u>32,742,038</u>	<u>(3,819,425)</u>	(11.7) %
Net Assets:				
Invested in capital assets, net of related debt	10,861,244	10,889,828	(28,584)	0.3 %
Restricted for transportation	32,045,420	33,026,963	(981,543)	(3.0) %
Unrestricted	1,120,373	1,300,860	(180,487)	(13.9) %
Total Net Assets	<u>\$ 44,027,037</u>	<u>\$ 45,217,651</u>	<u>\$ (1,190,614)</u>	(2.6) %

COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS

MANAGEMENT'S DISCUSSION AND ANALYSIS
(CONTINUED)

June 30, 2011

GOVERNMENT-WIDE FINANCIAL STATEMENTS (CONTINUED)

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

Statements of Activities

	Fiscal Year 2011	Fiscal Year 2010	Dollar Change	Total Percent Change
Operating Expenses:				
Administrative	\$ 552,832	\$ 480,486	\$ 72,346	15.1 %
Transportation	10,454,841	31,788,820	(21,333,979)	(67.1) %
Other	3,074,986	3,837,135	(762,149)	(19.9) %
Interest expense	<u>1,369,678</u>	<u>1,014,148</u>	<u>355,530</u>	35.1 %
Total Expenses	<u>15,452,337</u>	<u>37,120,589</u>	<u>(21,668,252)</u>	(58.4) %
Program Revenues:				
Operating grants and contributions	13,876,887	22,402,101	(8,525,214)	(38.1) %
General Revenues:				
Interest income	3,529	6,973	(3,444)	(49.4) %
Other revenues	<u>381,307</u>	<u>392,199</u>	<u>(10,892)</u>	(2.8) %
Total Revenues	<u>14,261,723</u>	<u>22,801,273</u>	<u>(8,539,550)</u>	(37.5) %
Changes in Net Assets	(1,190,614)	(14,319,316)	13,128,702	(91.7) %
Net Assets - Beginning of Year	<u>45,217,651</u>	<u>59,536,967</u>	<u>(14,319,316)</u>	(24.1) %
Net Assets - End of Year	<u>\$ 44,027,037</u>	<u>\$ 45,217,651</u>	<u>\$ (1,190,614)</u>	(2.6) %

The increase or decrease in net assets can provide an indication as to whether the overall financial position of the Association improved or deteriorated during the year. Net assets of the Association's governmental activities decreased by 2.6 percent (\$44.03 million compared to \$45.22 million). The net assets of the Association changed as a result of the revenue and expense fluctuations and also fixed assets described below for the activities of the Association.

COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS

MANAGEMENT'S DISCUSSION AND ANALYSIS
(CONTINUED)

June 30, 2011

MAJOR FUNDS

General Fund - The General Fund accounts for all of the general revenues of the Association not specifically levied or collected for some special purpose, and for the expenditures related to the rendering of general services by the Association. At the end of the current fiscal year, unreserved fund balance of the general fund was \$969,163.

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

- A decrease in the total revenues by \$14,286, mainly due to an decrease in the miscellaneous and investment incomes.
- A decrease in Salaries and Benefits expenditures by \$91,722 due to a staff resigning and not replacing that position as well as staff layoff followed by a restructuring of the organization.
- Total expenditures, excluding salaries and benefits, increased by \$11,400 mainly due to the hiring of a consultant to assist in the loss of the staff who resigned.

Transportation Uniform Mitigation Fees (TUMF) Fund - The TUMF Fund accounts for the revenues generated by the Traffic Mitigation Fees and provides additional funds necessary to construct the transportation improvements generated by the development in the valley. At the end of the current fiscal year, the total fund balance was \$17,915,407.

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

- An increase in Mitigation Fees revenue by \$27,866 mainly due to the possibility of the economy stabilizing.
- A decrease in Investment Income revenue by \$167,710 mainly due to continuing low interest yields and also due to lower investment balances in the Fund.
- A decrease in Total Expenditures by \$3,432,507 mainly due to a decrease in the amount of reimbursement requests received from the jurisdictions.

Measure A Fund - The Measure A Fund accounts for the revenues generated by the Measure A half cent sales tax and is used mainly for the construction and/or improvement of the regional arterials in the Coachella Valley. At the end of the current fiscal year, the total fund balance was \$27,664,575.

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

- A decrease in Measure A revenue by \$6,616,801. This decrease does not have a direct relationship to the amount of Sales Tax collected but the amount of reimbursement that was requested by the Association. The amount of reimbursement requests received from the jurisdictions decreased in the current fiscal year.
- A decrease in Investment Income revenue by \$64,394 mainly due to continuing low interest yields and also due to lower investment balances in the Fund.

COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS

MANAGEMENT'S DISCUSSION AND ANALYSIS
(CONTINUED)

June 30, 2011

- A decrease in Capital Outlay expenditures by \$10,675,171 mainly due to a decreased amount of reimbursement requests received for the Commercial Paper program and the regional arterials from the jurisdictions.

Homeless Fund - The Homeless Fund accounts for the revenues received from the various Association's jurisdictions as well as from other agencies. and is used mainly for the running of the Roy's Desert Resource Center. At the end of the current fiscal year, the total fund deficit was \$38,676.

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

- A decrease in Other Governmental revenue by \$55,098 due to reduced funding received.
- A decrease in Investment Income revenue by \$2,138 mainly due to low interest yields and also due to lower investment balances in the Fund.
- An increase in Total Expenditures revenue by \$191,998 due mainly to the Shelter only being in operations for part of the prior year.

CAPITAL ASSETS AND DEBT ADMINISTRATION

CAPITAL ASSETS

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

	Capital Assets (net of depreciation)		
	Balance <u>June 30, 2011</u>	Balance <u>June 30, 2010</u>	Increase <u>(Decrease)</u>
Land	\$ 10,682,344	\$ 10,682,344	\$ -
Furniture and equipment	71,668	63,040	8,628
Vehicles	<u>107,232</u>	<u>144,444</u>	<u>(37,212)</u>
Total	<u>\$ 10,861,244</u>	<u>\$ 10,889,828</u>	<u>\$ (28,584)</u>

The increase to Furniture and Equipment is mainly due to the replacing of two copiers. The decrease to Vehicles is due to depreciation.

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

COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS

MANAGEMENT'S DISCUSSION AND ANALYSIS
(CONTINUED)

June 30, 2011

DEBT ADMINISTRATION

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

Long-Term Debt

	Balance <u>June 30, 2011</u>	Balance <u>June 30, 2010</u>	Increase <u>(Decrease)</u>
Revenue bonds payable	\$ 26,359,878	\$ 19,662,287	\$ 6,697,591
Insurance payable	108,427	-	108,427
Advancement of 2009 Measure "A" funds	-	3,313,724	(3,313,724)
Compensated absences	<u>132,411</u>	<u>130,788</u>	<u>1,623</u>
Total	<u>\$ 26,600,716</u>	<u>\$ 23,106,799</u>	<u>\$ 3,493,917</u>

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

GENERAL FUND BUDGET

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

- Salaries expenditures under budget by \$ 227,419
- Benefits expenditures under budget by \$ 79,896
- Transfers in under budget by \$ 428,359

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

CONTACTING THE ASSOCIATION'S FINANCIAL MANAGEMENT

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

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BASIC FINANCIAL STATEMENTS

COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS

Statement of Net Assets

June 30, 2011

(with comparative prior year information)

	<u>Governmental Activities</u>	
	<u>2011</u>	<u>2010</u>
Assets:		
Cash and investments (note 2)	\$ 46,893,268	54,743,514
Accounts receivable	157,017	2,973
Interest receivable	60,866	102,260
Due from other governments	2,923,706	7,305,034
Loans receivable (note 3)	12,053,549	4,916,080
Capital assets (note 6):		
Capital assets, not depreciated	10,682,344	10,682,344
Capital assets, being depreciated, net	<u>178,900</u>	<u>207,484</u>
Total assets	<u>72,949,650</u>	<u>77,959,689</u>
Liabilities:		
Accounts payable	308,152	262,217
Due to other governments	2,013,745	9,359,576
Interest payable	-	13,446
Noncurrent liabilities (note 8):		
Due within one year	936,361	685,686
Due in more than one year	<u>25,664,355</u>	<u>22,421,113</u>
Total liabilities	<u>28,922,613</u>	<u>32,742,038</u>
Net assets:		
Invested in capital assets	10,861,244	10,889,828
Restricted for:		
Transportation	31,910,999	33,026,963
Unrestricted	<u>1,254,794</u>	<u>1,300,860</u>
Total net assets	<u>\$ 44,027,037</u>	<u>45,217,651</u>

See accompanying notes to the basic financial statements.

COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS

Statement of Activities

Year ended June 30, 2011

(with comparative information for the prior year)

	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net Governmental Activities</u>		
		<u>Charges for Services</u>	<u>Operating Contributions and Grants</u>	<u>Capital Contributions and Grants</u>	<u>2011</u>	<u>2010</u>
Governmental activities:						
Administrative	\$ 552,832	-	-	-	(552,832)	(480,486)
Transportation	10,454,841	-	10,499,054	-	44,213	(13,958,547)
Other	3,074,986	-	3,377,833	-	302,847	734,693
Interest expense	<u>1,369,678</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,369,678)</u>	<u>(1,014,148)</u>
Total governmental activities	<u>\$ 15,452,337</u>	<u>-</u>	<u>13,876,887</u>	<u>-</u>	<u>(1,575,450)</u>	<u>(14,718,488)</u>
General revenues:						
Investment income					3,529	6,973
Other revenues					<u>381,307</u>	<u>392,199</u>
Total general revenues					<u>384,836</u>	<u>399,172</u>
Change in net assets					(1,190,614)	(14,319,316)
Net assets at beginning of year					<u>45,217,651</u>	<u>59,536,967</u>
Net assets at end of year					<u>\$ 44,027,037</u>	<u>45,217,651</u>

See accompanying notes to the basic financial statements.

COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS

Governmental Funds - Balance Sheet

June 30, 2011

(with comparative information for the prior year)

	General	Special Revenue	
		Transportation Uniform Mitigation Fees	Measure A
<u>Assets</u>			
Assets:			
Cash and investments	\$ 825,613	18,091,215	27,507,939
Accounts receivable	776	-	-
Interest receivable	906	23,662	35,983
Due from other governments	3,028	534,145	1,868,408
Due from other funds (note 4)	159,064	-	51,776
Total assets	<u>\$ 989,387</u>	<u>18,649,022</u>	<u>29,464,106</u>
<u>Liabilities and Fund Balance</u>			
Liabilities:			
Accounts payable	\$ 20,224	5,433	4,483
Due to other governments	-	728,182	1,263,309
Due to other funds (note 4)	-	-	-
Deferred revenue	-	-	531,739
Total liabilities	<u>20,224</u>	<u>733,615</u>	<u>1,799,531</u>
Fund balances:			
Restricted for:			
Transportation	-	17,915,407	27,664,575
Environmental	-	-	-
Unassigned	969,163	-	-
Total fund balances	<u>969,163</u>	<u>17,915,407</u>	<u>27,664,575</u>
Total liabilities and fund balances	<u>\$ 989,387</u>	<u>18,649,022</u>	<u>29,464,106</u>

See accompanying notes to basic financial statements.

Special Revenue

Homeless Fund	Nonmajor Governmental Funds	Totals	
		2011	2010
-	468,501	46,893,268	54,743,514
-	156,241	157,017	2,973
-	315	60,866	102,260
135,329	382,796	2,923,706	7,305,034
<u>-</u>	<u>14,415</u>	<u>225,255</u>	<u>824,967</u>
<u>135,329</u>	<u>1,022,268</u>	<u>50,260,112</u>	<u>62,978,748</u>
121,724	156,288	308,152	262,217
13,076	9,178	2,013,745	9,359,576
25,643	199,612	225,255	824,967
<u>13,562</u>	<u>230,499</u>	<u>775,800</u>	<u>255,948</u>
<u>174,005</u>	<u>595,577</u>	<u>3,322,952</u>	<u>10,702,708</u>
-	128,461	45,708,443	51,309,841
-	447,288	447,288	117,635
<u>(38,676)</u>	<u>(149,058)</u>	<u>781,429</u>	<u>848,564</u>
<u>(38,676)</u>	<u>426,691</u>	<u>46,937,160</u>	<u>52,276,040</u>
<u>135,329</u>	<u>1,022,268</u>	<u>50,260,112</u>	<u>62,978,748</u>

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COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS
Governmental Funds

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

June 30, 2011

Fund balances of governmental funds	\$ 46,937,160
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets net of depreciation have not been recorded as assets in the governmental fund financial statements.	
Cost of capital assets	13,090,763
Accumulated depreciation	(2,229,519)
Loans receivable has not been reported in the governmental funds.	12,053,549
Long term liabilities have not been reported as liabilities in the governmental fund financial statements.	(26,359,878)
Accrued interest payable for the current portion of interest due on the long-term liabilities has not been reported in the governmental funds.	-
Claims payable have not been recorded as a liability in the governmental fund financial statements.	(108,427)
Compensated absences have not been recorded as liabilities in the governmental fund financial statements.	(132,411)
Revenues that are measurable but not available have been deferred in the governmental fund financial statements.	<u>775,800</u>
Net assets of governmental activities	<u>\$ 44,027,037</u>

See accompanying notes to the basic financial statements.

COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS
Statement of Revenues, Expenditures and Changes in Fund Balances
Year ended June 30, 2011

(with comparative information for the prior year)

	Special Revenue		
	General Fund	Transportation Uniform Mitigation Fees	Measure A
Revenues:			
Mitigation fees	\$ -	1,971,610	-
Measure A (note 13)	-	1,078,743	5,579,552
Member dues	370,293	-	-
Grants	-	-	-
Investment income	3,529	123,570	159,261
Loan repayments	-	180,000	313,732
Other governmental	-	-	480,409
Miscellaneous	11,014	5,600	21
Total revenues	<u>384,836</u>	<u>3,359,523</u>	<u>6,532,975</u>
Expenditures:			
Salaries	205,992	333,499	361,001
Benefits	79,120	100,786	115,923
Communications	1,541	4,324	4,736
Advertising	1,214	126	125
Insurance	8,823	12,589	12,545
Memberships and per diem	15,561	5,651	6,847
General and office expenses	5,911	9,729	10,965
Professional services	8,896	20,848	22,614
Consultants	29,750	106,647	87,257
Leases and maintenance	16,852	30,603	33,949
Staff training	92	482	602
Transportation and meetings	8,542	3,447	4,492
Utilities	2,540	4,232	4,571
Project costs	-	7,370,403	8,918,005
Capital outlay	759	2,471	3,290
Debt service:			
Principal	-	-	8,075,336
Interest	-	-	1,383,124
Total expenditures	<u>385,593</u>	<u>8,005,837</u>	<u>19,045,382</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(757)</u>	<u>(4,646,314)</u>	<u>(12,512,407)</u>
Other financing sources (uses):			
Revenue bonds issued	-	-	7,411,752
Advances received	-	-	4,047,451
Transfers in (note 5)	-	-	-
Transfers out (note 5)	(211)	-	-
Total other financing sources (uses)	<u>(211)</u>	<u>-</u>	<u>11,459,203</u>
Net change in fund balances	(968)	(4,646,314)	(1,053,204)
Fund balances (deficit) at beginning of year	<u>970,131</u>	<u>22,561,721</u>	<u>28,717,779</u>
Fund balances (deficit) at end of year	<u>\$ 969,163</u>	<u>17,915,407</u>	<u>27,664,575</u>

See accompanying notes to basic financial statements.

Special Revenue

Homeless Fund	Nonmajor Governmental Funds	Totals	
		2011	2010
-	-	1,971,610	1,943,744
-	-	6,658,295	13,366,754
-	-	370,293	368,950
-	387,339	387,339	4,228
697	428	287,485	524,942
-	-	493,732	415,421
1,744,811	1,789,747	4,014,967	3,754,298
-	35,247	51,882	2,821,138
<u>1,745,508</u>	<u>2,212,761</u>	<u>14,235,603</u>	<u>23,199,475</u>
-	542,195	1,442,687	1,563,559
-	187,222	483,051	510,465
-	4,247	14,848	15,504
-	22,545	24,010	25,489
-	32,327	66,284	52,572
-	10,232	38,291	45,285
-	24,411	51,016	56,070
1,885,363	33,687	1,971,408	1,122,379
4,225	160,311	388,190	558,932
-	50,166	131,570	131,241
-	2,089	3,265	25,230
-	7,042	23,523	3,237
-	6,845	18,188	17,201
-	619,699	16,908,107	-
-	4,268	10,788	32,020,226
-	-	8,075,336	19,526,512
-	-	1,383,124	1,810,085
<u>1,889,588</u>	<u>1,707,286</u>	<u>31,033,686</u>	<u>57,483,987</u>
<u>(144,080)</u>	<u>505,475</u>	<u>(16,798,083)</u>	<u>(34,284,512)</u>
-	-	7,411,752	20,077,040
-	-	4,047,451	9,177,306
-	15,293	15,293	683,009
-	(15,082)	(15,293)	(683,009)
-	211	11,459,203	29,254,346
(144,080)	505,686	(5,338,880)	(5,030,166)
105,404	(78,995)	52,276,040	57,306,206
<u>(38,676)</u>	<u>426,691</u>	<u>46,937,160</u>	<u>52,276,040</u>

COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS

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

Year ended June 30, 2011

Net changes in fund balances - total governmental funds \$ (5,338,880)

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

When capital assets owned by the Association are purchased

or constructed, the resources expended for those assets are reported as expenditures in governmental funds. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

As a result, fund balance decreases by the amount of financial resources expended, whereas net assets decreased by the amount of depreciation expense charged for the year.

Acquisition of capital assets	28,605
Depreciation expense	(49,507)
The net effect of capital asset retirement is to decrease net assets	(7,682)

Repayment of long-term debt is an expenditure in the governmental funds and thus, has the effect of reducing fund balance because current financial resources have been used. The issuance of long-term debt provides current financial resources to governmental funds. For the Association as a whole, however, the payment reduces the liability in the Statement of Net Assets and does not result in the recording of an expense in the Statement of Activities. The issuance of long-term debt increases the liability in the Statement of Net Assets and does not result in the recording of a revenue in the Statement of Activities.

Repayment of Revenue Bonds	714,161
Repayment of Advances from Riverside County Transportation Commission	7,361,175
Issuance of Revenue Bonds	(7,411,752)
Advances received from Riverside County Transportation Commission	(4,047,451)

Changes in compensated absences payable is an expenditure in the governmental funds, but the expenditure reduces long-term liabilities in the statement of net assets. (1,623)

Changes in claims payable is an expenditure in the governmental funds, but the expenditure reduces long-term liabilities in the statement of net assets. (108,427)

Accrued interest for long-term debt. This is the net change in accrued interest for the current period. 13,446

Additions to loans receivable are recorded as an increase of the loan receivable account balance for the Statement of Activities. This is the amount of new loans made. 7,631,201

Payments on outstanding loans are recorded as a reduction of the loan receivable account balance for the Statement of Activities. This is the amount of loan payments that were made. (493,732)

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. This is the net change in deferred revenue for the current period. 519,852

Changes in net assets of governmental activities \$ (1,190,614)

See accompanying notes to the basic financial statements.

COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS

Notes to Basic Financial Statements

Year ended June 30, 2011

1. Summary of Significant Accounting Policies

a. Description of Reporting Entity:

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

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

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

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

COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS

Notes to Basic Financial Statements

(Continued)

1. Summary of Significant Accounting Policies, (Continued)

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

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

General Assembly

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

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

Executive Committee

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

COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS

Notes to Basic Financial Statements

(Continued)

1. Summary of Significant Accounting Policies, (Continued)

Advisory Committees

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

b. Basis of Accounting and Measurement Focus:

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

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

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

Government-wide Financial Statements

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

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

COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS

Notes to Basic Financial Statements

(Continued)

1. Summary of Significant Accounting Policies, (Continued)

Government-wide Financial Statements, (Continued)

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

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

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

Fund Financial Statements

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

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

COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS

Notes to Basic Financial Statements

(Continued)

1. Summary of Significant Accounting Policies, (Continued)

Governmental Funds

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

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

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

COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS

Notes to Basic Financial Statements

(Continued)

1. Summary of Significant Accounting Policies, (Continued)

Governmental Funds (Continued)

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

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

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

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

Governmental Fund Balances

The accompanying financial statements reflect certain changes that have been made with respect to the reporting of the components of fund balances for governmental funds. In previous years, fund balances for governmental funds were reported in accordance with previous standards that included components for reserved fund balance, unreserved fund balance, designated fund balance, and undesignated fund balance.

Due to the implementation of GASB No. 54, the components of the fund balances of governmental funds now reflect the component classifications described below. Prior year amounts have been restated to reflect the component designations required by GASB No. 54.

COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS

Notes to Basic Financial Statements

(Continued)

1. Summary of Significant Accounting Policies, (Continued)

Governmental Fund Balances (Continued)

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

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

Restricted Fund Balance – this includes amounts that can be spent only for specific purposes stipulated by constitution, external resource providers, or through enabling legislation. If the Board action limiting the use of funds is included in the same action (legislation) that created (enables) the funding source, then it is restricted.

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

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

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

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

COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS

Notes to Basic Financial Statements

(Continued)

1. Summary of Significant Accounting Policies, (Continued)

c. Fund Classifications:

The Association reports the following major governmental funds:

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

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

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

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

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

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

d. Reclassification and Eliminations:

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

COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS

Notes to Basic Financial Statements

(Continued)

1. Summary of Significant Accounting Policies, (Continued)

e. Cash and Investments:

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

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

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

f. Employee Leave Benefits:

Vacation time begins to accumulate as of the first day of employment to a maximum of 400 hours. Sick leave accumulates at the rate of 8.67 hours per month without limit. Employees are not entitled to compensation for accrued sick time upon separation from the Association.

g. Capital Assets:

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

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

COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS

Notes to Basic Financial Statements

(Continued)

1. Summary of Significant Accounting Policies, (Continued)

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

Furniture and equipment	7-25 years
Vehicles	7 years

h. Use of Estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

i. Comparative Data:

The amounts shown for the year ended June 30, 2010 in the accompanying financial statements are included to provide a basis for comparison with 2011 and present summarized totals only. The 2010 totals are not intended to present all information necessary for a fair presentation in conformity with accounting principles generally accepted in the United States of America. Such information should be read in conjunction with the Association's financial statements for the year ended June 30, 2010.

2. Cash and Investments

Cash and investments of the Association consisted of the following at June 30, 2011:

Cash on hand	\$	300
Deposits with financial institutions		<u>166,108</u>
Total cash and deposits		166,408
Investments:		
Local Agency Investment Fund		25,058,832
Riverside County Pooled Investment Fund		<u>21,668,028</u>
Total investments		<u>46,726,860</u>
Total cash and investments		<u>\$46,893,268</u>

COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS

Notes to Basic Financial Statements

(Continued)

2. Cash and Investments, (Continued)

Deposits

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

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

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

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

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

N/A - Not Applicable

COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS

Notes to Basic Financial Statements

(Continued)

2. Cash and Investments, (Continued)

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the Association manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

The Association's investments in the Local Agency Investment Fund of \$25,058,832 and the Riverside County Pooled Investment Fund of \$21,668,028 are available on demand.

Disclosures Relating to Credit Risk

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

<u>Investment</u>	Minimum Legal <u>Rating</u>	<u>Unrated</u>
Local Agency Investment Fund	N/A	\$25,058,832
Riverside County Pooled Investment Fund	N/A	21,668,028

COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS

Notes to Basic Financial Statements

(Continued)

2. Cash and Investments, (Continued)

Investment in State Investment Pool

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

Investment in Riverside County Investment Pool

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

COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS

Notes to Basic Financial Statements

(Continued)

3. Loans Receivable

Outstanding
Balance at
June 30, 2011

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

County of Riverside, payable through 2016	\$3,075,137
City of Indian Wells, payable through 2017	335,415

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

City of Palm Springs, payable through 2039	291,795
--	---------

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

City of Blythe, payable through 2015	720,000
--------------------------------------	---------

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

City of Indio, payable through 2022	2,756,728
County of Riverside, payable through 2022	2,756,728

The Association paid 100% of the cost incurred on Date Palm/I-10 Interchange until the start of construction. Impacted jurisdictions and their share is currently being determined:

2,117,746

Total loans receivable	<u>\$12,053,549</u>
------------------------	---------------------

COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS

Notes to Basic Financial Statements

(Continued)

4. Interfund Receivables and Payables

<u>Receivable Funds</u>	<u>Payable Funds</u>	<u>Amount</u>
General Fund	Homeless Fund	\$ 25,643
	Other Governmental Funds	<u>133,421</u>
		159,064
Measure A Fund	Other Governmental Funds	51,776
Other Governmental Funds	Other Governmental Funds	<u>14,415</u>
		<u>\$225,255</u>

Amounts loaned to the Other Governmental Funds by the General Fund, the Measure A Special Revenue Fund and the Other Governmental Funds represented short-term borrowings to manage cash flows.

5. Interfund Transfers

<u>Transfer In to Fund</u>	<u>Transfers Out of Funds</u>	<u>Amount</u>
Other Governmental Funds	General Fund	\$ 211
	Other Governmental Funds	<u>15,082</u>
		<u>\$15,293</u>

The General Fund transferred \$211 to the Other Governmental Funds to pay for indirect expenditures not reimbursed by grant funds.

The Other Governmental Funds transferred \$15,082 to the Other Governmental Funds to pay for expenditures in excess of revenues received and for indirect expenditures not reimbursed by grant funds.

COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS

Notes to Basic Financial Statements

(Continued)

6. Capital Assets

A summary of capital asset activity for the year ended June 30, 2011 is as follows:

	<u>Balance at July 1, 2010</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at June 30, 2011</u>
Capital assets, not being depreciated				
Land	\$10,682,344	-	-	10,682,344
Capital assets, being depreciated:				
Furniture and equipment	514,071	28,605	(43,769)	498,907
Vehicles	<u>1,909,512</u>	-	-	<u>1,909,512</u>
Total capital assets, being depreciated	<u>2,423,583</u>	<u>28,605</u>	<u>(43,769)</u>	<u>2,408,419</u>
Less accumulated depreciation:				
Furniture and equipment	(451,031)	(12,295)	36,087	(427,239)
Vehicles	<u>(1,765,068)</u>	<u>(37,212)</u>	-	<u>(1,802,280)</u>
Total accumulated depreciation	<u>(2,216,099)</u>	<u>(49,507)</u>	<u>36,087</u>	<u>(2,229,519)</u>
Total capital assets being depreciated, net	<u>207,484</u>	<u>(20,902)</u>	<u>(7,682)</u>	<u>178,900</u>
Total capital assets, net	<u>\$10,889,828</u>	<u>(20,902)</u>	<u>(7,682)</u>	<u>10,861,244</u>

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

Transportation \$49,507

COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS

Notes to Basic Financial Statements

(Continued)

7. Transportation Uniform Mitigation Fee Program

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

<u>Fiscal Period</u>		<u>Fiscal Year</u>	
<u>From</u>	<u>To</u>	<u>Ending</u>	
1990	1994		\$ 13,585,887
1996	1999		13,642,573
2000	2004		26,394,448
		2005	8,889,616
		2006	8,830,809
		2007	11,139,455
		2008	8,759,562
		2009	3,279,518
		2010	1,943,744
		2011	<u>1,971,610</u>
			<u>\$98,437,222</u>

In addition, the Association received \$17,270,025 cumulatively through June 30, 2011 relating to Measure A in lieu of TUMF for the Cities of Coachella and Desert Hot Springs, which were not participating in the TUMF program previously, and the City of La Quinta, which is not participating in the TUMF program at this time.

COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS

Notes to Basic Financial Statements

(Continued)

8. Long-term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2011 is as follows:

	<u>Balance at July 1, 2010</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at June 30, 2011</u>	<u>Due within One Year</u>
Revenue bonds payable	\$ 19,662,287	7,411,752	714,161	26,359,878	818,652
Advancement of RCTC Measure "A" funds	3,313,724	4,047,451	7,361,175	-	-
Insurance payable	-	108,427	-	108,427	-
Compensated absences	<u>130,788</u>	<u>90,151</u>	<u>88,528</u>	<u>132,411</u>	<u>117,709</u>
Totals	<u>\$ 23,106,799</u>	<u>11,657,781</u>	<u>8,163,864</u>	<u>26,600,716</u>	<u>936,361</u>

Revenue Bonds Payable

On October 1, 2009, Riverside County Transportation Commission (RCTC) issued \$185,000,000 of 2009 Sales Tax Revenue Bonds Series A, B and C (Bonds). The Association's participation in the Bonds was \$20,077,040. The Association's portion of the Bond proceeds is for reimbursement of the Association's highway and regional arterial program expenditures. Principal and interest on the Bonds are payable monthly through September 1, 2029. The rate of interest is 5.662% per annum.

On November 17, 2010, Riverside County Transportation Commission (issued \$150,000,000 of 2010 Sales Tax Revenue Bonds, Series A and B. The Association's participation in the Bonds was \$7,411,752. The Association's portion of the Bond proceeds was for reimbursement of the Association's highway and regional arterial program expenditures that were previously reflected in long-term liabilities as Advancement of Measure A funds. Principal and interest on the Bonds are payable monthly through September 1, 2029. The rate of interest is 7.307% per annum.

COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS

Notes to Basic Financial Statements

(Continued)

8. Long-term Liabilities, (Continued)

As of June 30, 2011, annual debt service requirement of the revenue bonds payable is as follows:

<u>Fiscal Year</u> <u>Ending</u>	<u>Principal</u>	<u>Interest</u>
2012	\$ 818,652	1,590,544
2013	869,733	1,539,462
2014	924,048	1,485,148
2015	981,804	1,427,391
2016	1,043,223	1,365,972
2017-2021	6,283,025	5,762,953
2022-2026	8,523,677	3,522,301
2027-2030	<u>6,915,716</u>	<u>713,404</u>
Total	<u>\$26,359,878</u>	<u>17,407,175</u>

Advancement of RCTC Measure “A” Funds

On November 17, 2005, the Association entered into an agreement with the Riverside County Transportation Commission (RCTC) for advancement of Measure “A” highway and major regional road project funds. These funds were used to finance a portion of the cost of highway and regional road improvements projects. Under the terms of the agreement, the amount of the advance shall not exceed \$43,300,000, and shall accrue interest from the date of the advance at a rate of ½ percent over the interest rate paid by RCTC. The Association shall repay the advance, together with all accrued and unpaid interest, to RCTC in 240 monthly installments or until RCTC converts the advances to bonds. At June 30, 2011, all amounts have been refunded and converted to bonds payable.

Compensated Absences

The Association’s policies relating to compensated absences are described in Note 1. This liability amounting to \$132,411 at June 30, 2011 is expected to be paid in future years from future resources and is typically liquidated from the General Fund.

COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS

Notes to Basic Financial Statements

(Continued)

9. Liability, Property And Workers' Compensation Protection

Description Self-Insurance Pool Pursuant to Joint Powers Agreement:

The Association is a member of the California Joint Powers Insurance Authority (Insurance Authority). The Insurance Authority is composed of 122 California public entities and is organized under a joint powers agreement pursuant to California Government Code Section 6500 et. seq. The purpose of the Insurance Authority is to arrange and administer programs for the pooling of self-insured losses, to purchase excess insurance or reinsurance, and to arrange for group purchased insurance for property and other coverages. The Insurance Authority's pool began covering claims of its members in 1978. Each member government has an elected official as its representative on the Board of Directors. The Board operates through a 9-member Executive Committee.

Self-Insurance Programs of the Insurance Authority:

General Liability Insurance

Each member government pays a primary deposit to cover estimated losses for a fiscal year (claims year). After the close of a fiscal year, outstanding claims are valued. A retrospective deposit computation is then made for each open claims year. Claims are pooled separately between police and non-police. Costs are allocated to members by the following methods within each of the four layers of coverage; (1) the first \$30,000 of each occurrence is charged directly to the member's primary deposit; (2) costs from \$30,000 to \$750,000 and the loss development reserves associated with losses up to \$750,000 are pooled based on the member's share of losses under \$30,000; (3) losses from \$750,000 to \$2,000,000 and the associated loss development reserves are pooled based on payroll; (4a) costs of covered claims from \$2,000,000 to \$50,000,000 are paid under reinsurance and excess insurance policies; (4b) subject to a \$3,000,000 annual aggregate deductible; (4c) and a quota-sharing agreement whereby the Insurance Authority is financially responsible for 40% of losses occurring within the \$2,000,000 to \$10,000,000 layer. The costs associated with 4a-c are estimated using actuarial models and pre-funded as part of the primary and retrospective deposits.

The overall policy limit for each member including all layers of coverage is \$50,000,000 per occurrence. Costs of covered claims for subsidence losses are paid by excess insurance with the following sub-limits per member; \$25,000,000 per occurrence with a \$15,000,000 annual aggregate.

COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS

Notes to Basic Financial Statements

(Continued)

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

Purchased Insurance:

Property Insurance

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

Crime Insurance

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

Adequacy of Protection:

During the past three fiscal (claims) years, none of the above programs of protection have had settlements or judgments that exceeded pooled or insured coverage. There have been no significant reductions in pooled or insured liability coverage from coverage in the prior year.

Included in long-term liabilities is a cumulative deposit payable due to the Insurance Authority in the amount of \$108,427.

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

COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS

Notes to Basic Financial Statements

(Continued)

10. Operating Leases

The Association leases office space under an operating lease which was amended in September 1998 to extend the lease term to August 14, 2016. The lease was again amended in February 2008 to increase the amount of office space leased. The base rent is subject to annual revisions based on changes in the Consumer Price Index. The lease also requires payment of a share of common area operating costs. The rental expense for the fiscal year ended June 30, 2011 was \$95,717. Minimum rental commitments exclusive of the allocation of operating costs are as follows:

Year Ending <u>June 30</u>	
2012	\$97,913
2013	98,107
2014	98,107
2015	98,107
2016	98,107
2017	<u>12,263</u>
	<u>\$502,604</u>

11. Defined Benefit Pension Plan

Plan Description

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

COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS

Notes to Basic Financial Statements

(Continued)

11. Defined Benefit Pension Plan, (Continued)

Funding Policy

The contribution requirements of the plan members are established by State statute and the employer contribution rate is established and may be amended by PERS. Active Association employees are required to contribute 7% of their annual covered salary to PERS. The Association makes the contributions required of Association employees on their behalf and for their account. The Association is required to contribute the actuarially determined remaining amounts necessary to fund the benefits for its members. The current rate is 10.158% of covered payroll. The Association's contributions to CalPERS for the years ending June 30, 2011, 2010 and 2009 were \$143,289, \$158,479, and \$156,926, respectively and were equal to the required contribution for each year.

12. Designated for Specific Capital Projects and Programs

The following represents the unexpended project budgets as of June 30, 2011. Unexpended project budgets will be reprogrammed to other projects upon finalization of all pending items (final bills, disposition of change orders, etc.).

Jefferson Street and Varner Road (North of I-10)	\$ 4,500,000
Jefferson/I-10 Interchange	8,242,035
Palm Drive/Gene Autry/I-10 Interchange	18,622,047
Monroe Street (Miles Avenue to I-10)	4,529,969
Indian Avenue/I-10 Interchange	984,213
Indian Avenue (Garnet to and including Railroad Crossing Bridge)	4,415,476
Miles Avenue (WWR Storm Water Channel to Clinton Street)	46,179
Gene Autry Trail (I-10 to Vista Chino Drive)	2,177,707
Varner Road (Adams to Jefferson)	1,957,169
Indian Canyon Drive (across White Water River Wash)	1,836,005
Dillon Road Grade Separation	2,361,067
Monterey/I-10 Interchange	2,853,955
Madison Street (Avenue 50 to Indio Boulevard)	14,657,547
Highway 111 (Indian Wells)	7,775,179
Portola Avenue (North of Gerald Ford Drive)	534,935
Palm & Date Palm//I-10 Interim Projects	589,709

COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS

Notes to Basic Financial Statements

(Continued)

12. Designated for Specific Capital Projects and Programs, (Continued)

Interchange Preparation Fund	6,012,544
Adams Street Bridge	1,370,423
Cathedral Canyon Bridge	1,895,820
Date Palm Drive Bridge	1,608,925
Date Palm/I-10 Interchange	8,413,543
Bob Hope/Ramon (I-10 Interchange)	7,334,000
Dillon (I-10 & Dillon/SR865 Interchanges)	149,239
Vista Chino Drive	375,000
Varner Road (Impr. at Ramon)	374,153
Varner Road (Ramon to Monterey)	1,496,605
Airport Blvd. (Harrison to Hwy 111)	7,898,603
Frank Sinatra Bridge over WWR	3,035,822
Avenue 56 Grade Separation	9,007,600
Avenue 66 Grade Separation	353,663
Ramon Road Bridge Widening	8,071,500
Avenue 52 Grade Separation	215,625
Vista Chino Drive Bridge	<u>86,025</u>
Unexpended project budgets	133,782,282
Less amounts to be provided in future years	<u>(88,202,299)</u>
Fund balance designated for capital projects and programs	<u>\$45,579,983</u>

13. Measure A Fund Program

Measure A is a half-cent local retail transaction and use tax that was initially approved by the voters in November 1988 for 20 years and extended in November 2002 for an additional 30 years, through June 2039, to fund key transportation improvements in Riverside County. RCTC has the responsibility of receiving and managing the Measure A funds, including the allocation of the Measure A funds to the three geographic areas of the County and the programs within each area. The Association does not have direct control over the Coachella Valley highways and regional arterial program funds that are allocated by RCTC in accordance with the extended Measure A ordinance. Revenues are recognized when a Measure A highway or regional arterial program project expenditures, including debt service payments on advances (see Note 8), have been incurred. Measure A funds controlled by RCTC related to the Coachella Valley highway and regional arterial program that have not been expended by the Association are held by RCTC in a

COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS

Notes to Basic Financial Statements

(Continued)

13. Measure A Fund Program, (Continued)

separate restricted special revenue fund. The Association's allocation of the Measure A funds for the past five years is as follows:

Fiscal Year <u>Ending</u>	
2007	\$15,166,792
2008	\$13,899,508
2009	\$11,149,164
2010	\$14,489,106
2011	\$14,299,352

14. Fund Deficits

The following funds reported deficit balances at June 30, 2011:

Homeless Fund	\$ (38,676)
Other Governmental Funds:	
Multi-Species Habitat Conservation Plan Fund	(51,774)
Energy Partnership Fund	(49,084)
Tire Amnesty Fund	(36,033)
Air Quality Enhancement Fund	(12,167)

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

Homeless	\$ 13,562
Other Governmental Funds:	
Multi-Species Habitat Conservation Plan Fund	94,154
Tire Amnesty Fund	36,033
Air Quality Enhancement Fund	26,034

COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS

Notes to Basic Financial Statements

(Continued)

15. Commitments and Contingencies

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

The Association approved a contribution of \$30 million for the Coachella Valley Multiple Species Habitat Conservation Plan (CVMSHCP), which would mitigate all of the regional transportation projects listed in the current Transportation Project Prioritization Study (TPPS). Under the CVMSHCP, the \$30 million of transportation funds would contribute to both land acquisition and the establishment of an Endowment Fund, which would ensure monitoring and management of the acquired lands. The CVMSHCP area includes 1.1 million acres, encompassing the entire Coachella Valley and the surrounding mountains. The MSHCP will benefit the local jurisdictions by providing Take Authorization for all development, including public infrastructure projects, undertaken by the Permittees (signatories to the MSHCP) outside the Conservation Areas. By providing Take Authorization for public and private development projects, the MSHCP eliminates the need for projects to conduct biological surveys and negotiate individual project mitigation with the US Fish and Wildlife Service and the California Department of Fish and Game. At June 30, 2011, the remaining commitment to the MSHCP is \$17,122,201. The liability has not been recorded in the accompanying financial statements because the contributions are contingent upon the receipt of future transportation revenues that have not yet been earned.

REQUIRED SUPPLEMENTARY INFORMATION

COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS

General Fund

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

Year ended June 30, 2011

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Member dues	\$ 370,218	370,218	370,293	75
Investment income	5,000	5,000	3,529	(1,471)
Miscellaneous	-	-	11,014	11,014
Total revenues	<u>375,218</u>	<u>375,218</u>	<u>384,836</u>	<u>9,618</u>
Expenditures:				
Salaries	433,411	433,411	205,992	227,419
Benefits	159,016	159,016	79,120	79,896
Communications	2,753	2,753	1,541	1,212
Advertising	289	289	1,214	(925)
Insurance	15,338	15,338	8,823	6,515
Memberships and per diem	42,240	42,240	15,561	26,679
General and office expenses	14,584	14,584	5,911	8,673
Professional services	13,393	13,393	8,896	4,497
Consultants	-	-	29,750	(29,750)
Leases and maintenance	35,496	35,496	16,852	18,644
Printing	345	345	-	345
Staff training	4,793	4,793	92	4,701
Transportation and meetings	5,891	5,891	8,542	(2,651)
Utilities	4,897	4,897	2,540	2,357
Capital outlay	10,347	10,347	759	9,588
Total expenditures	<u>742,793</u>	<u>742,793</u>	<u>385,593</u>	<u>357,200</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(367,575)</u>	<u>(367,575)</u>	<u>(757)</u>	<u>366,818</u>
Other financing sources (uses):				
Transfers in	428,359	428,359	-	(428,359)
Transfers out	<u>(60,784)</u>	<u>(60,784)</u>	<u>(211)</u>	<u>60,573</u>
Total other financing sources (uses)	<u>367,575</u>	<u>367,575</u>	<u>(211)</u>	<u>(367,786)</u>
Net change in fund balances	-	-	(968)	(968)
Fund balance at beginning of year	<u>970,131</u>	<u>970,131</u>	<u>970,131</u>	-
Fund balances at end of year	<u>\$ 970,131</u>	<u>970,131</u>	<u>969,163</u>	<u>(968)</u>

COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS

Transportation Uniform Mitigation Fees Fund

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

Year ended June 30, 2011

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		(Negative)
Revenues:				
Mitigation fees	\$ 1,605,000	1,605,000	1,971,610	366,610
Measure A (note 13)	895,000	895,000	1,078,743	183,743
Investment income	210,000	210,000	123,570	(86,430)
Loan repayment	190,421	190,421	180,000	(10,421)
Miscellaneous	5,000	5,000	5,600	600
Total revenues	2,905,421	2,905,421	3,359,523	454,102
Expenditures:				
Salaries	304,327	304,327	333,499	(29,172)
Benefits	91,309	91,309	100,786	(9,477)
Communications	4,257	4,257	4,324	(67)
Advertising	1,671	1,671	126	1,545
Insurance	8,796	8,796	12,589	(3,793)
Memberships and per diem	5,762	5,762	5,651	111
General and office expenses	17,906	17,906	9,729	8,177
Professional services	11,958	11,958	20,848	(8,890)
Consultants	100,994	100,994	106,647	(5,653)
Leases and maintenance	26,154	26,154	30,603	(4,449)
Printing	1,085	1,085	-	1,085
Staff training	3,086	3,086	482	2,604
Transportation and meetings	3,667	3,667	3,447	220
Utilities	2,905	2,905	4,232	(1,327)
Project costs	12,070,896	12,070,896	7,370,403	4,700,493
Capital outlay	2,750	2,750	2,471	279
Total expenditures	12,657,523	12,657,523	8,005,837	4,651,686
Excess (deficiency) of revenues over (under) expenditures	(9,752,102)	(9,752,102)	(4,646,314)	5,105,788
Other financing sources (uses):				
Transfers out	(102,335)	(102,335)	-	102,335
Total other financing sources (uses)	(102,335)	(102,335)	-	102,335
Net change in fund balances	(9,854,437)	(9,854,437)	(4,646,314)	5,208,123
Fund balance at beginning of year	22,561,721	22,561,721	22,561,721	-
Fund balances at end of year	\$ 12,707,284	12,707,284	17,915,407	5,208,123

COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS

Measure A Fund

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

Year ended June 30, 2011

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Measure A	\$ 12,000,000	12,000,000	5,579,552	(6,420,448)
Investment income	161,000	161,000	159,261	(1,739)
Loan repayments	225,000	225,000	313,732	88,732
Other governmental	256,300	256,300	480,409	224,109
Miscellaneous	-	-	21	21
Total revenues	12,642,300	12,642,300	6,532,975	(6,109,325)
Expenditures:				
Salaries	285,715	285,715	361,001	(75,286)
Benefits	91,364	91,364	115,923	(24,559)
Communications	4,340	4,340	4,736	(396)
Advertising	1,678	1,678	125	1,553
Insurance	9,249	9,249	12,545	(3,296)
Memberships and per diem	5,788	5,788	6,847	(1,059)
General and office expenses	18,290	18,290	10,965	7,325
Professional services	12,329	12,329	22,614	(10,285)
Consultants	107,631	107,631	87,257	20,374
Leases and maintenance	27,193	27,193	33,949	(6,756)
Printing	1,089	1,089	-	1,089
Staff training	3,061	3,061	602	2,459
Transportation and meetings	4,943	4,943	4,492	451
Utilities	3,056	3,056	4,571	(1,515)
Project costs	86,314,111	86,314,111	8,918,005	77,396,106
Capital outlay	2,249	2,249	3,290	(1,041)
Debt service:				
Principal	1,679,400	1,679,400	8,075,336	(6,395,936)
Interest	-	-	1,383,124	(1,383,124)
Total expenditures	88,571,486	88,571,486	19,045,382	69,526,104
Excess (deficiency) of revenues over (under) expenditures	(75,929,186)	(75,929,186)	(12,512,407)	63,416,779
Other financing sources (uses):				
Revenue bonds issued	10,819,447	10,819,447	7,411,752	(3,407,695)
Advances received	65,618,477	65,618,477	4,047,451	(61,571,026)
Transfers out	(98,138)	(98,138)	-	98,138
Total other financing sources (uses)	76,339,786	76,339,786	11,459,203	(64,880,583)
Net change in fund balances	410,600	410,600	(1,053,204)	(1,463,804)
Fund balance at beginning of year	28,717,779	28,717,779	28,717,779	-
Fund balances at end of year	\$ 29,128,379	29,128,379	27,664,575	(1,463,804)

COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS

Homeless Fund

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

Year ended June 30, 2011

	Budget		Actual	Variance with
	Original	Final		Final Budget Positive (Negative)
Revenues:				
Investment income	\$ 1,000	1,000	697	(303)
Other governmental	1,103,984	1,897,131	1,744,811	(152,320)
Total revenues	<u>1,104,984</u>	<u>1,898,131</u>	<u>1,745,508</u>	<u>(152,623)</u>
Expenditures:				
Professional services	1,103,984	1,897,131	1,885,363	11,768
Consultants	-	-	4,225	(4,225)
Total expenditures	<u>1,103,984</u>	<u>1,897,131</u>	<u>1,889,588</u>	<u>7,543</u>
Excess (deficiency) of revenues over (under) expenditures	1,000	1,000	(144,080)	(145,080)
Fund balances (deficit) at beginning of year	<u>105,404</u>	<u>105,404</u>	<u>105,404</u>	<u>-</u>
Fund balances (deficit) at end of year	<u>\$ 106,404</u>	<u>106,404</u>	<u>(38,676)</u>	<u>(145,080)</u>

COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS

Note to Required Supplementary Information

Year ended June 30, 2011

1. Budgets & Budgetary Accounting

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

SUPPLEMENTARY SCHEDULES

COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS

Nonmajor Governmental Funds

Combining Balance Sheet

June 30, 2011

	Special Projects	Multi-Species Habitat Conservation	Energy Env Res	AB2766 Grant
<u>Assets</u>				
Cash and investments	\$ 37,276	1,799	-	361,606
Accounts receivable	-	-	156,241	-
Interest receivable	16	2	-	250
Due from other governments	-	94,154	-	96,492
Due from other funds	-	-	-	10,916
	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,916</u>
 Total assets	 <u>\$ 37,292</u>	 <u>95,955</u>	 <u>156,241</u>	 <u>469,264</u>
<u>Liabilities and Fund Balances</u>				
Liabilities:				
Accounts payable	\$ 69	1,799	100,721	3,845
Due to other governments	6,500	-	-	-
Due to other funds	-	51,776	104,604	-
Deferred revenue	-	94,154	-	38,881
	<u>-</u>	<u>94,154</u>	<u>-</u>	<u>38,881</u>
 Total liabilities	 <u>6,569</u>	 <u>147,729</u>	 <u>205,325</u>	 <u>42,726</u>
Fund balances:				
Restricted for:				
Transportation	30,723	-	-	-
Environmental	-	-	-	426,538
Unassigned	-	(51,774)	(49,084)	-
	<u>-</u>	<u>(51,774)</u>	<u>(49,084)</u>	<u>-</u>
 Total fund balances	 <u>30,723</u>	 <u>(51,774)</u>	 <u>(49,084)</u>	 <u>426,538</u>
 Total liabilities and fund balances	 <u>\$ 37,292</u>	 <u>95,955</u>	 <u>156,241</u>	 <u>469,264</u>

<u>Oil Grant</u>	<u>Tire Amnesty</u>	<u>AB939 Grant</u>	<u>Air Quality Enhancement</u>	<u>Street Sweeping</u>	<u>Total</u>
26,356	-	1	-	41,463	468,501
-	-	-	-	-	156,241
18	-	-	-	29	315
35,397	36,033	-	26,034	94,686	382,796
-	-	3,499	-	-	14,415
<u>61,771</u>	<u>36,033</u>	<u>3,500</u>	<u>26,034</u>	<u>136,178</u>	<u>1,022,268</u>
9,123	1,039	1	1,251	38,440	156,288
-	2,678	-	-	-	9,178
-	32,316	-	10,916	-	199,612
35,397	36,033	-	26,034	-	230,499
<u>44,520</u>	<u>72,066</u>	<u>1</u>	<u>38,201</u>	<u>38,440</u>	<u>595,577</u>
-	-	-	-	97,738	128,461
17,251	-	3,499	-	-	447,288
-	(36,033)	-	(12,167)	-	(149,058)
<u>17,251</u>	<u>(36,033)</u>	<u>3,499</u>	<u>(12,167)</u>	<u>97,738</u>	<u>426,691</u>
<u>61,771</u>	<u>36,033</u>	<u>3,500</u>	<u>26,034</u>	<u>136,178</u>	<u>1,022,268</u>

COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS

Nonmajor Governmental Funds

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Year ended June 30, 2011

	Special Projects	Multi-Species Habitat Conservation	Energy Env Res	AB 2766 Grant
Revenues:				
Grants	\$ -	-	255,789	-
Investment income	127	4	-	250
Other governmental	6,000	567,427	-	396,022
Miscellaneous	35,247	-	-	-
Total revenues	<u>41,374</u>	<u>567,431</u>	<u>255,789</u>	<u>396,272</u>
Expenditures:				
Salaries	-	405,675	73,196	25,412
Benefits	-	135,086	30,087	8,111
Communications	96	3,098	568	188
Advertising	-	135	41	12
Insurance	-	13,505	2,098	1,182
Memberships and per diem	-	6,216	723	1,579
General and office expenses	-	16,155	1,480	638
Professional services	48	26,337	3,933	932
Consultants	-	-	103,190	4,488
Leases and maintenance	-	39,119	5,975	2,063
Staff training	-	1,991	62	13
Transportation and meetings	-	4,970	1,304	262
Utilities	-	5,026	1,017	324
Project costs	40,848	-	1,124	-
Capital outlay	-	4,268	-	-
Total expenditures	<u>40,992</u>	<u>661,581</u>	<u>224,798</u>	<u>45,204</u>
Excess (deficiency) of revenues over (under) expenditures	<u>382</u>	<u>(94,150)</u>	<u>30,991</u>	<u>351,068</u>
Other financing sources (uses):				
Transfers in	-	-	-	211
Transfers out	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>211</u>
Net change in fund balances	382	(94,150)	30,991	351,279
Fund balances (deficit) at beginning of year	<u>30,341</u>	<u>42,376</u>	<u>(80,075)</u>	<u>75,259</u>
Fund balances (deficit) at end of year	<u>\$ 30,723</u>	<u>(51,774)</u>	<u>(49,084)</u>	<u>426,538</u>

<u>Oil Grant</u>	<u>Tire Amnesty</u>	<u>AB939 Grant</u>	<u>Air Quality Enhancement</u>	<u>Street Sweeping</u>	<u>Totals</u>
131,550	-	-	-	-	387,339
18	-	-	-	29	428
-	-	31,860	238,438	550,000	1,789,747
-	-	-	-	-	35,247
<u>131,568</u>	<u>-</u>	<u>31,860</u>	<u>238,438</u>	<u>550,029</u>	<u>2,212,761</u>
4,513	6,920	7,156	1,924	17,399	542,195
1,617	3,089	2,887	614	5,731	187,222
34	51	54	15	143	4,247
18,489	3,698	3	-	167	22,545
201	344	283	57	14,657	32,327
38	53	1,427	15	181	10,232
5,311	177	280	67	303	24,411
155	227	361	47	1,647	33,687
52,633	-	-	-	-	160,311
375	558	576	150	1,350	50,166
2	2	3	1	15	2,089
23	30	162	40	251	7,042
58	84	87	21	228	6,845
-	32,715	-	134,793	410,219	619,699
-	-	-	-	-	4,268
<u>83,449</u>	<u>47,948</u>	<u>13,279</u>	<u>137,744</u>	<u>452,291</u>	<u>1,707,286</u>
<u>48,119</u>	<u>(47,948)</u>	<u>18,581</u>	<u>100,694</u>	<u>97,738</u>	<u>505,475</u>
3,167	11,915	-	-	-	15,293
-	-	(15,082)	-	-	(15,082)
<u>3,167</u>	<u>11,915</u>	<u>(15,082)</u>	<u>-</u>	<u>-</u>	<u>211</u>
51,286	(36,033)	3,499	100,694	97,738	505,686
<u>(34,035)</u>	<u>-</u>	<u>-</u>	<u>(112,861)</u>	<u>-</u>	<u>(78,995)</u>
<u>17,251</u>	<u>(36,033)</u>	<u>3,499</u>	<u>(12,167)</u>	<u>97,738</u>	<u>426,691</u>