

COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS
FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2022



DavisFarr
CERTIFIED PUBLIC ACCOUNTANTS

COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS

Financial Statements

Year ended June 30, 2022

(With Independent Auditor's Report Thereon)

COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS

Financial Statements

Year ended June 30, 2022

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Independent Auditor's Report

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

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Coachella Valley Association of Governments (CVAG), as of and for the year June 30, 2022, and the related notes to the financial statements, which collectively comprise CVAG's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of CVAG, as of June 30, 2022, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Emphasis of Matter

The financial statements for the year ended June 30, 2022 reflect certain prior period adjustments as described further in note 16 to the financial statements. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

In performing an audit in accordance with GAAS, we:

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the *management's discussion and analysis, budgetary comparison information and pension schedules* be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements.

We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Report on Summarized Comparative Information

We have previously audited CVAG's 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 24 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2021 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Supplementary Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 22, 2023 on our consideration of CVAG's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering CVAG's internal control over financial reporting and compliance.

DavisFarrLLP

Irvine, California
February 22, 2023

COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2022

The following discussion and analysis of the financial performance of Coachella Valley Association of Governments ("CVAG") provides an overview of CVAG's financial activities for the fiscal year ended June 30, 2022. 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 Position* and the *Statement of Activities* provide information about the activities of CVAG as a whole and present a long-term view of CVAG'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 CVAG's operations in more detail than the government-wide statements by providing information about CVAG'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 *supplementary information* that presents *combining statements* for nonmajor governmental funds. The *basic financial statements* include two kinds of statements that present different views of CVAG:

- The first two statements are *government-wide financial statements* that provide both *long-term* and *short-term* information about CVAG's overall financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the Association government, reporting CVAG'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 provides additional financial and budgetary information.

COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS

MANAGEMENT'S DISCUSSION AND ANALYSIS
(CONTINUED)

June 30, 2022

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Reporting CVAG as a Whole

The accompanying **government-wide financial statements** include two statements that present financial data for CVAG as a whole. One of the most important questions asked about CVAG's finances is, "Is CVAG as a whole better off or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information about CVAG 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 CVAG's net position and changes in it. You can think of CVAG's net position - the difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources -as one way to measure CVAG's financial health, or *financial position*. Over time, *increases and decreases* in CVAG's net assets are one indicator of whether its *financial health* is improving or deteriorating.

Reporting CVAG's Major Funds

The **fund financial statements** provide detailed information about CVAG's most significant funds - not CVAG 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 - CVAG'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 CVAG'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 CVAG's programs.

COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS

MANAGEMENT'S DISCUSSION AND ANALYSIS
(CONTINUED)

June 30, 2022

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

Statement of Net Position

	Fiscal Year 2022	Fiscal Year 2021	Dollar Change	Total Percentage Change
<u>Assets:</u>				
Cash and investments	\$ 55,900,242	\$ 57,483,992	\$ (1,583,750)	(2.76%)
Accounts receivable	49,340	917	48,423	5280.59%
Interest receivable	88,093	42,287	45,806	108.32%
Prepaid	44,144	-	44,144	100.00%
Due from other governments	18,537,606	12,503,824	6,033,782	48.26%
Loans receivable	177,162	187,623	(10,461)	(5.58%)
Restricted cash and investments	14,880,428	15,109,753	(229,325)	(1.52%)
Net pension assets	55,246	-	55,246	100.00%
Capital assets:				
Land and construction in progress	42,479,308	15,696,238	26,783,070	170.63%
Other capital assets, net	958,419	57,989	900,430	1552.76%
Total Assets	<u>133,169,988</u>	<u>101,082,623</u>	<u>32,087,365</u>	31.74%
<u>Deferred Outflows of Resources:</u>				
Deferred pension related items	980,425	1,407,746	(427,321)	(30.35%)
Total Deferred Outflows of Resources	<u>980,425</u>	<u>1,407,746</u>	<u>(427,321)</u>	(30.35%)
<u>Liabilities:</u>				
Current liabilities				
Accounts payable	3,676,821	2,687,998	988,823	36.79%
Due to other governments	3,708,775	8,501,528	(4,792,753)	(56.38%)
Accrued liabilities	70,170	39,236	30,934	100.00%
Deposits payable	14,880,428	15,109,753	(229,325)	(1.52%)

COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS

MANAGEMENT'S DISCUSSION AND ANALYSIS
(CONTINUED)

June 30, 2022

GOVERNMENT-WIDE FINANCIAL STATEMENTS (CONTINUED)

Statements of Net Position (continued)

	Fiscal Year 2022	Fiscal Year 2021	Dollar Change	Total Percentage Change
<u>Liabilities (continued):</u>				
Noncurrent liabilities:				
Due within one year:				
Revenue bonds payable	2,010,337	1,893,146	117,191	6.19%
Compensated absences	102,281	113,357	(11,076)	(9.77%)
Due in more than one year:				
Revenue bonds payable	15,469,942	17,480,279	(2,010,337)	(11.50%)
Compensated absences	34,093	37,785	(3,692)	(9.77%)
Net pension liability	-	1,631,820	(1,631,820)	(100.00%)
Total Liabilities	<u>39,952,847</u>	<u>47,494,902</u>	<u>(7,542,055)</u>	(15.88%)
<u>Deferred Inflows of Resources:</u>				
Deferred pension related items	412,425	661,013	(248,588)	(37.61%)
Total Deferred Inflows of Resources	<u>412,425</u>	<u>661,013</u>	<u>(248,588)</u>	(37.61%)
<u>Net Position:</u>				
Investment in capital assets	43,437,727	15,754,227	27,683,500	175.72%
Restricted:				
Transportation	47,981,901	36,185,599	11,796,302	32.60%
Environmental	787,146	501,135	286,011	57.07%
Homeless	2,566,746	1,786,498	780,248	43.67%
Unrestricted	(988,379)	106,995	(1,095,374)	(1023.76%)
Total Net Position	<u>\$ 93,785,141</u>	<u>\$ 54,334,454</u>	<u>\$ 39,450,687</u>	72.61%

COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS

MANAGEMENT'S DISCUSSION AND ANALYSIS
(CONTINUED)

June 30, 2022

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

Statements of Activities

	Fiscal Year 2022	Fiscal Year 2021	Dollar Change	Total Percentage Change
<u>Operating Expenses:</u>				
Administrative	\$ 867,735	\$ 1,734,634	\$ (866,899)	(49.98%)
Transportation	17,495,835	22,696,616	(5,200,781)	(22.91%)
Other	2,092,827	2,064,812	28,015	1.36%
Interest expense	1,119,087	1,229,338	(110,251)	(8.97%)
Total Expenses	<u>21,575,484</u>	<u>27,725,400</u>	<u>(6,149,916)</u>	<u>(22.18%)</u>
<u>Program Revenues:</u>				
Charges for services	1,440,293	1,330,421	109,872	8.26%
Operating contributions and grants	14,707,218	8,706,961	6,000,257	68.91%
Capital contributions and grants	41,204,924	23,075,935	18,128,989	78.56%
<u>General Revenues:</u>				
Interest income (loss)	(692,570)	73,454	(766,024)	(1042.86%)
Total Revenues	<u>56,659,865</u>	<u>33,186,771</u>	<u>23,473,094</u>	<u>70.73%</u>
Changes in Net Position	35,084,381	5,461,371	29,623,010	542.41%
Net Position – Beginning, as Restated	<u>58,700,760</u>	<u>48,873,083</u>	<u>9,827,677</u>	<u>20.11%</u>
Net Position - Ending	<u>\$ 93,785,141</u>	<u>\$ 54,334,454</u>	<u>\$ 39,450,687</u>	<u>72.61%</u>

The increase or decrease in net position can provide an indication as to whether the overall financial position of CVAG improved or deteriorated during the year. Net Position of CVAG's governmental activities increased by 72.61 percent (\$54.3 million compared to \$93.8 million) largely attributable to the investment of fixed assets related to the CV Link and CV Sync projects. Additionally, as is true for all funds, interest rates on investments at Riverside County Treasurer's Pooled Investment Fund hovered near historic lows during fiscal year 2021/22 resulting in minimal interest income. In addition, investment losses began in September 2021 as book yield percentages ticked up while the Federal Reserve (Fed) announced it would begin reducing its asset purchases. This culminated with the departure from 0% short-term interest rates in March 2022 when the Fed instituted the first rate hike since 2018. To slow inflation growth, the Fed again raised their overnight borrowing rate by a half percent in May. When interest rates increase investment losses typically follow as bonds prices and interest rates have an inverse relationship. Given the current economic outlook, investment losses may continue in the near term as yields and related interest income are expected to continue to increase.

COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS

MANAGEMENT'S DISCUSSION AND ANALYSIS
(CONTINUED)

June 30, 2022

MAJOR FUNDS

General Fund - The General Fund accounts for all of the general revenues of CVAG not specifically levied or collected for some special purpose, and for the expenditures related to the rendering of general services by CVAG. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$1,914,933.

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

- An increase in the base membership dues led to an increase in revenue for the fund.
- A decrease in personnel costs led to a decrease in expenditures to the fund as personnel expenditures were allocated based on time charged which saw an increase in work performed for CVAG's various other programs.

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 \$10,919,048.

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

- An increase in Total Revenues by \$4,956,224 is mainly due to an increase in TUMF revenues collected in the current fiscal year as opposed to the prior fiscal year which saw a decline in revenue due to the global Covid-19 pandemic. In addition, the TUMF fee rate increased during the fiscal year.
- A decrease in Total Expenditures by \$485,054 is mainly due to a decrease in Project Cost reimbursements, which are dependent on work completed on various arterial projects as well as the timing of the jurisdictions submitting requests for reimbursements.

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 \$49,509,164.

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

- An increase in Measure A revenues by \$14,155,152 is mainly due to an increase in Measure A revenues recorded. This increase does not have a direct relationship to the actual amount of sales tax collected, but the amount of reimbursement that was requested by CVAG. Please see Note 14 for further clarification.
- An increase in Total Expenditures by \$292,690 is mainly due to a Project Cost reimbursements, which are dependent on work completed on various arterial projects. Project costs were relatively stable for the fiscal year.

COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS

MANAGEMENT'S DISCUSSION AND ANALYSIS
(CONTINUED)

June 30, 2022

CV Link Fund - The CV Link Fund is used for the construction of the CV Link project in the Coachella Valley. At the end of the current fiscal year, the total fund balance was \$0.

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

- An increase in Total Revenues by \$9,094,643 is mainly due to an increase in funds received from reimbursement related to project costs as the project is moving along in the construction phase.
- An increase in Total Expenditures by \$4,580,067 is mainly due to an increase in construction work on the CV Link as compared to the prior year.

CV Sync Fund - The CV Sync Fund is used for the construction and preparation of the CV Sync project in the Coachella Valley which provides traffic signal synchronization utilizing broadband fiber networks. At the end of the current fiscal year, the total fund balance was (\$3,568,998). The fund deficit is due to revenue on grant funds that was not received within the 120-day period of availability for fund level financial statements.

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

- An increase in Total Revenues by \$3,741,661 is mainly due to an increase in funds received from grants and Measure A related to project costs as the traffic signal synchronization project moves forward into construction and soon to be operations.
- An increase in Total Expenditures by \$12,869,378 is mainly due to an increase in construction work and project costs on the project as compared to the prior year.

COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS

MANAGEMENT'S DISCUSSION AND ANALYSIS
(CONTINUED)

June 30, 2022

CAPITAL ASSETS AND DEBT ADMINISTRATION

CAPITAL ASSETS

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

Capital Assets
(net of depreciation)

	Balance June 30, 2022	Balance June 30, 2021	Increase (Decrease)
Land and construction in progress	\$ 42,479,308	\$ 15,696,238	\$ 26,783,070
Furniture and equipment	12,609	17,035	(4,426)
Easement	924,513	581,508	343,005
Vehicles	21,297	40,954	(19,657)
Total	<u>\$ 43,437,727</u>	<u>\$ 16,335,735</u>	<u>\$ 27,101,992</u>

The decrease to Furniture and Equipment and Vehicles is mainly due to depreciation. The increase to Land and construction in progress is due to project costs related to the CV Link and CV Sync projects.

Additional information on CVAG's capital assets is presented in Note 7 of the Notes to Basic Financial Statements.

COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS

MANAGEMENT'S DISCUSSION AND ANALYSIS
(CONTINUED)

June 30, 2022

DEBT ADMINISTRATION

The activity affecting long term debt was related to revenue bonds and compensated absences.

Long-Term Debt

	Balance June 30, 2022	Balance June 30, 2021	Increase (Decrease)
Revenue bonds payable	\$ 17,480,279	\$ 19,373,425	\$ (1,893,146)
Compensated absences	136,374	151,142	(14,768)
Total	<u>\$ 17,616,653</u>	<u>\$ 19,524,567</u>	<u>\$ (1,907,914)</u>

Additional information on long-term debt is presented in Note 9 and 10 of the Notes to Basic Financial Statements.

GENERAL FUND BUDGET

Overall, the General Fund balance increased by \$264,613. Actual revenues were consistent with budgeted revenue amounts and actual expenditures were less than budgeted expenditures by \$188,371. There was an operating transfer in demonstrated for budgetary purposes not utilized for financial reporting purposes. Although salaries and benefits were slightly over budget, the salaries and benefits of the agency as a whole were under budget. Capital outlays budgeted for tenant improvements were not incurred as expected for the year-ended June 30, 2022. For additional details on budget versus actual variances, refer to the Required Supplementary Information starting on page 51.

CONTACTING THE ASSOCIATION'S FINANCIAL MANAGEMENT

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

BASIC FINANCIAL STATEMENTS

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COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS

Statement of Net Position

June 30, 2022

(with comparative prior year information)

	Governmental Activities	
	2022	2021
Assets:		
Cash and investments (note 3)	\$ 55,900,242	57,483,992
Accounts receivable	49,340	917
Interest receivable	88,093	42,287
Prepaid items	44,144	-
Loans receivable (note 4)	177,162	187,623
Due from other governments	18,537,606	12,503,824
Restricted cash and investments (note 3)	14,880,428	15,109,753
Net pension asset (note 12)	55,246	-
Capital assets, not being depreciated (note 7)	42,479,308	15,696,238
Capital assets, net of depreciation (note 7)	958,419	57,989
Total Assets	133,169,988	101,082,623
Deferred Outflows of Resources:		
Deferred amounts from pension plans (note 12)	980,425	1,407,746
Total Deferred Outflows of Resources	980,425	1,407,746
Liabilities:		
Accounts payable	3,676,821	2,687,998
Accrued liabilities	70,170	39,236
Deposits payable	14,880,428	15,109,753
Due to other governments	3,708,775	8,501,528
Noncurrent Liabilities		
Due within one year		
Bonds payable (note 9)	2,010,337	1,893,146
Compensated absences (note 10)	102,281	113,357
Due in more than one year		
Bonds payable (note 9)	15,469,942	17,480,279
Compensated absences (note 10)	34,093	37,785
Net pension liability (note 13)	-	1,631,820
Total Liabilities	39,952,847	47,494,902
Deferred Inflows of Resources:		
Deferred amounts from pension plans (note 12)	412,425	661,013
Total Deferred Inflows of Resources	412,425	661,013
Net Position:		
Investment in capital assets	43,437,727	15,754,227
Restricted:		
Transportation	47,981,901	36,185,599
Environmental	787,146	501,135
Homeless	2,566,746	1,786,498
Unrestricted	(988,379)	106,995
Total Net Position	\$ 93,785,141	54,334,454

See accompanying notes to the basic financial statements.

COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS

Statement of Activities

Year ended June 30, 2022

(with comparative prior year information)

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position	
		Charges for Services	Operating Contributions and Grants	Capital Contributions and Grants	Governmental Activities	
					2022	2021
Governmental Activities:						
Administrative	\$ 867,695	1,440,293	491,424	-	1,064,022	57,078
Transportation	17,495,875	-	11,148,940	41,204,964	34,858,029	5,898,397
Other	2,092,827	-	3,066,814	-	973,987	661,780
Interest expense	1,119,087	-	-	-	(1,119,087)	(1,229,338)
Total Governmental Activities	\$ 21,575,484	1,440,293	14,707,178	41,204,964	35,776,951	5,387,917
			General Revenues:			
			Investment income (loss)		(692,570)	73,454
			Total General Revenues		(692,570)	73,454
			Change in Net Position		35,084,381	5,461,371
			Net Position - Beginning, as Restated (note 16)		58,700,760	48,873,083
			Net Position - Ending		\$ 93,785,141	54,334,454

See accompanying notes to the basic financial statements.

COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS

Balance Sheet - Governmental Funds

June 30, 2022

(with comparative prior year information)

	<u>General</u>	<u>TUMF</u>	<u>Measure A</u>	<u>CV Link</u>
Assets:				
Cash and investments	\$ 1,210,580	10,168,998	41,912,277	380,407
Accounts receivable	1,200	-	-	-
Interest receivable	3,446	54,753	26,406	-
Prepaid items	25,984	-	-	-
Due from other governments	752	1,854,599	9,159,421	1,160,584
Due from other funds (note 5)	703,019	-	2,585,450	-
Restricted cash and investments	-	-	14,880,428	-
Total Assets	<u>\$ 1,944,981</u>	<u>12,078,350</u>	<u>68,563,982</u>	<u>1,540,991</u>
Liabilities, Deferred Inflows of Resources, and Fund Balances:				
Liabilities:				
Accounts payable	\$ 25,150	21,988	270,664	1,497,984
Accrued liabilities	4,598	5,186	8,164	3,425
Due to other governments	-	1,031,806	2,575,288	39,582
Due to other funds (note 5)	-	10,597	19,680	-
Deposits payable	-	-	14,880,428	-
Total Liabilities	<u>29,748</u>	<u>1,069,577</u>	<u>17,754,224</u>	<u>1,540,991</u>
Deferred Inflows of Resources:				
Unavailable revenues	<u>300</u>	<u>89,725</u>	<u>1,300,594</u>	<u>-</u>
Total Deferred Inflows of Resources	<u>300</u>	<u>89,725</u>	<u>1,300,594</u>	<u>-</u>
Fund Balances (Deficits):				
Nonspendable	25,984	-	-	-
Restricted:				
Transportation	-	10,919,048	49,435,310	-
Environmental	-	-	-	-
Homeless	-	-	-	-
Unassigned	<u>1,914,933</u>	<u>-</u>	<u>73,854</u>	<u>-</u>
Total Fund Balances (Deficits)	<u>1,914,933</u>	<u>10,919,048</u>	<u>49,509,164</u>	<u>-</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances (Deficits)	<u>\$ 1,944,981</u>	<u>12,078,350</u>	<u>68,563,982</u>	<u>1,540,991</u>

See accompanying notes to the basic financial statements.

	CV Sync	Other	Total Governmental Funds	
		Governmental Funds	2022	2021
Assets:				
Cash and investments	-	2,227,980	55,900,242	57,483,992
Accounts receivable	-	48,140	49,340	917
Interest receivable	-	3,488	88,093	42,287
Prepaid items	-	18,160	44,144	-
Due from other governments	3,568,999	2,793,251	18,537,606	12,503,824
Due from other funds (note 5)	-	30,277	3,318,746	5,974,779
Restricted cash and investments	-	-	14,880,428	15,109,753
Total Assets	3,568,999	5,121,296	92,818,599	91,115,552
Liabilities, Deferred Inflows of Resources, and Fund Balances:				
Liabilities:				
Accounts payable	1,772,333	88,702	3,676,821	2,687,998
Accrued liabilities	3,904	44,893	70,170	39,236
Due to other governments	-	62,099	3,708,775	8,501,528
Due to other funds (note 5)	1,792,761	1,495,708	3,318,746	5,974,779
Deposits payable	-	-	14,880,428	15,109,753
Total Liabilities	3,568,998	1,691,402	25,654,940	32,313,294
Deferred Inflows of Resources:				
Unavailable revenues	3,568,999	124,098	5,083,716	6,429,265
Total Deferred Inflows of Resources	3,568,999	124,098	5,083,716	6,429,265
Fund Balances (Deficits):				
Nonspendable	-	18,160	44,144	-
Restricted:				
Transportation	-	24,106	60,378,464	49,129,759
Environmental	-	713,409	713,409	501,135
Homeless	-	2,618,606	2,618,606	1,786,498
Unassigned	(3,568,998)	(50,325)	(1,630,536)	955,601
Total Fund Balances (Deficits)	(3,568,998)	3,305,796	62,079,943	52,372,993
Total Liabilities, Deferred Inflows of Resources, and Fund Balances (Deficits)	3,568,999	5,121,296	92,818,599	91,115,552

See accompanying notes to the basic financial statements.

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COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS

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

June 30, 2022

Fund Balances of Governmental Funds	\$ 62,079,943
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	
Capital assets	44,215,979
Accumulated depreciation	(778,252)
Loans receivable that have not been included in the governmental fund activity that do not provide current financial resources and are recognized in the statement of activities.	177,162
Net pension asset that have not been included in the governmental fund activity that do not provide current financial resources and are recognized in the statement of activities.	55,246
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds.	
Bonds payable	(17,480,279)
Compensated absences	(136,374)
Revenues reported as unavailable revenue in the governmental funds and recognized in the statement of activities. These are included in intergovernmental revenues in the governmental fund activity.	5,083,716
Deferred outflows and inflows of resources related to pensions have not been reported in the governmental funds.	
Deferred outflows of resources related to pensions	980,425
Deferred inflows of resources related to pensions	<u>(412,425)</u>
Net Position of Governmental Activities	<u>\$ 93,785,141</u>

See accompanying notes to the basic financial statements.

COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS

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

Year ended June 30, 2022

(with comparative prior year information)

	<u>General</u>	<u>TUMF</u>	<u>Measure A</u>	<u>CV Link</u>
Revenues:				
Member dues	\$ 470,654	-	-	-
Mitigation fees	-	10,879,891	-	-
Measure A	-	-	21,810,214	-
Grants	-	-	-	15,363,242
Investment income (loss)	(14,937)	(110,287)	(547,569)	158
Loan repayments	-	-	10,461	-
Other governmental	-	913,610	2,271,161	1,670,000
Miscellaneous	35,707	-	-	26,816
Total Revenues	<u>491,424</u>	<u>11,683,214</u>	<u>23,544,267</u>	<u>17,060,216</u>
Expenditures:				
Current:				
Salaries	117,412	183,458	308,536	90,870
Benefits	48,018	74,147	125,112	47,580
Communications	2,252	3,509	5,874	2,630
Advertising	737	996	1,730	284
Insurance	4,678	7,468	13,686	5,309
Memberships and per diem	11,110	3,055	5,509	881
General and office expenses	5,673	11,115	17,863	6,989
Professional services	7,452	134,435	242,249	15,067
Consultants	14,043	95,513	903,916	722,046
Leases and maintenance	7,714	12,545	20,508	8,659
Staff training	793	1,663	2,795	935
Transportation and meetings	5,363	1,748	3,180	284
Utilities	1,566	1,181	1,905	806
Project costs	-	3,934,443	8,287,022	14,982,476
Capital outlay	-	-	-	-
Debt service:				
Principal retirement	-	-	1,893,146	-
Interest and fiscal charges	-	-	1,119,087	-
Total Expenditures	<u>226,811</u>	<u>4,465,276</u>	<u>12,952,118</u>	<u>15,884,816</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>264,613</u>	<u>7,217,938</u>	<u>10,592,149</u>	<u>1,175,400</u>
Other Financing Sources (Uses):				
Transfers in (note 6)	-	-	1,358,281	185,810
Transfers out (note 6)	-	-	(6,135,079)	(1,356,755)
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>(4,776,798)</u>	<u>(1,170,945)</u>
Net Change in Fund Balances	264,613	7,217,938	5,815,351	4,455
Fund Balance (Deficit) - Beginning, as Restated (note 16)	<u>1,650,320</u>	<u>3,701,110</u>	<u>43,693,813</u>	<u>(4,455)</u>
Fund Balance (Deficit) - Ending	<u>\$ 1,914,933</u>	<u>10,919,048</u>	<u>49,509,164</u>	<u>-</u>

See accompanying notes to the basic financial statements.

	CV Sync	Other Governmental Funds	Total Governmental Funds	
			2022	2021
Revenues:				
Member dues	-	-	470,654	450,834
Mitigation fees	-	-	10,879,891	6,490,521
Measure A	-	-	21,810,214	8,631,243
Grants	4,359,267	644,859	20,367,368	8,521,011
Investment income (loss)	560	(35,432)	(707,507)	73,089
Loan repayments	-	-	10,461	643,070
Other governmental	-	5,707,666	10,562,437	3,986,407
Miscellaneous	-	55,546	118,069	273,254
Total Revenues	<u>4,359,827</u>	<u>6,372,639</u>	<u>63,511,587</u>	<u>29,069,429</u>
Expenditures:				
Current:				
Salaries	35,065	1,380,712	2,116,053	1,899,680
Benefits	13,719	561,379	869,955	937,788
Communications	2,028	26,384	42,677	36,869
Advertising	245	13,181	17,173	21,224
Insurance	3,520	52,533	87,194	88,042
Memberships and per diem	653	13,001	34,209	30,536
General and office expenses	5,364	193,187	240,191	150,842
Professional services	5,631	96,813	501,647	1,128,300
Consultants	-	153,455	1,888,973	4,249,947
Leases and maintenance	6,619	326,913	382,958	335,734
Staff training	755	9,915	16,856	8,583
Transportation and meetings	218	28,319	39,112	19,625
Utilities	609	36,780	42,847	19,678
Project costs	14,566,571	1,031,133	42,801,645	22,575,713
Capital outlay	-	-	-	-
Debt service:				
Principal retirement	-	-	1,893,146	1,782,895
Interest and fiscal charges	-	-	1,119,087	1,229,338
Total Expenditures	<u>14,640,997</u>	<u>3,923,705</u>	<u>52,093,723</u>	<u>34,514,794</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(10,281,170)</u>	<u>2,448,934</u>	<u>11,417,864</u>	<u>(5,445,365)</u>
Other Financing Sources (Uses):				
Transfers in (note 6)	6,834,849	185,296	8,564,236	5,634,351
Transfers out (note 6)	(1,526)	(1,070,876)	(8,564,236)	(5,634,351)
Total Other Financing Sources (Uses)	<u>6,833,323</u>	<u>(885,580)</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	(3,447,847)	1,563,354	11,417,864	(5,445,365)
Fund Balance (Deficit) - Beginning, as Restated (note 16)	<u>(121,151)</u>	<u>1,742,442</u>	<u>50,662,079</u>	<u>57,818,358</u>
Fund Balance (Deficit) - Ending	<u>(3,568,998)</u>	<u>3,305,796</u>	<u>62,079,943</u>	<u>52,372,993</u>

See accompanying notes to the basic financial statements.

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, 2022

Net Change in Fund Balances - Total Governmental Funds \$ 11,417,864

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

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

Cost of assets capitalized	27,146,011
Depreciation expense	(44,019)

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

	1,893,146
--	-----------

Repayment on loans receivable are recorded as a reduction of the loan
receivable balance for the statement of activities.

	(10,461)
--	----------

Revenues are reported as unavailable revenue in the governmental funds and
recognized in the statement of activities. These are included in the
intergovernmental revenues in the governmental fund activity.

	(6,841,261)
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Some expenses reported in the statements of activities do not require the use
of current financial resources and, therefore, are not reported as expenditures
in the governmental funds.

Change in compensated absences	14,768
Changes in net pension liability and related deferred inflows and outflows of resources	<u>1,508,333</u>

Change in Net Position of Governmental Activities \$ 35,084,381

See accompanying notes to the basic financial statements.

NOTES TO THE BASIC FINANCIAL STATEMENTS

COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS

Notes to the Basic Financial Statements

Year ended June 30, 2022

Note 1: Summary of Significant Accounting Policies

(a) Description of Reporting Entity

The Coachella Valley Association of Governments (CVAG) 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, CVAG 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 CVAG's purpose, goals and objectives, CVAG's work was expanded to include providing direct services along with its prior work. The basic financial statements of CVAG include all activities for which CVAG is financially accountable.

In June 1989, CVAG'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 CVAG the Transportation Authority for the Coachella Valley. As this Authority, CVAG 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 CVAG 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 CVAG assures that regional programs will be integrated with each other, so we get a better overall result.

In 1991, CVAG 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.

In early 1992, CVAG and County Waste Management began implementation of the AB 939 garbage reduction plan previously developed by CVAG 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. CVAG coordinates with Riverside County Waste Management on the implementation of AB939 which mandates reduction of waste disposal to local landfills. AB939 established an integrated framework for program implementation, solid waste planning, and solid waste facility and landfill compliance. Since implementation, CVAG has coordinated annual events for both used oil and tire recycling and often hosts recycling roundtables with member agencies and other counterparts.

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

COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS

Notes to the Basic Financial Statements

Year ended June 30, 2022

Note 1: Summary of Significant Accounting Policies (Continued)

General Assembly

The General Assembly is a 65-member body composed of the five members of the Riverside County Board of Supervisors, Mayors, City Council members, and five Tribal members of each member Tribe.

Current members are: The County of Riverside, the Cities of Blythe, Cathedral City, Coachella, Desert Hot Springs, Indian Wells, Indio, La Quinta, Palm Desert, Palm Springs, Rancho Mirage, the Agua Caliente Band of Cahuilla Indians, the Cabazon Band of Mission Indians, and the Twenty-Nine Palms Band of Mission Indians. The General Assembly is the top policy making body of CVAG and is required to meet annually to elect officers and adopt work plans and budgets for the ensuing year.

Executive Committee

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

Advisory Committees

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

(b) Basis of Accounting and Measurement Focus

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

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

Government-Wide Financial Statements

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

COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS

Notes to the Basic Financial Statements

Year ended June 30, 2022

Note 1: Summary of Significant Accounting Policies (Continued)

Government-wide financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Under the economic resources' measurement focus, all (both current and long-term) economic resources and obligations of the reporting government are reported in the government-wide financial statements. 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 expenditures. Proceeds of long-term debt are recorded as a liability in the government-wide financial statements, rather than as another financing source. Amounts paid to reduce long-term indebtedness of the reporting government are reported as a reduction of the related liability, rather than as expenditures.

Fund Financial Statements

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

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

Governmental Funds

In the fund financial statements, governmental funds are presented using the modified-accrual basis of accounting. Their revenues are recognized when they become measurable and available as net current assets. Measurable means that the amounts can be estimated, or otherwise determined. Available means that the amounts were collected during the reporting period or soon enough thereafter to be available to finance the expenditures accrued for the reporting period. CVAG generally considers revenues available if they are collected within 120 days after the fiscal year-end. Significant revenues subject to accrual under the measurable and available criteria include grant revenues.

COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS

Notes to the Basic Financial Statements

Year ended June 30, 2022

Note 1: Summary of Significant Accounting Policies (Continued)

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.

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.

COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS

Notes to the Basic Financial Statements

Year ended June 30, 2022

Note 1: Summary of Significant Accounting Policies (Continued)

Deferred Outflows/Inflows of Resources

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

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

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

Net Pension Liability

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

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

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

COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS

Notes to the Basic Financial Statements

Year ended June 30, 2022

Note 1: Summary of Significant Accounting Policies (Continued)

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

Net Position

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

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

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

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

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

Governmental Fund Balances

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

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

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

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

COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS

Notes to the Basic Financial Statements

Year ended June 30, 2022

Note 1: Summary of Significant Accounting Policies (Continued)

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

(c) Fund Classifications

CVAG reports the following major governmental funds:

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

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

Measure A Special Revenue Fund - This fund is used to account for the revenues generated by 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.

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

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

CVAG's fund structure also includes the following fund type:

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

(d) Reclassification and Eliminations

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

COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS

Notes to the Basic Financial Statements

Year ended June 30, 2022

Note 1: Summary of Significant Accounting Policies (Continued)

(e) Cash and Investments

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

Changes in fair value that occur during 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.

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

(f) Employee Leave Benefits

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

(g) Capital Assets

Capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets, donated works of art and similar items, and capital assets received as part of a service concession arrangement are recorded at acquisition value at the date of acquisition. Generally, CVAG capitalizes capital assets purchases in excess of \$5,000 for capital assets. Capital outlay expenditures include payments to other governments for capital projects that are managed by other governments and ongoing maintenance of those assets lies with those other governments. As such those capital assets, have not been reflected in the statement of net position of CVAG.

Capital assets used in operations are depreciated over their estimated useful lives using the straight-line method in the government-wide financial statements. Depreciation expense is charged as an expense against operations and accumulated depreciation is reported on the Statement of Net Position. The ranges of lives used for depreciation purposes for each capital asset class are as follows:

Furniture and equipment	7-25 years
Vehicles	7 years
Easements	50 years

COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS

Notes to the Basic Financial Statements

Year ended June 30, 2022

Note 1: Summary of Significant Accounting Policies (Continued)

(h) Use of Estimates

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

(i) Prior Year Data

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

Note 2: Stewardship, Compliance, and Accountability

(a) The CV Sync and I-REN Funds reported a fund deficit at June 30, 2022 in the amounts of (\$3,568,998) and (\$68,485) respectively. This is due to unavailable revenue at June 30, 2022 becoming available after the period of availability.

Note 3: Cash and Investments

Cash and investments of CVAG consisted of the following at June 30, 2022:

Cash and investments	\$ 55,900,242
Restricted cash and investments	<u>14,880,428</u>
Total cash and investments	<u>\$ 70,780,670</u>
Cash on hand	\$ 300
Deposits with financial institutions	<u>421,264</u>
Total cash and deposits	<u>421,564</u>
Investments:	
Local Agency Investment Fund	\$ 30,179,277
Riverside County Pooled Investment Fund	25,299,401
California Asset Management Program	<u>14,880,428</u>
Total investments	<u>70,359,106</u>
Total cash and investments	<u>\$ 70,780,670</u>

COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS

Notes to the Basic Financial Statements

Year ended June 30, 2022

Note 3: Cash and Investments (Continued)

Deposits

CVAG’s deposits with financial institutions were insured or collateralized as required by State Law.

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

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

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

Disclosures Relating to Interest Rate Risk

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

One of the ways that CVAG manages its exposure to interest rate risk is by purchasing a combination of shorter-term and longer-term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

CVAG's investments in the Local Agency Investment Fund of \$30,179,277, Riverside County Pooled Investment Fund of \$25,299,401, and the California Asset Management Program of \$14,880,428 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, CVAG's investment policy, or debt agreements, and the actual rating as of year-end for each investment type:

<u>Investment Type</u>	<u>Actual/Minimum Rating</u>	<u>Amount</u>
Local Agency Investment Fund	N/A	\$ 30,179,277
Riverside County Pooled Investment Fund	AAA/AAA	25,299,401
California Asset Management Program	AAA/AAA	14,880,428
Total		<u>\$ 70,359,106</u>

COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS

Notes to the Basic Financial Statements

Year ended June 30, 2022

Note 3: Cash and Investments (Continued)

Investment in State Investment Pool (LAIF)

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

Investment in Riverside County Investment Pool

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

Investment in California Asset Management Program

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

Fair Value Hierarchy

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

Note 4: Loans Receivable

CVAG made a loan to the following entity for the construction of mesquite Avenue from Gene Autry Trail to Dinah Shore Drive:

City of Palm Springs, payable through 2039 \$ 177,162

COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS

Notes to the Basic Financial Statements

Year ended June 30, 2022

Note 5: Interfund Receivables and Payables

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

<u>Due From</u>	<u>Due To</u>	<u>Amount</u>
Other Governmental Funds	General Fund	<u>\$ 703,019</u>
Other Governmental Funds	Measure A	792,689
CV Sync	Measure A	<u>1,792,761</u>
		<u>2,585,450</u>
TUMF	Other Governmental Funds	10,597
Measure A	Other Governmental Funds	<u>19,680</u>
		<u>30,277</u>
		<u>\$ 3,318,746</u>

Note 6: Interfund Transfers

Transfers in and out between funds for the year ended June 30, 2022 were as follows:

<u>Transfer In</u>	<u>Transfer Out</u>	<u>Amount</u>
Measure A	CV Sync	\$ 1,526
Measure A	CV Link	<u>1,356,755</u>
		<u>1,358,281</u>
CV Sync	Measure A	5,949,269
CV Sync	Other Governmental Funds	<u>885,580</u>
		<u>6,834,849</u>
CV Link	Measure A	<u>185,810</u>
Other Governmental Funds	Other Governmental Funds	<u>185,296</u>
	Total	<u>\$ 8,564,236</u>

The largest transfer above were from the Measure A Funds to the CV Sync Fund for expenditures incurred in the amount of \$5,949,269 for the Traffic Signal Synchronization Project which utilizes Measure A as a funding source. The other transfer was from the CV Link Fund to the Measure A Fund for \$1,356,755 to return previously transferred funds for the CV Link Project to Measure A.

COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS

Notes to the Basic Financial Statements

Year ended June 30, 2022

Note 7: Capital Assets

A summary of capital asset activity for the year ended June 30, 2022, is as follows:

	Balance at July 1, 2021	Additions	Deletions	Balance at June 30, 2022
Capital assets, not depreciated:				
Land	\$ 10,682,344	-	-	10,682,344
Construction in progress	<u>5,013,894</u>	<u>26,783,070</u>	-	<u>31,796,964</u>
Total capital assets, not depreciated	<u>15,696,238</u>	<u>26,783,070</u>	-	<u>42,479,308</u>
Capital asset, being depreciated:				
Furniture and equipment	105,149	-	-	105,149
Easement*	581,508	362,941	-	944,449
Vehicles	<u>687,073</u>	-	-	<u>687,073</u>
Total capital assets, being depreciated	<u>1,373,730</u>	<u>362,941</u>	-	<u>1,736,671</u>
Less accumulated depreciation:				
Furniture and equipment	(88,114)	(4,426)	-	(92,540)
Easement	-	(19,936)	-	(19,936)
Vehicles	<u>(646,119)</u>	<u>(19,657)</u>	-	<u>(665,776)</u>
Total accumulated depreciation	<u>(734,233)</u>	<u>(44,019)</u>	-	<u>(778,252)</u>
Total capital assets, being depreciated, net	<u>639,497</u>	<u>318,922</u>	-	<u>958,419</u>
Total capital assets, net	<u>\$ 16,335,735</u>	<u>27,101,992</u>	-	<u>43,437,727</u>

*The beginning balance has been restated to reflect a prior period adjustment. See note 16 for additional details.

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

Transportation	<u>\$44,019</u>
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Note 8: Transportation Uniform Mitigation Fee Program

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

COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS

Notes to the Basic Financial Statements

Year ended June 30, 2022

Note 8: Transportation Uniform Mitigation Fee Program (Continued)

<u>Fiscal Period</u>		<u>Fiscal Year</u>	
<u>From</u>	<u>To</u>	<u>Ending</u>	
1990	1994		\$ 13,585,887
1995	1999		13,642,573
2000	2004		26,394,448
2005	2009		40,898,960
2010	2014		11,556,909
2015	2019		19,017,989
		2020	4,990,263
		2021	5,897,592
		2022	10,795,963
			<u>\$ 146,780,584</u>

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

Note 9: Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2022, is as follows:

	<u>Balance at</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at</u>	<u>Due within</u>
	<u>July 1, 2021</u>			<u>June 30, 2022</u>	<u>One Year</u>
Public offering:					
Revenue bonds payable	<u>\$ 19,373,425</u>	<u>-</u>	<u>(1,893,146)</u>	<u>17,480,279</u>	<u>2,010,337</u>

Revenue Bonds Payable

On October 1, 2009, Riverside County Transportation Commission (RCTC) issued \$185,000,000 of 2009 Sales Tax Revenue Bonds Series A, B and C (Bonds). CVAG's participation in the Bonds was \$25,349,990. CVAG's portion of the Bond proceeds is for reimbursement of CVAG's highway and regional arterial program expenditures.

Principal and interest on the Bonds are payable monthly through September 1, 2029. The rate of interest is 4.972% and 5.662% per annum.

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

COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS

Notes to the Basic Financial Statements

Year ended June 30, 2022

Note 9: Long-Term Liabilities (Continued)

As of June 30, 2022, annual debt service requirement of the revenue bonds payable is as follows:

Fiscal Year Ending	Principal	Interest	Total
2023	\$ 2,010,337	1,001,895	3,012,234
2024	2,134,917	877,317	3,012,234
2025	2,267,354	744,880	3,012,234
2026	2,408,158	604,074	3,012,234
2027	2,557,867	454,366	3,012,233
2028-2031	6,101,646	424,860	6,526,506
	<u>\$ 17,480,279</u>	<u>4,107,392</u>	<u>21,587,675</u>

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

Note 10: Compensated Absences

CVAG's policies relating to compensated absences are described in Note 1. This liability amounting to \$136,374 at June 30, 2022 is expected to be paid in future years from future resources and is typically liquidated from the General Fund.

	Balance at July 1, 2021	Additions	Deletions	Balance at June 30, 2022	Due within One Year
Compensated absences	\$ 151,142	113,119	(127,887)	136,374	102,281
Totals	\$ 151,142	113,119	(127,887)	136,374	102,281

Note 11: Liability, Property and Workers' Compensation Protection

Description of Self-Insurance Pool Pursuant to Joint Powers Agreement

The Coachella Valley Association of Governments is a member of the California Joint Powers Insurance Authority (Authority). The Authority is composed of 116 California public entities and is organized under a joint powers agreement pursuant to California Government Code §6500 et seq. The purpose of the Authority is to arrange and administer programs for the pooling of self-insured losses, to purchase excess insurance or reinsurance, and to arrange for group purchased insurance for property and other lines of coverage. The California JPIA began covering claims of its members in 1978. Each member government has an elected official as its representative on the Board of Directors. The Board operates through a nine-member Executive Committee.

COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS

Notes to the Basic Financial Statements

Year ended June 30, 2022

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

Primary Self-Insurance Programs of the Authority

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

Primary Liability Program

Claims are pooled separately between police and general government exposures. (1) The payroll of each member is evaluated relative to the payroll of other members. A variable credibility factor is determined for each member, which establishes the weight applied to payroll and the weight applied to losses within the formula. (2) The first layer of losses includes incurred costs up to \$30,000 for each occurrence and is evaluated as a percentage of the pool's total incurred costs within the first layer. (3) The second layer of losses includes incurred costs from \$30,000 to \$750,000 for each occurrence and is evaluated as a percentage of the pool's total incurred costs within the second layer. (4) Incurred costs from \$750,000 to \$50 million, are distributed based on the outcome of cost allocation within the first and second loss layers.

The overall coverage limit for each member, including all layers of coverage, is \$50 million per occurrence. Subsidence losses have a sub-limit of \$40 million per occurrence. The coverage structure includes retained risk that is pooled among members, reinsurance, and excess insurance. More detailed information about the various layers of coverage is available on the following website: <https://cjpia.org/protection/coverage-programs>.

Purchased Insurance

Property Insurance

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

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

Crime Insurance

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

COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS

Notes to the Basic Financial Statements

Year ended June 30, 2022

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

Adequacy of Protection

During the past three fiscal years, none of the above programs of protection experienced settlements or judgments that exceeded pooled or insured coverage. There were also no significant reductions in pooled or insured liability coverage in 2021-22.

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

Note 12: Pension Plan

Plan Description

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

Benefits Provided

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

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

COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS

Notes to the Basic Financial Statements

Year ended June 30, 2022

Note 12: Pension Plan (Continued)

The provisions and benefits of the plan in effect at June 30, 2022, are summarized as follows:

	<u>Tier 1</u>	<u>PEPRA</u>
	Prior to January 1, 2013	On or after January 1, 2013
Hire Date		
Benefit formula	2% @ 55	2% @ 62
Benefit vesting schedule	5 years' service	5 years' service
Benefit payments	monthly for life	monthly for life
Retirement age	50 and up	52 and up
Monthly benefits, as a % of eligible compensation	1.43% - 2.42%	1.00% - 2.50%
Required employee contribution rates	6.906%	7.3%
Required employer contribution rates	23.282%	8.058%

Contribution Description

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

For the year ended June 30, 2022, the contributions recognized as part of pension expense was \$552,524.

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

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

	Total Pension Liability (a)	Increase (Decrease) Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (c) = (a) - (b)
Measurement Date:			
Balance at: 6/30/21	\$ 11,263,336	9,631,516	1,631,820
Balance at: 6/30/22	<u>11,785,073</u>	<u>11,840,319</u>	<u>(55,246)</u>
Net Changes During 2021-22	<u>\$ 521,737</u>	<u>2,208,803</u>	<u>(1,687,066)</u>

COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS

Notes to the Basic Financial Statements

Year ended June 30, 2022

Note 12: Pension Plan (Continued)

CVAG’s net pension liability for each Plan is measured as the proportionate share of the net pension liability. The net pension liability of each of the Plans is measured as of June 30, 2021, and the total pension liability for each Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2020 rolled forward to June 30, 2021 using standard update procedures. CVAG’s proportion of the net pension liability was based on a projection of the CVAG’s long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined. The CVAG’s proportionate share of the net pension liability for each Plan as of June 30, 2020 and 2021, was as follows:

Proportion - June 30, 2020	0.03869%
Proportion - June 30, 2021	<u>-0.00291%</u>
Change - Increase (Decrease)	<u>-0.04160%</u>

For the year ended June 30, 2022, CVAG recognized a total pension credit of \$1,110,425. At June 30, 2022, the CVAG reported deferred outflows and deferred inflows of resources related to pensions as follows:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Contributions subsequent to the measurement date	\$ 397,881	-
Differences between expected and actual experience	-	6,192
Adjustment due to difference in contributions	494,934	8,576
Adjustment due to difference in proportions	39,406	397,657
Net difference between projected and actual earnings on pension plan investments	<u>48,204</u>	<u>-</u>
	<u>\$ 980,425</u>	<u>412,425</u>

The \$397,881 reported as deferred outflows of resources related to contributions subsequent to the measurement date and contributions made in excess of CVAG’s proportionate share of contributions; will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2023. Other amounts reported as deferred outflows or deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Fiscal Year Ended June 30,	<u>Amount</u>
2023	\$ 67,581
2024	56,281
2025	32,936
2026	13,321
2027	-
	<u>\$ 170,119</u>

COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS

Notes to the Basic Financial Statements

Year ended June 30, 2022

Note 12: Pension Plan (Continued)

Actuarial Methods and Assumptions Used to Determine Total Pension Liability

For the measurement period ended June 30, 2021 (the measurement date), the total pension liability was determined by rolling forward the June 30, 2020 total pension liability. The June 30, 2021 total pension liability was based on the following actuarial methods and assumptions:

Actuarial Cost Method	Entry Age Normal in accordance with the requirements of GASB 68
Actuarial Assumptions	
Discount Rate	7.15%
Inflation	2.50%
Salary Increase	Varies by Entry Age and Service
Mortality Rate Table	Derived using CalPERS' Membership Data for all Funds ⁽¹⁾
Post Retirement Benefit Increase	The lesser of contract COLA up to 2.5% until Purchasing Power Protection Allowance Floor on Purchasing Power applies

⁽¹⁾ The mortality table used was developed based on CalPERS-specific data. The table includes 15 years of mortality improvements using the Society of Actuaries Scale 90% of scale MP 2016. For more details on this table, please refer to the December 2017 experience study report (based on CalPERS demographic data from 1997 to 2015) that can be found on the CalPERS website.

Discount Rate

The discount rate used to measure the total pension liability for PERF C was 7.15 percent. The projection of cash flows used to determine the discount rate assumed contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11+ years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund.

COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS

Notes to the Basic Financial Statements

Year ended June 30, 2022

Note 12: Pension Plan (Continued)

The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

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

Asset Class ¹	Assumed Asset Allocation	Real Return Years 1-10 ²	Real Return Years 11+ ³
Global equity	50%	4.80%	5.98%
Fixed income	28%	1.00	2.62
Inflation assets	0%	0.77	1.81
Private equity	8%	6.30	7.23
Real assets	13%	3.75	4.93
Liquidity	1%	-	(0.92)
Total	<u>100%</u>		

¹ In the System's CAFR, Fixed Income is included in Global Debt Securities; Liquidity is included in Short-Term Investments; Inflation Assets are included in both Global Equity Securities and Global Debt Securities.

² An expected inflation of 2.00% used for this period.

³ An expected inflation of 2.92% used for this period.

Subsequent Events

On July 12, 2021, CalPERS reported a preliminary 21.3% net return on investments for fiscal year 2020-21. Based on the thresholds specified in CalPERS Funding Risk Mitigation policy, the excess return of 14.3% prescribes a reduction in investment volatility that corresponds to a reduction in the discount rate used for funding purposes of 0.20%, from 7.00% to 6.80%. Since CalPERS was in the final stages of the four-year Asset Liability Management (ALM) cycle, the board elected to defer any changes to the asset allocation until the ALM process concluded, and the board could make its final decision on the asset allocation in November 2021.

On November 17, 2021, the board adopted a new strategic asset allocation. The new asset allocation along with the new capital market assumptions, economic assumptions and administrative expense assumption support a discount rate of 6.90% (net of investment expense but without a reduction for administrative expense) for financial reporting purposes. This includes a reduction in the price inflation assumption from 2.50% to 2.30% as recommended in the November 2021 CalPERS Experience Study and Review of Actuarial Assumptions. This study also recommended modification to retirement rates, termination rates, mortality rates and rates of salary increases that were adopted by the board. These new assumptions will be reflected in the GASB 68 accounting valuation reports for the June 30, 2022, measurement date.

COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS

Notes to the Basic Financial Statements

Year ended June 30, 2022

Note 12: Pension Plan (Continued)

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

The following presents the CVAG's proportionate share of the net pension liability of the Plan as of the measurement date, calculated using the discount rate of 7.15% for each Plan, as well as what the CVAG's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1% point lower (6.15%) or 1% point higher (8.15%) than the current rate:

	1% Decrease (6.15%)	Discount Rate (7.15%)	1% Increase (8.15%)
Net pension liability (asset)	\$ 1,500,777	\$ (55,246)	\$ (1,341,541)

Pension Plan Fiduciary Net Position

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

COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS

Notes to the Basic Financial Statements

Year ended June 30, 2022

Note 13: Capital Projects and Programs

The following represents the unexpended project budgets as of June 30, 2022. Unexpended project budgets may be reprogrammed to other projects upon finalization of all pending items (final bills, disposition of change orders, etc.)

Jefferson Street and Varner Road (North of I-10)	\$ 2,888,246
Jefferson / I-10 Interchange	13,953,233
Indian Avenue (Garnet to and including Railroad Crossing Bridge)	5,413,864
Frank Sinatra Bridge over WWR	4,277,942
Madison Street (Avenue 52 to Indio Boulevard)	2,904,652
Portola Avenue (North of Gerald Ford Drive)	534,935
Hwy 111 (bet. Rubidoux St. & 760' W. of Madison St.)	21,568
Interchange Preparation Fund	17,533,407
Cathedral Canyon Bridge	264,168
Date Palm Drive Bridge	331,762
Monterey Ave. Widening (Dinah Shore to Gerald Ford)	770,034
Portola Avenue (NW of Fred Waring Dr.)	80,000
Varner Road (Intersection Impr. at Ramon Rd.)	1,164,000
Airport Blvd. (Harrison Street to Hwy 111)	7,898,603
Frank Sinatra Dr. Intersection at Hwy. 111	670,712
Avenue 56 Grade Separation	1,509,535
Avenue 66 Grade Separation	1,254,008
Ramon Road Bridge Widening	6,293,135
Vista Chino Drive Bridge	7,807,619
Date Palm Drive Improvement (I-10 and Varner Rd.)	1,872,866
Avenue 50 Bridge	4,141,640
Dune Palms Road Bridge	1,230,258
East Palm Canyon Dr. Bridge (over Palm Canyon Wash)	841,617
S. Palm Canyon Dr. Bridge (over Tahquitz Creek Channel)	724,808
Portola / I-10 Interchange	9,269,238
CV Link	3,571,230
Avenue 50 (bet. Calhoun St. & Cesar Chaves (formerly Harrison St.))	6,384,255
Avenue 44 Bridge	2,690,305
North Indian Canyon Drive Widening	26,223
Avenue 48 (between Van Buren and Dillon Road)	433,431
Avenue 50 (between SR86 and I-10)	345,575
Bicycle and Pedestrian Safety Program	5,608,167
Regional Traffic Signal Synchronization	410,642
Washington St. & Fred Waring Dr. Intersection Improvements	97,377
Avenue 50 and Jackson St. Intersection Improvements	829,173
Indian Canyon Dr. (between Camino Parocela to Aleo Road)	1,500,000
Grapefruit Blvd bn Leoco Lane and 9th Street	1,453,821
Changeable Message Signs Palm Drive and N Indian Canyon	650,681
Monterey/I-10 Ramp Improvements	<u>1,159,367</u>
Total unexpended project budgets	118,812,095
Less: amounts to be provided in future years	<u>(52,928,652)</u>
Restricted fund balance associated with specific capital projects and programs	<u>\$ 65,883,443</u>

COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS

Notes to the Basic Financial Statements

Year ended June 30, 2022

Note 14: 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 2009 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. CVAG 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 9), have been incurred. Measure A funds controlled by RCTC related to the Coachella Valley highway and regional arterial program that have not been expended by CVAG are held by RCTC in a separate restricted special revenue fund. CVAG's allocation of the Measure A funds for the past five years is as follows:

Fiscal Year Ended June 30,	
2018	\$ 19,256,161
2019	21,619,378
2020	20,916,167
2021	26,018,189
2022	27,299,763

Note 15: Commitments and Contingencies

CVAG approved a contribution of \$30 million for the Coachella Valley Multiple Species Habitat Conservation Plan (CVMSHCP), which would mitigate all of the regional transportation projects listed in the current Transportation Project Prioritization Study (TPPS).

Under the CVMSHCP, the \$30 million of transportation funds would contribute to both land acquisition and the establishment of an Endowment Fund, which would ensure monitoring and management of the acquired lands. The CVMSHCP area includes 1.1 million acres, encompassing the entire Coachella Valley and the surrounding mountains. The MSHCP will benefit the local jurisdictions by providing Take Authorization for all development, including public infrastructure projects, undertaken by the Permittees (signatories to the MSHCP) outside the Conservation Areas. By providing Take Authorization for public and private development projects, the MSHCP eliminates the need for projects to conduct biological surveys and negotiate individual project mitigation with the US Fish and Wildlife Service and the California Department of Fish and Game. At June 30, 2022, the remaining commitment to the MSHCP is \$6,675,000. The liability has not been recorded in the accompanying financial statements because the contributions are contingent upon the receipt of future transportation revenues that are uncertain as to the timing and amount of collection.

COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS

Notes to the Basic Financial Statements

Year ended June 30, 2022

Note 16: Prior Period Adjustments

During the year ended June 30, 2022, CVAG determined there were expenditures and revenue recorded in the current year that related to prior year. As a result, the beginning net position/fund balance was adjusted as noted below.

Statement of Activities:

	<u>Governmental Activities</u>
Net Position at July 1, 2021	\$ 54,334,454
Adjustment to recognize unavailable revenues	5,495,712
Adjustment to record easements	581,508
Adjustment to correct prior year expenditures	<u>(1,710,914)</u>
Net Position at July 1, 2021, as restated	<u>\$ 58,700,760</u>

Statement of Revenues, Expenditures and Changes in Fund Balances:

	<u>Transportation Uniform Mitigation Fees</u>	<u>Measure A</u>
Fund Balance at July 1, 2021	\$ 4,299,513	44,806,324
Adjustment to correct prior year expenditures	<u>(598,403)</u>	<u>(1,112,511)</u>
Fund Balance at July 1, 2021, as restated	<u>\$ 3,701,110</u>	<u>\$ 43,693,813</u>

Note 17: Subsequent Events

The funds held in trust at the California Asset Management Program (CAMP) by CVAG for the Portola/1-10 interchange were returned to the City of Palm Desert in August 2022 reducing the balance to \$0. The total amount returned to the City, including interest, was \$14,903,772.

REQUIRED SUPPLEMENTARY INFORMATION

COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS

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

Year ended June 30, 2022

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Member dues	\$ 465,867	465,867	470,654	4,787
Investment income (loss)	6,019	6,019	(14,937)	(20,956)
Miscellaneous	<u>18,667</u>	<u>18,667</u>	<u>35,707</u>	<u>17,040</u>
Total Revenues	<u>490,553</u>	<u>490,553</u>	<u>491,424</u>	<u>871</u>
Expenditures:				
Salaries	102,300	102,300	117,412	(15,112)
Benefits	46,462	46,462	48,018	(1,556)
Communications	1,613	1,613	2,252	(639)
Advertising	43	43	737	(694)
Insurance	3,808	3,808	4,678	(870)
Memberships and per diem	21,803	21,803	11,110	10,693
General and office expenses	6,851	6,851	5,673	1,178
Professional services	9,498	9,498	7,452	2,046
Consultants	-	-	14,043	(14,043)
Leases and maintenance	5,247	5,247	7,714	(2,467)
Staff training	1,423	1,423	793	630
Transportation and meetings	21,493	21,493	5,363	16,130
Utilities	512	512	1,566	(1,054)
Capital outlay	<u>195,000</u>	<u>195,000</u>	<u>-</u>	<u>195,000</u>
Total Expenditures	<u>416,053</u>	<u>416,053</u>	<u>226,811</u>	<u>189,242</u>
Excess of Revenues over Expenditures	<u>74,500</u>	<u>74,500</u>	<u>264,613</u>	<u>190,113</u>
Other Financing Sources (Uses):				
Transfers in	-	548,274	-	548,274
Transfers out	<u>(2,408)</u>	<u>(2,408)</u>	<u>-</u>	<u>2,408</u>
Total Other Financing Sources (Uses)	<u>(2,408)</u>	<u>545,866</u>	<u>-</u>	<u>550,682</u>
Net Change in Fund Balance	72,092	620,366	264,613	(355,753)
Fund Balance - Beginning	<u>1,650,320</u>	<u>1,650,320</u>	<u>1,650,320</u>	<u>-</u>
Fund Balance - Ending	<u>\$ 1,722,412</u>	<u>2,270,686</u>	<u>1,914,933</u>	<u>(355,753)</u>

See accompanying notes to required supplementary information.

COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS

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

Year ended June 30, 2022

	Budget Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
Revenues:				
Mitigation fees	\$ 5,000,000	5,000,000	10,879,891	5,879,891
Investment income	6,684	6,684	(110,287)	(116,971)
Other governmental	-	-	913,610	913,610
Total Revenues	<u>5,006,684</u>	<u>5,006,684</u>	<u>11,683,214</u>	<u>6,676,530</u>
Expenditures:				
Salaries	233,263	233,263	183,458	49,805
Benefits	101,310	101,310	74,147	27,163
Communications	3,614	3,614	3,509	105
Advertising	1,496	1,496	996	500
Insurance	8,533	8,533	7,468	1,065
Memberships and per diem	12,029	12,029	3,055	8,974
General and office expenses	14,531	14,531	11,115	3,416
Professional services	48,793	48,793	134,435	(85,642)
Consultants	250,000	250,000	95,513	154,487
Leases and maintenance	11,759	11,759	12,545	(786)
Staff training	3,188	3,188	1,663	1,525
Transportation and meetings	1,705	1,705	1,748	(43)
Utilities	1,147	1,147	1,181	(34)
Project costs	<u>3,500,000</u>	<u>3,500,000</u>	<u>3,934,443</u>	<u>(434,443)</u>
Total Expenditures	<u>4,191,368</u>	<u>4,191,368</u>	<u>4,465,276</u>	<u>(273,908)</u>
Net Change in Fund Balance	815,316	815,316	7,217,938	6,402,622
Fund Balance - Beginning, as restated	<u>3,701,110</u>	<u>3,701,110</u>	<u>3,701,110</u>	<u>-</u>
Fund Balance - Ending	<u>\$ 4,516,426</u>	<u>4,516,426</u>	<u>10,919,048</u>	<u>6,402,622</u>

See accompanying notes to required supplementary information.

COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS

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

Year ended June 30, 2022

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Measure A	\$ 21,121,120	21,121,120	21,810,214	689,094
Investment income	554,873	554,873	(547,569)	(1,102,442)
Loan repayments	10,421	10,421	10,461	40
Other governmental	12,611,159	12,611,159	2,271,161	(10,339,998)
Total Revenues	<u>34,297,573</u>	<u>34,297,573</u>	<u>23,544,267</u>	<u>(10,753,306)</u>
Expenditures:				
Salaries	414,674	384,143	308,536	75,607
Benefits	180,096	185,362	125,112	60,250
Communications	6,424	4,893	5,874	(981)
Advertising	2,770	2,787	1,730	1,057
Insurance	15,165	15,861	13,686	2,175
Memberships and per diem	11,044	13,642	5,509	8,133
General and office expenses	25,867	15,368	17,863	(2,495)
Professional services	94,093	36,338	242,249	(205,911)
Consultants	150,000	162,500	903,916	(741,416)
Leases and maintenance	20,899	26,684	20,508	6,176
Staff training	5,667	5,514	2,795	2,719
Transportation and meetings	3,114	4,765	3,180	1,585
Utilities	2,039	2,799	1,905	894
Project costs	33,617,577	108,223,532	8,287,022	99,936,510
Debt service:				
Principal	1,893,146	1,893,146	1,893,146	-
Interest	1,119,087	1,119,087	1,119,087	-
Total Expenditures	<u>37,561,662</u>	<u>112,096,421</u>	<u>12,952,118</u>	<u>99,144,303</u>
Excess of Revenues over Expenditures	<u>(3,264,089)</u>	<u>(77,798,848)</u>	<u>10,592,149</u>	<u>88,390,997</u>
Other Financing Sources (Uses):				
Transfers out	<u>(7,870,348)</u>	<u>(7,870,348)</u>	<u>(6,135,079)</u>	<u>1,735,269</u>
Total Other Financing Sources (Uses)	<u>(7,870,348)</u>	<u>(7,870,348)</u>	<u>(6,135,079)</u>	<u>1,735,269</u>
Net Change in Fund Balance	(11,134,437)	(85,669,196)	4,457,070	90,126,266
Fund Balance - Beginning, as restated	<u>43,693,813</u>	<u>43,693,813</u>	<u>43,693,813</u>	<u>-</u>
Fund Balance - Ending	<u>\$ 32,559,376</u>	<u>(41,975,383)</u>	<u>48,150,883</u>	<u>90,126,266</u>

See accompanying notes to required supplementary information.

COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS

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

Year ended June 30, 2022

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		(Negative)
Revenues:				
Grants	\$ 17,503,346	17,503,346	15,363,242	(2,140,104)
Investment income	-	-	158	158
Other governmental	50,000	50,000	1,670,000	1,620,000
Miscellaneous	15,537,765	15,537,765	26,816	(15,510,949)
Total Revenues	<u>33,091,111</u>	<u>33,091,111</u>	<u>17,060,216</u>	<u>(16,030,895)</u>
Expenditures:				
Salaries	280,753	280,753	90,870	189,883
Benefits	99,625	99,625	47,580	52,045
Communications	4,086	4,086	2,630	1,456
Advertising	3,108	3,108	284	2,824
Insurance	9,647	9,647	5,309	4,338
Memberships and per diem	2,152	2,152	881	1,271
General and office expenses	15,834	15,834	6,989	8,845
Professional services	864,125	864,125	15,067	849,058
Consultants	3,200,000	3,200,000	722,046	2,477,954
Leases and maintenance	13,294	13,294	8,659	4,635
Staff training	3,065	3,065	935	2,130
Transportation and meetings	1,740	1,740	284	1,456
Utilities	1,297	1,297	806	491
Project costs	29,003,345	29,003,345	14,982,476	14,020,869
Total Expenditures	<u>33,502,071</u>	<u>33,502,071</u>	<u>15,884,816</u>	<u>17,617,255</u>
Excess of Revenues over Expenditures	<u>(410,960)</u>	<u>(410,960)</u>	<u>1,175,400</u>	<u>1,586,360</u>
Other Financing Sources (Uses):				
Transfers in	411,500	411,500	185,810	(225,690)
Transfers out	-	-	(1,356,755)	(1,356,755)
Total Other Financing Sources (Uses)	<u>411,500</u>	<u>411,500</u>	<u>(1,170,945)</u>	<u>(1,582,445)</u>
Net Change in Fund Balance	540	540	4,455	3,915
Fund Balance (Deficit) - Beginning	<u>(4,455)</u>	<u>(4,455)</u>	<u>(4,455)</u>	<u>-</u>
Fund Balance (Deficit) - Ending	<u>\$ (3,915)</u>	<u>(3,915)</u>	<u>-</u>	<u>3,915</u>

See accompanying notes to required supplementary information.

COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS

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

Year ended June 30, 2022

	Budget Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
Revenues:				
Grants	\$ 19,549,003	19,549,003	4,359,267	(15,189,736)
Investment income	-	-	560	560
Total Revenues	<u>19,549,003</u>	<u>19,549,003</u>	<u>4,359,827</u>	<u>(15,189,176)</u>
Expenditures:				
Salaries	106,328	106,328	35,065	71,263
Benefits	48,039	48,039	13,719	34,320
Communications	1,658	1,658	2,028	(370)
Advertising	44	44	245	(201)
Insurance	3,914	3,914	3,520	394
Memberships and per diem	873	873	653	220
General and office expenses	6,425	6,425	5,364	1,061
Professional services	75,947	75,947	5,631	70,316
Consultants	3,513,092	3,513,092	-	3,513,092
Leases and maintenance	5,395	5,395	6,619	(1,224)
Staff training	1,463	1,463	755	708
Transportation and meetings	300	300	218	82
Utilities	526	526	609	(83)
Project costs	<u>23,655,347</u>	<u>23,655,347</u>	<u>14,566,571</u>	<u>9,088,776</u>
Total Expenditures	<u>27,419,351</u>	<u>27,419,351</u>	<u>14,640,997</u>	<u>12,778,354</u>
Excess of Revenues over Expenditures	<u>(7,870,348)</u>	<u>(7,870,348)</u>	<u>(10,281,170)</u>	<u>(2,410,822)</u>
Other Financing Sources (Uses):				
Transfers in	7,870,348	7,870,348	6,834,849	(1,035,499)
Transfers out	-	-	(1,526)	(1,526)
Total Other Financing Sources (Uses)	<u>7,870,348</u>	<u>7,870,348</u>	<u>6,833,323</u>	<u>(1,037,025)</u>
Net Change in Fund Balance	-	-	(3,447,847)	(3,447,847)
Fund Balance (Deficit) - Beginning	<u>(121,151)</u>	<u>(121,151)</u>	<u>(121,151)</u>	<u>-</u>
Fund Balance (Deficit) - Ending	<u>\$ (121,151)</u>	<u>(121,151)</u>	<u>(3,568,998)</u>	<u>(3,447,847)</u>

See accompanying notes to required supplementary information.

COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS

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

Last Ten Years*

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Measurement Date	06/30/21	06/30/20	06/30/19	06/30/18
Proportion of the net pension liability (asset)	-0.00100%	0.01500%	0.02398%	0.02306%
Proportionate share of the net pension liability (asset)	\$ (55,246)	\$ 1,631,820	2,457,681	2,222,478
Covered payroll	\$ 1,800,316	\$ 1,787,612	1,757,237	1,399,410
Proportionate Share of the net pension liability as a percentage of covered payroll	-3.07%	91.28%	139.86%	158.82%
Plan fiduciary net position as a percentage of the total pension liability	90.49%	77.71%	75.26%	73.39%

* - Fiscal year 2015 was the first year of implementation, therefore, only eight years are shown.

Summary of Changes of Benefits or Assumptions:

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

Changes in Assumptions: In 2018, demographic assumptions and inflation rate were changed in accordance to CalPERS Experience Study and Review of Actuarial Assumptions December 2017. In 2017, the accounting discount rate was reduced from 7.65 percent to 7.15 percent.

COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS

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

Last Ten Years*

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Measurement Date	06/30/17	06/30/16	06/30/15	06/30/14
Proportion of the net pension liability (asset)	0.02283%	0.02221%	0.02071%	0.02196%
Proportionate share of the net pension liability (asset)	\$ 2,264,005	1,921,675	1,421,670	1,366,589
Covered payroll	\$ 1,595,046	1,555,017	1,364,384	1,367,374
Proportionate Share of the net pension liability as a percentage of covered payroll	141.94%	123.58%	104.20%	99.94%
Plan fiduciary net position as a percentage of the total pension liability	73.31%	75.87%	79.89%	81.15%

* - Fiscal year 2015 was the first year of implementation, therefore, only eight years are shown.

Summary of Changes of Benefits or Assumptions:

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

Changes in Assumptions: In 2018, demographic assumptions and inflation rate were changed in accordance to CalPERS Experience Study and Review of Actuarial Assumptions December 2017. In 2017, the accounting discount rate was reduced from 7.65 percent to 7.15 percent.

COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS

Schedule of Pension Contributions - Miscellaneous Plan

Last Ten Years*

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Actuarially determined contributions - Miscellaneous	\$ 397,881	\$ 397,881	1,341,435	294,482
Contributions in relation to the actuarially determined contribution	<u>(397,881)</u>	<u>(397,881)</u>	<u>(1,341,435)</u>	<u>(294,482)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>-</u>
Covered payroll	\$ 2,151,212	\$ 1,800,316	1,787,612	1,757,237
Contributions as a percentage of covered payroll	18.50%	22.10%	75.04%	16.76%

* - Fiscal year 2015 was the first year of implementation, therefore, eight years are shown.

Methods and assumptions used to determine contribution rates:

Actuarial Valuation Date	June 30, 2019
Actuarial Cost Method	Entry Age
Amortization Method	Level Percent of Payroll
Asset Valuation Method	Market Value
Discount Rate	7.15%
Projected Salary	Varies by entry age and service
Inflation	2.50%
Payroll Growth	2.75%

Changes in Assumptions: At its December 2016 meeting, the CalPERS Board of Administration lowered the discount rate from 7.50 percent to 7.00 percent using a three-year phase-in beginning with the June 30, 2016 actuarial valuations. The minimum employer contributions for Fiscal Year 2019-20 determined in this valuation were calculated using a discount rate of 7.25 percent.

On December 19, 2017, the CalPERS Board of Administration adopted new actuarial assumptions based on the recommendations in the December 2017 CalPERS Experience Study and Review of Actuarial Assumptions. This study reviewed the retirement rates, termination rates, mortality rates, rates of salary increases and inflation assumption for Public Agencies. In addition, the Board adopted a new asset portfolio as part of its Asset Liability Management. The new asset mix supports a 7.00 percent discount rate. The reduction of the inflation assumption will be implemented in two steps in conjunction with the decreases in the discount rate. For the June 30, 2017 valuation an inflation rate of 2.625 percent will be used and a rate of 2.50 percent in the following valuation.

The CalPERS Board of Administration has adopted a new amortization policy effective with the June 30, 2019 actuarial valuation. The new policy shortens the period over which actuarial gains and losses are amortized from 30 years to 20 years with the payments computed using a level dollar amount. In addition, the new policy removes the 5-year ramp-up and ramp-down on UAL bases attributable to assumption changes and non investment gains/losses. The new policy removes the 5-year ramp-down on investment gains/losses. These changes will apply only to new UAL bases established on or after June 30, 2019.

COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS

Schedule of Pension Contributions - Miscellaneous Plan (Continued)

Last Ten Years*

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Actuarially determined contributions - Miscellaneous	\$ 242,382	221,669	217,333	214,845
Contributions in relation to the actuarially determined contribution	<u>(242,382)</u>	<u>(221,669)</u>	<u>(217,333)</u>	<u>(214,845)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>
Covered payroll	\$ 1,399,410	1,595,046	1,555,017	1,364,384
Contributions as a percentage of covered payroll	17.32%	13.90%	13.98%	15.75%

* - Fiscal year 2015 was the first year of implementation, therefore, eight years are shown.

Methods and assumptions used to determine contribution rates:

Actuarial Valuation Date	June 30, 2019
Actuarial Cost Method	Entry Age
Amortization Method	Level Percent of Payroll
Asset Valuation Method	Market Value
Discount Rate	7.15%
Projected Salary	Varies by entry age and service
Inflation	2.50%
Payroll Growth	2.75%

Changes in Assumptions: At its December 2016 meeting, the CalPERS Board of Administration lowered the discount rate from 7.50 percent to 7.00 percent using a three-year phase-in beginning with the June 30, 2016 actuarial valuations. The minimum employer contributions for Fiscal Year 2019-20 determined in this valuation were calculated using a discount rate of 7.25 percent.

On December 19, 2017, the CalPERS Board of Administration adopted new actuarial assumptions based on the recommendations in the December 2017 CalPERS Experience Study and Review of Actuarial Assumptions. This study reviewed the retirement rates, termination rates, mortality rates, rates of salary increases and inflation assumption for Public Agencies. In addition, the Board adopted a new asset portfolio as part of its Asset Liability Management. The new asset mix supports a 7.00 percent discount rate. The reduction of the inflation assumption will be implemented in two steps in conjunction with the decreases in the discount rate. For the June 30, 2017 valuation an inflation rate of 2.625 percent will be used and a rate of 2.50 percent in the following valuation.

The CalPERS Board of Administration has adopted a new amortization policy effective with the June 30, 2019 actuarial valuation. The new policy shortens the period over which actuarial gains and losses are amortized from 30 years to 20 years with the payments computed using a level dollar amount. In addition, the new policy removes the 5-year ramp-up and ramp-down on UAL bases attributable to assumption changes and non investment gains/losses. The new policy removes the 5-year ramp-down on investment gains/losses. These changes will apply only to new UAL bases established on or after June 30, 2019.

Coachella Valley Association of Governments

Notes to Required Supplementary Information

Year ended June 30, 2022

Note 1: Budgets and Budgetary Accounting

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

Note 2: Expenditures in Excess of Appropriations

The Traffic Uniform Mitigation Fee fund had expenditures in excess of appropriations of \$273,908.

SUPPLEMENTARY INFORMATION

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COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS

**Combining Balance Sheet
Nonmajor Governmental Funds**

June 30, 2022

	Special Revenue Funds						
	Other Transportation	Special Projects	Multi-Species Habitat Conservation	AB2766 Grant	Oil Grant	AB939 Grant	Air Quality Enhancement
Assets:							
Cash and investments	\$ -	42,676	1	295,997	66,862	4,713	598
Accounts receivable	-	-	-	-	-	-	-
Interest receivable	1	-	-	-	196	206	-
Due from other governments	746,987	9,000	428,370	214,979	31,582	7,913	-
Due from other funds	30,277	-	-	-	-	-	-
Prepaid items	-	-	-	-	-	-	-
Total Assets	\$ 777,265	51,676	428,371	510,976	98,640	12,832	598
Liabilities, Deferred Inflows of Resources, and Fund Balances (Deficits):							
Liabilities:							
Accounts payable	\$ 48,940	-	382	-	14,440	-	-
Accrued liabilities	582	-	15,335	121	61	13	8
Due to other governments	-	-	3,177	-	657	-	-
Due to other funds	727,558	-	373,563	-	-	-	-
Total Liabilities	777,080	-	392,457	121	15,158	13	8
Deferred Inflows of Resources							
Unavailable revenues	-	-	2,682	2,569	-	-	-
Total Deferred Inflows of Resources	-	-	2,682	2,569	-	-	-
Fund Balances (Deficits):							
Nonspendable	-	-	-	-	-	-	-
Restricted:							
Transportation	185	23,921	-	-	-	-	-
Environmental	-	-	33,232	508,286	83,482	12,819	590
Homeless	-	27,755	-	-	-	-	-
Unassigned	-	-	-	-	-	-	-
Total Fund Balances (Deficits)	185	51,676	33,232	508,286	83,482	12,819	590
Total Liabilities, Deferred Inflows of Resources, and Fund Balances (Deficits)	\$ 777,265	51,676	428,371	510,976	98,640	12,832	598

COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS

**Combining Balance Sheet
Nonmajor Governmental Funds**

June 30, 2022

Special Revenue Funds (Continued)

	Street Sweeping	Homeless	Tire Amnesty	Tipping Fees	I-REN	Desert Community Energy	Total Governmental Funds
Assets:							
Cash and investments	12,297	1,760,158	66	44,612	-	-	2,227,980
Accounts receivable	-	48,140	-	-	-	-	48,140
Interest receivable	1,154	1,931	-	-	-	-	3,488
Due from other governments	71,417	863,575	-	-	78,486	340,942	2,793,251
Due from other funds	-	-	-	-	-	-	30,277
Prepaid	-	18,160	-	-	-	-	18,160
Total Assets	84,868	2,691,964	66	44,612	78,486	340,942	5,121,296
Liabilities, Deferred Inflows of Resources, and Fund Balances (Deficits):							
Liabilities:							
Accounts payable	9,280	14,589	-	-	285	786	88,702
Accrued liabilities	588	12,724	66	-	2,912	12,483	44,893
Due to other governments	-	7,500	-	44,612	6,153	-	62,099
Due to other funds	-	-	-	-	69,135	325,452	1,495,708
Total Liabilities	9,868	34,813	66	44,612	78,485	338,721	1,691,402
Deferred Inflows of Resources							
Unavailable revenues	-	48,140	-	-	68,486	2,221	124,098
Total Deferred Inflows of Resources	-	48,140	-	-	68,486	2,221	124,098
Fund Balances (Deficits):							
Nonspendable	-	18,160	-	-	-	-	18,160
Restricted:							
Transportation	-	-	-	-	-	-	24,106
Environmental	75,000	-	-	-	-	-	713,409
Homeless	-	2,590,851	-	-	-	-	2,618,606
Unassigned	-	-	-	-	(68,485)	-	(68,485)
Total Fund Balances (Deficits)	75,000	2,609,011	-	-	(68,485)	-	3,305,796
Total Liabilities, Deferred Inflows of Resources, and Fund Balances (Deficits)	84,868	2,691,964	66	44,612	78,486	340,942	5,121,296

COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
Year ended June 30, 2022

	Special Revenue Funds						
	Other Transportation	Special Projects	Multi-Species Habitat Conservation	AB2766 Grant	Oil Grant	AB939 Grant	Air Quality Enhancement
Revenues:							
Grants	\$ 337,939	-	-	-	86,920	-	-
Investment income (loss)	967	-	-	(5,391)	(1,060)	(83)	(10)
Other governmental	891,872	-	786,604	367,854	-	7,913	-
Miscellaneous	-	27,000	-	-	-	-	-
Total Revenues	<u>1,230,778</u>	<u>27,000</u>	<u>786,604</u>	<u>362,463</u>	<u>85,860</u>	<u>7,830</u>	<u>(10)</u>
Expenditures:							
Current:							
Salaries	16,359	-	453,813	9,900	5,849	6,469	825
Benefits	6,204	-	186,704	3,969	2,339	2,871	225
Communications	307	-	8,642	188	111	124	16
Advertising	33	-	2,086	13	4,621	6	1
Insurance	634	-	17,487	549	357	419	41
Memberships and per diem	103	-	2,897	2,146	43	2,125	6
General and office expenses	759	-	27,150	353	309	198	33
Professional services	1,262	-	37,648	543	306	336	47
Consultants	-	-	-	500	28,657	-	-
Leases and maintenance	1,040	-	32,649	615	377	400	59
Staff training	107	-	3,072	57	31	34	5
Transportation and meetings	283	-	1,270	21	12	13	2
Utilities	96	-	3,139	55	34	35	6
Project costs	318,456	28,318	-	-	3,340	-	-
Total Expenditures	<u>345,643</u>	<u>28,318</u>	<u>776,557</u>	<u>18,909</u>	<u>46,386</u>	<u>13,030</u>	<u>1,266</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>885,135</u>	<u>(1,318)</u>	<u>10,047</u>	<u>343,554</u>	<u>39,474</u>	<u>(5,200)</u>	<u>(1,276)</u>
Other Financing Sources (Uses):							
Transfers in	-	-	-	-	-	-	1,281
Transfers out	(885,580)	-	-	(160,108)	-	(25,188)	-
Total Other Financing Sources (Uses)	<u>(885,580)</u>	<u>-</u>	<u>-</u>	<u>(160,108)</u>	<u>-</u>	<u>(25,188)</u>	<u>1,281</u>
Net Change in Fund Balances	(445)	(1,318)	10,047	183,446	39,474	(30,388)	5
Fund Balance (Deficit) - Beginning	630	52,994	23,185	324,840	44,008	43,207	585
Fund Balance (Deficit) - Ending	<u>\$ 185</u>	<u>51,676</u>	<u>33,232</u>	<u>508,286</u>	<u>83,482</u>	<u>12,819</u>	<u>590</u>

COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance
Nonmajor Governmental Funds
Year ended June 30, 2022

	Special Revenue Funds (Continued)					Desert Community Energy	Total Governmental Funds
	Street Sweeping	Homeless	Tire Amnesty	Tipping Fees	I-REN		
Revenues:							
Grants	220,000	-	-	-	-	-	644,859
Investment income (loss)	160	(30,015)	-	-	-	-	(35,432)
Other governmental	300,000	2,143,585	-	-	-	1,209,838	5,707,666
Miscellaneous	28,438	108	-	-	-	-	55,546
Total Revenues	548,598	2,113,678	-	-	-	1,209,838	6,372,639
Expenditures:							
Current:							
Salaries	30,702	431,657	751	-	35,118	389,269	1,380,712
Benefits	10,941	213,370	285	-	13,817	120,654	561,379
Communications	575	8,353	15	-	686	7,367	26,384
Advertising	50	2,581	1	-	722	3,067	13,181
Insurance	1,436	16,026	42	-	117	15,425	52,533
Memberships and per diem	206	2,711	6	-	165	2,593	13,001
General and office expenses	1,247	139,171	32	-	2,798	21,137	193,187
Professional services	1,756	4,784	44	-	3,092	46,995	96,813
Consultants	11,785	103,477	-	-	9,036	-	153,455
Leases and maintenance	1,916	259,816	55	-	2,334	27,652	326,913
Staff training	188	3,526	4	-	303	2,588	9,915
Transportation and meetings	63	25,790	1	-	67	797	28,319
Utilities	174	30,357	5	-	230	2,649	36,780
Project costs	636,696	20,474	23,849	-	-	-	1,031,133
Total Expenditures	697,735	1,262,093	25,090	-	68,485	640,193	3,923,705
Excess (Deficiency) of Revenues Over (Under) Expenditures	(149,137)	851,585	(25,090)	-	(68,485)	569,645	2,448,934
Other Financing Sources (Uses):							
Transfers in	158,827	-	25,188	-	-	-	185,296
Transfers out	-	-	-	-	-	-	(1,070,876)
Total Other Financing Sources (Uses)	158,827	-	25,188	-	-	-	(885,580)
Net Change in Fund Balances	9,690	851,585	98	-	(68,485)	569,645	1,563,354
Fund Balance (Deficit) - Beginning	65,310	1,757,426	(98)	-	-	(569,645)	1,742,442
Fund Balance (Deficit) - Ending	75,000	2,609,011	-	-	(68,485)	-	3,305,796