

**COACHELLA VALLEY  
ASSOCIATION OF GOVERNMENTS**

**COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**FOR THE YEAR ENDED  
JUNE 30, 2015**  
**(with prior year comparative totals)**

COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS  
COMPREHENSIVE ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED  
JUNE 30, 2015

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COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS  
 COMPREHENSIVE ANNUAL FINANCIAL REPORT  
 FOR THE YEAR ENDED JUNE 30, 2015

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## INDEPENDENT AUDITORS' REPORT

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

### **Report on the Financial Statements**

We have audited the accompanying 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 ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the CVAG's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Coachella Valley Association of Governments (CVAG), as of June 30, 2015, and



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

the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Change in Accounting Principle***

As discussed in Note 11 to the financial statements, in 2015 CVAG adopted new accounting guidance, GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition for Contributions made Subsequent of the Measurement Date, an amendment to GASB Statement No. 68*.

### ***Other Matters***

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the budgetary comparison schedules for the General Fund, the Measure A Special Revenue Fund, and the Transportation Uniform Mitigation Special Revenue Fund, the schedule of proportionate share of the net pension liability, and the schedule of plan be presented to supplement the basic financial statements. Such information, 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.

#### *Prior Year Comparative Information*

The financial statements include (partial or summarized) prior-year comparative information. Such information does not include all of the information required or sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with CVAG's financial statements for the year ended June 30, 2014, from which such partial information was derived.

#### *Other Information*

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

The combining and individual nonmajor fund financial statements and schedules 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 and individual nonmajor fund financial statements and schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.



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

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated February 3, 2016 on our consideration of the 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 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 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 the CVAG's internal control over financial reporting and compliance.

*Lance, Solt & Lughard, LLP*

Brea California  
February 3, 2016

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# COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS

## MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2015

The following discussion and analysis of the financial performance of Coachella Valley Association of Governments ("Association") provides an overview of the Association's financial activities for the fiscal year ended June 30, 2015. 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 the Association as a whole and present a long-term view of the Association's finances. Also included in the accompanying report are the *fund financial statements*. The fund financial statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the Association's operations in more detail than the government-wide statements by providing information about the Association's most significant funds.

### **OVERVIEW OF THE FINANCIAL STATEMENTS**

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

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

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

**See Independent Auditors' Report.**

# COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS

## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

June 30, 2015

### **OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)**

#### Reporting the Association as a Whole

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

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

#### Reporting the Association's Major Funds

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

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

**See Independent Auditors' Report.**

COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS

MANAGEMENT'S DISCUSSION AND ANALYSIS  
(CONTINUED)

June 30, 2015

**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

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

Statements of Net Position

	Fiscal Year 2015	Fiscal Year 2014	Dollar Change	Total Percent Change
<u>Assets:</u>				
Cash and investments	\$ 49,432,545	\$ 45,671,021	\$ 3,761,524	8.2 %
Accounts receivable	743,194	380,180	363,014	95.5 %
Interest receivable	37,248	30,414	6,834	22.5 %
Due from other governments	4,304,519	9,756,540	(5,452,021)	(55.9) %
Loans receivable	9,257,917	13,720,250	(4,462,333)	(32.5) %
Restricted cash and investments	15,007,273	-	15,007,273	100.0 %
Capital assets:				
Land	10,682,344	10,682,344	-	-
Other capital assets, net	77,962	92,512	(14,550)	(15.7) %
Total Assets	<u>89,543,002</u>	<u>80,333,261</u>	<u>9,209,741</u>	11.5 %
<u>Deferred Outflows of Resources:</u>				
Deferred pension related items	<u>164,817</u>	-	<u>164,817</u>	100.0 %
Total Deferred Outflows of Resources	<u>164,817</u>	-	<u>164,817</u>	100.0 %
<u>Liabilities:</u>				
Accounts payable	689,701	501,488	188,213	37.5 %
Due to other governments	2,653,781	10,984,792	(8,331,011)	(75.8) %
Unearned revenue	103,000	103,000	-	-
Deposits payable	15,007,273	-	15,007,273	100.0 %

See Independent Auditors' Report.

COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS

MANAGEMENT'S DISCUSSION AND ANALYSIS  
(CONTINUED)

June 30, 2015

Statements of Net Position (continued)

	Fiscal Year 2015	Fiscal Year 2014	Dollar Change	Total Percent Change
<u>Liabilities (continued):</u>				
Noncurrent liabilities:				
Due within one year:				
Revenue bonds payable	1,321,988	1,245,447	76,541	6.2 %
Insurance payable	17,681	18,313	(632)	100.0 %
Compensated absences	129,974	146,395	(16,421)	(3.5) %
Due in more than one year:				
Revenue bonds payable	27,310,107	28,632,095	(1,321,988)	(4.6) %
Insurance payable	66,849	92,220	(25,371)	(27.5) %
Compensated absences	14,442	16,244	(1,802)	(11.1) %
Net pension liability	<u>1,366,589</u>	<u>-</u>	<u>1,366,589</u>	100.0 %
Total Liabilities	<u>48,681,385</u>	<u>41,739,994</u>	<u>6,941,391</u>	16.7 %
<u>Deferred Inflows of Resources:</u>				
Deferred pension related items	<u>447,248</u>	<u>-</u>	<u>447,248</u>	100.0 %
Total Deferred Inflows of Resources	<u>447,248</u>	<u>-</u>	<u>447,248</u>	100.0 %
<u>Net Position:</u>				
Net Investment in Capital Assets	10,760,306	10,774,856	(14,550)	(0.1) %
Restricted for Transportation	28,808,717	23,623,250	5,185,467	22.0 %
Restricted for Other	1,344,885	1,424,212	(79,327)	(5.6) %
Unrestricted	<u>(334,722)</u>	<u>2,770,949</u>	<u>(3,105,671)</u>	(112.1) %
Total Net Position	<u>\$ 40,579,186</u>	<u>\$ 38,593,267</u>	<u>\$ 1,985,919</u>	5.2 %

See Independent Auditors' Report.

COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS

MANAGEMENT'S DISCUSSION AND ANALYSIS  
(CONTINUED)

June 30, 2015

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

Statements of Activities

	Fiscal Year 2015	Fiscal Year 2014	Dollar Change	Total Percent Change
Operating Expenses:				
Administrative	\$ 244,899	\$ 267,521	\$ (22,622)	(8.5) %
Transportation	12,064,644	20,468,240	(8,403,596)	(41.1) %
Other	4,262,756	2,661,290	1,601,466	60.2 %
Interest expense	<u>1,766,780</u>	<u>1,804,497</u>	<u>(37,717)</u>	(2.1) %
Total Expenses	<u>18,339,079</u>	<u>25,201,548</u>	<u>(6,862,469)</u>	(27.2) %
Program Revenues:				
Operating grants and contributions	21,573,550	25,860,679	(4,287,129)	(16.6) %
General Revenues:				
Interest income	2,794	3,128	(334)	(10.7) %
Other revenues	<u>409,198</u>	<u>408,922</u>	<u>276</u>	0.1 %
Total Revenues	<u>21,985,542</u>	<u>26,272,729</u>	<u>(4,287,187)</u>	(16.3) %
Changes in Net Position	3,646,463	1,071,181	2,575,282	240.4 %
Net Position - Beginning of Year	38,593,267	37,522,086	1,071,181	2.9 %
Restatement of Net Position	<u>(1,660,544)</u>	<u>-</u>	<u>(1,660,544)</u>	(100.0) %
Net Position - End of Year	<u>\$ 40,579,186</u>	<u>\$ 38,593,267</u>	<u>\$ 1,985,919</u>	5.2 %

The increase or decrease in net position can provide an indication as to whether the overall financial position of the Association improved or deteriorated during the year. Net Position of the Association's governmental activities increased by 5.2 percent (\$40.58 million compared to \$38.59 million), which is minimal.

**See Independent Auditors' Report.**

COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS

MANAGEMENT'S DISCUSSION AND ANALYSIS  
(CONTINUED)

June 30, 2015

**MAJOR FUNDS**

**General Fund** - The General Fund accounts for all of the general revenues of the Association not specifically levied or collected for some special purpose, and for the expenditures related to the rendering of general services by the Association. At the end of the current fiscal year, unreserved fund balance of the General Fund was \$1,490,178.

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

- An increase in the total revenues by \$48,042, mainly due to a grant received for work done in energy conservation.
- An increase in Total Expenditures by \$20,947 mainly due to the purchase of two servers.

**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 \$10,769,166.

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

- A decrease in Total Revenues by \$549,426 mainly due to a decrease in TUMF revenues collected in the current fiscal year.
- A decrease in Total Expenditures by \$2,079,250 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 \$30,401,982.

**See Independent Auditors' Report.**

COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS

MANAGEMENT'S DISCUSSION AND ANALYSIS  
(CONTINUED)

June 30, 2015

**Measure A Fund (Continued)**

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

- A decrease in Measure A revenues by \$2,612,681. This decrease does not have a direct relationship to the amount of Sales Tax collected but the amount of reimbursement that was requested by the Association. See note 13 for further clarification.
- A decrease in Total Expenditures by \$10,383,092 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.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**CAPITAL ASSETS**

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

Capital Assets  
(net of depreciation)

	Balance <u>June 30, 2015</u>	Balance <u>June 30, 2014</u>	Increase <u>(Decrease)</u>
Land	\$ 10,682,344	\$ 10,682,344	\$ -
Furniture and equipment	43,452	39,822	3,630
Vehicles	<u>34,510</u>	<u>52,690</u>	<u>(18,180)</u>
Total	<u>\$ 10,760,306</u>	<u>\$ 10,774,856</u>	<u>\$ (14,550)</u>

The decrease to Vehicles is mainly due to depreciation while the increase in Furniture and equipment is due to the addition of two servers.

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

**See Independent Auditors' Report.**

COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS

MANAGEMENT'S DISCUSSION AND ANALYSIS  
(CONTINUED)

June 30, 2015

**DEBT ADMINISTRATION**

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

Long-Term Debt

	Balance <u>June 30, 2015</u>	Balance <u>June 30, 2014</u>	Increase <u>(Decrease)</u>
Revenue bonds payable	\$ 28,632,095	\$ 29,877,542	\$ (1,245,447)
Insurance payable	84,530	110,533	(26,003)
Compensated absences	<u>144,416</u>	<u>162,639</u>	<u>(18,223)</u>
Total	<u>\$ 28,861,041</u>	<u>\$ 30,150,714</u>	<u>\$ (1,289,673)</u>

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

**GENERAL FUND BUDGET**

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

- Salaries expenditures under budget by \$ 236,017
- Benefits expenditures under budget by \$ 91,981
- Transfers in under budget by \$ 338,188

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

**CONTACTING THE ASSOCIATION'S FINANCIAL MANAGEMENT**

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

**See Independent Auditors' Report.**

## **BASIC FINANCIAL STATEMENTS**

COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS

STATEMENT OF NET POSITION  
 JUNE 30, 2015 (with prior year comparative totals)

	<b>Governmental Activities</b>	
	<b>2015</b>	<b>2014</b>
<b>Assets:</b>		
Cash and investments	\$ 49,432,545	\$ 45,671,021
Accounts receivable	743,194	380,180
Notes and loans receivable	9,257,917	13,720,250
Interest receivable	37,248	30,414
Due from other governments	4,304,519	9,756,540
Restricted assets:		
Cash and investments	15,007,273	-
Capital assets not being depreciated	10,682,344	10,682,344
Capital assets, net of depreciation	77,962	92,512
<b>Total Assets</b>	<b>89,543,002</b>	<b>80,333,261</b>
<b>Deferred Outflows of Resources:</b>		
Deferred pension related items	164,817	-
<b>Total Deferred Outflows of Resources</b>	<b>164,817</b>	<b>-</b>
<b>Liabilities:</b>		
Accounts payable	689,701	501,488
Unearned revenue	103,000	103,000
Deposits payable	15,007,273	-
Due to other governments	2,653,781	10,984,792
Noncurrent liabilities:		
Due within one year	1,469,643	1,410,155
Due in more than one year	27,391,398	28,740,559
Net pension liability	1,366,589	-
<b>Total Liabilities</b>	<b>48,681,385</b>	<b>41,739,994</b>
<b>Deferred Inflows of Resources:</b>		
Deferred pension related items	447,248	-
<b>Total Deferred Inflows of Resources</b>	<b>447,248</b>	<b>-</b>
<b>Net Position:</b>		
Net investment in capital assets	10,760,306	10,774,856
Restricted for:		
Transportation	28,808,717	23,623,250
Other	1,344,885	1,424,212
Unrestricted	(334,722)	2,770,949
<b>Total Net Position</b>	<b>\$ 40,579,186</b>	<b>\$ 38,593,267</b>

COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS

STATEMENT OF ACTIVITIES  
 YEAR ENDED JUNE 30, 2015 (with prior year comparative totals)

Functions/Programs	Expenses	Program Revenues Operating Contributions and Grants	Net Governmental Activities	
			2015	2014
Governmental Activities:				
Administrative	\$ 244,899	\$ -	\$ (244,899)	\$ (267,521)
Transportation	12,064,644	17,188,352	5,123,708	2,669,094
Other	4,262,756	4,385,198	122,442	62,055
Interest expense	1,766,780	-	(1,766,780)	(1,804,497)
<b>Total Governmental Activities</b>	<b>\$ 18,339,079</b>	<b>\$ 21,573,550</b>	<b>3,234,471</b>	<b>659,131</b>
<b>General Revenues:</b>				
Other revenues			409,198	408,922
Investment income			2,794	3,128
<b>Total General Revenues</b>			<b>411,992</b>	<b>412,050</b>
Change in Net Position			3,646,463	1,071,181
Net Position at Beginning of Year			38,593,267	37,522,086
Restatement of Net Position			(1,660,544)	-
<b>Net Position at End of Year</b>			<b>\$ 40,579,186</b>	<b>\$ 38,593,267</b>

COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2015 (with prior year comparative totals)**

	<u>General</u>	<u>Special Revenue Funds</u>	
		<u>Transportation Uniform Mitigation Fees</u>	<u>Measure A</u>
<b>Assets:</b>			
Cash and investments	\$ 783,743	\$ 11,152,937	\$ 36,274,082
Accounts receivable	42,000	9,187	-
Interest receivable	505	8,071	27,746
Due from other governments	3,750	498,566	2,027,759
Due from other funds	671,820	-	908,536
Restricted assets:			
Cash and investments	-	-	15,007,273
<b>Total Assets</b>	<b>\$ 1,501,818</b>	<b>\$ 11,668,761</b>	<b>\$ 54,245,396</b>
<b>Liabilities, Deferred Inflows of Resources, and Fund Balances:</b>			
<b>Liabilities:</b>			
Accounts payable	\$ 8,639	\$ 20,460	\$ 60,767
Due to other governments	1,501	879,135	1,763,627
Due to other funds	-	-	-
Deposits payable	-	-	15,007,273
Unearned revenues	-	-	-
<b>Total Liabilities</b>	<b>10,140</b>	<b>899,595</b>	<b>16,831,667</b>
<b>Deferred Inflows of Resources:</b>			
Unavailable revenues	1,500	-	8,371
<b>Total Deferred Inflows of Resources</b>	<b>1,500</b>	<b>-</b>	<b>8,371</b>
<b>Fund Balances:</b>			
<b>Restricted for:</b>			
Transportation	-	10,769,166	37,405,358
Environmental	-	-	-
Homeless	-	-	-
<b>Unassigned</b>	<b>1,490,178</b>	<b>-</b>	<b>-</b>
<b>Total Fund Balances</b>	<b>1,490,178</b>	<b>10,769,166</b>	<b>37,405,358</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<b>\$ 1,501,818</b>	<b>\$ 11,668,761</b>	<b>\$ 54,245,396</b>

COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS

BALANCE SHEET  
 GOVERNMENTAL FUNDS  
 JUNE 30, 2015 (with prior year comparative totals)

(Continued)

	Other Governmental Funds	Total Governmental Funds	
		2015	2014
<b>Assets:</b>			
Cash and investments	\$ 1,221,783	\$ 49,432,545	\$ 45,671,021
Accounts receivable	692,007	743,194	380,180
Interest receivable	926	37,248	30,414
Due from other governments	1,774,444	4,304,519	9,756,540
Due from other funds	17,715	1,598,071	717,379
Restricted assets:			
Cash and investments	-	15,007,273	-
<b>Total Assets</b>	<b>\$ 3,706,875</b>	<b>\$ 71,122,850</b>	<b>\$ 56,555,534</b>
<b>Liabilities, Deferred Inflows of Resources, and Fund Balances:</b>			
<b>Liabilities:</b>			
Accounts payable	\$ 599,835	\$ 689,701	\$ 501,488
Due to other governments	9,518	2,653,781	10,984,792
Due to other funds	1,598,071	1,598,071	717,379
Deposits payable	-	15,007,273	-
Unearned revenues	103,000	103,000	103,000
<b>Total Liabilities</b>	<b>2,310,424</b>	<b>20,051,826</b>	<b>12,306,659</b>
<b>Deferred Inflows of Resources:</b>			
Unavailable revenues	1,031,318	1,041,189	2,237,834
<b>Total Deferred Inflows of Resources</b>	<b>1,031,318</b>	<b>1,041,189</b>	<b>2,237,834</b>
<b>Fund Balances:</b>			
<b>Restricted for:</b>			
Transportation	-	48,174,524	39,780,542
Environmental	733,571	733,571	1,026,331
Homeless	291,769	291,769	397,881
<b>Unassigned</b>	<b>(660,207)</b>	<b>829,971</b>	<b>806,287</b>
<b>Total Fund Balances</b>	<b>365,133</b>	<b>50,029,835</b>	<b>42,011,041</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<b>\$ 3,706,875</b>	<b>\$ 71,122,850</b>	<b>\$ 56,555,534</b>

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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, 2015**

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Fund balances of governmental funds		\$	50,029,835
Amounts reported for governmental activities in the statement of net position are different because:			
Capital assets net of depreciation have not been included as financial resources in governmental fund activity.			10,760,306
Loans receivable that have not been included in the governmental fund activity.			9,257,917
Long-term debt, claims payable, and compensated absences that have not been included in the governmental fund activity:			
Bonds payable	\$	(28,632,095)	
Claims payable		(84,530)	
Compensated Absences		<u>(144,416)</u>	(28,861,041)
Revenues 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.			1,041,189
Net pension liability that has not been included in governmental fund activity.			(1,366,589)
Deferred Outflows related to contributions made after the actuarial measurement date for the net pension liability and adjustment due to differences in proportions.			164,817
Deferred Inflows related to differences between projected and net pension liability.			<u>(447,248)</u>
<b>Net Position of governmental activities</b>		<b>\$</b>	<b><u><u>40,579,186</u></u></b>

COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS

STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2015 (with prior year comparative totals)

	Special Revenue Funds		
	General	Transportation Uniform Mitigation Fees	Measure A
<b>Revenues:</b>			
Mitigation fees	\$ -	\$ 3,668,531	\$ -
Measure A	-	718,729	12,990,545
Member dues	394,359	-	-
Grants	48,400	-	-
Investment income	2,794	30,558	113,003
Loan repayments	-	180,000	743,595
Other governmental	-	29,399	4,990,672
Miscellaneous	14,839	9,187	100,794
<b>Total Revenues</b>	<b>460,392</b>	<b>4,636,404</b>	<b>18,938,609</b>
<b>Expenditures:</b>			
Salaries	144,323	243,642	493,187
Benefits	49,985	77,044	160,930
Communications	1,419	2,367	4,975
Advertising	27	1,124	2,400
Insurance	7,334	12,222	23,345
Memberships and per diem	7,579	2,679	7,055
General and office expenses	4,046	9,396	18,814
Professional services	3,610	8,837	21,901
Consultants	-	119,869	148,761
Leases and maintenance	10,860	18,366	37,309
Staff training	1,151	2,399	5,201
Transportation and meetings	17,643	1,509	9,936
Utilities	1,081	1,832	3,764
Project costs	-	2,717,940	7,910,530
Capital outlay	21,535	1,834	3,407
Debt service:			
Principal	-	-	1,245,447
Interest	-	-	1,766,780
<b>Total Expenditures</b>	<b>270,593</b>	<b>3,221,060</b>	<b>11,863,742</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	189,799	1,415,344	7,074,867
<b>Other Financing Sources (Uses):</b>			
Transfers in	-	-	-
Transfers out	(2,334)	-	(71,491)
Revenue bonds issued	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>(2,334)</b>	<b>-</b>	<b>(71,491)</b>
Net Change in Fund Balances	187,465	1,415,344	7,003,376
Fund Balances, Beginning of Year	1,302,713	9,353,822	30,401,982
<b>Fund Balances, End of Year</b>	<b>\$ 1,490,178</b>	<b>\$ 10,769,166</b>	<b>\$ 37,405,358</b>

COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS

STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2015 (with prior year comparative totals)

(Continued)

	Other Governmental Funds	Total Governmental Funds	
		2015	2014
<b>Revenues:</b>			
Mitigation fees	\$ -	\$ 3,668,531	\$ 4,252,416
Measure A	-	13,709,274	16,309,215
Member dues	-	394,359	390,307
Grants	1,083,778	1,132,178	318,436
Investment income	3,671	150,026	137,272
Loan repayments	-	923,595	923,595
Other governmental	2,196,324	7,216,395	3,521,358
Miscellaneous	640,462	765,282	882,364
<b>Total Revenues</b>	<b>3,924,235</b>	<b>27,959,640</b>	<b>26,734,963</b>
<b>Expenditures:</b>			
Salaries	619,687	1,500,839	1,396,261
Benefits	210,728	498,687	470,408
Communications	6,834	15,595	16,944
Advertising	82,831	86,382	18,217
Insurance	35,056	77,957	86,022
Memberships and per diem	6,855	24,168	30,121
General and office expenses	45,843	78,099	49,905
Professional services	32,273	66,621	857,409
Consultants	2,801,804	3,070,434	1,740,778
Leases and maintenance	46,728	113,263	117,766
Staff training	7,588	16,339	12,787
Transportation and meetings	6,391	35,479	28,180
Utilities	4,685	11,362	15,893
Project costs	676,333	11,304,803	20,441,653
Capital outlay	1,815	28,591	39,430
Debt service:			
Principal	-	1,245,447	4,876,178
Interest	-	1,766,780	1,804,497
<b>Total Expenditures</b>	<b>4,585,451</b>	<b>19,940,846</b>	<b>32,002,449</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(661,216)	8,018,794	(5,267,486)
<b>Other Financing Sources (Uses):</b>			
Transfers in	347,536	347,536	302,574
Transfers out	(273,711)	(347,536)	(302,574)
Revenue bonds issued	-	-	3,798,014
<b>Total Other Financing Sources (Uses)</b>	<b>73,825</b>	<b>-</b>	<b>3,798,014</b>
Net Change in Fund Balances	(587,391)	8,018,794	(1,469,472)
Fund Balances, Beginning of Year	952,524	42,011,041	43,480,513
<b>Fund Balances, End of Year</b>	<b>\$ 365,133</b>	<b>\$ 50,029,835</b>	<b>\$ 42,011,041</b>

## **NOTES TO 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, 2015**

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Net change in fund balances - total governmental funds \$ 8,018,794

Amounts reported for 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 those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Capital outlay	\$ 14,770	
Depreciation	<u>(29,320)</u>	(14,550)

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. 1,245,447

Insurance claims expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. 26,003

Compensated absences expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. 18,223

Additions to loans receivable are recorded as an increase of the loan receivable balance for the Statement of Activities. Payments on outstanding loans are recorded as a reduction of the loan receivable balance for the Statement of Activities. This is the net change in the loan receivable balance for the current period. (4,462,333)

Revenues 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. (1,196,645)

Pension obligation expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds. 11,524

**Change in net position of governmental activities \$ 3,646,463**

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# COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS

## NOTES TO BASIC FINANCIAL STATEMENTS JUNE 30, 2015

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### Note 1: Summary of Significant Accounting Policies

#### a. Description of Reporting Entity

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

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

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

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

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

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

#### General Assembly

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

## COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS

### NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED) JUNE 30, 2015

---

#### Note 1: Summary of Significant Accounting Policies (Continued)

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

##### Executive Committee

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

##### Advisory Committees

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

#### b. Basis of Accounting and Measurement Focus

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

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

##### Government-wide Financial Statements

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

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

# COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS

## NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED) JUNE 30, 2015

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### Note 1: Summary of Significant Accounting Policies (Continued)

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

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

#### Governmental Funds

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

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

Government-mandated and voluntary nonexchange transactions are recognized as revenues when all applicable eligibility requirements have been met.

# COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS

## NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED) JUNE 30, 2015

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### Note 1: Summary of Significant Accounting Policies (Continued)

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.

#### 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 position 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. Contributions made to the Association's defined benefit plan, after the measurement date, are deferred until fiscal year 2016; in addition, contributions to the defined pension plan in excess of the Association's proportionate share are also deferred until fiscal year 2016. Please refer to Note 11 for more information on these deferred items.

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 position 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.

COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2015

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**Note 1: Summary of Significant Accounting Policies (Continued)**

The second item relates to the net difference between projected earnings and actual earnings on investments held in trust for the Associations defined benefit plan. This difference is deferred and amortized over the average remaining life of Plan participants as a portion of pension expense in future periods.

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 11 and the required supplementary information (RSI) section immediately following the Notes to Financial Statements), regardless of the amount recognized as pension expenditures on the governmental fund statements, which use the modified accrual basis of accounting.

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

For purposes of measuring the net pension liability and deferred outflows/inflows or resources relating to pensions and pension expense, information about the fiduciary net position of CVAG's pension plan with CalPERS and additions to/deductions from the plan's fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefits terms. Investments are reported at fair value.

Projected earnings on pension investments are recognized as a component of pension expense. Differences between projected and actual investment earnings are reported as deferred inflows of resources or deferred outflows of resources and amortized as a component of pension expense on a closed basis over a five-year period beginning with the period in which the difference occurred. Each subsequent year will incorporate an additional closed basis five-year period of recognition.

Net Position

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

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

COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2015

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**Note 1: Summary of Significant Accounting Policies (Continued)**

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

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

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

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

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

**COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS**

**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2015**

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**Note 1: Summary of Significant Accounting Policies (Continued)**

**c. Fund Classifications**

The Association reports the following major governmental funds:

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

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

Measure A Special Revenue Fund - This fund is used to account for the revenues generated by the Measure A half-cent sales tax and is used mainly for the construction and/or improvement of the regional arterials in the Coachella Valley. It also accounts for the Local Transportation fundings as well as the Planning, Programming, and Monitoring fundings.

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

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

**d. Reclassification and Eliminations**

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

**e. Cash and Investments**

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

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

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

**f. Employee Leave Benefits**

Vacation time begins to accumulate as of the first day of employment to a maximum of 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 the Association.

COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2015

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**Note 1: Summary of Significant Accounting Policies (Continued)**

**g. Capital Assets**

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

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

**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. Effect of New Accounting Standards**

During the fiscal year ended June 30, 2015, CVAG implemented the following Governmental Accounting Standards Board (GASB) standards:

GASB Statement No. 68 – Accounting and financial Reporting for Pensions—an Amendment of GASB Statement No. 27 will improve the decision-usefulness of information in employer and governmental non-employer contributing entity financial reports and will enhance its value for assessing accountability and interperiod equity by requiring recognition of the entire net pension liability and a more comprehensive measure of pension expense. Decision-usefulness and accountability also will be enhanced through new note disclosures and required supplementary information. CVAG has fully implemented this standard, which resulted in restated net position as of June 30, 2014. Please refer to Note 9 regarding the restatement.

GASB Statement No. 71 – Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68. The objective of this Statement is to address an issue regarding application of the transition provisions of Statement No. 68, Accounting and Financial Reporting for Pensions. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or non-employer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. The provisions of GASB Statement No. 71 are effective for financial statements beginning after June 15, 2014. CVAG has fully implemented this statement.

**COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS**

**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2015**

**Note 2: Cash and Investments**

Cash and investments of the Association consisted of the following at June 30, 2015:

Cash on hand	\$ 300
Deposits with financial institutions	144,100
Total cash and deposits	<u>144,400</u>
Investments:	
Local Agency Investment Fund	21,829,423
Riverside County Pooled Investment Fund	27,458,722
California Asset Management Program	15,007,273
Total investments	<u>64,295,418</u>
Total cash and investments	<u>\$ 64,439,818</u>

Deposits

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

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

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

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

*N/A - Not Applicable*

Disclosures Relating to Interest Rate Risk

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

COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2015

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**Note 2: Cash and Investments (Continued)**

The Association's investments in the Local Agency Investment Fund of \$21,829,423, Riverside County Pooled Investment Fund of \$27,458,722, and the California Asset Management Program of \$15,007,273 are available on demand.

Disclosures Relating to Credit Risk

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

Investment Type	Minimum Legal Rating	Unrated
Local Agency Investment Fund	N/A	\$ 21,829,423
Riverside County Pooled Investment Fund	N/A	27,458,722
California Asset Management Program	N/A	15,007,273

Investment in State Investment Pool

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

Investment in Riverside County Investment Pool

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

Investment in California Asset Management Program

The Association is a voluntary participant in the California Asset Management Program (CAMP). The funds are invested in a short-term money market portfolio rated AAAm 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.

**COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS**

**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2015**

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**Note 3: Loans Receivable**

	<u>Outstanding Balance at June 30, 2015</u>
<p>The Association made loans to the following entities for the construction of the Monterey, Cook and Washington interchanges:</p>	
County of Riverside, payable through 2016	\$ 2,375,137
City of Indian Wells, payable through 2017	335,415
<p>The Association made a loan to the following entity for the construction of mesquite Avenue from Gene Autry Trail to Dinah Shore Drive:</p>	
City of Palm Springs, payable through 2039	250,110
<p>The Association made a loans to the following entities for the construction of Miles Avenue/Clinton Street:</p>	
City of Indio, payable through 2022	1,674,523
County of Riverside, payable through 2022	1,674,523
<p>The Association is collecting from the following entity the difference between what the TUMF amount would have been and what the Local Measure "A" amount that was collected, less a credit:</p>	
City of La Quinta, payable through 2022	<u>2,948,209</u>
Total loans receivable	<u><u>\$ 9,257,917</u></u>

**Note 4: Interfund Receivables and Payables**

Receivable Funds	Payable Funds	Amount
General Fund	Other Governmental Funds	\$ 671,820
Measure A Fund	Other Governmental Funds	908,536
Other Governmental Funds	Other Governmental Funds	<u>17,715</u>
		<u><u>\$ 1,598,071</u></u>

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

**COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS**

**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2015**

**Note 5: Interfund Transfers**

<u>Transfer In to Fund</u>	<u>Transfers Out of Funds</u>	<u>Amount</u>
Other Governmental Funds	Other Governmental Funds	\$ 273,711
	General Fund	2,334
	Measure A Fund	<u>71,491</u>
		<u>\$ 347,536</u>

The largest transfer above was from the AB2766 Grant Fund to the Street Sweeping Fund in the amount of \$269,306 for eligible costs.

**Note 6: Capital Assets**

A summary of capital asset activity for the year ended June 30, 2015, is as follows:

	<u>Balance at July 1, 2014</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at June 30, 2015</u>
Capital assets not being depreciated:				
Land	\$ 10,682,344	\$ -	\$ -	\$ 10,682,344
Capital assets being depreciated:				
Furniture and equipment	164,968	14,770	-	179,738
Vehicles	<u>651,158</u>	<u>-</u>	<u>-</u>	<u>651,158</u>
Total Capital Assets being Depreciated	<u>816,126</u>	<u>14,770</u>	<u>-</u>	<u>830,896</u>
Less accumulated depreciation for:				
Furniture and equipment	(125,146)	(11,140)	-	(136,286)
Vehicles	<u>(598,468)</u>	<u>(18,180)</u>	<u>-</u>	<u>(616,648)</u>
Total Accumulated Depreciation	<u>(723,614)</u>	<u>(29,320)</u>	<u>-</u>	<u>(752,934)</u>
Total Capital Assets Being Depreciated, Net	<u>92,512</u>	<u>(14,550)</u>	<u>-</u>	<u>77,962</u>
Total Capital Assets, Net	<u>\$ 10,774,856</u>	<u>\$ (14,550)</u>	<u>\$ -</u>	<u>\$ 10,760,306</u>

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

Transportation	<u>\$ 29,320</u>
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**COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS**

**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2015**

**Note 7: Transportation Uniform Mitigation Fee Program**

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

<u>Fiscal Period</u>		<u>Fiscal Year</u> <u>Ending</u>	
<u>From</u>	<u>To</u>		
1990	1994		\$ 13,585,887
1995	1999		13,642,573
2000	2004		26,394,448
2005	2009		40,898,960
2010	2014		11,556,909
		2015	<u>3,668,531</u>
			<u>\$ 109,747,308</u>

In addition, the Association received \$21,238,563 cumulatively through June 30, 2015 relating to Measure A in lieu of TUMF for the Cities of Coachella and Desert Hot Springs, which were not participating in the TUMF program previously, and the City of La Quinta, which was not participating in the TUMF program until April 22, 2013. As part of the agreement for the City of La Quinta to participate in the TUMF program, the City of La Quinta will pay CVAG half of their Local Measure "A" funds they are otherwise qualified to receive until the difference between the amount of local Measure "A" relinquished to CVAG during the time TUMF was not being collected, and the amount of TUMF which their previous building permit activity indicated would have been collected during that same period, has been fully repaid to CVAG. The net amount owed to CVAG as of June 30, 2015 is \$2,948,208.

**Note 8: Long-Term Liabilities**

A summary of changes in long-term liabilities for the year ended June 30, 2015, is as follows:

	<u>Balance</u> <u>July 1, 2014</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at</u> <u>June 30, 2015</u>	<u>Due Within</u> <u>One Year</u>
Revenue bonds payable	\$ 29,877,542	\$ -	\$ (1,245,447)	\$ 28,632,095	\$ 1,321,988
Insurance payable	110,533	4,267	(30,270)	84,530	17,681
Compensated absences	162,639	100,354	(118,577)	144,416	129,974
Totals	<u>\$ 30,150,714</u>	<u>\$ 104,621</u>	<u>\$ (1,394,294)</u>	<u>\$ 28,861,041</u>	<u>\$ 1,469,643</u>

COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2015

**Note 8: Long-Term Liabilities (Continued)**

Revenue Bonds Payable

On October 1, 2009, Riverside County Transportation Commission (RCTC) issued \$185,000,000 of 2009 Sales Tax Revenue Bonds Series A, B and C (Bonds). The Association's participation in the Bonds was \$25,349,990. The Association's portion of the Bond proceeds is for reimbursement of the Association's highway and regional arterial program expenditures. Principal and interest on the Bonds are payable monthly through September 1, 2029. The rate of interest is 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. The Association's participation in the Bonds was \$8,584,820. The Association's portion of the Bond proceeds was for reimbursement of the Association's highway and regional arterial program expenditures that were previously reflected in long-term liabilities as Advancement of Measure A funds. Principal and interest on the Bonds are payable monthly through September 1, 2029. The rate of interest is 7.307% per annum.

As of June 30, 2015, annual debt service requirement of the revenue bonds payable is as follows:

Fiscal Year	Principal	Interest	Total
<u>Ending</u>			
2016	\$ 1,321,988	\$ 1,690,245	\$ 3,012,233
2017	1,403,315	1,608,918	3,012,233
2018	1,489,735	1,522,498	3,012,233
2019	1,581,570	1,430,663	3,012,233
2020	1,679,167	1,333,066	3,012,233
2021-2025	10,088,649	4,972,516	15,061,165
2026-2030	11,067,671	1,483,300	12,550,971
Totals	<u>\$ 28,632,095</u>	<u>\$ 14,041,206</u>	<u>\$ 42,673,301</u>

**COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS**

**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2015**

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**Note 8: Long-Term Liabilities (Continued)**

Compensated Absences

The Association's policies relating to compensated absences are described in Note 1. This liability amounting to \$144,416 at June 30, 2015 is expected to be paid in future years from future resources and is typically liquidated from the General Fund.

**Note 9: Liability, Property and Workers' Compensation Protection**

Description Self-Insurance Pool Pursuant to Joint Powers Agreement:

The Association is a member of the California Joint Powers Insurance Authority (Insurance Authority). The Insurance Authority is composed of 123 California public entities and is organized under a joint powers agreement pursuant to California Government Code Section 6500 et. seq. The purpose of the Insurance Authority is to arrange and administer programs for the pooling of self-insured losses, to purchase excess insurance or reinsurance, and to arrange for group purchased insurance for property and other coverages. The Insurance Authority's pool began covering claims of its members in 1978. Each member government has an elected official as its representative on the Board of Directors. The Board operates through a nine-member Executive Committee.

Self-Insurance Programs of the Insurance Authority:

Each member pays an annual contribution (formerly called the primary deposit) to cover estimated losses for the coverage period. This initial funding is paid at the beginning of the coverage period. After the close of the coverage period, outstanding claims are valued. A retrospective deposit computation is then conducted annually thereafter until all claims incurred during the coverage period are closed on a pool-wide basis. This subsequent cost re-allocation among members based on actual claim development can result in adjustments of either refunds or additional deposits required.

The total funding requirement for self-insurance programs is estimated using actuarial models and pre-funded through the annual contribution. Costs are allocated to individual agencies based on exposure (payroll) and experience (claims) relative to other members of the risk-sharing pool. Additional information regarding the cost allocation methodology is provided below.

General Liability Insurance:

In the liability program claims are pooled separately between police and non-police 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 in excess of \$750,000 up to the reinsurance attachment point of \$5 million are distributed based on the outcome of cost allocation within the first and second loss layers. (5) Costs of covered claims from \$5 million to \$10 million are paid under a reinsurance contract subject to a \$2.5 million annual aggregate deductible. Costs of covered claims from \$10 million to \$15 million are paid under two reinsurance contracts subject to a combined \$3 million annual aggregate deductible. On a cumulative basis for all 2011-12 reinsurance contracts the annual aggregate deductible is \$5.5 million. (6) Costs of covered claims from \$15 million up to \$50 million are covered through excess insurance policies.

**COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS**

**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2015**

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**Note 9: Liability, Property and Workers' Compensation Protection (Continued)**

The overall coverage limit for each member including all layers of coverage is \$50 million per occurrence.

Costs of covered claims for subsidence losses are paid by reinsurance and excess insurance with a pooled sub-limit of \$35 million per occurrence. This \$35 million subsidence sub-limit is composed of (a) \$5 million retained within the pool's SIR, (b) \$10 million in reinsurance and (c) \$20 million in excess insurance. The excess insurance layer has a \$20 million annual aggregate.

Purchased Insurance:

Property Insurance

The Association participates in the all-risk property protection program of the Authority. This insurance protection is underwritten by several insurance companies. The Association's property is currently insured according to a schedule of covered property submitted by the Association to the Authority. Coachella Valley Association of Governments property currently has all-risk property insurance protection in the amount of \$1,205,222. There is a \$5,000 deductible per occurrence except for non-emergency vehicle insurance which has a \$1,000 deductible. Premiums for the coverage are paid annually and are not subject to retrospective adjustments.

Crime Insurance

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

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 2014-15.

Included in long-term liabilities is a cumulative deposit payable due to the Insurance Authority in the amount of \$84,530.

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

**COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS**

**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2015**

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**Note 10: Operating Leases**

The Association leases office space under an operating lease which was amended in September 1998 to extend the lease term to August 14, 2016. The lease was again amended in February 2008 to increase the amount of office space leased. The base rent is subject to annual revisions based on changes in the Consumer Price Index. The lease also requires payment of a share of common area operating costs. The rental expense for the fiscal year ended June 30, 2015 was \$100,871. Minimum rental commitments exclusive of the allocation of operating costs are as follows:

<u>Year Ending June 30,</u>	
2016	\$ 108,271
2017	<u>14,299</u>
	<u>\$ 122,570</u>

**Note 11: 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 Board 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 BASIC FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2015

**Note 11: Pension Plan (Continued)**

The provisions and benefits of the plan in effect at June 30, 2015, are summarized as follows:

	<b>Miscellaneous cost-sharing plan</b>	
	Tier 1	PEPRA
Hire date	Prior to January 1, 2013	On or after January 1, 2013
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	6.891%	6.5%
Required employer contribution rates	12.216%	6.5%

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. Funding contributions for both Plans are determined annually on an actuarial basis as of June 30 by CalPERS. 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 Local Government is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

For the year ended June 30, 2015, the contributions recognized as part of pension expense for each Plan were as follows:

	<b>Miscellaneous</b>
Contributions - employer	\$ 166,935
Contributions - employee (paid by employer)	90,428

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

As of June 30, 2015, CVAG reported net pension liabilities for its proportionate shares of the net pension liability of each Plan as follows:

<b>Proportionate Share of Net Pension Liability</b>	
Miscellaneous	\$ 1,366,589
<b>Total Net Pension Liability:</b>	<b>\$ 1,366,589</b>

**COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS**

**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2015**

**Note 11: 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, 2014, 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, 2013 rolled forward to June 30, 2014 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, 2013 and 2014 was as follows:

	<b>Miscellaneous</b>
<b>Proportion - June 30, 2013</b>	0.055635%
<b>Proportion - June 30, 2014</b>	0.055294%
<b>Change - Increase (Decrease)</b>	<b>(0.000341%)</b>

For the year ended June 30, 2015, CVAG recognized a total pension expense of \$157,785 for all plans in total. At June 30, 2015, the CVAG reported deferred outflows and deferred inflows of resources related to pensions as follows:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Contributions made subsequent of the measurement period	\$ 169,309	\$ -
Net Difference between Projected and Actual Earnings on Pension Plan Investments	-	(447,248)
Adjustment due to Difference in Proportions	(4,492)	-
<b>Total</b>	<b>\$ 164,817</b>	<b>\$ (447,248)</b>

\$280,835 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 year ended June 30, 2016. Other amounts reported as deferred outflows or deferred inflows of resources related to pensions will be recognized as pension expense as follows:

<b>Measurement Period ended June 30:</b>	<b>Deferred Outflows/(Inflows) of Resources</b>
2015	\$ (114,300)
2016	(114,300)
2017	(112,640)
2018	(106,008)

COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2015

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**Note 11: Pension Plan (Continued)**

Actuarial Methods and Assumptions Used to Determine Total Pension Liability

For the measurement period ended June 30, 2014 (the measurement date), the total pension liability was determined by rolling forward the June 30, 2013 total pension liability. The June 30, 2013 and the June 30, 2014 total pension liabilities were based on the following actuarial methods and assumptions:

Actuarial Cost Method Actuarial Assumptions	Entry Age Normal Cost Method
Discount Rate	7.50%
Inflation	2.75%
Projected Salary Increases	3.3% - 14.2% (1)
Investment Rate of Return	7.50% (2)
Mortality Rate Table (3)	Derived using CalPERS' Membership Data for all Funds
Post Retirement Benefit Increase	Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter

(1) Depending on age, service and type of employment

(2) Net of Pension Plan Investment and Administrative Expenses; includes Inflation

(3) The mortality table used was developed based on CalPERS' specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the 2014 experience study report on the CalPERS website.

All other actuarial assumptions used in the June 30, 2013 valuation were based on the results of an actuarial experience study for the period from 1997 to 2011, including updates to salary increase, mortality and retirement rates. The Experience Study report can be obtained at CalPERS' website under Forms and Publications.

Discount Rate

The discount rate used to measure the total pension liability was 7.50 percent. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.50 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.50 percent is applied to all plans in the Public Employees Retirement Fund. The stress test results are presented in a detailed report called "GASB Crossover Testing Report" that can be obtained at CalPERS' website under the GASB 68 section.

According to Paragraph 30 of Statement 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. The 7.50 percent investment return assumption used in this accounting valuation is net of administrative expenses. Administrative expenses are assumed to be 15 basis points. An investment

**COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS**

**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2015**

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**Note 11: Pension Plan (Continued)**

return excluding administrative expenses would have been 7.65 percent. Using this lower discount rate has resulted in a slightly higher total pension liability and net pension liability. CalPERS determined this difference was deemed immaterial to the Public Agency Cost-Sharing Multiple-Employer Defined Benefit Pension Plan. More information can be found on the CalPERS website.

CalPERS is scheduled to review all actuarial assumptions as part of its regular Asset Liability Management review cycle that is scheduled to be completed in February 2018. Any changes to the discount rate will require Board action and proper stakeholder outreach. For these reasons, CalPERS expects to continue using a discount rate net of administrative expenses for GASB 67 and 68 calculations through at least the 2017-2018 fiscal year. CalPERS will continue to check the materiality of the difference in calculation until such time as they have changed their methodology.

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 (11-60 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. 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. These geometric rates of return are net of administrative expenses.

<b>Asset Class</b>	<b>New Strategic Allocation</b>	<b>Real Return Years 1 - 10 (1)</b>	<b>Real Return Years 11+ (2)</b>
Global Equity	47.0%	5.25%	5.71%
Global Fixed Income	19.0	0.99	2.43
Inflation Sensitive	6.0	0.45	3.36
Private Equity	12.0	6.83	6.95
Real Estate	11.0	4.50	5.13
Infrastructure and Forestland	3.0	4.50	5.09
Liquidity	2.0	(0.55)	(1.05)

(1) An expected inflation of 2.5% used for this period

(2) An expected inflation of 3.0% used for this period

COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2015

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**Note 11: 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 7.50% 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 (6.50%) or 1% point higher (8.50%) than the current rate:

<u>Net Pension Liability/(Asset)</u>	<u>Discount Rate - 1% 6.50%</u>	<u>Current Discount 7.50%</u>	<u>+1% 8.50%</u>
Tier 1	\$ 2,366,845	\$ 1,366,589	\$ 536,471
<b>TOTAL:</b>	<b>\$ 2,366,845</b>	<b>\$ 1,366,589</b>	<b>\$ 536,471</b>

Pension Plan Fiduciary Net Position

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

**Note 12: Capital Projects and Programs**

The following represents the unexpended project budgets as of June 30, 2015. Unexpended project budgets may be reprogrammed to other projects upon finalization of all pending items (final bills, disposition of change orders, etc.).

**COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS**

**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2015**

**Note 12: Capital Projects and Programs (Continued)**

Jefferson Street and Varner Road (North of I-10)	\$ 2,920,632
Jefferson/I-10 Interchange	28,914,898
Palm Drive/Gene Autry/I-10 Interchange	15,007,896
Indian Avenue/I-10 Interchange	544,625
Indian Avenue (Garnet to and including Railroad Crossing Bridge)	3,633,860
Gene Autry Trail (I-10 to Vista Chino Drive)	1,259,436
Varner Road (Adams to Jefferson)	1,943,865
Indian Canyon Drive (across White Water River Wash)	222,263
Frank Sinatra Dr. Intersection at Hwy 111	670,712
Monterey/I-10 Interchange	1,401,316
Madison Street (Avenue 52 to Indio Boulevard)	13,324,163
Portola Avenue (North of Gerald Ford Drive)	534,935
Hwy 111 (bet. Rubidoux St. and 760' W. of Madison St)	4,442,363
Interchange Preparation Fund	5,929,941
Adams Street Bridge	11,425
Cathedral Canyon Bridge	1,737,588
Date Palm Drive Bridge	1,507,973
Date Palm/I-10 Interchange	7,955,163
Monterey Ave. Widening (Dinah Shore to Gerald Ford)	770,034
Dillon Road (I-10 & Dillon Road/SR86 Interchanges)	149,239
Portola Ave (NW of Fred Waring Dr)	600,000
Varner Road (Intersection Improvement at Ramon Rd.)	1,164,000
Varner Road (Ramon Road to Monterey Ave.)	1,870,758
Airport Blvd. (Harrison Street to Hwy 111)	7,898,603
Frank Sinatra Bridge over WWR	2,951,146
Avenue 56 Grade Separation	6,504,659
Avenue 66 Grade Separation	2,375,241
Ramon Road Bridge Widening	7,865,284
Vista Chino Drive Bridge	55,441
Washington St./Hwy 111 Intersection Improvements	100,990
Fred Waring Drive (Adams to Port Maria)	1,045,481
Date Palm Drive Improvement (I-10 and Varner Rd.)	2,217,900
Avenue 50 Bridge	1,108,500
Dune Palms Road Bridge	1,469,271
East Palm Canyon Dr. Bridge (over Palm Canyon Wash)	64,810
S. Palm Canyon Dr. Bridge (over Tahquitz Creek Channel)	66,269
Portola/I-10 Interchange	54,075,000
CV Link	20,000,000
Traffic Signals Project	1,725,000
Jackson Street Signal Improvements Project	2,655,900
Avenue 48 (bet. Jackson St. and Van Buren St.)	991,500
Interchange Improvement (I-10 and Avenue 50)	1,875,000
Avenue 50 (bet. Calhoun St. & Harrison St.)	3,375,000
Avenue 44 Bridge	1,654,260
Unexpended project budgets	216,592,340
Less amounts to be provided in future years	<u>(168,399,159)</u>
Restricted fund balance associated with specific capital projects and programs	<u>\$ 48,193,181</u>

**COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS**

**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2015**

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**Note 13: Measure A Fund Program**

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

<u>Fiscal Year Ending</u>	
2011	\$ 14,299,352
2012	15,499,553
2013	17,695,596
2014	18,235,730
2015	18,859,763

**Note 14: Fund Deficits**

The following funds reported deficit balances at June 30, 2015:

Other Governmental Funds:	
Energy Partnership	\$ (91,658)
CV Link	(572,636)
Tire Amnesty	(40,848)

Deficit balances are a result of the implementation of GASB Statement No. 33. Grant revenues not collected within 90 days of the end of the fiscal year are recorded as unavailable revenue instead of revenue. Furthermore, grant funding for the CV Link Program has a 15% retention amount on the invoices submitted.

**Note 15: Commitments and Contingencies**

The California Department of Transportation's Audit and Investigations Divisions audited the costs claimed by and reimbursed to the Association for the period November 1, 1999 through May 31, 2004. As a result of the audit, the Department of Transportation is seeking a reimbursement from the Association of approximately \$5,100,000 for disallowed costs. The Association has requested that the Riverside County Transportation Commission (RCTC), who is in charge of administering the Congestion, Mitigation and Air Quality (CMAQ) funds, to enter into an agreement with the Department of Transportation to deprogram \$2.5 million in projects eligible to be reimbursed under the current CMAQ project cycle. The balance of \$2.5 million was eventually repaid from deprogramming CMAQ funds - \$2 million obligated for CVAG's purchase of new street sweepers and \$0.5 million from the balance of leftover funds from completed projects.

**COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS**

**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2015**

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**Note 15: Commitments and Contingencies (Continued)**

The Association approved a contribution of \$30 million for the Coachella Valley Multiple Species Habitat Conservation Plan (CVMSHCP), which would mitigate all of the regional transportation projects listed in the current Transportation Project Prioritization Study (TPPS). Under the CVMSHCP, the \$30 million of transportation funds would contribute to both land acquisition and the establishment of an Endowment Fund, which would ensure monitoring and management of the acquired lands. The CVMSHCP area includes 1.1 million acres, encompassing the entire Coachella Valley and the surrounding mountains. The MSHCP will benefit the local jurisdictions by providing Take Authorization for all development, including public infrastructure projects, undertaken by the Permittees (signatories to the MSHCP) outside the Conservation Areas. By providing Take Authorization for public and private development projects, the MSHCP eliminates the need for projects to conduct biological surveys and negotiate individual project mitigation with the US Fish and Wildlife Service and the California Department of Fish and Game. At June 30, 2015, the remaining commitment to the MSHCP is \$10,675,000. No amounts are payable until the Association's Board approves payment. 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.

**Note 16: Restatement to Net Position**

The Associations June 30, 2014 Net Position was restated \$1,660,544 pursuant to the implementation of GASB Statements No. 68 and 71; which requires net pension liability/(asset) to be applied retroactively to Net Position.

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**REQUIRED SUPPLEMENTARY INFORMATION**

COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS

BUDGETARY COMPARISON SCHEDULE  
 GENERAL FUND  
 YEAR ENDED JUNE 30, 2015

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Member dues	\$ 394,359	\$ 394,359	\$ 394,359	\$ -
Grants	-	-	48,400	48,400
Investment income	3,000	3,000	2,794	(206)
Miscellaneous	12,000	12,000	14,839	2,839
<b>Total Revenues</b>	<b>409,359</b>	<b>409,359</b>	<b>460,392</b>	<b>51,033</b>
<b>Expenditures:</b>				
Salaries	380,340	380,340	144,323	236,017
Benefits	141,966	141,966	49,985	91,981
Communications	3,741	3,741	1,419	2,322
Advertising	239	239	27	212
Insurance	18,097	18,097	7,334	10,763
Memberships and per diem	30,339	30,339	7,579	22,760
General and office expenses	10,984	10,984	4,046	6,938
Professional services	16,896	16,896	3,610	13,286
Leases and maintenance	31,145	31,145	10,860	20,285
Staff training	6,082	6,082	1,151	4,931
Transportation and meetings	15,877	15,877	17,643	(1,766)
Utilities	6,032	6,032	1,081	4,951
Capital outlay	30,000	30,000	21,535	8,465
<b>Total Expenditures</b>	<b>691,738</b>	<b>691,738</b>	<b>270,593</b>	<b>421,145</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(282,379)	(282,379)	189,799	472,178
<b>Other Financing Sources (Uses):</b>				
Transfers in	338,188	338,188	-	(338,188)
Transfers out	(44,303)	(44,303)	(2,334)	41,969
<b>Total Other Financing Sources (Uses)</b>	<b>293,885</b>	<b>293,885</b>	<b>(2,334)</b>	<b>(296,219)</b>
Net Change in Fund Balances	11,506	11,506	187,465	175,959
Fund Balances, Beginning of Year	1,302,713	1,302,713	1,302,713	-
<b>Fund Balances, End of Year</b>	<b>\$ 1,314,219</b>	<b>\$ 1,314,219</b>	<b>\$ 1,490,178</b>	<b>\$ 175,959</b>

COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS

**BUDGETARY COMPARISON SCHEDULE  
TRANSPORTATION UNIFORM MITIGATION FEES  
YEAR ENDED JUNE 30, 2015**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Mitigation fees	\$ 4,000,000	\$ 4,000,000	\$ 3,668,531	\$ (331,469)
Measure A	680,000	680,000	718,729	38,729
Investment income	25,000	25,000	30,558	5,558
Loan repayments	180,000	180,000	180,000	-
Other governmental	-	-	29,399	29,399
Miscellaneous	-	-	9,187	9,187
<b>Total Revenues:</b>	<b>4,885,000</b>	<b>4,885,000</b>	<b>4,636,404</b>	<b>(248,596)</b>
<b>Expenditures:</b>				
Salaries	197,835	197,835	243,642	(45,807)
Benefits	66,652	66,652	77,044	(10,392)
Communications	1,945	1,945	2,367	(422)
Advertising	1,176	1,176	1,124	52
Insurance	9,413	9,413	12,222	(2,809)
Memberships and per diem	5,446	5,446	2,679	2,767
General and office expenses	9,070	9,070	9,396	(326)
Professional services	11,343	11,343	8,837	2,506
Consultants	150,400	150,400	119,869	30,531
Leases and maintenance	16,674	16,674	18,366	(1,692)
Staff training	3,288	3,288	2,399	889
Transportation and meetings	2,793	2,793	1,509	1,284
Utilities	3,138	3,138	1,832	1,306
Project costs	5,453,795	5,453,795	2,717,940	2,735,855
Capital outlay	7,000	7,000	1,834	5,166
<b>Total Expenditures</b>	<b>5,939,968</b>	<b>5,939,968</b>	<b>3,221,060</b>	<b>2,718,908</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,054,968)	(1,054,968)	1,415,344	2,470,312
<b>Other Financing Sources (Uses):</b>				
Transfers out	(48,564)	(48,564)	-	48,564
<b>Total Other Financing Sources (Uses)</b>	<b>(48,564)</b>	<b>(48,564)</b>	<b>-</b>	<b>48,564</b>
Net Change in Fund Balances	(1,103,532)	(1,103,532)	1,415,344	2,518,876
Fund Balances, Beginning of Year	9,353,822	9,353,822	9,353,822	-
<b>Fund Balances, End of Year</b>	<b>\$ 8,250,290</b>	<b>\$ 8,250,290</b>	<b>\$ 10,769,166</b>	<b>\$ 2,518,876</b>

COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS

**BUDGETARY COMPARISON SCHEDULE  
MEASURE A  
YEAR ENDED JUNE 30, 2015**

	<b>Budget Amounts</b>		<b>Actual Amounts</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>Revenues:</b>				
Measure A	\$ 18,773,258	\$ 18,773,258	\$ 12,990,545	\$ (5,782,713)
Investment income	120,300	120,300	113,003	(7,297)
Loan repayments	933,944	933,944	743,595	(190,349)
Other governmental	88,349,281	88,349,281	4,990,672	(83,358,609)
Miscellaneous	1,412,377	1,412,377	100,794	(1,311,583)
<b>Total Revenues:</b>	<b>109,589,160</b>	<b>109,589,160</b>	<b>18,938,609</b>	<b>(90,650,551)</b>
<b>Expenditures:</b>				
Salaries	496,165	496,165	493,187	2,978
Benefits	176,730	176,730	160,930	15,800
Communications	4,880	4,880	4,975	(95)
Advertising	2,765	2,765	2,400	365
Insurance	23,609	23,609	23,345	264
Memberships and per diem	10,195	10,195	7,055	3,140
General and office expenses	21,072	21,072	18,814	2,258
Professional services	25,795	25,795	21,901	3,894
Consultants	4,922,600	4,922,600	148,761	4,773,839
Leases and maintenance	41,694	41,694	37,309	4,385
Staff training	8,149	8,149	5,201	2,948
Transportation and meetings	7,295	7,295	9,936	(2,641)
Utilities	7,869	7,869	3,764	4,105
Project costs	113,022,228	113,022,228	7,910,530	105,111,698
Capital outlay	13,000	13,000	3,407	9,593
Debt service:				
Principal	1,245,447	1,245,447	1,245,447	-
Interest	1,766,786	1,766,786	1,766,780	6
<b>Total Expenditures</b>	<b>121,796,279</b>	<b>121,796,279</b>	<b>11,863,742</b>	<b>109,932,537</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(12,207,119)	(12,207,119)	7,074,867	19,281,986
<b>Other Financing Sources (Uses):</b>				
Transfers in	3,145,200	3,145,200	-	(3,145,200)
Transfers out	(3,266,981)	(3,266,981)	(71,491)	3,195,490
<b>Total Other Financing Sources (Uses)</b>	<b>(121,781)</b>	<b>(121,781)</b>	<b>(71,491)</b>	<b>50,290</b>
Net Change in Fund Balances	(12,328,900)	(12,328,900)	7,003,376	19,332,276
Fund Balances, Beginning of Year	30,401,982	30,401,982	30,401,982	-
<b>Fund Balances, End of Year</b>	<b>\$ 18,073,082</b>	<b>\$ 18,073,082</b>	<b>\$ 37,405,358</b>	<b>\$ 19,332,276</b>

COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS

MISCELLANEOUS PLAN  
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
AS OF JUNE 30, FOR THE LAST TEN FISCAL YEARS (1)

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	<u>2015</u>
Proportion of the Net Pension Liability	0.02196%
Proportionate Share of the Net Pension Liability	\$ 1,366,589
Covered-Employee Payroll	\$ 1,367,374
Proportionate Share of the Net Pension Liability as Percentage of Covered-Employee Payroll	99.94%
Plan Fiduciary Net Position	\$ 6,173,255
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	81.88%

**Notes to Schedule:**

Benefit Changes:

The figures above do not include any liability impact that may have resulted from plan changes which occurred after June 30, 2012 as they have minimal cost impact.

Changes of Assumptions: None.

(1) Historical information is required only for measurement for which GASB 68 is applicable. Fiscal Year 2015 was the first year of implementation, therefore only one year is shown.

**COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS**

**MISCELLANEOUS PLAN  
SCHEDULE OF PLAN CONTRIBUTIONS  
AS OF JUNE 30, FOR THE LAST TEN FISCAL YEARS (1)**

	<u>2015</u>
Actuarially Determined Contribution	\$ 214,845
Contribution in Relation to the Actuarially Determined Contribution	(214,845)
Contribution Deficiency (Excess)	<u>\$ -</u>
Covered-Employee Payroll	\$ 1,367,374
Contributions as a Percentage of Covered-Employee Payroll	15.71%

(1) Historical information is required only for measurement for which GASB 68 is applicable. Fiscal Year 2015 was the first year of implementation, therefore only one year is shown.

**Note to Schedule:**

Valuation Date:	June 30, 2012
Methods and assumptions used to determine contribution rates:	
Single and Agent Employers Example	Entry age normal
Amortization method	Level percentage of payroll, closed
Remaining amortization period	15 years
Assets valuation method	5-year smoothed market
Inflation	2.75%
Salary Increases	Varies by Entry Age and Service
Investment rate of return	7.5% net of pension plan investment expense, including
Retirement age	50 Years
Mortality	Derived using CalPERS Membership Data for all Funds

COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
JUNE 30, 2015

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**Note 1: Budgets and Budgetary Accounting**

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

Excess Over Appropriations:

The following expenditure categories exceeded its budgeted appropriations for the fiscal year ended June 30, 2015:

	<u>Budget</u>	<u>Actual</u>	<u>Excess</u>
General Fund:			
Transportation and meetings	\$ 15,877	\$ 17,643	\$ (1,766)
Transportation Uniform Mitigation Fees Fund:			
Salaries	197,835	243,642	(45,807)
Benefits	66,652	77,044	(10,392)
Communications	1,945	2,367	(422)
Insurance	9,413	12,222	(2,809)
General Office expense	9,070	9,396	(326)
Leases and maintenance	16,674	18,366	(1,692)
Measure A:			
Communications	4,880	4,975	(95)

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## **SUPPLEMENTARY SCHEDULES**

COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS

COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2015

	<b>Special Revenue Funds</b>		
	<b>Special Projects</b>	<b>CV Link</b>	<b>Multi-Species Habitat Conservation</b>
<b>Assets:</b>			
Pooled cash and investments	\$ 22,721	\$ -	\$ -
Accounts receivable	2,300	-	-
Interest receivable	-	-	-
Due from other governments	-	1,183,823	150,972
Due from other funds	-	-	-
<b>Total Assets</b>	<b>\$ 25,021</b>	<b>\$ 1,183,823</b>	<b>\$ 150,972</b>
<b>Liabilities, Deferred Inflows of Resources, and Fund Balances:</b>			
<b>Liabilities:</b>			
Accounts payable	\$ 2,535	\$ 373,451	\$ 282
Due to other governments	-	-	-
Due to other funds	-	800,222	108,313
Unearned revenues	-	-	-
<b>Total Liabilities</b>	<b>2,535</b>	<b>1,173,673</b>	<b>108,595</b>
<b>Deferred Inflows of Resources:</b>			
Unavailable revenues	-	582,786	-
<b>Total Deferred Inflows of Resources</b>	<b>-</b>	<b>582,786</b>	<b>-</b>
<b>Fund Balances:</b>			
<b>Restricted for:</b>			
Environmental	-	-	42,377
Homeless	18,399	-	-
<b>Unassigned</b>	<b>4,087</b>	<b>(572,636)</b>	<b>-</b>
<b>Total Fund Balances</b>	<b>22,486</b>	<b>(572,636)</b>	<b>42,377</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<b>\$ 25,021</b>	<b>\$ 1,183,823</b>	<b>\$ 150,972</b>

COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS

COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2015

(CONTINUED)

Special Revenue Funds

	<u>AB2766 Grant</u>	<u>Oil Grant</u>	<u>AB939 Grant</u>
<b>Assets:</b>			
Pooled cash and investments	\$ 252,525	\$ 47,424	\$ -
Accounts receivable	-	-	-
Interest receivable	276	25	1
Due from other governments	101,519	-	31,860
Due from other funds	-	-	17,715
<b>Total Assets</b>	<b><u>\$ 354,320</u></b>	<b><u>\$ 47,449</u></b>	<b><u>\$ 49,576</u></b>
<b>Liabilities, Deferred Inflows of Resources, and Fund Balances:</b>			
<b>Liabilities:</b>			
Accounts payable	\$ -	\$ 3,086	\$ -
Due to other governments	-	-	-
Due to other funds	-	-	-
Unearned revenues	-	-	-
<b>Total Liabilities</b>	<b><u>-</u></b>	<b><u>3,086</u></b>	<b><u>-</u></b>
<b>Deferred Inflows of Resources:</b>			
Unavailable revenues	27,405	-	-
<b>Total Deferred Inflows of Resources</b>	<b><u>27,405</u></b>	<b><u>-</u></b>	<b><u>-</u></b>
<b>Fund Balances:</b>			
<b>Restricted for:</b>			
Environmental	326,915	44,363	49,576
Homeless	-	-	-
<b>Unassigned</b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>
<b>Total Fund Balances</b>	<b><u>326,915</u></b>	<b><u>44,363</u></b>	<b><u>49,576</u></b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<b><u>\$ 354,320</u></b>	<b><u>\$ 47,449</u></b>	<b><u>\$ 49,576</u></b>

COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS

COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2015

	<b>Special Revenue Funds</b>		
	<b>Air Quality Enhancement</b>	<b>Street Sweeping</b>	<b>Homeless</b>
<b>Assets:</b>			
Pooled cash and investments	\$ -	\$ 414,285	\$ 484,631
Accounts receivable	-	-	-
Interest receivable	-	203	421
Due from other governments	14,130	250,000	-
Due from other funds	-	-	-
<b>Total Assets</b>	<b>\$ 14,130</b>	<b>\$ 664,488</b>	<b>\$ 485,052</b>
<b>Liabilities, Deferred Inflows of Resources, and Fund Balances:</b>			
<b>Liabilities:</b>			
Accounts payable	\$ -	\$ 116,107	\$ 99,561
Due to other governments	-	-	9,121
Due to other funds	1,323	-	-
Unearned revenues	-	-	103,000
<b>Total Liabilities</b>	<b>1,323</b>	<b>116,107</b>	<b>211,682</b>
<b>Deferred Inflows of Resources:</b>			
Unavailable revenues	-	250,000	-
<b>Total Deferred Inflows of Resources</b>	<b>-</b>	<b>250,000</b>	<b>-</b>
<b>Fund Balances:</b>			
<b>Restricted for:</b>			
Environmental	12,807	298,381	-
Homeless	-	-	273,370
<b>Unassigned</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Fund Balances</b>	<b>12,807</b>	<b>298,381</b>	<b>273,370</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<b>\$ 14,130</b>	<b>\$ 664,488</b>	<b>\$ 485,052</b>

COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS

COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2015

	<u>Special Revenue Funds</u>		
	<u>Energy Partnership</u>	<u>Tire Amnesty Environmental Resources</u>	<u>Total Governmental Funds</u>
<b>Assets:</b>			
Pooled cash and investments	\$ 197	\$ -	\$ 1,221,783
Accounts receivable	689,707	-	692,007
Interest receivable	-	-	926
Due from other governments	-	42,140	1,774,444
Due from other funds	-	-	17,715
<b>Total Assets</b>	<b><u>\$ 689,904</u></b>	<b><u>\$ 42,140</u></b>	<b><u>\$ 3,706,875</u></b>
<b>Liabilities, Deferred Inflows of Resources, and Fund Balances:</b>			
<b>Liabilities:</b>			
Accounts payable	\$ 4,228	\$ 585	\$ 599,835
Due to other governments	-	397	9,518
Due to other funds	648,347	39,866	1,598,071
Unearned revenues	-	-	103,000
<b>Total Liabilities</b>	<b><u>652,575</u></b>	<b><u>40,848</u></b>	<b><u>2,310,424</u></b>
<b>Deferred Inflows of Resources:</b>			
Unavailable revenues	128,987	42,140	1,031,318
<b>Total Deferred Inflows of Resources</b>	<b><u>128,987</u></b>	<b><u>42,140</u></b>	<b><u>1,031,318</u></b>
<b>Fund Balances:</b>			
<b>Restricted for:</b>			
Environmental	-	(40,848)	733,571
Homeless	-	-	291,769
<b>Unassigned</b>	<b><u>(91,658)</u></b>	<b><u>-</u></b>	<b><u>(660,207)</u></b>
<b>Total Fund Balances</b>	<b><u>(91,658)</u></b>	<b><u>(40,848)</u></b>	<b><u>365,133</u></b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<b><u>\$ 689,904</u></b>	<b><u>\$ 42,140</u></b>	<b><u>\$ 3,706,875</u></b>

COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS

COMBINING STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2015

	Special Revenue Funds		
	Special Projects	CV Link	Multi-Species Habitat Conservation
<b>Revenues:</b>			
Grants	\$ -	\$ 225,411	\$ -
Investment income	-	-	-
Other governmental	-	512,668	-
Miscellaneous	31,300	-	602,829
<b>Total Revenues</b>	<b>31,300</b>	<b>738,079</b>	<b>602,829</b>
<b>Expenditures:</b>			
Salaries	-	34,667	367,765
Benefits	-	9,680	136,183
Communications	113	340	4,129
Advertising	-	5	65
Insurance	-	1,474	17,447
Memberships and per diem	-	156	1,664
General and office expenses	4	854	17,865
Professional services	2,117	966	17,335
Consultants	-	1,093,197	-
Leases and maintenance	-	2,632	27,805
Staff training	-	362	5,635
Transportation and meetings	121	94	2,316
Utilities	-	271	2,805
Project costs	33,531	-	-
Capital outlay	-	-	1,815
<b>Total Expenditures</b>	<b>35,886</b>	<b>1,144,698</b>	<b>602,829</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(4,586)	(406,619)	-
<b>Other Financing Sources (Uses):</b>			
Transfers in	2,334	71,491	-
Transfers out	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>2,334</b>	<b>71,491</b>	<b>-</b>
Net Change in Fund Balances	(2,252)	(335,128)	-
Fund Balances, Beginning of Year	24,738	(237,508)	42,377
<b>Fund Balances, End of Year</b>	<b>\$ 22,486</b>	<b>\$ (572,636)</b>	<b>\$ 42,377</b>

COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS

COMBINING STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2015

(CONTINUED)

	<u>Special Revenue Funds</u>		
	<u>AB2766 Grant</u>	<u>Oil Grant</u>	<u>AB939 Grant</u>
<b>Revenues:</b>			
Grants	\$ -	\$ 74,255	\$ -
Investment income	777	124	45
Other governmental	309,420	-	31,860
Miscellaneous	-	-	-
<b>Total Revenues</b>	<b><u>310,197</u></b>	<b><u>74,379</u></b>	<b><u>31,905</u></b>
<b>Expenditures:</b>			
Salaries	35,428	5,336	6,489
Benefits	9,203	1,945	2,377
Communications	332	51	61
Advertising	7	18,835	1
Insurance	1,965	264	345
Memberships and per diem	1,686	24	1,554
General and office expenses	950	3,730	242
Professional services	829	136	158
Consultants	1,700	50,832	-
Leases and maintenance	2,644	404	486
Staff training	234	45	47
Transportation and meetings	395	13	297
Utilities	259	40	48
Project costs	-	7,429	-
Capital outlay	-	-	-
<b>Total Expenditures</b>	<b><u>55,632</u></b>	<b><u>89,084</u></b>	<b><u>12,105</u></b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>254,565</u>	<u>(14,705)</u>	<u>19,800</u>
<b>Other Financing Sources (Uses):</b>			
Transfers in	-	3,425	-
Transfers out	(269,306)	-	(4,405)
<b>Total Other Financing Sources (Uses)</b>	<b><u>(269,306)</u></b>	<b><u>3,425</u></b>	<b><u>(4,405)</u></b>
Net Change in Fund Balances	<u>(14,741)</u>	<u>(11,280)</u>	<u>15,395</u>
Fund Balances, Beginning of Year	<u>341,656</u>	<u>55,643</u>	<u>34,181</u>
<b>Fund Balances, End of Year</b>	<b><u>\$ 326,915</u></b>	<b><u>\$ 44,363</u></b>	<b><u>\$ 49,576</u></b>

COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS

COMBINING STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2015

	Special Revenue Funds		
	Air Quality Enhancement	Street Sweeping	Homeless
<b>Revenues:</b>			
Grants	\$ -	\$ -	\$ -
Investment income	14	1,066	1,645
Other governmental	14,130	150,000	1,178,246
Miscellaneous	-	-	633
<b>Total Revenues</b>	<b>14,144</b>	<b>151,066</b>	<b>1,180,524</b>
<b>Expenditures:</b>			
Salaries	-	39,904	-
Benefits	-	11,716	-
Communications	-	385	-
Advertising	-	7	-
Insurance	-	5,845	691
Memberships and per diem	-	180	-
General and office expenses	-	1,012	-
Professional services	4,940	1,037	-
Consultants	-	-	1,304,343
Leases and maintenance	-	3,009	-
Staff training	-	351	-
Transportation and meetings	-	1,420	-
Utilities	-	304	-
Project costs	-	605,692	1
Capital outlay	-	-	-
<b>Total Expenditures</b>	<b>4,940</b>	<b>670,862</b>	<b>1,305,035</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	9,204	(519,796)	(124,511)
<b>Other Financing Sources (Uses):</b>			
Transfers in	-	269,306	-
Transfers out	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>269,306</b>	<b>-</b>
Net Change in Fund Balances	9,204	(250,490)	(124,511)
Fund Balances, Beginning of Year	3,603	548,871	397,881
<b>Fund Balances, End of Year</b>	<b>\$ 12,807</b>	<b>\$ 298,381</b>	<b>\$ 273,370</b>

COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS

COMBINING STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2015

	Special Revenue Funds		Total Governmental Funds
	Energy Partnership	Tire Amnesty Environmental Resources	
<b>Revenues:</b>			
Grants	\$ 784,112	\$ -	\$ 1,083,778
Investment income	-	-	3,671
Other governmental	-	-	2,196,324
Miscellaneous	5,700	-	640,462
<b>Total Revenues</b>	<b>789,812</b>	<b>-</b>	<b>3,924,235</b>
<b>Expenditures:</b>			
Salaries	128,147	1,951	619,687
Benefits	39,095	529	210,728
Communications	1,404	19	6,834
Advertising	63,911	-	82,831
Insurance	6,930	95	35,056
Memberships and per diem	1,582	9	6,855
General and office expenses	21,137	49	45,843
Professional services	4,704	51	32,273
Consultants	327,392	24,340	2,801,804
Leases and maintenance	9,601	147	46,728
Staff training	897	17	7,588
Transportation and meetings	1,731	4	6,391
Utilities	943	15	4,685
Project costs	15,078	14,602	676,333
Capital outlay	-	-	1,815
<b>Total Expenditures</b>	<b>622,552</b>	<b>41,828</b>	<b>4,585,451</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	167,260	(41,828)	(661,216)
<b>Other Financing Sources (Uses):</b>			
Transfers in	-	980	347,536
Transfers out	-	-	(273,711)
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>980</b>	<b>73,825</b>
Net Change in Fund Balances	167,260	(40,848)	(587,391)
Fund Balances, Beginning of Year	(258,918)	-	952,524
<b>Fund Balances, End of Year</b>	<b>\$ (91,658)</b>	<b>\$ (40,848)</b>	<b>\$ 365,133</b>

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Coachella Valley Association of Governments (CVAG) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise CVAG's basic financial statements, and have issued our report thereon February 3, 2016.

#### **Internal Control over Financial Reporting**

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

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

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

#### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether CVAG's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.



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

The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of this Report**

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

A handwritten signature in black ink that reads "Lance, Solt &amp; Lughard, LLP". The signature is written in a cursive, flowing style.

Brea, California  
February 3, 2016