

COACHELLA VALLEY
CONSERVATION COMMISSION

Financial Statements

Year ended June 30, 2014

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COACHELLA VALLEY CONSERVATION COMMISSION

Financial Statements

Year ended June 30, 2014

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Commission Members
Coachella Valley Conservation Commission
Palm Desert, California

Independent Auditor's Report

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 the Coachella Valley Conservation Commission ("Commission") as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Commission'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 an opinion 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 Conservation Commission as of June 30, 2014, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Commission's 2013 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated February 3, 2014. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2013 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the *management's discussion and analysis* and *budgetary comparison information* 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Association's basic financial statements. The supplementary schedules, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional

Commission Members
Coachella Valley Conservation Commission
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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 information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Mayer Hobbman McCann P.C.

Irvine, California
February 3, 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following discussion and analysis of the financial performance of Coachella Valley Conservation Commission ("Commission") provides an overview of the Commission's financial activities for the fiscal year ended June 30, 2014. 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 Commission as a whole and present a longer-term view of the Commission'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 Commission's operations in more detail than the government-wide statements by providing information about the Commission's most significant funds.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

Reporting the Commission as a Whole

The accompanying **government-wide financial statements** include two statements that present financial data for the Commission as a whole. One of the most important questions asked about the Commission's finances is, "Is the Commission 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 Commission 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 Commission's net position and changes in them. You can think of the Commission's net position – the difference between assets and liabilities – as one way to measure the Commission's financial health, or *financial position*. Over time, *increases and decreases* in the Commission's net position is one indicator of whether its *financial health* is improving or deteriorating.

Reporting the Commission's Major Funds

The **fund financial statements** provide detailed information about the Commission's most significant funds – not the Commission as a whole. Some funds are required to be established by grant or legal requirements. However, the Commission 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 Commission'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 Commission'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 Commission's programs.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

Statements of Net Position

	Fiscal Year <u>2014</u>	Fiscal Year <u>2013</u>	Dollar Change	Total Percent Change
Assets:				
Cash and investments (note 2)	\$ 12,964,590	\$ 7,414,173	\$ 5,550,417	74.9%
Interest receivable	10,481	5,064	5,417	107.0%
Due from other governments	848,755	783,938	64,817	8.3%
Capital assets, not depreciated (note 4)	<u>47,003,024</u>	<u>46,612,715</u>	<u>390,309</u>	0.8%
Total Assets	<u>60,826,850</u>	<u>54,815,890</u>	<u>6,010,960</u>	11.0%
Liabilities:				
Accounts payable	100,088	3,608	96,480	2,674.1%
Due to other governments	<u>211,434</u>	<u>225,975</u>	<u>(14,541)</u>	(6.4)%
Total Liabilities	<u>311,522</u>	<u>229,583</u>	<u>81,939</u>	35.7%
Net Position:				
Invested in capital assets	47,003,024	46,612,715	390,309	0.8%
Restricted for Management & monitoring	4,231,159	268,240	3,962,919	1,477.4%
Restricted for Land acquisition	2,991,685	1,937,175	1,054,510	54.4%
Restricted for Endowment	6,042,762	5,634,351	408,411	7.3%
Unrestricted	<u>246,698</u>	<u>133,826</u>	<u>112,872</u>	84.3%
Total Net Position	<u>\$ 60,515,328</u>	<u>\$ 54,586,307</u>	<u>\$ 5,929,021</u>	10.9%

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

Statements of Activities

	Fiscal Year 2014	Fiscal Year 2013	Dollar Change	Total Percent Change
Operating Expenses:				
Administrative	\$ 345,193	\$ 296,059	\$ 49,134	16.6 %
Biological monitoring and land management program	<u>783,932</u>	<u>642,199</u>	<u>141,733</u>	22.0 %
Total Expenses	<u>1,129,125</u>	<u>938,258</u>	<u>190,867</u>	20.3 %
Program Revenues:				
Operating contributions and grants	5,306,347	1,893,728	3,412,619	180.2 %
Capital contributions and grants	1,719,044	11,262,931	(9,543,887)	(84.7)%
General Revenues:				
Interest income	32,755	22,847	9,908	43.4 %
Other revenues	<u>-</u>	<u>18,544</u>	<u>(18,544)</u>	(100.0)%
Total Revenues	<u>7,058,146</u>	<u>13,198,050</u>	<u>(6,139,904)</u>	(46.5)%
Changes in Net Position	5,929,021	12,259,792	(6,330,771)	(51.6)%
Net Position - Beginning of Year	<u>54,586,307</u>	<u>42,326,515</u>	<u>12,259,792</u>	29.0 %
Net Position - End of Year	<u>\$ 60,515,328</u>	<u>\$ 54,586,307</u>	<u>\$ 5,929,021</u>	10.9 %

The increase or decrease in net position can provide an indication as to whether the overall financial position of the Commission improved or deteriorated during the year. Net position of the Commission's governmental activities increased by 10.9% (\$60.52M compared to \$54.59M). The net position of the Commission changed as a result of the revenue and expense fluctuations and also capital assets described below for the activities of the Commission.

MAJOR FUNDS

General Fund – The General Fund accounts for all of the general revenues of the Commission not specifically levied or collected for some special purpose, and for the expenditures related to the rendering of general services by the Commission. The current fiscal year's excess was \$522,287, bringing the ending fund balance of the general fund to \$5,982,234.

The reasons for significant amounts in the revenues and expenditures of the Commission's General Fund are as follows:

- Agencies mitigation fees in the amount of \$670,689 were received from two agencies contributing toward the Coachella Valley Multiple Species Habitat Conservation Plan (CVMSHCP).
- Professional services and Consultants expenditures increased by \$49,434 mainly due to an increase in work performed by vendors.

Management And Monitoring Fund – The Management and Monitoring Fund accounts for the revenues associated with implementation of the land management program and the biological monitoring program for the CVMSHCP. The current fiscal year's excess was \$100,027, bringing the total ending fund balance to \$368,267.

The reasons for significant amounts in the revenues and expenditures of the Commission's Management and Monitoring Fund are as follows:

- the Commission adopted a new fee ordinance in FY 2011/12 which permits part of the Development Mitigation fees collected to be used for Management and Monitoring. Current year amount allocated to this fund was \$296,883, an increase of \$160,190 from the prior year's revenue.
- Consultant expenditures increased by \$61,029 because biological monitoring services were stepped up in the current fiscal year.
- Professional services of \$104,410 was mainly due to land clean-up and fence construction.

Land Acquisition Fund – The Land Acquisition Fund accounts for the revenues generated by the Local Development Mitigation Fee (LDMF) and mitigation contributions from various agencies. The current fiscal year's excess was \$1,054,510, bringing the total ending fund balance to \$2,991,685.

The reasons for significant amounts in the revenues and expenditures of the Commission's Land Acquisition Fund are as follows:

- As noted in the Management and Monitoring Fund section, a new fee ordinance was adopted in FY 2011/12 and since part of the development fee was allocated, the Development Mitigation fee that allocated to this fund was \$1,449,487, an increase of \$782,105 from the prior year's revenue.
- Capital outlay expense decreased by \$10,314,959 because the Commission did not receive/utilize any Federal or State grants to acquire land that was available/used in the prior year.

Management Contingency Fund – The Management Contingency Fund accounts for the funds established for the purpose of which is to provide the ability to address immediate and/or large scale Monitoring and Management Program needs on the Permittees lands. According to the Coachella Valley Multiple Species Habitat Conservation Plan, the Commission will establish a \$5.0 million Management Contingency Fund as a subset of the Monitoring and Management Program budgets. This one time Management Contingency Fund will be established within the first 10 years after Permit issuance (2008) and will be included in the Operating Fund budget as a separate line item. At the end of the current fiscal year, the total fund balance was \$3,361,498.

CAPITAL ASSETS

Capital Assets
(not being depreciated)

	<u>Balance</u> <u>June 30, 2014</u>	<u>Balance</u> <u>June 30, 2013</u>	<u>Increase</u>
Land	\$ 47,003,024	\$ 46,612,715	\$ 390,309
Total	<u>\$ 47,003,024</u>	<u>\$ 46,612,715</u>	<u>\$ 390,309</u>

The major additions to capital assets were land acquisitions within the conservation area.

CONTACTING THE AUTHORITY’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 Commission’s Office, attention Auditor, at 73710 Fred Waring Drive, Suite 200, Palm Desert, California 92260.

BASIC FINANCIAL STATEMENTS

COACHELLA VALLEY CONSERVATION COMMISSION

Statement of Net Position

June 30, 2014

(with comparative prior year information)

	<u>Governmental Activities</u>	
	<u>2014</u>	<u>2013</u>
Assets:		
Cash and investments (note 2)	12,964,590	7,414,173
Interest receivable	10,481	5,064
Due from other governments	848,755	783,938
Capital assets (note 4):		
Capital assets, not depreciated	<u>47,003,024</u>	<u>46,612,715</u>
Total assets	<u>60,826,850</u>	<u>54,815,890</u>
Liabilities:		
Accounts payable	100,088	3,608
Due to other governments	<u>211,434</u>	<u>225,975</u>
Total liabilities	<u>311,522</u>	<u>229,583</u>
Net position:		
Net investment in capital assets	47,003,024	46,612,715
Restricted for:		
Management and monitoring	4,231,159	268,240
Land acquisition	2,991,685	1,937,175
Endowment	6,042,762	5,634,351
Unrestricted	<u>246,698</u>	<u>133,826</u>
Total net position	<u>\$ 60,515,328</u>	<u>54,586,307</u>

See accompanying notes to the basic financial statements.

COACHELLA VALLEY CONSERVATION COMMISSION

Statement of Activities

Year ended June 30, 2014
(with comparative prior year information)

	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net Governmental Activities</u>	
		<u>Operating Contributions and Grants</u>	<u>Capital Contributions and Grants</u>	<u>2014</u>	<u>2013</u>
Governmental activities:					
Administrative	\$ 345,193	1,128,188	-	782,995	1,587,669
Biological monitoring and land management program	<u>783,932</u>	<u>4,178,159</u>	<u>1,719,044</u>	<u>5,113,271</u>	<u>10,630,732</u>
Total governmental activities	<u>\$ 1,129,125</u>	<u>5,306,347</u>	<u>1,719,044</u>	<u>5,896,266</u>	<u>12,218,401</u>
General revenues:					
Investment income				32,755	22,847
Other revenues				<u>-</u>	<u>18,544</u>
Total general revenues				<u>32,755</u>	<u>41,391</u>
Change in net position				5,929,021	12,259,792
Net position at beginning of year				<u>54,586,307</u>	<u>42,326,515</u>
Net position at end of year				<u>\$ 60,515,328</u>	<u>54,586,307</u>

See accompanying notes to the basic financial statements.

COACHELLA VALLEY CONSERVATION COMMISSION

Governmental Funds - Balance Sheet

June 30, 2014

(with comparative prior year information)

	General Fund	Special Revenue	
		Management and Monitoring	Land Acquisition
<u>Assets</u>			
Assets:			
Cash and investments	\$ 5,326,761	528,357	2,942,689
Interest receivable	4,559	248	2,339
Due from other governments	<u>723,440</u>	<u>19,281</u>	<u>106,034</u>
Total assets	<u>\$ 6,054,760</u>	<u>547,886</u>	<u>3,051,062</u>
<u>Liabilities and Fund Balance</u>			
Liabilities:			
Accounts payable	\$ 7,545	92,012	531
Due to other governments	<u>64,981</u>	<u>87,607</u>	<u>58,846</u>
Total liabilities	<u>72,526</u>	<u>179,619</u>	<u>59,377</u>
Fund balances:			
Restricted for:			
Management and monitoring	-	368,267	-
Land acquisition	-	-	2,991,685
Endowment	5,735,536	-	-
Unassigned	<u>246,698</u>	<u>-</u>	<u>-</u>
Total fund balances	<u>5,982,234</u>	<u>368,267</u>	<u>2,991,685</u>
Total liabilities and fund balances	<u>\$ 6,054,760</u>	<u>547,886</u>	<u>3,051,062</u>

See accompanying notes to basic financial statements.

Special Revenue	Nonmajor Governmental Funds	Totals	
		2014	2013
Management Contingency			
3,358,810	807,973	12,964,590	7,414,173
2,688	647	10,481	5,064
-	-	848,755	783,938
<u>3,361,498</u>	<u>808,620</u>	<u>13,823,826</u>	<u>8,203,175</u>
-	-	100,088	3,608
-	-	211,434	225,975
-	-	311,522	229,583
3,361,498	501,394	4,231,159	268,240
-	-	2,991,685	1,937,175
-	307,226	6,042,762	5,634,351
-	-	246,698	133,826
<u>3,361,498</u>	<u>808,620</u>	<u>13,512,304</u>	<u>7,973,592</u>
<u>3,361,498</u>	<u>808,620</u>	<u>13,823,826</u>	<u>8,203,175</u>

COACHELLA VALLEY CONSERVATION COMMISSION
Governmental Funds

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

June 30, 2014

Fund balances of governmental funds	\$ 13,512,304
Amounts reported for governmental activities in the statement of net position are different because:	
Land has not been recorded as assets in the governmental fund financial statements.	<u>47,003,024</u>
Net position of governmental activities	<u><u>\$ 60,515,328</u></u>

See accompanying notes to the basic financial statements.

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COACHELLA VALLEY CONSERVATION COMMISSION
Statement of Revenues, Expenditures and Changes in Fund Balances
Year ended June 30, 2014
(with comparative information for the prior year)

	General Fund	Special Revenue	
		Management and Monitoring	Land Acquisition
Revenues:			
Development mitigation fees	\$ -	296,883	1,449,487
Agencies mitigation fees	670,689	-	269,557
Tipping fees	457,499	-	-
Contributions	-	-	-
Grants	-	25,000	-
Investment income	16,990	911	7,298
Miscellaneous	-	-	-
Total revenues	1,145,178	322,794	1,726,342
Expenditures:			
Administrative fees	-	2,969	14,495
Insurance	8,442	-	-
Per diem	6,600	-	-
General and office expenses	2,112	-	-
Professional services	53,912	104,410	30,439
Consultants	274,127	393,086	236,589
Capital outlay	-	-	390,309
Total expenditures	345,193	500,465	671,832
Excess (deficiency) of revenues over (under) expenditures	799,985	(177,671)	1,054,510
Other financing sources (uses):			
Transfers in (note 3)	-	277,698	-
Transfers out (note 3)	(277,698)	-	-
Total other financing sources (uses)	(277,698)	277,698	-
Net change in fund balances	522,287	100,027	1,054,510
Fund balances at beginning of year	5,459,947	268,240	1,937,175
Fund balances at end of year	\$ 5,982,234	368,267	2,991,685

See accompanying notes to basic financial statements.

Special Revenue	Nonmajor Governmental Funds	Totals	
		2014	2013
		Management Contingency	
-	-	1,746,370	804,075
3,356,276	-	4,296,522	3,680,166
-	-	457,499	388,378
-	500,000	500,000	10,471
-	-	25,000	8,273,569
5,222	2,334	32,755	22,847
-	-	-	18,544
<u>3,361,498</u>	<u>502,334</u>	<u>7,058,146</u>	<u>13,198,050</u>
-	-	17,464	8,041
-	-	8,442	10,124
-	-	6,600	5,925
-	-	2,112	2,347
-	1,944	190,705	34,109
-	-	903,802	877,712
-	-	390,309	10,705,268
<u>-</u>	<u>1,944</u>	<u>1,519,434</u>	<u>11,643,526</u>
<u>3,361,498</u>	<u>500,390</u>	<u>5,538,712</u>	<u>1,554,524</u>
-	-	277,698	172,103
<u>-</u>	<u>-</u>	<u>(277,698)</u>	<u>(172,103)</u>
-	-	-	-
<u>3,361,498</u>	<u>500,390</u>	<u>5,538,712</u>	<u>1,554,524</u>
<u>-</u>	<u>308,230</u>	<u>7,973,592</u>	<u>6,419,068</u>
<u><u>3,361,498</u></u>	<u><u>808,620</u></u>	<u><u>13,512,304</u></u>	<u><u>7,973,592</u></u>

COACHELLA VALLEY CONSERVATION COMMISSION

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

Year ended June 30, 2014

Net changes in fund balances - total governmental funds \$ 5,538,712

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

When capital assets owned by the Commission are purchased
or constructed, the resources expended for those assets are reported as
expenditures in governmental funds. However, in the Statement of Activities,
the cost of those assets is allocated over their estimated useful lives and
reported as depreciation expense. This is the amount by which capital outlays
(\$390,309) exceeded depreciation (\$0) in the current period.

390,309

Changes in net position of governmental activities

\$ 5,929,021

See accompanying notes to the basic financial statements.

NOTES TO BASIC FINANCIAL STATEMENTS

COACHELLA VALLEY CONSERVATION COMMISSION

Notes to Basic Financial Statements

Year ended June 30, 2014

1. Summary of Significant Accounting Policies

a. Description of Reporting Entity:

The Coachella Valley Conservation Commission (Commission) was formed under California's Joint Powers Law on December 1, 2005 for the purpose of overseeing and administering the Coachella Valley Multiple Species Habitat Conservation Plan (the CVMSHCP), a regional habitat conservation plan which balances conservation of rare and endangered species and development on an area-wide and regional basis under Section 6500 et. seq. of the Government Code. The Commission's members are the Cities of Cathedral City, Coachella, Desert Hot Springs, Indian Wells, Indio, La Quinta, Palm Desert, Palm Springs, Rancho Mirage, Coachella Valley Water District and Imperial Irrigation District. Nonvoting participants of the Commission are Coachella Valley Association of Governments, Riverside County Flood Control and Water Conservation District, Riverside County Regional Parks and Open Space District and Riverside County Waste Management District.

The CVMSHCP is a long-term habitat conservation plan permitted by the California Department of Fish and Game as of September 9, 2008 and the United States Fish and Wildlife Services as of October 1, 2008 under the authority of the state and federal Endangered Species Acts. Although the Commission was formed as an independent joint powers authority prior to issuance of the state and federal permits for the CVMSHCP, it did not begin functioning as an independent agency until October 2008. With the approval of the CVMSHCP permits, funding for the activities of the Commission, including land acquisition, land management and biological monitoring, became available as of October 1, 2008.

With the CVMSHCP, over 240,000 acres of open space will be protected as well as 27 species of plants and animals that are threatened or facing extinction. The Commission is also empowered to acquire land and administer grant programs to not-for-profit programs and Permittees to conserve lands that contribute to the CVMSHCP's reserves, and to coordinate conservation easement agreements with landowners, seek grants and other funding sources to assist with acquisition, and coordinate with other state and federal acquisition programs in the CVMSHCP's area to ensure efficiency and consistency among acquisition programs. The basic financial statements of the Commission include all activities for which the Commission is financially accountable.

COACHELLA VALLEY CONSERVATION COMMISSION

Notes to Basic Financial Statements

(Continued)

1. Summary of Significant Accounting Policies (Continued)

Major sources of revenue for the Commission include a Local Development Mitigation Fee collected on new development, tipping fees from Riverside County landfills, and regional infrastructure mitigation funds from various agencies, including the Coachella Valley Association of Governments, Coachella Valley Water District and Imperial Irrigation District. Other funding sources may be identified in subsequent years.

b. Government-wide and Fund Financial Statements:

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information about the reporting government as a whole, except for its fiduciary activities. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on charges for services. Likewise, the primary government (including its blended component units) is reported separately from discretely presented component units for which the primary government is financially accountable. The Commission has no business-type activities, fiduciary activities, or component units.

Certain eliminations have been made as prescribed by GASB Statement No. 34 in regards to interfund activities, payables and receivables. All internal balances have been eliminated for purposes of the Statement of Net Position.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Other items not properly included among program revenues are reported instead as general revenues.

COACHELLA VALLEY CONSERVATION COMMISSION

Notes to Basic Financial Statements

(Continued)

1. Summary of Significant Accounting Policies (Continued)

b. Government-wide and Fund Financial Statements (Continued):

The underlying accounting system of the Commission 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 equity, 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.

Separate financial statements for the Commission'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. All of the Commission's funds are considered major funds.

c. Measurement Focus, Basis of Accounting and Financial Statement Presentation:

The 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 transaction are recognized in accordance with the requirements of GASB Statement No. 33.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

COACHELLA VALLEY CONSERVATION COMMISSION

Notes to Basic Financial Statements

(Continued)

1. Summary of Significant Accounting Policies (Continued)

c. Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued):

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under the current financial resources measurement focus, only current assets and current liabilities are generally included on their balance sheets. 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. However, special reporting treatments are used to indicate that they should not be considered “available spendable resources” since they do not represent net current assets. Recognition of governmental fund type revenue represented by noncurrent receivables is deferred until they become current receivables. Noncurrent portions of other long-term receivables are offset by fund balance reserve accounts.

Under the modified accrual basis of accounting, revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 90 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, except for principal and interest on long-term liabilities, claims and judgments, and compensated absences which are recognized as expenditures to the extent they have matured. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of long-term liabilities are reported as other financing sources.

Deferred outflows/inflows of resources

In addition to assets, the statement of financial 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

COACHELLA VALLEY CONSERVATION COMMISSION

Notes to Basic Financial Statements

(Continued)

1. Summary of Significant Accounting Policies (Continued)

c. Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued):

outflow of resources (expense/ expenditure) until then. The Commission does not have any items that qualify in this category.

In addition to liabilities, the statement of financial 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 Commission does not have any items that qualify in this category.

Net position flow assumption

Sometimes the government will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government’s policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

Governmental Fund Balances:

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

Nonspendable Fund Balance:

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).

COACHELLA VALLEY CONSERVATION COMMISSION

Notes to Basic Financial Statements

(Continued)

1. Summary of Significant Accounting Policies (Continued)

c. Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued):

Spendable Fund Balance:

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

The accompanying financial statements include restricted fund balance for management and monitoring, land acquisition, and endowment. The CVMSHCP that created the funding source restricted the use of these funds for specific purposes.

Committed Fund Balance – this includes amounts that can be used only for the specific purposes determined by a formal action of the Commission. It includes legislation (Commission action) that can only be overturned by new legislation requiring the same type of voting consensus that created the original action. Therefore, if the Commission 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 Commission considers a resolution to constitute a formal action of the Commission for the purposes of establishing committed fund balance.

Assigned Fund Balance – this includes amounts that are designated or expressed by the Commission, but does not require a formal action like a resolution or ordinance. The Commission 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 Commission'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 Commission.

COACHELLA VALLEY CONSERVATION COMMISSION

Notes to Basic Financial Statements

(Continued)

1. Summary of Significant Accounting Policies (Continued)

- c. Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued):

Fund Classifications

The Commission reports the following major governmental funds:

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

Management and Monitoring Special Revenue Fund - This fund is used to account for the revenues associated with implementation of the land management program and the biological management program for the CVMSHCP. These programs are supported by grants and funds provided by various agencies to support implementation of the CVMSHCP.

Land Acquisition Special Revenue Fund - This fund is used to account for the revenues generated by the Local Development Mitigation Fee (LDMF) and mitigation contributions from various agencies. These revenues are used to support the acquisition of lands by the Commission on behalf of the Local Permittees to meet the goals of the CVMSHCP.

Management Contingency Special Revenue Fund - This fund is used for the ability to address immediate and/or large scale Monitoring and Management Program needs on the Permittees lands. According to the Coachella Valley Multiple Species Habitat Conservation Plan, the Commission will establish a \$5.0 million management contingency fund as a subset of the Monitoring and Management Program budgets. This one time Management Contingency Fund will be established within the first 10 years after Permit issuance (2008) and will be included in the Operating Fund budget as a separate item.

- d. Eliminations:

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

COACHELLA VALLEY CONSERVATION COMMISSION

Notes to Basic Financial Statements

(Continued)

1. Summary of Significant Accounting Policies (Continued)

e. Cash and Investments:

The Commission 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. 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 Commission capitalizes assets with a cost in excess of \$5,000 with a useful life in excess of one year.

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.

g. 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.

h. Prior Year Data:

Selected information regarding the prior year has been included in the accompanying financial statements. This information has been included for comparison purposes only and does not represent a complete presentation in accordance with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Commission's prior year financial statements, from which this selected financial data was derived.

COACHELLA VALLEY CONSERVATION COMMISSION

Notes to Basic Financial Statements

(Continued)

2. Cash and Investments

Cash and investments of the Commission consisted of the following at June 30, 2014:

Cash and deposits:	
Deposit with financial institution	\$ 83,562
Investments:	
Riverside County Pooled Investment Fund	<u>12,881,028</u>
Total cash and investments held by the Commission	
	<u>\$12,964,590</u>

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

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

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

N/A - Not Applicable

COACHELLA VALLEY CONSERVATION COMMISSION

Notes to Basic Financial Statements

(Continued)

2. Cash and Investments, (Continued)

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the Commission 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: or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations. The Commission's investment in the Riverside County Pooled Investment Fund of \$12,881,028 is 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 Commission's investment policy, or debt agreements, and the actual rating as of year end for each investment type:

<u>Investment</u>	<u>Minimum Legal Rating</u>	<u>Unrated</u>
Riverside County Pooled Investment Fund	N/A	\$12,881,028

N/A – Not Applicable

Investment in Riverside County Investment Pool

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

COACHELLA VALLEY CONSERVATION COMMISSION

Notes to Basic Financial Statements

(Continued)

3. Interfund Transfers

<u>Transfer In</u>	<u>Transfers Out</u>	<u>Amount</u>
Management and Monitoring	General Fund	\$277,698

The General Fund transferred \$277,698 to the Management and Monitoring Special Revenue Fund to pay for expenditures incurred.

4. Capital Assets

A summary of capital asset activity for the year ended June 30, 2014 is as follows:

	<u>Balance at July 1, 2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at June 30, 2014</u>
Capital assets, not being depreciated:				
Land	<u>\$46,612,715</u>	<u>390,309</u>	<u>-</u>	<u>47,003,024</u>

5. Liability, Property and Workers' Compensation Protection

Description Self-Insurance Pool Pursuant to Joint Powers Agreement:

The Commission 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 lines of coverage. 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.

COACHELLA VALLEY CONSERVATION COMMISSION

Notes to Basic Financial Statements

(Continued)

5. Liability, Property and Workers' Compensation Protection, (Continued)

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 2012-13 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 CONSERVATION COMMISSION

Notes to Basic Financial Statements

(Continued)

5. 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.

Adequacy of Protection:

During the past three fiscal years, none of the above programs experienced settlements or judgments that exceeded pooled or insured coverage. There were also no significant reductions in pooled or insured liability coverage in 2013-14. The Commission is exposed to losses associated with litigation that cannot be reasonably estimated at this time.

6. Future Funding

Per the 2011 Local Development Mitigation Fee Nexus Study, plan implementation costs include the direct and indirect costs associated with land acquisition, the Monitoring Program, and the Management Program, including Adaptive Management. Additional costs include staff costs associated with Plan Administration. The estimated costs of Plan implementation for the Permittees over the 75-year term are \$1,708,767,000. Revenue sources to fund these costs are as follows:

Local Development Mitigation Fee	\$1,212,881,000
Conservation Trust Fund	160,432,000
Regional Road Projects and Infrastructure Mitigation	100,814,000
Interest on Investments	<u>234,640,000</u>
Total Revenues	<u>\$1,708,767,000</u>

COACHELLA VALLEY CONSERVATION COMMISSION

Notes to Basic Financial Statements

(Continued)

6. Future Funding, (Continued)

In accordance with the CVMSHCP, Coachella Valley Association of Governments committed \$30 million of future Measure A funds, which would mitigate all the regional transportation projects listed in the current Transportation Project Prioritization Study (TPPS). Under the CVMSHCP, the \$30 million in the CVAG transportation funds would contribute to both land acquisition and the establishment of the 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 U.S. Fish and Wildlife Service and the California Department of Fish and Game. As June 30, 2014, the outstanding commitment from CVAG is \$10,675,000. This commitment has not been recorded as a receivable because it has not met all the revenue recognition requirements.

7. Related Party Transactions

The Commission entered into a contract with Coachella Valley Association of Governments (CVAG), whereby CVAG, under the direction of the Commission, will coordinate and administer the implementation of CVMSHCP. The contract calls for the Commission to pay CVAG based upon actual staff time spent at rates not to exceed the rates paid by CVAG. The amount shall not exceed \$700,000 for fiscal year 2013-2014. During the year, CVAG incurred and charged the Commission \$606,503 of staff time and allocated administrative expenses, all of which was accounted for in the fiscal year.

COACHELLA VALLEY CONSERVATION COMMISSION

General Fund

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

Year ended June 30, 2014

	Budget		Actual	Variance with
	Original	Final		Final Budget Positive (Negative)
Revenues:				
Agencies mitigation fees	\$ 725,590	725,590	670,689	(54,901)
Tipping fees	363,000	363,000	457,499	94,499
Investment income	20,250	20,250	16,990	(3,260)
Total revenues	<u>1,108,840</u>	<u>1,108,840</u>	<u>1,145,178</u>	<u>36,338</u>
Expenditures:				
Insurance	8,442	8,442	8,442	-
Per diem	8,775	8,775	6,600	2,175
General and office expenses	19,500	19,500	2,112	17,388
Professional services	80,373	80,373	53,912	26,461
Consultants	275,842	275,842	274,127	1,715
Total expenditures	<u>392,932</u>	<u>392,932</u>	<u>345,193</u>	<u>47,739</u>
Excess (deficiency) of revenues over (under) expenditures	<u>715,908</u>	<u>715,908</u>	<u>799,985</u>	<u>84,077</u>
Other financing sources (uses):				
Transfers out	<u>(316,394)</u>	<u>(316,394)</u>	<u>(277,698)</u>	<u>38,696</u>
Total other financing sources (uses)	<u>(316,394)</u>	<u>(316,394)</u>	<u>(277,698)</u>	<u>38,696</u>
Net change in fund balances	399,514	399,514	522,287	122,773
Fund balance at beginning of year	<u>5,459,947</u>	<u>5,459,947</u>	<u>5,459,947</u>	<u>-</u>
Fund balances at end of year	<u>\$ 5,859,461</u>	<u>5,859,461</u>	<u>5,982,234</u>	<u>122,773</u>

COACHELLA VALLEY CONSERVATION COMMISSION

Management and Monitoring

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

Year ended June 30, 2014

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Development mitigation fees	\$ 119,000	119,000	296,883	177,883
Grants	25,000	25,000	25,000	-
Investment income	1,200	1,200	911	(289)
Total revenues	<u>145,200</u>	<u>145,200</u>	<u>322,794</u>	<u>177,594</u>
Expenditures:				
Administrative fees	1,190	1,190	2,969	(1,779)
Professional services	10,500	10,500	104,410	(93,910)
Consultants	<u>520,820</u>	<u>520,820</u>	<u>393,086</u>	<u>127,734</u>
Total expenditures	<u>532,510</u>	<u>532,510</u>	<u>500,465</u>	<u>32,045</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(387,310)</u>	<u>(387,310)</u>	<u>(177,671)</u>	<u>209,639</u>
Other financing sources (uses):				
Transfers in	<u>316,394</u>	<u>316,394</u>	<u>277,698</u>	<u>(38,696)</u>
Total other financing sources (uses)	<u>316,394</u>	<u>316,394</u>	<u>277,698</u>	<u>(38,696)</u>
Net change in fund balances	(70,916)	(70,916)	100,027	170,943
Fund balance at beginning of year	<u>268,240</u>	<u>268,240</u>	<u>268,240</u>	-
Fund balances at end of year	<u>\$ 197,324</u>	<u>197,324</u>	<u>368,267</u>	<u>170,943</u>

COACHELLA VALLEY CONSERVATION COMMISSION

Land Acquisition

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

Year ended June 30, 2014

	Budget		Actual	Variance with Final Budget Positive
	Original	Final		(Negative)
Revenues:				
Development mitigation fees	\$ 581,000	581,000	1,449,487	868,487
Agencies mitigation fees	1,558,453	1,558,453	269,557	(1,288,896)
Contributions	150,000	150,000	-	(150,000)
Grants	557,000	557,000	-	(557,000)
Investment income	6,000	6,000	7,298	1,298
Total revenues	<u>2,852,453</u>	<u>2,852,453</u>	<u>1,726,342</u>	<u>(1,126,111)</u>
Expenditures:				
Administrative fees	5,810	5,810	14,495	(8,685)
Land improvement	240,000	240,000	-	240,000
Professional services	297,107	297,107	30,439	266,668
Consultants	20,000	20,000	236,589	(216,589)
Capital outlay	<u>3,247,000</u>	<u>3,247,000</u>	<u>390,309</u>	<u>2,856,691</u>
Total expenditures	<u>3,809,917</u>	<u>3,809,917</u>	<u>671,832</u>	<u>3,138,085</u>
Excess (deficiency) of revenues over (under) expenditures	(957,464)	(957,464)	1,054,510	2,011,974
Fund balance at beginning of year	<u>1,937,175</u>	<u>1,937,175</u>	<u>1,937,175</u>	<u>-</u>
Fund balances at end of year	<u>\$ 979,711</u>	<u>979,711</u>	<u>2,991,685</u>	<u>2,011,974</u>

COACHELLA VALLEY CONSERVATION COMMISSION

Management Contingency

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

Year ended June 30, 2014

	Budget		Actual	Variance with
	Original	Final		Final Budget Positive (Negative)
Revenues:				
Agencies mitigation fees	\$ -	-	3,356,276	3,356,276
Investment income	-	-	5,222	5,222
Total revenues	-	-	3,361,498	3,361,498
Excess (deficiency) of revenues over (under) expenditures	-	-	3,361,498	3,361,498
Net change in fund balances	-	-	3,361,498	3,361,498
Fund balance at beginning of year	-	-	-	-
Fund balances at end of year	\$ -	-	3,361,498	3,361,498

COACHELLA VALLEY CONSERVATION COMMISSION

Notes to Required Supplementary Information

(Continued)

Budgets & Budgetary Accounting

The Commission 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 fund are approved by the Commission's Board. 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. Reserves for encumbrances are not recorded by the Commission.

SUPPLEMENTARY SCHEDULES

COACHELLA VALLEY CONSERVATION COMMISSION

Nonmajor Governmental Funds

Combining Balance Sheet

June 30, 2014

	<u>Lizard Endowment</u>	<u>Travertine Point Monitoring</u>	<u>Total</u>
<u>Assets</u>			
Assets:			
Cash and investments	\$ 306,980	500,993	807,973
Interest receivable	<u>246</u>	<u>401</u>	<u>647</u>
Total assets	<u>\$ 307,226</u>	<u>501,394</u>	<u>808,620</u>
<u>Liabilities and Fund Balance</u>			
Fund balances:			
Restricted for:			
Management and monitoring	-	501,394	501,394
Endowment	<u>307,226</u>	<u>-</u>	<u>307,226</u>
Total fund balances	<u>307,226</u>	<u>501,394</u>	<u>808,620</u>
Total liabilities and fund balances	<u>\$ 307,226</u>	<u>501,394</u>	<u>808,620</u>

COACHELLA VALLEY CONSERVATION COMMISSION

Nonmajor Governmental Funds

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Year ended June 30, 2014

	Lizard Endowment	Travertine Point Monitoring	Total
Revenues:			
Contributions	\$ -	500,000	500,000
Investment income	940	1,394	2,334
Total revenues	<u>940</u>	<u>501,394</u>	<u>502,334</u>
Expenditures:			
Professional services	1,944	-	1,944
Total expenditures	<u>1,944</u>	<u>-</u>	<u>1,944</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,004)</u>	<u>501,394</u>	<u>500,390</u>
Net change in fund balances	(1,004)	501,394	500,390
Fund balances at beginning of year	<u>308,230</u>	<u>-</u>	<u>308,230</u>
Fund balances at end of year	<u><u>\$ 307,226</u></u>	<u><u>501,394</u></u>	<u><u>808,620</u></u>



Commission Members
Coachella Valley Conservation Commission
Palm Desert, California

**Report on Internal Control Over Financial Reporting and on Compliance and Other
Matters Based on an Audit of Financial Statements Performed in Accordance With
*Government Auditing Standards***

Independent Auditor's Report

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 Conservation Commission ("Commission"), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements, and have issued our report thereon dated February 3, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Commission'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 the Commission's internal control. Accordingly, we do not express an opinion on the effectiveness of the Commission'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 the Commission'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. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Mayer Hoffman McCann P.C.

Irvine, California
February 3, 2015