



FINANCE COMMITTEE AGENDA

TUESDAY, FEBRUARY 9, 2021
10:00 a.m.

Pursuant to Governor Newsom's Executive Order N-29-20 (March 18, 2020), the Finance Committee meeting will only be conducted via video/teleconferencing.

INSTRUCTIONS FOR ELECTRONIC PARTICIPATION

Join Zoom Meeting:

<https://us02web.zoom.us/j/83586842658?pwd=aDZ2ZENPWmU3Q05XRjFHZksrVVdFdz09>

Meeting ID: 835 8684 2658
Password: 530629

One tap mobile
+16699009128,,83586842658# US (San Jose)

Dial by your location
+1 669 900 9128 US (San Jose)

Meeting ID: 835 8684 2658

IF YOU ARE UNABLE TO CONNECT VIA DIAL IN OPTION, PLEASE CALL 760-346-1127.

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

**THIS MEETING IS HANDICAPPED ACCESSIBLE.
ACTION MAY RESULT ON ANY ITEMS ON THIS AGENDA.**

1. CALL TO ORDER / ROLL CALL

- a. Roster

2. PUBLIC COMMENTS ON AGENDA ITEMS

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

3. CONSENT CALENDAR

- A. Approve Minutes of the August 11, 2020 Finance Committee Meeting**
- B. Approve CVAG's existing Investment Policy, with minor modifications to reflect new personnel**
- C. Adopt CVAG Policy 21-02 to authorize the use of electronic signatures for contracts and related documents**

4. DISCUSSION /ACTION

- A. CVAG Audited Financial Statements – Claude Kilgore**
 - a. Audit Communications Letter
 - b. Financial Statements – Year Ended June 30, 2020 Final Draft
 - c. Update on Agreed Upon Procedures – CV Housing First

5. PUBLIC COMMENTS ON NON-AGENDA ITEMS

This is the time and place for members of the public to address the Finance Committee on items of general interest within the purview of this committee. Please limit comments to two (2) minutes.

6. ANNOUNCEMENTS

Upcoming Zoom Meetings:

Executive Committee – Monday, February 22, 2021 at 4:30 p.m.

7. ADJOURNMENT

ITEM 1A

FINANCE COMMITTEE ROSTER



Jurisdiction	Members
City of Desert Hot Springs	Chuck Maynard, Interim City Manager
City of Indian Wells	Councilmember Richard Balocco, Vice Chair
City of La Quinta	Mayor Linda Evans, Chair
City of Palm Desert	Councilmember Sabby Jonathan
City of Palm Springs	Nancy Pauley, Director of Finance and Treasurer
City of Rancho Mirage	Isaiah Hagerman, City Manager

**FINANCE COMMITTEE
MINUTES OF MEETING****August 11, 2020****1. CALL TO ORDER**

The August 11, 2020 Finance Committee meeting was called to order at 11:01 a.m. by Executive Director Tom Kirk via Zoom videoconference, pursuant to Gov. Newsom's executive order governing how public meetings are held during the COVID-19 pandemic.

ROLL CALL**MEMBERS PRESENT**

City Manager Chuck Maynard
Councilmember Richard Balocco
Mayor Linda Evans
Councilmember Sabby Jonathan
Finance Director/Treasurer Nancy Pauley

AGENCY

City of Desert Hot Springs
City of Indian Wells
City of La Quinta
City of Palm Desert
City of Palm Springs

MEMBERS ABSENT

City Manager Isaiah Hagerman

AGENCY

City of Rancho Mirage

STAFF PRESENT

Tom Kirk
Gary Leong
Joanna Stueckle

2. PUBLIC COMMENTS ON AGENDA ITEMS

None.

3. CONSENT CALENDAR**A. Approve Minutes of the May 27, 2020 Finance Committee Meeting**

IT WAS MOVED BY MAYOR EVANS AND SECONDED BY CHUCK MAYARD TO APPROVE THE MAY 27, 2020 MINUTES.

THE MOTION CARRIED WITH 5 AYES AND 1 MEMBER ABSENT.

CITY MANAGER CHUCK MAYNARD	AYE
COUNCILMEMBER RICHARD BALOCCHO	AYE
MAYOR LINDA EVANS	AYE
COUNCILMEMBER SABBY JONATHAN	AYE
FINANCE DIRECTOR/TREASURER NANCY PAULEY	AYE
CITY MANAGER ISAIAH HAGERMAN	ABSENT

4. DISCUSSION/ACTION

A. Election of Chair and Vice Chair of Finance Committee – Joanna Stueckle
Tom Kirk presented the staff report. Brief member discussion ensued.

IT WAS MOVED BY CHUCK MAYNARD AND SECONDED BY COUNCILMEMBER JONATHAN TO ELECT A MAYOR EVANS AS FINANCE COMMITTEE CHAIR AND COUNCILMEMBER BALOCCO AS FINANCE COMMITTEE VICE CHAIR FOR FISCAL YEAR 2020/2021.

THE MOTION CARRIED WITH 5 AYES AND 1 MEMBER ABSENT.

CITY MANAGER CHUCK MAYNARD	AYE
COUNCILMEMBER RICHARD BALOCCO	AYE
MAYOR LINDA EVANS	AYE
COUNCILMEMBER SABBY JONATHAN	AYE
FINANCE DIRECTOR/TREASURER NANCY PAULEY	AYE
CITY MANAGER ISAIAH HAGERMAN	ABSENT

B. Executive Director Single Signature Authorization – Gary Leong

Gary Leong presented the staff report.

Members and staff discussed the budget and signature limits set for management at member jurisdictions and other agencies in Riverside County, where the executive's signature authority range from \$25,000 to \$250,000. Mr. Kirk indicated that increasing the executive director's signature authority would make CVAG consistent with the Coachella Valley Conservation Commission (CVCC). Mr. Kirk added that CVAG's accounting practices and procedures require two authorized signatures on every check.

During the discussion, members requested staff submit a quarterly report to the CVAG Executive Committee on all single-signature authority agreements over the amount of \$10,000 that have been executed by the Executive Director. Members requested staff send the proposed language that will be presented to the Executive Committee to them for review within 60 days.

IT WAS MOVED BY COUNCILMEMBER BALACCO AND SECONDED BY CHUCK MAYNARD TO AUTHORIZE THE EXECUTIVE DIRECTOR TO HAVE SIGNATURE AUTHORITY OF UP TO \$50,000 FOR CAPITAL EXPENDITURES AND UP TO \$25,000 FOR OTHER EXPENDITURES, PROVIDED THAT SUCH EXPENSES ARE CONSISTENT WITH THE CVAG AND/OR PROJECT BUDGET AND IMPLEMENTS ADOPTED POLICIES.

THE MOTION CARRIED WITH 5 AYES AND 1 MEMBER ABSENT.

CITY MANAGER CHUCK MAYNARD	AYE
COUNCILMEMBER RICHARD BALOCCO	AYE
MAYOR LINDA EVANS	AYE
COUNCILMEMBER SABBY JONATHAN	AYE
FINANCE DIRECTOR/TREASURER NANCY PAULEY	AYE
CITY MANAGER ISAIAH HAGERMAN	ABSENT

C. Agreed Upon Procedures Auditing Services for the CV Housing First Program – Gary Leong

Mr. Leong presented the staff report, indicating that the auditors would perform an audit of the homelessness program according to the agreed upon procedures. Brief member discussion ensued.

IT WAS MOVED BY COUNCILMEMBER BALOCCO AND SECONDED BY COUNCILMEMBER JONATHAN TO APPROVE THE AGREED UPON PROCEDURES AUDITING SERVICES FOR THE CV HOUSING FIRST PROGRAM WITH LANCE, SOLL & LUNGHARD, LLP (LSL) AT A COST NOT-TO-EXCEED \$3,500; AND AUTHORIZE THE EXECUTIVE DIRECTOR TO FINALIZE ANY NECESSARY AGREEMENTS FOR THE SERVICES.

THE MOTION CARRIED WITH 5 AYES AND 1 MEMBER ABSENT.

CITY MANAGER CHUCK MAYNARD	AYE
COUNCILMEMBER RICHARD BALOCCO	AYE
MAYOR LINDA EVANS	AYE
COUNCILMEMBER SABBY JONATHAN	AYE
FINANCE DIRECTOR/TREASURER NANCY PAULEY	AYE
CITY MANAGER ISAIAH HAGERMAN	ABSENT

5. INFORMATION

a) Background on the Finance Committee

This item was included in the agenda for member information.

6. PUBLIC COMMENTS ON NON-AGENDA ITEMS

None.

7. ANNOUNCEMENTS

Upcoming Zoom Meetings:

Executive Committee – Monday, September 28, 2020 at 4:30 p.m.

8. ADJOURNMENT

There being no further business, the Finance Committee adjourned at 1:35 p.m.

Respectfully submitted,

Joanna Stueckle
Executive Assistant

ITEM 3B

**Coachella Valley Association of Governments
Finance Committee
February 9, 2021**



Staff Report

Subject: **Annual Review of CVAG's Investment Policy**

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

Recommendation: Approve CVAG's existing Investment Policy as CVAG Policy 21-01, with minor modifications to reflect new personnel

Background: Pursuant to California Government Code Section 53646(a)(2), local agencies (other than counties) "may annually render to his/her legislative body and any oversight committee an investment policy". While not explicitly required by statute, CVAG staff has long maintained that an investment policy should always be in place and provided to the Executive Committee for annual review.

This review is a continuation of CVAG's commitment to uphold the best interest of its members and to ensure shared fiduciary responsibility, increased authority and legitimacy of the investment policy, as well as transparency and disclosure to CVAG members.

CVAG staff has reviewed the existing investment policy and finds that it is sufficient. Staff is not proposing any substantive changes, but is recommending administrative updates related to changing the "designee" title to reflect the current "Director of Finance/Administration" and updating the name of the CVAG Chair.

Fiscal Analysis: There is no financial cost to passing the resolution.

Attachment: CVAG Policy 21-01

CVAG POLICY NUMBER: 21-01

COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS (CVAG) INVESTMENT POLICY FOR CVAG FUNDS

It is the policy of Coachella Valley Association of Governments (CVAG) to invest public funds in accordance with the requirements of State law to achieve a market rate of return while minimizing the potential for losses, to meet daily cash flow needs of CVAG and to comply with all laws of the State of California regarding the investment of public funds. The ultimate goal is to enhance CVAG's financial condition while protecting its financial assets.

This investment policy is intended to provide guidelines for the prudent investment of CVAG's temporarily idle cash and to identify CVAG's policies regarding the investment process. Investments of public funds shall be made in accordance with the following policy.

1. Investment Objectives:

- Safety - preservation of the public's funds so that necessary public projects and programs can be constructed and managed;
- Liquidity - assurance of liquidity to meet daily cash flow needs; and
- Yield - obtaining the maximum investment yield consistent with the above.

2. Investments shall be made with judgment and care – under circumstances then prevailing – which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived.

The standard of prudence to be used by investment officials shall be the "prudent person" standard and shall be applied in the context of managing an overall portfolio. Investment officers acting in accordance with written procedures and the investment policy and exercising due diligence shall be relieved of personal responsibility for the herein defined individual security's credit risk or market price changes, provided deviations from expectations are reported in the herein defined timely fashion and appropriate action is taken to control adverse developments.

3. The Executive Director, and designee, the Director of Finance/Administration, are responsible for establishing and maintaining an internal control structure designed to ensure the safety of the assets of CVAG and that CVAG assets are protected from loss, theft

or misuse. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that (a) the cost of a control should not exceed the benefits likely to be derived; and, (b) the valuation of costs and benefits requires estimates and judgments by management. Accordingly, the Executive Director, and designee, the Director of Finance/Administration, shall maintain an annual process of independent review by an external auditor. This review will provide internal control by assuring compliance with policies and procedures.

4. All security transactions entered into by the Coachella Valley Association of Governments shall be conducted on a delivery-versus-payment (DVP) basis. Securities will be held by a third party custodian designated by the Director of Finance/Administration and evidenced by safekeeping receipts. Funds invested with the Riverside County Pooled Investment Fund are exempt from this paragraph.
5. Pursuant to CVAG's policies and prior direction, the Executive Director and designee, the Director of Finance/Administration, are hereby delegated the authority to implement the investment policy set forth herein.
6. Except for those funds necessary to assure maintenance of ongoing CVAG operations, CVAG investment may include:
 - United States Treasury Bonds, Treasury Notes or Treasury Bills
 - Certificates of Deposit, placed with commercial banks and savings and loan companies (not to exceed the FDIC guarantee of \$250,000 per financial institution unless collateralized per Section 7)
 - State of California Local Agency Investment Fund (LAIF)
 - AAA-rated Money Market Funds investing in US Treasury investments
 - Riverside County Pooled Investment Fund

The County of Riverside (County) serves as CVAG's treasurer. The County's Pool is professionally managed and maintains liquidity and diversification so as to minimize risk to the public agencies whose funds are held by the Pool. CVAG Staff reviews the County Treasurer's Investment Portfolio monthly, as well as providing a quarterly investment report to CVAG's Executive Committee (see section 13).

7. Collateralization will be required on demand deposits, certificates of deposit and repurchase agreements. In order to anticipate market changes and provide a level of security for all funds, a minimum collateralization level is required.

Surplus funds can only be deposited in state or federal commercial banks and savings associations, state or federal credit unions, State of California Local Agency Investment Fund (LAIF) or the Riverside County Pooled Investment Fund within the State of California. The deposits cannot exceed the amount of the bank's or savings and loan's paid-up capital and surplus. The bank or savings and loan must secure public funds deposits with eligible securities having a market value of 110% of the total amount of the deposits. State law also allows as an eligible security, first trust deeds having a value of 150% of the total amount of the deposits.

The Executive Director or Director of Finance/Administration may waive security for that portion of a deposit which is insured pursuant to Federal law. Currently, the first \$250,000 of a deposit is federally insured. Deposits in excess of \$250,000 are required to be collateralized as previously indicated.

8. CVAG, to ensure the safety of its investment portfolio, will diversify its investments by security type and institution. No more than 55% of CVAG's total investment portfolio shall be placed with any single financial institution, with the exception of LAIF, whereby CVAG has the option of investing up to the maximum allowable by LAIF.
9. The Director of Finance/Administration shall develop and maintain a list of financial institutions authorized to provide investment services. In addition, a list will also be maintained of approved security broker/dealers selected by credit worthiness, who maintain an office in the State of California. These may include "primary" dealers or regional dealers that qualify under Securities and Exchange Commission Rule 15C3-1 (uniform net capital rule).

No public deposit shall be made except in a qualified public depository as established by state laws. All financial institutions and broker/dealers who desire to become qualified bidders for investment transactions must supply the Director of Finance/Administration with the following: audited financial statements, proof of National Association of Security Dealers' certification, and proof of State of California registration. A current (for the fiscal year most recently ended) audited financial statement is required to be on file for each financial institution and broker/dealer in which CVAG invests.

10. The list of permissible investments in Section 6 is intentionally more limited than those set forth in California Government Code Sections 53601 and 53635.
11. Unless further restricted by state law, all investments hereunder shall be limited to a maximum maturity date of three years from date of purchase. A minimum of fifty percent (50%) of CVAG's invested funds must be invested in securities with maturities of one year or less. A minimum of seventy five percent (75%) of CVAG's invested funds must be invested in securities with maturities of two years or less.
12. Excluded from this resolution are investments of employee deferred compensation, employee cafeteria plan and retirement plan funds.
13. This investment policy shall be reviewed at least annually by the Executive Committee and Executive Director in accordance with California Government Code Section 53646 requirements.
14. Under provisions of the California Government Code Section 53646, there shall be a report, at least quarterly, to the Executive Committee on the status of all CVAG investments. This quarterly report will include the following information: Amount on Deposit, Market Value, Source for Market Values, Yield (rate of interest), Type of Investment and Institution. In addition, quarterly report shall:

1. State compliance of the portfolio to CVAG's investment policy or manner in which the portfolio is not in compliance; and
2. Include a statement denoting the ability of CVAG to meet its expenditure requirements for the next six months, or provide an explanation as to why sufficient money shall, or may, not be available.

15. The Executive Director, designee, or an Executive Committee member, shall suggest such amendments to this policy as he or she, from time to time, deems necessary or prudent.

ADOPTED this 22nd day of February 2021.

Glenn A. Miller, Chair
Coachella Valley Association of Governments

ATTEST:

Tom Kirk
Executive Director



Staff Report

Subject: **Electronic Signature Policy**

Contact: Libby Carlson, Management Analyst (lcarlson@cvag.org)

Recommendation: Adopt CVAG Policy 21-02 to authorize the use of electronic signatures for contracts and related documents

Background: The use of electronic signatures (eSignatures) is a widely accepted business practice that increases efficiency, reduces turnaround time, and strengthens security and accountability of document approval and process flow. eSignatures were granted the same legal status as handwritten signatures by the State of California in 1999 via the Uniform Electronic Transactions Act (UETA) and by the federal government with adoption of the Electronic Signatures in Global and National Commerce Act (ESIGN) in 2000.

Electronic signatures have been informally used by CVAG for a number of years, and CVAG legal counsel has advised that eSignatures are acceptable in lieu of traditional “wet” signatures in most instances. The ongoing COVID-19 pandemic – during which CVAG staff moved to a remote working environment and increasingly utilized videoconferencing – has further highlighted the need to fully integrate use of eSignatures in CVAG business operations whenever possible.

The recommended policy seeks to formalize use of eSignatures by setting forth guidelines for their use. Traditional wet signatures will continue to be accepted on a case-by-case basis, including the preference of other parties involved. This transition will speed up document review and execution by streamlining routing of forms and documents. In many cases, it will also reduce costs in terms of printing and transmitting documents. It will also help CVAG move toward more sustainable operations by reducing the amount of paper used to print multiple copies of documents, hardcopy storage and the associated costs. This policy makes no changes to formal CVAG signature authority; it only seeks to establish an electronic medium for processing such authorized signatures.

Upon adoption of this policy, CVAG will immediately begin implementing the use of eSignatures in all applicable business practices. The policy will be available on the CVAG website. Any parties wishing to opt out of using eSignatures may notify staff in writing on a case-by-case basis.

Fiscal Impact: There is no cost to the recommended policy.

Attachments: CVAG Policy 21-02 for Use of Electronic Signatures

COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS
POLICY 21-02: USE OF ELECTRONIC SIGNATURES

Introduction. CVAG is responsible for administering contracts, agreements, policies, procedures and other forms of various agreements for projects, services, and programs related to the organization's overall goals. Upon appropriate level of review and approval, the CVAG Executive Committee authorizes the Executive Director, or designee, to sign any such documents on behalf of CVAG.

In 1999, the State of California adopted a version of the Uniform Electronic Transactions Act (UETA), providing that electronic signatures would have the same legal effect as a wet or manual signatures. In 2000, the Federal Government expanded the use of electronic signatures by adopting the Electronic Signatures in Global and National Commerce Act (ESIGN).

Purpose. This Policy authorizes the use of electronic signatures ("eSignatures") as the preferred means of providing signatures for all CVAG documents, as necessary and appropriate. Use of eSignatures will improve efficiency, increase sustainable business practices, and facilitate simultaneous signature collection among parties in different geographic locations.

CVAG will follow standard public agency law regarding use of eSignatures as set forth in California Government Code 16.5. Although the use of eSignatures is suggested and encouraged when permitted, this policy does not mandate the use of e-signatures or require that any party signing a document use eSignatures if they so decline.

Definitions.

- An "Electronic Signature" (eSignature) refers to any electronic process that indicates acceptance of an agreement or record v
- A "Digital Signature" is a form of eSignature that uses a digital certificate to authenticate the identity of the signatory. The digital certificate demonstrates proof of signing by binding the digital signature of each signatory to the document using encryption. This generally involves use of a specific technology solution in compliance with legal regulations.

Implementation. The following procedures will be followed as part of CVAG's use of eSignatures.

1. All documents submitted for electronic signature must be submitted in PDF format in their entirety.
2. Use of digital signature is not required in all instances. In general, this includes documents requiring notarization, official seal, or those to be recorded with the County.
3. Digital signature or initials must be generated from the signatory's own email account and/or computing device. Generic, generated signatures will not be accepted.
4. All electronic signatures are capable of verification.
5. The electronic signature is under the sole control of the person using it. This prohibits the use of proxy signatures.
6. Email notifications requesting digital signatures must not be forwarded unless delegation has been assigned.
7. The digital signature is linked to the document data in such a manner that it is readily ascertainable if the data has been changed after the signature is applied.
8. In cases involving documents that must be signed by outside parties, each party to the contract must agree in advance to the use of digital signature. No party may be forced to use a digital signature.
9. Consent to use digital signatures may be withdrawn by the other party at any time so that future documents related to the withdrawn consent document must be signed in hard-copy format.

10. A fully-signed document will be made available to all parties involved upon execution of signatures.
11. For a document existing only in electronic form, steps will be taken to ensure that the final fully-executed document is retainable and an audit trail detailing the electronic signature process is provided to or stored in some manner by the appropriate Department depending on the nature of the document (i.e. Clerk or Finance).
12. Retention of all executed electronic documents must be stored in a manner consistent with CVAG records retention policy.
13. Technology used to obtain and document eSignatures or digital signatures will be consistent across the organization, in accordance with best practices, as determined at the discretion of the Executive Director.
14. When it is uncertain whether a document is allowed for eSignature or wet signature, the default option of this policy designates eSignature unless specifically and necessarily mandated otherwise.

eSignature permissions include, but are not limited to, the following:

DOCUMENT TYPE	eSignature Permitted
Internal Memos	Yes
External Memos	Yes
Correspondence from Board, Committee, Executive Director or other staff	Yes
HR Forms (Future, current, and former employees)	Yes
Employee Performance Reviews	Yes
Contracts, Amendments, Agreements, MOUs	Yes
Internal Financial Approvals	Yes
Grant Applications	Yes
Resolutions	Yes
CVAG Policies	Yes
Documents Requiring Notarization or official Seal or those recorded with County	No



January 11, 2021

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

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Coachella Valley Association of Governments (the Association) for the year ended June 30, 2020. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards* and the Uniform Guidance, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated July 27, 2021. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Association are described in the notes to the financial statements. No new accounting policies were adopted, and the application of existing policies was not changed during fiscal year 2019-2020. We noted no transactions entered into by the Association during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the Association's financial statements was:

Management's estimate of its net pension liability is based on actuarial valuation specialist assumptions. We evaluated the key factors and assumptions used to develop the net pension liability in determining that they are reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.





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

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. These differences are described below. In addition, none of the misstatements detected as a result of our audit procedures were material, either individually or in the aggregate, to the financial statements taken as a whole.

Unadjusted Audit Differences	Current Year Over (Under) Revenues and Expenditures/Expenses and Changes in Fund Balance/Equity
Due to immateriality, it is the consistent practice of the Association to not accrue payroll payable at 6/30.	\$ 29,702
Cumulative effect (before effect of prior year differences)	29,702
Effect of unadjusted audit difference - prior year	(58,176)
Cumulative effect (after effect of prior year differences)	\$ (28,474)

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated January 11, 2021.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Association's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Association's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.



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

Other Matters

We applied certain limited procedures to the management's discussion and analysis; the budgetary comparison schedules for the General Fund, the Transportation Uniform Mitigation Fees Fund, the Measure A Fund, and the CV Link Fund; the schedule of proportionate share of the net pension liability; and the schedule of plan contributions which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on combining nonmajor fund financial statements which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

New Accounting Standards

The following new Governmental Accounting Standards Board (GASB) pronouncements were effective for fiscal year 2019-2020 audit:

GASB Statement No. 95, *Postponement of Effective Dates of Certain Authoritative Guidance*.

The following pronouncements have been postponed as a temporary relief to governments and other stakeholders in light of the COVID-19 pandemic and the new effective date is reflected in the following fiscal years and should be reviewed for proper implementation by management:

Fiscal year 2021

GASB Statement No. 84, *Fiduciary Activities*.

GASB Statement No. 90, *Majority Equity Interests - an Amendment of GASB Statement Nos. 14 and 61*.

Fiscal year 2022

GASB Statement No. 87, *Leases*.

GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*.

Fiscal year 2023

GASB Statement No. 91, *Conduit Debt Obligations*.



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

Restriction on Use

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

Very truly yours,

Lance, Soll & Lungard, LLP

Brea, California

Attachment 4b



COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS

FOR THE YEAR ENDED JUNE 30, 2020
(WITH PRIOR YEAR COMPARATIVE TOTALS)

FINANCIAL STATEMENTS

Focused
on YOU



COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS
FINANCIAL STATEMENTS
FOR THE YEAR ENDED
JUNE 30, 2020
(with prior year comparative totals)

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COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS

FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020
(with prior year comparative totals)

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COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS

FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020
(with prior year comparative totals)

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INDEPENDENT AUDITORS' REPORT

To the Executive Committee
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 the Coachella Valley Association of Governments (the Association) as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Association'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.





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

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, as of June 30, 2020, 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.

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 Transportation Uniform Mitigation Fees Fund, the Measure A Fund, and the CV Link Fund; the schedule of proportionate share of the net pension liability; and the schedule of plan contributions 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 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 the government's financial statements for the year ended June 30, 2019, 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 the Association's basic financial statements. The combining nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. The 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
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 January 11, 2021, on our consideration of the Association's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Association's 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 Association's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Lance, Soll & Lungard, LLP". The signature is fluid and cursive, with "Lance" and "Soll" on the first line and "Lungard, LLP" on the second line.

Brea, California
January 11, 2021

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COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2020

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, 2020. 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, 2020

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 it. You can think of the Association's net position – the difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources – as one way to measure the Association's financial health, or *financial position*. Over time, *increases and decreases* in the Association's net assets are one indicator of whether its *financial health* is improving or deteriorating.

Reporting the Association's Major Funds

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

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

See independent auditors' report.

COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS

MANAGEMENT'S DISCUSSION AND ANALYSIS
(CONTINUED)

June 30, 2020

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

Statements of Net Position

	Fiscal Year 2020	Fiscal Year 2019	Dollar Change	Total Percent Change
--	------------------------	------------------------	------------------	----------------------------

Assets:

Cash and investments	\$52,487,432	\$ 56,609,075	\$ (4,121,643)	(7.28)%
Accounts receivable	11,677	22,117	(10,440)	(47.20)%
Interest receivable	162,156	357,398	(195,242)	(54.63)%
Due from other governments	13,649,693	11,010,815	2,638,878	23.97 %
Loans receivable	756,178	1,489,405	(733,227)	(49.23)%
Restricted cash and investments	15,136,406	15,429,953	(293,547)	(1.90)%
Capital assets:				
Land	10,682,344	10,682,344	0	0.00 %
Other capital assets, net	76,575	98,820	(22,245)	(22.51)%
Total Assets	<u>92,962,461</u>	<u>95,699,927</u>	<u>(2,737,466)</u>	<u>(2.86)%</u>

Deferred Outflows of Resources:

Deferred pension related items	<u>1,730,948</u>	<u>731,463</u>	<u>999,485</u>	136.64 %
Total Deferred Outflows of Resources	<u>1,730,948</u>	<u>731,463</u>	<u>999,485</u>	136.64 %

Liabilities:

Accounts payable	1,521,250	1,189,009	332,241	27.94 %
Due to other governments	5,245,146	5,387,044	(141,898)	(2.63) %
Unearned revenue	0	3,000	(3,000)	(100.0) %
Deposits payable	15,136,406	15,429,953	(293,547)	(1.90)%

See independent auditors' report.

COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS

MANAGEMENT'S DISCUSSION AND ANALYSIS
(CONTINUED)

June 30, 2020

GOVERNMENT-WIDE FINANCIAL STATEMENTS (CONTINUED)

Statements of Net Assets (continued)

	Fiscal Year 2020	Fiscal Year 2019	Dollar Change	Total Percent Change
--	------------------------	------------------------	------------------	----------------------------

Liabilities (continued):

Noncurrent liabilities:

Due within one year:

Revenue bonds payable	1,782,895	1,679,167	103,728	6.18 %
Insurance payable	0	11,766	(11,766)	(100.00)%
Compensated absences	127,589	119,768	7,821	6.53 %

Due in more than one year:

Revenue bonds payable	19,373,425	21,156,320	(1,782,895)	(8.43)%
Compensated absences	14,176	13,308	868	6.53 %
Net pension liability	<u>2,457,681</u>	<u>2,222,478</u>	<u>235,203</u>	10.58 %
Total Liabilities	<u>45,658,568</u>	<u>47,211,813</u>	<u>(1,553,245)</u>	(3.29)%

Deferred Inflows of Resources:

Deferred pension related items	<u>178,922</u>	<u>175,996</u>	<u>2,926</u>	1.66 %
Total Deferred Inflows of Resources	<u>178,922</u>	<u>175,996</u>	<u>2,926</u>	1.66 %

Net Position:

Net investment in capital assets	10,758,919	10,781,164	(22,245)	(0.21)%
Restricted:				
Transportation	35,950,102	34,228,510	1,721,592	5.03 %
Other	1,861,184	2,144,568	(283,384)	(13.21)%
Unrestricted	<u>285,714</u>	<u>1,889,339</u>	<u>(1,603,625)</u>	(84.88)%
Total Net Position	<u>\$ 48,855,919</u>	<u>\$ 49,043,581</u>	<u>\$ (187,662)</u>	(0.38)%

See independent auditors' report.

COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS

MANAGEMENT'S DISCUSSION AND ANALYSIS
(CONTINUED)

June 30, 2020

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

Statements of Activities

	Fiscal Year 2020	Fiscal Year 2019	Dollar Change	Total Percent Change
Operating Expenses:				
Administrative	\$ 1,742,152	\$ 775,617	\$ 966,535	124.61 %
Transportation	24,192,079	30,764,551	(6,572,472)	(21.36)%
Other	3,199,252	4,231,475	(1,032,223)	(24.39)%
Interest expense	<u>1,333,066</u>	<u>1,430,663</u>	<u>(97,597)</u>	<u>(6.82)%</u>
Total Expenses	<u>30,466,549</u>	<u>37,202,306</u>	<u>(6,735,757)</u>	<u>(18.11)%</u>
Program Revenues:				
Charges for services	607,001	739,734	(132,733)	(17.94)%
Operating contributions and grants	6,338,016	6,743,594	(405,578)	(6.01)%
Capital contributions and grants	23,137,092	28,052,428	(4,915,336)	(17.52)%
General Revenues:				
Interest income	<u>196,778</u>	<u>1,709,032</u>	<u>(1,512,254)</u>	<u>(88.49)%</u>
Total Revenues	<u>30,278,887</u>	<u>37,244,788</u>	<u>(6,965,901)</u>	<u>(18.70)%</u>
Changes in Net Position	(187,662)	42,482	(230,144)	(541.74)%
Net Position – Beginning of Year	<u>49,043,581</u>	<u>49,001,099</u>	<u>42,482</u>	0.08 %
Net Position - End of Year	<u>\$ 48,855,919</u>	<u>\$ 49,043,581</u>	<u>\$ (187,662)</u>	<u>(0.38)%</u>

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 decreased by 0.4 percent (\$49.0 million compared to \$48.9 million), which is minimal.

See independent auditors' report.

COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS

MANAGEMENT'S DISCUSSION AND ANALYSIS
(CONTINUED)

June 30, 2020

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 \$1,580,247.

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

- A decrease in the Total Revenues by \$151,626 is mainly due to the completion of a grant program.
- An increase in Total Expenditures by \$865,290 is mainly due to a paydown of the CalPERS Unfunded Accrued Liability.

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 \$2,522,853.

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 \$629,933 is mainly due to a decrease in Measure A In-Lieu of TUMF revenues collected in the current fiscal year.
- A decrease in Total Expenditures by \$2,665,252 is mainly due to a decrease in Project Cost reimbursements, which are dependent on work completed on various arterial projects as well as the timing of the jurisdictions submitting requests for reimbursements.

Measure A Fund - The Measure A Fund accounts for the revenues generated by the Measure A half cent sales tax and is used mainly for the construction and/or improvement of the regional arterials in the Coachella Valley. At the end of the current fiscal year, the total fund balance was \$53,107,521.

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 \$3,814,993 is mainly due to a decrease in Measure A revenues recorded. This increase does not have a direct relationship to the actual amount of sales tax collected, but the amount of reimbursement that was requested by the association. Please see Note 15 for further clarification.
- A decrease in Total Expenditures by \$4,526,656 is mainly due to a decrease in Project Cost reimbursements, which are dependent on work completed on various arterial projects as well as the timing of the jurisdictions submitting requests for reimbursements.

See independent auditors' report.

COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

June 30, 2020

CV Link Fund - The CV Link Fund accounts for the revenues generated from Grants and is used mainly for the construction of the CV Link project in the Coachella Valley. At the end of the current fiscal year, the total fund balance was (\$360,976).

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

- An increase in Total Revenues by \$1,043,310 is mainly due to an increase in funds received from reimbursement fundings.
- An increase in Total Expenditures by \$543,248 is mainly due to an increase in construction work on the CV Link.

CAPITAL ASSETS AND DEBT ADMINISTRATION

CAPITAL ASSETS

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

	Capital Assets (net of depreciation)		
	Balance June 30, 2020	Balance June 30, 2019	Increase (Decrease)
Land	\$ 10,682,344	\$ 10,682,344	\$ -
Furniture and equipment	15,964	18,552	(2,588)
Vehicles	60,611	80,268	(19,657)
Total	<u>\$ 10,758,919</u>	<u>\$ 10,781,164</u>	<u>\$ (22,245)</u>

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

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

See independent auditors' report.

COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

June 30, 2020

DEBT ADMINISTRATION

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

Long-Term Debt

	Balance June 30, 2020	Balance June 30, 2019	Increase (Decrease)
Revenue bonds payable	\$ 21,156,320	\$ 22,835,487	\$ (1,679,167)
Insurance payable	-	11,766	(11,766)
Compensated absences	141,765	133,076	8,689
Total	<u>\$ 21,298,085</u>	<u>\$ 22,980,329</u>	<u>\$ (1,682,244)</u>

Additional information on long-term debt is presented in Note 9, 10 & 11 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 \$ 380,349
- Benefits expenditures under budget by \$ 136,605
- Transfers in under budget by \$ 569,459

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, 2020 (with prior year comparative totals)

	Governmental Activities	
	2020	2019
Assets:		
Cash and investments	\$ 52,487,432	\$ 56,609,075
Receivables:		
Accounts	11,677	22,117
Interest	162,156	357,398
Notes and loans	756,178	1,489,405
Due from other governments	13,649,693	11,010,815
Restricted cash and investments	15,136,406	15,429,953
Capital assets, not being depreciated	10,682,344	10,682,344
Capital assets, net of depreciation	76,575	98,820
Total Assets	92,962,461	95,699,927
Deferred Outflows of Resources:		
Pension deferrals	1,730,948	731,463
Total Deferred Outflows of Resources	1,730,948	731,463
Liabilities:		
Accounts payable	1,521,250	1,189,009
Unearned revenue	-	3,000
Deposits payable	15,136,406	15,429,953
Due to other governments	5,245,146	5,387,044
Noncurrent liabilities:		
Due within one year:		
Bonds payable	1,782,895	1,679,167
Claims payable	-	11,766
Compensated absences	127,589	119,768
Due in more than one year:		
Bonds payable	19,373,425	21,156,320
Compensated absences	14,176	13,308
Net pension liability	2,457,681	2,222,478
Total Liabilities	45,658,568	47,211,813
Deferred Inflows of Resources:		
Pension deferrals	178,922	175,996
Total Deferred Inflows of Resources	178,922	175,996
Net Position:		
Invested in capital assets	10,758,919	10,781,164
Restricted:		
Transportation	35,950,102	34,228,510
Environmental	757,858	1,041,242
Homeless	1,103,326	1,103,326
Unrestricted	285,714	1,889,339
Total Net Position	\$ 48,855,919	\$ 49,043,581

COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2020 (with prior year comparative totals)

Functions/Programs	Expenses	Program Revenues			Net Governmental Activities	
		Charges for Services	Operating Contributions and Grants	Capital Contributions and Grants	2020	2019
Governmental Activities:						
Administrative	\$ 1,742,152	\$ 607,001	\$ 4,302,684	\$ -	\$ 3,167,533	\$ 2,509,546
Transportation	24,192,079	-	-	23,137,092	(1,054,987)	(2,712,123)
Other	3,199,252	-	2,035,332	-	(1,163,920)	(33,310)
Interest Expense	1,333,066	-	-	-	(1,333,066)	(1,430,663)
Total Governmental Activities	\$ 30,466,549	\$ 607,001	\$ 6,338,016	\$ 23,137,092	(384,440)	(1,666,550)
General Revenues:						
Investment income				196,778	1,709,032	
Total General Revenues				196,778	1,709,032	
Change in Net Position				(187,662)	42,482	
Net Position at the Beginning of the Year				49,043,581	49,001,099	
Net Position at the End of the Year				\$ 48,855,919	\$ 49,043,581	

COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS

BALANCE SHEET

GOVERNMENTAL FUNDS

JUNE 30, 2020 (with prior year comparative totals)

	Special Revenue Funds				
	Transportation Uniform Mitigation Fees				
	General	Measure A	CV Link		
Assets:					
Cash and investments	\$ 1,274,935	\$ 3,393,515	\$ 46,118,407	\$ -	\$ -
Accounts receivable	9,941	-	-	-	-
Interest receivable	3,446	11,918	143,305	-	-
Due from other governments	39,916	772,644	7,395,779	3,746,054	-
Due from other funds	269,457	-	4,428,015	-	-
Restricted cash and investments	-	-	15,136,406	-	-
Total Assets	\$ 1,597,695	\$ 4,178,077	\$ 73,221,912	\$ 3,746,054	
Liabilities, Deferred Inflows of Resources, and Fund Balances (Deficits):					
Liabilities:					
Accounts payable	\$ 15,498	\$ 11,581	\$ 515,951	\$ 368,482	
Due to other governments	1,950	1,643,643	3,552,480	24,573	
Due to other funds	-	-	-	3,576,505	
Deposits payable	-	-	15,136,406	-	
Unearned revenues	-	-	-	-	
Total Liabilities	17,448	1,655,224	19,204,837	3,969,560	
Deferred Inflows of Resources:					
Unavailable revenues	-	-	909,554	137,470	
Total Deferred Inflows of Resources	-	-	909,554	137,470	
Fund Balances (Deficits):					
Restricted:					
Transportation	-	2,522,853	53,107,521	-	
Environmental	-	-	-	-	
Homeless	-	-	-	-	
Unassigned	1,580,247	-	-	(360,976)	
Total Fund Balances (Deficits)	1,580,247	2,522,853	53,107,521	(360,976)	
Total Liabilities, Deferred Inflows of Resources, and Fund Balances (Deficits)	\$ 1,597,695	\$ 4,178,077	\$ 73,221,912	\$ 3,746,054	

COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS

BALANCE SHEET

GOVERNMENTAL FUNDS

JUNE 30, 2020 (with prior year comparative totals)

	Other Governmental Funds	Total Governmental Funds	
		2020	2019
Assets:			
Cash and investments	\$ 1,700,575	\$ 52,487,432	\$ 56,609,075
Accounts receivable	1,736	11,677	22,117
Interest receivable	3,487	162,156	357,398
Due from other governments	1,695,300	13,649,693	11,010,815
Due from other funds	-	4,697,472	2,133,771
Restricted cash and investments	-	15,136,406	15,429,953
Total Assets	\$ 3,401,098	\$ 86,144,836	\$ 85,563,129
Liabilities, Deferred Inflows of Resources, and Fund Balances (Deficits):			
Liabilities:			
Accounts payable	\$ 609,738	\$ 1,521,250	\$ 1,189,009
Due to other governments	22,500	5,245,146	5,387,044
Due to other funds	1,120,967	4,697,472	2,133,771
Deposits payable	-	15,136,406	15,429,953
Unearned revenues	-	-	3,000
Total Liabilities	1,753,205	26,600,274	24,142,777
Deferred Inflows of Resources:			
Unavailable revenues	696,344	1,743,368	3,766,923
Total Deferred Inflows of Resources	696,344	1,743,368	3,766,923
Fund Balances (Deficits):			
Restricted:			
Transportation	23,922	55,654,296	55,317,640
Environmental	707,427	707,427	764,158
Homeless	877,352	877,352	1,103,326
Unassigned	(657,152)	562,119	468,305
Total Fund Balances (Deficits)	951,549	57,801,194	57,653,429
Total Liabilities, Deferred Inflows of Resources, and Fund Balances (Deficits)	\$ 3,401,098	\$ 86,144,836	\$ 85,563,129

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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, 2020**

Fund balances of governmental funds	\$ 57,801,194
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.	10,758,919
Loans receivable that have not been included in the governmental fund activity.	756,178
Long-term debt, claims payable, and compensated absences that have not been included in the governmental fund activity:	
Bonds payable	\$ (21,156,320)
Compensated Absences	<u>(141,765)</u>
	(21,298,085)
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.	1,743,368
Net pension liability that has not been included in governmental fund activity.	(2,457,681)
Deferred outflows of resources related to the pension plan:	
Contributions made after the actuarial measurement date	1,341,435
Adjustments due to differences in proportions	101,623
Difference between expected and actual experiences	170,696
Changes in assumptions and other inputs	<u>117,194</u>
	1,730,948
Deferred inflows of resources related to the pension plan:	
Difference between actual contributions and the proportionate share of contributions	(81,184)
Net difference between projected and actual earnings on	(42,968)
Difference between expected and actual experiences	(13,226)
Changes in assumptions and other inputs	<u>(41,544)</u>
	(178,922)
Net Position of Governmental Activities	<u>\$ 48,855,919</u>

COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2020 (with prior year comparative totals)

	Special Revenue Funds			
	Transportation Uniform Mitigation Fees			
	General	Mitigation Fees	Measure A	CV Link
Revenues:				
Member dues	\$ 442,466	\$ -	\$ -	\$ -
Mitigation Fees	-	4,990,263	-	-
Measure A	-	164,632	15,774,681	-
Grants	35,428	-	-	2,499,393
Investment Income	24,585	80,887	1,040,402	1,813
Loan Repayments	-	-	568,595	-
Other Governmental	-	-	1,213,543	49,034
Miscellaneous	17,139	6,457	-	1,680,513
Total Revenues	519,618	5,242,239	18,597,221	4,230,753
Expenditures:				
Current:				
Salaries	195,993	254,905	336,306	256,517
Benefits	1,094,208	89,161	116,871	80,352
Communications	2,982	3,692	4,838	4,315
Advertising	493	1,397	2,524	137
Insurance	9,366	14,742	20,026	14,060
Memberships and per diem	8,702	2,737	4,472	1,137
General and office expenses	5,464	12,442	292,725	6,394
Professional services	17,360	24,788	43,842	1,499,919
Consultants	19,859	64,728	1,009,452	809,193
Leases and maintenance	12,466	16,489	21,890	16,346
Staff Training	695	1,759	2,802	864
Transportation and meetings	2,887	2,363	4,144	1,338
Utilities	977	1,300	1,722	1,300
Project costs	500	5,748,823	10,904,439	2,141,704
Capital outlay	4,242	-	-	-
Debt service:				
Principal retirement	-	-	1,679,167	-
Interest and fiscal charges	-	-	1,333,066	-
Total Expenditures	1,376,194	6,239,326	15,778,286	4,833,576
Excess (Deficiency) of Revenues Over (Under) Expenditures	(856,576)	(997,087)	2,818,935	(602,823)
Other Financing Sources (Uses):				
Transfers in	6,275	-	-	1,567,216
Transfers out	(6,300)	-	(1,485,007)	-
Total Other Financing Sources (Uses)	(25)	-	(1,485,007)	1,567,216
Net Change in Fund Balances	(856,601)	(997,087)	1,333,928	964,393
Fund Balance (Deficit) - Beginning	2,436,848	3,519,940	51,773,593	(1,325,369)
Fund Balance (Deficit) - Ending	\$ 1,580,247	\$ 2,522,853	\$ 53,107,521	\$ (360,976)

COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2020 (with prior year comparative totals)

	Other Governmental Funds	Total Governmental Funds	
		2020	2019
Revenues:			
Member dues	\$ -	\$ 442,466	\$ 423,600
Mitigation Fees	-	4,990,263	4,867,459
Measure A	642,125	16,581,438	20,940,634
Grants	888,199	3,423,020	3,909,540
Investment Income	28,410	1,176,097	1,710,604
Loan Repayments	-	568,595	568,595
Other Governmental	2,785,355	4,047,932	4,307,156
Miscellaneous	496,709	2,200,818	817,536
Total Revenues	4,840,798	33,430,629	37,545,124
Expenditures:			
Current:			
Salaries	766,282	1,810,003	1,763,445
Benefits	285,097	1,665,689	634,758
Communications	12,982	28,809	23,050
Advertising	1,689	6,240	10,736
Insurance	45,850	104,044	99,952
Memberships and per diem	8,991	26,039	40,039
General and office expenses	25,980	343,005	59,057
Professional services	107,838	1,693,747	442,022
Consultants	2,890,013	4,793,245	5,854,207
Leases and maintenance	49,489	116,680	111,687
Staff Training	4,491	10,611	12,016
Transportation and meetings	3,500	14,232	54,988
Utilities	3,879	9,178	9,441
Project costs	849,401	19,644,867	27,006,096
Capital outlay	-	4,242	4,065
Debt service:			
Principal retirement	-	1,679,167	1,581,570
Interest and fiscal charges	-	1,333,066	1,430,663
Total Expenditures	5,055,482	33,282,864	39,137,792
Excess (Deficiency) of Revenues Over (Under) Expenditures	(214,684)	147,765	(1,592,668)
Other Financing Sources (Uses):			
Transfers in	1,057,970	2,631,461	1,194,998
Transfers out	(1,140,154)	(2,631,461)	(1,194,998)
Total Other Financing Sources (Uses)	(82,184)	-	-
Net Change in Fund Balances	(296,868)	147,765	(1,592,668)
Fund Balance (Deficit) - Beginning	1,248,417	57,653,429	59,246,097
Fund Balance (Deficit) - Ending	\$ 951,549	\$ 57,801,194	\$ 57,653,429

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
FOR THE YEAR ENDED JUNE 30, 2020**

Net change in fund balances - total governmental funds	\$ 147,765
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.	
Depreciation	(22,245)
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	1,679,167
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.	11,766
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.	(8,689)
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.	(733,227)
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.	(2,023,555)
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.	761,356
Change in Net Position of Governmental Activities	\$ (187,662)

NOTES TO FINANCIAL STATEMENTS

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COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS

NOTES TO BASIC FINANCIAL STATEMENTS JUNE 30, 2020

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, 2020

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, 2020

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, 2020

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 2020; in addition, adjustments due to differences in proportions, differences between expected and actual experiences, changes in actuarial assumptions, and the net difference between projected and actual earnings on pension plan investments are deferred and recognized over the expected average remaining service life, with the exception of the net difference between projected and actual earnings on pension plan investments which is recognized over five years. Please refer to Note 13 for more information on these deferred items.

COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED) JUNE 30, 2020

Note 1: Summary of Significant Accounting Policies (Continued)

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.

The second item, reported in the government-wide statement of net position, relates to the difference between actual contributions and the proportionate share of contributions, the difference between expected and actual experiences, and changes in actuarial assumptions for the Association's defined benefit pension plan. These items are deferred and recognized 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 12 and the required supplementary information (RSI) section immediately following the Notes to Financial Statements), regardless of the amount recognized as pension expenditures on the governmental fund statements, which use the modified accrual basis of accounting.

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

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

COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED) JUNE 30, 2020

Note 1: Summary of Significant Accounting Policies (Continued)

Net Position

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

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

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

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

When expenses are incurred for purposes for which both restricted and unrestricted Net Position are available, 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, 2020

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.

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

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.

COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED) JUNE 30, 2020

Note 1: Summary of Significant Accounting Policies (Continued)

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.

g. Capital Assets

Capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets, donated works of art and similar items, and capital assets received as part of a service concession arrangement are recorded at acquisition value at the date of acquisition. Generally, 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.

Note 2: Stewardship, Compliance, and Accountability

a. Deficit Fund Balance in Nonmajor Funds

The Other Transportation Fund reported a fund deficit at June 30, 2020 in the amount of (\$657,152).

COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED) JUNE 30, 2020

Note 3: Cash and Investments

Cash and investments of the Association consisted of the following at June 30, 2020:

Cash on hand	\$ 300
Deposits with financial institutions	246,240
Total cash and deposits	<u>246,540</u>
 Investments:	
Local Agency Investment Fund	30,385,662
Riverside County Pooled Investment Fund	21,855,230
California Asset Management Program	15,136,406
Total investments	<u>67,377,298</u>
Total cash and investments	<u>\$ 67,623,838</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
<i>N/A - Not Applicable</i>			

COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED) JUNE 30, 2020

Note 3: Cash and Investments (Continued)

Disclosures Relating to Interest Rate Risk

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

The Association's investments in the Local Agency Investment Fund of \$30,385,662, Riverside County Pooled Investment Fund of \$21,855,230, and the California Asset Management Program of \$15,136,406 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:

Local Agency Investment Fund	N/A	\$ 30,385,662
Riverside County Pooled Investment Fund	N/A	21,855,230
California Asset Management Program	N/A	15,136,406

Investment in State Investment Pool (LAIF)

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

Investment in Riverside County Investment Pool

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

COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED) JUNE 30, 2020

Note 3: Cash and Investments (Continued)

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 AAA and as such, the fair market value is equivalent to the amount invested. The balance available for withdrawal is based on the accounting records maintained by CAMP.

Fair Value Hierarchy

CVAG categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. With the exception of LAIF, which is uncategorized, CVAG has all the investments in Level 2 inputs.

Note 4: Loans Receivable

	Outstanding Balance at June 30, 2020
The Association made a loan to the following entity for the construction of mesquite Avenue from Gene Autry Trail to Dinah Shore Drive:	
City of Palm Springs, payable through 2039	\$ 198,004
The Association made a loans to the following entities for the construction of Miles Avenue/Clinton Street:	
City of Indio, payable through 2022	279,087
County of Riverside, payable through 2022	279,087
Total loans receivable	<u><u>\$ 756,178</u></u>

Note 5: Interfund Receivables and Payables

Receivable Funds	Payable Funds	Amount
General Fund	Other Governmental Funds	\$ 269,457
Measure A Fund	Other Governmental Funds	851,510
Measure A Fund	CV Link Fund	3,576,505
		<u><u>\$ 4,697,472</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, 2020

Note 6: Interfund Transfers

Transfer In to Fund	Transfers Out of Funds	Amount
General Fund	Other Governmental Funds	\$ 6,275
CV Link	Measure A Funds	784,742
CV Link	Other Governmental Funds	782,474
Other Governmental Funds	Measure A Funds	700,265
Other Governmental Funds	Other Governmental Funds	351,405
Other Governmental Funds	General Fund	6,300
		<u><u>\$ 2,631,461</u></u>

The two largest transfers above were from the Measure A Funds to the Other Governmental Funds in the amount of \$700,265, which was for expenditures incurred by the Signal Synchronization Project and from the other governmental funds to the CV Link in the amount of \$784,742 for the expenditures incurred.

Note 7: Capital Assets

A summary of capital asset activity for the year ended June 30, 2020, is as follows:

	Balance at July 1, 2019	Additions	Deletions	Balance at June 30, 2020
Capital assets not being depreciated:				
Land	\$ 10,682,344	\$ -	\$ -	\$ 10,682,344
Total Capital Assets Not being Depreciated	<u>10,682,344</u>	<u>-</u>	<u>-</u>	<u>10,682,344</u>
Capital assets being depreciated:				
Furniture and equipment	113,812	-	(12,475)	101,337
Vehicles	687,073	-	-	687,073
Total Capital Assets being Depreciated	<u>800,885</u>	<u>-</u>	<u>(12,475)</u>	<u>788,410</u>
Less accumulated depreciation for:				
Furniture and equipment	(95,260)	(2,588)	12,475	(85,373)
Vehicles	(606,805)	(19,657)	-	(626,462)
Total Accumulated Depreciation	<u>(702,065)</u>	<u>(22,245)</u>	<u>12,475</u>	<u>(711,835)</u>
Total Capital Assets Being Depreciated, Net	<u>98,820</u>	<u>(22,245)</u>	<u>-</u>	<u>76,575</u>
Total Capital Assets, Net	<u>\$ 10,781,164</u>	<u>\$ (22,245)</u>	<u>\$ -</u>	<u>\$ 10,758,919</u>

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

Transportation \$ 22,245

COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED) JUNE 30, 2020

Note 8: Transportation Uniform Mitigation Fee Program

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

Fiscal Period		Fiscal Year Ending
<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	3,668,531
	2016	3,199,615
	2017	3,083,965
	2018	4,198,419
	2019	4,867,459
	2020	4,990,263
		<u>\$ 130,087,029</u>

In addition, the Association received \$24,383,399 cumulatively through June 30, 2020 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, 2020, is \$0.

Note 9: Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2020, is as follows:

	Balance July 1, 2019	Additions	Deletions	Balance at June 30, 2020	Due Within One Year
Public offering:					
Revenue bonds payable	\$ 22,835,487	\$ -	\$ 1,679,167	\$ 21,156,320	\$ 1,782,895

COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED) JUNE 30, 2020

Note 9: 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, 2020, annual debt service requirement of the revenue bonds payable is as follows:

Fiscal Year				
Ending	Principal	Interest	Total	
2021	\$ 1,782,895	\$ 1,229,338	\$ 3,012,233	
2022	1,893,146	1,119,087	3,012,233	
2023	2,010,338	1,001,895	3,012,233	
2024	2,134,916	877,317	3,012,233	
2025	2,267,354	744,879	3,012,233	
2026-2030	11,067,671	1,483,302	12,550,973	
Totals	<u>\$ 21,156,320</u>	<u>\$ 6,455,818</u>	<u>\$ 27,612,138</u>	

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

Note 10: Compensated Absences

The Association's policies relating to compensated absences are described in Note 1. This liability amounting to \$141,765 at June 30, 2020 is expected to be paid in future years from future resources and is typically liquidated from the General Fund.

	Balance July 1, 2019	Additions	Deletions	Balance at June 30, 2020	Due Within One Year
Compensated absences	\$ 133,076	\$ 116,179	\$ (107,490)	\$ 141,765	\$ 127,589
Totals	<u>\$ 133,076</u>	<u>\$ 116,179</u>	<u>\$ (107,490)</u>	<u>\$ 141,765</u>	<u>\$ 127,589</u>

COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED) JUNE 30, 2020

Note 11: Liability, Property and Workers' Compensation Protection

Description of Self-Insurance Pool Pursuant to Joint Powers Agreement

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

Primary Self-Insurance Programs of the Authority

Each member pays an annual contribution at the beginning of the coverage period. A retrospective adjustment is then conducted annually thereafter, for coverage years 2012-13 and prior. Coverage years 2013-14 and forward are not subject to routine annual retrospective adjustment. The total funding requirement for primary self-insurance programs is based on an actuarial analysis. Costs are allocated to individual agencies based on payroll and claims history, relative to other members of the risk-sharing pool.

Primary Liability Program

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

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

COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED) JUNE 30, 2020

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

Purchased Insurance

Property Insurance

The Coachella Valley Association of Governments participates in the all-risk property protection program of the Authority. This insurance protection is underwritten by several insurance companies. Coachella Valley Association of Governments property is currently insured according to a schedule of covered property submitted by the Coachella Valley Association of Governments to the Authority. Coachella Valley Association of Governments property currently has all-risk property insurance protection in the amount of "Non-participant". There is a \$10,000 deductible per occurrence except for non-emergency vehicle insurance which has a \$2,500 deductible.

Crime Insurance

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

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 2019-20.

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

Note 12: 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, 2020 was \$102,348. The lease is currently under negotiations.

Note 13: 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.

COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED) JUNE 30, 2020

Note 13: Pension Plan (Continued)

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.

The provisions and benefits of the plan in effect at June 30, 2020, are summarized as follows:

	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	6.906%	7.3%
Required employer contribution rates	23.282%	8.058%

Contribution Description

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. 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, 2020, the contributions recognized as part of pension expense was \$294,482.

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

As of June 30, 2020, CVAG reported its proportionate share of the Net Pension Liability of \$2,457,681.

COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED) JUNE 30, 2020

Note 13: 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, 2019, 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, 2018 rolled forward to June 30, 2019 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, 2018 and 2019, was as follows:

	Miscellaneous
Proportion - June 30, 2018	0.02306%
Proportion - June 30, 2019	0.02398%
Change - Increase (Decrease)	0.00092%

For the year ended June 30, 2020, CVAG recognized a total pension expense of \$578,955 for all plans in total. At June 30, 2020, the CVAG reported deferred outflows and deferred inflows of resources related to pensions as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Contributions made subsequent of the measurement period	\$ 1,341,435	\$ -
Change in Assumptions	117,194	41,544
Difference between expected and actual experiences	170,696	13,226
Net Difference between Projected and Actual Earnings on Pension Plan Investments	-	42,968
Adjustment due to Difference in Proportions	101,623	-
Difference in proportionate share	-	81,184
Total	\$ 1,730,948	\$ 178,922

COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED) JUNE 30, 2020

Note 13: Pension Plan (Continued)

The \$1,341,435 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, 2021. Other amounts reported as deferred outflows or deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Fiscal Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2021	\$ 195,132
2022	(10,275)
2023	17,052
2024	8,682
Total	<u>\$ 210,591</u>

Actuarial Methods and Assumptions Used to Determine Total Pension Liability

For the measurement period ended June 30, 2019 (the measurement date), the total pension liability was determined by rolling forward the June 30, 2018 total pension liability. The June 30, 2019 total pension liability was based on the following actuarial methods and assumptions:

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

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

Discount Rate

The discount rate used to measure the total pension liability was 7.15 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 7.15 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.15 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.

COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED) JUNE 30, 2020

Note 13: Pension Plan (Continued)

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

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

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

Asset Class (1)	Assumed Asset Allocation	Real Return Years 1 - 10 (2)	Real Return Years 11+ (3)
Global Equity	50.0%	4.80%	5.98%
Fixed Income	28.0	1.00	2.62
Inflation Assets	0.0	0.77	1.81
Private Equity	8.0	6.30	7.23
Real Assets	13.0	3.75	4.93
Liquidity	1.0	0.00	-0.92

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

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

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

COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED) JUNE 30, 2020

Note 13: Pension Plan (Continued)

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

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

	Discount Rate - 1% 6.15%	Current Discount 7.15%	Discount Rate +1% 8.15%
Miscellaneous plan Net Pension Liability/(Asset)	\$ 3,876,383	\$ 2,457,681	\$ 1,286,644

Pension Plan Fiduciary Net Position

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

COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED) JUNE 30, 2020

Note 14: Capital Projects and Programs

The following represents the unexpended project budgets as of June 30, 2020. Unexpended project budgets may be reprogrammed to other projects upon finalization of all pending items (final bills, disposition of change orders, etc.)

Jefferson Street and Varner Road (North of I-10)	\$ 2,888,246
Jefferson/I-10 Interchange	13,998,894
Indian Avenue (Garnet to and including Railroad Crossing Bridge)	5,935,558
Frank Sinatra Dr. Intersection at Hwy 111	670,712
Madison Street (Avenue 52 to Indio Boulevard)	3,219,932
Portola Avenue (North of Gerald Ford Drive)	534,935
Hwy 111 (bet. Rubidoux St. and 760' W. of Madison St)	21,568
Interchange Preparation Fund	4,340,621
Cathedral Canyon Bridge	2,313,953
Date Palm Drive Bridge	331,762
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	2,841,644
Avenue 56 Grade Separation	1,509,535
Avenue 66 Grade Separation	6,845,220
Ramon Road Bridge Widening	6,676,654
Vista Chino Drive Bridge	7,849,403
Date Palm Drive Improvement (I-10 and Varner Rd.)	1,872,866
Avenue 50 Bridge	315,694
Dune Palms Road Bridge	1,504,181
East Palm Canyon Dr. Bridge (over Palm Canyon Wash)	1,043,440
S. Palm Canyon Dr. Bridge (over Tahquitz Creek Channel)	684,800
Portola/I-10 Interchange	52,121,705
CV Link	20,000,000
Interchange Improvement (I-10 and Avenue 50)	1,875,000
Avenue 50 (bet. Calhoun St. & Harrison St.)	3,089,145
Avenue 44 Bridge	1,193,944
North Indian Canyon Drive Widening	1,548,748
Avenue 48 (between Van Buren and Dillon Road)	3,154
Avenue 50 (between SR86 and I-10)	619,048
Bicycle and Pedestrian Safety Program	5,626,912
Regional Traffic Signal Synchronization	4,343,552
Washington St. & Fred Waring Dr. Intersection Improvements	1,259,757
Avenue 50 and Jackson St. Intersection Improvements	25,334
Indian Canyon Dr. (between Camino Parocela to Aleo Road)	<u>1,500,000</u>
Unexpended project budgets	171,058,551
Less amounts to be provided in future years	<u>(115,428,177)</u>
Restricted fund balance associated with specific capital projects and programs	<u>\$ 55,630,374</u>

COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED) JUNE 30, 2020

Note 15: 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 9), have been incurred. Measure A funds controlled by RCTC related to the Coachella Valley highway and regional arterial program that have not been expended by 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:

Fiscal Year Ending	
2016	\$ 18,651,337
2017	19,027,147
2018	19,256,161
2019	21,619,378
2020	20,916,167

Note 16: Commitments and Contingencies

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, 2020, the remaining commitment to the MSHCP is \$7,675,000. 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 17: Investment Income

Investment income amounted to \$1,176,097 for the year ended June 30, 2020. This amount was comprised of investment earnings of \$1,107,114 and the fair market value adjustment of \$229,115.

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REQUIRED SUPPLEMENTARY INFORMATION

COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2020

	Budget Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues:				
Member dues	\$ 437,978	\$ 437,978	\$ 442,466	\$ 4,488
Grants	54,654	54,654	35,428	(19,226)
Investment income	20,250	20,250	24,585	4,335
Miscellaneous	79,750	79,750	17,139	(62,611)
Total Revenues	592,632	592,632	519,618	(73,014)
Expenditures:				
Salaries	576,342	576,342	195,993	380,349
Benefits	1,230,813	1,230,813	1,094,208	136,605
Communications	6,042	6,042	2,982	3,060
Advertising	256	256	493	(237)
Insurance	28,138	28,138	9,366	18,772
Memberships and per diem	33,056	33,056	8,702	24,354
General and office expenses	14,759	14,759	5,464	9,295
Professional services	19,652	19,652	17,360	2,292
Consultants	22,654	22,654	19,859	2,795
Leases and maintenance	36,068	36,068	12,466	23,602
Staff training	7,865	7,865	695	7,170
Transportation and meetings	38,022	38,022	2,887	35,135
Utilities	3,836	3,836	977	2,859
Project costs	10,000	10,000	500	9,500
Capital outlay	85,000	85,000	4,242	80,758
Total Expenditures	2,112,503	2,112,503	1,376,194	736,309
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,519,871)	(1,519,871)	(856,576)	663,295
Other Financing Sources (Uses):				
Transfers in	575,734	575,734	6,275	(569,459)
Transfers out	(76,067)	(76,067)	(6,300)	69,767
Total Other Financing Sources (Uses)	499,667	499,667	(25)	(499,692)
Net Change in Fund Balances	\$ (1,020,204)	\$ (1,020,204)	(856,601)	\$ 163,603
Fund Balance - Beginning			2,436,848	
Fund Balance - Ending			\$ 1,580,247	

COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS

BUDGETARY COMPARISON SCHEDULE
TRANSPORTATION UNIFORM MITIGATION FEES
FOR THE YEAR ENDED JUNE 30, 2020

	Budget Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues:				
Mitigation Fees	\$ 4,000,000	\$ 4,000,000	\$ 4,990,263	\$ 990,263
Measure A	-	-	164,632	164,632
Investment Income	20,000	20,000	80,887	60,887
Miscellaneous	-	-	6,457	6,457
Total Revenues	4,020,000	4,020,000	5,242,239	1,222,239
Expenditures:				
Salaries	260,940	260,940	254,905	6,035
Benefits	95,415	95,415	89,161	6,254
Communications	2,739	2,739	3,692	(953)
Advertising	1,516	1,516	1,397	119
Insurance	12,749	12,749	14,742	(1,993)
Memberships and per diem	7,361	7,361	2,737	4,624
General and office expenses	9,082	9,082	12,442	(3,360)
Professional services	13,598	13,598	24,788	(11,190)
Consultants	362,500	362,500	64,728	297,772
Leases and maintenance	16,342	16,342	16,489	(147)
Staff training	3,564	3,564	1,759	1,805
Transportation and meetings	2,860	2,860	2,363	497
Utilities	1,739	1,739	1,300	439
Project costs	4,000,000	4,000,000	5,748,823	(1,748,823)
Capital outlay	1,750	1,750	-	1,750
Transfers out	79,439	79,439	-	79,439
Total Expenditures	4,871,594	4,871,594	6,239,326	(1,367,732)
Net Change in Fund Balances	\$ (851,594)	\$ (851,594)	(997,087)	\$ (145,493)
Fund Balance - Beginning			3,519,940	
Fund Balance - Ending			\$ 2,522,853	

COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS

BUDGETARY COMPARISON SCHEDULE
MEASURE A
FOR THE YEAR ENDED JUNE 30, 2020

	Budget Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues:				
Measure A	\$ 20,629,250	\$ 20,629,250	\$ 15,774,681	\$ (4,854,569)
Investment income	470,000	470,000	1,040,402	570,402
Loan repayments	568,595	568,595	568,595	-
Other governmental	-	-	1,213,543	1,213,543
Total Revenues	21,667,845	21,667,845	18,597,221	(3,070,624)
Expenditures:				
Salaries	401,354	401,354	336,306	65,048
Benefits	151,411	151,411	116,871	34,540
Communications	4,210	4,210	4,838	(628)
Advertising	2,778	2,778	2,524	254
Insurance	19,602	19,602	20,026	(424)
Memberships and per diem	13,633	13,633	4,472	9,161
General and office expenses	15,512	15,512	292,725	(277,213)
Professional services	22,697	22,697	43,842	(21,145)
Consultants	617,500	617,500	1,009,452	(391,952)
Leases and maintenance	25,126	25,126	21,890	3,236
Staff training	5,481	5,481	2,802	2,679
Transportation and meetings	4,846	4,846	4,144	702
Utilities	2,673	2,673	1,722	951
Project costs	122,819,115	122,819,115	10,904,439	111,914,676
Capital outlay	3,250	3,250	-	3,250
Debt service:				
Principal	1,679,167	1,679,167	1,679,167	-
Interest	1,333,066	1,333,066	1,333,066	-
Total Expenditures	127,121,421	127,121,421	15,778,286	111,343,135
Excess (Deficiency) of Revenues Over (Under) Expenditures	(105,453,576)	(105,453,576)	2,818,935	108,272,511
Other Financing (Uses):				
Transfers out	(5,866,177)	(5,866,177)	(1,485,007)	4,381,170
Total Other Financing (Uses)	(5,866,177)	(5,866,177)	(1,485,007)	4,381,170
Net Change in Fund Balances	\$ (111,319,753)	\$ (111,319,753)	1,333,928	\$ 112,653,681
Fund Balance - Beginning			51,773,593	
Fund Balance - Ending			\$ 53,107,521	

COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS

BUDGETARY COMPARISON SCHEDULE
CV LINK
FOR THE YEAR ENDED JUNE 30, 2020

	Budget Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues:				
Grants	\$ -	\$ -	\$ 2,499,393	\$ 2,499,393
Investment income	-	-	1,813	1,813
Other governmental	-	-	49,034	49,034
Miscellaneous	17,643,582	17,643,582	1,680,513	(15,963,069)
Total Revenues	17,643,582	17,643,582	4,230,753	(13,412,829)
Expenditures:				
Salaries	172,535	172,535	256,517	(83,982)
Benefits	50,857	50,857	80,352	(29,495)
Communications	1,809	1,809	4,315	(2,506)
Advertising	3,076	3,076	137	2,939
Insurance	8,426	8,426	14,060	(5,634)
Memberships and per diem	76	76	1,137	(1,061)
General and office expenses	3,571	3,571	6,394	(2,823)
Professional services	55,286	55,286	1,499,919	(1,444,633)
Consultants	418,607	418,607	809,193	(390,586)
Leases and maintenance	10,800	10,800	16,346	(5,546)
Staff training	2,355	2,355	864	1,491
Transportation and meetings	1,466	1,466	1,338	128
Utilities	1,149	1,149	1,300	(151)
Project costs	17,324,975	17,324,975	2,141,704	15,183,271
Transfers out	52,419	52,419	-	52,419
Total Expenditures	18,107,407	18,107,407	4,833,576	13,273,831
Excess (Deficiency) of Revenues Over (Under) Expenditures	(463,825)	(463,825)	(602,823)	(138,998)
Other Financing Sources:				
Transfers in	463,825	463,825	1,567,216	1,103,391
Total Other Financing Sources	463,825	463,825	1,567,216	1,103,391
Net Change in Fund Balances	\$ -	\$ -	964,393	\$ 964,393
Fund Deficit - Beginning			(1,325,369)	
Fund Deficit - Ending			\$ (360,976)	

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)

Measurement Date	2020	2019	2018	2017	2016	2015
	6/30/2019	6/30/2018	6/30/2017	6/30/2016	6/30/2015	6/30/2014
Proportion of the Net Pension Liability	0.02398%	0.02306%	0.02283%	0.02221%	0.02071%	0.02196%
Proportionate Share of the Net Pension Liability	\$ 2,457,681	\$ 2,222,478	\$ 2,264,005	\$ 1,921,675	\$ 1,421,670	\$ 1,366,589
Covered Payroll	\$ 1,757,237	\$ 1,399,410	\$ 1,595,046	\$ 1,555,017	\$ 1,364,384	\$ 1,367,374
Proportionate Share of the Net Pension Liability as Percentage of Covered Payroll	139.86%	158.82%	141.94%	123.58%	104.20%	99.94%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	75.26%	73.39%	73.31%	75.87%	79.89%	81.15%

Notes to Schedule:

Changes of Assumptions: None

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

COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS

MISCELLANEOUS PLAN

SCHEDULE OF PLAN CONTRIBUTIONS

AS OF JUNE 30, FOR THE LAST TEN FISCAL YEARS (1)

	2020	2019	2018	2017	2016	2015
Actuarially Determined Contribution	\$ 1,341,435	\$ 294,482	\$ 242,382	\$ 221,669	\$ 217,333	\$ 214,845
Contribution in Relation to the Actuarially Determined Contribution	(1,341,435)	(294,482)	(242,382)	(221,669)	(217,333)	(214,845)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Payroll	\$ 1,787,612	\$ 1,757,237	\$ 1,399,410	\$ 1,595,046	\$ 1,555,017	\$ 1,364,384
Contributions as a Percentage of Covered Payroll	75.04%	16.76%	17.32%	13.90%	13.98%	15.75%

Notes to Schedule of Plan Contributions:

Valuation Date: June 30, 2017

Methods and assumptions used to determine contribution rates:

Single and Agent Employers	Entry age normal
Amortization method	Level percentage of payroll
Remaining amortization period	Differs by employer rate plan but not more than 30 years
Assets valuation method	Market Value of assets
Inflation	2.625% compounded annually
Salary Increases	Varies by Entry Age and Service
Investment rate of return	7.25 net of pension plan investment and administrative expenses
Retirement age	50 and 57 years
Mortality	Derived using CalPERS' membership data for all funds. The post-retirement mortality rates include 15 years of projected on-going mortality improvement using 90 percent of Scale MP 2016 published by the Society of Actuaries.

(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 six years are shown.

COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION JUNE 30, 2020

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.

SUPPLEMENTARY SCHEDULES

COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2020

	Special Revenue Funds			
	Other Transportation	Special Projects	Multi-Species Habitat Conservation	AB2766 Grant
Assets:				
Cash and investments	\$ 592	\$ 53,985	\$ -	\$ -
Accounts receivable	-	-	-	-
Interest receivable	-	-	-	-
Due from other governments	946,488	-	283,715	103,809
Total Assets	\$ 947,080	\$ 53,985	\$ 283,715	\$ 103,809
Liabilities, Deferred Inflows of Resources, and Fund Balances (Deficits):				
Liabilities:				
Accounts payable	\$ 335,413	\$ 493	\$ 901	\$ -
Due to other governments	-	-	-	-
Due to other funds	611,074	-	240,435	16,670
Total Liabilities	946,487	493	241,336	16,670
Deferred Inflows of Resources:				
Unavailable revenues	657,745	-	-	23,467
Total Deferred Inflows of Resources	657,745	-	-	23,467
Fund Balances (Deficits):				
Restricted:				
Transportation	-	23,922	-	-
Environmental	-	-	42,379	63,672
Homeless	-	29,570	-	-
Unassigned	(657,152)	-	-	-
Total Fund Balances	(657,152)	53,492	42,379	63,672
Total Liabilities, Deferred Inflows of Resources, and Fund Balances (Deficits)				
	\$ 947,080	\$ 53,985	\$ 283,715	\$ 103,809

COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2020

	Special Revenue Funds			
	Oil Grant	AB939 Grant	Air Quality Enhancement	Street Sweeping
Assets:				
Cash and investments	\$ 84,686	\$ 74,308	\$ -	\$ 498,403
Accounts receivable	1,736	-	-	-
Interest receivable	196	206	-	1,154
Due from other governments	-	-	-	15,132
Total Assets	\$ 86,618	\$ 74,514	\$ -	\$ 514,689
Liabilities, Deferred Inflows of Resources, and Fund Balances (Deficits):				
Liabilities:				
Accounts payable	\$ 1,842	\$ -	\$ -	\$ 57,471
Due to other governments	-	-	-	-
Due to other funds	-	-	-	-
Total Liabilities	1,842	-	-	57,471
Deferred Inflows of Resources:				
Unavailable revenues	-	-	-	15,132
Total Deferred Inflows of Resources	-	-	-	15,132
Fund Balances (Deficits):				
Restricted:				
Transportation	-	-	-	-
Environmental	84,776	74,514	-	442,086
Homeless	-	-	-	-
Unassigned	-	-	-	-
Total Fund Balances	84,776	74,514	-	442,086
Total Liabilities, Deferred Inflows of Resources, and Fund Balances (Deficits)	\$ 86,618	\$ 74,514	\$ -	\$ 514,689

COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2020

	Special Revenue Funds				Total Governmental Funds
	Homeless	Energy Partnership	Desert Community Energy		
Assets:					
Cash and investments	\$ 988,601	\$ -	\$ -	\$ 1,700,575	
Accounts receivable	-	-	-	-	1,736
Interest receivable	1,931	-	-	-	3,487
Due from other governments	83,333	-	262,823	-	1,695,300
Total Assets	\$ 1,073,865	\$ -	\$ 262,823	\$ -	\$ 3,401,098
Liabilities, Deferred Inflows of Resources, and Fund Balances (Deficits):					
Liabilities:					
Accounts payable	\$ 203,583	\$ -	\$ 10,035	\$ 609,738	
Due to other governments	22,500	-	-	-	22,500
Due to other funds	-	-	252,788	-	1,120,967
Total Liabilities	226,083	-	262,823	-	1,753,205
Deferred Inflows of Resources:					
Unavailable revenues	-	-	-	-	696,344
Total Deferred Inflows of Resources	-	-	-	-	696,344
Fund Balances (Deficits):					
Restricted:					
Transportation	-	-	-	-	23,922
Environmental	-	-	-	-	707,427
Homeless	847,782	-	-	-	877,352
Unassigned	-	-	-	-	(657,152)
Total Fund Balances	847,782	-	-	-	951,549
Total Liabilities, Deferred Inflows of Resources, and Fund Balances (Deficits)	\$ 1,073,865	\$ -	\$ 262,823	\$ -	\$ 3,401,098

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COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS

COMBINING STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2020

Special Revenue Funds					
	Other Transportation	Special Projects	Multi-Species Habitat Conservation	AB2766 Grant	
Revenues:					
Measure A	\$ 642,125	\$ -	\$ -	\$ -	\$ -
Grants	794,104	-	-	-	-
Investment Income	6	-	-	-	-
Other governmental	490,350	-	607,001	394,960	
Miscellaneous	-	21,500	-	-	-
Total Revenues	1,926,585	21,500	607,001	394,960	
Expenditures:					
Current:					
Salaries	112,632	-	362,875	11,587	
Benefits	41,926	-	148,428	4,323	
Communications	1,612	-	5,356	156	
Advertising	64	-	1,079	8	
Insurance	6,611	-	21,039	798	
Memberships and per diem	3,821	-	1,578	1,173	
General and office expenses	2,752	567	12,876	312	
Professional services	34,870	-	25,118	626	
Consultants	1,654,411	-	-	1,630	
Leases and maintenance	7,184	-	23,809	742	
Staff training	368	-	2,226	35	
Transportation and meetings	63	118	765	152	
Utilities	576	-	1,852	61	
Project costs	-	14,557	-	-	
Total Expenditures	1,866,890	15,242	607,001	21,603	
Excess (Deficiency) of Revenues Over (Under) Expenditures	59,695	6,258	-	373,357	
Other Financing Sources (Uses):					
Transfers in	700,266	-	-	-	-
Transfers out	(782,475)	-	-	(346,348)	
Total Other Financing Sources (Uses)	(82,209)	-	-	(346,348)	
Net Change in Fund Balances	(22,514)	6,258	-	27,009	
Fund Balances (Deficits) - Beginning	(634,638)	47,234	42,379	36,663	
Fund Balances (Deficits) - Ending	\$ (657,152)	\$ 53,492	\$ 42,379	\$ 63,672	

COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS

COMBINING STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2020

Special Revenue Funds					
	Oil Grant	AB939 Grant	Air Quality Enhancement	Street Sweeping	
Revenues:					
Measure A Grants	\$ -	\$ -	\$ -	\$ -	\$ -
Investment Income	89,899	-	-	-	-
Other governmental	1,535	1,500	-	9,042	-
Miscellaneous	-	-	-	150,000	-
Total Revenues	91,434	1,500	-	30,289	-
Expenditures:					
Current:					
Salaries	6,592	8,861	-	730	-
Benefits	2,451	3,049	-	312	-
Communications	94	115	-	12	-
Advertising	415	7	-	-	-
Insurance	389	668	-	3,646	-
Memberships and per diem	29	1,160	-	3	-
General and office expenses	2,677	288	-	23	-
Professional services	355	480	-	40	-
Consultants	42,893	-	-	-	-
Leases and maintenance	421	568	-	47	-
Staff training	886	25	-	3	-
Transportation and meetings	6	175	-	4	-
Utilities	34	47	-	4	-
Project costs	7,014	871	-	626,959	-
Total Expenditures	64,256	16,314	-	631,783	-
Excess (Deficiency) of Revenues Over (Under) Expenditures	27,178	(14,814)	-	(442,452)	-
Other Financing Sources (Uses):					
Transfers in	5,056	-	6,300	346,348	-
Transfers out	-	(5,056)	-	-	-
Total Other Financing Sources (Uses)	5,056	(5,056)	6,300	346,348	-
Net Change in Fund Balances	32,234	(19,870)	6,300	(96,104)	-
Fund Balances (Deficits) - Beginning	52,542	94,384	(6,300)	538,190	-
Fund Balances (Deficits) - Ending	\$ 84,776	\$ 74,514	\$ -	\$ 442,086	-

COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS

COMBINING STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2020

	Special Revenue Funds			
	Homeless	Energy Partnership	Desert Community Energy	Total Governmental Funds
Revenues:				
Measure A	\$ -	\$ -	\$ -	\$ 642,125
Grants	-	4,196	-	888,199
Investment Income	16,327	-	-	28,410
Other governmental	1,143,044	-	-	2,785,355
Miscellaneous	-	24,324	420,596	496,709
Total Revenues	1,159,371	28,520	420,596	4,840,798
Expenditures:				
Current:				
Salaries	-	12,101	250,904	766,282
Benefits	-	3,864	80,744	285,097
Communications	-	119	5,518	12,982
Advertising	-	13	103	1,689
Insurance	709	1,375	10,615	45,850
Memberships and per diem	-	35	1,192	8,991
General and office expenses	-	418	6,067	25,980
Professional services	-	660	45,689	107,838
Consultants	1,191,079	-	-	2,890,013
Leases and maintenance	-	783	15,935	49,489
Staff training	-	23	925	4,491
Transportation and meetings	-	548	1,669	3,500
Utilities	-	70	1,235	3,879
Project costs	200,000	-	-	849,401
Total Expenditures	1,391,788	20,009	420,596	5,055,482
Excess (Deficiency) of Revenues Over (Under) Expenditures	(232,417)	8,511	-	(214,684)
Other Financing Sources (Uses):				
Transfers in	-	-	-	1,057,970
Transfers out	-	(6,275)	-	(1,140,154)
Total Other Financing Sources (Uses)	-	(6,275)	-	(82,184)
Net Change in Fund Balances	(232,417)	2,236	-	(296,868)
Fund Balances (Deficits) - Beginning	1,080,199	(2,236)	-	1,248,417
Fund Balances (Deficits) - Ending	\$ 847,782	\$ -	\$ -	\$ 951,549



**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
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 (the Association), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Association's basic financial statements, and have issued our report thereon dated January 11, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Association's internal control over financial reporting (internal control) as a basis for designing 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 Association's internal control. Accordingly, we do not express an opinion on the effectiveness of the Association'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 Association's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. 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*.





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

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 Association'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 Association's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Lance, Soll & Lungard, LLP". The signature is fluid and cursive, with "Lance" and "Soll" on the first line and "& Lungard, LLP" on the second line.

Brea, California
January 11, 2021