

COACHELLA VALLEY  
ASSOCIATION OF GOVERNMENTS

Comprehensive Annual Financial Report

Year ended June 30, 2014

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**COACHELLA VALLEY  
ASSOCIATION OF GOVERNMENTS**

**Comprehensive Annual Financial Report**

Year ended June 30, 2014

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**Mayer Hoffman McCann P.C.**

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Executive Committee  
Coachella Valley Association of Governments  
Palm Desert, California

### **Independent Auditors' Report**

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Coachella Valley Association of Governments ("Association"), as of and for the year ended June 30, 2014, 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 an opinion on the 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.



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

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Association, as of June 30, 2014, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Report on Summarized Comparative Information***

We have previously audited the Association's 2013 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated February 12, 2014. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2013 is consistent, in all material respects, with the audited financial statements from which it has been derived.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the *management's discussion and analysis* and *budgetary comparison information* on pages 3-11 and 49-52 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### ***Other Information***

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

Executive Committee  
Coachella Valley Association of Governments  
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procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

*Mayer Hoffman McCann P.C.*

Irvine, California  
February 10, 2015

# COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS

## MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2014

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, 2014. Please read it in conjunction with the financial statements identified in the accompanying table of contents.

### Using the Accompanying Financial Statements

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

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

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

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

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

See independent auditors’ report.

COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS

MANAGEMENT'S DISCUSSION AND ANALYSIS  
(CONTINUED)

June 30, 2014

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

Reporting the Association as a Whole

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

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

Reporting the Association's Major Funds

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

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

See independent auditors' report.

COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS

MANAGEMENT'S DISCUSSION AND ANALYSIS  
(CONTINUED)

June 30, 2014

**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

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

Statements of Net Assets

	Fiscal Year 2014	Fiscal Year 2013	Dollar Change	Total Percent Change
<b>Assets:</b>				
Cash and investments	\$ 45,671,021	\$ 44,663,273	\$ 1,007,748	2.3 %
Accounts receivable	380,180	179,872	200,308	111.4 %
Interest receivable	30,414	30,247	167	0.6 %
Due from other governments	9,756,540	4,766,944	4,989,596	104.7 %
Loans receivable	13,720,250	14,025,856	(305,606)	(2.2) %
<b>Capital assets:</b>				
Land	10,682,344	10,682,344	-	- %
Other capital assets, net	<u>92,512</u>	<u>120,971</u>	<u>(28,459)</u>	<u>(23.5) %</u>
Total Assets	<u>80,333,261</u>	<u>74,469,507</u>	<u>5,863,754</u>	<u>7.9 %</u>
<b>Liabilities:</b>				
Accounts payable	501,488	284,810	216,678	76.1 %
Due to other governments	10,984,792	5,320,148	5,664,644	106.5 %
Unearned revenue	103,000	103,000	-	100.0 %
<b>Noncurrent liabilities:</b>				
Due within one year:				
Revenue bonds payable	1,245,447	1,020,977	224,470	6.2 %
Insurance payable	18,313	-	18,313	100.0 %
Compensated absences	146,395	83,205	63,190	75.9 %
Due in more than one year:				
Revenue bonds payable	28,632,095	26,207,117	2,424,978	9.3 %
Insurance payable	92,220	127,790	(35,570)	(27.8) %
Advancement of 2009				
Measure "A" funds	-	3,727,612	(3,727,612)	(100.0) %
Compensated absences	<u>16,244</u>	<u>72,762</u>	<u>(56,518)</u>	<u>(77.7) %</u>
Total Liabilities	<u>41,739,994</u>	<u>36,947,421</u>	<u>4,792,573</u>	<u>13.0 %</u>
<b>Net Position:</b>				
Invested in capital assets, net of related debt	10,774,856	10,803,315	(28,459)	(0.3) %
Restricted for Transportation	23,623,250	24,452,383	(829,133)	(3.4) %
Restricted for Other	1,424,212	1,040,745	383,467	36.9 %
Unrestricted	<u>2,770,949</u>	<u>1,225,643</u>	<u>1,545,306</u>	<u>126.1 %</u>
Total Net Assets	<u>\$ 38,593,267</u>	<u>\$ 37,522,086</u>	<u>\$ 1,071,181</u>	<u>2.9 %</u>

See independent auditors' report.

COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS

MANAGEMENT'S DISCUSSION AND ANALYSIS  
(CONTINUED)

June 30, 2014

**GOVERNMENT-WIDE FINANCIAL STATEMENTS (CONTINUED)**

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

Statements of Activities

	Fiscal Year 2014	Fiscal Year 2013	Dollar Change	Total Percent Change
<b>Operating Expenses:</b>				
Administrative	\$ 267,521	\$ 377,495	\$ (109,974)	(29.1) %
Transportation	20,468,240	17,578,258	2,889,982	16.4 %
Other	2,661,290	3,162,821	(501,531)	(15.9) %
Interest expense	<u>1,804,497</u>	<u>1,696,075</u>	<u>108,422</u>	<u>6.4 %</u>
<b>Total Expenses</b>	<b><u>25,201,548</u></b>	<b><u>22,814,649</u></b>	<b><u>2,386,899</u></b>	<b>10.5 %</b>
<b>Program Revenues:</b>				
Operating grants and contributions	25,860,679	22,230,014	3,630,665	16.3 %
<b>General Revenues:</b>				
Interest income	3,128	3,059	69	2.3 %
Other revenues	<u>408,922</u>	<u>404,954</u>	<u>3,968</u>	<u>1.0 %</u>
<b>Total Revenues</b>	<b><u>26,272,729</u></b>	<b><u>22,638,027</u></b>	<b><u>3,634,702</u></b>	<b>16.1 %</b>
<b>Changes in Net Assets</b>	<b>1,071,181</b>	<b>(176,622)</b>	<b>1,247,803</b>	<b>706.5 %</b>
<b>Net Assets - Beginning of Year</b>	<b><u>37,522,086</u></b>	<b><u>37,698,708</u></b>	<b><u>(176,622)</u></b>	<b>(0.5) %</b>
<b>Net Assets - End of Year</b>	<b><u>\$ 38,593,267</u></b>	<b><u>\$ 37,522,086</u></b>	<b><u>\$ 1,071,181</u></b>	<b>2.9 %</b>

The increase or decrease in net assets can provide an indication as to whether the overall financial position of the Association improved or deteriorated during the year. Net assets of the Association's governmental activities increased by 2.9 percent (\$38.59 million compared to \$37.52 million), which is minimal.

See independent auditors' report.

COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS

MANAGEMENT'S DISCUSSION AND ANALYSIS  
(CONTINUED)

June 30, 2014

**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 \$1,302,713.

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

- An increase in the total revenues by \$4,636, mainly due to an increase in the member dues and investment incomes.
- A decrease in Total Expenditures by \$57,951 mainly due to staff working on other funded projects.

**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 \$9,353,822.

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

- An increase in Mitigation Fees revenue by \$2,126,242 as the economy continues to improve spurring more start-up construction projects in the current fiscal year.
- A decrease in Measure A revenue by \$574,865 since the City of La Quinta is now participating in the regional TUMF program and CVAG now only received 50% of the revenues used to pay down their debt with CVAG.
- A decrease in Total Expenditures by \$2,431,533 mainly due to an internal change in the percentage allocation between the TUMF program and the Measure A program on the amount of reimbursement requests for arterial projects received from the jurisdictions.

See independent auditors' report.

## COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS

### MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

June 30, 2014

**Measure A Fund** - The Measure A Fund accounts for the revenues generated by the Measure A half cent sales tax and is used mainly for the construction and/or improvement of the regional arterials in the Coachella Valley. At the end of the current fiscal year, the total fund balance was \$30,401,982.

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

- An increase in Measure A revenues by \$4,237,567. This increase does not have a direct relationship to the amount of Sales Tax collected but the amount of reimbursement that was requested by the Association. See note 13 for further clarification.
- An increase in Total Expenditures by \$8,386,102 mainly due to an internal change in the percentage allocation between the TUMF program and the Measure A program on the amount of reimbursement requests for arterial projects received from the jurisdictions.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### CAPITAL ASSETS

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

	Capital Assets (net of depreciation)		
	Balance June 30, 2014	Balance June 30, 2013	Increase (Decrease)
Land	\$ 10,682,344	\$ 10,682,344	\$ -
Furniture and equipment	39,822	50,099	(10,277)
Vehicles	52,690	70,872	(18,182)
Total	<u>\$ 10,774,856</u>	<u>\$ 10,803,315</u>	<u>\$ (28,459)</u>

The decrease to Furniture and Equipment and to Vehicles is mainly due to depreciation. Additionally, thirteen fully depreciated street sweeping vehicles were auctioned off.

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

See independent auditors' report.

COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS

MANAGEMENT'S DISCUSSION AND ANALYSIS  
(CONTINUED)

June 30, 2014

**DEBT ADMINISTRATION**

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

Long-Term Debt

	Balance June 30, 2014	Balance June 30, 2013	Increase (Decrease)
Revenue bonds payable	\$ 29,877,542	\$ 27,228,094	\$ 2,649,448
Insurance payable	110,533	127,790	(17,257)
Advancement of 2009			
Measure "A" funds	-	3,727,612	(3,727,612)
Compensated absences	162,639	155,967	6,672
Total	<u>\$ 30,150,714</u>	<u>\$ 31,239,463</u>	<u>\$ (1,088,749)</u>

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

**GENERAL FUND BUDGET**

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

- Salaries expenditures under budget by \$ 220,577
- Benefits expenditures under budget by \$ 89,433
- Transfers in under budget by \$ 322,420

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, 2014  
(with comparative prior year information)

	Governmental Activities	
	2014	2013
<b>Assets:</b>		
Cash and investments (note 2)	\$ 45,671,021	44,663,273
Accounts receivable	380,180	179,872
Interest receivable	30,414	30,247
Due from other governments	9,756,540	4,766,944
Loans receivable (note 3)	13,720,250	14,025,856
Capital assets (note 6):		
Capital assets, not depreciated	10,682,344	10,682,344
Capital assets, being depreciated, net	<u>92,512</u>	<u>120,971</u>
 Total assets	 <u>80,333,261</u>	 <u>74,469,507</u>
 <b>Liabilities:</b>		
Accounts payable	501,488	284,810
Due to other governments	10,984,792	5,320,148
Unearned revenue	103,000	103,000
Noncurrent liabilities (note 8):		
Due within one year	1,410,155	1,104,182
Due in more than one year	<u>28,740,559</u>	<u>30,135,281</u>
 Total liabilities	 <u>41,739,994</u>	 <u>36,947,421</u>
 <b>Net position:</b>		
Invested in capital assets	10,774,856	10,803,315
Restricted for:		
Transportation	23,623,250	24,452,383
Other	1,424,212	1,040,745
Unrestricted	<u>2,770,949</u>	<u>1,225,643</u>
 Total net position	 <u>\$ 38,593,267</u>	 <u>37,522,086</u>

See accompanying notes to the basic financial statements.

COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS

Statement of Activities

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

	Program Revenues			Net Governmental Activities	
	Expenses	Charges for Services	Operating Contributions and Grants	Capital Contributions and Grants	2014
					2013
<b>Governmental activities:</b>					
Administrative	\$ 267,521	-	-	-	(267,521) (377,495)
Transportation	20,468,240	-	23,137,334	-	2,669,094 3,230,604
Other	2,661,290	-	2,723,345	-	62,055 (1,741,669)
Interest expense	1,804,497	-	-	-	(1,804,497) (1,696,075)
 Total governmental activities	 <u>\$ 25,201,548</u>	 <u>-</u>	 <u>25,860,679</u>	 <u>-</u>	 <u>659,131</u> <u>(584,635)</u>
 General revenues:					
Investment income				3,128	3,059
Other revenues				<u>408,922</u>	<u>404,954</u>
 Total general revenues	 <u></u>	 <u></u>	 <u></u>	 <u>412,050</u>	 <u>408,013</u>
 Change in net position	 <u></u>	 <u></u>	 <u></u>	 <u>1,071,181</u>	 <u>(176,622)</u>
 Net position at beginning of year	 <u></u>	 <u></u>	 <u></u>	 <u>37,522,086</u>	 <u>37,698,708</u>
 Net position at end of year	 <u>\$ 38,593,267</u>	 <u></u>	 <u></u>	 <u></u>	 <u>37,522,086</u>

See accompanying notes to the basic financial statements.

COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS

Governmental Funds - Balance Sheet

June 30, 2014

(with comparative information for the prior year)

	Special Revenue			
	General	Fees	Transportation	Uniform
			Mitigation	Measure
				A
<b><u>Assets</u></b>				
Assets:				
Cash and investments	\$ 991,392	10,952,995	32,325,001	32,325,001
Accounts receivable	3,150	-	-	-
Interest receivable	805	6,272	22,388	22,388
Due from other governments	5,553	738,165	8,081,105	8,081,105
Due from other funds (note 4)	<u>314,807</u>	<u>-</u>	<u>402,572</u>	<u>402,572</u>
<b>Total assets</b>	<b><u>\$ 1,315,707</u></b>	<b><u>11,697,432</u></b>	<b><u>40,831,066</u></b>	<b><u>40,831,066</u></b>
<b><u>Liabilities and Deferred Inflows of Resources</u></b>				
Liabilities:				
Accounts payable	\$ 12,788	1,837	72,473	72,473
Due to other governments	106	2,341,773	8,567,473	8,567,473
Due to other funds (note 4)	-	-	-	-
Unearned revenue	-	-	-	-
<b>Total liabilities</b>	<b><u>12,894</u></b>	<b><u>2,343,610</u></b>	<b><u>8,639,946</u></b>	<b><u>8,639,946</u></b>
Deferred inflows of resources:				
Unavailable revenue	<u>100</u>	<u>-</u>	<u>1,789,138</u>	<u>1,789,138</u>
<b>Total deferred inflow of resources</b>	<b><u>100</u></b>	<b><u>-</u></b>	<b><u>1,789,138</u></b>	<b><u>1,789,138</u></b>
Fund balances:				
Restricted for:				
Transportation	-	9,353,822	30,401,982	30,401,982
Environmental	-	-	-	-
Homeless	-	-	-	-
Unassigned	<u>1,302,713</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total fund balances</b>	<b><u>1,302,713</u></b>	<b><u>9,353,822</u></b>	<b><u>30,401,982</u></b>	<b><u>30,401,982</u></b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b><u>\$ 1,315,707</u></b>	<b><u>11,697,432</u></b>	<b><u>40,831,066</u></b>	<b><u>40,831,066</u></b>

See accompanying notes to basic financial statements.

Nonmajor Governmental Funds	Totals	
	2014	2013
1,401,633	45,671,021	44,663,273
377,030	380,180	179,872
949	30,414	30,247
931,717	9,756,540	4,766,944
-	717,379	581,013
<u>2,711,329</u>	<u>56,555,534</u>	<u>50,221,349</u>
414,390	501,488	284,810
75,440	10,984,792	5,320,148
717,379	717,379	581,013
103,000	103,000	103,000
<u>1,310,209</u>	<u>12,306,659</u>	<u>6,288,971</u>
<u>448,596</u>	<u>2,237,834</u>	<u>451,865</u>
<u>448,596</u>	<u>2,237,834</u>	<u>451,865</u>
24,738	39,780,542	41,410,100
1,026,331	1,026,331	896,539
397,881	397,881	334,247
(496,426)	806,287	839,627
<u>952,524</u>	<u>42,011,041</u>	<u>43,480,513</u>
<u>2,711,329</u>	<u>56,555,534</u>	<u>50,221,349</u>

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COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS  
Governmental Funds

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

June 30, 2014

Fund balances of governmental funds \$ 42,011,041

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets net of depreciation have not been recorded as assets in the governmental fund financial statements.

Cost of capital assets	11,498,470
Accumulated depreciation	(723,614)

Loans receivable has not been reported in the governmental funds. 13,720,250

Long term liabilities have not been reported as liabilities in the governmental fund financial statements. (29,877,542)

Claims payable have not been recorded as a liability in the governmental fund financial statements. (110,533)

Compensated absences have not been recorded as liabilities in the governmental fund financial statements. (162,639)

Revenues that are measurable but not available have been deferred in the governmental fund financial statements. 2,237,834

Net position of governmental activities \$ 38,593,267

See accompanying notes to the basic financial statements.

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

		Special Revenue		
		Transportation	Uniform	Measure
		General	Mitigation	Measure
		Fund	Fees	A
<b>Revenues:</b>				
Mitigation fees	\$ -	4,252,416		-
Measure A (note 13)	-	705,989		15,603,226
Member dues	390,307		-	-
Grants	-		-	-
Investment income	3,128	28,691		102,175
Loan repayments	-	180,000		743,595
Other governmental	-	18,374		476,575
Miscellaneous	18,915	360		31,662
<b>Total revenues</b>	<b>412,350</b>	<b>5,185,830</b>		<b>16,957,233</b>
<b>Expenditures:</b>				
Salaries	145,324	214,095		380,132
Benefits	46,338	69,406		129,011
Communications	1,628	2,617		4,676
Advertising	1,357	279		494
Insurance	8,411	10,512		18,503
Memberships and per diem	7,720	3,639		6,609
General and office expenses	3,226	7,022		15,264
Professional services	4,047	6,291		11,975
Consultants	-	12,062		144,492
Leases and maintenance	12,187	18,115		32,297
Staff training	66	2,686		3,940
Transportation and meetings	16,059	1,450		4,059
Utilities	1,606	2,445		4,348
Project costs	-	4,949,634		14,810,066
Capital outlay	1,678	157		293
<b>Debt service:</b>				
Principal	-	-		4,876,178
Interest	-	-		1,804,497
<b>Total expenditures</b>	<b>249,647</b>	<b>5,300,410</b>		<b>22,246,834</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>162,703</b>	<b>(114,580)</b>		<b>(5,289,601)</b>
<b>Other financing sources (uses):</b>				
Revenue bonds issued	-	-		3,798,014
Advances received	-	-		-
Transfers in (note 5)	-	-		-
Transfers out (note 5)	(58,075)	-		(41,766)
<b>Total other financing sources (uses)</b>	<b>(58,075)</b>	<b>-</b>		<b>3,756,248</b>
<b>Net change in fund balances</b>	<b>104,628</b>	<b>(114,580)</b>		<b>(1,533,353)</b>
<b>Fund balances at beginning of year</b>	<b>1,198,085</b>	<b>9,468,402</b>		<b>31,935,335</b>
<b>Fund balances at end of year</b>	<b>\$ 1,302,713</b>	<b>9,353,822</b>		<b>30,401,982</b>

See accompanying notes to basic financial statements.

Nonmajor Governmental Funds	Totals	
	2014	2013
-	4,252,416	2,126,174
-	16,309,215	12,646,513
-	390,307	386,545
318,436	318,436	1,118,795
3,278	137,272	164,345
-	923,595	738,174
3,026,409	3,521,358	2,814,679
831,427	882,364	840,112
<b>4,179,550</b>	<b>26,734,963</b>	<b>20,835,337</b>
656,710	1,396,261	1,393,668
225,653	470,408	508,178
8,023	16,944	15,093
16,087	18,217	9,837
48,596	86,022	70,709
12,153	30,121	30,168
24,393	49,905	47,928
835,096	857,409	53,493
1,584,224	1,740,778	2,500,560
55,167	117,766	118,491
6,095	12,787	3,602
6,612	28,180	26,688
7,494	15,893	18,580
681,953	20,441,653	18,570,512
37,302	39,430	9,669
-	4,876,178	961,135
-	1,804,497	1,696,075
<b>4,205,558</b>	<b>32,002,449</b>	<b>26,034,386</b>
<b>(26,008)</b>	<b>(5,267,486)</b>	<b>(5,199,049)</b>
-	3,798,014	-
-	-	2,437,095
302,574	302,574	177,628
(202,733)	(302,574)	(177,628)
<b>99,841</b>	<b>3,798,014</b>	<b>2,437,095</b>
73,833	(1,469,472)	(2,761,954)
<b>878,691</b>	<b>43,480,513</b>	<b>46,242,467</b>
<b>952,524</b>	<b>42,011,041</b>	<b>43,480,513</b>

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COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS

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

Year ended June 30, 2014

Net changes in fund balances - total governmental funds \$ (1,469,472)

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

When capital assets owned by the Association are purchased  
or constructed, the resources expended for those assets are reported as expenditures in  
governmental funds. However, in the Statement of Activities, the cost of those assets  
is allocated over their estimated useful lives and reported as depreciation expense.  
As a result, fund balance decreases by the amount of financial resources expended,  
whereas net position decreased by the amount of depreciation expense charged for the year.

Depreciation expense (28,459)

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

Repayment of Revenue Bonds	1,148,566
Repayment of Advances from Riverside County Transportation Comission	3,727,612
Issuance of Revenue Bonds	(3,798,014)

Changes in compensated absences payable is an expenditure in the governmental  
funds, but the expenditure reduces long-term liabilities in the statement of net position. (6,672)

Changes in claims payable is an expenditure in the governmental funds, but the expenditure  
reduces long-term liabilities in the statement of net position. 17,257

Additions to loans receivable are recorded as an increase of the loan receivable account balance  
for the Statement of Activities. This is the amount of new loans made. 1,265,456

Payments on outstanding loans are recorded as a reduction of the loan receivable account  
balance for the Statement of Activities. This is the amount of loan payments that were made. (1,571,062)

Revenues in the Statement of Activities that do not provide current financial  
resources are not reported as revenues in the funds. This is the net change in deferred inflows  
of resources for the current period. 1,785,969

Changes in net position of governmental activities \$ 1,071,181

See accompanying notes to the basic financial statements.

NOTES TO BASIC FINANCIAL STATEMENTS

## COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS

### Notes to Basic Financial Statements

Year ended June 30, 2014

#### 1. Summary of Significant Accounting Policies

##### a. Description of Reporting Entity:

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

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

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

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

## COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS

### Notes to Basic Financial Statements

(Continued)

#### 1. Summary of Significant Accounting Policies, (Continued)

##### a. Description of Reporting Entity, (Continued):

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

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

#### General Assembly

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

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

#### Executive Committee

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

## COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS

### Notes to Basic Financial Statements

(Continued)

#### 1. Summary of Significant Accounting Policies, (Continued)

##### Advisory Committees

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

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

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

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

##### 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)

#### 1. Summary of Significant Accounting Policies, (Continued)

##### Government-wide Financial Statements, (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

## COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS

### Notes to Basic Financial Statements

(Continued)

#### 1. Summary of Significant Accounting Policies, (Continued)

##### Governmental Funds, (Continued)

days after the fiscal year-end. Significant revenues subject to accrual under the measurable and available criteria include grant revenues.

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

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

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.

## COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS

### Notes to Basic Financial Statements

(Continued)

#### 1. Summary of Significant Accounting Policies, (Continued)

##### Governmental Funds (Continued)

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 does not have any items that qualify for reporting in this category.

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 only one type of item, which arises only under a modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from one source for a grant. This amount is deferred and recognized as an inflow of resources in the period that the amounts become available.

## COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS

### Notes to Basic Financial Statements

(Continued)

#### 1. Summary of Significant Accounting Policies, (Continued)

##### Net Position Flow Assumption

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

##### Governmental Fund Balances

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

Nonspendable Fund Balance – 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.

## COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS

### Notes to Basic Financial Statements

(Continued)

#### 1. Summary of Significant Accounting Policies, (Continued)

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

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

It is 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.

#### 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.

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.

## COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS

### Notes to Basic Financial Statements

(Continued)

#### 1. Summary of Significant Accounting Policies, (Continued)

##### d. Reclassification and Eliminations:

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

##### e. Cash and Investments:

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

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

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

##### f. Employee Leave Benefits:

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

## COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS

### Notes to Basic Financial Statements

(Continued)

#### 1. Summary of Significant Accounting Policies, (Continued)

##### g. Capital Assets:

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

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

Furniture and equipment	7-25 years
Vehicles	7 years

##### h. Use of Estimates:

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

##### i. Comparative Data:

The amounts shown for the year ended June 30, 2013 in the accompanying financial statements are included to provide a basis for comparison with 2014 and present summarized totals only. The 2013 totals are not intended to present all information necessary for a fair presentation in conformity with accounting principles generally accepted in the United States of America. Such information should be read in conjunction with the Association's financial statements for the year ended June 30, 2013.

## COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS

### Notes to Basic Financial Statements

(Continued)

#### 2. Cash and Investments

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

Cash on hand	\$ 300
Deposits with financial institutions	<u>106,921</u>
Total cash and deposits	107,221
Investments:	
Local Agency Investment Fund	21,776,177
Riverside County Pooled Investment Fund	<u>23,787,623</u>
Total investments	<u>45,563,800</u>
Total cash and investments	<u>\$45,671,021</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.

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

*N/A - Not Applicable*

## COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS

### Notes to Basic Financial Statements

(Continued)

#### 2. Cash and Investments, (Continued)

##### Disclosures Relating to Interest Rate Risk

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

The Association's investments in the Local Agency Investment Fund of \$21,776,177 and the Riverside County Pooled Investment Fund of \$23,787,623 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 year end for each investment type:

<u>Investment</u>	<u>Minimum Legal Rating</u>	<u>Unrated</u>
Local Agency Investment Fund	N/A	\$21,776,177
Riverside County Pooled Investment Fund	N/A	23,787,623

##### Investment in State Investment Pool

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

## COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS

### Notes to Basic Financial Statements

(Continued)

#### 2. Cash and Investments, (Continued)

##### 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.

#### 3. Loans Receivable

Outstanding  
Balance at  
June 30, 2014

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

County of Riverside, payable through 2016	\$2,550,137
City of Indian Wells, payable through 2017	335,415

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

City of Palm Springs, payable through 2039	260,532
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The Association made a loan to the following entity for the construction of Hobson Way:

City of Blythe, payable through 2015	180,000
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The Association made loans to the following entities for the construction of Miles Avenue/Clinton Street:

City of Indio, payable through 2022	1,953,610
County of Riverside, payable through 2022	1,953,610

COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS

Notes to Basic Financial Statements

(Continued)

3. Loans Receivable, (Continued)

The Association is paying 100% of the cost incurred on Jefferson/I-10 Interchange until the start of construction. The impacted jurisdictions will pay their portion of the 25% local share once construction on the interchange begins.

2,841,989

The Association is collecting from the following entity the difference between what the TUMF amount would have been and what the Local Measure "A" amount that was collected, less a credit:

City of La Quinta, payable through 2022	<u>3,644,957</u>
Total loans receivable	<u>\$13,720,250</u>

4. Interfund Receivables and Payables

<u>Receivable Funds</u>	<u>Payable Funds</u>	<u>Amount</u>
General Fund	Other Governmental Funds	\$ 314,807
Measure A Fund	Other Governmental Funds	<u>402,572</u>
		\$ <u>717,379</u>

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

5. Interfund Transfers

<u>Transfer In to Fund</u>	<u>Transfers Out of Funds</u>	<u>Amount</u>
Other Governmental Funds	Other Governmental Funds General Fund	\$ 202,733 58,075
Other Governmental Funds	Measure A Fund	<u>41,766</u>
		\$ <u>302,574</u>

COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS

Notes to Basic Financial Statements

(Continued)

5. Interfund Transfers, (Continued)

The largest transfer above was from the AB 2766 Grant Fund to the Street Sweeping Fund in the amount of \$200,730 for eligible project costs.

6. Capital Assets

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

	Balance at July 1, 2013	Additions	Deletions	Balance at June 30, 2014
Capital assets, not being depreciated				
Land	<u>\$10,682,344</u>	<u>-</u>	<u>-</u>	<u>10,682,344</u>
Capital assets, being depreciated:				
Furniture and equipment	164,968	-	-	164,968
Vehicles	<u>1,909,512</u>	<u>-</u>	<u>(1,258,354)</u>	<u>651,158</u>
Total capital assets, being depreciated	<u>2,074,480</u>	<u>-</u>	<u>-</u>	<u>816,126</u>
Less accumulated depreciation:				
Furniture and equipment	(114,869)	(10,277)	-	(125,146)
Vehicles	<u>(1,838,640)</u>	<u>(18,182)</u>	<u>1,258,354</u>	<u>(598,468)</u>
Total accumulated depreciation	<u>(1,953,509)</u>	<u>(28,459)</u>	<u>-</u>	<u>(723,614)</u>
Total capital assets being depreciated, net	<u>120,971</u>	<u>(28,459)</u>	<u>-</u>	<u>92,512</u>
Total capital assets, net	<u>\$10,803,315</u>	<u>(28,459)</u>	<u>-</u>	<u>10,774,856</u>

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

Transportation \$28,459

## COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS

### Notes to Basic Financial Statements

(Continued)

#### 7. Transportation Uniform Mitigation Fee Program

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

<u>Fiscal Period</u>		<u>Fiscal Year</u>
<u>From</u>	<u>To</u>	<u>Ending</u>
1990	1994	\$ 13,585,887
1995	1999	13,642,573
2000	2004	26,394,448
2005	2009	40,898,960
	2010	1,943,744
	2011	1,971,610
	2012	1,262,965
	2013	2,126,174
	2014	<u>4,252,416</u>
		<u>\$106,078,777</u>

In addition, the Association received \$20,519,833 cumulatively through June 30, 2014 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, 2014 is \$3,644,957.

## COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS

### Notes to Basic Financial Statements

(Continued)

#### 8. Long-term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2014 is as follows:

	<u>Balance at July 1, 2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at June 30, 2014</u>	<u>Due within One Year</u>
Revenue bonds payable	\$ 27,228,094	3,798,014	(1,148,566)	29,877,542	1,245,447
Advancement of RCTC Measure “A” funds	3,727,612	-	(3,727,612)	-	-
Insurance payable	127,790	999	(18,256)	110,533	18,313
Compensated absences	<u>155,967</u>	<u>97,247</u>	<u>(90,575)</u>	<u>162,639</u>	<u>146,395</u>
<b>Totals</b>	<b><u>\$ 31,239,463</u></b>	<b><u>3,896,260</u></b>	<b><u>(4,985,009)</u></b>	<b><u>30,150,714</u></b>	<b><u>1,410,155</u></b>

#### 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.

## COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS

### Notes to Basic Financial Statements

(Continued)

#### 8. Long-term Liabilities, (Continued)

As of June 30, 2014, annual debt service requirement of the revenue bonds payable is as follows:

<u>Fiscal Year</u>		
<u>Ending</u>	<u>Principal</u>	<u>Interest</u>
2015	\$ 1,245,447	1,766,786
2016	1,321,988	1,690,245
2017	1,403,315	1,608,918
2018	1,489,735	1,522,498
2019	1,581,570	1,430,663
2020-2024	9,500,462	5,560,703
2025-2029	12,836,768	2,224,397
2030	<u>498,257</u>	<u>3,781</u>
Total	<u>\$29,877,542</u>	<u>15,807,991</u>

#### Advancement of RCTC Measure “A” Funds

On November 17, 2005, the Association entered into an agreement with the Riverside County Transportation Commission (RCTC) for advancement of Measure “A” highway and major regional road project funds. These funds were used to finance a portion of the cost of highway and regional road improvements projects. Under the terms of the agreement, the amount of the advance shall not exceed \$43,300,000, and shall accrue interest from the date of the advance at a rate of ½ percent over the interest rate paid by RCTC. The Association shall repay the advance, together with all accrued and unpaid interest, to RCTC in 240 monthly installments or until RCTC converts the advances to bonds. There were no funds advanced to the Association in fiscal year ended June 30, 2014. As of June 30, 2014, all amounts have been refunded and converted to bonds payable.

#### Compensated Absences

The Association’s policies relating to compensated absences are described in Note 1. This liability amounting to \$162,639 at June 30, 2014 is expected to be paid in future years from future resources and is typically liquidated from the General Fund.

## COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS

### Notes to Basic Financial Statements

(Continued)

#### 9. Liability, Property And Workers' Compensation Protection

##### Description Self-Insurance Pool Pursuant to Joint Powers Agreement:

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

##### Self-Insurance Programs of the Insurance Authority:

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

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

##### General Liability Insurance:

In the liability program claims are pooled separately between police and non-police exposures. (1) The payroll of each member is evaluated relative to the payroll of other members. A variable credibility factor is determined for each member, which establishes the weight applied to payroll and the weight applied to losses within the formula. (2) The first layer of losses includes incurred costs up to \$30,000 for each occurrence and is

## COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS

### Notes to Basic Financial Statements

(Continued)

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

##### General Liability Insurance, (Continued)

evaluated as a percentage of the pool's total incurred costs within the first layer. (3) The second layer of losses includes incurred costs from \$30,000 to \$750,000 for each occurrence and is evaluated as a percentage of the pool's total incurred costs within the second layer. (4) Incurred costs in excess of \$750,000 up to the reinsurance attachment point of \$5 million are distributed based on the outcome of cost allocation within the first and second loss layers. (5) Costs of covered claims from \$5 million to \$10 million are paid under a reinsurance contract subject to a \$2.5 million annual aggregate deductible. Costs of covered claims from \$10 million to \$15 million are paid under two reinsurance contracts subject to a combined \$3 million annual aggregate deductible. On a cumulative basis for all 2011-12 reinsurance contracts the annual aggregate deductible is \$5.5 million. (6) Costs of covered claims from \$15 million up to \$50 million are covered through excess insurance policies.

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

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

Purchased Insurance:

##### Property Insurance

The Association participates in the all-risk property protection program of the Authority. This insurance protection is underwritten by several insurance companies. The Association's property is currently insured according to a schedule of covered property submitted by the Association to the Authority. Coachella Valley Association of Governments property currently has all-risk property insurance protection in the amount of \$347,405. There is a \$5,000 deductible per occurrence except for non-emergency vehicle insurance which has a \$1,000 deductible. Premiums for the coverage are paid annually and are not subject to retrospective adjustments.

## COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS

### Notes to Basic Financial Statements

(Continued)

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

##### Crime Insurance, (Continued)

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

Adequacy of Protection:

During the past three fiscal years, none of the above programs of protection experienced settlements or judgments that exceeded pooled or insured coverage. There were also no significant reductions in pooled or insured liability coverage in 2013-14.

Included in long-term liabilities is a cumulative deposit payable due to the Insurance Authority in the amount of \$110,533.

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.

#### 10. Operating Leases

The Association leases office space under an operating lease which was amended in September 1998 to extend the lease term to August 14, 2016. The lease was again amended in February 2008 to increase the amount of office space leased. The base rent is subject to annual revisions based on changes in the Consumer Price Index. The lease also requires payment of a share of common area operating costs. The rental expense for the fiscal year ended June 30, 2014 was \$99,443. Minimum rental commitments exclusive of the allocation of operating costs are as follows:

Year Ending	
<u>June 30</u>	
2015	\$ 100,943
2016	101,157
2017	<u>12,645</u>
	<u><u>\$214,745</u></u>

## COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS

### Notes to Basic Financial Statements

(Continued)

#### 11. Defined Benefit Pension Plan

##### Plan Description

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

##### Funding Policy

The contribution requirements of the plan members are established by State statute and the employer contribution rate is established and may be amended by PERS. Active Association employees are required to contribute 7% of their annual covered salary to PERS. The Association makes 5.5% of the contributions required of Association employees on their behalf and for their account. The Association is required to contribute the actuarially determined remaining amounts necessary to fund the benefits for its members. The current rate is 12.216% of covered payroll. The Association's contributions to CalPERS for the years ending June 30, 2014, 2013 and 2012 were \$162,100, \$155,737, and \$143,157, respectively and were equal to the required contribution for each year.

#### 12. Capital Projects and Programs

The following represents the unexpended project budgets as of June 30, 2014. 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)	\$ 3,751,922
Jefferson/I-10 Interchange	83,343
Palm Drive/Gene Autry/I-10 Interchange	14,780,910
Monroe Street (Avenue 52 to I-10)	1,377,392
Indian Avenue/I-10 Interchange	733,041
Indian Avenue (Garnet to and including Railroad Crossing Bridge)	3,637,408
Gene Autry Trail (1-10 to Vista Chino Drive)	1,259,687
Varner Road (Adams to Jefferson)	1,943,865
Indian Canyon Drive (across White Water River Wash)	222,263

COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS

Notes to Basic Financial Statements

(Continued)

Frank Sinatra Dr. Intersection at Hwy 111	670,712
Monterey/I-10 Interchange	1,401,316
Madison Street (Avenue 52 to Indio Boulevard)	13,384,794
Highway 111 (Indian Wells)	3,297,543
Portola Avenue (North of Gerald Ford Drive)	534,935
Hwy 111 (bet. Rubidoux St. and 760' W. of Madison St)	5,066,959
Interchange Preparation Fund	5,929,941
Adams Street Bridge	111,338
Cathedral Canyon Bridge	1,757,892
Date Palm Drive Bridge	1,544,006
Date Palm/I-10 Interchange	8,238,541
Monterey Ave. Widening (Dinah Shore to Gerald Ford)	770,034
Dillon (I-10 & Dillon/SR86 Interchanges)	149,239
Portola Ave (NW of Fred Waring Dr)	800,000
Varner Road (Intersection Improvement at Ramon Rd.)	374,153
Varner Road (Ramon Road to Monterey Ave.)	1,496,605
Airport Blvd. (Harrison Street to Hwy 111)	7,898,603
Frank Sinatra Bridge over WWR	2,984,822
Avenue 56 Grade Separation	10,594,150
Avenue 66 Grade Separation	885,335
Ramon Road Bridge Widening	7,879,364
Vista Chino Drive Bridge	88,633
Washington St./Hwy 111 Intersection Improvements	100,990
Fred Waring Drive (Adams to Port Maria)	2,266,519
Date Palm Drive Improvement (I-10 and Varner Rd.)	2,337,000
Avenue 50 Bridge	1,108,500
Dune Palms Road Bridge	1,506,750
East Palm Canyon Dr. Bridge (over Palm Canyon Wash)	76,563
S. Palm Canyon Dr. Bridge (over Tahquitz Creek Channel)	76,476
Portola/ I-10 Interchange	<u>54,075,000</u>
Unexpended project budgets	165,196,544
Less amounts to be provided in future years	<u>(71,362,740)</u>
Restricted fund balance associated with specific capital projects and programs	<u>\$93,833,804</u>

## COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS

### Notes to Basic Financial Statements

(Continued)

#### 13. Measure A Fund Program

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

Fiscal Year <u>Ending</u>	
2010	\$ 14,489,106
2011	14,299,352
2012	15,499,553
2013	17,695,596
2014	18,235,730

#### 14. Fund Deficits

The following funds reported deficit balances at June 30, 2014:

Other Governmental Funds:		
Energy Partnership Fund		\$ (258,918)
CV Link		(172,072)

Deficit balances are a result of the implementation of GASB Statement No. 33. Grant revenues not collected within 90 days of the end of the fiscal year are recorded as unavailable revenue instead of revenue.

## COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS

### Notes to Basic Financial Statements

(Continued)

#### 15. Commitments and Contingencies

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

The Association approved a contribution of \$30 million for the Coachella Valley Multiple Species Habitat Conservation Plan (CVMSHCP), which would mitigate all of the regional transportation projects listed in the current Transportation Project Prioritization Study (TPPS). Under the CVMSHCP, the \$30 million of transportation funds would contribute to both land acquisition and the establishment of an Endowment Fund, which would ensure monitoring and management of the acquired lands. The CVMSHCP area includes 1.1 million acres, encompassing the entire Coachella Valley and the surrounding mountains. The MSHCP will benefit the local jurisdictions by providing Take Authorization for all development, including public infrastructure projects, undertaken by the Permittees (signatories to the MSHCP) outside the Conservation Areas. By providing Take Authorization for public and private development projects, the MSHCP eliminates the need for projects to conduct biological surveys and negotiate individual project mitigation with the US Fish and Wildlife Service and the California Department of Fish and Game. At June 30, 2014, the remaining commitment to the MSHCP is \$10,675,000. No amounts are payable until the Association's Board approves payment. The liability has not been recorded in the accompanying financial statements because the contributions are contingent upon the receipt of future transportation revenues that are uncertain as to the timing and amount of collection.

COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS

Notes to Basic Financial Statements

(Continued)

16. Expenditures in Excess of Appropriations

Expenditures for the year ended June 30, 2014 exceeded the appropriations of the following funds:

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Transportation Uniform Mitigation			
Fees Fund	\$2,547,119	5,300,412	(2,753,293)

## REQUIRED SUPPLEMENTARY INFORMATION

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COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS  
General Fund

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

Year ended June 30, 2014

	Budget			Variance with Final Budget
	Original	Final	Actual	Positive (Negative)
<b>Revenues:</b>				
Member dues	\$ 390,308	390,308	390,307	(1)
Investment income	2,000	2,000	3,128	1,128
Miscellaneous	<u>12,000</u>	<u>12,000</u>	18,915	6,915
<b>Total revenues</b>	<b>404,308</b>	<b>404,308</b>	412,350	8,042
<b>Expenditures:</b>				
Salaries	365,901	365,901	145,324	220,577
Benefits	135,771	135,771	46,338	89,433
Communications	2,250	2,250	1,628	622
Advertising	237	237	1,357	(1,120)
Insurance	17,750	17,750	8,411	9,339
Memberships and per diem	30,337	30,337	7,720	22,617
General and office expenses	6,324	6,324	3,226	3,098
Professional services	9,642	9,642	4,047	5,595
Leases and maintenance	34,862	34,862	12,187	22,675
Staff training	3,373	3,373	66	3,307
Transportation and meetings	14,116	14,116	16,059	(1,943)
Utilities	5,919	5,919	1,606	4,313
Capital outlay	<u>40,000</u>	<u>40,000</u>	1,678	38,322
<b>Total expenditures</b>	<b>666,482</b>	<b>666,482</b>	249,647	416,835
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>(262,174)</b>	<b>(262,174)</b>	162,703	424,877
<b>Other financing sources (uses):</b>				
Transfers in	322,420	322,420	-	(322,420)
Transfers out	<u>(40,347)</u>	<u>(40,347)</u>	(58,075)	(17,728)
<b>Total other financing sources (uses)</b>	<b>282,073</b>	<b>282,073</b>	(58,075)	(340,148)
<b>Net change in fund balances</b>	<b>19,899</b>	<b>19,899</b>	104,628	84,729
<b>Fund balance at beginning of year</b>	<b>1,198,085</b>	<b>1,198,085</b>	1,198,085	-
<b>Fund balances at end of year</b>	<b>\$ 1,217,984</b>	<b>1,217,984</b>	<b>1,302,713</b>	<b>84,729</b>

COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS

Transportation Uniform Mitigation Fees Fund

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

Year ended June 30, 2014

	Budget			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues:				
Mitigation fees	\$ 2,065,000	2,065,000	4,252,416	2,187,416
Measure A	550,000	550,000	705,989	155,989
Investment income	45,000	45,000	28,691	(16,309)
Loan repayment	180,000	180,000	180,000	-
Other governmental	-	-	18,374	18,374
Miscellaneous	-	-	360	360
Total revenues	2,840,000	2,840,000	5,185,830	2,345,830
Expenditures:				
Salaries	168,556	168,556	214,095	(45,539)
Benefits	63,707	63,707	69,406	(5,699)
Communications	2,787	2,787	2,617	170
Advertising	984	984	279	705
Insurance	7,862	7,862	10,512	(2,650)
Memberships and per diem	2,629	2,629	3,639	(1,010)
General and office expenses	5,595	5,595	7,022	(1,427)
Professional services	7,135	7,135	6,291	844
Consultants	35,000	35,000	12,062	22,938
Leases and maintenance	19,382	19,382	18,115	1,267
Staff training	1,556	1,556	2,686	(1,130)
Transportation and meetings	2,285	2,285	1,450	835
Utilities	2,730	2,730	2,445	285
Project costs	2,226,211	2,226,211	4,949,634	(2,723,423)
Capital outlay	700	700	157	543
Total expenditures	2,547,119	2,547,119	5,300,410	(2,753,291)
Excess (deficiency) of revenues over (under) expenditures	292,881	292,881	(114,580)	(407,461)
Other financing sources (uses):				
Transfers out	(39,960)	(39,960)	-	39,960
Total other financing sources (uses)	(39,960)	(39,960)	-	39,960
Net change in fund balances	252,921	252,921	(114,580)	(367,501)
Fund balance at beginning of year	9,468,402	9,468,402	9,468,402	-
Fund balances at end of year	\$ 9,721,323	9,721,323	9,353,822	(367,501)

COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS

Measure A Fund

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

Year ended June 30, 2014

	Budget			Variance with Final Budget
	Original	Final	Actual	Positive (Negative)
Revenues:				
Measure A	15,964,540	15,964,540	15,603,226	(361,314)
Investment income	160,000	160,000	102,175	(57,825)
Loan repayments	743,595	743,595	743,595	-
Other governmental	46,414,120	46,414,120	476,575	(45,937,545)
Miscellaneous	-	-	31,662	31,662
Total revenues	63,282,255	63,282,255	16,957,233	(46,325,022)
Expenditures:				
Salaries	311,675	311,675	380,132	(68,457)
Benefits	117,836	117,836	129,011	(11,175)
Communications	5,168	5,168	4,676	492
Advertising	1,827	1,827	494	1,333
Insurance	14,537	14,537	18,503	(3,966)
Memberships and per diem	4,882	4,882	6,609	(1,727)
General and office expenses	10,372	10,372	15,264	(4,892)
Professional services	13,309	13,309	11,975	1,334
Consultants	65,000	65,000	144,492	(79,492)
Leases and maintenance	35,864	35,864	32,297	3,567
Staff training	2,877	2,877	3,940	(1,063)
Transportation and meetings	4,235	4,235	4,059	176
Utilities	5,048	5,048	4,348	700
Project costs	66,495,536	66,495,536	14,810,066	51,685,470
Capital outlay	1,300	1,300	293	1,007
Debt service:				
Principal	3,049,067	3,049,067	4,876,178	(1,827,111)
Interest	-	-	1,804,497	(1,804,497)
Total expenditures	70,138,533	70,138,533	22,246,834	47,891,699
Excess (deficiency) of revenues over (under) expenditures	(6,856,278)	(6,856,278)	(5,289,601)	1,566,677
Other financing sources (uses):				
Revenue bonds issued	-	-	3,798,014	3,798,014
Advances received	18,453	18,453	-	(18,453)
Transfers out	(73,866)	(73,866)	(41,766)	32,100
Total other financing sources (uses)	(55,413)	(55,413)	3,756,248	3,811,661
Net change in fund balances	(6,911,691)	(6,911,691)	(1,533,353)	5,378,338
Fund balance at beginning of year	31,935,335	31,935,335	31,935,335	-
Fund balances at end of year	\$ 25,023,644	25,023,644	30,401,982	5,378,338

COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS

Note to Required Supplementary Information

Year ended June 30, 2014

1. Budgets & Budgetary Accounting

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

## **SUPPLEMENTARY SCHEDULES**

COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS  
Nonmajor Governmental Funds

Combining Balance Sheet

June 30, 2014

	Special Projects	CV Link	Habitat Conservation	Multi-Species	AB2766 Grant	Oil Grant
<b>Assets</b>						
Cash and investments	\$ 29,440	-	-	233,058	58,417	
Accounts receivable	-	-	-	-	-	
Interest receivable	-	-	-	97	32	
Due from other governments	1,000	316,834	129,290	144,315	-	
<b>Total assets</b>	<b>\$ 30,440</b>	<b>316,834</b>	<b>129,290</b>	<b>377,470</b>	<b>58,449</b>	
<b>Liabilities, Deferred Inflow of Resources and Fund Balances</b>						
Liabilities:						
Accounts payable	\$ 27	80,430	1,175	7,800	2,806	
Due to other governments	5,675	-	-	-	-	
Due to other funds	-	316,834	85,738	-	-	
Unearned revenue	-	-	-	-	-	
<b>Total liabilities</b>	<b>5,702</b>	<b>397,264</b>	<b>86,913</b>	<b>7,800</b>	<b>2,806</b>	
Deferred inflows of resources:						
Unavailable revenue	-	157,078	-	28,014	-	
<b>Total deferred inflow of resources</b>	<b>-</b>	<b>157,078</b>	<b>-</b>	<b>28,014</b>	<b>-</b>	
Fund balances:						
Restricted for:						
Transportation	24,738	-	-	-	-	
Environmental	-	-	42,377	341,656	55,643	
Homeless	-	-	-	-	-	
Unassigned	-	(237,508)	-	-	-	
<b>Total fund balances</b>	<b>24,738</b>	<b>(237,508)</b>	<b>42,377</b>	<b>341,656</b>	<b>55,643</b>	
<b>Total liabilities, deferred inflow of resources and fund balances</b>	<b>\$ 30,440</b>	<b>316,834</b>	<b>129,290</b>	<b>377,470</b>	<b>58,449</b>	

AB939 Grant	Air Quality Enhancement	Street Sweeping	Homeless	Energy Partnership	Total
34,168	3,600	467,656	575,294	-	1,401,633
-	-	-	-	377,030	377,030
17	3	408	392	-	949
-	-	250,000	90,278	-	931,717
<u>34,185</u>	<u>3,603</u>	<u>718,064</u>	<u>665,964</u>	<u>377,030</u>	<u>2,711,329</u>
4	-	169,193	99,618	53,337	414,390
-	-	-	65,465	4,300	75,440
-	-	-	-	314,807	717,379
-	-	-	103,000	-	103,000
<u>4</u>	<u>-</u>	<u>169,193</u>	<u>268,083</u>	<u>372,444</u>	<u>1,310,209</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>263,504</u>	<u>448,596</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>263,504</u>	<u>448,596</u>
34,181	3,603	548,871	-	-	24,738
-	-	-	397,881	-	1,026,331
-	-	-	-	(258,918)	397,881
<u>34,181</u>	<u>3,603</u>	<u>548,871</u>	<u>397,881</u>	<u>(258,918)</u>	<u>952,524</u>
<u>34,185</u>	<u>3,603</u>	<u>718,064</u>	<u>665,964</u>	<u>377,030</u>	<u>2,711,329</u>

COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS

Nonmajor Governmental Funds

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Year ended June 30, 2014

	Special Projects	CV Link	Habitat Conservation	AB 2766 Grant	Oil Grant
<b>Revenues:</b>					
Grants	\$ -	-	-	-	74,995
Investment income	-	-	-	376	127
Other governmental	-	791,358	-	299,474	-
Miscellaneous	31,000	-	606,509	-	-
<b>Total revenues</b>	<b>31,000</b>	<b>791,358</b>	<b>606,509</b>	<b>299,850</b>	<b>75,122</b>
<b>Expenditures:</b>					
Salaries	-	57,288	367,814	70,778	3,195
Benefits	-	18,423	129,403	20,208	1,125
Communications	-	608	4,501	776	35
Advertising	509	78	1,474	89	13,594
Insurance	-	3,230	18,486	3,020	154
Memberships and per diem	-	498	3,420	2,459	30
General and office expenses	55	1,169	16,144	1,383	2,533
Professional services	4,308	1,408	20,310	1,697	74
Consultants	-	634,010	-	9,500	50,192
Leases and maintenance	-	4,578	30,802	5,944	269
Staff training	-	27	5,925	48	2
Transportation and meetings	-	129	2,524	911	7
Utilities	-	637	4,184	828	37
Project costs	32,975	-	-	-	8,714
Capital Outlay	-	-	1,522	-	-
<b>Total expenditures</b>	<b>37,847</b>	<b>722,083</b>	<b>606,509</b>	<b>117,641</b>	<b>79,961</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>(6,847)</b>	<b>69,275</b>	<b>-</b>	<b>182,209</b>	<b>(4,839)</b>
<b>Other financing sources (uses):</b>					
Transfers in	4,883	41,766	-	-	2,003
Transfers out	-	-	-	(200,730)	-
<b>Total other financing sources (uses)</b>	<b>4,883</b>	<b>41,766</b>	<b>-</b>	<b>(200,730)</b>	<b>2,003</b>
<b>Net change in fund balances</b>	<b>(1,964)</b>	<b>111,041</b>	<b>-</b>	<b>(18,521)</b>	<b>(2,836)</b>
<b>Fund balances (deficit) at beginning of year</b>	<b>26,702</b>	<b>(348,549)</b>	<b>42,377</b>	<b>360,177</b>	<b>58,479</b>
<b>Fund balances (deficit) at end of year</b>	<b>\$ 24,738</b>	<b>(237,508)</b>	<b>42,377</b>	<b>341,656</b>	<b>55,643</b>

AB939 Grant	Air Quality Enhancement	Street Sweeping	Homeless	Energy Partnership	Totals
-	-	-	-	243,441	318,436
53	18	1,296	1,408	-	3,278
31,860	-	400,000	1,503,717	-	3,026,409
-	-	143,778	50,000	140	831,427
<u>31,913</u>	<u>18</u>	<u>545,074</u>	<u>1,555,125</u>	<u>243,581</u>	<u>4,179,550</u>
10,985	464	15,075	-	131,111	656,710
4,206	167	4,278	-	47,843	225,653
118	5	167	-	1,813	8,023
14	1	19	-	309	16,087
559	14	15,998	689	6,446	48,596
1,851	5	157	-	3,733	12,153
294	7	273	4	2,531	24,393
262	2,480	337	800,533	3,687	835,096
-	-	-	634,146	256,376	1,584,224
944	40	1,271	-	11,319	55,167
6	-	11	-	76	6,095
327	1	72	-	2,641	6,612
125	6	179	-	1,498	7,494
-	-	563,865	-	76,399	681,953
-	-	-	35,780	-	37,302
<u>19,691</u>	<u>3,190</u>	<u>601,702</u>	<u>1,471,152</u>	<u>545,782</u>	<u>4,205,558</u>
<u>12,222</u>	<u>(3,172)</u>	<u>(56,628)</u>	<u>83,973</u>	<u>(302,201)</u>	<u>(26,008)</u>
-	-	200,730	-	53,192	302,574
<u>(2,003)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(202,733)</u>
<u>(2,003)</u>	<u>-</u>	<u>200,730</u>	<u>-</u>	<u>53,192</u>	<u>99,841</u>
10,219	(3,172)	144,102	83,973	(249,009)	73,833
<u>23,962</u>	<u>6,775</u>	<u>404,769</u>	<u>313,908</u>	<u>(9,909)</u>	<u>878,691</u>
<u>34,181</u>	<u>3,603</u>	<u>548,871</u>	<u>397,881</u>	<u>(258,918)</u>	<u>952,524</u>



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Executive Committee  
Coachella Valley Association of Governments  
Palm Desert, California

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

**Independent Auditor's Report**

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Coachella Valley Association of Governments ("Association"), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Association's basic financial statements, and have issued our report thereon dated February 10, 2015.

**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) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the 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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **Purpose of this Report**

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

*Mayer Hoffman McCann P.C.*

Irvine, California  
February 10, 2015