

COACHELLA VALLEY
CONSERVATION COMMISSION

Financial Statements

Year ended June 30, 2012

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COACHELLA VALLEY CONSERVATION COMMISSION

Financial Statements

Year ended June 30, 2012

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Commission Members
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Palm Desert, California

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying financial statements of the governmental activities and each major fund of the Coachella Valley Conservation Commission ("Commission") as of and for the year ended June 30, 2012, which collectively comprise the basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the management of the Commission. Our responsibility is to express opinions on these financial statements based on our audit. The prior year partial comparative information has been derived from the financial statements of the Commission for the year ended June 30, 2011, and in our report February 2, 2012 we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Commission, as of June 30, 2012, and the respective changes in financial position of the Commission in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that *management's discussion and analysis* and budgetary comparison information on pages 3-7 and 34-37 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 the 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 regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited

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procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

In accordance with *Government Auditing Standards*, we have also issued a report dated February 1, 2013 on our consideration of the Commission's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Mayer Hoffman McCann P.C.

Irvine, California
February 1, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following discussion and analysis of the financial performance of Coachella Valley Conservation Commission ("Commission") provides an overview of the Commission's financial activities for the fiscal year ended June 30, 2012. 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 Commission as a whole and present a longer-term view of the Commission's finances. Also included in the accompanying report are the *fund financial statements*. The fund financial statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the Commission's operations in more detail than the government-wide statements by providing information about the Commission's most significant funds.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

Reporting the Commission as a Whole

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

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

Reporting the Commission's Major Funds

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

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

Statements of Net Assets

	<u>Fiscal Year 2012</u>	<u>Fiscal Year 2011</u>	<u>Dollar Change</u>	<u>Total Percent Change</u>
Assets:				
Cash and investments (note 2)	\$ 5,697,189	\$ 3,678,966	\$ 2,018,223	54.9%
Interest receivable	5,049	5,189	(140)	(0.1)%
Due from other governments	732,410	776,063	(43,653)	(5.6)%
Deposits	104,993	50,327	54,666	108.6%
Capital assets (note 4):				
Capital assets, not depreciated	<u>35,907,447</u>	<u>30,126,990</u>	<u>5,780,457</u>	19.2%
Total Assets	<u>42,447,088</u>	<u>34,637,535</u>	<u>7,809,553</u>	22.6%
Liabilities:				
Accounts payable	1,243	33,367	(32,124)	(96.3)%
Due to other governments	<u>119,330</u>	<u>105,744</u>	<u>13,586</u>	12.9%
Total Liabilities	<u>120,573</u>	<u>139,111</u>	<u>(18,538)</u>	(13.3)%
Net Assets:				
Invested in capital assets	35,907,447	30,126,990	5,780,457	19.2%
Management and monitoring	263,495	72,685	190,810	262.5%
Land acquisition	1,682,842	1,053,259	629,583	59.8%
Endowment	<u>4,472,731</u>	<u>3,245,490</u>	<u>1,227,241</u>	37.8%
Total Net Assets	<u>\$ 42,326,515</u>	<u>\$ 34,498,424</u>	<u>\$ 7,828,091</u>	22.7%

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

Statements of Activities

	Fiscal Year 2012	Fiscal Year 2011	Dollar Change	Total Percent Change
Operating Expenses:				
Administrative	\$ 341,266	\$ 467,482	\$ (126,216)	(27.0)%
Biological monitoring and land management program	<u>512,518</u>	<u>763,085</u>	<u>(250,567)</u>	(32.8)%
Total Expenses	<u>853,784</u>	<u>1,230,567</u>	<u>(376,783)</u>	(30.6)%
Program Revenues:				
Operating contributions and grants	1,961,471	1,907,146	54,325	2.9%
Capital contributions and grants	6,658,020	16,007,084	(9,349,064)	(58.4)%
General Revenues:				
Interest income	22,818	23,452	(634)	(2.7)%
Other revenues	<u>39,566</u>	<u>1,000</u>	<u>(38,566)</u>	3,856.6%
Total Revenues	<u>8,681,875</u>	<u>17,938,682</u>	<u>(9,256,807)</u>	(51.6)%
Changes in Net Assets	7,828,091	16,708,115	(8,880,024)	(53.2)%
Net Assets - Beginning of Year	<u>34,498,424</u>	<u>17,790,309</u>	<u>16,708,115</u>	93.9%
Net Assets - End of Year	<u>\$ 42,326,515</u>	<u>\$ 34,498,424</u>	<u>\$ 7,828,091</u>	22.7%

The increase or decrease in net assets can provide an indication as to whether the overall financial position of the Commission improved or deteriorated during the year. Net assets of the Commission's governmental activities increased by 22.7% (\$42.33M compared to \$34.50M). The net assets of the Commission changed as a result of the revenue and expense fluctuations and also capital assets described below for the activities of the Commission.

MAJOR FUNDS

General Fund – The General Fund accounts for all of the general revenues of the Commission not specifically levied or collected for some special purpose, and for the expenditures related to the rendering of general services by the Commission. At the end of the current fiscal year, restricted fund balance of the General Fund was \$4,165,475.

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

- Agencies mitigation fees in the amount of \$1,400,635 were received from three agencies contributing toward the Coachella Valley Multiple Species Habitat Conservation Plan (CVMSHCP).
- Professional services and Consultants expenditures decreased by \$126,396 mainly due to a decrease in work performed by vendors.

Management And Monitoring Fund – The Management and Monitoring Fund accounts for the revenues associated with implementation of the land management program and the biological monitoring program for the CVMSHCP. At the end of the current fiscal year, the total fund balance was \$263,495.

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

- the Commission adopted a new fee ordinance which permits part of the Development Mitigation fees collected to be used for Management and Monitoring. Current year amount allocated to this fund was \$143,175.
- Consultants expenditures decreased by \$188,140 because the Commission decided not to renew a contract with a vendor, and the work was undertaken by the Coachella Valley Association of Governments on behalf of the Commission.

Land Acquisition Fund – The Land Acquisition Fund accounts for the revenues generated by the Local Development Mitigation Fee (LDMF) and mitigation contributions from various agencies. At the end of the current fiscal year, the total fund balance was \$1,682,842.

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

- As noted in the Management and Monitoring Fund section, a new fee ordinance was adopted and since part of the development fee was allocated, the Development Mitigation fee decreased by \$133,008.
- Contributions decreased by \$8,903,893 as there were no large land donations in the current fiscal year as there was in the prior year.
- Grants decreased by \$570,000 as funds from the State and Federal governments for land acquisitions within the conservation area were utilized a little less in the current fiscal year.
- Capital outlay expense decreased by \$9,223,825 because the Commission received a large amount of land donations in the prior year but not in the current year.

Lizard Endowment Fund – The Lizard Endowment Fund accounts for the revenues associated with the Coachella Valley Fringe-Toed Lizard (CVFTL) endowment. At the end of the current fiscal year, the total fund balance was \$307,256.

CAPITAL ASSETS

Capital Assets
(not being depreciated)

	<u>Balance</u> <u>June 30, 2012</u>	<u>Balance</u> <u>June 30, 2011</u>	<u>Increase</u>
Land	\$ 35,907,447	\$ 30,126,990	\$ 5,780,457
Total	<u>\$ 35,907,447</u>	<u>\$ 30,126,990</u>	<u>\$ 5,780,457</u>

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

CONTACTING THE COMMISSION'S FINANCIAL MANAGEMENT

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

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BASIC FINANCIAL STATEMENTS

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COACHELLA VALLEY CONSERVATION COMMISSION

Statement of Net Assets

June 30, 2012

	Governmental Activities	
	2012	2011
Assets:		
Cash and investments (note 2)	\$ 5,697,189	3,678,966
Deposits	104,993	50,327
Interest receivable	5,048	5,189
Due from other governments	732,411	776,063
Capital assets (note 4):		
Capital assets, not depreciated	35,907,447	30,126,990
Total assets	42,447,088	34,637,535
Liabilities:		
Accounts payable	1,243	33,367
Due to other governments	119,330	105,744
Total liabilities	120,573	139,111
Net assets:		
Invested in capital assets	35,907,447	30,126,990
Restricted for:		
Management and monitoring	263,495	72,685
Land acquisition	1,682,842	1,053,259
Endowment	4,472,731	3,245,490
Total net assets	\$ 42,326,515	34,498,424

See accompanying notes to the basic financial statements.

COACHELLA VALLEY CONSERVATION COMMISSION

Statement of Activities

Year ended June 30, 2012

		Program Revenues		Net Governmental Activities	
	Expenses	Operating Contributions and Grants	Capital Contributions and Grants	2012	2011
Governmental activities:					
Administrative	\$ 341,266	1,778,296	-	1,437,030	1,350,664
Biological monitoring and land management program	<u>512,518</u>	<u>183,175</u>	<u>6,658,020</u>	<u>6,328,677</u>	<u>15,332,999</u>
Total governmental activities	<u>\$ 853,784</u>	<u>1,961,471</u>	<u>6,658,020</u>	<u>7,765,707</u>	<u>16,683,663</u>
General revenues:					
Investment income				22,818	23,452
Other revenues				<u>39,566</u>	<u>1,000</u>
Total general revenues				<u>62,384</u>	<u>24,452</u>
Change in net assets				7,828,091	16,708,115
Net assets at beginning of year				<u>34,498,424</u>	<u>17,790,309</u>
Net assets at end of year				<u>\$ 42,326,515</u>	<u>34,498,424</u>

See accompanying notes to the basic financial statements.

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COACHELLA VALLEY CONSERVATION COMMISSION

Governmental Funds - Balance Sheet

June 30, 2012

		<u>Special Revenue</u>	
	General	Management	Land
	Fund	and	Acquisition
		Monitoring	
<u>Assets</u>			
Assets:			
Cash and investments	\$ 3,513,544	261,685	1,614,978
Deposits	-	-	104,993
Interest receivable	3,133	150	1,492
Due from other governments	692,698	12,366	27,346
Due from other funds (note 3)	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ 4,209,375</u>	<u>274,201</u>	<u>1,748,809</u>
<u>Liabilities and Fund Balance</u>			
Liabilities:			
Accounts payable	\$ 1,099	-	144
Due to other governments	42,801	10,706	65,823
Due to other funds (note 3)	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>43,900</u>	<u>10,706</u>	<u>65,967</u>
Fund balances:			
Restricted for:			
Management and monitoring	-	263,495	-
Land acquisition	-	-	1,682,842
Endowment	4,165,475	-	-
	<u>4,165,475</u>	<u>-</u>	<u>-</u>
Total fund balances	<u>4,165,475</u>	<u>263,495</u>	<u>1,682,842</u>
Total liabilities and fund balances	<u>\$ 4,209,375</u>	<u>274,201</u>	<u>1,748,809</u>

See accompanying notes to basic financial statements.

Special Revenue		
Lizard Endowment	Totals	
	2012	2011
306,982	5,697,189	3,678,966
-	104,993	50,327
274	5,049	5,189
-	732,410	776,063
-	-	37,138
<u>307,256</u>	<u>6,539,641</u>	<u>4,547,683</u>
-	1,243	33,367
-	119,330	105,744
-	-	37,138
<u>-</u>	<u>120,573</u>	<u>176,249</u>
-	263,495	72,685
-	1,682,842	1,053,259
<u>307,256</u>	<u>4,472,731</u>	<u>3,245,490</u>
<u>307,256</u>	<u>6,419,068</u>	<u>4,371,434</u>
<u>307,256</u>	<u>6,539,641</u>	<u>4,547,683</u>

COACHELLA VALLEY CONSERVATION COMMISSION
Governmental Funds

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

June 30, 2012

Fund balances of governmental funds	\$ 6,419,068
Amounts reported for governmental activities in the statement of net assets are different because:	
Land has not been recorded as assets in the governmental fund financial statements.	<u>35,907,447</u>
Net assets of governmental activities	<u>\$ 42,326,515</u>

See accompanying notes to the basic financial statements.

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COACHELLA VALLEY CONSERVATION COMMISSION

Statement of Revenues, Expenditures and Changes in Fund Balances

Year ended June 30, 2012

		Special Revenue	
	General	Management	Land
	Fund	and	Acquisition
		Monitoring	
Revenues:			
Development mitigation fees	\$ -	143,175	827,975
Agencies mitigation fees	1,400,635	-	2,584,138
Tipping fees	377,661	-	-
Contributions	-	40,000	60,907
Grants	-	-	3,185,000
Investment income	15,534	432	5,547
Miscellaneous	5,000	34,566	-
Total revenues	1,798,830	218,173	6,663,567
Expenditures:			
Administrative fees	-	1,432	8,280
Insurance	10,722	-	-
Per diem	8,025	-	-
General and office expenses	1,326	-	525
Professional services	13,883	-	17,680
Consultants	307,310	257,559	227,042
Capital outlay	-	-	5,780,457
Total expenditures	341,266	258,991	6,033,984
Excess (deficiency) of revenues over (under) expenditures	1,457,564	(40,818)	629,583
Other financing sources (uses):			
Transfers in (note 3)	-	231,628	-
Transfers out (note 3)	(231,628)	-	-
Total other financing sources (uses)	(231,628)	231,628	-
Net change in fund balances	1,225,936	190,810	629,583
Fund balances at beginning of year	2,939,539	72,685	1,053,259
Fund balances at end of year	\$ 4,165,475	263,495	1,682,842

See accompanying notes to basic financial statements.

Special Revenue		
Lizard Endowment	Totals	
	2012	2011
-	971,150	960,984
-	3,984,773	3,768,912
-	377,661	375,534
-	100,907	8,964,800
-	3,185,000	3,844,000
1,305	22,818	23,452
-	39,566	1,000
1,305	8,681,875	17,938,682
-	9,712	9,610
-	10,722	11,932
-	8,025	6,675
-	1,851	1,286
-	31,563	65,773
-	791,911	1,135,291
-	5,780,457	15,004,284
-	6,634,241	16,234,851
1,305	2,047,634	1,703,831
-	231,628	428,982
-	(231,628)	(428,982)
-	-	-
1,305	2,047,634	1,703,831
305,951	4,371,434	2,667,603
307,256	6,419,068	4,371,434

COACHELLA VALLEY CONSERVATION COMMISSION

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

Year ended June 30, 2012

Net changes in fund balances - total governmental funds \$ 2,047,634

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

When capital assets owned by the Commission are purchased
or constructed, the resources expended for those assets are reported as
expenditures in governmental funds. However, in the Statement of Activities,
the cost of those assets is allocated over their estimated useful lives and
reported as depreciation expense. This is the amount by which capital outlays
(\$5,780,457) exceeded depreciation (\$0) in the current period.

5,780,457

Changes in net assets of governmental activities

\$ 7,828,091

See accompanying notes to the basic financial statements.

COACHELLA VALLEY CONSERVATION COMMISSION

Notes to Basic Financial Statements

Year ended June 30, 2012

1. Summary of Significant Accounting Policies

a. Description of Reporting Entity:

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

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

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

COACHELLA VALLEY CONSERVATION COMMISSION

Notes to Basic Financial Statements

(Continued)

1. Summary of Significant Accounting Policies (Continued)

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

b. Government-wide and Fund Financial Statements:

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

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

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

COACHELLA VALLEY CONSERVATION COMMISSION

Notes to Basic Financial Statements

(Continued)

1. Summary of Significant Accounting Policies (Continued)

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

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

Separate financial statements for the Commission's governmental funds are presented after the Government-wide Financial Statements. These statements display information about major funds individually and other governmental funds in the aggregate. All of the Commission's funds are considered major funds.

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

The Government-wide financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Under the economic resources measurement focus, all (both current and long-term) economic resources and obligations of the reporting government are reported in the government-wide financial statements. Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Under the accrual basis of accounting, revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets, and liabilities resulting from nonexchange transaction are recognized in accordance with the requirements of GASB Statement No. 33.

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

COACHELLA VALLEY CONSERVATION COMMISSION

Notes to Basic Financial Statements

(Continued)

1. Summary of Significant Accounting Policies (Continued)

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under the current financial resources measurement focus, only current assets and current liabilities are generally included on their balance sheets. The reported fund balance (net current assets) is considered to be a measure of "available spendable resources". Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period. Noncurrent portions of long-term receivables due to governmental funds are reported on their balance sheets in spite of their spending measurement focus. However, special reporting treatments are used to indicate that they should not be considered "available spendable resources" since they do not represent net current assets. Recognition of governmental fund type revenue represented by noncurrent receivables is deferred until they become current receivables. Noncurrent portions of other long-term receivables are offset by fund balance reserve accounts.

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

The governmental activities follow FASB Statements and interpretations issued on or before November 30, 1989, Accounting Principles Board Opinions and Accounting Research Bulletins, unless those pronouncements conflict with GASB pronouncements.

COACHELLA VALLEY CONSERVATION COMMISSION

Notes to Basic Financial Statements

(Continued)

1. Summary of Significant Accounting Policies (Continued)

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

Governmental Fund Balances:

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

Nonspendable Fund Balance:

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

Spendable Fund Balance:

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

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

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

COACHELLA VALLEY CONSERVATION COMMISSION

Notes to Basic Financial Statements

(Continued)

1. Summary of Significant Accounting Policies (Continued)

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

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

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

Fund Classifications

The Commission reports the following major governmental funds:

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

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

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

Lizard Endowment Special Revenue Fund – This fund is used to account for the revenues associated with the Coachella Valley fringe-toed lizard endowment.

COACHELLA VALLEY CONSERVATION COMMISSION

Notes to Basic Financial Statements

(Continued)

1. Summary of Significant Accounting Policies (Continued)

d. Eliminations:

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

e. Cash and Investments:

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

f. Capital Assets:

Capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date received. Generally, the Commission capitalizes assets with a cost in excess of \$5,000 with a useful life in excess of one year.

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

g. Use of Estimates:

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

h. Prior Year Data:

Selected information regarding the prior year has been included in the accompanying financial statements. This information has been included for

COACHELLA VALLEY CONSERVATION COMMISSION

Notes to Basic Financial Statements

(Continued)

1. Summary of Significant Accounting Policies (Continued)

h. Prior Year Data, (Continued):

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

2. Cash and Investments

Cash and investments of the Commission consisted of the following at June 30, 2012.

Cash and deposits:	
Deposit with financial institution	\$ 20,682
Investments:	
Riverside County Pooled Investment Fund	<u>5,676,507</u>
Total cash and investments held by the Commission	<u>\$5,697,189</u>

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

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

COACHELLA VALLEY CONSERVATION COMMISSION

Notes to Basic Financial Statements

(Continued)

2. Cash and Investments, (Continued)

Investments Authorized by the California Government Code and the Commission's Investment Policy, (continued)

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

N/A - Not Applicable

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the Commission manages its exposure to interest, rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time: or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations. The Commission's investment in the Riverside County Pooled Investment Fund of \$5,676,507 is available on demand.

Disclosures Relating to Credit Risk

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

COACHELLA VALLEY CONSERVATION COMMISSION

Notes to Basic Financial Statements

(Continued)

2. Cash and Investments, (Continued)

<u>Investment</u>	<u>Minimum Legal Rating</u>	<u>Unrated</u>
Riverside County Pooled Investment Fund	N/A	\$5,676,507

N/A – Not Applicable

Investment in Riverside County Investment Pool

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

3. Interfund Transfers

<u>Transfer In</u>	<u>Transfers Out</u>	<u>Amount</u>
Management and Monitoring	General Fund	\$231,628

The General Fund transferred \$231,628 to the Management and Monitoring Special Revenue Fund to pay for expenditures incurred.

4. Capital Assets

A summary of capital asset activity for the year ended June 30, 2012 is as follows:

	<u>Balance at July 1, 2011</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at June 30, 2012</u>
Capital assets, not being depreciated:				
Land	<u>\$30,126,990</u>	<u>5,780,457</u>	<u>-</u>	<u>35,907,447</u>

COACHELLA VALLEY CONSERVATION COMMISSION

Notes to Basic Financial Statements

(Continued)

5. Liability, Property and Workers' Compensation Protection

Description Self-Insurance Pool Pursuant to Joint Powers Agreement:

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

Self-Insurance Programs of the Insurance Authority:

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

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

General Liability Insurance

In the liability program claims are pooled separately between police and non-police exposures. (1) The payroll of each member is evaluated relative to the payroll of other members. A variable credibility factor is determined for each member, which establishes the weight applied to payroll and the weight applied to losses within the formula. (2) The first layer of losses includes incurred costs up to \$30,000 for each occurrence and is evaluated as a percentage of the pool's total incurred costs within the first layer. (3) The second layer of losses includes incurred costs from \$30,000 to \$750,000 for each

COACHELLA VALLEY CONSERVATION COMMISSION

Notes to Basic Financial Statements

(Continued)

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

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.

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 2011-12.

6. Future Funding

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

COACHELLA VALLEY CONSERVATION COMMISSION

Notes to Basic Financial Statements

(Continued)

6. Future Funding, (Continued)

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

In accordance with the CVMSHCP, Coachella Valley Association of Governments has committed \$30 million of future Measure A funds, which would mitigate all the regional transportation projects listed in the current Transportation Project Prioritization Study (TPPS). Under the CVMSHCP, the \$30 million in the CVAG transportation funds would contribute to both land acquisition and the establishment of the Endowment Fund, which would ensure monitoring and management of the acquired lands. The CVMSHCP area includes 1.1 million acres, encompassing the entire Coachella Valley and the surrounding mountains. The MSHCP will benefit the local jurisdictions by providing Take Authorization for all development, including public infrastructure projects, undertaken by the Permittees (signatories to the MSHCP) outside the Conservation Areas. By providing Take Authorization for public and private development projects, the MSHCP eliminates the need for projects to conduct biological surveys and negotiate individual project mitigation with the U.S. Fish and Wildlife Service and the California Department of Fish and Game. As June 30, 2012, the outstanding commitment from CVAG is \$14,038,064. This commitment has not been recorded as a receivable because it has not met all the revenue recognition requirements.

7. Related Party Transactions

The Commission entered into a contract with Coachella Valley Association of Governments (CVAG), whereby CVAG, under the direction of the Commission, will coordinate and administer the implementation of CVMSHCP. The contract calls for the Commission to pay CVAG based upon actual staff time spent at rates not to exceed the rates paid by CVAG. The amount shall not exceed \$700,000 for fiscal year 2011-2012. During the year, CVAG incurred and charged the Commission \$470,813 of staff time and allocated administrative expenses, of which \$564,967 was paid during the year. The difference of \$94,154 was for expenditures incurred, but not paid for in the prior year.

COACHELLA VALLEY CONSERVATION COMMISSION

General Fund

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

Year ended June 30, 2012

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Agencies mitigation fees	\$ 1,400,635	1,400,635	1,400,635	-
Tipping fees	370,000	370,000	377,661	7,661
Investment income	17,000	17,000	15,534	(1,466)
Miscellaneous	-	-	5,000	5,000
Total revenues	<u>1,787,635</u>	<u>1,787,635</u>	<u>1,798,830</u>	<u>11,195</u>
Expenditures:				
Insurance	10,955	10,955	10,722	233
Per diem	9,600	9,600	8,025	1,575
General and office expenses	19,110	19,110	1,326	17,784
Professional services	80,048	80,048	13,883	66,165
Consultants	308,000	308,000	307,310	690
Capital outlay	<u>5,000</u>	<u>5,000</u>	<u>-</u>	<u>5,000</u>
Total expenditures	<u>432,713</u>	<u>432,713</u>	<u>341,266</u>	<u>91,447</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,354,922</u>	<u>1,354,922</u>	<u>1,457,564</u>	<u>102,642</u>
Other financing sources (uses):				
Transfers out	<u>(467,254)</u>	<u>(467,254)</u>	<u>(231,628)</u>	<u>235,626</u>
Total other financing sources (uses)	<u>(467,254)</u>	<u>(467,254)</u>	<u>(231,628)</u>	<u>235,626</u>
Net change in fund balances	887,668	887,668	1,225,936	338,268
Fund balance at beginning of year	<u>2,939,539</u>	<u>2,939,539</u>	<u>2,939,539</u>	<u>-</u>
Fund balances at end of year	<u>\$ 3,827,207</u>	<u>3,827,207</u>	<u>4,165,475</u>	<u>338,268</u>

COACHELLA VALLEY CONSERVATION COMMISSION

Management and Monitoring

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

Year ended June 30, 2012

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Development mitigation fees	\$ 142,800	142,800	143,175	375
Contributions	-	-	40,000	40,000
Investment income	500	500	432	(68)
Miscellaneous	-	-	34,566	34,566
Total revenues	143,300	143,300	218,173	74,873
Expenditures:				
Administrative fees	1,428	1,428	1,432	(4)
Consultants	529,075	529,075	257,559	271,516
Total expenditures	530,503	530,503	258,991	271,512
Excess (deficiency) of revenues over (under) expenditures	(387,203)	(387,203)	(40,818)	346,385
Other financing sources (uses):				
Transfers in	467,254	467,254	231,628	(235,626)
Net change in fund balances	80,051	80,051	190,810	110,759
Fund balance at beginning of year	72,685	72,685	72,685	-
Fund balances at end of year	\$ 152,736	152,736	263,495	110,759

COACHELLA VALLEY CONSERVATION COMMISSION

Land Acquisition

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

Year ended June 30, 2012

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Development mitigation fees	\$ 865,200	865,200	827,975	(37,225)
Agencies mitigation fees	4,944,856	4,944,856	2,584,138	(2,360,718)
Contributions	45,000	45,000	60,907	15,907
Grants	5,403,000	5,403,000	3,185,000	(2,218,000)
Investment income	3,000	3,000	5,547	2,547
Total revenues	<u>11,261,056</u>	<u>11,261,056</u>	<u>6,663,567</u>	<u>(4,597,489)</u>
Expenditures:				
Administrative fees	8,652	8,652	8,280	372
General and office expenses	-	-	525	(525)
Land improvement	80,000	80,000	-	80,000
Professional services	23,000	23,000	17,680	5,320
Consultants	283,395	283,395	227,042	56,353
Capital outlay	<u>10,446,897</u>	<u>10,446,897</u>	<u>5,780,457</u>	<u>4,666,440</u>
Total expenditures	<u>10,841,944</u>	<u>10,841,944</u>	<u>6,033,984</u>	<u>4,807,960</u>
Excess (deficiency) of revenues over (under) expenditures	419,112	419,112	629,583	210,471
Fund balance at beginning of year	<u>1,053,259</u>	<u>1,053,259</u>	<u>1,053,259</u>	<u>-</u>
Fund balances at end of year	<u>\$ 1,472,371</u>	<u>1,472,371</u>	<u>1,682,842</u>	<u>210,471</u>

COACHELLA VALLEY CONSERVATION COMMISSION

Lizard Endowment

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

Year ended June 30, 2012

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Investment income	\$ 1,800	1,800	1,305	(495)
Net change in fund balances	1,800	1,800	1,305	(495)
Fund balance at beginning of year	305,951	305,951	305,951	-
Fund balances at end of year	<u>\$ 307,751</u>	<u>307,751</u>	<u>307,256</u>	<u>(495)</u>

COACHELLA VALLEY CONSERVATION COMMISSION

Notes to Required Supplementary Information

(Continued)

Budgets & Budgetary Accounting

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