



# COACHELLA VALLEY CONSERVATION COMMISSION

FOR THE YEAR ENDED JUNE 30, 2016  
(WITH COMPARATIVE PRIOR  
YEAR INFORMATION)

FINANCIAL STATEMENTS

Focused  
on YOU



**COACHELLA VALLEY  
CONSERVATION COMMISSION**

**FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED  
JUNE 30, 2016  
(WITH COMPARATIVE PRIOR YEAR INFORMATION)**

COACHELLA VALLEY CONSERVATION COMMISSION  
FINANCIAL STATEMENTS  
FOR THE YEAR ENDED  
JUNE 30, 2016  
(WITH COMPARATIVE PRIOR YEAR INFORMATION)

COACHELLA VALLEY CONSERVATION COMMISSION

FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2016

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COACHELLA VALLEY CONSERVATION COMMISSION

FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2016

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## INDEPENDENT AUDITORS' REPORT

To the Commission Members of the  
Coachella Valley Conservation Commission  
Palm Desert, California

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Coachella Valley Conservation Commission (CVCC) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the CVCC's basic financial statements as listed in the table of contents.

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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



CPAs AND ADVISORS

To the Commission Members of the  
Coachella Valley Conservation Commission  
Palm Desert, California

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Coachella Valley Conservation Commission (CVCC), as of June 30, 2016, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

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

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

#### ***Prior Year Comparative Information***

The financial statements include summarized prior-year comparative information. Such information does not include all of the information required or sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with CVCC's financial statements for the year ended June 30, 2015, from which such summarized information was derived.

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

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

The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements are fairly stated in all material respects in relation to the basic financial statements as a whole.



CPAs AND ADVISORS

To the Commission Members of the  
Coachella Valley Conservation Commission  
Palm Desert, California

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 2016 on our consideration of the CVCC's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the CVCC's internal control over financial reporting and compliance.

*Lance, Soll & Lughard, LLP*

Brea, California  
December 20, 2016



## 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, 2016. Please read it in conjunction with the financial statements identified in the accompanying table of contents.

### Using the Accompanying Financial Statements

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

## OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

### Reporting the Commission as a Whole

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

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

## Reporting the Commission's Major Funds

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

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

### GOVERNMENT-WIDE FINANCIAL STATEMENTS

#### Statements of Net Position

	Fiscal Year 2016	Fiscal Year 2015	Dollar Change	Total Percent Change
Assets:				
Cash and investments (note 2)	\$ 15,129,974	\$ 14,133,532	\$ 996,442	7.1%
Interest receivable	23,442	11,987	11,455	95.6%
Due from other governments	923,595	973,276	(49,681)	(5.1)%
Deposits	12,828	100,375	(87,547)	(87.2)%
Capital assets, not depreciated (note 4)	<u>55,042,758</u>	<u>47,566,743</u>	<u>7,476,015</u>	15.7%
Total Assets	<u>71,132,597</u>	<u>62,785,913</u>	<u>8,346,684</u>	13.3%
Liabilities:				
Accounts payable	20,801	13,315	7,486	56.2%
Due to other governments	<u>220,518</u>	<u>267,996</u>	<u>(47,478)</u>	(17.7)%
Total Liabilities	<u>241,319</u>	<u>281,311</u>	<u>(39,992)</u>	(14.2)%
Net Position:				
Invested in capital assets	55,042,758	47,566,743	7,476,015	15.7%
Restricted for Management & monitoring	4,318,409	4,345,376	(26,967)	(0.6)%
Restricted for Land acquisition	4,155,012	3,954,109	200,903	5.2%
Restricted for Endowment	7,042,965	6,394,969	647,996	10.1%
Unrestricted	<u>332,134</u>	<u>243,405</u>	<u>88,729</u>	36.5%
Total Net Position	<u>\$ 70,891,278</u>	<u>\$ 62,504,602</u>	<u>\$ 8,386,676</u>	13.4%

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

Statements of Activities

	<u>Fiscal Year 2016</u>	<u>Fiscal Year 2015</u>	<u>Dollar Change</u>	<u>Total Percent Change</u>
Operating Expenses:				
Administrative	\$ 397,964	\$ 413,214	\$ (15,250)	(3.7) %
Biological monitoring and land management program	<u>931,967</u>	<u>714,602</u>	<u>217,365</u>	30.4 %
Total Expenses	<u>1,329,931</u>	<u>1,127,816</u>	<u>202,115</u>	17.9 %
Program Revenues:				
Operating contributions and grants	1,739,107	1,319,781	419,326	31.8 %
Capital contributions and grants	7,906,360	1,743,927	6,162,433	353.4 %
General Revenues:				
Interest income	71,136	46,656	24,480	52.5 %
Other revenues	<u>4</u>	<u>6,726</u>	<u>(6,722)</u>	(99.9) %
Total Revenues	<u>9,716,607</u>	<u>3,117,090</u>	<u>6,599,517</u>	211.7 %
Changes in Net Position	8,386,676	1,989,274	6,397,402	321.6 %
Net Position - Beginning of Year	<u>62,504,602</u>	<u>60,515,328</u>	<u>1,989,274</u>	3.3 %
Net Position - End of Year	<u>\$ 70,891,278</u>	<u>\$ 62,504,602</u>	<u>\$ 8,386,676</u>	13.4 %

The increase or decrease in net position can provide an indication as to whether the overall financial position of the Commission improved or deteriorated during the year. Net position of the Commission's governmental activities increased by 13.4% (\$70.89M compared to \$62.50M). The net position of the Commission changed as a result of the revenue and expense fluctuations and also capital assets described below for the activities of the Commission.

## **MAJOR FUNDS**

**General Fund** – The General Fund accounts for all of the general revenues of the Commission not specifically levied or collected for some special purpose, and for the expenditures related to the rendering of general services by the Commission. The current fiscal year's excess was \$677,297, bringing the ending fund balance of the General Fund to \$7,007,413.

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 \$757,730 were received from agencies contributing toward the Coachella Valley Multiple Species Habitat Conservation Plan (CVMSHCP).
- Professional services and Consultants expenditures decreased by \$17,979 from the prior year 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. The current fiscal year's deficit was \$52,232, bringing the total ending fund balance to \$336,558.

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 fee ordinance in FY 2011/12 which permits part of the Development Mitigation fees collected to be used for Management and Monitoring. Current year amount allocated to this fund was \$258,351, a decrease of \$31,815 from the prior year's revenue.
- Consultant expenditures was \$523,162, an increase of \$138,525 from the prior year's expenditure, again mainly due to an increase in work performed by vendors.

**Land Acquisition Fund** – The Land Acquisition Fund accounts for the revenues generated by the Local Development Mitigation Fee (LDMF) and mitigation contributions from various agencies. The current fiscal year's excess was \$200,903, bringing the total ending fund balance to \$4,155,012.

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 fee ordinance was adopted in FY 2011/12 and since part of the development fee was allocated, the Development Mitigation fee that allocated to this fund was \$1,261,360 a decrease of \$155,335 from the prior year's revenue.
- The Commission received land contributions from an agency and an individual in the amount of \$6,205,000.
- Capital outlay expense increased by \$6,912,296, from \$563,719 in the prior year to \$7,476,015 in the current year, mainly due to the land contributions.

**Management Contingency Fund** – The Management Contingency Fund accounts for the funds established for the purpose of which is to provide the ability to address immediate and/or large scale Monitoring and Management Program needs on the Permittees lands. The current fiscal year’s excess was \$22,857, bringing the ending fund balance to \$3,476,365.

The reasons for significant amount in the expenditures of the Commission’s Management Contingency Fund is as follows:

- \$117,514 was transferred out to the Management and Monitoring Fund for expenditures incurred on a barrier project.

### **CAPITAL ASSETS**

Capital Assets  
(not being depreciated)

	Balance <u>June 30, 2016</u>	Balance <u>June 30, 2015</u>	<u>Increase</u>
Land	\$ 55,042,758	\$ 47,566,743	\$ 7,476,015
Total	\$ 55,042,758	\$ 47,566,743	\$ 7,476,015

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

### **CONTACTING THE AUTHORITY’S FINANCIAL MANAGEMENT**

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

## **BASIC FINANCIAL STATEMENTS**

COACHELLA VALLEY CONSERVATION COMMISSION

STATEMENT OF NET POSITION

YEAR ENDED JUNE 30, 2016

(WITH COMPARATIVE PRIOR YEAR INFORMATION)

	Governmental Activities	
	2016	2015
<b>Assets:</b>		
Cash and investments	\$ 15,129,974	\$ 14,133,532
Interest receivable	23,442	11,987
Deposits	12,828	100,375
Due from other governments	923,595	973,276
Capital assets not being depreciated	55,042,758	47,566,743
<b>Total Assets</b>	<b>71,132,597</b>	<b>62,785,913</b>
<b>Liabilities:</b>		
Accounts payable	20,801	13,315
Due to other governments	220,518	267,996
<b>Total Liabilities</b>	<b>241,319</b>	<b>281,311</b>
<b>Net Position:</b>		
Net investment in capital assets	55,042,758	47,566,743
Restricted for:		
Management and monitoring	4,318,409	4,345,376
Land acquisition	4,155,012	3,954,109
Endowment	7,042,965	6,394,969
Unrestricted	332,134	243,405
<b>Total Net Position</b>	<b>\$ 70,891,278</b>	<b>\$ 62,504,602</b>

## COACHELLA VALLEY CONSERVATION COMMISSION

## STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2016

(WITH COMPARATIVE PRIOR YEAR INFORMATION)

Functions/Programs	Expenses	Program Revenues		Net (Expenses) Revenues and Changes in Net Position	
		Operating Contributions and Grants	Capital Contributions and Grants	Governmental Activities	
				2016	2015
Governmental Activities:					
Administrative	\$ 397,964	\$ 1,184,867	\$ -	\$ 786,903	\$ 494,858
Biological monitoring and land management program	931,967	554,240	7,906,360	7,528,633	1,441,034
<b>Total Governmental Activities</b>	<b>\$ 1,329,931</b>	<b>\$ 1,739,107</b>	<b>\$ 7,906,360</b>	<b>8,315,536</b>	<b>1,935,892</b>
<b>General Revenues</b>					
Investment income				71,136	46,656
Other revenues				4	6,726
<b>Total General Revenues</b>				<b>71,140</b>	<b>53,382</b>
Change in Net Position				8,386,676	1,989,274
Net Position at Beginning of Year				62,504,602	60,515,328
<b>Net Position at End of Year</b>				<b>\$ 70,891,278</b>	<b>\$ 62,504,602</b>



## COACHELLA VALLEY CONSERVATION COMMISSION

**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**YEAR ENDED JUNE 30, 2016**  
**(WITH COMPARATIVE PRIOR YEAR INFORMATION)**

		Special Revenue Funds		
	General Fund	Management and Monitoring	Land Acquisition	Management Contingency
<b>Assets:</b>				
Cash and investments	\$ 6,282,398	\$ 456,977	\$ 4,044,561	\$ 3,470,878
Interest receivable	10,038	506	6,166	5,487
Deposits	-	-	12,828	-
Due from other governments	766,101	26,564	130,930	-
<b>Total Assets</b>	<b>\$ 7,058,537</b>	<b>\$ 484,047</b>	<b>\$ 4,194,485</b>	<b>\$ 3,476,365</b>
<b>Liabilities and Fund Balances:</b>				
<b>Liabilities:</b>				
Accounts payable	\$ 724	\$ 20,041	\$ -	\$ -
Due to other governments	50,400	127,448	39,473	-
<b>Total Liabilities</b>	<b>51,124</b>	<b>147,489</b>	<b>39,473</b>	<b>-</b>
<b>Fund Balances:</b>				
<b>Restricted for:</b>				
Management and monitoring	-	336,558	-	3,476,365
Land acquisition	-	-	4,155,012	-
Endowment	6,733,445	-	-	-
<b>Unassigned</b>	<b>273,968</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Fund Balances</b>	<b>7,007,413</b>	<b>336,558</b>	<b>4,155,012</b>	<b>3,476,365</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 7,058,537</b>	<b>\$ 484,047</b>	<b>\$ 4,194,485</b>	<b>\$ 3,476,365</b>

COACHELLA VALLEY CONSERVATION COMMISSION

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2016  
(WITH COMPARATIVE PRIOR YEAR INFORMATION)**

	Other Governmental Funds	Total Governmental Funds	
		2016	2015
<b>Assets:</b>			
Cash and investments	\$ 875,160	\$ 15,129,974	\$ 14,133,532
Interest receivable	1,245	23,442	11,987
Deposits	-	12,828	100,375
Due from other governments	-	923,595	973,276
<b>Total Assets</b>	<b>\$ 876,405</b>	<b>\$ 16,089,839</b>	<b>\$ 15,219,170</b>
<b>Liabilities and Fund Balances:</b>			
<b>Liabilities:</b>			
Accounts payable	\$ 36	\$ 20,801	\$ 13,315
Due to other governments	3,197	220,518	267,996
<b>Total Liabilities</b>	<b>3,233</b>	<b>241,319</b>	<b>281,311</b>
<b>Fund Balances:</b>			
<b>Restricted for:</b>			
Management and monitoring	505,486	4,318,409	4,345,376
Land acquisition	-	4,155,012	3,954,109
Endowment	309,520	7,042,965	6,394,969
<b>Unassigned</b>	<b>58,166</b>	<b>332,134</b>	<b>243,405</b>
<b>Total Fund Balances</b>	<b>873,172</b>	<b>15,848,520</b>	<b>14,937,859</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 876,405</b>	<b>\$ 16,089,839</b>	<b>\$ 15,219,170</b>

COACHELLA VALLEY CONSERVATION COMMISSION

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET POSITION  
JUNE 30, 2016

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Fund balances of governmental funds	\$ 15,848,520
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Amounts reported for governmental activities in the statement of net position are different because:

Land has not been included as financial resources in governmental fund activity.	<u>55,042,758</u>
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<b>Net Position of governmental activities</b>	<b><u>\$ 70,891,278</u></b>
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COACHELLA VALLEY CONSERVATION COMMISSION

STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2016  
(WITH COMPARATIVE PRIOR YEAR INFORMATION)

	Special Revenue Funds			
	General Fund	Management and Monitoring	Land Acquisition	Management Contingency
<b>Revenues:</b>				
Development mitigation fees	\$ -	\$ 258,351	\$ 1,261,360	\$ -
Agencies mitigation fees	757,730	50,000	80,000	123,401
Tipping fees	427,137	-	-	-
Contributions	-	-	6,205,000	-
Grants	-	44,000	360,000	-
Investment income	31,025	1,726	17,532	16,970
Miscellaneous	2	-	-	-
<b>Total Revenues</b>	<b>1,215,894</b>	<b>354,077</b>	<b>7,923,892</b>	<b>140,371</b>
<b>Expenditures:</b>				
Administrative fees	-	2,584	12,613	-
Insurance	9,633	-	-	-
Per diem	6,450	-	-	-
General and office expenses	3,654	-	-	-
Professional services	9,001	3,650	38,000	-
Consultants	369,226	523,162	187,211	-
Land improvements	-	135,060	9,150	-
Equipment	-	-	-	-
Capital outlay	-	-	7,476,015	-
<b>Total Expenditures</b>	<b>397,964</b>	<b>664,456</b>	<b>7,722,989</b>	<b>-</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	817,930	(310,379)	200,903	140,371
<b>Other Financing Sources (Uses):</b>				
Transfers in	-	258,147	-	-
Transfers out	(140,633)	-	-	(117,514)
<b>Total Other Financing Sources (Uses)</b>	<b>(140,633)</b>	<b>258,147</b>	<b>-</b>	<b>(117,514)</b>
Net Change in Fund Balances	677,297	(52,232)	200,903	22,857
Fund Balances, Beginning of Year	6,330,116	388,790	3,954,109	3,453,508
<b>Fund Balances, End of Year</b>	<b>\$ 7,007,413</b>	<b>\$ 336,558</b>	<b>\$ 4,155,012</b>	<b>\$ 3,476,365</b>

COACHELLA VALLEY CONSERVATION COMMISSION

STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2016  
(WITH COMPARATIVE PRIOR YEAR INFORMATION)

	Other Governmental Funds	Total Governmental Funds	
		2016	2015
<b>Revenues:</b>			
Development mitigation fees	\$ -	\$ 1,519,711	\$ 1,706,861
Agencies mitigation fees	78,488	1,089,619	782,814
Tipping fees	-	427,137	408,072
Contributions	-	6,205,000	-
Grants	-	404,000	165,961
Investment income	3,885	71,138	46,656
Miscellaneous	-	2	6,726
<b>Total Revenues</b>	<b>82,373</b>	<b>9,716,607</b>	<b>3,117,090</b>
<b>Expenditures:</b>			
Administrative fees	-	15,197	17,069
Insurance	-	9,633	10,822
Per diem	-	6,450	4,200
General and office expenses	575	4,229	2,026
Professional services	-	50,651	147,685
Consultants	19,962	1,099,561	890,906
Land improvements	-	144,210	10,433
Equipment	-	-	44,675
Capital outlay	-	7,476,015	563,719
<b>Total Expenditures</b>	<b>20,537</b>	<b>8,805,946</b>	<b>1,691,535</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	61,836	910,661	1,425,555
<b>Other Financing Sources (Uses):</b>			
Transfers in	-	258,147	277,698
Transfers out	-	(258,147)	(277,698)
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>
Net Change in Fund Balances	61,836	910,661	1,425,555
Fund Balances, Beginning of Year	811,336	14,937,859	13,512,304
<b>Fund Balances, End of Year</b>	<b>\$ 873,172</b>	<b>\$ 15,848,520</b>	<b>\$ 14,937,859</b>

**COACHELLA VALLEY CONSERVATION COMMISSION**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
JUNE 30, 2016**

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Net change in fund balances - total governmental funds	\$ 910,661
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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 the governmental funds:

Capital outlay	<u>7,476,015</u>
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<b>Change in net position of governmental activities</b>	<b><u><u>\$ 8,386,676</u></u></b>
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## **NOTES TO BASIC FINANCIAL STATEMENTS**

## COACHELLA VALLEY CONSERVATION COMMISSION

### NOTES TO BASIC FINANCIAL STATEMENTS JUNE 30, 2016

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#### Note 1: Summary of Significant Accounting Policies

##### a. Description of Reporting Entity

The Coachella Valley Conservation Commission (the 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, Imperial Irrigation District, and Mission Springs Water 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.

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

##### b. Government-Wide and Fund Financial Statements

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



NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2016

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

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

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

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.

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

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

"available spendable resources" during a period. Noncurrent portions of long-term receivables due to governmental funds are reported on their balance sheets in spite of their spending measurement focus. However, special reporting treatments are used to indicate that they should not be considered "available spendable resources" since they do not represent net current assets. Recognition of governmental fund type revenue represented by noncurrent receivables is deferred until they become current receivables. Noncurrent portions of other long-term receivables are offset by fund balance reserve accounts.

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

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/ expenditure) until then. The Commission does not have any items that qualify in this category.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Commission does not have any items that qualify in this category.

Net Position Flow Assumption

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

Governmental Fund Balances

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

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

## COACHELLA VALLEY CONSERVATION COMMISSION

### NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED) JUNE 30, 2016

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

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

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

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

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

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

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

#### d. 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.

## COACHELLA VALLEY CONSERVATION COMMISSION

### NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED) JUNE 30, 2016

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

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

#### **e. Reclassification and 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.

#### **f. 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.

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

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

#### **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.

## COACHELLA VALLEY CONSERVATION COMMISSION

### NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED) JUNE 30, 2016

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#### Note 2: Cash and Investments

Cash and investments of the Commission consisted of the following at June 30, 2016:

Cash and deposits:	
Deposits with financial institutions	\$ 119,961
Investments:	
Riverside County Pooled Investment Fund	15,010,013
Total cash and investments	<u>\$ 15,129,974</u>

#### Deposits

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

#### 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.

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

*N/A - Not Applicable*

#### Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the 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 \$15,010,013 is available on demand.

**COACHELLA VALLEY CONSERVATION COMMISSION****NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2016****Note 2: Cash and Investments (Continued)**Disclosures Relating to Credit Risk

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

<u>Investment Type</u>	<u>Minimum Legal Rating</u>	<u>Unrated</u>
Riverside County Pooled Investment Fund	N/A	\$ 15,010,013

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.

Fair Value Hierarchy

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

**Note 3: Interfund Transfers**

<u>Transfer In to Fund</u>	<u>Transfer Out of Fund</u>	<u>Amount</u>
Management and Monitoring	General Fund	\$ 140,633
Management and Monitoring	Management Contingency	117,514
		<u>\$ 258,147</u>

The General Fund and the Management Contingency Fund transferred \$140,633 and \$117,514, respectively, to the Management and Monitoring Special Revenue Fund to pay for expenditures incurred.

**Note 4: Capital Assets**

A summary of capital asset activity for the year ended June 30, 2016, is as follows:

	<u>Balance at July 1, 2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at June 30, 2016</u>
Capital assets not being depreciated:				
Land	<u>\$ 47,566,743</u>	<u>\$ 7,476,015</u>	<u>\$ -</u>	<u>\$ 55,042,758</u>

## COACHELLA VALLEY CONSERVATION COMMISSION

### NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED) JUNE 30, 2016

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#### **Note 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 occurrence and is evaluated as a percentage of the pool's total incurred costs within the second layer. (4) Incurred costs in excess of \$750,000 up to the reinsurance attachment point of \$5 million are distributed based on the outcome of cost allocation within the first and second loss layers. (5) Costs of covered claims from \$5 million to \$10 million are paid under a reinsurance contract subject to a \$2.5 million annual aggregate deductible. Costs of covered claims from \$10 million to \$15 million are paid under two reinsurance contracts subject to a combined \$3 million annual aggregate deductible. On a cumulative basis for all 2012-13 reinsurance contracts the annual aggregate deductible is \$5.5 million. (6) Costs of covered claims from \$15 million up to \$50 million are covered through excess insurance policies.

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



## COACHELLA VALLEY CONSERVATION COMMISSION

### NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED) JUNE 30, 2016

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#### **Note 5: Liability, Property and Workers' Compensation Protection Description (Continued)**

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

##### Adequacy of Protection

During the past three fiscal years, none of the above programs experienced settlements or judgments that exceeded pooled or insured coverage. There were also no significant reductions in pooled or insured liability coverage in 2015-2016. The Commission is exposed to losses associated with litigation that cannot be reasonably estimated at this time.

#### **Note 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 Administration. The estimated costs of Plan implementation for the permittees over the 75-year term are \$1,708,767,000. Revenue sources to fund these costs are as follows:

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

In accordance with the CVMSHCP, Coachella Valley Association of Governments committed \$30 million of future Measure A funds, which would mitigate all the regional transportation projects listed in the current Transportation Project Prioritization Study (TPPS). Under the CVMSHCP, the \$30 million in the CVAG transportation funds would contribute to both land acquisition and the establishment of the Endowment Fund, which would ensure monitoring and management of the acquired lands. The CVMSHCP area includes 1.1 million acres, encompassing the entire Coachella Valley and the surrounding mountains. The MSHCP will benefit the local jurisdictions by providing Take Authorization for all development, including public infrastructure projects, undertaken by the Permittees (signatories to the MSHCP) outside the Conservation Areas. By providing Take Authorization for public and private development projects, the MSHCP eliminates the need for projects to conduct biological surveys and negotiate individual project mitigation with the U.S. Fish and Wildlife Service and the California Department of Fish and Game. At June 30, 2016, the outstanding commitment from CVAG is \$9,675,000. This commitment has not been recorded as a receivable because it has not met all the revenue recognition requirements.



**COACHELLA VALLEY CONSERVATION COMMISSION**

**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2016**

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**Note 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 2015-2016. During the year, CVAG incurred and charged the Commission \$662,330 of staff time and allocated administrative expenses, all of which was accounted for in the fiscal year.

## COACHELLA VALLEY CONSERVATION COMMISSION

**BUDGETARY COMPARISON SCHEDULE**  
**GENERAL FUND**  
**YEAR ENDED JUNE 30, 2016**

	<b>Budget Amounts</b>		<b>Actual</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>Amounts</b>	<b>Final Budget</b>
				<b>Positive</b>
				<b>(Negative)</b>
<b>Revenues:</b>				
Agencies mitigation fees	\$ 570,000	\$ 570,000	\$ 757,730	\$ 187,730
Tipping fees	420,000	420,000	427,137	7,137
Investment income	17,600	17,600	31,025	13,425
Miscellaneous	-	-	2	2
<b>Total Revenues</b>	<b>1,007,600</b>	<b>1,007,600</b>	<b>1,215,894</b>	<b>208,294</b>
<b>Expenditures:</b>				
Insurance	9,633	9,633	9,633	-
Per diem	10,200	10,200	6,450	3,750
General and office expenses	19,725	19,725	3,654	16,071
Professional services	58,500	58,500	9,001	49,499
Consultants	365,728	365,728	369,226	(3,498)
<b>Total Expenditures</b>	<b>463,786</b>	<b>463,786</b>	<b>397,964</b>	<b>65,822</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	543,814	543,814	817,930	274,116
<b>Other Financing Sources (Uses):</b>				
Transfers out	(404,474)	(404,474)	(140,633)	263,841
<b>Total Other Financing Sources (Uses)</b>	<b>(404,474)</b>	<b>(404,474)</b>	<b>(140,633)</b>	<b>263,841</b>
Net Change in Fund Balances	139,340	139,340	677,297	537,957
Fund Balances, Beginning of Year	6,330,116	6,330,116	6,330,116	-
<b>Fund Balances, End of Year</b>	<b>\$ 6,469,456</b>	<b>\$ 6,469,456</b>	<b>\$ 7,007,413</b>	<b>\$ 537,957</b>

## COACHELLA VALLEY CONSERVATION COMMISSION

BUDGETARY COMPARISON SCHEDULE  
MANAGEMENT AND MONITORING  
YEAR ENDED JUNE 30, 2016

	Budget Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
<b>Revenues:</b>				
Development mitigation fees	\$ 300,000	\$ 300,000	\$ 258,351	\$ (41,649)
Agencies mitigation fees	-	-	50,000	50,000
Grants	269,986	269,986	44,000	(225,986)
Investment income	2,600	2,600	1,726	(874)
<b>Total Revenues:</b>	<b>572,586</b>	<b>572,586</b>	<b>354,077</b>	<b>(218,509)</b>
<b>Expenditures:</b>				
Administrative fees	3,000	3,000	2,584	416
Professional services	-	-	3,650	(3,650)
Consultants	1,009,917	1,009,917	523,162	486,755
Land improvements	1,000,000	1,000,000	135,060	864,940
<b>Total Expenditures</b>	<b>2,012,917</b>	<b>2,012,917</b>	<b>664,456</b>	<b>1,348,461</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,440,331)	(1,440,331)	(310,379)	1,129,952
<b>Other Financing Sources (Uses):</b>				
Transfers in	1,404,474	1,404,474	258,147	(1,146,327)
<b>Total Other Financing Sources (Uses)</b>	<b>1,404,474</b>	<b>1,404,474</b>	<b>258,147</b>	<b>(1,146,327)</b>
Net Change in Fund Balances	(35,857)	(35,857)	(52,232)	(16,375)
Fund Balances, Beginning of Year	388,790	388,790	388,790	-
<b>Fund Balances, End of Year</b>	<b>\$ 352,933</b>	<b>\$ 352,933</b>	<b>\$ 336,558</b>	<b>\$ (16,375)</b>

## COACHELLA VALLEY CONSERVATION COMMISSION

**BUDGETARY COMPARISON SCHEDULE**  
**LAND ACQUISITION**  
**YEAR ENDED JUNE 30, 2016**

	<b>Budget Amounts</b>		<b>Actual</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>Amounts</b>	<b>Final Budget</b>
				<b>Positive</b>
				<b>(Negative)</b>
<b>Revenues:</b>				
Development mitigation fees	\$ 1,500,000	\$ 1,500,000	\$ 1,261,360	\$ (238,640)
Agencies mitigation fees	-	-	80,000	80,000
Contributions	-	-	6,205,000	6,205,000
Grants	2,500,000	2,500,000	360,000	(2,140,000)
Investment income	8,000	8,000	17,532	9,532
<b>Total Revenues:</b>	<b>4,008,000</b>	<b>4,008,000</b>	<b>7,923,892</b>	<b>3,915,892</b>
<b>Expenditures:</b>				
Administrative fees	15,000	15,000	12,613	2,387
Professional services	30,000	30,000	38,000	(8,000)
Consultants	250,872	250,872	187,211	63,661
Capital outlay	4,500,000	4,500,000	7,476,015	(2,976,015)
Land improvements	240,000	240,000	9,150	230,850
<b>Total Expenditures</b>	<b>5,035,872</b>	<b>5,035,872</b>	<b>7,722,989</b>	<b>(2,687,117)</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,027,872)	(1,027,872)	200,903	1,228,775
Net Change in Fund Balances	(1,027,872)	(1,027,872)	200,903	1,228,775
Fund Balances, Beginning of Year	3,954,109	3,954,109	3,954,109	-
<b>Fund Balances, End of Year</b>	<b>\$ 2,926,237</b>	<b>\$ 2,926,237</b>	<b>\$ 4,155,012</b>	<b>\$ 1,228,775</b>

## COACHELLA VALLEY CONSERVATION COMMISSION

BUDGETARY COMPARISON SCHEDULE  
MANAGEMENT CONTINGENCY  
YEAR ENDED JUNE 30, 2016

	Budget Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
<b>Revenues:</b>				
Agencies mitigation fees	\$ -	\$ -	\$ 123,401	\$ 123,401
Investment income	11,000	11,000	16,970	5,970
<b>Total Revenues</b>	<b>11,000</b>	<b>11,000</b>	<b>140,371</b>	<b>129,371</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	11,000	11,000	140,371	129,371
<b>Other Financing Sources (Uses):</b>				
Transfers out	(1,000,000)	(1,000,000)	(117,514)	882,486
<b>Total Other Financing Sources (Uses)</b>	<b>(1,000,000)</b>	<b>(1,000,000)</b>	<b>(117,514)</b>	<b>882,486</b>
Net Change in Fund Balances	(989,000)	(989,000)	22,857	1,011,857
Fund Balances, Beginning of Year	3,453,508	3,453,508	3,453,508	-
<b>Fund Balances, End of Year</b>	<b>\$ 2,464,508</b>	<b>\$ 2,464,508</b>	<b>\$ 3,476,365</b>	<b>\$ 1,011,857</b>

## **COACHELLA VALLEY CONSERVATION COMMISSION**

### **NOTES TO REQUIRED SUPPLEMENTARY INFORMATION JUNE 30, 2016**

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#### **Budgets and Budgetary Accounting**

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

## COACHELLA VALLEY CONSERVATION COMMISSION

COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2016

	Special Revenue Funds			Total Governmental Funds
	Lizard Endowment	Travertine Point Monitoring	In-Lieu Fee	
<b>Assets:</b>				
Cash and investments	\$ 309,047	\$ 504,714	\$ 61,399	\$ 875,160
Interest receivable	473	772	-	1,245
<b>Total Assets</b>	<b>\$ 309,520</b>	<b>\$ 505,486</b>	<b>\$ 61,399</b>	<b>\$ 876,405</b>
<b>Liabilities:</b>				
Accounts payable	\$ -	\$ -	\$ 36	\$ 36
Due to other governments	-	-	3,197	3,197
<b>Total Liabilities</b>	<b>-</b>	<b>-</b>	<b>3,233</b>	<b>3,233</b>
<b>Restricted for:</b>				
Management and monitoring	\$ -	\$ 505,486	-	\$ 505,486
Endowment	309,520	-	-	309,520
<b>Unassigned</b>	<b>-</b>	<b>-</b>	<b>58,166</b>	<b>58,166</b>
<b>Total Fund Balances</b>	<b>309,520</b>	<b>505,486</b>	<b>58,166</b>	<b>873,172</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 309,520</b>	<b>\$ 505,486</b>	<b>\$ 61,399</b>	<b>\$ 876,405</b>

COACHELLA VALLEY CONSERVATION COMMISSION

COMBINING STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2016

	Special Revenue Funds			Total Governmental Funds
	Lizard Endowment	Travertine Point Monitoring	In-Lieu Fee	
<b>Revenues:</b>				
Agencies mitigation fees	\$ -	\$ -	\$ 78,488	\$ 78,488
Investment income	1,475	2,408	2	3,885
<b>Total Revenues</b>	<b>1,475</b>	<b>2,408</b>	<b>78,490</b>	<b>82,373</b>
<b>Expenditures:</b>				
General and office expenses	213	-	362	575
Consultants	-	-	19,962	19,962
<b>Total Expenditures</b>	<b>213</b>	<b>-</b>	<b>20,324</b>	<b>20,537</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,262	2,408	58,166	61,836
Net Change in Fund Balances	1,262	2,408	58,166	61,836
Fund Balances, Beginning of Year	308,258	503,078	-	811,336
<b>Fund Balances, End of Year</b>	<b>\$ 309,520</b>	<b>\$ 505,486</b>	<b>\$ 58,166</b>	<b>\$ 873,172</b>





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

To the Commission Members of the  
Coachella Valley Conservation Commission  
Palm Desert, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Coachella Valley Conservation Commission (CVCC), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the CVCC's basic financial statements, and have issued our report thereon dated December 20, 2016.

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

In planning and performing our audit of the financial statements, we considered the CVCC'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 CVCC's internal control. Accordingly, we do not express an opinion on the effectiveness of the CVCC'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 CVCC'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*.





To the Commission Members of the  
Coachella Valley Conservation Commission  
Palm Desert, California

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the CVCC'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 CVCC's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Lance, Soll & Lingham, LLP*

Brea, California  
December 20, 2016