

**COACHELLA VALLEY
ASSOCIATION OF GOVERNMENTS**

COMPREHENSIVE ANNUAL FINANCIAL REPORT

**FOR THE YEAR ENDED
JUNE 30, 2016**
(with prior year comparative totals)

COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
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 FOR THE YEAR ENDED JUNE 30, 2016

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BASIC FINANCIAL STATEMENTS

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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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



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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of CVAG, 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, Transportation Uniform Mitigation Fees special revenue fund, Measure A special revenue fund, and CV Link special revenue fund, the schedule of contributions, the schedule of net pension liability and the schedule of proportionate share of the net pension liability be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Prior Year Comparative Information

The financial statements include (partial or 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 the government's financial statements for the year ended June 30, 2015, from which such partial information was derived.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise CVAG'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 schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.



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

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

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 14, 2016 on our consideration of CVAG'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 CVAG's internal control over financial reporting and compliance.

Brea, California
February 14, 2016

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COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2016

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

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

See Independent Auditors' Report.

COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

June 30, 2016

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Reporting the Association as a Whole

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

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

Reporting the Association's Major Funds

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

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

See Independent Auditors' Report.

COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS

MANAGEMENT'S DISCUSSION AND ANALYSIS
(CONTINUED)

June 30, 2016

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

Statements of Net Assets

	Fiscal Year 2016	Fiscal Year 2015	Dollar Change	Total Percent Change
<u>Assets:</u>				
Cash and investments	\$ 52,238,414	\$ 49,432,545	\$ 2,805,869	5.7 %
Accounts receivable	138,308	743,194	(604,886)	(81.4) %
Interest receivable	71,248	37,248	34,000	91.3 %
Due from other governments	3,836,163	4,304,519	(468,356)	(10.9) %
Loans receivable	5,426,067	9,257,917	(3,831,850)	(41.4) %
Restricted cash and investments	15,052,983	15,007,273	45,710	0.3 %
Capital assets:				
Land	10,682,344	10,682,344	-	- %
Other capital assets, net	48,638	77,962	(29,324)	(37.6) %
Total Assets	<u>87,494,165</u>	<u>89,543,002</u>	<u>(2,048,837)</u>	(2.3) %
<u>Deferred Outflows of Resources:</u>				
Deferred pension related items	<u>274,618</u>	<u>164,817</u>	<u>109,801</u>	66.6 %
Total Deferred Outflows of Resources	<u>274,618</u>	<u>164,817</u>	<u>109,801</u>	66.6 %
<u>Liabilities:</u>				
Accounts payable	582,400	689,701	(107,301)	(15.6) %
Due to other governments	2,988,621	2,653,781	334,840	12.6 %
Unearned revenue	109,000	103,000	6,000	5.8 %
Deposits payable	15,052,983	15,007,273	45,710	0.3 %

See Independent Auditors' Report.

COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS

MANAGEMENT'S DISCUSSION AND ANALYSIS
(CONTINUED)

June 30, 2016

GOVERNMENT-WIDE FINANCIAL STATEMENTS (CONTINUED)

Statements of Net Assets (continued)

	Fiscal Year 2016	Fiscal Year 2015	Dollar Change	Total Percent Change
<u>Liabilities (continued):</u>				
Noncurrent liabilities:				
Due within one year:				
Revenue bonds payable	1,403,315	1,321,988	81,327	6.2 %
Insurance payable	8,892	17,681	(8,789)	(49.7) %
Compensated absences	118,648	129,974	(11,326)	(8.7) %
Due in more than one year:				
Revenue bonds payable	25,906,792	27,310,107	(1,403,315)	(5.1) %
Insurance payable	56,858	66,849	(9,991)	(14.9) %
Compensated absences	13,183	14,442	(1,259)	(8.7) %
Net pension liability	<u>1,421,670</u>	<u>1,366,589</u>	<u>55,081</u>	4.0 %
Total Liabilities	<u>47,662,362</u>	<u>48,681,385</u>	<u>(1,019,023)</u>	(2.1) %
<u>Deferred Inflows of Resources:</u>				
Deferred pension related items	<u>207,089</u>	<u>447,248</u>	<u>(240,159)</u>	(53.7) %
Total Deferred Inflows of Resources	<u>207,089</u>	<u>447,248</u>	<u>(240,159)</u>	(53.7) %
<u>Net Position:</u>				
Invested in capital assets, net of related debt	10,730,982	10,760,306	(29,324)	(0.3) %
Restricted for Transportation	28,126,631	28,808,717	(682,086)	(2.4) %
Restricted for Other	832,456	1,344,885	(512,429)	(38.1) %
Restricted for Homeless	146,210	-	146,210	100.0 %
Unrestricted	<u>63,053</u>	<u>(334,722)</u>	<u>397,775</u>	(118.8) %
Total Net Assets	<u>\$ 39,899,332</u>	<u>\$ 40,579,186</u>	<u>\$ (679,854)</u>	(1.7) %

See Independent Auditors' Report.

COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS

MANAGEMENT'S DISCUSSION AND ANALYSIS
(CONTINUED)

June 30, 2016

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

Statements of Activities

	Fiscal Year 2016	Fiscal Year 2015	Dollar Change	Total Percent Change
Operating Expenses:				
Administrative	\$ 562,114	\$ 244,899	\$ 317,215	129.5 %
Transportation	14,730,417	12,064,644	2,665,773	22.1 %
Other	4,017,779	4,262,756	(244,977)	(5.7) %
Interest expense	<u>3,027,848</u>	<u>1,766,780</u>	<u>1,261,068</u>	<u>71.4 %</u>
Total Expenses	<u>22,338,158</u>	<u>18,339,079</u>	<u>3,999,079</u>	<u>21.8 %</u>
Program Revenues:				
Operating grants and contributions and charges for services	21,211,677	21,573,550	(361,873)	(1.7) %
General Revenues:				
Interest income	5,844	2,794	3,050	109.2 %
Other revenues	<u>440,783</u>	<u>409,198</u>	<u>31,585</u>	<u>7.7 %</u>
Total Revenues	<u>21,658,304</u>	<u>21,985,542</u>	<u>(327,238)</u>	<u>(1.5) %</u>
Changes in Net Assets	(679,854)	3,646,463	(4,326,317)	(118.6) %
Net Assets - Beginning of Year	40,579,186	38,593,267	1,985,919	5.1 %
Restatement of Net Position	<u>-</u>	<u>(1,660,544)</u>	<u>1,660,544</u>	<u>100.0 %</u>
Net Assets - End of Year	<u>\$39,899,332</u>	<u>\$ 40,579,186</u>	<u>\$ (679,854)</u>	<u>(1.7) %</u>

The increase or decrease in net assets can provide an indication as to whether the overall financial position of the Association improved or deteriorated during the year. Net assets of the Association's governmental activities decreased by 1.7 percent (\$39.90 million compared to \$40.58 million), which is minimal.

See Independent Auditors' Report.

COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS

MANAGEMENT'S DISCUSSION AND ANALYSIS
(CONTINUED)

June 30, 2016

MAJOR FUNDS

General Fund - The General Fund accounts for all of the general revenues of the Association not specifically levied or collected for some special purpose, and for the expenditures related to the rendering of general services by the Association. At the end of the current fiscal year, unreserved fund balance of the General Fund was \$1,727,031.

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

- An increase in the total revenues by \$177,200, mainly due to a funds received for work done in energy conservation.
- An increase in Total Expenditures by \$130,146 mainly due to the staff time attributed to the work done in the energy conservation area.

Transportation Uniform Mitigation Fees (TUMF) Fund - The TUMF Fund accounts for the revenues generated by the Traffic Mitigation Fees and provides additional funds necessary to construct the transportation improvements generated by the development in the valley. At the end of the current fiscal year, the total fund balance was \$8,715,169.

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

- A decrease in Total Revenues by \$6319,400 mainly due to a decrease in TUMF revenues collected in the current fiscal year as well as a loan that was fully repaid in the prior year.
- An increase in Total Expenditures by \$2,837,941 mainly due to an increase in Project Cost reimbursements, which are dependent on work completed on various arterial projects as well as the timing of the jurisdictions submitting requests for reimbursements.

Measure A Fund - The Measure A Fund accounts for the revenues generated by the Measure A half cent sales tax and is used mainly for the construction and/or improvement of the regional arterials in the Coachella Valley. At the end of the current fiscal year, the total fund balance was \$40,430,036.

See Independent Auditors' Report.

COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS

MANAGEMENT'S DISCUSSION AND ANALYSIS
(CONTINUED)

June 30, 2016

Measure A Fund (Continued)

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

- A decrease in Measure A revenues by \$3,470,367 mainly due to a decrease in the Measure A revenues recorded. This decrease does not have a direct relationship to the actual amount of Sales Tax collected but the amount of reimbursement that was requested by the Association. See note 13 for further clarification.
- Total Expenditures were almost identical, only recording a decrease of \$146,206. This decrease was mainly due to a decrease in Project Cost reimbursements, which are dependent on work completed on various arterial projects as well as the timing of the jurisdictions submitting requests for reimbursements.

CAPITAL ASSETS AND DEBT ADMINISTRATION

CAPITAL ASSETS

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

Capital Assets
(net of depreciation)

	Balance <u>June 30, 2016</u>	Balance <u>June 30, 2015</u>	Increase <u>(Decrease)</u>
Land	\$ 10,682,344	\$ 10,682,344	\$ -
Furniture and equipment	32,308	43,452	(11,144)
Vehicles	<u>16,330</u>	<u>34,510</u>	<u>(18,180)</u>
Total	<u>\$ 10,730,982</u>	<u>\$ 10,760,306</u>	<u>\$ (29,324)</u>

The decrease to Vehicles is mainly due to depreciation while the increase in Furniture and equipment is due to the addition of two servers.

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

See Independent Auditors' Report.

COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS

MANAGEMENT'S DISCUSSION AND ANALYSIS
(CONTINUED)

June 30, 2016

DEBT ADMINISTRATION

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

Long-Term Debt

	Balance <u>June 30, 2016</u>	Balance <u>June 30, 2015</u>	Increase <u>(Decrease)</u>
Revenue bonds payable	\$ 27,310,107	\$ 28,632,095	\$ (1,321,988)
Insurance payable	65,750	84,530	(18,780)
Compensated absences	<u>131,831</u>	<u>144,416</u>	<u>(12,585)</u>
Total	<u>\$ 27,507,688</u>	<u>\$ 28,861,041</u>	<u>\$ (1,353,353)</u>

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

GENERAL FUND BUDGET

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

- Salaries expenditures under budget by \$ 239,550
- Benefits expenditures under budget by \$ 85,344
- Transfers in under budget by \$ 395,816

The deviations occurred because the budget reflected the budgeted expenditures for the General Fund with a Transfers In from other funds to cover the allocated costs to those funds. However, for the financial statements, instead of affecting the Transfers In, the expenditures allocations are transferred to the respective funds directly.

CONTACTING THE ASSOCIATION'S FINANCIAL MANAGEMENT

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

See Independent Auditors' Report.

COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS

STATEMENT OF NET POSITION
 JUNE 30, 2016 (with prior year comparative totals)

	Governmental Activities	
	2016	2015
Assets:		
Cash and investments	\$ 52,238,414	\$ 49,432,545
Accounts receivable	138,308	743,194
Notes and loans receivable	5,426,067	9,257,917
Interest receivable	71,248	37,248
Due from other governments	3,836,163	4,304,519
Restricted assets:		
Cash and investments	15,052,983	15,007,273
Capital assets not being depreciated	10,682,344	10,682,344
Capital assets, net of depreciation	48,638	77,962
Total Assets	87,494,165	89,543,002
Deferred Outflows of Resources:		
Deferred pension related items	274,618	164,817
Total Deferred Outflows of Resources	274,618	164,817
Liabilities:		
Accounts payable	582,400	689,701
Unearned revenue	109,000	103,000
Deposits payable	15,052,983	15,007,273
Due to other governments	2,988,621	2,653,781
Noncurrent liabilities:		
Due within one year	1,530,855	1,469,643
Due in more than one year	25,976,833	27,391,398
Net pension liability	1,421,670	1,366,589
Total Liabilities	47,662,362	48,681,385
Deferred Inflows of Resources:		
Deferred pension related items	207,089	447,248
Total Deferred Inflows of Resources	207,089	447,248
Net Position:		
Net investment in capital assets	10,730,982	10,760,306
Restricted for:		
Transportation	28,126,631	28,808,717
Other	832,456	1,344,885
Homeless	146,210	-
Unrestricted	63,053	(334,722)
Total Net Position	\$ 39,899,332	\$ 40,579,186

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COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS

STATEMENT OF ACTIVITIES
 YEAR ENDED JUNE 30, 2016 (with prior year comparative totals)

Functions/Programs	Expenses	Program Revenues			Net Governmental Activities	
		Charges for Services	Operating Contributions and Grants	Capital Contributions and Grants	2016	2015
Governmental Activities:						
Administrative	\$ 562,114	\$ 237,203	\$ -	\$ 684,330	\$ 359,419	\$ (244,899)
Transportation	14,730,417	-	16,008,104	-	1,277,687	5,123,708
Other	4,017,779	-	4,282,040	-	264,261	122,442
Interest expense	3,027,848	-	-	-	(3,027,848)	(1,766,780)
Total Governmental Activities	\$ 22,338,158	\$ 237,203	\$20,290,144	\$ 684,330	(1,126,481)	3,234,471
General Revenues:						
Other revenues					440,783	409,198
Investment income					5,844	2,794
Total General Revenues					446,627	411,992
Change in Net Position					(679,854)	3,646,463
Net Position at Beginning of Year					40,579,186	36,932,723
Net Position at End of Year					\$ 39,899,332	\$ 40,579,186

COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS

**BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2016 (with prior year comparative totals)**

	Special Revenue Funds			
	General	Transportation Uniform Mitigation Fees	Measure A	CV Link
Assets:				
Cash and investments	\$ 1,441,979	\$ 9,278,200	\$ 40,613,489	\$ -
Accounts receivable	40,816	-	-	-
Interest receivable	2,159	13,517	54,212	-
Due from other governments	6,156	611,287	1,837,515	888,474
Due from other funds	245,993	-	74,356	-
Restricted assets:				
Cash and investments	-	-	15,052,983	-
Total Assets	\$ 1,737,103	\$ 9,903,004	\$ 57,632,555	\$ 888,474
Liabilities, Deferred Inflows of Resources, and Fund Balances:				
Liabilities:				
Accounts payable	\$ 9,093	\$ 13,025	\$ 20,780	\$ 276,606
Due to other governments	879	1,174,810	1,800,607	-
Due to other funds	-	-	-	611,868
Deposits payable	-	-	15,052,983	-
Unearned revenues	-	-	-	-
Total Liabilities	9,972	1,187,835	16,874,370	888,474
Deferred Inflows of Resources:				
Unavailable revenues	100	-	328,149	-
Total Deferred Inflows of Resources	100	-	328,149	-
Fund Balances:				
Restricted for:				
Transportation	-	8,715,169	40,430,036	-
Environmental	-	-	-	-
Homeless	-	-	-	-
Unassigned	1,727,031	-	-	-
Total Fund Balances	1,727,031	8,715,169	40,430,036	-
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 1,737,103	\$ 9,903,004	\$ 57,632,555	\$ 888,474

COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS

**BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2016 (with prior year comparative totals)**

	Other Governmental Funds	Total Governmental Funds	
		2016	2015
Assets:			
Cash and investments	\$ 904,746	\$ 52,238,414	\$ 49,432,545
Accounts receivable	97,492	138,308	743,194
Interest receivable	1,360	71,248	37,248
Due from other governments	492,731	3,836,163	4,304,519
Due from other funds	478,815	799,164	1,598,071
Restricted assets:			
Cash and investments	-	15,052,983	15,007,273
Total Assets	\$ 1,975,144	\$ 72,136,280	\$ 71,122,850
Liabilities, Deferred Inflows of Resources, and Fund Balances:			
Liabilities:			
Accounts payable	\$ 262,896	\$ 582,400	\$ 689,701
Due to other governments	12,325	2,988,621	2,653,781
Due to other funds	187,296	799,164	1,598,071
Deposits payable	-	15,052,983	15,007,273
Unearned revenues	109,000	109,000	103,000
Total Liabilities	571,517	19,532,168	20,051,826
Deferred Inflows of Resources:			
Unavailable revenues	252,184	580,433	1,041,189
Total Deferred Inflows of Resources	252,184	580,433	1,041,189
Fund Balances:			
Restricted for:			
Transportation	362,125	49,507,330	48,174,524
Environmental	631,244	631,244	733,571
Homeless	140,210	140,210	291,769
Unassigned	17,864	1,744,895	829,971
Total Fund Balances	1,151,443	52,023,679	50,029,835
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 1,975,144	\$ 72,136,280	\$ 71,122,850

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COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS

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

Fund balances of governmental funds		\$ 52,023,679
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets net of depreciation have not been included as financial resources in governmental fund activity.		10,730,982
Loans receivable that have not been included in the governmental fund activity.		5,426,067
Long-term debt, claims payable, and compensated absences that have not been included in the governmental fund activity:		
Bonds payable	\$ (27,310,107)	
Claims payable	(65,750)	
Compensated Absences	<u>(131,831)</u>	(27,507,688)
Revenues reported as unavailable revenue in the governmental funds and recognized in the statement of activities. These are included in the intergovernmental revenues in the governmental fund activity.		580,433
Net pension liability that has not been included in governmental fund activity.		(1,421,670)
Deferred Outflows related to contributions made after the actuarial measurement date for the net pension liability and adjustment due to differences in proportions.		274,618
Deferred Inflows related to differences between projected and net pension liability.		<u>(207,089)</u>
Net Position of governmental activities		<u><u>\$ 39,899,332</u></u>

COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS

STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2016 (with prior year comparative totals)

	Special Revenue Funds			
	General	Transportation Uniform	Measure A	CV Link
		Mitigation Fees		
Revenues:				
Mitigation fees	\$ -	\$ 3,199,615	\$ -	\$ -
Measure A	-	712,804	10,711,119	-
Member dues	398,683	-	-	-
Grants	190,965	-	-	2,913,272
Investment income	5,844	44,810	168,580	-
Loan repayments	-	-	2,943,732	-
Other governmental	-	-	1,246,868	564,106
Miscellaneous	42,100	47,775	-	-
Total Revenues	637,592	4,005,004	15,070,299	3,477,378
Expenditures:				
Salaries	198,686	255,818	317,322	276,907
Benefits	71,828	76,724	99,815	82,388
Communications	1,885	2,525	3,133	2,788
Advertising	-	1,304	2,422	-
Insurance	6,983	10,906	13,385	11,395
Memberships and per diem	11,636	2,790	4,184	1,782
General and office expenses	4,188	8,194	12,276	5,419
Professional services	30,237	14,817	22,207	27,395
Consultants	10,000	153,321	133,913	2,699,571
Leases and maintenance	12,984	16,895	20,944	18,249
Staff training	1,635	4,563	7,074	2,405
Transportation and meetings	19,646	2,828	4,771	1,941
Utilities	1,222	1,541	1,914	1,675
Project costs	20,500	5,506,028	8,052,055	-
Capital outlay	9,309	747	1,386	-
Debt service:				
Principal	-	-	1,321,988	-
Interest	-	-	1,690,245	-
Total Expenditures	400,739	6,059,001	11,709,034	3,131,915
Excess (Deficiency) of Revenues Over (Under) Expenditures	236,853	(2,053,997)	3,361,265	345,463
Other Financing Sources (Uses):				
Transfers in	-	-	-	227,173
Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	227,173
Net Change in Fund Balances	236,853	(2,053,997)	3,361,265	572,636
Fund Balances, Beginning of Year	1,490,178	10,769,166	37,068,771	(572,636)
Fund Balances, End of Year	\$ 1,727,031	\$ 8,715,169	\$ 40,430,036	\$ -

COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS

STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2016 (with prior year comparative totals)

	Other	Total Governmental Funds	
	Governmental Funds	2016	2015
Revenues:			
Mitigation fees	\$ -	\$ 3,199,615	\$ 3,668,531
Measure A	-	11,423,923	13,709,274
Member dues	-	398,683	394,359
Grants	329,496	3,433,733	1,132,178
Investment income	4,926	224,160	150,026
Loan repayments	-	2,943,732	923,595
Other governmental	2,769,327	4,580,301	7,216,395
Miscellaneous	3,598	93,473	765,282
Total Revenues	3,107,347	26,297,620	27,959,640
Expenditures:			
Salaries	553,412	1,602,145	1,500,839
Benefits	189,442	520,197	498,687
Communications	6,108	16,439	15,595
Advertising	10,754	14,480	86,382
Insurance	29,729	72,398	77,957
Memberships and per diem	10,250	30,642	24,168
General and office expenses	22,130	52,207	78,099
Professional services	33,892	128,548	66,621
Consultants	1,500,418	4,497,223	3,070,434
Leases and maintenance	36,688	105,760	113,263
Staff training	11,698	27,375	16,339
Transportation and meetings	5,548	34,734	35,479
Utilities	3,309	9,661	11,362
Project costs	589,709	14,168,292	11,304,803
Capital outlay	-	11,442	28,591
Debt service:			
Principal	-	1,321,988	1,245,447
Interest	-	1,690,245	1,766,780
Total Expenditures	3,003,087	24,303,776	19,940,846
Excess (Deficiency) of Revenues Over (Under) Expenditures	104,260	1,993,844	8,018,794
Other Financing Sources (Uses):			
Transfers in	589,071	816,244	347,536
Transfers out	(816,244)	(816,244)	(347,536)
Total Other Financing Sources (Uses)	(227,173)	-	-
Net Change in Fund Balances	(122,913)	1,993,844	8,018,794
Fund Balances, Beginning of Year	1,274,356	50,029,835	42,011,041
Fund Balances, End of Year	\$ 1,151,443	\$ 52,023,679	\$ 50,029,835

COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS

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

Net change in fund balances - total governmental funds	\$ 1,993,844
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the costs of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	
Depreciation	(29,324)
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	1,321,988
Insurance claims expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	18,780
Compensated absences expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	12,585
Additions to loans receivable are recorded as an increase of the loan receivable balance for the Statement of Activities. Payments on outstanding loans are recorded as a reduction of the loan receivable balance for the Statement of Activities. This is the net change in the loan receivable balance for the current period.	(3,831,850)
Revenues reported as unavailable revenue in the governmental funds and recognized in the statement of activities. These are included in the intergovernmental revenues in the governmental fund activity.	(460,756)
Pension obligation expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.	<u>294,879</u>
Change in net position of governmental activities	<u><u>\$ (679,854)</u></u>

NOTES TO FINANCIAL STATEMENTS

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COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS

NOTES TO BASIC FINANCIAL STATEMENTS JUNE 30, 2016

Note 1: Summary of Significant Accounting Policies

a. Description of Reporting Entity

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

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

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

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

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

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

General Assembly

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

COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS

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

Note 1: Summary of Significant Accounting Policies (Continued)

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

Executive Committee

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

Advisory Committees

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

b. Basis of Accounting and Measurement Focus

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

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

Government-wide Financial Statements

Government-wide financial statements display information about the reporting government as a whole, except for its fiduciary activities. These statements include separate columns for the governmental and business-type activities of the primary government (including its blended component units), as well as its discretely presented component units. The Association has no business-type activities or discretely presented component units. Eliminations have been made in the Statement of Activities so that certain allocated expenses are recorded only once (by the function to which they were allocated). However, administrative expenses have not been allocated as indirect expenses to the various functions of the Association.

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

COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS

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

Note 1: Summary of Significant Accounting Policies (Continued)

Program revenues include charges for services, special assessments, and payments made by parties outside of the reporting government's citizenry if that money is restricted to a particular program. Program revenues are netted with program expenses in the Statement of Activities to present the net cost of each program.

Amounts paid to acquire capital assets are capitalized as assets in the government-wide financial statements, rather than reported as expenditures. Proceeds of long-term debt are recorded as a liability in the government-wide financial statements, rather than as another financing source. Amounts paid to reduce long-term indebtedness of the reporting government are reported as a reduction of the related liability, rather than as expenditures.

Fund Financial Statements

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

Fund financial statements for the primary government's governmental funds are presented after the government-wide financial statements. These statements display information about major funds individually and other governmental funds in the aggregate.

Governmental Funds

In the fund financial statements, governmental funds are presented using the modified-accrual basis of accounting. Their revenues are recognized when they become measurable and available as net current assets. Measurable means that the amounts can be estimated, or otherwise determined. Available means that the amounts were collected during the reporting period or soon enough thereafter to be available to finance the expenditures accrued for the reporting period. The Association generally considers revenues available if they are collected within 90 days after the fiscal year-end. Significant revenues subject to accrual under the measurable and available criteria include grant revenues.

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

Government-mandated and voluntary nonexchange transactions are recognized as revenues when all applicable eligibility requirements have been met.

COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2016

Note 1: Summary of Significant Accounting Policies (Continued)

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

Noncurrent portions of long-term receivables due to governmental funds are reported on their balance sheets in spite of their spending measurement focus. Special reporting treatments are used to indicate, however, that they should not be considered "available spendable resources", since they do not represent net current assets. Recognition of governmental fund type revenues represented by noncurrent receivables are deferred until they become current receivables. Noncurrent portions of other long-term receivables are offset by fund balance reserve accounts because of their spending measurement focus, expenditure recognition for governmental fund types excludes amounts represented by noncurrent liabilities. Since they do not affect net current assets, such long-term amounts are not recognized as governmental fund type expenditures or fund liabilities.

Amounts expended to acquire capital assets are recorded as expenditures in the year that resources were expended, rather than as fund assets. The proceeds of long-term debt are recorded as other financing sources rather than as a fund liability. Amounts paid to reduce long-term indebtedness are reported as fund expenditures.

When both restricted and unrestricted resources are combined in a fund, expenses are considered to be paid first from restricted resources, and then from unrestricted resources.

Deferred Outflows/ Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/ expenditure) until then. The government has one item that qualifies under this type of reporting; deferred items related to pension obligations. Contributions made to the Association's defined benefit plan, after the measurement date, are deferred until fiscal year 2017; in addition, contributions to the defined pension plan in excess of the Association's proportionate share are also deferred until fiscal year 2017. Please refer to Note 11 for more information on these deferred items.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has two items that qualify for reporting in this category. Unavailable revenues, which arises only under a modified accrual basis of accounting, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from one source for a grant. This amount is deferred and recognized as an inflow of resources in the period that the amounts become available.

COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS

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

Note 1: Summary of Significant Accounting Policies (Continued)

The second item relates to the net difference between projected earnings and actual earnings on investments held in trust for the Associations defined benefit plan. This difference is deferred and amortized over the average remaining life of Plan participants as a portion of pension expense in future periods.

Net Pension Liability

In government-wide financial statements, retirement plans (pensions) are required to be recognized and disclosed using the accrual basis of accounting (see Note 11 and the required supplementary information (RSI) section immediately following the Notes to Financial Statements), regardless of the amount recognized as pension expenditures on the governmental fund statements, which use the modified accrual basis of accounting.

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

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

Projected earnings on pension investments are recognized as a component of pension expense. Differences between projected and actual investment earnings are reported as deferred inflows of resources or deferred outflows of resources and amortized as a component of pension expense on a closed basis over a five-year period beginning with the period in which the difference occurred. Each subsequent year will incorporate an additional closed basis five-year period of recognition.

Net Position

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

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

COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS

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

Note 1: Summary of Significant Accounting Policies (Continued)

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

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

When expenses are incurred for purposes for which both restricted and unrestricted Net Position are available, the Association's policy is to apply restricted Net Position first, then unrestricted Net Position as they are needed.

Governmental Fund Balances

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

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

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

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

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

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

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

COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS

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

Note 1: Summary of Significant Accounting Policies (Continued)

c. Fund Classifications

The Association reports the following major governmental funds:

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

Transportation Uniform Mitigation Fees Special Revenue Fund - This fund is used to account for the revenues generated by the Traffic Mitigation Fees and provides additional funds necessary to construct the transportation improvements generated by the development in the valley.

Measure A Special Revenue Fund - This fund is used to account for the revenues generated by the Measure A half-cent sales tax and is used mainly for the construction and/or improvement of the regional arterials in the Coachella Valley.

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

The Association's fund structure also includes the following fund type:

Special Revenue Funds - These funds are used to account for proceeds of specific revenue sources that are legally restricted or otherwise designated for specific purposes.

d. Reclassification and Eliminations

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

e. Cash and Investments

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

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

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

Note 1: Summary of Significant Accounting Policies (Continued)

f. Employee Leave Benefits

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

g. Capital Assets

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

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

Furniture and equipment	7-25 years
Vehicles	7 years

h. Use of Estimates

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

i. Effect of New Accounting Standards

During the fiscal year ended June 30, 2016, CVAG implemented the following Governmental Accounting Standards Board (GASB) standards:

GASB Statement No. 72 – Fair Value Measurement and Application. This Statement addresses accounting and financial reporting issues related to fair value measurements. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The requirements of this Statement are effective for financial statement for reporting periods beginning after June 15, 2015. The Community Center has not fully judged the effect of the implementation of GASB Statement No. 72 as of the date of the basic financial statements.

COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS

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

Note 1: Summary of Significant Accounting Policies (Continued)

j. Deficit Fund Balance

The Tire Amnesty Environmental Resources fund had a deficit balance of \$22,837 as of June 30, 2016.

Note 2: Cash and Investments

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

Cash on hand	\$ 300
Deposits with financial institutions	135,510
Total cash and deposits	<u>135,810</u>
Investments:	
Local Agency Investment Fund	23,307,937
Riverside County Pooled Investment Fund	28,794,667
California Asset Management Program	15,052,983
Total investments	<u>67,155,587</u>
Total cash and investments	<u>\$ 67,291,397</u>

Deposits

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

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

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

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

N/A - Not Applicable

COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS

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

Note 2: Cash and Investments (Continued)

Disclosures Relating to Interest Rate Risk

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

The Association's investments in the Local Agency Investment Fund of \$23,307,937, Riverside County Pooled Investment Fund of \$28,794,667, and the California Asset Management Program of \$15,052,983 are available on demand.

Disclosures Relating to Credit Risk

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

<u>Investment Type</u>	<u>Minimum Legal Rating</u>	<u>Unrated</u>
Local Agency Investment Fund	N/A	\$ 23,307,937
Riverside County Pooled Investment Fund	N/A	28,794,667
California Asset Management Program	N/A	15,052,983

Investment in State Investment Pool

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

Investment in Riverside County Investment Pool

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

COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS

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

Note 2: Cash and Investments (Continued)

Investment in California Asset Management Program

The Association is a voluntary participant in the California Asset Management Program (CAMP). The funds are invested in a short-term money market portfolio rated AAA and as such, the fair market value is equivalent to the amount invested. The balance available for withdrawal is based on the accounting records maintained by CAMP.

Fair Value Hierarchy

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

Note 3: Loans Receivable

	<u>Outstanding Balance at June 30, 2016</u>
The Association made loans to the following entities for the construction of the Monterey, Cook and Washington interchanges:	
City of Indian Wells, payable through 2017	\$ 335,415
The Association made a loan to the following entity for the construction of mesquite Avenue from Gene Autry Trail to Dinah Shore Drive:	
City of Palm Springs, payable through 2039	239,689
The Association made a loans to the following entities for the construction of Miles Avenue/Clinton Street:	
City of Indio, payable through 2022	1,395,436
County of Riverside, payable through 2022	1,395,436
The Association is collecting from the following entity the difference between what the TUMF amount would have been and what the Local Measure "A" amount that was collected, less a credit:	
City of La Quinta, payable through 2022	<u>2,060,091</u>
Total loans receivable	<u><u>\$ 5,426,067</u></u>

COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS

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

Note 4: Interfund Receivables and Payables

Receivable Funds	Payable Funds	Amount
General Fund	CV Link	\$ 155,890
General Fund	Other Governmental Funds	90,103
Measure A Fund	Other Governmental Funds	74,356
Other Governmental Funds	CV Link	455,978
Other Governmental Funds	Other Governmental Funds	22,837
		<u>\$ 799,164</u>

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

Note 5: Interfund Transfers

Transfer In to Fund	Transfers Out of Funds	Amount
Other Governmental Funds	Other Governmental Funds	\$ 589,071
CV Link	Other Governmental Funds	227,173
		<u>\$ 816,244</u>

The largest transfer above was from the AB2766 Grant Fund to the Street Sweeping Fund in the amount of \$580,777 for eligible costs.

Note 6: Capital Assets

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

	Balance at July 1, 2015	Additions	Deletions	Balance at June 30, 2016
Capital assets not being depreciated:				
Land	\$ 10,682,344	\$ -	\$ -	\$ 10,682,344
Capital assets being depreciated:				
Furniture and equipment	179,738	-	(36,086)	143,652
Vehicles	651,158	-	-	651,158
Total Capital Assets being Depreciated	<u>830,896</u>	<u>-</u>	<u>(36,086)</u>	<u>794,810</u>
Less accumulated depreciation for:				
Furniture and equipment	(136,286)	(11,144)	36,086	(111,344)
Vehicles	(616,648)	(18,180)	-	(634,828)
Total Accumulated Depreciation	<u>(752,934)</u>	<u>(29,324)</u>	<u>36,086</u>	<u>(746,172)</u>
Total Capital Assets Being Depreciated, Net	<u>77,962</u>	<u>(29,324)</u>	<u>-</u>	<u>48,638</u>
Total Capital Assets, Net	<u>\$ 10,760,306</u>	<u>\$ (29,324)</u>	<u>\$ -</u>	<u>\$ 10,730,982</u>

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

Transportation	<u>\$ 29,324</u>
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COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS

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

Note 7: Transportation Uniform Mitigation Fee Program

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

<u>Fiscal Period</u>		<u>Fiscal Year</u> <u>Ending</u>	
<u>From</u>	<u>To</u>		
1990	1994		\$ 13,585,887
1995	1999		13,642,573
2000	2004		26,394,448
2005	2009		40,898,960
2010	2014		11,556,909
		2015	3,668,531
		2016	3,199,615
			<u>\$ 112,946,923</u>

In addition, the Association received \$21,951,367 cumulatively through June 30, 2016 relating to Measure A in lieu of TUMF for the Cities of Coachella and Desert Hot Springs, which were not participating in the TUMF program previously, and the City of La Quinta, which was not participating in the TUMF program until April 22, 2013. As part of the agreement for the City of La Quinta to participate in the TUMF program, the City of La Quinta will pay CVAG half of their Local Measure "A" funds they are otherwise qualified to receive until the difference between the amount of local Measure "A" relinquished to CVAG during the time TUMF was not being collected, and the amount of TUMF which their previous building permit activity indicated would have been collected during that same period, has been fully repaid to CVAG. The net amount owed to CVAG as of June 30, 2016 is \$2,060,091.

Note 8: Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2016, is as follows:

	<u>Balance</u> <u>July 1, 2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at</u> <u>June 30, 2016</u>	<u>Due Within</u> <u>One Year</u>
Revenue bonds payable	\$ 28,632,095	\$ -	\$ (1,321,988)	\$ 27,310,107	\$ 1,403,315
Insurance payable	84,530	11,590	(30,370)	65,750	8,892
Compensated absences	144,416	105,380	(117,965)	131,831	118,648
Totals	<u>\$ 28,861,041</u>	<u>\$ 116,970</u>	<u>\$ (1,470,323)</u>	<u>\$ 27,507,688</u>	<u>\$ 1,530,855</u>

COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS

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

Note 8: Long-Term Liabilities (Continued)

Revenue Bonds Payable

On October 1, 2009, Riverside County Transportation Commission (RCTC) issued \$185,000,000 of 2009 Sales Tax Revenue Bonds Series A, B and C (Bonds). The Association's participation in the Bonds was \$25,349,990. The Association's portion of the Bond proceeds is for reimbursement of the Association's highway and regional arterial program expenditures. Principal and interest on the Bonds are payable monthly through September 1, 2029. The rate of interest is 4.972% and 5.662% per annum.

On November 17, 2010, RCTC issued \$150,000,000 of 2010 Sales Tax Revenue Bonds, Series A and B. The Association's participation in the Bonds was \$8,584,820. The Association's portion of the Bond proceeds was for reimbursement of the Association's highway and regional arterial program expenditures that were previously reflected in long-term liabilities as Advancement of Measure A funds. Principal and interest on the Bonds are payable monthly through September 1, 2029. The rate of interest is 7.307% per annum.

As of June 30, 2016, annual debt service requirement of the revenue bonds payable is as follows:

Fiscal Year	Principal	Interest	Total
<u>Ending</u>			
2017	\$ 1,403,315	\$ 1,608,918	\$ 3,012,233
2018	1,489,735	1,522,498	3,012,233
2019	1,581,570	1,430,663	3,012,233
2020	1,679,167	1,333,066	3,012,233
2021	1,782,895	1,229,338	3,012,233
2022-2026	10,713,912	4,347,253	15,061,165
2027-2030	<u>8,659,513</u>	<u>879,224</u>	<u>9,538,737</u>
Totals	<u>\$ 27,310,107</u>	<u>\$ 12,350,960</u>	<u>\$ 39,661,067</u>

Compensated Absences

The Association's policies relating to compensated absences are described in Note 1. This liability amounting to \$131,831 at June 30, 2016 is expected to be paid in future years from future resources and is typically liquidated from the General Fund.

Note 9: Liability, Property and Workers' Compensation Protection

Description Self-Insurance Pool Pursuant to Joint Powers Agreement:

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

COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS

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

Note 9: Liability, Property and Workers' Compensation Protection (Continued)

Self-Insurance Programs of the Insurance Authority:

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

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

General Liability Insurance:

In the liability program claims are pooled separately between police and non-police exposures. (1) The payroll of each member is evaluated relative to the payroll of other members. A variable credibility factor is determined for each member, which establishes the weight applied to payroll and the weight applied to losses within the formula. (2) The first layer of losses includes incurred costs up to \$30,000 for each occurrence and is evaluated as a percentage of the pool's total incurred costs within the first layer. (3) The second layer of losses includes incurred costs from \$30,000 to \$750,000 for each occurrence and is evaluated as a percentage of the pool's total incurred costs within the second layer. (4) Incurred costs in excess of \$750,000 up to the reinsurance attachment point of \$5 million are distributed based on the outcome of cost allocation within the first and second loss layers. (5) Costs of covered claims from \$5 million to \$10 million are paid under a reinsurance contract subject to a \$2.5 million annual aggregate deductible. Costs of covered claims from \$10 million to \$15 million are paid under two reinsurance contracts subject to a combined \$3 million annual aggregate deductible. On a cumulative basis for all 2011-12 reinsurance contracts the annual aggregate deductible is \$5.5 million. (6) Costs of covered claims from \$15 million up to \$50 million are covered through excess insurance policies. The overall coverage limit for each member including all layers of coverage is \$50 million per occurrence.

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

Purchased Insurance:

Property Insurance

The Association participates in the all-risk property protection program of the Authority. This insurance protection is underwritten by several insurance companies. The Association's property is currently insured according to a schedule of covered property submitted by the Association to the Authority. Coachella Valley Association of Governments property currently has all-risk property insurance protection in the amount of \$1,205,222. There is a \$5,000 deductible per occurrence except for non-emergency vehicle insurance which has a \$1,000 deductible. Premiums for the coverage are paid annually and are not subject to retrospective adjustments.

COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS

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

Note 9: Liability, Property and Workers' Compensation Protection (Continued)

Crime Insurance

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

Adequacy of Protection:

During the past three fiscal years, none of the above programs of protection experienced settlements or judgments that exceeded pooled or insured coverage. There were also no significant reductions in pooled or insured liability coverage in 2015-16.

Included in long-term liabilities is a cumulative deposit payable due to the Insurance Authority in the amount of \$65,750.

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

Note 10: Operating Leases

The Association leases office space under an operating lease which was amended in September 1998 to extend the lease term to August 14, 2016. The lease was again amended in February 2008 to increase the amount of office space leased. The base rent is subject to annual revisions based on changes in the Consumer Price Index. The lease also requires payment of a share of common area operating costs. The rental expense for the fiscal year ended June 30, 2016 was \$102,249. Minimum rental commitments exclusive of the allocation of operating costs are as follows:

Year Ending June 30,	
2017	\$ 14,299
	<u>\$ 14,299</u>

Note 11: Pension Plan

Plan Description

CVAG contributes to the California Public Employees Retirement System (CalPERS), a cost-sharing multiple-employer public employee defined benefit pension plan. All qualified permanent and probationary employees are eligible to participate in the CVAG's Miscellaneous Employee Pension Plans, cost-sharing multiple employer defined benefit pension plans administered by CalPERS. PERS provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. CalPERS acts as a common investment and administrative agent for participating public entities within the State of California. Benefit provisions and all other requirements are established by state statute and CVAG Board resolution. Copies of CalPERS' annual financial report may be obtained from their executive office located at 400 P Street, Sacramento, California 95814.

COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS

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

Note 11: Pension Plan (Continued)

Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: The Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

The Public Employees' Pension Reform Act of 2013 (PEPRA) mandated new benefit formulas and new member contributions for new members (as defined by PEPRA) hired after January 1, 2013.

The provisions and benefits of the plan in effect at June 30, 2016, are summarized as follows:

	Miscellaneous cost-sharing plan	
	Tier 1	PEPRA
Hire date	Prior to January 1, 2013	On or after January 1, 2013
Benefit formula	2% @ 55	2% @ 62
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	50 and up	52 and up
Monthly benefits, as a % of eligible compensation	1.43% - 2.42%	1.00% - 2.50%
Required employee contribution rates	6.891%	6.5%
Required employer contribution rates	13643.000%	6.5%

Contribution Description

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for both Plans are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The Local Government is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

For the year ended June 30, 2016, the contributions recognized as part of pension expense was \$217,333.

COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS

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

Note 11: Pension Plan (Continued)

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

As of June 30, 2016, CVAG reported net pension liabilities for its proportionate shares of the net pension liability of each Plan as follows:

Proportionate Share of Net Pension Liability	
Miscellaneous	\$ 1,421,670
Total Net Pension Liability:	\$ 1,421,670

CVAG's net pension liability for each Plan is measured as the proportionate share of the net pension liability. The net pension liability of each of the Plans is measured as of June 30, 2014, and the total pension liability for each Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2013 rolled forward to June 30, 2014 using standard update procedures. CVAG's proportion of the net pension liability was based on a projection of the CVAG's long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined. The CVAG's proportionate share of the net pension liability for each Plan as of June 30, 2014 and 2015 was as follows:

	Miscellaneous
Proportion - June 30, 2014	0.055294%
Proportion - June 30, 2015	0.050209%
Change - Increase (Decrease)	-0.005085%

For the year ended June 30, 2016, CVAG recognized a total pension expense of (\$170,124) for all plans in total. At June 30, 2016, the CVAG reported deferred outflows and deferred inflows of resources related to pensions as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Contributions made subsequent of the measurement period	\$ 217,333	\$ -
Change in Assumptions	-	102,526
Difference between expected and actual experiences	10,837	-
Net Difference between Projected and Actual Earnings on Pension Plan Investments	-	51,397
Adjustment due to Difference in Proportions	46,448	14,925
Difference in proportionate share	-	38,241
Total	\$ 274,618	\$ 207,089

COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS

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

Note 11: Pension Plan (Continued)

\$217,333 reported as deferred outflows of resources related to contributions subsequent to the measurement date and contributions made in excess of CVAG's proportionate share of contributions; will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows or deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Measurement Period ended June 30:	Deferred Outflows/(Inflows) of Resources
2016	\$ (77,712)
2017	(75,732)
2018	(62,059)
2019	65,698

Actuarial Methods and Assumptions Used to Determine Total Pension Liability

For the measurement period ended June 30, 2015 (the measurement date), the total pension liability was determined by rolling forward the June 30, 2014 total pension liability. The June 30, 2014 and the June 30, 2015 total pension liabilities were based on the following actuarial methods and assumptions:

Actuarial Cost Method Actuarial Assumptions	Entry Age Normal Cost Method
Discount Rate	7.65%
Inflation	2.75%
Projected Salary Increases	3.3% - 14.2% (1)
Investment Rate of Return	7.50% (2)
Mortality Rate Table (3)	Derived using CalPERS' Membership Data for all Funds
Post Retirement Benefit Increase	Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter

- (1) Depending on age, service and type of employment
- (2) Net of Pension Plan Investment and Administrative Expenses; includes Inflation
- (3) The mortality table used was developed based on CalPERS' specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the 2014 experience study report on the CalPERS website.

All other actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period from 1997 to 2011, including updates to salary increase, mortality and retirement rates. The Experience Study report can be obtained at CalPERS' website under Forms and Publications.

Note 11: Pension Plan (Continued)

Change of Assumptions

GASB 68, paragraph 68 states that the long-term expected rate of return should be determined net of pension plan investment expense but without reduction for pension plan administrative expense. The discount rate of 7.50 percent used for the June 30, 2014 measurement date was net of administrative expenses. The discount rate of 7.65 percent used for the June 30, 2015 measurement date is without reduction of pension plan administrative expense.

Discount Rate

The discount rate used to measure the total pension liability was 7.65 percent. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.65 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.65 percent is applied to all plans in the Public Employees Retirement Fund. The stress test results are presented in a detailed report called "GASB Crossover Testing Report" that can be obtained at CalPERS' website under the GASB 68 section.

According to Paragraph 30 of Statement 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. The 7.50 percent investment return assumption used in this accounting valuation is net of administrative expenses. Administrative expenses are assumed to be 15 basis points. An investment return excluding administrative expenses would have been 7.65 percent. Using this lower discount rate has resulted in a slightly higher total pension liability and net pension liability. CalPERS determined this difference was deemed immaterial to the Public Agency Cost-Sharing Multiple-Employer Defined Benefit Pension Plan. More information can be found on the CalPERS website.

CalPERS is scheduled to review all actuarial assumptions as part of its regular Asset Liability Management review cycle that is scheduled to be completed in February 2018. Any changes to the discount rate will require Board action and proper stakeholder outreach. For these reasons, CalPERS expects to continue using a discount rate net of administrative expenses for GASB 67 and 68 calculations through at least the 2017-2018 fiscal year. CalPERS will continue to check the materiality of the difference in calculation until such time as they have changed their methodology.

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

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for

COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS

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

Note 11: Pension Plan (Continued)

both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The table below reflects long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These geometric rates of return are net of administrative expenses.

<u>Asset Class</u>	<u>New Strategic Allocation</u>	<u>Real Return Years 1 - 10 (1)</u>	<u>Real Return Years 11+ (2)</u>
Global Equity	47.0%	5.25%	5.71%
Global Fixed Income	19.0	0.99	2.43
Inflation Sensitive	6.0	0.45	3.36
Private Equity	12.0	6.83	6.95
Real Estate	11.0	4.50	5.13
Infrastructure and Forestland	3.0	4.50	5.09
Liquidity	2.0	(0.55)	(1.05)

(1) An expected inflation of 2.5% used for this period

(2) An expected inflation of 3.0% used for this period

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

The following presents the CVAG's proportionate share of the net pension liability of the Plan as of the measurement date, calculated using the discount rate of 7.65% for each Plan, as well as what the CVAG's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1% point lower (6.65%) or 1% point higher (8.65%) than the current rate:

<u>Net Pension Liability/(Asset)</u>	<u>Discount Rate - 1% 6.65%</u>	<u>Current Discount 7.65%</u>	<u>+1% 8.65%</u>
Tier 1	\$ 2,486,196	\$ 1,421,670	\$ 542,781
TOTAL:	\$ 2,486,196	\$ 1,421,670	\$ 542,781

Pension Plan Fiduciary Net Position

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

Note 12: Capital Projects and Programs

The following represents the unexpended project budgets as of June 30, 2016. Unexpended project budgets may be reprogrammed to other projects upon finalization of all pending items (final bills, disposition of change orders, etc.).

COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS

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

Note 12: Capital Projects and Programs (Continued)

Jefferson Street and Varner Road (North of I-10)	\$ 2,902,187
Jefferson/I-10 Interchange	23,516,141
Palm Drive/Gene Autry/I-10 Interchange	19,933,944
Indian Avenue/I-10 Interchange	538,637
Indian Avenue (Garnet to and including Railroad Crossing Bridge)	3,333,102
Gene Autry Trail (I-10 to Vista Chino Drive)	1,258,774
Indian Canyon Drive (across White Water River Wash)	222,264
Frank Sinatra Dr. Intersection at Hwy 111	670,712
Monterey/I-10 Interchange	1,401,317
Madison Street (Avenue 52 to Indio Boulevard)	13,113,812
Portola Avenue (North of Gerald Ford Drive)	534,935
Hwy 111 (bet. Rubidoux St. and 760' W. of Madison St)	4,150,708
Interchange Preparation Fund	9,071,864
Cathedral Canyon Bridge	1,717,446
Date Palm Drive Bridge	1,467,448
Date Palm/I-10 Interchange	7,782,768
Monterey Ave. Widening (Dinah Shore to Gerald Ford)	770,034
Dillon Road (I-10 & Dillon Road/SR86 Interchanges)	149,239
Portola Ave (NW of Fred Waring Dr)	600,000
Varner Road (Intersection Improvement at Ramon Rd.)	1,164,000
Varner Road (Ramon Road to Monterey Ave.)	1,870,758
Airport Blvd. (Harrison Street to Hwy 111)	7,898,603
Frank Sinatra Bridge over WWR	2,924,094
Avenue 56 Grade Separation	3,200,906
Avenue 66 Grade Separation	10,671,009
Ramon Road Bridge Widening	7,701,654
Vista Chino Drive Bridge	48,111
Date Palm Drive Improvement (I-10 and Varner Rd.)	1,872,866
Avenue 50 Bridge	1,052,880
Dune Palms Road Bridge	1,451,777
East Palm Canyon Dr. Bridge (over Palm Canyon Wash)	50,848
S. Palm Canyon Dr. Bridge (over Tahquitz Creek Channel)	41,419
Portola/I-10 Interchange	54,075,000
CV Link	20,000,000
Traffic Signals Project	1,712,075
Jackson Street Signal Improvements Project	2,655,900
Avenue 48 (bet. Jackson St. and Van Buren St.)	945,986
Interchange Improvement (I-10 and Avenue 50)	1,875,000
Avenue 50 (bet. Calhoun St. & Harrison St.)	3,375,000
Avenue 44 Bridge	1,654,260
	<hr/>
Unexpended project budgets	219,377,478
Less amounts to be provided in future years	<u>(170,232,273)</u>
Restricted fund balance associated with specific capital projects and programs	<u>\$ 49,145,205</u>

COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS

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

Note 13: Measure A Fund Program

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

<u>Fiscal Year Ending</u>	
2012	\$ 15,499,553
2013	17,695,596
2014	18,235,730
2015	18,859,763
2016	18,651,337

Note 14: Commitments and Contingencies

The Association approved a contribution of \$30 million for the Coachella Valley Multiple Species Habitat Conservation Plan (CVMSHCP), which would mitigate all of the regional transportation projects listed in the current Transportation Project Prioritization Study (TPPS). Under the CVMSHCP, the \$30 million of transportation funds would contribute to both land acquisition and the establishment of an Endowment Fund, which would ensure monitoring and management of the acquired lands. The CVMSHCP area includes 1.1 million acres, encompassing the entire Coachella Valley and the surrounding mountains. The MSHCP will benefit the local jurisdictions by providing Take Authorization for all development, including public infrastructure projects, undertaken by the Permittees (signatories to the MSHCP) outside the Conservation Areas. By providing Take Authorization for public and private development projects, the MSHCP eliminates the need for projects to conduct biological surveys and negotiate individual project mitigation with the US Fish and Wildlife Service and the California Department of Fish and Game. At June 30, 2016, the remaining commitment to the MSHCP is \$9,675,000. No amounts are payable until the Association's Board approves payment. The liability has not been recorded in the accompanying financial statements because the contributions are contingent upon the receipt of future transportation revenues that are uncertain as to the timing and amount of collection.

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REQUIRED SUPPLEMENTARY INFORMATION

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COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS

BUDGETARY COMPARISON SCHEDULE
 GENERAL FUND
 YEAR ENDED JUNE 30, 2016

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Member dues	\$ 398,683	\$ 398,683	\$ 398,683	\$ -
Grants	46,998	46,998	190,965	143,967
Investment income	3,000	3,000	5,844	2,844
Miscellaneous	42,000	42,000	42,100	100
Total Revenues	490,681	490,681	637,592	146,911
Expenditures:				
Salaries	438,236	438,236	198,686	239,550
Benefits	157,172	157,172	71,828	85,344
Communications	4,268	4,268	1,885	2,383
Advertising	259	259	-	259
Insurance	19,921	19,921	6,983	12,938
Memberships and per diem	30,210	30,210	11,636	18,574
General and office expenses	14,625	14,625	4,188	10,437
Professional services	21,005	21,005	30,237	(9,232)
Consultants	-	-	10,000	(10,000)
Leases and maintenance	35,166	35,166	12,984	22,182
Staff training	7,309	7,309	1,635	5,674
Transportation and meetings	19,573	19,573	19,646	(73)
Utilities	6,466	6,466	1,222	5,244
Project costs	10,000	10,000	20,500	(10,500)
Capital outlay	50,000	50,000	9,309	40,691
Total Expenditures	814,210	814,210	400,739	413,471
Excess (Deficiency) of Revenues Over (Under) Expenditures	(323,529)	(323,529)	236,853	560,382
Other Financing Sources (Uses):				
Transfers in	395,816	395,816	-	(395,816)
Transfers out	(54,569)	(54,569)	-	54,569
Total Other Financing Sources (Uses)	341,247	341,247	-	(341,247)
Net Change in Fund Balances	17,718	17,718	236,853	219,135
Fund Balances, Beginning of Year	1,490,178	1,490,178	1,490,178	-
Fund Balances, End of Year	\$ 1,507,896	\$ 1,507,896	\$ 1,727,031	\$ 219,135

COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS

BUDGETARY COMPARISON SCHEDULE
 TRANSPORTATION UNIFORM MITIGATION FEES
 YEAR ENDED JUNE 30, 2016

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Mitigation fees	\$ 4,000,000	\$ 4,000,000	\$ 3,199,615	\$ (800,385)
Measure A	694,560	694,560	712,804	18,244
Investment income	25,000	25,000	44,810	19,810
Miscellaneous	-	-	47,775	47,775
Total Revenues:	4,719,560	4,719,560	4,005,004	(714,556)
Expenditures:				
Salaries	234,730	234,730	255,818	(21,088)
Benefits	76,229	76,229	76,724	(495)
Communications	2,287	2,287	2,525	(238)
Advertising	1,189	1,189	1,304	(115)
Insurance	10,672	10,672	10,906	(234)
Memberships and per diem	5,459	5,459	2,790	2,669
General and office expenses	9,702	9,702	8,194	1,508
Professional services	12,967	12,967	14,817	(1,850)
Consultants	105,000	105,000	153,321	(48,321)
Leases and maintenance	19,307	19,307	16,895	2,412
Staff training	7,416	7,416	4,563	2,853
Transportation and meetings	2,938	2,938	2,828	110
Utilities	3,465	3,465	1,541	1,924
Project costs	9,170,293	9,170,293	5,506,028	3,664,265
Capital outlay	3,500	3,500	747	2,753
Total Expenditures	9,665,154	9,665,154	6,059,001	3,606,153
Excess (Deficiency) of Revenues Over (Under) Expenditures	(4,945,594)	(4,945,594)	(2,053,997)	2,891,597
Other Financing Sources (Uses):				
Transfers out	(63,798)	(63,798)	-	63,798
Total Other Financing Sources (Uses)	(63,798)	(63,798)	-	63,798
Net Change in Fund Balances	(5,009,392)	(5,009,392)	(2,053,997)	2,955,395
Fund Balances, Beginning of Year	10,769,166	10,769,166	10,769,166	-
Fund Balances, End of Year	\$ 5,759,774	\$ 5,759,774	\$ 8,715,169	\$ 2,955,395

COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS

BUDGETARY COMPARISON SCHEDULE
 MEASURE A
 YEAR ENDED JUNE 30, 2016

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Measure A	\$ 19,432,454	\$ 19,432,454	\$ 10,711,119	\$ (8,721,335)
Investment income	115,000	115,000	168,580	53,580
Loan repayments	3,131,904	3,131,904	2,943,732	(188,172)
Other governmental	68,924,162	68,924,162	1,246,868	(67,677,294)
Total Revenues:	91,603,520	91,603,520	15,070,299	(76,533,221)
Expenditures:				
Salaries	366,198	366,198	317,322	48,876
Benefits	124,009	124,009	99,815	24,194
Communications	3,567	3,567	3,133	434
Advertising	2,166	2,166	2,422	(256)
Insurance	16,647	16,647	13,385	3,262
Memberships and per diem	10,096	10,096	4,184	5,912
General and office expenses	16,645	16,645	12,276	4,369
Professional services	21,428	21,428	22,207	(779)
Consultants	195,000	195,000	133,913	61,087
Leases and maintenance	30,336	30,336	20,944	9,392
Staff training	12,607	12,607	7,074	5,533
Transportation and meetings	5,000	5,000	4,771	229
Utilities	5,405	5,405	1,914	3,491
Project costs	85,954,707	85,954,707	8,052,055	77,902,652
Capital outlay	6,500	6,500	1,386	5,114
Debt service:				
Principal	1,321,988	1,321,988	1,321,988	-
Interest	1,690,245	1,690,245	1,690,245	-
Total Expenditures	89,782,544	89,782,544	11,709,034	78,073,510
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,820,976	1,820,976	3,361,265	1,540,289
Other Financing Sources (Uses):				
Transfers out	(99,533)	(99,533)	-	99,533
Total Other Financing Sources (Uses)	(99,533)	(99,533)	-	99,533
Net Change in Fund Balances	1,721,443	1,721,443	3,361,265	1,639,822
Fund Balances, Beginning of Year	37,068,771	37,068,771	37,068,771	-
Fund Balances, End of Year	\$ 38,790,214	\$ 38,790,214	\$ 40,430,036	\$ 1,639,822

COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS

MISCELLANEOUS PLAN
 SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
 AS OF JUNE 30, FOR THE LAST TEN FISCAL YEARS (1)

	<u>2016</u>	<u>2015</u>
Proportion of the Net Pension Liability	0.05182%	0.02196%
Proportionate Share of the Net Pension Liability	\$ 1,421,670	\$ 1,366,589
Covered-Employee Payroll	\$ 1,364,384	\$ 1,367,374
Proportionate Share of the Net Pension Liability as Percentage of Covered-Employee Payroll	91.42%	99.94%
Plan Fiduciary Net Position	\$ 6,394,993	\$ 6,173,255
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	78.98%	81.88%

Notes to Schedule:

Benefit Changes:

The figures above do not include any liability impact that may have resulted from plan changes occurred after the June 30, 2014 valuation date. This applies for voluntary benefit changes as well as any offers of Two Years Additional Service Credit (a.k.a. Golden Handshakes).

Changes of Assumptions: The discount rate was changed from 7.5 percent (net of administration expenses) to 7.65 percent.

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

COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS

**MISCELLANEOUS PLAN
SCHEDULE OF PLAN CONTRIBUTIONS
AS OF JUNE 30, FOR THE LAST TEN FISCAL YEARS (1)**

	<u>2016</u>	<u>2015</u>
Actuarially Determined Contribution	\$ 217,333	\$ 214,845
Contribution in Relation to the Actuarially Determined Contribution	(217,333)	(214,845)
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>
Covered-Employee Payroll	\$ 1,555,017	\$ 1,364,384
Contributions as a Percentage of Covered-Employee Payroll	13.98%	15.75%

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

Note to Schedule:

Valuation Date:	June 30, 2013
Methods and assumptions used to determine contribution rates:	
Single and Agent Employers Example	Entry age normal
Amortization method	Level percentage of payroll, closed
Remaining amortization period	15 years
Assets valuation method	5-year smoothed market
Inflation	2.75%
Salary Increases	Varies by Entry Age and Service
Investment rate of return	7.5% net of pension plan investment expense, including inflation
Retirement age	50 Years
Mortality	Derived using CalPERS Membership Data for all Funds

COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS

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

Note 1: Budgets and Budgetary Accounting

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

Excess Over Appropriations:

The following expenditure categories exceeded its budgeted appropriations for the fiscal year ended June 30, 2016:

<u>General Fund:</u>	<u>Budget</u>	<u>Actual</u>	<u>Excess</u>
Professional services	\$ 21,005	\$ 30,237	\$ (9,232)
Consultants	-	10,000	(10,000)
Transportation and meetings	19,573	19,646	(73)
Project costs	10,000	20,500	(10,500)
<u>Transportation Uniform Mitigation Fees Fund:</u>			
Salaries	234,730	255,818	(21,088)
Benefits	76,229	76,724	(495)
Communications	2,287	2,525	(238)
Advertising	1,189	1,304	(115)
Insurance	10,672	10,906	(234)
Professional services	12,967	14,817	(1,850)
Consultants	105,000	153,321	(48,321)
<u>Measure A Fund:</u>			
Advertising	2,166	2,422	(256)
Professional services	21,428	22,207	(779)

SUPPLEMENTARY SCHEDULES

COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2016

	Special Revenue Funds			
	Special Projects	Multi-Species Habitat Conservation	AB2766 Grant	Oil Grant
Assets:				
Cash and investments	\$ 26,078	\$ -	\$ -	\$ 37,015
Accounts receivable	2,000	-	-	-
Interest receivable	-	-	326	40
Due from other governments	-	116,926	91,761	-
Due from other funds	-	-	-	-
Total Assets	\$ 28,078	\$ 116,926	\$ 92,087	\$ 37,055
Liabilities, Deferred Inflows of Resources, and Fund Balances:				
Liabilities:				
Accounts payable	\$ -	\$ 193	\$ 5	\$ 969
Due to other governments	2,340	-	-	-
Due to other funds	-	74,356	24,694	-
Unearned revenues	6,000	-	-	-
Total Liabilities	8,340	74,549	24,699	969
Deferred Inflows of Resources:				
Unavailable revenues	-	-	-	-
Total Deferred Inflows of Resources	-	-	-	-
Fund Balances:				
Restricted for:				
Transportation	-	-	-	-
Environmental	-	42,377	67,388	36,086
Homeless	9,120	-	-	-
Unassigned	10,618	-	-	-
Total Fund Balances	19,738	42,377	67,388	36,086
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 28,078	\$ 116,926	\$ 92,087	\$ 37,055

COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2016

(CONTINUED)

	Special Revenue Funds			
	AB939 Grant	Air Quality Enhancement	Street Sweeping	Homeless
Assets:				
Cash and investments	\$ 4,089	\$ 2,944	\$ 485,864	\$ 348,756
Accounts receivable	-	-	-	-
Interest receivable	22	12	456	435
Due from other governments	31,860	-	125,000	418
Due from other funds	22,837	-	-	-
Total Assets	\$ 58,808	\$ 2,956	\$ 611,320	\$ 349,609
Liabilities, Deferred Inflows of Resources, and Fund Balances:				
Liabilities:				
Accounts payable	\$ 5	\$ -	\$ 62,686	\$ 105,116
Due to other governments	-	-	-	9,985
Due to other funds	-	-	-	-
Unearned revenues	-	-	-	103,000
Total Liabilities	5	-	62,686	218,101
Deferred Inflows of Resources:				
Unavailable revenues	-	-	125,000	418
Total Deferred Inflows of Resources	-	-	125,000	418
Fund Balances:				
Restricted for:				
Transportation	-	-	-	-
Environmental	58,803	2,956	423,634	-
Homeless	-	-	-	131,090
Unassigned	-	-	-	-
Total Fund Balances	58,803	2,956	423,634	131,090
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 58,808	\$ 2,956	\$ 611,320	\$ 349,609

COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2016

	Special Revenue Funds			Total Governmental Funds
	Energy Partnership	Tire Amnesty	Other Transportation	
Assets:				
Cash and investments	\$ -	\$ -	\$ -	\$ 904,746
Accounts receivable	95,492	-	-	97,492
Interest receivable	-	-	69	1,360
Due from other governments	3,898	29,210	93,658	492,731
Due from other funds	-	-	455,978	478,815
Total Assets	\$ 99,390	\$ 29,210	\$ 549,705	\$ 1,975,144
Liabilities, Deferred Inflows of Resources, and Fund Balances:				
Liabilities:				
Accounts payable	\$ -	\$ -	\$ 93,922	\$ 262,896
Due to other governments	-	-	-	12,325
Due to other funds	65,409	22,837	-	187,296
Unearned revenues	-	-	-	109,000
Total Liabilities	65,409	22,837	93,922	571,517
Deferred Inflows of Resources:				
Unavailable revenues	3,898	29,210	93,658	252,184
Total Deferred Inflows of Resources	3,898	29,210	93,658	252,184
Fund Balances:				
Restricted for:				
Transportation	-	-	362,125	362,125
Environmental	-	-	-	631,244
Homeless	-	-	-	140,210
Unassigned	30,083	(22,837)	-	17,864
Total Fund Balances	30,083	(22,837)	362,125	1,151,443
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 99,390	\$ 29,210	\$ 549,705	\$ 1,975,144

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COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS

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

	Special Revenue Funds			
	Special Projects	Multi-Species Habitat Conservation	AB2766 Grant	Oil Grant
Revenues:				
Grants	\$ -	\$ -	\$ -	\$ 74,198
Investment income	-	-	1,474	147
Other governmental	22,000	662,330	346,710	-
Miscellaneous	2,000	-	-	-
Total Revenues	24,000	662,330	348,184	74,345
Expenditures:				
Salaries	-	411,585	14,247	4,958
Benefits	-	144,934	4,709	1,674
Communications	-	4,496	175	45
Advertising	-	497	-	10,171
Insurance	-	19,336	636	165
Memberships and per diem	-	2,534	2,065	34
General and office expenses	-	16,343	312	2,711
Professional services	-	18,581	486	149
Consultants	-	-	2,750	58,368
Leases and maintenance	-	27,348	943	323
Staff training	-	10,471	127	40
Transportation and meetings	-	3,754	399	12
Utilities	-	2,451	85	31
Project costs	26,748	-	-	7,154
Total Expenditures	26,748	662,330	26,934	85,835
Excess (Deficiency) of Revenues Over (Under) Expenditures	(2,748)	-	321,250	(11,490)
Other Financing Sources (Uses):				
Transfers in	-	-	-	3,213
Transfers out	-	-	(580,777)	-
Total Other Financing Sources (Uses)	-	-	(580,777)	3,213
Net Change in Fund Balances	(2,748)	-	(259,527)	(8,277)
Fund Balances, Beginning of Year	22,486	42,377	326,915	44,363
Fund Balances, End of Year	\$ 19,738	\$ 42,377	\$ 67,388	\$ 36,086

COACHELLA VALLEY ASSOCIATION OF GOVERNMENT

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

(CONTINUED)

	Special Revenue Funds			
	AB939 Grant	Air Quality Enhancement	Street Sweeping	Homeless
Revenues:				
Grants	\$ -	\$ -	\$ -	\$ -
Investment income	63	34	1,351	1,630
Other governmental	31,860	-	150,000	1,158,711
Miscellaneous	-	-	-	-
Total Revenues	31,923	34	151,351	1,160,341
Expenditures:				
Salaries	7,791	-	34,102	-
Benefits	2,720	-	10,725	-
Communications	102	-	336	-
Advertising	-	-	86	-
Insurance	241	-	5,410	690
Memberships and per diem	2,029	-	216	-
General and office expenses	334	2	662	-
Professional services	227	9,880	1,532	-
Consultants	-	-	-	1,301,320
Leases and maintenance	506	-	2,255	-
Staff training	61	-	303	-
Transportation and meetings	343	3	154	-
Utilities	48	-	205	-
Project costs	-	-	550,889	611
Total Expenditures	14,402	9,885	606,875	1,302,621
Excess (Deficiency) of Revenues Over (Under) Expenditures	17,521	(9,851)	(455,524)	(142,280)
Other Financing Sources (Uses):				
Transfers in	-	-	580,777	-
Transfers out	(8,294)	-	-	-
Total Other Financing Sources (Uses)	(8,294)	-	580,777	-
Net Change in Fund Balances	9,227	(9,851)	125,253	(142,280)
Fund Balances, Beginning of Year	49,576	12,807	298,381	273,370
Fund Balances, End of Year	\$ 58,803	\$ 2,956	\$ 423,634	\$ 131,090

COACHELLA VALLEY ASSOCIATION OF GOVERNMENT

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

	Special Revenue Funds			Total Governmental Funds
	Energy Partnership	Tire Amnesty	Other Transportation	
Revenues:				
Grants	\$ 213,158	\$ 42,140	\$ -	\$ 329,496
Investment income	-	-	227	4,926
Other governmental	-	-	397,716	2,769,327
Miscellaneous	1,598	-	-	3,598
Total Revenues	214,756	42,140	397,943	3,107,347
Expenditures:				
Salaries	42,845	5,636	32,248	553,412
Benefits	13,108	1,583	9,989	189,442
Communications	591	60	303	6,108
Advertising	-	-	-	10,754
Insurance	1,744	296	1,211	29,729
Memberships and per diem	276	33	3,063	10,250
General and office expenses	867	120	779	22,130
Professional services	1,811	209	1,017	33,892
Consultants	27,832	16,490	93,658	1,500,418
Leases and maintenance	2,822	377	2,114	36,688
Staff training	371	54	271	11,698
Transportation and meetings	489	12	382	5,548
Utilities	259	33	197	3,309
Project costs	-	4,307	-	589,709
Total Expenditures	93,015	29,210	145,232	3,003,087
Excess (Deficiency) of Revenues Over (Under) Expenditures	121,741	12,930	252,711	104,260
Other Financing Sources (Uses):				
Transfers in	-	5,081	-	589,071
Transfers out	-	-	(227,173)	(816,244)
Total Other Financing Sources (Uses)	-	5,081	(227,173)	(227,173)
Net Change in Fund Balances	121,741	18,011	25,538	(122,913)
Fund Balances, Beginning of Year	(91,658)	(40,848)	336,587	1,274,356
Fund Balances, End of Year	\$ 30,083	\$ (22,837)	\$ 362,125	\$ 1,151,443



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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Coachella Valley Association of Governments (CVAG) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the CVAG's basic financial statements, and have issued our report thereon dated February 14, 2016.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the CVAG'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 CVAG's internal control. Accordingly, we do not express an opinion on the effectiveness of the CVAG'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 CVAG'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 Executive Committee of the
Coachella Valley Association of Governments
Palm Desert, California

Purpose of this Report

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

Lance, Soll & Lughard, LLP

Brea, California
February 14, 2016