

**RIVERSIDE COUNTY
HABITAT CONSERVATION AGENCY**

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2020

Riverside County Habitat Conservation Agency

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Independent Auditor's Report

To the Board of Directors
Riverside County Habitat Conservation Agency
Riverside, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the major fund of the Riverside County Habitat Conservation Agency (RCHCA), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise RCHCA'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, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the State Controller's *Minimum Audit Requirements for California Special Districts*. 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 RCHCA'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.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of RCHCA as of June 30, 2020, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America, as well as accounting systems prescribed by the California State Controller's office and State regulations governing special districts.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, and budgetary comparison information as presented in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements.

We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 15, 2022 on our consideration of RCHCA'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 RCHCA's internal control over financial reporting and compliance.

Rogers, Anderson, Malody & Scott, LLP.

San Bernardino, California
March 15, 2022

**Riverside County Habitat Conservation Agency
Management's Discussion and Analysis
Year Ended June 30, 2020**

Our discussion and analysis of the Riverside County Habitat Conservation Agency's (RCHCA) financial performance provides an overview of RCHCA's financial activities for the fiscal year ended June 30, 2020. Please read it in conjunction with RCHCA's financial statements.

Financial Highlights

- Total net position decreased by \$274,453. The decrease was due to less mitigation fees and interest income.
- Current year revenues decreased by \$604,748 in comparison to last year, with program expenses increasing by \$154,201. This change is a result of the decrease in mitigation fees collected by the member agencies, and the timing of capital project related expenses.
- Total revenues for the year were \$1,049,168 and total expenses were \$1,323,621, producing a decrease in net position of \$274,453 for the year. Depreciation expense in capital assets was \$31,746.

Overview of the Financial Statements

This annual report includes Management's Discussion and Analysis, the independent auditor's report, and the financial statements of RCHCA. The financial statements also include notes that explain in more detail some of the information in the financial statements.

Financial Analysis of the Agency

One of the most important questions asked about RCHCA's finances is, "Is RCHCA, as a whole, better off or worse off as a result of the year's activities?" The statement of net position, governmental fund balance sheet, statement of activities, and governmental fund statement of revenues, expenditures, and changes in the fund balance report information about RCHCA as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using either the accrual basis of accounting or modified accrual basis of accounting. All of the current year's revenues and expenditures are taken into account regardless of when an item is received or paid.

These statements report RCHCA's net position or fund balance and changes in it. RCHCA's net position or fund balance is the difference between assets and liabilities, which is one way to measure RCHCA's financial health or financial position. Over time, increases or decreases in the RCHCA's net position or fund balance are one indicator of whether its financial health is improving or deteriorating. Other nonfinancial factors should be considered, such as changes in the construction industry as well as the condition of RCHCA's land and facilities for ecosystem conservation and habitat reserves.

RCHCA reports in the statement of net position, governmental fund balance sheet, statement of activities, and governmental fund statement of revenues, expenditures, and changes in fund balance one type of activity for the land and facilities for ecosystem conservation and habitat reserves it provides. All RCHCA activities are reported in these statements.

Riverside County Habitat Conservation Agency
Management's Discussion and Analysis
Year Ended June 30, 2020

The Agency as a Whole

RCHCA's net position at June 30, 2020 is \$45,049,946. Our analysis below focuses on the net position:

Condensed Statement of Net Position			
	<u>2020</u>	<u>2019</u>	<u>Change</u>
ASSETS			
Current assets	\$16,312,216	\$17,029,224	\$ (717,008)
Noncurrent assets	<u>28,951,954</u>	<u>28,983,700</u>	<u>(31,746)</u>
Total assets	<u>45,264,170</u>	<u>46,012,924</u>	<u>(748,754)</u>
LIABILITIES			
Current liabilities	<u>214,224</u>	<u>702,459</u>	<u>(488,235)</u>
Total liabilities	<u>214,224</u>	<u>702,459</u>	<u>(488,235)</u>
NET POSITION			
Net investment in capital assets	28,951,954	28,983,700	(31,746)
Restricted	7,909,867	7,895,386	14,481
Unrestricted	<u>8,188,125</u>	<u>8,431,379</u>	<u>(243,254)</u>
Total net position	<u>\$45,049,946</u>	<u>\$45,310,465</u>	<u>\$ (260,519)</u>

Condensed Statement of Activities			
	<u>2020</u>	<u>2019</u>	<u>Change</u>
Operating grants and contributions:			
Capital projects	\$ 913,296	\$ 1,329,148	\$ (415,852)
General revenues:			
Investment income	110,738	324,020	(213,282)
Other income	<u>25,134</u>	<u>748</u>	<u>24,386</u>
Total revenues	<u>1,049,168</u>	<u>1,653,916</u>	<u>(604,748)</u>
Expenses:			
Capital projects	<u>1,323,621</u>	<u>1,169,420</u>	<u>154,201</u>
Total expenses	<u>1,323,621</u>	<u>1,169,420</u>	<u>154,201</u>
Change in net position	(274,453)	484,496	(758,949)
Net position, beginning of year, as restated	<u>45,324,399</u>	<u>44,825,969</u>	<u>498,430</u>
Net position, end of year	<u>\$45,049,946</u>	<u>\$45,310,465</u>	<u>\$ (260,519)</u>

Riverside County Habitat Conservation Agency
Management's Discussion and Analysis
Year Ended June 30, 2020

The Agency as a Whole (continued)

	Capital Assets at Year-End		Change
	2020	2019	
Land	\$28,857,908	\$28,857,908	\$ -
Capital assets being depreciated	<u>386,067</u>	<u>386,067</u>	<u>-</u>
Total capital assets	29,243,975	29,243,975	-
Less accumulated depreciation	<u>(292,021)</u>	<u>(260,275)</u>	<u>(31,746)</u>
Net capital assets	<u><u>\$28,951,954</u></u>	<u><u>\$28,983,700</u></u>	<u><u>\$ (31,746)</u></u>

More detailed information about RCHCA's capital assets is presented in Note 4 to the financial statements.

Budget to Actual Analysis

Mitigation fee revenue exceeded the budget by \$133,296. RCHCA budgeted conservatively for this source of revenue, as it fluctuates from year to year based on the amount of development. Expenditures were over budget by \$122,599, primarily in salary and benefit and professional services expenses.

Contacting the Agency's Financial Management

This financial report is designed to provide our citizens, taxpayers, and customers with a general overview of RCHCA's finances and to show RCHCA's accountability for the money it receives. If you have questions about this report or need additional financial information, contact RCHCA at (951) 405-6700.

Riverside County Habitat Conservation Agency
Statement of Net Position
June 30, 2020

ASSETS

Current assets:

Cash and investments (Note 3)	\$ 16,043,146
Accounts receivable	268,445
Prepaid	<u>625</u>

Total current assets	<u>16,312,216</u>
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Noncurrent assets:

Land (Note 4)	28,857,908
Capital assets being depreciated, net (Note 4)	<u>94,046</u>

Total noncurrent assets	<u>28,951,954</u>
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Total assets	<u>45,264,170</u>
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LIABILITIES

Current liabilities:

Accounts payable	125,351
Due to other governments	<u>88,873</u>

Total current liabilities	<u>214,224</u>
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Total liabilities	<u>214,224</u>
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NET POSITION

Net investment in capital assets	28,951,954
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Restricted for:

Purchases of mitigation habitat	55,743
Lake Skinner reserve endowment	700,587
Sycamore Canyon reserve endowment	1,047,445
Motte Rimrock reserve endowment	719,105
Lake Matthews wasting endowment	4,463,991
RCHCA reserve endowment (Lake Skinner)	522,996
Lake Matthews operating	400,000

Unrestricted	<u>8,188,125</u>
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Total net position	<u>\$ 45,049,946</u>
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The accompanying notes are an integral part of these financial statements.

Riverside County Habitat Conservation Agency
Statement of Activities
Year Ended June 30, 2020

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Operating Grants and Contributions</u>	<u>Governmental Activities</u>
Governmental Activities:			
Capital Projects	\$ 1,323,621	\$ 913,296	\$ (410,325)
Total	<u>\$ 1,323,621</u>	<u>\$ 913,296</u>	<u>(410,325)</u>
General Revenues:			
Investment income			110,738
Other income			<u>25,134</u>
Total general revenues			<u>135,872</u>
Change in net position			(274,453)
Net position, beginning of year, as restated (Note 7)			<u>45,324,399</u>
Net position, end of year			<u>\$ 45,049,946</u>

The accompanying notes are an integral part of these financial statements.

Riverside County Habitat Conservation Agency
Balance Sheet
June 30, 2020

	<u>General Fund</u>
ASSETS	
Cash and investments (Note 3)	\$ 16,043,146
Accounts receivable	268,445
Prepaid	<u>625</u>
Total assets	<u><u>\$ 16,312,216</u></u>
 LIABILITIES AND FUND BALANCE	
LIABILITIES	
Accounts payable	\$ 125,351
Due to other governments	<u>88,873</u>
Total liabilities	<u>214,224</u>
 FUND BALANCE	
Restricted	7,909,867
Unassigned	<u>8,188,125</u>
Total fund balance	<u>16,097,992</u>
Total liabilities and fund balance	<u><u>\$ 16,312,216</u></u>

The accompanying notes are an integral part of these financial statements.

Riverside County Habitat Conservation Agency
Reconciliation of the Governmental Funds Balance Sheet
to the Government-Wide Statement of Net Position
June 30, 2020

Fund balance of governmental funds \$ 16,097,992

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

Capital assets used in governmental activities are not current financial resources and, therefore are not reported in the fund.

Capital assets, not being depreciated 28,857,908

Capital assets, being depreciated, net 94,046

Net position of governmental activities \$ 45,049,946

The accompanying notes are an integral part of these financial statements.

Riverside County Habitat Conservation Agency
Statement of Revenues, Expenditures and Changes in Fund Balance
Year Ended June 30, 2020

	<u>General Fund</u>
REVENUES	
Mitigation fees (Note 5)	\$ 913,296
Investment income	110,738
Other income	<u>25,134</u>
Total revenues	<u>1,049,168</u>
EXPENDITURES	
Operating	642,035
Administrative services	<u>649,840</u>
Total expenditures	<u>1,291,875</u>
Net change in fund balance	(242,707)
Fund Balance, Beginning of Year, as restated (Note 7)	<u>16,340,699</u>
Fund Balance, End of Year	<u>\$ 16,097,992</u>

The accompanying notes are an integral part of these financial statements.

Riverside County Habitat Conservation Agency
Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balance to the Statement of Activities
Year Ended June 30, 2020

Net change in fund balance \$ (242,707)

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

Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeded depreciation expense and other adjustments in the current period.

Depreciation expense (31,746)

Change in net position \$ (274,453)

The accompanying notes are an integral part of these financial statements.

Riverside County Habitat Conservation Agency
Notes to the Financial Statements
Year Ended June 30, 2020

NOTE 1 – REPORTING ENTITY

The Riverside County Habitat Conservation Agency (RCHCA) was formed in July 1990 under a joint exercise of powers agreement between the County of Riverside (County) and the Cities of Riverside, Perris, Hemet, Lake Elsinore, and Moreno Valley. Subsequently, the Cities of Temecula, Corona, Murrieta, Wildomar, and Menifee were added. RCHCA was organized for the purpose of planning for, acquiring, administering, operating, and maintaining land and facilities for ecosystem conservation and habitat reserves for the Stephens' Kangaroo Rat and other endangered species under Article 1, Chapter 5; Division 7, Title 1 of the Government Code. RCHCA uses the Western Riverside Council of Governments' accounting system to record all of its financial transactions. The accounting policies of RCHCA conform to accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB).

In December 2015, the RCHCA's Board of Directors and WRCOG's Executive Committee approved a five-year Agreement between WRCOG and RCHCA that transferred the duties of administration and management of RCHCA activities to WRCOG. Under the Agreement, WRCOG's Executive Director served as the General Manager / Executive Director of RCHCA and is responsible for general duties include administering, coordinating, and supervising the activities of RCHCA as set forth in RCHCA's Joint Powers Agreement (JPA).

Despite the success of this arrangement there were still practical inefficiencies that needed attention. The Executive Director of WRCOG administers the administrative functions of the RCHCA; however, under the Agreement between the RCHCA and the County, RCHCA employees operate under two different administrations (WRCOG and the County). This dual arrangement created some organizational challenges, particularly in the area of personnel. New RCHCA hires had been hired as WRCOG employees, the result of which is that the RCHCA itself is staffed with employees from both WRCOG and the County.

Under a full consolidation, RCHCA would operate as a Program under WRCOG. The structure would not create any additional financial burden on WRCOG or RCHCA. RCHCA would continue to cover its current budgeted expenditures as well as any long-term costs, such as pension-related costs.

On May 17, 2018, RCHCA Board of Directors directed staff to work with Riverside County and WRCOG to fully consolidate RCHCA staff and operations into WRCOG. RCHCA staff were made aware that a consolidation under WRCOG would require employment separation from the County.

On May 16, 2019, as the final step in the process of consolidation, staff requested RCHCA's Board of Directors authorization to inactivate a bank account maintained by the County of Riverside Office of the Treasurer-Tax Collector and transfer its funds to the existing California Asset Management Program (CAMP) accounts currently held by the RCHCA. These funds were transferred during fiscal year 2020.

Riverside County Habitat Conservation Agency
Notes to the Financial Statements
Year Ended June 30, 2020

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Financial Statement Presentation

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

- Government-wide financial statements
- Fund financial statements
- Notes to the 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. RCHCA has no business-type activities or discretely presented component units.

Fund Financial Statements

The underlying accounting system of RCHCA 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, 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 RCHCA's governmental fund are presented after the government-wide financial statements.

These statements display information about RCHCA's major governmental fund. RCHCA operates with one fund, which is its General Fund. This fund is reported as a major fund. The General Fund accounts for all activity of RCHCA.

B. Measurement Focus and Basis of Accounting

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 RCHCA 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 the GASB.

Amounts paid to acquire capital assets are capitalized as assets in the government-wide financial statements, rather than reported as expenditures.

In the fund financial statements, the governmental fund is presented using the current financial resources measurement focus and the modified accrual basis of accounting.

Riverside County Habitat Conservation Agency
Notes to the Financial Statements
Year Ended June 30, 2020

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Measurement Focus and Basis of Accounting (continued)

Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, RCHCA considers revenues to be available if they are collected within 60 days of the end of the current fiscal period.

Because of its 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.

C. Cash and Investments

RCHCA's cash and cash equivalents are considered to be cash on hand and demand deposits. Cash and cash equivalents are combined with investments and displayed as Cash and Investments.

D. Capital Assets

Capital assets generally result from expenditures in the governmental fund. These assets are reported on the government-wide Statement of Net Position but are not reported in the fund financial statements.

Capital assets are stated at cost. Capital assets that have been donated are stated at their acquisition values at the date of donation. RCHCA maintains a capitalization threshold of \$5,000. Depreciation is computed utilizing the straight-line method over the expected useful lives of the assets, which range from five to twenty years. The cost of normal repairs and maintenance that do not add to the value of the asset or materially extend the asset's life are not capitalized.

E. Net Position

In the government-wide financial statements, net position represents the difference between assets and liabilities and is classified into three categories:

Net investment in capital assets - This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of *any* bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds is not included in the calculation of net investment in capital assets, net of related debt. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.

Restricted - This component of net position consists of constraints placed on net position used through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

Riverside County Habitat Conservation Agency
Notes to the Financial Statements
Year Ended June 30, 2020

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Net Position (continued)

Unrestricted - This component of net position consists of net position that does not meet the definition of "restricted" or "net investment in capital assets."

F. Fund Balance

In the fund financial statements, the governmental fund reports fund balance as nonspendable, restricted, committed, assigned, or unassigned based primarily on the extent to which RCHCA is bound to honor constraints on how specific amounts can be spent.

- *Nonspendable fund balance* - amounts that cannot be spent because they are either (a) not spendable in form or (b) legally or contractually required to be maintained intact.
- *Restricted fund balance* - amounts with constraints placed on their use that are either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.
- *Committed fund balance* - amounts that can only be used for specific purposes determined by formal action of RCHCA's highest level of decision-making authority (the Board of Directors) and that remain binding unless removed in the same manner. The underlying action that imposed the limitation needs to occur no later than the close of the reporting period.
- *Assigned fund balance* - amounts that are constrained by RCHCA's *intent* to be used for specific purposes. The intent can be established at either the highest level of decision-making, or by a body or an official designated for that purpose.
- *Unassigned fund balance* - the residual classification for RCHCA's General Fund that includes amounts not contained in the other classifications. In other funds, the unassigned classification is used only if expenditures incurred for specific purposes exceed the amounts restricted, committed, or assigned to those purposes.

The Board of Directors establishes, modifies, or rescinds fund balance commitments and assignments by passage of an ordinance or resolution. This is done through adoption of the budget and subsequent budget amendments that occur throughout the year.

When both restricted and unrestricted resources are available for use, it is RCHCA's policy to use restricted resources first, followed by the unrestricted committed, assigned, and unassigned resources as they are needed.

G. Use of Estimates

The preparation of financial statements requires management to make certain 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, as well as the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Riverside County Habitat Conservation Agency
Notes to the Financial Statements
Year Ended June 30, 2020

NOTE 3 – CASH AND INVESTMENTS (continued)

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the RCHCA's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit).

The market value of pledged securities must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure RCHCA's deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. As of June 30, 2020, all of RCHCA's deposits with financial institutions in excess of federal depository insurance limits were held in collateralized accounts as required under California law.

The carrying amounts of RCHCA's demand deposits are collateralized or insured with securities held by pledging financial institutions in the name of WRCOG, as discussed below.

The California Government Code (Code) requires California banks and savings and loan associations to secure RCHCA's cash deposits by pledging securities as collateral. This Code states that collateral pledged in this manner shall have the effect of perfecting a security interest in such collateral superior to those of a general creditor. Thus, collateral for cash deposits is considered to be held in WRCOG's name.

Fair Value Measurements

Fair value measurements are categorized based on the valuation inputs used to measure fair value. 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.

RCHCA's investments in CAMP are not subject to the fair value hierarchy.

Riverside County Habitat Conservation Agency
Notes to the Financial Statements
Year Ended June 30, 2020

NOTE 4 – CAPITAL ASSETS

Capital asset activity for the years ended June 30, 2020 and 2019 is as follows:

	Balance as of June 30, 2019	Additions	Deletions	Balance as of June 30, 2020
Capital assets, not being depreciated:				
Land	\$ 28,857,908	\$ -	\$ -	\$ 28,857,908
 Total capital assets, not being depreciated	 28,857,908	 -	 -	 28,857,908
Capital assets, being depreciated:				
Buildings and improvements	115,153	-	-	115,153
Equipment	50,990	-	-	50,990
Parking lot improvements	26,004	-	-	26,004
Vehicles	193,920	-	-	193,920
 Total capital assets, being depreciated	 386,067	 -	 -	 386,067
Accumulated depreciation				
Buildings and improvements	(89,113)	(5,757)	-	(94,870)
Equipment	(45,172)	(1,791)	-	(46,963)
Parking lot improvements	(26,004)	-	-	(26,004)
Vehicles	(99,986)	(24,198)	-	(124,184)
 Total accumulated depreciation	 (260,275)	 (31,746)	 -	 (292,021)
 Total capital assets, being depreciated, net	 125,792	 (31,746)	 -	 94,046
 Total capital assets, net	 <u>\$ 28,983,700</u>	 <u>\$ (31,746)</u>	 <u>\$ -</u>	 <u>\$ 28,951,954</u>

Depreciation expense for the year ended June 30, 2020 was \$31,746.

Riverside County Habitat Conservation Agency
Notes to the Financial Statements
Year Ended June 30, 2020

NOTE 5 – MITIGATION FEES

Mitigation fees collected by member agencies are remitted to the RCHCA. Mitigation fee revenues consisted of the following for the year ended June 30, 2020:

City of Corona	\$	24,700
City of Lake Elsinore		19,765
City of Menifee		26,933
City of Moreno Valley		62,035
City of Murrieta		27,425
City of Perris		33,330
City of Riverside		18,877
City of Temecula		905
City of Wildomar		5,415
County of Riverside		215,525
Metropolitan Water District		193,784
Other		<u>284,602</u>
Total	\$	<u>913,296</u>

NOTE 6 – COVID-19 CONSIDERATIONS

On March 11, 2020, the World Health Organization declared the novel strain of coronavirus (COVID-19) a global pandemic and recommended containment and mitigation measures worldwide. The COVID-19 outbreak in the United States caused business disruption through mandated and voluntary closings of businesses and shelter in place orders for all but those deemed essential services. However, the ultimate financial impact and duration cannot be estimated at this time.

NOTE 7 – PRIOR PERIOD ADJUSTMENT

RCHCA previously maintained a bank account with the County of Riverside Office of the Treasurer-Tax Collector (County Treasurer) that included one parent and six sub-funds, account balances were previously recorded in the County's books.

On May 16, 2019, as the final step in the process of consolidating RCHCA as a program under WRCOG, RCHCA's Board of Directors authorized to inactivate this bank account maintained by the County of Riverside Office of the Treasurer-Tax Collector and transfer its funds to the existing California Asset Management Program (CAMP) accounts held by the RCHCA. These funds were transferred during fiscal year 2020.

Riverside County Habitat Conservation Agency
Notes to the Financial Statements
Year Ended June 30, 2020

NOTE 7 – PRIOR PERIOD ADJUSTMENT (continued)

Beginning fund balance and net position for the year ended June 30, 2020 has been restated as follows, due to the correction of an error:

Fund balance, as previously reported	\$ 16,326,765
Prior period adjustment	<u>13,934</u>
Fund balance, as restated	<u>\$ 16,340,699</u>
Net position, as previously reported	\$ 45,310,465
Prior period adjustment	<u>13,934</u>
Net position, as restated	<u>\$ 45,324,399</u>

REQUIRED SUPPLEMENTARY INFORMATION

Riverside County Habitat Conservation Agency
Budgetary Comparison Schedule – General Fund
Year Ended June 30, 2020

	Budget		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Mitigation fees (Note 5)	\$ 780,000	\$ 780,000	\$ 913,296	\$ 133,296
Investment income	215,000	215,000	110,738	(104,262)
Other income	494,063	494,063	25,134	(468,929)
Total revenues	1,489,063	1,489,063	1,049,168	(439,895)
EXPENDITURES				
Operating	562,012	562,012	642,035	(80,023)
Wages and Benefits	607,264	607,264	649,840	(42,576)
Total expenditures	1,169,276	1,169,276	1,291,875	(122,599)
Net change in fund balance	319,787	319,787	(242,707)	(562,494)
FUND BALANCE, BEGINNING OF YEAR, AS RESTATED	16,340,699	16,340,699	16,340,699	-
FUND BALANCE, END OF YEAR	<u>\$ 16,660,486</u>	<u>\$ 16,660,486</u>	<u>\$ 16,097,992</u>	<u>\$ (562,494)</u>

See accompanying note to other supplementary information.

NOTE 1 – BUDGETARY DATA

RCHCA adopts an annual budget on a basis consistent with accounting principles generally accepted in the United States of America and utilizes an encumbrance system as a management control technique to assist in controlling expenditures and enforcing revenue provisions. Under this system, the current year expenditures are charged against appropriations. Accordingly, actual revenues and expenditures can be compared with related budget amounts without any significant reconciling items.



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

Independent Auditor's Report

PARTNERS

Terry P. Shea, CPA
Scott W. Manno, CPA, CGMA
Leena Shanbhag, CPA, MST, CGMA
Bradferd A. Welebir, CPA, MBA, CGMA
Jenny W. Liu, CPA, MST
Brenda L. Odle, CPA, MST (Partner Emeritus)

To the Board of Directors
Riverside County Habitat Conservation Agency
Riverside, California

MANAGERS / STAFF

Gardenya Duran, CPA, CGMA
Brianna Schultz, CPA, CGMA
Seong-Hyea Lee, CPA, MBA
Evelyn Morentin-Barcena, CPA
Veronica Hernandez, CPA
Laura Arvizu, CPA
Xinlu Zoe Zhang, CPA, MSA
John Maldonado, CPA, MSA
Thao Le, CPA, MBA
Julia Rodriguez Fuentes, CPA, MSA

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 and the major fund of Riverside County Habitat Conservation Agency (RCHCA) as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise RCHCA's basic financial statements, and have issued our report thereon dated March 15, 2022

Internal Control Over Financial Reporting

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

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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 RCHCA's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Rogers, Anderson, Malody & Scott, LLP.

San Bernardino, California
March 15, 2022