

**RIVERSIDE COUNTY
HABITAT CONSERVATION AGENCY**

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2021

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

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Report on the Audit of the Financial Statements

Opinions

We have audited the 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, 2021, and the related notes to the financial statements, which collectively comprise RCHCA's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of RCHCA, as of June 30, 2021 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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of RCHCA and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

RCHCA's management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about RCHCA's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 RCHCA's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about RCHCA's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the required supplementary information, such as management's discussion and analysis and budgetary comparison information be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 August 8, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of 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
August 8, 2022

Riverside County Habitat Conservation Agency
Management's Discussion and Analysis
Year Ended June 30, 2021

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, 2021. Please read it in conjunction with RCHCA's financial statements.

Financial Highlights

- Total net position increased by \$87,601. The increase was partly due to additional operating grants and contributions.
- Current year revenues increased by \$654,812 in comparison to last year, with program expenses increasing by \$292,758. This change is a result of the increase in mitigation fees collected by the member agencies, and the timing of capital project related expenses.
- Total revenues for the year were \$1,703,980 and total expenses were \$1,616,379, producing an increase in net position of \$87,601 for the year. Depreciation expense in capital assets was \$27,988.

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, 2021

The Agency as a Whole

RCHCA's net position at June 30, 2021 is \$45,137,547. Our analysis below focuses on the net position:

Condensed Statement of Net Position			
	<u>2021</u>	<u>2020</u>	<u>Change</u>
ASSETS			
Current assets	\$ 16,518,329	\$ 16,312,216	\$ 206,113
Noncurrent assets	28,905,027	28,951,954	(46,927)
Total assets	<u>45,423,356</u>	<u>45,264,170</u>	<u>159,186</u>
LIABILITIES			
Current liabilities	286,309	214,224	72,085
Total liabilities	<u>286,309</u>	<u>214,224</u>	<u>72,085</u>
NET POSITION			
Net investment in capital assets	28,905,027	28,951,954	(46,927)
Restricted	6,683,988	7,909,867	(1,225,879)
Unrestricted	9,548,032	8,188,125	1,359,907
Total net position	<u>\$45,137,047</u>	<u>\$45,049,946</u>	<u>\$ 87,101</u>

Condensed Statement of Activities			
	<u>2021</u>	<u>2020</u>	<u>Change</u>
Operating grants and contributions:			
Capital projects	\$ 1,675,276	\$ 913,296	\$ 761,980
General revenues:			
Investment income	12,896	110,738	(97,842)
Other income	15,808	25,134	(9,326)
Total revenues	<u>1,703,980</u>	<u>1,049,168</u>	<u>654,812</u>
Expenses:			
Capital projects	1,616,879	1,323,621	293,258
Total expenses	<u>1,616,879</u>	<u>1,323,621</u>	<u>293,258</u>
Change in net position	87,101	(274,453)	361,554
Net position, beginning of year	<u>45,049,946</u>	<u>45,324,399</u>	<u>(274,453)</u>
Net position, end of year	<u>\$45,137,047</u>	<u>\$45,049,946</u>	<u>\$ 87,101</u>

**Riverside County Habitat Conservation Agency
Management's Discussion and Analysis
Year Ended June 30, 2021**

The Agency as a Whole (continued)

Capital Assets at Year-End

	<u>2021</u>	<u>2020</u>	<u>Change</u>
Land	\$28,857,908	\$28,857,908	\$ -
Capital assets being depreciated	<u>348,188</u>	<u>386,067</u>	<u>(37,879)</u>
Total capital assets	29,206,096	29,243,975	(37,879)
Less accumulated depreciation	<u>(301,069)</u>	<u>(292,021)</u>	<u>(9,048)</u>
Net capital assets	<u><u>\$28,905,027</u></u>	<u><u>\$28,951,954</u></u>	<u><u>\$ (46,927)</u></u>

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

Budget to Actual Analysis

Revenues exceeded the budget by \$132,387, primarily due to additional revenues for contracted services. In addition to collecting mitigation fees, RCHCA performs various biological studies and services, which was higher than expected. Expenditures were under budget by \$12,798, primarily in professional services expenses, as less professional services were needed than originally anticipated.

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) 405-6704.

Riverside County Habitat Conservation Agency
Statement of Net Position
June 30, 2021

ASSETS

Current assets:	
Cash and investments (Note 3)	\$ 16,056,904
Accounts receivable	<u>461,425</u>
Total current assets	<u>16,518,329</u>
Noncurrent assets:	
Land (Note 4)	28,857,908
Capital assets being depreciated, net (Note 4)	<u>47,119</u>
Total noncurrent assets	<u>28,905,027</u>
Total assets	<u>45,423,356</u>

LIABILITIES

Current liabilities:	
Accounts payable	113,957
Due to other governments	<u>172,352</u>
Total current liabilities	<u>286,309</u>
Total liabilities	<u>286,309</u>

NET POSITION

Net investment in capital assets	28,905,027
Restricted for:	
Purchases of mitigation habitat	56,675
Lake Skinner reserve endowment	712,297
Sycamore Canyon reserve endowment	1,064,953
Motte Rimrock reserve endowment	731,125
Lake Matthews wasting endowment	3,539,461
RCHCA reserve endowment (Lake Skinner)	531,737
Lake Matthews operating	47,740
Unrestricted	<u>9,548,032</u>
Total net position	<u>\$ 45,137,047</u>

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

Riverside County Habitat Conservation Agency
Statement of Activities
Year Ended June 30, 2021

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Operating Grants and Contributions</u>	<u>Governmental Activities</u>
Governmental Activities:			
Capital Projects	\$ 1,616,879	\$ 1,675,276	\$ 58,397
Total	<u>\$ 1,616,879</u>	<u>\$ 1,675,276</u>	<u>58,397</u>
General Revenues:			
Investment income			12,896
Other income			<u>15,808</u>
Total general revenues			<u>28,704</u>
Change in net position			87,101
Net position, beginning of year			<u>45,049,946</u>
Net position, end of year			<u>\$ 45,137,047</u>

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

Riverside County Habitat Conservation Agency
Balance Sheet
June 30, 2021

	<u>General Fund</u>
ASSETS	
Cash and investments (Note 3)	\$ 16,056,904
Accounts receivable	<u>461,425</u>
Total assets	<u><u>\$ 16,518,329</u></u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	
LIABILITIES	
Accounts payable	\$ 113,957
Due to other governments	<u>172,352</u>
Total liabilities	<u>286,309</u>
DEFERRED INFLOWS OF RESOURCES	
Unavailable revenues	<u>16,021</u>
FUND BALANCE	
Restricted	6,683,988
Unassigned	<u>9,532,011</u>
Total fund balance	<u>16,215,999</u>
Total liabilities, deferred inflows of resources and fund balance	<u><u>\$ 16,518,329</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, 2021

Fund balance of governmental funds \$ 16,215,999

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

Revenues reported as unavailable revenue in the governmental funds are recognized in the Statement of Activities. These are classified as program revenues in the Government-Wide Financial Statements. 16,021

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 47,119

Net position of governmental activities \$ 45,137,047

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, 2021

	<u>General Fund</u>
REVENUES	
Mitigation fees (Note 5)	\$ 1,183,595
Investment income	12,896
Contracted services	475,660
Other income	<u>15,808</u>
Total revenues	<u>1,687,959</u>
EXPENDITURES	
Operating	879,782
Administrative services	<u>690,170</u>
Total expenditures	<u>1,569,952</u>
Net change in fund balance	118,007
FUND BALANCE, BEGINNING OF YEAR	<u>16,097,992</u>
FUND BALANCE, END OF YEAR	<u><u>\$ 16,215,999</u></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, 2021

Net change in fund balance \$ 118,007

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

Revenues reported as unavailable in the governmental funds are recognized in the Statement of Activities. These are classified as program revenues in the Government-Wide Financial Statements. 16,021

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.

Capital Outlay	-
Depreciation expense	(27,988)
Loss on disposal of capital assets	(18,939)
	<hr/>

Change in net position \$ 87,101

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, 2021

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 Western Riverside Council of Governments' (WRCOG) 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 serves as the General Manager / Executive Director of RCHCA and is responsible for general duties including administering, coordinating and supervising the activities of RCHCA as set forth in RCHCA's Joint Powers Agreement (JPA). RCHCA operates as a Program under WRCOG. The arrangement does not create any additional financial burden on WRCOG or RCHCA.

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. RCHCA has no fiduciary activities.

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.

Riverside County Habitat Conservation Agency
Notes to the Financial Statements
Year Ended June 30, 2021

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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 reported as Cash and Investments.

Riverside County Habitat Conservation Agency
Notes to the Financial Statements
Year Ended June 30, 2021

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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, 2021

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

H. Excess of Expenditures Over Appropriations

For the year ended June 30, 2021, General Fund expenditures did not exceed appropriations (the legal level of budgetary control).

NOTE 3 – CASH AND INVESTMENTS

As of June 30, 2021, RCHCA reported cash and investments as follows:

Statement of Net Position	
Cash and investments	<u>\$ 16,056,904</u>
Total cash and investments	<u>\$ 16,056,904</u>

Cash and investments as of June 30, 2021, consist of the following:

Deposits held with financial institutions	\$ 2,007,760
California Asset Management Program (CAMP)	<u>14,049,144</u>
Total cash and investments	<u>\$ 16,056,904</u>

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. WRCOG's investment policy recognizes the interest rate risk and therefore places maximum maturity limits (up to five years) on various types of allowable investments.

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. RCHCA invests in CAMP, which is not rated.

Concentration of Credit Risk

The investment policy of RCHCA contains limitations on the amount that can be invested in any one issuer. At June 30, 2021, RCHCA did not hold any investments in any one issuer (other than external pools) that represent 5% or more of total investments.

Riverside County Habitat Conservation Agency
Notes to the Financial Statements
Year Ended June 30, 2021

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, 2021, 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, 2021

NOTE 4 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2021 is as follows:

	Balance as of June 30, 2020	Additions	Deletions	Balance as of June 30, 2021
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	-	(37,879)	156,041
 Total capital assets, being depreciated	 386,067	 -	 (37,879)	 348,188
Accumulated depreciation				
Buildings and improvements	(94,870)	(5,758)	-	(100,628)
Equipment	(46,963)	(1,791)	-	(48,754)
Parking lot improvements	(26,004)	-	-	(26,004)
Vehicles	(124,184)	(20,439)	18,940	(125,683)
 Total accumulated depreciation	 (292,021)	 (27,988)	 18,940	 (301,069)
 Total capital assets, being depreciated, net	 94,046	 (27,988)	 (18,939)	 47,119
 Total capital assets, net	 \$ 28,951,954	 \$ (27,988)	 \$ (18,939)	 \$ 28,905,027

Depreciation expense for the year ended June 30, 2021 was \$27,988.

Riverside County Habitat Conservation Agency
Notes to the Financial Statements
Year Ended June 30, 2021

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, 2021:

County of Riverside	\$ 741,055
City of Riverside	75,185
City of Temecula	21,105
City of Murrieta	50,154
City of Lake Elsinore	62,985
City of Wildomar	1,870
City of Moreno Valley	51,251
City of Perris	63,170
City of Menifee	<u>116,820</u>
Total	<u>\$ 1,183,595</u>

REQUIRED SUPPLEMENTARY INFORMATION

Riverside County Habitat Conservation Agency
Budgetary Comparison Schedule – General Fund
Year Ended June 30, 2021

	Budget		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Mitigation fees (Note 5)	\$ 625,000	\$ 1,178,110	\$ 1,183,595	\$ 5,485
Investment income	80,000	12,896	12,896	-
Contracted services	367,500	364,566	475,660	111,094
Other income	2,500	-	15,808	15,808
	<u>1,075,000</u>	<u>1,555,572</u>	<u>1,687,959</u>	<u>132,387</u>
EXPENDITURES				
Operating	872,552	872,552	879,782	(7,230)
Administrative services	710,198	710,198	690,170	20,028
	<u>1,582,750</u>	<u>1,582,750</u>	<u>1,569,952</u>	<u>12,798</u>
Net change in fund balance	(507,750)	(27,178)	118,007	145,185
FUND BALANCE, BEGINNING OF YEAR	<u>16,097,992</u>	<u>16,097,992</u>	<u>16,097,992</u>	<u>-</u>
FUND BALANCE, END OF YEAR	<u>\$ 15,590,242</u>	<u>\$ 16,070,814</u>	<u>\$ 16,215,999</u>	<u>\$ 145,185</u>

See accompanying note to other supplementary information.

Riverside County Habitat Conservation Agency
Note to Required Supplementary Information
Year Ended June 30, 2021

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**

PARTNERS

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Brenda L. Odle, CPA, MST (Partner Emeritus)

Independent Auditor's Report

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

MANAGERS / STAFF

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Evelyn Morentin-Barcena, CPA
Veronica Hernandez, CPA
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Xinlu Zoe Zhang, CPA, MSA
John Maldonado, CPA, MSA
Thao Le, CPA, MBA
Julia Rodriguez Fuentes, CPA, MSA
Demi Hite, CPA

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, 2021, and the related notes to the financial statements, which collectively comprise RCHCA's basic financial statements, and have issued our report thereon dated August 8, 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) as a basis for designing 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
August 8, 2022