

**YOLO COUNTY HABITAT/NATURAL COMMUNITY
CONSERVATION PLAN JOINT POWERS AGENCY
WOODLAND, CALIFORNIA**

Independent Auditors' Report,
Basic Financial Statements and Other Reports

For the Fiscal Year Ended
June 30, 2013

**YOLO COUNTY HABITAT/NATURAL COMMUNITY
CONSERVATION PLAN JOINT POWERS AGENCY**

**FOR THE FISCAL YEAR ENDED
JUNE 30, 2013**

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Yolo County Habitat/Natural Community Conservation Plan Joint Powers Agency
Woodland, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, and each major fund of the Yolo County Habitat/Natural Community Conservation Plan Joint Powers Agency (Habitat JPA), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Habitat JPA's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statement

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.

Auditors' 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 audit 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.

Opinions

In our opinion the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, and each major fund of the Habitat JPA as of June 30, 2013, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 10 to the financial statements, the General Fund of the Habitat JPA is economically dependent on revenue derived from state and federal grants and contributions from member agencies consisting of 53% and 47% of General Fund program revenues respectively for the year ended June 30, 2013. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that budgetary comparison information presented on pages 21 through 23 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statement, 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 presented by the Habitat JPA 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.

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our report on the basic financial statements is not affected by this missing information.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 27, 2013 on our consideration of the Habitat JPA'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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Habitat JPA's internal control over financial reporting and compliance.

Vavrinik, Trine, Day & Co. LLP

Sacramento, California
December 27, 2013

BASIC FINANCIAL STATEMENTS
Government – Wide Financial Statements

**YOLO COUNTY HABITAT/NATURAL COMMUNITY
CONSERVATION PLAN JOINT POWERS AGENCY**

**STATEMENT OF NET POSITION
JUNE 30, 2013**

	Governmental Activities
ASSETS	
Current Assets:	
Cash and investments in County Treasury (Note 2)	\$ 1,010,310
Restricted cash (Note 2)	330,842
Due from other governments	311,637
Advances Receivable	34,612
Total Current Assets	<u>1,687,401</u>
Non-current Assets:	
Capital assets (Note 3)	<u>2,174,926</u>
Total Non-Current Assets	<u>2,174,926</u>
Total Assets	<u>3,862,327</u>
LIABILITIES	
Current Liabilities:	
Accounts payable	101,799
Accrued liabilities	2,290
Deposits from others	3,417
Due to other governments	120,915
Unearned Revenue	8,245
Total Liabilities	<u>236,666</u>
NET POSITION	
Net investment in capital assets	2,174,926
Restricted	365,454
Unrestricted	1,085,281
Total Net Position	<u>\$ 3,625,661</u>

The accompanying notes are in integral part of the financial statements.

**YOLO COUNTY HABITAT/NATURAL COMMUNITY
CONSERVATION PLAN JOINT POWERS AGENCY**

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2013**

	Governmental Activities
Expenses:	
Conservation activities:	
Personnel expenses	\$ 84,898
Professional services	752,289
Miscellaneous expenses	32,985
Interest expense	579
Total Program Expenses	<u>870,751</u>
Program Revenues:	
Charges for services	4,763
Operating grants and contributions	1,234,703
Total Program Revenues	<u>1,239,466</u>
Net program revenue (expense)	<u>368,715</u>
General Revenue:	
Interest income	3,190
Miscellaneous	52,172
Total General Revenues	<u>55,362</u>
Increase (Decrease) in net position	424,077
Net Position - Beginning of the Year, as Restated	<u>3,201,584</u>
Net Position - End of the Year	<u><u>\$ 3,625,661</u></u>

The accompanying notes are in integral part of the financial statements.

BASIC FINANCIAL STATEMENTS
Fund Financial Statements

**YOLO COUNTY HABITAT/NATURAL COMMUNITY
CONSERVATION PLAN JOINT POWERS AGENCY**

**BALANCE SHEET – GOVERNMENTAL FUNDS
JUNE 30, 2013**

	General Fund	Wildlife Mitigation Special Revenue Fund	Total Governmental Funds
ASSETS			
Cash and investments in County Treasury	\$ -	\$ 1,010,310	\$ 1,010,310
Restricted cash and investments	-	330,842	330,842
Due from other governments	311,637	-	311,637
Advances receivable	-	34,612	34,612
Total Assets	<u>\$ 311,637</u>	<u>\$ 1,375,764</u>	<u>\$ 1,687,401</u>
LIABILITIES AND FUND BALANCE			
Liabilities:			
Accounts payable	\$ 101,799	\$ -	\$ 101,799
Accrued liabilities	2,290	-	2,290
Deposits from others	3,417	-	3,417
Due to other governments	120,915	-	120,915
Deferred revenue	8,245	-	8,245
Total Liabilities	<u>236,666</u>	<u>-</u>	<u>236,666</u>
Fund balance:			
Nonspendable	-	34,612	34,612
Restricted for:			
Conservation Easement Stewardship	-	330,842	330,842
Assigned for:			
Wildlife Mitigation	-	1,010,310	1,010,310
Unassigned	<u>74,971</u>	<u>-</u>	<u>74,971</u>
Total Fund Balance	<u>74,971</u>	<u>1,375,764</u>	<u>1,450,735</u>
Total Liabilities and Fund Balance	<u>\$ 311,637</u>	<u>\$ 1,375,764</u>	<u>\$ 1,687,401</u>

The accompanying notes are in integral part of the financial statements.

**YOLO COUNTY HABITAT/NATURAL COMMUNITY
CONSERVATION PLAN JOINT POWERS AGENCY**

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
GOVERNMENT-WIDE STATEMENT OF NET POSITION
JUNE 30, 2013**

Fund balance - Governmental Funds	\$ 1,450,735
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Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the general fund. This amount represents capital assets (Note 3).

2,174,926

Net Position of Governmental Activities

<u>\$ 3,625,661</u>

The accompanying notes are in integral part of the financial statements.

**YOLO COUNTY HABITAT/NATURAL COMMUNITY
CONSERVATION PLAN JOINT POWERS AGENCY**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE – GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2013**

	General Fund	Wildlife Mitigation Special Revenue Fund	Total Governmental Funds
REVENUES			
Fees and permits	\$ -	\$ 4,763	\$ 4,763
Grant revenue	589,775	-	589,775
Contributions from member agencies	667,733	-	667,733
Interest income	-	3,190	3,190
Other	3,084	44,000	47,084
Total Revenues	<u>1,260,592</u>	<u>51,953</u>	<u>1,312,545</u>
EXPENDITURES			
Current:			
Conservation Activities:			
Salaries and benefits	100,426	-	100,426
Professional services	749,667	2,622	752,289
Interest expense	579	-	579
Other expenses	11,735	21,250	32,985
Total Expenditures	<u>862,407</u>	<u>23,872</u>	<u>886,279</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>398,185</u>	<u>28,081</u>	<u>426,266</u>
OTHER FINANCING SOURCES/(USES)			
Transfers In	-	272,851	272,851
Transfers Out	<u>(272,851)</u>	<u>-</u>	<u>(272,851)</u>
Total Other Financing Sources/(Uses)	<u>(272,851)</u>	<u>272,851</u>	<u>-</u>
Net Change in Fund Balance	<u>125,334</u>	<u>300,932</u>	<u>426,266</u>
Fund Balances - Beginning, as Restated	<u>(50,363)</u>	<u>1,074,832</u>	<u>1,024,469</u>
Fund Balances - Ending	<u><u>\$ 74,971</u></u>	<u><u>\$ 1,375,764</u></u>	<u><u>\$ 1,450,735</u></u>

The accompanying notes are in integral part of the financial statements.

**YOLO COUNTY HABITAT/NATURAL COMMUNITY
CONSERVATION PLAN JOINT POWERS AGENCY**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2013**

Net change to net position - Governmental Funds	\$ 426,266
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Amounts reported for governmental activities in the Statement of Activities are different because:

Certain revenues in the governmental funds are deferred because they are not collected within the period of availability. However, the revenues are included on the accrual basis used in the government-wide statements. This amount represents the current year change in deferred revenue.	(22,804)
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Changes in compensated absences payable reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the general fund.

	20,615
Change in Net Position of Governmental Activities	\$ 424,077

The accompanying notes are in integral part of the financial statements.

**YOLO COUNTY HABITAT/NATURAL COMMUNITY
CONSERVATION PLAN JOINT POWERS AGENCY**

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2013

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Yolo County Habitat/Natural Community Conservation Joint Powers Agency (Habitat JPA) was founded in August 2002, under the provision of Section 61600 of the Government Code of the State of California. The Health and Safety Code and the Water Code of the State of California regulate the Habitat JPA's operations.

The Habitat JPA formed for the purposes of acquiring Swainson's hawk habitat conservation easements and to serve as the lead agency for the preparation of a countywide Natural Communities Conservation Plan/Habitat Conservation Plan (NCCP/HCP), now known as the Yolo Natural Heritage Program.

The JPA governing Board is composed of representatives from member agencies, which include two members of the Yolo County Board of Supervisors, one member each from the City Councils of Davis, Woodland, West Sacramento and Winters, and one ex-officio member from University of California, Davis.

B. Basis of Accounting

Government-Wide Statements

The statement of net position and statement of activities display information about the primary government of the Habitat JPA. These statements include the financial activities of the overall Habitat JPA.

The statement of activities presents a comparison between direct expenses and program revenues for the Habitat JPA's governmental activity. Direct expenses are those that are specifically associated with the operations of the Habitat JPA. Program revenues include charges for services, and grants and contributions that are restricted to meeting the operational or capital requirements of the Habitat JPA. Revenues that are not classified as program revenues, including investment income, are presented instead as general revenues.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Grants and similar items are recognized as revenues as soon as eligibility requirements have been met.

**YOLO COUNTY HABITAT/NATURAL COMMUNITY
CONSERVATION PLAN JOINT POWERS AGENCY**

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2013

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (CONTINUED)

B. Basis of Accounting, (Continued)

Fund Financial Statements

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available to finance expenditures of the current period. The Habitat JPA considers developer mitigation fees as available when received. A 365 day availability period is used for revenue recognition for all other governmental fund revenues. Expenditures are generally recorded when a liability is incurred, as under accrual accounting.

Nonexchange transactions, in which the Habitat JPA gives (or receives) value without directly receiving (or giving) value in exchange, include developer mitigation fees, grants, entitlements, and donations. On a modified accrual basis, revenues from developer mitigation fees are recognized when the underlying transactions take place and have met the availability criteria. Revenues from grants, entitlements and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied and resources meet the availability criteria.

The Habitat JPA reports the following major governmental funds:

- The *General Fund* is the general operating fund of the Habitat JPA and is used to account for all financial resources.
- The *Wildlife Mitigation Special Revenue Fund* records the mitigation fees received from the member agencies for acquisition and monitoring expenses for conservation easements. The fund for internal budgeting purposes is entitled the Wildlife Mitigation Trust Fund however is reported as a special revenue fund based on the nature of the fund. The restricted revenues are revenues for conservation easement stewardship to maintain and monitoring the easements in accordance with the easement agreements.

C. Implementation of Governmental Accounting Standards Board Statements

The Governmental Accounting Standards Board (GASB) releases new accounting and financial reporting standards which may have a significant impact on the Habitat JPA's financial reporting process. The Habitat JPA became subject to the following significant GASB Statements which for the year ended June 30, 2013.

GASB Statement No. 63 - During fiscal year 2012-2013, the Habitat JPA adopted the provisions of Governmental Accounting Standards Board Statement No. 63 – *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Positions*. The statement provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources and the resulting net position. Ultimately, this new framework will serve to standardize the presentation of deferred balances and their effects on a government's net position and addressed uncertainty related to their display. As a result the title of "Net Assets" were changed to "Net Position".

**YOLO COUNTY HABITAT/NATURAL COMMUNITY
CONSERVATION PLAN JOINT POWERS AGENCY**

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2013

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (CONTINUED)

D. Cash

The total of restricted and unrestricted cash comprises cash and investments in the County Treasury. Cash is defined as all cash and investments with maturities of 90 days or less and the Habitat JPA's investment in the County of Yolo's pooled cash and investments.

E. Investments

The Habitat JPA has adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No 31, *Accounting and Financial Reporting for Certain Investments and External Pools*, which requires governmental entities to report certain investments at fair value in the balance sheet and recognize the corresponding change in the fair value of investments in the year in which the change occurred. In accordance with GASB Statement No. 31, the Habitat JPA has adjusted certain investments to fair value (when material).

F. Due From Other Governments

Due from other governments receivables are recorded at their gross value and, where appropriate, are reduced by the portion that is considered uncollectible. Receivables consist primarily of grant claims that have been filed but not received as of year-end. Management believes its receivable balance to be fully collectible and, accordingly, no allowance for doubtful accounts has been recorded.

G. Advances Receivable

Advances receivable represents funds advance to a landowner to assist with closing costs for the Chickahominy Creek Ranch Conservation Easement. The landowner agreed to reimburse the Habitat JPA for the funds advanced in an amount equal to \$344.26 per acre for each Mitigation credit recorded. The Landowner agreed to fully reimburse the Habitat JPA prior to the sale or reservation of 110 mitigation credits of the total 148.9 credits provided in the mitigation credit agreement. The Landowner reserves the right to prepay any or all of the funds advanced.

H. Capital Assets

All capital assets, including infrastructure and easements, are capitalized by the Habitat JPA. The Habitat JPA defines capital assets as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Purchased fixed assets are stated at cost. Donated fixed assets are valued at their estimated fair market value. Depreciation of exhaustible fixed assets is charged as an expense against operations. Fixed assets of the Habitat JPA are reported in the balance sheet, net of accumulated depreciation. Depreciation is computed using the straight-line method over the estimated useful lives of the fixed assets. Easements and intangible assets have indefinite useful lives and are not depreciated.

**YOLO COUNTY HABITAT/NATURAL COMMUNITY
CONSERVATION PLAN JOINT POWERS AGENCY**

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2013

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (CONTINUED)

H. Capital Assets (Continued)

The Habitat JPA also capitalizes conservation easements acquired per the initiative of the Habitat JPA's objective. Conservation easements are a form of deed restriction that landowners voluntarily place on their property to protect certain features, including agricultural and wildlife habitat, open space, or cultural resources. A conservation easement is recorded in the chain of title and it vests the easement "holder" with authority to monitor the property and enforce the restrictions set forth in the easement. The landowner retains fee title to the property and, subject to the restrictions in the conservation easement, continues to determine the types of land uses and activities that occur on the property. Often, this includes continuing his or her current use of the encumbered property so long as such use(s) are compatible with the terms of the conservation easement.

I. Net Position/Fund Balance

Net Position is displayed in three components:

- *Net Investment in capital assets* - Consists of capital assets, net of accumulated depreciation.
- *Restricted net position* - Consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- *Unrestricted net position* - All other net position that does not meet the definition of "restricted" or "net investment in capital assets."

When both restricted and unrestricted net position is available, restricted resources are used only after the unrestricted resources are depleted.

The governmental funds utilize a classified fund balance presentation. Fund balances are reported in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts can be spent as follows:

- *Nonspendable* – to reflect amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.
- *Restricted* – to reflect amounts that can only be used for specific purposes pursuant to constraints either (a) externally imposed by creditors (such as debt covenants), grants, contributors, or laws or regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation.
- *Committed* – to reflect amounts that can only be used for specific purposes pursuant to the constraints imposed by formal action of the Board of the Habitat JPA. The formal action necessary to establish (and modify or rescind) a commitment is done through a majority vote via resolution of the Board of the Habitat JPA.

**YOLO COUNTY HABITAT/NATURAL COMMUNITY
CONSERVATION PLAN JOINT POWERS AGENCY**

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2013

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (CONTINUED)

I. Net Position/Fund Balance (Continued)

- *Assigned* – to reflect amounts that are constrained by formal actions of the Board of the Habitat JPA's intent to be used for specific purposes, but are neither restricted nor committed.
- *Unassigned* – to reflect amounts that have not been restricted, committed, or assigned to specific purposes.

When committed, assigned, and unassigned fund balance amounts are available for use, it is the Habitat JPA's policy to use committed resources first, then assigned resources, and then unassigned resources as they are needed.

J. Due to Other Governments

The due to other governments balance represents the negative cash position of the General Fund and the amounts borrowed from the County of Yolo Treasury Investment Pool. This amounted to \$120,915 as of June 30, 2013. The Habitat JPA has a Memorandum of Understanding (MOU) with the County of Yolo that provides for the treasury to provide the same services to the Habitat JPA that it provides to other County departments. The Habitat JPA is however responsible for monitoring its cash balances and cash flows and must maintain a positive balance for the total of all its cash funds in the County Treasury. The Habitat JPA does not have a formal borrowing agreement and the borrowing from the County Treasury pool is governed by the MOU.

K. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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 expenses during the reporting period. Actual results could differ from those estimates.

**YOLO COUNTY HABITAT/NATURAL COMMUNITY
CONSERVATION PLAN JOINT POWERS AGENCY**

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2013

NOTE 2: CASH AND INVESTMENTS

Habitat JPA holds restricted and unrestricted cash and investments with the Treasurer of the County of Yolo in a cash and investment pool. On a quarterly basis the Auditor Controller allocates interest to participants based upon their average daily balances. The Treasurer's investment and policies are overseen by the Yolo County Treasury Oversight Committee. Required disclosure information regarding the credit risk, custodial credit risk, concentration risk and interest rate risk of investments can be found in the County of Yolo's basic financial statements. All cash and restricted cash are invested in the County Treasury pool of investments. The balance in the account as of June 30, 2013 was as follows:

Cash

Cash and Investments:

Unrestricted Cash	\$ 1,010,310
Restricted Cash for Conservation Easement Monitoring	<u>330,842</u>
Total Cash and Investments	<u><u>\$ 1,341,152</u></u>

As of June 30, 2013, the General Fund had a negative cash position and in effect has borrowed from the County of Yolo Treasury investment pool in the amounts of \$120,915. This is reflected in the "Due to other governments" line in the Statements of Net Position and Balance Sheets.

Investments

The Habitat JPA invests its cash into the County of Yolo Treasury investment pool. The Habitat JPA does not have its own investment policy defining criteria for selecting acceptable financial institutions, brokers/dealers, or allowable investment types as defined by Government Code 53635. The investments in the County of Yolo Treasury investment pool follow the County's investment policy with oversight by the Yolo County Treasury Oversight Committee.

At June 30, 2013, Habitat JPA had the following investments:

	Interest Rates	Maturities	Cost	Fair Value	WAM (Years)
Cash and Investments:					
Cash in County Pooled Treasury	Variable	On Demand	\$ 997,830	\$ 1,010,310	1.42
Restricted Cash in County Pooled Treasury	Variable	On Demand	<u>326,755</u>	<u>330,842</u>	1.42
Total Cash and Investments			<u><u>\$ 1,324,585</u></u>	<u><u>\$ 1,341,152</u></u>	

**YOLO COUNTY HABITAT/NATURAL COMMUNITY
CONSERVATION PLAN JOINT POWERS AGENCY**

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2013

NOTE 2: CASH AND INVESTMENTS (CONTINUED)

At June 30, 2013, the Habitat JPA had the following restrictions on cash balances:

Conservation Easement Stewardship	<u>\$ 330,842</u>
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The restricted cash is to provide funds for the continued monitoring of easements to ensure landowners follow the terms of the conservation easements purchased by the Yolo Habitat JPA. The monitoring is performed by the Habitat JPA, Yolo Land Trust, or California Waterfowl Association depending on the individual easement and reimbursed from the Habitat JPA's restricted cash.

NOTE 3: CAPITAL ASSETS

The Habitat JPA's capital assets consist of land easement agreements. The agreement limits certain uses on all or a portion of a property for conservation purposes while keeping the property in the landowner's ownership and control. These agreements do not have an expiration date and thus, the easements are considered to have indefinite useful lives.

A summary of changes in capital assets for the year ended June 30, 2013 is as follows:

	Balance July 1, 2012	Additions	Retirements	Balance June 30, 2013
Capital Assets, Not Being Depreciated:				
Land Easements	\$ 2,174,926	\$ -	\$ -	\$ 2,174,926
Total Capital Assets, Not Being Depreciated	<u>\$ 2,174,926</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,174,926</u>

NOTE 4: LONG TERM LIABILITIES

Accumulated unpaid vacation and compensated hours are recognized as liabilities of the JPA to the extent they vest. For the year ended June 30, 2013, the compensated absence liability was \$0, respectively. During fiscal year 2013, the Habitat JPA had one employee terminate employment and paid out the liability for that individual and another employee transferred out of the JPA to a County department. Within the County of Yolo, general County practice is that the compensated absences balance follows the employee. The General Fund was utilized during the year to liquidate liabilities related to compensate absences.

A summary of changes in compensated absences for the year ended June 30, 2013 is as follows:

	Balance June 30, 2012	Additions	Decreases	Balance June 30, 2013
Liability for:				
Compensated absences	\$ 20,615	\$ -	\$ (20,615)	\$ -
	<u>\$ 20,615</u>	<u>\$ -</u>	<u>\$ (20,615)</u>	<u>\$ -</u>

**YOLO COUNTY HABITAT/NATURAL COMMUNITY
CONSERVATION PLAN JOINT POWERS AGENCY**

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2013

NOTE 5: RISK MANAGEMENT

The Habitat JPA is exposed to various risks of loss related to workers' compensation and general liability. The Habitat JPA participates in the Yolo County Public Agency Risk Management Insurance Agency (YCPARMIA), a public entity risk pool of governmental entities within Yolo County, for comprehensive general and auto liability, and worker's compensation insurance. Through the Habitat JPA's membership in the YCPARMIA, the Habitat JPA is provided with excess coverage through the California State Association of Counties – Excess Insurance Agency for catastrophic liability losses. Loss contingency reserves established by YCPARMIA are funded by contributions from member agencies.

The Habitat JPA pays an annual premium to YCPARMIA that includes its pro-rata share of excess insurance premiums, charges for the pooled risk, claims adjusting and legal cost, and administrative and other costs to operate the YCPARMIA. The Habitat JPA's deductibles and maximum coverages are as follows:

<u>Coverage</u>	<u>Deductible</u>	<u>YCPARMIA</u>	<u>Excess</u>
General Liability	\$ 1,000	\$ 500,000	\$ 40,000,000
Worker's Compensation	1,000	500,000	50,000,000

NOTE 6 – RELATED PARTY TRANSACTIONS

The County of Yolo provides certain legal, accounting, payroll, and other professional services to the Habitat JPA. Although the Habitat JPA was created in part by the County of Yolo, it is not a part of the County's financial reporting entity. Legal, payroll, and accounting services are billed separately and at amounts that will approximately recover the County's full cost of providing such services. The Habitat JPA has expenditures for services provided by the County for the 2013 fiscal year as follows:

	<u>Amount</u>
Payroll	\$ 100,426
Accounting	1,022
General Administrative	7,252
Legal	29,727
GIS Services	14,918
Procurement Cards	840
Total	<u><u>\$ 154,185</u></u>

**YOLO COUNTY HABITAT/NATURAL COMMUNITY
CONSERVATION PLAN JOINT POWERS AGENCY**

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2013

NOTE 7 – CONTINGENCIES

The Habitat JPA receives funding for specific purposes through state and federal grants that are subject to review and audit by the funding source. Such audits could result in a request for reimbursement of expenditures to be disallowed under the terms and conditions of the contracts. Management is of the opinion that no material liabilities will result from such potential audits.

NOTE 8 – INTERFUND TRANSACTIONS

Transfers are reallocations of revenues for the Habitat JPA in accordance with its operations. The following schedule summarizes the Habitat JPA's transfer activities for the year ended June 30, 2013:

<u>Transfer From:</u>	<u>Transfer To:</u>	<u>Amount</u>
General Fund	Wildlife Mitigation Special Revenue Fund	\$ 272,851

The transfer from the General Fund to the Wildlife Mitigation Fund was to partially reimburse the fund for the utilization of greater than \$2 million in Mitigation fee revenues for the preparation of the Yolo Natural Heritage Program process in previous fiscal years. The Habitat JPA obtained a legal opinion that there is no obligation to reimburse additional funds greater than \$2 million to the Wildlife Mitigation Fund.

NOTE 9 – MITIGATION CREDITS

On November 10, 2008, the Habitat JPA Board of Directors adopted Resolution 2008-02 supporting the creation of receiving sites for Swainson's Hawk Mitigation and the subsequent sale of mitigation credits. The Habitat JPA has engaged in the subsequent sale and exchange of mitigation credits in order to acquire conservation easements. The Habitat JPA is responsible for the tracking and management of the mitigation credits provided. As of June 30, 2013, a total of three mitigation receiving sites have been established for 372.3 acres which results in total credits issued of 372.3 credits. Landowners are responsible for reporting the sales of credits to the Habitat JPA in accordance with the Mitigation Credit agreement between the Habitat JPA and the landowner.

NOTE 10 – ECONOMIC DEPENDENCE

The Habitat JPA is economically dependent on revenue derived from state and federal grants with 53% of its General Fund program revenues generated from those grants for the years ended June 30, 2013, respectively. The Habitat JPA has also become economically dependent on contributions of the members agencies representing 47% of the General Fund program revenues for the year ended June 30, 2013. The Habitat JPA is dependent on the continued support from state and federal granting agencies and member agency contributions for the organization's objective of the development of the Yolo Natural Heritage Program and to continue operations in the future.

**YOLO COUNTY HABITAT/NATURAL COMMUNITY
CONSERVATION PLAN JOINT POWERS AGENCY**

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2013

NOTE 11 – RESTATEMENTS

During the fiscal year ended June 30, 2013, the Habitat JPA discovered an advance receivable related to closing costs that the Habitat JPA had advanced to a landowner that are repayable as the landowners sells mitigation credits. As a result, the Habitat JPA increased advances receivable by \$40,599 as of June 30, 2012. Also, during the fiscal year ended June 30, 2013, the Habitat JPA changed its period of availability from 60 days to 365 days to better align the accounting treatment of the JPA with the County of Yolo and to have a longer availability cycle for the receipt of grant revenues to better match the revenues and expenses of the Habitat JPA. The change in accounting resulted in the recognition of \$229,309 in deferred revenue as revenue for the year ended June 30, 2012.

	<u>General Fund</u>	<u>Wildlife Mitigation Special Revenue Fund</u>
Beginning Fund Balance, as of June 30, 2012	\$ (279,672)	\$ 1,034,233
Adjustment: Advances Receivable	-	40,599
Adjustment: Recognition of Deferred Revenue due to change in Period of Availability	229,309	-
Beginning Fund Balance, as Restated	<u><u>\$ (50,363)</u></u>	<u><u>\$ 1,074,832</u></u>

	<u>Governmental Activities</u>
Beginning Net Position, as of June 30, 2012	\$ 3,160,985
Adjustment: Advances Receivable	40,599
Beginning Net Position, as Restated	<u><u>\$ 3,201,584</u></u>

**YOLO COUNTY HABITAT/NATURAL COMMUNITY
CONSERVATION PLAN JOINT POWERS AGENCY**

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2013

NOTE 12 – NEW ACCOUNTING PRONOUNCEMENTS

The Governmental Accounting Standards Board (GASB) releases new accounting and financial reporting standards which may have a significant impact on the Habitat JPA's financial reporting process. Future new standards which may impact the Habitat JPA include the following:

In March 2012, the GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*, effective for periods beginning after December 15, 2012. The statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. GASB Statement No. 65 amends the financial statement element classification of certain items previously reported as assets and liabilities to be consistent with the definitions in Concepts Statement 4, Elements of Financial Statements. GASB Statement No. 65 also provides other financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources, such as changes in the determination of the major fund calculations and limiting the use of the term deferred in financial statement presentations. The Habitat JPA has not determined the effect, if any, on the financial statements.

In March 2012, the GASB issued Statement No. 66, *Technical Corrections—2012—an amendment of GASB Statements No. 10 and No. 62*, effective for financial statements beginning after December 15, 2012. The objective of the Statement is to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, and No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*.

GASB Statement No. 66 amends Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, by removing the provision that limits fund-based reporting of an entity's risk financing activities to the general fund and the internal service fund type. GASB Statement No. 66 also amends Statement No. 62 by modifying the specific guidance on accounting for (1) operating lease payments that vary from a straight-line basis, (2) the difference between the initial investment (purchase price) and the principal amount of a purchased loan or group of loans, and (3) servicing fees related to mortgage loans that are sold when the stated service fee rate differs significantly from a current (normal) servicing fee rate. The Habitat JPA has not determined the effect, if any, on the financial statements.

In June 2012, the GASB issued Statement No. 67, *Financial Reporting for Pension Plans—an amendment of GASB Statement No. 25*, effective for financial statements for fiscal years beginning after June 15, 2013. The objective of this Statement is to improve financial reporting by state and local governmental pension plans. GASB Statement No. 67 replaces the requirements of Statements No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, and No. 50, *Pension Disclosures*, as they relate to pension plans that are administered through trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. The Habitat JPA has not determined the effect, if any, on the financial statements.

**YOLO COUNTY HABITAT/NATURAL COMMUNITY
CONSERVATION PLAN JOINT POWERS AGENCY**

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2013

NOTE 12 – NEW ACCOUNTING PRONOUNCEMENTS (CONTINUED)

In June 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*, effective for fiscal years beginning after June 15, 2014. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. GASB Statement No. 68 replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, as well as the requirements of Statement No. 50, *Pension Disclosures*, as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. The Habitat JPA has not determined the effect, if any, on the financial statements.

In January 2013, the GASB issued Statement No. 69, *Government Combinations and Disposals of Government Operations*, effective for fiscal years beginning after December 15, 2013. The objective of this statement is to establish accounting and financial reporting standards related to government combinations and disposals of government operations. As used in this Statement, the term government combinations include a variety of transactions referred to as mergers, acquisitions, and transfers of operations. The Habitat JPA has not determined the effect, if any, on the financial statements.

In April 2013, the GASB issued Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*, effective for fiscal years beginning after June 15, 2013. The objective of this statement is to provide accounting and financial reporting guidance to state and local governments that either offer or receive nonexchange financial guarantees. Financial guarantees are commitments to ensure payments on an obligation of a legally separate entity or individual. The Habitat JPA has not determined the effect, if any, on the financial statements.

In November 2013, the GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, effective for fiscal years beginning after June 15, 2013. The objective of this statement is to improve accounting and financial reporting by addressing an issue in Statement No. 68, *Accounting and Financial Reporting for Pensions*, concerning transition provisions related to certain pension contributions made to defined benefit pension plans prior to implementation of that Statement by employers and nonemployer contributing entities. The Habitat JPA has not determined the effect, if any, on the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

**YOLO COUNTY HABITAT/NATURAL COMMUNITY
CONSERVATION PLAN JOINT POWERS AGENCY**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE – BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2013**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Grant revenue	\$ 892,474	\$ 892,474	\$ 589,775	\$ (302,699)
Contributions from member agencies	-	667,733	667,733	-
Other	-	-	3,084	3,084
Total Revenues	892,474	1,560,207	1,260,592	(299,615)
EXPENDITURES				
Current:				
Conservation activities:				
Salaries and benefits	205,102	100,426	100,426	-
Professional services	703,870	1,045,761	749,667	296,094
Interest expense	-	469	579	(110)
Other expenses	16,382	9,990	11,735	(1,745)
Total Expenditures	925,354	1,156,646	862,407	294,239
Excess (Deficiency) of Revenues Over (Under)				
Expenditures	(32,880)	403,561	398,185	(5,376)
OTHER FINANCING SOURCES/(USES)				
Transfers Out	-	(272,851)	(272,851)	-
Total Other Financing Sources/(Uses)	-	(272,851)	(272,851)	-
Net Change in Fund Balance	(32,880)	130,710	125,334	(5,376)
Fund Balance - Beginning, as Restated	(50,363)	(50,363)	(50,363)	-
Fund Balance - Ending	\$ (83,243)	\$ 80,347	\$ 74,971	\$ (5,376)

See accompanying note to required supplementary information.

**YOLO COUNTY HABITAT/NATURAL COMMUNITY
CONSERVATION PLAN JOINT POWERS AGENCY**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE – BUDGET AND ACTUAL
WILDLIFE MITIGATION SPECIAL REVENUE FUND
FOR THE YEAR ENDED JUNE 30, 2013**

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES				
Fees and permits	\$ 433,000	\$ 433,000	\$ 4,763	\$ (428,237)
Interest income	-	-	3,190	3,190
Other	-	-	44,000	44,000
Total Revenues	433,000	433,000	51,953	(381,047)
EXPENDITURES				
Current:				
Conservation activities:				
Professional services	-	750	2,622	(1,872)
Other expenses	-	-	21,250	(21,250)
Total Expenditures	-	750	23,872	(23,122)
Excess (Deficiency) of Revenues Over (Under)				
Expenditures	433,000	432,250	28,081	(404,169)
OTHER FINANCING SOURCES/(USES)				
Transfers In	-	272,851	272,851	-
Total Other Financing Sources/(Uses)	-	272,851	272,851	-
Net Change in Fund Balance	433,000	705,101	300,932	(404,169)
Fund Balance - Beginning, as Restated	1,074,832	1,074,832	1,074,832	-
Fund Balance - Ending	\$ 1,507,832	\$ 1,507,082	\$ 1,375,764	\$ (131,318)

See accompanying note to required supplementary information.

**YOLO COUNTY HABITAT/NATURAL COMMUNITY
CONSERVATION PLAN JOINT POWERS AGENCY**

**NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEARS ENDED JUNE 30, 2013**

NOTE 1 – BUDGET AND BUDGETARY ACCOUNTING

Habitat JPA prepares and is required to legally adopt a final budget on or before June 30th of each fiscal year. Habitat JPA operation, commencing July 1st, is governed by the proposed budget, which is normally adopted by the JPA Board of Directors in June of the prior year.

After the budget is approved, the Executive Director is authorized to execute transfers within major budget units as long as the total expenditures for each budget unit remain unchanged. The Habitat JPA measures compliance with the legally adopted budget at the Major Object Level in the County of Yolo's GENLED System.

An operating budget is adopted each fiscal year on the modified accrual basis.

NOTE 2 – EXCESS OF EXPENDITURES OVER APPROPRIATIONS

The budget was exceeded for Interest expense and Other expenses for the General Fund during the 2013 Fiscal year by \$110 and \$1,745 respectively. Interest expense was exceeded due to more interest expense being charged by the County Treasury than anticipated. Other expenses were exceeded due to unanticipated expenditures occurring at year-end that were not previously budgeted.

The budget was exceeded for Other expenses and Professional services for the Wildlife Mitigation Special Revenue Fund during the 2013 Fiscal year by \$21,250 and \$1,872, respectively. This was due to the refund of mitigation fees collected that occurred during the 2013 fiscal year. The refund was authorized by the Board of Directors. However, the budget was not amended for this item. The \$1,872 was not budgeted due to the creation of a new internal fund for tracking of the Conservation Easement Funds that was missed in the budgeting process.

OTHER REPORT



**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 Board of Directors
Yolo County Habitat/Natural Community Conservation Plan Joint Powers Agency
Woodland, 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 *Governmental Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, and each major fund of the Yolo County Habitat/Natural Community Conservation Plan Joint Powers Agency (Habitat JPA) as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Habitat JPA's basic financial statements, and have issued our report thereon dated December 27, 2013. Our report includes an emphasis of matter regarding the Habitat JPA's economic dependence on state and federal grants and contributions from member agencies as described in Note 10 to the financial statements.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Habitat JPA'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 Habitat JPA's internal control. Accordingly we do not express an opinion on the effectiveness of the Habitat JPA'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 over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore material weaknesses or significant deficiencies may exist that were not identified. 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. We did identify certain deficiencies in internal control described in the accompanying Schedule of Findings and Responses as items 2013-01, 2013-02, and 2013-03 that we consider to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Habitat JPA's financial statements are free of 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*.

Habitat JPA's Responses to Findings

The Habitat JPA's responses to the findings identified in our audit are described in the accompanying "Schedule of Findings and Responses". The Habitat JPA's responses were not subjected to the auditing procedures applied in the audit of the financial statements and accordingly, we express no opinion on them.

Purpose of this Report

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

Vavrinik, Trine, Day & Co. LLP

Sacramento, California
December 27, 2013

**YOLO COUNTY HABITAT/ NATURAL COMMUNITY
CONSERVATION PLAN JOINT POWERS AGENCY**

**SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2013**

Finding 2013-01

EXECUTIVE DIRECTOR TIMESHEET APPROVAL

Criteria:

Government Auditing Standards note that management is responsible for implementing systems designed to achieve compliance with applicable laws and regulations; and for establishing and maintaining internal control to help ensure that appropriate goals and objectives are met; using resources efficiently, economically, effectively, and equitably, and safeguarding resources; following laws and regulations; and ensuring that management and financial information is reliable and properly reported.

Condition Found:

Significant Deficiency – During the review of the internal controls over the payroll process, we noted instances where the Executive Director's timecards were being approved by the same individual (Executive Director) during the period of July, 2012.

Context:

The condition noted above was identified during our consideration of the internal controls over the payroll process. This condition was noted to exist during July, 2012 and August, 2012 until the termination of the Executive Director.

Cause:

The Habitat JPA's internal controls over the payroll process are not designed effectively to prevent the same individual preparing and performing the review and approval on their own timecard.

Effect:

The condition described above results in an increased risk of misstatement due to fraud or error, such that inaccurate timecards (i.e. not reporting vacation/sick leave taken) could be processed.

Recommendation:

We recommend that the Habitat JPA design and implement policies and procedures to ensure that all timecards are properly reviewed and have a review and approval by an individual (ex. Board Member or Auditor Controller) separate from the individual preparing the timecard.

View of Responsible Officials and Planned Corrective Plan:

The Chair of the Habitat JPA now approves the Executive Director timesheets and/or invoices.

**YOLO COUNTY HABITAT/ NATURAL COMMUNITY
CONSERVATION PLAN JOINT POWERS AGENCY**

**SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2013**

Finding 2013-02

OVERSPENT BUDGETS AND BUDGET REASONABLENESS

Criteria:

Government Auditing Standards note that management is responsible for implementing systems designed to achieve compliance with applicable laws and regulations; and for establishing and maintaining internal control to help ensure that appropriate goals and objectives are met; using resources efficiently, economically, effectively, and equitably, and safeguarding resources; following laws and regulations; and ensuring that management and financial information is reliable and properly reported.

Condition Found:

Significant Deficiency – During the course of our audit, we noted that the Habitat JPA exceeded its budget in the Habitat Mitigation Fund due to the budget not being amended at the time of the approval of a refund of Mitigation Fees Paid in the amount of \$21,250 and due to \$1,872 of conservation easement monitoring payments not being added to the Other expenses budget.

We also noted that the original revenue budgets for the 2013 fiscal year for the Wildlife Mitigation Fund included revenue amounts within the approved budgets that were not revised at the Midyear budget or Year end to reflect more realistic projections.

We also noted that the General fund Interest expenses and Other expenses were exceeded by \$110 and \$1,745, respectively.

Context:

The condition noted above was identified during our consideration of the testing of operating effectiveness of internal controls over the budget process. The budgets were exceeded for certain Wildlife Mitigation Fund and General Fund line items for the 2013 fiscal year.

The budgets of the 2013 fiscal years included substantial negative budget variances for revenue in the Wildlife Mitigation Fund as original revenue projections did not materialize and were not revised through budget amendments.

Cause:

The Habitat JPA missed adjusting the budget line for the Mitigation Fee refund due to the expenditure being misclassified as negative revenue in general ledger. The organization also has not fully implemented controls to ensure that budget revisions were made to ensure that budgets were realistic for the organization.

Effect:

The condition noted above resulted in budgeted line items being exceeded during the 2013 fiscal year and resulted in significant budget to actual variances for revenues.

**YOLO COUNTY HABITAT/ NATURAL COMMUNITY
CONSERVATION PLAN JOINT POWERS AGENCY**

**SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2013**

Recommendation:

We recommend that the Habitat JPA design and implement controls to reconcile the budgets to the actual at year end and request budget amendment in the cases of budget overspent and to implement processes and procedures to ensure the budgets are reviewed for reasonableness.

View of Responsible Officials and Planned Corrective Plan:

In 2012-13, the JPA Board approved amendments to the Administration Fund, but not the Wildlife Mitigation Fund. The Executive Director will ensure that the budget for all funds is amended at the end of the fiscal year to reflect actual expenditures and revenue.

Finding 2013-03

PAYROLL AND TIMECARD DOCUMENTS

Criteria:

Government Auditing Standards note that management is responsible for implementing systems designed to achieve compliance with applicable laws and regulations; and for establishing and maintaining effective internal control to help ensure that appropriate goals and objectives are met; using resources efficiently, economically, effectively, and equitably, and safeguarding resources; following laws and regulations; and ensuring that management and financial information is reliable and properly reported.

Condition Found:

Significant Deficiency – During the course of our audit, we noted that the Habitat JPA was unable to provide certain payroll and timecard documents and related approvals. The following was noted:

- There were a total of 8 instances noted in which the employee timecards were not signed by the Executive Director indicating approval of the time.
- There were a total of 3 instances in which hours based on the signed timecards for the Assistant to the Executive Director had minor variances from the amount of hours paid through the payroll register to a total net effect of 1 hour.

**YOLO COUNTY HABITAT/ NATURAL COMMUNITY
CONSERVATION PLAN JOINT POWERS AGENCY**

**SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2013**

Context:

The condition noted above was identified during our consideration of the testing of operating effectiveness of internal controls over the payroll process.

Cause:

The Habitat JPA could not locate certain documentation including signed timecards due to employee changes and moving locations. The overall cause is that the internal controls over the payroll procedure of the Habitat JPA were not properly designed and implemented to ensure that all documentation was available and appropriately authorized.

Effect:

The condition noted above may result in the risk of payment of improper hours or rate in the payroll process or improper hours being input due to lack of evidence of a supporting approval.

Recommendation:

We recommend that the Habitat JPA design and implement controls to ensure that payroll documentation is available and has evidence of signed approvals where relevant and that approved payroll timecards match to the amounts in the payroll system.

View of Responsible Officials and Planned Corrective Plan:

The Executive Director will require staff to keep a log of all time cards that the Executive Director will initial when signing time cards. In addition, the Executive Director will review quarterly results from payroll system to compare time cards and hours entered into the system.

**YOLO COUNTY HABITAT/ NATURAL COMMUNITY
CONSERVATION PLAN JOINT POWERS AGENCY**

**STATUS OF PRIOR YEAR FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2013**

Summarized below is the current status of all audit findings reported in the prior year audit's Schedule of Findings and Responses:

Finding No.	Finding Description	Status of Corrective Action
2011-01	Contract Documentation	Implemented.
2011-02	Executive Director Travel Reimbursements Approval	Implemented.
2011-03	Executive Director Timesheet Approval	Partially Implemented. See Finding 2013-01.
2011-04	Functional Timecards	Implemented.
2011-05	Grant Reimbursements and Federal Expenditures	Implemented.
2011-06	Misclassification of Expenditures	Implemented.
2011-07	Overspent Budgets and Budget Reasonableness	Partially Implemented. See Finding 2013-02.
2011-08	Timely Audits	Implemented.
2011-09	Unauthorized Transfers	Implemented.
2011-10	Late Budget Approvals	Implemented.
2011-11	Expenditure and Revenue Cutoff	Implemented.
2011-12	Financial Governance	Implemented.
2011-13	Unapproved Vendor Invoices	Implemented.
2011-14	Conservation Easements	Implemented.
2011-15	Personnel Evaluations	Implemented.
2011-16	Compensated Absences	Implemented.
2011-17	Negative Fund Balance and Going Concern	Implemented.
2011-18	Retention Receivable	Implemented.