

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

Independent Auditors' Reports,  
Basic Financial Statements and Other Reports

For the Fiscal Years Ended  
June 30, 2012 and 2011

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

**FOR THE FISCAL YEARS ENDED  
JUNE 30, 2012 AND 2011**

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

**FOR THE FISCAL YEARS ENDED  
JUNE 30, 2012 AND 2011**

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## INDEPENDENT AUDITORS' REPORT

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

We were engaged to audit 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 years ended June 30, 2012 and 2011, which collectively comprise the Habitat JPA's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Habitat JPA's management.

As disclosed in Note 7 to the financial statements, the Habitat JPA transferred funds from the Wildlife Mitigation Special Revenue Fund to the General Fund. We were unable to determine whether a liability exists between the General Fund and the Wildlife Mitigation Special Revenue Fund related to the unauthorized transfers that were made from the Wildlife Mitigation Fund to the General Fund. Pursuant to a letter from the California Department of Fish and Game (CDFG) in response to the Habitat JPA's proposal to use the funds, transfers were authorized from the Wildlife Mitigation Special Revenue Fund to the General Fund up to a specified amount of \$2 million dollars. Actual transfers made to the General Fund were \$3,876,686 which exceeded the specified amount by \$1,876,686. As disclosed in Note 11 to the financial statements, the \$2 million transfer threshold was established through a proposal and concurrence with the California Department of Fish and Game. As a result of the transfers exceeding the threshold specified in the letter from CDFG, the Habitat JPA has not determined whether the funds are legally repayable to the Wildlife Mitigation Fund and has not recorded any liabilities in the general fund associated with this transaction. We were unable to obtain sufficient appropriate audit evidence about the completeness of the interfund liabilities by other auditing procedures.

In addition, we were unable to determine the appropriateness of the grant revenues recorded in the General Fund and Governmental Activities as sufficient accounting records were not available for us to determine which expenditures supported the amounts claimed for the Federal and State grant reimbursement requests. We were unable to obtain sufficient appropriate audit evidence about the accuracy of the grant revenues by other auditing procedures.

Because of the significance of the matters described in the paragraphs above and we were not able to apply other procedures regarding management's assertions over interfund liabilities and grant revenues, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on the financial statements referred to in the first paragraph.

The accompanying financial statements have been prepared assuming that the Habitat JPA will continue as a going concern. As discussed in Note 11 to the financial statements, the Habitat JPA had expenditures exceed its general fund revenues by \$718,987 in fiscal year 2012 and had a deficit fund balance of \$279,672 as of June 30, 2012. The Board of Directors of the Habitat JPA is also evaluating whether the JPA should continue to exist to fulfill the goals and purposes of the organization. These conditions raise substantial doubt about its ability to continue as a going concern. Management's plans regarding those matters are also described in Note 11. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 30, 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* and should be considered in assessing the results of our audits.

Accounting principles generally accepted in the United States of America require that budgetary comparison information presented on pages 23 through 27 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.

Vaurinick, Trine, Day & Co. LLP

Sacramento, California  
May 30, 2013

**BASIC FINANCIAL STATEMENTS**  
**Government – Wide Financial Statements**

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

**STATEMENTS OF NET ASSETS**

**JUNE 30, 2012 AND 2011**

	<b>Governmental Activities</b>	
	<b>2012</b>	<b>2011</b>
<b>ASSETS</b>		
Current Assets:		
Cash and investments in County Treasury (Note 2)	\$ 743,236	\$ 1,273,129
Restricted cash (Note 2)	290,997	289,255
Due from other governments	301,098	293,979
Total Current Assets	<u>1,335,331</u>	<u>1,856,363</u>
Non-current Assets:		
Capital assets (Note 3)	2,174,926	2,174,926
Total Non-Current Assets	<u>2,174,926</u>	<u>2,174,926</u>
Total Assets	<u>3,510,257</u>	<u>4,031,289</u>
 <b>LIABILITIES</b>		
Current Liabilities:		
Accounts payable	171,515	160,283
Accrued liabilities	6,472	6,888
Due to other governments	150,670	6,637
Compensated absences (Note 4)	20,615	17,307
Total Liabilities	<u>349,272</u>	<u>191,115</u>
 <b>NET ASSETS</b>		
Invested in capital assets	2,174,926	2,174,926
Restricted	290,997	289,255
Unrestricted	695,062	1,375,993
Total Net Assets	<u>\$ 3,160,985</u>	<u>\$ 3,840,174</u>

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

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

**STATEMENTS OF ACTIVITIES  
FOR THE YEARS ENDED JUNE 30, 2012 AND 2011**

	<b>Governmental Activities</b>	
	<b>2012</b>	<b>2011</b>
Expenses:		
Conservation activities:		
Personnel expenses	\$ 193,848	\$ 193,354
Professional services	634,670	731,907
Miscellaneous expenses	11,129	9,434
Interest expense	-	9,151
Donations	200,000	-
Total Program Expenses	<u>1,039,647</u>	<u>943,846</u>
Program Revenues:		
Charges for services	51,676	21,650
Operating grants and contributions	300,366	240,865
Total Program Revenues	<u>352,042</u>	<u>262,515</u>
Net program expense	<u>(687,605)</u>	<u>(681,331)</u>
General Revenue/Expenses:		
Interest income	<u>8,416</u>	<u>23,536</u>
Decrease in net assets	(679,189)	(657,795)
Net Assets - Beginning of the Year, as Restated	<u>3,840,174</u>	<u>4,497,969</u>
Net Assets - End of the Year	<u><u>\$ 3,160,985</u></u>	<u><u>\$ 3,840,174</u></u>

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

**BASIC FINANCIAL STATEMENTS**  
**Fund Financial Statements**

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

**BALANCE SHEETS – GOVERNMENTAL FUNDS  
JUNE 30, 2012 AND 2011**

	2012			2011		
	General Fund	Wildlife Mitigation Special Revenue Fund	Total Governmental Funds	General Fund	Wildlife Mitigation Special Revenue Fund	Total Governmental Funds
<b>ASSETS</b>						
Cash and investments in County Treasury	\$ -	\$ 743,236	\$ 743,236	\$ -	\$ 1,273,129	\$ 1,273,129
Restricted cash and investments	-	290,997	290,997	-	289,255	289,255
Due from other governments	301,098	-	301,098	293,979	-	293,979
Total Assets	<u>\$ 301,098</u>	<u>\$ 1,034,233</u>	<u>\$ 1,335,331</u>	<u>\$ 293,979</u>	<u>\$ 1,562,384</u>	<u>\$ 1,856,363</u>
<b>LIABILITIES AND FUND BALANCE</b>						
Liabilities:						
Accounts payable	\$ 171,515	\$ -	\$ 171,515	\$ 160,283	\$ -	\$ 160,283
Accrued liabilities	6,472	-	6,472	6,888	-	6,888
Due to other governments	150,670	-	150,670	6,637	-	6,637
Deferred revenue	252,113	-	252,113	137,062	-	137,062
Total Liabilities	<u>580,770</u>	<u>-</u>	<u>580,770</u>	<u>310,870</u>	<u>-</u>	<u>310,870</u>
Fund balance:						
Restricted for:						
Conservation Easement Stewardship	-	290,997	290,997	-	289,255	289,255
Assigned for:						
Wildlife Mitigation	-	743,236	743,236	-	1,273,129	1,273,129
Unassigned	(279,672)	-	(279,672)	(16,891)	-	(16,891)
Total Fund Balance	<u>(279,672)</u>	<u>1,034,233</u>	<u>754,561</u>	<u>(16,891)</u>	<u>1,562,384</u>	<u>1,545,493</u>
Total Liabilities and Fund Balance	<u>\$ 301,098</u>	<u>\$ 1,034,233</u>	<u>\$ 1,335,331</u>	<u>\$ 293,979</u>	<u>\$ 1,562,384</u>	<u>\$ 1,856,363</u>

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

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

**RECONCILIATIONS OF THE GOVERNMENTAL FUNDS BALANCE SHEETS TO THE  
GOVERNMENT-WIDE STATEMENTS OF NET ASSETS  
JUNE 30, 2012 AND 2011**

	<b>2012</b>	<b>2011</b>
Fund balance - Governmental Funds	\$ 754,561	\$ 1,545,493
<p>Amounts reported for governmental activities in the statement of net assets are different because:</p>		
<p>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).</p>	2,174,926	2,174,926
<p>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.</p>	252,113	137,062
<p>Long term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds:</p>		
Compensated absences (Note 4)	(20,615)	(17,307)
Net Assets of Governmental Activities	\$ 3,160,985	\$ 3,840,174

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

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

**STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN  
NET ASSETS –GOVERNMENTAL FUNDS  
FOR THE YEARS ENDED JUNE 30, 2012 AND 2011**

	<u>2012</u>			<u>2011</u>		
	General Fund	Wildlife Mitigation Special Revenue Fund	Total Governmental Funds	General Fund	Wildlife Mitigation Special Revenue Fund	Total Governmental Funds
<b>REVENUES</b>						
Fees and permits	\$ -	\$ 51,676	\$ 51,676	\$ -	\$ 21,650	\$ 21,650
Grant revenue	185,315	-	185,315	224,709	-	224,709
Interest income	243	8,173	8,416	-	23,536	23,536
Total Revenues	<u>185,558</u>	<u>59,849</u>	<u>245,407</u>	<u>224,709</u>	<u>45,186</u>	<u>269,895</u>
<b>EXPENDITURES</b>						
Conservation Activities:						
Salaries and benefits	190,540	-	190,540	193,204	-	193,204
Professional services	634,670	-	634,670	731,907	-	731,907
Interest expense	-	-	-	9,151	-	9,151
Other expenses	11,129	-	11,129	9,434	-	9,434
Donations	-	200,000	200,000	-	-	-
Total Expenditures	<u>836,339</u>	<u>200,000</u>	<u>1,036,339</u>	<u>943,696</u>	<u>-</u>	<u>943,696</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(650,781)</u>	<u>(140,151)</u>	<u>(790,932)</u>	<u>(718,987)</u>	<u>45,186</u>	<u>(673,801)</u>
<b>OTHER FINANCING SOURCES/(USES)</b>						
Transfers In	388,000	-	388,000	1,678,926	-	1,678,926
Transfers Out	-	(388,000)	(388,000)	-	(1,678,926)	(1,678,926)
Total Other Financing Sources/(Uses)	<u>388,000</u>	<u>(388,000)</u>	<u>-</u>	<u>1,678,926</u>	<u>(1,678,926)</u>	<u>-</u>
Net Change in Fund Balance	<u>(262,781)</u>	<u>(528,151)</u>	<u>(790,932)</u>	<u>959,939</u>	<u>(1,633,740)</u>	<u>(673,801)</u>
Fund Balances - Beginning, as restated	<u>(16,891)</u>	<u>1,562,384</u>	<u>1,545,493</u>	<u>(976,830)</u>	<u>3,196,124</u>	<u>2,219,294</u>
Fund Balances - Ending	<u>\$ (279,672)</u>	<u>\$ 1,034,233</u>	<u>\$ 754,561</u>	<u>\$ (16,891)</u>	<u>\$ 1,562,384</u>	<u>\$ 1,545,493</u>

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

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

**RECONCILIATIONS OF THE STATEMENTS OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE  
STATEMENTS OF ACTIVITIES  
FOR THE YEARS ENDED JUNE 30, 2012 AND 2011**

	<b>2012</b>	<b>2011</b>
Net change to net assets - Governmental Funds	\$ (790,932)	\$ (673,801)
<p>Amounts reported for governmental activities in the Statement of Activities are different because:</p>		
<p>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 increase in deferred revenue.</p>	115,051	16,156
<p>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.</p>	(3,308)	(150)
Change in Net Assets of Governmental Activities	\$ (679,189)	\$ (657,795)

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

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

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED JUNE 30, 2012 AND 2011**

*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.

In evaluating how to define the Habitat JPA, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GAAP. The basic criterion for including a potential component unit within the reporting entity is the governing body's financial accountability for a unit of government. Based on the criteria adopted by GASB, the reporting entity does not have any component units.

**B. Basis of Accounting**

*Government-Wide Statements*

The statement of net assets 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 NATURAL HABITAT/NATURAL COMMUNITY  
CONSERVATION PLAN JOINT POWERS AGENCY**

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED JUNE 30, 2012 AND 2011**

*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 60 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.

**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 GASB Statements for the years ended June 30, 2012 and 2011:

*GASB Statement No. 54*

During fiscal year 2010-2011, the Habitat JPA adopted the provisions of Governmental Accounting Standards Board Statement No. 54 – *Fund Balance Reporting and Governmental Fund Type Definitions*, which establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The Habitat JPA reviewed and recorded governmental fund balances in accordance with the standard. As a result, the Wildlife Mitigation Special Revenue Fund was established.

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

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED JUNE 30, 2012 AND 2011**

*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. Capital Assets**

All capital assets, including infrastructure, 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.

The Habitat JPA also capitalizes conservation easements acquired per the initiative of the Habitat JPA's objective. Land easements are a restriction landowners voluntarily place on specified uses of their property to protect natural, productive or cultural features. A conservation easement is recorded as a written legal agreement between the landowner and the "holder" of the easement. With a conservation easement, the landowner retains legal title to the property and determines the types of land uses to continue and restrict, and permanently limits one or more of the land use rights. The landowner may continue his or her current use of the property, provided the resources the conservation easement is intended to protect are sustained.

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

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED JUNE 30, 2012 AND 2011**

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

**H. Net Assets/Fund Balance**

Net assets are displayed in three components:

- *Invested in capital assets* - Consists of capital assets, net of accumulated depreciation.
- *Restricted net assets* - Consists of net assets 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 assets* - All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

When both restricted and unrestricted net assets are 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 of the Board of the Habitat JPA.
- *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.

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

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED JUNE 30, 2012 AND 2011**

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

**I. 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 \$150,670 and \$6,637 as of June 30, 2012 and 2011, respectively.

**J. 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.

*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, 2012 and 2011 was as follows:

Cash

	<b>2012</b>	<b>2011</b>
Cash and Investments:		
Unrestricted Cash	\$ 743,236	\$ 1,273,129
Restricted Cash for Conservation Easement Monitoring	290,997	289,255
Total Cash and Investments	<b>\$ 1,034,233</b>	<b>\$ 1,562,384</b>

As of June 30, 2012 and 2011, 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 \$150,670, and \$6,637, respectively. This is reflected in the "Due to other governments" line in the Statements of Net Assets 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.

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

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED JUNE 30, 2012 AND 2011**

*NOTE 2: CASH AND INVESTMENTS (CONTINUED)*

Investments (Continued)

At June 30, 2012, Habitat JPA had the following investments:

<u>2012</u>	Interest Rates	Maturities	Cost	Fair Value	WAM (Years)
Investments					
Cash in County Pooled Treasury	Variable	On Demand	\$ 730,006	\$ 743,236	1.46
Restricted Cash in County Pooled Treasury	Variable	On Demand	285,817	290,997	1.46
Total Investments			<u>\$ 730,006</u>	<u>\$ 743,236</u>	

At June 30, 2011, Habitat JPA had the following investments:

<u>2011</u>	Interest Rates	Maturities	Cost	Fair Value	WAM (Years)
Investments					
Cash in County Pooled Treasury	Variable	On Demand	\$ 1,252,311	\$ 1,273,129	1.41
Restricted Cash in County Pooled Treasury	Variable	On Demand	284,525	289,255	1.41
Total Investments			<u>\$ 1,536,836</u>	<u>\$ 1,562,384</u>	

At June 30, 2012 and 2011, the Habitat JPA had the following restrictions on cash balances:

	Amount	
	<u>2012</u>	<u>2011</u>
Conservation Easement Stewardship	<u>\$ 290,997</u>	<u>\$ 289,255</u>

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

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED JUNE 30, 2012 AND 2011**

*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.

A summary of changes in capital assets for the year ended June 30, 2012 is as follows:

	Balance July 1, 2011	Additions	Retirements	Balance June 30, 2012
Capital Assets, Not Being Depreciated:				
Land Easements	\$ 2,174,926	\$ -	\$ -	\$ 2,174,926
Total Capital Assets, Not Being Depreciated	\$ 2,174,926	\$ -	\$ -	\$ 2,174,926

A summary of changes in capital assets for the year ended June 30, 2011 is as follows:

	Balance July 1, 2010 As Restated	Additions	Retirements	Balance June 30, 2011
Capital Assets, Not Being Depreciated:				
Land Easements	\$ 2,174,926	\$ -	\$ -	\$ 2,174,926
Total Capital Assets, Not Being Depreciated	\$ 2,174,926	\$ -	\$ -	\$ 2,174,926

*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 years ended June 30, 2012 and 2011 the compensated absence liability was \$20,615 and \$17,307, respectively. The General Fund is utilized to liquidate liabilities related to compensated absences.

A summary of changes in compensated absences for the year ended June 30, 2012 is as follows:

	Balance June 30, 2011	Additions	Repayments	Balance June 30, 2012	Due Within One Year
Liability for:					
Compensated absences	\$ 17,307	\$ 7,943	\$ (4,635)	\$ 20,615	\$ 20,615
	\$ 17,307	\$ 7,943	\$ (4,635)	\$ 20,615	\$ 20,615

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

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED JUNE 30, 2012 AND 2011**

*NOTE 4: LONG TERM LIABILITIES (CONTINUED)*

A summary of changes in compensated absences for the year ended June 30, 2011 is as follows:

	Balance June 30, 2010	Additions	Repayments	Balance June 30, 2011	Due Within One Year
Liability for:					
Compensated absences	\$ 17,157	\$ 7,756	\$ (7,606)	\$ 17,307	\$ 17,307
	<u>\$ 17,157</u>	<u>\$ 7,756</u>	<u>\$ (7,606)</u>	<u>\$ 17,307</u>	<u>\$ 17,307</u>

*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 Associates 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:

**2011**

Coverage	Deductible	YCPARMIA	Excess
General Liability	\$ 1,000	\$ 500,000	\$ 40,000,000
Worker's Compensation	1,000	500,000	40,000,000

**2012**

Coverage	Deductible	YCPARMIA	Excess
General Liability	\$ 1,000	\$ 500,000	\$ 40,000,000
Worker's Compensation	1,000	500,000	40,000,000

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

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED JUNE 30, 2012 AND 2011**

*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 a liability for compensated absences for June 30, 2012 and 2011 for \$20,615 and \$17,307, respectively, which is payable to the County upon separation or termination of the Habitat JPA employees. The Habitat JPA has expenditures for services provided by the County for the 2012 and 2011 fiscal years as follows:

	<b>2011</b>	<b>2012</b>
Payroll	\$ 193,204	\$ 190,540
Accounting	1,071	1,369
General Administrative	2,308	2,703
Legal	2,288	3,071
Procurement Cards	2,956	1,644
<b>Total</b>	<b>\$ 201,827</b>	<b>\$ 199,327</b>

*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.

During the fiscal year 2011, the Habitat JPA transferred funds from the Wildlife Mitigation Special Revenue Fund to the General Fund to cover the negative cash position of the fund. The transfers exceeded the \$2 million amount specified in the California Department of Fish and Game communication letter concurring with the Habitat JPA’s proposed usage of the mitigation funds by approximately \$1,876,686. The Habitat JPA has not legally determined whether the funds are legally repayable to the Wildlife Mitigation Fund and has not recorded any liabilities in the General Fund associated with this transaction.

*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, 2012 and 2011:

Transfer From:	Transfer To:	2012	2011
Wildlife Mitigation Special Revenue Fund	General Fund	\$ 388,000	\$ 1,678,926

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

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED JUNE 30, 2012 AND 2011**

*NOTE 8 – INTERFUND TRANSACTIONS (CONTINUED)*

The transfers from the Wildlife Mitigation Fund were to support the efforts for the creation of the Habitat Conservation Plan and to support the operations costs of the organization. See Note 7.

*NOTE 9 – DEFICIT FUND BALANCE*

As of June 30, 2012 and 2011, the following fund had deficit fund balances:

	2012	2011
General Fund	\$ (279,672)	\$ (16,891)

The General Fund deficit net assets are expected to be eliminated through contributions from the Habitat JPA member agencies in Fiscal Year 2013 and through bringing the fund expenditures in line with revenues.

*NOTE 10 – TRANSFERS THRESHOLD*

The original Joint Powers Agreement formed for the Habitat JPA in 2002 between the member agencies required “All mitigation fee revenues shall be used for the sole purpose of acquiring, monitoring, managing and enhancing habitat conservation land in Yolo County consistent with California Department of Fish and Game (CDFG) Approval and the Mitigation Agreement. Mitigation fee revenues shall not be used to pay overhead or other administrative costs and shall not be used to pay costs of preparing or revising the Yolo County Habitat Conservation Plan / Natural Community Conservation Planning (YCHCP/NCCP) process.”

In 2006, the Habitat JPA obtained an external legal opinion that indicated that the Habitat JPA could use mitigation fee revenues for the usage toward the furtherance of the YCHCP/NCCP process and discussed and proposed using the funds for that purpose to the CDFG. The CDFG Director provided a letter in 2006 concurring with the Habitat JPA’s proposal to utilize a maximum of \$2 million, if other funds are not available to assist in the completion of the YCHCP/NCCP process. The CDFG letter served as the basis for the \$2 million threshold used by the Habitat JPA. There have been no subsequent proposals or concurrences from the CDFG in regards in the use of additional mitigation fee revenues. The Habitat JPA approved an amended Joint Powers Agreement in 2006 that the allowing the use of the mitigation funds in accordance with the letter from CDFG.

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

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED JUNE 30, 2012 AND 2011**

*NOTE 11 – GOING CONCERN*

There is substantial doubt about the Habitat JPA's ability to continue as a going concern related to the significant amounts of expenditures exceeding the revenues taken in by the organization in the past five fiscal years (2008-2012). The General Fund expenditures exceeded the revenue amounts by \$650,781 and \$718,987 in fiscal years 2012 and 2011, respectively. The Habitat JPA relied on transfers from the Wildlife Mitigation Fund to supplement the funds in the General Fund but has exceeded the \$2 million limit of allowable transfers from the Wildlife Mitigation Fund. The organization is therefore currently unable to transfer additional funds for the 2013 fiscal year to support operations. The General Fund had incurred a deficit fund balance of \$279,672 as of June 30, 2012. For the 2013 fiscal year, the JPA received contributions from the member agencies to assist in the cash flow needs of the organization and to pay past due invoices. The JPA received \$158,587 from the City of Davis, \$158,587 from the City of West Sacramento, \$158,587 from the City of Woodland, \$158,587 from the County of Yolo, and \$33,387 from the City of Winters. The member contributions were intended to be a one-time contribution and do not provide certainty about the Habitat JPA's ability to continue in the future.

The Board of Directors of the Habitat is also evaluating whether the JPA should continue to exist to fulfill the goals and purposes of the organization. The Board expects to continue to meet during July and August of 2013 and to reach a decision on whether it is prudent to continue the JPA in its current form or to pursue dissolution of the organization.

*NOTE 12 – ECONOMIC DEPENDENCE*

The Habitat JPA is economically dependent on revenue derived from state and federal grants with 85% and 92% of its Governmental Activities and 99% and 100% of its General Fund program revenues generated from those grants for the years ended June 30, 2012 and 2011, respectively.

*NOTE 13 – RESTATEMENTS*

During the fiscal years ended June 30, 2012 and 2011, the Habitat JPA discovered that the Government Wide capital assets balance included certain conservation easements for which the Habitat JPA was not the grantee (owner). As a result, the Habitat JPA reduced the capital assets balance by \$1,653,471 as of June 30, 2010.

The Habitat JPA also discovered that the General Fund and Governmental Activities professional services expenditures/expenses balances in fiscal year 2011 included certain expenditures related to the 2010 fiscal year that had not been properly accrued in the prior year. As a result, the professional services expenditures/expenses were increased by \$30,664 as of June 30, 2010.

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

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED JUNE 30, 2012 AND 2011**

*NOTE 13 – RESTATEMENTS (CONTINUED)*

The Habitat JPA also discovered that the Governmental Activities operating grants and contributions included certain revenues related to invoices for the previous fiscal years that had not been recognized as revenue in the previous periods. As a result, the operating grants and contributions revenue were reduced by \$120,906 as of June 30, 2010.

	Governmental Activities	General Fund
Beginning Net Assets, as of June 30, 2010	\$ 6,061,198	\$ (946,166)
Adjustment: Capital Assets	(1,653,471)	-
Adjustment: Grant Revenues	120,906	-
Adjustment: Professional Services Expense	(30,664)	(30,664)
Beginning Net Assets, as Restated	<u>\$ 4,497,969</u>	<u>\$ (976,830)</u>

*NOTE 14 – 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 December 2010, the GASB issued Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*, for financial statements for periods beginning after December 15, 2011. The requirements of this Statement improve financial reporting by establishing recognition, measurement, and disclosure requirements for service concession arrangements (SCAs) for both transferors and governmental operators, requiring governments to account for and report SCAs in the same manner, which improves the comparability of financial statements.

GASB Statement No. 60 alleviates the confusion that arises when determining what guidance should be applied in complex circumstances that are not specifically addressed by existing standards; contributes to the assessment of interperiod equity by reporting up-front payments or the present value of installment payments primarily as deferred inflows of resources, reflecting the acquisition of resources that are applicable to a future reporting period; includes provisions that result in a faithful representation of a governmental operator's rights under SCAs by reporting rights to access SCA facilities as intangible assets; and improves the decision usefulness of financial reporting by requiring that specific relevant disclosures be made by transferors and governmental operators about SCAs. The Habitat JPA has not determined the effect, if any, on the financial statements.

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

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED JUNE 30, 2012 AND 2011**

*NOTE 14 – NEW ACCOUNTING PRONOUNCEMENTS (CONTINUED)*

In December 2010, the GASB issued Statement No. 61, *the Financial Reporting Entity: Omnibus*, effective for financial statements for periods beginning after June 15, 2012. The requirements of this Statement result in financial reporting entity financial statements being more relevant by improving guidance for including, presenting, and disclosing information about component units and equity interest transactions of a financial reporting entity. The amendments to the criteria for including component units allow users of financial statements to better assess the accountability of elected officials by ensuring that the financial reporting entity includes only organizations for which the elected officials are financially accountable or that are determined by the government to be misleading to exclude. The amendments to the criteria for blending improve the focus of a financial reporting entity on the primary government by ensuring that the primary government includes only those component units that are so intertwined with the primary government that they are essentially the same as the primary government, and by clarifying which component units have that characteristic. Lastly, the requirements for reporting equity interests in component units help ensure that primary government financial statements do not understate their financial position and provide for more consistent and understandable display of those equity interests. The Habitat JPA has not determined the effect, if any, on the financial statements.

In December 2010, the GASB issued Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncement*, effective for financial statements for the periods beginning after December 15, 2011. The requirements in this Statement will improve financial reporting by contributing to the GASB's efforts to codify all sources of generally accepted accounting principles for state and local governments so that they derive from a single source. This effort brings the authoritative accounting and financial reporting literature together in one place, with that guidance modified as necessary to appropriately recognize the governmental environment and the needs of governmental financial statement users. It will eliminate the need for financial statement preparers and auditors to determine which FASB and AICPA pronouncement provisions apply to state and local governments, thereby resulting in a more consistent application of applicable guidance in financial statements of state and local governments. The Habitat JPA has not determined the effect, if any, on the financial statements.

In December 2011, the GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, effective for periods beginning after December 15, 2011. The requirements of this Statement will improve financial reporting by standardizing the presentation of deferred outflows of resources and deferred inflows of resources and their effects on a government's net position. It alleviates uncertainty about reporting those financial statement elements by providing guidance where none previously existed.

GASB Statement No. 63 provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. Concepts Statement No. 4, *Elements of Financial Statements*, introduced and defined those elements as a consumption of net assets by the government that is applicable to a future reporting period, and an acquisition of net assets by the government that is applicable to a future reporting period, respectively. Previous financial reporting standards do not include guidance for reporting those financial statement elements, which are distinct from assets and liabilities.

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

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED JUNE 30, 2012 AND 2011**

*NOTE 14 – NEW ACCOUNTING PRONOUNCEMENTS (CONTINUED)*

Concepts Statement No. 4 also identifies net position as the residual of all other elements presented in a statement of financial position. This Statement amends the net asset reporting requirements in Statement No. 34, *Basic Financial Statements—and Management’s Discussion and Analysis—for State and Local Governments*, and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets. The Habitat JPA has not determined the effect, if any, on the financial statements.

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.

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

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED JUNE 30, 2012 AND 2011**

*NOTE 14 – NEW ACCOUNTING PRONOUNCEMENTS (CONTINUED)*

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.

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.

**REQUIRED SUPPLEMENTARY INFORMATION**

**YOLO COUNTY NATURAL 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, 2012**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Grant revenue	\$ 1,028,804	\$ 1,028,804	\$ 185,315	\$ (843,489)
Interest income	-	-	243	243
Total Revenues	1,028,804	1,028,804	185,558	(843,246)
<b>EXPENDITURES</b>				
Conservation activities:				
Salaries and benefits	195,615	195,615	190,540	5,075
Professional services	1,344,445	1,344,445	634,670	709,775
Other expenses	12,300	12,300	11,129	1,171
Total Expenditures	1,552,360	1,552,360	836,339	716,021
Excess (Deficiency) of Revenues Over (Under) Expenditures	(523,556)	(523,556)	(650,781)	(127,225)
<b>OTHER FINANCING SOURCES/(USES)</b>				
Transfers In	388,000	388,000	388,000	-
Total Other Financing Sources/(Uses)	388,000	388,000	388,000	-
Net Change in Fund Balance	(135,556)	(135,556)	(262,781)	(127,225)
Fund Balance - Beginning	(16,891)	(16,891)	(16,891)	-
Fund Balance - Ending	\$ (152,447)	\$ (152,447)	\$ (279,672)	\$ (127,225)

See accompanying note to required supplementary information.

**YOLO COUNTY NATURAL 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, 2012**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>REVENUES</b>				
Fees and permits	\$ 433,000	\$ 433,000	\$ 51,676	\$ (381,324)
Interest income	-	-	8,173	8,173
Total Revenues	433,000	433,000	59,849	(373,151)
<b>EXPENDITURES</b>				
Conservation activities:				
Donations	400,000	400,000	200,000	200,000
Total Expenditures	400,000	400,000	200,000	200,000
Excess (Deficiency) of Revenues Over (Under) Expenditures	33,000	33,000	(140,151)	(173,151)
<b>OTHER FINANCING SOURCES/(USES)</b>				
Transfers Out	(388,000)	(388,000)	(388,000)	-
Total Other Financing Sources/(Uses)	(388,000)	(388,000)	(388,000)	-
Net Change in Fund Balance	(355,000)	(355,000)	(528,151)	(173,151)
Fund Balance - Beginning	1,562,384	1,562,384	1,562,384	-
Fund Balance - Ending	\$ 1,207,384	\$ 1,207,384	\$ 1,034,233	\$ (173,151)

See accompanying note to required supplementary information.

**YOLO COUNTY NATURAL 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, 2011**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Fees and permits	\$ -	\$ -	\$ -	\$ -
Grant revenue	779,908	779,908	224,709	(555,199)
Total Revenues	<u>779,908</u>	<u>779,908</u>	<u>224,709</u>	<u>(555,199)</u>
<b>EXPENDITURES</b>				
Conservation activities:				
Salaries and benefits	165,240	165,240	193,204	(27,964)
Professional services	1,310,152	1,310,152	731,907	578,245
Interest expense	-	-	9,151	(9,151)
Other expenses	14,400	15,250	9,434	5,816
Total Expenditures	<u>1,489,792</u>	<u>1,490,642</u>	<u>943,696</u>	<u>546,946</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(709,884)</u>	<u>(710,734)</u>	<u>(718,987)</u>	<u>(8,253)</u>
<b>OTHER FINANCING SOURCES/(USES)</b>				
Transfers In	<u>500,000</u>	<u>500,000</u>	<u>1,678,926</u>	<u>1,178,926</u>
Total Other Financing Sources/(Uses)	<u>500,000</u>	<u>500,000</u>	<u>1,678,926</u>	<u>1,178,926</u>
Net Change in Fund Balance	(209,884)	(210,734)	959,939	1,170,673
Fund Balance - Beginning	<u>(976,830)</u>	<u>(976,830)</u>	<u>(976,830)</u>	<u>-</u>
Fund Balance - Ending	<u>\$ (1,186,714)</u>	<u>\$ (1,187,564)</u>	<u>\$ (16,891)</u>	<u>\$ 1,170,673</u>

See accompanying note to required supplementary information.

**YOLO COUNTY NATURAL 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, 2011**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>		<u>Final Budget</u>
				<u>Positive</u>
				<u>(Negative)</u>
<b>REVENUES</b>				
Fees and permits	\$ 725,000	\$ 725,000	\$ 21,650	\$ (703,350)
Interest income	-	-	23,536	23,536
Total Revenues	<u>725,000</u>	<u>725,000</u>	<u>45,186</u>	<u>(679,814)</u>
<b>EXPENDITURES</b>				
Conservation activities:				
Other expenses	500	500	-	500
Donations	<u>400,000</u>	<u>400,000</u>	<u>-</u>	<u>400,000</u>
Total Expenditures	<u>400,500</u>	<u>400,500</u>	<u>-</u>	<u>400,500</u>
Excess (Deficiency) of Revenues Over (Under)				
Expenditures	<u>324,500</u>	<u>324,500</u>	<u>45,186</u>	<u>(279,314)</u>
<b>OTHER FINANCING SOURCES/(USES)</b>				
Transfers Out	<u>(500,000)</u>	<u>(500,000)</u>	<u>(1,678,926)</u>	<u>(1,178,926)</u>
Total Other Financing Sources/(Uses)	<u>(500,000)</u>	<u>(500,000)</u>	<u>(1,678,926)</u>	<u>(1,178,926)</u>
Net Change in Fund Balance	<u>(175,500)</u>	<u>(175,500)</u>	<u>(1,633,740)</u>	<u>(1,458,240)</u>
Fund Balance - Beginning	<u>3,196,124</u>	<u>3,196,124</u>	<u>3,196,124</u>	<u>-</u>
Fund Balance - Ending	<u>\$ 3,020,624</u>	<u>\$ 3,020,624</u>	<u>\$ 1,562,384</u>	<u>\$ (1,458,240)</u>

See accompanying note to required supplementary information.

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

**NOTE TO REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEARS ENDED JUNE 30, 2012 AND 2011**

*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 with major budget units as long as the total expenditures for each budget unit remain unchanged.

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

*NOTE 2 – EXCEEDED BUDGET*

The budget for Transfers for the Wildlife Mitigation Special Revenue Fund was exceeded during the 2011 Fiscal Year by \$1,178,926.

The budget was also exceeded for Salaries and Benefits Expense for the General Fund during the 2011 Fiscal year by \$27,964.

The line item for Interest Expense for the General Fund during the 2011 Fiscal Year was not budgeted and therefore exceeded the budget by \$9,151.

**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 were engaged to audit 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 years ended June 30, 2012 and 2011 which collectively comprise the Habitat JPA's basic financial statements and have issued our report thereon dated May 30, 2013. We were engaged to conduct 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.

Since, we were unable to determine whether a liability exists between the General Fund and the Wildlife Mitigation Special Revenue Fund related to the unauthorized transfers made from the Wildlife Mitigation Fund to the General Fund, and determine the appropriateness of the grant revenues recorded in the General Fund and Governmental Activities due to insufficient documentation, we were unable to apply other auditing procedures over these areas and therefore our scope of work was not sufficient to enable us to express, and we do not express, an opinion on the financial statements of the Habitat JPA. We also noted that the Habitat JPA's financial statements were prepared assuming that the Habitat JPA will continue as a going concern as a result of the deficit fund balance that exists in the General Fund. Our report also noted that the Habitat JPA did not present Management's Discussion and Analysis (MD&A).

**Internal Control Over Financial Reporting**

Management of the Habitat JPA is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Habitat JPA's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Habitat JPA's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying "Schedule of Findings and Responses", we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

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. We consider the deficiencies described in the accompanying "Schedule of Findings and Responses" referenced as 2011-01, 2011-04, 2011-05, 2011-07, 2011-08, 2011-09, 2011-11, 2011-12, 2011-14, and 2011-17 to be material weaknesses.

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. We consider the deficiencies described in the accompanying "Schedule of Findings and Responses" referenced as 2011-02, 2011-03, 2011-06, 2011-10, 2011-13, 2011-15, 2011-16, and 2011-18 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying "Schedule of Findings and Responses" referenced as 2011-08 and 2011-14.

The Habitat JPA's responses to the findings identified in our audit are described in the accompanying "Schedule of Findings and Responses". We did not audit the Habitat JPA's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the Board of Directors, management, others within the entity, participating agencies of the Joint Powers Agreement, and regulatory agencies and is not intended to be and should not be used by anyone other than these specified parties.

*Varrinck, Trine, Day & Co. LLP*

Sacramento, California  
May 30, 2013

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

**SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEARS ENDED JUNE 30, 2012 AND 2011**

**Finding 2011-01**

**CONTRACT DOCUMENTATION**

**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:**

*Material Weakness* – During the course of our audit, we reviewed contracts that had significant expenditures during the 2011 and 2012 fiscal years. We noted instances of missing procurement documentation and justification. The contract file should contain all relevant documentation related to the procurements including but not limited to public notices, request for proposals or bid specifications, bids received, scoring or pricing sheets, approval from awarding agencies (if required), executed contract, and any other relevant documentation. The Habitat JPA has elected to follow the County of Yolo's procurement policy which requires that formal bids are conducted in accordance with the policy thresholds and that documentation is retained for procurements and sole source awards.

**Context:**

The condition noted above was identified during our consideration of the internal controls over the procurement process. This condition was noted on 3 of the 4 contracts selected for testing during the audit.

**Cause:**

The Habitat JPA's internal controls over the procurement process were not designed to ensure the Habitat JPA complied with the procurement policies and retained all relevant documentation relating to the procurements to support the decisions for entering into contracts with vendors approved by the Board of Directors.

**Effect:**

As a result of the condition noted above, documentation supporting the rationale for procurements, authority to enter into agreements was not available or incomplete. This increases the risk that procurement awards may have been made without justification for sole source awards, or that procurement policies were circumvented or not complied with as documentation was not clearly organized and available to support procurements reviewed.

**Recommendation:**

We recommend that the Habitat JPA design and implement policies and procedures to ensure that all contracts have procurement justifications to support the decisions reached and that documentation is retained in an organized fashion to support the contract awards and that documentation is properly reviewed and approved.

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

**SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEARS ENDED JUNE 30, 2012 AND 2011**

**View of Responsible Officials and Planned Corrective Plan:**

On December 17, 2012, the Habitat JPA Board voted to follow all Yolo County Administrative Procedure Manual policies, including procurement. Many of the existing consultant contracts were executed before the Habitat JPA started keeping organized records, so material was not in the files for the auditors. The Habitat JPA now keeps organized records, as well as follows the Yolo County Administrative Procedure Manual policies.

**Finding 2011-02**

**EXECUTIVE DIRECTOR TRAVEL REIMBURSEMENTS 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 design of internal controls over the disbursement and reimbursement processes, we noted instances where travel or mileage reimbursement claims submitted by the Executive Director were being approved by the same individual (Executive Director) and had no independent review/approval prior to being submitted to the County for payment processing.

**Context:**

The condition noted above was identified during our consideration of the internal controls over the disbursement or reimbursement process. This condition existed on reimbursements submitted by the former Executive Director during both the 2011 and 2012 fiscal years.

**Cause:**

The Habitat JPA's internal controls over the disbursement or reimbursement process are not designed effectively to allow proper segregation of duties between the individual incurring the expenditures for reimbursement and the individual reviewing and approving the expenditures.

**Effect:**

The condition described above results in an increased risk that inaccurate or fictitious travel or mileage reimbursement expenses could be included in the reimbursements submitted for processing and would not be prevented or detected as the review process was not adequately designed for proper segregation of duties.

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

**SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEARS ENDED JUNE 30, 2012 AND 2011**

**Recommendation:**

We recommend that the Habitat JPA design and implement policies and procedures to ensure that all travel reimbursement claims are properly reviewed and approved by an individual (ex. Board Member or Auditor Controller) other than the individual that incurred the expenditures.

**View of Responsible Officials and Planned Corrective Plan:**

The Chair of the Habitat JPA now authorizes all travel and/or reimbursement expenses of the Executive Director.

**Finding 2011-03**

**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).

**Context:**

The condition noted above was identified during our consideration of the internal controls over the payroll process. This condition was noted to exist throughout the 2011 and 2012 fiscal years.

**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.

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

**SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEARS ENDED JUNE 30, 2012 AND 2011**

**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.

**Finding 2011-04**

**FUNCTIONAL TIMECARDS**

**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:**

*Material Weakness* – During the course of our audit, we noted that the Habitat JPA does not use functional timecards to allocate the time spent by employees to the various functions of the organization such as general administrative or to each individual state/federal grants. This resulted in inadequate support for the amounts of payroll included on the billings to state and federal grants.

**Context:**

The condition noted above was identified during our consideration of the internal controls over the payroll process. We noted that this condition existed throughout the 2011 and 2012 fiscal years.

**Cause:**

The Habitat JPA has not implemented the use of functional timecards.

**Effect:**

The condition noted above resulted in there being a lack of support for the basis of time charged by the Habitat JPA to the various grants. The lack of functional timecards also can result in improper amounts of time being charged to the grants or to the general administration of the organization.

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

**SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEARS ENDED JUNE 30, 2012 AND 2011**

**Recommendation:**

We recommend that the Habitat JPA implement the use of functional time cards so that payroll expenses can be properly charged to the various activities or the organization to which they belong.

**View of Responsible Officials and Planned Corrective Plan:**

All Habitat JPA employees now track their time daily and allocate appropriate time to grant tasks or other activities as directed by the Executive Director. All consultants are required to bill by grant task or to other activities at the direction of the Executive Director. The Executive Director further tracks all time charged to each grant and provides this information to the Board on a quarterly basis.

**Finding 2011-05**

**GRANT REIMBURSEMENTS AND FEDERAL EXPENDITURES**

**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:**

*Material Weakness* – During the course of our audit, we noted that the Habitat JPA did not submit reimbursements on a timely basis to the granting organizations. For example, we noted one grant invoice for the period of November 2006 – June 2009 was submitted during the 2011 fiscal year and an invoice for the period of June 2010 – September 2011 was submitted during the 2012 fiscal year.

We also noted that the invoices submitted by the Habitat JPA lacked clear support for the contractor invoices included in each individual invoices, had no functional timecards to support the amount of hours charged by the Habitat JPA employees, and did not have any support for the In-Kind contributions required by the Habitat JPA for the various grants.

We also noted that the total amounts of federal expenditures for each fiscal year could not be clearly calculated as there were no clear mechanisms to track the federal expenditures during the 2011 and 2012 fiscal years. The reimbursement requests could not be used to calculate the federal expenditures for the periods as they did not provide clear cutoff (crossed fiscal years) and could not be correlated to the individual expenditure documentation.

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

**SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEARS ENDED JUNE 30, 2012 AND 2011**

**Context:**

The condition noted above as identified during our consideration of the internal controls over the grant reimbursement claims process. We reviewed various invoices related to the 2011 and 2012 fiscal year and noted that this condition existed for all grant invoices submitted during this timeframe

**Cause:**

The Habitat JPA did not implement controls to ensure claims were submitted on a timely basis and the claims submitted were not properly supported by the records maintained by the organization.

The Habitat JPA did not design and implement a method to track the amount of federal expenditures incurred by the organization in each fiscal year.

**Effect:**

The conditions noted above resulted in the revenue not being recorded in the appropriate fiscal years in the accounting records due to revenue not being matched up with the expenditure periods when the revenue was generated. This resulted in a prior period restatement of the financial statements.

The lack of proper supporting documents increases the risk of fraud or error during the grant reimbursement claiming process and reduces the JPA's ability to clearly support allowable costs. The lack of documents could also result in noncompliance with the terms of State and Federal grant awards and result in the Habitat JPA begin asked to return state or federal funds.

The lack of a tracking mechanism for the expenditure of federal funds during the fiscal year results in the possibility that the Habitat JPA could be in noncompliance with the Single Audit Act which requires entities spending more than \$500,000 in federal funds in any fiscal year requiring an additional compliance audit.

**Recommendation:**

We recommend that the Habitat JPA implement policies and procedures to ensure claims are submitted timely; the supporting documents for each of the claims should reconcile to the claim balance and have proper review and approval; and the Habitat JPA should also design and implement proper mechanisms and controls to track the expenditures of federal grants.

**View of Responsible Officials and Planned Corrective Plan:**

The Habitat JPA is current on grant reimbursements. In December 2012, the Habitat JPA Board adopted a policy to submit grant reimbursements monthly and within 30 days of receiving all invoices for a particular month. All invoices for reimbursement have appropriate support. As described above, the Executive Director tracks all consultant invoices received by the JPA in a master spreadsheet that is provided to the Habitat JPA Board on a quarterly basis. Habitat JPA staff use this spreadsheet and individual consultant invoices to provide justification for grant reimbursement invoices. As a result of this tracking system and following the Yolo County Administrative Procedures Manual, the JPA and outside auditors can determine the exact amount of federal expenditures in a fiscal year.

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

**SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEARS ENDED JUNE 30, 2012 AND 2011**

**Finding 2011-06**

**MISCLASSIFICATION OF EXPENDITURES**

**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, as a result of our expenditure testing, we noted instances where the expenditures were recorded in the incorrect fund. These expenditures related to payments for the monitoring of conservation easements which were recorded within the General Fund. These expenditures should have been recorded within the Wildlife Mitigation Special Revenue Fund which retains the Stewardship Endowments (restricted cash) which should be used to fund the monitoring of the easements.

**Context:**

The conditions noted above were identified during our expenditure testing. We noted two invoices in fiscal year 2011 that were misclassified. However, we noted through review of the expenditure detail that there are additional invoices from this vendor during the 2011 and 2012 fiscal years that were potentially misclassified.

**Cause:**

The internal controls associated with the expenditure approval process did not ensure that the amounts were recorded into the appropriate fund and utilized the restricted cash set up for the easement monitoring purpose.

**Effect:**

The conditions described above resulted in overstatement of the expenses in the General Fund and an understatement of expense in the Wildlife Mitigation Trust Fund. This also will result in the Wildlife Mitigation fund owing funds to the General Fund for the amounts of invoices paid on its behalf.

**Recommendation:**

We recommend that the Habitat JPA design and implement policies and procedures to ensure that all expenditures are properly recorded in their respective fund accounts and that the expenditures of the organization are reviewed to ensure that all easement monitoring costs are appropriately repaid to the General Fund.

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

**SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEARS ENDED JUNE 30, 2012 AND 2011**

**View of Responsible Officials and Planned Corrective Plan:**

The Habitat JPA has separated each of the endowment accounts for individual easements into a separate account. (These accounts were previously in one comingled fund.) The Habitat JPA will reimburse the General Fund for expenses that should have been paid by the individual easement endowment accounts. In the future, payments for monitoring of individual easements will be paid out of the endowment account for that easement.

**Finding 2011-07**

**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:**

*Material Weakness* – During the course of our audit, we noted that the Habitat JPA exceeded its budget on certain line items and no reconciliation process or budget amendments were requested of the Board at year end to explain and cover the overages that occurred. We noted that the budgets were exceeded for Salaries and Benefits and Interest Expense in the General Fund in fiscal year 2011 and for Transfers for the Wildlife Mitigation Fund in fiscal year 2011.

We also noted that the budgets for the 2011 and 2012 fiscal years included revenue amounts within the approved budgets and that were not revised at the Midyear budget or Year end to reflect more realistic projections.

**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 line items for both the General Fund and the Wildlife Mitigation Fund for the 2011 fiscal year. The budgets of both the 2011 and 2012 fiscal years included substantial negative budget variances for revenue as revenue projections did not materialize and were not revised through budget amendments.

**Cause:**

The Habitat JPA has not implemented controls to ensure reconciliation or budget amendments are requested in the case of budget overspent. The organization also did not ensure that budget revisions were made to ensure that budgets were realistic for the organization.

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

**SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEARS ENDED JUNE 30, 2012 AND 2011**

**Effect:**

The condition noted above resulted in budgeted line items being exceeded during the 2011 fiscal year and resulted in significant budget to actual variances for revenues.

**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 May 2013, the Habitat JPA Board approved an MOU with the Yolo County Auditor-Controller to provide more oversight over Habitat JPA financial activities. (The Habitat JPA Board reviewed the draft MOU in April 2013.) In December 2012, the Habitat JPA Board approved following the Yolo County Administrative Procedures Manual, including reconciling the budget at year end and requesting budget amendments when necessary. Finally, the Habitat JPA Board receives monthly financial updates at each Board meeting to track revenue and expenditures as compared to the adopted budget. The Habitat JPA Board also receives reports directly from the General Ledger to compare to the monthly financial reports. In October 2012, the Board also adopted a policy to coordinate an annual presentation by the Yolo County Auditor-Controller's office of the State Controller's report on JPA finances.

**Finding 2011-08**

**TIMELY AUDITS**

**Criteria:**

The Bylaws of the Yolo County Habitat/Natural Community Conservation Plan Joint Powers Agency *Section 5.2* requires an Annual Report and Audit to be sent to the member agencies not later than 180 days after the close of each fiscal year.

**Condition Found:**

*Material Weakness, Material Instance of Noncompliance* – We noted that the Habitat JPA's audits were not completed timely as required by Habitat JPA Bylaws as an external auditor was not engaged to complete the audits until significantly after the required timeline.

**Context:**

The audit for the 2011 fiscal year will be provided to the member agencies approximately June 2013 which is 18 months late. The audit for the 2012 fiscal year will be provided to the member agencies approximately June 2013 which is 6 months late.

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

**SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEARS ENDED JUNE 30, 2012 AND 2011**

**Cause:**

No internal control was implemented to ensure that an external auditor was engaged timely to ensure that timely audits were completed as required by Habitat JPA Bylaws.

**Effect:**

The conditions described above result in the Board and Member Agencies not being able to review the audit report timely and address any audit findings or issues in a timely manner.

**Recommendation:**

We recommend that the Habitat JPA design and implement policies and procedures to ensure that future audits will be completed timely in accordance with the Habitat JPA Bylaws.

**View of Responsible Officials and Planned Corrective Plan:**

The JPA will complete audits within six months of the end of the fiscal year as stated in the bylaws. The Habitat JPA Management Committee has already approved retaining an auditor for the 2012-13 audit, which would start in the fall 2013 and be completed before the end of the year. The Memorandum of Understanding (MOU) with the Auditor-Controller will also help to ensure that audits are completed in a timely manner. In October 2012, the Board also adopted a policy to coordinate timely annual outside audits, the results of which will be presented to the Board by an outside firm, with copies to the County Administrative Officer (CAO) of Yolo County and each city manager.

**Finding 2011-09**

**UNAUTHORIZED TRANSFERS**

**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.

In 2006, the Habitat JPA obtained California Department of Fish and Game (CDFG) concurrence in a proposal to use up to \$2 million in Wildlife Mitigation Fund monies to support the creation of the Yolo County Habitat Conservation Plan. The CDFG operates as the oversight agency for the creation of the habitat conservation plan. The member agencies also approved a First Amended and Restated Joint Powers Agreement in 2006 to authorize this use of Wildlife Mitigation Fund monies.

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

**SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEARS ENDED JUNE 30, 2012 AND 2011**

**Condition Found:**

*Material Weakness* – During the course of our audit, as a result of testing the JPA Habitat's transfers process, we noted that the amount transferred of \$1,678,926 in fiscal year 2011 exceeded the board approved amount of \$500,000 and did not have the proper authorization from the Board.

As of the end of fiscal year 2012, the Habitat JPA had exceeded the specified transfer amount of \$2 million from the Wildlife Mitigation Fund to the General Fund by approximately \$1,876,686. The specified amount was communicated through the CFDG letter in response to the Habitat JPA's letter to use the mitigation funds.

**Context:**

The conditions noted above were identified during our consideration of the interfund transfers testing. We noted that the amount of unauthorized transfers described above and the limit of transfers had been exceeded by the amounts described above.

**Cause:**

Internal controls were not properly designed and implemented to ensure that transfer amounts were properly authorized by the Board and did not exceed the amounts budgeted by the Board.

Internal controls also were not properly designed and implemented to avoid the Habitat JPA transfers exceeding the \$2 million specified amount in the communication letter from the CDFG.

**Effect:**

The conditions described above resulted in the Habitat JPA exceeding the allowable transfers amount communicated within the letter from the California Department of Fish and Game. The Habitat JPA may need to repay the funds in excess of \$2 million to the Wildlife Mitigation Fund from the General Fund.

**Recommendation:**

We recommend that the Habitat JPA design and implement policies and procedures to ensure that all future transfers have proper approvals and authorization by the board and do not exceed the budgeted amounts.

We also recommend that the Habitat JPA obtain a legal opinion from its counsel as to whether the transfers in excess of the \$2 million are required to be repaid to the Wildlife Mitigation Fund. If the Board determines repayment is required, we recommend it should adopt a schedule to repay the funds in a reasonable timeframe.

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

**SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEARS ENDED JUNE 30, 2012 AND 2011**

**View of Responsible Officials and Planned Corrective Plan:**

The Habitat JPA's MOU with the Yolo County Auditor-Controller requires Board approval of all transfers from the Mitigation Trust Account. In October 2012, the Board also adopted a policy to rely exclusively on funding other than the Mitigation Trust Account for plan development, unless otherwise authorized by subsequent Board action. The Habitat JPA Board will make a legal determination as to whether the transfers in excess of the agreed upon limit are to be repaid to the Mitigation Trust Account by June 30, 2013. Finally, the Yolo County Auditor-Controller has the agency to contact the Board Chair directly if the Auditor-Controller identifies financial irregularities.

**Finding 2011-10**

**LATE BUDGET APPROVALS**

**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 budgets were approved after the start of the respective fiscal years. We noted that the fiscal year 2011 budget was not approved until July 19, 2010. We noted that the fiscal year 2012 budget was not approved until July 18, 2011.

**Context:**

The condition noted above was identified during our review of the testing of Board Minutes. We noted that both the 2012 and 2011 fiscal year budget were not approved timely.

**Cause:**

The Habitat JPA did not have internal control designed or implemented to ensure budgets were approved before the start of a new fiscal year.

**Effect:**

The condition described above results in an increased risk of fund not being spent in accordance with the adopted budget due to the budget not being approved timely.

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**SCHEDULE OF FINDINGS AND RESPONSES  
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**Recommendation:**

We recommend that the Habitat JPA design and implement policies and procedures to ensure that budgets will be approved prior to the start of the fiscal year.

**View of Responsible Officials and Planned Corrective Plan:**

The Habitat JPA will complete budgets before the start of the fiscal year, as per the 2006 JPA agreement. The Habitat JPA Board has already received two presentations on the 2013-14 budget in March and April 2013 and provided direction on the final budget. The Board will adopt the 2013-14 budget at the June 2013 Board meeting. According to the MOU with the Yolo County Auditor-Controller, Auditor-Controller staff will help with Habitat JPA develop budget practices for consideration by the JPA Board.

**Finding 2011-11**

**EXPENDITURE AND REVENUE CUTOFF**

**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:**

*Material Weakness* – During the course of our audit, as a result of our procedures over subsequent receipts and disbursements, we noted instances where the revenues and expenditures were either improperly excluded from or improperly recorded in the fiscal year. This condition is due to the late submissions of grant reimbursements and due to invoices related to the fiscal years being paid after the County's closing period. The condition also was due to grant invoices being submitted that pertained to multiple fiscal years.

**Context:**

The conditions noted above were identified during our consideration of the subsequent receipts and disbursements and resulted in material audit adjustments and a prior period restatement.

**Cause:**

No internal control were designed or implemented to ensure that prior to the audit, that the revenues and expenditures, including subsequent revenues and expenditures, were included in the appropriate periods in the accounting records. The primary causes for the adjustments was the late invoicing to granting agencies and the organization sitting on invoices due to cash flow concerns in the General Fund.

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CONSERVATION PLAN JOINT POWERS AGENCY**

**SCHEDULE OF FINDINGS AND RESPONSES  
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**Effect:**

The conditions described above resulted in significant amounts of audit adjustments to the financial statements and a prior period restatement of the financials. Recording amounts of expenditures and revenues in the wrong period decreases the comparability of the financial statements as transactions should be matched up to the periods that they relate to.

**Recommendation:**

We recommend that the Habitat JPA design and implement policies and procedures to ensure that all expenditures and revenues are recorded in the proper period in the accounting records prior to the audit of the financial statements.

**View of Responsible Officials and Planned Corrective Plan:**

As indicated in earlier responses, the combination of the new grant reimbursement policies and enhanced Board oversight of financial activities should prevent the improper exclusion of revenues and expenditures. According to the MOU with the Yolo County Auditor-Controller, Auditor-Controller staff will help the Habitat JPA effect proper cutoff of expenditures and revenue.

**Finding 2011-12**

**FINANCIAL GOVERNANCE**

**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:**

*Material Weakness* – During the course of our audit, we noted that the Habitat JPA does not appear to have been providing adequate financial reports and information to the Board. Through review of the minutes, it was noted that the Board was only provided with financial information once annually during the budget process which contained projected information. Therefore, there did not appear to be adequate financial reporting on a periodic basis as to budget to actual expenditures, periodic financial reports (Ex. Monthly or quarterly), receipt/disbursements registers, or other relevant financial reports.

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**SCHEDULE OF FINDINGS AND RESPONSES  
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**Context:**

The conditions noted above were identified during our review of the board minutes for the 2011 and 2012 fiscal years.

**Cause:**

Organizational internal controls did not ensure management provided and the board requested and received financial reports and information on a periodic basis to assist in the monitoring and oversight of the organization.

**Effect:**

The condition described above results in the risk that proper monitoring and oversight of the financial situation of the Habitat JPA organization was not performed on a regular basis.

**Recommendation:**

We recommend that the Habitat JPA design and implement policies and procedures to ensure the distribution of financial reports and information periodically throughout the year to assist management and the board to perform proper monitoring and oversight of the organization.

**View of Responsible Officials and Planned Corrective Plan:**

The Habitat JPA Board now receives monthly financial updates at each Board meeting to track revenue and expenditures as compared to the adopted budget. The Habitat JPA Board also receives reports directly from the General Ledger to compare to the monthly financial reports. In October 2012, the Board also adopted a policy to coordinate an annual presentation by the Yolo County Auditor-Controller's office on the State Controller's report on Habitat JPA finances.

**Finding 2011-13**

**UNAPPROVED VENDOR INVOICES**

**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, as a result of our test of the operating effectiveness of controls over the disbursement process, we noted four instances where contract invoices did not contain evidence of the approval of the Executive Director before they were submitted to the County for payment processing.

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**Context:**

The condition noted above was identified during our consideration of the testing of operating effectiveness of internal controls over the disbursement process. We noted three invoices for fiscal year 2011 that did not contain the Executive Director approval on the invoice prior to payment and one invoice for fiscal year 2012.

**Cause:**

The Habitat JPA's internal controls over the disbursement process were not designed and implemented effectively to prevent invoices from being processed for payment without proper approval.

**Effect:**

The condition described above results in an increased risk that inaccurate or fictitious invoices could be submitted for payment processing without being prevented or detected.

**Recommendation:**

We recommend that the Habitat JPA design and implement policies and procedures to ensure that all invoices are properly reviewed and approved prior to submission to the County for payment.

**View of Responsible Officials and Planned Corrective Plan:**

The Executive Director or the Chair now signs all invoices before they are submitted to the County for payment processing. In some cases, the Chair provides approval via email. Such email communications are included in the payment file.

**Finding 2011-14**

**CONSERVATION EASEMENTS**

**Criteria:**

The First Amended and Restated Joint Power Agreement of the Yolo County Habitat/Natural Community Conservation Plan Joint Powers Habitat JPA *Section 2.10* indicates that, as soon as practicable, the Habitat JPA shall select one or more private, nonprofit organization eligible to hold title pursuant to Civil code section 815.3 to hold title to conservation easements and lands in fee title which are acquired by the Habitat JPA, if the Department of Fish and game does not elect to hold title.

**Condition Found:**

*Material Weakness, Material Instance of Noncompliance* – As a result of our procedures over the capital assets balance, we noted the Habitat JPA was including conservation easements that were granted to private nonprofit organizations on the JPA's accounting records. This was overstating the total assets of the organization.

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We also noted that the Habitat JPA holds (owns) the easements through the Conservation Easement deeds for the Sacramento River Ranch and Virgin Farms Conservation Easements. Efforts have not been made since acquisition to attempt to place the conservation easements with an eligible third party. This condition may be in violation of the Joint Powers Agreement of the Habitat JPA.

**Context:**

The condition noted above was identified during our consideration of the capital assets testing. Of the nine easements included in the accounting records, only two are held by the Habitat JPA.

**Cause:**

The Habitat JPA did not have adequate internal controls designed and implemented and understanding over the conservation easements and capital assets process to ensure that only easement which the organization holds (owns) were included in the accounting records.

Also, the Habitat JPA acquired conservation easements without locating an acceptable private nonprofit organization to hold the easements prior to closing and has not made efforts since closing to locate an eligible third party to hold the easements.

**Effect:**

The condition described above resulted in a prior period restatement of the financial statements due to the overstatement of Capital Assets. The condition also results in the Habitat JPA holding conservation easements that may be in violation of the Habitat JPA Agreement.

**Recommendation:**

We recommend that the Habitat JPA design and implement policies and procedures to ensure that the organization owns the assets prior to including them in their Capital Asset ledgers. We also recommend that the Habitat JPA determine the appropriate action steps to bring the organization into compliance with the JPA agreement in regards to holding of conservation easements.

**View of Responsible Officials and Planned Corrective Plan:**

The Habitat JPA has adjusted the estimate of capital assets to reflect the Yolo Land Trust owns six of the easements purchased by the Habitat JPA. The Habitat JPA will review the conservation deeds for Sacramento River Ranch and Virgin Farms and take appropriate action to ensure consistency with the Habitat JPA bylaws.

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**SCHEDULE OF FINDINGS AND RESPONSES  
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**Finding 2011-15**

**PERSONNEL EVALUATIONS**

**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 did not have records of personnel evaluations being performed for the Executive Director and Assistant to the Director for either the 2011 or 2012 fiscal years.

**Context:**

The conditions noted above were identified during our consideration of the personnel and human resources process. We noted that no evaluations were contained in the Assistant to the Executive Director's personnel file and there was no indication of a personnel review of the Executive Director being performed in either the board minutes or employee's personnel file during the 2011 and 2012 fiscal years.

**Cause:**

Internal Controls were not designed and implemented to ensure personnel evaluations were performed for Habitat JPA staff members and Executive Director.

**Effect:**

The conditions described above does not allow for the effective monitoring of the personnel and Executive Director of the organization and to allow for the correction of potential issues or problems.

**Recommendation:**

We recommend that the Habitat JPA design and implement policies and procedures to ensure that personnel evaluations will be done at a minimum on an annual basis to ensure proper monitoring over employee performance.

**View of Responsible Officials and Planned Corrective Plan:**

The JPA will complete the review of the Executive Director by the June 2013 Board meeting and annually thereafter. The Executive Director will complete a review of the Administrative Assistant by June 30, 2013 and annually thereafter.

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**SCHEDULE OF FINDINGS AND RESPONSES  
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**Finding 2011-16**

**COMPENSATED ABSENCES**

**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 Accrued Vacation or Compensated Absences were not recorded in the General ledger for the employees of the Habitat JPA for either the 2011 or the 2012 fiscal years.

**Context:**

The condition noted above was identified during our consideration of the Compensated Absences reports and testing and inspection of the trial balance.

**Cause:**

The Habitat JPA did not have proper internal controls designed and implemented to ensure Compensated Absences were properly recorded in the General ledger of the Habitat JPA.

**Effect:**

The condition described above resulted in audit adjustments to appropriately record the liabilities for the Financial Statements.

**Recommendation:**

*This is a repeat condition from the Fiscal Year 2009 and 2010 audits.*

We recommend that the Habitat JPA design and implement policies and procedures to ensure that Compensated Absences will be recorded in the General ledger of the organization.

**View of Responsible Officials and Planned Corrective Plan:**

The JPA will record compensated absences in the General Ledger of the JPA and will update as part of the fiscal year closing process with assistance of Auditor-Controller staff.

**YOLO COUNTY HABITAT/ NATURAL COMMUNITY  
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**SCHEDULE OF FINDINGS AND RESPONSES  
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**Finding 2011-17**

**NEGATIVE FUND BALANCE AND GOING CONCERN**

**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:**

*Material Weakness* – We noted that the Habitat JPA has Negative Fund Balances for the General fund for both the 2011 and 2012 fiscal years. We also noted that the Habitat JPA has cash overdrafts within the general fund for the same fiscal years. The Habitat JPA also has been discussing the possibilities of dissolution of the organization in the August/September 2013 timeframe.

There is also uncertainty as the potential liability of the General Fund to repay the Wildlife Mitigation Fund for the transfers in excess of the agreed upon limit of \$2 between the Habitat JPA and the California Department of Fish and Game.

The Habitat JPA does not have sufficient cash reserves established within the organization to ensure that the organization continues to be able to pay its bills timely and maintain ongoing payroll and operations.

**Context:**

The condition noted above was identified during our consideration of the financial statements and the organizations ability to continue in the future.

**Cause:**

The Habitat JPA's revenue has not been in line with expenditures and depleted the cash position of the organization. The entity has not established appropriate amounts of cash and fund balance reserves to ensure the Habitat JPA has significant liquidity to continue operations. The organizations actual expenditures were not in line with the revenues of the organization and are currently unable to borrow additional funds from the Wildlife Mitigation Fund.

**Effect:**

The condition presents the risk that the organization will not have sufficient liquidity to continue operations in the future.

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**SCHEDULE OF FINDINGS AND RESPONSES  
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**Recommendation:**

We recommend that the Habitat JPA design and implement plans to reduce the negative fund balance of the General Fund, ensure that actual receipts are brought into line with the expenditures of the organization, and establish cash and fund balance reserves to ensure the entity can meet its obligations on a timely basis.

**View of Responsible Officials and Planned Corrective Plan:**

In October 2012, the JPA Board directed staff to return to the Board with a budget and timeline that corresponds to available grant revenue. The JPA Board adopted a revised 2012-13 budget that is in line with expenditures and revenues at the January 2013 Board meeting. This budget required contributions from each of the member agencies, as well as use of a grant secured in November 2012 for ongoing work on the HCP/NCCP. This budget included funds to compensate for the negative fund balance at the end of the 2011-12 fiscal year. The JPA also established a small reserve as part of this budget. The proposed 2013-14 budget relies on a similar model of member contributions and grant revenue. The Board reviews assumptions for expenditures and revenue prior to the adoption of the budget.

**Finding 2011-18**

**RETENTION RECEIVABLE**

**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 did not record Retention Receivable in the financial statements. The Department of Fish and Game withholds 10% of the payment from its reimbursement of the Habitat JPA's claims until completion of the grants. However the Habitat JPA was not appropriately tracking and recording the retention amounts receivable within the accounting records.

**Context:**

The condition noted above was identified during our testing of the revenues of the organization and we noted that the retention receivable amounts were not being recorded for both the 2011 and 2012 fiscal years.

**Cause:**

The Habitat JPA did not have internal control implemented to ensure the Retention Receivables were tracked and recorded in the accounting records of the organization as required by general accepted accounting principles.

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**Effect:**

The condition described above resulted audit adjustments to properly record Retention Receivable on the financial statements of the Habitat JPA.

**Recommendation:**

We recommend that the Habitat JPA design and implement policies and procedures to record Retention Receivable in the General ledger of the organization to ensure financial presentation in accordance with generally accepted accounting principles.

**View of Responsible Officials and Planned Corrective Plan:**

The Habitat JPA will record all receivables in the General Ledger AR module and the AR module will be reviewed as part of the fiscal year closing process with assistance with Auditor-Controller staff.

**YOLO COUNTY HABITAT/ NATURAL COMMUNITY  
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**STATUS OF PRIOR YEAR FINDINGS AND RESPONSES  
FOR THE YEARS ENDED JUNE 30, 2012 AND 2011**

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

<b>Finding No.</b>	<b>Finding Description</b>	<b>Status of Corrective Action</b>
2009-01	Cutoff	Not Implemented. See finding 2011-11