



Financial Statements with  
Independent Auditor's Report  
Year ended December 31, 2017



# THE NATOMAS BASIN CONSERVANCY

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## **INTRODUCTORY SECTION**





### BOARD OF DIRECTORS

Steve Willey, *Board Chair*  
Chandra Chilmakuri, *Secretary*  
David Christophel, *Treasurer*  
Steven Cohn, *Board Member*  
Jeffrey Helm, *Board Member*  
Jill Leal, *Board Member*  
Kevin McRae, *Board Member*  
Jeffrey Norton, *Board Member*  
John Shirey, *Board Member*  
Anthony Van Ruiten, *Board Member*

### STAFF

John Roberts, *Executive Director*  
Kimberli Burns, *Chief Financial Officer*  
Jennifer Skupic, *Contract & Compliance Manager*  
Valerie Huevo, *Administrative Assistant*  
Jeremy Lor, *Field Assistant*

***The Natomas Basin Conservancy, a California  
Non-profit Public Benefit Corporation***

916.649.3331

2150 River Plaza Drive, Suite 460  
Sacramento, CA 95833



## Letter from the Board Chair and Executive Director



We are pleased to share with you the Conservancy's December 31, 2017 financial report. In sharing it, we aim to help the reader gain an understanding of how the Conservancy conducts its program of work, including creating and managing habitat for 22 Covered Species, overseeing the investment of approximately \$25,000,000 in endowment funds, and managing numerous contractors, all of whom help us accomplish the organization's mission.

Here are some highlights from 2017:

- SAFCA. The Conservancy was contracted by the Sacramento Area Flood Control Agency (SAFCA) to manage approximately 132 acres of its managed marsh mitigation land related to SAFCA's Natomas Levee Improvement Project. We are excited about this new opportunity to manage additional mitigation land for SAFCA.
- Endowment Fund. Endowment Funds under the Conservancy's care posted a 15% increase in 2017. The positive results for 2017 were largely due to market gains and disciplined investment management.
- Mitigation. During 2017, there were virtually no projects in the Natomas Basin requiring HCP mitigation. However, the Conservancy reached out and secured non-HCP mitigation – a public works project initiated by PG&E – that helped advance the interests of the HCPs' Covered Species. At year-end, an additional smaller follow-on project was agreed to between PG&E and the Conservancy for implementation in early 2018.

The Conservancy's Board of Directors and management present this year-end 2017 audited financial report for your review. We are thankful to all who continue to help implement the Natomas Basin Habitat Conservation Plan and Metro Air Park Habitat Conservation Plan, and we look forward to continuing this work on behalf of the HCPs' Covered Species in 2018.

A handwritten signature in blue ink that reads "Steve Willey". The signature is fluid and cursive.

Steve Willey  
2017 Board Chair  
Officer

A handwritten signature in blue ink that reads "John Roberts". The signature is cursive and somewhat stylized.

John Roberts  
Executive Director & Chief Executive

## **FINANCIAL SECTION**

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## **INDEPENDENT AUDITOR'S REPORT**

**To the Board of Directors  
The Natomas Basin Conservancy  
Sacramento, California**

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities and each major fund of the Natomas Basin Conservancy (the Conservancy), as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the Conservancy's basic financial statements as listed in the table of contents.

#### ***Management's Responsibility for the Financial Statements***

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

#### ***Auditor's Responsibility***

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

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

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

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Conservancy, as of December 31, 2017, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 6 through 11 and the budgetary comparison information on pages 26 through 28 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### ***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Conservancy's basic financial statements. The introductory section, as listed in the table of contents, and the Schedule of Mitigation Fees Collected (Schedule) are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Schedule is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 21, 2018, on our consideration of the Conservancy'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

To the Board of Directors  
The Natomas Basin Conservancy  
Page three

reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Conservancy's internal control over financial reporting and compliance.

*Gilbert Associates, Inc.*

**GILBERT ASSOCIATES, INC.**  
**Sacramento, California**

**March 21, 2018**

# THE NATOMAS BASIN CONSERVANCY

## MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2017

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Management of The Natomas Basin Conservancy (the Conservancy), offers readers of the Conservancy's financial statements this narrative overview and analysis of the financial activities of the Conservancy for the year ended December 31, 2017. We encourage readers to consider the information presented here in conjunction with the Conservancy's financial statements, which begin on page 12.

### **FINANCIAL HIGHLIGHTS**

- The Conservancy's net position for 2017 is \$69,093,767, of which \$33,236,466 is invested in capital assets, \$21,184,586 is invested in the Conservancy's Endowment Fund and the balance of \$14,672,715 is invested in the Conservancy's non-endowment funds.
- Cash and investments at December 31, 2017 totaled \$36,205,477.
- Mitigation fee revenue in 2017 was \$1,769,600.
- Investment income from all funds in 2017 was \$3,374,155, an increase of \$1,866,863 over 2016 of \$1,507,292.
- Conservancy expenses totaled \$3,009,751. Aggressive cost-control measures over the past 10-plus years have resulted in total annual expenses averaging \$3,000,000, despite inflation and additions to staff.

### **OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to the Conservancy's basic financial statements which have the following components in addition to management's discussion and analysis: 1) Conservancy-wide financial statements, 2) fund financial statements, 3) notes to the financial statements, and 4) required supplementary schedules. The Conservancy-wide and fund financial statements are presented in a combined format on pages 12 through 15.

As the Conservancy's sitting Board of Directors is appointed by governmental agencies, the Conservancy follows Governmental Accounting Standards Board (GASB). The Conservancy has only governmental-type funds and all are major.

### **CONSERVANCY-WIDE FINANCIAL STATEMENTS**

The Conservancy-wide financial statements are designed to provide readers with a broad overview of the Conservancy's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the Conservancy's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Conservancy is improving or deteriorating.

# THE NATOMAS BASIN CONSERVANCY

## MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2017

The *statement of activities* presents information showing how the Conservancy's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., earned but unused vacation leave).

### FUND FINANCIAL STATEMENTS

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Conservancy uses fund accounting. The Conservancy has six funds (Land Acquisition, Restoration & Enhancement, Endowment, Supplemental Land & Contingency, Administration, and SAFCA), all of which are governmental-type funds.

### NOTES TO THE FINANCIAL STATEMENTS

The notes provide additional information that is essential to a full understanding of the data provided in the Conservancy-wide and fund financial statements. The notes to the financial statements can be found on pages 16 through 25 of this report.

### CONSERVANCY-WIDE FINANCIAL ANALYSIS

The Natomas Basin Conservancy  
Summary of Net Position  
Conservancy-wide Activities  
As of December 31, 2017 and 2016

	<u>December 31, 2017</u>	<u>December 31, 2016</u>	<u>Increase/Decrease</u>
Current and other assets	\$ 36,430,185	\$ 33,241,386	\$ 3,188,799
Capital assets	33,236,466	33,414,613	(178,147)
Total assets	<u>69,666,651</u>	<u>66,655,999</u>	<u>3,010,652</u>
Current liabilities	506,457	519,464	(13,007)
Non-Current liabilities	66,427	60,319	6,108
Total liabilities	<u>572,884</u>	<u>579,783</u>	<u>(6,899)</u>
Net position:			
Net investment in capital assets	33,236,466	33,414,613	(178,147)
Restricted for giant garter snakes	194,809	204,808	(9,999)
Restricted for SAFCA NLIP	883,435	881,374	2,061
Restricted for endowment – permanent	10,385,214	10,024,966	360,248
Restricted for endowment – temporary	10,799,373	8,077,061	2,722,312
Unrestricted	13,594,470	13,473,394	121,076
Total net position	<u>\$ 69,093,767</u>	<u>\$ 66,076,216</u>	<u>\$ 3,017,551</u>

# THE NATOMAS BASIN CONSERVANCY

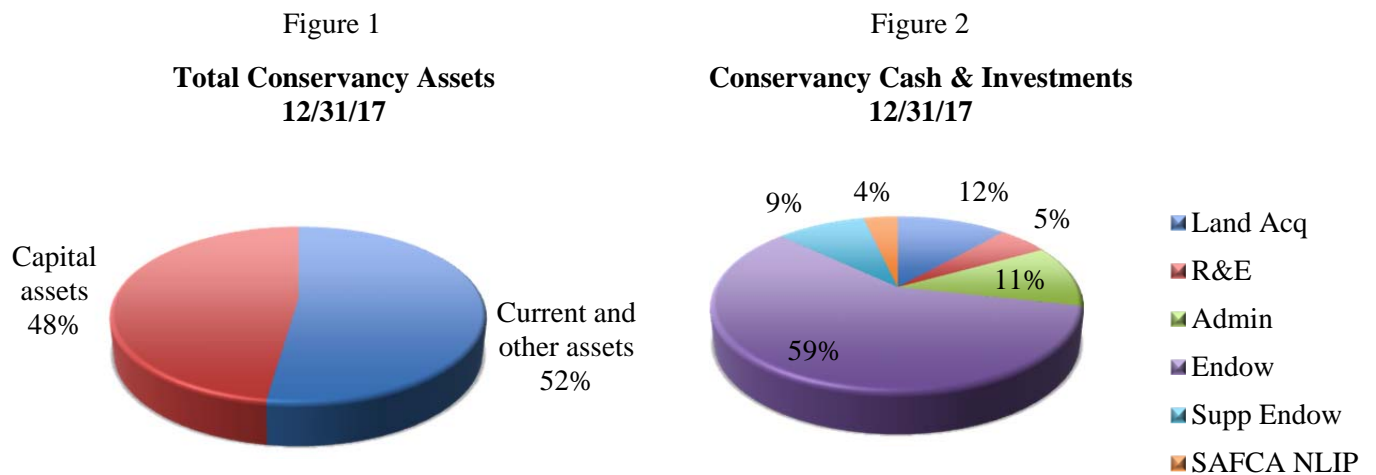
## MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2017

Net position represents the difference between the Conservancy's resources and its obligations. At December 31, 2017, approximately 48% of the Conservancy's net position is invested in land and land improvements. These lands are acquired and enhanced to provide habitat for protected plant and animal species.

At present the Conservancy has no outstanding debt obligations.

The Conservancy presently holds 4,131 acres in the Natomas Basin, of which 4,104 acres are owned in fee simple title and 27 acres are held in easements. All land purchases and land dedications are recorded at their acquisition cost. Land assets are currently booked at \$32,488,284. However, if the Conservancy's total land assets were booked at the annually-adjusted land valuation in the Natomas Basin Habitat Conservation Plan (NBHCP) Finance Model, they would be booked at \$92,947,500. The NBHCP Finance Model is an economic analysis of the Conservancy's operations and a projection of revenue and expense through the 50-year life of the NBHCP and is required to be recalculated annually by the NBHCP.

The two graphs below (Figure 1, Total Conservancy Assets, and Figure 2, Conservancy Cash & Investments).





# THE NATOMAS BASIN CONSERVANCY

## MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2017

The Natomas Basin Conservancy  
Changes in Net Position  
Conservancy-wide Activities  
As of December 31, 2017 and 2016

	<u>December 31, 2017</u>	<u>December 31, 2016</u>	<u>Increase/Decrease</u>
<b>Revenues</b>			
Program revenues:			
Mitigation fees	\$ 1,409,352	\$ 1,940,688	\$ (531,338)
Rent revenue	495,231	787,647	(292,416)
Land Management – SAFCA	154,901	65,261	89,640
Investment income	2,799,040	1,226,222	1,572,818
General revenues:			
Mitigation fees contributed to			
Endowment Fund	360,248	505,995	(145,746)
Investment income	575,117	281,070	294,045
Other	231,415	321,771	(90,356)
Total revenues	<u>6,025,302</u>	<u>5,128,654</u>	<u>896,648</u>
<b>Expenses</b>			
Conservancy operations	<u>3,007,751</u>	<u>2,872,638</u>	<u>135,113</u>
Increase (Decrease) in net position	3,017,551	2,256,016	761,535
<b>Net Position, beginning of period</b>	<u>66,076,216</u>	<u>63,820,200</u>	<u>2,256,016</u>
<b>Net Position, end of period</b>	<u>\$ 69,093,767</u>	<u>\$ 66,076,216</u>	<u>\$ 3,017,551</u>

The NBHCP mitigation fee per acre in 2017 was \$31,600 per disturbed acre (\$20,350 with land dedication), a decrease from the 2016 fee of \$32,259 per disturbed acre (\$21,009 with land dedication). The Conservancy received \$1,769,600 in mitigation fees in 2017. Over the years the Conservancy has accepted non-HCP mitigation and 2017 saw one such mitigation acceptance; in this case from PG&E. All previous non-HCP mitigation fees have been received for public works projects.

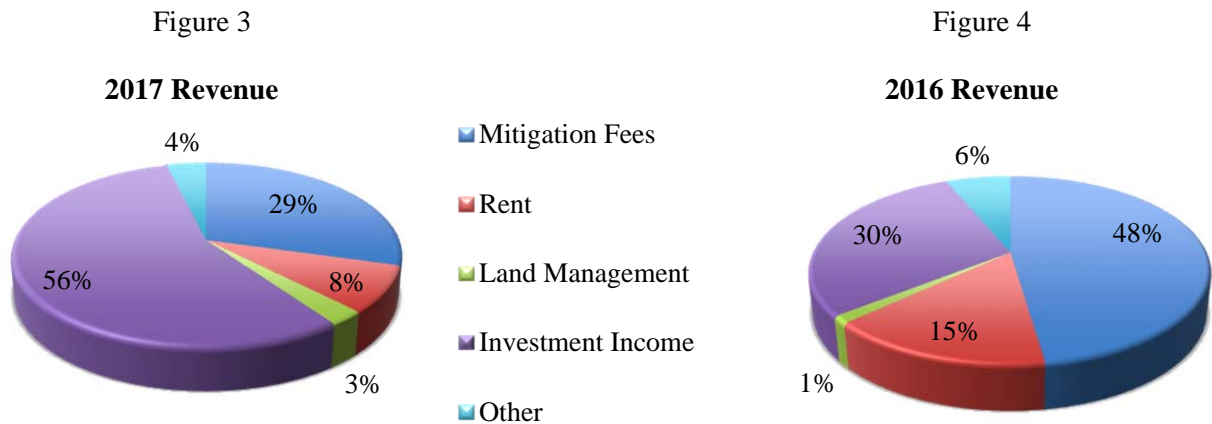
Investment income increased \$1,866,863 from \$1,507,292 in 2016 to \$3,374,155 in 2017 due to significant market gains. Farm rent revenues decreased by \$292,416, from \$787,647 in 2016 to \$495,231 in 2017. This decrease was largely due to market conditions at and prior to planting season as well as heavy spring rains which caused some Conservancy tenant farmers to not farm certain parcels. The Conservancy was reimbursed for certain water costs from tenant farmers.

# THE NATOMAS BASIN CONSERVANCY

## MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2017

Conservancy expenses in 2017 were \$3,007,751, an increase of \$135,113 over 2016 expenses of \$2,872,638. The increase was largely due to new SAFCA contracts as well as additional legal services.

The two graphs below present year-over-year revenue comparisons for 2017 and 2016.



### CONSERVANCY BUDGET ANALYSIS

Conservancy management presented a draft annual 2017 budget to the Conservancy's Board of Directors in October 2016 and a final proposed budget in December 2016, which was approved by the Board. The Board of Directors approved a mid-year budget revision to the 2017 budget in June 2017. The budget revision was necessary to rebalance both the revenue and expense sides based on current data that were not known or anticipated when the budget was originally presented to the Board for adoption in December of 2016. The budget-to-actual schedules for the year are shown on pages 26-28.

### FINANCIAL ANALYSIS OF THE CONSERVANCY'S FUNDS

As of December 31, 2017, the Conservancy's fund balances totaled \$35,923,728, an increase of \$3,201,806 compared to fund balances of \$32,721,922 at December 31, 2016. The increase is largely due to mitigation fee revenue and investment income. The Conservancy's major source of revenue is typically from mitigation fees. Historically, the Conservancy's typical major expenditures are for the acquisition and management of habitat land, including but not limited to property taxes, water, land management and maintenance and biological effectiveness monitoring.

### CAPITAL ASSETS

As of December 31, 2017, the Conservancy's investment in capital assets was \$33,236,466. Capital assets are stated at cost, net of accumulated depreciation. This investment in capital assets includes land and land improvements. Additional information on the Conservancy's capital assets can be found in note 6 on page 24 of this report.

# **THE NATOMAS BASIN CONSERVANCY**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2017**

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### **ECONOMIC FACTORS AND NEXT YEAR'S BUDGET**

The combined impact of the soft real estate economy and the remnants of a de-facto building moratorium due to federal government flood risk determinations have had significant impacts on the Conservancy's budget. As of June 16, 2015, the Federal Emergency Management Agency issued new flood insurance rate maps that provide Natomas with an A99 flood zone designation, which now allows construction in Natomas. Due to certain restrictions on new development by the City of Sacramento, resumption of development requiring NBHCP mitigation will likely restart slowly over the next several years.

The Sacramento Area Flood Control Agency (SAFCA) embarked on a construction project in 2009, known as the Natomas Levee Improvement Project (NLIP), intended to ultimately provide 200-year flood protection in the Natomas Basin. Mitigation for impacts on species covered in the NBHCP has been required for such work. The Conservancy has entered into agreements with SAFCA to conduct mitigation and related activity. These efforts generate modest revenue for the Conservancy.

The Conservancy's Board of Directors approved a budget for 2018 which projects a modest amount of mitigation revenue for the year. The 2018 budget also projects expenses for completion of the updates to the NBHCP's Site-Specific Management Plans for all Conservancy properties.

### **CONTACTING THE CONSERVANCY'S MANAGEMENT**

This financial report is designed to provide a general overview of the Conservancy's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Executive Director, The Natomas Basin Conservancy, 2150 River Plaza Drive, Suite 460, Sacramento, CA 95833 or call (916) 649-3331.

# THE NATOMAS BASIN CONSERVANCY

## STATEMENT OF NET POSITION AND GOVERNMENTAL FUNDS BALANCE SHEET DECEMBER 31, 2017

	<u>Administration</u>	<u>Restoration &amp; Enhancement</u>	<u>SAFCA NLIP</u>	<u>Supplemental Land and Contingency</u>	<u>Land Acquisition</u>
<b>ASSETS:</b>					
Current Assets:					
Cash and investments held by City of Sacramento	\$ 132,669	\$ 7,789			\$ 72,622
Cash and investments held by fiscal agents	4,038,975	1,934,197	\$ 1,302,250	\$ 3,404,238	4,107,815
Receivables:					
Account	147,838		30,702		
Interest	12,894	11,345	4,499		2,578
Prepaid items	14,852				
Due from other funds	76,810				
Non-Current Assets:					
Restricted cash and investments held by fiscal agent					
Land					
Capital assets, net					
Total Assets	<u>\$ 4,424,038</u>	<u>\$ 1,953,331</u>	<u>\$ 1,337,451</u>	<u>\$ 3,404,238</u>	<u>\$ 4,183,015</u>
<b>LIABILITIES:</b>					
Current Liabilities:					
Accounts payable	\$ 103,900		\$ 1,954	\$ 3,265	
Unearned revenue			375,252		
Deposits payable	1,750				
Due to other funds			76,810		
Non-Current Liabilities:					
Compensated absences					
Total Liabilities	<u>105,650</u>	<u></u>	<u>454,016</u>	<u>3,265</u>	<u></u>
<b>FUND BALANCE/NET POSITION:</b>					
Net investment in capital assets					
Nonspendable:					
Prepaid expenses	14,852				
Endowment					
Restricted:					
Giant garter snakes	194,809				
Brookfield property			883,435		
Endowment:					
Expendable					
Nonexpendable					
Committed:					
Restoration & enhancement		\$ 1,953,331			
Supplemental land acquisition				3,400,973	
Land acquisition					\$ 4,183,015
Unassigned/Unrestricted	4,108,727				
Total Fund Balances/Net Position	<u>4,318,388</u>	<u>1,953,331</u>	<u>883,435</u>	<u>3,400,973</u>	<u>4,183,015</u>
Total Liabilities, Fund Balances and Net Position	<u>\$ 4,424,038</u>	<u>\$ 1,953,331</u>	<u>\$ 1,337,451</u>	<u>\$ 3,404,238</u>	<u>\$ 4,183,015</u>

# THE NATOMAS BASIN CONSERVANCY

## STATEMENT OF NET POSITION AND GOVERNMENTAL FUNDS BALANCE SHEET (CONTINUED) DECEMBER 31, 2017

<u>Endowment</u>	<u>Total Fund Balance</u>	<u>Adjustments (Notes 4 &amp; 10)</u>	<u>Statement of Net Position</u>	
	\$ 213,080		\$ 213,080	<b>ASSETS:</b>
	14,787,475		14,787,475	Current Assets:
	178,540		178,540	Cash and investments held by City of Sacramento
	31,316		31,316	Cash and investments held by fiscal agent
	14,852		14,852	Receivables:
	76,810	\$ (76,810)		Account
				Interest
				Prepaid items
				Due from other funds
				Non-Current Assets:
\$ 21,204,922	21,204,922		21,204,922	Restricted cash and investments held by fiscal agent
		32,488,284	32,488,284	Land
		748,182	748,182	Capital assets, net
<u>\$ 21,204,922</u>	<u>\$ 36,506,995</u>	<u>\$ 33,159,656</u>	<u>\$ 69,666,651</u>	Total Assets
				<b>LIABILITIES:</b>
				Current Liabilities:
\$ 20,336	\$ 129,455		\$ 129,455	Accounts payable
	375,252		375,252	Unearned revenue
	1,750		1,750	Deposits payable
	76,810	\$ (76,810)		Due to other funds
				Non-Current Liabilities:
		66,427	66,427	Compensated absences
<u>20,336</u>	<u>583,267</u>	<u>(10,383)</u>	<u>572,884</u>	Total Liabilities
				<b>FUND BALANCE/NET POSITION:</b>
		33,236,466	33,236,466	Net investment in capital assets
				Nonspendable:
	14,852	(14,852)		Prepaid expenses
10,385,213	10,385,213	(10,385,213)		Endowment
	194,809		194,809	Restricted:
	883,435		883,435	Giant garter snakes
				Brookfield property
				Endowment:
10,799,373	10,799,373	10,385,213	10,799,373	Expendable
			10,385,213	Nonexpendable
				Committed:
	1,953,331	(1,953,331)		Restoration & enhancement
	3,400,973	(3,400,973)		Supplemental land acquisition
	4,183,015	(4,183,015)		Land acquisition
	4,108,727	9,485,744	13,594,471	Unassigned/Unrestricted
<u>21,184,586</u>	<u>35,923,728</u>	<u>33,170,039</u>	<u>69,093,767</u>	Total Fund Balances/Net Position
<u>\$ 21,204,922</u>	<u>\$ 36,506,995</u>	<u>\$ 33,159,656</u>	<u>\$ 69,666,651</u>	Total Liabilities, Fund Balances and Net Position

# THE NATOMAS BASIN CONSERVANCY

## STATEMENTS OF ACTIVITIES AND GOVERNMENTAL FUNDS REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES FOR THE YEAR ENDED DECEMBER 31, 2017

	<u>Administration</u>	<u>Restoration &amp; Enhancement</u>	<u>SAFCA NLIP</u>	<u>Supplemental Land and Contingency</u>	<u>Land Acquisition</u>
<b>REVENUES:</b>					
Program revenues:					
Charges for services:					
Mitigation fees	\$ 635,152	\$ 73,416		\$ 28,784	\$ 672,000
Rent revenue	495,231				
Land management			\$ 154,901		
Operating grants and contributions:					
Investment income					
Total program revenues	<u>1,130,383</u>	<u>73,416</u>	<u>154,901</u>	<u>28,784</u>	<u>672,000</u>
General revenues:					
Endowment contributions - mitigation fees					
Investment income	57,355	22,671	9,721	451,381	33,987
Sale of capital asset/Gain on disposal					2,498
Other income	<u>229,187</u>				
Total general revenues	<u>286,542</u>	<u>22,671</u>	<u>9,721</u>	<u>451,381</u>	<u>36,485</u>
Total Revenues	<u>1,416,925</u>	<u>96,087</u>	<u>164,622</u>	<u>480,165</u>	<u>708,485</u>
<b>EXPENDITURES:</b>					
Land mitigation:					
Personnel services	542,485		17,042		
Materials and services	1,970,684		145,519	12,364	
Depreciation					
Capital outlay	<u>34,347</u>				<u>24,596</u>
Total Expenditures	<u>2,547,516</u>		<u>162,561</u>	<u>12,364</u>	<u>24,596</u>
Changes in Fund Balances/Net Position	(1,130,591)	96,087	2,061	467,801	683,889
Fund Balances/Net Position, beginning of period	<u>5,448,979</u>	<u>1,857,244</u>	<u>881,374</u>	<u>2,933,172</u>	<u>3,499,126</u>
Fund Balances/Net Position, end of period	<u>\$ 4,318,388</u>	<u>\$ 1,953,331</u>	<u>\$ 883,435</u>	<u>\$ 3,400,973</u>	<u>\$ 4,183,015</u>

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



# THE NATOMAS BASIN CONSERVANCY

## STATEMENTS OF ACTIVITIES AND GOVERNMENTAL FUNDS REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES (CONTINUED) FOR THE YEAR ENDED DECEMBER 31, 2017

<u>Endowment</u>	<u>Total Fund Balance</u>	<u>Adjustments (Note 5)</u>	<u>Statement of Activities</u>	
	\$ 1,409,352		\$ 1,409,352	<b>REVENUES:</b>
	495,231		495,231	Program revenues:
	154,901		154,901	Charges for services:
				Mitigation fees
				Rent revenue
				Land management
				Operating grants and contributions:
				Investment income
\$ 2,799,040	2,799,040		2,799,040	
2,799,040	4,858,524		4,858,524	Total program revenues
360,248	360,248		360,248	General revenues:
	575,115		575,115	Endowment contributions - mitigation fees
	2,498	\$ (270)	2,228	Investment income
	229,187		229,187	Sale of capital asset/Gain on disposal
				Other income
360,248	1,167,048	(270)	1,166,778	Total general revenues
3,159,288	6,025,572	(270)	6,025,302	Total Revenues
	559,527	6,111	565,638	<b>EXPENDITURES:</b>
76,729	2,205,296		2,205,296	Land mitigation:
		236,817	236,817	Personnel services
	58,943	(58,943)		Materials and services
	2,823,766		3,007,751	Depreciation
76,729	2,823,766	183,985	3,007,751	Capital outlay
				Total Expenditures
3,082,559	3,201,806	(184,255)	3,017,551	Changes in Fund Balances/Net Position
18,102,027	32,721,922	33,354,294	66,076,216	Fund Balances/Net Position, beginning of period
\$ 21,184,586	\$ 35,923,728	\$ 33,170,039	\$ 69,093,767	Fund Balances/Net Position, end of period

# THE NATOMAS BASIN CONSERVANCY

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017

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### 1. ORGANIZATION

The Natomas Basin Conservancy (the Conservancy) is a California non-profit 501(c)(3) public benefit corporation formed in 1994. The Conservancy is responsible for collecting and managing mitigation fees required by the Natomas Basin Habitat Conservation Plan (NBHCP) and the Metro Air Park Habitat Conservation Plan (MAPHCP), together referred to as HCPs, using the fees to establish mitigation lands, and managing the mitigation lands for the benefit of the protected plant and animal species in the Natomas Basin.

The HCPs apply to the 53,537-acre interior of the Natomas Basin, located in the northern portion of Sacramento County and the southern portion of Sutter County. The Natomas Basin contains incorporated and unincorporated areas within the jurisdictions of the City of Sacramento, County of Sacramento and County of Sutter. The HCPs are designed to promote biological conservation while allowing urban development to proceed according to local land-use plans. The United States Fish and Wildlife Service and the California Department of Fish and Wildlife provide oversight and ensure compliance with the terms of the HCPs.

The Conservancy's Board of Directors is comprised of representatives of each of the two land-use agencies which have obtained incidental take permits under the NBHCP, the City of Sacramento and County of Sutter. Each participating local government appoints five members to the Conservancy's Board of Directors.

#### **Funding**

The Conservancy is primarily funded from mitigation fees established by the Conservancy and approved by local government ordinance. The mitigation fees include components for land acquisition, restoration and enhancement, endowment, supplemental endowment, and administration. The fees are adjusted each year as necessary to implement the HCPs. The Conservancy's acquisition of land has led to funding sources such as agricultural leasing which are consistent with the HCPs. Additionally, the Conservancy generates land management revenue through agreements with the Sacramento Area Flood Control Agency (SAFCA).

The supplemental endowment component does not meet the definition of a permanent fund type under generally accepted accounting principles. Therefore it is reported as the Supplemental Land and Contingency Fund in the financial statements.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Conservancy have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to governmental agencies. The Governmental Accounting Standards Board is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies of the Conservancy are described below.

#### **Conservancy-wide and fund financial statements**

The Conservancy-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary fund types of the Conservancy.

# THE NATOMAS BASIN CONSERVANCY

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017

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The accounts of the Conservancy are organized on the basis of funds. A fund is a separate accounting entity with a self-balancing set of accounts. Each fund was established for the purpose of accounting for specific activities in accordance with applicable regulations, restrictions, or limitations. Major individual funds are reported as separate columns in the fund financial statements.

### **Measurement focus, basis of accounting, and financial statement presentation**

The Conservancy-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 when a liability is incurred, regardless of the timing of related cash flows. It is the Conservancy's policy to eliminate interfund payables and receivables in the Conservancy-wide statements.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Conservancy considers revenues to be available if they are collected within 60 days of the end of the current fiscal period.

The Conservancy reports the following major governmental funds:

General Fund – This fund is established to account for resources devoted to the administration of the activities of the Conservancy and excludes those resources required to be accounted for in another fund. The Conservancy presents this fund as the Administration Fund.

Special Revenue Funds – These funds are established to account for resources devoted to the restoration and enhancement of mitigation land owned by the Conservancy and SAFCA. The Conservancy presents these funds as the Restoration and Enhancement Fund, and the SAFCA NLIP Fund.

Capital Projects Funds – These funds are established to account for major capital expenditures of the Conservancy, primarily the acquisition of mitigation land. The Conservancy presents these funds as the Supplemental Land and Contingency Fund and the Land Acquisition Fund.

The Permanent Fund – This fund accounts for resources that are legally restricted, to the extent that only earnings, and not principal, may be used for purposes that support the Conservancy's programs. The Conservancy presents this fund as the Endowment Fund.

Amounts reported as program revenues include; 1) mitigation fees, 2) farm rent, 3) land management, and 4) interest income in the endowment fund. Internally dedicated resources are reported as general revenues rather than as program revenue. The HCPs address the timing related to the use of restricted and then other less restricted classifications: committed, assigned and then unassigned fund balances.

# THE NATOMAS BASIN CONSERVANCY

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017

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### **Permanent Fund**

In accordance with the Implementation Agreement for the HCPs, the Conservancy is required to segregate all endowment fees. The Endowment Fund is accounted for in a permanent fund. Interest earnings will be used to meet long-term operations and maintenance needs of the Conservancy at such time as mitigation fee income and farm rent income are no longer adequate.

### **Capital Assets**

The Conservancy capitalizes all land, land improvements, furniture and fixtures, and equipment purchases with costs in excess of \$2,500 and a useful life of one year or more.

Capital asset acquisitions are recorded at cost. Contributions are recorded at the estimated fair value on the date of contribution. Non-monetary land trades are valued at the historical cost of the land relinquished.

Capital assets are depreciated using the straight-line method, half-year convention, over the following estimated useful lives:

Land improvements	15 years
Furniture and equipment	5 years

### **Compensated Absences**

Accumulated unpaid employee vacation benefits are recognized as liabilities of the Conservancy on the Conservancy-wide financial statements. The Conservancy had a total of \$66,427 in accrued compensated absences as of December 31, 2017.

### **Fund Equity**

The Conservancy-wide financial statements utilize a net position presentation. Net positions are categorized as net investment in capital assets, restricted, and unrestricted.

The Conservancy's governmental fund statements utilize a fund balance presentation. Fund balances are categorized as nonspendable, restricted, committed, and unassigned. The committed portion of fund balance is used for specific purposes determined by a formal action (Resolution) of the Conservancy's highest level of decision making authority and remains committed unless removed in the same manner. For the Conservancy, this level of authority lies with the Board of Directors.

### **Use of Estimates**

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

# THE NATOMAS BASIN CONSERVANCY

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017

### 3. CASH AND INVESTMENTS

Cash and investments as of December 31, 2017, are classified in the accompanying financial statements as follows:

Cash and investments held by City of Sacramento	\$ 213,080
Cash and investments held by fiscal agent	14,787,475
Restricted cash and investments held by fiscal agent	<u>21,204,922</u>
Total cash and investments	<u>\$ 36,205,477</u>

#### Investments Authorized by the Conservancy's Investment Policies

The Conservancy investment policy for the investments held by fiscal agent in the Endowment and Supplemental Endowment Funds authorizes the following types of investments:

#### Authorized Investment Type

Common stock or debt instrument  
Diversified mutual funds  
Broad-based index mutual funds  
Hedge funds or hedge-like funds  
U.S. government agencies

The Conservancy investment policy for the investments held by fiscal agent in the Administration, Restoration and Enhancement, Land Acquisition, and the SAFCA NLIP Funds contains the following authorized investment types:

#### Authorized Investment Type

Money market mutual funds	Obligations issued or guaranteed by
Commercial paper	United States Government agencies
Master notes	U.S. treasury obligations
Funding agreements	Exchange traded funds
Certificates of deposit	Federal agency securities
Repurchase agreements	Corporate notes and bonds
Bankers acceptances	Mortgage-backed securities

Additional provisions relating to credit risk, interest rate risk, concentration of credit risk and foreign currency for the policies described above are contained within the Conservancy's investment policies. Copies of the investment policies can be obtained by contacting the Conservancy at 2150 River Plaza Drive, Suite 460, Sacramento CA 95833.

The Conservancy has adopted the City of Sacramento's investment policy for all fund investments held by the City of Sacramento. The required disclosure information regarding categorization of investments and other deposit and investment risk disclosures can be found in the City of Sacramento's comprehensive annual financial report and may be obtained by contacting the City of Sacramento Department of Finance, Accounting Division, 915 I Street, Sacramento, CA 95814.

# THE NATOMAS BASIN CONSERVANCY

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017

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### Cash in City of Sacramento Pool

The Conservancy participates in the City of Sacramento investment pool over which the City Treasurer has oversight. The City Treasurer pools cash with other City funds and investments to maximize income consistent with safe and prudent investment practices within the guidelines of the City's investment pool and reviews its investment policy on a quarterly basis. The fair value of the Conservancy's position in the pool is the same as the value of the pool shares.

### Derivative Investments

The Conservancy did not directly enter into any derivative investments. The City of Sacramento Investment Pool A had no derivatives at December 31, 2017.

### Cash and Investment Summary

At December 31, 2017, the Conservancy's cash and investments consist of the following:

Deposits with financial institutions	\$ 526,339
Cash and cash equivalents held by fiscal agents	<u>448,482</u>
Cash and cash equivalents	<u>974,821</u>
Fixed income mutual funds	15,222,777
Equity mutual funds	14,453,575
External investment pool	213,080
Fixed income securities:	
Government obligations	495,768
Corporate bonds	<u>4,845,456</u>
Investments	<u>35,230,656</u>
Total cash and investments	<u>\$ 36,205,477</u>

### Disclosures Relating to Interest Rate Risk

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



# THE NATOMAS BASIN CONSERVANCY

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017

Information about the sensitivity of the fair values of the Conservancy's investments to market interest rate fluctuations is provided by the following table that shows the distribution of the Conservancy's investments by maturity:

	Maturity					Total
	Under 1 Year	1-5 Years	5-10 Years	10-15 Years	Over 15 Years	
Fixed income mutual funds	\$ 14,388,637	\$ 834,140				\$ 15,222,777
Equity mutual funds	14,453,575					14,453,575
External investment pool	213,080					213,080
Government obligations	346,642	149,126				495,768
Corporate bonds	2,381,970	2,463,486				4,845,456
Total investments	\$ 31,783,904	\$ 3,446,752	\$	\$	\$	\$ 35,230,656

### Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the actual Standard & Poor's rating as of year end for each investment type.

	Rating as of End of Year	
City of Sacramento investment pool	Not rated	\$ 213,080
Fixed income mutual funds	Not rated	15,222,777
Equity mutual funds	Not rated	14,453,575
Government obligations	Not rated	495,768
Corporate bonds	AAA	98,996
Corporate bonds	AA+	224,557
Corporate bonds	AA	249,554
Corporate bonds	AA-	825,030
Corporate bonds	A+	982,070
Corporate bonds	A	1,470,967
Corporate bonds	A-	994,282
Total		\$ 35,230,656

# THE NATOMAS BASIN CONSERVANCY

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017

### Concentration of Credit Risk

There were no investments in any one issuer (excluding mutual funds and external investment pools) that represent 5% or more of the total Conservancy investments at December 31, 2017.

### Custodial Credit Risk

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, an organization will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, an organization will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The Conservancy's investment policies do not contain requirements that limit exposure to custodial credit risk for deposits or investments.

The Conservancy's cash equivalents with fiscal agents, investments in the City of Sacramento investment pool, fixed income mutual funds, and equity mutual funds, are not exposed to custodial credit risk because their existence is not evidenced by securities that exist in physical or book entry form. The Conservancy's fixed income securities of \$15,222,777 are held by fiscal agents, uninsured, and not registered in the name of the Conservancy. Cash balances held in banks are fully insured up to \$250,000 by the Federal Depository Insurance Corporation. The amount of deposits in excess of the FDIC limit was \$440,928 as of December 31, 2017.

### Fair Value Measurement

GASB 72 requires the Conservancy to use valuation techniques which are appropriate under the circumstances and are either a market approach, a cost approach or an income approach. Statement No. 72 establishes a hierarchy of inputs used to measure fair value consisting of three levels. Level 1 inputs are quoted prices in active markets for identical assets or liabilities. Level 2 inputs are inputs other than quoted prices included within Level 1, which are observable for the asset or liability, either directly or indirectly. Level 3 inputs are unobservable inputs.

The following table sets forth the fair value hierarchy level for the Conservancy's investments as of December 31, 2017:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Fixed income mutual funds	\$ 15,222,777		
Equity mutual funds	14,453,575		
Corporate bonds		\$ 4,845,456	
Government obligations		495,768	
Total	<u>\$ 29,676,352</u>	<u>\$ 5,341,224</u>	<u>\$</u>

# THE NATOMAS BASIN CONSERVANCY

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017

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### 4. EXPLANATION OF DIFFERENCES BETWEEN THE BALANCE SHEET AND THE STATEMENT OF NET POSITION

**Fund balances** \$ 35,923,728

Capital assets used in Conservancy activities are not financial resources and therefore are not reported in the governmental funds.

Capital assets	\$ 37,074,260	
Less: accumulated depreciation	<u>(3,837,794)</u>	
		33,236,466

Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.

Accrued compensated absences	<u>(66,427)</u>
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**Net position** \$ 69,093,767

### 5. EXPLANATION OF DIFFERENCES BETWEEN THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES AND THE STATEMENT OF ACTIVITIES

**Net change in fund balances** \$ 3,201,806

Governmental funds report capital outlays as expenditures. In the statement of activities however, the cost of capital assets is allocated over their estimated useful lives as depreciation expense.

Capital outlay	58,943
Depreciation expense	(236,817)
Equipment disposal, net of gain	(270)

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Compensated absences	<u>(6,111)</u>
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**Change in net position** \$ 3,017,821

# THE NATOMAS BASIN CONSERVANCY

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017

### 6. CAPITAL ASSETS

A summary of changes in capital assets for the year ended December 31, 2017, is as follows:

	<u>1/1/2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>12/31/2017</u>
<b>Capital assets not being depreciated:</b>				
Land	\$ 32,488,554	_____	\$ (270)	\$ 32,488,284
<b>Capital assets being depreciated:</b>				
Land improvements	4,462,115	\$ 40,524		4,502,639
Office and other equipment	84,594	18,416	(19,673)	83,337
	4,546,709	58,940	_____	4,585,976
<b>Accumulated depreciation:</b>				
Accum. depreciation, land improvements	(3,569,215)	(226,981)		(3,796,196)
Accum. depreciation, office equipment	(51,435)	(9,836)	19,673	(41,598)
	(3,620,650)	(236,817)	_____	(3,837,794)
Total capital assets, net	\$ 33,414,613	\$ (177,877)	\$ (270)	\$ 33,236,466

### 7. RELATED PARTY TRANSACTIONS

During the year ended December 31, 2017, the Conservancy paid \$425 to the City of Sacramento for investment services.

### 8. OPERATING LEASE

The Conservancy leases office space in Sacramento under a lease expiring March 31, 2021. Total future minimum operating lease payments are presented as follows:

<u>Year Ending December 31,</u>				
2018		\$	66,995	
2019			68,680	
2020			70,365	
2021			17,697	
			_____	
		\$	223,737	

Rent expense for the year ended December 31, 2017, was \$67,688.

### 9. LINE OF CREDIT

The Conservancy has a revolving non-interest-bearing line of credit with the City of Sacramento. The maximum amount the Conservancy is permitted to borrow is \$4,000,000. The Conservancy did not draw upon the line of credit for the year ended December 31, 2017 and there was no outstanding principal balance at December 31, 2017.

# THE NATOMAS BASIN CONSERVANCY

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017

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### 10. INTERFUND ACTIVITY

Interfund balances as of December 31, 2017, consisted of the following:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Administration	SAFCA NLIP	\$ 76,810

### 11. RISK MANAGEMENT

The Conservancy is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Conservancy purchases insurance coverage for commercial property, commercial general liability, boiler and machinery, fiduciary liability, directors' and officers' liability, employment practices liability, umbrella coverage, workers' compensation, and employee dishonesty. There have been no significant reductions in insurance coverage from the prior year by major categories of risk and there have been no claims or settlements for each of the past three years.

### 12. RETIREMENT PLAN

The Conservancy offers retirement benefits in the form of a Simplified Employee Pension-Individual Retirement Account defined contribution plan (the Plan) under Internal Revenue Code Section 408(k). The Plan covers all eligible employees who have completed at least six months of service and are at least 21 years of age. Employer contributions to the Plan are discretionary. Plan provisions are established and may be amended by the Internal Revenue Service. Retirement expense incurred for the year ended December 31, 2017 was \$54,129.

### 13. NATOMAS CENTRAL MUTUAL WATER COMPANY STOCK

The Conservancy holds 3,396 shares of Natomas Central Mutual Water Company (NCMWC) stock or approximately 11% of NCMWC's outstanding shares (31,706). The shares are attached to each land parcel owned by the Conservancy within the NCMWC's territory. When land is traded or sold, the stock associated with that land is automatically transferred. Ownership of this stock has costs associated with rights for delivery of water service for which the Conservancy pays NCMWC upon receipt of invoice. In the event the Conservancy wishes to cancel its shares and thereby cancel obligation for future assessments, water tolls, and services, the Conservancy must apply for cancellation, obtain NCMWC's board approval, and pay a cancellation fee of \$3,500 per share. At December 31, 2016, the most recent information available, the par value of the NCMWC stock held was \$10.00 per share or \$33,960. However, NCMWC's share price is not published, shares are not merchantable in and of themselves, since the shares are appurtenant to the land owned and NCMWC remains a non-profit organization. The estimated value and potential liability have not been recorded in these financial statements.

**REQUIRED SUPPLEMENTARY INFORMATION**

# THE NATOMAS BASIN CONSERVANCY

## BUDGETARY COMPARISON SCHEDULE - ADMINISTRATION FUND FOR THE YEAR ENDED DECEMBER 31, 2017

	<u>Budget Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Mitigation fees	\$ 503,680	\$ 732,788	\$ 635,152	\$ (97,636)
Rent revenue	709,124	535,000	495,231	(39,769)
Investment income	100,000	100,000	57,355	(42,645)
Other income	<u>90,000</u>	<u>90,000</u>	<u>229,187</u>	<u>139,187</u>
Total Revenues	<u>1,402,804</u>	<u>1,457,788</u>	<u>1,416,925</u>	<u>(40,863)</u>
<b>EXPENDITURES</b>				
Conservancy operations:				
Personnel services	571,630	571,630	542,485	29,145
Materials and services	2,364,630	2,554,398	1,970,684	583,714
Capital outlay	<u>                    </u>	<u>                    </u>	<u>34,347</u>	<u>(34,347)</u>
Total Expenditures	<u>2,936,260</u>	<u>3,126,028</u>	<u>2,547,516</u>	<u>578,512</u>
Excess (Deficiency) of Revenues				
Over (Under) Expenditures	<u>\$ (1,533,456)</u>	<u>\$ (1,668,240)</u>	<u>\$ (1,130,591)</u>	<u>\$ 537,649</u>

# THE NATOMAS BASIN CONSERVANCY

## BUDGETARY COMPARISON SCHEDULE - RESTORATION AND ENHANCEMENT SPECIAL REVENUE FUND FOR THE YEAR ENDED DECEMBER 31, 2017

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	<u>Budget Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Mitigation fees			\$ 73,416	\$ 73,416
Investment income	\$ 30,000	\$ 30,000	22,671	(7,329)
Total Revenues	30,000	30,000	96,087	66,087
<b>EXPENDITURES</b>				
Total Expenditures				
Excess of Revenues Over Expenditures	\$ 30,000	\$ 30,000	\$ 96,087	\$ 66,087



# THE NATOMAS BASIN CONSERVANCY

## BUDGETARY COMPARISON SCHEDULE - SAFCA NLIP SPECIAL REVENUE FUND FOR THE YEAR ENDED DECEMBER 31, 2017

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	Budget Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Land management	\$ 69,160	\$ 69,160	\$ 154,901	\$ 85,741
Investment income	<u>20,000</u>	<u>20,000</u>	<u>9,721</u>	<u>(10,279)</u>
Total Revenues	<u>89,160</u>	<u>89,160</u>	<u>164,622</u>	<u>75,462</u>
<b>EXPENDITURES</b>				
Land mitigation:				
Personnel services			17,042	(17,042)
Materials and services	<u>50,000</u>	<u>50,000</u>	<u>145,519</u>	<u>(95,519)</u>
Total Expenditures	<u>50,000</u>	<u>50,000</u>	<u>162,561</u>	<u>(112,561)</u>
Excess (Deficiency) of Revenues				
Over (Under) Expenditures	<u>\$ 39,160</u>	<u>\$ 39,160</u>	<u>\$ 2,061</u>	<u>\$ (37,099)</u>

## **ADDITIONAL INFORMATION**

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

**Independent Auditor's Report**

**To the Board of Directors  
The Natomas Basin Conservancy  
Sacramento, California**

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of the Natomas Basin Conservancy (the Conservancy), as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the Conservancy's basic financial statements, and have issued our report thereon dated March 21, 2018.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Conservancy's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Conservancy's internal control. Accordingly, we do not express an opinion on the effectiveness of the Conservancy's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **Compliance and Other Matters**

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

### **Purpose of this Report**

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

*Gilbert Associates, Inc.*

**GILBERT ASSOCIATES, INC.**  
**Sacramento, California**

**March 21, 2018**

**THE NATOMAS BASIN CONSERVANCY**

**SCHEDULE OF MITIGATION FEES COLLECTED  
FOR THE YEAR ENDED DECEMBER 31, 2017**

<u>Type of Mitigation Fee</u>	<u>General Fund</u>	<u>Special Revenue</u>	<u>Capital Project</u>		<u>Permanent</u>	<u>Total</u>
	<u>Administration</u>	<u>Restoration &amp; Enhancement</u>	<u>Supplemental Land and Contingency</u>	<u>Land Acquisition</u>	<u>Endowment</u>	
Habitat Acquisition Fee					\$ 360,248	\$ 360,248
Endowment Fee			\$ 28,784	\$ 672,000		700,784
Habitat Management Fee	\$ 635,152	\$ 73,416				708,568
Total Fees Collected	<u>\$ 635,152</u>	<u>\$ 73,416</u>	<u>\$ 28,784</u>	<u>\$ 672,000</u>	<u>\$ 360,248</u>	<u>\$ 1,769,600</u>

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