



Financial Statements with Independent
Audit's Report
Year ended December 31, 2019



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THE NATOMAS BASIN CONSERVANCY

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INTRODUCTORY SECTION



Board of Directors

John Shirey, *Chair*

Chandra Chilmakuri, *Secretary*

David Christophel, *Treasurer*

Steven Cohn, *Board Member*

Michael Johnston, *Board Member*

Kevin McRae, *Board Member*



Staff

John Roberts, *Executive Director*

Kimberli Burns, *Chief Financial Officer*

Jennifer Skupic, *Contracts & Compliance Manager*

Barbara Barrows, *Accounting and Records Specialist*

Jeremy Lor, *Field Services Assistant*



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

2150 River Plaza Drive, Suite 460
Sacramento, CA 95833
916.649.3331



Letter from the Board Chair and Executive Director



We are pleased to share with you the Conservancy's December 31, 2019 financial report. In it, you will see much of the financial workings that facilitate implementation of the Natomas Basin Habitat Conservation Plan (NBHCP) and the Metro Air Park Habitat Conservation Plan (MAPHCP). As the "Plan Operator" of those HCPs, the Conservancy oversees and administers just over 4,100 acres of land used to provide mitigation for 22 of the HCPs' covered species.

Here are some of the highlights for 2019:

--Mitigation. During 2019 the Conservancy received mitigation fees on 100.38 acres. As the year ended, additional mitigation projects were in the pipeline for 2020.

--Biological monitoring effectiveness. Once again, the Conservancy completed its extensive biological effectiveness monitoring report. The in-field and on-reserve monitoring efforts conducted by independent experts continues to demonstrate the worth of the HCPs and success of the Conservancy's implementation efforts.

--Endowment funds. The Conservancy continues its management of both the NBHCP Endowment Fund and NBHCP Supplemental Endowment Fund, combined having a valuation at December 31, 2019 of \$29,356,958.

The Conservancy presents this December 31, 2019 audited financial report for your review. We appreciate your interest and hope you'll agree the NBHCP and the MAPHCP are a valuable part of the Natomas community.

John F. Shirey
2018 Board Chair

John Roberts
Executive Director and Chief Executive Officer

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, 2019, 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, 2019, 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 27 through 29 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 April 9, 2020, 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 reporting

To the Board of Directors
The Natomas Basin Conservancy
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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.

A handwritten signature in black ink that reads "Gilbert CPAs". The signature is written in a cursive, slightly slanted style.

GILBERT CPAs
Sacramento, California

April 9, 2020

THE NATOMAS BASIN CONSERVANCY

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2019

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, 2019. 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 2019 was \$74,476,622, of which \$32,994,046 was invested in capital assets, \$25,372,822 was invested in the Conservancy's Endowment Fund and the balance of \$16,109,754 was invested in the Conservancy's non-endowment funds.
- Cash and investments increased \$6,731,169 from \$34,752,251 at December 31, 2018 to \$41,483,420 at December 31, 2019.
- Mitigation fee revenue was up 329% in 2019 at \$3,695,918, compared with \$861,758 in 2018.
- Conservancy expenses totaled \$2,717,050 in 2019, compared to \$2,971,068 in 2018.

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 members of the Conservancy's Board of Directors are 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 *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).

THE NATOMAS BASIN CONSERVANCY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2019

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 (R&E), Endowment, Supplemental Land & Contingency, Administration, and SAFCA), all of which are governmental-type funds.

CONSERVANCY-WIDE FINANCIAL ANALYSIS

The Natomas Basin Conservancy
Summary of Net Position
Conservancy-wide Activities
As of December 31, 2019 and 2018

	<u>December 31, 2019</u>	<u>December 31, 2018</u>	<u>Increase/Decrease</u>
Current and other assets	\$ 43,136,815	\$ 34,981,732	\$ 8,155,083
Capital assets	32,994,046	33,056,105	(62,059)
Total assets	<u>76,130,861</u>	<u>68,037,837</u>	<u>8,093,024</u>
Current liabilities	1,585,755	675,345	910,410
Non-Current liabilities	68,484	66,044	2,440
Total liabilities	<u>1,654,239</u>	<u>741,389</u>	<u>912,850</u>
Net position:			
Net investment in capital assets	32,994,046	33,056,105	(62,059)
Restricted for giant garter snakes	175,309	194,809	(19,500)
PG&E – tree contract	57,407	79,445	(22,038)
Restricted for SAFCA NLIP	927,438	893,802	33,636
Restricted for endowment – permanent	11,344,456	10,642,714	701,742
Restricted for endowment – temporary	14,028,366	10,042,696	3,985,670
Unrestricted	<u>14,949,600</u>	<u>12,386,877</u>	<u>2,562,723</u>
Total net position	<u>\$ 74,476,622</u>	<u>\$ 67,296,448</u>	<u>\$ 7,180,174</u>

Net position represents the difference between the Conservancy's resources and its obligations. At December 31, 2019, approximately 44% 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.

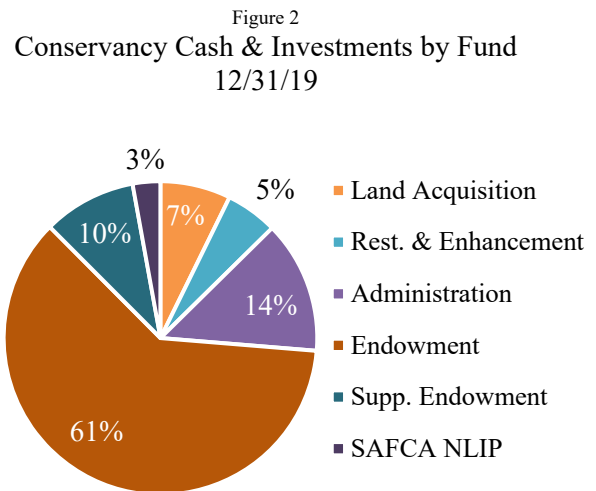
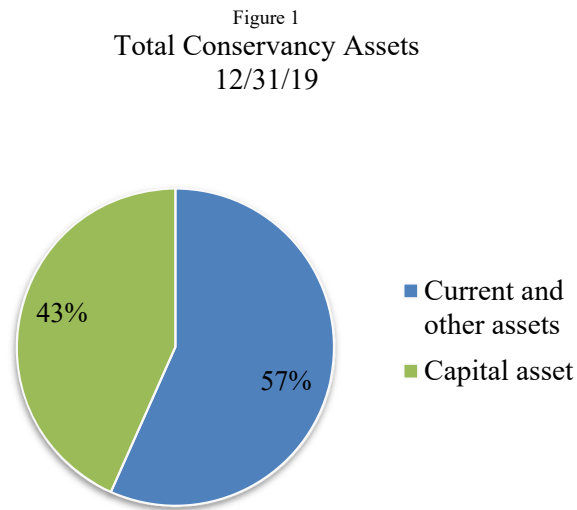
At December 31, 2019, the Conservancy had no outstanding debt obligations. Also, at year end, the Conservancy was in negotiations with the City of Sacramento (City) to access its line of credit for land acquisition purposes.

THE NATOMAS BASIN CONSERVANCY

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2019

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 recorded at \$32,488,284. However, on a "fair value" accounting basis, the value of Conservancy land holdings totals approximately \$124 million. This calculation uses the annually-adjusted per acre land valuations posted in the Natomas Basin Habitat Conservation Plan (NBHCP) Finance Model. 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.

Figure 1 below represents the Conservancy's current vs capital assets, and Figure 2 below represents the Conservancy cash and investment assets by fund.



THE NATOMAS BASIN CONSERVANCY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2019

The Natomas Basin Conservancy
Changes in Net Position
Conservancy-wide Activities
As of December 31, 2019 and 2018

	<u>December 31, 2019</u>	<u>December 31, 2018</u>	<u>Increase/Decrease</u>
Revenues			
Program revenues:			
Mitigation fees – cash portion	\$ 1,495,675	\$ 604,258	\$ 891,417
Mitigation fees – land portion	1,498,500	-	1,498,500
Rent revenue	1,109,399	676,652	432,747
Land Management – SAFCA	308,877	206,500	102,377
Investment income	4,075,121	(675,424)	4,750,545
General revenues:			
Mitigation fees contributed to			
Endowment Fund	701,743	257,500	444,243
Investment income	944,142	72,483	871,659
Other	64,108	244,727	(180,619)
Total revenues	<u>10,197,565</u>	<u>1,386,696</u>	<u>8,810,869</u>
Expenses			
Conservancy operations	2,717,050	2,971,068	(254,018)
SAFCA contract obligation	300,341	212,947	87,394
	<u>3,017,391</u>	<u>3,184,015</u>	<u>(166,624)</u>
Increase (Decrease) in net position	7,180,174	(1,797,319)	8,977,493
Net Position, beginning of period	<u>67,296,448</u>	<u>69,093,767</u>	<u>(1,797,319)</u>
Net Position, end of period	<u>\$ 74,476,622</u>	<u>\$ 67,296,448</u>	<u>\$ 7,180,174</u>

The NBHCP mitigation in 2019 remained the same as 2018, \$33,091 per disturbed acre (\$21,841 with land dedication). The Conservancy received \$3,695,918 in mitigation fees in 2019, up \$2,834,160 from the \$861,758 in mitigation fees received in 2018. At December 31, 2019, the Conservancy held on deposit \$1,123,875 for a pending transaction with a third party. See footnote 14 for further details.

Investment income increased \$5,622,204 from (\$602,941) in 2018 to \$5,019,263 in 2019 due to an uptick in the stock market. Farm rent revenues increased by \$432,747, from \$676,652 in 2018 to \$1,109,399 in 2019. This increase was largely due to favorable rice prices which resulted in a final payment for second cash rent payments from 2018, received in 2019. Additionally, new farm leases, with higher rents, contributed to the increase.

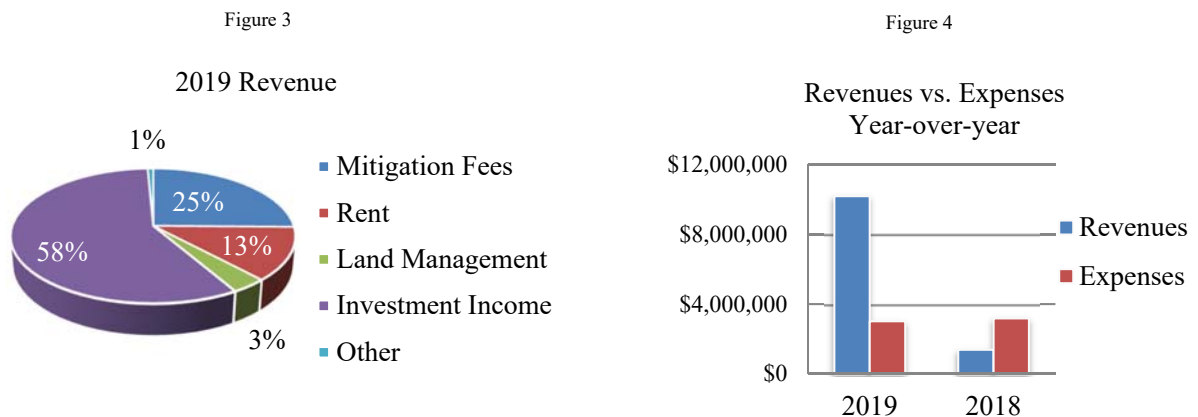
Conservancy expenses in 2019 were \$2,717,050. Due to aggressive cost control, the Conservancy has been able to maintain expenses at approximately \$3 million each year for more than 10 years.

THE NATOMAS BASIN CONSERVANCY

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2019

Expenses related to Sacramento Area Flood Control Agency (SAFCA) contracts were \$300,341 in 2019, an increase of \$87,394 over 2018 expenses of \$212,947. The increase was largely due to increased marsh maintenance costs.

Figure 3 below shows 2019 revenue by type and Figure 4 below presents revenue vs. expenses year-over-year:



FINANCIAL ANALYSIS OF THE CONSERVANCY'S FUNDS

As of December 31, 2019, the Conservancy's fund balances totaled \$41,551,060, an increase of \$7,204,673 compared to fund balances of \$34,306,687 at December 31, 2018. The two Conservancy endowment funds experienced a combined \$5,373,780 increase due to market gains. The Conservancy's major source of revenue is typically from mitigation fees. Historically, the Conservancy's 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.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

After more than a decade of the combined impact of a soft real estate economy and remnants of a de-facto building moratorium due to federal government flood risk determinations, the Conservancy is beginning to see the resumption of development and the need for mitigation in the Basin.

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 2020 which projects a modest amount of mitigation revenue for the year. The 2020 budget also projects expenses for completion of the updates to the NBHCP's required Site-Specific Management Plans for all Conservancy properties.

THE NATOMAS BASIN CONSERVANCY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2019

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, 2019

	<u>Administration</u>	<u>Restoration & Enhancement</u>	<u>SAFCA NLIP</u>	<u>Supplemental Land and Contingency</u>	<u>Land Acquisition</u>
ASSETS:					
Current Assets:					
Cash and investments held by City of Sacramento	\$ 188,001	\$ 13,196			\$ 122,199
Cash and investments held by fiscal agents	2,937,996	2,211,465	\$ 1,184,565	\$ 3,987,911	5,441,226
Receivables:					
Mitigation land					1,498,500
Account			106,083		
Interest	14,908	3,724	4,059		7,810
Prepaid items	18,311				
Due from other funds	157,909				
Non-Current Assets:					
Restricted cash and investments held by fiscal agent					
Land					
Capital assets, net					
Total Assets	<u>\$ 3,317,125</u>	<u>\$ 2,228,385</u>	<u>\$ 1,294,707</u>	<u>\$ 3,987,911</u>	<u>\$ 7,069,735</u>
LIABILITIES:					
Current Liabilities:					
Accounts payable	\$ 177,242		\$ 21,782	\$ 3,775	
Unearned revenue			234,542		
Deposits payable	500				
Due to other funds			110,945		\$ 46,964
Mitigation land credit					1,123,875
Non-Current Liabilities:					
Compensated absences					
Total Liabilities	<u>177,742</u>	<u>2,228,385</u>	<u>367,269</u>	<u>3,775</u>	<u>1,170,839</u>
FUND BALANCE/NET POSITION:					
Net investment in capital assets					
Nonspendable:					
Prepaid expenses	18,311				
Endowment					
Restricted:					
Giant garter snakes	175,309				
Brookfield property			927,438		
PG&E trees contract	57,407				
Endowment:					
Expendable					
Nonexpendable					
Committed:					
Restoration & enhancement		\$ 2,228,385			
Supplemental land acquisition				3,984,136	
Land acquisition					5,898,896
Unassigned/Unrestricted	2,888,356				
Total Fund Balances/Net Position	<u>3,139,383</u>	<u>2,228,385</u>	<u>927,438</u>	<u>3,984,136</u>	<u>5,898,896</u>
Total Liabilities, Fund Balances and Net Position	<u>\$ 3,317,125</u>	<u>\$ 2,228,385</u>	<u>\$ 1,294,707</u>	<u>\$ 3,987,911</u>	<u>\$ 7,069,735</u>

THE NATOMAS BASIN CONSERVANCY

STATEMENT OF NET POSITION AND GOVERNMENTAL FUNDS BALANCE SHEET (CONTINUED) DECEMBER 31, 2019

<u>Endowment</u>	<u>Total Fund Balance</u>	<u>Adjustments (Notes 4 & 10)</u>	<u>Statement of Net Position</u>	
	\$ 323,396		\$ 323,396	ASSETS:
	15,763,163		15,763,163	Current Assets:
	1,498,500		1,498,500	Cash and investments held by City of Sacramento
	106,083		106,083	Cash and investments held by fiscal agent
	30,501		30,501	Receivables:
	18,311		18,311	Mitigation land
	157,909	\$ (157,909)		Account
				Interest
				Prepaid items
				Due from other funds
\$ 25,396,861	25,396,861		25,396,861	Non-Current Assets:
		32,488,284	32,488,284	Restricted cash and investments held by fiscal agent
		505,762	505,762	Land
				Capital assets, net
<u>\$ 25,396,861</u>	<u>\$ 43,294,724</u>	<u>\$ 32,836,137</u>	<u>\$ 76,130,861</u>	Total Assets
				LIABILITIES:
\$ 24,039	\$ 226,838		\$ 226,838	Current Liabilities:
	234,542		234,542	Accounts payable
	500		500	Unearned revenue
	157,909	\$ (157,909)		Deposits payable
	1,123,875		1,123,875	Due to other funds
				Mitigation land credit
		68,484	68,484	Non-Current Liabilities:
		(89,425)	1,654,239	Compensated absences
<u>24,039</u>	<u>1,743,664</u>			Total Liabilities
		32,994,046	32,994,046	FUND BALANCE/NET POSITION:
	18,311	(18,311)		Net investment in capital assets
11,344,457	11,344,457	(11,344,457)		Nonspendable:
	175,309		175,309	Prepaid expenses
	927,438		927,438	Endowment
	57,407		57,407	Restricted:
				Giant garter snakes
				Brookfield property
				PG&E trees contract
14,028,365	14,028,365		14,028,365	Endowment:
		11,344,457	11,344,457	Expendable
				Nonexpendable
	2,228,385	(2,228,385)		Committed:
	3,984,136	(3,984,136)		Restoration & enhancement
	5,898,896	(5,898,896)		Supplemental land acquisition
	2,888,356	12,061,244	14,949,600	Land acquisition
<u>25,372,822</u>	<u>41,551,060</u>	<u>32,925,562</u>	<u>74,476,622</u>	Unassigned/Unrestricted
				Total Fund Balances/Net Position
<u>\$ 25,396,861</u>	<u>\$ 43,294,724</u>	<u>\$ 32,836,137</u>	<u>\$ 76,130,861</u>	Total Liabilities, Fund Balances and Net Position

THE NATOMAS BASIN CONSERVANCY

STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES FOR THE YEAR ENDED DECEMBER 31, 2019

	<u>Administration</u>	<u>Restoration & Enhancement</u>	<u>SAFCA NLIP</u>	<u>Supplemental Land and Contingency</u>	<u>Land Acquisition</u>
REVENUES:					
Program revenues:					
Charges for services:					
Mitigation fees	\$ 1,234,434	\$ 131,596		\$ 48,984	\$ 1,579,161
Rent revenue	1,109,399				
Land management			\$ 308,877		
Operating grants and contributions:					
Investment income					
Total program revenues	<u>2,343,833</u>	<u>131,596</u>	<u>308,877</u>	<u>48,984</u>	<u>1,579,161</u>
General revenues:					
Endowment contributions - mitigation fees					
Investment income	69,767	51,800	25,100	651,591	145,884
Other income	<u>64,108</u>				
Total general revenues	<u>133,875</u>	<u>51,800</u>	<u>25,100</u>	<u>651,591</u>	<u>145,884</u>
Total Revenues	<u>2,477,708</u>	<u>183,396</u>	<u>333,977</u>	<u>700,575</u>	<u>1,725,045</u>
EXPENDITURES:					
Land mitigation:					
Personnel services	563,390		28,720		
Materials and services	1,857,668		271,621	14,207	46,964
Depreciation					
Capital outlay	<u>9,185</u>				<u>71,685</u>
Total Expenditures	<u>2,430,243</u>		<u>300,341</u>	<u>14,207</u>	<u>118,649</u>
Changes in Fund Balances/Net Position	47,465	183,396	33,636	686,368	1,606,396
Fund Balances/Net Position, beginning of period	<u>3,091,918</u>	<u>2,044,989</u>	<u>893,802</u>	<u>3,297,768</u>	<u>4,292,500</u>
Fund Balances/Net Position, end of period	<u>\$ 3,139,383</u>	<u>\$ 2,228,385</u>	<u>\$ 927,438</u>	<u>\$ 3,984,136</u>	<u>\$ 5,898,896</u>

THE NATOMAS BASIN CONSERVANCY

STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES (CONTINUED) FOR THE YEAR ENDED DECEMBER 31, 2019

<u>Endowment</u>	<u>Total Fund Balance</u>	<u>Adjustments (Note 5)</u>	<u>Statement of Activities</u>	
	\$ 2,994,175		\$ 2,994,175	REVENUES:
	1,109,399		1,109,399	Program revenues:
	308,877		308,877	Charges for services:
				Mitigation fees
				Rent revenue
				Land management
				Operating grants and contributions:
				Investment income
\$ 4,075,121	<u>4,075,121</u>	<u> </u>	<u>4,075,121</u>	
4,075,121	<u>8,487,572</u>	<u> </u>	<u>8,487,572</u>	Total program revenues
701,743	701,743		701,743	General revenues:
	944,142		944,142	Endowment contributions - mitigation fees
	64,108		64,108	Investment income
				Other income
<u>701,743</u>	<u>1,709,993</u>	<u> </u>	<u>1,709,993</u>	Total general revenues
<u>4,776,864</u>	<u>10,197,565</u>	<u> </u>	<u>10,197,565</u>	Total Revenues
				EXPENDITURES:
	592,110	\$ 2,440	594,550	Land mitigation:
89,452	2,279,912		2,279,912	Personnel services
		142,929	142,929	Materials and services
	80,870	(80,870)		Depreciation
				Capital outlay
<u>89,452</u>	<u>2,952,892</u>	<u>64,499</u>	<u>3,017,391</u>	Total Expenditures
4,687,412	7,244,673	(64,499)	7,180,174	Changes in Fund Balances/Net Position
<u>20,685,410</u>	<u>34,306,387</u>	<u>32,990,061</u>	<u>67,296,448</u>	Fund Balances/Net Position, beginning of period
<u>\$ 25,372,822</u>	<u>\$ 41,551,060</u>	<u>\$ 32,925,562</u>	<u>\$ 74,476,622</u>	Fund Balances/Net Position, end of period

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

THE NATOMAS BASIN CONSERVANCY

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019

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, 2019

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 practice 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) investment 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, 2019

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 \$68,484 in accrued compensated absences as of December 31, 2019 .

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.

Future Accounting Pronouncements

In June 2017, the GASB issued Statement No. 87, Leases, with required implementation for the Conservancy during the year ending December 31, 2020. The objective of this statement is to better meet the information needs of financial statement users by improving accounting and financial

THE NATOMAS BASIN CONSERVANCY

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019

reporting for leases by governments. This statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. Management is in the process of evaluating the impact this new statement will have on the Conservancy's future financial statements.

3. CASH AND INVESTMENTS

Cash and investments as of December 31, 2019, are classified in the accompanying financial statements as follows:

Cash and investments held by City of Sacramento	\$ 323,396
Cash and investments held by fiscal agent	15,763,163
Restricted cash and investments held by fiscal agent	<u>25,396,861</u>
Total cash and investments	<u>\$ 41,483,420</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

THE NATOMAS BASIN CONSERVANCY

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019

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 L Street, Sacramento, CA 95814.

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 in 2019. The City of Sacramento Investment Pool A had no derivatives at December 31, 2019.

Cash and Investment Summary

At December 31, 2019, the Conservancy's cash and investments consist of the following:

Deposits with financial institutions	\$ 670,810
Cash and cash equivalents held by fiscal agents	<u>2,041,382</u>
Cash and cash equivalents	<u>2,712,192</u>
Fixed income mutual funds	17,848,748
Equity mutual funds	17,008,524
External investment pool	323,396
Fixed income securities:	
Government obligations	1,546,527
Corporate bonds	1,894,033
Municipal bonds	<u>150,000</u>
Investments	<u>38,771,228</u>
Total cash and investments	<u>\$ 41,483,420</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

THE NATOMAS BASIN CONSERVANCY

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019

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.

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	\$ 17,848,748					\$ 17,848,748
Equity mutual funds	17,008,524					17,008,524
External investment pool	323,396					323,396
Government obligations	1,345,583	\$ 200,944				1,546,527
Corporate bonds	981,198	912,835				1,894,033
Municipal Bonds		150,000				150,000
Total investments	\$ 37,507,449	\$ 1,263,779	\$	\$	\$	\$ 38,771,228

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	\$ 323,396
Fixed income mutual funds	Not rated	17,848,748
Equity mutual funds	Not rated	17,008,524
Government obligations	Not rated	1,496,431
Government obligations	AA+	50,096
Corporate bonds	AA	200,401
Corporate bonds	AA-	200,528
Corporate bonds	A+	377,791
Corporate bonds	A	709,751
Corporate bonds	A-	405,562
Municipal bonds	AAA	150,000
Total		\$ 38,771,228

THE NATOMAS BASIN CONSERVANCY

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019

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, 2019.

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 \$17,848,748 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 \$595,092 as of December 31, 2019.

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, 2019:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Fixed income mutual funds	\$ 17,848,748		
Equity mutual funds	17,008,524		
Corporate bonds		\$ 1,894,033	
Government obligations		1,546,527	
Municipal bonds		150,000	
Total	<u>\$ 34,857,272</u>	<u>\$ 3,590,560</u>	<u>\$</u>

THE NATOMAS BASIN CONSERVANCY

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019

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

Fund balances \$ 41,551,060

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

Capital assets	\$ 37,126,321	
Less: accumulated depreciation	<u>(4,132,275)</u>	
		32,994,046

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>(68,484)</u>
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Net position \$ 74,476,622

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 \$ 7,244,673

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	80,870
Depreciation expense	(142,929)

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>(2,440)</u>
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Change in net position \$ 7,180,174

THE NATOMAS BASIN CONSERVANCY

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019

6. CAPITAL ASSETS

A summary of changes in capital assets for the year ended December 31, 2019, is as follows:

	<u>01/01/2019</u>	<u>Additions</u>	<u>Deletions</u>	<u>12/31/2019</u>
Capital assets not being depreciated:				
Land	\$ 32,488,284	_____	_____	\$ 32,488,284
Capital assets being depreciated:				
Land improvements	4,473,830	\$ 78,173		4,552,003
Office and other equipment	83,337	2,697		86,034
	<u>4,557,167</u>	<u>80,870</u>	_____	<u>4,638,037</u>
Accumulated depreciation:				
Accum. depreciation, land improvements	(3,940,300)	(134,281)		(4,074,581)
Accum. depreciation, office equipment	(49,046)	(8,648)		(57,694)
	<u>(3,989,346)</u>	<u>(142,929)</u>	_____	<u>(4,132,275)</u>
Total capital assets, net	<u>\$ 33,056,105</u>	<u>\$ (62,059)</u>	<u>\$ _____</u>	<u>\$ 32,994,046</u>

7. RELATED PARTY TRANSACTIONS

During the year ended December 31, 2019, the Conservancy paid \$648 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>	
2020	\$ 70,365
2021	_____ 17,697
	<u>\$ 88,062</u>

Rent expense for the year ended December 31, 2019, was \$73,031.

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, 2019 and there was no outstanding principal balance at December 31, 2019. The City of Sacramento approved a \$2,000,000 draw down April 7, 2020; however, no action has been taken as of the issuance of this report.

THE NATOMAS BASIN CONSERVANCY

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019

10. INTERFUND BALANCES

Interfund balances as of December 31, 2019, consisted of the following:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Administration	SAFCA NLIP	\$ 110,945
Administration	Land Acquisition	<u>46,964</u>
		<u>\$ 157,909</u>

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, pollution, 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 four 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, 2019 was \$55,297.

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 (31,262). 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, 2017, 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.

THE NATOMAS BASIN CONSERVANCY

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019

14. MITIGATION AGREEMENTS IN PROCESS

The Conservancy entered into an agreement with a private party, on September 12, 2018 to accept 16 acres of land in lieu of being paid the Land Acquisition Fund portion of the NBHCP fee. The original agreement stated the Conservancy would accept title to the property once remaining property divisions and arrangements are settled, but not later than 18 months after execution of this agreement. On March 4, 2020, the agreement was extended 60 days for this land transaction to May 18, 2020. The Conservancy secured the transaction with a conservation easement and once all arrangements for full fee simple title are complete, the property rights to the 16 acres will be transferred to the Conservancy.

The Natomas Basin Habitat Conservation Plan requires both mitigation fees and land dedication for developments of over 50 acres provided sufficient approved mitigation land inventory exists. On September 20, 2019, the Conservancy entered into an agreement with a private party to lend land credits to the private party for development of 60 acres. As part of this agreement, the private party paid full mitigation fee to the Conservancy with the understanding that the land portion of the fees would be refunded upon transferring of title for replacement land. This agreement was amended on September 23, 2019 for the private party to develop 99.9 acres rather than the original 60 acres with the same stipulations. As of December 31, 2019, the land credits lent by the Conservancy had not been replaced by the private party. As a result, at December 31, 2019, the Conservancy recorded Mitigation Land Receivable for the land owed by the private party and Mitigation Land Credit Refund for the portion of the full mitigation fees collected and to be refunded to the private party upon conveyance of the replacement land. On January 3, 2020, the private party transferred title of 49.95 replacement acres to the Conservancy to satisfy the Mitigation Land Receivable.

REQUIRED SUPPLEMENTARY INFORMATION

THE NATOMAS BASIN CONSERVANCY

BUDGETARY COMPARISON SCHEDULE - ADMINISTRATION FUND FOR THE YEAR ENDED DECEMBER 31, 2019

	Budget Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Mitigation fees	\$ 561,652	\$ 561,652	\$ 1,234,434	\$ 672,782
Rent revenue	650,000	650,000	1,109,399	459,399
Investment income	30,000	30,000	69,767	39,767
Other income	<u>204,578</u>	<u>204,578</u>	<u>64,108</u>	<u>(140,470)</u>
Total Revenues	<u>1,446,230</u>	<u>1,446,230</u>	<u>2,477,708</u>	<u>1,031,478</u>
EXPENDITURES				
Conservancy operations:				
Personnel services	601,100	601,100	563,390	37,710
Materials and services	2,488,326	2,488,326	1,857,668	630,658
Capital outlay	<u> </u>	<u> </u>	<u>9,185</u>	<u>(9,185)</u>
Total Expenditures	<u>3,089,426</u>	<u>3,089,426</u>	<u>2,430,243</u>	<u>659,183</u>
Excess (Deficiency) of Revenues				
Over (Under) Expenditures	<u>\$ (1,643,196)</u>	<u>\$ (1,643,196)</u>	<u>\$ 47,465</u>	<u>\$ 1,690,661</u>

THE NATOMAS BASIN CONSERVANCY
BUDGETARY COMPARISON SCHEDULE -
RESTORATION AND ENHANCEMENT SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2019

	<u>Budget Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Mitigation fees	\$ 60,306	\$ 60,306	\$ 131,596	\$ 71,290
Investment income	<u>20,000</u>	<u>20,000</u>	<u>51,800</u>	<u>31,800</u>
Total Revenues	<u>80,306</u>	<u>80,306</u>	<u>183,396</u>	<u>103,090</u>
EXPENDITURES				
Total Expenditures	_____	_____	_____	_____
Excess of Revenues Over Expenditures	<u>\$ 80,306</u>	<u>\$ 80,306</u>	<u>\$ 183,396</u>	<u>\$ 103,090</u>

THE NATOMAS BASIN CONSERVANCY

BUDGETARY COMPARISON SCHEDULE - SAFCA NLIP SPECIAL REVENUE FUND FOR THE YEAR ENDED DECEMBER 31, 2019

	<u>Budget Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Land management	\$ 315,286	\$ 315,286	\$ 308,877	\$ (6,409)
Rent	11,250	11,250		(11,250)
Investment income	<u>20,000</u>	<u>20,000</u>	<u>25,100</u>	<u>5,100</u>
Total Revenues	<u>346,536</u>	<u>346,536</u>	<u>333,977</u>	<u>(12,559)</u>
EXPENDITURES				
Land mitigation:				
Personnel services			28,720	(28,720)
Materials and services	<u>208,069</u>	<u>208,069</u>	<u>271,621</u>	<u>(63,552)</u>
Total Expenditures	<u>208,069</u>	<u>208,069</u>	<u>300,341</u>	<u>(92,272)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>\$ 138,467</u>	<u>\$ 138,467</u>	<u>\$ 33,636</u>	<u>\$ (104,831)</u>

ADDITIONAL INFORMATION

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

Independent Auditor's Report

**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, 2019, and the related notes to the financial statements, which collectively comprise the Conservancy's basic financial statements, and have issued our report thereon dated April 9, 2020.

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 CPAs
Sacramento, California

April 9, 2020

THE NATOMAS BASIN CONSERVANCY

**SCHEDULE OF MITIGATION FEES COLLECTED
FOR THE YEAR ENDED DECEMBER 31, 2019**

<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 & Enhancement</u>	<u>Supplemental Land and Contingency</u>	<u>Land Acquisition</u>	<u>Endowment</u>	
Habitat Acquisition Fee			\$ 48,984	\$ 1,579,161		\$ 1,628,145
Endowment Fee					\$ 701,743	701,743
Habitat Management Fee	\$ 1,234,434	\$ 131,596				1,366,030
Total Fees Collected	<u>\$ 1,234,434</u>	<u>\$ 131,596</u>	<u>\$ 48,984</u>	<u>\$ 1,579,161</u>	<u>\$ 701,743</u>	<u>\$ 3,695,918</u>

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