

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

Independent Auditors' Report,
Basic Financial Statements and Other Reports

For the Fiscal Year Ended
June 30, 2017

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

**FOR THE FISCAL YEAR ENDED
JUNE 30, 2017**

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, and each major fund of the Yolo County Habitat/Natural Community Conservation Plan, (Habitat JPA), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Habitat JPA's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial 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 the 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 of America. 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 Habitat JPA'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 Habitat JPA's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Habitat JPA as of June 30, 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.

Emphasis of Matter

Economic Dependency

As discussed in Note 9 to the financial statements, the General Fund of the Habitat JPA is economically dependent on revenue derived from the state and federal grants and contributions from member agencies consisting of 75 percent and 24 percent respectively, of General Fund program revenues for the year ended June 30, 2017. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis and Required Supplementary Information as listed in the Table of Contents 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 Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated May 3, 2018, on our consideration of the Habitat JPA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Habitat JPA's internal control over financial reporting and compliance.

Maze + Associates

Pleasant Hill, California
May 3, 2018

Management's Discussion and Analysis

As management of the Yolo Habitat Conservancy (Conservancy), we offer readers of the Conservancy's financial statements this narrative overview and analysis of the financial activities of the Conservancy for the fiscal year ended June 30, 2017. We encourage readers to consider the information presented here in conjunction with the Conservancy's financial statements and the accompanying notes to the basic financial statements.

Financial Highlights

The assets of the Conservancy exceeded its liabilities at the close of the most recent fiscal year by \$3,927,305 (net position), of which \$191,628 is reported as unrestricted net position.

The Conservancy's total net position increased by \$152,953. This increase was primarily the result of the collection of mitigation fees that the Conservancy will use to acquire habitat conservation easements.

The Conservancy recorded program revenue of \$844,031, comprised of contributions from member agency contributions, grants, mitigation fees, interest and other income. The Conservancy reported \$716,729 in program expense including salaries and employee benefits, professional services and miscellaneous expenses. The Conservancy reported resulting net program revenues of \$127,302.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Conservancy's basic financial statements. The Conservancy's financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The government-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, and are composed of the *statement of net position* and the *statement of activities*.

The *statement of net position* presents information about the financial position of the Conservancy, reflecting all of the Conservancy's (a) assets and deferred outflows of resources, and (b) liabilities and deferred inflows of resources on a full accrual basis, 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 about the Conservancy's revenues and expenses, also on a full accrual basis, with the emphasis on measuring net revenues and expenses of the Conservancy. The *statement of activities* reflects how the government'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., unused vacation leave).

The government-wide financial statements can be found on pages 12-13 of this report.

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, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The Conservancy's fund is a governmental fund.

Governmental funds are used to account for essentially the same functions reported as governmental *activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Since the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statements of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Conservancy's governmental fund accounts for its activities, which include completion of the Yolo HCP/NCCP, acquisition of habitat conservation easements, and monitoring of habitat conservation easements. The Conservancy adopts an annual appropriated budget for its funds. A budgetary comparison statement has been provided to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 16-18 of this report.

Notes to the basic financial statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found on pages 19-28 of this report.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Conservancy, assets exceeded liabilities by \$3,927,305 at the close of the most recent fiscal year.

By far the largest portion of the Conservancy's net position, \$2,174,916, reflects its investment in capital assets (e.g. easements).

Net Position

	<u>2017</u>	<u>2016</u>	<u>Increase</u> <u>(Decrease)</u>
Current assets:			
Cash and investments in the County Treasury	\$ 1,289,681	\$ 1,258,434	\$ 31,247
Restricted cash and investments	346,327	330,906	15,421
Accounts receivable	112,726	-	112,726
Due from other governments	156,659	126,429	30,230
Total Current Assets	<u>1,905,393</u>	<u>1,715,769</u>	<u>189,624</u>
Noncurrent assets:			
Capital assets	2,174,926	2,174,926	-
Total Assets	<u>4,080,319</u>	<u>3,890,695</u>	<u>189,624</u>
Accounts payable	149,561	109,182	40,379
Accrued liabilities	1,041	989	52
Deposits from others	2,412	6,172	(3,760)
Total Liabilities	<u>153,014</u>	<u>116,343</u>	<u>36,671</u>
Net investment in capital assets	2,174,926	2,174,926	-
Restricted	1,560,751	1,375,893	184,858
Unrestricted	191,628	223,533	(31,905)
Total Net Position	<u>\$ 3,927,305</u>	<u>\$ 3,774,352</u>	<u>\$ 152,953</u>

At the end of the current fiscal year, the Conservancy is able to report positive balances in all categories of net position. The Conservancy's total net position increased by \$152,953. This increase was primarily the result of revenue from mitigation fees for acquisition of habitat conservation easements.

Changes in Net Position

	<u>2017</u>	<u>2016</u>	<u>Increase (Decrease)</u>
Expenses:			
Conservation activities:			
Salaries and benefits	\$ 58,497	\$ 62,071	\$ (3,574)
Professional services	625,419	851,456	(226,037)
Miscellaneous expenses	32,813	25,845	6,968
Total expenses	716,729	939,372	(222,643)
Program Revenues:			
Operating grants and contributions	844,031	1,006,378	(162,347)
Total Program Revenues	844,031	1,006,378	(162,347)
Net program revenue	127,302	67,006	60,296
General Revenue			
Interest income	11,126	14,101	(2,975)
Miscellaneous	14,525	5,099	9,426
Total General Revenues	25,651	19,200	6,451
Change in Net Position	152,953	86,206	66,747
Net position - beginning of the year	3,774,352	3,688,146	86,206
Net position - end of the year	\$ 3,927,305	\$ 3,774,352	\$ 152,953

Financial Analysis of the Governmental Funds

As noted earlier, the Conservancy uses fund accounting to ensure and demonstrate compliance with legal and governmental accounting requirements.

Governmental Funds

The focus of the Conservancy's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Conservancy's financing requirements. In particular, unassigned fund balance may serve as a useful measure of the Conservancy's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the Conservancy's General Fund reported an ending fund balance of \$191,628, a decrease of \$31,905 from the prior year. As of June 30, 2017, the \$191,628 fund balance includes \$60,067 in permanent reserve, \$30,180 remaining in funding from a Windward Fund grant for development of the Regional Conservation Investment Strategy/Local Conservation Plan, and \$77,775 remaining in a special member agency contribution to match the 2015 Wildlife Conservation Board grant for development of the Yolo HCP/NCCP. The Conservancy reported approximately \$23,585 in unassigned fund balance.

At the end of the current fiscal year, the Conservancy's Wildlife Mitigation Special Revenue Fund reported an ending fund balance of \$1,214,424, an increase of \$169,437 from the prior year. The entire fund balance is restricted to acquisition of habitat conservation easements consistent with the Interim Swainson's Hawk Mitigation Program and required burrowing owl mitigation. As of June 30, 2017, the Conservancy did/did not report any unassigned fund balance.

At the end of the current fiscal year, the Conservancy's Stewardship Permanent Fund reported an ending fund balance of \$346,327, an increase of \$15,421 from the prior year. The entire amount is a non-spendable fund balance associated with monitoring of habitat conservation easements. As of June 30, 2017, the Conservancy did/did not report any unassigned fund balance.

General Fund Budgetary Highlights

The material difference between the original budget and the final amended budget can be briefly summarized as follows:

- During the fiscal year ended June 30, 2017, the Conservancy received less grant revenue than expected because development of the plan slowed as a result of time needed by the wildlife agencies to review and comment on chapters. The Conservancy budgeted to receive \$771,362 in grant revenue and only received \$456,578. The Conservancy receives reimbursement from grants only for actual expenditures during the fiscal year.
- During the fiscal year ended June 30, 2017, the Conservancy also spent less professional services than anticipated because development of the plan slowed. The Conservancy budgeted to spend \$900,339 on professional services and only spent \$613,718.

Wildlife Mitigation Special Revenue Fund Budgetary Highlights

The material difference between the original budget and the final amended budget can be briefly summarized as follows:

- During the fiscal year ended June 30, 2017, the Conservancy received unexpected mitigation fees related to burrowing owl mitigation for a hotel in the City of Davis and Swainson's hawk mitigation for expansion of a wastewater treatment plant. The Conservancy did not budget any revenue from mitigation fees in Wildlife Mitigation Special Revenue Fund, but received \$172,553 in mitigation fees.
- During the fiscal year ended June 30, 2017, the Conservancy did not acquire a habitat conservation as expected, therefore capital outlay costs were less than anticipated. The Conservancy budgeted \$700,000 for capital outlay costs in the Wildlife Mitigation Special Revenue Fund, but did not spend any capital outlay funds in 2016-17.

Stewardship Permanent Fund Budgetary Highlights

The material difference between the original budget and the final amended budget can be briefly summarized as follows:

- The Conservancy received more interest on funds than anticipated as a result of a higher rate of return on funds held in the County Treasury.
- The Conservancy received an unanticipated deposit for an endowment for the expanded Tule Ranch habitat conservation easement.
- The Yolo Land Trust's charges for monitoring of the Conservancy's conservation easements cost less than expected.

Capital Assets

The Conservancy's net investment in capital assets, as of June 30, 2017, amounts to \$2,174,926. This investment in capital assets includes land, easements and other intangible assets, construction in progress, land improvements, machinery and equipment, and pre-acquisition costs. There was no increase in the Conservancy's investment in capital assets for the current fiscal year.

Additional information on the Conservancy's capital assets can be found in the notes to the basic financial statements.

Debt Administration

The Conservancy had no outstanding debt as of June 30, 2017.

Economic Factors and Next Year's Budgets and Rates

The primary funding for the Conservancy comes from state and federal grants, as well as contributions totaling \$164,900 from the Conservancy's member agencies. The Conservancy will continue to rely on state and federal grants, as well as \$164,900 in annual member agency contributions, for the 2017-18 fiscal year. The Conservancy expects to complete the Yolo HCP/NCCP in 2017-18.

The General Fund budget for FY 17-18 shows a decrease in expenditures not reimbursable to grants to reflect that the Conservancy did not use as much of the \$100,000 in additional funding provided by the member agencies (above and beyond the standard \$164,900 contribution) to match a state Wildlife Conservation Board planning grant as expected. At the end of 2016-17, the Conservancy had \$77,775 of the original \$100,000 special match contribution remaining for expenditure to complete the Yolo HCP/NCCP in 2017-18. The amount budgeted for expenditure from sources reimbursable to grants also decreased to reflect the amount of grant funding remaining in state and federal grants and an anticipated reduction in planning expenditures associated with completion of the Final HCP/NCCP and Final EIS/EIR.

The Wildlife Mitigation Special Revenue Fund (also known as the Mitigation Trust Account) budget for FY 17-18 will remain similar to 2016-17 to reflect the anticipated acquisition of a habitat conservation easement. The Stewardship Permanent Fund (also known as the Easement Endowment Fund) budget for FY 17-18 also will remain similar to 2016-17 to reflect ongoing monitoring costs associated with the Conservancy's habitat conservation easements.

All of these factors were considered in preparing the Conservancy's budget for the fiscal year ending June 30, 2018.

Request for Information

This financial report is designed to provide a general overview of the Conservancy's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Yolo Habitat Conservancy, 611 North Street, Woodland, CA 95695. The Conservancy can also be reached by telephone at (530) 723-5504 or via email at info@yolohabitatconservancy.org. For more information about the Conservancy or the Yolo HCP/NCCP, please visit the website at www.yolohabitatconservancy.org.

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BASIC FINANCIAL STATEMENTS
Government – Wide Financial Statements

**YOLO COUNTY HABITAT/NATURAL COMMUNITY
 CONSERVATION PLAN JOINT POWERS AGENCY
 STATEMENT OF NET POSITION
 June 30, 2017**

ASSETS

Current assets:

Cash and investments in County Treasury (Note 2)	\$ 1,289,681
Restricted cash and investments (Note 2)	346,327
Accounts receivable	112,726
Due from other governments	156,659
Total Current Assets	1,905,393

Noncurrent assets:

Capital assets (Note 3):	2,174,926
Total Assets	4,080,319

LIABILITIES

Accounts payable	149,561
Accrued liabilities	1,041
Deposits from others	2,412
Total Liabilities	153,014

NET POSITION

Net investment in capital assets	2,174,926
Restricted	1,560,751
Unrestricted	191,628
Total net position	\$ 3,927,305

The notes to the basic financial statements are an integral part of this statement.

**YOLO COUNTY HABITAT/NATURAL COMMUNITY
 CONSERVATION PLAN JOINT POWERS AGENCY
 STATEMENT OF ACTIVITIES
 FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Program Expenses:

Conservation activities:

Salaries and benefits	\$ 58,497
Professional services	625,419
Miscellaneous expenses	32,813
Total program expenses	716,729

Program Revenues:

Operating grants, contributions and fees	844,031
Total program revenues	844,031
Net program revenue (expense)	127,302

General Revenues

Interest income	11,126
Miscellaneous	14,525
Total General Revenues	25,651

Change in net position	152,953
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Net position - Beginning of year	3,774,352
Net position - End of year	\$ 3,927,305

The notes to the basic financial statements are an integral part of this statement.

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BASIC FINANCIAL STATEMENTS
Fund Financial Statements

**YOLO COUNTY HABITAT/NATURAL COMMUNITY
CONSERVATION PLAN JOINT POWERS AGENCY
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2017**

	<u>General Fund</u>	<u>Wildlife Mitigation Special Revenue Fund</u>	<u>Stewardship Permanent Fund</u>	<u>Total Governmental Funds</u>
Assets				
Cash and investments in County Treasury (Note 2)	\$ 186,126	\$ 1,103,555	\$ -	\$ 1,289,681
Restricted cash and investments (Note 2)	-	-	346,327	346,327
Accounts receivable	106	112,620	-	112,726
Due from other governments	156,659	-	-	156,659
Total Assets	<u>\$ 342,891</u>	<u>\$ 1,216,175</u>	<u>\$ 346,327</u>	<u>\$ 1,905,393</u>
Liabilities and Fund Balance				
Liabilities:				
Accounts payable	\$ 147,810	\$ 1,751	\$ -	\$ 149,561
Accrued liabilities	1,041	-	-	1,041
Deposits from others	2,412	-	-	2,412
Total Liabilities	<u>151,263</u>	<u>1,751</u>	<u>-</u>	<u>153,014</u>
Fund balance				
Nonspendable:				
Endowment - Conservation Easement	-	-	346,327	346,327
Restricted:				
Wildlife Mitigation	-	1,214,424	-	1,214,424
Unassigned	191,628	-	-	191,628
Total Fund Balance	<u>191,628</u>	<u>1,214,424</u>	<u>346,327</u>	<u>1,752,379</u>
Total Liabilities and Fund Balance	<u>\$ 342,891</u>	<u>\$ 1,216,175</u>	<u>\$ 346,327</u>	<u>\$ 1,905,393</u>

The notes to the basic financial statements are an integral part of this statement.

**YOLO COUNTY HABITAT/NATURAL COMMUNITY
CONSERVATION PLAN JOINT POWERS AGENCY
RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET POSITION
JUNE 30, 2017**

Fund balances - Governmental funds	\$ 1,752,379
Amount reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds	<u>2,174,926</u>
Net Position of Governmental Activities	<u><u>\$ 3,927,305</u></u>

The notes to the basic financial statements are an integral part of this statement.

**YOLO COUNTY HABITAT/NATURAL COMMUNITY
 CONSERVATION PLAN JOINT POWERS AGENCY
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
 IN FUND BALANCE
 GOVERNMENTAL FUNDS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

	General Fund	Wildlife Mitigation Special Revenue Fund	Stewardship Permanent Fund	Total Governmental Funds
Revenues				
Grant revenue	\$ 456,578	\$ -	\$ -	\$ 456,578
Mitigation fees	-	172,553	-	172,553
Contributions from member agencies	214,900	-	-	214,900
Interest income	1,159	7,168	2,799	11,126
Other	486	-	14,039	14,525
Total Revenues	<u>673,123</u>	<u>179,721</u>	<u>16,838</u>	<u>869,682</u>
Expenditures				
Current:				
Conservation activities:				
Salaries and benefits	58,497	-	-	58,497
Professional services	613,718	10,284	1,417	625,419
Other expenditures	32,813	-	-	32,813
Total Expenditures	<u>705,028</u>	<u>10,284</u>	<u>1,417</u>	<u>716,729</u>
Net Change in Fund Balance	(31,905)	169,437	15,421	152,953
Fund balance - Beginning	<u>223,533</u>	<u>1,044,987</u>	<u>330,906</u>	<u>1,599,426</u>
Fund balance - Ending	<u>\$ 191,628</u>	<u>\$ 1,214,424</u>	<u>\$ 346,327</u>	<u>\$ 1,752,379</u>

The notes to the basic financial statements are an integral part of this statement.

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

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

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

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

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

B. Basis of Accounting

Government-Wide Statements

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

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

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

Fund Financial Statements

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

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

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2017

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

B. Basis of Accounting, (Continued)

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

The Habitat JPA reports the following major governmental funds:

- The *General Fund* is the general operating fund of the Habitat JPA and is used to account for all financial resources.
- The *Wildlife Mitigation Special Revenue Fund* records the mitigation fees received from the member agencies and restricted for acquisition and monitoring expenses for conservation easements. The fund for internal budgeting purposes is entitled the Wildlife Mitigation Trust Fund however is reported as a special revenue fund based on the nature of the fund.
- The *Stewardship Permanent Fund* is used for restricted revenues and resources for conservation easement stewardship to maintain and monitor the easements in accordance with the easement agreements. The stewardship funds are based on individual easement agreements with land owners but the principal amounts are to remain intact and interest earned on the funds will be used to perform monitoring activities in perpetuity.

C. Cash

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

D. Fair Value Measurement

As of July 1, 2015, Habitat JPA retrospectively applied Governmental Accounting Standards Board (GASB) Statement No. 72, *Fair Value Measurement and Application*. GASB Statement No. 72 provides guidance for determining a fair value measurement for reporting purposes and applying fair value to certain investments and disclosures related to all fair value measurements. Habitat JPA categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

Habitat JPA is a participant in the Yolo County Treasurer's Pool (County Pool). The County Pool is an external investment pool, is not rated and is not registered with the Securities Exchange Commission (SEC). The Yolo County Treasury Oversight Committee conducts County Pool oversight. Cash on deposit in the County Pool at June 30, 2017, is stated at fair value. The County Pool values participant shares on an amortized cost basis during the year and adjusts to fair value at year-end. For further information regarding the County Pool, refer to the County of Yolo Comprehensive Annual Financial Report.

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

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2017

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

E. Due From Other Governments

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

F. Capital Assets

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

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

G. Deferred Inflows of Resources

The deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

Unavailable revenues represent amounts associated with the state and federal grants of the Habitat JPA which are not expected to be received within the Habitat JPA's period of availability of 365 days. As such, these amounts are not available for expenditure and are required to be recorded as deferred inflows of resources in the governmental funds balance sheet.

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

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2017

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

H. Net Position/Fund Balance

Net Position is displayed in three components:

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

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

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

- *Nonspendable* – to reflect amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.
- *Restricted* – to reflect amounts that can only be used for specific purposes pursuant to constraints either (a) externally imposed by creditors (such as debt covenants), grants, contributors, or laws or regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation.
- *Committed* – to reflect amounts that can only be used for specific purposes pursuant to the constraints imposed by formal action of the Board of the Habitat JPA. The formal action necessary to establish (and modify or rescind) a commitment is done through a majority vote via resolution of the Board of the Habitat JPA.
- *Assigned* – to reflect amounts that are constrained by formal actions of the Board of the Habitat JPA's intent to be used for specific purposes, but are neither restricted nor committed. A formal action is not required to re-assign fund balance.
- *Unassigned* – to reflect amounts that have not been restricted, committed, or assigned to specific purposes.

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

I. General Reserve

During October, 2013, the Board of Directors of the Habitat JPA adopted a general reserve of \$52,166. The reserve can only be released with action from the Board of Directors and was established in order to reserve funding to ensure fiscal stability of the Habitat JPA. The general reserve is reported in the General Fund's unassigned fund balance.

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

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2017

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

J. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts and disclosure of contingent amounts at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

K. New Effective Accounting Pronouncements

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

GASB Statement No. 77 – In August 2015, GASB issued Statement No. 77, *Tax Abatement Disclosures*. The objective of this Statement is to provide financial statement users with essential information about the nature and magnitude of the reduction in tax revenues through tax abatement programs. This Statement is effective for reporting periods beginning after December 15, 2017. The statement had no impact on the Habitat JPA's financial statements.

GASB Statement No. 78 – In December 2015, GASB issued Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*. The objective of this Statement is to address a practice issue regarding the scope and applicability of Statement No. 68, *Accounting and Financial Reporting for Pensions*. This Statement is effective for reporting periods beginning after December 15, 2015. The statement had no impact on the Habitat JPA's financial statements.

GASB Statement No. 80 – In January 2016, GASB issued Statement No. 80, *Blending Requirements for Certain Component Units – an amendment of GASB Statement No. 14*. The objective of this Statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement is effective for reporting periods beginning after June 15, 2016. The statement had no impact on the Habitat JPA's financial statements.

GASB Statement No. 82 – In March 2016, GASB issued Statement No. 82, *Pension Issues – An Amendment of GASB Statements No. 67, No. 68, and No. 73*. This statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The statement had no impact on the Habitat JPA's financial statements.

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

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2017

NOTE 2: CASH AND INVESTMENTS

Habitat JPA holds restricted and unrestricted cash and investments with the Treasurer of the County of Yolo in a cash and investment pool. On a quarterly basis the Auditor Controller allocates interest to participants based upon their average daily balances. The Treasurer's investments and policies are overseen by the Yolo County Treasury Oversight Committee. Required disclosure information regarding the credit risk, custodial credit risk, concentration risk and interest rate risk of investments can be found in the County of Yolo's basic financial statements. The County of Yolo's financial statements may be obtained by contacting the County of Yolo's Auditor-Controller's Office at 625 Court Street, Room 103, Woodland, California 95695. The Yolo County Treasury Oversight Committee oversees the Treasurer's investments and policies.

The Habitat JPA had no deposit or investment policy that addressed a specific type of risk. Investments held in the County's investment pool are available on demand and are stated at fair value.

California Government Code authorizes the Treasurer of the County to invest excess funds in the following list of eligible securities:

- a) Obligations of the County or any local agency and instrumentality in or of the State of California.
- b) Obligations of the U.S. Treasury, agencies and instrumentalities.
- c) Bankers' acceptances eligible for purchase by the Federal Reserve System.
- d) Commercial paper with an A-1 rating by Moody's Investors Service or a P-1 rating by Standard & Poor's Corporation.
- e) Repurchase agreements or reverse repurchase agreements.
- f) Medium-term notes with a five-year maximum maturity of corporations operating within the United States and rated in the top three rating categories by Moody's Investors Service and Standard & Poor's Corporation.
- g) Shares of beneficial interest issued by diversified management companies (money market funds) investing in securities and obligations as outlined in a) through f) above. Certain security rankings and/or organizational requirements apply to this type of investment.

Cash and investments are classified in the financial statements as follows:

Cash and Investments:	
Cash in County Pooled Treasury	\$ 1,289,681
Restricted Cash in County Pooled Treasury	<u>346,327</u>
Total Cash and Investments	<u><u>\$ 1,636,008</u></u>

Investments

The Habitat JPA invests its cash in the County of Yolo Treasury Investment Pool. The Habitat JPA does not have its own investment policy defining criteria for selecting acceptable financial institutions, brokers/dealers, or allowable investment types as defined by Government Code 53601. The investments in the County of Yolo Treasury Investment Pool follow the County's investment policy with oversight by the Yolo County Treasury Oversight Committee.

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

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2017

NOTE 2: CASH AND INVESTMENTS, (CONTINUED)

At June 30, 2017, the Habitat JPA had the following investments:

	<u>Interest Rates</u>	<u>Maturities</u>	<u>Cost Value</u>	<u>Fair Value</u>	<u>WAM (Years)</u>
Cash in County Pooled Treasury	Variable	On Demand	\$ 1,291,310	\$ 1,289,681	0.96
Restricted Cash in County Pooled Treasury	Variable	On Demand	346,765	346,327	0.96
Total Cash and Investments			<u>\$ 1,638,075</u>	<u>\$ 1,636,008</u>	

At June 30, 2017 the Habitat JPA had the following restrictions on cash balances:

Restricted for:

Conservation Easement Stewardship \$ 346,327

The restricted cash is to provide funds for the monitoring of easements to ensure landowners follow the terms of the conservation easements purchased by the Yolo Habitat JPA. The monitoring is performed by the Habitat JPA, Yolo Land Trust, or California Waterfowl Association depending on the individual easement and reimbursed from the Habitat JPA's restricted cash.

Interest Rate Risk:

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in the market interest rate.

Credit Risk:

State law limits investments in commercial paper, corporate bonds, and mutual bond funds to the top two ratings issued by nationally recognized statistical rating organizations. The Habitat JPA has no investment policy that would further limit its investment choices.

Fair Value Measurement

The Habitat JPA categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 input are quoted prices in active markets for identical assets, Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. As of June 30, 2017, the Habitat JPA held no individual investments. All funds are invested in the County Pool.

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

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2017

NOTE 2: CASH AND INVESTMENTS, (CONTINUED)

In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. Habitat JPA's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset or liability. Deposits and withdrawals from the County Pool are made on the basis of \$1 and not fair value. Accordingly, the Habitat JPA's proportionate share of investments in the County Pool at June 30, 2017 of \$1,636,008 is an uncategorized input not defined as a Level 1, Level 2, or Level 3 input.

NOTE 3: CAPITAL ASSETS

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

A summary of changes in capital assets for the year ended June 30, 2017 is as follows:

	Balance July 1, 2016	Additions	Retirements	Balance June 30, 2017
Capital Assets, Not Being Depreciated				
Land easements	\$ 2,174,926	\$ -	\$ -	\$ 2,174,926
Total Capital Assets, Not Being Depreciated	\$ 2,174,926	\$ -	\$ -	\$ 2,174,926

NOTE 4: COMMITMENT

The Habitat JPA leases office space from a third party under a short-term operating lease, which expires in March 31, 2018. The future minimum rental payment due under the lease in fiscal year 2018 is \$9,135.

NOTE 5: RISK MANAGEMENT

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

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

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

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2017

NOTE 5: RISK MANAGEMENT (CONTINUED)

2017 Coverage	Deductible	YCPARMIA	Excess
General Liability	\$ 1,000	\$ 500,000	\$40,000,000
Workers' Compensation	1,000	500,000	50,000,000
Property Insurance	1,000	25,000	959,357,100

The Habitat JPA has had no settlements exceeding coverage in the fiscal year ended June 30, 2017 or the prior two fiscal years.

NOTE 6: RELATED PARTY TRANSACTIONS

The County of Yolo provides certain legal, accounting, administrative, and other professional services to the Habitat JPA. Although the Habitat JPA was created in part by the County of Yolo, it is not part of the County's financial reporting entity. Legal, payroll, and accounting services are billed separately and at amounts that will approximately recover the County's full cost of providing such services. The Habitat JPA had expenditures for services provided by the County for the 2017 fiscal year as follows:

	Amount
General Administrative	\$ 864
Legal	25,641
Accounting	2,800
Total	<u>\$ 29,305</u>

NOTE 7: CONTINGENCIES

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

NOTE 8: MITIGATION CREDITS

On November 10, 2008, the Habitat JPA Board of Directors adopted Resolution 2008-02 supporting the creation of receiving sites for Swainson's Hawk Foraging Habitat Mitigation and the subsequent sale of mitigation credits. The Habitat JPA has engaged in the subsequent sale and exchange of mitigation credits in order to acquire conservation easements. The Habitat JPA is responsible for the tracking and management of the mitigation credits provided. As of June 30, 2017, a total of six mitigation receiving sites have been established for 984.8 acres which results in total credits issued of 969.8 Swainson's Hawk Foraging Habitat Mitigation credits. Landowners are responsible for reporting the sales of credits to the Habitat JPA in accordance with the Mitigation Credit agreement between the Habitat JPA and the landowner.

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

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2017

NOTE 9: ECONOMIC DEPENDENCE

The Habitat JPA is economically dependent on revenue derived from state and federal grants with 75 percent of its General Fund program revenues generated from those grants for the year ended June 30, 2017. The Habitat JPA has also become economically dependent on contributions of the member agencies representing 24 percent of the General Fund program revenues for the year ended June 30, 2017. The Habitat JPA is dependent on the continued support from state and federal granting agencies and member agency contributions for the organization's objective of the development of the Yolo County Habitat/Natural Community Conservation Plan and to continue operations in the future.

REQUIRED SUPPLEMENTARY INFORMATION

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

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2017**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Grant revenue	\$ 827,750	\$ 771,362	\$ 456,578	\$ (314,784)
Contributions from member agencies	251,364	214,900	214,900	-
Interest Income	-	-	1,159	1,159
Other	20,000	20,000	486	(19,514)
Total Revenues	<u>1,099,114</u>	<u>1,006,262</u>	<u>673,123</u>	<u>(333,139)</u>
Expenditures				
Current:				
Conservation activities:				
Salaries and benefits	85,500	99,150	58,497	40,653
Services and supplies:				
Professional services	984,974	900,339	613,718	286,621
Other expenses	31,071	28,526	32,813	(4,287)
Total Expenditures	<u>1,101,545</u>	<u>1,028,015</u>	<u>705,028</u>	<u>322,987</u>
Net Change in Fund Balances	(2,431)	(21,753)	(31,905)	(656,126)
Fund Balance - Beginning	136,153	43,419	223,533	180,114
Fund Balance - Ending	<u>\$ 133,722</u>	<u>\$ 21,666</u>	<u>\$ 191,628</u>	<u>\$ (476,012)</u>

The notes to the required supplementary information are an integral part of this schedule.

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

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
WILDLIFE MITIGATION SPECIAL REVENUE FUND
FOR THE YEAR ENDED JUNE 30, 2017**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Mitigation fees	\$ -	\$ -	\$ 172,553	\$ 172,553
Interest Income	4,000	4,000	7,168	3,168
Total Revenues	<u>4,000</u>	<u>4,000</u>	<u>179,721</u>	<u>175,721</u>
Expenditures				
Current:				
Conservation activities:				
Professional services	50,000	50,000	10,284	39,716
Capital Outlay	700,000	700,000	-	700,000
Total Expenditures	<u>750,000</u>	<u>750,000</u>	<u>10,284</u>	<u>739,716</u>
Net Change in Fund Balances	(746,000)	(746,000)	169,437	(563,995)
Fund Balance - Beginning	303,553	303,553	1,044,987	741,434
Fund Balance - Ending	<u><u>(\$442,447)</u></u>	<u><u>(\$442,447)</u></u>	<u><u>\$1,214,424</u></u>	<u><u>\$177,439</u></u>

The notes to the required supplementary information are an integral part of this schedule.

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

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
STEWARDSHIP PERMANENT FUND
FOR THE YEAR ENDED JUNE 30, 2017**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Interest Income	\$ 1,069	\$ 1,069	\$ 2,799	\$ 1,730
Other income	-	-	14,039	14,039
Total Revenues	<u>1,069</u>	<u>1,069</u>	<u>16,838</u>	<u>15,769</u>
Expenditures				
Current:				
Conservation activities:				
Professional services	<u>3,300</u>	<u>3,300</u>	<u>1,417</u>	<u>1,883</u>
Total Expenditures	<u>3,300</u>	<u>3,300</u>	<u>1,417</u>	<u>1,883</u>
Net Change in Fund Balances	(2,231)	(2,231)	15,421	13,886
Fund Balance - Beginning	<u>326,958</u>	<u>326,958</u>	<u>330,906</u>	<u>3,948</u>
Fund Balance - Ending	<u><u>\$324,727</u></u>	<u><u>\$324,727</u></u>	<u><u>\$346,327</u></u>	<u><u>\$17,834</u></u>

The notes to the required supplementary information are an integral part of this schedule.

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

**NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2017**

NOTE 1 – BUDGET AND BUDGETARY ACCOUNTING

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

After the budget is approved, the Executive Director is authorized to execute transfers within major budget units as long as the total expenditures for each budget unit remain unchanged. The Habitat JPA measures compliance with the legally adopted budget at the major object level.

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

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the basic financial statements of the Yolo County Habitat/Natural Community Conservation Plan Joint Powers Authority (Habitat JPA), as of and for the year ended June 30, 2017 and the related notes to the financial statements, and have issued our report thereon dated May 3, 2018.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Habitat JPA'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 Habitat JPA'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*.

We have also issued a separate Memorandum on Internal Control dated May 3, 2018 which is an integral part of our audit and should be read in conjunction with this report.

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 Habitat JPA'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 Habitat JPAs internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Maze + Associates

Pleasant Hill, California
May 3, 2018