

**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, 2016

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

**FOR THE FISCAL YEAR ENDED
JUNE 30, 2016**

TABLE OF CONTENTS

Page

INDEPENDENT AUDITORS' REPORT1

BASIC FINANCIAL STATEMENTS

Government – Wide Financial Statements:

Statement of Net Position.....4
Statement of Activities5

Fund Financial Statements:

Balance Sheet – Governmental Funds.....6
Reconciliation of the Governmental Fund Balance Sheet to the Government – Wide
Statement of Net Position.....7
Statement of Revenues, Expenditures, and Changes in Fund Balance –
Governmental Funds8
Notes to Basic Financial Statements9

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Revenues, Expenditures, and Changes in Fund Balance –
Budget and Actual – General Fund – For the Year Ended June 30, 201621
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual –
Wildlife Mitigation Special Revenue Fund – For the Year Ended June 30, 201622
Note to Required Supplementary Information.....23

SUPPLEMENTAL INFORMATION

Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual –
Budget and Actual – Stewardship Permanent Fund – For the Year Ended June 30, 201624

OTHER REPORT

Independent Auditors' Report on Internal Control Over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards*25



INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of the Yolo County Habitat/Natural Community Conservation Plan Joint Powers Agency (Habitat JPA), as of and for the year ended June 30, 2016, 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 financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the 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 Habitat JPA, as of June 30, 2016, 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 state and federal grants and contributions from member agencies consisting of 70 percent and 17 percent respectively, of General Fund program revenues for the year ended June 30, 2016. Our opinion is not modified with respect to this matter.

New Accounting Pronouncements

As described in Note 1 to the financial statements, the Habitat JPA adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 72, *Fair Value Measurement and Application*, effective July 1, 2015. 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 budgetary comparison information on pages 23 through 25 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.

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Habitat JPA's basic financial statements. The budgetary comparison information of the Stewardship Permanent Fund is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information 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 not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 13, 2017, 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.

Varrinick, Trine, Day & Co. LLP

Sacramento, California
March 13, 2017

BASIC FINANCIAL STATEMENTS
Government – Wide Financial Statements

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

**STATEMENT OF NET POSITION
JUNE 30, 2016**

	Governmental Activities
ASSETS	
Current Assets:	
Cash and investments in County Treasury (Note 2)	\$ 1,258,434
Restricted cash and investments (Note 2)	330,906
Due from other governments	126,429
Total Current Assets	1,715,769
Non-current Assets:	
Capital assets (Note 3)	2,174,926
Total Assets	3,890,695
LIABILITIES	
Current Liabilities:	
Accounts payable	109,182
Accrued liabilities	989
Deposits from others	6,172
Total Liabilities	116,343
NET POSITION	
Net investment in capital assets	2,174,926
Restricted for Wildlife Mitigation	1,375,893
Unrestricted	223,533
Total Net Position	\$ 3,774,352

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

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

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016**

	Governmental Activities
Expenses:	
Conservation activities:	
Contracted administrative expenses	\$ 62,071
Professional services	851,456
Miscellaneous expenses	25,845
Total Program Expenses	939,372
Program Revenues:	
Operating grants and contributions	1,006,378
Total Program Revenues	1,006,378
Net program revenue (expense)	67,006
General Revenue:	
Interest income	14,101
Miscellaneous	5,099
Total General Revenues	19,200
Change in net position	86,206
Net Position - Beginning of the Year	3,688,146
Net Position - End of the Year	\$ 3,774,352

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

BASIC FINANCIAL STATEMENTS
Fund Financial Statements

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

**BALANCE SHEET – GOVERNMENTAL FUNDS
JUNE 30, 2016**

	<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	\$ 211,923	\$ 1,046,511	\$ -	\$ 1,258,434
Restricted cash and investments	-	-	330,906	330,906
Due from other governments	126,429	-	-	126,429
Total Assets	<u>\$ 338,352</u>	<u>\$ 1,046,511</u>	<u>\$ 330,906</u>	<u>\$ 1,715,769</u>
LIABILITIES AND FUND BALANCE				
Liabilities:				
Accounts payable	\$ 107,658	\$ 1,524	\$ -	\$ 109,182
Accrued liabilities	989	-	-	989
Deposits from others	6,172	-	-	6,172
Total Liabilities	<u>114,819</u>	<u>1,524</u>	<u>-</u>	<u>116,343</u>
Fund balance:				
Nonspendable:				
Endowment - Conservation Easement	-	-	330,906	330,906
Restricted:				
Wildlife Mitigation	-	1,044,987	-	1,044,987
Unassigned	223,533	-	-	223,533
Total Fund Balance	<u>223,533</u>	<u>1,044,987</u>	<u>330,906</u>	<u>1,599,426</u>
Total Liabilities and Fund Balance	<u>\$ 338,352</u>	<u>\$ 1,046,511</u>	<u>\$ 330,906</u>	<u>\$ 1,715,769</u>

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

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

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
GOVERNMENT-WIDE STATEMENT OF NET POSITION
JUNE 30, 2016**

Fund balance - Governmental Funds \$ 1,599,426

Amounts reported for governmental activities in the statement of net position are
different because:

Capital assets used in governmental activities are not current financial resources
and, therefore, are not reported in the governmental funds. This amount represents
capital assets (Note 3). 2,174,926

Net Position of Governmental Activities \$ 3,774,352

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

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

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE – GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2016**

	General Fund	Wildlife Mitigation Special Revenue Fund	Stewardship Permanent Fund	Total Governmental Funds
REVENUES				
Grant revenue	\$ 741,478	\$ -	\$ -	\$ 741,478
Contributions from member agencies	264,900	-	-	264,900
Interest income	849	10,081	3,171	14,101
Other	5,099	-	-	5,099
Total Revenues	<u>1,012,326</u>	<u>10,081</u>	<u>3,171</u>	<u>1,025,578</u>
EXPENDITURES				
Current:				
Conservation activities:				
Contracted administrative expenditures	62,071	-	-	62,071
Professional services	835,355	14,647	1,454	851,456
Other expenditures	25,845	-	-	25,845
Total Expenditures	<u>923,271</u>	<u>14,647</u>	<u>1,454</u>	<u>939,372</u>
Net Change in Fund Balance	89,055	(4,566)	1,717	86,206
Fund Balances - Beginning	<u>134,478</u>	<u>1,049,553</u>	<u>329,189</u>	<u>1,513,220</u>
Fund Balances - Ending	<u>\$ 223,533</u>	<u>\$ 1,044,987</u>	<u>\$ 330,906</u>	<u>\$ 1,599,426</u>

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

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

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2016

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, 2016

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, 2016, 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, 2016

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, 2016

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, 2016

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. 72 – In February 2015, GASB issued Statement No. 72, *Fair Value Measurement and Application*. The primary objective of this statement is to define fair value and describe how fair value should be measured, define what assets and liabilities should be measured at fair value, and determine what information about fair value should be disclosed in the notes to the financial statements. The Statement was implemented as of July 1, 2015.

GASB Statement No. 73 – In June 2015, GASB issued Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statements Nos. 67 and 68*. The objective of this Statement is to improve the usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability. The requirements of this Statement are effective for fiscal years beginning after June 15, 2015. The Habitat JPA has determined that this statement is not applicable.

GASB Statement No. 76 – In June 2015, GASB issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The objective of this statement is to reduce the GAAP hierarchy to two categories of authoritative GAAP from the four categories under GASB Statement No. 55. The Habitat JPA has determined that this statement did not have a material effect on the financial statements.

GASB Statement No. 79 – In December 2015, GASB issued Statement No. 79, *Certain External Investment Pools and Pool Participants*. This Statement addresses accounting and financial reporting for certain external investment pools and pool participants. The Habitat JPA has determined that this statement is not applicable.

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

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2016

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

L. Future Accounting Pronouncements

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

GASB Statement No. 74 – In June 2015, GASB issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. Statement No. 74 replaces Statements No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, as amended*, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*. It also includes requirements for defined contribution OPEB plans that replace the requirements for those OPEB plans in Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, as amended, Statement No. 43, and Statement No. 50, *Pension Disclosures*. The provisions in Statement No. 74 are effective for fiscal years beginning after June 15, 2017. The Habitat JPA has not determined its effect on the financial statements.

GASB Statement No. 75 – In June 2015, GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Statement No. 75 establishes new accounting and financial reporting requirements for governments whose employees are provided with OPEB, as well as for certain nonemployer governments that have a legal obligation to provide financial support for OPEB provided to the employees of other entities. The provisions in Statement 75 are effective for fiscal years beginning after June 15, 2018. The Habitat JPA has not determined its effect on the financial statements.

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 Habitat JPA has not determined its effect on the 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 Habitat JPA has not determined the effect of the Statement.

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 Habitat JPA has not determined the effect of this Statement.

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

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2016

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

L. Future Accounting Pronouncements, (Continued)

GASB Statement No. 81 – In March 2016, GASB issued Statement No. 81, *Irrevocable Split-Interest Agreements*. The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. This Statement is effective for reporting periods beginning after December 15, 2016. The Habitat JPA has not determined the effect of this Statement.

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 Habitat JPA has not determined the effect of this Statement.

GASB Statement No. 83 – In November 2016, GASB issued Statement No. 83, *Certain Asset Retirement Obligations*. This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement. This Statement also requires disclosure of information about the nature of a government's AROs, the methods and assumptions used for the estimates of the liabilities, and the estimated remaining useful life of the associated tangible capital assets. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. Earlier application is encouraged. The Habitat JPA has not determined its effect on the financial statements.

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.

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

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2016

NOTE 2: CASH AND INVESTMENTS, (CONTINUED)

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:

Restricted Cash for Wildlife Mitigation	\$ 1,258,434
Restricted Cash for Conservation Easement Monitoring	<u>330,906</u>
Total Cash and Investments	<u><u>\$ 1,589,340</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 53635. The investments in the County of Yolo Treasury investment pool follow the County's investment policy with oversight by the Yolo County Treasury Oversight Committee.

At June 30, 2016, Habitat JPA had the following investments:

	<u>Interest Rates</u>	<u>Maturities</u>	<u>Cost</u>	<u>Fair Value</u>	<u>WAM (Years)</u>
Cash and Investments:					
Cash in County Pooled Treasury	Variable	On Demand	\$ 1,246,785	\$ 1,258,434	1.66
Restricted Cash in County Pooled Treasury	Variable	On Demand	<u>327,843</u>	<u>330,906</u>	1.66
Total Cash and Investments			<u><u>\$ 1,574,628</u></u>	<u><u>\$ 1,589,340</u></u>	

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

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2016

NOTE 2: CASH AND INVESTMENTS, (CONTINUED)

At June 30, 2016, the Habitat JPA had the following restrictions on cash balances:

Conservation Easement Stewardship	<u>\$ 330,906</u>
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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, 2016, the Habitat JPA held no individual investments. All funds are invested in the County Pool.

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, 2016 of \$1,589,340 is an uncategorized input not defined as a Level 1, Level 2, or Level 3 input.

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

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2016

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, 2016 is as follows:

	<u>Balance</u> <u>July 1, 2015</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2016</u>
Capital Assets, Not Being Depreciated:				
Land Easements	\$ 2,174,926	\$ -	\$ -	\$ 2,174,926
Total Capital Assets, Not Being Depreciated	<u>\$ 2,174,926</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,174,926</u>

NOTE 4: COMMITMENT

The Habitat JPA leases office space from a third party under a short-term operating lease, which expires in September 30, 2016. The future minimum rental payment due under the lease is as follows:

<u>Year Ended</u> <u>June 30,</u>	
2017	<u>11,955</u>
Total	<u>\$ 11,955</u>

NOTE 5: RISK MANAGEMENT

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

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

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2016

NOTE 5: RISK MANAGEMENT, (CONTINUED)

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:

2016 Coverage	Deductible	YCPARMIA	Excess
General Liability	\$ 5,000	\$ 500,000	\$ 40,000,000
Worker's Compensation	1,000	500,000	50,000,000

The Habitat JPA has had no settlements exceeding coverage in the fiscal year ended June 30, 2016 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 a part of the County's financial reporting entity. Legal, payroll, and accounting services are billed separately and at amounts that will approximately recover the County's full cost of providing such services. The Habitat JPA has expenditures for services provided by the County for the 2016 fiscal year as follows:

	Amount
Contracted services	\$ 62,545
General Administrative	1,172
Legal	9,602
Procurement Cards	6,012
Accounting	1,906
Total	<u>\$ 81,237</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.

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

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2016

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 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, 2016, a total of three mitigation receiving sites have been established for 372.3 acres which results in total credits issued of 372.3 credits. Landowners are responsible for reporting the sales of credits to the Habitat JPA in accordance with the Mitigation Credit agreement between the Habitat JPA and the landowner.

NOTE 9: ECONOMIC DEPENDENCE

The Habitat JPA is economically dependent on revenue derived from state and federal grants with 70 percent of its General Fund program revenues generated from those grants for the year ended June 30, 2016. The Habitat JPA has also become economically dependent on contributions of the member agencies representing 17 percent of the General Fund program revenues for the year ended June 30, 2016. 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, 2016**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Grant revenue	\$ 1,058,171	\$ 712,658	\$ 741,478	\$ 28,820
Contributions from member agencies	164,900	164,900	264,900	100,000
Interest income	-	-	849	849
Other	-	20,000	5,099	(14,901)
Total Revenues	<u>1,223,071</u>	<u>897,558</u>	<u>1,012,326</u>	<u>114,768</u>
EXPENDITURES				
Current:				
Conservation activities:				
Contracted services	81,500	86,000	62,071	23,929
Services and supplies:				
Professional services	1,110,675	872,796	835,355	37,441
Other expenses	29,221	29,821	25,845	3,976
Total Expenditures	<u>1,221,396</u>	<u>988,617</u>	<u>923,271</u>	<u>65,346</u>
Net Change in Fund Balance	1,675	(91,059)	89,055	180,114
Fund Balance - Beginning	<u>134,478</u>	<u>134,478</u>	<u>134,478</u>	<u>-</u>
Fund Balance - Ending	<u>\$ 136,153</u>	<u>\$ 43,419</u>	<u>\$ 223,533</u>	<u>\$ 180,114</u>

See the accompanying note to the required supplementary information.

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

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE – BUDGET AND ACTUAL
WILDLIFE MITIGATION SPECIAL REVENUE FUND
FOR THE YEAR ENDED JUNE 30, 2016**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Interest income	\$ 4,000	\$ 4,000	\$ 10,081	\$ 6,081
Total Revenues	4,000	4,000	10,081	6,081
EXPENDITURES				
Current:				
Conservation activities:				
Professional services	50,000	50,000	14,647	35,353
Capital Outlay	700,000	700,000	-	700,000
Total Expenditures	750,000	750,000	14,647	735,353
Net Change in Fund Balance	(746,000)	(746,000)	(4,566)	741,434
Fund Balance - Beginning	1,049,553	1,049,553	1,049,553	-
Fund Balance - Ending	\$ 303,553	\$ 303,553	\$ 1,044,987	\$ 741,434

See the accompanying note to the required supplementary information.

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

**NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2016**

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.

SUPPLEMENTAL INFORMATION

**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, 2016**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Interest income	\$ 1,069	\$ 1,069	\$ 3,171	\$ 2,102
Total Revenues	<u>1,069</u>	<u>1,069</u>	<u>3,171</u>	<u>2,102</u>
EXPENDITURES				
Current:				
Conservation activities:				
Professional services	<u>3,300</u>	<u>3,300</u>	<u>1,454</u>	<u>1,846</u>
Total Expenditures	<u>3,300</u>	<u>3,300</u>	<u>1,454</u>	<u>1,846</u>
Net Change in Fund Balance	(2,231)	(2,231)	1,717	3,948
Fund Balance - Beginning	<u>329,189</u>	<u>329,189</u>	<u>329,189</u>	<u>-</u>
Fund Balance - Ending	<u>\$ 326,958</u>	<u>\$ 326,958</u>	<u>\$ 330,906</u>	<u>\$ 3,948</u>

OTHER REPORT



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

To the Board of Directors
Yolo County Habitat/Natural Community Conservation Plan
Joint Powers 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 financial statements of the governmental activities and each major fund of the Yolo County Habitat/Natural Community Conservation Plan Joint Powers Agency (Habitat JPA) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Habitat JPA's basic financial statements, and have issued our report thereon dated March 13, 2017. Our report includes an emphasis of matter regarding the Habitat JPA's economic dependence on state and federal grants and contributions from member agencies as described in Note 9 to the financial statements and adoption of Governmental Accounting Standards Board (GASB) Statement No. 72, *Fair Value Measurement and Application*, effective July 1, 2015.

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 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 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*.

Purpose of this Report

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

Vavrinik, Trine, Day & Co. LLP

Sacramento, California
March 13, 2017