

**EAST CONTRA COSTA COUNTY
HABITAT CONSERVANCY**

BASIC FINANCIAL STATEMENTS (REVISED)

**FOR THE YEARS ENDED
DECEMBER 31, 2014 AND 2013**

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EAST CONTRA COSTA COUNTY HABITAT CONSERVANCY
 BASIC FINANCIAL STATEMENTS (REVISED)
 FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

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INDEPENDENT AUDITOR'S REPORT (REVISED)

The Governing Board
East Contra Costa County Habitat Conservancy
Martinez, California

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities and the major fund of the East Contra Costa County Habitat Conservancy (Conservancy) as of and for the years ended December 31, 2014 and 2013 and the related notes to the financial statements, which collectively comprise the Conservancy's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of 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 audits. We conducted our audits 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 audits 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 Conservancy'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 Conservancy'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 the major fund of the Conservancy as of December 31, 2014 and 2013, and the respective changes in the financial position, thereof, and the budgetary comparison listed as part of the basic financial statements for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matters

Management adopted the provisions of the Governmental Accounting Standards Board Statement No. 70 – *Accounting and Reporting for Non-exchange Financial Guarantees*, which became effective during the year ended December 31, 2014, but did not have a material effect on the financial statements.

After release of our original opinion dated April 16, 2015 but prior to the acceptance of the financial statements by the Board, management determined additional accruals of fee revenues in the amount of \$511,703 were appropriate. Accordingly, management informed us of additional entries recorded to adjust the financial statements as of and for the year ended December 31, 2014. The effect was to increase receivables and fee revenues by the above amount. We performed additional procedures we considered appropriate in the circumstances and have revised our report dated June 5, 2015.

The emphasis of these matters does not constitute a modification to our opinions.

Other Matters

The Conservancy has not presented the Management's Discussion and Analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements. Our opinion on the basic financial statements is not affected by this missing information.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 5, 2015, on our consideration of the Conservancy's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Conservancy's internal control over financial reporting and compliance.



Pleasant Hill, California
June 5, 2015

EAST CONTRA COSTA COUNTY HABITAT CONSERVANCY**STATEMENT OF NET POSITION
AND STATEMENT OF ACTIVITIES**

The purpose of the Statement of Net Position and the Statement of Activities is to summarize the entire Conservancy's financial activities and financial position. They are prepared on the same basis as is used by most businesses, which means they include all the Conservancy's assets and deferred outflows of resources and all its liabilities and deferred inflows of resources, as well as all its revenues and expenses. This is known as the full accrual basis—the effect of all the Conservancy's transactions is taken into account, regardless of whether or when cash changes hands. This differs from the “modified accrual” basis used in the Fund financial statements, which reflect only current assets, current deferred outflows of resources, current liabilities, current deferred inflows of resources, available revenues and measurable expenditures.

The Statement of Net Position summarizes the financial position of all the Conservancy's financial position in a single column.

The Statement of Activities reports increases and decreases in the Conservancy's net position. The Statement of Activities presents the Conservancy's expenses first, listed by program. Program revenues—that is, revenues which are generated directly by these programs—are then deducted from program expenses to arrive at the net expense of the program. The Conservancy's general revenues are then listed, and the Change in Net Position is computed and reconciled with the Statement of Net Position.

These financial statements along with the fund financial statements and footnotes are called *Basic Financial Statements*.

EAST CONTRA COSTA COUNTY HABITAT CONSERVANCY
STATEMENT OF NET POSITION
DECEMBER 31, 2014 AND 2013 (REVISED)

	<u>2014</u>	<u>2013</u>
ASSETS		
Cash and investments (Note 3)	\$2,157,865	\$1,401,688
Accounts receivable	<u>966,006</u>	<u>1,954,946</u>
Total Assets	<u>3,123,871</u>	<u>3,356,634</u>
LIABILITIES		
Accounts payable	<u>94,800</u>	<u>183,776</u>
Total Liabilities	<u>94,800</u>	<u>183,776</u>
NET POSITION (Note 4)		
Unrestricted	<u>3,029,071</u>	<u>3,172,858</u>
Total Net Position	<u><u>\$3,029,071</u></u>	<u><u>\$3,172,858</u></u>

See accompanying notes to financial statements.

EAST CONTRA COSTA COUNTY HABITAT CONSERVANCY
STATEMENT OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013 (REVISED)

	<u>2014</u>	<u>2013</u>
Program Expenses:		
Habitat Conservation Plan Development Fee Account:		
Program administration	\$669,081	\$638,835
Land acquisition	103,004	96,458
Management, restoration, recreation planning and design	33,576	49,758
Environmental compliance	3,219	47,722
Monitoring, research and adaptive management	67,888	59,170
Habitat conservation plan/natural community conservation plan preserve management and maintenance	9,839	22,185
Habitat Conservation Wetland Fee Account:		
Management, restoration, recreation planning and design	12,395	267,018
Habitat restoration and creation	735,130	4,727
Environmental compliance	9,367	1,131
Monitoring, research and adaptive management	121,840	87,713
Habitat Conservation Plan Contributions to Recovery Account:		
Program administration	99,371	66,321
Land acquisition	15,522,151	1,300,900
Monitoring, research and adaptive management	15,741	51,228
Total Program Expenses	<u>17,402,602</u>	<u>2,693,166</u>
Program Revenues:		
Charges for services (including mitigation fees and other revenues)	431,443	2,233,475
Capital grants for land acquisition	16,787,886	1,300,900
Operating grants	39,486	265,437
Total Program Revenues	<u>17,258,815</u>	<u>3,799,812</u>
Net Program Income	<u>(143,787)</u>	<u>1,106,646</u>
Change in Net Position	(143,787)	1,106,646
Net Position - Beginning	<u>3,172,858</u>	<u>2,066,212</u>
Net Position - Ending	<u>\$3,029,071</u>	<u>\$3,172,858</u>

See accompanying notes to financial statements.

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FUND FINANCIAL STATEMENTS

Major funds are defined generally as having significant activities or balances in the current year.

The Conservancy's **General Fund** is its only fund and is therefore a major fund. It is used to account for all financial resources. General operating expenditures, fixed charges and capital costs are paid from this fund.

EAST CONTRA COSTA COUNTY HABITAT CONSERVANCY
 GOVERNMENTAL FUNDS - GENERAL FUND
 BALANCE SHEET
 DECEMBER 31, 2014 AND 2013 (REVISED)

	<u>2014</u>	<u>2013</u>
ASSETS		
Cash (Note 3)	\$2,157,865	\$1,288,227
Investments (Note 3)		113,461
Accounts receivable	<u>966,006</u>	<u>1,954,946</u>
Total Assets	<u><u>\$3,123,871</u></u>	<u><u>\$3,356,634</u></u>
LIABILITIES		
Accounts payable	<u>\$94,800</u>	<u>\$183,776</u>
DEFERRED INFLOWS OF RESOURCES		
Unavailable revenue - grants (Note 2D)	<u>937,241</u>	<u>63,881</u>
Total Liabilities and Deferred Inflows of Resources	<u>1,032,041</u>	<u>247,657</u>
FUND BALANCE		
Fund balances (Note 4):		
Unassigned	<u>2,091,830</u>	<u>3,108,977</u>
Total Fund Balance	<u>2,091,830</u>	<u>3,108,977</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balance	<u><u>\$3,123,871</u></u>	<u><u>\$3,356,634</u></u>

See accompanying notes to financial statements.

EAST CONTRA COSTA COUNTY HABITAT CONSERVANCY
 Reconciliation of the
 GOVERNMENTAL FUND - BALANCE SHEET
 with the
 STATEMENT OF NET POSITION
 DECEMBER 31, 2014 (REVISED)

Total fund balances reported on the governmental funds balance sheet	\$2,091,830
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Amounts reported for Governmental Activities in the Statement of Net Position are different from those reported in the Governmental Fund above because of the following:

ACCRUAL OF NON-CURRENT REVENUES AND EXPENSES

Revenues which are unavailable on the Fund Balance Sheets because they are not available currently are taken into revenue in the Statement of Activities.

	<u>937,241</u>
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NET POSITION OF GOVERNMENTAL ACTIVITIES

	<u><u>\$3,029,071</u></u>
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See accompanying notes to financial statements

EAST CONTRA COSTA COUNTY HABITAT CONSERVANCY
 GOVERNMENTAL FUNDS - GENERAL FUND
 STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCE
 FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013 (REVISED)

	2014	2013
REVENUES		
Habitat Conservation Development Fee Account	\$137,845	\$2,077,166
Habitat Conservation Wetland Fee Account	254,531	246,209
Habitat Conservation Contributions to Recovery Account	15,993,079	1,743,948
Total Revenues	16,385,455	4,067,323
EXPENDITURES		
Habitat Conservation Plan Development Fee Account:		
Program administration	669,081	638,835
Environmental compliance	3,219	47,722
Land acquisition (Note 5)	103,004	96,458
Management, restoration, recreation planning and design	33,576	49,758
Monitoring, research and adaptive management	67,888	59,170
Habitat conservation plan/natural community conservation plan preserve management and maintenance	9,839	22,185
Habitat Conservation Wetland Fee Account:		
Environmental compliance	9,367	1,131
Management, restoration, recreation planning and design	12,395	267,018
Habitat restoration and creation	735,130	4,727
Monitoring, research and adaptive management	121,840	87,713
Habitat Conservation Plan Contributions to Recovery Account:		
Program administration	99,371	66,321
Land acquisition (Note 5)	15,522,151	1,300,900
Monitoring, research and adaptive management	15,741	51,228
Total Expenditures	17,402,602	2,693,166
NET CHANGE IN FUND BALANCE	(1,017,147)	1,374,157
FUND BALANCE, BEGINNING OF YEAR	3,108,977	1,734,820
FUND BALANCE, END OF YEAR	\$2,091,830	\$3,108,977

See accompanying notes to financial statements.

EAST CONTRA COSTA COUNTY HABITAT CONSERVANCY
 Reconciliation of the
 NET CHANGE IN FUND BALANCE - TOTAL GOVERNMENTAL FUND
 with the
 STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED DECEMBER 31, 2014 (REVISED)

The schedule below reconciles the Net Changes in Fund Balances reported on the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balance, which measures only changes in current assets and current liabilities on the modified accrual basis, with the Change in Net Assets of Governmental Activities reported in the Statement of Activities, which is prepared on the full accrual basis.

NET CHANGE IN FUND BALANCE - TOTAL GOVERNMENTAL FUND	(\$1,017,147)
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Amounts reported for governmental activities in the Statement of Activities are different because of the following:

ACCRUAL OF NON-CURRENT ITEMS

The amount below included in the Statement of Activities do not provide or (require) the use of current financial resources and therefore are not reported as revenue or expenditures in governmental funds (net change):

Unavailable revenues	<u>873,360</u>
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CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u><u>(\$143,787)</u></u>
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See accompanying notes to financial statements

EAST CONTRA COSTA COUNTY HABITAT CONSERVANCY
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2014 (REVISED)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
EXPENDITURES				
Program administration	\$813,923	\$813,923	\$768,452	\$45,471
Land acquisition	22,434,765	22,434,765	15,625,155	6,809,610
Management, restoration, recreation planning and design	391,937	391,937	45,971	345,966
Habitat restoration and creation	963,719	963,719	735,130	228,589
Environmental compliance	163,249	163,249	12,586	150,663
Habitat conservation plan/natural community conservation plan preserve management and maintenance	383,630	383,630	9,839	373,791
Monitoring, research and adaptive management	300,384	300,384	205,469	94,915
Remedial measures	6,000	6,000		6,000
Contingency fund	150,842	150,842		150,842
	<u>25,608,449</u>	<u>25,608,449</u>	<u>17,402,602</u>	<u>8,205,847</u>
NET CHANGE IN FUND BALANCE - NON GAAP BUDGET BASIS	<u>(\$25,608,449)</u>	<u>(\$25,608,449)</u>	17,402,602	<u>\$43,011,051</u>
NON BUDGETED ITEMS				
ADD RECONCILING ITEMS:				
REVENUES				
Habitat Conservation Development Fee Account			137,845	\$137,845
Habitat Conservation Wetland Fee Account			254,531	254,531
Habitat Conservation Contributions to Recovery Account			15,993,079	15,993,079
			<u>16,385,455</u>	<u>16,385,455</u>
NET CHANGE IN FUND BALANCE - GAAP BUDGET BASIS			(1,017,147)	
FUND BALANCE, BEGINNING OF YEAR			<u>3,108,977</u>	
FUND BALANCE, END OF YEAR			<u>\$2,091,830</u>	

See accompanying notes to financial statements.

**EAST CONTRA COSTA COUNTY HABITAT CONSERVANCY
NOTES TO BASIC FINANCIAL STATEMENTS (REVISED)
For the Years Ended December 31, 2014 and 2013**

NOTE 1 - GENERAL

A. *Joint Exercise of Powers Agreement*

On April 16, 2007, the County of Contra Costa, City of Pittsburg, City of Clayton, City of Oakley and City of Brentwood, collectively referred to as the "Parties," entered into a Joint Exercise of Powers Agreement ("Agreement").

The Parties intend to implement the East Contra Costa County Habitat Conservation Plan and Natural Community Conservation Plan ("Conservation Plan"). The Parties expect the Conservation Plan to provide an effective framework to protect natural resources in eastern Contra Costa County, while improving and streamlining the environmental permitting process for impacts on rare and sensitive species and their habitat. The Parties expect that the Conservation Plan will also enable them to achieve certain land use planning goals and to provide comprehensive species, wetlands, and ecosystem conservation and to contribute to the recovery of endangered species in Northern California. The Parties have a common interest in creating an entity capable of implementing the Conservation Plan in accordance with the Implementing Agreement for the East Contra Costa County Habitat Conservation Plan/Natural Community Conservation Plan ("Implementing Agreement"). The Conservation Plan and Implementing Agreement identify certain duties and obligations that must be fulfilled by an implementing Entity in order to support the issuance of permits to the Parties under the Federal Endangered Species Act and the California Natural Community Conservation Planning Act that cover urban development and other development projects in eastern Contra Costa County.

B. *Reporting Entity*

The Conservancy's operations are financed by federal, state and private grants, development fees, wetland fees and fees for service. The Conservancy is the only entity included in these financial statements.

C. *Personnel*

The Conservancy has no employees and substantially all staff services are performed by personnel from Contra Costa County's Department of Conservation & Development. Costs incurred by Contra Costa County's Department of Conservation & Development to provide such services are reimbursed by the Conservancy.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Conservancy conform with generally accepted accounting principles as applicable to governments. The following is a summary of the significant policies:

A. *Basis of Presentation*

The Conservancy's Basic Financial Statements are prepared in conformity with accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board is the acknowledged standard setting body for establishing accounting and financial reporting standards followed by governmental entities in the United States of America.

EAST CONTRA COSTA COUNTY HABITAT CONSERVANCY
NOTES TO BASIC FINANCIAL STATEMENTS (REVISED)
For the Years Ended December 31, 2014 and 2013

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

These Standards require that the financial statements described below be presented.

Government-wide Statements: The Statement of Net Position and the Statement of Activities include the financial activities of the overall Conservancy. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions.

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the Conservancy's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) charges paid by the recipients of goods or services offered by the programs, (b) grants and *contributions* that are restricted to meeting the operational needs of a particular program and (c) fees, grants and contributions that are restricted to financing the acquisition or construction of capital assets.

Fund Financial Statements: The fund financial statements provide information about the Conservancy's General Fund. The emphasis of fund financial statements is on the major individual governmental fund displayed in a column.

B. Major Fund

The Conservancy's **General Fund** is its only fund. It is used to account for all financial resources. General operating expenditures, fixed charges and capital costs are paid from this fund. Pursuant to Government Code Section 6600, the Conservancy segregates development fee revenue from wetland fee revenue.

C. Basis of Accounting

The government-wide financial statements are reported using the *economic resources measurement focus* and the *full 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.

Basis of accounting refers to *when* revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements, regardless of the measurement focus applied. All governmental funds are accounted for using the modified accrual basis of accounting. Thus, fund revenues are recognized when they become measurable *and* available as net current assets. Measurable means the amount of the transaction can be determined and available means the amount is collectible within the current period or soon enough thereafter (generally sixty days) to be used to pay liabilities of the current period. Amounts which could not be measured or were not available were not accrued as revenue in the current fiscal year.

Those revenues susceptible to accrual are interest revenue, grants and charges for services.

Non-exchange transactions, in which the Conservancy gives or receives value without directly receiving or giving equal value in exchange, include grants, entitlements, and donations. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

EAST CONTRA COSTA COUNTY HABITAT CONSERVANCY
NOTES TO BASIC FINANCIAL STATEMENTS (REVISED)
For the Years Ended December 31, 2014 and 2013

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)
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D. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The Conservancy has only one type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item is unavailable revenues from grantors. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

E. Budgets and Budgetary Accounting

The Conservancy follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to the end of the fiscal year, a proposed operating budget is submitted to the Governing Board for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures. Revenues are not budgeted and are presented as a reconciling item on the budget and actual statement. The budget is legally enacted through passage of a vote of the Governing Board. The legal level of budgetary control has been established at the program level.
2. Formal budgetary integration is employed as a management control device during the year. Budgets are adopted on a basis consistent with generally accepted accounting principles. The Governing Board has sole transfer authority over budgetary items.

F. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**EAST CONTRA COSTA COUNTY HABITAT CONSERVANCY
 NOTES TO BASIC FINANCIAL STATEMENTS (REVISED)
 For the Years Ended December 31, 2014 and 2013**

NOTE 3 - CASH AND INVESTMENTS

A. Policies

California Law requires banks and savings and loan institutions to pledge government securities with a market value of 110% of the Conservancy’s cash on deposit or first trust deed mortgage notes with a value of 150% of the Conservancy’s cash on deposit as collateral for these deposits. Under California Law this collateral is held in a separate investment pool by another institution in the Conservancy’s name and places the Conservancy ahead of general creditors of the institution. The Conservancy has waived collateral requirements for the portion of deposits covered by federal deposit insurance.

B. Classification

The Conservancy’s cash and investments is controlled and invested by Contra Costa County’s Treasury office. Investments are stated at fair value as required by generally accepted accounting principles. Pooled investment earnings are allocated by the Treasurer to each fund based on the cash and investment balances in these funds at the end of each quarter.

The Conservancy is a participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The Conservancy reports its investment in LAIF at the fair value amount provided by LAIF, which is the same as the value of the pool share. The balance is available for withdrawal on demand, and is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. Included in LAIF’s investment portfolio are collateralized mortgage obligations, mortgage-backed securities, other asset-backed securities, loans to certain state funds, and floating rate securities issued by federal agencies, government-sponsored enterprises, United States Treasury Notes and Bills, and corporations. The Conservancy closed its LAIF account on January 14, 2014 and transferred the funds to the County Treasury.

Cash and investments as of December 31 were classified in the accompanying financial statements as follows:

	2014	2013
Cash deposits with the County	\$2,157,865	\$1,288,227
Local Agency Investment Fund	113,461	113,461
Total cash and investments	\$2,157,865	\$1,401,688

EAST CONTRA COSTA COUNTY HABITAT CONSERVANCY
NOTES TO BASIC FINANCIAL STATEMENTS (REVISED)
For the Years Ended December 31, 2014 and 2013

NOTE 4 – NET POSITION AND FUND BALANCE

A. Net Position

Net Position is the excess of all the Conservancy's assets over all its liabilities.

The *Unrestricted* is the portion of Net Position which is not restricted to use.

B. Fund Balance

Governmental fund balances represent the net current assets of each fund. Net current assets generally represent a fund's cash, receivables and deferred outflows of resources, less its liabilities and deferred inflows of resources.

The Conservancy's fund balances are classified based on spending constraints imposed on the use of resources. For programs with multiple funding sources, the Conservancy prioritizes and expends funds in the following order: Restricted, Committed, Assigned, and Unassigned. Each category in the following hierarchy is ranked according to the spending constraint:

Nonspendable represents balances set aside to indicate items do not represent available, spendable resources even though they are a component of assets. Assets not expected to be converted to cash, such as prepaids or loans receivable, are included. However, if proceeds realized from the sale or collection of nonspendable assets are restricted, committed or assigned, then nonspendable amounts are required to be presented as a component of the applicable category.

Restricted fund balances have external restrictions imposed by creditors, grantors, contributors, laws, regulations, or enabling legislation which requires the resources to be used only for a specific purpose.

Committed fund balances have constraints imposed by formal action of the Governing Board which may be altered only by formal action of the Governing Board.

Assigned fund balances are amounts constrained by the Conservancy's intent to be used for specific purpose, but are neither restricted nor committed. Intent is expressed by the Governing Board or its designee and may be changed at the discretion of the Governing Board or its designee. This category includes: nonspendables, when it is the conservancy's intent to use proceeds or collections for a specific purpose.

Unassigned fund balance represents residual amounts that have not been restricted, committed, or assigned.

EAST CONTRA COSTA COUNTY HABITAT CONSERVANCY
NOTES TO BASIC FINANCIAL STATEMENTS (REVISED)
For the Years Ended December 31, 2014 and 2013

NOTE 5 – COST SHARING AGREEMENTS

The Conservancy periodically participates in cost sharing agreements with the East Bay Regional Park District (the District). Under these agreements, the Conservancy and the District each share out-of-pocket pre-acquisition and due diligence costs and expenses incurred in connection with joint land acquisition projects. Furthermore, the Conservancy and the District share out-of-pocket planning costs and expenses incurred in connection with joint restoration planning projects. For the year ended December 31, 2014, the Conservancy did not participate in any cost sharing agreements with the District.

All land acquisitions through the financial statements date were completed in partnership with the District. The District holds title to all parcels acquired and is responsible for managing all lands.

NOTE 6 – CONTINGENT GRANT LIABILITY

The Conservancy's federal and State grant programs have been audited by its auditors in accordance with the provisions of the federal Single Audit Act as amended and applicable State requirements. No cost disallowances were proposed as a result of these audits; however, the programs are still subject to further audit by the grantors. If further audits are performed, the Conservancy expects any disallowances that might result to be immaterial.

**EAST CONTRA COSTA COUNTY HABITAT CONSERVANCY
MEMORANDUM ON INTERNAL CONTROL
AND
REQUIRED COMMUNICATIONS (REVISED)
FOR THE YEAR ENDED DECEMBER 31, 2014**

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**EAST CONTRA COSTA COUNTY HABITAT CONSERVANCY
MEMORANDUM ON INTERNAL CONTROL
AND
REQUIRED COMMUNICATIONS (REVISED)**

For The Year Ended December 31, 2014

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MEMORANDUM ON INTERNAL CONTROL (REVISED)

To the Governing Board of
the East Contra Costa County Habitat Conservancy, California

In planning and performing our audit of the basic financial statements of the East Contra Costa County Habitat Conservancy (Conservancy) for the year ended December 31, 2014, in accordance with auditing standards generally accepted in the United States of America, we considered the Conservancy's internal control over financial reporting (internal control) as a basis for designing our auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Conservancy's internal control. Accordingly, we do not express an opinion on the effectiveness of the Conservancy's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist and that were not identified. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls.

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 Conservancy's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies in internal control included on the Schedule of Material Weaknesses to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We did not identify any deficiencies in internal control that we consider to be significant deficiencies. However, significant deficiencies may exist that have not been identified.

Management responses included in this report have not been subjected to the audit procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

This communication is intended solely for the information and use of management, Governing Board, others within the organization, and agencies and pass-through entities requiring compliance with *Government Auditing Standards*, and is not intended to be and should not be used by anyone other than these specified parties.

Maze & Associates

Pleasant Hill, California
June 5, 2015

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MEMORANDUM ON INTERNAL CONTROL (REVISED)

SCHEDULE OF MATERIAL WEAKNESSES

2014 – 01: Accurate Accounts Receivable Balance

Criteria: Accounts receivable balances must be accurate and reflective of all reimbursements the Conservancy expects to receive for costs incurred for projects performed throughout the year. At year end particularly, the Conservancy should ensure all accounts receivable balances are properly recorded in its General Ledger (GL).

Additionally, before any reports are sent to third parties – i.e. the State Controller’s Office, Federal Clearinghouse, etc. – the Governing Board should provide approval and acceptance of the reports.

Condition: Per Governmental Accounting Standards Board Number 33, *Accounting and Financial Reporting for Nonexchange Transactions*, stipulates recognition standards must be met before revenues can be recorded under the modified accrual basis of accounting. For “derived revenues” specifically, which result from assessments imposed on exchange transactions, revenues should be recorded when the underlying exchange has occurred and the resources are available. In October 2014, the Conservancy expected to receive \$511,703 from a City as an assessment for a project permitted between the City and a developer. However, the Conservancy overlooked recording the derived revenue during fiscal year 2014. The Conservancy was alerted to this oversight after a check, in the amount of \$511,703, was received in April 2015.

Also, the Conservancy sent their financial reports, which had yet to be approved and accepted by the Governing Board, to various governmental agencies.

Cause: Oversight by Conservancy staff.

Effect: The Conservancy’s accounts receivable balance was understated \$511,703 as of December 31, 2014, and its unavailable revenues – grants balance was understated by a corresponding amount. Since the amount was material to the financial statements and received subsequent to the issuance of the original financial statements, it resulted in the financial statements needing to be revised.

The Conservancy had to alert various governmental agencies it had sent reports which were going to be revised, and then re-send the revised reports to the third parties.

Recommendation: As projects are permitted during the fiscal year, the Conservancy must implement procedures to ensure it accrues revenue in the appropriate period. It should also refrain from sending any reports to third parties until the Governing Board approves and accepts them.

Management Response:

The Conservancy will follow the recommendation from the auditor. As projects are permitted during the fiscal year, staff will regularly communicate with member agencies to ensure that revenues are accrued in the appropriate period. Additionally staff will refrain from submitting any reports to third parties until the Governing Board has acted to accept the audit reports.

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REQUIRED COMMUNICATIONS (REVISED)

To the Governing Board of
the East Contra Costa County Habitat Conservancy, California

We have audited the basic financial statements of the East Contra Costa County Habitat Conservancy for the year ended December 31, 2014. Professional standards require that we communicate to you the following information related to our audit under generally accepted auditing standards and, *Government Auditing Standards* and OMB Circular A-133.

Significant Audit Findings

Accounting Policies

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by East Contra Costa County Habitat Conservancy are described in Note 2 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year, except as follows:

The pronouncement became effective, but did not have a material effect on the financial statements.

GASB 70 - Accounting and Financial Reporting for Non-exchange Financial Guarantees

Some governments extend financial guarantees for the obligations of another government, a not-for-profit entity, or a private entity without directly receiving equal or approximately equal value in exchange (a non-exchange transaction). As a part of this non-exchange financial guarantee, a government commits to indemnify the holder of the obligation if the entity that issued the obligation does not fulfill its payment requirements. Also, some governments issue obligations that are guaranteed by other entities in a non-exchange transaction. The objective of this Statement is to improve accounting and financial reporting by state and local governments that extend and receive non-exchange financial guarantees.

This Statement requires a government that extends a non-exchange financial guarantee to recognize a liability when qualitative factors and historical data, if any, indicate that it is more likely than not that the government will be required to make a payment on the guarantee. The amount of the liability to be recognized should be the discounted present value of the best estimate of the future outflows related to the guarantee expected to be incurred. When there is no best estimate but a range of the estimated future outflows can be established, the amount of the liability to be recognized should be the discounted present value of the minimum amount within the range.

Unusual Transactions, Controversial or Emerging Areas

We noted no transactions entered into by the Conservancy during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The Conservancy did not have any sensitive estimate(s) affecting the financial statements as of December 31, 2014.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. We did not propose any audit adjustments that, in our judgment, could have a significant effect, either individually or in the aggregate, on the entity's financial reporting process.

Professional standards require us to accumulate all known and likely uncorrected misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. We have no such misstatements to report to the Governing Board.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in a management representation letter dated June 5, 2015.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Conservancy's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the Governing Board and management and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

A handwritten signature in cursive script that reads "Mage & Associates".

Pleasant Hill, California
June 5, 2015

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EAST CONTRA COSTA COUNTY HABITAT CONSERVANCY

**SINGLE AUDIT REPORT (REVISED)
FOR THE YEAR ENDED DECEMBER 31, 2014**

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EAST CONTRA COSTA COUNTY HABITAT CONSERVANCY

**SINGLE AUDIT REPORT (REVISED)
For The Year Ended December 31, 2014**

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EAST CONTRA COSTA COUNTY HABITAT CONSERVANCY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (REVISED)
For The Year Ended December 31, 2014

SECTION I—SUMMARY OF AUDITOR’S RESULTS

Financial Statements

Type of auditor’s report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? X Yes No
- Significant deficiency(ies) identified? Yes X None Reported

Noncompliance material to financial statements noted? Yes X No

Federal Awards

Type of auditor’s report issued on compliance for major programs: Unmodified

Internal control over major programs:

- Material weakness(es) identified? Yes X No
- Significant deficiency(ies) identified? Yes X None Reported

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133? Yes X No

Identification of major programs:

<u>CFDA#(s)</u>	<u>Name of Federal Program or Cluster</u>
<u>15.615</u>	<u>Cooperative Endangered Species Conservation Fund</u>

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee? X Yes No

SECTION II – FINANCIAL STATEMENT FINDINGS

Our audit did not disclose any significant deficiencies or instances of noncompliance material to the basic financial statements. Our audit did disclose a material weakness which is included in a separately issued Memorandum on Internal Control dated June 5, 2015 which is an integral part of our audits and should be read in conjunction with this report.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Our audit did not disclose any findings or questioned costs required to be reported in accordance with section 510(a) of OMB Circular A-133.

SECTION IV - STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS --

Prepared by Management

Financial Statement Prior Year Findings

There were no prior year Financial Statement Findings reported.

Federal Award Prior Year Findings and Questioned Costs

There were no prior year Federal Award Findings and Questioned Costs reported.

EAST CONTRA COSTA COUNTY HABITAT CONSERVANCY
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (REVISED)
 For the Fiscal Year Ended December 31, 2014

Federal Grantor/ Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Identifying Number	Federal Expenditures
Department of Interior Pass-Through Programs From:			
Department of Fish and Game, State of California			
Cooperative Endangered Species Conservation Fund			
Subgrant - Smith Property Acquisition	15.615	E-31-HL-3	\$2,578,125
Subgrant - Roddy Ranch Property Acquisition	15.615	E-30-HL-3	2,500,000
Subgrant - Roddy Ranch Property Acquisition	15.615	E-31-HL-3	<u>2,341,875</u>
Total Expenditures of Federal Awards			<u><u>\$7,420,000</u></u>

See Accompanying Notes to Schedule of Expenditures of Federal Awards

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EAST CONTRA COSTA COUNTY HABITAT CONSERVANCY

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (REVISED)
For The Year Ended December 31, 2014**

NOTE 1-REPORTING ENTITY

The Schedule of Expenditure of Federal Awards (the Schedule) includes expenditures of federal awards for the East Contra Costa County Habitat Conservancy (Conservancy), California and its component units as disclosed in the notes to the Basic Financial Statements.

NOTE 2-BASIS OF ACCOUNTING

Basis of accounting refers to *when* revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements, regardless of the measurement focus applied. All governmental funds and agency funds are accounted for using the modified accrual basis of accounting. Expenditures of Federal Awards reported on the Schedule are recognized when incurred.

NOTE 3-DIRECT AND INDIRECT (PASS-THROUGH) FEDERAL AWARDS

Federal awards may be granted directly to the Conservancy by a federal granting agency or may be granted to other government agencies which pass-through federal awards to the Conservancy. The Schedule includes both of these types of Federal award programs when they occur.

NOTE 4 - SUBRECEIPIENTS

Of the federal expenditures presented in the Schedule, the Conservancy provided federal awards to subrecipients as follows:

<u>CFDA Number</u>	<u>Program Name</u>	<u>Amount Provided to Subrecipients</u>
15.615	Cooperative Endangered Species Conservation Fund	\$7,420,000

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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 (REVISED)***

To the Honorable Members of the Governing Board
East Contra Costa County Habitat Conservancy, 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 East Contra Costa County Habitat Conservancy, (Conservancy) as of and for the year ended December 31, 2014, and the related notes to the financial statements, and have issued our report thereon dated June 5, 2015. Our report included an emphasis of a matter paragraph disclosing the implementation of new accounting principles, and additional accruals of grant revenues in the amount of \$511,703 which resulted in the financial statements being revised.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, we identified certain deficiencies that we consider to be material weaknesses.

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 Conservancy's financial statements will not be prevented, or detected and corrected on a timely basis. We identified certain deficiencies in internal control, we consider to be material weaknesses as listed on the Schedule of Material Weaknesses included as part of our separately issued Memorandum on Internal Control dated June 5, 2015 which is an integral part of our audits and should be read in conjunction with this report.

Compliance and Other Matters

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

Conservancy's Response to Findings

Conservancy's response to the findings identified in our audit are described in our separately issued Memorandum on Internal Control dated June 5, 2015 which is an integral part of our audits and should be read in conjunction with this report. Conservancy's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 result of that testing, and not to provide an opinion on the effectiveness of the Conservancy'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 Conservancy's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Pleasant Hill, California
June 5, 2015



**MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE;
AND REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
REQUIRED BY OMB CIRCULAR A-133 (REVISED)**

To the Honorable Members of the Governing Board
East Contra Costa County Habitat Conservancy, California

Report on Compliance for Each Major Federal Program

We have audited East Contra Costa County Habitat Conservancy's (Conservancy) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Conservancy's major federal programs for the year ended December 31, 2014. The Conservancy's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Conservancy's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Conservancy's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Conservancy's compliance.

Opinion on Each Major Federal Program

In our opinion, the Conservancy complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2014.

Report on Internal Control Over Compliance

Management is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Conservancy's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Conservancy's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

We have audited the basic financial statements of the Conservancy as of and for the year ended December 31, 2014, and have issued our report thereon dated June 5, 2015, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.



Pleasant Hill, California
June 5, 2015