


<b>TNBC</b> The Natomas Basin Conservancy  Web site: www.natomasbasin.org	<b>Audit Committee Meeting</b>	  <b>September 30, 2015</b>
	11:30 a.m. Offices of TNBC 2150 River Plaza Drive, Suite 460 Sacramento, CA 95833	

#	Section	Item	Type	Discussion
1	Call to Order	Call to Order of the Meeting of the Audit Committee	Admin.	○ The Committee Chair will call the meeting to order if a quorum is present. Announcements may be made at this time.
2	Discussion	Public comment	No action	○ Opportunity for members of the public to address the committee.
3	Action	Approval of Minutes	Action	⊕ The Committee Chair will request approval of the minutes of the Committee meetings of August 5, 2015.
4	Action	Request for Proposals for Audit Services – Release Extension	Action	○ The committee will discuss extending the release of the Request for Proposals (RFP) for audit services of the Conservancy’s financial statements for fiscal years 2015-2019 and recommend any changes if needed.  The committee has expressed interest in soliciting additional bids since the solicitation yielded one response. If the committee elects to extend the RFP, staff recommends no discussion of the one current response so as to maintain the integrity of the RFP process.
5	Discussion	Public comment	No action	○ Opportunity for members of the public to address the Committee.
6	Adjournment	Adjournment	Admin.	○ Official adjournment of the meeting.

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① = More information in supplemental handouts.  
∅ = No additional exhibits in Agenda Packet.

⊕ = Staff recommends approval.  
○ = Staff recommendation not needed or indicated.  
● = Staff does not recommend approval.

**Minutes of the Audit Committee Meeting**  
of  
**The Natomas Basin Conservancy**  
August 5, 2015  
2150 River Plaza Drive, Suite 460  
Sacramento, CA  
12:00 p.m.

**COMMITTEE  
MEMBERS  
PRESENT:**

☒ Mike Bradbury  
☒ Kevin McRae  
☒ Steve Willey

☒ = attended  
☐ = did not attend

**STAFF PRESENT:** John Roberts, Kim Burns

**CALL TO ORDER**

Committee member Willey called the meeting to order.

**PUBLIC COMMENT**

There were no members of the public present.

**ACTION**

Approval of Minutes

Willey requested approval of the minutes of the March 26, 2015 Audit Committee meeting.

On a motion by Bradbury and a second by Willey, the committee approved the minutes of the March 26, 2015 Audit Committee meeting.

Committee members

☒ Mike Bradbury  
☐ Kevin McRae  
☒ Steve Willey

Vote symbols

☒ = "aye" vote  
☒ = "no" vote  
☐ = not present  
◆ = abstain or recuse

McRae arrived at 3:12 pm and requested Willey continue to chair the meeting.

Request for Proposal for Audit Services

Burns reviewed the Request for Proposals (RFP) for Audit Services with the Committee. The Committee discussed the RFP.

Willey requested the committee submit the RFP to the Board for approval.

On a motion by McRae and a second by Bradbury, the committee agreed to present the Request for Proposals for Audit Services to the Board of Directors for approval.

Committee members

- ☒ Mike Bradbury
- ☒ Kevin McRae
- ☒ Steve Willey

Vote symbols

- ☒ = "aye" vote
- ☒ = "no" vote
- ☐ = not present
- ◆ = abstain or recuse

Groundwater exchange program revenue

Conservancy management has met with Gilbert Associates, the firm that prepares the Conservancy's IRS Form 990, regarding whether revenue generated from the groundwater exchange program constitutes unrelated business income tax (UBIT).

It is Gilberts' opinion that the Conservancy's participation in the groundwater exchange program does not meet the standard for unrelated business or trade and would not be subject to UBIT on revenue from the groundwater exchange program.

**PUBLIC COMMENT**

There were no members of the public present.

**ADJOURNMENT**

On a motion by Bradbury and a second by McRae, the committee adjourned the meeting of the Audit Committee at 3:35 p.m.

Committee members

- ☒ Mike Bradbury
- ☒ Kevin McRae
- ☒ Steve Willey

Vote symbols

- ☒ = "aye" vote
- ☒ = "no" vote
- ☐ = not present
- ◆ = abstain or recuse

**ATTEST:**

*Kevin McRae*

*Date*

**REQUEST FOR PROPOSALS  
FOR  
AUDIT SERVICES  
FISCAL YEARS 2015 – 2019**

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**INTRODUCTION**

The Natomas Basin Conservancy (the “**Conservancy**”) is seeking proposals from qualified accountants to perform auditing services. The purpose of this Request for Proposal (**RFP**) is to obtain the services of a public accounting firm (herein referred to as “**Audit Firm**”), whose principal officers are independent Certified Public Accountants and who are licensed by the California State Board of Accountancy to perform a financial audit of the financial statements of The Natomas Basin Conservancy for fiscal years 2015-2019.

**I. DESCRIPTION OF ENTITY**

**a. BACKGROUND INFORMATION**

The Conservancy is a tax-exempt private foundation under section 501(c)(3) of the Internal Revenue Code and is incorporated as a California Non-profit Public Benefit Corporation.

As plan operator for the Natomas Basin Habitat Conservation Plan (NBHCP) and the Metro Air Park Habitat Conservation Plan (MAPHCP), collectively referred to as (the “**Plans**”), the Conservancy acquires and manages land for the purpose of meeting the objectives of the Plans.

The mission of the Conservancy is to promote biological conservation along with economic development and the continuation of agriculture in the Natomas Basin. The Plans establish a multi-species conservation program to mitigate the expected loss of habitat values and “take” of protected species that would result from urban development, operation of irrigation and drainage systems, and rice farming. The goal of the Plans is to preserve, restore and enhance habitat values in the Natomas Basin while allowing urban development to proceed according to local land use plans.

**b. FUND STRUCTURE**

The Conservancy uses the following funds in its financial reporting: Administration Fund, Land Acquisition Fund, Restoration & Enhancement Fund, Supplemental Land Fund, Endowment Fund, and SAFCA NLIP Fund.

In keeping with the requirements of the Plans, the Conservancy’s financial operations are guided in large part by the “NBHCP Finance Model,” which is recalculated each year by a consulting economist on behalf of the Conservancy. The NBHCP Finance Model determines the total NBHCP fee for that year and it breaks down what portion of that fee will be placed into each fund, not including the SAFCA NLIP Fund, as this is supplemental to the Plans.

**c. ACCOUNTING STRUCTURE**

The Conservancy uses a calendar fiscal year (January 1 – December 31) and operates under the Governmental Accounting Standards Board (GASB) 34 guidelines.

**II. FINANCIAL STATUS AND OPERATIONS**

The Conservancy receives funding from NBHCP fees and various supplemental non-NBHCP project funds. Presently, the Conservancy has seven financial accounts including the main

checking account, which is used to disburse all general expenses of the organization. Checks from the main checking account are disbursed on a weekly or as-needed basis.

### **III. SCOPE OF WORK**

In accordance with Government Auditing Standards the selected Audit Firm shall perform:

- A financial audit to determine whether the financial statements of the Conservancy fairly present its financial position and that the results of its financial operations are in accordance with generally accepted accounting principles of the United States of America;
- A compliance audit of internal financial controls over the Conservancy's financial reporting; and
- OPTIONAL: An agreed-upon procedures report of the Conservancy's financial investments as they relate to the Conservancy's investment policies. (As this report may not be performed every year it should be priced separately, see Section VIII – Proposal Instructions.)

An exit conference with Conservancy representatives and the selected Audit Firm's representatives will be held at the conclusion of fieldwork. Observations and recommendations must be summarized and discussed with the Conservancy's Audit Committee and, at the discretion of the Conservancy's Board of Directors. It should include internal control and program compliance observations and recommendations.

The Conservancy requires one bound copy and one electronic copy in PDF format of the final comprehensive audit report.

### **IV. IRREGULARITIES AND ILLEGAL ACTS**

The selected Audit Firm shall be required to make an immediate, written report of all irregularities and illegal acts or indications of illegal acts of which they become aware and contact the Conservancy's Audit Committee.

### **V. SUBCONTRACTING**

If subcontracting is contemplated, this should be discussed in the RFP proposal response. No additional subcontracting will be allowed without prior written consent of the Conservancy.

### **VI. WORKING PAPERS: RETENTION, ACCESS AND SECURITY**

All working papers and reports must be retained, at the Audit Firm's expense, for a minimum of five (5) years, unless the firm notifies the Conservancy in writing of the need to extend the retention period. The Audit Firm will be required to make working papers available, upon request.

The selected Audit Firm shall respond to the reasonable inquiries of successor auditors and allow successor auditors to review working papers relating to matters of continuing accounting significance.

As the auditing industry is moving more toward paperless auditing, the Audit Firm will provide the Conservancy with reasonable assurance that its information technology security is adequate.

## VII. ANTICIPATED TIMELINE

The following set of dates are firm and shall not be waived unless specified in writing by the Conservancy's Executive Director or Board's Audit Committee Chair:

### Deadline Activity

October 1, 2015	Release and distribution of RFP.
November 2, 2015	Proposals received at Conservancy office no later than 4:00 p.m.
November 5, 2015	Announcement of selected Audit Firm.
TBD	Start date of fieldwork by selected Audit Firm.
Week of March 28, 2016	Meeting with Audit Committee on Final Report.
March 30, 2016	Final comprehensive audit is submitted to the Conservancy.

The audit report may be submitted earlier than the above schedule. However, if the selected Audit Firm fails to make delivery of the audit report within the time schedule specified herein, or if the selected Audit Firm delivers the audit report which does not conform to all the provisions of the contract, the Conservancy may, by written notice of default to the selected Audit Firm, terminate the whole or any part of the agreement. Under certain extenuating circumstances, the Conservancy may extend this schedule upon written request of the selected Audit Firm.

## VIII. PROPOSAL INSTRUCTIONS

One bound hard copy of the proposal and one electronic copy in PDF format must be submitted no later than 4:00 pm on November 2, 2015. Proposals should be sealed and addressed as follows:

Audit Chair – CONFIDENTIAL  
The Natomas Basin Conservancy  
2150 River Plaza Drive, Suite 460  
Sacramento, CA 95833

SEALED PROPOSAL  
For Audit Services

**Late proposals will not be considered.** Proposals submitted via fax or email will NOT be considered. It is the responsibility of the Audit Firm to ensure that the Conservancy receives the proposal by the date and the time specified in this RFP.

All costs incurred in the preparation of the proposal responding to this RFP will be the responsibility of the Audit Firm and will not be reimbursed by the Conservancy.

At a minimum, proposals must include:

- Total Not-to-Exceed Fee containing all direct and indirect costs including all out-of-pocket expenses for a financial statement audit and compliance audit of internal financial controls for the 2015 through 2019 engagements;
- Scope of work with change orders, respondent will provide rate sheet applicable to this project.

- Quote for an agreed-upon procedures report of the Conservancy's financial investments as they relate to the Conservancy's investment policies. The Conservancy requests this item be priced separately, as the Audit Committee will determine its necessity on an annual basis;
- Description of the services to be provided, including the approaches and methods to be used, audit procedures, and other pertinent information;
- Description of prior GASB-compliant auditing experience, including the names, addresses, contact persons, and telephone number of prior organizations audited;
- Description of the Audit Firm's organization, size and structure. The Audit Firm should include a copy of its most recent Peer Review, if it has had a Peer Review; and
- Description of the qualifications of principal staff to be assigned to the audit, including (a) audit team makeup; (b) overall supervision to be exercised; and (c) prior experience of the individual audit team members, such as education, position in firm, years and types of experience, continuing professional education, etc.

## **IX. EVALUATION AND REVIEW OF PROPOSALS**

Proposals submitted will be evaluated by the Conservancy's Audit Committee, based on the following criteria:

- Experience auditing similar non-profit entities operating under GASB 34,
- Adequacy of the size of the Audit Firm,
- Audit team qualifications,
- Presentation of work to be performed, and
- Price.

The Conservancy may, at its discretion, request presentations by or meetings with any or all Audit Firms, to clarify or negotiate modifications to the Audit Firms' proposals. However, the Conservancy reserves the right to make an award without further discussions of the proposals submitted and to the best qualified firm in the Conservancy's sole discretion.

## **X. RIGHT TO REJECT**

The Conservancy reserves the right to reject any and all proposals received in response to this RFP. A contract for the accepted proposal will be based upon the factors described in this RFP.

## **XI. NOTIFICATION OF AWARD**

Upon conclusion of final negotiations with the successful audit firm, all Audit Firms submitting proposals in response to this RFP will be informed, in writing, whether or not their firm was selected.

## **XII. REMUNERATION OF AUDIT SERVICES**

Payment will be made within 30 days of receipt of an invoice and when the Conservancy has determined that the total work effort has been satisfactorily completed and the final comprehensive audit report has been received and accepted by the Conservancy. Should the Conservancy reject a report, the Conservancy's Executive Director will notify the selected Audit Firm in writing of such rejection giving the reason(s) for the rejection. The right to reject a report will extend throughout the term of the contract and for ninety (90) days thereafter.

### **XIII. QUESTIONS AND ADDITIONAL INFORMATION**

Inquires concerning this RFP should be directed to Kimberli Burns, Business and Accounting Manager, (916) 649-3331. Additional information on the Conservancy may be found online at [www.natomasbasin.org](http://www.natomasbasin.org), including all prior year audited financial statements.

**List of recipients of Audit Services**  
Request for proposal (RFP)  
August 2015

<b>Consulting firm</b>	<b>Contact info</b>	<b>Contact person</b>
Gallina LLP	925 Highland Pointe Drive, Suite 450 Roseville, CA 95678	Larry Taylor Managing Partner 916-784-7800
Gilbert Associates Inc.	2880 Gateway Oaks Drive, Suite 100 Sacramento, CA 95833	Peggy Vande Vooren Shareholder 916-646-6464
Macias Gini & O'Connell LLP	3000 S Street, Suite 300 Sacramento, CA 95816	Kevin O'Connell Managing Partner 916-928-4600
Moss Adams LLP	3100 Zinfandel Drive, 5 <sup>th</sup> Floor Rancho Cordova, CA 95670	Kerry Gordon Managing Partner 916-503-8100

Proposed  
**List of recipients of Audit Services**  
Request for proposal (RFP) Extension  
September 2015

<b>Consulting firm</b>	<b>Contact info</b>	<b>Contact person</b>
John Waddell & Co., CPAs	3416 American River Drive, Suite A Sacramento, CA 95864	Ken Dodge Managing Director 916-488-2460
Propp Christensen Caniglia LLP	9261 Sierra College Boulevard Roseville, CA 95661	Debbi Christensen 916-751-2900
Tidwell & Associates, LLP	2209 Plaza Drive, Suite 200 Rocklin, CA 95648	Michael Tidwell Managing Partner 916-784-1818
Cropper, An Accountancy Corp	2977 Ygnacio Valley Road, PB #460 Walnut Creek, CA 94598	Mary Ann Cropper 925-932-3860
Crowe Horwath	400 Capitol Mall, Suite 1400 Sacramento, CA 95814	Thomas Jones Managing Partner 916-441-1000
Mann Urrutia Nelson CPAs & Associates	2515 Venture Oaks Way, Suite 135 Sacramento, CA 95833	Michelle Nelson Managing Partner 916-929-0540
Pricewaterhouse Coopers LLC	400 Capitol Mall, Suite 600 Sacramento, CA 95814	Frederick Eisenhart Managing Partner 916-930-8100
Ernst & Young	2901 Douglas Boulevard, Suite 300 Roseville, CA 95661	Christopher Obmann Managing Partner 916-218-1900
KPMG	500 Capitol Mall, Suite 2100 Sacramento, CA 95814	James Craycroft Managing Partner 916-448-4700
Deloitte & Touche LLP	980 9 <sup>th</sup> Street, Suite 1800 Sacramento, CA 95814	Julie Quinn Managing Director 916-288-3100