

# Annual Financial Report

Year ending

December 31, 2023



*t h e*  
**NATOMAS**  
**BASIN**  
*c o n s e r v a n c y*

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# THE NATOMAS BASIN CONSERVANCY

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## **INTRODUCTORY SECTION**



## Board of Directors

CHANDRA CHILMAKURI,  
*Chair*

MICHAEL JOHNSTON,  
*Vice Chair*

STEVE COHN,  
*Secretary*

GABRIELLE STADEM,  
*Treasurer*

MELINDA BRADBURY,  
*Board Member*

DAVID CHRISTOPHEL,  
*Board Member*

MICHAEL CRITCHFIELD,  
*Board Member*

DOUG LIBBY,  
*Board Member*

JOHN SHIREY,  
*Board Member*

## Staff

JOHN ROBERTS,  
*Executive Director*

KIMBERLI BURNS,  
*Chief Financial Officer*

JENNIFER SKUPIC,  
*Contracts & Compliance Manager*

YVONNE MELKONIAN,  
*Accounting Specialist*

PAULINA LU,  
*Executive Assistant, Accounting*

JEREMY LOR,  
*Assistant Field Supervisor*

CELESTE INGVALDSEN,  
*Administrative Assistant*

BARBARA BARROWS,  
*Project Assistant*

*t h e*  
**NATOMAS**  
**BASIN**  
*c o n s e r v a n c y*

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

2150 RIVER PLAZA DRIVE  
SUITE 460  
SACRAMENTO, CA 95833  
phone: 916.649.3331



## Letter from the Board Chair and Executive Director

We are pleased to share with you the Conservancy's December 31, 2023 financial report. In it, you will see much of the financial workings that facilitate implementation of the Natomas Basin Habitat Conservation Plan (NBHCP) and the Metro Air Park Habitat Conservation Plan (MAPHCP). As the "Plan Operator" of those HCPs, the Conservancy oversees and administers nearly 5,200 acres of land used to provide mitigation for 22 of the HCPs' Covered Species.

Here are some of the highlights for 2023:

**Restoration and Enhancement.** After a recent surge in land acquisitions, the Conservancy initiated planning and permitting for restoring and enhancing additional managed marsh complexes with planned construction in 2025.

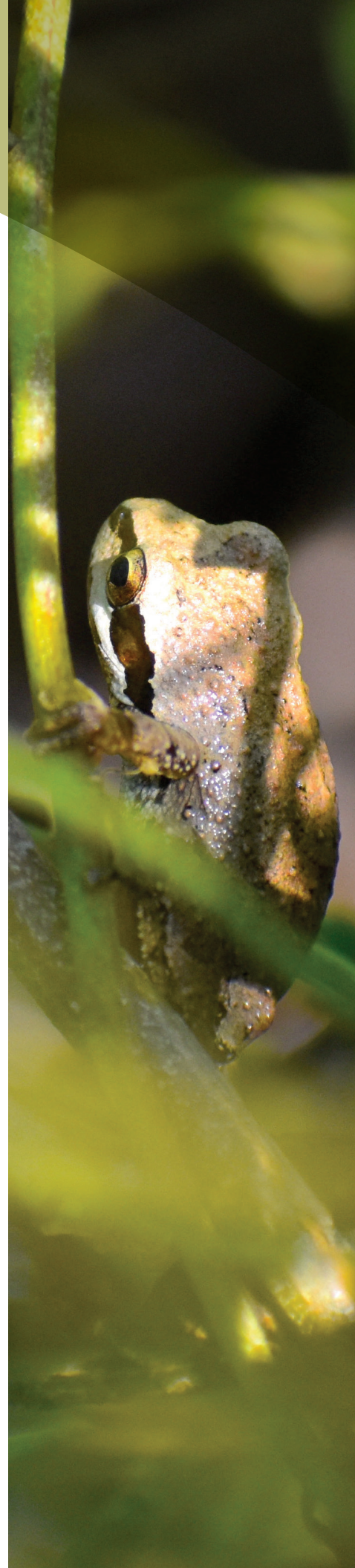
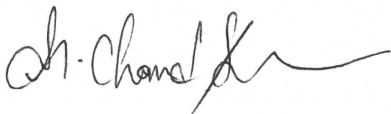
**Endowment revenue.** The Conservancy's Endowment Fund increased its capacity to fund future Conservancy operations. The fund increased in 2023 with nearly \$1,400,000 in mitigation fees and over \$5,700,000 in market gains.

**Site-specific management plans (SSMP).** The Conservancy completed a revision of all SSMPs including new properties. Not only are SSMPs required for new properties, certain existing properties needed updates due to changes, especially from the Sacramento Area Flood Control Agency's Natomas Levee Improvement Program.

The Conservancy presents this December 31, 2023 audited financial report for your review. We appreciate your interest and hope you'll agree the NBHCP and the MAPHCP are a valuable part of the Natomas community.

CHANDRA CHILMAKURI,  
*Board Chair*

JOHN ROBERTS,  
*Executive Director and  
Chief Executive Officer*



## **FINANCIAL SECTION**

## **INDEPENDENT AUDITOR'S REPORT**

**To the Board of Directors  
The Natomas Basin Conservancy  
Sacramento, California**

### **Report on the Audit of the Financial Statements**

#### ***Opinions***

We have audited the financial statements of the governmental activities and each major fund of the Natomas Basin Conservancy (the Conservancy), as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the Conservancy's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Conservancy, as of December 31, 2023, 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.

#### ***Basis for Opinions***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards (Government Auditing Standards)*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Conservancy and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Conservancy's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.



***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Conservancy's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 6 through 10 and the budgetary comparison information on pages 27 through 28 be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Conservancy's basic financial statements. The Schedule of Mitigation Fees Collected 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. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Mitigation Fees Collected is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

***Other Information***

Management is responsible for the other information included in the annual financial report. The other information comprises the introductory section but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 15, 2024, 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 solely 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 the effectiveness of the Conservancy's 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.

Gilbert CPAs

**GILBERT CPAs  
Sacramento, California**

**March 15, 2024**

# THE NATOMAS BASIN CONSERVANCY

## MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2023

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Management of The Natomas Basin Conservancy (the Conservancy) offers readers of the Conservancy's financial statements this narrative overview and analysis of the financial activities of the Conservancy for the year ended December 31, 2023. We encourage readers to consider the information presented here in conjunction with the Conservancy's financial statements, which begin on page 11.

### **FINANCIAL HIGHLIGHTS**

- Total assets at the close of the fiscal year were \$123,750,458, an increase of \$8,429,852 from prior year of \$115,320,606.
- At the end of 2023, the Endowment Fund added mitigation fees of \$1,375,940 and had market gains of \$5,726,399, for a total ending asset balance of \$40,371,496.
- Expenses were \$3,876,418, which was a decrease of \$101,470 over the prior year of \$3,977,888.
- At the end of 2023, the Conservancy's liabilities were reduced by \$2,363,856, from \$9,898,541 to \$7,534,685.

### **OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to the Conservancy's basic financial statements which have the following components in addition to management's discussion and analysis: 1) Conservancy-wide financial statements, 2) fund financial statements, 3) notes to the financial statements, and 4) required supplementary schedules. The Conservancy-wide and fund financial statements are presented in a combined format on pages 11 through 14.

As members of the Conservancy's Board of Directors are appointed by governmental agencies, the Conservancy follows Governmental Accounting Standards Board (GASB). The Conservancy has only governmental-type funds and all are major.

### **CONSERVANCY-WIDE FINANCIAL STATEMENTS**

The Conservancy-wide financial statements are designed to provide readers with a broad overview of the Conservancy's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the Conservancy's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Conservancy is improving or deteriorating.

The *statement of activities* presents information showing how the Conservancy's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., earned but unused vacation leave).

**THE NATOMAS BASIN CONSERVANCY**

**MANAGEMENT’S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2023**

**FUND FINANCIAL STATEMENTS**

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Conservancy uses fund accounting. The Conservancy has five funds (Land Acquisition, Restoration & Enhancement (R&E), Endowment, Supplemental Land & Contingency, and Administration), all of which are governmental-type funds.

**CONSERVANCY-WIDE FINANCIAL ANALYSIS**

The Natomas Basin Conservancy  
Summary of Net Position  
Conservancy-wide Activities  
As of December 31, 2023 and 2022

	<b>2023</b>	<b>2022</b>	<b>Increase/Decrease</b>
Current and other assets	\$ 60,853,479	\$ 52,886,534	\$ 7,966,945
Capital assets	62,896,979	62,434,072	462,907
Total assets	123,750,458	115,320,606	8,429,852
Current liabilities	5,958,271	7,981,969	(2,023,698)
Non-Current liabilities	1,576,414	1,916,572	(340,158)
Total liabilities	7,534,685	9,898,541	(2,363,856)
 Net position:			
Net investment in capital assets	62,896,979	62,434,072	462,907
Giant garter snake projects	98,649	102,569	(3,920)
Endowment – permanent	20,680,265	19,304,325	1,375,940
Endowment – temporary	19,494,181	13,903,997	5,590,184
Unrestricted	13,045,699	9,677,102	3,368,597
Total net position	\$ 116,215,773	\$ 105,422,065	\$ 10,793,708

Net position represents the difference between the Conservancy’s resources and its obligations. At December 31, 2023, approximately 54.1% of the Conservancy’s net position was invested in mitigation land and land improvements. Land is acquired and enhanced to provide habitat for protected plant and animal species under the Natomas Basin Habitat Conservation Plan (NBHCP) and the Metro Air Park Habitat Conservation Plan (MAPHCP).

The Conservancy presently holds 5,185.78 acres of mitigation land in the Natomas Basin, of which 5,041.05 acres are owned in fee simple title and 144.73 acres are held in conservation easements. All land purchases and land dedications are recorded at their acquisition cost. Land assets currently total \$61,513,645. However, on a “fair value” accounting basis, in 2023 the value of Conservancy land holdings is approximately \$159 million. When combined with all other assets, total Conservancy assets are approximately \$220 million on a “fair value” basis. This calculation uses the annually adjusted per acre land valuation posted in the NBHCP Finance Model. The NBHCP Finance Model is an economic analysis of the Conservancy’s operations and a projection of revenue and expense through the 50-year life of the NBHCP and is required by the NBHCP to be recalculated annually.

# THE NATOMAS BASIN CONSERVANCY

## MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2023

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Current liabilities were reduced by \$2,023,698 to \$5,958,271 in 2023 over the previous year of \$7,981,969.

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

Figure 1  
Total Conservancy Assets

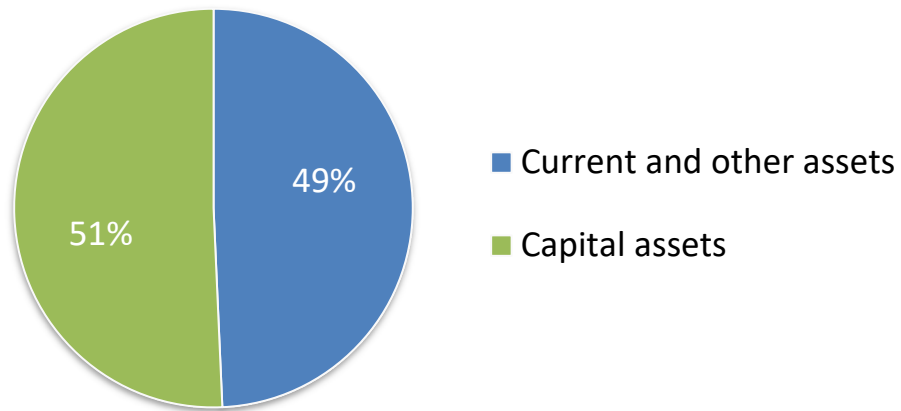
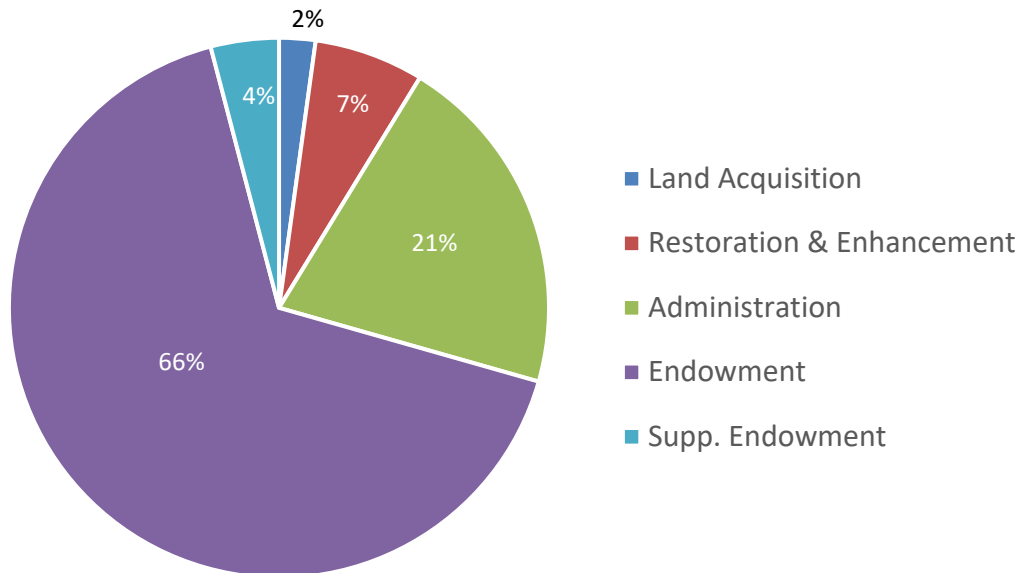


Figure 2  
Conservancy Cash & Investments by Fund



**THE NATOMAS BASIN CONSERVANCY**  
**MANAGEMENT’S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED DECEMBER 31, 2023**

The Natomas Basin Conservancy  
Changes in Net Position  
Conservancy-wide Activities  
As of December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>	<u>Increase/Decrease</u>
<b>Revenues</b>			
<i>Program revenues:</i>			
Mitigation fees – cash portion	\$ 2,926,594	\$ 12,903,911	\$ (9,977,317)
Mitigation – land portion	2,273,050	7,391,333	(5,118,283)
Rent revenue	937,579	566,080	371,499
Investment income	5,726,399	(6,987,292)	12,713,691
Capital donation	14,319	8,742	5,577
<i>General revenues:</i>			
Mitigation fees contributed to			
Endowment Fund	1,375,940	5,758,625	(4,382,685)
Investment income	1,202,853	(13,870)	1,216,723
Other	213,392	190,272	23,120
<b>Total revenues</b>	<u>14,670,126</u>	<u>19,817,801</u>	<u>(5,147,675)</u>
<b>Expenses</b>			
Conservancy operations	3,876,418	3,977,888	(101,470)
<b>Total expenses</b>	<u>3,876,418</u>	<u>3,977,888</u>	<u>(101,470)</u>
<b>Other Financing Sources</b>			
Transfer to SAFCA	--	(929,823)	929,823
<b>Total other financing sources</b>	--	(929,823)	929,823
<b>Increase in net position</b>	10,793,708	14,910,090	(4,116,382)
<b>Net Position, beginning of period</b>	<u>105,422,065</u>	<u>90,511,975</u>	<u>14,910,090</u>
<b>Net Position, end of period</b>	<u>\$ 116,215,773</u>	<u>\$ 105,422,065</u>	<u>\$ 10,793,708</u>

The NBHCP mitigation fee in 2023 increased over 2022. The full fee was \$45,565 per disturbed acre, while the fee with land dedication was \$29,815 per disturbed acre.

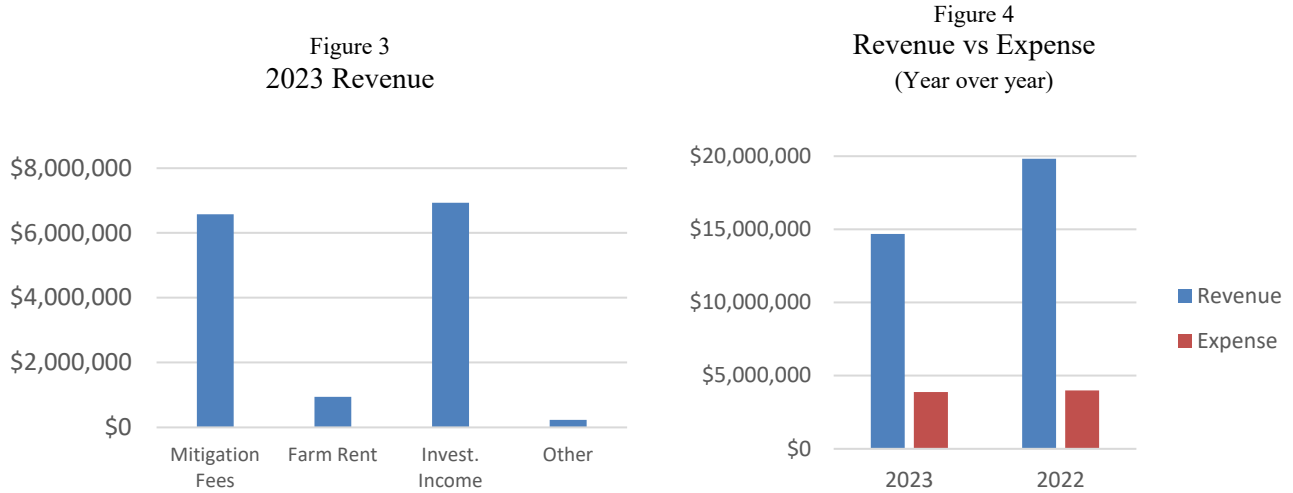
The Conservancy received \$4,302,534 for the cash portion of mitigation fees in 2023. Investment gain was \$6,929,252 in 2023. Farm rent revenues increased by \$371,499, from \$566,080 in 2022 to \$937,579 in 2023 due to full water deliveries in 2023.

Conservancy expenses in 2023 were \$3,876,418, which was a decrease of \$101,470 from last year’s expenses. Due to aggressive cost control, the Conservancy has been able to maintain Administration Fund expenses of approximately \$3 to 4 million each year for more than 10 years despite inflation and substantial growth.

# THE NATOMAS BASIN CONSERVANCY

## MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2023

Figure 3 below shows 2023 revenue by type and Figure 4 below presents revenue vs. expenses year-over-year:



### **FINANCIAL ANALYSIS OF THE CONSERVANCY'S FUNDS**

As of December 31, 2023, the Conservancy's fund balances totaled \$55,248,242, an increase of \$10,292,470 compared to fund balances of \$44,955,772 at December 31, 2022. Funds in the Conservancy's endowment accounts experienced a \$6,792,509 increase, mainly due to an upturn in the market. The Conservancy's major source of revenue is typically from mitigation fees. Historically, the Conservancy's major expenditures are for the acquisition and management of habitat land, including but not limited to property taxes, water, land management and maintenance and biological effectiveness monitoring.

### **ECONOMIC FACTORS AND NEXT YEAR'S BUDGET**

The Conservancy's Board of Directors approved a budget for 2024 which projects modest mitigation revenue for the year. However, the demand for mitigation land is dynamic and not well predicted. The 2024 budget also projects expenses for planning and permitting for future managed marsh slated for construction in 2025.

### **CONTACTING THE CONSERVANCY'S MANAGEMENT**

This financial report is designed to provide a general overview of the Conservancy's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Executive Director, The Natomas Basin Conservancy, 2150 River Plaza Drive, Suite 460, Sacramento, CA 95833, or call (916) 649-3331.

# THE NATOMAS BASIN CONSERVANCY

## STATEMENT OF NET POSITION AND GOVERNMENTAL FUNDS BALANCE SHEET DECEMBER 31, 2023

	<u>Administration</u>	<u>Restoration &amp; Enhancement</u>	<u>Supplemental Land and Contingency</u>	<u>Land Acquisition</u>
<b>ASSETS:</b>				
Current Assets:				
Cash and investments held by City of Sacramento	\$ 189,217			
Cash and investments held by fiscal agents	12,345,132	\$ 3,989,186	\$ 2,471,800	\$ 1,320,081
Receivables:				
Account	44,495			
Interest	87,432	4,563		10,637
Prepaid items	19,440			
Due from other funds			3,196,186	
Non-Current Assets:				
Restricted cash and investments held by fiscal agent				
Land				
Capital assets, net				
Total Assets	<u>\$ 12,685,716</u>	<u>\$ 3,993,749</u>	<u>\$ 5,667,986</u>	<u>\$ 1,330,718</u>
<b>LIABILITIES:</b>				
Current Liabilities:				
Accounts payable	\$ 354,890	\$ 34,952	\$ 2,272	
Lease liability				
Deposits payable	250			
Due to other funds				\$ 3,196,186
Unearned mitigation land credits				4,621,928
Unearned mitigation fees	287,426	60,041	30,374	16,054
Non-Current Liabilities:				
Line of credit				
Compensated absences				
Total Liabilities	<u>642,566</u>	<u>94,993</u>	<u>32,646</u>	<u>7,834,168</u>
<b>FUND BALANCE/NET POSITION:</b>				
Net investment in capital assets				
Nonspendable:				
Prepaid expenses	19,440			
Endowment				
Restricted:				
Giant garter snakes	98,649			
Endowment:				
Expendable				
Nonexpendable				
Committed:				
Restoration & enhancement		3,898,756		
Supplemental land acquisition			5,635,340	
Land acquisition				(6,503,450)
Unassigned/Unrestricted	11,925,061			
Total Fund Balances/Net Position	<u>12,043,150</u>	<u>3,898,756</u>	<u>5,635,340</u>	<u>(6,503,450)</u>
Total Liabilities, Fund Balances and Net Position	<u>\$ 12,685,716</u>	<u>\$ 3,993,749</u>	<u>\$ 5,667,986</u>	<u>\$ 1,330,718</u>

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



# THE NATOMAS BASIN CONSERVANCY

## STATEMENT OF NET POSITION AND GOVERNMENTAL FUNDS BALANCE SHEET (CONTINUED) DECEMBER 31, 2023

<u>Endowment</u>	<u>Total Fund Balance</u>	<u>Adjustments (Notes 4 &amp; 10)</u>	<u>Statement of Net Position</u>	
	\$ 189,217		\$ 189,217	<b>ASSETS:</b>
	20,126,199		20,126,199	Current Assets:
	44,495		44,495	Cash and investments held by City of Sacramento
	102,632		102,632	Cash and investments held by fiscal agent
	19,440		19,440	Receivables:
	3,196,186	\$ (3,196,186)		Account
				Interest
				Prepaid items
				Due from other funds
				Non-Current Assets:
\$ 40,371,496	40,371,496		40,371,496	Restricted cash and investments held by fiscal agent
		61,513,645	61,513,645	Land
		1,383,334	1,383,334	Capital assets, net
<u>\$ 40,371,496</u>	<u>\$ 64,049,665</u>	<u>\$ 59,700,793</u>	<u>\$ 123,750,458</u>	Total Assets
				<b>LIABILITIES:</b>
\$ 37,155	\$ 429,269		\$ 429,269	Current Liabilities:
		\$ 353,034	353,034	Accounts payable
	250		250	Lease liability
	3,196,186	(3,196,186)		Deposits payable
	4,621,928		4,621,928	Due to other funds
159,895	553,790		553,790	Unearned mitigation land credits
				Unearned mitigation fees
		1,466,002	1,466,002	Non-Current Liabilities:
		110,412	110,412	Line of credit
		(1,266,738)	7,534,685	Compensated absences
<u>197,050</u>	<u>8,801,423</u>	<u>(1,266,738)</u>	<u>7,534,685</u>	Total Liabilities
				<b>FUND BALANCE/NET POSITION:</b>
		62,896,979	62,896,979	Net investment in capital assets
	19,440	(19,440)		Nonspendable:
20,680,265	20,680,265	(20,680,265)		Prepaid expenses
				Endowment
	98,649		98,649	Restricted:
				Giant garter snakes
				Endowment:
19,494,181	19,494,181		19,494,181	Expendable
		20,680,265	20,680,265	Nonexpendable
	3,898,756	(3,898,756)		Committed:
	5,635,340	(5,635,340)		Restoration & enhancement
	(6,503,450)	6,503,450		Supplemental land acquisition
	11,925,061	1,120,638	13,045,699	Land acquisition
<u>40,174,446</u>	<u>55,248,242</u>	<u>60,967,531</u>	<u>116,215,773</u>	Unassigned/Unrestricted
<u>\$ 40,371,496</u>	<u>\$ 64,049,665</u>	<u>\$ 59,700,793</u>	<u>\$ 123,750,458</u>	Total Fund Balances/Net Position
				Total Liabilities, Fund Balances and Net Position

# THE NATOMAS BASIN CONSERVANCY

## STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES FOR THE YEAR ENDED DECEMBER 31, 2023

	<u>Administration</u>	<u>Restoration &amp; Enhancement</u>	<u>Supplemental Land and Contingency</u>	<u>Land Acquisition</u>
<b>REVENUES:</b>				
Program revenues:				
Charges for services:				
Mitigation fees	\$ 2,420,639	\$ 262,709	\$ 90,521	\$ 2,425,775
Rent revenue	937,579			
Operating grants and contributions:				
Investment income				
Capital grants and contributions:				
Capital donation	1,319			13,000
Total program revenues	<u>3,359,537</u>	<u>262,709</u>	<u>90,521</u>	<u>2,438,775</u>
General revenues:				
Endowment contributions - mitigation fees				
Investment income	620,674	177,914	340,226	64,039
Sale of capital asset/Gain on disposal				
Other income	45,105			
Total general revenues	<u>665,779</u>	<u>177,914</u>	<u>340,226</u>	<u>64,039</u>
Total Revenues	<u>4,025,316</u>	<u>440,623</u>	<u>430,747</u>	<u>2,502,814</u>
<b>EXPENDITURES:</b>				
Land mitigation:				
Personnel services	828,036			
Materials and services	2,717,766		8,190	103
Depreciation				
Amortization				
Capital outlay	562,429	64,365		19,318
Debt service:				
Principal	65,576			345,893
Interest	8,581			
Total Expenditures	<u>4,182,388</u>	<u>64,365</u>	<u>8,190</u>	<u>365,314</u>
Excess (Deficiency) of revenues over (under) expenditures	(157,072)	376,258	422,557	2,137,500
<b>OTHER FINANCING SOURCES (USES):</b>				
Proceeds from disposition of asset				179,700
Lease asset	367,403			
Total other financing sources (uses)	<u>367,403</u>			<u>179,700</u>
Changes in Fund Balances/Net Position	210,331	376,258	422,557	2,317,200
Fund Balances/Net Position, beginning of period	11,832,819	3,522,498	5,212,783	(8,820,650)
Fund Balances/Net Position, end of period	<u>\$ 12,043,150</u>	<u>\$ 3,898,756</u>	<u>\$ 5,635,340</u>	<u>\$ (6,503,450)</u>

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



# THE NATOMAS BASIN CONSERVANCY

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2023

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### 1. ORGANIZATION

The Natomas Basin Conservancy (the Conservancy) is a California non-profit 501(c)(3) public benefit corporation formed in 1994. The Conservancy is responsible for collecting and managing mitigation fees required by the Natomas Basin Habitat Conservation Plan (NBHCP) and the Metro Air Park Habitat Conservation Plan (MAPHCP), together referred to as HCPs, using the fees to establish mitigation lands, and managing the mitigation lands for the benefit of the HCPs' protected plant and animal species in the Natomas Basin.

The HCPs apply to the 53,537-acre interior of the Natomas Basin, located in the northern portion of Sacramento County and the southern portion of Sutter County. The Natomas Basin contains incorporated and unincorporated areas within the jurisdictions of the City of Sacramento, County of Sacramento, and County of Sutter. The HCPs are designed to promote biological conservation while allowing urban development to proceed according to local land-use plans. The United States Fish and Wildlife Service and the California Department of Fish and Wildlife provide oversight and ensure compliance with the terms of the HCPs.

The Conservancy's Board of Directors is comprised of representatives of each of the two land-use agencies which have obtained incidental take permits under the NBHCP, the City of Sacramento and County of Sutter. Each participating local government appoints five members to the Conservancy's Board of Directors.

#### **Funding**

The Conservancy is primarily funded from mitigation fees established by the Conservancy and approved by local government action. The mitigation fees include components for land acquisition, restoration and enhancement, endowment, supplemental endowment, and administration. The fees are adjusted each year as necessary to implement the HCPs. The Conservancy's acquisition of land has led to supplemental funding sources such as agricultural leasing and periodic groundwater exchange program revenue which are consistent with the HCPs.

The supplemental endowment component does not meet the definition of a permanent fund type under generally accepted accounting principles. Therefore, it is reported as the Supplemental Land and Contingency Fund in the financial statements.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Conservancy have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to governmental agencies. The Governmental Accounting Standards Board is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies of the Conservancy are described below.

#### **Conservancy-wide and fund financial statements**

The Conservancy-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary fund types of the Conservancy.

# THE NATOMAS BASIN CONSERVANCY

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2023

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The accounts of the Conservancy are organized on the basis of funds. A fund is a separate accounting entity with a self-balancing set of accounts. Each fund was established for the purpose of accounting for specific activities in accordance with applicable regulations, restrictions, or limitations. Major individual funds are reported as separate columns in the fund financial statements.

### **Measurement focus, basis of accounting, and financial statement presentation**

The Conservancy-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. It is the Conservancy's practice to eliminate interfund payables and receivables in the Conservancy-wide statements.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Conservancy considers revenues to be available if they are collected within 60 days of the end of the current fiscal period.

The Conservancy reports the following major governmental funds:

General Fund – This fund is established to account for resources devoted to the administration of the activities of the Conservancy and excludes those resources required to be accounted for in another fund. The Conservancy presents this fund as the Administration Fund.

Special Revenue Funds – These funds are established to account for resources devoted to the restoration and enhancement of mitigation land owned by the Conservancy presented as the Restoration and Enhancement Fund.

Capital Projects Funds – These funds are established to account for major capital expenditures of the Conservancy, primarily the acquisition of mitigation land. The Conservancy presents these funds as the Supplemental Land and Contingency Fund and the Land Acquisition Fund.

The Permanent Fund – This fund accounts for resources that are legally restricted, to the extent that only earnings, and not principal, may be used for purposes that support the Conservancy's programs. The Conservancy presents this fund as the Endowment Fund.

Amounts reported as program revenues include: 1) mitigation fees, 2) farm rent, and 3) investment income in the Endowment Fund and capital donations in the Land Acquisition Fund. Internally dedicated resources are reported as general revenues rather than as program revenue. The HCPs address the timing related to the use of restricted and then other less restricted classifications: committed, assigned and then unassigned fund balances.

### **Permanent Fund**

In accordance with the Implementation Agreement for the HCPs, the Conservancy is required to segregate all endowment fees. The Endowment Fund is accounted for in a permanent fund. Earnings from investments will be used to meet long-term operations and maintenance needs of the Conservancy at such time as mitigation fee income and other revenue are no longer adequate.

# THE NATOMAS BASIN CONSERVANCY

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2023

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### **Capital Assets**

The Conservancy capitalizes all land and land improvements purchases with costs in excess of \$5,000 and a useful life of one year or more; and all furniture and fixtures, and equipment purchases with costs in excess of \$2,500 and a useful life of one year or more.

Capital asset acquisitions are recorded at cost. Contributions are recorded at the estimated fair value on the date of contribution. Non-monetary land trades are valued at the historical cost of the land relinquished.

Capital assets are depreciated using the straight-line method, half-year convention, over the following estimated useful lives:

Land improvements	15 years
Furniture and equipment	5 years

### **Leases**

The Conservancy recognizes leases with a noncancellable period of more than one year as a lease liability and an intangible right to use lease asset (lease asset) at the commencement of a lease. Leases are initially measured at the present value of payments expected to be made during the lease term. The lease liability is reduced by the principal portion of lease payments made and the lease asset is amortized on a straight-line basis over the shorter of the lease term or the useful life of the underlying asset.

The Conservancy estimates its incremental borrowing rate as the discount rate for expected lease payments and the noncancelable period for its leases. Additionally, the Conservancy monitors changes in circumstances that would require a remeasurement of its leases and will remeasure the lease liability if certain changes occur that are expected to significantly affect their lease liability.

Lease assets are reported with depreciable capital assets on the statement of net position.

### **Compensated Absences**

Accumulated unpaid employee vacation benefits are recognized as liabilities of the Conservancy on the Conservancy-wide financial statements. The Conservancy had a total of \$110,412 in accrued compensated absences as of December 31, 2023.

### **Fund Equity**

The Conservancy-wide financial statements utilize a net position presentation. Net positions are categorized as net investment in capital assets, restricted, and unrestricted.

The Conservancy's governmental fund statements utilize a fund balance presentation. Fund balances are categorized as nonspendable, restricted, committed, and unassigned. The committed portion of fund balance is used for specific purposes determined by a formal action (Resolution) of the Conservancy's highest level of decision making authority and remains committed unless removed in the same manner. For the Conservancy, this level of authority lies with the Board of Directors.

# THE NATOMAS BASIN CONSERVANCY

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2023

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### Use of Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

### Unearned Mitigation Land Credits

The HCPs require land dedication, in addition to mitigation fees, for developments of over 50 acres. When the Conservancy receives dedicated land in excess of the required land mitigation, the excess is most often held by the Conservancy as a credit to satisfy future mitigation requirements needed by an HCP fee payer. The Conservancy records these credits as unearned mitigation land credits and recognizes land mitigation fees in subsequent accounting periods as the excess land credits are depleted. On December 31, 2023, the Conservancy held a total of \$4,621,928 in unearned mitigation land credits.

### Unearned Mitigation Fees

Unearned mitigation fees are mitigation fees paid to the Conservancy for future land development projects. The Conservancy will recognize the mitigation fees in subsequent accounting periods as future land development projects are completed. On December 31, 2023, the Conservancy held a total of \$553,790 in unearned mitigation fees, based on mitigation fees paid in 2004.

## 3. CASH AND INVESTMENTS

Cash and investments as of December 31, 2023, are classified in the accompanying financial statements as follows:

Cash and investments held by City of Sacramento	\$ 189,217
Cash and investments held by fiscal agent	20,126,199
Restricted cash and investments held by fiscal agent	<u>40,371,496</u>
Total cash and investments	<u>\$ 60,686,912</u>

### Investments Authorized by the Conservancy's Investment Policies

The Conservancy investment policy for the investments held by fiscal agent in the Endowment and Supplemental Endowment Funds authorizes the following types of investments:

#### Authorized Investment Type

Common stock or debt instrument  
Diversified mutual funds  
Broad-based index mutual funds  
Hedge funds or hedge-like funds  
U.S. government agencies

# THE NATOMAS BASIN CONSERVANCY

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2023

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The Conservancy investment policy for the investments held by fiscal agent in the Administration, Restoration and Enhancement, and Land Acquisition Funds contains the following authorized investment types:

### Authorized Investment Type

Money market mutual funds	Obligations issued or guaranteed by
Commercial paper	United States Government agencies
Master notes	U.S. Treasury obligations
Funding agreements	Exchange traded funds
Certificates of deposit	Federal agency securities
Repurchase agreements	Corporate notes and bonds
Bankers acceptances	Mortgage-backed securities

Additional provisions relating to credit risk, interest rate risk, concentration of credit risk and foreign currency for the policies described above are contained within the Conservancy's investment policies. Copies of the investment policies can be obtained by contacting the Conservancy at 2150 River Plaza Drive, Suite 460, Sacramento CA 95833.

The Conservancy has adopted the City of Sacramento's investment policy for all fund investments held by the City of Sacramento. The required disclosure information regarding categorization of investments and other deposit and investment risk disclosures can be found in the City of Sacramento's annual comprehensive financial report and may be obtained by contacting the City of Sacramento Department of Finance, Accounting Division, 915 L Street, Sacramento, CA 95814.

### Cash in City of Sacramento Pool

The Conservancy participates in the City of Sacramento investment pool over which the City Treasurer has oversight. The City Treasurer pools cash with other City funds and investments to maximize income consistent with safe and prudent investment practices within the guidelines of the City's investment pool and reviews its investment policy on a quarterly basis. The fair value of the Conservancy's position in the pool is the same as the value of the pool shares.

### Derivative Investments

The Conservancy did not directly enter into any derivative investments in 2023. The City of Sacramento Investment Pool A had no derivatives at December 31, 2023.



# THE NATOMAS BASIN CONSERVANCY

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2023

### Cash and Investment Summary

At December 31, 2023, the Conservancy's cash and investments consist of the following:

Deposits with financial institutions	\$ 416,455
Cash and cash equivalents held by fiscal agents	<u>11,392,110</u>
Cash and cash equivalents	<u>11,808,565</u>
Fixed income mutual funds	19,043,660
Equity mutual funds	25,401,035
External investment pool	189,217
Fixed income securities:	
Government obligations	<u>4,244,435</u>
Investments	<u>48,878,347</u>
Total cash and investments	<u><u>\$ 60,686,912</u></u>

### Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair values to changes in market interest rates. One of the ways to manage exposure to interest rate risk is by purchasing a combination of shorter-term and longer-term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

Information about the sensitivity of the fair values of the Conservancy's investments to market interest rate fluctuations is provided by the following table that shows the distribution of the Conservancy's investments by maturity:

	<b>Maturity</b>					<b>Total</b>
	<b>Under 1 Year</b>	<b>1-5 Years</b>	<b>5-10 Years</b>	<b>10-15 Years</b>	<b>Over 15 Years</b>	
Fixed income mutual funds	\$ 17,474,013	\$ 1,569,647				\$ 19,043,660
Equity mutual funds	25,401,035					25,401,035
External investment pool	189,217					189,217
Government obligations	<u>744,023</u>	<u>3,500,412</u>				<u>4,244,435</u>
Total investments	<u><u>\$ 43,808,288</u></u>	<u><u>\$ 5,070,059</u></u>	<u><u>\$</u></u>	<u><u>\$</u></u>	<u><u>\$</u></u>	<u><u>\$ 48,878,347</u></u>

# THE NATOMAS BASIN CONSERVANCY

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2023

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### Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the actual Standard & Poor's rating as of year end for each investment type.

	<b>Rating as of End of Year</b>	
City of Sacramento investment pool	Not rated	\$ 189,217
Fixed income mutual funds	Not rated	19,043,660
Equity mutual funds	Not rated	25,401,035
Government obligations	Not rated	<u>4,244,435</u>
Total		<u>\$ 48,878,347</u>

### Concentration of Credit Risk

There were no investments in any one issuer (excluding mutual funds and external investment pools) that represent 5% or more of the total Conservancy investments at December 31, 2023.

### Custodial Credit Risk

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, an organization will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, an organization will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The Conservancy's investment policies do not contain requirements that limit exposure to custodial credit risk for deposits or investments.

The Conservancy's cash equivalents with fiscal agents, investments in the City of Sacramento investment pool, fixed income mutual funds, and equity mutual funds, are not exposed to custodial credit risk because their existence is not evidenced by securities that exist in physical or book entry form. The Conservancy's fixed income securities of \$19,043,660 are held by fiscal agents, uninsured, and not registered in the name of the Conservancy. The Conservancy minimizes credit risk associated with cash by periodically evaluating the credit quality of its primary financial institution. Cash balances held in banks are fully insured up to \$250,000 by the Federal Depository Insurance Corporation. The Conservancy has not experienced any losses in such accounts and management believes the Conservancy is not exposed to any significant credit risk related to cash.

# THE NATOMAS BASIN CONSERVANCY

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2023

### Fair Value Measurement

GASB 72 requires the Conservancy to use valuation techniques which are appropriate under the circumstances and are either a market approach, a cost approach or an income approach. Statement No. 72 establishes a hierarchy of inputs used to measure fair value consisting of three levels. Level 1 inputs are quoted prices in active markets for identical assets or liabilities. Level 2 inputs are inputs other than quoted prices included within Level 1, which are observable for the asset or liability, either directly or indirectly. Level 3 inputs are unobservable inputs.

The following table sets forth the fair value hierarchy level for the Conservancy's investments as of December 31, 2023:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Fixed income mutual funds	\$ 19,043,660		
Equity mutual funds	25,401,035		
Government obligations	<u>                    </u>	\$ 4,244,435	<u>                    </u>
Total	<u>\$ 44,444,695</u>	<u>\$ 4,244,435</u>	<u>\$                    </u>

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

**Fund balances** \$ 55,248,242

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

Capital assets	\$ 67,085,985	
Lease assets	367,403	
Accumulated depreciation	(4,541,560)	
Accumulated amortization	<u>(14,849)</u>	62,896,979

Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.

Line of credit		(1,466,002)
Lease liability		(353,034)
Accrued compensated absences		<u>(110,412)</u>

**Net position** \$ 116,215,773

# THE NATOMAS BASIN CONSERVANCY

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2023

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### 5. EXPLANATION OF DIFFERENCES BETWEEN THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES AND THE STATEMENT OF ACTIVITIES

**Net change in fund balances** \$ 10,292,470

Governmental funds report capital outlays as expenditures. In the statement of activities however, the cost of capital assets and right to use assets are allocated over their estimated useful lives as depreciation and amortization expense.

Capital outlay	646,112
Depreciation expense	(102,810)
Amortization expense	(66,056)
Disposal of capital assets	(14,339)

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Compensated absences	(5,735)
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Proceeds from leases are recognized as Other Financing Sources in governmental funds. However, leases increase lease liabilities in the statement of net position. (367,403)

Debt payments decrease long-term liabilities in the statement of net activities.

Line of credit liability	345,893
Lease liability	<u>65,576</u>

**Change in net position** \$ 10,793,708

# THE NATOMAS BASIN CONSERVANCY

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2023

### 6. CAPITAL ASSETS

A summary of changes in capital assets for the year ended December 31, 2023, is as follows:

	<u>01/01/2023</u>	<u>Additions</u>	<u>Deletions</u>	<u>12/31/2023</u>
<b>Capital assets not being depreciated:</b>				
Land	\$ 61,518,740	\$ 421,596	\$ (426,691)	\$ 61,513,645
<b>Capital assets being depreciated:</b>				
Land improvements	5,215,574	221,559	(8,371)	5,428,762
Office and other equipment	101,426	50,832	(8,680)	143,578
Right-to-use asset	105,607	367,403	(105,607)	367,403
	<u>5,422,607</u>	<u>639,794</u>	<u>(122,658)</u>	<u>5,939,743</u>
<b>Accumulated depreciation and amortization:</b>				
Accum. depreciation, land improvements	(4,397,451)	(88,553)	5,264	(4,480,740)
Accum. depreciation, office equipment	(55,243)	(14,257)	8,680	(60,820)
Accum. amortization, right-to-use asset	(54,581)	(14,849)	54,581	(14,849)
	<u>(4,507,275)</u>	<u>(117,659)</u>	<u>68,525</u>	<u>(4,556,409)</u>
Total capital assets, net	<u>\$ 62,434,072</u>	<u>\$ 943,731</u>	<u>\$ (480,824)</u>	<u>\$ 62,896,979</u>

### 7. RELATED PARTY TRANSACTIONS

During the year ended December 31, 2023, the Conservancy paid \$1,589 to the City of Sacramento for investment services.

### 8. LEASES

The Conservancy is a lessee under a lease agreement for its office space in Sacramento. This agreement is amended periodically and during 2023, the Conservancy amended its lease twice to extend the term. An initial lease liability was recorded in the amount of \$367,403 as of October 2023 to recognize the amendments. Under the lease amendments, the lease term ends March 2029 with monthly payments ranging from \$6,180 to \$6,955. For purposes of discounting future payments on the lease, the Conservancy used an annual discount rate of 4.68%. The right-to-use asset as of the year ended December 31, 2023 was \$352,554 and is being amortized over the remaining term of the lease.

A schedule of changes in lease liability for the year ended December 31, 2023 is shown below:

	<u>01/01/2023</u>	<u>Additions</u>	<u>Deletions</u>	<u>12/31/2023</u>	<u>Due Within One Year</u>
Lease Liability	\$ 51,207	\$ 367,403	\$ (65,576)	\$ 353,034	\$ 46,408

# THE NATOMAS BASIN CONSERVANCY

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2023

The future minimum principal and interest lease payments as of December 31, 2023 are as follows:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 46,408	\$ 15,390	\$ 61,798
2025	63,104	12,722	75,826
2026	68,455	9,646	78,101
2027	74,131	6,313	80,444
2028	80,151	2,707	82,858
2029	<u>20,785</u>	<u>81</u>	<u>20,866</u>
Totals	<u>\$ 353,034</u>	<u>\$ 46,859</u>	<u>\$ 399,893</u>

### 9. LINE OF CREDIT

The Conservancy has a revolving non-interest-bearing line of credit with the City of Sacramento. The maximum amount the Conservancy is permitted to borrow is \$4,000,000. The Conservancy drew down \$2,000,000 of the line of credit during the year ended December 31, 2020. The line of credit draw down agreement with the City of Sacramento is long-term with no maturity schedule or interest. The Conservancy will make payments on the line of credit from revenue collected from the land acquisition component of the HCP fee over time. During the year, \$95,893 in mitigation fees from the Land Acquisition portion of the fee were collected from City of Sacramento projects and applied to the line of credit. In addition, the Conservancy made a cash payment of \$250,000 during 2023 to reduce its line of credit balance. The outstanding principal balance at December 31, 2023 was \$1,466,002.

### 10. INTERFUND BALANCES

Interfund balances as of December 31, 2023, consisted of the following:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Supplemental Land and Contingency	Land Acquisition	\$ 3,196,186

### 11. RISK MANAGEMENT

The Conservancy is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Conservancy purchases insurance coverage for commercial property, commercial general liability, commercial inland marine, commercial auto, director's and officer's liability, employment practices liability, pollution, flood, cyber liability, workers' compensation, and umbrella. There have been no significant reductions in insurance coverage from the prior year by major categories of risk and there have been no claims or settlements for each of the past four years.

# THE NATOMAS BASIN CONSERVANCY

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2023

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### 12. RETIREMENT PLAN

The Conservancy offers retirement benefits in the form of a Simplified Employee Pension-Individual Retirement Account defined contribution plan (the Plan) under Internal Revenue Code Section 408(k). The Plan covers all eligible employees who are at least 18 years of age. Employer contributions to the Plan are discretionary. Plan provisions are established and may be amended by the Internal Revenue Service. Retirement expense incurred for the year ended December 31, 2023 was \$64,766.

### 13. NATOMAS CENTRAL MUTUAL WATER COMPANY STOCK

The Conservancy holds 4,057 shares of Natomas Central Mutual Water Company (NCMWC) stock or approximately 13% of NCMWC's outstanding shares (30,462) as of December 31, 2023. The shares are attached to each land parcel owned by the Conservancy within the NCMWC's territory. When land is traded or sold, the stock associated with that land is automatically transferred. Ownership of this stock has costs associated with rights for delivery of water service for which the Conservancy pays NCMWC upon receipt of invoice. In the event the Conservancy wishes to cancel its shares and thereby cancel obligation for future assessments, water tolls, and services, the Conservancy must apply for cancellation, obtain NCMWC's board approval, and pay a cancellation fee of \$3,500 per share. At December 31, 2022, the most recent information available, the par value of the NCMWC stock held was \$10.26 per share or \$41,625. However, NCMWC's share price is not published, shares are not merchantable in and of themselves, since the shares are appurtenant to the land owned and NCMWC remains a non-profit organization. The estimated value and potential liability have not been recorded in these financial statements.

**REQUIRED SUPPLEMENTARY INFORMATION**



# THE NATOMAS BASIN CONSERVANCY

## BUDGETARY COMPARISON SCHEDULE - ADMINISTRATION FUND FOR THE YEAR ENDED DECEMBER 31, 2023

	<u>Budget Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Mitigation fees	\$ 2,655,844	\$ 2,307,606	\$ 2,420,639	\$ 113,033
Rent revenue	550,347	900,982	937,579	36,597
Investment income	120,000	250,000	620,674	370,674
Other income	<u>500,000</u>	<u>50,000</u>	<u>46,424</u>	<u>(3,576)</u>
Total Revenues	<u>3,826,191</u>	<u>3,508,588</u>	<u>4,025,316</u>	<u>516,728</u>
<b>EXPENDITURES</b>				
Conservancy operations:				
Personnel services	996,000	908,000	828,036	79,964
Materials and services	3,597,757	3,431,874	2,717,766	714,108
Capital outlay			562,429	(562,429)
Debt service:				
Principal			65,576	(65,576)
Interest			8,581	(8,581)
Total Expenditures	<u>4,593,757</u>	<u>4,339,874</u>	<u>4,182,388</u>	<u>157,486</u>
<b>OTHER SOURCES</b>				
Lease assets			<u>367,403</u>	<u>367,403</u>
Total Other Sources			<u>367,403</u>	<u>367,403</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>\$ (767,566)</u>	<u>\$ (831,286)</u>	<u>\$ 210,331</u>	<u>\$ 1,041,617</u>

**THE NATOMAS BASIN CONSERVANCY**  
**BUDGETARY COMPARISON SCHEDULE -**  
**RESTORATION AND ENHANCEMENT SPECIAL REVENUE FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2023**

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	<u>Budget Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Mitigation fees	\$ 288,236	\$ 261,928	\$ 262,709	\$ 781
Investment income	<u>40,000</u>	<u>78,000</u>	<u>177,914</u>	<u>99,914</u>
Total Revenues	<u>328,236</u>	<u>339,928</u>	<u>440,623</u>	<u>100,695</u>
<b>EXPENDITURES</b>				
Total Expenditures	<u>200,000</u>	<u>445,000</u>	<u>64,365</u>	<u>380,635</u>
Excess of Revenues Over Expenditures	<u>\$ 128,236</u>	<u>\$ (105,072)</u>	<u>\$ 376,258</u>	<u>\$ 481,330</u>

## **ADDITIONAL INFORMATION**

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

**To the Board of Directors  
The Natomas Basin Conservancy  
Sacramento, California**

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of the Natomas Basin Conservancy (the Conservancy), as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the Conservancy’s basic financial statements, and have issued our report thereon dated March 15, 2024.

**Report on Internal Control Over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

## **Report on 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

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

Gilbert CPAs

**GILBERT CPAs**  
**Sacramento, California**

**March 15, 2024**

**THE NATOMAS BASIN CONSERVANCY**

**SCHEDULE OF MITIGATION FEES COLLECTED  
FOR THE YEAR ENDED DECEMBER 31, 2023**

<u>Type of Mitigation Fee</u>	<u>General Fund</u>	<u>Special Revenue</u>	<u>Capital Project</u>		<u>Permanent</u>	<u>Total</u>
	<u>Administration</u>	<u>Restoration &amp; Enhancement</u>	<u>Supplemental Land and Contingency</u>	<u>Land Acquisition</u>	<u>Endowment</u>	
Habitat Acquisition Fee			\$ 90,521	\$ 2,425,775		\$ 2,516,296
Endowment Fee					\$ 1,375,940	1,375,940
Habitat Management Fee	\$ 2,314,430	\$ 262,709				2,577,139
Administrative Fee	<u>106,209</u>					<u>106,209</u>
Total Fees Collected	<u>\$ 2,420,639</u>	<u>\$ 262,709</u>	<u>\$ 90,521</u>	<u>\$ 2,425,775</u>	<u>\$ 1,375,940</u>	<u>\$ 6,575,584</u>

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