

Annual Financial Report

Year ending December 31, 2024



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

STEVEN COHN
Treasurer

GABRIELLE STADEM
Secretary

MELINDA BRADBURY
Board Member

MATTHEW DIGIACOMO
Board Member

PATRICK HUBER
Board Member

DOUG LIBBY
Board Member

SEAN MINARD
Board Member

ETHAN VALBURG
Board Member

Staff

JOHN ROBERTS
Executive Director

KIMBERLI BURNS
Chief Financial Officer

JENNIFER SKUPIC
Contracts & Compliance Manager

ERIC DUBOVIK
Field Supervisor

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 present the Conservancy's December 31, 2024 financial report. In the report, we will share the financial workings that help facilitate the 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 5,400 acres of land used to provide mitigation for 22 of the HCPs' Covered Species.

Below are a few of the highlights for 2024:

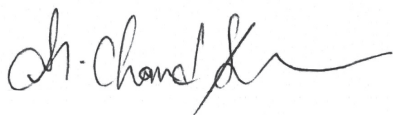
Land dedication. The Conservancy acquired its Paulsen North tract (202.58 acres). This property is in the Conservancy's Central Basin Reserve Area and is currently farmed to rice.

Restoration and Enhancement. The Conservancy completed planning and design work for the latest managed marsh construction projects on its Bennett North and Nestor tracts, totaling approximately 116 acres. Once completed, this construction will bring the Conservancy's total managed marsh acreage to approximately 968 acres.

NBHCP Finance Model Comprehensive Review. As the HCPs are nearly at their halfway mark, Conservancy management conducted a comprehensive review of the NBHCP Finance Model to further test assumptions in the model. This review concluded the model and the assumptions it is based on remain sound.

The Conservancy's December 31, 2024 audited financial report is also available on the Conservancy's website at www.natomasbasin.org/reports. 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, 2024, 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, 2024, 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 and the standards applicable to financial audits contained in *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 generally accepted auditing standards 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 generally accepted auditing standards 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 22, 2025, 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 22, 2025

THE NATOMAS BASIN CONSERVANCY

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2024

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, 2024. 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 \$134,651,595, an increase of \$10,901,137 from prior year of \$123,750,458.
- Total revenue in 2024 was \$10,255,356, a decrease of \$4,414,770 from the previous year, largely due to a slowing of urban development in the Natomas Basin and the resultant reduction in mitigation fees.
- Expenses were \$4,344,801, which was an increase of \$468,383 over the prior year, due to increased staffing, new vehicles, preparation for two new barns and design and planning for new managed marsh in 2025.
- In 2024, \$610,807 in mitigation fees were added to the Endowment Fund. Net investment gains of \$5,061,222 were also realized for a total ending balance of \$45,624,494.
- The Conservancy paid \$479,301 on its Line of Credit with the City of Sacramento, bringing the balance owed to \$986,701.

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, 2024

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, 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, 2024 and 2023

	<u>2024</u>	<u>2023</u>	<u>Increase/Decrease</u>
Current and other assets	\$ 66,057,572	\$ 60,853,479	\$ 5,204,093
Capital assets	<u>68,594,023</u>	<u>62,896,979</u>	<u>5,697,044</u>
Total assets	<u>134,651,595</u>	<u>123,750,458</u>	<u>10,901,137</u>
Current liabilities	11,426,726	5,958,271	5,468,455
Non-Current liabilities	<u>1,098,541</u>	<u>1,576,414</u>	<u>(477,873)</u>
Total liabilities	<u>12,525,267</u>	<u>7,534,685</u>	<u>4,990,582</u>
Net position:			
Net investment in capital assets	68,594,023	62,896,979	5,697,044
Giant garter snake projects	98,649	98,649	-
Endowment – permanent	21,291,072	20,680,265	610,807
Endowment – temporary	24,333,422	19,494,181	4,839,241
Unrestricted	<u>7,809,162</u>	<u>13,045,699</u>	<u>(5,236,537)</u>
Total net position	<u>\$ 122,126,328</u>	<u>\$ 116,215,773</u>	<u>\$ 5,910,555</u>

Net position represents the difference between the Conservancy’s resources and its obligations. At December 31, 2024, approximately 56% 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).

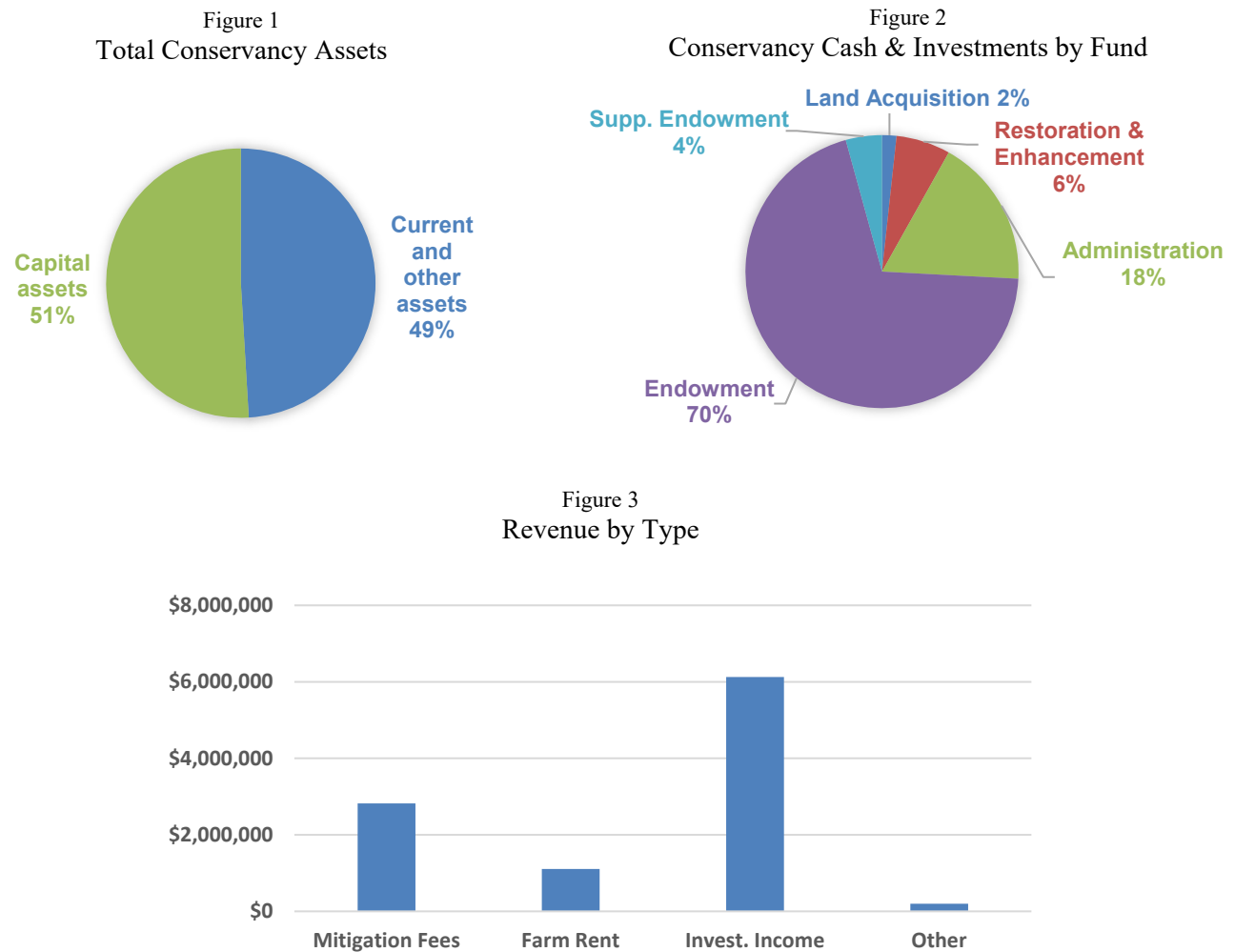
The Conservancy presently holds 5,389.39 acres of mitigation land in the Natomas Basin, of which 5,272.84 acres are owned in fee simple title and 116.55 acres are held in conservation easements. All land purchases and land dedications are recorded at their acquisition cost. Land assets currently total \$67,099,956. However, on a fair value accounting basis, in 2024 the value of Conservancy land holdings is approximately \$145 million. When combined with all other assets, total Conservancy assets are approximately \$213 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, 2024

Current liabilities were increased by \$5,468,455 to \$11,426,726 in 2024 over the previous year of \$5,958,271. This was largely due to the land dedication of the Paulsen North tract, which was booked as unearned mitigation land credit (see "Unearned Mitigation Land Credits" in the Notes to the Financial Statements). Additionally, there were unearned mitigation fees and land credits generated from minor adjustments generated by Metro Air Park's mid-point review.

Figure 1 below represents the Conservancy's current vs. capital assets, Figure 2 below represents the Conservancy cash and investment assets by fund, and Figure 3 below represents revenue by type.



THE NATOMAS BASIN CONSERVANCY
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2024

The Natomas Basin Conservancy
Changes in Net Position
Conservancy-wide Activities
As of December 31, 2024 and 2023

	<u>2024</u>	<u>2023</u>	<u>Increase/Decrease</u>
Revenues			
<i>Program revenues:</i>			
Mitigation fees – cash portion	\$ 1,450,259	\$ 2,926,594	\$ (1,476,335)
Mitigation – land portion	761,125	2,273,050	(1,511,925)
Rent revenue	1,107,823	937,579	170,244
Investment income	5,061,222	5,726,399	(665,177)
Capital donation	634	14,319	(13,685)
<i>General revenues:</i>			
Mitigation fees contributed to Endowment Fund	610,807	1,375,940	(765,133)
Investment income	1,065,623	1,202,853	(137,230)
Other	197,863	213,392	(15,529)
Total revenues	<u>10,255,356</u>	<u>14,670,126</u>	<u>(4,414,770)</u>
Expenses			
Conservancy operations	4,344,801	3,876,418	468,383
Total expenses	<u>4,344,801</u>	<u>3,876,418</u>	<u>468,383</u>
Increase in net position	5,910,555	10,793,708	(4,883,153)
Net Position, beginning of period	<u>116,215,773</u>	<u>105,422,065</u>	<u>10,793,708</u>
Net Position, end of period	<u>\$ 122,126,328</u>	<u>\$ 116,215,773</u>	<u>\$ 5,910,555</u>

The NBHCP mitigation fee increased over 2023. The full fee was \$46,009 per disturbed acre, while the fee with land dedication was \$32,259 per disturbed acre.

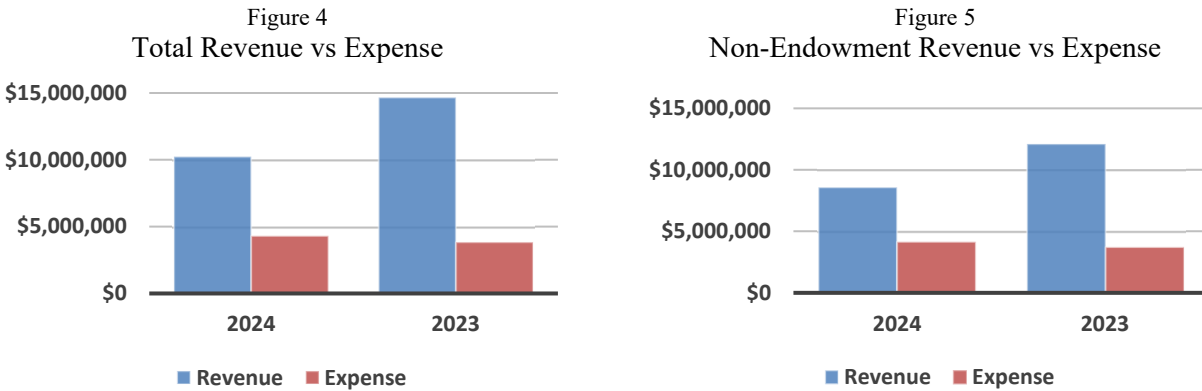
The Conservancy received \$2,822,191 in mitigation fees paid in 2024. Investment gain for all funds was \$6,126,845 in 2024. Farm rent revenues increased by \$170,244 from \$937,579 in 2023 to \$1,107,823 in 2024 due to a new lease payment structure and market conditions.

Conservancy expenses in 2024 were \$4,344,801, which was an increase of \$468,383 from last year’s expenses. The higher expenses were due to increased staffing, new vehicles, preparation for two new barns and design and planning for new managed marsh in 2025. For more than 10 years, the Conservancy has been able to maintain Administration Fund expenses of approximately \$3 to \$4 million each year despite inflation and substantial growth.

THE NATOMAS BASIN CONSERVANCY

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2024

Figure 4 below presents revenue vs. expenses year-over-year and Figure 5 below presents non-Endowment revenue vs. expenses year-over-year:



FINANCIAL ANALYSIS OF THE CONSERVANCY'S FUNDS

As of December 31, 2024, the Conservancy's fund balances totaled \$54,937,472, a decrease of \$310,770 compared to fund balances of \$55,248,242 at December 31, 2023. The Conservancy's Endowment Fund increased by \$5,450,048, mainly due to an upturn in investment performance. 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 2025 which projects an increase in mitigation revenue over 2024. However, the demand for mitigation land is dynamic and typically not well predicted. The 2025 budget also projects expenses for two new barns and managed marsh 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, 2024

	<u>Administration</u>	<u>Restoration & Enhancement</u>	<u>Supplemental Land and Contingency</u>	<u>Land Acquisition</u>
ASSETS:				
Current Assets:				
Cash and investments held by City of Sacramento	\$ 1,381,014			
Cash and investments held by fiscal agents	10,281,266	\$ 4,228,494	\$ 2,825,316	\$ 1,128,003
Receivables:				
Account, net	42,201	6	32	
Interest	82,782			
Prepaid items	52,423			
Due from other funds	88,946		3,196,186	
Non-Current Assets:				
Restricted cash and investments held by fiscal agent				
Land				
Capital assets, net				
Total Assets	<u>\$ 11,928,632</u>	<u>\$ 4,228,500</u>	<u>\$ 6,021,534</u>	<u>\$ 1,128,003</u>
LIABILITIES:				
Current Liabilities:				
Accounts payable	\$ 536,640	\$ 64,112	\$ 2,580	\$ 4,426
Lease liability				
Due to other funds		20,049	10,143	3,201,547
Unearned mitigation land credits				9,428,427
Unearned mitigation fees	562,794	87,931	42,801	32,241
Non-Current Liabilities:				
Line of credit				
Compensated absences				
Total Liabilities	<u>1,099,434</u>	<u>172,092</u>	<u>55,524</u>	<u>12,666,641</u>
FUND BALANCE/NET POSITION:				
Net investment in capital assets				
Nonspendable:				
Prepaid expenses	52,423			
Endowment				
Restricted:				
Giant garter snakes	98,649			
Endowment:				
Expendable				
Nonexpendable				
Committed:				
Restoration & enhancement		4,056,408		
Supplemental land acquisition			5,966,010	
Land acquisition				(11,538,638)
HCP Covered species	184,924			
Unassigned/Unrestricted	10,493,202			
Total Fund Balances/Net Position	<u>10,829,198</u>	<u>4,056,408</u>	<u>5,966,010</u>	<u>(11,538,638)</u>
Total Liabilities, Fund Balances and Net Position	<u>\$ 11,928,632</u>	<u>\$ 4,228,500</u>	<u>\$ 6,021,534</u>	<u>\$ 1,128,003</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, 2024

<u>Endowment</u>	<u>Total Fund Balance</u>	<u>Adjustments (Notes 4 & 10)</u>	<u>Statement of Net Position</u>	
	\$ 1,381,014		\$ 1,381,014	ASSETS:
	18,463,079		18,463,079	Current Assets:
				Cash and investments held by City of Sacramento
				Cash and investments held by fiscal agent
				Receivables:
\$ 56	42,295		42,295	Account
	82,782		82,782	Interest
	52,423		52,423	Prepaid items
	3,285,132	\$ (3,285,132)		Due from other funds
				Non-Current Assets:
46,035,979	46,035,979		46,035,979	Restricted cash and investments held by fiscal agent
		67,099,956	67,099,956	Land
		1,494,067	1,494,067	Capital assets, net
<u>\$ 46,036,035</u>	<u>\$ 69,342,704</u>	<u>\$ 65,308,891</u>	<u>\$ 134,651,595</u>	Total Assets
				LIABILITIES:
				Current Liabilities:
\$ 42,045	\$ 649,803		\$ 649,803	Accounts payable
		\$ 306,626	306,626	Lease liability
53,393	3,285,132	(3,285,132)		Due to other funds
	9,428,427		9,428,427	Unearned mitigation land credits
316,103	1,041,870		1,041,870	Unearned mitigation fees
				Non-Current Liabilities:
		986,701	986,701	Line of credit
		111,840	111,840	Compensated absences
<u>411,541</u>	<u>14,405,232</u>	<u>(1,879,965)</u>	<u>12,525,267</u>	Total Liabilities
				FUND BALANCE/NET POSITION:
		68,594,023	68,594,023	Net investment in capital assets
				Nonspendable:
	52,423	(52,423)		Prepaid expenses
21,291,072	21,291,072	(21,291,072)		Endowment
				Restricted:
	98,649		98,649	Giant garter snakes
				Endowment:
24,333,422	24,333,422		24,333,422	Expendable
		21,291,072	21,291,072	Nonexpendable
				Committed:
	4,056,408	(4,056,408)		Restoration & enhancement
	5,966,010	(5,966,010)		Supplemental land acquisition
	(11,538,638)	11,538,638		Land acquisition
	184,924	(184,924)		HCP Covered species
	10,493,202	(2,684,040)	7,809,162	Unassigned/Unrestricted
<u>45,624,494</u>	<u>54,937,472</u>	<u>67,188,856</u>	<u>122,126,328</u>	Total Fund Balances/Net Position
<u>\$ 46,036,035</u>	<u>\$ 69,342,704</u>	<u>\$ 65,308,891</u>	<u>\$ 134,651,595</u>	Total Liabilities, Fund Balances and Net Position

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

THE NATOMAS BASIN CONSERVANCY

STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES FOR THE YEAR ENDED DECEMBER 31, 2024

	<u>Administration</u>	<u>Restoration & Enhancement</u>	<u>Supplemental Land and Contingency</u>	<u>Land Acquisition</u>
REVENUES:				
Program revenues:				
Charges for services:				
Mitigation fees	\$ 1,069,188	\$ 119,924	\$ 36,846	\$ 985,426
Rent revenue	1,107,823			
Operating grants and contributions:				
Investment income				
Capital grants and contributions:				
Capital donation	634			
Total program revenues	2,177,645	119,924	36,846	985,426
General revenues:				
Endowment contributions - mitigation fees				
Investment income	495,158	193,734	314,481	62,250
Other income	197,863			
Total general revenues	693,021	193,734	314,481	62,250
Total Revenues	2,870,666	313,658	351,327	1,047,676
EXPENDITURES:				
Land mitigation:				
Personnel services	965,296			
Materials and services	2,876,756	1,075	9,981	4,085
Depreciation				
Amortization				
Loss on equipment disposal				
Capital outlay	259,329	133,849		5,582,930
Debt service:				
Principal	46,408			479,301
Interest	15,390			
Other expense	10,385	1,033	533	11,187
Total Expenditures	4,173,564	135,957	10,514	6,077,503
Excess (Deficiency) of revenues over (under) expenditures	(1,302,898)	177,701	340,813	(5,029,827)
OTHER FINANCING SOURCES (USES):				
Transfers in	88,946			
Transfers out		(20,049)	(10,143)	(5,361)
Total Other Financing Sources (uses)	88,946	(20,049)	(10,143)	(5,361)
Changes in Fund Balances/Net Position	(1,213,952)	157,652	330,670	(5,035,188)
Fund Balances/Net Position, beginning of period	12,043,150	3,898,756	5,635,340	(6,503,450)
Fund Balances/Net Position, end of period	\$ 10,829,198	\$ 4,056,408	\$ 5,966,010	\$ (11,538,638)

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

THE NATOMAS BASIN CONSERVANCY

STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES (CONTINUED) FOR THE YEAR ENDED DECEMBER 31, 2024

Endowment	Total Fund Balance	Adjustments (Note 5)	Statement of Activities	
	\$ 2,211,384		\$ 2,211,384	REVENUES:
	1,107,823		1,107,823	Program revenues:
				Charges for services:
				Mitigation fees
				Rent revenue
				Operating grants and contributions:
				Investment income
				Capital grants and contributions:
				Capital donation
				Total program revenues
				General revenues:
				Endowment contributions - mitigation
				fees
				Investment income
				Other income
				Total general revenues
				Total Revenues
\$ 5,061,222	5,061,222		5,061,222	
	634		634	
<u>5,061,222</u>	<u>8,381,063</u>		<u>8,381,063</u>	
610,807	610,807		610,807	
	1,065,623		1,065,623	
	197,863		197,863	
<u>610,807</u>	<u>1,874,293</u>		<u>1,874,293</u>	
<u>5,672,029</u>	<u>10,255,356</u>		<u>10,255,356</u>	
				EXPENDITURES:
				Land mitigation:
	965,296	\$ 1,428	966,724	Personnel services
162,698	3,054,595		3,054,595	Materials and services
		105,464	105,464	Depreciation
		60,689	60,689	Amortization
		112,911	112,911	Loss on equipment disposal
	5,976,108	(5,976,108)		Capital outlay
				Debt service:
	525,709	(525,709)		Principal
	15,390		15,390	Interest
5,890	29,028		29,028	Other expense
<u>168,588</u>	<u>10,566,126</u>	<u>(6,221,325)</u>	<u>4,344,801</u>	Total Expenditures
				Excess (Deficiency) of revenues over (under)
5,503,441	(310,770)	6,221,325	5,910,555	expenditures
				OTHER FINANCING SOURCES (USES):
	88,946	(88,946)		Transfers in
(53,393)	(88,946)	88,946		Transfers out
(53,393)				Total Other Financing Sources (uses)
5,450,048	(310,770)	6,221,325	5,910,555	Changes in Fund Balances/Net Position
<u>40,174,446</u>	<u>55,248,242</u>	<u>60,967,531</u>	<u>116,215,773</u>	Fund Balances/Net Position, beginning of period
<u>\$ 45,624,494</u>	<u>\$ 54,937,472</u>	<u>\$ 67,188,856</u>	<u>\$ 122,126,328</u>	Fund Balances/Net Position, end of period

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, 2024

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, 2024

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 Administration 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, 2024

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 \$111,840 in accrued compensated absences as of December 31, 2024.

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, 2024

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, 2024, the Conservancy held a total of \$9,428,427 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, 2024, the Conservancy held a total of \$1,041,870 in unearned mitigation fees.

3. CASH AND INVESTMENTS

Cash and investments as of December 31, 2024, are classified in the accompanying financial statements as follows:

Cash and investments held by City of Sacramento	\$ 1,381,014
Cash and investments held by fiscal agent	18,463,079
Restricted cash and investments held by fiscal agent	<u>46,035,979</u>
Total cash and investments	<u>\$ 65,880,072</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, 2024

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 2024. The City of Sacramento Investment Pool A had no derivatives at December 31, 2024.

THE NATOMAS BASIN CONSERVANCY

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024

Cash and Investment Summary

At December 31, 2024, the Conservancy's cash and investments consist of the following:

Deposits with financial institutions	\$ 772,962
Cash and cash equivalents held by fiscal agents	<u>8,207,545</u>
Cash and cash equivalents	<u>8,980,507</u>
Fixed income mutual funds	20,470,849
Equity mutual funds	28,750,427
External investment pool	1,381,014
Fixed income securities:	
Government obligations	5,548,495
Certificates of deposit	<u>748,780</u>
Investments	<u>56,899,565</u>
Total cash and investments	<u>\$ 65,880,072</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:

	Maturity					Total
	Under 1 Year	1-5 Years	5-10 Years	10-15 Years	Over 15 Years	
Fixed income mutual funds	\$ 19,107,815	\$ 1,299,906	\$ 6,313	\$ 56,815		\$ 20,470,849
Equity mutual funds	28,750,427					28,750,427
External investment pool	1,381,014					1,381,014
Government obligations	2,752,535	2,795,960				5,548,495
Certificates of deposit		<u>748,780</u>				<u>748,780</u>
Total investments	<u>\$ 51,991,791</u>	<u>\$ 4,844,646</u>	<u>\$ 6,313</u>	<u>\$ 56,815</u>	<u>\$</u>	<u>\$ 56,899,565</u>

THE NATOMAS BASIN CONSERVANCY

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024

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.

	Rating as of End of Year	
City of Sacramento investment pool	Not rated	\$ 1,381,014
Fixed income mutual funds	Not rated	20,470,849
Equity mutual funds	Not rated	28,750,427
Government obligations	Not rated	5,548,495
Certificates of deposit	Not rated	<u>748,780</u>
Total		<u>\$ 56,899,565</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, 2024.

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 \$20,470,849 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, 2024

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, 2024:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Fixed income mutual funds	\$ 20,470,849		
Equity mutual funds	28,750,427		
Government obligations		\$ 5,548,495	
Certificates of deposit		748,780	
	\$ 49,221,276	\$ 6,297,275	\$
Total	\$ 49,221,276	\$ 6,297,275	\$

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

Fund balances \$ 54,937,472

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

Capital assets	\$ 72,892,864		
Lease assets	367,403		
Accumulated depreciation	(4,590,706)		
Accumulated amortization	(75,538)		
			68,594,023

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

Line of credit			(986,701)
Lease liability			(306,626)
Accrued compensated absences			(111,840)

Net position \$122,126,328

THE NATOMAS BASIN CONSERVANCY

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024

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 \$ (310,770)

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	5,976,108
Depreciation expense	(105,464)
Amortization expense	(60,689)
Equipment disposal, net of loss	(112,911)

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	(1,428)
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Debt payments decrease long-term liabilities in the statement of net activities.

Line of credit liability	479,301
Lease liability	<u>46,408</u>

Change in net position \$ 5,910,555

THE NATOMAS BASIN CONSERVANCY

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024

6. CAPITAL ASSETS

A summary of changes in capital assets for the year ended December 31, 2024, is as follows:

	<u>01/01/2024</u>	<u>Additions</u>	<u>Deletions</u>	<u>12/31/2024</u>
Capital assets not being depreciated:				
Land	\$ 61,513,645	\$ 5,586,311		\$ 67,099,956
Capital assets being depreciated:				
Land improvements	5,428,762	267,258	\$ (169,229)	5,526,791
Office and other equipment	143,578	122,539		266,117
Right-to-use asset	367,403			367,403
	<u>5,939,743</u>	<u>389,797</u>	<u>(169,229)</u>	<u>6,160,311</u>
Accumulated depreciation and amortization:				
Accum. depreciation, land improvements	(4,480,740)	(82,157)	56,318	(4,506,579)
Accum. depreciation, office equipment	(60,820)	(23,307)		(84,127)
Accum. amortization, right-to-use asset	(14,849)	(60,689)		(75,538)
	<u>(4,556,409)</u>	<u>(166,153)</u>	<u>56,318</u>	<u>(4,666,244)</u>
Total capital assets, net	<u>\$ 62,896,979</u>	<u>\$ 5,809,955</u>	<u>\$ (112,911)</u>	<u>\$ 68,594,023</u>

7. RELATED PARTY TRANSACTIONS

During the year ended December 31, 2024, the Conservancy paid \$2,353 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, 2024 was \$291,865 and is being amortized over the remaining term of the lease.

A schedule of changes in lease liability for the year ended December 31, 2024 is shown below:

	<u>01/01/2024</u>	<u>Additions</u>	<u>Deletions</u>	<u>12/31/2024</u>	<u>Due Within One Year</u>
Lease Liability	\$ 353,034	\$	\$ (46,408)	\$ 306,626	\$ 63,104

THE NATOMAS BASIN CONSERVANCY

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024

The future minimum principal and interest lease payments as of December 31, 2024 are as follows:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	20,785	81	20,866
Totals	<u>\$ 306,626</u>	<u>\$ 31,469</u>	<u>\$ 338,095</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, \$229,301 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 2024 to reduce its line of credit balance. The outstanding principal balance at December 31, 2024 was \$986,701.

10. INTERFUND BALANCES

Interfund balances as of December 31, 2024, consisted of the following:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Supplemental Land and Contingency Administration	Land Acquisition	\$ 3,196,186
Administration	Restoration and Enhancement	\$ 20,049
Administration	Supplemental Land and Contingency	\$ 10,143
Administration	Land Acquisition	\$ 5,361
Administration	Endowment	\$ 53,393

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. The Conservancy received approximately \$158,000 in 2024 relating to an insurance claim for weather related property damage. There have been no other claims or settlements for each of the past five years.

THE NATOMAS BASIN CONSERVANCY

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024

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, 2024 was \$87,491.

13. NATOMAS CENTRAL MUTUAL WATER COMPANY STOCK

The Conservancy holds 4,197 shares of Natomas Central Mutual Water Company (NCMWC) stock or approximately 14% of NCMWC's outstanding shares (30,409) as of December 31, 2024. 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, 2023, the most recent information available, the par value of the NCMWC stock held was \$10.28 per share or \$43,145. 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, 2024

	Budget Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Mitigation fees	\$ 1,798,398	\$ 1,334,073	\$ 1,069,188	\$ (264,885)
Rent revenue	928,988	928,988	1,107,823	178,835
Investment income	130,000	130,000	495,158	365,158
Other income	50,000	50,000	198,497	148,497
Total Revenues	2,907,386	2,443,061	2,870,666	427,605
EXPENDITURES				
Conservancy operations:				
Personnel services	938,000	938,000	965,296	(27,296)
Materials and services	3,779,036	3,706,088	2,876,756	829,332
Capital outlay			259,329	(259,329)
Debt service:				
Principal			46,408	(46,408)
Interest			15,390	(15,390)
Other			10,385	(10,385)
Total Expenditures	4,717,036	4,644,088	4,173,564	470,524
OTHER SOURCES				
Transfers in			88,946	88,946
Total Other Sources			88,946	88,946
Excess (Deficiency) of Revenues				
Over (Under) Expenditures	\$ (1,809,650)	\$ (2,201,027)	\$ (1,213,952)	\$ 987,075

THE NATOMAS BASIN CONSERVANCY
BUDGETARY COMPARISON SCHEDULE -
RESTORATION AND ENHANCEMENT SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2024

	<u>Budget Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Mitigation fees	\$ 197,862	\$ 146,775	\$ 119,924	\$ (26,851)
Investment income	<u>40,000</u>	<u>40,000</u>	<u>193,734</u>	<u>153,734</u>
Total Revenues	<u>237,862</u>	<u>186,775</u>	<u>313,658</u>	<u>126,883</u>
EXPENDITURES				
Total Expenditures	<u>341,180</u>	<u>295,000</u>	<u>135,957</u>	<u>159,043</u>
OTHER SOURCES				
Transfers out	<u> </u>	<u> </u>	<u>(20,049)</u>	<u>(20,049)</u>
Total Other Sources	<u> </u>	<u> </u>	<u>(20,049)</u>	<u>(20,049)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>\$ (103,318)</u>	<u>\$ (108,225)</u>	<u>\$ 157,652</u>	<u>\$ 265,877</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, 2024, 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 22, 2025.

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 22, 2025

THE NATOMAS BASIN CONSERVANCY

**SCHEDULE OF MITIGATION FEES COLLECTED
FOR THE YEAR ENDED DECEMBER 31, 2024**

<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 & Enhancement</u>	<u>Supplemental Land and Contingency</u>	<u>Land Acquisition</u>	<u>Endowment</u>	
Habitat Acquisition Fee			\$ 36,846	\$ 985,426		\$ 1,022,272
Endowment Fee					\$ 610,807	610,807
Habitat Management Fee	\$ 1,003,611	\$ 119,924				1,123,535
Administrative Fee	<u>65,577</u>					<u>65,577</u>
Total Fees Collected	<u>\$ 1,069,188</u>	<u>\$ 119,924</u>	<u>\$ 36,846</u>	<u>\$ 985,426</u>	<u>\$ 610,807</u>	<u>\$ 2,822,191</u>

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