

**NAPA COUNTY RESOURCE
CONSERVATION DISTRICT**

FINANCIAL STATEMENTS

JUNE 30, 2025

**NAPA COUNTY RESOURCE CONSERVATION DISTRICT
JUNE 30, 2025**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of the
Napa County Resource Conservation District
Napa, California

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities and fund information of the Napa County Resource Conservation District (the District), a component unit of the County of Napa (the County), as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the District'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 fund information of the District as of June 30, 2025, 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 District 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 District'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 auditing standards generally accepted in the United States of America 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 auditing standards generally accepted in the United States of America 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 County's internal control relating to the District. 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 District'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.

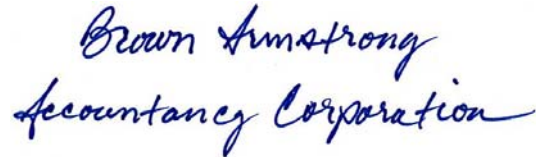
Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Budgetary Comparison Schedule – General Fund, Schedule of the District's Proportionate Share of the Net Pension Liability, and Schedule of the District's Pension Contributions 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 4, 2026, on our consideration of the County's internal control over financial reporting relating to the District 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 County's internal control over financial reporting or on compliance relating to the District. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance relating to the District.

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

A handwritten signature in blue ink that reads "Brown Armstrong Accountancy Corporation". The signature is written in a cursive style.

Bakersfield, California
February 4, 2026

**NAPA COUNTY RESOURCE CONSERVATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2025**

The Napa County Resource Conservation District (the District) was formed as an independent special district by a resolution of the Napa County (the County) Board of Supervisors on June 18, 1945. This resolution followed the Soil Conservation Special Election held on June 5, 1945, in which 97% of votes were cast in favor of the organization of the proposed District. The District's original purpose was to help farmers and ranchers in the County tackle erosion and other problems on their land. As natural resource issues change, the District's programs continue to evolve. Today, the District helps the community achieve conservation goals by providing technical assistance, educational programs, monitoring programs, and funding sources on issues ranging from fisheries to forest health, soil management, water conservation and quality, and more.

As management of the District, we offer readers of our financial statements this narrative overview and analysis of the financial activities for the year ended June 30, 2025. Please read it in conjunction with the District's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The District ended the year with a fund balance of \$1,856,719, an increase of \$400,089 from the prior year. Of that amount, \$375,000 is committed for budget stabilization and \$300 is restricted for imprest cash, leaving \$1,481,419 available for general District operations.
- The District received \$501,375 from County-collected property taxes, an increase of \$13,350 from the prior year. The District matched property tax revenue with other funding sources (grants, intergovernmental contracts, direct donations) at a ratio of 5 to 1.
- The District received \$839,626 in revenue from contracts with the County of Napa, Napa County Flood Control and Water Conservation District, City of Napa, City of St. Helena, and other local governments to provide a range of biological, environmental, and educational services in Napa County. The District's Joint Powers Agreement with the County of Napa was amended to expand its role in supporting the Groundwater Sustainability Agency, watershed outreach and education, as well as climate action planning and community engagement.
- The USDA Natural Resources Conservation Service (NRCS) cooperates with and furnishes assistance to the District through several agreements. The District is provided the use of NRCS vehicles for project activities, and NRCS pays for some of the District's office space, materials, and equipment. Additionally, District staff increase the NRCS capacity to meet growing client demand for post-fire recovery assistance, conservation planning, and conservation practice implementation.
- Throughout the fiscal year, the District maintained its leadership role in regional conservation initiatives, specifically through the North Coast Soil Hub and the Department of Conservation's Regional Fire and Forest Capacity (RFFC) program. In collaboration with the Soil Hub, the District supported the regional coordinator's annual workplan and provided strategic advisement for the "Regional Agricultural Partnerships for Climate Resilience" program, a key initiative designed to align regional agricultural resilience plans with state climate goals under Assembly Bill (AB) 1757. Additionally, the District is now leading the development of a State-mandated Regional Priority Plan for forest health for a six-county region. It remains an active participant in both the RFFC Northern Region and the California Wildfire and Forest Resilience Task Force, ensuring local priorities are integrated into statewide fire and forestry capacity-building efforts.

- The District is transitioning its 20-acre Huichica Creek Vineyard property in southern Napa County to native habitat. In fiscal year 2024-25, the District secured nearly \$1.95 million in funding for planning, permitting, and community engagement. This includes a \$1 million grant from the San Francisco Bay Restoration Authority (Measure AA) and \$950,000 in mitigation funding facilitated by regional regulatory agencies. To support this ecological shift, the State Coastal Conservancy amended the property's title restrictions, clearing the way for full-scale restoration and public access development.
- To support expanding initiatives in habitat restoration and forest health, the District increased its technical capacity by hiring a new Restoration Project Manager. Additionally, a Project Assistant was added to provide essential fieldwork support for the regenerative agriculture and watershed health programs. While programmatic staff grew to meet increasing demand, administrative continuity was maintained through the successful transition and replacement of an Accounting & Administration Specialist.
- In response to significant programmatic growth and an increasingly complex operating environment, the District prioritized the modernization of its organizational structure and personnel management systems during fiscal year 2024-25. Collaborating with specialized human resources (HR) consultants and Napa County HR, the District's leadership conducted a comprehensive organizational assessment to ensure staffing levels and administrative functions remain aligned with the current Strategic Plan and expanded funding portfolio. A central component of this evolution was the implementation of a structured position classification system. To ensure the District remains competitive within the Bay Area labor market, a formal compensation study was completed. Building on these structural foundations, the District will next formalize a compensation policy and merit-based promotion procedure to ensure equitable advancement. Furthermore, a new career path framework and updated annual review process will be implemented to provide staff with transparent communication regarding professional growth and performance expectations.
- To commemorate its 80th anniversary in June 2025, the District made a strategic investment in specialized consultant support to enhance donor engagement and marketing communications. This initiative aims to drive greater organizational awareness, foster positive community perceptions, and inspire increased contributions from donors and funders during this milestone year. Working alongside the Ad Hoc Funding and Visibility Committee, these consultants will develop a comprehensive 80th-anniversary marketing and public relations strategy, as well as high-impact communication materials that clearly articulate the District's mission, vision, and conservation impact. This investment is a critical component of the District's broader goal to diversify funding sources and ensure long-term financial sustainability through enhanced donor and partner engagement.
- The District benefits greatly from the generous support of the community through contributions of time, materials, and financial donations. This fiscal year, 939 dedicated volunteers contributed 3,612 hours of their time, valued at \$144,966, to assist with various conservation and education projects. Additionally, the District received \$57,209 in cash donations, further supporting its mission and projects.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The Statement of Net Position; Statement of Activities; Governmental Fund Balance Sheet; and Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balance provide information about the activities of the District. The basic financial statements also include various footnote disclosures, which further describe the District's activities.

Government-Wide Statements

The *Government-Wide Financial Statements* are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private sector business.

The *Statement of Net Position* presents information on all of the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference between them reported as *net position*.

The *Statement of Activities* presents information showing how the District'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 the Statement of Activities for some items that will only result in cash flows in future fiscal periods.

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 District, like other local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Fund financial statements report essentially the same functions as those reported in the government-wide financial statements. However, unlike the government-wide financial statements, fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the year.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented. Both the Governmental Fund Balance Sheet and the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balance provide a reconciliation to facilitate the comparison between governmental funds and government-wide statements.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Required Supplementary Information (RSI)

RSI is presented concerning the District's General Fund budgetary schedule. The District adopts an annual appropriated budget for its General Fund. A budgetary comparison schedule has been provided for the General Fund to demonstrate compliance with this budget.

FINANCIAL ANALYSIS OF THE DISTRICT

Statement of Net Position

A summary of the District's Statement of Net Position is as follows:

Condensed Statement of Net Position As of June 30

	2025	2024	Increase (Decrease) \$	Increase (Decrease) %
Assets				
Current assets	\$ 2,617,893	\$ 2,434,129	\$ 183,764	7.55%
Noncurrent assets	558,559	661,166	(102,607)	-15.52%
Total Assets	<u>3,176,452</u>	<u>3,095,295</u>	<u>81,157</u>	<u>2.62%</u>
Deferred Outflows of Resources	<u>384,716</u>	<u>495,396</u>	<u>(110,680)</u>	<u>-22.34%</u>
Liabilities				
Current liabilities	786,098	881,721	(95,623)	-10.85%
Noncurrent liabilities	1,163,126	1,196,282	(33,156)	-2.77%
Total Liabilities	<u>1,949,224</u>	<u>2,078,003</u>	<u>(128,779)</u>	<u>-6.20%</u>
Deferred Inflows of Resources	<u>105,674</u>	<u>122,633</u>	<u>(16,959)</u>	<u>-13.83%</u>
Net Position				
Net investment in capital assets	386,322	470,447	(84,125)	-17.88%
Unrestricted assets	1,119,948	919,608	200,340	21.79%
Total Net Position	<u>\$ 1,506,270</u>	<u>\$ 1,390,055</u>	<u>\$ 116,215</u>	<u>8.36%</u>

Net position may serve over time as a useful indicator of a government's financial position. In the case of the District, total assets and deferred outflows of resources exceeded total liabilities and deferred inflows of resources by \$1,506,270 as of June 30, 2025, due primarily to purchased land and cash.

Cash and investments are maintained in the County's cash and investment pool where interest earned on the District's balance is apportioned to the District.

Statement of Activities

A summary of the District's Statement of Activities, recapping the District's revenues earned during the year ended June 30, 2025, and the expenses incurred, is as follows:

Condensed Statement of Activities For the Years Ended June 30				
	<u>2025</u>	<u>2024</u>	<u>Increase (Decrease) \$</u>	<u>Increase (Decrease) %</u>
Revenues				
Program revenues				
Charges for services	\$ 28,776	\$ 122,838	\$ (94,062)	-76.57%
Operating grants and contributions	4,847,484	3,810,047	1,037,437	27.23%
General revenues				
Property tax	501,375	488,025	13,350	2.74%
Investment income	44,100	38,571	5,529	14.33%
Miscellaneous grants and other	641,397	458,816	182,581	39.79%
Total Revenues	<u>6,063,132</u>	<u>4,918,297</u>	<u>1,144,835</u>	<u>23.28%</u>
Expenses				
Natural resource conservation	5,946,917	4,764,574	1,182,343	24.82%
Total Expenses	<u>5,946,917</u>	<u>4,764,574</u>	<u>1,182,343</u>	<u>24.82%</u>
Change in Net Position	116,215	153,723	(37,508)	-24.40%
Net Position, Beginning of the Year	<u>1,390,055</u>	<u>1,236,332</u>	<u>153,723</u>	<u>12.43%</u>
Net Position, End of the Year	<u>\$ 1,506,270</u>	<u>\$ 1,390,055</u>	<u>\$ 116,215</u>	<u>8.36%</u>

Financial Analysis of the District's Governmental Fund

As noted earlier, fund accounting is used by the District to ensure and demonstrate compliance with finance-related legal requirements.

The District ended the year with a fund balance of \$1,856,719, an increase of \$400,089 from the prior year. Of that amount, \$1,481,419 is unassigned and available for general District operations.

BUDGETARY HIGHLIGHTS

For the fiscal year ended June 30, 2025, the District's total revenues were \$6,134,576, while total expenditures were \$5,779,571. Both revenues and expenditures were under the final amended budget by 28.04% and 29.62%, respectively. Because approximately 79% of the District's revenue is derived from intergovernmental grant and fee-for-service agreements, financial activity is intrinsically linked to project timelines. Changes in project schedules are reflected on both the revenue and expense sides of the ledger.

The variance between budgeted and actual figures was primarily driven by the following factors:

- **Regional Forest and Fire Capacity (RFFC) Program:** The District utilized 43% of budgeted revenues for this program. While an advance was received based on a six-county regional projection, the actual pace of work among sub-recipients (neighboring Resource Conservation Districts and a nonprofit) was slower than anticipated. These funds are restricted and will be applied to work realized in the subsequent fiscal year.

- Programmatic Timing: Notable discrepancies were also attributed to the postponed commencement of a regional forest health grant via the Humboldt County Resource Conservation District (RCD) and shifted timelines for the Napa River Watershed Fish Passage Restoration Program (funded by the Wildlife Conservation Board and the National Oceanic and Atmospheric Administration (NOAA)).

While programmatic spending was lower than anticipated, specific administrative categories saw strategic shifts:

- Capital Assets: The District deferred the purchase of a new vehicle, opting to utilize a cost-sharing arrangement with the NRCS. However, due to increased staffing demands and insurance limitations regarding collision coverage for partner vehicles, a vehicle acquisition is anticipated in a future period. Similarly, a planned office remodel was postponed to prioritize immediate organizational functions.
- Professional Services and Personnel: Administrative costs exceeded budget in specific areas due to higher-than-anticipated recruitment and onboarding expenses following turnover in the Accounting & Administration Specialist role. Additionally, the District saw increased legal and HR expenditures as it prioritized a significant investment in modernizing its organizational structure and personnel management systems.
- Legal and Compliance: General legal expenses continue to trend upward, reflecting the increased complexity and volume of the District's portfolio, including more intensive bid processes, site access agreements, and vendor contract management.

The District successfully secured several new grant agreements during the fiscal year to support long-term ecological and community goals:

- Napa River Watershed Fish Passage Restoration: A Wildlife Conservation Board (WCB) grant supporting planning, assessment, and community activities to accelerate the remediation of migration barriers and support salmon recovery.
- Napa River Watershed Group Development: A Bureau of Reclamation Cooperative Watershed Management Program (Phase I) grant to establish a diverse stakeholder group - including agricultural users, residents, and environmental organizations - focused on sustainable water management.
- Huichica Creek Restoration: A regional Mitigation Funding Agreement to support the Huichica Creek Riparian and Salt Marsh Restoration Project.
- Weed Management: A California Department of Food and Agriculture (CDFA) grant to revitalize the Napa County Weed Management Area and fund District-led invasive species removal.

CAPITAL ASSETS AND LEASED ASSETS

For the year ending June 30, 2025, the District's capital assets included the 20-acre Huichica Creek property in the Carneros region. In preparation for its restoration to native habitat, all agricultural operations on the property have ceased. Additional District assets include two pickup trucks and one ATV, computer equipment, and specialized hydrologic and environmental monitoring tools, such as transducer stations and a rotary screw trap. The District also maintains a right-to-use building lease, accounted for in accordance with Governmental Accounting Standards Board (GASB) Statement No. 87. Detailed information on these assets can be found in Note 3 of the Financial Statements.

DEBT ADMINISTRATION

The District's long-term obligations consist of compensated absences, lease liability, and net pension liability. Refer to Notes 4, 5, and 7, respectively, for additional details.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

In fiscal year 2025-26, the District anticipates an increased operating budget compared to 2024-25, driven by several high-impact initiatives. A primary driver is the \$7.6 million awarded for the Napa River Watershed Fish Passage Restoration Program through NOAA and the California Wildlife Conservation Board. The District expects to expend nearly half of these funds in the upcoming year to implement the Sulphur Creek fish passage project. This program, alongside the state-funded RFFC Program, is projected to account for 58% of total revenues. Additionally, the District will launch the Huichica Creek Riparian and Salt Marsh Restoration Project, utilizing a strategic funding mix of \$1 million from a San Francisco Bay Restoration Authority (Measure AA) grant and \$950,000 via a regional mitigation funding agreement. While federal and state funding, including new support from the U.S. Forest Service for Urban and Community Forestry, remains substantial, the District is proactively working to diversify its revenue.

Over the past seven years, the District has experienced steady growth in its operating budget, project portfolio, and staff size, necessitating a comprehensive modernization of its financial and administrative infrastructure. Having successfully onboarded new accounting and administrative personnel and implemented an updated position classification and management structure, the District is developing a two-year Administrative and HR Workplan. This roadmap prioritizes the formalization of an Operations Team structure, the implementation of a centralized organizational process tracker, and the adoption of robust internal controls and financial management systems essential for project management, grant compliance, audit readiness, and the oversight of diversified funding streams.

Guided by a recently completed classification and compensation study, the District is further investing in its human capital through the development of a "Career Path Framework," merit-based promotion policies and procedures, and a formalized safety and risk management program. These systemic improvements, supported by ongoing collaboration with Napa County and specialized consultants, are designed to strengthen supervision, administrative functions, and fund development. By professionalizing these core operations, the District ensures it is sufficiently resourced to meet the ambitious growth targets and fiscal accountability standards outlined in its Strategic Plan.

The District remains committed to long-term financial sustainability by maintaining robust reserves and focusing on high-impact conservation programs. A primary challenge remains that state and federal grants often impose overhead limitations that do not fully cover the District's increasing indirect administrative costs. To address this, the District is adjusting its funding strategies to more effectively capture these costs and diversify its revenue portfolio.

The District also anticipates a shift in the availability and predictability of federal funding under the current administration, specifically regarding programs established by the Inflation Reduction Act and Bipartisan Infrastructure Law. As competition for state-level funding (such as Proposition 4) is expected to intensify, the District is proactively pursuing these sources while utilizing modern tools like Instrument1 to identify and secure new philanthropic opportunities. Furthermore, the District is implementing a diversified resource development strategy that includes:

- **Enhanced Donor Engagement:** Partnering with specialized consultants and the Ad Hoc Funding and Visibility Committee to increase private contributions.
- **Service-Based Revenue:** Exploring fee-for-service models, particularly for agriculture and forestry programs.
- **Strategic Partnerships:** Deepening funding collaborations with local governments and leveraging regional entities, such as the North Coast Soil Hub and Inner Coast Collaborative, to secure large-scale regional funding agreements.
- **Cross-Programmatic Integration:** Leveraging comprehensive project scopes, such as the Huichica Creek restoration project, to integrate habitat restoration planning and implementation, environmental monitoring, and community engagement into unified grant proposals.

These combined efforts are designed to stabilize cash flow and ensure operational continuity despite a shifting economic and political landscape.

CONTACTING THE DISTRICT

These financial statements are designed to provide a general overview of the Napa County Resource Conservation District finances for all those interested. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Napa County Resource Conservation District, 1303 Jefferson Street, #500B, Napa, California, 94559.

**NAPA COUNTY RESOURCE CONSERVATION DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2025**

	<u>Governmental Activities</u>
ASSETS	
Current Assets:	
Cash and investments	\$ 1,440,747
Imprest cash	300
Prepaid expense	80,634
Grants and other receivables	<u>1,096,212</u>
Total Current Assets	<u>2,617,893</u>
Noncurrent Assets:	
Capital assets and right-to-use leased assets, net	<u>558,559</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows - pensions	<u>384,716</u>
Total Assets and Deferred Outflows of Resources	<u><u>\$ 3,561,168</u></u>
LIABILITIES	
Current Liabilities:	
Accounts payable	\$ 522,421
Accrued payroll	123,016
Compensated absences	72,530
Lease liability	<u>68,131</u>
Total Current Liabilities	<u>786,098</u>
Noncurrent Liabilities:	
Net pension liability	1,047,567
Compensated absences	11,453
Lease liability	<u>104,106</u>
Total Noncurrent Liabilities	<u>1,163,126</u>
Total Liabilities	<u>1,949,224</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows - pensions	<u>105,674</u>
Total Deferred Inflows of Resources	<u>105,674</u>
NET POSITION	
Net Investment in Capital Assets	386,322
Unrestricted	<u>1,119,948</u>
Total Net Position	<u>1,506,270</u>
Total Liabilities, Deferred Inflows of Resources, and Net Position	<u><u>\$ 3,561,168</u></u>

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

**NAPA COUNTY RESOURCE CONSERVATION DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2025**

	Expenses	Program Revenues		Total
		Charges for Services	Operating Grants and Contributions	
Governmental Activities:				
Natural resource conservation	\$ 5,946,917	\$ 28,776	\$ 4,847,484	\$ (1,070,657)
Total Governmental Activities	\$ 5,946,917	\$ 28,776	\$ 4,847,484	(1,070,657)
General Revenues:				
Property tax, levied for general purposes				501,375
Investment income				44,100
Miscellaneous grants and other				641,397
Total general revenues				1,186,872
Change in net position				116,215
Net position - beginning				1,390,055
Net position - ending				\$ 1,506,270

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

**NAPA COUNTY RESOURCE CONSERVATION DISTRICT
GOVERNMENTAL FUND
BALANCE SHEET
JUNE 30, 2025**

	<u>General Fund</u>
Assets	
Cash and investments	\$ 1,440,747
Imprest cash	300
Prepaid expenses	80,634
Grants and other receivables	1,096,212
Total Assets	\$ 2,617,893
Liabilities	
Accounts payable and accrued expenses	\$ 522,421
Accrued payroll	123,016
Total Liabilities	645,437
Deferred Inflows of Resources	
Unavailable revenue	115,737
Total Deferred Inflows of Resources	115,737
Fund Balance	
Restricted for imprest cash	300
Committed	375,000
Unassigned	1,481,419
Total Fund Balance	1,856,719
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	\$ 2,617,893

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

**NAPA COUNTY RESOURCE CONSERVATION DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUND
BALANCE SHEET TO THE STATEMENT OF NET POSITION
JUNE 30, 2025**

Total fund balance of governmental fund (page 14)	\$ 1,856,719
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets and right-to-use leased assets used in governmental activities are not financial resources and therefore are not reported in the governmental fund.	558,559
Deferred outflows of resources related to pensions are recorded as deferred outflows of resources in the government-wide financial statements and are not recorded in the governmental fund.	384,716
Long-term obligations are not due and payable in the current period and therefore are not reported in the governmental fund:	
Net pension liability	(1,047,567)
Compensated absences	(83,983)
Lease liability	(172,237)
Deferred inflows of resources related to pensions are recorded as deferred inflows of resources in the government-wide financial statements and are not recorded in the governmental fund.	(105,674)
Certain revenues received after ninety days from the end of the year are recorded as deferred revenue in the governmental fund and as revenues in the government-wide statement.	<u>115,737</u>
Net position of governmental activities (page 12)	<u><u>\$ 1,506,270</u></u>

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

**NAPA COUNTY RESOURCE CONSERVATION DISTRICT
GOVERNMENTAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2025**

	<u>General Fund</u>
Revenues:	
Taxes	\$ 501,375
Intergovernmental - Federal	1,313,893
Intergovernmental - State	2,765,409
Intergovernmental - Local Agencies	839,626
Use of money and property	44,100
Charges for services	28,776
Miscellaneous grants and other	641,397
	<u>6,134,576</u>
 Total Revenues	 <u>6,134,576</u>
 Expenditures:	
Salaries and benefits	2,108,642
Services and supplies	2,108,474
Contributions	991,823
Community grants	271,624
Bad debt expense	186,691
Debt service:	
Principal	63,566
Interest	3,667
Capital outlay:	
Right-to-use building	45,084
	<u>5,779,571</u>
 Total Expenditures	 <u>5,779,571</u>
 Other Financing Sources:	
Lease financing	45,084
	<u>45,084</u>
 Net Change in Fund Balance	 400,089
 Fund Balance, July 1, 2024	 <u>1,456,630</u>
 Fund Balance, June 30, 2025	 <u>\$ 1,856,719</u>

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

**NAPA COUNTY RESOURCE CONSERVATION DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUND STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2025**

Net change in fund balance - governmental fund (page 16) \$ 400,089

Amounts reported for governmental activities in the Statement of Activities differ from the amounts reported in the Statement of Revenues, Expenditures, and Changes in Fund Balance because:

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the costs of those assets are allocated over their estimated useful lives as depreciation or amortization expense or are allocated to the appropriate functional expense when the cost is below the capitalization threshold. This activity is reconciled as follows:

Capital outlay	45,084
Current year depreciation and amortization expense	(81,726)
Loss on disposal of capital assets	(65,965)

Long-term debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.

Lease principal payments	63,566
Lease proceeds	(45,084)

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.

Changes in proportions from the pension	(87,389)
Changes in compensated absences	(40,916)

Certain revenues received after ninety days from the end of the year are recorded as deferred revenue in the governmental fund and as revenues in the government-wide statement.

(71,444)

Change in net position of governmental activities (page 13) \$ 116,215

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

**NAPA COUNTY RESOURCE CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2025**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Napa County Soil Conservation District was organized on June 5, 1945, under Article 1.5, Division IX (currently Chapter 3, Division 9) of the Public Resources Code of the State of California. On December 14, 1971, the Board of Directors (the Board) changed the district's name to the Napa County Resource Conservation District (the District). The District is organized for the purposes in open areas, agricultural areas, urban development, wildlife areas, recreational developments, watershed management, the protection of water quality and water reclamation, the development of storage and distribution of water, and the treatment of each acre of land according to its needs. The District is governed by a Board of Directors that is selected pursuant to Government Code Section 1780. The basic operations of the District are financed by federal and state grants and local grants administered through Napa County (the County).

The accounting policies of the District conform to accounting principles generally accepted in the United States of America, as applicable to governmental units. The following is a summary of the more significant policies:

A. Reporting Entity

The District has defined its reporting entity in accordance with accounting principles generally accepted in the United States of America, which provides guidance for determining which governmental activities, organizations, and functions should be included in the reporting entity. In evaluating how to define the District for financial reporting purposes, management has considered all potential component units. The primary criterion for including a potential component unit within the reporting entity is the governing body's financial accountability. A primary governmental entity is financially accountable if it appoints a voting majority of a component unit's governing body and it is able to impose its will on the component unit, or if there is a potential for the component unit to provide specific financial benefits to, or impose specific financial burdens on, the primary government. A primary government may also be financially accountable if a component unit is fiscally dependent on the primary governmental entity regardless of whether the component unit has a separately elected governing board, a governing board appointed by a higher level of government, or a jointly appointed board.

No operations of other entities met the aforementioned oversight criteria for inclusion or exclusion from the accompanying financial statements in accordance with Governmental Accounting Standards Board (GASB) Statement No. 61.

B. Basis of Presentation

Government-Wide Financial Statements

The statement of net position and statement of activities display information about the primary government (the District). These statements include the financial activities of the overall government. Governmental activities are normally supported by taxes and intergovernmental revenues.

The statement of activities demonstrates the degree to which the program expenses of a given function are offset by program revenues. Program expenses include direct expenses, which are clearly identifiable with a specific function. Program revenues include 1) charges paid by the recipient of goods or services offered by the programs and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented instead as general revenues.

When both restricted and unrestricted net position are available, unrestricted resources are used only after the restricted resources are depleted.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation (Continued)

Fund Financial Statements

The fund financial statements provide information about the District's funds. The emphasis of fund financial statements is on major governmental funds, each displayed in separate columns. All remaining governmental funds are separately aggregated and reported as nonmajor funds.

The District reports the following governmental fund:

General Fund - This fund accounts for all the financial resources not required to be accounted for in another fund. This fund consists primarily of general government type activities.

C. Basis of Accounting

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned or, for property tax revenues, in the period for which levied. Expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Revenues from grants, entitlements, and donations are recognized in the year in which all eligible requirements have been satisfied.

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when both measurable and available. Measurable means the amount of the transaction can be determined and available means collectible in the current period or soon enough thereafter to be used to pay liabilities of the current period. Resources not available to finance expenditures and commitments of the current period are recognized as deferred revenue or as a reservation of fund balance. The District considers property taxes available if they are collected within sixty days after year-end.

Unearned revenue arises when resources are received before the District has a legal claim to them, such as grant monies received prior to incurring qualifying expenditures. These amounts are reported as liabilities in both the government-wide and fund financial statements. When eligibility and other revenue recognition criteria are subsequently met, the liability is reduced and revenue is recognized.

Unavailable revenue (reported as deferred inflows of resources in the governmental funds balance sheet) arises when revenues are measurable but not available under the modified accrual basis. Amounts that do not meet the District's availability period (60 days for property taxes; generally 90 days for other revenues) are reported as deferred inflows of resources. In subsequent periods, when the availability criterion is met, the deferred inflow is removed and revenue is recognized.

Expenditures are recorded when the related fund liability is incurred. Principal and interest on general long-term debt, as well as compensated absences and claims and judgments, are recorded only when payment is due. General capital acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and long-term leases are reported as other financial sources.

D. Grant Revenue

Grant revenue is recognized when program expenditures are incurred in accordance with program guidelines. Such revenue is subject to review by the funding agency and may result in disallowance in subsequent periods.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Capital Assets

Capital assets have been acquired for general District purposes. Assets purchased are recorded as expenditures in the governmental funds and capitalized at cost or estimated cost where no historical records are available. The District defines capital assets as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. Capital assets are depreciated using the straight-line method over their estimated useful lives. The useful lives are as follows:

Land Improvements	20 years
Computer Equipment	3 years
Hydrologic Equipment	5 years
Field Equipment	7-20 years

F. Property Taxes

The District receives property taxes from the County, which has been assigned the responsibility for assessment, collection, and apportionment of property taxes for all taxing jurisdictions within the County. Secured property taxes are levied on July 1 for the following fiscal year and on which date it becomes a lien on real property. Secured property taxes are due in two installments, on November 1 and February 1, and are delinquent after December 10 and April 10, respectively. Property taxes on unsecured roll are due on the July 1 lien date and become delinquent if unpaid by August 31.

The District participates in the County's "Teeter Plan" method of property tax distribution and thus receives 100% of the District's apportionment each fiscal year, eliminating the need for an allowance for uncollectible taxes. The County, in return, receives all penalties and interest on the related delinquent taxes. Under the Teeter Plan, the County remits property taxes to the District based on assessments, not on collections, according to the following minimum schedule: 55 percent in December, 40 percent in April, and 5 percent at the end of the fiscal year. Property tax is recognized when it is available and measurable. The District considers property tax as available if it is received within 60 days after fiscal year-end.

G. Fund Balance/Net Position

In the governmental fund financial statements, fund balance is classified into the following categories: nonspendable, restricted, committed, assigned, and unassigned. The unassigned fund balance within the General Fund reflects the amount available for future budgeting and appropriation. Restricted fund balance is established to either (1) satisfy legal covenants that require a portion of fund balance to be segregated or (2) identify the portion of the fund balance that is not appropriate for future expenditures.

In the government-wide financial statements, net position is reported in three components: net investment in capital assets, restricted, and unrestricted. Net investment in capital assets represents the net position that is invested in capital assets, such as land, buildings, equipment, and infrastructure, net of any related debt. This component of net position indicates the extent to which the government has invested in capital assets that are used to provide services to the public. Restricted net position represents the net position legally identified for specific purposes. Unrestricted net position indicates the portion of net position that is not restricted by external constraints and is available for any lawful purpose of the District.

H. Compensated Absences

District employees earn vacation and sick leave in accordance with District policy. Vacation leave is earned on a per-pay-period basis, accumulates from year to year, and is paid to employees upon termination. Accordingly, vacation leave is considered a compensated absence and a liability is recorded when earned.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Compensated Absences (Continued)

Sick leave is also earned on a per-pay-period basis and can be accumulated; however, it is not paid upon termination and is generally used only for time off due to illness or medical appointments. In accordance with GASB Statement No. 101, *Compensated Absences*, the District recognizes a liability for leave that (1) is attributable to services already rendered, (2) accumulates, and (3) is more likely than not to be used for time off or otherwise paid or settled.

Based on this evaluation, vacation leave, compensatory time off (CTO), and banked holiday leave are recognized as compensated absences. Sick leave is recognized to the extent it is more likely than not to be used for time off, using historical usage trends. The compensated absences liability is measured at the employees' current pay rates, and applicable benefits such as Medicare are included.

I. Employee Benefits and Indirect Costs

The District's employee benefits and indirect costs are allocated based upon actual expenditures to all grants in accordance with the Office of Management and Budget Uniform Guidance. The District's employee benefits are allocated to grant projects as a percentage of the District's direct labor cost. Indirect costs necessary to sustain overall operations are allocated as a percentage of total allowable direct costs charged to grant projects. Contribution to indirect costs represent revenues that offset certain costs included in the Indirect Cost Pool.

J. Budgetary Reporting

The District prepares an annual operating and capital budget, which is approved and adopted by the Board. The budget serves as an approved plan to facilitate financial control and operational evaluation.

K. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

L. Pensions

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the District's California Public Employees' Retirement System (CalPERS) plans (Plans) and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

M. Leased Assets

Right-to-use leased assets are recorded at the amount of the initial measurement of the lease liabilities and modified by any lease payment made to the lessor at or before the commencement of the lease term, less any lease incentives received from the lessor at or before the commencement of the lease term along with any direct costs that are ancillary charges necessary to place the lease assets into service in accordance with GASB Statement No. 87, *Leases*.

Right-to-use leased assets are amortized using the straight-line method over the shorter of the lease term or the useful life on the underlying asset, unless the lease contains a purchase option that the District has determined is reasonably certain of being exercised.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

N. New Accounting Pronouncements Implemented

GASB Statement No. 101 – *Compensated Absences*. The requirements of this statement are effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter. Earlier application is encouraged. The District implemented GASB Statement No. 101 during the current fiscal year, and the resulting changes are reflected in the accompanying financial statements.

GASB Statement No. 102 – *Certain Risk Disclosures*. The requirements of this statement are effective for fiscal years beginning after June 15, 2024, and all reporting periods thereafter. Earlier application is encouraged. This statement enhances transparency by requiring governments to disclose information about risks that could significantly impact their ability to provide services and meet obligations. The District implemented GASB Statement No. 102 during the current fiscal year; however, its adoption did not have an impact on the financial statements.

O. Future Accounting Pronouncements

GASB Statement No. 103 – *Financial Reporting Model Improvements*. The requirements of this statement are effective for fiscal years beginning after June 15, 2025, and all reporting periods thereafter. Earlier application is encouraged. This statement improves financial reporting by enhancing the effectiveness of the financial reporting model through updated recognition and measurement requirements, as well as clarified display and disclosure requirements. The District has not fully judged the impact of implementation of this standard on the financial statements.

GASB Statement No. 104 – *Disclosure of Certain Capital Assets*. The requirements of this statement are effective for fiscal years beginning after June 15, 2025, and all reporting periods thereafter. Earlier application is encouraged. This statement requires separate disclosures of certain types of capital assets including lease assets, intangible right-to-use assets, subscription-based information technology assets, and other intangible assets, as well as establishing new requirements for capital assets held for sale. The District has not fully judged the impact of implementation of this standard on the financial statements.

NOTE 2 – CASH AND INVESTMENTS

Cash and investments at June 30, 2025, consisted of the following:

Napa County investment pool	\$ 1,440,747
Imprest cash	<u>300</u>
Total cash and investments	<u><u>\$ 1,441,047</u></u>

A. Investment in Government Pool

The District maintains all of its cash and investments with the County Treasurer in an investment pool. On a quarterly basis the Treasurer allocates interest to participants based upon their average daily balances. Required disclosure information regarding categorization of investments and other deposit and investment risk disclosures can be found in the County's financial statements. The County's financial statements may be obtained by contacting the County Auditor-Controller's office at 1195 Third Street, Room B-10, Napa, California 94559. The County Treasury Oversight Committee oversees the Treasurer's investments and policies. Investments held in the County's investment pool are available on demand and are stated at cost plus accrued interest, which approximates fair value. The District has no deposit or investment policy that addresses a specific type of risk.

NOTE 2 – CASH AND INVESTMENTS (Continued)

A. Investment in Government Pool (Continued)

Required disclosures for the District’s deposit and investment risks at June 30, 2025, were as follows:

Credit risk	Not rated
Custodial risk	Not applicable
Concentration of credit risk	Not applicable
Interest rate risk	Not available

The County has established a treasury oversight committee to monitor and review the management of public funds maintained in the investment pool in accordance with Article 6 Section 27131 of the California Government Code. The oversight committee and the Board of Supervisors review and approve the investment policy annually. The County Treasurer prepares and submits a comprehensive investment report to the members of the oversight committee and the investment pool participants every month. The report covers the type of investments in the pool, maturity dates, par value, actual cost, and fair value.

NOTE 3 – CAPITAL ASSETS AND LEASED ASSETS

A summary of changes in capital assets and leased assets for the year ended June 30, 2025, is as follows:

	Balance July 1, 2024	Additions	Retirement/ Adjustments	Balance June 30, 2025
Capital assets, not depreciated				
Land and right of way	\$ 350,100	\$ -	\$ -	\$ 350,100
Capital assets, being depreciated				
Vineyard land improvements	118,572	-	(86,232)	32,340
Computer equipment	57,527	-	(17,196)	40,331
Hydrologic equipment	31,868	-	(11,447)	20,421
Vineyard equipment and improvements	66,876	-	(41,766)	25,110
Vehicles	72,236	-	(5,778)	66,458
Infrastructure	25,999	-	(25,999)	-
Total capital assets, being depreciated	373,078	-	(188,418)	184,660
Less accumulated depreciation	(250,504)	(17,467)	122,453	(145,518)
Capital assets, net	122,574	(17,467)	(65,965)	39,142
Right-to-use leased assets, being amortized				
Building	269,273	45,084	-	314,357
Less accumulated amortization	(80,781)	(64,259)	-	(145,040)
Right-to-use leased assets, net	188,492	(19,175)	-	169,317
Total capital assets and right-to-use leased assets, net	\$ 661,166	\$ (36,642)	\$ (65,965)	\$ 558,559

For the year ended June 30, 2025, depreciation expense for capital assets and amortization expense for right-to-use leased assets were \$17,467 and \$64,259, respectively.

NOTE 4 – LONG-TERM LIABILITIES

The following is a summary of changes in long-term liabilities reported in the government-wide financial statements for the year ended June 30, 2025:

	<u>Balance July 1, 2024</u>	<u>Additions</u>	<u>Retirement/ Adjustments</u>	<u>Balance June 30, 2025</u>	<u>Due Within One Year</u>
Governmental activities					
Net pension liability	\$ 1,053,899	\$ -	\$ (6,332)	\$ 1,047,567	\$ -
Compensated absences	43,067	40,916	-	83,983	72,530
Lease liability	190,719	45,084	(63,566)	172,237	68,131
Total	<u>\$ 1,287,685</u>	<u>\$ 86,000</u>	<u>\$ (69,898)</u>	<u>\$ 1,303,787</u>	<u>\$ 140,661</u>

NOTE 5 – LEASE LIABILITY

The District has entered into one lease agreement, with a recognized inception date of January 1, 2023, as lessee for the use of 1303 Jefferson, Suites 100B and 700B. An initial lease liability of \$269,273 was recorded on January 1, 2023. Effective September 15, 2024, the District amended the lease to include Suite 120B, increasing the total leased space. The lease term for all suites ends on December 31, 2027. As of June 30, 2025, the value of the lease liability was \$172,237. The difference of \$97,036 is related to the cumulative principal portion of the lease payments made over the life of the lease. The District maintains a consistent base rent schedule under the lease agreement, with monthly payments set at \$5,901 for the entire duration of the lease term. The District is utilizing the County's incremental borrowing rate of 1.9%.

Principal and interest payments to maturity are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2026	\$ 68,131	\$ 2,681
2027	69,436	1,375
2028	34,670	190
Total	<u>\$ 172,237</u>	<u>\$ 4,246</u>

NOTE 6 – NET POSITION/FUND BALANCE

Net Position – Government-Wide Financial Statements

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

- *Net Investment in Capital Assets* – This category groups all capital assets into one component of net position. Accumulated depreciation/amortization and the outstanding balance of debt that is attributable to capital assets reduce the balance in this category.
- *Restricted Net Position* – This category presents net position with external restrictions imposed by creditors, grantors, contributors, or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.
- *Unrestricted Net Position* – This category represents net position of the District not restricted for any project or any other purpose.

When both restricted and unrestricted net position are available, unrestricted resources are used only after the restricted resources are depleted.

NOTE 6 – NET POSITION/FUND BALANCE (Continued)

Fund Balance – Governmental Fund

The District has adopted a policy for GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. GASB Statement No. 54 establishes fund balance classifications that comprise a hierarchy based on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds.

- *Nonspendable* – The fund balance includes those amounts that are not in a spendable form or are required to be maintained intact. The District has recorded prepaid expenses as nonspendable fund balance.
- *Restricted* – The fund balance has external restrictions imposed by creditors, grantors, contributors, laws, regulations, or enabling legislation which requires the resources to be used only for a specific purpose. Encumbrances and nonspendable amounts subject to restrictions are included along with spendable resources. The District has imprest cash as restricted fund balance.
- *Committed* – The fund balance includes amounts that can be used only for the specific purpose determined by a formal action of the District’s highest level of decision-making authority. Per resolution 2017-03, the District committed \$375,000 for budget stabilization.
- *Assigned* – The fund balance includes amounts *intended* to be used by the District for specific purposes. Intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority. In governmental funds other than the general fund, assigned fund balance represents the amount that is not restricted or committed. The District has assigned fund balance for next year’s budget.
- *Unassigned* – The fund balance is the residual classification for the general fund and includes all amounts not contained in the other classifications. Unassigned amounts are technically available for any purpose.

NOTE 7 – COST-SHARING MULTIPLE EMPLOYER DEFINED BENEFIT PENSION PLANS

A. General Information about the Pension Plans

Plan Descriptions – All qualified permanent and probationary employees of the District are eligible to participate in the District’s Miscellaneous (all other) Employee Pension Plans, cost-sharing multiple employer defined benefit pension plans administered by the California Public Employees’ Retirement System (CalPERS). Benefit provisions under the Plans are established by State statute and District resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions, and membership information and can be found on the CalPERS website.

Benefits Provided – CalPERS provides service retirement and disability benefits, annual cost-of-living adjustments (COLA), and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full-time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The COLAs for each plan are applied as specified by the Public Employees’ Retirement Law.

NOTE 7 – COST-SHARING MULTIPLE EMPLOYER DEFINED BENEFIT PENSION PLANS (Continued)

A. General Information about the Pension Plans (Continued)

The Plans' provisions and benefits in effect at June 30, 2025, are summarized as follows:

Hire Date	Miscellaneous	
	Prior to January 1, 2013	On or after January 1, 2013
Benefit formula	2% @ 60	2% @ 62
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	55-60	52-67
Monthly benefits as a % of eligible compensation	1.50% to 2.00%	1.00% to 2.50%
Required employee contribution rates	7.00%	7.75%
Required employer contribution rates	10.15%	7.87%

Contributions – Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for the Plans are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

For the year ended June 30, 2025, the contributions recognized as part of pension expense for the Plans were as follows:

Contributions - employer	\$ 139,844
Contributions - employee (paid by employer)	126,216

B. Pension Liability, Pension Expense, and Deferred Outflows/Inflows of Resources Related to Pensions

As of June 30, 2025, the District reported a net pension liability for its proportionate share of the net pension liability of the Plans as follows:

Miscellaneous Plan	Proportionate Share of Net Pension Liability	\$ 1,047,567
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The District's net pension liability for each Plan is measured as the proportionate share of the net pension liability. The net pension liability of each of the Plans is measured as of June 30, 2024, and the total pension liability for each Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2023, rolled forward to June 30, 2024, using standard update procedures. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined.

NOTE 7 – COST-SHARING MULTIPLE EMPLOYER DEFINED BENEFIT PENSION PLANS (Continued)

B. Pension Liability, Pension Expense, and Deferred Outflows/Inflows of Resources Related to Pensions (Continued)

The District's proportionate share of the net pension liability as of June 30, 2025 and 2024, was as follows:

Proportion - June 30, 2024	0.02108%
Proportion - June 30, 2025	<u>0.02166%</u>
Change - Increase (Decrease)	<u><u>0.00058%</u></u>

For the year ended June 30, 2025, the District recognized a pension expense of \$227,233. At June 30, 2025, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes of Assumptions	\$ 26,925	\$ -
Differences between Expected and Actual Experience	90,572	3,534
Net Differences between Projected and Actual Earnings on Investment Earnings	60,307	-
Differences between Employer's Contributions and Proportionate Share of Contributions	-	102,140
Change in Proportion	67,069	-
District Contributions Subsequent to Measurement Date	<u>139,844</u>	<u>-</u>
Total	<u><u>\$ 384,717</u></u>	<u><u>\$ 105,674</u></u>

The District reported \$139,844 as deferred outflows of resources related to contributions subsequent to the measurement date which will be recognized as a reduction of the net pension liability in the year ended June 30, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

<u>Year Ending June 30,</u>	
2026	\$ 47,590
2027	118,274
2028	(6,000)
2029	<u>(20,665)</u>
Total	<u><u>\$ 139,199</u></u>

Pension liability is anticipated to be fully funded by 2028.

NOTE 7 – COST-SHARING MULTIPLE EMPLOYER DEFINED BENEFIT PENSION PLANS (Continued)

B. Pension Liability, Pension Expense, and Deferred Outflows/Inflows of Resources Related to Pensions
(Continued)

Actuarial Assumptions – The total pension liability in the June 30, 2023 actuarial valuation was determined using the following actuarial assumptions:

	Miscellaneous
Valuation Date	June 30, 2023
Measurement Date	June 30, 2024
Actuarial Cost Method	Entry-Age Normal
Actuarial Assumptions:	
Discount Rate	6.90%
Inflation	2.30%
Projected Salary Increase	Varies by Entry Age and Service
Investment Rate of Return	6.90%
Mortality	Derived using CalPERS' Membership Data for all funds
Post-Retirement Benefit Increase	Contract COLA up to 2.30% until the Purchasing Power Protection Allowance Floor on Purchasing Power applies

The mortality table was developed based on CalPERS-specific data. The rates incorporate Generational Mortality to capture ongoing mortality improvement using 80% of Scale MP 2020 published by the Society of Actuaries. For more details, please refer to the 2021 experience study report that can be found on the CalPERS website.

Discount Rate – The discount rate used to measure the total pension liability was 6.90 percent for each Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 6.90 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long-term expected discount rate of 6.90 percent will be applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report that can be obtained from the CalPERS website.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

NOTE 7 – COST-SHARING MULTIPLE EMPLOYER DEFINED BENEFIT PENSION PLANS (Continued)

B. Pension Liability, Pension Expense, and Deferred Outflows/Inflows of Resources Related to Pensions (Continued)

The table below reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These rates of return are net of administrative expenses.

Asset Class	New Strategic Allocation	Real Return Years 1 - 10 ^(1,2)
Global Equity - Cap-Weighted	30.00%	4.54%
Global Equity - Non-Cap-Weighted	12.00%	3.84%
Private Equity	13.00%	7.28%
Treasury	5.00%	0.27%
Mortgage-Backed Securities	5.00%	0.50%
Investment Grade Corporates	10.00%	1.56%
High Yield	5.00%	2.27%
Emerging Market Debt	5.00%	2.48%
Private Debt	5.00%	3.57%
Real Assets	15.00%	3.21%
Leverage	-5.00%	-0.59%
Total	<u>100.00%</u>	

⁽¹⁾ An expected inflation of 2.30% used for this period.

⁽²⁾ Figures are based on the 2021-22 Asset Liability Management study.

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following presents the District’s proportionate share of the net pension liability for the Plans, calculated using the discount rate for the Plans, as well as what the District’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	Discount Rate -1% (5.90%)	Current Discount Rate (6.90%)	Discount Rate +1% (7.90%)
Miscellaneous Plan	\$ 1,805,577	\$ 1,047,567	\$ 423,613

NOTE 8 – RISK MANAGEMENT

The District 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 District is exposed to various risks of loss related to general liability and workers’ compensation. Insurance for the District is secured through the Special District Risk Management Authority for both general liability and workers’ compensation. Settlements have not exceeded insurance coverage in any of the last three years.

NOTE 9 – COMMITMENTS AND CONTINGENCIES

Grant Contingencies

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time.

Commitments

At June 30, 2025, the District has open contracts related to professional service agreements with the Napa County Farm Bureau and Land Trust of Napa County.

NOTE 10 – RELATED PARTY TRANSACTIONS

During the year ended June 30, 2025, the District paid the County, a related party, \$56,779 for administrative, accounting, information technology, and legal services. The County also paid the District \$699,472 during the year for services provided.

NOTE 11 – SUBSEQUENT EVENTS

Subsequent events have been evaluated through February 4, 2026, which is the date the basic financial statements were available to be issued. No material subsequent events were noted.

REQUIRED SUPPLEMENTARY INFORMATION

**NAPA COUNTY RESOURCE CONSERVATION DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2025**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues:				
Taxes	\$ 472,041	\$ 472,041	\$ 501,375	\$ 29,334
Intergovernmental - Federal	2,014,550	2,014,550	1,313,893	(700,657)
Intergovernmental - State	4,392,797	4,392,797	2,765,409	(1,627,388)
Intergovernmental - Local Agencies	937,832	937,832	839,626	(98,206)
Use of money and property	20,000	20,000	44,100	24,100
Charges for services	28,000	28,000	28,776	776
Miscellaneous grants and other	660,000	660,000	641,397	(18,603)
Total Revenues	8,525,220	8,525,220	6,134,576	(2,390,644)
Expenditures:				
Salaries and benefits	2,222,866	2,222,866	2,108,642	114,224
Services and supplies	2,875,292	2,875,292	2,108,474	766,818
Contributions	2,150,000	2,150,000	991,823	1,158,177
Community grants	781,700	781,700	271,624	510,076
Bad debt expense	-	-	186,691	(186,691)
Debt service:				
Principal	72,348	72,348	63,566	8,782
Interest	-	-	3,667	(3,667)
Capital outlay:				
Right-to-use building	50,000	50,000	45,084	4,916
Equipment	60,000	60,000	-	60,000
Total Expenditures	8,212,206	8,212,206	5,779,571	2,432,635
Excess of Revenues over Expenditures	313,014	313,014	355,005	41,991
Other Financing Sources:				
Lease financing	-	-	45,084	45,084
Net Change in Fund Balance	\$ 313,014	\$ 313,014	400,089	\$ 87,075
Fund Balance, Beginning of the Year			1,456,630	
Fund Balance, End of the Year			\$ 1,856,719	

The accompanying note to the required supplementary information is an integral part of this schedule.

**NAPA COUNTY RESOURCE CONSERVATION DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY
JUNE 30, 2025**

Measurement date	District's proportion of the net pension liability	District's proportionate share of the net pension liability	District's covered payroll	District's proportionate share of the net pension liability as a percentage of its covered payroll	Plan fiduciary net position as a percentage of the total pension liability
6/30/2015	0.01740%	\$ 519,872	\$ 674,440	77.08%	79.25%
6/30/2016	0.01679%	604,445	716,354	84.38%	80.92%
6/30/2017	0.01428%	661,717	716,082	92.41%	77.88%
6/30/2018	0.01491%	538,298	680,706	79.08%	82.37%
6/30/2019	0.01604%	642,500	732,056	87.77%	77.73%
6/30/2020	0.01728%	728,912	935,914	77.88%	77.71%
6/30/2021	0.01440%	273,444	1,006,363	27.17%	90.49%
6/30/2022	0.01966%	919,841	1,158,247	79.42%	78.19%
6/30/2023	0.02108%	1,053,899	1,228,109	85.81%	77.97%
6/30/2024	0.02166%	1,047,567	1,473,774	71.08%	77.97%

**NAPA COUNTY RESOURCE CONSERVATION DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE DISTRICT'S PENSION CONTRIBUTIONS
JUNE 30, 2025**

Date	Contractually required contribution	Contributions in relation to the contractually required contribution	Contribution deficiency (excess)	District's covered payroll	Contribution as a percentage of covered payroll
6/30/2016	\$ 117,030	\$ 117,030	\$ -	\$ 716,354	16.34%
6/30/2017	140,763	140,763	-	716,082	19.66%
6/30/2018	67,013	67,013	-	680,706	9.84%
6/30/2019	79,791	79,791	-	732,056	10.90%
6/30/2020	69,594	69,594	-	935,914	7.44%
6/30/2021	78,789	78,789	-	976,315	8.07%
6/30/2022	87,641	87,641	-	1,006,363	8.71%
6/30/2023	94,677	94,677	-	1,158,247	8.17%
6/30/2024	108,852	108,852	-	1,228,109	8.86%
6/30/2025	139,844	139,844	-	1,473,774	9.49%

**NAPA COUNTY RESOURCE CONSERVATION DISTRICT
NOTE TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2025**

NOTE 1 – BUDGETS AND BUDGETARY ACCOUNTING

The Napa County Resource Conservation District (the District) is required to prepare a budget each year based on estimates of revenues and expected expenditures. The budget is adopted on a basis consistent with accounting principles generally accepted in the United States of America. The legal level of budgetary control is exercised at the budget unit (departmental) level. All changes to the budget during the year are reflected in these financial statements and require the approval of the governing board. All unencumbered appropriations lapse at the end of each year.

The budgetary data presented in the accompanying financial statements includes all revisions approved by the Board of Directors.