

**NORTH KINGS  
GROUNDWATER SUSTAINABILITY AGENCY**

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**FINANCIAL STATEMENTS  
WITH  
INDEPENDENT AUDITORS' REPORT**

**FOR THE YEARS ENDED  
JUNE 30, 2022 AND 2021**

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
North Kings Groundwater Sustainability Agency

### Report on the Audit of the Financial Statements

#### *Opinions*

We have audited the accompanying financial statements of the business-type activities of the North Kings Groundwater Sustainability Agency (the Agency) as of and for the years ended June 30, 2022 and 2021, and the related notes to the financial statements, which collectively comprise the Agency's 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 business-type activities of the Agency as of June 30, 2022 and 2021, and the respective changes in financial position and cash flows for the years 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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Agency 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 Agency'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.

## ***Auditors' 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 auditors' 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 Agency'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 Agency'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 as listed in the table of contents be presented to supplement the 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 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 September 22, 2022, on our consideration of the Agency'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 Agency'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 Agency's internal control over financial reporting and compliance.

HUDSON HENDERSON & COMPANY, INC.

*Hudson Henderson & Company, Inc.*

Fresno, California  
September 22, 2022

**NORTH KINGS GROUNDWATER SUSTAINABILITY AGENCY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021**

The following narrative provides an overview and analysis of the financial activities of the North Kings Groundwater Sustainability Agency (the Agency) as of and for the years ended June 30, 2022 and 2021. It is provided in order to enhance the information in the financial audit and should be reviewed together with that report.

**OVERALL PROGRAM HIGHLIGHTS**

North Kings Groundwater Sustainability Agency (the Agency) is a Joint Powers Agency formed in October 2016. Comprised of local public agencies and others engaged through binding agreements, the Agency is the governing body for a portion of the Kings Sub-basin (California Department of Water Resources Bulletin 118, 5-22.08) in compliance with the Sustainable Groundwater Management Act of 2014. Agency members are Fresno Irrigation District, Garfield Water District, International Water District, Biola Community Services District, City of Kerman, City of Clovis, City of Fresno, County of Fresno, Bakman Water Company and Fresno Metropolitan Flood Control District.

The Agency is governed by a board of seven directors. Each director shall represent members, contracting entities, and interested parties. Regular board meetings are held once a month.

The budget is adopted by the Board of Directors approximately 60 days prior to the commencement of each fiscal year. The principal source of the Agency's income is membership revenue for services provided by the Agency. Membership revenue is determined as part of the budget process and remains relatively consistent based on the needs of the Agency. Day-to-day operations of the Agency are the responsibility of the Chair acting through the following described personnel and committees:

- Secretary
- Treasurer
  - Fiscal Agent
- Advisory Committee

**FINANCIAL HIGHLIGHTS FOR 2022**

- Operating revenues were \$684,113.
- Operating expenses were \$362,112.
- Non-operating revenues were \$555.
- Total assets and deferred outflows are \$1,224,977.
- Total liabilities and deferred inflows are \$73,956.
- Net position is \$1,151,021.

**OVERVIEW OF FINANCIAL STATEMENTS**

The Agency's financial statements are prepared in conformity with accounting principles generally accepted in the United States of America and include certain amounts based upon reliable estimates and judgments. The financial statements include Statements of Net Position; Statements of Revenues, Expenses, and Changes in Net Position; and Statements of Cash Flows along with accompanying Notes to Financial Statements.

- The **Statements of Net Position** presents information on the Agency's assets, deferred outflows, liabilities and deferred inflows, the difference between the two representing net position, or equity.
- The **Statements of Revenues, Expenses and Changes in Net Position** presents information showing total revenues versus total expenses and how the Agency's net position changed during the fiscal year. All revenues and expenses are recognized as soon as the underlying event occurs, regardless of timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in the disbursement or collection of cash during future fiscal years (e.g., reimbursable ongoing project expenses).

- The **Statements of Cash Flows** presents the changes in cash flows from operating activities and investing activities during the fiscal year.
- The **Notes to the Financial Statements** provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes describe the nature of the Agency's operations and significant accounting policies as well as clarify unique financial information.

The assets, liabilities, revenues, and expenses are reported on a full-accrual basis.

Hudson Henderson & Company, Inc. has performed an independent audit of our financial statements in accordance with auditing standards generally accepted in the United States of America. Their opinion is included in the Financial Section of this report.

### Analysis of Overall Financial Position and Results of Operation

The following analysis will be presenting financial information as of and for the years ended June 30, 2022, 2021 and 2020.

#### Combined Statements of Net Position

	June 30, 2022	(Restated) June 30, 2021	June 30, 2020
Current assets	\$ 1,224,977	\$ 873,227	\$ 592,442
Total Assets	<u>1,224,977</u>	<u>873,227</u>	<u>592,442</u>
Current liabilities	<u>73,956</u>	<u>44,762</u>	<u>83,293</u>
Total Liabilities	<u>73,956</u>	<u>44,762</u>	<u>83,293</u>
Deferred Inflows	<u>-</u>	<u>-</u>	<u>66,000</u>
Total Liabilities and Deferred Inflows	<u>73,956</u>	<u>44,762</u>	<u>149,293</u>
Net Position	<u>\$ 1,151,021</u>	<u>\$ 828,465</u>	<u>\$ 443,149</u>

#### Assets

Total assets for the current year were \$1,224,977, an increase of \$351,750, resulting primarily from an increase of cash and cash equivalents.

#### Operating Revenues

Operating revenues consist of member contributions in relation to the services and expenses of the agency and contributions from interested parties. Total revenues plus interest and grant income for the current year were \$684,668, a decrease of \$31,965, resulting from Proposition 68 grant revenues accrued for in the prior year.

Operating revenues consist of member revenue received from general member agencies and contributions from interested parties.

## General and Administrative Expenses

Total general and administrative expenses represent 2% of the total expenses incurred by the Agency during the year ended June 30, 2022.

### Combined Statements of Revenue, Expenses, and Changes in Net Position

	Year end June 30, 2022	(Restated) Year end June 30, 2021	Year end June 30, 2020
Operating Revenues	<u>\$ 684,113</u>	<u>\$ 684,113</u>	<u>\$ 746,000</u>
Operating Expenses:			
Administrative fees	101,009	93,556	215,348
Professional services	255,235	233,071	426,200
General and administration	<u>5,868</u>	<u>4,690</u>	<u>2,094</u>
Total Operating Expenses	<u>362,112</u>	<u>331,317</u>	<u>643,642</u>
Net Operating Income (Loss)	<u>322,001</u>	<u>352,796</u>	<u>102,358</u>
Non-Operating Revenues:			
Grant income	453	32,450	-
Interest income	<u>102</u>	<u>70</u>	<u>290</u>
Total Non-Operating Revenues	<u>555</u>	<u>32,520</u>	<u>290</u>
Change in Net Position	322,556	385,316	102,648
Net Position - Beginning of Year	<u>828,465</u>	<u>443,149</u>	<u>340,501</u>
Net Position - End of Year	<u>\$ 1,151,021</u>	<u>\$ 828,465</u>	<u>\$ 443,149</u>

## Non-Operating Revenues

Total non-operating revenues (interest and grant income) for the current year were \$555, a decrease of \$31,965, resulting from a decrease in grant revenue accrued during the fiscal year ended June 30, 2022.

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

In developing the budget for the 2022/2023 fiscal year, the staff and the Board of Directors assessed the factors that had significant potential to affect the budgeted figures, primarily the increase in costs for professional services = other and public information.

The Board approved a budget for 2022/2023 that addresses the need for continued funding and an increase in activity as the agency addresses the sustainability of the groundwater in the Kings Sub-basin.



## **CONTACTING THE AGENCY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide citizens, taxpayers, customers, investors, and creditors with a general overview of the Agency's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to DeAnn Hailey, Fiscal Agent, North Kings Groundwater Sustainability Agency, 2907 S. Maple Avenue, Fresno, California 93725. The Agency's website is [www.northkingsgsa.org](http://www.northkingsgsa.org)

**NORTH KINGS GROUNDWATER SUSTAINABILITY AGENCY  
STATEMENTS OF NET POSITION  
JUNE 30, 2022 AND 2021**

	<b>2022</b>	<b>(Restated) 2021</b>
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	\$ 1,201,659	\$ 819,348
Accounts receivable	<u>23,318</u>	<u>53,879</u>
Total current assets	<u>1,224,977</u>	<u>873,227</u>
Total Assets	<u>1,224,977</u>	<u>873,227</u>
<b>LIABILITIES</b>		
Current liabilities		
Accounts payable	54,173	30,838
Accounts payable - related party	12,420	6,811
Unearned revenue	<u>7,363</u>	<u>7,113</u>
Total current liabilities	<u>73,956</u>	<u>44,762</u>
Total Liabilities	<u>73,956</u>	<u>44,762</u>
<b>NET POSITION</b>		
Unrestricted	<u>1,151,021</u>	<u>828,465</u>
Total Net Position	<u><u>\$ 1,151,021</u></u>	<u><u>\$ 828,465</u></u>

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

**NORTH KINGS GROUNDWATER SUSTAINABILITY AGENCY  
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021**

	<b>2022</b>	<b>(Restated) 2021</b>
<b>OPERATING REVENUES</b>		
Member/contracting entity contributions	\$ 677,000	\$ 677,000
Interested party contribution	<u>7,113</u>	<u>7,113</u>
Total Operating Revenues	<u>684,113</u>	<u>684,113</u>
<b>OPERATING EXPENSES</b>		
Administrative fees	101,009	93,556
Office expense	122	69
Insurance expense	2,553	1,895
Legal expenses	32,408	38,874
Professional services	222,705	194,128
Dues and subscriptions	<u>3,315</u>	<u>2,795</u>
Total Operating Expenses	<u>362,112</u>	<u>331,317</u>
Net Operating Income (Loss)	<u>322,001</u>	<u>352,796</u>
<b>NON-OPERATING REVENUES</b>		
Grant income	453	32,450
Interest income	<u>102</u>	<u>70</u>
Total Non-Operating Revenues	<u>555</u>	<u>32,520</u>
Change in Net Position	322,556	385,316
Net Position, Beginning of Year	<u>828,465</u>	<u>443,149</u>
Net Position, End of Year	<u><u>\$ 1,151,021</u></u>	<u><u>\$ 828,465</u></u>

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

**NORTH KINGS GROUNDWATER SUSTAINABILITY AGENCY  
STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021**

	2022	(Restated) 2021
<b>Cash Flows from Operating Activities:</b>		
Cash received from operating activities	\$ 682,224	\$ 684,113
Payments to other vendors for operating activities	<u>(332,918)</u>	<u>(369,848)</u>
Net cash provided (used) by operating activities	<u>349,306</u>	<u>314,265</u>
<b>Cash Flows from Investing Activities:</b>		
Interest income	<u>102</u>	<u>70</u>
Net cash provided by investing activities	<u>102</u>	<u>70</u>
<b>Cash Flows from Non-Capital Financing Activities:</b>		
Proceeds from grants	<u>32,903</u>	<u>-</u>
Net cash provided by non-capital financing activities	<u>32,903</u>	<u>-</u>
Net increase in cash and cash equivalents	382,311	314,335
Cash and cash equivalents - beginning of year	<u>819,348</u>	<u>505,013</u>
Cash and cash equivalents - end of year	<u>\$ 1,201,659</u>	<u>\$ 819,348</u>
<b>Reconciliation of net operating income (loss) to net cash provided (used) by operating activities:</b>		
Net operating income (loss)	<u>\$ 322,001</u>	<u>\$ 352,796</u>
Adjustments to reconcile net operating income (loss) to net cash provided (used) by operating activities:		
Accounts receivable	(1,889)	66,000
Accounts payable	23,335	(31,000)
Accounts payable - related party	5,609	(7,531)
Unearned revenue	250	-
Deferred inflows of resources	<u>-</u>	<u>(66,000)</u>
Total adjustments	<u>27,305</u>	<u>(38,531)</u>
Net cash provided (used) by operating activities	<u>\$ 349,306</u>	<u>\$ 314,265</u>

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

**NORTH KINGS GROUNDWATER SUSTAINABILITY AGENCY  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Reporting Entity: North Kings Groundwater Sustainability Agency (the Agency) is a Joint Powers Authority formed in October 2016. Composed of local public agencies and others engaged through binding agreements, the Agency is the governing body of a portion of the Kings Subbasin (California Department of Water Resources Bulletin 118, 5-22.08) in compliance with the Sustainable Groundwater Management Act of 2014. Agency members are Fresno Irrigation District, Garfield Water District, International Water District, Biola Community Services District, City of Kerman, City of Clovis, City of Fresno, County of Fresno, Bakman Water Company, and Fresno Metropolitan Flood Control District.

On September 14, 2014, the Governor of California signed into law three bills collectively referred to as the Sustainable Groundwater Management Act (SGMA). In accordance with SGMA, the group listed above consisting of water supply agencies and local governments, within the Kings Subbasin, generally located within the boundaries of Fresno Irrigation District's service area, have agreed to form a Joint Powers Authority designated as the North Kings Groundwater Sustainability Agency (the Agency). Six additional groundwater sustainable agencies (GSAs) have been established within the Kings Subbasin.

As a Joint Powers Authority, the Agency has been established to sustainably manage the groundwater resources within a portion of the Kings Subbasin, which is located within the greater San Joaquin Valley Basin (Basin Number 5-22). In January 2016, the State Department of Water Resources ranked the San Joaquin Valley Basin (and therefore the Kings Subbasin) as one of the 21 most over-drafted groundwater basins in California, out of 515. Accordingly, the San Joaquin Valley Basin is a "high-priority" groundwater basin for corrective action.

The SGMA establishes a timeline of activities and milestones for all GSAs within "high-priority" groundwater basins. The Agency submitted a GSA formation notification with the State Department of Water Resources (DWR) on January 3, 2017, and the DWR formally approved the Agency as an "exclusive" GSA on April 13, 2017. The Agency now has submitted a Groundwater Sustainability Plan (GSP) to the DWR that describes the Agency's plan to achieve groundwater sustainability within its boundary by 2040.

Measurement Focus, Basis of Accounting and Financial Statement Presentation: The accounts of the Agency are organized and operated on a fund basis. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, net position, revenues and expenses.

All activities of the Agency are accounted for within a proprietary (enterprise) fund. Proprietary funds are used to account for operations that are (a) financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through users charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or operating income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operation.

The Agency's operating revenues and expenses generally result from membership contributions in connection with the Agency's ongoing operations. Operating expenses include consultants and general and administrative expenses. All other revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. All activities of the Agency are reported under one major proprietary (enterprise) fund.

**NORTH KINGS GROUNDWATER SUSTAINABILITY AGENCY**  
**NOTES TO FINANCIAL STATEMENTS (continued)**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Measurement Focus, Basis of Accounting and Financial Statement Presentation (continued): Measurement focus is a term used to describe “which” transactions are recorded within the various financial statements. Basis of accounting refers to “when” transactions are recorded regardless of the measurement focus applied. The accompanying financial statements are reported using the “economic resources measurement focus”, and the accrual basis of accounting. Under the economic measurement focus all assets and liabilities (whether current or noncurrent) associated with these activities are included on the Statements of Net Position. The Statements of Revenues, Expenses and Changes in Net Position present increases (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows.

Cash and Cash Equivalents: For purposes of reporting the Statements of Cash Flows, the Agency considers all cash accounts and all highly liquid debt instruments purchased with an original maturity of three (3) months or less to be cash equivalents.

Accounts Receivable: The Agency utilizes the allowance method of accounting for uncollectible or doubtful accounts based on historical experience and current information as it becomes available. There was no allowance for doubtful accounts recorded at June 30, 2022 and 2021. Accounts receivable are written off when deemed uncollectible. Recoveries of accounts receivable previously written off are recorded when received. All accounts receivable are non-interest bearing. The accounts receivable balance was \$23,318 and \$53,879 as of June 30, 2022 and 2021, respectively.

Accounts Payable: Certain costs are incurred by the Agency during the current reporting period but are not paid until after the beginning of the next fiscal period. These costs are reported as payables in the financial statements. The Agency’s accounts payable balance as of June 30, 2022 and 2021 are \$66,593 and \$37,649, respectively.

Deferred Outflows and Inflows of Resources: Pursuant to GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, the Agency recognizes deferred outflows and inflows of resources.

In addition to assets, the Statements of Net Position will sometimes report a separate section for deferred outflows of resources. A deferred outflow of resources is defined as a consumption of net position by the Agency that is applicable to a future reporting period.

In addition to liabilities, the Statements of Net Position will sometimes report a separate section for deferred inflows of resources. A deferred inflow of resources is defined as an acquisition of net position by the Agency that is applicable to a future reporting period.

Unearned Revenues: Each year, revenues are collected from parties interested in contributing to the Agency. The board annually approves invoicing interested parties. The funds will be allocated to reduce the corresponding member agencies contributions for the 2022-2023 fiscal year. Unearned revenue balances were \$7,363 and \$7,113 as of June 30, 2022 and 2021.

Fair value of financial instruments: Financial instruments include cash and cash equivalents, accounts receivable, accounts payable, accounts payable – related party and unearned revenue, none of which are held for trading purposes. The fair values of all financial instruments do not differ materially from the aggregate carrying values of the financial instruments recorded in the accompanying Statements of Net Position.

**NORTH KINGS GROUNDWATER SUSTAINABILITY AGENCY**  
**NOTES TO FINANCIAL STATEMENTS (continued)**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Net Position: Net position represents the residual interest in the Agency's assets after liabilities are deducted. The Statements of Net Position reports total net position and presents it in three broad components: net investment in capital assets, restricted, and unrestricted. Net investment in capital assets includes capital assets net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction, or improvement of those assets. Net position is restricted when constraints are imposed by third parties or by law through constitutional provisions or enabling legislation. All other net position is unrestricted. Amounts included as unrestricted net assets are available for designation for specific purposes established by the Agency's Board of Directors. The Agency's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

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 expenses during the reporting period. Actual results could differ from those estimates.

Custodial Credit Risk: Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government 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, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. None of the Agencies' investments were subject to custodial credit risk. The California Government Code and the District's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments. The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The fair value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies.

The Agencies' deposits with financial institutions held in uncollateralized accounts are subject to custodial credit risk for deposits, including investments that were subject to custodial credit risk. The amount of collateralized funds in excess of the Federal Deposit Insurance Corporation coverage was \$951,659 and \$569,495 for the years ending June 30, 2022 and 2021, respectively. However, the excess funds held at June 30, 2022 and 2021 are still secured by the pledged securities in the collateral pool at 110% as noted in the paragraph above and as such are secure in that manner.

Governmental Accounting Standards Update: During the year ending June 30, 2022, the Agency implemented the following standards with no financial impact:

GASB Statement No. 87 – *Leases*. The requirements of this statement are effective for reporting periods beginning after December 15, 2019. Subsequent to issuance, GASB Statement No. 95 postponed the requirements of this statement to reporting periods beginning after June 15, 2021.

GASB Statement No. 92 – *Omnibus 2020*. The requirements of this statement are effective for reporting periods beginning after June 15, 2020. Subsequent to issuance, GASB Statement No. 95 postponed the requirements of this statement to June 15, 2021.

GASB Statement No. 97 – *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*. The requirements of this statement are effective for reporting periods beginning after June 15, 2021.

GASB Statement No. 98 – *The Annual Comprehensive Financial Report*. The requirements of this statement are effective for reporting periods beginning after December 15, 2021.

**NORTH KINGS GROUNDWATER SUSTAINABILITY AGENCY**  
**NOTES TO FINANCIAL STATEMENTS (continued)**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Released GASB Statements to be implemented in future financial statements are as follows:

GASB Statement No. 91 – *Conduit Debt Obligations*. The requirements of this statement are effective for reporting periods beginning after December 15, 2020. Subsequent to issuance, GASB Statement No. 95 postponed the requirements of this statement to reporting periods beginning after December 15, 2021.

GASB Statement No. 93 – *Replacement of Interbank Offered Rates*. The requirements of this statement are effective for reporting periods beginning after June 15, 2021. Subsequent to issuance, GASB Statement No. 95 postponed the certain requirements of this statement to reporting periods beginning after June 15, 2022.

GASB Statement No. 94 – *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The requirements of this statement are effective for reporting periods beginning after June 15, 2022.

GASB Statement No. 96 – *Subscription-Based Information Technology Arrangements*. The requirements of this statement are effective for reporting periods beginning after June 15, 2022.

GASB Statement No. 99 – *Omnibus 2022*. The requirements of this statement are effective for reporting periods beginning after June 15, 2022.

GASB Statement No. 100 – *Accounting Changes and Error Corrections*. The requirements of this statement are effective for reporting periods beginning after June 15, 2023.

GASB Statement No. 101 – *Compensated Absences*. The requirements of this statement are effective for reporting periods beginning after December 15, 2023.

Subsequent Events: In compliance with accounting standards, management has evaluated events that have occurred after year-end to determine if these events are required to be disclosed in the financial statements. Management has determined that no events require disclosure in accordance with accounting standards. These subsequent events have been evaluated through September 22, 2022, which is the date the financial statements were available to be issued.



**NORTH KINGS GROUNDWATER SUSTAINABILITY AGENCY  
NOTES TO FINANCIAL STATEMENTS (continued)**

**NOTE 2 – MEMBER/CONTRACTING ENTITY CONTRIBUTIONS**

Member/Contracting entity contributions for the year ended June 30, 2022 consisted of the following:

	Amount
Bakman Water Company	\$ 4,000
Biola Community Services Distribution	1,000
City of Clovis	34,000
City of Fresno	166,000
City of Kerman	5,000
County of Fresno	85,000
Fresno Irrigation District	376,000
Garfield Water District	4,000
International Water District	2,000
	\$ 677,000

Member/Contracting entity contributions for the year ended June 30, 2021 consisted of the following:

	Amount
Bakman Water Company	\$ 5,000
Biola Community Services Distribution	1,000
City of Clovis	34,000
City of Fresno	167,000
City of Kerman	5,000
County of Fresno	85,000
Fresno Irrigation District	374,000
Garfield Water District	4,000
International Water District	2,000
	\$ 677,000

**NOTE 3 – ACCOUNTS RECEIVABLE**

Accounts receivable consisted of the following at June 30, 2022 and 2021:

	2022	(Restated) 2021
North Fork Kings GSA	\$ 23,068	\$ 53,879
E&J Gallo Winery	250	-
Total	\$ 23,318	\$ 53,879

**NORTH KINGS GROUNDWATER SUSTAINABILITY AGENCY**  
**NOTES TO FINANCIAL STATEMENTS (continued)**

**NOTE 4 – RISK MANAGEMENT**

The Agency is a member of the Association of California Water Agencies Joint Powers Insurance Agency (ACWA/JPIA) for liability insurance. The relationship is such that this public entity risk pool is not a component unit of the Agency for financial reporting purposes.

The risk pool is governed by a board consisting of a representative from each member agency. The board controls their operations, including selection of management and approval of operating budgets. The pooling agreement does not permit the pool to make additional assessments or distribute retrospective refunds to its members, however, future annual premiums are adjusted for any surpluses or deficits experienced by the pool.

During 2022 and 2021, there were no reductions in insurance coverage. Settlement amounts have not exceeded insurance coverage for the past three years.

**NOTE 5 – COMMITMENTS AND CONTINGENCIES**

*Economic Dependency*

Approximately 98% and 97% for the years ended June 30, 2022 and 2021, respectively, of the Agency's total support and revenue came from four general members. Any loss or removal of one of the four largest general members could create a reduction in services and/or closure of the Agency.

*Pending Litigation*

Commitments and contingencies, undeterminable in amount, include normal recurring pending claims and litigation. In the opinion of management, based upon discussion with legal counsel, there is no pending litigation which is likely to have a material adverse effect on the financial position of the Agency.

*Coronavirus Pandemic*

Management has determined the events regarding the novel coronavirus require disclosure in accordance with accounting standards. On March 4, 2020 Governor Newsom issued an emergency proclamation declaring a state of emergency in California due to COVID-19. The COVID-19 outbreak is ongoing, and the ultimate geographic spread of the virus, the duration and severity of the outbreak and the economic and other actions that may be taken by government authorities to contain the outbreak or treat its impact are uncertain. A vaccination has been created and is being administered throughout the state, including the Agency's service area. The ultimate impact of COVID-19 on the operations and finances of the Agency remains unknown.

**NOTE 6 – RELATED PARTIES**

The Agency incurred expenses from the Fresno Irrigation District, which is a member of the Agency that provided administrative, executive and accounting functions for a total of \$101,009 and \$93,556 for the years ended June 30, 2022 and 2021, respectively. The Agency had outstanding payable balances of \$12,420 and \$6,811 due to the Fresno Irrigation District for the years ended June 30, 2022 and 2021, respectively.

**NORTH KINGS GROUNDWATER SUSTAINABILITY AGENCY**  
**NOTES TO FINANCIAL STATEMENTS (continued)**

**NOTE 7 – PRIOR PERIOD RESTATEMENT**

A prior period restatement of \$32,450 was recorded to properly restate grant income and the corresponding receivable as of June 30, 2021. The adjustment was made to properly record grant income and accounts receivable in the prior period for grant income received during the current fiscal year that was earned during the prior fiscal year. A summary of restatements as of and for the year ended June 30, 2021 are as follows:

	<b>2021</b>	<b>2021</b>	
	<b>Restated</b>	<b>As Previously</b>	<b>Change</b>
	<u>          </u>	<u>Recorded</u>	<u>          </u>
Accounts receivable	\$ 53,879	\$ 21,429	\$ 32,450
Grant income	\$ 32,450	\$ -	\$ 32,450
Total Assets	\$ 873,227	\$ 840,777	\$ 32,450
Total Net Position	\$ 828,465	\$ 796,015	\$ 32,450
Total Non-Operating Revenues	\$ 32,520	\$ 70	\$ 32,450
Change in Net Position	\$ 385,316	\$ 352,866	\$ 32,450



**INDEPENDENT AUDITORS' 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  
North Kings Groundwater Sustainability Agency

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 business-type activities of the North Kings Groundwater Sustainability Agency (the Agency) as of and for the year ended June 30, 2022 and 2021, and the related notes to the financial statements, which collectively comprise the Agency's financial statements, and have issued our report thereon dated September 22, 2022.

**Report on Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Agency'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 Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of the Agency'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 Agency'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 Agency'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 Agency's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

HUDSON HENDERSON & COMPANY, INC.

*Hudson Henderson & Company, Inc.*

Fresno, California  
September 22, 2022