NORTH KINGS GROUNDWATER SUSTAINABILITY AGENCY

Annual Financial Report

For the Fiscal Years Ended June 30, 2025 and 2024

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Board of Directors as of June 30, 2025

Name	Title	Area of Representation
Jerry Prieto, Jr	Chair	Fresno Irrigation District
Karl Kienow	Vice Chair	Garfield Water District
Brian Pacheco	Director	County of Fresno
Steve Pickens	Director	Bakman Water Company
Matthew Basgill	Director	City of Clovis
Jerry Dyer	Director	City of Fresno
Kyle Moeller	Director	Fowler Packing

North Kings Groundwater Sustainability Agency
De Ann Stork, Fiscal Agent
2907 South Maple Avenue
Fresno, California 93725
(559) 233-7161

North Kings Groundwater Sustainability Agency

Annual Financial Report

For the Fiscal Year Ended June 30, 2025

North Kings Groundwater Sustainability Agency
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Table of Contents

	Page No.
Table of Contents	i
Financial Section	
Independent Auditor's Report	1-3
Management's Discussion and Analysis	4-6
Basic Financial Statements:	
Statements of Net Position	7
Statements of Revenues, Expenses, and Changes in Net Position	8
Statements of Cash Flows	9
Notes to the Financial Statements	11-16
Report on Internals Controls and Compliance	
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on The Audits of Financial Statements Performed in Accordance with *Government Auditing Standards*	17-18

Financial Section

C.J. Brown & Company CPAs
An Accountancy Corporation

Christopher J. Brown, CPA, CGMA
Jonathan Abadesco, CPA
Jeffrey Palmer

Cypress Office:
10805 Holder Street, Suite 150
Cypress, California 90630
(657) 214-2307

Riverside Office:
5051 Canyon Crest Drive, Suite 203
Riverside, California 92507
(657) 214-2307

Independent Auditor's Report

Board of Directors
North Kings Groundwater Sustainability Agency
Fresno, California

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the business-type activities of the North Kings Groundwater Sustainability Agency (Agency), as of and for the years ended June 30, 2025 and 2024, and the related notes to the financial statements, which collectively comprise Agency's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the business-type activities of the North Kings Groundwater Sustainability Agency, as of June 30, 2025 and 2024, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, 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 Agency and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

The Agency's 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 Agency's ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditor's Responsibilities for the Audits 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 opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS 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 the audits in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audits.
- 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 audits 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 audits.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 6 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 audits 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 November 6, 2025 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 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. That report can be found on pages 17 and 18.

C.J. Brown & Company, CPAs

C.J. Brown & Company, CPAs
Cypress, California
November 6, 2025

North Kings Groundwater Sustainability Agency
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2025

The following Management's Discussion and Analysis (MD&A) of activities and financial performance of the North Kings Groundwater Sustainability Agency (Agency) provide an introduction to the financial statements of the Agency for the fiscal years ended June 30, 2025 (with comparative information for fiscal year ended June 30, 2024. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in the accompanying basic financial statements and related notes, which follow this section.

Financial Highlights

- The Agency's net position increased 19.63% or $241,614 to $1,472,169. In fiscal year 2024, the Agency's net position decreased 12.31% or $172,678 to $1,230,555.
- Total revenues increased 186.09% or $525,391 to $807,726. In fiscal year 2024, the Agency's total revenues decreased 56.27% or $363,296 to $282,335.
- Total expenses increased 24.17% or $110,178 to $566,112. In fiscal year 2024, the Agency's total expenses increased 6.13% or $26,338 to $455,934.

Required Financial Statements

This annual report consists of a series of financial statements. The Statement of Net Position, Statement of Revenues, Expenses, and Changes in Net Position, and Statement of Cash Flows provide information about the activities and performance of the Agency using accounting methods similar to those used by private sector companies.

The Statement of Net Position includes all of the Agency's investments in resources (assets), and obligations to creditors (liabilities). The statement also provides the basis for computing a rate of return, evaluating the capital structure of the Agency, and assessing the liquidity and financial flexibility of the Agency. All of the year's revenues and expenses are accounted for in the Statement of Revenues, Expenses, and Changes in Net Position. This statement measures the success of the Agency's operations over the past year and can be used to determine if the Agency has successfully recovered all of its costs through its rates and other charges. This statement can also be used to evaluate profitability and credit worthiness. The final required financial statement is the Statement of Cash Flows, which provides information about the Agency's cash receipts and cash payments during the reporting period. The Statement of Cash Flows reports cash receipts, cash payments, and net change in cash resulting from operations, investing, non-capital financing, and capital and related financing activities, as well as providing answers to such questions as where did cash come from, what was cash used for, and what was the change in cash balance during the reporting period.

Financial Analysis of the Agency

One of the most important questions asked about the Agency's finances is, "Is the Agency better off or worse off as a result of this year's activities?" The Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Net Position report information about the Agency in a way that helps answer this question. These statements include all assets, and liabilities using the *accrual basis of accounting*, which is similar to the accounting used by most private sector companies. All of the current year's revenues and expenses are taken into account regardless of when the cash is received or paid.

These two statements report the Agency's *net position* and changes in it. One can think of the Agency's net position (assets less liabilities), as one way to measure the Agency's financial health, or *financial position*. Over time, *increases or decreases* in the Agency's net position is one indicator of whether its *financial health* is improving or deteriorating. However, one will need to consider other non-financial factors such as changes in economic conditions, population growth, zoning, and new or changed government legislation, such as changes in Federal and State water quality standards.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the basic financial statements. The notes to the basic financial statements can be found on pages 11 through 16.

Statement of Net Position

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Agency, assets exceeded liabilities by $1,472,169 and $1,230,555 as of June 30, 2025 and 2024, respectively.

At the end of fiscal year 2025 and 2024, the Agency showed a positive balance in its unrestricted net position of $1,472,169 and $1,230,555, respectively.

Condensed Statements of Net Position

		2025	2024	Change	As restated 2023	Change
Assets:						
Current assets	$	1,571,985	1,301,161	270,824	1,449,542	(148,381)
Total assets		1,571,985	1,301,161	270,824	1,449,542	(148,381)
Liabilities:						
Current liabilities		99,816	70,606	29,210	46,309	24,297
Total liabilities		99,816	70,606	29,210	46,309	24,297
Net position:						
Unrestricted		1,472,169	1,230,555	241,614	1,403,233	(172,678)
Total net position	$	1,472,169	1,230,555	241,614	1,403,233	(172,678)

Statement of Revenues, Expenses, and Changes in Net Position

Condensed Statements of Revenues, Expenses, and Changes in Net Position

		2025	2024	Change	As restated 2023	Change
Revenues:						
Operating revenues	$	783,113	261,063	522,050	636,363	(375,300)
Non-operating revenues		24,613	21,272	3,341	9,268	12,004
Total revenues		807,726	282,335	525,391	645,631	(363,296)
Expenses:						
Operating expenses		568,491	461,666	106,825	421,931	39,735
Non-operating expenses		(2,379)	(5,732)	3,353	7,665	(13,397)
Total expenses		566,112	455,934	110,178	429,596	26,338
Net income (loss) before capital contributions		241,614	(173,599)	415,213	216,035	(389,634)
Capital contributions		-	922	(922)	36,176	(35,254)
Changes in net position		241,614	(172,677)	414,291	252,211	(424,888)
Net position, beginning of year		1,230,555	1,403,232	(172,677)	1,151,022	252,210
Net position, end of year	$	1,472,169	1,230,555	241,614	1,403,233	(172,678)

Statement of Revenues, Expenses, and Changes in Net Position, continued

The statement of revenues, expenses, and changes in net position shows how the Agency's net position changes during the fiscal year.

A closer examination of the sources of changes in net position reveal that:

The Agency's net position increased 19.63% or $241,614 to $1,472,169 from ongoing operations. In fiscal year 2024, the Agency's net position decreased 12.31% or $172,678 to $1,230,555 from ongoing operations.

The Agency's total revenues increased 186.09% or $525,391 to $807,726. Operating revenues increased 199.97% or $522,050, due primarily to an increase of $522,050 in member/contracting entity contributions. In fiscal year 2024, the Agency's total revenues decreased 56.27% or $363,296 to $282,335. Operating revenues decreased 58.98% or $375,300, due primarily to a decrease of $522,050 in member/contracting entity contributions.

The Agency's total expenses increased 24.17% or $110,178 to $566,112. Operating expenses increased 23.14% or $106,825, due primarily to an increase of $128,175 in professional services; which was offset by decreases of $17,196 in general and administrative expenses, and $4,748 in legal expenses. In fiscal year 2024, the Agency's total expenses increased 6.13% or $26,338 to $455,934. Operating expenses increased 9.42% or $39,735, due primarily to increases of $25,539 in professional services, $7,096 in general and administrative expenses, and $6,268 in legal expenses.

Conditions Affecting Current Financial Position

Management is unaware of any other conditions which could have a significant impact on the Agency's current financial position, net position, or operating results in terms of past, present, and future.

Requests for Information

This financial report is designed to provide the Agency's funding sources, customers, stakeholders, and other interested parties with an overview of the Agency's financial operations and financial condition. Should the reader have questions regarding the information included in this report or wish to request additional financial information, please contact the Agency at 2907 S. Maple Avenue, Fresno, California 93725.

Basic Financial Statements

North Kings Groundwater Sustainability Agency
Statements of Net Position
June 30, 2025

		2025	2024
Current assets:			
Cash and cash equivalents (note 2)	$	1,565,971	1,287,470
Accounts receivable		-	3,778
Grants receivable		-	3,995
Accrued interest receivable		6,014	5,918
Total current assets		1,571,985	1,301,161
Total assets		1,571,985	1,301,161
Current liabilities:			
Accounts payable and accrued expenses		87,050	57,937
Due to Fresno Irrigation District		5,653	5,556
Unearned revenues		7,113	7,113
Total liabilities		99,816	70,606
Net position: (note 4)			
Unrestricted		1,472,169	1,230,555
Total net position	$	1,472,169	1,230,555

See accompanying notes to the basic financial statements

North Kings Groundwater Sustainability Agency
Statements of Revenues, Expenses, and Changes in Net Position
For the Fiscal Years Ended June 30, 2025

		2025	2024
Operating revenues:			
Member/contracting entity contributions	$	776,000	253,950
Interested party contributions		7,113	7,113
Total operating revenues		783,113	261,063
Operating expenses:			
General and administrative expenses		85,731	102,927
Professional services		453,605	325,430
Legal expenses		22,123	26,871
Office expense		4,963	4,369
Insurance		2,069	2,069
Total operating expenses		568,491	461,666
Operating income (loss)		214,622	(200,603)
Non-operating revenue(expense)			
Interest income		24,613	21,272
Unrealized gain on investments		2,379	5,732
Total non-operating revenues, net		26,992	27,004
Net income (loss) before capital contributions		241,614	(173,599)
Capital contributions		-	922
Changes in net position		241,614	(172,677)
Net position, beginning of year		1,230,555	1,403,232
Net position, end of year (Note 3)	$	1,472,169	1,230,555

See accompanying notes to the basic financial statements

North Kings Groundwater Sustainability Agency
Statements of Cash Flows
For the Fiscal Years Ended June 30, 2025 and 2024

	2025	2024
Cash flows from operating activities:		
Cash receipts from member and interested party contributions	$ 786,891	285,153
Cash payment to vendors	(539,281)	(437,370)
Net cash provided by (used in) operating activities	247,610	(152,217)
Cash flows from non-capital financing activities:		
Proceeds from grant	3,995	1,611
Net cash provided by non-capital financing activities	3,995	1,611
Cash flows from investing activities:		
Investment return	26,896	25,053
Net cash provided by investing activities	26,896	25,053
Net decrease (increase) in cash and cash equivalents	278,501	(125,553)
Cash and cash equivalents, beginning of year	1,287,470	1,413,023
Cash and cash equivalents, end of year	$ 1,565,971	1,287,470
Reconciliation of cash and cash equivalents to statements of net position:		
Cash and cash equivalents	$ 1,565,971	1,287,470
Total cash and cash equivalents	$ 1,565,971	1,287,470

	2025	2024
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:		
Operating income (loss)	$ 214,622	(200,603)
Change in assets and liabilities:		
(Increase)decrease in assets:		
Accounts receivable, net	3,778	24,089
Increase(decrease) in liabilities:		
Accounts payable and accrued expenses	29,113	26,311
Due to Fresno Irrigation District	97	(2,014)
Total adjustments	32,988	48,386
Net cash provided by (used in) operating activities	$ 247,610	(152,217)
Non-cash investing, capital, and financing transactions:		
Changes in fair-market value of funds deposited with LAIF	$ 2,379	5,732

See accompanying notes to the basic financial statements

(1) Reporting Entity and Summary of Significant Accounting Policies

A. Organization and Operations of the Reporting Entity

The North Kings Groundwater Sustainability Agency (Agency) is a Joint Powers Authority formed on October 25, 2016. 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 5-22). 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 Bulleting 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.

B. Basis of Accounting and Measurement Focus

The Agency reports its activities as an enterprise fund, which is used to account for operations that are financed and operated in a manner similar to a private business enterprise, where the intent of the Agency is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or 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. Revenues are recognized in the accounting period in which they are earned and expenses are recognized in the period incurred, regardless of when the related cash flows take place.

Operating revenues and expenses, such as membership contributions and general and administrative expenses, result from exchange transactions associated with the principal activity of the Agency. Exchange transactions are those in which each party receives and gives up essentially equal value. Management, administration, and depreciation expenses are also considered operating expenses. Other revenues and expenses not included in the above categories are reported as non-operating revenues and expenses.

C. Financial Reporting

The Agency's basic financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP), as applied to governmental entities. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The Agency has adopted the following GASB pronouncements in the current year:

In June 2022, the GASB issued Statement No. 101 – *Compensated Absences*. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. Leave is attributable to services already rendered when an employee has performed the services required to earn the leave.

(1) Reporting Entity and Summary of Significant Accounting Policies, continued

C. Financial Reporting, continued

Leave that accumulates is carried forward from the reporting period in which it is earned to a future reporting period during which it may be used for time off or otherwise paid or settled. In estimating the leave that is more likely than not to be used or otherwise paid or settled, a government should consider relevant factors such as employment policies related to compensated absences and historical information about the use or payment of compensated absences. However, leave that is more likely than not to be settled through conversion to defined benefit postemployment benefits should not be included in a liability for compensated absences.

In December 2023, the GASB issued Statement No. 102 – *Certain Risk Disclosures*. The primary objective of this Statement requires a government to assess whether a concentration or constraint makes the primary government reporting unit or other reporting units that report a liability for revenue debt vulnerable to the risk of a substantial impact. Additionally, this Statement requires a government to assess whether an event or events associated with a concentration or constraint that could cause the substantial impact to have occurred, have begun to occur, or are more likely than not to begin to occur within 12 months of the date the financial statements are issued.

D. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position

1. Use of Estimates

The preparation of the basic financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, and deferred inflows of resources, and disclosures of contingent assets, deferred outflows of resources, liabilities, and deferred inflows of resources at the date of the financial statements and the reported changes in net position during the reporting period. Actual results could differ from those estimates.

2. Cash and Cash Equivalents

Substantially all of the Agency's cash is invested in interest bearing accounts. The Agency considers all highly liquid investments with a maturity of three months or less at the time of purchase to be cash equivalents.

3. Investments

Changes in fair value that occur during a fiscal year are recognized as investment income reported for that fiscal year. Investment income includes interest earnings, changes in fair value, and any gains or losses realized upon the liquidation or sale of investments.

4. 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. Accounts receivables are written off when deemed uncollectible. Recoveries of accounts receivable previously written off are recorded when received. All accounts receivable are non-interest bearing.

(1) Reporting Entity and Summary of Significant Accounting Policies, continued

D. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position. continued

5. Net Position

The Agency follows the financial reporting requirements of the GASB and reports net position under the following classifications:

- *Net investment in capital assets* – consists of capital assets, net of accumulated depreciation, reduced by any debt outstanding against the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are included in this component of net position.
- *Restricted* – consists of assets that have restrictions placed upon their use by external constraints imposed either by creditors (debt covenants), grantors, contributors, or laws and regulations of other governments or constraints imposed by law through enabling legislation.
- *Unrestricted* – this component of net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of the *net investment in capital assets* or *restricted* components of net position.

(2) Cash and Investments

Cash and investments as of June 30, are classified as follows:

		2025	2024
Cash and cash equivalents	$	1,565,971	1,287,470
Total	$	1,565,971	1,287,470

Cash and investments as of June 30, consist of the following:

		2025	2024
Deposits with bank	$	1,016,598	764,908
Investments		549,373	522,562
Total	$	1,565,971	1,287,470

(2) Cash and Investments, continued

Investments Authorized by the California Government Code and the Agency's Investment Policy

The table below identifies the investment types that are authorized by the Agency in accordance with the California Government Code (or the Agency's investment policy, where more restrictive). The table also identifies certain provisions of the California Government Code (or the Agency's investment policy, where more restrictive) that address interest rate risk, credit risk, and concentration of credit risk.

Authorized Investment Type	Maximum Maturity	Maximum Percentage Of Portfolio	Maximum Investment in One Issuer
Certificates of Deposit	5 years	30%	None
Banker's Acceptance	5 years	40%	30%
U.S. Treasury Notes, Bonds, and Bills	5 years	None	None
U.S. Government Sponsored Securities	5 years	None	None
Commercial Paper	270 days	25%	10%
Local Agency Investment Fund (LAIF)	N/A	None	None
Savings Account/Money Market Accounts	N/A	None	None
Corporate debt – Short and Long Term	5 years	None	None

Investment in State Investment Pool

The Agency is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by the California Government Code under the oversight of the Treasurer of the State of California. The fair value of the Agency's investment in this pool is reported in the accompanying financial statements at amounts based upon the Agency's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

The Agency's deposit and withdrawal restrictions and limitations are as follows:

- Same day transaction processing occurs for orders received before 10:00 a.m.
- Next day transaction processing occurs for orders received after 10:00 a.m.
- Maximum limit of 15 transactions (combination of deposits and withdrawals) per month.
- Minimum transaction amount requirement of $5,000, in increments of $1,000.
- Withdrawals of $10 million or more require 24 hours advance.
- Prior to funds transfer, an authorized person must call LAIF to do a verbal transaction.

Custodial Credit Risk

The custodial credit risk for *deposits* is the risk that, in the event of 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 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. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools (such as LAIF).

(2) Cash and Investments, continued

Custodial Credit Risk, continued

The California Government Code and the Agency's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: 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 market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by public agencies.

Of the bank balance, up to $250,000 as of June 30, 2025, is federally insured and the remaining balance is collateralized in accordance with the Code; however, the collateralized securities are not held in the Agency's name.

Interest Rate Risk

Interest rate risk is the risk that the change in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to the change in market interest rates. The Agency's investment policy follows the Code as it relates to limits on investment maturities as a means of managing exposure to fair value losses arising from increasing interest rates.

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Local Agency Investment Fund are not rated.

Concentration of Credit Risk

The Agency's investment policy contains no limitations on the amounts that can be invested in any one issuer as beyond that stipulated by the California Government Code. There were no investments in any one issuer (other than for U.S. Treasury securities, mutual funds, and external investment pools) that represent 5% or more of the Agency's total investments as of June 30, 2025.

(3) Adjustment to Net Position

Grants Receivable

In fiscal year 2023, the Agency determined that grant revenues reported as capital contributions are deemed uncollectible due to a grant amendment. As a result, the Agency's grant receivable and grant revenues are overstated by $21,497. Therefore, the Agency recorded an adjustment to restate prior year's net position in the amount of $21,497 as of June 30, 2023.

(3) Adjustment to Net Position, continued

The adjustment to net position is as follows:

Net position as of July 1, 2022		$ 1,151,022
Changes in net position, June 30, 2023, as previously stated	$ 273,708	
Effect of adjustment to grants receivable	(21,497)	
Changes in net position, June 30, 2023, as restated		252,211
Net position as of July 1, 2023, as restated		$ 1,403,233

(4) Net Position

Calculation of net position as of June30, were as follows:

	2025	2024
Unrestricted:		
Non-spendable unrestricted net position:		
Well mitigation program	$ 481,595	-
Well monitoring program	171,601	-
Total non-spendable unrestricted net position	653,196	-
Spendable unrestricted net position:		
Operating reserve	818,973	1,230,555
Total spendable unrestricted net position	818,973	1,230,555
Total unrestricted	1,472,169	1,230,555
Total net position	$ 1,472,169	1,230,555

(5) Risk Management

The Agency 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 Agency is insured for a variety of potential exposures.

(6) Governmental Accounting Standards Board Statements Issued, Not Yet Effective

The Governmental Accounting Standards Board (GASB) has issued several pronouncements prior to the issue date, that have effective dates that may impact future financial presentations.

Governmental Accounting Standards Board Statement No. 103

In April 2024, the GASB issued Statement No. 103 – *Financial Reporting Model Improvements*. The primary objective of this Statement is to improve key components of the financial reporting model to enhance effectiveness in providing information that is essential for decision making and assessing a government's accountability. Also, this Statement: (1) continues the requirement that the basic financial statements be preceded by management's discussion and analysis (MD&A), which is presented as required supplementary information (RSI); (2) describes unusual or infrequent items as transactions and other events that are either unusual in nature or infrequent in occurrence; (3) requires that the proprietary fund statement of revenues, expenses, and changes in fund net position continue to distinguish between operating and nonoperating revenues and expenses; (4) requires governments to present each major component unit separately in the reporting entity's statement of net position and statement of activities if it does not reduce the readability of the statements; and (5) requires governments to present budgetary comparison information using a single method of communication—RSI.

The requirements of this Statement are effective for fiscal years beginning after June 15, 2025, and all reporting periods thereafter. Earlier application is encouraged.

Governmental Accounting Standards Board Statement No. 104

In September 2024, the GASB issued Statement No. 104 – *Disclosure of Certain Capital Assets*. The primary objective of this Statement is to provide users of government financial statements with essential information about certain types of capital assets. This Statement establishes requirements for certain types of capital assets to be disclosed separately in the capital assets note disclosures required by Statement No. 34, Basic Financial Statements and Management Discussion and Analysis for State and Local Governments. Also, this Statement establishes requirements for capital assets held for sale, including additional disclosures for those capital assets. The requirements of this Statement apply to the financial statements of all state and local governments.

The requirements of this Statement are effective for fiscal years beginning after June 15, 2025, and all reporting periods thereafter. Earlier application is encouraged.

(7) Commitments and Contingencies

Grant Awards

Grant funds received by the Agency are subject to audit by grantor agencies. Such an audit could lead to requests for reimbursements to grantor agencies for expenditures disallowed under terms of the grant. Management of the Agency believes that such disallowances, if any, would not be significant.

Litigation

In the ordinary course of operations, the Agency is subject to claims and litigation from outside parties. After consultation with legal counsel, the Agency believes the ultimate outcome of such matters, if any, will not materially affect its financial condition.

(8) Subsequent Events

Events occurring after June 30, 2025, have been evaluated for possible adjustment to the financial statements or disclosure as of November 6, 2025, which is the date the financial statements were available to be issued.

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Report on Internal Controls and Compliance

C.J. Brown & Company CPAs
An Accountancy Corporation

Christopher J. Brown, CPA, CGMA
Jonathan Abadesco, CPA
Jeffrey Palmer

Cypress Office:
10805 Holder Street, Suite 150
Cypress, California 90630
(657) 214-2307

Riverside Office:
5051 Canyon Crest Drive, Suite 203
Riverside, California 92507
(657) 214-2307

Independent Auditor's Report on Internal Controls Over Financial Reporting and on Compliance and Other Matters Based on the Audits of Financial Statements Performed in Accordance with *Government Auditing Standards*

Board of Directors
North Kings Groundwater Sustainability Agency
Fresno, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the North Kings Groundwater Sustainability Agency (Agency), as of and for the years ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements, and have issued our report thereon dated November 6, 2025.

Internal Control Over Financial Reporting

In planning and performing our audits of the financial statements, we considered the Agency's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion 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 audits, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audits 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.

C.J. Brown & Company, CPAs

C.J. Brown & Company, CPAs
Cypress, California
November 6, 2025