# EASTERN KAWEAH GROUNDWATER SUSTAINABILITY AGENCY JOINT POWER AUTHORITY

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## FINANCIAL STATEMENTS

**December 31, 2024**

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cuttone & mastro
CERTIFIED PUBLIC ACCOUNTANTS

# INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
East Kaweah Groundwater Sustainability Agency Joint Power Authority
Lindsay, California

## Opinion

We have audited the accompanying financial statements of East Kaweah Groundwater Sustainability Agency Joint Power Authority (the Authority), which comprise the statement of net position as of December 31, 2024, and the related statement of revenues, expenses, changes in net position and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of East Kaweah Groundwater Sustainability Agency Joint Power Authority, as of December 31, 2024, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Basis of Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 East Kaweah Groundwater Sustainability Agency Joint Power Authority and to meet our other ethical responsibilities in accordance with the relevant ethical requirements related 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

Management is responsible for the preparation and fair presentation of these 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 East Kaweah Groundwater Sustainability Agency Joint Power Authority's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

## Auditor's Responsibility

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 generally accepted 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.



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In performing an audit in accordance with generally accepted 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 circumstances, but not for the purpose of expressing an opinion on the effectiveness of East Kaweah Groundwater Sustainability Agency Joint Power Authority'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 judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about East Kaweah Groundwater Sustainability Agency Joint Power Authority'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.

**Other Matters**

*Required Supplementary Information*

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, 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. Our opinion on the basic financial statements is not affected by this missing information.

Cuttone & Mastro

Fresno, California
August 28, 2025

**EAST KAWEAH GROUNDWATER SUSTAINABILITY AGENCY JPA**
**Statement of Net Position**
**December 31, 2024**

## ASSETS

| | |
|---|---|
| **Current assets:** | |
| Cash and cash equivalents | $ 347,377 |
| Assessments receivable | 463,006 |
| Groundwater pumping fees receivable | 1,157,616 |
| Mitigation supply receivable | 163,800 |
| Receivable from other governments | 121,717 |
| Receivable from Kaweah Delta Water Conservation District – Flying Dragon Project (Multibenefit Land Repurposing Program) | 56,072 |
| Total current assets | 2,309,588 |
| **Delinquent Assessments** | 45,709 |
| **Liens – Amount sold** | 155,830 |
| **Capital assets** | 957,631 |
| Total assets | 3,468,758 |

## LIABILITIES

| | |
|---|---|
| **Current liabilities:** | |
| Accounts payable | 209,621 |
| Loans from Members | 854,960 |
| Total current liabilities | 1,064,581 |
| Total liabilities | 1,064,581 |

## DEFERRED INFLOW OF RESOURCES

| | |
|---|---|
| Deferred assessment revenue | 1,029,363 |
| Total liabilities and deferred inflows of resources | 2,093,944 |

## NET POSITION

| | |
|---|---|
| Net investment in capital assets | 957,631 |
| Unrestricted | 417,183 |
| Total net position | 1,374,814 |
| Total liabilities, deferred inflows of resources and net position | $ 3,468,758 |

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

**EAST KAWEAH GROUNDWATER SUSTAINABILITY AGENCY JPA**
**Statement of Revenues, Expenses and Change in Net Position**
**For the Year Ended December 31, 2024**

| | |
|---|---|
| **Operating Revenues:** | |
| Assessments - Land Owners | $ 995,334 |
| Assessments - City of Lindsay | 13,621 |
| Groundwater Pumping fees | 934,778 |
| Mitigation Supply | 583,321 |
| Penalties and interest | 3,087 |
| Call for funds | 254,696 |
| Reimbursement from Other Governments | 411,846 |
| Other revenue | 500 |
| Total Operating Revenues | 3,197,183 |
| **Operating Expenses:** | |
| Water Purchase | 400,000 |
| Management and Administrative Services | 553,000 |
| Engineering and Consultants | 1,852,110 |
| Legal Costs | 17,363 |
| Audit Costs | 15,300 |
| Insurance | 9,203 |
| Office Expenses | 14,711 |
| Flying Dragon expenses | 35,142 |
| Fee for County of Tulare to collect assessments | 7,302 |
| Other | 7,083 |
| Total Operating Expenses | 2,911,214 |
| Total Operating Income | 285,969 |
| Contributed Capital | 56,072 |
| Change in Net Position | 342,041 |
| **Net position, beginning of year** | 1,032,773 |
| **Net position, end of year** | $ 1,374,814 |

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

**EAST KAWEAH GROUNDWATER SUSTAINABILITY AGENCY JPA**
**Statement of Cash Flows**
**For the Year Ended December 31, 2024**

| | |
|---|---|
| **Cash flows from operating activities:** | |
| Cash received from assessments and other | $ 1,035,905 |
| Cash received from groundwater pumping fees | 401,727 |
| Cash received from mitigation supply | 405,683 |
| Cash received from call of funds | 254,696 |
| Cash received from Prop 68 SMGA Implementation Grant | 200,000 |
| Reimbursements from Other Governments | 290,129 |
| Cash paid to suppliers for goods and services | (3,103,086) |
| Net cash used by operating activities | (514,946) |
| **Cash flows from capital and related financing activities:** | |
| Cash paid for capital asset acquisitions | (932,631) |
| Net cash used by capital and related financing activities | (932,631) |
| **Net decrease in cash and cash equivalents** | (1,447,577) |
| **Cash and cash equivalents, beginning of year** | 1,794,954 |
| **Cash and cash equivalents, end of year** | $ 347,377 |
| **Reconciliation of operating income to net cash used by operating activities:** | |
| Operating income | 285,969 |
| Adjustments to reconcile operating income to net cash used by operating activities: | |
| (Increase) Decrease in: | |
| Assessments receivable | 4,292 |
| Groundwater pumping fees receivable | (377,221) |
| Mitigation supply receivable | (163,800) |
| Receivable from other governments | (121,717) |
| Grant receivable | 200,000 |
| Liens – Amount sold | (155,830) |
| Increase (Decrease) in: | |
| Accounts payable | (191,872) |
| Deferred assessment revenue | 19,071 |
| Deferred mitigation revenue | (13,838) |
| Total adjustments | (800,915) |
| Net cash used by operating activities | $ (514,946) |

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

# EAST KAWEAH GROUNDWATER SUSTAINABILITY AGENCY JPA
## Notes to Financial Statements
## December 31, 2024

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The East Kaweah Groundwater Sustainability Agency Joint Power Authority (the Authority) is organized pursuant to the Sustainable Groundwater Act of 2014 which requires certain regions in California to develop and implement a plan that sustainably manages the shared groundwater resources for the benefit of the communities, agriculture and the environment. This act authorizes the formation of entities termed Groundwater Sustainability Agency (GSA). Under the act, each GSA was responsible for assuming its regulatory role by June 30, 2017, and for submitting a Groundwater Sustainability Plan to the Department of Water Resources by January 31, 2020. The East Kaweah GSA is one of three agencies formed in the Kaweah Subbasin, a region that overlies portions of Tulare and Kings Counties. The East Kaweah GSA is led by an eleven-member Board of Directors of which seven are selected from among the agency members. A Prop 218 election was held in October 26, 2020 with the landowners approving a land-based assessment to fund the Authority for the following five years and authorizing collection through the County Tax Rolls.

Member Agencies – The Joint Powers Agreement was entered into as of December 8, 2016, and between the City of Lindsay, County of Tulare, Exeter Irrigation District, Ivanhoe Irrigation District, Lindmore Irrigation District, Lindsay-Strathmore Irrigation District, and Stone Corral Irrigation District.

The more significant accounting policies of the Authority are described below:

**Measurement Focus and Basis of Accounting**

The Authority elected to account for its activities as a special-purpose government engaged only in business-type activities, even though they may not meet the definition of an enterprise fund, and uses enterprise fund accounting and reporting. Enterprise fund financial statements include a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Net Position, and a Statement of Cash Flows.

Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises, where the intent of the government body is that the cost and expenses of providing goods or services to its customers be financed or recovered primarily through users charges; or where the governing body has decided that periodic determination of revenue earned, expenses incurred, and net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Enterprise funds are accounted for using the “economic resources” measurement focus and the accrual basis of accounting. Accordingly, all assets and liabilities (whether current or noncurrent) are included on the Statement of Net Position. The Statement of Revenues, Expenses and Changes in Net Position presents increases (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred.

Operating revenues are those revenues that are generated from the primary operations of the Authority. The primary operations of the Authority are to facilitate compliance with Sustainable Groundwater Management Act (SGMA) by creating a Groundwater Sustainability Plan (GSP) to achieve sustainability goals, i.e. a stable groundwater basin that is not subject to critical overdraft or subject to a number of other results deemed “undesirable”. All other revenues are reported as non-operating revenues. Operating expenses are those expenses that are essential to the primary operations of the Authority. All other expenses are reported as non-operating expenses.

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

### Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, the Authority considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

### Net Position

Net position is reported in three categories as follows:

*Net investment in capital assets* – This amount consists of capital assets net of accumulated depreciation and reduced by outstanding debt that attributed to the acquisition.

*Restricted* – This amount is restricted by external creditors, grantors, contributors, or laws or regulations of other governments.

*Unrestricted* – This amount is all net assets that do not meet the definition of "net investment in capital assets" or "restricted net position."

### Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

### Assessments and Deferred Assessment Revenue

The County of Tulare is responsible for the assessment and collection of the land-based assessments. Assessments are levied and billed by the County of Tulare in the preceding year and are payable in two installments to the County – December 10 and April 10. The assessments are levied along with Tulare County's property tax assessments. A 10% penalty is charged on late assessments. Payments are then distributed to the Authority in the middle of December, end of December and the middle of April, May and July. Unpaid County property taxes with the Authority's assessment will be liened according to the County of Tulare's procedures and not recovered by the Authority until collected by the County.

Land-based assessments for the subsequent calendar year are recorded as deferred assessment revenue and assessment receivables in the current year.

### Groundwater Pumping Fees and Deferred Mitigation Revenue

Before October 1st of each allocation year (October 1st through September 30th), the Board of Directors by resolution, determines the groundwater allocations available for use within the Authority's boundaries and provides written notice to landowners of the allocations and any maximum limitations.

At the end of the allocation year, groundwater use, net of credits, for each assessor parcel number (APN) is determined, and groundwater pumping fees are assessed for the use of groundwater over the established limits set by the Board of Directors. For the allocation year ending September 30, 2024, any use of groundwater in excess of 0.85-acre feet was penalized at $500 per acre foot and a 1:1 loss of Native Yield allocation on the next immediate allocation year. At any point in the allocation year, landowners can review their APN accounts on the database called the "Dashboard" and notify the Authority if corrections or adjustments are needed. In April 2025, landowners were given a 60-day window to review their accounts, purchase credits, and assign their priority of use. Groundwater pumping was then billed in June 2025.

In fiscal year 2023 and 2024, landowners were given the option to purchase credits at $500 per acre foot that would allow them to pump water in the future. Originally, landowners could only purchase 5% of their total acreage as mitigation tier water, however in 2024, the Authority allowed landowners to purchase mitigation tier water without restrictions or caps. The revenue was recorded as mitigation supply revenue and mitigation supply receivable as of December 31, 2024.

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

**Receivables**
Assessment receivables consist of assessments, penalties and interest. All assessment receivables are reported at their gross value and no allowance is being recorded or considered necessary as a lien can be placed on the property for delinquent assessments.

Groundwater pumping fees receivables are reported at their gross value. The Authority does not record an allowance for uncollectible accounts as a lien can be placed on the property for delinquent groundwater pumping fees.

**Income Taxes**
The Authority is a governmental agency and is not subject to federal or state income taxes.

**Subsequent Events**
Management has evaluated subsequent events through August 28, 2025, the date the financial statements were available to be issued, and has determined that no adjustments are necessary to the amounts reported in the accompanying financial statements nor have any subsequent events occurred, the nature of which would require disclosure.

At the Board of Directors meeting on July 28, 2025, the Board decided to include unpaid allocation year 2023 and 2024 groundwater pumping fees and mitigation revenue in the 2026 property tax rolls.

## 2. CASH AND CASH EQUIVALENTS

As of December 31, 2024, the carrying amount of the Authority's cash balances was $347,377.

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the Authority 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 California Government Code requires California banks and savings and loan associations to collateralize governmental agencies deposits by pledging government securities. The market value of the pledged securities must equal at least 110 percent of an agency's deposits. California law also allows financial institutions to collateralize an agency's deposits by pledging first trust deed mortgage notes having a value of 150 percent of an agency's total deposits. The Authority may waive collateral requirements for deposits on accounts which are fully insured by The Federal Depository Insurance Company (FDIC) up to $250,000.

At December 31, 2024, the bank balance with Bank of Sierra was $711,616. Of this balance, $250,000 was covered by the federal depository insurance and $461,616 was collateralized by securities held by the pledging financial institutions' trust department or agent but not in the depositor-government's name.

The Authority has not formally adopted deposit and investment policies that limit the government's allowable deposits or investments and address the specific types of risk to which the government is exposed.

## 3. LOANS FROM MEMBERS

At the December 16, 2019 governing board meeting, an Implementation Call for Funds based on member acreage in the sum of $2,500,000 was approved. Additional approval was given for repayment of this amount to these member agencies by placing these replacement costs in the land-based assessment. A proposition 218 balloting was held in October 26, 2020 with the landowners approving the proposed land assessment.

Repayment of actual amounts provided by member agencies was to be principal only over five years at $427,480 annually from 2021 through 2025 for a total of $2,137,400. Annual member payment was as follows:

| | |
|---|---|
| City of Lindsay | $ 6,022 |
| County of Tulare | 158,747 |
| Exeter Irrigation District | 47,481 |
| Ivanhoe Irrigation. District | 39,278 |
| Lindmore Irrigation District | 97,504 |
| Lindsay-Strathmore Irrigation District | 54,238 |
| Stone Corral Irrigation District | 24,210 |
| | $ 427,480 |

In 2024, there was not enough available cash to pay the 2024 loan payment to member agencies. The 2024 and 2025 loan payments totaling $854,960 are due in 2025.

A summary of the Authority's debt is as follows:

| | Dec 31, 2023 Balance | Additions | Deductions | Dec 31, 2024 Balance | Current Portion |
|---|---|---|---|---|---|
| Authority member debt | $ 854,960 | $ - | $ - | $ 854,960 | $ 854,960 |

## 4. CAPITAL ASSETS

The following is a summary of changes in the capital assets during the year.

| Capital assets not being depreciated | Balance 12/31/23 | Additions | Deductions | Balance 12/31/24 |
|---|---|---|---|---|
| Land | $ 25,000 | $ 876,418 | $ - | $ 901,418 |
| Construction in progress | - | 56,213 | - | 56,213 |
| Totals | 25,000 | 932,631 | - | 957,631 |
| Net Book Value | $ 25,000 | | | $ 957,631 |

## 5. COMMITMENTS

In 2024, the Authority signed an addendum to continue the management and administrative services agreement with Lindmore Irrigation District through December 31, 2025. For 2024, the Authority made quarterly payments of $138,250 for a total of $553,000 in 2024. For 2025, the Authority shall make quarterly payments of $144,500 for a total of $578,000.

## 6. RELATED PARTY TRANSACTIONS

The agreement to form a joint power authority was signed December 8, 2016 by the following member governments which have been subject to calls for funds for governance in equal amounts as follows:

| | Call for Funds Governance |
|---|---|
| City of Lindsay | $ 36,385 |
| County of Tulare | 36,385 |
| Exeter Irrigation District | 36,385 |
| Ivanhoe Irrigation. District | 36,385 |
| Lindmore Irrigation District | 36,385 |
| Lindsay-Strathmore Irrigation District | 36,385 |
| Stone Corral Irrigation District | 36,386 |
| | $ 254,696 |

The Authority signed a two-year management and administrative services agreement with Lindmore Irrigation District through December 31, 2025. The total expense during the year for this service was $553,000.

## 7. GRANT AGREEMENTS

In January 22, 2022, the Greater Kaweah Groundwater Sustainability Agency obtained a $7,600,000 grant from the California Department of Water Resources to assist in financing the Kaweah Subbasin Groundwater Sustainability Planning and Implementation Projects. The Authority has several projects in their Groundwater Sustainability Plan (GSP) that were identified and could be funded by this grant. The Authority's portion of the grant is $466,667, which consists of $200,000 for the East Kaweah Water Quality Study and a total of $266,667 for the Kaweah Subbasin GSP determination response and GSP 2025 Update, which represents 1/3 share of the grant for these components of the project since the costs are shared equally among the three Kaweah Subbasin GSAs. Eligible costs include work performed on the project on January 23, 2022 through April 30, 2025 however the Greater Kaweah Groundwater Sustainability Agency is working with the California Department of Water Resources to extend the term of the grant. As of December 31, 2024, the Authority has received $266,667 of the grant for the Kaweah Subbasin GSP determination response and the GSP 2025 Update with $200,000 of grant funds remaining for the East Kaweah Water Quality Study.

## 8. LAND PURCHASE AND FLYING DRAGON PROJECT

In February 2024, the Authority completed the purchase of approximately 58.14 acres of land located on prime agricultural property in rural Tulare County for $901,418 for the Flying Dragon Ranch Multi-benefit Groundwater Recharge Project. The property will be converted from irrigated citrus production to a mixture of riparian habitat and unlined basins, and will serve multiple benefits including groundwater recharge, flood control, habitat connectivity and public accessibility. The project is a partnership between Sequoia Riverlands Trust, which will manage conservation easement, and the Authority, which has purchased the property in fee-title to secure sustainable groundwater benefits for local landowners, irrigation districts, and the subbasin.

The Flying Dragon Project has a total budget of $1,500,000, which will be funded through the Multi-benefit Land Repurposing Program (MLRP) funding that Kaweah Delta Water Conservation District received from the California Department of Conservation in September 2022. Through December 31, 2024, the Authority incurred $91,356 in expenses for the Flying Dragon Project, of which $56,213 was recorded as construction in progress. Of the $91,356 total expenses, $56,072 is reimbursable through the MLRP grant and recorded as contributed capital for the year ending December 31, 2024.