

**KINGS RIVER WATERSHED  
COALITION AUTHORITY  
FRESNO, CALIFORNIA**

**FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED  
JUNE 30, 2016 AND 2015**

**KINGS RIVER WATERSHED COALITION AUTHORITY**  
**FRESNO, CALIFORNIA**

**JUNE 30, 2016 AND 2015**

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Kings River Watershed Coalition Authority  
Fresno, California

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the Kings River Watershed Coalition Authority (the Authority), as of and for the years ended June 30, 2016 and 2015, and the related notes to the basic financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

### **Management's Responsibility 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; this includes 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.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Authority's preparation and fair presentation of the financial statements 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 Authority's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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## Opinion

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 Authority as of June 30, 2016 and 2015, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## Other Matters

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3-4 be presented to supplement the basic financial statements. Such 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. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Price Pange & Company*

Clovis, California  
January 24, 2017

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

Our discussion and analysis of the Kings River Watershed Coalition Authority's (the Authority) financial performance provides an overview of the Authority's financial activities for the years ended June 30, 2016 and 2015. This information is presented in conjunction with the audited financial statements that follow this section.

### **Financial Highlights**

- The Authority's total assets from Business-type Activities at June 30, 2016 and 2015 were \$1,273,400 and \$1,135,348, respectively, which are primarily balances in the cash accounts.
- Liabilities from Business-type Activities at June 30, 2016 and 2015 were \$151,849 and \$89,926, respectively, payable for water quality monitoring and administrative costs.
- Cash receipts for the years ended June 30, 2016 and 2015, consisted of fee-for-service operating revenues from owners or operators of irrigated lands in the Kings River watershed who have elected to be represented by the Authority under the Waste Discharge Requirements for Discharges from Irrigated Lands in the amounts of \$1,984,829 and \$1,939,303, respectively.

### **Overview of the Financial Statements**

The financial statements presented herein include all of the activities of the Authority using the approach prescribed by GASB Standard No. 20.

The Authority's basic financial statements comprise two components: (1) fund financial statements, and (2) notes to the basic financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Fund Financial Statements.** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Authority, like other special districts, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

*Proprietary Funds.* The Authority maintains a single enterprise fund. Proprietary funds are reported using the accrual basis of accounting. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements but provide more detail and additional information. The Authority uses an enterprise fund to account for its activities.

**Notes to the Basic Financial Statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found on pages 8 through 9 of this report.

### **Financial Analysis of the Authority's Fund**

Net position may serve over time as a useful indicator of a government's financial position. Total net position of the Authority as of June 30, 2016 and 2015, was \$1,121,551 and \$1,045,422, respectively.

Total liabilities of the Authority as of June 30, 2016 and 2015, were \$151,849 and \$89,926, respectively.

Authority expenses increased by \$408,631, to \$1,908,700 at June 30, 2016, from \$1,500,069 at June 30, 2015.

Fee-for-service operating revenue increased by \$45,526, to \$1,984,929 at June 30, 2016, from \$1,939,303 at June 30, 2015.

## **Requests for Information**

This financial report is designed to provide citizens, taxpayers, customers, investors, and creditors with a general overview of the Authority's finances and to demonstrate the Authority's accountability for the money it receives. If you have any questions about this report or need any additional information, contact the Assistant Treasurer of the Kings River Watershed Coalition Authority at 4886 E. Jensen Avenue, Fresno, California 93725, or phone (559) 237-5567.

**KINGS RIVER WATERSHED COALITION AUTHORITY**  
**FRESNO, CALIFORNIA**

**STATEMENTS OF NET POSITION**  
**JUNE 30, 2016 AND 2015**

	<u>2016</u>	<u>2015</u>
<b>ASSETS</b>		
Cash	\$ <u>1,273,400</u>	\$ <u>1,135,348</u>
Total assets	\$ <u><u>1,273,400</u></u>	\$ <u><u>1,135,348</u></u>
<b>LIABILITIES</b>		
Accounts payable	\$ <u>151,849</u>	\$ <u>89,926</u>
Total liabilities	<u>151,849</u>	<u>89,926</u>
<b>NET POSITION</b>		
Unrestricted	<u>1,121,551</u>	<u>1,045,422</u>
Total liabilities and net position	\$ <u><u>1,273,400</u></u>	\$ <u><u>1,135,348</u></u>

The Notes to the Basic Financial Statements are an integral part of this statement.

**KINGS RIVER WATERSHED COALITION AUTHORITY**  
**FRESNO, CALIFORNIA**

**STATEMENTS OF REVENUES, EXPENSES AND  
CHANGES IN NET POSITION  
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015**

	<u>2016</u>	<u>2015</u>
Operating revenues	\$ 1,984,829	\$ 1,939,303
Operating expenses:		
SWRCB Waiver Fees	570,864	573,634
Water quality monitoring costs	104,059	56,383
Program, outreach and regulatory costs	486,485	516,271
General, administrative and office costs	207,800	130,681
Legal costs	129,126	73,119
Engineering and consulting services	<u>410,366</u>	<u>149,981</u>
Total expenditures/expenses	<u>1,908,700</u>	<u>1,500,069</u>
Operating income (loss)	<u>76,129</u>	<u>439,234</u>
Changes in net position	76,129	439,234
Total net position - beginning	<u>1,045,422</u>	<u>606,188</u>
Total net position - ending	<u>\$ 1,121,551</u>	<u>\$ 1,045,422</u>

The Notes to the Basic Financial Statements are an integral part of this statement.

**KINGS RIVER WATERSHED COALITION AUTHORITY**  
**FRESNO, CALIFORNIA**

**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED JUNE 30, 2016 AND 2015**

	2016	2015
Cash flows from operating activities:		
Cash collected from revenues	\$ 1,984,829	\$ 1,939,303
Cash paid to suppliers	(1,846,777)	(1,526,606)
Net cash provided by (used in) operating activities	138,052	412,697
Net increase (decrease) in cash and cash equivalents	138,052	412,697
Cash and cash equivalents - beginning	1,135,348	722,651
Cash and cash equivalents - ending	\$ 1,273,400	\$ 1,135,348
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:</b>		
Operating income (loss)	\$ 76,129	\$ 439,234
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:		
Increase (decrease) in accounts payable	61,923	(26,537)
Total adjustments	61,923	(26,537)
Net cash provided by (used in) operating activities	\$ 138,052	\$ 412,697

The Notes to the Basic Financial Statements are an integral part of this statement.

**KINGS RIVER WATERSHED COALITION AUTHORITY**  
**FRESNO, CALIFORNIA**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2016 AND 2015**

**NOTE 1 – ORGANIZATION AND ACCOUNTING POLICIES**

**Organization**

The Kings River Watershed Coalition Authority (the Authority) is a joint powers public agency currently comprised of 27 member units formed on January 1, 2009, for the purpose of facilitating compliance initially with the conditional waiver and subsequently the Waste Discharge Requirements General Order for Growers in the Tulare Lake Basin Area that are Members of a Third-Party Group (Order R5-2013-0120).

On September 19, 2013, the Regional Board adopted Waste Discharge Requirements (WDR) for Discharges from Irrigated Lands which replaced the conditional waiver. Pursuant to the WDR, an owner or operator of irrigated lands may avoid obtaining individual waste discharge requirements by enrolling with a Third-Party Group (Coalition). Owners or operators of irrigated lands may comply with the WDR either as individuals or through coalition groups. The Authority was formed to provide a Coalition alternative in order to combine resources and reduce the cost of compliance with the WDR for growers within the Kings River coalition boundary.

**Measurement Focus, Basis of Accounting**

The Authority is a proprietary entity; it uses an enterprise fund format to report its activities for financial statement purposes. Proprietary 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 for each major proprietary fund and nonmajor funds aggregated.

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 in the Authority’s proprietary funds are those revenues that are generated from the primary operations of the Authority. The primary operations of the Authority are to facilitate regulatory compliance, advocate for growers on water quality issues and to develop, implement and compile water quality monitoring programs which allow owners and operators of irrigated lands to comply with the Waste Discharge Requirements General Order issued by the Central Valley Regional Water Quality Control Board on September 19, 2013 (and subsequent revisions). 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.

**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.

**KINGS RIVER WATERSHED COALITION AUTHORITY**  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2016 AND 2015**

**NOTE 1 – ORGANIZATION AND ACCOUNTING POLICIES (Continued)**

**Assets, Liabilities and Equity**

**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.

**NOTE 2 – CASH**

As of June 30, 2016 and 2015, the carrying amounts of the Authority’s bank deposits were \$1,273,400 and \$1,135,348, respectively. At June 30, 2016 and 2015, the respective bank balances were \$1,327,441 and \$1,140,502. Of the total bank balance, \$250,000 was insured through the Federal Depository Insurance Company. The total amount uninsured through FDIC at June 30, 2016 and 2015 was \$1,074,434 and \$890,502, respectively.

**NOTE 3 – SUMMARY OF RELATED PARTY TRANSACTIONS**

The Kings River Conservation District (the District) maintains the Authority’s accounting records and incurs administrative and other expenses on behalf of the Authority. Such expenses reimbursed by the Authority to the District in for the years ended June 30, 2016 and 2015, were \$675,682 and \$647,564, respectively. Accounts payable to the District as of June 30, 2016 and 2015, were \$76,485 and \$55,980, respectively.

**NOTE 4 – SUBSEQUENT EVENTS**

In September 2016, the Coalition was notified that it was selected as a recipient of a United States Department of Agriculture (USDA) Natural Resources Conservation Service (NRCS) Conservation Innovation Grant (CIG). Conservation Innovation Grants (CIG) are competitive grants that stimulate the development and adoption of innovative approaches and technologies for conservation on agricultural lands. The Coalition’s project, “Increasing Implementation of Conservation Practices to Protect Groundwater Quality,” was awarded \$2,000,000 of Federal Funding over a three-year period.

The Authority has evaluated and concluded that there are no other subsequent events that have occurred from June 30, 2016 through the date the financial statements were available to be issued at January 24, 2017 that would require disclosure or adjustment.