

Kings River Conservation District | Fresno, CA

Financial Statements

For the Year Ended June 30, 2023



PRICE PAIGE & COMPANY
Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Kings River Conservation District
Fresno, California

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of Kings River Conservation District (the District) as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund of the District, as of June 30, 2023, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with 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.

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 the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District'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 District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, the schedule of changes in net OPEB liability and related ratios, and the schedule of other postemployment benefits contributions be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Price Pange & Company

Clovis, California
December 6, 2023

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the Kings River Conservation District's financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2023. This information is presented in conjunction with the audited financial statements that follow this section.

Financial Highlights

- The District's total assets from Governmental Activities increased by \$1,590,672, the net result of a decrease in cash, increase in power benefit receivable and other receivables, and decrease in deferred outflow of resources. The deferred outflow of resources is due to the District's Other Post-Employment Benefits (OPEB) valuation for the fiscal year 2023 reporting period. A deferred outflow of resources is a deferral of the recognition of expenditures to the future period in which they occur.
- Total assets from Business-type Activities increased by \$1,522,453 due primarily to the increase in assets restricted for Pine Flat Operations & Maintenance (O&M) reimbursements.
- Liabilities from Governmental Activities decreased by \$1,294,582 due to the net result of an increase in water rights payable, which is recorded as \$1,200,325, decrease in District's Net Other Post-Employment Benefits (OPEB) obligation and a decrease in accounts payable. Liabilities from Business-type Activities increased by \$1,036,956 due to decrease of \$1,250,867 in the payable to Department of Water Resources (DWR), increase in unearned revenue, and increase in accounts payable.
- The District recorded an increase in total net position from Governmental Activities of \$752,406. This increase is due to the net result of an increase in deferred inflow of resources, decrease in deferred outflow of resources, an increase in water rights payable and an increase in power benefits receivable. Net Position from Business-type Activities increased by \$485,497 due to the net impact of a decrease in long-term liabilities and an increase in the Operation and Maintenance account. The District recorded an increase in unrestricted net position. The increase is primarily due to a decrease in the liability due to DWR and an increase in total current assets.
- District revenues from Governmental Activities included \$1,529,313 in property tax allocation. Business-type Activity revenue included \$11.98 million in electric generation revenue from the Jeff L. Taylor Pine Flat Power Plant.
- Operational costs of the Jeff L. Taylor Pine Flat (hydroelectric) Power Plant accounted for 53% of current year expenses. Governmental Activities, including General and Administrative expenses, accounted for 39% of total expenses in the current year, and River Maintenance expenses accounted for 8%.
- Total Program Revenues from Business-type Activities increased by \$4,180,742 due to the increase in the Pine Flat Power Benefit revenue and decrease in annual O&M revenue. Power Benefit revenue was \$3,528,488 in fiscal year 2023, about 126% of an expected average year. Precipitation in fiscal year 2023 was about 174.1% of normal. Precipitation in the prior year was about 61.2% of normal, which allowed water to be carried over behind the Pine Flat Dam and used for irrigation and power generation in the current year.

Overview of the Financial Statements

The financial statements presented herein include all of the activities of the District and its component units using the integrated approach as prescribed by GASB Statement No. 34.

The District's basic financial statements comprise three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The government-wide financial statements present the financial picture of the District from the economic resources measurement focus using the accrual basis of accounting. The *statement of net position* presents information on all of the District's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The *statement of activities* presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., earned but unused vacation leave).

The government-wide financial statements distinguish functions of the District that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the District include general government and flood protection. The business-type activities include power generation operations and construction.

Fund financial statements. A fund is a grouping of related accounts that are used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other special districts, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All the funds of the District can be divided into two categories: governmental funds and proprietary funds.

Governmental funds. The District's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's projects. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

Proprietary funds. The District maintains one 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 District uses an enterprise fund to account for its hydro-generation operations plant.

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 financial statements can be found on pages 24 through 45 of this report.

Government-Wide Financial Analysis

Net position may serve over time as a useful indicator of a government's financial position. In the case of the District, total assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$27.16 million at the close of the most recent fiscal year. The total net position for the District as a whole increased by \$1,237,903 from the prior year-end, which is reported as the change in net position in the statement of activities.

KINGS RIVER CONSERVATION DISTRICT | JUNE 30, 2023
Management's Discussion and Analysis

KINGS RIVER CONSERVATION DISTRICT'S NET POSITION

	Governmental Activities		Business-Type Activities		Total	
	6/30/2023	6/30/2022	6/30/2023	6/30/2022	6/30/2023	6/30/2022
Assets						
Current assets	\$ 28,036,886	\$ 26,117,690	\$ 204,404	\$ 229,726	\$ 28,241,290	\$ 26,347,416
Restricted assets	207,874	200,176	4,846,442	2,319,160	5,054,316	2,519,336
Capital assets	4,679,368	5,015,590	15,425,981	16,405,488	20,105,349	21,421,078
Total assets	<u>32,924,128</u>	<u>31,333,456</u>	<u>20,476,827</u>	<u>18,954,374</u>	<u>53,400,955</u>	<u>50,287,830</u>
Deferred Outflows of Resources						
Deferred OPEB	2,134,976	2,562,522	-	-	2,134,976	2,562,522
Liabilities						
Long-term liabilities	8,950,021	10,946,467	7,373,247	8,624,114	16,323,268	19,570,581
Current and other liabilities	1,860,256	1,158,392	5,174,033	2,886,210	7,034,289	4,044,602
Total liabilities	<u>10,810,277</u>	<u>12,104,859</u>	<u>12,547,280</u>	<u>11,510,324</u>	<u>23,357,557</u>	<u>23,615,183</u>
Deferred Inflows of Resources						
Deferred OPEB	5,019,470	3,314,168	-	-	5,019,470	3,314,168
Net Position						
Net investment in capital assets	4,334,473	4,452,140	15,425,981	16,405,488	19,760,454	20,857,628
Restricted	207,874	200,176	-	-	207,874	200,176
Unrestricted	14,687,010	13,824,635	(7,496,434)	(8,961,438)	7,190,576	4,863,197
Total net position	<u>\$ 19,229,357</u>	<u>\$ 18,476,951</u>	<u>\$ 7,929,547</u>	<u>\$ 7,444,050</u>	<u>\$ 27,158,904</u>	<u>\$ 25,921,001</u>

Much of the District's net position (\$19,760,454 or 72.75%), reflects the amount by which the book value of capital assets (e.g., land, buildings, infrastructure, machinery and equipment) exceeds the related outstanding debt used to acquire those assets. The District uses these capital assets to provide services to citizens and consumers. Consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

A portion of the District's net position, \$207,874 (approximately 1.0%), represents resources that are subject to external restrictions on how they may be used.

The remainder of the District's net position, \$7,190,576, is available to be used to meet the District's ongoing obligations to citizens, customers and creditors.

KINGS RIVER CONSERVATION DISTRICT | JUNE 30, 2023

Management's Discussion and Analysis

KINGS RIVER CONSERVATION DISTRICT'S CHANGES IN NET POSITION

	Governmental Activities		Business-Type Activities		Total	
	6/30/2023	6/30/2022	6/30/2023	6/30/2022	6/30/2023	6/30/2022
Revenues						
Program:						
Charges for services	\$ 3,449,370	\$ 3,432,487	\$ 11,988,200	\$ 7,807,458	\$ 15,437,570	\$ 11,239,945
Operating grants	1,612,544	986,025	-	-	1,612,544	986,025
General:						
Property taxes	1,529,313	1,417,415	-	-	1,529,313	1,417,415
Investment earnings	660,914	272,139	104,723	1,727	765,637	273,866
Miscellaneous	349,764	336,770	-	5,228	349,764	341,998
Gain (loss) on disposal of capital assets	6,050	-	-	7,267	6,050	7,267
Total revenues	<u>7,607,955</u>	<u>6,444,836</u>	<u>12,092,923</u>	<u>7,821,680</u>	<u>19,700,878</u>	<u>14,266,516</u>
Expenses						
General and administrative	7,162,673	6,509,784	-	-	7,162,673	6,509,784
River maintenance	1,457,120	619,216	-	-	1,457,120	619,216
McMullin on-farm flood capture and recharge project	-	3,124	-	-	-	3,124
Pine flat power project	-	-	9,843,182	6,884,851	9,843,182	6,884,851
Total expenses	<u>8,619,793</u>	<u>7,132,124</u>	<u>9,843,182</u>	<u>6,884,851</u>	<u>18,462,975</u>	<u>14,016,975</u>
Excess (Deficiency) before Special Item and Transfers	(1,011,838)	(687,288)	2,249,741	936,829	1,237,903	249,541
Transfers	<u>1,764,244</u>	<u>291,314</u>	<u>(1,764,244)</u>	<u>(291,314)</u>	<u>-</u>	<u>-</u>
Change in net position	752,406	(395,974)	485,497	645,515	1,237,903	249,541
Net position - beginning	<u>18,476,951</u>	<u>18,872,925</u>	<u>7,444,050</u>	<u>6,798,535</u>	<u>25,921,001</u>	<u>25,671,460</u>
Net position - ending	<u>\$ 19,229,357</u>	<u>\$ 18,476,951</u>	<u>\$ 7,929,547</u>	<u>\$ 7,444,050</u>	<u>\$ 27,158,904</u>	<u>\$ 25,921,001</u>

Financial Analysis of the Government's Funds

The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. Total assets of the governmental fund increased from \$26.31 million at the end of the prior year to \$28.24 million at the end of the current fiscal year, an increase of \$1,926,894.

Total liabilities of the governmental fund increased from \$1,158,392 in the prior year to \$1,860,256 at the end of the current fiscal year. It was mainly due to the increase in water rights payable.

At the end of the current fiscal year, the District's governmental fund reported an ending fund balance of \$26.38 million, which is an increase of \$1,225,030 from the prior year. Total fund balance of the General Fund consists of the following:

- Nonspendable fund balance of \$72,808 which represents prepaid expenses and long-term receivable.
- Restricted fund balance of \$207,874. This amount represents fisheries management program reserves.
- Committed fund balance of \$5,000,000. This amount is allocated to the revenue stabilization fund.
- Assigned fund balance of \$8,575,000. This represents amounts allocated to the capital improvements reserve, OPEB obligations, compensated absences and DWR power purchase agreement risk.
- Unassigned fund balance of \$12.53 million.

Total governmental fund revenues increased from \$6.41 million in the prior year to \$7.61 million in the current fiscal year, an increase of \$1,198,040. Grants revenue increased by \$626,519 from the prior year as Prop 68 Restoration and Enhancement Grant work has begun and the extension was filed to continue the grant work until March 1, 2026. The District also participated in Pool 1 sediment removal grant and the work was complete in this fiscal year. Governmental fund expenditure increased from \$6.4 million in the prior year to \$8.1 million in the current year, an increase of \$1,763,139. The increase is mainly due to flood operations.

Enterprise funds. Total assets of the Pine Flat Fund at the end of the fiscal year were \$20.73 million compared to \$19.17 million in the prior year, an increase of \$1,552,833. An increase in total assets resulted from the net impact of an increase in prepaid expenses and an increase in restricted assets such as Operations and Maintenance reimbursements.

Total liabilities of the Pine Flat Fund increased by \$1,067,336 from \$11.73 million to \$12.80 million, due to a net impact of an increase in accounts payable, in unearned revenue and decrease in funds due to the California Department of Water Resources.

Pine Flat Fund electric generation revenues increased by \$4,180,742 to \$11.99 million in the current fiscal year, compared to \$7.81 million last year. This increase in revenues, for the most part, was from the increased generation and sale of electricity.

Pine Flat Fund expenses increased by \$2,958,331 to \$9.84 million in the current fiscal year compared to \$6.88 million last year. The increase was largely due to an increase in water rights expenses and a decrease in regulatory agency fees.

Government Funds Budgetary Highlights

General fund budget variances. There were no changes made to the original budget.

Actual budget results were approved by the District's Board of Directors in July of 2023.

- Actual revenues were less than the final budget by \$2,063,964 (21.34%). The deficit was mainly due to charges of services and grants revenue that were projected higher than the actual amount received.
- Total expenditures were less than the final budget by \$2,046,422 (20.08%). Accounting services, other services and weather modification were less than the budgeted amount.

Capital Assets

The District's investment in capital assets for its governmental and business-type activities as of June 30, 2023, amount to \$20,105,349 (net of accumulated depreciation). The investment in capital assets includes land, buildings, improvements, machinery and equipment, and flood control projects.

KINGS RIVER CONSERVATION DISTRICT | JUNE 30, 2023

Management's Discussion and Analysis

Capital Assets at Year-End

(Net of Depreciation, in Thousands)

	Governmental		Business-Type		Totals	
	06/30/2023		Activities		06/30/2023	
	06/30/2023	06/30/2022	06/30/2023	06/30/2022	06/30/2023	06/30/2022
Land and land rights	\$ 1,461	\$ 1,461	\$ 8	\$ 8	\$ 1,469	\$ 1,469
Kings River Channel Project costs (Non-depreciable)	2,231	2,231	-	-	2,231	2,231
Buildings and structures	32	32	7,340	7,693	7,372	7,725
Penstocks and intake equipment	-	-	5,995	6,455	5,995	6,455
Turbines and generators	-	-	1,213	1,344	1,213	1,344
Equipment	712	757	773	801	1,485	1,558
Roads and landscaping	-	-	97	104	97	104
Right-to-use leased equipment	243	535	-	-	243	535
Total	\$ 4,679	\$ 5,016	\$ 15,426	\$ 16,405	\$ 20,105	\$ 21,421

Additional information on the District's capital assets can be found in Note 4.

Long-Term Liabilities

The long-term liabilities include lease liability, compensated absences and liabilities for net other post-employment benefits (OPEB). At June 30, 2023, the District had total long-term liabilities of \$15,744,196 of which will be due beyond one year.

Requests for Information

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

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

KINGS RIVER CONSERVATION DISTRICT | JUNE 30, 2023

Statement of Net Position

With Summarized Financial Information as of June 30, 2022

	Governmental Activities	Business-Type Activities	Total	
			2023	2022
ASSETS				
Current assets:				
Cash and investments	\$ 21,083,043	\$ 48	\$ 21,083,091	\$ 22,815,089
Receivables:				
Accrued interest	196,340	-	196,340	71,381
Due from California Department of Water Resources	3,095,969	-	3,095,969	870,572
Property taxes receivable	238,465	-	238,465	222,189
Other	3,096,072	-	3,096,072	1,838,402
Internal balances	254,189	(254,189)	-	-
Inventories	-	313,588	313,588	325,492
Prepaid expenses	72,808	144,957	217,765	204,291
Total current assets	<u>28,036,886</u>	<u>204,404</u>	<u>28,241,290</u>	<u>26,347,416</u>
Restricted assets:				
Fisheries Management Program	207,874	-	207,874	200,176
Operations and maintenance account	-	4,846,442	4,846,442	2,319,160
Total restricted assets	<u>207,874</u>	<u>4,846,442</u>	<u>5,054,316</u>	<u>2,519,336</u>
Capital assets:				
Land and land rights	1,461,029	7,535	1,468,564	1,468,564
Kings River Channel Project costs (Non-depreciable)	2,230,667	-	2,230,667	2,230,667
Buildings and structures	352,145	27,441,967	27,794,112	27,620,385
Penstocks and intake equipment	-	19,522,693	19,522,693	19,522,693
Turbines and generators	-	19,659,909	19,659,909	19,659,909
Equipment	1,875,308	10,274,879	12,150,187	12,087,134
Roads and landscaping	-	370,772	370,772	370,772
Kings River channel project costs	821,817	-	821,817	821,817
Right-to-use leased equipment	874,834	-	874,834	874,834
Accumulated depreciation	(2,936,432)	(61,851,774)	(64,788,206)	(63,235,697)
Total capital assets, net	<u>4,679,368</u>	<u>15,425,981</u>	<u>20,105,349</u>	<u>21,421,078</u>
Total assets	<u>32,924,128</u>	<u>20,476,827</u>	<u>53,400,955</u>	<u>50,287,830</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred OPEB	<u>2,134,976</u>	-	<u>2,134,976</u>	<u>2,562,522</u>
Total deferred outflows of resources	<u>2,134,976</u>	-	<u>2,134,976</u>	<u>2,562,522</u>

The notes to the basic financial statements are an integral part of this statement.

KINGS RIVER CONSERVATION DISTRICT | JUNE 30, 2023

Statement of Net Position

With Summarized Financial Information as of June 30, 2022

(Continued)

	Governmental Activities	Business-Type Activities	Total	
			2023	2022
LIABILITIES				
Current liabilities:				
Accounts payable	489,560	1,186,504	1,676,064	1,438,467
Water rights payable	1,200,325	-	1,200,325	228,546
Accrued expenses	170,371	-	170,371	158,704
Unearned revenue	-	3,987,529	3,987,529	2,218,885
Total current liabilities	<u>1,860,256</u>	<u>5,174,033</u>	<u>7,034,289</u>	<u>4,044,602</u>
Long-term liabilities:				
Payable due within one year:				
Compensated absences	259,012	-	259,012	316,030
Lease liability	320,060	-	320,060	316,482
Payable after one year:				
Compensated absences	430,083	-	430,083	312,506
Due to California Department of Water Resources	-	7,373,247	7,373,247	8,624,114
Lease liability	24,835	-	24,835	246,968
Net OPEB liability	7,916,031	-	7,916,031	9,754,481
Total long-term liabilities	<u>8,950,021</u>	<u>7,373,247</u>	<u>16,323,268</u>	<u>19,570,581</u>
Total liabilities	<u>10,810,277</u>	<u>12,547,280</u>	<u>23,357,557</u>	<u>23,615,183</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred OPEB	<u>5,019,470</u>	-	<u>5,019,470</u>	<u>3,314,168</u>
Total deferred inflows of resources	<u>5,019,470</u>	-	<u>5,019,470</u>	<u>3,314,168</u>
NET POSITION				
Net investment in capital assets	4,334,473	15,425,981	19,760,454	20,857,628
Restricted for:				
Other purposes	207,874	-	207,874	200,176
Unrestricted	<u>14,687,010</u>	<u>(7,496,434)</u>	<u>7,190,576</u>	<u>4,863,197</u>
Total net position	<u>\$ 19,229,357</u>	<u>\$ 7,929,547</u>	<u>\$ 27,158,904</u>	<u>\$ 25,921,001</u>

The notes to the basic financial statements are an integral part of this statement.

KINGS RIVER CONSERVATION DISTRICT | FOR THE YEAR ENDED JUNE 30, 2023

Statement of Activities

With Summarized Financial Information for the year ended June 30, 2022

	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	Total	
						2023	2022
Functions/Programs							
Governmental activities:							
General and administrative	\$ 7,162,673	\$ 3,449,370	\$ 1,612,544	\$ (2,100,759)	\$ -	\$ (2,100,759)	\$ (2,094,417)
River maintenance	1,457,120	-	-	(1,457,120)	-	(1,457,120)	(619,216)
McMullin on-farm flood capture and recharge project	-	-	-	-	-	-	21
Total governmental activities	<u>8,619,793</u>	<u>3,449,370</u>	<u>1,612,544</u>	<u>(3,557,879)</u>	<u>-</u>	<u>(3,557,879)</u>	<u>(2,713,612)</u>
Business-type activities:							
Pine Flat Power Project	<u>9,843,182</u>	<u>11,988,200</u>	<u>-</u>	<u>-</u>	<u>2,145,018</u>	<u>2,145,018</u>	<u>922,607</u>
Total business-type activities	<u>9,843,182</u>	<u>11,988,200</u>	<u>-</u>	<u>-</u>	<u>2,145,018</u>	<u>2,145,018</u>	<u>922,607</u>
Total District	<u>\$ 18,462,975</u>	<u>\$ 15,437,570</u>	<u>\$ 1,612,544</u>	<u>(3,557,879)</u>	<u>2,145,018</u>	<u>(1,412,861)</u>	<u>(1,791,005)</u>
General revenues and transfers							
General revenues:							
Taxes:							
Property taxes				1,529,313	-	1,529,313	1,417,415
Unrestricted investment earnings				660,914	104,723	765,637	273,866
Miscellaneous				349,764	-	349,764	341,998
Gain on disposal of capital assets				6,050	-	6,050	7,267
Transfers				<u>1,764,244</u>	<u>(1,764,244)</u>	<u>-</u>	<u>-</u>
Total general revenues and transfers				<u>4,310,285</u>	<u>(1,659,521)</u>	<u>2,650,764</u>	<u>2,040,546</u>
Changes in net position				752,406	485,497	1,237,903	249,541
Net position - beginning				<u>18,476,951</u>	<u>7,444,050</u>	<u>25,921,001</u>	<u>25,671,460</u>
Net position - ending				<u>\$ 19,229,357</u>	<u>\$ 7,929,547</u>	<u>\$ 27,158,904</u>	<u>\$ 25,921,001</u>

The notes to the basic financial statements are an integral part of this statement.

FUND FINANCIAL STATEMENTS

KINGS RIVER CONSERVATION DISTRICT | JUNE 30, 2023
 General Fund
 Balance Sheet
 With Comparative Financial Information as of June 30, 2022

	<u>2023</u>	<u>2022</u>
ASSETS		
Cash and investments	\$ 21,083,043	\$ 22,815,040
Receivables:		
Accrued interest	196,340	71,381
Due from Enterprise Funds	254,189	223,809
Due from California Department of Water Resources	3,095,969	870,572
Property taxes receivable	238,465	222,189
Other	3,096,072	1,838,402
Prepaid expenses	72,808	76,297
Restricted assets:		
Fisheries Management Program	<u>207,874</u>	<u>200,176</u>
 Total assets	 <u>\$ 28,244,760</u>	 <u>\$ 26,317,866</u>
LIABILITIES		
Accounts payable	\$ 489,560	\$ 771,142
Water rights payable	1,200,325	228,546
Accrued expenses	<u>170,371</u>	<u>158,704</u>
 Total liabilities	 <u>1,860,256</u>	 <u>1,158,392</u>
FUND BALANCE		
Nonspendable	72,808	76,297
Restricted	207,874	200,176
Committed	5,000,000	5,000,000
Assigned	8,575,000	8,586,626
Unassigned	<u>12,528,822</u>	<u>11,296,375</u>
 Total fund balance	 <u>26,384,504</u>	 <u>25,159,474</u>
 Total liabilities and fund balance	 <u>\$ 28,244,760</u>	 <u>\$ 26,317,866</u>

The notes to the basic financial statements are an integral part of this statement.

KINGS RIVER CONSERVATION DISTRICT | FOR THE YEAR ENDED JUNE 30, 2023

General Fund

Reconciliation of the General Fund Balance Sheet to the Statement of Net Position

Amounts reported for governmental activities in the statement of net position are different because:

Total fund balance for governmental funds	\$ 26,384,504
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	4,679,368
OPEB related deferrals are reported as deferred outflows and inflows of resources on the statement of net position.	
Deferred outflow amounts related to OPEB	2,134,976
Deferred inflow amounts related to OPEB	(5,019,470)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds. Long-term liabilities at year-end consists of:	
Compensated absences	(689,095)
Leased equipment	(344,895)
Net OPEB liability	<u>(7,916,031)</u>
Net position of governmental activities	<u>\$ 19,229,357</u>

The notes to the basic financial statements are an integral part of this statement.

KINGS RIVER CONSERVATION DISTRICT | FOR THE YEAR ENDED JUNE 30, 2023

General Fund

Statement of Revenues, Expenditures and Changes in Fund Balance

With Comparative Financial Information for the Year Ended June 30, 2022

	2023	2022
REVENUES		
Property taxes	\$ 1,529,313	\$ 1,417,415
Investment earnings	660,914	272,139
Grants revenue	1,612,544	986,025
Charges for services	1,285,643	1,500,896
General and administrative charges to Enterprise Funds	2,163,727	1,931,591
Other	<u>355,814</u>	<u>301,849</u>
Total revenues	<u>7,607,955</u>	<u>6,409,915</u>
EXPENDITURES		
Current:		
General and administrative	6,474,316	5,574,878
River maintenance	1,386,985	534,614
McMullin on-farm flood capture and recharge project	-	3,124
Capital outlay	62,065	6,173
Debt Service:		
Principal	212,698	263,807
Interest expense	<u>11,105</u>	<u>1,434</u>
Total expenditures	<u>8,147,169</u>	<u>6,384,030</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(539,214)</u>	<u>25,885</u>
OTHER FINANCING SOURCES (USES)		
Transfers in from Enterprise Funds	1,764,244	291,314
Insurance proceeds	<u>-</u>	<u>34,921</u>
Total other financing sources (uses)	<u>1,764,244</u>	<u>326,235</u>
Net changes in fund balance	1,225,030	352,120
Fund balance - beginning	<u>25,159,474</u>	<u>24,807,354</u>
Fund balance - ending	<u>\$ 26,384,504</u>	<u>\$ 25,159,474</u>

The notes to the basic financial statements are an integral part of this statement.

KINGS RIVER CONSERVATION DISTRICT | FOR THE YEAR ENDED JUNE 30, 2023

General Fund

Reconciliation of the General Fund Statement of Revenues, Expenditures and Changes in Fund Balance
to the Statement of Activities

Amounts reported for governmental activities in the statement of activities are different because:

Net changes in fund balance - total governmental funds	\$ 1,225,030
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Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation and amortization of \$398,287 and no dispositions exceeded capital outlays of \$62,065 in the current period.

	(336,222)
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Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

OPEB obligation	(294,398)
Compensated absences	(60,559)
Equipment lease	<u>218,555</u>

Total changes in net position of governmental activities	<u>\$ 752,406</u>
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KINGS RIVER CONSERVATION DISTRICT | JUNE 30, 2023

Proprietary Fund

Statement of Net Position

With Summarized Financial Information as of June 30, 2022

	2023	2022
ASSETS		
Current assets:		
Cash and short-term investments	\$ 48	\$ 49
Inventories	313,588	325,492
Prepaid expenses	144,957	127,994
Total current assets	<u>458,593</u>	<u>453,535</u>
Noncurrent assets:		
Restricted assets:		
Operations and maintenance account	4,846,442	2,319,160
Total restricted assets	<u>4,846,442</u>	<u>2,319,160</u>
Capital assets:		
Land and land rights	7,535	7,535
Buildings and structures	27,441,967	27,268,240
Penstocks and intake equipment	19,522,693	19,522,693
Turbines and generators	19,659,909	19,659,909
Equipment	10,274,879	10,239,912
Roads	370,772	370,772
Accumulated depreciation	(61,851,774)	(60,663,573)
Total capital assets, net	<u>15,425,981</u>	<u>16,405,488</u>
Noncurrent assets	<u>20,272,423</u>	<u>18,724,648</u>
Total assets	<u>20,731,016</u>	<u>19,178,183</u>
LIABILITIES		
Current liabilities:		
Accounts payable	1,186,504	667,325
Unearned revenue	3,987,529	2,218,885
Due to General Fund	254,189	223,809
Total current liabilities	<u>5,428,222</u>	<u>3,110,019</u>
Noncurrent liabilities:		
Due to California Department of Water Resources	7,373,247	8,624,114
Total noncurrent liabilities	<u>7,373,247</u>	<u>8,624,114</u>
Total liabilities	<u>12,801,469</u>	<u>11,734,133</u>
NET POSITION		
Net investment in capital assets	15,425,981	16,405,488
Unrestricted	(7,496,434)	(8,961,438)
Total net position	<u>\$ 7,929,547</u>	<u>\$ 7,444,050</u>

The notes to the basic financial statements are an integral part of this statement.

KINGS RIVER CONSERVATION DISTRICT | FOR THE YEAR ENDED JUNE 30, 2023

Proprietary Funds

Statement of Revenues, Expenses and Changes in Fund Net Position

With Summarized Financial Information for the Year Ended June 30, 2022

	<u>2023</u>	<u>2022</u>
Operating revenue:		
Electric generation	\$ 11,988,200	\$ 7,807,458
Operating expenses:		
Operations and maintenance	5,876,163	5,077,778
Regulatory agency fees	1,014,574	335,667
Water rights expense	1,764,244	291,314
Depreciation	<u>1,188,201</u>	<u>1,180,092</u>
Total operating expenses	<u>9,843,182</u>	<u>6,884,851</u>
Operating income (loss)	<u>2,145,018</u>	<u>922,607</u>
Nonoperating revenues (expenses):		
Investment earnings	104,723	1,727
Other revenues	-	5,228
Gain (loss) on disposal of capital assets	<u>-</u>	<u>7,267</u>
Total nonoperating revenue (expenses)	<u>104,723</u>	<u>14,222</u>
Net income (loss) before transfers	2,249,741	936,829
Transfers to general fund	<u>(1,764,244)</u>	<u>(291,314)</u>
Changes in net position	485,497	645,515
Net position - beginning	<u>7,444,050</u>	<u>6,798,535</u>
Net position - ending	<u>\$ 7,929,547</u>	<u>\$ 7,444,050</u>

The notes to the basic financial statements are an integral part of this statement.

KINGS RIVER CONSERVATION DISTRICT | FOR THE YEAR ENDED JUNE 30, 2023

Proprietary Fund

Statement of Cash Flows

With Summarized Financial Information for the Year Ended June 30, 2022

	<u>2023</u>	<u>2022</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	\$ 12,505,977	\$ 4,814,567
Cash paid for goods and services	<u>(8,140,861)</u>	<u>(6,028,123)</u>
Net cash provided by (used in) operating activities	<u>4,365,116</u>	<u>(1,213,556)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Non-operating revenue	-	5,228
Transfers from (to) other funds	<u>(1,733,864)</u>	<u>(317,501)</u>
Net cash provided by (used in) noncapital financing activities	<u>(1,733,864)</u>	<u>(312,273)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds from sale of assets	-	37,191
Acquisition and construction of capital assets	<u>(208,694)</u>	<u>(363,907)</u>
Net cash provided by (used in) capital and related financing activities	<u>(208,694)</u>	<u>(326,716)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest and dividends	<u>104,723</u>	<u>1,727</u>
Net cash provided by (used in) investing activities	<u>104,723</u>	<u>1,727</u>
Net increase (decrease) in cash and cash equivalents	2,527,281	(1,850,818)
Cash and cash equivalents - beginning of year	<u>2,319,209</u>	<u>4,170,027</u>
Cash and cash equivalents - end of year	<u>\$ 4,846,490</u>	<u>\$ 2,319,209</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:		
Operating income (loss)	\$ 2,145,018	\$ 922,607
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:		
Depreciation and amortization	1,188,201	1,180,092
Changes in assets and liabilities:		
Increase (decrease) in due to Department of Water Resources	(1,250,867)	(1,269,349)
Decrease (increase) decrease in inventories	11,904	(10,678)
Decrease (increase) in prepaid expenses	(16,963)	(19,389)
Increase (decrease) in accounts payable	519,179	(293,297)
Increase (decrease) in unearned revenue	<u>1,768,644</u>	<u>(1,723,542)</u>
Total adjustments	<u>2,220,098</u>	<u>(2,136,163)</u>
Net cash provided by (used in) operating activities	<u>\$ 4,365,116</u>	<u>\$ (1,213,556)</u>
Schedule of Non-Cash Capital and Related Financing Activities		
Disposal of capital assets	<u>\$ -</u>	<u>\$ (29,924)</u>

The notes to the basic financial statements are an integral part of this statement.

NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE 1 – ORGANIZATION AND ACCOUNTING POLICIES

Organization

The Kings River Conservation District (the District), a political subdivision of the State of California and generally referred to as a “special district”, was created in 1951 following the adoption of the Kings River Conservation District Act (the Act) by the California Legislature. The District’s boundaries cover approximately 1.2 million acres which includes the service area of the Kings River throughout Fresno, Kings and Tulare counties. The District’s primary purpose under the Act is to provide various services, including the acquisition, construction, maintenance and operation of works and property for the purpose of storage, conservation and distribution of water; the development, distribution and sale of electric power; and the drainage, reclamation and protection of land within the District’s service area. The District operates under the Kings River Conservation District Act and is governed by an elected seven-member Board of Directors (Board).

The District owns and operates the Jeff L. Taylor Pine Flat Power Plant located on the Kings River at Pine Flat Dam in Fresno County. This hydro-electric power plant has a rated capacity of 165 megawatts. The operations of the power plant are accounted for in an Enterprise Fund.

Electricity generated at the Pine Flat Power Plant is produced under contract with the State Water Project (SWP) contractors through the State of California, Department of Water Resources. Accounts receivables are unsecured. The District’s business is subject to uncontrollable factors such as weather, including drought.

This report includes all the funds for which the District’s Board has oversight responsibility. This oversight responsibility includes, but is not limited to, selection of governing authority, designation of management, ability to significantly influence operations, and accountability for fiscal matters.

In evaluating the District as a reporting entity, management has addressed all potential component units (traditionally separate reporting entities) for which the District may be financially accountable and, as such, should be included within the District’s financial statements. The District (the primary government) is financially accountable if it appoints a voting majority of the Organization’s governing board and (1) it is able to impose its will on the Organization, or (2) there is a potential for the Organization to provide specific financial burden on the District. Additionally, the primary government is required to consider other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity’s financial statements to be misleading or incomplete.

Based on these criteria, the District has one component unit. The Kings River Conservation District Public Financing Corporation (Corporation) was formed in August 2004, at the direction of the District, pursuant to the Nonprofit Public Benefit Corporation Law of the State of California (Title 1, Division 2, Part 2 of the California Corporation Code). The Corporation was formed primarily for the purpose of providing assistance to the District in the financing, refinancing, acquiring, constructing and rehabilitating of facilities, land and equipment, and in the sale or leasing of facilities, land and equipment for the use, benefit and enjoyment of the public served by the District and any other purpose incidental thereto. The Board of Directors of the District serves as the Board of Directors of the Corporation.

NOTE 1 – ORGANIZATION AND ACCOUNTING POLICIES (Continued)

Basis of Presentation

Management's Discussion and Analysis – GASB Statement No. 34 requires that financial statements be accompanied by a narrative introduction and analytical overview of the District's financial activities in the form of "management's discussion and analysis" (MD&A). This analysis is similar to the analysis provided in the annual reports of private sector organizations.

Government-Wide Statements: The statement of net position and the statement of activities display information about the District. These statements include the financial activities of the overall government. Eliminations have been made to minimize the double-counting of internal activities. These statements distinguish between the *governmental* and *business-type activities* of the District. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the District and for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expense allocations that have been made in the funds have been reversed for the statement of activities. Program revenues include (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs, and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the District's funds. Separate statements for each fund category—*governmental and proprietary*—are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

The District reports the following major governmental fund:

General Fund: This is the District's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The District reports the following major proprietary fund:

Pine Flat Power Project Fund: This fund accounts for the operations of the Pine Flat Power Plant on a fee-for-service basis in a manner similar to commercial enterprises.

NOTE 1 – ORGANIZATION AND ACCOUNTING POLICIES (Continued)

Measurement Focus, Basis of Accounting

Government-Wide and Proprietary Fund Financial Statements: The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus. The government-wide and proprietary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the District gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental Fund Financial Statements. Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. Property taxes, sales taxes, franchise taxes, licenses, and interest are considered to be susceptible to accrual. Grants are recognized as revenue as soon as all eligibility requirements have been met. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

All business-type activities and enterprise funds of the District follow FASB Statements and Interpretations issued on or before November 30, 1989, Accounting Principles Board Opinions, and Accounting Research Bulletins, unless those pronouncements conflict with GASB pronouncements.

Assets, Liabilities and Net Position

Cash and Cash Equivalents

The District considers cash on hand, demand deposits and all highly liquid investments with original maturities of three months or fewer to be cash equivalents.

Property Tax Calendar

The District receives a share of the ad valorem property tax levied and collected by the counties in the District's service area, which is remitted to the District throughout the year. Property taxes are levied as of July 1, using a lien date of March 1, and are payable by property owners in two equal installments which are due by November 1 and February 1, respectively. The District recognizes revenues from property taxes when the revenues are earned and available. Revenues are considered available when they are collected in the reporting period or collection is expected soon enough after the period end to be used to pay liabilities of the reporting period.

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 1 – ORGANIZATION AND ACCOUNTING POLICIES (Continued)

Assets, Liabilities and Net Position (Continued)

Inventories

Inventories are valued at cost using the first-in/first-out (FIFO) method. The costs of governmental fund-type inventories are recorded as expenditures when consumed rather than when purchased.

Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated fixed assets are recorded at their estimated fair value at the date of donation. Self-constructed assets are recorded at the amount of direct labor and material costs incurred. The District’s policy has set the capitalization threshold at \$5,000.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Buildings and structures	30-53 years
Penstocks and intake equipment	53 years
Turbines and generators	30-35 years
Equipment	3-35 years
Roads and landscaping	15-53 years

Leases

At the commencement of a lease, the District initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The leased asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the leased asset is amortized on a straight-line basis over its useful life.

Key estimates and judgments related to leases include how the District determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The District uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the District generally uses its estimated incremental borrowing rate as the discount rate for leases, which it has determined is the prime rate at the inception of the lease.
- The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the District is reasonably certain to exercise.

The District monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability. Lease assets are reported with other capital assets and lease liabilities are reported with long- term debt on the statement of net position.

NOTE 1 – ORGANIZATION AND ACCOUNTING POLICIES (Continued)

Assets, Liabilities and Net Position (Continued)

Electric Generation Revenues

The District entered into the Pine Flat Power Sale Contract (Contract) with the California Department of Water Resources (Department) in 1979. Under the provisions of the Contract, the Department is required to purchase all electric energy produced by the Pine Flat Power Plant at a rate sufficient to cover the cost of producing the energy, plus the operation and maintenance and debt service costs of the plant until the year 2037. The Contract may be extended should minimum energy deliveries, as defined, not be met.

Generally, the District is reimbursed by the Department for operation and maintenance costs of the Pine Flat Power Plant as they are incurred. The District is also reimbursed for depreciation expense on capital assets, which were financed through the issuance of revenue bonds, as the bonds mature, and for all debt service costs, including amortization of deferred bond issue costs and costs associated with bond in-substance defeasance. Reimbursements for such expenses are received in periods different from those in which the related expenses are incurred. Revenues representing reimbursement of these expenses are accrued as the related expenses are incurred and any differences between revenues accrued and reimbursements received from the Department are accounted for as an amount due to or from the Department. Amounts received from the Department under the Contract are classified as electric generation revenues.

Capital asset acquisitions subsequent to the original bond issuance are reimbursed by the Department in full at the time of acquisition.

Major Customers

All of the Pine Flat Power Project Enterprise Fund's power sales revenue is generated by power sales to the California Department of Water Resources.

Compensated Absences

The liability for compensated absences reported in the government-wide statements consists of unpaid, accumulated vacation and sick leave balances. The liability has been calculated using the vesting method, in which vacation and sick leave amounts for both employees who currently are eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included.

NOTE 1 – ORGANIZATION AND ACCOUNTING POLICIES (Continued)

Assets, Liabilities and Net Position (Continued)

Government-Wide Financial Statements

In the government-wide financial statements, net positions are classified in the following categories:

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, construction, or improvements of the assets.

Restricted Net Position – This amount is restricted by external creditors, grantors, contributors, or law or regulations of other governments.

Unrestricted Net Position – This amount is all net position that does not meet the definition of “net investment in capital assets” or “restricted net position”.

The District considers restricted net position to have been spent first when an expenditure is incurred for purposes for which both restricted and unrestricted net position is available.

Fund Financial Statements

The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classification used in governmental fund financial statements are as follows.

Nonspendable – Amounts cannot be spent either because they are in nonspendable form (such as inventory or prepaid expense, and long-term loans and notes receivable) or because they are legally or contractually required to be maintained intact (such as notes receivable or principal of a permanent fund).

Restricted – Amounts with external constraints placed on the use of these resources (such as debt covenants, grantors, contributions, or laws or regulations of other governments, etc.) or imposed by law through constitutional provisions or enabling legislation.

Committed – Amounts that can be used only for specific purposes pursuant to constraints imposed by a formal action of the Board of Directors. The Board of Directors is the highest level of decision-making authority for the District. Commitments may be established, modified, or rescinded only through resolutions approved by the Board of Directors.

Assigned – Amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. Under the District’s adopted policy, only the Board of Directors may assign amounts for specific purposes.

Unassigned – This classification includes amounts that have not been assigned to other funds or restricted, committed or assigned to a specific purpose within the District. This classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of assigned fund balance amount.

When an expenditure is incurred for purposes for which amounts in any of the unrestricted classifications of fund balance could be used, the District considers committed amounts to be reduced first, followed by assigned amounts and then unassigned amounts.

NOTE 2 – CASH AND INVESTMENTS

Summary of Cash and Investment Balances

The following is a reconciliation of the District’s cash and investment balances as of June 30, 2023:

Cash on hand	\$	475
Bank deposits		377,955
Investments		<u>25,758,977</u>
 Total cash and investments	 \$	 <u>26,137,407</u>
		Government- Wide Statement of Net Position
Cash and investments	\$	21,083,091
Restricted assets		<u>5,054,316</u>
 Total cash and investments	 \$	 <u>26,137,407</u>

Investments Authorized

The District strives to maintain the level of investment of idle funds as near to 100% as possible and operates its pooled idle cash investments under the Prudent Investor Standard. This affords a broad spectrum of investment opportunities so long as the investment is deemed prudent and is permissible under currently effective legislation of the State of California and other imposed legal restrictions. Permitted investments are identified in Section 53635 of the Government Code of California. Criteria for selecting investments and the absolute order of priority are safety, liquidity and yield. The primary basic premise underlying the District's investment policy is to insure the safety of principal and to provide funds when needed. A high dollar yield on investments, though important, ranks third in the priority of investment strategy.

Investment maturities are selected to anticipate cash needs, thereby obviating the need for forced liquidation and the accompanying loss of interest income.

The District operates its investment program with many Federal, State, and self-imposed constraints. It does not buy stocks; it does not speculate; it does not deal in futures, options or security loan agreements. Longer-term investments (over one year) are generally limited to maturities of five years or less.

To maximize investment income, the District uses all available, economically feasible investment aids. Economic conditions and various money markets are monitored in order to assess the probable course of interest rates.

NOTE 2 – CASH AND INVESTMENTS (Continued)

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Normally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District generally manages its interest rate risk by holding investments to maturity.

Information about the sensitivity of the fair values of the District’s investments (including investments held by trustees) to market interest rate fluctuations is provided by the following table that shows the distribution of the District’s investments by maturity or earliest call date:

Investment Type	Fair Value	Remaining Maturity (in Months)			
		12 Months or Less	13 to 24 Months	25 to 60 Months	More Than 60 Months
State investment pool	\$ 1,050,481	\$ 1,050,481	\$ -	\$ -	\$ -
County investment pool	10,534,004	10,534,004	-	-	-
Local government investment pool	257,717	257,717	-	-	-
Held by bond trustee:					
US treasury notes	5,887,222	5,887,222	-	-	-
Corporate bonds	3,183,111	3,183,111	-	-	-
Money market funds	4,846,442	4,846,442	-	-	-
Total	\$ 25,758,977	\$ 25,758,977	\$ -	\$ -	\$ -

Credit Rate Risk

Generally, 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. Presented below is the actual rating as of year-end for each investment type:

Investment Type	Amount	Ratings as of Year-End					Exempt/ Not Rated
		A+f	AAAm	AA-	A-	BBB+	
State investment pool	\$ 1,050,481	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,050,481
County investment pool	10,534,004	-	-	-	-	-	10,534,004
Local government investment pool	257,717	257,717	-	-	-	-	-
Held by bond trustee:							
US treasury notes	5,887,222	-	-	-	-	-	5,887,222
Corporate bonds	3,183,111	-	-	1,194,610	992,061	996,440	-
Money market funds	4,846,442	-	4,846,442	-	-	-	-
Total	\$ 25,758,977	\$ 257,717	\$ 4,846,442	\$ 1,194,610	\$ 992,061	\$ 996,440	\$ 17,471,707

Concentration of Credit Rate Risk

The investment policy of the District contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. Investments in any one issuer (other than U.S. Treasury securities, mutual funds, and external investment pools) that represent 5% or more of total District investments are as follows:

Issuer	Investment Type	Reported Amount	% of Total Investments
Dreyfus Government Cash Management	Money market funds	\$ 4,846,442	19%

NOTE 2 – CASH AND INVESTMENTS (Continued)

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. 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, 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 the public agencies.

GASB Statement No. 40 requires that the following disclosures be made with respect to custodial credit risks relating to deposits and investments:

Cash Deposits

As of June 30, 2023, the carrying amount of the District’s bank deposits was \$377,948 and the respective bank balances totaled \$552,810. The Federal Depository Insurance Corporation (FDIC) insures cash balances held at financial institutions of up to \$250,000. At June 30, 2023, \$302,810 of the bank balance exceeded amounts covered by FDIC.

Investment Valuation

Investments, including derivative instruments that are not hedging derivatives, are measured at fair value on a recurring basis. Recurring fair value measurements are those that Governmental Accounting Standards Board (GASB) Statements require or permit in the statement of net position at the end of each reporting period. Fair value measurements are categorized based on the valuation inputs used to measure an asset’s fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

Investment fair value measurements are as follows at June 30, 2023:

<u>Investments</u>	<u>Fair Value</u>	<u>Level 1 Inputs</u>	<u>Level 2 Inputs</u>	<u>Level 3 Inputs</u>
Debt securities:				
Corporate bonds	\$ 3,183,111	\$ -	\$ 3,183,111	\$ -
Commercial paper	<u>5,887,222</u>	<u>-</u>	<u>5,887,222</u>	<u>-</u>
Total investments measured by fair value	9,070,333	<u>\$ -</u>	<u>\$ 9,070,333</u>	<u>\$ -</u>
Investments not subject to fair value hierarchy:				
State investment pool	\$ 1,050,481			
County investment pool	10,534,004			
Local government investment pool	257,717			
Money market funds	<u>4,846,442</u>			
Total investments	<u>\$ 25,758,977</u>			

NOTE 2 – CASH AND INVESTMENTS (Continued)

External Investment Pools

The District participates in three external investment pools, as defined by Government Accounting Standards Board (GASB) Statement No. 31. The Local Agency Investment Fund (LAIF), managed by the State of California Treasurer, is not registered with the Securities and Exchange Commission. These funds are pooled with those of other agencies in the State and invested in accordance with State guidelines. The value of the District's shares in the LAIF that may be withdrawn is determined on an amortized cost basis, which may be different from the fair value of the District's position in the pool. The District's portion of the June 30, 2023 balance was \$1,050,481. A breakdown of the investments included in the balance is not available for the balance sheet date.

The District maintains cash deposits with the Fresno County Auditor-Controller/Treasurer and voluntarily participates in the common investment pool of the County. The fair value of the District's investment in the pool is reported in the accompanying financial statements at amounts based upon the District's pro-rata share of the fair value provided by the County Treasurer for the entire portfolio. The balance available for withdrawal is based on the accounting records maintained by the County Treasurer and is recorded on the amortized cost basis. Because the District's deposits are maintained in a recognized pooled investment fund under the care of a third party and the District's share of the pool does not consist of specific, identifiable investment securities owned by the District, no disclosure of the individual deposits and investments or related custodial credit risk classifications is required. In accordance with applicable state laws, the Fresno County Treasurer may invest in derivative securities with the State of California. However, at June 30, 2023, the Fresno County Treasurer has represented that the Pooled Investment Fund contained no derivatives or other investments with similar risk profiles. The District's portion of the June 30, 2023 balance was \$10,534,004.

The District maintains cash deposits with CalTRUST and voluntarily participates in the common investment pool. The fair value of the District's investment in the pool is reported in the accompanying financial statements at amounts based upon the District's pro-rata share of the fair value provided by CalTRUST for the entire portfolio. The balance available for withdrawal is based on the accounting records maintained by CalTRUST and is recorded on the amortized cost basis. Because the District's deposits are maintained in a recognized pooled investment fund under the care of a third party and the District's share of the pool does not consist of specific, identifiable investment securities owned by the District, no disclosure of the individual deposits and investments or related custodial credit risk classifications is required. In accordance with applicable state laws, all CalTRUST accounts comply with the limits and restrictions placed on agency investments by the California Government Code; no leverage is permitted in any of the CalTRUST accounts. The District's portion of the June 30, 2023 balance was \$257,717.

NOTE 3 – RECEIVABLES

Other Receivables

Other receivables consisted of the following at June 30, 2023:

Grant receivables	\$	2,944,582
Other receivables		<u>151,490</u>
Total other receivables	\$	<u>3,096,072</u>

Long-Term Receivables

There were no receivables within the general fund that were not expected to be collected within one year.

KINGS RIVER CONSERVATION DISTRICT | JUNE 30, 2023
Notes to the Basic Financial Statements

NOTE 4 – CAPITAL ASSETS

A summary of capital asset activity for governmental activities for the year ended June 30, 2023 is as follows:

	Balance July 1, 2022	Acquisitions	Dispositions	Balance June 30, 2023
Governmental Activities:				
Non-depreciable assets:				
Land and land rights	\$ 1,461,029	\$ -	\$ -	\$ 1,461,029
Kings River Channel Project costs (Non-depreciable)	2,230,667	-	-	2,230,667
Total non-depreciable assets	<u>3,691,696</u>	<u>-</u>	<u>-</u>	<u>3,691,696</u>
Depreciable assets:				
Buildings and structures	352,145	-	-	352,145
Equipment	1,847,222	62,065	(33,979)	1,875,308
Kings River Channel Project costs	821,817	-	-	821,817
Right-to-use leased equipment	874,834	-	-	874,834
Total depreciable assets	<u>3,896,018</u>	<u>62,065</u>	<u>(33,979)</u>	<u>3,924,104</u>
Total capital assets	<u>7,587,714</u>	<u>62,065</u>	<u>(33,979)</u>	<u>7,615,800</u>
Less accumulated depreciation for:				
Buildings and structures	(319,656)	(789)	-	(320,445)
Equipment	(1,090,436)	(105,887)	33,979	(1,162,344)
Kings River Channel Project costs	(821,819)	-	-	(821,819)
Right-to-use leased equipment	(340,213)	(291,611)	-	(631,824)
Total accumulated depreciation	<u>(2,572,124)</u>	<u>(398,287)</u>	<u>33,979</u>	<u>(2,936,432)</u>
Governmental activity capital assets, net	<u>\$ 5,015,590</u>	<u>\$ (336,222)</u>	<u>\$ -</u>	<u>\$ 4,679,368</u>

A summary of capital asset activity for business-type activities for the year ended June 30, 2023 is as follows:

	Balance July 1, 2022	Acquisitions	Dispositions	Balance June 30, 2023
Business-Type Activities:				
Non-depreciable assets:				
Land and land rights	\$ 7,535	\$ -	\$ -	\$ 7,535
Total non-depreciable assets	<u>7,535</u>	<u>-</u>	<u>-</u>	<u>7,535</u>
Depreciable assets:				
Buildings and structures	27,268,240	173,727	-	27,441,967
Penstocks and intake equipment	19,522,693	-	-	19,522,693
Turbines and generators	19,659,909	-	-	19,659,909
Equipment	10,239,912	34,967	-	10,274,879
Roads and landscaping	370,772	-	-	370,772
Total depreciable assets	<u>77,061,526</u>	<u>208,694</u>	<u>-</u>	<u>77,270,220</u>
Total capital assets	<u>77,069,061</u>	<u>208,694</u>	<u>-</u>	<u>77,277,755</u>
Less accumulated depreciation for:				
Buildings and structures	(19,575,272)	(526,421)	-	(20,101,693)
Penstocks and intake equipment	(13,067,511)	(460,396)	-	(13,527,907)
Turbines and generators	(18,315,876)	(131,473)	-	(18,447,349)
Equipment	(9,438,328)	(62,916)	-	(9,501,244)
Roads and landscaping	(266,586)	(6,995)	-	(273,581)
Total accumulated depreciation	<u>(60,663,573)</u>	<u>(1,188,201)</u>	<u>-</u>	<u>(61,851,774)</u>
Business-type activities capital assets, net	<u>\$ 16,405,488</u>	<u>\$ (979,507)</u>	<u>\$ -</u>	<u>\$ 15,425,981</u>

KINGS RIVER CONSERVATION DISTRICT | JUNE 30, 2023

Notes to the Basic Financial Statements

NOTE 4 – CAPITAL ASSETS (Continued)

Depreciation and amortization expense were charged to the following functions on the statement of activities:

Governmental Activities:		
General and administrative	\$	328,152
River maintenance		70,135
Business-Type Activities:		
Pine flat power project		<u>1,188,201</u>
Total	\$	<u>1,586,488</u>

NOTE 5 – DUE TO/FROM CALIFORNIA DEPARTMENT OF WATER RESOURCES

Amounts due from the Department represent reimbursements in connection with the Contract and are collected over the life of the bond issued. The amount included in accounts receivable of the General Fund, \$3,095,969 as of June 30, 2023, represents amounts to which the District is entitled for the sale of power delivered to the Department. Amounts due to the Department from the Enterprise Fund, \$7,373,247 as of June 30, 2023, represent reimbursements to be paid to the Department for depreciation expense on capital assets, and certain other operating expenses.

NOTE 6 – RESTRICTED ASSETS

Restricted assets are comprised of accrued interest receivable and cash deposits and short-term investments held by a trustee in different accounts aggregated by their restricted use. Such assets are restricted for the normal operation and maintenance of the Pine Flat Power Plant. The revenue bond indenture agreements limit the investment of the restricted assets to time or demand deposits of federal government obligations.

Restricted assets consist of the following at June 30, 2023:

	<u>Market Value</u>
General Fund Fisheries Management Program:	
Cash is held in the District's general checking account and is included with the bank balances described in Note 2.	\$ 207,874
Pine Flat Power Project Enterprise Fund:	
Cash is held by a trustee and is included with the investment balances described in Note 2.	<u>4,846,442</u>
Total restricted assets	<u>\$ 5,054,316</u>

NOTE 7 – DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position or fund balance that applies to a future period(s) and thus, will not be recognized as an outflow of resources (expense/expenditures) until then. The District has OPEB related items that qualify to be reported in deferred outflows of resources. The OPEB related deferred outflows of resources are described in detail in Note 16.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position or fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has one type of item that qualifies for reporting in this category and it is OPEB deferrals. The OPEB related deferred inflows of resources are described in detail in Note 16.

NOTE 8 – GENERAL FUND CERTIFICATES OF PARTICIPATION

General Fund Certificates of Participation

In June 2009, the District issued \$3,595,000 in Revenue Certificates of Participation at rates of 3.00% to 5.25%, to retire the District’s short-term debt. The net proceeds of the certificates were used to retire the District’s Commercial Paper Certificates, Series A (Tax-Exempt), to establish a debt service reserve fund, an acquisition fund, and pay the costs of issuance of the certificates.

In 2015 the District defeased the 2009A Certificates of Participation by placing cash in irrevocable escrow accounts held and managed by bank trustees, and invested in U.S. Treasury obligations, the principal and interest on which would provide amounts sufficient to pay the principal and interest on the defeased bonds in accordance with the schedule of remaining payments due. Accordingly, the escrow account and the defeased bonds are not included in the District’s financial statements. On June 30, 2023, \$1,435,000 of certificates of participation outstanding were considered defeased.

NOTE 9 – LEASE COMMITMENTS

The District has a lease for a piece of equipment. A summary of the governmental activities long-term lease transactions for the year ended June 30, 2023 is as follows:

	Balance June 30, 2022	Issued	Retired	Balance June 30, 2023	Due Within One Year
Leased equipment	\$ 563,450	\$ -	\$ (218,555)	\$ 344,895	\$ 320,060

KINGS RIVER CONSERVATION DISTRICT | JUNE 30, 2023

Notes to the Basic Financial Statements

NOTE 9 – LEASE COMMITMENTS (Continued)

The following is a schedule of annual requirements to amortize long-term obligations under the equipment lease as of June 30, 2023:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>
2024	\$ 320,060	\$ 3,211
2025	24,835	31
Total	<u>\$ 344,895</u>	<u>\$ 3,242</u>

NOTE 10 – COMPENSATED ABSENCES

As of June 30, 2023, compensated absences payable are as follows:

<u>Balance June 30, 2022</u>	<u>Net Change</u>	<u>Balance June 30, 2023</u>	<u>Due Within One Year</u>
\$ 628,536	\$ 60,559	\$ 689,095	\$ 259,012

NOTE 11 – INTERFUND BALANCES AND ACTIVITY

Due to/from Other Funds

Due to/from other funds at June 30, 2023 consist of the following:

Due to the General Fund from the Pine Flat Power Project Enterprise Fund for overhead charges overbilled by the General Fund to the Pine Flat Fund	\$ 254,189
Total	<u>\$ 254,189</u>

Transfers to/from Other Funds

The Pine Flat Enterprise Fund made operating transfers to the General Fund of \$1,764,244 during the year ended June 30, 2023 which consisted of power generation revenue.

NOTE 12 – CLASSIFICATIONS OF FUND BALANCES

The details of the fund balances are presented below:

	<u>2023</u>	<u>2022</u>
Nonspendable:		
Prepaid expenses	\$ 72,808	\$ 76,297
Total nonspendable	<u>72,808</u>	<u>76,297</u>
Restricted:		
Fisheries management program	<u>207,874</u>	<u>200,176</u>
Total restricted	<u>207,874</u>	<u>200,176</u>
Committed:		
Revenue stabilization fund	<u>5,000,000</u>	<u>5,000,000</u>
Total committed	<u>5,000,000</u>	<u>5,000,000</u>
Assigned:		
Other post-employment benefits	2,500,000	2,500,000
Capital improvements	5,000,000	5,000,000
DWR power purchase agreement risk	500,000	500,000
Compensated absences	575,000	575,000
Subsequent year's budget deficit	-	11,626
Total assigned	<u>8,575,000</u>	<u>8,586,626</u>
Unassigned	<u>12,528,822</u>	<u>11,296,375</u>
Total fund balance	<u>\$ 26,384,504</u>	<u>\$ 25,159,474</u>

Revenue Stabilization Fund

In 2015, the Board of Directors approved a resolution to establish a revenue stabilization arrangement with a deposit of \$3,150,000, which the Board of Directors increased to \$5,000,000 in 2016. The revenue stabilization funds may be spent if power generation revenue is less than \$1,050,000. If it's spent, the draw out will be the amount needed to bring the power generation revenue total to \$1,050,000. In years where power generation revenue is greater than \$1,050,000, the fund is to be replenished up to \$260,000.

NOTE 13 – PENSION PLAN

The District provides retirement savings opportunities for all its full-time employees through: 1) a defined contribution plan administered by the District; 2) a 457 Deferred Compensation Plan (457 Plan) administered by Mission Square; and 3) a Union Pension Plan administered by the Stationary Engineers Local 39 Pension Trust Fund.

- 1) The Pension Plan is a defined contribution plan, and benefits depend solely on amounts contributed to the plan plus investment earnings. Employees are eligible to participate during the first plan quarter after the completion of six months of service and the attainment of at least 20 ½ years of age. The plan requires that participating employees contribute up to 9% of their base salary each quarter with a matching contribution by the District.
- 2) The 457 Plan is a tax-deferred defined contribution plan, and benefits depend solely on amounts contributed to the plan plus investment earnings. Employees are eligible to participate immediately in the employee contribution, but the District does not match the employee's contribution until after the completion of six months of service. There is no minimum contribution amount, but the District's match and the employee's contributions together cannot exceed the annual allowable contribution limits set forth by the IRS Code.
- 3) The combination of matching contributions by the District to the Pension Plan or the 457 Plan cannot exceed 9% of the employee's base annual salary. The District's contributions for each employee (and earnings allocated to the employee's account) are fully vested after five years of continuous service. District contributions and related plan earnings forfeited by employees who leave employment prior to being fully vested are used to reduce the District's current period contribution requirement.
- 4) The Union Pension Plan became available to represented Flood Maintenance Unit Employees on July 1, 2006. The District contributes \$2.09 per hour for all straight-time hours worked or paid for during the year ended June 30, 2023. The Flood Maintenance Unit employees agreed to voluntarily decline participation in the defined contribution plan. Represented Flood Maintenance Unit employees may contribute to the 457 Plan subject to the contribution limits set forth by the IRS Code, but there is no employer match of contributions from represented Flood Maintenance Unit employees.

The District's total payroll for the year ended June 30, 2023 was approximately \$4,447,983. The District's matching contributions to the plans were calculated using the base salaries of participating employees, which aggregated approximately \$4,216,229 for the year ended June 30, 2023. For the year ended June 30, 2023, employee contributions totaled \$338,674 and the District recognized pension expense of \$287,151, which comprise of contributions made by the District to the Plan.

NOTE 14 – JOINT POWERS INSURANCE AUTHORITY

The District is a member of the Association of California Water Agencies – Joint Powers Insurance Authority (ACWA/JPIA) whose members have pooled funds to self-insure for general liability, property claims and workers' compensation claims. Insurance premiums are based on the District's respective payroll and loss history or insured values. Retrospective premium adjustments are determined by the ACWA/JPIA based on the cost of claims against a member during applicable policy years.

KINGS RIVER CONSERVATION DISTRICT | JUNE 30, 2023

Notes to the Basic Financial Statements

NOTE 14 – JOINT POWERS INSURANCE AUTHORITY (Continued)

As of September 30, 2022, the ACWA/JPIA reported assets totaling \$246,615,214. The ACWA/JPIA financial statements were audited by other auditors, whose report dated March 22, 2023, expressed an unmodified opinion on those statements. Separate financial statements are available from the ACWA/JPIA. A summary of those financial statements as of September 30, 2022, and for the year then ended is as follows:

Total assets	\$ 246,615,214
Deferred outflows	6,108,562
Total liabilities	(137,126,606)
Deferred inflows	<u>(2,813,249)</u>
Net position	<u>\$ 112,783,921</u>
Revenues	\$ 214,120,815
Expenses	<u>(251,147,426)</u>
Change in net position	<u>\$ (37,026,611)</u>

The District has coverage against claims up to a limit of \$60 million for comprehensive general, auto liability, and public officials' liability. Should the District discontinue its participation in ACWA/JPIA, the District could be liable for additional premiums for certain periods in the event ACWA/JPIA becomes underfunded.

Additionally, the District has separate policies with different carriers with per occurrence limits of insurance for Pine Flat of \$212 million.

NOTE 15 – COMMITMENTS AND CONTINGENCIES

In 1999, the District entered into an agreement with the Kings River Water Association (KRWA) and the California Department of Fish and Game (CDFG) to provide funds to design, install, operate and maintain selected physical improvements to the Kings River below the Pine Flat Dam, which will enhance fish and wildlife resources. The agreement required the District and KRWA to collectively provide \$100,000 per year for ten years commencing in May of 1999. CDFG contributed \$700,000 over the same ten-year period.

On June 26, 2009, the District and KRWA signed a ten-year extension of the agreement with CDFG under terms similar to the original agreement. The District and KRWA agreed to extend the funding obligation of \$100,000 per year through May 2019. The District, KRWA and CDFG have now agreed to a third ten-year agreement that maintains the program's planning and improvement development work while continuing a doubling of minimum river releases, a reservoir temperature control pool of 100,000 acre-feet (10% of Pine flat Lake's capacity) and financial support from the partnering agencies. The District and KRWA have agreed to extend the funding obligation of \$100,000 per year through May 2029. The District's unspent funds related to this program as of June 30, 2023 were \$207,874.

NOTE 16 – POST-RETIREMENT BENEFITS OTHER THAN PENSIONS

Other Post-Employment Benefits (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the District’s plan (OPEB Plan) and additions to/deductions from the OPEB Plan’s fiduciary net position have been determined by an independent actuary. For this purpose, benefit payments are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value. As of June 30, 2023, there is no balance in the Plan Fiduciary Net Position.

Generally accepted accounting principles require that the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used:

Valuation Date	July 1, 2021
Reporting Period	July 1, 2022 to June 30, 2023
Measurement Period	July 1, 2021 to June 30, 2022

Plan Description

Plan Description. The Kings River Conservation District Retired Employees Healthcare Plan is a single employer defined benefit healthcare plan administered by the District. The District provides medical, dental, and vision insurance benefits to eligible retirees, their spouses and dependents. To earn this benefit, employees must have reached the age of sixty years with ten years of service to the District; or have reached the age of fifty-five years with twenty-five years of service and become permanently disabled. The District also provides benefits for directors who had taken office prior to January 1, 1995 and completed twelve years of service. The District provides coverage for surviving family members of an enrollee who dies while covered under the plan. Coverage for the enrolled family members then continues until any one of a specific set of circumstances occurs. There are no assets accumulated in a trust that meets all of the criteria in GASB Statement No. 75, paragraph 4. The Retiree Health Plan does not issue a financial report.

Funding Policy. The contribution requirements of plan members and the District are established and may be amended by the Board of Directors. The required contribution is based on projected pay-as-you-go financing requirements. For fiscal year 2023, the District contributed \$103,780 to the plan, the entire amount for current premiums. Plan members receiving benefits contributed \$29,300, or approximately 28% of the total premiums, through their required contribution of one-half of the dependent cost for health insurance coverage. Dental and vision insurance benefits are 100% paid by the District for retirees and their dependents.

Annual OPEB Cost and Net OPEB Obligation. The District's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the entry age normal (EAN) cost method. Under the Entry Age Normal cost method, the Normal Cost for each participant is determined as a level percent of payroll throughout the participant’s working career. Accrued Liability for active employees is the portion of benefit liability attributed to service years to date. Normal Cost is the amount of benefit liability attributed to the current employment year. Normal Cost for retired employees is zero.

The projection of future benefit payments for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

NOTE 16 – POST-RETIREMENT BENEFITS OTHER THAN PENSIONS (Continued)

Other Post-Employment Benefits (OPEB) (Continued)

Employees Covered

As of the June 30, 2022 measurement date, the following current and former employees were covered by the benefit terms under the Healthcare Plan:

Active employees	45
Inactive employees or beneficiaries currently receiving benefit payments	19
Inactive employees entitled to but not yet receiving benefit payments	<u>-</u>
 Total	 <u><u>64</u></u>

Contributions

The District’s policy, as stated in the employee handbook, allows District employees to participate in the Plan. The contributions made are based on the District’s policy. For the fiscal year ended June 30, 2023, the District’s cash contributions were \$103,780 in payments to the Plan as the District is on the pay-as-you-go basis.

Net OPEB Liability

The District’s net OPEB liability was measured as of June 30, 2022 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation dated July 1, 2021 that was rolled forward to determine the June 30, 2023 total OPEB liability, based on the following actuarial methods and assumptions below:

Methods and Assumptions. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. Actuarial assumptions come in part from the professional judgment of the Actuary, working within the scope of GASB Statement No. 75, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*.

The following simplifying assumptions were made:

Retirement age for active employees—Based on the historical average retirement age, the District employees were assumed to retire at age 70 and the Pine Flat Power Plant employees were assumed to retire at age 63.

Marital status—Percent of married members at the calculation date was assumed to be 80% and continue throughout retirement.

Mortality—Life expectancies were based on the most recent study for CalPERS members.

Turnover—Non-group-specific age-based turnover data from GASB Statement No. 75 was used as the basis for assigning active members a probability of remaining employed until the assumed retirement age and for developing an expected future working lifetime assumption for purposes of allocating to periods the present value of total benefits to be paid.

NOTE 16 – POST RETIREMENT BENEFITS OTHER THAN PENSIONS (Continued)

Other Post-Employment Benefits (OPEB) (Continued)

Medical cost trend rate—A rate of 5.20% was used for 2022 through 2034. A rate of 5.00% will be used for 2035 through 2049 and will decrease to an ultimate rate of 4.5% in 2050 through 2064. A rate of 4% will be used for 2065 and later years.

Health insurance premiums—2022 health insurance premiums for retirees were used as the basis for calculation of the present value of total benefits to be paid.

Inflation rate—The inflation rate of 2.5% is based on the estimate for the Plan’s long-time horizon.

Payroll growth rate—The expected long-term payroll growth rate was assumed to be 3% annually.

Discount rate—Based on the historical and expected returns of the District's short-term investment portfolio, a discount rate of 3.69% was used.

Discount Rate

The discount rate used to measure the total OPEB liability was 3.69 percent. The projection of cash flows used to determine the discount rate assumed that District contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan’s fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees and beneficiaries.

Changes in the OPEB Liability

The changes in the net OPEB liability for the Healthcare Plan are as follows:

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability/Asset (c) = (a) - (b)
Balance at June 30, 2022 (Measurement Date June 30, 2021)	\$ 9,754,481	\$ -	\$ 9,754,481
Changes recognized for the measurement period:			
Service cost	723,240	-	723,240
Interest	199,238	-	199,238
Changes of assumptions	(2,558,448)	-	(2,558,448)
Contributions-employer	-	202,480	(202,480)
Benefit payments	(202,480)	(202,480)	-
Net Changes	(1,838,450)	-	(1,838,450)
Balance at June 30, 2023 (Measurement Date June 30, 2022)	\$ 7,916,031	\$ -	\$ 7,916,031

NOTE 16 – POST RETIREMENT BENEFITS OTHER THAN PENSIONS (Continued)

Other Post-Employment Benefits (OPEB) (Continued)

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

The sensitivity analysis of the District regarding the net OPEB liability of the District if it were calculated using a discount rate that is one percentage point lower (2.69 percent) or one percentage point higher (4.69 percent) than the current rate, for measurement period ended June 30, 2022 is presented below:

	1% Decrease (2.69%)	Discount Rate (3.69%)	1% Increase (4.69%)
Net OPEB Liability (Asset)	\$ 9,238,663	\$ 7,916,031	\$ 6,845,447

Sensitivity of the Net OPEB Liability to Changes in the Health Care Cost Trend Rates

The sensitivity analysis of the net OPEB liability of the District if it were calculated using health care cost trend rates that are one percentage point lower (4.20%) or one percentage point higher (6.20%) than the current rate, for measurement period ended June 30, 2022 is presented below:

	1% Decrease (4.20%)	Trend Rate (5.20%)	1% Increase (6.20%)
Net OPEB Liability (Asset)	\$ 6,604,237	\$ 7,916,031	\$ 9,620,572

OPEB Plan Fiduciary Net Position

The District is on the pay-as-you-go financing requirements, so the Plan Fiduciary Net Position represents the 2022 Employer Contributions offset by the Benefit Payments, which nets to a \$0 balance.

OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB

For the fiscal year ended June 30, 2023, the District recognized net OPEB expense of \$476,760 (\$922,478 of Service Costs and Interest expenses, offset by the current year amortization amount of Changes of assumptions of \$445,718). As of the fiscal year ended June 30, 2023, the District reported deferred inflows and outflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
OPEB contributions subsequent to measurement date	\$ 139,908	\$ -
Changes of assumptions	1,995,068	(2,539,597)
Difference between expected and actual experience	-	(2,479,873)
Total	\$ 2,134,976	\$ (5,019,470)

NOTE 16 – POST RETIREMENT BENEFITS OTHER THAN PENSIONS (Continued)

Other Post-Employment Benefits (OPEB) (Continued)

OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB (Continued)

The \$139,908 reported as deferred outflows of resources related to contributions subsequent to the June 30, 2022 measurement date will be recognized as a reduction of the net OPEB liability during the fiscal year ended June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized as expense as follows:

Fiscal Year Ending June 30:	Deferred Outflows/(Inflows) of Resources
2024	\$ (445,718)
2025	(445,718)
2026	(400,891)
2027	(350,339)
2028	(188,242)
Thereafter	<u>(1,193,494)</u>
Total	<u>\$ (3,024,402)</u>

NOTE 17 – RECLASSIFICATION

Certain reclassifications were made to the 2022 financial statements in order to conform to the presentation shown. The reclassifications had no effect on the District's net position at June 30, 2022.

REQUIRED SUPPLEMENTARY INFORMATION

KINGS RIVER CONSERVATION DISTRICT | FOR THE YEAR ENDED JUNE 30, 2023

Budgetary Comparison Schedule – General Fund

	Original Budget	Final Budget	Actual Amounts	Variance With Final Budget
Revenues:				
Property taxes	\$ 1,360,000	\$ 1,360,000	\$ 1,529,313	\$ 169,313
Investment earnings	363,638	363,638	660,914	297,276
Grants revenue	3,760,000	3,760,000	1,612,544	(2,147,456)
Charges for services	1,573,750	1,573,750	1,285,643	(288,107)
General and administrative charges to Enterprise Funds	2,277,408	2,277,408	2,163,727	(113,681)
Other	337,123	337,123	355,814	18,691
Total revenues	9,671,919	9,671,919	7,607,955	(2,063,964)
Expenditures:				
Current:				
Salaries and wages	2,530,291	2,530,291	2,654,044	(123,753)
Directors' fees	42,000	42,000	41,632	368
Payroll taxes and benefits	1,254,590	1,254,590	1,139,230	115,360
Pension plan	331,682	331,682	287,151	44,531
Legal fees	143,500	143,500	52,662	90,838
Accounting services	35,000	35,000	33,000	2,000
Other services	940,480	940,480	638,187	302,293
Engineering services	104,000	104,000	99,529	4,471
Weather modification	402,802	402,802	333,651	69,151
Insurance	204,201	204,201	172,278	31,923
Maintenance of structures	2,172,486	2,172,486	1,658,106	514,380
Maintenance of equipment	120,483	120,483	163,427	(42,944)
Office expense	337,605	337,605	210,291	127,314
Rents and leases	144,140	144,140	115,885	28,255
Transportation and travel	226,650	226,650	171,151	55,499
Contributions to other agencies	492,670	492,670	14,570	478,100
Miscellaneous	132,095	132,095	76,507	55,588
Capital outlay	104,100	104,100	62,065	42,035
Debt Service:				
Principal	474,818	474,818	212,698	262,120
Interest expense	-	-	11,105	(11,105)
Total expenditures	10,193,593	10,193,593	8,147,169	2,046,424
Excess (deficiency) of revenues over (under) expenditures	(521,674)	(521,674)	(539,214)	(17,540)
Other financing sources (uses):				
Transfers in from Enterprise Funds	-	-	1,764,244	1,764,244
Insurance proceeds	-	-	-	-
Total other financing sources (uses)	-	-	1,764,244	1,764,244
Net change in fund balance	\$ (521,674)	\$ (521,674)	1,225,030	\$ 1,746,704
Fund balance - beginning			25,159,474	
Fund balance - ending			<u>\$ 26,384,504</u>	

The notes to the budgetary comparison schedule are an integral part of this statement.

KINGS RIVER CONSERVATION DISTRICT | FOR THE YEAR ENDED JUNE 30, 2023

Notes to the Budgetary Comparison Schedule – General Fund

NOTE 1 – BUDGETARY INFORMATION

An annual non-appropriated budget, which establishes the total spending authority for the General Fund, is adopted by the Board just prior to the beginning of the District’s fiscal year. Budgetary control is exercised at the fund level. The Board may authorize amendments to the budget during the year as deemed necessary. Budgeted amounts are reported as amended.

The budgetary basis of accounting is consistent with generally accepted accounting principles applicable to the District’s financial statements.

NOTE 2 – EXCESS EXPENDITURES OVER APPROPRIATIONS

As of June 30, 2023, expenditures exceeded appropriations in the following categories:

<u>Appropriations Category</u>	<u>Excess Expenditures</u>
General Fund:	
Current:	
Salaries and wages	\$ 123,753
Maintenance of equipment	42,944
Debt Service:	
Interest expense	11,105

KINGS RIVER CONSERVATION DISTRICT | FOR THE YEAR ENDED JUNE 30, 2023

Required Supplementary Information

Schedule of Changes in the Net OPEB Liability and Related Ratios

Last Ten Fiscal Years*

<i>For the Measurement Period Ended June 30:</i>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total OPEB Liability						
Service Cost	\$ 723,240	\$ 651,178	\$ 405,727	\$ 399,888	\$ 438,554	\$ 438,554
Interest on the total OPEB liability	199,238	245,468	289,719	325,461	272,704	271,290
Actual and expected experience difference	-	(1,485,527)	-	(2,607,662)	-	-
Changes in assumptions	(2,558,448)	(18,881)	2,070,323	1,310,890	(718,189)	-
Changes in benefit terms	-	-	-	-	-	-
Benefit payments	(202,480)	(186,482)	(178,080)	(116,576)	(112,328)	(84,168)
Net Changes in total OPEB liability	(1,838,450)	(794,244)	2,587,689	(687,999)	(119,259)	625,676
Total OPEB liability - beginning	9,754,481	10,548,725	7,961,036	8,649,035	8,768,294	8,142,618
Total OPEB liability - ending (a)	\$ 7,916,031	\$ 9,754,481	\$ 10,548,725	\$ 7,961,036	\$ 8,649,035	\$ 8,768,294
Plan Fiduciary Net Position						
Contribution - employer	\$ 202,480	\$ 186,482	\$ 178,080	\$ 116,576	\$ 112,328	\$ 84,168
Net investment income	-	-	-	-	-	-
Benefit payments	(202,480)	(186,482)	(178,080)	(116,576)	(112,328)	(84,168)
Administrative expense	-	-	-	-	-	-
Net change in plan fiduciary net position	-	-	-	-	-	-
Plan fiduciary net position - beginning	-	-	-	-	-	-
Plan fiduciary net position - ending (b)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Net OPEB liability - ending (a) - (b)	\$ 7,916,031	\$ 9,754,481	\$ 10,548,725	\$ 7,961,036	\$ 8,649,035	\$ 8,768,294
Plan fiduciary net position as a percentage of the total OPEB liability	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Covered employee payroll	4,304,872	4,142,143	3,979,755	3,986,678	3,844,456	3,751,340
District's net OPEB liability as a percentage of covered-employee payroll	183.89%	235.49%	265.06%	199.69%	224.97%	233.74%
Measurement date	6/30/2022	6/30/2021	6/30/2020	6/30/2019	6/30/2018	6/30/2017

Notes to Schedule:

* Schedule is intended to show information for ten years. Additional information will be displayed as it becomes available.

The Notes to Required Supplementary Information (RSI) are integral to the above schedules.

Changes of assumptions : None

KINGS RIVER CONSERVATION DISTRICT | FOR THE YEAR ENDED JUNE 30, 2023

Required Supplementary Information

Schedule of Other Postemployment Benefits Contributions

Last Ten Fiscal Years*

Fiscal Year Ended June 30	2023	2022	2021	2020	2019	2018
Actuarially Determined Contribution (ADC)	\$ 103,780	\$ 128,946	\$ 155,402	\$ 145,080	\$ 85,586	\$ 81,338
Contributions in relation to the ADC	103,780	128,946	155,402	145,080	85,586	81,338
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered-employee payroll	4,304,872	4,142,143	\$ 3,979,755	\$ 3,986,678	\$ 3,844,456	\$ 3,751,340
Contributions as a percentage of covered-employee payroll	2.41%	3.11%	3.90%	3.64%	2.23%	2.17%

Notes to the Required Supplementary Information - Schedule of Other Postemployment Benefits

Methods of assumptions used to determine contributions:

Actuarial cost method	Entry age normal
Discount rate	3.69%
Inflation	2.50%
Payroll growth	3.00%
Healthcare cost-trend rates	5.20% for 2022-2034; 5.00% for 2035-2049; 4.50% for 2050-2064; and 4.00% for 2065 and later years
Retirement age	65.5
Percent married	80%
Mortality	2021 CalPERS Experience Study

* Schedule is intended to show information for ten years. Additional information will be displayed as it becomes available.