KINGS RIVER EAST GROUNDWATER SUSTAINABILITY AGENCY
FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED
SEPTEMBER 30, 2020

KINGS RIVER EAST GROUNDWATER SUSTAINABILITY AGENCY
FOR THE YEAR ENDED SEPTEMBER 30, 2020

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KINGS RIVER EAST GROUNDWATER SUSTAINABILITY AGENCY
BOARD OF DIRECTORS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

Board of Directors

Ernest "Buddy" Mendes	Chairman
Mary Fast	Vice-Chairman
Jack Brandt	Secretary/Treasurer
Steve Boos	Director
David Brown	Director
Fernando Rubalcaba	Director
Eddie Valero	Director

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CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditor's Report

To the Board of Directors
Kings River East Groundwater Sustainability Agency
Dinuba, California

Report on the Financial Statements

We have audited the accompanying financial statements of Kings River East Groundwater Sustainability Agency (the Agency), as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Kings River East Groundwater Sustainability Agency as of September 30, 2020, and the changes in financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other-Matters

As described in Note 2 to the financial statements, the reporting model used in the past has been changed from business-type activities to governmental activities.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 6 be presented to supplement the basic financial statements. Such information, 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 8, 2021, on our consideration of the Kings River East Groundwater Sustainability Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Kings River East Groundwater Sustainability Agency's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Kings River East Groundwater Sustainability Agency's internal control over financial reporting and compliance.

Price Paige & Martin

February 8, 2021

As management of the Kings River East Groundwater Sustainability Agency (the Agency), we offer readers of the Agency's financial statements this narrative overview and analysis of the Agency's financial performance during the fiscal year ended September 30, 2020 . Please read it in conjunction with the Agency's financial statements, which follow this section.

Overview of the Financial Statements

This annual financial report includes this management's discussion and analysis, the independent auditor's report, government-wide financial statements combined with the fund financial statements and notes that explain in more detail some of the information in the financial statements.

Government-Wide Financial Statements

The government wide financial statements are designed to provide readers with a broad overview of the Agnecy's finances in a manner, which is similar to a private-sector business. They are presented on the accrual basis of accounting where revenues and expenditures are recognized on the date they occurred rather than on the date they were collected or paid.

The Statement of Net Position presents information on all of the Agency's assets, deferred outflow of resources, liabilities, and deferred inflow of resources with the difference between these 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 Agency is improving or deteriorating.

The Statement of Activities presents information which shows how the Agency's net position changed during the fiscal year. All changes in net position are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in the statement for some items that will only result in cash flows in the future fiscal periods. Examples are uncollected fees.

All of the Agency's functions are determined to be governmental activities versus business-type activities. The government wide financial statements are reported on combined statements with the fund financial statements on pages 7 and 8.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Agency, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The Agency only has one fund, general fund, which is categorized as a governmental fund.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on current sources and uses of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near term financing decisions. Both the governmental funds balance sheet and the governmental funds statements of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Notes to the 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 are presented on pages 9 through 14.

Government-Wide Financial Analysis

As noted earlier, over time net position may serve as a useful indicator of a government's financial position and an important determinant of its ability to finance services in the future. In the case of the Kings River East Groundwater Sustainability Agency, assets exceeded liabilities by $624,509 as of September 30, 2020 and an overall increase of $219,135 over the prior year.

Net Position

A comparison of the Statement of Net Position can determine the change in the components of financial position (the assets and liabilities) of the Agency from year-end to year-end. This comparison is presented in the following table

Condensed Statement of Net Position September30, 2020 and 2019

	September 30, 2020	September 30, 2019	Dollar Change	Percentage Change
Current Assets	$ 632,000	$ 668,946	$ (36,946)	-5.52%
Capital Assets	-	-	-	-
Total Assets	632,000	668,946	(36,946)	-
Current Liabilities	7,491	263,572	(256,081)	-97.16%
Long Term Debt	-	-	-	-
Total Liabilities	7,491	263,572	(256,081)	-97.16%
Total Net Position	$ 624,509	$ 405,374	$ 219,135	54.06%

The table shows the Agency's Net Position increased by $219,135. The net position consists of cash and receivables net of current liabilities.

Revenues, Expenses and Changes in Net Position

A comparison of the Statement of Revenues, Expenses and Changes in Net Position for each year will explain the changes in financial position that resulted from the operating activities during the year. This comparison is presented in the following table:

Condensed Statement of Revenues, Expenses and Changes in Net Position
September 30, 2020 and 2019

	September 30, 2020	September 30, 2019	Dollar Change	Percentage Change
General Revenues	$ 418,057	$ 697,812	$ (279,755)	-40.09%
Expenditures	198,922	427,282	(228,360)	-53.44%
Excess Expeditures over Revenues	219,135	270,530	(51,395)	-19.00%
Change In Net Position	219,135	270,530	(51,395)	-19.00%
Net Position - Beginning of Year	405,374	134,844	270,530	200.62%
Net Position - End of Year	$ 624,509	$ 405,374	$ 219,135	54.06%

The table shows the Agency's Net Position increased for the year ended September 30, 2020 by $219,135. Factors contributing to this increase include:

- In the prior year the Agency had grant revenues of $274,115 which the Agency did not have for the year ended September 30, 2020.
- For the year ended September 30, 2020 costs associated with administration of the Agency and costs for the development of the Groundwater Sustainability Plan were less.

Debt Service Requirements

The Agency has no long-term debt.

Capital Assets

The Agency has no capital assets.

Contacting the Agency's Management

This annual financial report is designed to provide our customers and creditors with a general overview of the Agency's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Kings River East Groundwater Sustainability Agency, 289 North L Street, Dinuba, CA 93618

KINGS RIVER EAST GROUNDWATER SUSTAINABILITY AGENCY
GOVERNMENT FUND BLANCE SHEET
AND STATEMENT OF NET POSITION
SEPTEMBER 30, 2020

	General Fund	Conversion Adjustments	Statement of Net Position
ASSETS			
Cash and cash equivalents	$ 577,865	$ -	$ 577,865
Accounts receivable, net	32,132	-	32,132
Grant Receivable	21,429	-	21,429
Interest Receivable	574	-	574
Total assets	$ 632,000	$ -	$ 632,000
LIABILITIES			
Accounts payable	$ 7,491	$ -	$ 7,491
Total liabilities	7,491	-	7,491
FUND BALANCE/NET POSITION			
Fund balance			
Unassigned	624,509	(624,509)	-
Net position			
Unrestricted	-	624,509	624,509
Total fund balance/net position	624,509	-	624,509
Total liabilities and fund balance/net position	$ 632,000	$ -	$ 632,000

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

KINGS RIVER EAST GROUNDWATER SUSTAINABILITY AGENCY
STATEMENT OF GOVERNMENTAL FUND REVENUES, EXPENDITURES
AND CHANGES IN FUND BLANCE AND STATEMENT OF ACTIVITY
FOR THE YEAR ENDED SEPTEMBER 30, 2020

	General Fund	Coversion Adjustments	Statement of Activity
GENERAL REVENUES			
Fees	$ 411,106	$ -	$ 411,106
Interest income	6,951	-	6,951
Total general revenues	418,057	-	418,057
EXPENDITURES			
Administrative Services	48,197	-	48,197
Administrative-Other	12,998	-	12,998
Audit Services	3,950	-	3,950
Bad Debts	8,995	-	8,995
Dues	3,985	-	3,985
Engineering Services	103,631	-	103,631
Groundwater Sustainability Costs	4,689	-	4,689
Insurance	1,217	-	1,217
Legal	11,260	-	11,260
Total expenditures	198,922	-	198,922
Excess expenditures over revenues	219,135	-	219,135
Net change in fund balance	219,135	(219,135)	-
Increase in net position	-	219,135	219,135
FUND BALANCE/NET POSITION			
Beginning of Year	405,374	-	405,374
End of Year	$ 624,509	$ -	$ 624,509

The accompanying notes are an integral part of these financial statements

(1) Description of Entity

Description of Operations

Kings River East Groundwater Sustainability Agency (the "Agency") was formed January 1, 2017 as an agency created by the State of California Legislature. The Agency operates entirely within central California. The Agency was formed to comply with the requirements of the Sustainable Groundwater Management Act (SGMA) which requires that all groundwater basins in the State of California form at least one "Groundwater Sustainability Agency", develop a plan for groundwater sustainability by January 31, 2020 and achieve sustainability on or before 2040. The SGMA gives authority to local government agencies to form GSA's to adopt groundwater sustainability plans to manage and regulate pumping from groundwater basins or subbasins.

Member Agencies

In March 2016, the following agencies held a public hearing and signed a memorandum of understanding to form the Kings River East Groundwater Sustainability Agency: County of Tulare, County of Fresno, City of Orange Cove, City of Reedley, City of Dinuba, Orange Cove Irrigation District, Alta Irrigation District, Hills Valley Irrigation District, Tri-Valley Water District, Cutler Public Utility District, East Orosi Community Services District, London Community Services District, Orosi Public Utility District and Sultana Community Services District. The entities above as well as Kings River Water District are members of the Agency.

Reporting Entity

The Agency's basic financial statements include the accounts of all its operations. The Agency evaluated whether any other entity should be included in these financial statements. The criteria for including organizations as component units within the Agency's reporting entity include whether:

- the organization is legally separate (can sue and be sued in its name)
- the Agency holds the corporate powers of the organization
- the Agency appoints a voting majority of the organization's board
- the Agency is able to impose its will on the organization
- the organization has the potential to impose a financial benefit/burden on the Agency
- there is fiscal dependency by the organization on the Agency
- exclusion of the organization would render the financial statements incomplete or misleading

Based on these criteria, the Agency has no component units. Additionally, the Agency is not a component unit of any other reporting entity as defined by the GASB statements.

(2) Summary of Significant Accounting Policies

Fund Accounting

The accounts of the Agency are organized on the basis of fund accounting. Under fund accounting, different types of Agency operations are accounted for in different funds, each with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues and expenditures as appropriate. Resources are allocated to and accounted for in individual funds, based upon the purpose for which they are to be spent and the means by which spending activities are controlled. Since the Agency does not have any financial resources that are required to be accounted for in other funds, it utilizes only a "General Fund" for its operations.

In previous years, the Agency's financial statements accounted for its activities using the business-type activities reporting model. Due to the type of revenues collected by the agency (fees based on rates at acre-feet and on estimated-ground water pumping) and the fact that it is not for services performed, the financial statements are reported as governmental activities for the year ended September 30, 2020 .

Measurement Focus, Basis of Accounting

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when susceptible to accrual (i.e. when they become both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible soon enough thereafter to be used to pay liabilities of the current period, usually within sixty days.

Expenditures are generally recognized when the related fund liability is incurred, except that principal and interest on general long-term debt is recognized when due. 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.

Government wide financial statements of net position and activities are presented using the economic resources measurement focus and 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. If acquired, general capital asset acquisitions are included with assets of the Agency as a whole and depreciated over their estimated useful lives.

Allowance for doubtful accounts

Management has reviewed assessments receivable and has determined a portion of the assessments prior to September 30, 2020 are unlikely to be collected. For the year ended September 30, 2020, the provision was $37,076.

Summary of Significant Accounting Policies (continued)

Fund Balances

Governmental funds report fund balances in classifications based primarily on the extent to which the Agency is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

Nonspendable fund balance — includes amounts that are (a) not in spendable form such as prepaid insurance or (b) legally or contractually required to be maintained intact.

Restricted fund balance — includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other government or (b) imposed by law through constitutional provisions or enabling legislation. Restrictions may effectively be changed or lifted only with the consent of resource providers. The Agency did not have any restricted fund balance resources as of September 30, 2020.

Committed fund balance — includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Board of Directors. These amounts cannot be used for any other purpose unless the Board of Directors removes or changes the specified use by taking the same type of action (ordinance or resolution) that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements. The Agency did not have any committed fund balance resources as of September 30, 2020.

Assigned fund balance — includes amounts that are constrained by the Agency's intent to be used for a specific purpose but are neither restricted nor committed. This intent is expressed by (a) the Board of Directors or (b) an appointed body or official to which the Board of Directors has delegated the Agency to assign, modify, or rescind amounts to be used for specific purposes. Assigned amounts also include all residual amounts in governmental funds (except negative amounts) that are not classified as nonspendable, restricted, or committed. The Agency did not have any assigned fund balance resources as of September 30, 2020.

Unassigned fund balance — this classification includes the residual fund balance for the General Fund that has not been assigned to other funds, and that has not been restricted, committed or assigned to specific purposes within the General Fund. The unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of assigned fund balance amounts.

In circumstances when an expenditure is made for a purpose for which amounts are available in multiple fund balance classifications, it is the Agency's policy to use restricted resources first, followed by committed, assigned and unassigned. However, the Agency reserves the right to selectively spend unassigned resources first to defer the use of these other classified funds.

Summary of Significant Accounting Policies (continued)

Equity Classifications

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. The Agency reports three categories of net position as follows:

Net investment in capital assets — consists of net capital assets reduced by outstanding balances of any related debt obligations and deferred inflows of resources attributable to the acquisition, construction, or improvement of those assets and increased by balances of deferred outflows of resources related to those assets. The Agency did not have any net investment in capital assets as of September 30, 2020.

Restricted net position — net position is considered restricted if their use is constrained to a particular purpose. Restrictions are imposed by external organizations such as federal or state laws. Restricted net position is reduced by liabilities and deferred inflows of resources related to the restricted assets. The Agency did not have any restricted net position as of September 30, 2020.

Unrestricted net position — consists of all other net position that does not meet the definition of the above two components and is available for general use by the Agency.

When an expense is incurred for purposes for which both restricted and unrestricted net position are available, management applies restricted net position first, unless a determination is made to use unrestricted net position. The Agency's policy concerning which to apply first varies with the intended use and legal requirements. Management typically makes this decision on a transactional basis at the incurrence of the expenditure.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Accordingly, actual results could differ from those estimates.

(3) Cash and Cash Equivalents

At September 30, 2020, cash consisted of the following:

Mechanics Bank	$ 307,358
State of California - Local Agency Investment Fund	270,507
	$ 577,865

Cash and Cash Equivalents (continued

Investment in State Investment Pool
The Local Agency Investment Fund is a government investment pool managed and directed by the California State Treasurer. The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. The Agency may withdraw monies upon one-day-notice. The average monthly effective yield for September 30, 2020 was .84%. The Agency's investment in the Local Agency Investment Fund was not subject to credit risk categorization and is carried at amortized cost which approximates fair value. All pooled funds are regulated by the California Government Code.

Authorized Deposits and Investments
The Agency's investment policy authorizes investments in Local Agency Investment Fund. The Agency's investment policy does not contain specific provisions intended to limit its exposure to interest rate risk, credit risk, custodial risk, and concentration of credit risk.

Disclosures Relating to Interest Rate Risk
Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The Agency does not have a formal investment policy that would further limit investment maturities as a means of managing its exposure to fair value losses arising from increasing rates.

Disclosures Relating to Credit 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; however, the Local Agency Investment Fund are not rated.

Concentration of Credit Risk
Concentration of credit risk is the risk of loss attributed to the magnitude of the Agency's investment in a single issuer of securities. When investments are concentrated in one issuer, this concentration presents a heightened risk of potential loss. The Agency's deposit portfolio with governmental agencies consists of Local Agency Investment Fund at 46.8% as of September 30, 2020, of the Agency's total depository and investment portfolio. The Agency does not have a formal investment policy that would further limit exposure to concentration of credit risk.

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 California Government Code does not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits, 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. As of September 30, 2020, the Agency had cash with banks that exceeded federal depository insurance limits in the amount of $57,358.

The custodial risk for investments is the risk that, in the event of the failure of the counterparty 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 does not contain legal or policy requirements that would limit the exposure to custodial credit risk for investments. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools (such as the Local Agency Investment Pool).

The California Government Code and the Agency's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The California Government Code requires California banks and savings and loan associations to collateralize an Agency's deposits by pledging government securities. The market value of the pledged securities must equal at least 110 percent of an Agency's deposits. California law also allows financial institutions to collateralize an Agency's deposits by pledging first trust deed mortgage notes having a value of 150 percent of a Agency's total deposits. The Agency may waive Deposit insurance up to $250,000.

(4) Subsequent Events

Management has evaluated subsequent events through February 8, 2021, the date the financial statements were available to be issued and has determined that no adjustments are necessary to the amounts reported in the accompanying financial statements.

(5) Related Party Transactions

The Alta Irrigation District (the District) maintains the Agency's accounting records and incurs administrative and other expenses on behalf of the Agency. Such expenses have been or are in the process of being reimbursed by the Agency to the District. The Agency has been reimbursing the District for current expenses. Accounts payable to the District as of September 30, 2020, was $979. During the year ended September 30, 2020, the Agency paid the District $47,002 as reimbursements. There is no interest being charged to the Agency.

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CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors
Kings River East Groundwater Sustainability Agency
Dinuba, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities of the Kings River East Groundwater Sustainability Agency as of and for the year ended September 30, 2020 , and the related notes to the financial statements, which collectively comprise the Kings River East Groundwater Sustainability Agency's basic financial statements, and have issued our report thereon dated February 8, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Kings River East Groundwater Sustainability Agency's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Kings River East Groundwater Sustainability Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of the Kings River East Groundwater Sustainability Agency's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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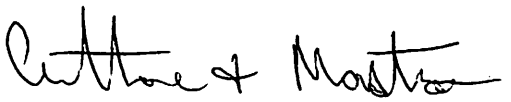
Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Kings River East Groundwater Sustainability Agency's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



February 8, 2021