



Agenda Item Details

Meeting	Jun 18, 2019 - Regular Board Meeting
Category	C. Agenda Items
Subject	1. Consider approval of the Proposed Budget for Fiscal Year ending June 30, 2020 for General and Power Systems Funds, as recommended by the Administration, Budget & Personnel Committee on June 13, 2019.
Access	Public
Type	

Public Content

The attached budget is proposed for Fiscal Year 2019-20. These are preliminary numbers based on estimated expenses and revenues for the current fiscal year. Final budgets will be presented for Board approval in December, after the yearend financials are published for Fiscal 2018-19. On June 13, 2019, the Administration, Budget and Personnel Committee met to thoroughly review the planned revenues and expenditures.

Background

We continue to follow a conservative, thoughtful approach to budgeting for revenues and expenditures, with both a short-term and long-term focus in mind, as outlined in the Strategic Plan, we are also implementing many of the tools recently developed in an effort to reduce the level of contingency while maintaining confidence in the budget presented. Specifically, staff utilized the following guidelines:

1. Use conservative estimates for expenditures. Thus, expenditures include a reasonable contingency to accommodate for unexpected and unanticipated factors. A step towards reining in contingency has been implemented in this budget.
2. Continue to be cautious in adding expenditures that commit the Agency to long-term costs, e.g., additional personnel allocations.
3. Use one-time resources (e.g., grants, reserves) to fund one-time projects or expenses, e.g., flood protection capital expenditures.
4. Continue to fund reserves with anticipated surplus funds, as well as, further develop a cash flow timeline which identifies when large expenditures are expected to be incurred. This will create various targets to achieve over the next 5-10 years.
5. Develop and continuously refine a Five Year Long Range Forecast (draft included), identifying Core/Routine expenses and Non-routine one-time expenses on the horizon.

YCWA continues to maintain a strong financial position with no direct debt, no unfunded CalPERS liability, and a decent start to funding needed cash reserves for future commitments. The Reserves contained approximately \$100.4 million upon the completion of fiscal year 2017-18. We anticipate Reserves to contain approximately \$152 million at the end of fiscal year 2018-19. However, the \$200 million identified as needed to fund reserves is only for the next five years. We expect to need as much as an additional \$100 million to meet conditions of the new FERC license; \$400 million is needed to complete the identified projects for flood protection; plus ongoing capital projects. Staff continues to focus on developing cash flow projections, leading to investment objectives, in order to ensure the Agency continues to demonstrate strong financial management.

Expenditures

Agency-wide expenditures in 2019-20 are budgeted to increase by 25%, or about \$14.3 million, over the prior year's budget. Much of this increase can be attributed to a reduction in project year-end spending totals for the General Fund's current year budget. An annual target of \$4 million invested in flood risk reduction projects has been established and a significant amount of work is carrying over from the FY2019 budget into the FY2020 budget, along with \$4 million of new flood risk reduction projects for the new year. The reduction in projected year-end actuals for the current year will result in a momentary increase in the Reserves balance as we cross the year-end date.

In Power Systems, expenditures are budgeted to increase by 28.4% over last year's budget, after the 11% reduction from FY2018. Of the \$10.0 million increase, \$8.4 million can be attributed to the beginning of the warehouse construction scheduled to break ground in FY2020. This represents a significant investment in Power Systems' infrastructure, and additional focus and support on plant reliability by increasing the capability to store critical inventory should repairs or replacements need to be made. This would result in significantly less down time, and reduce potential missed generation opportunities.

Revenues

Revenue in General Fund is budgeted at about \$9.2 million, which includes a nearly \$4M of incoming grant funding for ongoing projects. Bear in mind, the expenses for these projects are also reflect in the expenditure section of the budget, and then are offset by this grant funding to result in a net zero effect on our Reserves balance. Interest Income is now budgeted at nearly \$4 million, due to the movement of all cash not required to cover disbursements into the County pool, and rising interest rates.

Electric revenue is primarily determined by how much it rains (fuel for Hydro generation) and electric market prices. The impact on revenue resulting from these factors creates a potential range of \$30 million (representing a dry year with low prices similar to 1977) to \$86 million (representing a wet year with high prices similar to 1983). Looking at a 10-year average annual range, we can forecast a potential range between \$52.3 million to \$58.5 million. Winter and spring rainfall produces the greatest variability of these and actual generation is not well known until about April, which is near the end of our fiscal year. The Final Budget presented in December gives us an opportunity to revise our revenue forecast but still contains a great deal of variability due to the spring uncertainty.

The recommendation of the Administration, Budget, and Personnel Committee, we are presenting a revenue budget scenario utilizing a 50% exceedance hydrology forecast, for a revenue budget of \$64.4 million. This budget is less conservative than the 75% exceedance hydrology forecast used in the first two fiscal years since the expiration of the PG&E PPA, and is equally as conservative as the budget provided in FY2019's final budget.

[Core plus Large - Long Term vBOD.pdf \(73 KB\)](#)

[Inc Statement - PS Budget vBOD.pdf \(104 KB\)](#)

[Large Project Worksheet FY2020 - PS.pdf \(100 KB\)](#)

[Inc Statement - GF Budget vBOD.pdf \(110 KB\)](#)

[Large Project Worksheet FY2020 - GF.pdf \(95 KB\)](#)

[FY2020 Personnel Allocation.pdf \(525 KB\)](#)

Administrative Content

Yuba Water Agency

Proposed Budget Fiscal Year Ending June 30, 2020

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- Draft – Long Range Forecast, Core Budget plus Non-Routine/Large One-Time Projects

- General Fund Income Statement, with projected FY2019 actuals
 - Supplementary Large Project Worksheet

- Power Systems Fund Income Statement, with projected FY2019 actuals
 - Supplementary Large Project Worksheet

- Personnel Allocation Chart, with one Proposed new position

DRAFT - Long Range Forecast

	Actual 2016-17	Actual 2017-18	Projected 2018-19	Proposed Budget 2019-20	Budget Estimate 2020-21	Budget Estimate 2021-22	Budget Estimate 2022-23	Budget Estimate 2023-24	Budget Estimate 2024-25	Budget Estimate 2025-2032
PS Revenue	\$ 67,107,681	\$ 74,287,818	\$ 80,067,623	\$ 64,422,933	\$ 55,815,352	\$ 57,489,812	\$ 52,812,027	\$ 59,214,506	\$ 60,990,942	\$ 426,936,591
GF Revenues	\$ 2,882,256	\$ 3,622,143	\$ 19,664,249	\$ 9,203,832	\$ 14,140,060	\$ 14,564,262	\$ 15,001,190	\$ 15,451,225	\$ 15,914,762	\$ 111,403,335
	\$ 69,989,937	\$ 77,909,961	\$ 99,731,872	\$ 73,626,765	\$ 69,955,412	\$ 72,054,074	\$ 67,813,217	\$ 74,665,732	\$ 76,905,704	
Power Systems	Actual 2016-17	Actual 2017-18	Projected 2018-19	Proposed Budget 2019-20	Budget Estimate 2020-21	Budget Estimate 2021-22	Budget Estimate 2022-23	Budget Estimate 2023-24	Budget Estimate 2024-25	Budget Estimate 2025-2032
Routine Operating	\$ 20,154,578	\$ 25,923,008	\$ 17,655,903	\$ 12,846,047	\$ 17,718,934	\$ 17,883,383	\$ 18,442,928	\$ 18,996,216	\$ 19,566,102	\$ 136,962,715
Non-Routine/Large	\$ 2,328,221	\$ 3,247,736	\$ 6,073,181	\$ 12,480,396	\$ 5,800,000	\$ 7,980,000	\$ 2,000,000	\$ 12,279,400	\$ 12,647,782	\$ 88,534,474
Narrows Rehab					\$ 10,000,000	\$ 12,000,000				
Halvey Way Development				\$ 8,443,645	\$ 16,000,000					
Tunnel Outage							\$ 6,855,000			
	\$ 22,482,799	\$ 29,170,744	\$ 23,729,085	\$ 33,770,088	\$ 49,518,934	\$ 37,863,383	\$ 27,297,928	\$ 31,275,616	\$ 32,213,884	\$ 225,497,189
General Fund	Actual 2016-17	Actual 2017-18	Projected 2018-19	Proposed Budget 2019-20	Budget Estimate 2020-21	Budget Estimate 2021-22	Budget Estimate 2022-23	Budget Estimate 2023-24	Budget Estimate 2024-25	Budget Estimate 2025-2032
Routine Operating	\$ 8,926,834	\$ 12,094,506	\$ 14,109,199	\$ 13,583,778	\$ 14,391,404	\$ 14,977,402	\$ 15,434,431	\$ 15,897,464	\$ 16,374,388	\$ 114,620,713
Non-Routine/Large	\$ 7,477,367	\$ 10,139,501	\$ 8,187,360	\$ 19,198,085	\$ 11,000,000	\$ 6,250,000	\$ 6,000,000	\$ 6,000,000	\$ 6,000,000	\$ 42,000,000
Secondary Spillway			\$ 1,871,164	\$ 4,400,000	\$ 3,200,000	\$ 20,500,000	\$ 50,000,000	\$ 80,000,000		
Fish Screen					\$ 5,415,000	\$ 5,415,000				
VSA					\$ 2,000,000	\$ 2,000,000	\$ 2,000,000	\$ 2,000,000	\$ 2,000,000	
License Conditions							\$ 5,488,465	\$ 7,986,590	\$ 7,539,795	\$ 48,793,000
	\$ 16,404,201	\$ 22,234,007	\$ 24,167,723	\$ 37,181,863	\$ 36,006,404	\$ 21,227,402	\$ 78,922,896	\$ 111,884,054	\$ 31,914,183	\$ 205,413,713
Agency Combined	Actual 2016-17	Actual 2017-18	Projected 2018-19	Proposed Budget 2019-20	Budget Estimate 2020-21	Budget Estimate 2021-22	Budget Estimate 2022-23	Budget Estimate 2023-24	Budget Estimate 2024-25	Budget Estimate 2025-2032
Total	\$ 38,887,000	\$ 51,404,751	\$ 47,896,808	\$ 70,951,951	\$ 85,525,338	\$ 59,090,784	\$ 106,220,824	\$ 143,159,669	\$ 64,128,067	\$ 430,910,902
Net Effect on Reserves	\$ 31,102,937	\$ 26,505,210	\$ 51,835,064	\$ 2,674,814	\$ (15,569,926)	\$ 12,963,289	\$ (38,407,607)	\$ (68,493,938)	\$ 12,777,637	
Reserves Rolling Total	\$ 73,228,507	\$ 100,394,536	\$ 152,229,600	\$ 154,904,414	\$ 139,334,488	\$ 152,297,778	\$ 113,890,171	\$ 45,396,233	\$ 58,173,870	

	Proposed Budget 2019/2020	Actual May	Actual Year-to-Date	Budget 2018/2019	% Budget	Projected 06/30/2019
Operating Revenue						
Water Transfer - Non Accord	0.00	\$0.00	\$157,180.00	\$167,200.00	94.01%	157,180.00
Water Sales - In County - Irrigation	557,000.00	0.00	506,501.46	850,000.00	59.59%	506,501.46
Water Sales - Surface - Accord	0.00	0.00	11,356,050.00	9,000,000.00	126.18%	11,356,050.00
Water Sales -Groundwater Substitution - Accord	0.00	0.00	6,564,400.00	6,564,400.00	100.00%	6,564,400.00
Groundwater Substitution - Accord - MU Pass-Through	0.00	0.00	(5,907,960.00)	(5,907,960.00)	100.00%	(5,907,960.00)
	557,000.00	0.00	12,676,171.46	10,673,640.00	118.76%	12,676,171.46
Non-Operating Revenue						
Interest Revenue- Multiple Accts	3,936,136.75	(52.12)	1,030,683.00	1,000,000.00	103.07%	2,061,366.00
Interest Revenue- Loans Made	152,000.00	0.00	(54,030.40)	24,000.00	(225.13%)	152,000.00
Irrigation O&M Reimbursement - North	0.00	0.00	0.00	62,500.00	0.00%	62,500.00
Irrigation O&M Reimbursement - South	660,655.39	0.00	667,541.88	1,245,723.31	53.59%	667,541.88
Property Taxes	499,840.00	0.00	265,831.57	500,000.00	53.17%	499,000.00
Property Taxes Disbursement	(499,840.00)	0.00	0.00	0.00	0.00%	0.00
RMT Rent	24,000.00	2,000.00	22,000.00	24,000.00	91.67%	24,000.00
DWR - FIRO Grant	500,000.00	0.00	0.00	0.00	0.00%	0.00
Forecasted Co-Ops Grant	480,092.00	0.00	405,571.97	198,350.00	204.47%	405,571.97
DWR - SFRA DACI Agreement	2,000,000.00	0.00	317,895.92	0.00	0.00%	317,895.92
DWR - GSP Grant	893,948.00	0.00	0.00	0.00	0.00%	0.00
CDFW South Screen Planning Grant	0.00	0.00	0.00	0.00	0.00%	0.00
Other Revenue	0.00	200.00	2,798,201.75	0.00	0.00%	2,798,201.75
	8,646,832.14	2,147.88	5,453,695.69	3,054,573.31	178.54%	6,988,077.52
Total Revenue	9,203,832.14	2,147.88	18,129,867.15	13,728,213.31	132.05%	19,664,248.98
Expenses						
ADMINISTRATION						
Salaries & Benefits						
Salaries - Non Reimbursable	2,372,212.65	228,122.52	1,719,991.81	2,146,035.03	80.15%	2,107,607.77
Salaries - IT	822,443.84	67,853.46	503,847.34	682,746.48	73.80%	561,479.08
HR - Recruiting	4,500.00	254.80	1,147.42	12,500.00	9.18%	2,647.42
HR - Training	90,000.00	16,704.56	58,980.28	70,000.00	84.26%	65,480.28
HR - Consultant & Legal	20,000.00	0.00	9,662.36	15,000.00	64.42%	10,996.36
HR - Non Routine Employee Benefits	0.00	0.00	0.00	0.00	0.00%	1,145.81
Personnel Issues	25,000.00	2,108.41	22,450.13	25,000.00	89.80%	25,136.96
Benefits	2,032,608.89	193,807.98	1,384,236.03	1,583,258.52	87.43%	1,547,109.71
OPEB Funding ARC	85,000.00	85,000.00	85,000.00	100,000.00	85.00%	85,000.00
CalPERS Unfunded Pension Liability	18,500.00	0.00	12,054.75	50,000.00	24.11%	13,000.00
Miscellaneous						
Board of Directors (per diem & travel)	468,067.00	88,794.46	314,303.83	270,000.00	116.41%	350,303.83
Election	10,000.00	0.00	0.00	10,000.00	0.00%	0.00
Office Supplies, Equipment, Postage	52,500.00	3,986.91	44,620.50	40,000.00	111.55%	48,500.00
Admin Temps	92,500.00	3,863.92	67,243.07	55,000.00	122.26%	68,443.07
Transportation & Travel	48,500.00	3,826.78	44,701.31	42,500.00	105.18%	48,528.09
IT						
IT Equipment, Software	556,029.90	19,894.10	190,740.08	300,000.00	63.58%	210,634.18
IT Tech Support & Software	0.00	0.00	280.71	0.00	0.00%	280.71
Professional Services						
Audit	17,500.00	7,161.25	14,536.45	20,000.00	72.68%	14,536.45
Actuary/GASB 45/OPEB Prefunding	2,500.00	0.00	0.00	2,500.00	0.00%	2,500.00
Insurance - Property, Liability, Auto	5,000.00	0.00	373.18	12,500.00	2.99%	1,384.55
Insurance - Workers' Comp	50,000.00	0.00	34,538.43	27,500.00	125.59%	34,538.43
Insurance - Unemployment	1,500.00	0.00	0.00	1,500.00	0.00%	0.00
Misc Engineering Services	15,000.00	0.00	8,701.20	10,000.00	87.01%	8,701.20
Gauging - DWR & USGS	5,000.00	3,637.50	5,425.00	7,500.00	72.33%	5,425.00
Energy Settlement Assistance	30,000.00	2,400.00	25,530.37	22,500.00	113.47%	29,030.37
YRDP Power Marketing	12,500.00	1,370.10	9,833.71	22,500.00	43.71%	12,573.91
Legal - Misc Other	120,000.00	24,347.64	144,030.01	80,000.00	180.04%	146,030.01
Legal - General Counsel - BOD	45,000.00	6,922.50	30,834.70	60,000.00	51.39%	30,834.70
PoliSci Consultants/Legislative Advocate	160,000.00	4,571.22	139,808.91	160,000.00	87.38%	139,808.91
Western Water	0.00	0.00	0.00	10,000.00	0.00%	0.00
Anticipated Litigation	60,000.00	10,134.50	84,627.08	100,000.00	84.63%	84,627.08
Water Rights - Fees	145,600.00	0.00	142,759.81	141,000.00	101.25%	142,759.81
Water Rights - Legal	42,500.00	2,908.05	23,272.71	42,500.00	54.76%	23,272.71
Facilities						
Repairs & Maintenance - 1220 F St.	75,000.00	1,875.58	19,638.83	22,500.00	87.28%	21,514.41
Utilities & Pest	0.00	18,338.32	151,043.76	117,500.00	128.55%	169,382.08
Gardner & Janitor	0.00	0.00	485.00	17,500.00	2.77%	485.00
Repairs & Maintenance - Hallwood	75,000.00	7,373.10	74,215.89	265,000.00	28.01%	81,588.99
Repairs & Maintenance - 1205 D St.	30,000.00	0.00	0.00	0.00	0.00%	0.00
Repairs & Maintenance - Fleet	15,000.00	0.00	0.00	0.00	0.00%	0.00
Non-Capitalized Furniture & Equipment	125,000.00	37,665.52	77,787.60	87,500.00	88.90%	115,453.12
	7,729,962.28	842,923.18	5,446,702.26	6,632,040.03	82.13%	6,210,740.00

	Proposed Budget 2019/2020	Actual May	Actual Year-to-Date	Budget 2018/2019	% Budget	Projected 06/30/2019
CAPITAL PROJECTS						
New Vehicles - MSVL Office, Ditchtender	0.00	0.00	61,948.60	80,000.00	77.44%	61,948.60
Irrigation Equipment - Tractor w/Mower	65,000.00	0.00	0.00	65,000.00	0.00%	0.00
IT Misc Network Projects	25,000.00	0.00	0.00	0.00	0.00%	0.00
Firewall Upgrade	0.00	0.00	0.00	63,000.00	0.00%	0.00
Video Analytics	0.00	0.00	0.00	150,000.00	0.00%	0.00
Hallwood Property Rehab	250,000.00	0.00	0.00	0.00	0.00%	0.00
1205 D Street Acquisition	650,000.00	6,040.34	823,696.80	1,200,000.00	68.64%	833,696.80
	990,000.00	6,040.34	885,645.40	1,558,000.00	56.85%	895,645.40
WATER RESOURCES						
Water Engineering & Legal	45,000.00	14,315.62	38,824.33	45,000.00	86.28%	38,824.33
Intake Channel	0.00	0.00	0.00	0.00	0.00%	0.00
Irrigation Engineering & Legal	25,000.00	195.00	4,455.00	100,000.00	4.46%	4,455.00
S. Canal Diversion - Fuse Dam Rd	0.00	0.00	0.00	0.00	0.00%	0.00
S. Canal Diversion - Dredge Intake, West Bank Channel	0.00	37,210.60	555,373.60	565,000.00	98.30%	555,373.60
S. Canal Diversion - Waterway 13 Headworks	0.00	0.00	0.00	10,000.00	0.00%	0.00
Irrigation Facilities - North						
Tailwater North	10,927.95	872.31	4,488.07	12,500.00	35.90%	4,488.07
SBX-77 N Metering	35,000.00	623.01	5,648.85	40,000.00	14.12%	6,271.86
SBX-77 N Metering - Non-Billable	10,000.00	93.00	1,560.33	20,000.00	7.80%	3,800.27
Irrigation Facilities - South						
Salaries	166,327.34	18,283.60	132,162.80	153,420.82	86.14%	150,446.40
Employee Benefits	99,796.40	13,031.95	85,368.97	92,052.49	92.74%	90,222.75
Workers' Compensation	15,000.00	0.00	10,099.77	15,000.00	67.33%	11,748.12
Unemployment Insurance	0.00	0.00	0.00	0.00	0.00%	0.00
Insurance - Property	0.00	0.00	0.00	2,250.00	0.00%	0.00
Auto Fuel	13,000.00	1,052.03	11,170.26	10,000.00	111.70%	12,222.29
Auto Repairs	7,500.00	46.53	7,249.95	7,500.00	96.67%	7,508.59
Gauging Equip/Supplies	5,000.00	0.00	1,236.57	6,500.00	19.02%	1,236.57
Canal Maintenance & Repair	63,141.05	17,024.59	35,081.08	25,000.00	140.32%	52,105.67
Communications	4,000.00	395.55	4,148.86	4,000.00	103.72%	4,148.86
Other Agency Services	1,500.00	622.93	1,634.87	15,000.00	10.90%	1,634.87
Irr Bypass Gauging Station	12,000.00	1,459.58	10,784.69	0.00	0.00%	10,784.69
Irr Wildlife Specialist	23,000.00	0.00	20,000.00	20,000.00	100.00%	20,000.00
Fish Screen Maintenance	63,890.60	0.00	1,463.75	100,000.00	1.46%	1,463.75
Tailwater South	2,500.00	0.00	44.13	2,500.00	1.77%	44.13
S. Canal Water Costs	2,500.00	0.00	1,712.34	2,500.00	68.49%	1,712.34
SBX-77 S Metering	40,000.00	4,159.52	26,197.06	50,000.00	52.39%	28,109.90
SBX-77 S Metering - Non-Billable	11,500.00	0.00	9,494.91	7,500.00	126.60%	9,751.55
Wheatland Canal Pump #1	60,000.00	7,373.34	53,747.58	60,000.00	89.58%	53,747.58
Wheatland Canal Pump #2&3	65,000.00	3,894.26	36,088.68	65,000.00	55.52%	38,393.28
Groundwater Management						
Monitoring Wells - Brophy	5,000.00	0.00	0.00	7,500.00	0.00%	0.00
Monitoring Wells - YCWA	50,000.00	2,302.17	24,127.13	75,000.00	32.17%	43,118.65
Groundwater Management	200,000.00	7,559.88	163,230.98	200,000.00	81.62%	188,230.98
SGMA Implementation	75,000.00	2,526.58	27,469.99	125,000.00	21.98%	27,469.99
Grant: Groundwater Sustainability Plan	471,693.56	22,881.25	444,804.50	893,948.00	49.76%	474,804.50
Grant: DWR Prop 1 DACI Grant	2,000,000.00	38,256.73	628,200.00	0.00	0.00%	628,200.00
Non-MU Wells	12,500.00	0.00	449.96	12,500.00	3.60%	449.96
Accord						
Yuba Accord - Long Term	125,000.00	11,624.17	86,159.46	125,000.00	68.93%	86,571.37
Water Transfer - 2017	0.00	0.00	0.00	0.00	0.00%	0.00
Water Transfer - 2018	0.00	0.00	15,231.25	50,000.00	30.46%	15,231.25
Water Transfer - 2019	25,000.00	52,663.72	146,170.37	125,000.00	116.94%	146,170.37
Water Transfer - 2020	33,000.00	0.00	0.00	0.00	0.00%	0.00
Cordua GWS Transfer - Billable	0.00	0.00	(21,913.25)	17,500.00	(125.22%)	(21,913.25)
Grants/Loan						
NYWD Income Survey - Forbestown Ditch	15,000.00	0.00	20,000.66	35,000.00	57.14%	20,000.66
NYWD Forbestown Ditch Local Share	0.00	0.00	0.00	0.00	0.00%	0.00
Yuba Co Water Resources Engineer	125,825.00	0.00	52,914.76	264,304.00	20.02%	264,304.00
Miscellaneous						
Bay Delta Issues	1,100,000.00	127,270.43	1,290,870.82	1,100,000.00	117.35%	1,418,141.25
IRWMP Ongoing Management	145,000.00	172,509.60	187,829.33	100,000.00	187.83%	187,829.33
Ag Water Plan SBX-77	25,000.00	0.00	19,041.75	100,000.00	19.04%	19,041.75
	5,189,601.90	558,247.95	4,142,624.16	4,661,475.31	88.87%	4,606,145.28

	Proposed Budget 2019/2020	Actual May	Actual Year-to-Date	Budget 2018/2019	% Budget	Projected 06/30/2019
FLOOD RISK REDUCTION						
Yuba Basin & General Flood	200,000.00	12,692.00	157,291.57	200,000.00	78.65%	189,632.83
Forecasted Coordinated Ops	75,000.00	7,103.50	117,847.15	175,000.00	67.34%	137,295.44
Forecast Informed Reservoir Operations	500,000.00	0.00	0.00	0.00	0.00%	0.00
Flood General Studies	75,000.00	2,238.50	27,572.58	75,000.00	36.76%	55,475.25
Long Term Planning	0.00	0.00	0.00	0.00	0.00%	0.00
TRLIA Bond Refinancing	5,465,048.50	0.00	2,565,998.67	3,634,421.01	70.60%	2,565,998.67
North Training Wall - Hallwood	0.00	420.00	84,757.85	100,000.00	84.76%	84,757.85
Grants/Loans						
RD2103 & 817 Consolidation Eval - MBK	36,774.73	0.00	23,225.27	60,000.00	38.71%	23,225.27
RD2103 & 817 DWR FSRP Local Share	0.00	0.00	54,402.56	54,402.56	100.00%	54,402.56
RD784 & 817 Gravel Grant	0.00	0.00	50,973.98	50,000.00	101.95%	50,973.98
MLC DWR FSRP Grant	0.00	0.00	26,169.67	26,169.67	100.00%	26,169.67
Yuba Co OES Staff	165,120.00	0.00	107,785.00	107,785.00	100.00%	107,785.00
Yuba Co Sheriff	265,214.00	0.00	135,700.00	135,700.00	100.00%	135,700.00
Yuba Co Storm Water Portable Pump	0.00	0.00	0.00	75,000.00	0.00%	75,000.00
Yuba Co Storm Readiness	180,046.00	0.00	511,696.00	511,696.00	100.00%	511,696.00
Yuba Co Public Works Drainage	2,028,104.00	0.00	455,707.61	758,148.00	60.11%	758,148.00
Yuba Co PW 7th Ave Widening	475,000.00	0.00	0.00	0.00	0.00%	0.00
RD784 Boundary Adjustment	0.00	0.00	0.00	10,000.00	0.00%	0.00
RD784 Hydraulic Mapping	12,296.50	0.00	52,703.50	65,000.00	81.08%	65,000.00
RD784 Prop 218 Benefit Assessment Election	69,372.51	280,627.49	280,627.49	280,627.49	100.00%	280,627.49
RD817 Emergency Study	0.00	0.00	7,907.50	7,907.50	100.00%	7,907.50
RD817 Bear River Setback Levee	275,000.00	0.00	0.00	0.00	0.00%	0.00
Marysville/MBK 200Yr Report	9,216.42	0.00	4,197.64	13,414.06	31.29%	13,414.06
Marysville Ring Levee - 17th Street Pump Station	38,132.53	11,251.20	52,867.47	91,000.00	58.10%	52,867.47
Marysville Ring Levee - Certifications	200,000.00	0.00	0.00	0.00	0.00%	0.00
Continued Ring Levee Support	250,000.00	15,239.40	15,239.40	250,000.00	6.10%	15,239.40
RD10 Toe Access Corridor	1,300,000.00	0.00	0.00	860,000.00	0.00%	0.00
RD10 Prelim Levee Problem ID Study	252,251.41	60,755.63	497,748.59	750,000.00	66.37%	536,992.96
RD10 DWR FSRP Local Share	0.00	0.00	151,553.00	151,553.00	100.00%	151,553.00
Wheatland FEMA LAMP Study	126,167.00	5,978.00	23,833.00	150,000.00	15.89%	23,833.00
Ellis Lake Pump Station & Pipe	0.00	0.00	200,641.50	200,641.50	100.00%	200,641.50
Future Flood Projects - Budget Only	2,335,000.00	0.00	0.00	92,570.17	0.00%	0.00
	14,332,743.60	396,305.72	5,606,447.00	8,886,035.96	63.09%	6,124,336.90
RIVER MANAGEMENT						
Office Equipment/IT	7,500.00	0.00	0.00	7,500.00	0.00%	0.00
RMT Routine Operations	45,000.00	2,000.00	36,768.35	45,000.00	81.71%	42,935.52
RMT - NGO Rep	25,000.00	0.00	0.00	25,000.00	0.00%	0.00
RMT - PSMFC	472,500.00	27,508.26	359,458.93	472,500.00	76.08%	459,947.41
PSMFC F&G Tag Grant	0.00	0.00	0.00	0.00	0.00%	0.00
RMF Steelhead	0.00	0.00	0.00	0.00	0.00%	0.00
In Kind Contribution						
RMF In Kind	20,000.00	1,969.26	15,366.72	20,000.00	76.83%	20,000.00
River Mapping	0.00	0.00	0.00	0.00	0.00%	0.00
	570,000.00	31,477.52	411,594.00	570,000.00	72.21%	522,882.93
FISHERY ENHANCEMENT						
Lower Yuba River Tech Group	0.00	0.00	0.00	0.00	0.00%	0.00
Grant: CDFW South Screen Planning	140,911.81	58,748.32	159,088.19	300,000.00	53.03%	159,088.19
Temperature Advisory Committee	0.00	0.00	0.00	0.00	0.00%	0.00
General Fisheries	50,000.00	0.00	22,103.10	50,000.00	44.21%	37,161.79
Educational Programs	1,250.00	0.00	0.00	1,250.00	0.00%	0.00
RMT Rep and M&E Program	30,000.00	1,425.00	42,252.66	30,000.00	140.84%	43,677.66
NMFS Biological Opinion	225,000.00	0.00	141,508.15	225,000.00	62.89%	156,508.15
Fishery Re Think Tank	0.00	0.00	0.00	2,500.00	0.00%	0.00
COE Recon Study	85,000.00	3,942.00	90,266.33	150,000.00	60.18%	90,266.33
	532,161.81	64,115.32	455,218.43	758,750.00	60.00%	486,702.12
RELICENSING						
General Support	175,000.00	13,793.80	187,331.18	175,000.00	107.05%	201,124.98
Hydrology/Operations Model	0.00	0.00	0.00	0.00	0.00%	0.00
Studies G&A	50,000.00	9,504.90	35,793.05	75,000.00	47.72%	47,649.87
PME Measures	0.00	0.00	0.00	75,000.00	0.00%	0.00
Post Appl Filing Activities	50,000.00	18,746.50	501,081.16	500,000.00	100.22%	519,827.66
CEQA	0.00	0.00	0.00	2,500.00	0.00%	0.00
Client Direct Work	500,000.00	14,278.02	846,581.38	750,000.00	112.88%	870,581.38
Yuba Watershed/YSF	10,000.00	0.00	6,315.73	40,000.00	15.79%	9,509.45
Yuba Salmon Partnership Initiative	150,000.00	7,385.00	128,456.42	250,000.00	51.38%	147,153.40
Grant: Watershed Restoration Grant Administration	94,368.12	0.00	205,631.88	300,000.00	68.54%	205,631.88
NBB Secondary Spillway	4,400,000.00	112,175.75	1,471,164.39	2,788,931.41	52.75%	1,871,164.39
YCWA Labor	193,025.00	26,526.96	226,216.41	186,949.00	121.00%	252,743.37
	5,622,393.12	202,410.93	3,608,571.60	5,143,380.41	70.16%	4,125,386.38

YUBA COUNTY WATER AGENCY
Income Statement - General Fund
For the Ten Months Ending Tuesday, April 30, 2019

	Proposed Budget 2019/2020	Actual May	Actual Year-to-Date	Budget 2018/2019	% Budget	Projected 06/30/2019
COMMUNITY WATER PROJECTS						
Community Relations	300,000.00	73,165.97	276,628.88	225,000.00	122.95%	300,430.59
Communications	275,000.00	23,801.71	222,328.78	250,000.00	88.93%	246,130.49
Memberships/Dues	140,000.00	8,171.00	104,699.03	125,000.00	83.76%	112,870.03
Grants/Loans						
Wildlife Services Program - EIR Support	50,000.00	0.00	0.00	50,000.00	0.00%	0.00
Friends of Fish & Game	6,000.00	0.00	0.00	6,000.00	0.00%	0.00
Yuba Co Fire Safe/Forester	32,000.00	9,443.53	38,443.52	32,000.00	120.14%	38,443.52
Yuba Co Sheriff - Search & Rescue Radio	0.00	0.00	4,430.00	4,430.00	100.00%	4,430.00
Yuba Co Sheriff - Environmental Crimes	0.00	0.00	20,000.00	20,000.00	100.00%	20,000.00
Camptonville Water System Improvement	0.00	0.00	0.00	0.00	0.00%	0.00
Camptonville CSD Emergency Response Vehicle	0.00	0.00	39,575.00	39,575.00	100.00%	39,575.00
Bill Shaw Rescue Equipment & Training Grant	100,000.00	28,500.00	78,500.00	50,000.00	157.00%	78,500.00
Camptonville Community Partnership - Biomass	35,525.00	6,975.00	290,975.00	326,500.00	89.12%	290,975.00
Blue Forest Resilience Bond	300,000.00	0.00	0.00	300,000.00	0.00%	0.00
RHA Water Coordination Program	239,169.45	6,189.70	60,830.55	300,000.00	20.28%	64,529.45
Future Community Projects - Budget Only	737,305.55	0.00	0.00	364,495.00	0.00%	0.00
	2,215,000.00	156,246.91	1,136,410.76	2,093,000.00	54.30%	1,195,884.08
Total Expenses	37,181,862.72	2,257,767.87	21,693,213.61	30,302,681.71	71.59%	24,167,723.09
Income(Loss) Before Operating Transfers	(27,978,030.57)	(2,255,619.99)	(3,563,346.46)	(16,574,468.40)	21.50%	(4,503,474.11)

Yuba County Water Agency
 General Fund 2019/2020 Proposed Budget
 Large Maintenance & CIP

Project	Core Mission	Notes	June Proposed	
			Estimated Remaining Cost	2019/2020
GRANT: DWR Prop 1 DACI	Water Resources	Burdick Task Order #1718-000015	\$ 3,700,000.00	\$ 2,000,000.00
SGMA Implementation	Water Resources	Woodward & Curan Expired TO. GSP Formulation - No TO's yet.	\$ 75,000.00	\$ 75,000.00
IRWMP Ongoing Mgt	Water Resources	Update plan, capacity building. March 1 Ending Date. Creating	\$ 145,000.00	\$ 145,000.00
GRANT: GSP Formulation	Water Resources	three contractor (Burdick, Stantec, Woodard & Curan)	\$ 471,693.56	\$ 471,693.56
Hydrographer Remote Site Access Safety Upgrades	Water Resources	Contractor= RESA	\$ 35,719.00	\$ 35,719.00
Groundwater Management	Water Resources	w/C.Johnck. GW Monitoring programs, prep for GW Transfers.	\$ 200,000.00	\$ 200,000
Bay Delta	Water Resources		\$ 1,100,000	\$ 1,100,000
North Yuba Water District - income Survey	Water Resources	Income survey	\$ 15,000	\$ 15,000
Yuba Co Water Resources Engineer Tech	Water Resources		\$ 629,125	\$ 125,825
Secondary Spillway	Relicensing	Design	\$ 4,400,000	\$ 4,400,000
Watershed Restoration Grant Administration	Relicensing	Tom Johnson & McMillan Jacobs. End date 12/31/2018	\$ 94,368	\$ 94,368
Yuba County Public Works Drainage	Flood Risk Reduction	Drainage Operations & Maintenance	\$ 2,028,104	\$ 2,028,104
Yuba County Public Works CIP	Flood Risk Reduction	N Beale, Olivehurst projects	\$ 475,000	\$ 475,000
Yuba County Storm Readiness	Flood Risk Reduction	USDA Wildlife Specialist Contract	\$ 180,046	\$ 180,046
Yuba County OES Funding	Flood Risk Reduction	OES Flood Protection Work Grant	\$ 165,120	\$ 165,120
Yuba County TRLIA	Flood Risk Reduction		\$ 27,325,245	\$ 5,465,049
Forecast Informed Reservoir Operations (FIRO)	Flood Risk Reduction	\$300/yr for three years due to cost share	\$ 1,100,000	\$ 500,000
RD784: Prop 218 O&M Assessment District	Flood Risk Reduction	Support Prop 218 election. Improving levee O&M for urban area	\$ 69,373	\$ 69,373
Marysville: Continued Ring Levee Support project	Flood Risk Reduction	Funding to be reimbursed through Levee Assessments	\$ 1,296,142	\$ 250,000
Marysville: Levee Certification	Flood Risk Reduction	FMSP	\$ 200,000	\$ 200,000
RD10: LOI & SWIF Plan	Flood Risk Reduction	plans to reduce risk of levee failure	\$ 75,000	\$ 75,000
RD10: Toe Access Corridor project	Flood Risk Reduction	assist in flood fighting and levee maintenance	\$ 3,050,000	\$ 1,300,000
RD2103, 817 & Wheatland: Bear River Setback Levee Construction	Flood Risk Reduction	Cost share with DWR to repair levee. FMSP Objective #2	\$ 1,100,000	\$ 275,000
N1 Acquisition – Comm	Administration/Facilities/IT	during the 18-19 fiscal year, and connecting this plant to the	\$ 380,000	\$ 300,000
GRANT: Blue Forest Resilience Bond Initiative	Community Water Projects	YCWA share of pilot project; yr 1 of 5 year commitment	\$ 1,500,000	\$ 300,000
Bill Shaw Grants	Community Water Projects	Bill Shaw Grants	\$ 100,000	\$ 100,000
RHA Water Coordination Program	Community Water Projects	RHA Water Coordination Program w/ PG&E	\$ 245,359	\$ 245,359
Camptonville Community Partnership - Biomass	Community Water Projects	Camptonville Comm. Partnership-Biomass	\$ 42,500	\$ 42,500
Reserved for Community Grants	Community Water Projects		\$ 4,737,306	\$ 737,305.55
			\$ 85,405,800	\$ 21,370,462

	Proposed Budget 2019/2020	Actual May	Actual Year-to-Date	Budget 2018/2019	% Budget	Projected 06/30/2019
Operating Revenue						
Electric Sales	66,643,699.00	\$6,181,791.95	\$77,473,744.90	\$57,068,462.00	133.45%	84,274,035.98
Fees, Contracts, & Agreements	(3,831,433.00)	(110,769.95)	(4,052,617.08)	(4,786,421.00)	84.67%	(4,492,944.82)
Total Operating Revenue	62,812,266.00	6,071,022.00	73,421,127.82	52,282,041.00	137.91%	79,781,091.16
Non-Operating Revenue (Expense)						
Rec Cap Facility Fees	17,770.38	25,738.00	34,288.00	44,735.00	76.65%	45,000.00
Camping Fees - Marina	29,688.00	81,593.00	111,281.00	113,065.93	98.42%	111,281.00
Emerald Cove Marina Rent	73,052.90	9,911.81	82,964.71	148,346.00	55.93%	82,964.71
House - Bullards Rent	6,000.00	500.00	5,500.00	6,000.00	91.67%	6,000.00
Interest Income - EGC	15,543.84	14.51	15,291.59	15,758.47	97.04%	15,541.59
Interest Income - RCIP	1,862.71	0.00	1,694.95	875.86	193.52%	1,862.71
Interest Income - 779	(2,411.21)	11.90	(4.69)	500.00	(0.94%)	(2,411.21)
Interest Expense - 779	(168.30)	(17.29)	(210.59)	0.00	0.00%	(168.30)
Misc Revenue	26,461.45	0.00	26,440.45	0.00	0.00%	26,461.45
FEMA Public Assistance Grant Program	1,442,866.74	0.00	0.00	0.00	0.00%	0.00
Total Non-Operating Revenue (Expense)	1,610,666.50	117,751.93	159,493.49	329,281.26	84.20%	286,531.94
Total Revenues	64,422,932.50	6,188,773.93	73,580,621.31	52,611,322.26	122.06%	80,067,623.10
Operating Expense						
Maintenance						
Colgate Unit 1						
Maintenance of Electrical Plant Materials	194,313.29	15,000.94	234,934.18	226,811.98	103.58%	238,788.18
Maintenance of Electrical Plant Labor	1,077,119.52	86,349.41	1,054,832.88	1,028,819.12	102.53%	1,138,162.83
Maintenance of Electrical Plant Services	93,146.18	4,666.83	93,372.21	150,134.91	62.19%	98,425.03
	1,364,579.00	106,017.18	1,383,139.27	1,405,766.01	98.39%	1,475,376.04
Colgate Unit 2						
Maintenance of Electrical Plant Materials	172,259.79	15,000.95	228,973.63	174,579.51	131.16%	240,000.00
Maintenance of Electrical Plant Labor	1,095,644.17	87,502.08	928,765.35	906,327.65	102.48%	1,010,079.96
Maintenance of Electrical Plant Services	169,752.05	4,666.83	149,027.88	235,684.84	63.23%	156,495.28
	1,437,656.00	107,169.86	1,306,766.86	1,316,592.00	99.25%	1,406,575.24
Narrows 2						
Maintenance of Electrical Plant Materials	82,769.09	2,677.86	36,732.72	75,363.45	48.74%	40,512.75
Maintenance of Electrical Plant Labor	504,069.00	30,454.21	335,565.74	504,069.00	66.57%	392,699.78
Maintenance of Electrical Plant Services	431,598.91	19,478.93	74,784.74	99,956.54	74.82%	74,784.74
Maintenance of Misc Plant, Equip, Rds Materials	42,114.20	2,559.29	22,594.93	43,906.00	51.46%	23,500.00
Maintenance of Misc Plant, Equip, Rds Labor	48,715.78	(140.51)	11,911.80	55,303.00	21.54%	24,421.59
Maintenance of Misc Plant, Equip, Rds Services	333,749.02	401.47	9,552.89	190,791.00	5.01%	37,145.83
	1,443,016.00	55,431.25	491,142.82	969,388.99	50.67%	593,064.69
Mini Hydro						
Maintenance of Electrical Plant Materials	5,700.00	138.16	3,775.70	6,128.00	61.61%	5,564.72
Maintenance of Electrical Plant Labor	11,020.00	12,494.61	13,228.09	14,612.00	90.53%	13,228.09
Maintenance of Electrical Plant Services	21,280.00	0.00	0.00	26,760.00	0.00%	4,140.58
	38,000.00	12,632.77	17,003.79	47,500.00	35.80%	22,933.39
Common Plant						
Maintenance of Structures Materials	22,797.72	1,819.98	18,499.49	21,924.00	84.38%	19,500.00
Maintenance of Structures Labor	31,579.17	6,069.69	26,341.04	26,029.50	101.20%	28,500.00
Maintenance of Structures Services	50,623.12	5,515.81	33,361.86	57,046.50	58.48%	39,739.02
Maintenance of Waterways Materials	83,367.36	1,807.18	17,942.58	64,019.63	28.03%	37,671.26
Maintenance of Waterways Labor	91,181.52	374.62	14,976.19	49,966.19	29.97%	41,202.25
Maintenance of Waterways Services	1,265,422.12	401.47	528,817.73	498,972.19	105.98%	571,807.07
Maintenance of Electrical Plant Materials	56,757.62	2,678.03	58,157.81	76,258.00	76.26%	63,335.84
Maintenance of Electrical Plant Labor	163,358.16	10,993.82	168,797.59	66,471.00	253.94%	182,291.41
Maintenance of Electrical Plant Services	20,658.23	2,981.47	17,571.05	37,271.00	47.14%	23,052.52
Maintenance of Misc Plant, Equip, Rds Materials	275,105.45	18,322.46	202,479.88	198,257.86	102.13%	208,599.89
Maintenance of Misc Plant, Equip, Rds Labor	494,409.22	59,335.27	341,351.07	329,944.19	103.46%	374,887.92
Maintenance of Misc Plant, Equip, Rds Services	439,438.33	53,209.78	333,206.00	502,020.15	66.37%	333,206.00
	2,994,698.00	163,509.58	1,761,502.29	1,928,180.21	91.36%	1,923,793.18
Reservoirs, Dams, Waterways						
Maintenance of Reservoirs,Dams,Waterways Materials	112,335.31	11,073.76	105,895.19	327,656.08	32.32%	141,615.79
Maintenance of Reservoirs,Dams,Waterways Labor	482,189.99	60,683.87	399,691.65	768,464.03	52.01%	601,570.73
Maintenance of Reservoirs,Dams,Waterways Services	4,162,624.70	146,549.90	5,103,255.69	6,162,400.63	82.81%	5,127,861.00
	4,757,150.00	218,307.53	5,608,842.53	7,258,520.74	77.27%	5,871,047.60
Gauging Stations						
Maintenance of Misc Plant, Equip, Rds Materials	38,384.97	42,241.00	64,967.79	43,213.78	150.34%	64,967.79
Maintenance of Misc Plant, Equip, Rds Labor	324,890.82	25,848.39	255,571.43	262,646.86	97.31%	388,845.72
Maintenance of Misc Plant, Equip, Rds Services	127,125.22	4,787.29	95,141.61	155,589.92	61.15%	104,716.19
	490,401.00	72,876.68	415,680.83	461,450.56	90.08%	558,529.70

	Proposed Budget 2019/2020	Actual May	Actual Year-to-Date	Budget 2018/2019	% Budget	Projected 06/30/2019
Other Sites						
Maintenance of Misc Plant, Equip, Rds Materials	55,471.95	2,830.38	16,592.48	19,953.20	83.16%	16,592.48
Maintenance of Misc Plant, Equip, Rds Labor	25,673.40	892.77	12,266.41	20,243.70	60.59%	13,281.72
Maintenance of Misc Plant, Equip, Rds Services	33,104.65	1,965.53	8,937.39	42,803.10	20.88%	10,033.88
	114,250.00	5,688.68	37,796.28	83,000.00	45.54%	39,908.08
Recreation						
Maintenance of Recreational Facilities Materials	112,903.05	9,260.90	66,166.43	72,360.95	91.44%	88,404.82
Maintenance of Recreational Facilities Labor	298,836.09	48,592.01	206,069.18	228,844.70	90.05%	233,993.24
Maintenance of Recreational Facilities Services	1,241,800.86	49,327.62	713,198.88	1,078,786.78	66.11%	1,021,676.74
	1,653,540.00	105,626.99	985,434.49	1,379,992.43	71.41%	1,344,074.80
Total Maintenance	14,293,290.00	847,260.52	12,007,309.16	14,850,390.94	80.86%	13,235,302.72
Operations						
Colgate Unit 1						
Electric Expenses - Control Room Operation Materials	1,420.00	891.07	2,324.54	1,419.99	163.70%	2,324.54
Electric Expenses - Control Room Operation Labor	966,418.20	98,738.73	787,842.56	955,404.01	82.46%	970,912.82
Electric Expenses - Control Room Operation Services	30,000.00	1,512.50	26,008.74	32,456.99	80.13%	27,698.97
Colgate Unit 2						
Electric Expenses - Control Room Operation Materials	100.00	0.00	97.20	1,419.99	6.85%	97.20
Electric Expenses - Control Room Operation Labor	966,418.20	90,127.42	748,903.62	954,491.16	78.46%	949,192.29
Electric Expenses - Control Room Operation Services	30,000.00	1,512.50	25,425.56	33,369.84	76.19%	27,417.89
Narrows 2						
Electric Expenses - Control Room Operation Materials	100.00	0.00	0.00	0.00	0.00%	34.00
Electric Expenses - Control Room Operation Labor	263,568.60	14,836.13	132,259.09	251,420.39	52.60%	169,383.46
Electric Expenses - Control Room Operation Services	0.00	0.00	0.00	110.61	0.00%	0.00
Hydraulic Plant Expenses- Plant Inspection Operation Materials	0.00	0.00	0.00	0.00	0.00%	0.00
Hydraulic Plant Expenses- Plant Inspection Operation Labor	0.00	0.00	0.00	0.00	0.00%	0.00
Hydraulic Plant Expenses- Plant Inspection Operation Services	0.00	0.00	0.00	0.00	0.00%	0.00
Common Plant						
Hydraulic Plant Expenses- Plant Inspection Operation Materials	0.00	0.00	0.00	0.00	0.00%	0.00
Hydraulic Plant Expenses- Plant Inspection Operation Labor	0.00	0.00	0.00	0.00	0.00%	0.00
Hydraulic Plant Expenses- Plant Inspection Operation Services	0.00	0.00	0.00	0.00	0.00%	0.00
Total Operations	2,258,025.00	207,618.35	1,515,242.96	2,230,092.98	77.26%	2,147,061.17
Administrative & General						
Maintenance - Rents	217,000.00	15,641.44	151,315.30	250,000.00	60.53%	198,239.62
Misc Hydraulic Power Generation Materials	900,000.00	31,099.30	265,659.60	250,000.00	106.26%	327,858.20
Misc Hydraulic Power Generation Labor	350,000.00	33,975.66	356,490.07	215,000.00	165.81%	424,441.39
Misc Hydraulic Power Generation Services	400,000.00	33,250.21	361,678.31	381,132.00	94.90%	461,428.94
PERS Unfunded Liability Buy Down	100,000.00	0.00	36,164.25	135,000.00	26.79%	83,382.25
OPEB Annual Req Contribution	242,000.00	242,000.00	242,000.00	325,000.00	74.46%	242,000.00
HR & Recruiting Materials	90,000.00	13,489.71	95,465.46	75,000.00	127.29%	108,955.17
HR & Recruiting Labor/Services	200,000.00	14,245.07	167,617.89	180,000.00	93.12%	190,864.69
Communications Services	0.00	0.00	0.00	0.00	0.00%	0.00
Dues - Memberships	92,500.00	105.00	80,538.00	50,000.00	161.08%	82,633.00
Utilities & Pest Services	0.00	0.00	0.00	0.00	0.00%	0.00
Gardner - Janitor Services	0.00	0.00	0.00	0.00	0.00%	0.00
Audit/Actuary Services	17,500.00	3,500.00	20,374.80	15,000.00	135.83%	22,874.80
Insurance - Admin Property & Liability	540,000.00	21,353.28	469,442.53	345,000.00	136.07%	512,149.09
Insurance - Workers' Comp	145,000.00	0.00	138,632.43	100,000.00	138.63%	138,632.43
Insurance - Unemployment	3,200.00	0.00	0.00	7,500.00	0.00%	2,175.03
Insurance - Property	0.00	0.00	0.00	225,000.00	0.00%	41,163.43
Insurance - Business Interruption	12,500.00	0.00	0.00	12,500.00	0.00%	6,095.72
Misc Engineering Services	50,000.00	13,602.14	37,953.70	50,000.00	75.91%	50,453.70
Misc Legal Services	25,000.00	2,719.72	22,165.32	25,000.00	88.66%	24,885.04
Water Rights Fees Services	120,000.00	0.00	115,757.98	120,000.00	96.46%	115,757.98
Bank/Trustee Fees	0.00	0.00	0.00	4,000.00	0.00%	0.00
FERC Comp Labor	0.00	0.00	0.00	1,500.00	0.00%	30.00
FERC Admin Fee	487,335.17	0.00	104,949.30	461,175.00	22.76%	461,175.00
DWR Dam Fees	225,689.00	15,672.83	172,401.13	188,074.00	91.67%	188,074.00
Slate Creek Water Rights Materials	0.00	0.00	0.00	0.00	0.00%	0.00
Slate Creek Water Rights Labor	0.00	0.00	0.00	0.00	0.00%	0.00
Slate Creek Water Rights Services	0.00	0.00	0.00	0.00	0.00%	0.00
Endangered Species Services	4,500.00	0.00	0.00	10,000.00	0.00%	3,159.89
Emergency Action Plan Materials	1,000.00	0.00	567.69	0.00	0.00%	567.69
Emergency Action Plan Labor	10,000.00	(8.35)	707.60	10,000.00	7.08%	991.44
Emergency Action Plan Services	134,000.00	0.00	812.50	40,000.00	2.03%	812.50
Invasive Species Services	500.00	0.00	0.00	1,200.00	0.00%	0.00
Total Administration	4,367,724.17	440,646.01	2,400,047.85	3,477,081.00	81.70%	3,688,801.00
Total Operating Expenses	20,919,039.17	1,495,524.88	15,922,599.97	20,557,564.92	80.61%	19,071,164.89
Capital Projects						
Colgate Unit 1						
CIP - Waterwheels, Turbines, Generators Materials	140,000.00	0.00	416,152.05	369,603.30	112.59%	416,152.05
CIP - Waterwheels, Turbines, Generators Labor	26,559.00	(2,865.24)	275,930.37	201,800.05	136.73%	385,308.10
CIP - Waterwheels, Turbines, Generators Services	20,000.00	0.00	159,168.24	61,422.11	259.14%	159,168.24
	186,559.00	5,057.73	854,115.90	632,825.46	134.52%	960,628.39

	Proposed Budget 2019/2020	Actual May	Actual Year-to-Date	Budget 2018/2019	% Budget	Projected 06/30/2019
Colgate Unit 2						
CIP - Waterwheels, Turbines, Generators Materials	0.00	0.00	402,898.90	369,603.30	109.01%	402,898.90
CIP - Waterwheels, Turbines, Generators Labor	0.00	(3,021.17)	282,819.77	126,800.05	223.04%	395,033.53
CIP - Waterwheels, Turbines, Generators Services	0.00	0.00	159,068.45	136,422.11	116.60%	159,068.45
	0.00	(3,021.17)	844,787.12	632,825.46	133.49%	957,000.88
Narrows 2						
CIP - Structures & Improvements Materials	0.00	0.00	0.00	0.00	0.00%	0.00
CIP - Structures & Improvements Labor	25,000.00	0.00	0.00	30,000.00	0.00%	0.00
CIP - Structures & Improvements Services	135,000.00	0.00	3,599.14	100,750.00	3.57%	3,599.14
CIP - Reservoirs,Dams,Waterways Materials	0.00	0.00	0.00	0.00	0.00%	0.00
CIP - Reservoirs,Dams,Waterways Labor	12,500.00	3,830.39	7,884.14	10,000.00	78.84%	13,997.35
CIP - Reservoirs,Dams,Waterways Services	48,200.00	17,159.50	63,763.75	46,000.00	138.62%	72,040.75
CIP - Waterwheels, Turbines, Generators Materials	477,980.00	0.00	0.00	277,250.00	0.00%	0.00
CIP - Waterwheels, Turbines, Generators Labor	98,675.00	3,133.37	33,862.27	74,000.00	45.76%	34,277.35
CIP - Waterwheels, Turbines, Generators Services	503,794.00	0.00	125,169.18	397,470.00	31.49%	264,283.68
CIP - Accessory Electrical Equipment Materials	0.00	0.00	11,625.02	35,000.00	33.21%	11,625.02
CIP - Accessory Electrical Equipment Labor	0.00	2,377.21	25,132.39	20,000.00	125.66%	26,112.39
CIP - Accessory Electrical Equipment Services	0.00	15,975.40	43,287.00	120,000.00	36.07%	45,787.00
	1,301,149.00	42,475.87	314,322.89	1,110,470.00	28.31%	471,722.68
Common Plant						
CIP - Structures & Improvements Materials	50,000.00	0.00	440,445.62	515,000.00	85.52%	440,445.62
CIP - Structures & Improvements Labor	36,250.00	2,392.37	153,059.15	128,800.00	118.83%	209,450.32
CIP - Structures & Improvements Services	8,772,395.00	34,049.16	389,017.16	1,189,825.68	32.70%	389,017.16
CIP - Reservoirs,Dams,Waterways Materials	100,000.00	0.00	0.00	0.00	0.00%	0.00
CIP - Reservoirs,Dams,Waterways Labor	30,000.00	3,498.66	12,319.77	0.00	0.00%	15,818.43
CIP - Reservoirs,Dams,Waterways Services	803,800.00	0.00	58,295.00	200,000.00	29.15%	101,341.00
CIP - Accessory Electrical Equipment Materials	132,000.00	0.00	0.00	0.00	0.00%	0.00
CIP - Accessory Electrical Equipment Labor	36,896.00	0.00	0.00	0.00	0.00%	0.00
CIP - Accessory Electrical Equipment Services	350,000.00	3,147.66	3,147.66	225,000.00	1.40%	3,147.66
CIP - Misc Plant Equip, Rds Materials	320,000.00	0.00	55,112.33	180,000.00	30.62%	98,461.07
CIP - Misc Plant Equip, Rds Labor	0.00	0.00	0.00	0.00	0.00%	0.00
CIP - Misc Plant Equip, Rds Services	0.00	0.00	0.00	0.00	0.00%	0.00
	10,631,341.00	43,087.85	1,111,396.69	2,438,625.68	45.57%	1,257,681.26
Reservoirs, Dams, Waterways						
CIP - Structures & Improvements Materials	0.00	0.00	0.00	0.00	0.00%	0.00
CIP - Structures & Improvements Labor	0.00	0.00	0.00	10,000.00	0.00%	0.00
CIP - Structures & Improvements Services	0.00	0.00	0.00	4,050.00	0.00%	0.00
CIP - Reservoirs,Dams,Waterways Materials	0.00	251.79	86,565.90	77,553.00	111.62%	93,338.47
CIP - Reservoirs,Dams,Waterways Labor	30,000.00	(170.97)	178,966.21	170,000.00	105.27%	249,364.41
CIP - Reservoirs,Dams,Waterways Services	702,000.00	6,961.40	668,183.40	674,447.00	99.07%	668,183.40
	732,000.00	7,042.22	933,715.51	936,050.00	99.75%	1,010,886.28
Total Capital Projects	12,851,049.00	94,642.50	4,058,338.11	5,750,796.60	70.52%	4,657,919.49
Total Expenses	33,770,088.17	1,590,167.38	19,980,938.08	26,308,361.52	78.40%	23,729,084.38
Income(Loss) Before Operating Transfers	30,652,844.34	4,598,606.55	53,599,683.23	26,302,960.74	196.76%	56,338,538.72

Yuba County Water Agency
 Power Systems 2019/2020 Proposed Budget
 Large Maintenance & CIP

Project	Location	System	June Proposed	
			Estimated Remaining Cost	2019/2020
C1 Pole Flux Probe Installation	C1	GENR	\$ 43,346	\$ 43,346
C1 Generator Pole Refurbishment, Spare Poles	C1	GENR	\$ 186,559	\$ 186,559
C1 Decelerate Unit Using Excitation	C1	GENR	\$ 44,968	\$ 44,968
C1 Turbine Bearing Seal	C1	TURB	\$ 98,364	\$ 98,364
C2 Pole Flux Probe Installation	C2	GENR	\$ 43,346	\$ 43,346
C2 Thrust Bearing Modification	C2	GENR	\$ 65,000	\$ 65,000
C2 Turbine Bearing Seal	C2	TURB	\$ 98,364	\$ 98,364
Security Camera Upgrades (FERC Audit)	CP	CIVL	\$ 75,000	\$ 75,000
Electrical Service Upgrade - Offices	CP	BUIL	\$ 280,000	\$ 280,000
CP 480V Switchgear Replacement	CP	BOPE	\$ 282,464	\$ 148,896
Warehouse & Admin Bldg Construction	CP	BUIL	\$ 23,196,651	\$ 8,443,645
Colgate Penstock Exterior Coating	CP	WTWS	\$ 2,690,607	\$ 1,314,971
Colgate Penstock Shutoff Valve CPSV Rework	CP	WTWS	\$ 5,151,200	\$ 812,800
Cottage Creek Microwave Installation	CP	COMM	\$ 370,000	\$ 370,000
Replace 48 VDC Comm/IT Battery Bank	CP	COMM	\$ 148,500	\$ 5,500
Crane Truck Replacement	CP	FLEET	\$ 1,220,000	\$ 320,000
Colgate Back up Generator	CP	BOPE	\$ 130,680	\$ 110,774
Emergency Warning Siren	CP	CIVL	\$ 132,000	\$ 132,000
Bulkhead Gate Refurbishment and Procurement	CP	BOPM	\$ 257,000	\$ 121,000
Tunnel/Penstock Prep. - Outage related	CP	WTWS	\$ 400,000	\$ 100,000
60 Ton Gantry Crane	CP	BOPM	\$ 350,000	\$ 20,000
Colgate Spoils Pile Inspection	CP	CIVL	\$ 142,830	\$ 74,290
CP Fire System, PG&E 60KV Room	CP	BUIL	\$ 60,000	\$ 60,000
Lake Francis Road Chip Seal	CP	CIVL	\$ 236,480	\$ 12,163
N1 Assessment	N1		\$ 9,600,000	\$ 800,000
N2 GSU Transformer Replacement	N2	BOPE	\$ 1,191,525	\$ 63,675
N2 Tailrace Gate Hoist	N2	CIVL	\$ 448,270	\$ 448,270
N2 Tailrace Gates Refurbishment	N2	CIVL	\$ 60,000	\$ 60,000
N2 Vibration Monitor	N2	AUTO	\$ 302,910	\$ 302,910
N2 Cone Partial Small Bypass Valve Shroud Re-Work	N2	CIVL	\$ 385,700	\$ 60,700
N2 Access Road Repair & Maintenance	N2	CIVL	\$ 256,575	\$ 256,575
N2 Life Extension and Modernization	N2	BOPM	\$ 18,550,000	\$ 50,000
N2 Fire System - VESDA Air Sampling (Plant)	N2	CIVL	\$ 160,000	\$ 160,000
N2 Fixed Cone Valve, Full Bypass, Seat Repair	N2	CIVL	\$ 260,000	\$ 130,000
N2 Pole Flux Probe Installation	N2	GENR	\$ 43,346	\$ 43,346
N2 60KV Breaker Replacement, CB22	N2	BOPE	\$ 253,031	\$ 161,380
N2 RTU Replacement	N2	AUTO	\$ 54,214	\$ 54,214
N2 Fixed Cone Valve, Full Bypass, Design Review	N2	BOPM	\$ 50,000	\$ 50,000
N2 Fixed Cone Valve, Guard Valve, TSV HPU Repairs	N2	BOPM	\$ 30,000	\$ 30,000
N2 Fixed Cone Valve, Full Bypass, PLC	N2	BOPM	\$ 66,704	\$ 33,968
N2 Battery System Replacement, 48VDC	N2	COMM	\$ 28,520	\$ 17,048
N2 Gravel Bar Remediation	N2	CIVL	\$ 1,375,000	\$ 25,000
N2 Guard Valve Repairs	N2	BOPM	\$ 75,000	\$ 20,000
CC Campground	RC	RECR	\$ 806,443	\$ 122,193
Cottage Creek Additional Parking	RC	RECR	\$ 708,000	\$ 78,000
Dark Day Additional Parking	RC	RECR	\$ 708,000	\$ 78,000
Lake Francis Dam Drain 2 - Weir & Cutoff Wall	RC	RECR	\$ 186,627	\$ 186,627
Lake Francis Trail & Road Safety	RC	RECR	\$ 100,000	\$ 100,000
CC Dam	RC	RECR	\$ 2,172,000	\$ 90,000
Lake Francis EAP PMF Development	RC	RECR	\$ 60,000	\$ 60,000
Lake Francis Spillway	RC	RECR	\$ 540,000	\$ 60,000
Lake Francis Spillway Tree Removal	RC	RECR	\$ 30,000	\$ 30,000
NBB Stability Analysis	WA	BDAM	\$ 305,000	\$ 305,000
NBB Penstock Pier Repair	WA	BDAM	\$ 121,000	\$ 55,000
Low Level Outlet (LLO) Valve NBB	WA	BDAM	\$ 1,770,000	\$ 230,000
NBB Dam 3D Geologic Model	WA	BDAM	\$ 202,000	\$ 202,000
NBB Foundation Remediation	WA	BDAM	\$ 1,650,000	\$ 180,000
NBB Spillway Repairs	WA	BDAM	\$ 550,000	\$ 130,000
NBB Robotic Totaling Station (RTS)	WA	BDAM	\$ 190,000	\$ 65,000
UPS Sys for Dam Cameras	WA	BDAM	\$ 50,000	\$ 50,000
NBB Part 12 Inspection	WA	BDAM	\$ 96,667	\$ 96,667
Cottage Creek Access Rd (Rd 169) Lower Slide	WA	BRES	\$ 1,435,728	\$ 1,435,728
NBB Reservoir Bathymetry	WA	BRES	\$ 125,000	\$ 125,000
LC Part 12 Inspection	WA	LOGC	\$ 96,667	\$ 96,667
Our House Flow Bypass	WA	OURH	\$ 672,000	\$ 672,000
Our House Mechanical Sediment Removal	WA	OURH	\$ 12,415,000	\$ 275,000
OH Part 12 Inspection	WA	OURH	\$ 96,667	\$ 96,667
Flow Deviation Mitigation Plan, Woody Trees	WA	YUBA	\$ 267,521	\$ 211,421
EAP / Security Plan 5-yrExcercise	WA	BDAM	\$ 195,000	\$ 145,000
			\$ 94,468,127	\$ 20,924,041

Definitions

C1	Colgate Un
C2	Colgate Un
CP	Common P
N2	Narrows 2
N1	Narrows 1
GG	Gauging St:
RC	Recreation
WA	Reservoirs,
BOPE	Balance of
BOPM	Balance of
BUIL	Building
CIVL	Civil
COMM	Communic
GENR	Generator
TURB	Turbine
WTWS	Waterways
BDAM	New Bullar
BRES	New Bullar
OURH	Our House

Personnel Allocation for 2019-20 Budget

Position Description		Total FTE	GF	PS
Positions Allocated				
ACCOUNTANT-SUPERVISOR	filled	1	1	
ACCOUNTANT-STAFF	vacant	1	1	
ACCT-ADMIN CLERK	filled	1	1	
ADMINISTRATIVE ASSISTANT	filled	2	1	1
ADMINISTRATIVE COORDINATOR	filled	1	1	
ADMINISTRATIVE MANAGER	filled	1	1	
ADMINISTRATIVE SERVICES OFFICER	filled	1		1
ADMINISTRATIVE TECHNICIAN	filled	2	1	1
ASSET MANAGEMENT ENGINEER	filled	1		1
ASSOCIATE ACCOUNTANT	filled	1	1	
CLERK OF THE BOARD/MANAGEMENT ANALYST	vacant	1	1	
COMMUNICATIONS MANAGER	filled	1	1	
COMMUNITY IMPACT SPECIALIST	filled	1	1	
COMM TECH-SUPERVISING	unfunded	0		0
COMMUNICATIONS TECHNICIAN	unfunded	0		0
COMPLIANCE ENGINEER	filled	1		1
COMPLIANCE MANAGER	filled	1		1
DITCHTENDER-SR.	filled	2	2	
ELECTRICAL TECHNICIAN	vacant	1		1
ELECTRICAL TECH-SUPERVISING	vacant	1		1
ELECTRICIAN	filled	2		2
ENVIRONMENTAL ANALYST	filled	1		1
FINANCE MANAGER	filled	1	1	
GENERAL MANAGER	filled	1	1	
GENERAL MANAGER - ASSISTANT	filled	1	1	
HELP DESK TECHNICIAN-SR.	filled	1	1	
HUMAN RESOURCES ANALYST	filled	1	1	
HUMAN RESOURCES ASSISTANT	filled	1	1	
HUMAN RESOURCES MANAGER	filled	1	1	
HYDRO CONSTRUCTION PROJECT COORDINATOR	filled	1		1
HYDRO ENGINEER-ASSOCIATE	vacant	1		1
HYDRO ENGINEER-SR (CIVIL)	filled	2		2
HYDRO ENGINEER-ELECTRICAL	filled	1		1
HYDRO ENGINEER-MECHANICAL	filled	1		1
HYDRO ENGINEER-PRINCIPAL	filled	1		1
HYDRO ENGINEERING TECHNICIAN	vacant	1		1
HYDRO MAINTENANCE PLANNER/SPECIALIST	vacant	1		1
HYDRO MAINTENANCE WORKER w/D2-T2	1 filled/1 vacant	2		2
HYDROGRAPHER	filled	1		1
HYDROGRAPHER-SR.	filled	1		1
INFORMATION SYSTEMS ANALYST	filled	1	1	
INFORMATION SYSTEMS DEVELOPER	filled	1	1	
INFORMATION SYSTEMS NETWORK ADMINISTRATOR	PROPOSED	1	1	
INFORMATION SYSTEMS MANAGER	filled	1	1	
INFORMATIONS SECURITY ADMINISTRATOR	filled	2	2	
INSTRUMENTATION/COMM TECHNICIAN	filled	1		1
MAINTENANCE MANAGER	filled	1		1
OPERATIONS MANAGER	filled	1		1
OPERATOR	8 filled/1 vacant	9		9
OPERATOR-SR.	filled	1		1
OPERATOR TRAINEE	filled	1		1
PLANT MECHANIC	filled	2		2
PLANT MECHANIC TRAINEE	filled	2		2
POWER CONTRACTS ADMINISTRATOR	filled	1		1
POWER SYSTEMS MANAGER	filled	1		1
PROCUREMENT & CONTRACTS ADMINSTRTOR	filled	1	1	
PROCUREMENT SPECIALIST	filled	1		1
WATER OPERATIONS PROJECT MANAGER	vacant	1	1	
PUBLIC INFORMATION SPECIALIST	filled	1	1	
RELICENSING PROJECT MANAGER	filled	1	1	
SAFETY-RECORDS COORDINATOR	filled	1		1
UTILITY WORKER	filled	3		3
WATER RESOURCES MANAGER	filled	1	1	
WORKING FOREMAN	filled	1		1
CURRENT TOTAL	9 vacancies	81	31	50

Proposed positions 1
 Net new positions 1

**YUBA COUNTY WATER AGENCY
MARYSVILLE, CALIFORNIA**



AUDITED FINANCIAL STATEMENTS

**For the Years Ended
June 30, 2017 and 2016**

YUBA COUNTY WATER AGENCY
MARYSVILLE, CALIFORNIA

AUDITED FINANCIAL STATEMENTS

*For the Years Ended
June 30, 2017 and 2016*

YUBA COUNTY WATER AGENCY
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For the Years Ended June 30, 2017 and 2016

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YUBA COUNTY WATER AGENCY
Agency Officials
June 30, 2017

BOARD OF DIRECTORS

<u>NAME</u>	<u>OFFICE</u>	<u>TERM EXPIRES</u>
Brent Hastey	Chairman	December 2018
Randy Fletcher	Vice Chairman	December 2018
Andy Vasquez	Director	December 2018
Gary Bradford	Director	December 2020
Doug Lofton	Director	December 2020
Mike Leahy	Director	December 2020
Charlie Mathews	Director	December 2020

OTHER AGENCY OFFICIALS

Curt Aikens	General Manager
Mike Kline	Power Systems Manager
Kurtis Crawford	Finance Manager
Terri Daly	Administrative Manager

FINANCIAL SECTION



550 Howe Avenue, Suite 210
Sacramento, California 95825
Telephone: (916) 564-8727
FAX: (916) 564-8728

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Yuba County Water Agency
Marysville, California

Report on the Financial Statements

We have audited the accompanying financial statements of the Yuba County Water Agency (Agency), a component unit of the County of Yuba, as of and for the years ending June 30, 2017 and 2016, 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the State Controller's Minimum Audit Requirements for California Special Districts. 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.

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 Agency as of June 30, 2017 and 2016 and the results of its operations and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America as well as accounting systems prescribed by the State Controller's Office and state regulations governing special districts.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of the proportionate share of the net pension liability, schedule of contributions to the pension plan and schedule of funding progress of the other postemployment benefits plan, as listed in the accompanying table of contents, 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 Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Agency's basic financial statements. The supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 23, 2018 on our consideration of the Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations and contracts and grant agreements and other matters. The purpose of that report is 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Agency's internal control over financial reporting and compliance.

Richardson & Company, LLP

March 23, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED JUNE 30, 2017

FINANCIAL ANALYSIS OF THE AGENCY

The Statements of Net Position and the Statements of Revenues, Expenses and Changes in Net Position report information about the Agency's activities in a way that will help the reader determine if the Agency, as a whole, is better or worse off as a result of the year's activities. In addition, the reader will need to consider other non-financial factors such as changes in economic conditions and new or changed government legislation.

NET POSITION

As can be seen in **Table 1 below**, Net Position increased by \$31.81 million to a balance of \$273.07 million in FY 2016-17, up from the \$241.26 million balance in FY 2015-16. This increase of 13.19% is the result of a \$33.4 million increase in Assets balanced against a \$.70 million decrease in Deferred Pension Outflows and a \$1.52 million increase in Deferred Pension Inflows (GASB 68), a \$.54 million increase to Current Liabilities and a \$1.18 million decrease in Noncurrent Liabilities. The increase in current assets represents the increase in cash and cash equivalents from a full year of electric energy sales at market prices due to the end of the PG&E agreement in April 2016. The increase in other assets represents an increase in loans and leases receivable to other governments, including an \$11.2 million lease receivable from the County of Yuba as part of the County's refinancing of levee bonds, as described in Note 4 and the Economic Outlook section that follows. Noncurrent liabilities decreased due to additional payments made to CalPERS that reduced the Agency's unfunded pension liability.

In FY 15-16, Net Position increased by \$28.53 million to a balance of \$241.26 million in FY 2015-16, up from the \$212.73 million balance in FY 2014-15. This increase of 13.4% is the result of a \$19.56 million increase in Assets balanced against a \$1.73 million increase in Deferred Pension Outflows and a \$.45 million increase in Deferred Pension Inflows (GASB 68), a \$.50 million decrease to Current Liabilities and a \$6.29 million decrease in Noncurrent Liabilities.

TABLE 1
CONDENSED STATEMENTS OF NET POSITION
As of June 30

	2017	2016	Increase (Decrease)	Percent Change	2015	Increase (Decrease)	Percent Change
ASSETS:							
Current assets	\$ 84,168,960	\$ 64,569,728	\$ 19,599,232	30.35%	\$ 58,044,056	\$ 6,525,672	11.24%
Capital assets, net	199,844,715	199,097,553	747,162	0.38%	188,229,069	10,868,484	5.77%
Other assets	20,988,568	7,946,505	13,042,063	164.12%	5,777,995	2,168,510	37.53%
TOTAL ASSETS	305,002,243	271,613,786	33,388,457	12.29%	252,051,120	19,562,666	7.76%
DEFERRED OUTFLOWS:							
Pension plan	1,582,437	2,280,393	(697,956)	-30.61%	548,810	1,731,583	100.00%
TOTAL DEFERRED OUTFLOWS	1,582,437	2,280,393	(697,956)	-30.61%	548,810	1,731,583	100.00%
LIABILITIES:							
Current liabilities	5,794,307	5,250,667	543,640	10.35%	5,749,036	(498,369)	-8.67%
Noncurrent liabilities	25,645,746	26,828,569	(1,182,823)	-4.41%	33,117,614	(6,289,045)	-18.99%
TOTAL LIABILITIES	31,440,053	32,079,236	(639,183)	-1.99%	38,866,650	(6,787,414)	-17.46%
DEFERRED INFLOWS:							
Pension plan	2,071,405	553,966	1,517,439	273.92%	997,337	(443,371)	100.00%
TOTAL DEFERRED INFLOWS	2,071,405	553,966	1,517,439	273.92%	997,337	(443,371)	100.00%
Net Position							
Net investment in capital assets	199,844,715	199,097,553	747,162	0.38%	188,229,069	10,868,484	5.77%
Unrestricted	73,228,507	42,163,424	31,065,083	73.68%	24,506,874	17,656,550	72.05%
TOTAL NET POSITION	\$ 273,073,222	\$ 241,260,977	\$ 31,812,245	13.19%	\$ 212,735,943	\$ 28,525,034	13.41%

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED JUNE 30, 2017

REVENUES EXPENSES AND CHANGES IN NET POSITION

While the Statements of Net Position shows the changes in financial position, the Statement of Revenues, Expenses and Changes in Net Position provides answers concerning the nature and source of these changes. As shown in **Table 2 below**, Total Revenues increased \$13.50 million due to the first full fiscal year of electric energy sales, offset by a reduction in water sales due to the receipt of a one-time \$20 million Lower Yuba River Accord payment in 2016, as described in the Economic Outlook section that follows, and a reduction in nonoperating revenues due to the recognition of revenue from PG&E in 2016 to close out the power agreement. Total Expenses increased \$8.51 million due to Nonoperating expenses related to storm related damages. These shifts all combined for a Net Position increase of \$31.81 million.

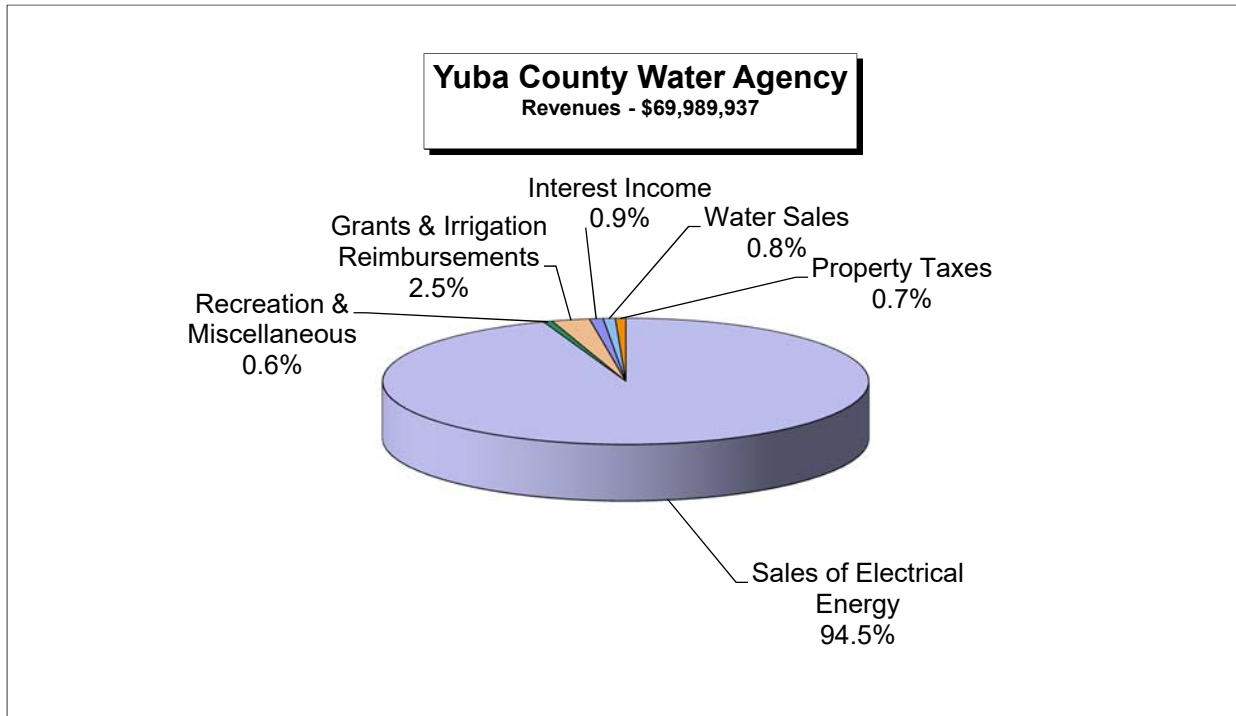
In FY 15-16, Total Revenues increased \$27.58 million due to increases in water sales and the May and June power generation. The remaining increase can be attributed to a Capital Contribution related to the PG&E closeout. These shifts all combined for a Net Position increase of \$28.52 million.

TABLE 2
CONDENSED STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For the years ended June 30

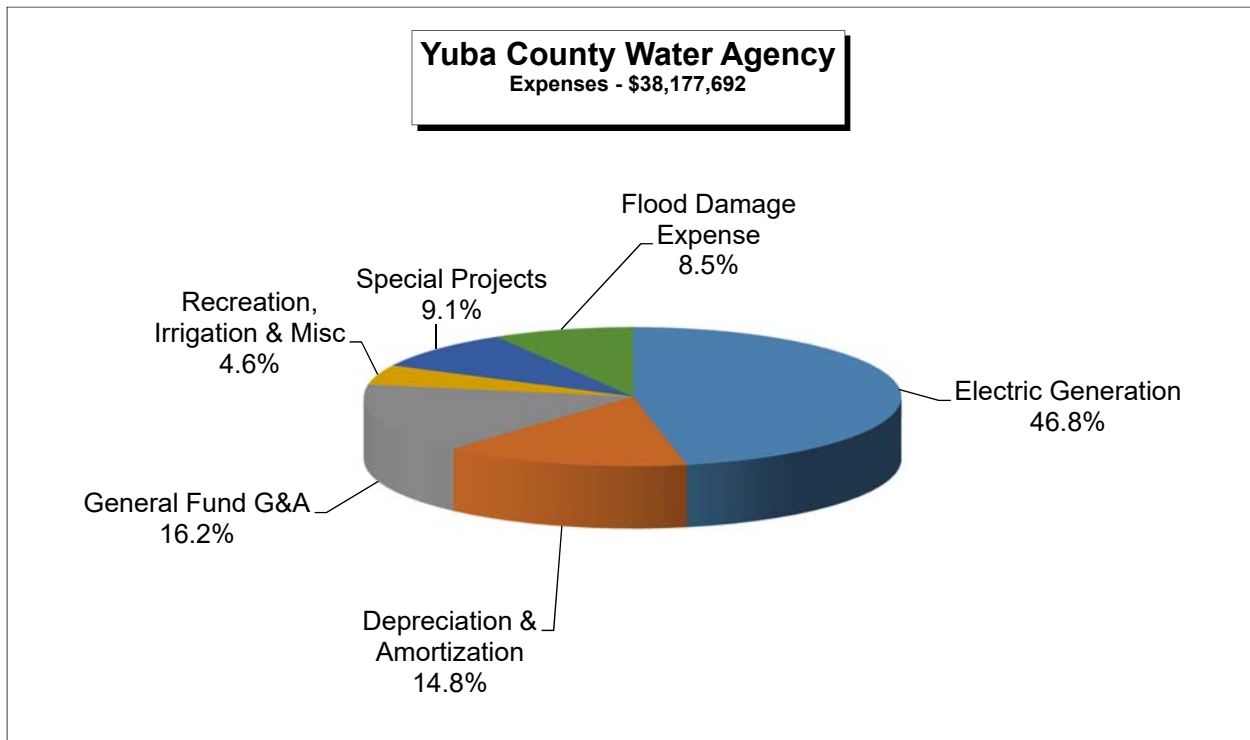
	2017	2016	Increase (Decrease)	Percent Change	2015	Increase (Decrease)	Percent Change
REVENUES:							
Sales of electrical energy	\$ 66,190,048	\$ 30,601,216	\$ 35,588,832	116.30%	\$ 14,763,601	\$ 15,837,615	107.27%
Water sales	558,755	20,600,456	(20,041,701)	-97.29%	9,588,078	11,012,378	114.85%
TOTAL OPERATING REVENUES	66,748,803	51,201,672	15,547,131	30.36%	24,351,679	26,849,993	110.26%
Nonoperating revenues	3,241,134	5,284,197	(2,043,063)	-38.66%	2,296,812	2,987,385	130.07%
TOTAL REVENUES	69,989,937	56,485,869	13,504,068	23.91%	26,648,491	29,837,378	111.97%
EXPENSES:							
Operating expenses, excluding depreciation	17,880,522	15,800,828	2,079,694	13.16%	12,923,905	2,876,923	22.26%
Depreciation	5,629,239	5,323,763	305,476	5.74%	4,875,299	448,464	9.20%
Nonoperating expenses	14,667,931	8,540,836	6,127,095	71.74%	6,807,259	1,733,577	25.47%
TOTAL EXPENSES	38,177,692	29,665,427	8,512,265	28.69%	24,606,463	5,058,964	20.56%
Capital contributions	-	1,704,592	(1,704,592)	-100.00%	230,265	1,474,327	100.00%
CHANGE IN NET POSTION	31,812,245	28,525,034	3,287,211	11.52%	2,272,293	26,252,741	1155.34%
Net Position, Beginning of Year	241,260,977	212,735,943	28,525,034	13.41%	214,046,436	(1,310,493)	-0.61%
Effect of Change in Accounting Principle			-	100.00%	(3,582,786)	3,582,786	100.00%
Net Position, Beginning of Year, as Restated	241,260,977	212,735,943	28,525,034	13.41%	210,463,650	2,272,293	1.08%
NET POSITION, END OF YEAR	\$ 273,073,222	\$ 241,260,977	\$ 31,812,245	13.19%	\$ 212,735,943	\$ 28,525,034	13.41%

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED JUNE 30, 2017

The following chart illustrates the revenues of the Agency for the fiscal year ended June 30, 2017.



The following chart illustrates the expenses of the Agency for the fiscal year ended June 30, 2017.



MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED JUNE 30, 2017

CAPITAL ASSETS

As can be seen in **Table 3 below**, the Agency's capital assets, net of accumulated depreciation, increased by \$.75 million to \$199.8 million. Construction in Progress was just over \$37 million for FY 2016-17. Depreciable Capital Assets increased \$1.49 million following a large \$17.8 million increase in FY2015-16 due to the preparation related to the expiration of the previous power purchase agreement, April 30, 2016. Major projects still underway include FERC Relicensing (\$33.3M), N2 Cone Valve Shroud Installation, and multiple Fire Protection Systems across various sites (\$1.4M). A summary of the Agency's capital assets are as follows:

**TABLE 3
CAPITAL ASSETS, NET**
As of June 30

	2017	2016	Increase (Decrease)	Percent Change	2015	Increase (Decrease)	Percent Change
Nondepreciable capital assets:							
Land and land rights	\$ 2,923,388	\$ 2,923,388	\$ -	0.00%	\$ 2,843,440	\$ 79,948	2.81%
Water rights	85,835	85,835	-	0.00%	85,835	-	0.00%
Canals	4,605,454	4,605,454	-	0.00%	4,605,454	-	0.00%
Construction in progress	37,495,903	32,649,914	4,845,989	14.84%	34,384,832	(1,734,918)	-5.05%
	<u>45,110,580</u>	<u>40,264,591</u>	<u>4,845,989</u>		<u>41,919,561</u>	<u>(1,654,970)</u>	<u>-3.95%</u>
Depreciable capital assets:							
Recreation facilities	1,516,201	1,516,201	-	0.00%	1,516,201	-	0.00%
General plant	17,977,037	17,772,786	204,251	1.15%	12,559,035	5,213,751	41.51%
Irrigation canals	17,487,652	17,487,652	-	0.00%	17,443,908	43,744	0.25%
Hydrolic Production	228,982,054	227,693,747	1,288,307	0.57%	222,796,329	4,897,418	2.20%
Electric plant acquisition	4,485,248	4,485,248	-	0.00%	4,485,248	-	0.00%
Transmission equipment	9,519,672	9,519,672	-	0.00%	1,859,381	7,660,291	411.98%
Intangible assets	248,292	248,292	-	0.00%	248,292	-	0.00%
	<u>280,216,156</u>	<u>278,723,598</u>	<u>1,492,558</u>	<u>0.54%</u>	<u>260,908,394</u>	<u>17,815,204</u>	<u>6.83%</u>
Less: accumulated depreciation	<u>(125,482,021)</u>	<u>(119,890,636)</u>	<u>(5,591,385)</u>	<u>4.66%</u>	<u>(114,598,886)</u>	<u>(5,291,750)</u>	<u>4.62%</u>
Net Capital Assets	<u>\$ 199,844,715</u>	<u>\$ 199,097,553</u>	<u>\$ 747,162</u>	<u>0.38%</u>	<u>\$ 188,229,069</u>	<u>\$ 10,868,484</u>	<u>5.77%</u>

ECONOMIC OUTLOOK

The Yuba County Water Agency (YCWA) is continuing to support work on several flood mitigation projects with the main effort focused on the Marysville levee improvements and continued operation and improvement of the Forecasted Coordinated Operations and Forecasted Informed Operations programs. The next major flood mitigation project is the New Bullards Bar Secondary Spillway with an estimated cost of \$160 million. This project provides substantial flood mitigation improvement and enhances dam safety via spillway redundancy. YCWA staff will be proposing to the Board before July 2018 to move forward on the next phase of the project including design and permitting which is expected to cost approximately \$10 million. Work was completed on the grant-funded Groundwater Model, an Agriculture Water Management Plan Update and irrigation water metering and measurement plan to be in compliance with SBX7-7. The Agency petitioned the California Department of Water Resources to become a Groundwater Sustainability Agency for the North Yuba and South Yuba groundwater sub-basins in accordance with the Sustainable Groundwater Management Act of 2014. A successful petition has resulted in the Agency beginning implementation of SGMA within Yuba County. YCWA continues work on a \$3 million Corps of Engineers Ecosystem Restoration Study for the Yuba River, agreed to in 2015, and continues work to finalize a fish passage program on the Yuba River.

In 2016, seven of the eight water supply contracts with Member Units expired. One water supply contract that was executed in 2009 does not expire until 2036. New water supply contracts were entered into, effective January 1, 2017, with the seven Member Units with expiring contracts with a term of 29 years, expiring December 31, 2046.

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED JUNE 30, 2017

Since May 1, 2016 the Agency has contracted with Shell Energy of North America (SENA) to be YCWA's Scheduling Coordinator with the California Independent System Operator (CAISO) for the sale of electricity from the Colgate and Narrows 2 Powerhouses. Since May 1st, YCWA has refined processes in working with SENA and the CAISO to efficiently track and manage power generation and sale. Remaining projects include completion of a redundant communications system based at the new Yuba County Sheriff's Office, and the completion of a tunnel coating project to be completed during an upcoming tunnel/penstock outage, tentatively scheduled for 2022. Major work continues to assess and plan updates to aging equipment over the next five years, supported by the development of an asset risk register, Asset Management Engineer position, and creation of a five year capital project plan.

Due to record runoff and near record precipitation, YCWA was able to generate \$66.19 million in Sales of Electric Energy, representing the maximum end of anticipated Electric Energy revenues. The amount of Electric Energy revenues is primarily dependent on the amount of precipitation and the market price for electricity, both of which are not controlled by YCWA. The expected range of Sales of Electric Energy is between \$40-65 million.

In 2008, YCWA joined with Yuba County to provide the local share (\$46.6 million), through a \$78 million bond sale backed by impact fees, for a \$138 million Prop 1E Levee Improvement Grant. The Three Rivers Levee Improvement Authority (TRLIA) has constructed the Feather River Setback Levee and other levee improvements within Reclamation District 784's territory. One more phase of work is needed by TRLIA to improve the level of protection to a 200-year level. After the close of the 2015-16 fiscal year, YCWA and the County successfully refinanced the bonds at a favorable rate resulting in a reduction of annual payments in excess of \$700,000. The new bond payment schedule is for two payments totaling approximately \$5.5 million per year through 2038. The primary source of bond repayment is new construction impact fees which only cover a fraction of the payment. YCWA has committed to paying the additional amount needed for both YCWA and Yuba County through 2020 date and anticipates future covering of the bond payment in excess of the impact fees.

The Lower Yuba Accord was settled and new Water Rights Order #2008-0014 was issued in 2008, securing long term water transfer ability through 2025. Historically wet winter conditions end of 2016 and beginning of 2017 resulted in no water transfers in 2017. A moderate amount of water transfer is expected in 2018 due to dry conditions in the central valley into March of 2018.

The Accord contained an opener on surface transfer water pricing for transfers starting in 2016 for a 5-year period. Agreement on a new pricing schedule was reached in December 2014 which roughly doubled the price and provided a \$20 million upfront payment. As yet, no transfers have been made under this new agreement. Surface water transfer revenues in 2018 are expected to be less than the \$20 million of unearned revenue for water sales under an amendment to the Yuba Accord Water Purchase Agreement.

The Agency was granted a 50-year license to operate the Yuba River Project for generation of electricity; Federal Energy Regulatory Commission (FERC) License #2246 expired on April 30, 2016. HDR Engineering, Inc. has been retained to lead the Agency through the 8-year FERC relicensing effort. A cash reserve sufficient to cover anticipated costs has been established. The Final License Application was filed with FERC on April 28, 2014 with an Amended Final License Application filed June 2017. Although the bulk of the costs have been expended, we anticipate \$2 million for post-application filing activities in fiscal year 2018. FERC issued an annual license for 2017 and will continue to issue annual licenses until a new license is issued.

YCWA has a legal obligation to move forward on a new fish screen for the South Canal Diversion to replace the existing screen as part of a lawsuit settlement. The new water supply agreements with the South Member

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED JUNE 30, 2017

Units call for them to pay either 50% or 70% of the cost of a new screen, depending on the type of screen constructed. The Agency is obligated to pay the remainder of the cost of a new screen and offer financing for the South Member Unit share of the project costs. YCWA is proceeding in a collaborative effort with the South Member Units to select a suitable project. Preliminary study results indicate there may be a screen option in the \$12 million range. Sound fiscal management and finalization of the Lower Yuba River Accord have had a positive effect on the Agency's reserves which have achieved levels sufficient to satisfy long-term operations and capital project needs, such as this.

Yuba County Water Agency settled two pending lawsuits and a payment dispute with Cordua Irrigation District for the payment of \$675,000 to Cordua and a \$60,000 payment from Cordua to YCWA. This settlement resolves the issues between YCWA and Cordua and provides a solid foundation for a cooperative work relationship in the future.

CONTACTING THE AGENCY'S DEPARTMENT OF FINANCIAL SERVICES

This financial report is designed to provide our citizens, customers, investors and creditors with a general overview of the Agency's finances and to demonstrate the Agency's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Yuba County Water Agency, Department of Financial Services at 1220 F Street, Marysville, CA 95901.

**YUBA COUNTY WATER AGENCY
STATEMENTS OF NET POSITION
June 30, 2017 and 2016**

	2017	2016
<u>ASSETS</u>		
Current Assets:		
Cash and cash equivalents	\$ 77,107,055	\$ 58,517,574
Receivables		
Accounts receivable	5,210,267	5,052,223
Interest receivable	126,532	117,470
Due from other governments	1,425,678	550,894
Prepaid expenses and other current assets	299,428	331,567
Total Current Assets	84,168,960	64,569,728
Noncurrent Assets:		
Loans receivable from other governments	20,875,234	7,790,660
OPEB asset	113,334	155,845
Capital Assets:		
Non-depreciable	45,110,580	40,264,591
Depreciable, net	154,734,135	158,832,962
Total Capital Assets, Net	199,844,715	199,097,553
Total Noncurrent Assets	220,833,283	207,044,058
Total Assets	305,002,243	271,613,786
<u>DEFERRED OUTFLOWS OF RESOURCES</u>		
Pension plan	1,582,437	2,280,393
Total Deferred Outflows of Resources	1,582,437	2,280,393
<u>LIABILITIES</u>		
Current Liabilities:		
Accounts payable and other liabilities	2,976,791	2,727,401
Salaries and benefits payable	179,391	42,765
Accrued compensated absences	865,844	880,256
Due to other governments	1,186,921	709,516
Deposits payable	585,360	585,233
Unearned revenue - current	4,129,740	4,223,938
Total Current Liabilities	9,924,047	9,169,109
Noncurrent Liabilities:		
Unearned revenue - noncurrent	20,000,000	20,000,000
Net pension liability	1,516,006	2,910,127
Total Noncurrent Liabilities	21,516,006	22,910,127
Total Liabilities	31,440,053	32,079,236
<u>DEFERRED INFLOWS OF RESOURCES</u>		
Pension plan	2,071,405	553,966
Total Deferred Inflows Of Resources	2,071,405	553,966
<u>NET POSITION</u>		
Net investment in capital assets	199,844,715	199,097,553
Unrestricted	73,228,507	42,163,424
Total Net Position	\$ 273,073,222	\$ 241,260,977

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

YUBA COUNTY WATER AGENCY
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
For the Years Ended June 30, 2017 and 2016

	2017	2016
Operating Revenues		
Sale of electrical energy	\$ 66,190,048	\$ 30,601,216
Water sales	558,755	20,600,456
Total Operating Revenues	66,748,803	51,201,672
Operating Expenses		
Hydropower generation	7,827,110	7,367,367
Administration and general	5,010,260	5,836,058
Maintenance	5,043,152	2,597,403
Depreciation and amortization	5,629,239	5,323,763
Total Operating Expenses	23,509,761	21,124,591
Net Income From Operations	43,239,042	30,077,081
Nonoperating Revenues (Expenses)		
Property taxes	479,075	449,660
Interest income	600,735	767,001
Rental income	24,000	24,000
Grants and reimbursements		
State and local	1,345,368	888,550
Federal	423,990	
Miscellaneous income (expenses)	12,392	6,288
Contributions to maintenance		2,859,253
Recreation and camping fees	352,298	289,445
Gain (loss) on disposal of capital assets	3,276	
General administration	(6,193,725)	(5,128,679)
Recreation and irrigation	(1,748,280)	(1,618,970)
Special projects expense	(3,467,041)	(1,793,187)
Flood damage expense	(3,258,885)	
Total Nonoperating Revenues (Expenses)	(11,426,797)	(3,256,639)
Income (loss) before capital contributions	31,812,245	26,820,442
Capital Contributions		
Capital contributions		1,704,592
Total Capital Contributions		1,704,592
Change in Net Position	31,812,245	28,525,034
Net Position, Beginning of Year	241,260,977	212,735,943
Net Position, End of Year	\$ 273,073,222	\$ 241,260,977

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

**YUBA COUNTY WATER AGENCY
STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2017 and 2016**

	2017	2016
Cash Flows From Operating Activities:		
Cash receipts from customers	\$ 66,496,688	\$ 38,778,344
Cash paid to suppliers for goods and services	(8,417,698)	(5,472,242)
Cash paid to employees	(7,817,299)	(10,668,097)
Net Cash Provided (Used) By Operating Activities	50,261,691	22,638,005
Cash Flows From Noncapital Financing Activities:		
Payments received on loans receivable from other governments	1,714,951	276,438
Disbursements of loans receivable from other governments	(14,799,525)	(2,647,103)
Rents received	24,000	24,000
Operating grants and reimbursements	894,574	4,128,796
Taxes received	479,075	449,660
Miscellaneous income (expense)	12,392	6,288
Recreation and camping fees	352,298	289,445
General administration expenses	(6,193,725)	(5,128,679)
Recreation and irrigation expenses	(1,748,280)	(1,618,970)
Special program expenses	(3,467,041)	(1,793,187)
Flood damage expenses	(3,258,885)	
Net Cash Provided (Used) By Noncapital Financing Activities	(25,990,166)	(6,013,312)
Cash Flows From Capital and Related Financing Activities:		
Purchase of capital assets	(6,276,993)	(16,192,247)
Proceeds from disposal of capital assets	3,276	
Capital contributions received		1,185,339
Net Cash Provided (Used) By Capital and Related Financing Activities	(6,273,717)	(15,006,908)
Cash Flows From Investing Activities:		
Interest received	591,673	740,984
Net Cash Provided (Used) By Investing Activities	591,673	740,984
Net Increase (Decrease) in Cash and Cash Equivalents	18,589,481	2,358,769
Cash and Cash Equivalents - Beginning of Year	58,517,574	56,158,805
Cash and Cash Equivalents - End of Year	\$ 77,107,055	\$ 58,517,574

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

(Continued)

**YUBA COUNTY WATER AGENCY
STATEMENTS OF CASH FLOWS (CONTINUED)
For the Years Ended June 30, 2017 and 2016**

	2017	2016
Reconciliation of Net Income from Operations to Net Cash Provided (Used) By Operating Activities:		
Net income from operations	\$ 43,239,042	\$ 30,077,081
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation and amortization	5,629,239	5,323,763
Changes in assets and liabilities:		
Decrease (increase) in accounts receivable	(158,044)	(3,961,647)
Decrease (increase) in prepaid expenses and other current assets	32,139	(40,979)
Decrease (increase) in OPEB asset	42,511	202,155
Decrease (increase) in deferred outflows of resources of pension plan	697,956	(1,731,583)
Increase (decrease) in accounts payable and other liabilities	149,982	(1,208,975)
Increase (decrease) in salaries and benefits payable	136,626	(156,352)
Increase (decrease) in accrued compensated absences	(14,412)	145,698
Increase (decrease) in due to other governments	477,405	365,498
Increase (decrease) in deposits payable	127	50,266
Increase (decrease) in unearned revenue	(94,198)	(5,951,438)
Increase (decrease) in net pension liability	(1,394,121)	(443,371)
Increase (decrease) in deferred inflows of resources of pension plan	1,517,439	(32,111)
Net Cash Provided (Used) By Operating Activities	\$ 50,261,691	\$ 22,638,005
Supplemental Disclosure of Cash Flow Information:		
Noncash Investing, Capital, and Financing Activities:		
Change in fair value of investments	\$ (152,866)	\$ (176,471)
Capital asset purchases payable	\$ 99,408	\$ (38,808)
Noncash capital contributions		\$ 519,253

NOTES TO THE FINANCIAL STATEMENTS

YUBA COUNTY WATER AGENCY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2017 and 2016

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Established in 1959 by an act of the California State Legislature and headquartered in historic Marysville, California, Yuba County Water Agency (Agency) is a public agency governed by a seven-member Board of Directors comprised of the five members of the Yuba County Board of Supervisors and two members elected at large. The primary functions of the Agency are development and sale of hydroelectric power, flood control, fisheries enhancement, recreation, conservation, storage of water, and wholesale of water to member districts.

A. Financial Reporting Entity

The Agency's financial statements include all financial transactions for which the Agency is financially accountable. A primary government is financially accountable if it appoints a majority of a component unit's governing body and either it has the ability to impose its will on the component unit or there is the possibility that the component unit will provide a financial benefit to or impose a financial burden on the primary government. Based on these criteria, the Agency has determined that it has no component units. However, the Agency is a component unit of the County of Yuba, California due to the County appointing a majority of the Agency's Board of Directors and the other criteria being met. As a result, the financial activities of the Agency are included in the financial statements of the County of Yuba, which is available at the Auditor-Controller's office located at 915 8th Street, Suite 105, Marysville, California 95901 or at www.co.yuba.ca.us/Departments/Auditor-Controller.

The Agency is a member of Yuba Levee Finance Authority, which is a joint powers authority with the Agency and County of Yuba as members that issued debt for levee improvements in Yuba County. The Yuba Levee Finance Authority is reported as a blended component unit in the County of Yuba's financial statements. Yuba Levee Finance Authority issued debt that is disclosed in Note 16 as conduit debt supported by the Authority through installment sale payments. The Yuba Levee Finance Authority does not issue separate financial statements.

B. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The basic financial statements of the Agency have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Agency applies all applicable Governmental Accounting Standards Board (GASB) pronouncements in its accounting and reporting. The more significant of the District's accounting principles are described below.

The Agency's financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recognized when earned and expenses are recorded when the liability is incurred, regardless of timing of the related cash flows. Property taxes are recognized as revenues in the year they are levied. Property taxes attach an enforceable lien on property as of January 1. Taxes are levied on July 1 and are payable in two installments on December 10 and April 10. The County of Yuba bills and collects property taxes and remits them to the Agency in installments during the year. Grants and similar items are recognized as revenue as soon as all eligibility requirements, imposed by the provider, have been met.

The financial activities of the Agency are accounted for as an enterprise fund. Enterprise funds are used to account for operations which are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the public on a continuing basis be financed or recovered primarily through user charges.

YUBA COUNTY WATER AGENCY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2017 and 2016

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

To enhance accountability, the Agency's enterprise fund consists of the General Fund and Power Systems Fund units at June 30, 2017. At June 30, 2016, the following units existed:

- General Fund
- Operation and Maintenance Fund
- General Fund Hydro Fund
- Hydroelectric Utility Fund
- General Fund Power Systems Fund
- Health RA Fund

Inter-unit balances have been eliminated from the statements of net position and statements of revenues, expenses and changes in net position.

The Agency distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses consist of those revenues and expenses that result from the ongoing principal operations of the Agency. Operating revenues consist primarily of sales of electric energy and water sales. Nonoperating revenues and expenses consist of those revenues and expenses that are related to financing and investing types of activities and result from nonexchange transactions or ancillary activities. The Agency considers all revenues and expenses not related to sales of electric energy and water sales to be nonoperating revenues and expenses, including flood control, recreation and special projects revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the Agency's policy to use restricted resources first, then unrestricted resources as they are needed.

C. Assets, Liabilities, and Net Position

1) Cash and Cash Equivalents

For purposes of reporting in the statement of cash flows, the Agency considers all cash accounts, which are not subject to withdrawal restrictions or penalties, and all highly liquid debt instruments purchased with an original maturity of three months or less to be cash and cash equivalents.

See Note 2 for additional information about the Agency's cash and investments.

2) Accounts Receivable and Allowance for Doubtful Accounts

An allowance for doubtful accounts has not been provided because, in the opinion of management, receivable balances are fully collectible.

3) Prepaid Expenses

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenses.

4) Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the Agency's financial statements. Capital assets are defined by the Agency as assets with an initial individual cost of \$10,000 and an estimated useful life in excess of one year.

Capital assets are valued at cost where historical records are available and at estimated historical cost where no historical records exist. Donated capital assets are recorded at the acquisition value, which is the price that would be paid to acquire an asset with equivalent service potential in an orderly market transaction at the acquisition date. The costs of normal maintenance and repairs that do not add to the value of an asset, or materially extend asset lives, are not capitalized. The cost of assets sold or retired is eliminated from the capital asset accounts and a

**YUBA COUNTY WATER AGENCY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2017 and 2016**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4) Capital Assets (Continued)

gain or loss on disposal is recognized. Fully depreciated assets remain in the accounts until such assets are no longer in service.

Depreciation has been provided over the estimated useful lives using the straight-line method over the following estimated useful lives:

Description	Estimated Life
Facilities and improvements	25 - 50 years
Buildings and structures	40 years
Equipment and furniture	2 - 10 years

Expenses incurred for construction projects and major repairs and betterments are accumulated and, when projects are complete, are capitalized and subsequently depreciated over the project's estimated useful life. The Agency did not incur any construction period interest for the fiscal years ended June 30, 2017 or 2016.

5) Compensated Absences

Employees are paid for 100% of their accumulated vacation upon retirement or other termination. In addition, 45% of the sick leave benefits are paid to employees with ten or more years of service upon retirement or termination up to a maximum accrual of 1,040 hours. The Agency has accrued a liability for vacation and sick leave, which has been earned, but not taken, by Agency employees. This liability is recognized when incurred.

6) Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to future periods and will not be recognized as an outflow of resources (expense) until then.

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to future periods and will not be recognized as an inflow of resources until that time.

Deferred inflows and outflows of resources include amounts deferred for the Agency's pension plan under GASB Statement No. 68 as described in Note 8.

7) Net Position

Net position is segregated into the net investment in capital assets, restricted and unrestricted.

Net Investment in Capital Assets – The net investment in capital assets represents capital assets, net of accumulated depreciation and amortization and long-term liabilities that are attributable to the acquisition, construction or improvement of these assets.

Restricted – Restricted net position consists of constraints placed on net position use through external constraints imposed by creditors (such as through debt covenants), grants, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional

YUBA COUNTY WATER AGENCY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2017 and 2016

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

provisions or enabling legislation. The Agency had no restrictions of net position.

Unrestricted – Designations of unrestricted net position are imposed by the Board of Directors to reflect future spending plans or concerns about the availability of future resources. Designations may be modified, amended, or removed by Board action. The designations included the following at June 30:

	2017	2016
Capital facilities - recreation	\$ 112,660	\$ 73,811
Ground water	435,993	640,214
Relicensing	1,260,802	466,967
Fishery enhancement	545,673	1,636,908
Project development	15,597,554	27,839,945
Future operations & administration	16,573,822	11,316,535
River management	190,004	189,044
Subtotal - Designated	34,716,508	42,163,424
Undesignated	38,511,999	
Total Unrestricted Net Position	\$ 73,228,507	\$ 42,163,424

- Designated for Capital Facilities - Recreation – to segregate a portion of net position for fees collected for capital facilities projects in the recreation area.
- Designated for Ground Water – to segregate a portion of net position for the monitoring of ground water.
- Designated for Relicensing – to segregate a portion of net position designated for the future relicensing costs for the Agency.
- Designated for Fishery Enhancement – to segregate a portion of net position designated for fish monitoring and habitat improvements.
- Designated for Project Development – to segregate a portion of net position designated for water resources and flood control related studies and capital projects.
- Designated for Future Operations & Administration – to segregate a portion of net position designated for general administration and future operations.
- Designated for River Management – to segregate a portion of net position designated for Accord River Management Team directed projects.

8) Use of Estimates

The preparation of the financial statement in conformity with generally accepted accounting principles 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 expenses during the reporting period. Actual results could differ from those estimates.

9) Pension Plan

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions and pension expense, information about the fiduciary net position of the Agency's

YUBA COUNTY WATER AGENCY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2017 and 2016

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

California Public Employees' Retirement System (CalPERS) plan (Plan) and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

10) Reclassifications

Certain reclassifications were made to the 2016 financial statements to conform to the current presentation. These reclassifications had no effect on previously reported net position or change in net position.

11) New Accounting Pronouncements

In June 2015, the GASB issued Statement No. 75, "*Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (OPEB)*." This Statement replaces the requirements of GASB Statement No. 45 and requires governments responsible for OPEB liabilities related to their own employees to report a net OPEB liability on the face of the financial statements. Governments that participate in a cost-sharing OPEB plan that is administered through a trust that meets the specified criteria will report a liability equal to their proportionate share of the collective OPEB liability for all entities participating in the cost-sharing plan. Governments that do not provide OPEB through a trust that meets specified criteria will report the total OPEB liability related to their employees. This Statement also requires governments to present more extensive note disclosures and required supplementary information about their OPEB liabilities. This Statement is effective for periods beginning after June 15, 2017.

In November 2016, the GASB issued Statement No. 83, *Certain Asset Retirement Obligations*. This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset (example is decommissioning a water treatment plant). A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement. This Statement requires that recognition occur when the liability is both incurred and reasonably estimable. This Statement requires the measurement of an ARO to be based on the best estimate of the current value of outlays expected to be incurred. The best estimate should include probability weighting of all potential outcomes, when such information is available or can be obtained at reasonable cost. The requirements of this Statement are effective for periods beginning after June 15, 2018.

In June 2017, the GASB issued Statement No. 87, *Leases*. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. A lease is defined as a contract that conveys control of the right to use another entity's nonfinancial asset as specified in the contract for a period of time in an exchange or exchange-like transaction. Examples of nonfinancial assets include buildings, land, vehicles, and equipment. Any contract that meets this definition should be accounted for under the leases guidance, unless specifically excluded in this Statement. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

The Agency will fully analyze the impact of these new Statements prior to the effective dates listed above.

**YUBA COUNTY WATER AGENCY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2017 and 2016**

NOTE 2 CASH AND CASH EQUIVALENTS

Cash and cash equivalents, at fair value, consisted of the following at June 30:

	2017	2016
Unrestricted cash and cash equivalents:		
Cash on hand	\$ 525	\$ 525
Deposits in financial institutions	41,205,626	7,349,215
Cash and investments with County of Yuba Treasurer	35,900,904	51,167,834
Total cash and cash equivalents	\$ 77,107,055	\$ 58,517,574

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.

At June 30, 2017 and 2016, the carrying amount of the Agency’s deposits was \$41,205,626 and \$7,349,215, and the balances in financial institutions were \$41,940,566 and \$8,124,092 respectively. Of the balances in financial institutions at June 30, 2017 and 2016, \$250,000 was covered by federal depository insurance each year and the remaining amounts were collateralized as required by state law (Government Code §53630) by the pledging financial institution with assets held in a common pool for the Agency and other governmental agencies. State law requires that the market value of the common pool of collateral be equal to or greater than 110% of all public deposits with the pledging financial institution if governmental securities are used, or 150% if mortgages are used, as collateral. The collateral is not held by or in the name of the Agency.

The Agency’s investments in the investment pool maintained by the County of Yuba, California’s (the County) Treasurer are stated at fair value. The Agency maintains a significant portion of its cash in County’s cash and investment pool. The County apportions interest and changes in fair value to the Agency’s funds quarterly based upon average cash balances. Investments held in the County’s cash and investment pool are available on demand to the Agency and are stated at fair value. Information regarding categorization of investments can be found in the County’s financial statements at www.co.yuba.ca.us under the Auditor-Controller Department page. The County’s cash and investment pool is not registered with the Securities and Exchange Commission as an investment company and is in accordance with the applicable laws and regulations of the State of California. The fair value of the Agency’s position in the pool is the same as the value of its pool shares and is available on demand. The County has not provided or obtained any legally binding guarantees to support the value of the accounts.

Investment policy – Pursuant to Board Resolutions 2017-03 and 2016-05, the Agency reaffirmed the County’s investment policy as the Agency’s investment policy. Under the County’s policy, the permissible investments for the years ended June 30, 2017 and 2016, included the following instruments:

YUBA COUNTY WATER AGENCY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2017 and 2016

NOTE 2 CASH AND CASH EQUIVALENTS (Continued)

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment in One Issuer</u>
Federal Agency Obligations	5 Years	None	None
U.S. Treasury Bills	5 Years	None	None
State of California Obligations	5 Years	None	None
Local Agency Bonds and Obligations	5 Years	None	None
Banker's Acceptances	180 Days	40%	30%
Commercial Paper - Selected Agencies	270 Days	40%	10%
Negotiable Certificates of Deposit	5 Years	30%	None
Non-negotiable Certificates of Deposit	5 Years	30%	None
Repurchase Agreements	1 Year	None	None
Reverse Repurchase Agreements	92 Days	20%	None
Medium-Term Corporate Notes	5 Years	30%	None
Money Market Mutual Funds	N/A	20%	10%
Local Agency Investment Fund (LAIF)	N/A	None	None
California Asset Management Program (CAMP)	N/A	None	None

Investments authorized by debt agreements – Investments held by a bond fiscal agent (trustee) are governed by the provisions of the debt indenture agreement rather than the provisions of the Agency's investment policy of the California Government Code. The Agency did not have any investments that were invested according to the provisions of debt indenture agreements at June 30, 2017 and 2016.

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. As of June 30, 2017 and 2016, the weighted average maturity of the investments in the County's investment pool was 286 and 276 days, respectively.

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. The County pool is not rated, but specific credit risk ratings for individual investments held for the Agency by the County are provided in the County's financial statements.

Concentration of credit risk – The Agency does not have a policy that limits the amount that can be invested in any one issuer beyond what is specified in the California Government Code. A majority of the Agency's investments are held with the County pool where the concentration of credit risk is not determinable.

NOTE 3 ACCOUNTS RECEIVABLE

Accounts receivable consisted of the following at June 30:

	<u>2017</u>	<u>2016</u>
Sales of electric energy receivable	\$ 4,404,905	\$ 3,398,680
Irrigation and gauging receivables	729,914	456,807
Due from marina operations	49,902	83,136
Due from Pacific Gas & Electric	25,546	585,376
Capital contributions receivable		519,253
Other		8,971
TOTALS	\$ 5,210,267	\$ 5,052,223

YUBA COUNTY WATER AGENCY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2017 and 2016

NOTE 4 LOANS AND LEASES RECEIVABLE FROM OTHER GOVERNMENTAL AGENCIES

Loans and leases receivable activity consisted of the following during the years ended June 30:

	Balance July 1, 2016	Additions	Payments	Balance June 30, 2017	Interest Receivable
Yuba County RDA/County of Yuba as Successor Agency	\$ 902,695	\$ 7,168	\$ (13,147)	\$ 896,716	\$ 157,773
North Yuba Water District	377,801	14,577		392,378	27,956
Cordua Irrigation District	99,770	818	(100,588)		
Dry Creek Mutual Water Company	1,353,517	10,662	(96,100)	1,268,079	82
City of Marysville Levee District	2,607,658	96,200		2,703,858	298,877
Camptonville Community Services District	599,546	61,219	(587,872)	72,893	1,387
Yuba County TRLIA Bond Loan	1,849,673	1,968,837	(29,075)	3,789,435	
Yuba County lease receivable		11,176,149	(508,210)	10,667,939	14,694
Reclamation Districts 2103 and 817		432,505	(379,959)	52,546	6,130
Reclamation District 10		1,031,390		1,031,390	21,037
TOTALS	\$ 7,790,660	\$ 14,799,525	\$ (1,714,951)	\$ 20,875,234	\$ 527,936

	Balance July 1, 2015	Additions	Payments	Balance June 30, 2016	Interest Receivable
Yuba County RDA/County Of Yuba as Successor Agency	\$ 897,021	\$ 5,674		\$ 902,695	\$ 163,753
North Yuba Water District	380,139	14,662	\$ (17,000)	377,801	13,379
Cordua Irrigation District	99,777	3,993	(4,000)	99,770	222
Dry Creek Mutual Water Company	1,438,871	10,346	(95,700)	1,353,517	266
City of Marysville Levee District	2,511,195	96,463		2,607,658	202,677
Camptonville Community Services District	92,992	666,292	(159,738)	599,546	5,295
Yuba County TRLIA Bond Loan		1,849,673		1,849,673	
TOTALS	\$ 5,419,995	\$ 2,647,103	\$ (276,438)	\$ 7,790,660	\$ 385,592

Each loan accrues interest at a rate established by the Agency as agreed to in the originating loan agreement. The amounts reported above include interest receivable. Typically, the interest rate is based on an average of the interest rate paid by the County of Yuba, California Treasurer on the investment pool for the preceding 12 months. The interest rates ranged from 0.788% to 4.00% and from 0.719% to 4.00% at June 30, 2017 and 2016, respectively.

The Yuba County TRLIA Bond Loan represents temporary debt service payments by the Agency on the Yuba Levee Financing Authority Bonds, 2008 Series A and Taxable Revenue Bonds, 2008 Series B described in Note 16. Payments were made by the Agency under the Funding Agreement Relating to Yuba Levee Financing Authority Bonds (the Agreement) that provides for the Agency to make Bond payments on behalf of the County through February 16, 2020 if levee impact fees charged by the County in the Plumas Lake Specific Plan Area are not sufficient to make the Bond payments. The Agency agreed to make payments from available funds, made no pledge of revenues under the Agreement and the obligation to make payments under the Agreement is an unsecured obligation. The Agreement requires the County to repay the Agency with future levee impact fees collected in the Plumas Lake Specific Plan Area with interest in the amount that would have been earned on the funds used for debt service payments had the funds been invested with other Agency funds. As described in Note 16, the 2008 Bonds were refunded during the year ended June 30, 2016. However, the provisions of the Agreement were extended to the Refunding Revenue Bonds, 2017 Series A and B, as described in Note 16. As described in Note 20, the Agency funded an additional payment in July 2017.

**YUBA COUNTY WATER AGENCY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2017 and 2016**

NOTE 4 LOANS AND LEASE RECEIVABLE FROM OTHER GOVERNMENTAL AGENCIES

In September 2015, the Board of Directors approved a deferral of the required North Yuba Water District loan payment until September 2016. North Yuba Water District requested the payment be further deferred in October 2016.

Regarding the loan to the Yuba County Redevelopment Agency, the state Redevelopment Dissolution Act (AB 1X 26) dissolved the Redevelopment Agency on February 1, 2012. On March 27, 2012, the Yuba County Board of Supervisors adopted Resolution No. 2012-20 designating the Board of Supervisors of the County of Yuba to serve as the Successor Agency of the Yuba County Redevelopment Agency (Successor Agency). As a result of this legislation, the Successor Agency was required to obtain formal approval for the recognition of the obligation to repay outstanding debts. On May 27, 2012, the California Department of Finance issued a letter to the successor agency approving the obligation for repayment of the loan made by Yuba County Water Agency to the Yuba County Redevelopment Agency.

Lease receivable – In December 2016, as part of the refunding of the Yuba Levee Financing Authority (the Authority) Bonds, 2008 Series A and Taxable Revenue Bonds, 2008 Series B described in Note 16, two lease agreements were executed with the County of Yuba related to the County’s solar equipment. The first lease agreement provided for the lease of the solar equipment to the Agency and the second agreement provided for a lease of the equipment back to the County. The Agency prepaid the \$11,057,939 amount due to the County under the first lease agreement to provide funding to the County to pay-off certain other debt to facilitate the refunding of the Authority’s 2008 bonds. The County will sub-lease the equipment from the Agency through June 1, 2031 under the second lease. Interest will be computed at 3% under the agreement. The County made the first payment to the Agency under the second agreement in May 2017 in the amount of \$470,608. The interest rate will be not less than 1.75% and the term will not extend beyond June 1, 2031 as long as the principal under the agreement does not exceed \$11.1 million. Future payments under the lease will be as follows at June 30, 2017:

Year Ending June 30:	Principal	Interest	Total
2018	\$ 834,576	\$ 250,973	\$ 1,085,549
2019	598,127	196,373	794,500
2020	640,982	184,411	825,393
2021	686,076	171,591	857,667
2022	818,514	157,870	976,384
2023-2027	4,084,970	522,747	4,607,717
2028-2031	2,990,000	150,900	3,140,900
	<u>\$ 10,653,245</u>	<u>\$ 1,634,865</u>	<u>\$ 12,288,110</u>

YUBA COUNTY WATER AGENCY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2017 and 2016

NOTE 5 CAPITAL ASSETS

Capital asset activity consisted of the following during the year ended June 30, 2017:

	Balance July 1, 2016	Additions	Deletions	Transfers	Balance June 30, 2017
CAPITAL ASSETS NOT BEING DEPRECIATED:					
General Fund:					
Land and land rights	\$ 1,449			\$ (1,449)	
Canals	4,605,454				\$ 4,605,454
Construction in progress					
FERC relicensing	30,102,028	\$ 3,202,185			33,304,213
Other	267,375			(267,375)	
Other-GFPS		698,026		1,045,367	1,743,393
Total General Fund	34,976,306	3,900,211		776,543	39,653,060
Power Systems Fund:					
Land and land rights				85,835	85,835
Water rights				2,923,388	2,923,388
Construction in progress					
General		2,234,085		(56,343)	2,177,742
GFPS				3,180	3,180
Recreation				267,375	267,375
Total Power Systems Fund		2,234,085		3,223,435	5,457,520
Hydroelectric Utility Fund:					
Water rights	85,835			(85,835)	
Land and land rights	2,921,939			(2,921,939)	
Construction in progress	1,231,334			(1,231,334)	
Total Hydroelectric Utility Fund	4,239,108			(4,239,108)	
General Fund Power Systems:					
Construction in progress	1,049,177			(1,049,177)	
Total General Fund Power Systems	1,049,177			(1,049,177)	
TOTAL CAPITAL ASSETS NOT BEING DEPRECIATED	40,264,591	6,134,296		(1,288,307)	45,110,580
CAPITAL ASSETS BEING DEPRECIATED:					
General Fund:					
Recreation facilities	1,516,201			(1,516,201)	
General plant	4,605,179	110,115			4,715,294
Irrigation canals	17,487,652				17,487,652
Total General Fund	23,609,032	110,115		(1,516,201)	22,202,946
Power Systems Fund:					
Hydraulic production				228,240,443	228,240,443
Hydraulic production-MH				396,117	396,117
Hydraulic production-GFPS				345,494	345,494
Electric plant acquisition				4,485,248	4,485,248
Transmission equipment				6,031,993	6,031,993
Transmission equipment-GFPS				3,487,679	3,487,679
General plant		131,990	\$ (37,854)	9,273,421	9,367,557
General plant-GFPS				3,894,186	3,894,186
Recreation facilities				1,516,201	1,516,201
Intangible assets				248,292	248,292
Total Power Systems Fund		131,990	(37,854)	257,919,074	258,013,210
General Fund Hydro Fund:					
Hydraulic production	396,117			(396,117)	

YUBA COUNTY WATER AGENCY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2017 and 2016

NOTE 5 CAPITAL ASSETS (Continued)

	Balance July 1, 2016	Additions	Deletions	Transfers	Balance June 30, 2017
Hydroelectric Utility Fund:					
Hydraulic production	\$ 226,952,136			\$ (226,952,136)	
Electric plant acquisition	4,485,248			(4,485,248)	
Transmission equipment	6,031,993			(6,031,993)	
General plant	9,273,421			(9,273,421)	
Intangible assets	248,292			(248,292)	
Total Hydroelectric Utility Fund	246,991,090			(246,991,090)	
General Fund Power Systems:					
General plant	3,894,186			(3,894,186)	
Hydraulic production	345,494			(345,494)	
Transmission equipment	3,487,679			(3,487,679)	
Total General Fund Power Systems	7,727,359			(7,727,359)	
TOTAL CAPITAL ASSETS BEING DEPRECIATED	278,723,598	\$ 242,105	\$ (37,854)	1,288,307	\$ 280,216,156
ACCUMULATED DEPRECIATION AND AMORTIZATION:					
General Fund:					
Recreation facilities	(1,242,745)			1,242,745	
General plant	(2,023,506)	(341,666)			(2,365,172)
Irrigation canals	(2,529,772)	(606,989)			(3,136,761)
Total General Fund	(5,796,023)	(948,655)		1,242,745	(5,501,933)
Power Systems Fund:					
Hydraulic production		(3,366,163)		(101,373,510)	(104,739,673)
Hydraulic production-MH		(11,515)		(342,193)	(353,708)
Hydraulic production-GFPS		(34,549)		(1,139)	(35,688)
Electric plant acquisition		(1,904)		(4,483,344)	(4,485,248)
Transmission equipment		(267,258)		(1,387,115)	(1,654,373)
Transmission equipment-GFPS		(190,234)		(7,045)	(197,279)
General plant		(494,833)	37,854	(6,241,882)	(6,698,861)
General plant-GFPS		(225,896)		(22,180)	(248,076)
Recreation facilities		(82,983)		(1,242,745)	(1,325,728)
Intangible assets		(5,249)		(236,205)	(241,454)
Total Power Systems Fund		(4,680,584)	37,854	(115,337,358)	(119,980,088)
General Fund Hydro Fund:					
Hydraulic production	(342,193)			342,193	
Hydroelectric Utility Fund:					
Hydraulic production	(101,373,510)			101,373,510	
Electric plant acquisition	(4,483,344)			4,483,344	
Transmission equipment	(1,387,115)			1,387,115	
General plant	(6,241,882)			6,241,882	
Intangible assets	(236,205)			236,205	
Total Hydroelectric Utility Fund	(113,722,056)			113,722,056	
General Fund Power Systems:					
General plant	(22,180)			22,180	
Hydraulic production	(1,139)			1,139	
Transmission equipment	(7,045)			7,045	
Total General Fund Power Systems	(30,364)			30,364	
TOTAL ACCUMULATED DEPRECIATION	(119,890,636)	(5,629,239)	37,854		(125,482,021)
Total capital assets being depreciated, net	158,832,962	(5,387,134)		1,288,307	154,734,135
CAPITAL ASSETS, NET	\$ 199,097,553	\$ 747,162	\$ -	\$ -	\$ 199,844,715

YUBA COUNTY WATER AGENCY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2017 and 2016

NOTE 5 CAPITAL ASSETS (Continued)

The significant transfers during the year ended June 30, 2016 were the result of the end of the PG&E contract that allowed the Agency to consolidate unnecessary reporting units.

Capital asset activity consisted of the following during the year ended June 30, 2016:

	Balance July 1, 2015	Additions	Deletions	Transfers	Balance June 30, 2016
CAPITAL ASSETS NOT BEING DEPRECIATED:					
General Fund:					
Land and land rights	\$ 1,449				\$ 1,449
Canals	4,605,454				4,605,454
Construction in progress					
FERC relicensing	26,914,495	\$ 3,187,533			30,102,028
Other	107,855	159,520			267,375
Total General Fund	31,629,253	3,347,053			34,976,306
Hydroelectric Utility Fund:					
Water rights	85,835				85,835
Land and land rights	2,841,991			\$ 79,948	2,921,939
Construction in progress	3,370,409	7,857,257		(9,996,332)	1,231,334
Total Hydroelectric Utility Fund	6,298,235	7,857,257		(9,916,384)	4,239,108
General Fund Power Systems:					
Construction in progress	3,992,073	773,581		(3,716,477)	1,049,177
Total General Fund Power Systems	3,992,073	773,581		(3,716,477)	1,049,177
TOTAL CAPITAL ASSETS NOT BEING DEPRECIATED	41,919,561	11,977,891		(13,632,861)	40,264,591
CAPITAL ASSETS BEING DEPRECIATED:					
General Fund:					
Recreation facilities	1,516,201				1,516,201
General plant	4,563,057	74,135	\$ (32,013)		4,605,179
Irrigation canals	17,443,908	43,744			17,487,652
Total General Fund	23,523,166	117,879	(32,013)		23,609,032
General Fund Hydro Fund:					
Hydraulic production	396,117				396,117
Hydroelectric Utility Fund:					
Hydraulic production	222,400,212			4,551,924	226,952,136
Electric plant acquisition	4,485,248				4,485,248
Transmission equipment	1,859,381			4,172,612	6,031,993
General plant	7,962,706	118,867		1,191,848	9,273,421
Intangible assets	248,292				248,292
Total Hydroelectric Utility Fund	236,955,839	118,867		9,916,384	246,991,090
General Fund Power Systems:					
General plant	33,272	1,603,129		2,257,785	3,894,186
Hydraulic production		216,727		128,767	345,494
Transmission equipment		2,157,754		1,329,925	3,487,679
Total General Fund Power Systems	33,272	3,977,610		3,716,477	7,727,359
TOTAL CAPITAL ASSETS BEING DEPRECIATED	260,908,394	4,214,356	(32,013)	13,632,861	278,723,598

YUBA COUNTY WATER AGENCY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2017 and 2016

NOTE 5 CAPITAL ASSETS (Continued)

	Balance July 1, 2015	Additions	Deletions	Transfers	Balance June 30, 2016
ACCUMULATED DEPRECIATION AND AMORTIZATION:					
General Fund:					
Recreation facilities	\$ (1,159,761)	\$ (82,984)			\$ (1,242,745)
General plant	(1,691,398)	(364,121)	\$ 32,013		(2,023,506)
Irrigation canals	(1,685,909)	(843,863)			(2,529,772)
Total General Fund	(4,537,068)	(1,290,968)	32,013		(5,796,023)
General Fund Hydro Fund:					
Hydraulic production	(379,114)	36,921			(342,193)
Hydroelectric Utility Fund:					
Hydraulic production	(97,943,559)	(3,429,951)			(101,373,510)
Electric plant acquisition	(4,385,880)	(97,464)			(4,483,344)
Transmission equipment	(1,359,895)	(27,220)			(1,387,115)
General plant	(5,751,324)	(490,558)			(6,241,882)
Intangible assets	(230,956)	(5,249)			(236,205)
Total Hydroelectric Utility Fund	(109,671,614)	(4,050,442)			(113,722,056)
General Fund Power Systems:					
General plant	(11,090)	(11,090)			(22,180)
Hydraulic production		(1,139)			(1,139)
Transmission equipment		(7,045)			(7,045)
Total General Fund Power Systems	(11,090)	(19,274)			(30,364)
TOTAL ACCUMULATED DEPRECIATION	(114,598,886)	(5,323,763)	32,013		(119,890,636)
Total capital assets being depreciated, net	146,309,508	(1,109,407)		\$ 13,632,861	158,832,962
CAPITAL ASSETS, NET	\$ 188,229,069	\$ 10,868,484	\$ -	\$ -	\$ 199,097,553

East-side Canal Extension (Yuba Wheatland Canal Project) – The East-side Canal Extension (Yuba Wheatland Canal Project) was the result of a contractual arrangement between the Agency and Wheatland Water District (WWD). The original agreement was executed on January 27, 2004 and was subsequently amended on February 13, 2007 and again on May 25, 2010. The agreement and subsequent amendments contained cost allocation, ownership, and payment provisions. During the year ended June 30, 2014, the Agency capitalized \$16,613,796 in costs attributable to the project and began depreciation.

On September 5, 2014, the Agency and WWD entered into an agreement whereby WWD will reimburse the Agency \$1,394,080 for project costs related to improvements made within the WWD boundaries. The parties anticipate that this amount will be repaid over a thirty (30) year period with annual principal and interest payments due no later than each December 15th. WWD has the option of reimbursing these costs over a shorter time period. Interest on the unpaid reimbursement balance will be at a rate equal to the average rate of return earned by the Agency on funds invested with the Treasurer of the County of Yuba. Under the agreement, WWD agreed to pay retroactive interest to December 31, 2010. Upon full repayment by WWD, title to certain improvements will be transferred from the Agency to WWD. As of June 30, 2017 and 2016, the undepreciated cost of these improvements totaled \$7,881,523.

No payments were made by WWD during the year ended June 30, 2017. During the year ended June 30, 2016, WWD repaid the Agency principal and interest of \$8,000, including interest of \$7,734. As of June 30, 2017 and 2016, the unreimbursed amount due to the Agency totaled \$865,747 and \$858,986, respectively, including accrued interest. At June 30, 2017 and 2016, the Agency reported the cumulative principal payments received of \$535,360 and \$535,233, respectively, as a deposit liability rather than as payments on a loan receivable in the accompanying financial statements under GASB Statement No. 62 because title to the facilities will not be transferred until the loan is fully collected.

**YUBA COUNTY WATER AGENCY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2017 and 2016**

NOTE 6 LONG-TERM LIABILITIES

The following is a summary of changes in long-term liabilities for the fiscal years ended June 30:

	Balance July 1, 2016	Additions	Deletions	Balance June 30, 2017	Due within one year
Net pension liability	\$ 2,910,127	\$ 1,325,651	\$ (2,719,772)	\$ 1,516,006	\$ -

	Balance July 01, 2015	Additions	Deletions	Balance June 30, 2016	Due within one year
Net pension liability	\$ 2,942,238	\$ 1,252,583	\$ (1,284,694)	\$ 2,910,127	\$ -

NOTE 7 UNEARNED REVENUE

During the year ended June 30, 2008, the Agency entered into a water transfer agreement with the Department of Water Resources whereby \$30,900,000 was paid up front for the transfer of 480,000 acre feet of water over a period of eight (8) years with 60,000 acre feet of water being transferred annually. The revenue is recognized as the water is transferred and the remaining balance of transfer proceeds is reported as unearned revenue until the related water is transferred. Unearned water transfer revenue under this agreement at June 30, 2017 and 2016 was \$3,918,442 each year.

On December 5, 2014, Amendment No. 5 to the water transfer agreement was executed. This amendment extended the water transfer period through December 31, 2025. As a result of this amendment, the Agency received a \$20 million unearned prepayment toward future water transfers that will be earned using fluctuating rates per acre foot specified in the agreement ranging from \$50 to \$350 per acre foot that are based on whether the water is transferred in years classified as wet to consecutive dry or critical years.

The following is a summary of unearned water transfer revenue at June 30:

	2017	2016
Water transfer accord	\$ 23,918,442	\$ 23,918,442
Less: Current Portion	(3,918,442)	(3,918,442)
Noncurrent Portion	\$ 20,000,000	\$ 20,000,000

The remaining \$211,298 and \$305,496 of current unearned revenue at June 30, 2017 and 2016, respectively, represents unearned receipts related to the member units well efficiency program.

NOTE 8 DEFINED BENEFIT PENSION PLAN

A. General Information About Pension Plan

Plan Description – All qualified permanent and probationary employees are eligible to participate in the Agency’s cost-sharing multiple employer defined benefit pension plan (Plan), which is administered by the California Public Employees’ Retirement System (CalPERS). The Agency participates in the Miscellaneous Risk Pool and two rate plans, the Classic Miscellaneous Rate Plan and the PEPRA Miscellaneous Rate Plan. Benefit provisions under the Plan are established by State statute and local government resolution. CalPERS issues publicly available reports that include a full description of the pension plan regarding benefit provisions, assumptions, and membership information that can be found on the CalPERS website.

**YUBA COUNTY WATER AGENCY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2017 and 2016**

NOTE 8 DEFINED BENEFIT PENSION PLAN (Continued)

A. General Information About Pension Plan (Continued)

Benefits Provided – CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is the Optional Settlement 2W Death Benefit and 1959 survivor benefit, level 3. The cost of living adjustments for each plan are applied as specified by the Public Employees’ Retirement Law. The Public Employees’ Pension Reform Act of 2013 (PEPRA) requires new benefits and member contributions as defined by PEPRA, that are hired after January 1, 2013. Consequently, the Classic Miscellaneous Rate Plan is closed to new members that were not CalPERS eligible participants as of December 31, 2012. The District had no PEPRA eligible employees as of the June 30, 2015 valuation date, so no information is applicable for the PEPRA rate plan as of June 30, 2017.

The Plan’s provisions and benefits in effect at June 30 are summarized as follows:

Hire date	2017		2016	
	Prior to January 1, 2013	On or After January 1, 2013	Prior to January 1, 2013	On or After January 1, 2013
Benefit formula	2.0% @ 55	2% @ 62	2.0% @ 55	2% @ 62
Benefit vesting schedule	5 years service	5 years service	5 years service	5 years service
Benefit payments	monthly for life	monthly for life	monthly for life	monthly for life
Retirement age	50-63	52-67	50-63	52-67
Monthly benefits as a % of eligible compensation	1.426% to 2.418%	1.0% to 2.5%	1.426% to 2.418%	1.0% to 2.5%
Final average compensation period	3 years	1 year	3 years	1 year
Required employee contribution rates	7.00%	6.533%	7.00%	6.25%
Required employer contribution rates	8.880%	6.555%	8.512%	6.237%

Contributions – Section 20814(c) of the California Public Employees’ Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for the Plan is determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The Agency is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. For the years ended June 30, the contributions recognized as part of pension expense for the Plan was as follows:

	2017	2016
Contributions - employer	\$ 534,831	\$ 565,710

In addition to the contractually required contributions above, the Agency made additional accrual basis contributions of \$2,474,115 during the year ended June 30, 2016, including \$833,222 paid in July 2016. CalPERS reflected the \$833,222 paid in July 2016 as a contribution for the year ended June 30, 2015. CalPERS included the remaining additional payments in the Agency’s fiduciary net position at June 30, 2016 measurement date. CalPERS estimated these amounts would be sufficient to eliminate the Agency’s unfunded pension liability based on the most recent actuarial valuation at the date the additional contributions were made. The 2016 contributions above were adjusted to reflect the Agency’s UAL payments in the amount of \$108,612 that are part of the Agency’s required contributions, but were reported as additional contributions in the 2016 financial statements.

YUBA COUNTY WATER AGENCY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2017 and 2016

NOTE 8 DEFINED BENEFIT PENSION PLAN (Continued)

B. Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources Related to Pensions

As of June 30, 2017 and 2016, the Agency reported a net pension liability of \$1,516,006 and \$2,910,127, respectively, for its share of the net pension liability of the Plan. The Agency's net pension liability for the Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plan for the years ended June 30, 2017 and 2016 was measured as of June 30, 2016 and 2015, and the total pension liability for each rate plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2015 and 2014, rolled forward to June 30, 2016 and 2015, using standard update procedures. The Agency's proportion of the net pension liability was based on a projection of the Agency's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. The Agency's proportionate share of the net pension liability for the Plan as of June 30 as compared to the prior year, were as follows:

	2017	2016
Proportion - June 30, 2016	0.106075%	
Proportion - June 30, 2017	0.043640%	
Change - Increase (Decrease)	-0.062435%	
Proportion - June 30, 2015		0.119047%
Proportion - June 30, 2016		0.106075%
Change - Increase (Decrease)		-0.012972%

During the years ended June 30, 2017 and 2016, the Agency recognized pension expense (benefit) of \$1,356,105 and \$(319,093). At June 30, the Agency reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2017		2016	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 534,831		\$ 2,206,603	
Differences between actual and expected experience	19,869	\$ (4,552)	35,250	
Changes in assumptions		(187,979)		\$ (333,495)
Differences between the employer's contributions and the employer's proportionate share of contributions		(100,125)		(53,285)
Change in employer's proportion	49,373	(1,778,749)	38,540	
Net differences between projected and actual earnings on plan investments	978,364			(167,186)
Total	\$ 1,582,437	\$ (2,071,405)	\$ 2,280,393	\$ (553,966)

The \$534,831 and \$2,206,603 at June 30, 2017 and 2016, respectively, reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows for the year ended June 30:

YUBA COUNTY WATER AGENCY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2017 and 2016

NOTE 8 DEFINED BENEFIT PENSION PLAN (Continued)

B. Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources Related to Pensions (Continued)

Year Ending June 30:	2017	2016
2017		\$ (246,335)
2018	\$ (638,494)	(242,084)
2019	(604,491)	(205,457)
2020	(34,222)	213,700
2021	253,408	
	<u>\$ (1,023,799)</u>	<u>\$ (480,176)</u>

Actuarial Assumptions – The total pension liabilities in the June 30, 2015 and 2014, actuarial valuations used during the years ended June 30 were determined using the following actuarial assumptions:

	2017	2016
Valuation date	June 30, 2015	June 30, 2014
Measurement date	June 30, 2016	June 30, 2015
Actuarial cost method	Entry-Age Normal Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:		
Discount rate	7.65%	7.65%
Inflation	2.75%	2.75%
Payroll growth	3.00%	3.00%
Projected salary increase ⁽¹⁾	3.2% - 12.2%	3.3% - 14.2%
Investment rate of return	7.65%	7.65%
Mortality ⁽²⁾	CalPERS Table	

⁽¹⁾ Depending on age, service and type of employment.

⁽²⁾ 20 years of mortality improvement - Society of Actuaries Scale BB.

The underlying mortality assumptions and all other actuarial assumptions used in the June 30, 2015 and 2014, valuations were based on the results of an April 2014 actuarial experience study for the period 1997 to 2011. Further details of the Experience Study can be found on the CalPERS website.

Discount Rate – The discount rate used to measure the total pension liability was 7.65% in the valuations as of June 30, 2015 and 2014 used for the year ended June 30, 2017 and 2016. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the 7.65% discount rate used in the June 30, 2015 and 2014 valuations were adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate will be applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report that can be obtained from the CalPERS website.

CalPERS is scheduled to review all actuarial assumptions as part of its regular Asset Liability Management (ALM) review cycle that is scheduled to be completed in February 2018. Any changes to the discount rate will require Board action and proper stakeholder outreach.

YUBA COUNTY WATER AGENCY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2017 and 2016

NOTE 8 DEFINED BENEFIT PENSION PLAN (Continued)

B. Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources Related to Pensions (Continued)

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations, as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first 10 years) and the long-term (11 - 60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The table below reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These rates of return are net of administrative expenses.

Asset Class	2017			2016		
	New Strategic Allocation	Real Return Years 1 - 10 ^(a)	Real Return Years 11+(^b)	New Strategic Allocation	Real Return Years 1-10 ^(a)	Real Return Years 11+ ^(b)
Global equity	51.0%	5.25%	5.71%	51.0%	5.25%	5.71%
Global debt securities	20.0%	0.99%	2.43%	19.0%	0.99%	2.43%
Inflation sensitive	6.0%	0.45%	3.36%	6.0%	0.45%	3.36%
Private equity	10.0%	6.83%	6.95%	10.0%	6.83%	6.95%
Real estate	10.0%	4.50%	5.13%	10.0%	4.50%	5.13%
Infrastructure and forestland	2.0%	4.50%	5.09%	2.0%	4.50%	5.09%
Liquidity	1.0%	(0.55)%	(1.05)%	2.0%	(0.55)%	(1.05)%
	100.0%			100.0%		

^(a) An expected inflation of 2.5% used for this period.

^(b) An expected inflation of 3.0% used for this period.

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following presents the Agency's proportionate share of the net pension liability for each Plan, calculated using the discount rate for each Plan, as well as what the Agency's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	2017			2016		
	1% Decrease	Current Discount Rate	1% Increase	1% Decrease	Current Discount Rate	1% Increase
Discount rate	6.65%	7.65%	8.65%	6.65%	7.65%	8.65%
Net pension liability	\$ 4,091,661	\$ 1,516,006	\$ 612,646	\$ 4,880,486	\$ 2,910,127	\$ 1,283,367

Pension Plan Fiduciary Net Position – Detailed information about the pension plan's fiduciary net position is available in the separately issued CalPERS financial reports.

Payables to the Pension Plan – There were no significant payables to the pension plan as of June 30, 2017 or 2016.

YUBA COUNTY WATER AGENCY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2017 and 2016

NOTE 9 DEFERRED COMPENSATION PLAN

In lieu of Social Security, the Agency also offers its employees a deferred compensation plan created in accordance with Internal Revenue Code (IRC) Section 457 (457 Plan). The 457 Plan is administered by the ICMA Retirement Corporation. The 457 Plan is available to all regular employees at their option and permits participants to defer a portion of their salary until future years. The Agency contributes 7.65% of covered salaries for each employee that does not participate in the 401(a) Plan below. For the fiscal year ended June 30, 2017, the Agency contributed \$309,447 and the employees contributed \$385,912 to the 457 Plan. During the year ended June 30, 2016, the Agency contributed \$269,897 and the employees contributed \$355,108 to the 457 Plan.

On December 17, 2002, the Agency established an IRC Section 401(a) plan (401(a) Plan) with the ICMA Retirement Corporation. The Agency selects optional benefits through state statute and agency resolutions. The Agency contributes 7.65% of covered salaries for each employee who does not participate in the 457 Plan above. During the year ended June 30, 2017, the Agency contributed \$185,179 and the employees contributed \$175,602 to the 401(a) Plan. During the year ended June 30, 2016, the Agency contributed \$170,899 and the employees contributed \$137,108 to the 401(a) Plan.

NOTE 10 POST-EMPLOYMENT HEALTH CARE BENEFITS

In addition to the pension benefits, the Agency provides certain health care benefits for retired employees through CalPERS. Substantially all of the Agency's regular employees may become eligible for those benefits if they reach normal retirement age while working for the Agency. At June 30, 2017 and 2016, thirteen retired employees/survivor dependents met those eligibility requirements.

Plan Description – The Yuba County Water Agency's Retiree Healthcare Plan (the Plan) is an agent multiple-employer postemployment benefits plan administered by the California Public Employers' Retiree Benefit Trust (CERBT) Fund. The Agency provides medical benefits to eligible retirees. Benefit provisions are established and may be amended by the Board of Directors, subject to the Agency's labor agreements. Under the Plan, the Agency pays health insurance premiums for employees hired after 2007 with a maximum monthly benefit of \$1,500 (\$1,600 starting in 2017) with 10 years of Agency service and PEMHCA minimum benefits for employees hired after 2007 with less than 10 years of Agency service (\$125 per month in 2016 and \$128 per month in 2017).

On May 12, 2009, the Board approved a policy to pre-fund retiree health care benefits through contributions to the CERBT and authorized the agreement and election of the Agency to pre-fund other post-employment benefits through CalPERS. CERBT is a tax-qualified irrevocable trust organized under Internal Revenue Code Section 115 to administer retiree healthcare benefits and collectively invest plan assets of all trust members. CERBT issues publicly available financial statements according to GASB Statement No. 43, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, in aggregate with the other CERBT participating employers. CERBT financial statements can be obtained from the CalPERS website at www.calpers.ca.gov. Agency's Plan does not issue separate financial statements.

Funding Policy – Future contribution requirements of plan members and the Agency will be established and amended as needed by the Agency's Board of Directors. The required contribution will be based on projected pay-as-you-go financing requirements, with additional amounts to prefund benefits as determined annually by the Board. Employees are not required to contribute to the plan. For fiscal years ended June 30, 2017 and 2016, the Agency contributed a total of \$450,489 and \$280,845, respectively.

YUBA COUNTY WATER AGENCY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2017 and 2016

NOTE 10 POST-EMPLOYMENT HEALTH CARE BENEFITS (Continued)

Annual OPEB Cost and Net OPEB Obligation — The Agency's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the *annual required contribution of the employer* (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The Agency is implementing GASB Statement No. 45 prospectively. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a closed period of ten years. The ARC rate was 9.7% of projected annual covered payroll. The following table shows the components of the Agency's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the Agency's net OPEB obligation:

	2017	2016
Annual required contribution	\$ 484,000	\$ 281,000
Interest on net OPEB obligation	(10,000)	(33,000)
Adjustment to annual required contribution	19,000	235,000
Annual OPEB cost (expense)	493,000	483,000
Contributions made	(450,489)	(280,845)
Increase in net OPEB obligation	42,511	202,155
Net OPEB obligation (asset) - beginning of year	(155,845)	(358,000)
 Net OPEB obligation (asset) - end of year	 \$ (113,334)	 \$ (155,845)

The ARC was determined as part of a June 30, 2015, actuarial valuation. The Agency's Annual OPEB Cost, the percentage of Annual OPEB Cost contributed to the plan, and the Net OPEB Obligation as of June 30, 2017, were as follows:

Fiscal Year June 30	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation (Asset)
June 30, 2015	\$ 597,000	72.36%	\$ (358,000)
June 30, 2016	483,000	58.15%	(155,845)
June 30, 2017	493,000	91.38%	(113,334)

Funded Status and Funding Process — The funded status of the liability as per the most recent actuarial valuation of June 30, 2015, was as follows:

	2017	2016
Actuarial accrued liability (AAL)	\$ 5,647,000	\$ 5,647,000
Actuarial value of plan assets	(5,839,000)	(5,839,000)
Unfunded actuarial accrued liability/(asset)	\$ (192,000)	\$ (192,000)
Funded ratio (actuarial value of plan assets/AAL)	103.40%	103.40%
Covered payroll (active plan members)	\$ 5,037,000	\$ 3,937,000
UAAL/(asset) as a percentage of covered payroll	-3.81%	-4.88%

Actuarial valuations of an ongoing plan involve 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 health care 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

YUBA COUNTY WATER AGENCY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2017 and 2016

NOTE 10 POST-EMPLOYMENT HEALTH CARE BENEFITS (Continued)

about the future. The schedule of funding progress presented as other supplementary information following the notes to the financial statements presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial 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 actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the June 30, 2015, actuarial valuation, the Entry Age Normal (EAN) cost method was used. The actuarial assumptions included a 6.50% investment rate of return (net of administrative expenses), an annual healthcare cost trend rate of 7% to 7.2% initially (4.5% for PEMHCA), reduced by decrements to 5% after five years, payroll increases of 3.25%, and an inflation assumption of 3%. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year open period. The unfunded actuarial accrued liability is being amortized over a level percentage of projected payroll over a ten-year period on a closed basis.

NOTE 11 POWER PURCHASE CONTRACTS

On September 22, 2015, the Agency Board of Directors approved two (2) power purchase agreements with Shell Energy of North America for sales of Colgate and Narrows 2 electric energy and related products. Sale of electric energy totaled \$66,190,048 and \$11,720,010 under these agreements during the years ended June 30, 2017 and 2016, respectively.

All electric power generated by the Operations and Maintenance Fund was previously sold to the Pacific Gas and Electric Company (PG&E) under the terms of a contract dated May 13, 1966, which expired in April 2016. For the power received, PG&E paid \$3,850,000 semi-annually for bond and interest and a variable amount for hydro operations. The Operation and Maintenance Fund received, from PG&E for operating expenses, a total of \$18,704,389 during the year ended June 30, 2016. Due to the termination of the PG&E contract, the Agency accrued a receivable at for the estimated amount due from PG&E to settle all outstanding claims and recognized all unearned revenue during the year ended June 30, 2016. All amounts due from PG&E to settle outstanding claims were received during the year ended June 30, 2017. The Operations and Maintenance Fund was closed as of July 1, 2017 and all assets and liabilities were transferred to other reporting units.

All electric power generated through the Mini Hydro plant is sold to PG&E under the terms of a Renewable Market Adjusting Tariff PPA between the Agency and PG&E. The unit is rated for 150kW and PG&E pays for the net energy output at a set price of .08923 per kWh. Power delivery started on September 30, 2016 and the contract is valid for 15 years. The Agency received payments totaling \$214,532 and \$176,818 during the fiscal years ended June 30, 2017 and 2016, respectively.

NOTE 12 ECONOMIC DEPENDENCY

The Agency's operating revenues represent the sale of electric energy and water transfer revenues that are dependent upon the availability of water. A long-term reduction in available water to transfer or generate electric energy could have a significant impact on the Agency's financial condition.

**YUBA COUNTY WATER AGENCY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2017 and 2016**

NOTE 13 CONTINGENCIES

Western Water v. Yuba County Water Agency and Western Aggregates

The Agency was a defendant in the case *Western Water v. Yuba County Water Agency and Western Aggregates*. Western Water claimed the Agency breached an agreement entered into between the parties in 1991 and had an obligation to pay for water which was taken from an area commonly known as Yuba Goldfields. The court ruled in favor of the Agency and denied all of the plaintiff's claims. As a result, the Agency was awarded over one million dollars in attorney fees. The Appellate Court affirmed the lower court's ruling in September 2016. The Agency has not recognized revenue for the attorney fees awarded due to questions about the ability to collect the fees.

The Agency has filed a separate lawsuit against Western Water asserting Western Water violated the Uniform Fraudulent Transfer Act in an attempt to avoid paying the attorney fees awarded to the Agency. Western Water filed a Motion to Strike, which was denied. The ruling was appealed. The action was stayed pending outcome of the appeal affirmed in September 2016. On December 5, 2017, the Agency received a settlement for \$750,000 from Western Water after Western Water declared bankruptcy. No additional amounts are expected to be collected as a result of this ruling.

Cordua Irrigation District v. Yuba County Water Agency

On September 17, 2015, Cordua Irrigation District (Cordua) filed a lawsuit against the Agency, alleging that the Agency's actions in not agreeing to and facilitating a proposed water transfer of water to certain State Water Project (SWP) contractors breached a water-supply contract between Cordua and the Agency, constituted a tortious interference with a contract between Cordua and those SWP contractors and violated certain rights claimed by Cordua. Cordua seeks at least \$4,500,000 in damages from the Agency. The Agency denied that it breached its contract with Cordua, interfered with any other contract to with Cordua was a party or violated any of Cordua's rights. The Agency settled pending lawsuits with Cordua Irrigation District for the payment of \$675,000 to Cordua and a \$60,000 payment from Cordua to the Agency. This settlement resolves the issues between the Agency and Cordua and provides a solid foundation for productive relationship for a cooperative work relationship in the future.

Litigation

The Agency is a party to other claims and lawsuits arising in the ordinary course of business. The Agency's management and legal counsel are of the opinion that the ultimate liability, if any, arising from these claims will not have a material adverse impact on the financial position of the Agency.

Grant and Contractual Contingencies

Amounts received or receivable from grantor agencies and electric sales are subject to audit and adjustment. Any disallowed claims, including amounts already collected, may constitute a liability of the Agency. The amount(s), if any, of expenditures that may be disallowed by these entities cannot be determined at this time, although the Agency expects such amounts, if any, to be immaterial.

NOTE 14 RISK MANAGEMENT

The Agency is exposed to property and liability claims for which commercial insurance has been purchased. There have not been any significant reductions in insurance coverage compared to the prior year. Settlements have not exceeded the insurance coverage for the past three fiscal years.

YUBA COUNTY WATER AGENCY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2017 and 2016

NOTE 15 RELICENSING

The Agency has been working on the relicensing of its Power Projects as required by the Federal Energy Regulatory Commission (FERC). In connection with the relicensing, the Agency has incurred expenses, entered into service contracts, and established cash reserves to pay for anticipated costs. Costs incurred for the relicensing are being capitalized, in accordance with GASB Statement No. 51, and will be amortized over the life of the new license period once it has been issued by FERC. Total costs capitalized as of June 30, 2017 and 2016, amounted to \$33,304,213 and \$30,102,028, respectively. Total funds designated for the relicensing process, at June 30, 2017 and 2016, amounted to \$1,260,802 and \$466,967, respectively. The Agency submitted the final license application to FERC on April 28, 2014. The relicensing process will take several years to complete. The current FERC license expired on April 30, 2016 and the Agency is operating under an annual license that will be renewed until FERC issues a new license. While the total cost of the relicensing cannot be determined, the Agency anticipates it will have sufficient resources to complete the relicensing process.

NOTE 16 CONDUIT DEBT

On July 22, 2008, the Agency entered into a Joint Exercise of Powers Agreement with the County of Yuba, California, for the creation of the Yuba Levee Financing Authority (the Authority). The Authority is reported as a blended component unit of the County. The primary purpose of the agreement is to provide financial assistance to facilitate improvements to the levee system in the County. On September 3, 2008, bonds totaling \$78,370,000 were issued by the Authority consisting of the Revenue Bonds, 2008 Series A totaling \$64,175,000 and Taxable Revenue Bonds, 2008 Series B totaling \$14,195,000. The Agency agreed to pay 50% of the debt service payments of the Revenue Bonds under an installment sale agreement.

In December 2016, the Yuba Levee Financing Authority Revenue Bonds, 2008 Series A and Taxable Revenue Bonds, 2008 Series B were refunded with the proceeds of the Yuba Levee Financing Authority Refunding Revenue Bonds, 2017 Series A and Taxable Refunding Revenue Bonds, 2017 Series B, resulting in an annual savings in excess of \$700,000. The County reported the Refunding Revenue Bonds as County debt. As part of the agreement, the Agency agreed to purchase certain assets from the Yuba Levee Financing Authority under an installment sale agreement to provide semi-annual installment payments that will be used as one of the primary sources of repayment of the Bonds. The installment payments are payable from the Agency's water system revenues if not paid with development related levee impact fees as defined in the agreement. On December 6, 2016, to facilitate the refunding of the Bonds, the Agency approved a lease of certain County solar equipment from the County and a second lease of the same solar equipment from the Agency back to the County in the amount of \$11,057,939. The Agency prepaid its entire lease obligation prior to June 30, 2017 and the County is making payments to the Agency as described in Note 4.

The Refunding Revenue Bond Official Statement indicates that the obligation of the Agency to make installment payments does not constitute a debt of the Agency and the Official Statement indicates there is no obligation for the Agency to levy or pledge any form of taxation for the installment payments. The County of Yuba reports the full amount of Authority's debt as County debt in its financial statements. The County of Yuba is also considered to have the ability to repay the amounts funded by the Agency through levee impact fees over the long-term. As a result, the debt is not reported as a liability in the financial statements of the Agency and the payments provided by the Agency under the agreements are reported as long-term loans receivable to the County identified in Note 4 as the "Yuba County TRLIA Bonds loan" and "Yuba County lease receivable."

**YUBA COUNTY WATER AGENCY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2017 and 2016**

NOTE 17 GRANT AND PROJECT FUNDING PROVIDED WITHIN THE COUNTY OF YUBA

Each year, the Agency provides significant grant and project funding to the County of Yuba and other local public agencies within Yuba County. The following is a summary of funds provided for the fiscal years ended June 30:

	<u>2017</u>	<u>2016</u>
Grants:		
DWR Prop 1 DACI Grant	\$ 127,007	
Yuba County Office of Emergency Services	75,000	\$ 75,000
Yuba County Office of Emergency Services Flood Safety Plan Grant	70,000	
Camptonville Community Services District Grant	69,000	
Reclamation District 817 Emergency Study Grant	48,080	3,793
Star Thistle Grant	40,000	
Yuba County Fire Safe Program	32,000	
Camptonville Community Partnership Grant	30,000	
City of Marysville 200 Year Report	27,364	3,883
Yuba County Fish & Game Commission	1,550	5,650
Yuba County Earle Road Grant		116,926
Total Grant Funding	<u>520,001</u>	<u>205,252</u>
Projects:		
Yuba County Public Works Department	719,244	215,000
Yuba County Public Works Construction	195,541	147,500
Yuba County Hammond Grove Center	35,000	30,000
Total Project Funding	<u>949,785</u>	<u>392,500</u>
Total Grant and Project Funding Provided	<u>\$ 1,469,786</u>	<u>\$ 597,752</u>

NOTE 18 RELATED PARTY TRANSACTIONS

As discussed in Note 1.A., the Agency is a component unit of the County of Yuba, California and participates in the Yuba Levee Finance Authority, which is also a component unit of the County. The Agency maintains investments in the County Treasury as described in Note 2, has loans receivable from the County and the Successor Agency to the former Yuba County Redevelopment Agency as described in Note 4 and provides grants to and participates in projects with the County as described in Note 17. More information about the Agency's participation in the Yuba Levee Finance Authority debt is reported in Note 16.

NOTE 19 FLOOD DAMAGE

During January and February 2017, the Agency suffered significant flood damage and impacts to a number of its facilities, including five separate slides on Lake Francis Road, a slide on Burma Road, sedimentation that blocked the 60 inch valve at Our House Dam, and woody debris that needed to be removed from New Bullards Bar Reservoir. Expenses incurred through June 30, 2017 to repair the flood damage totaled \$3,258,885. Budgeted expenses of \$7,423,065 are expected to be incurred on the flood damage projects during the year ended June 30, 2018. The Agency has applied for Federal Emergency Management Agency (FEMA) reimbursements for the flood damage expenses through the California Office of Emergency Services (CalOES) and has been awarded reimbursements totaling \$423,990 from FEMA and \$116,598 from CalOES for the New Bullards Bar flood debris removal, which has been recognized as of June 30, 2017. Several other projects are also expected to be reimbursed; however, the Agency has not accrued a receivable for any additional reimbursements of grant funded expenses incurred because management does not believe the awards have received final approval from the granting agencies and the approvals may not occur.

YUBA COUNTY WATER AGENCY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2017 and 2016

NOTE 20 SUBSEQUENT EVENTS

In July 2017, the Agency funded another payment on the Yuba Levee Authority Refunding Revenue Bonds, 2017 Series A and Taxable Refunding Revenue Bonds, 2017 Series B in the amount of \$1,468,600 for terms similar to the Yuba County TRLIA Bond Loan described in Note 4. The Agency expects the County to repay this amount in the future.

In July 2017, the Agency agreed to loan the County \$6,668,474 to fund the County's UAL pension payment due to CalPERS for the year ended June 30, 2018. The loan is subject to interest at the same rate earned on the Agency's investment in the County investment pool until it is repaid. It is scheduled to be repaid in monthly installments of \$555,706 plus interest through June 30, 2018. The County may pay the loan in full with no prepayment penalty.

In September 2017, the Agency approved two grants to the County totaling \$2,817,059 for the Oliverhurst Avenue Storm Drainage Project and the North Beal Road Storm Project.

REQUIRED SUPPLEMENTARY INFORMATION

**YUBA COUNTY WATER AGENCY
REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2017**

**Schedule of the Proportionate Share of the
Net Pension Liability - Miscellaneous Plan (Unaudited)
Last 10 Years**

	June 30, 2017	June 30, 2016	June 30, 2015
Proportion of the net pension liability	0.043640%	0.106075%	0.119047%
Proportionate share of the net pension liability	\$ 1,516,006	\$ 2,910,127	\$ 2,942,238
Covered - employee payroll - measurement period	\$ 5,568,429	\$ 4,364,287	\$ 3,765,735
Proportionate share of the net pension liability as percentage of covered payroll	27.23%	66.68%	78.13%
Plan fiduciary net position	\$ 17,615,198	\$ 14,895,426	\$ 13,727,225
Plan fiduciary net position as a percentage of the total pension liability	92.08%	83.66%	82.35%

Notes to schedule:

Benefit changes: There were no changes to benefit terms.

Changes in assumptions: The discount rate was changed to 7.65% from 7.5% in the June 30, 2015 valuation.

**Schedule of Contributions to the Pension Plan - Miscellaneous Plan (Unaudited)
Last 10 Years**

	June 30, 2017	June 30, 2016	June 30, 2015
Contractually required contribution in Agency's fiscal year (actuarially determined)	\$ 534,831	\$ 565,710	\$ 548,810
Contributions in relation to the actuarially determined contributions	(534,831)	(3,039,825)	(596,168)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ (2,474,115)</u>	<u>\$ (47,358)</u>
Covered - employee payroll - Agency's fiscal year	\$ 6,483,987	\$ 5,568,429	\$ 4,364,287
Contributions as a percentage of covered - employee payroll	8.25%	54.59%	13.66%

Notes to schedule:

Contributions for the year ended June 30, 2016 and 2015 include additional payments made against the Agency's unfunded liability in addition to required contributions. These contributions reduce the net pension liability and will be reflected in the subsequent valuation. CalPERS reflected a \$833,222 additional amount contributed on July 1, 2016 as a June 30, 2016 contribution, so it was added to the June 30, 2016 contributions in relation to the actuarially determined contributions line above. The contributions as a percentage of covered employee payroll were corrected to include these additional payments. The June 30, 2016 UAL payment of \$108,618 was reclassified from the additional contribution to required contribution line above. Covered payroll in the first table above was also revised to be the correct covered payroll at the measurement date and the second table was adjusted accordingly.

Valuation Date:	June 30, 2015	June 30, 2014	June 30, 2013
Measurement Date:	June 30, 2016	June 30, 2015	June 30, 2014
Investment rate of return and discount rate used to compute contribution rates	7.50%	7.50%	7.50%

Benefit changes: There were no changes to benefit terms.

Methods and Assumptions Used to Determine Contribution Rates

Actuarial Method	Entry age normal cost method
Amortization Method	Difference between projected and actual earnings is amortized straight-line over 5 years. All other amounts are amortized straight-line over average remaining service life of participants
Remaining Amortization Period	Not stated
Asset Valuation Method	5-year smoothed market
Inflation	2.75%
Salary Increases	Varies depending on entry age and service
Retirement Age	50-67 Years. Probabilities of retirement are based on the 2010 CalPERS Experience Study for the period 1997 to 2007.
Mortality	CalPERS specific data from January 2014 Actuarial Experience Study for the period 1997 to 2011 that uses 20 years of mortality improvements using Society of Actuaries Scale BB.

Omitted Years: GASB Statement No. 68 was implemented during the year ended June 30, 2015. No information was available prior to this date. Future years will be added prospectively as they become available.

**YUBA COUNTY WATER AGENCY
REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2017**

**Schedule of Funding Progress for the
Other Post-Employment Benefits (OPEB) Plan (Unaudited)**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability AAL Entry Age (b)	Unfunded AAL UAAL/(Asset) (b - a)	Funded Ratio (a / b)	Projected Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a) / (c))
6/30/2011	\$ 3,422,000	\$ 4,048,000	\$ 626,000	84.54%	\$ 3,544,000	17.66%
6/30/2013	4,461,000	4,463,000	2,000	99.96%	3,813,000	0.05%
6/30/2015	5,839,000	5,647,000	(192,000)	103.40%	3,937,000	-4.88%

Note: Schedule above represents last three years available. Missing dates were not available in valuations.

SUPPLEMENTARY INFORMATION

YUBA COUNTY WATER AGENCY
COMBINING SCHEDULE OF NET POSITION BY UNIT
JUNE 30, 2017
WITH COMPARATIVE TOTALS AS OF JUNE 30, 2016

	General Fund	Power Systems Fund	Total	Eliminating Entries	Totals	
					2017	2016
ASSETS						
Current Assets:						
Cash and cash equivalents	\$ 34,621,176	\$ 42,485,879	\$ 77,107,055		\$ 77,107,055	\$ 58,517,574
Receivables:						
Accounts receivable	729,914	4,480,353	5,210,267		5,210,267	5,052,223
Interest receivable	126,532		126,532		126,532	117,470
Due from other units	957,909	361	958,270	\$ (958,270)		
Due from other governments	885,090	540,588	1,425,678		1,425,678	550,894
Prepaid expenses and other current assets		299,428	299,428		299,428	331,567
Total Current Assets	37,320,621	47,806,609	85,127,230	(958,270)	84,168,960	64,569,728
Noncurrent Assets						
Loans receivable from other governments	20,875,234		20,875,234		20,875,234	7,790,660
OPEB asset	34,000	79,334	113,334		113,334	155,845
Capital Assets:						
Non-depreciable	39,653,060	5,457,520	45,110,580		45,110,580	40,264,591
Depreciable, net	16,701,013	138,033,122	154,734,135		154,734,135	158,832,962
Total Capital Assets, Net	56,354,073	143,490,642	199,844,715		199,844,715	199,097,553
Total Noncurrent Assets	77,263,307	143,569,976	220,833,283		220,833,283	207,044,058
TOTAL ASSETS	114,583,928	191,376,585	305,960,513	(958,270)	305,002,243	271,613,786
DEFERRED OUTFLOWS OF RESOURCES						
Pension plan	598,003	984,434	1,582,437		1,582,437	2,280,393
Total Deferred Outflows of Resources	598,003	984,434	1,582,437		1,582,437	2,280,393
LIABILITIES						
Current Liabilities:						
Accounts payable and other liabilities	1,476,601	1,500,190	2,976,791		2,976,791	2,727,401
Salaries and benefits payable		179,391	179,391		179,391	42,765
Accrued compensated absences	390,707	475,137	865,844		865,844	880,256
Due to other units	28,328	929,942	958,270	(958,270)		
Due to other governments	831,551	355,370	1,186,921		1,186,921	709,516
Deposits payable	585,360		585,360		585,360	585,233
Unearned revenue - current	4,129,740		4,129,740		4,129,740	4,223,938
Total Current Liabilities	7,442,287	3,440,030	10,882,317	(958,270)	9,924,047	9,169,109
Noncurrent Liabilities						
Unearned revenue - noncurrent	20,000,000		20,000,000		20,000,000	20,000,000
Net pension liability	572,898	943,108	1,516,006		1,516,006	2,910,127
Total Noncurrent Liabilities	20,572,898	943,108	21,516,006		21,516,006	22,910,127
Total Liabilities	28,015,185	4,383,138	32,398,323	(958,270)	31,440,053	32,079,236
DEFERRED INFLOWS OF RESOURCES						
Pension plan	782,784	1,288,621	2,071,405		2,071,405	553,966
Total Deferred Inflows of Resources	782,784	1,288,621	2,071,405		2,071,405	553,966
NET POSITION						
Net investment in capital assets	56,354,073	143,490,642	199,844,715		199,844,715	199,097,553
Unrestricted	30,029,889	43,198,618	73,228,507		73,228,507	42,163,424
Total Net Position	\$ 86,383,962	\$ 186,689,260	\$ 273,073,222	\$ -	\$ 273,073,222	\$ 241,260,977

YUBA COUNTY WATER AGENCY
COMBINING SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION BY UNIT
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
WITH COMPARATIVE TOTALS FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	General Fund	Power Systems Fund	Operation and Maintenance Fund	General Fund Hydro Fund	Hydroelectric Utility Fund	General Fund Power Systems Fund	Total	Eliminating Entries	Totals	
									2017	2016
Operating Revenues										
Sale of electrical energy		\$ 66,190,048					\$ 66,190,048		\$ 66,190,048	\$ 30,601,216
Water sales	\$ 558,755						558,755		558,755	20,600,456
Total Operating Revenues	<u>558,755</u>	<u>66,190,048</u>					<u>66,748,803</u>		<u>66,748,803</u>	<u>51,201,672</u>
Operating Expenses										
Hydropower generation		7,827,110					7,827,110		7,827,110	7,367,367
Administration and general	701,972	4,308,288					5,010,260		5,010,260	5,836,058
Maintenance		5,043,152					5,043,152		5,043,152	2,597,403
Depreciation and amortization	948,655	4,680,584					5,629,239		5,629,239	5,323,763
Total Operating Expenses	<u>1,650,627</u>	<u>21,859,134</u>					<u>23,509,761</u>		<u>23,509,761</u>	<u>21,124,591</u>
Net Income (Loss) from Operations	<u>(1,091,872)</u>	<u>44,330,914</u>					<u>43,239,042</u>		<u>43,239,042</u>	<u>30,077,081</u>
Nonoperating Revenues (Expenses)										
Property taxes	479,075						479,075		479,075	449,660
Interest income	585,164	15,571					600,735		600,735	767,001
Rental income	24,000						24,000		24,000	24,000
Grants and reimbursements										
State and local	1,228,770	116,598					1,345,368		1,345,368	888,550
Federal		423,990					423,990		423,990	
Miscellaneous income (expenses)	6,392	6,000					12,392		12,392	6,288
Contributions to maintenance										2,859,253
Recreation and camping fees	100	352,198					352,298		352,298	289,445
Gain (loss) on disposal of capital assets		3,276					3,276		3,276	
General administration	(6,193,725)						(6,193,725)		(6,193,725)	(5,128,679)
Recreation and irrigation	(1,013,704)	(734,576)					(1,748,280)		(1,748,280)	(1,618,970)
Special projects expense	(3,467,041)						(3,467,041)		(3,467,041)	(1,793,187)
Flood damage expense	(1,017,433)	(2,241,452)					(3,258,885)		(3,258,885)	
Total Nonoperating Revenues (Expenses)	<u>(9,368,402)</u>	<u>(2,058,395)</u>					<u>(11,426,797)</u>		<u>(11,426,797)</u>	<u>(3,256,639)</u>
Income (Loss) Before Operating Transfers and Capital Contributions	<u>(10,460,274)</u>	<u>42,272,519</u>					<u>31,812,245</u>		<u>31,812,245</u>	<u>26,820,442</u>
Operating Transfers										
Transfers in	891,808	146,970,327				\$ 2,754,493	150,616,628	\$ (150,616,628)		
Transfers out	(388,993)	(2,553,586)	\$ (621,017)	\$ (79,840)	\$ (146,973,192)		(150,616,628)	150,616,628		
Total Operating Transfers	<u>502,815</u>	<u>144,416,741</u>	<u>(621,017)</u>	<u>(79,840)</u>	<u>(146,973,192)</u>	<u>2,754,493</u>				
Capital Contributions										
Capital contributions										1,704,592
Total Capital Contributions										<u>1,704,592</u>
Change in Net Position	<u>(9,957,459)</u>	<u>186,689,260</u>	<u>(621,017)</u>	<u>(79,840)</u>	<u>(146,973,192)</u>	<u>2,754,493</u>	<u>31,812,245</u>		<u>31,812,245</u>	<u>28,525,034</u>
Net Position, Beginning of Year	<u>96,341,421</u>		<u>621,017</u>	<u>79,840</u>	<u>146,973,192</u>	<u>(2,754,493)</u>	<u>241,260,977</u>		<u>241,260,977</u>	<u>212,735,943</u>
Net Position, End of Year	<u>\$ 86,383,962</u>	<u>\$ 186,689,260</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 273,073,222</u>	<u>\$ -</u>	<u>\$ 273,073,222</u>	<u>\$ 241,260,977</u>

OTHER INDEPENDENT AUDITORS' REPORTS

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
Yuba County Water Agency
Marysville, California

We have audited, 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, the financial statements of the Yuba County Water Agency (the Agency) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements, and have issued our report thereon dated March 23, 2018.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Agency's financial statements are free of 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*.

Yuba County Water Agency
Marysville, California

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.

Richardson & Company, LLP

March 23, 2018

**YUBA COUNTY WATER AGENCY
MARYSVILLE, CALIFORNIA**



AUDITED FINANCIAL STATEMENTS

**For the Years Ended
June 30, 2018 and 2017**

YUBA COUNTY WATER AGENCY
MARYSVILLE, CALIFORNIA

AUDITED FINANCIAL STATEMENTS

*For the Years Ended
June 30, 2018 and 2017*

YUBA COUNTY WATER AGENCY
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For the Years Ended June 30, 2018 and 2017

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YUBA COUNTY WATER AGENCY
Agency Officials
June 30, 2018

BOARD OF DIRECTORS

<u>NAME</u>	<u>OFFICE</u>	<u>TERM EXPIRES</u>
Brent Hastey	Chairman	December 2022
Randy Fletcher	Vice Chairman	December 2022
Andy Vasquez	Director	December 2022
Gary Bradford	Director	December 2020
Doug Lofton	Director	December 2020
Mike Leahy	Director	December 2020
Charlie Mathews	Director	December 2020

OTHER AGENCY OFFICIALS

Curt Aikens	General Manager
Mike Kline	Power Systems Manager
Kurtis Crawford	Finance Manager
Terri Daly	Administrative Manager

FINANCIAL SECTION



550 Howe Avenue, Suite 210
Sacramento, California 95825
Telephone: (916) 564-8727
FAX: (916) 564-8728

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Yuba County Water Agency
Marysville, California

Report on the Financial Statements

We have audited the accompanying financial statements of the Yuba County Water Agency (Agency), a component unit of the County of Yuba, as of and for the years ending June 30, 2018 and 2017, 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the State Controller's Minimum Audit Requirements for California Special Districts. 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.

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 Agency as of June 30, 2018 and 2017 and the results of its operations and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America as well as accounting systems prescribed by the State Controller's Office and state regulations governing special districts.

Emphasis of Matter

As described in Note 21 to the financial statements, during the year ended June 30, 2018 the Agency adopted Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of the proportionate share of the net pension liability, schedule of contributions to the pension plan, schedule of changes in the net OPEB liability and related ratios and schedule of contributions to the OPEB plan, as listed in the accompanying table of contents, 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 Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Agency's basic financial statements. The supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 10, 2018 on our consideration of the Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations and contracts and grant agreements and other matters. The purpose of that report is 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Agency's internal control over financial reporting and compliance.

Richardson & Company, LLP

December 10, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED JUNE 30, 2018

FINANCIAL ANALYSIS OF THE AGENCY

The statements of net position and the statements of revenues, expenses and changes in net position report information about Yuba County Water Agency's (the Agency) activities in a way that will help the reader determine if the Agency, as a whole, is better or worse off as a result of the year's activities. In addition, the reader will need to consider other non-financial factors such as changes in economic conditions and new or changed government legislation.

NET POSITION

As can be seen in **Table 1 below**, net position increased by \$27.75 million to a balance of \$300.82 million in fiscal year (FY) 2017-18, up from the \$273.07 million balance in FY 2016-17. This increase of 10.16% is the result of a \$27.6 million increase in assets and a \$.96 million increase in deferred pension outflows balanced against a \$.48 million decrease in deferred pension inflows, and a \$.35 million decrease to current liabilities, and a \$1.31 million increase in noncurrent liabilities. The increase in current assets represents the increase in cash and cash equivalents from another above average year for revenue from electric energy sales. Current liabilities decreased due to implementing an allocation of compensated absences to noncurrent.

In FY 16-17, net position increased by \$31.81 million to a balance of \$273.07 million, up from the \$241.26 million balance in FY 2015-16. This increase of 13.19% is the result of a \$33.39 million increase in assets balanced against a \$.70 million decrease in deferred pension outflows and a \$1.52 million increase in deferred pension inflows (GASB 68), a \$.54 million increase to current liabilities and a \$1.18 million decrease in noncurrent liabilities.

TABLE 1
CONDENSED STATEMENTS OF NET POSITION
As of June 30

	2018	2017	Increase (Decrease)	Percent Change	2016	Increase (Decrease)	Percent Change
ASSETS:							
Current assets	\$ 108,793,553	\$ 84,168,960	\$ 24,624,593	29.26%	\$ 64,569,728	\$ 19,599,232	30.35%
Capital assets, net	200,428,810	199,844,715	584,095	0.29%	199,097,553	747,162	0.38%
Other assets	23,360,823	20,988,568	2,372,255	11.30%	7,946,505	13,042,063	164.12%
TOTAL ASSETS	332,583,186	305,002,243	27,580,943	9.04%	271,613,786	33,388,457	12.29%
DEFERRED OUTFLOWS:							
Pension plan	2,541,887	1,582,437	959,450	60.63%	2,280,393	(697,956)	100.00%
TOTAL DEFERRED OUTFLOWS	2,541,887	1,582,437	959,450	60.63%	2,280,393	(697,956)	100.00%
LIABILITIES:							
Current liabilities	5,759,137	5,794,307	(35,170)	-0.61%	5,250,667	543,640	10.35%
Noncurrent liabilities	26,951,528	25,645,746	1,305,782	5.09%	26,828,569	(1,182,823)	-4.41%
TOTAL LIABILITIES	32,710,665	31,440,053	1,270,612	4.04%	32,079,236	(639,183)	-1.99%
DEFERRED INFLOWS:							
Pension plan	1,591,062	2,071,405	(480,343)	-23.19%	553,966	1,517,439	100.00%
TOTAL DEFERRED INFLOWS	1,591,062	2,071,405	(480,343)	-23.19%	553,966	1,517,439	100.00%
Net Position							
Investment in capital assets	200,428,810	199,844,715	584,095	0.29%	199,097,553	747,162	0.38%
Unrestricted	100,394,536	73,228,507	27,166,029	37.10%	42,163,424	31,065,083	73.68%
TOTAL NET POSITION	\$300,823,346	\$273,073,222	\$ 27,750,124	10.16%	\$241,260,977	\$ 31,812,245	13.19%

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED JUNE 30, 2018

REVENUES EXPENSES AND CHANGES IN NET POSITION

While the statements of net position shows the changes in financial position, the statement of revenues, expenses and changes in net position provides answers concerning the nature and source of these changes. As shown in **Table 2 below**, total revenues increased \$7.92 million due to another above average year for electric energy sales and flood damage reimbursements for the flood damage expenses resulting from the January and February 2017 storms. Total expenses increased \$12.57 million driven by nonoperating expenses related to flood damages. These shifts all combined for a net position increase of \$27.17 million.

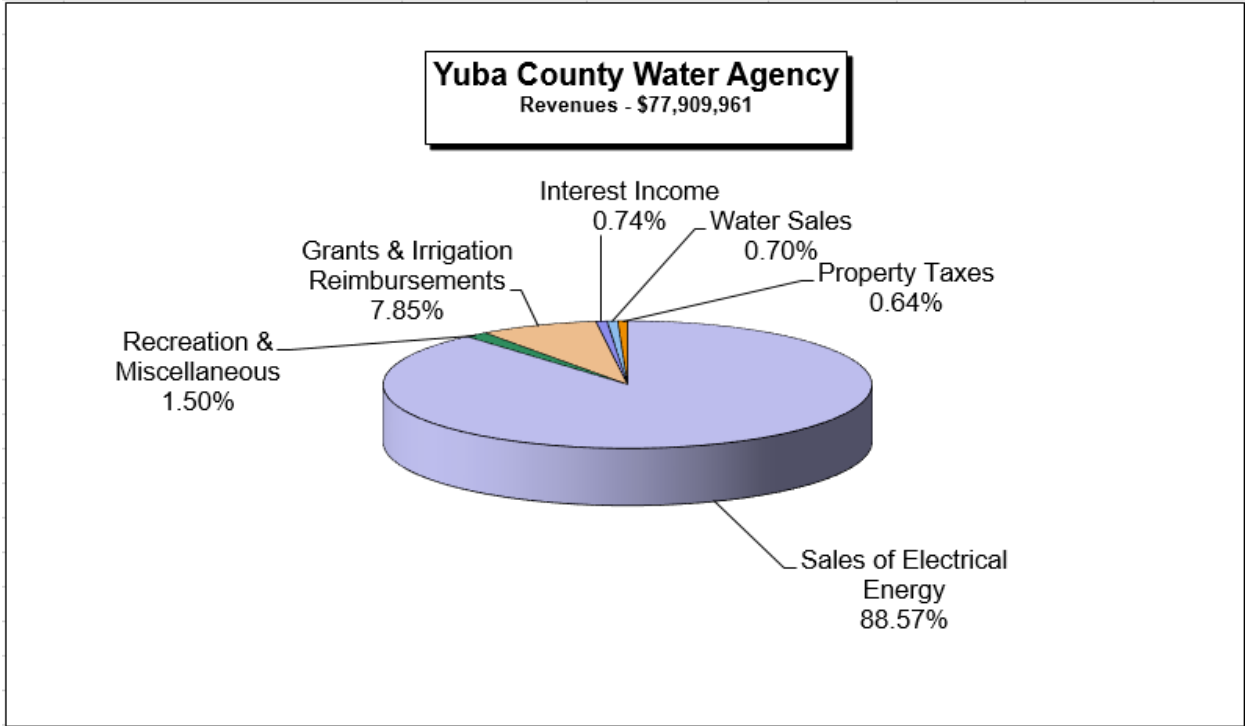
In FY 16-17, total revenues increased \$13.50 million due to the first full fiscal year of electric energy sales, offset by a reduction in water sales due to the receipt of a one-time \$20 million Lower Yuba River Accord payment in 2016. Total Expenses increased \$8.51 million due to nonoperating expenses related to storm related damages. These shifts all combined for a net position increase of \$31.81 million.

TABLE 2
CONDENSED STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For the years ended June 30

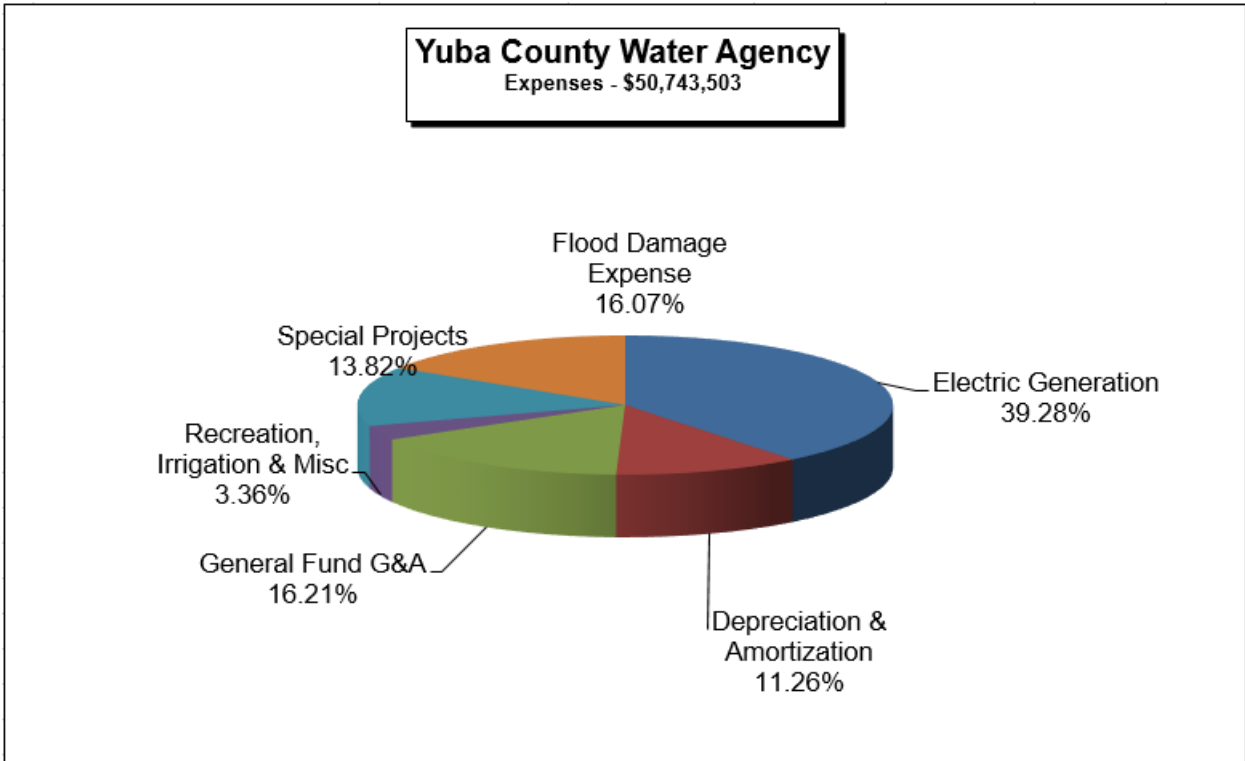
	2018	2017	Increase (Decrease)	Percent Change	2016	Increase (Decrease)	Percent Change
REVENUES:							
Sales of electrical energy	\$ 69,007,573	\$ 66,190,048	\$ 2,817,525	4.26%	\$ 30,601,216	\$ 35,588,832	116.30%
Water sales	548,170	558,755	(10,585)	-1.89%	20,600,456	(20,041,701)	-97.29%
TOTAL OPERATING REVENUES	69,555,743	66,748,803	2,806,940	4.21%	51,201,672	15,547,131	30.36%
Nonoperating revenues	8,354,218	3,241,134	5,113,084	157.76%	5,284,197	(2,043,063)	-38.66%
TOTAL REVENUES	77,909,961	69,989,937	7,920,024	11.32%	56,485,869	13,504,068	23.91%
EXPENSES:							
Operating expenses, excluding depreciation	19,934,011	17,880,522	2,053,489	11.48%	15,800,828	2,079,694	13.16%
Depreciation	5,714,991	5,629,239	85,752	1.52%	5,323,763	305,476	5.74%
Nonoperating expenses	25,094,501	14,667,931	10,426,570	71.08%	8,540,836	6,127,095	71.74%
TOTAL EXPENSES	50,743,503	38,177,692	12,565,811	32.91%	29,665,427	8,512,265	28.69%
Capital contributions					1,704,592	(1,704,592)	100.00%
CHANGE IN NET POSTION	27,166,458	31,812,245	(4,645,787)	-14.60%	28,525,034	3,287,211	11.52%
Net position, beginning of year	273,073,222	241,260,977	31,812,245	13.19%	212,735,943	28,525,034	13.41%
Effect of change in accounting principle	583,666		583,666	100.00%		-	100.00%
Net position, beginning of year, as restated	273,656,888	241,260,977	32,395,911	13.43%	212,735,943	28,525,034	13.41%
NET POSITION, END OF YEAR	\$ 300,823,346	\$ 273,073,222	\$ 27,750,124	10.16%	\$ 241,260,977	\$ 31,812,245	13.19%

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED JUNE 30, 2018

The following chart illustrates the revenues of the Agency for the fiscal year ended June 30, 2018.



The following chart illustrates the expenses of the Agency for the fiscal year ended June 30, 2018.



MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED JUNE 30, 2018

CAPITAL ASSETS

As can be seen in **Table 3 below**, the Agency's capital assets, net of accumulated depreciation, increased by \$.58 million to \$200.43 million. Construction in progress was \$40.23 million for FY 2017-18. Depreciable capital assets increased \$2.98 million following a modest \$1.49 million increase in FY2016-17. Major projects still underway include FERC Relicensing (\$35.70M), Penstock Shutoff Valve Rework, Colgate Unit 1 & 2 thrust bearing skids and fire protection systems across multiple sites (\$1.87M). A summary of the Agency's capital assets are as follows:

**TABLE 3
CAPITAL ASSETS, NET
As of June 30**

	2018	2017	Increase (Decrease)	Percent Change	2016	Increase (Decrease)	Percent Change
Nondepreciable capital assets:							
Land and land rights	\$ 2,923,388	\$ 2,923,388	\$ -	0.00%	\$ 2,923,388	\$ -	0.00%
Water rights	85,835	85,835	-	0.00%	85,835	-	0.00%
Canals	4,605,454	4,605,454	-	0.00%	4,605,454	-	0.00%
Construction in progress	40,233,265	37,495,903	2,737,362	7.30%	32,649,914	4,845,989	14.84%
	47,847,942	45,110,580	2,737,362		40,264,591	4,845,989	12.04%
Depreciable capital assets:							
Recreation facilities	1,628,215	1,516,201	112,014	7.39%	1,516,201	-	0.00%
General plant	20,700,711	17,977,037	2,723,674	15.15%	17,772,786	204,251	1.15%
Irrigation canals	17,498,940	17,487,652	11,288	0.06%	17,487,652	-	0.00%
Hydrolic Production	228,818,503	228,982,054	(163,551)	-0.07%	227,693,747	1,288,307	0.57%
Electric plant acquisition	4,485,248	4,485,248	-	0.00%	4,485,248	-	0.00%
Transmission equipment	9,811,437	9,519,672	291,765	3.06%	9,519,672	-	0.00%
Intangible assets	248,292	248,292	-	0.00%	248,292	-	0.00%
	283,191,346	280,216,156	2,975,190	1.06%	278,723,598	1,492,558	0.54%
Less: accumulated depreciation	(130,610,478)	(125,482,021)	(5,128,457)	4.09%	(119,890,636)	(5,591,385)	4.66%
Net Capital Assets	\$ 200,428,810	\$ 199,844,715	\$ 584,095	0.29%	\$ 199,097,553	\$ 747,162	0.38%

ECONOMIC OUTLOOK

The Agency is continuing to support work on several flood mitigation projects with the main effort focused on the Marysville levee improvements and continued operation and improvement of the Forecasted Coordinated Operations and Forecasted Informed Operations programs. The next major flood mitigation project is the New Bullards Bar (NBB) Secondary Spillway with an estimated cost of \$160 million. This project provides substantial flood mitigation improvement and enhances dam safety via spillway redundancy. The FY2019 Budget approved by the Board of Directors includes \$3 million of the approximately \$10 million total for the next phase of the project which includes design and permitting. The Agency petitioned the California Department of Water Resources (DWR) to become a Groundwater Sustainability Agency for the North Yuba and South Yuba groundwater sub-basins in accordance with the Sustainable Groundwater Management Act (SGMA) of 2014. A successful petition has resulted in the Agency beginning implementation of SGMA within Yuba County. The Agency has begun on grant funded Groundwater Sustainability Plan (GSP) that will be compliant with SGMA. The Agency continues work on a \$3 million Corps of Engineers Ecosystem Restoration Study for the Yuba River, agreed to in 2015, and continues work to finalize a fish passage program on the Yuba River.

Since May 1, 2016 the Agency has contracted with Shell Energy of North America (SENA) to be the Agency's Scheduling Coordinator with the California Independent System Operator (CAISO) for the sale of electricity from the Colgate and Narrows 2 Powerhouses. Beginning July 1, 2018, a revised contract

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED JUNE 30, 2018

between the Agency & SENA was implemented to simplify an equitable fee structure that is a result of adapting to the ever changing energy market. Ongoing projects related to the enhancement and preservation of the Power Systems include completion of a redundant communications system based at the new Yuba County Sheriff's Office, and the completion of a tunnel coating project to be completed during an upcoming tunnel/penstock outage, tentatively scheduled for 2022. Major work continues to assess and plan updates to aging equipment over the next five years, supported by the development of an asset risk register, Asset Management Engineer position, and creation of a five-year capital project plan.

The Agency has acquired a parcel of land in Dobbins, California with plans to be developed into a warehouse and administration building site for the Power Systems functions. This 20 acre parcel is only 2 miles from the Colgate Powerhouse. Construction of the warehouse is expected to begin Spring 2019, and the administration building is expected to begin construction just after the completion of the warehouse. Scope and budget for both buildings is currently under development.

Due to another exceptionally beneficial hydrologic year, the Agency was able to generate \$69.01 million in Sales of Electric Energy, representing the maximum end of anticipated Electric Energy revenues. The amount of Electric Energy revenues is primarily dependent on the amount of precipitation and the market price for electricity, both of which are not controlled by the Agency. The expected range of Sales of Electric Energy is between \$40-65 million.

In 2008, the Agency joined with Yuba County to provide the local share (\$46.6 million), through a \$78 million bond sale backed by impact fees, for a \$138 million Prop 1E Levee Improvement Grant. The Three Rivers Levee Improvement Authority (TRLIA) has constructed the Feather River Setback Levee and other levee improvements within Reclamation District 784's territory. One more phase of work is needed by TRLIA to improve the level of protection to a 200-year level. After the close of the 2015-16 fiscal year, the Agency and Yuba County successfully refinanced the bonds at a favorable rate resulting in a reduction of annual payments in excess of \$700,000. The new bond payment schedule is for two payments totaling approximately \$5.50 million per year through 2038. The primary source of bond repayment is new construction impact fees which only cover a fraction of the payment. The Agency has committed to paying the additional amount needed for both the Agency and Yuba County through 2020 date and anticipates future covering of the bond payment in excess of the impact fees.

The Lower Yuba Accord was settled and new Water Rights Order #2008-0014 was issued in 2008, securing long term water transfer ability through 2025. The Accord contained an opener on surface transfer water pricing for transfers starting in 2016 for a 5-year period. Agreement on a new pricing schedule was reached in December 2014 which roughly doubled the price and provided a \$20 million upfront payment. Historically wet winter conditions end of 2016 and beginning of 2017 resulted in no water transfers in 2017. Due to dry conditions in the central valley through Spring 2018, resulting in available channel capacity to facilitate a water transfer, an agreement with DWR was reached which expects to alleviate approximately \$5.9 million of the unearned revenue liability, bringing the balance to \$14.10 million.

The Agency was granted a 50-year license to operate the Yuba River Project for generation of electricity; Federal Energy Regulatory Commission (FERC) License #2246 expired on April 30, 2016. HDR Engineering, Inc. has been retained to lead the Agency through the 8-year FERC relicensing effort. A cash reserve sufficient to cover anticipated costs has been established. The Final License Application was filed with FERC on April 28, 2014 with an Amended Final License Application filed June 2017. Due to FERC's consideration of work completed during the relicensing process when determining length of the new license to be issued, the Agency will begin investing in the NBB Secondary Spillway project, budgeting \$3 million for FY2019. FERC issued an annual license for 2018 and will continue to issue annual licenses until a new license is issued.

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED JUNE 30, 2018

The Agency has a legal obligation to move forward on a new fish screen for the South Canal Diversion to replace the existing screen as part of a lawsuit settlement. The new water supply agreements with the South Member Units call for them to pay either 50% or 70% of the cost of a new screen, depending on the type of screen constructed. The Agency is obligated to pay the remainder of the cost of a new screen and offer financing for the South Member Units' share of the project costs. The Agency is proceeding in a collaborative effort with the South Member Units to select a suitable project. Preliminary study results indicate there may be a screen option in the \$12 million range. Sound fiscal management and finalization of the Lower Yuba River Accord have had a positive effect on the Agency's reserves which have achieved levels sufficient to satisfy long-term operations and capital project needs, such as this.

In an effort to share many of our accomplishments and engage the citizens of Yuba County, the Agency has been developing a Communications function, which included a new logo, a new moniker – "Yuba Water Agency," and a new website.

Additionally, the agency is embarking on projects within our mission areas that can directly impact the people of Yuba County. An example of that is the RHA Water Coordination program, a joint effort with PG&E which funds the identification and implementation of water conservation measures in the homes of Yuba County residents. The \$300,000 program will provide this service to approximately 1,000 homes throughout Yuba County.

CONTACTING THE AGENCY'S DEPARTMENT OF FINANCIAL SERVICES

This financial report is designed to provide our citizens, customers, investors and creditors with a general overview of the Agency's finances and to demonstrate the Agency's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Yuba County Water Agency, Department of Financial Services at 1220 F Street, Marysville, CA 95901.

**YUBA COUNTY WATER AGENCY
STATEMENTS OF NET POSITION
June 30, 2018 and 2017**

	2018	2017
<u>ASSETS</u>		
Current Assets:		
Cash and cash equivalents	\$ 101,879,906	\$ 77,107,055
Receivables		
Accounts receivable	3,671,652	5,210,267
Interest receivable	292,531	126,532
Due from other governments	2,190,605	1,425,678
Prepaid expenses and other current assets	758,859	299,428
Total Current Assets	108,793,553	84,168,960
Noncurrent Assets:		
Loans receivable from other governments	23,141,823	20,875,234
Other postemployment benefits (OPEB) asset	219,000	113,334
Capital Assets:		
Non-depreciable	47,847,942	45,110,580
Depreciable, net	152,580,868	154,734,135
Total Capital Assets, Net	200,428,810	199,844,715
Total Noncurrent Assets	223,789,633	220,833,283
Total Assets	332,583,186	305,002,243
<u>DEFERRED OUTFLOWS OF RESOURCES</u>		
Pension plan	1,989,956	1,582,437
Other postemployment benefits (OPEB)	551,931	
Total Deferred Outflows of Resources	2,541,887	1,582,437
<u>LIABILITIES</u>		
Current Liabilities:		
Accounts payable and other liabilities	4,101,455	2,976,791
Salaries and benefits payable	300,085	179,391
Accrued compensated absences - current	741,855	865,844
Due to other governments	503,712	1,186,921
Deposits payable	586,033	585,360
Unearned revenue - current	10,046,790	4,129,740
Total Current Liabilities	16,279,930	9,924,047
Noncurrent Liabilities:		
Unearned revenue - noncurrent	14,082,950	20,000,000
Accrued compensated absences - noncurrent	267,852	
Net pension liability	2,079,933	1,516,006
Total Noncurrent Liabilities	16,430,735	21,516,006
Total Liabilities	32,710,665	31,440,053
<u>DEFERRED INFLOWS OF RESOURCES</u>		
Pension plan	1,522,062	2,071,405
Other postemployment benefits (OPEB)	69,000	
Total Deferred Inflows Of Resources	1,591,062	2,071,405
<u>NET POSITION</u>		
Net investment in capital assets	200,428,810	199,844,715
Unrestricted	100,394,536	73,228,507
Total Net Position	\$ 300,823,346	\$ 273,073,222

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

YUBA COUNTY WATER AGENCY
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
For the Years Ended June 30, 2018 and 2017

	2018	2017
Operating Revenues		
Sale of electrical energy	\$ 69,007,573	\$ 66,190,048
Water sales	548,170	558,755
Total Operating Revenues	69,555,743	66,748,803
Operating Expenses		
Hydropower generation	10,950,034	7,827,110
Administration and general	2,611,020	5,010,260
Maintenance	6,372,957	5,043,152
Depreciation and amortization	5,714,991	5,629,239
Total Operating Expenses	25,649,002	23,509,761
Net Income From Operations	43,906,741	43,239,042
Nonoperating Revenues (Expenses)		
Property taxes	499,840	479,075
Interest income	573,743	600,735
Rental income	24,000	24,000
Grants and reimbursements		
Flood damage reimbursements		
Federal	4,055,202	423,990
State	989,887	116,598
Other state and local	1,068,508	1,228,770
Miscellaneous income (expenses)	757,606	12,392
Recreation and camping fees	358,979	352,298
Gain (loss) on disposal of capital assets	26,453	3,276
General administration	(8,226,304)	(6,193,725)
Recreation and irrigation	(1,705,766)	(1,748,280)
Special projects expense	(7,010,998)	(3,467,041)
Flood damage expense	(8,151,433)	(3,258,885)
Total Nonoperating Revenues (Expenses)	(16,740,283)	(11,426,797)
Change in Net Position	27,166,458	31,812,245
Net Position, Beginning of Year - as previously reported	273,073,222	241,260,977
Restatement	583,666	
Net Position, Beginning of Year - as restated	273,656,888	241,260,977
Net Position, End of Year	\$ 300,823,346	\$ 273,073,222

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

**YUBA COUNTY WATER AGENCY
STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2018 and 2017**

	2018	2017
Cash Flows From Operating Activities:		
Cash receipts from customers	\$ 71,095,031	\$ 66,496,688
Cash paid to suppliers for goods and services	(30,565,069)	(8,417,698)
Cash paid to employees	9,845,807	(7,817,299)
Net Cash Provided (Used) By Operating Activities	50,375,769	50,261,691
Cash Flows From Noncapital Financing Activities:		
Payments received on loans receivable from other governments	7,625,733	1,714,951
Disbursements of loans receivable from other governments	(9,892,322)	(14,799,525)
Rents received	24,000	24,000
Operating grants and reimbursements	5,348,670	894,574
Taxes received	499,840	479,075
Miscellaneous income (expense)	757,606	12,392
Recreation and camping fees	358,979	352,298
General administration expenses	(8,226,304)	(6,193,725)
Recreation and irrigation expenses	(1,705,766)	(1,748,280)
Special program expenses	(7,010,998)	(3,467,041)
Flood damage expenses	(8,151,433)	(3,258,885)
Net Cash Provided (Used) By Noncapital Financing Activities	(20,371,995)	(25,990,166)
Cash Flows From Capital and Related Financing Activities:		
Purchase of capital assets	(5,750,273)	(6,276,993)
Proceeds from disposal of capital assets	111,606	3,276
Net Cash Provided (Used) By Capital and Related Financing Activities	(5,638,667)	(6,273,717)
Cash Flows From Investing Activities:		
Interest received	407,744	591,673
Net Cash Provided (Used) By Investing Activities	407,744	591,673
Net Increase (Decrease) in Cash and Cash Equivalents	24,772,851	18,589,481
Cash and Cash Equivalents - Beginning of Year	77,107,055	58,517,574
Cash and Cash Equivalents - End of Year	\$ 101,879,906	\$ 77,107,055

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

(Continued)

**YUBA COUNTY WATER AGENCY
STATEMENTS OF CASH FLOWS (CONTINUED)
For the Years Ended June 30, 2018 and 2017**

	2018	2017
Reconciliation of Net Income from Operations to Net Cash Provided (Used) By Operating Activities:		
Net income from operations	\$ 43,906,741	\$ 43,239,042
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation and amortization	5,714,991	5,629,239
Changes in assets and liabilities:		
Decrease (increase) in accounts receivable	1,538,615	(158,044)
Decrease (increase) in prepaid expenses and other current assets	(459,431)	32,139
Decrease (increase) in OPEB asset	28,000	42,511
Decrease (increase) in deferred outflows of resources of pension plan	(407,519)	697,956
Decrease (increase) in outflows of resources of OPEB plan	(101,931)	
Increase (decrease) in accounts payable and other liabilities	490,698	149,982
Increase (decrease) in salaries and benefits payable	120,694	136,626
Increase (decrease) in accrued compensated absences	143,863	(14,412)
Increase (decrease) in due to other governments	(683,209)	477,405
Increase (decrease) in deposits payable	673	127
Increase (decrease) in unearned revenue		(94,198)
Increase (decrease) in net pension liability	563,927	(1,394,121)
Increase (decrease) in deferred inflows of resources of pension plan	(549,343)	1,517,439
Increase (decrease) in deferred inflows of resources of OPEB plan	69,000	
	\$ 50,375,769	\$ 50,261,691
Net Cash Provided (Used) By Operating Activities	\$ 50,375,769	\$ 50,261,691
Supplemental Disclosure of Cash Flow Information:		
Noncash Investing, Capital, and Financing Activities:		
Change in fair value of investments	\$ (295,247)	\$ (152,866)
Capital asset purchases payable	633,966	99,408

NOTES TO THE FINANCIAL STATEMENTS

YUBA COUNTY WATER AGENCY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018 and 2017

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Established in 1959 by an act of the California State Legislature and headquartered in historic Marysville, California, Yuba County Water Agency (Agency) is a public agency governed by a seven-member Board of Directors comprised of the five members of the Yuba County Board of Supervisors and two members elected at large. The primary functions of the Agency are development and sale of hydroelectric power, flood control, fisheries enhancement, recreation, conservation, storage of water, and wholesale of water to member districts.

A. Financial Reporting Entity

The Agency's financial statements include all financial transactions for which the Agency is financially accountable. A primary government is financially accountable if it appoints a majority of a component unit's governing body and either it has the ability to impose its will on the component unit or there is the possibility that the component unit will provide a financial benefit to or impose a financial burden on the primary government. Based on these criteria, the Agency has determined that it has no component units. However, the Agency is a component unit of the County of Yuba, California due to the County appointing a majority of the Agency's Board of Directors and the other criteria being met. As a result, the financial activities of the Agency are included in the financial statements of the County of Yuba, which is available at the Auditor-Controller's office located at 915 8th Street, Suite 105, Marysville, California 95901 or at www.co.yuba.ca.us/Departments/Auditor-Controller.

The Agency is a member of Yuba Levee Finance Authority, which is a joint powers authority with the Agency and County of Yuba as members that issued debt for levee improvements in Yuba County. Yuba Levee Finance Authority is reported as a blended component unit in the County of Yuba's financial statements and does not issue separate financial statements. Yuba Levee Finance Authority issued debt that is disclosed in Note 16 as conduit debt supported by the Authority through installment sale payments.

B. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The basic financial statements of the Agency have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Agency applies all applicable Governmental Accounting Standards Board (GASB) pronouncements in its accounting and reporting. The more significant of the District's accounting principles are described below.

The Agency's financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recognized when earned and expenses are recorded when the liability is incurred, regardless of timing of the related cash flows. Property taxes are recognized as revenues in the year they are levied. Property taxes attach an enforceable lien on property as of January 1. Taxes are levied on July 1 and are payable in two installments on December 10 and April 10. The County of Yuba bills and collects property taxes and remits them to the Agency in installments during the year. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The financial activities of the Agency are accounted for as an enterprise fund. Enterprise funds are used to account for operations which are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the public on a continuing basis be financed or recovered primarily through user charges.

To enhance accountability, the Agency's enterprise fund consists of the General Fund and Power Systems Fund units at June 30, 2018. Inter-unit balances have been eliminated from the statements of net position and statements of revenues, expenses, and changes in net position.

**YUBA COUNTY WATER AGENCY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018 and 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Agency distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses consist of those revenues and expenses that result from the ongoing principal operations of the Agency. Operating revenues consist primarily of sales of electric energy and water sales. Nonoperating revenues and expenses consist of those revenues and expenses that are related to financing and investing types of activities and result from nonexchange transactions or ancillary activities. The Agency considers all revenues and expenses not related to sales of electric energy and water sales to be nonoperating revenues and expenses, including flood control, recreation and special projects revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the Agency's policy to use restricted resources first, then unrestricted resources as they are needed.

C. Assets, Liabilities, and Net Position

1) Cash and Cash Equivalents

For purposes of reporting in the statement of cash flows, the Agency considers all cash accounts, which are not subject to withdrawal restrictions or penalties, and all highly liquid debt instruments purchased with an original maturity of three months or less to be cash and cash equivalents. See Note 2 for additional information about the Agency's cash and investments.

2) Accounts Receivable and Allowance for Doubtful Accounts

An allowance for doubtful accounts has not been provided because, in the opinion of management, receivable balances are fully collectible.

3) Prepaid Expenses

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenses.

4) Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the Agency's financial statements. Capital assets are defined by the Agency as assets with an initial individual cost of \$10,000 and an estimated useful life in excess of one year.

Capital assets are valued at cost where historical records are available and at estimated historical cost where no historical records exist. Donated capital assets are recorded at the acquisition value, which is the price that would be paid to acquire an asset with equivalent service potential in an orderly market transaction at the acquisition date. The costs of normal maintenance and repairs that do not add to the value of assets, or materially extend asset lives, are not capitalized. The cost of assets sold or retired is eliminated from the capital asset accounts and a gain or loss on disposal is recognized. Fully depreciated assets remain in the accounts until such assets are no longer in service.

Depreciation has been provided using the straight-line method over the following estimated useful lives:

<u>Description</u>	<u>Estimated Life</u>
Facilities and improvements	25 - 50 years
Buildings and structures	40 years
Equipment and furniture	2 - 10 years

YUBA COUNTY WATER AGENCY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018 and 2017

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4) Capital Assets (Continued)

Expenses incurred for construction projects and major repairs and betterments are accumulated and, when projects are complete, are capitalized and subsequently depreciated over the project's estimated useful life. The Agency did not incur any construction period interest for the fiscal years ended June 30, 2018 or 2017.

5) Compensated Absences

Employees are paid for 100% of their accumulated vacation upon retirement or other termination. In addition, 45% of the sick leave benefits are paid to employees with ten or more years of service upon retirement or termination up to a maximum accrual of 1,040 hours. The Agency has accrued a liability for vacation and sick leave, which has been earned, but not taken, by Agency employees. This liability is recognized when incurred.

6) Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to future periods and will not be recognized as an outflow of resources (expense) until then.

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to future periods and will not be recognized as an inflow of resources until that time.

Deferred inflows and outflows of resources include amounts deferred for the Agency's pension plan under GASB Statement No. 68 as described in Note 8 and for the Agency's OPEB plan under GASB Statement No. 75 as described in Note 10.

7) Net Position

Net position is segregated into the net investment in capital assets, restricted and unrestricted.

Net Investment in Capital Assets – The net investment in capital assets represents capital assets, net of accumulated depreciation and amortization, and long-term liabilities that are attributable to the acquisition, construction or improvement of these assets.

Restricted – Restricted net position consists of constraints placed on net position use through external constraints imposed by creditors (such as through debt covenants), grants, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation. The Agency had no restrictions of net position.

Unrestricted – Designations of unrestricted net position are imposed by the Board of Directors to reflect future spending plans or concerns about the availability of future resources. Designations may be modified, amended, or removed by Board action.

**YUBA COUNTY WATER AGENCY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018 and 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The designations included the following at June 30:

	2018	2017
Operating reserves	\$ 32,500,000	
Emergency reserves	8,000,000	
Levee bond payment reserves	5,500,000	
Non-routine and capital projects reserves	54,394,536	
Capital facilities - recreation		\$ 112,660
Ground water		435,993
Relicensing		1,260,802
Fishery enhancement		545,673
Project development		15,597,554
Future operations & administration		16,573,822
River management		190,004
Subtotal - Designated	100,394,536	34,716,508
Undesignated		38,511,999
Total Unrestricted Net Position	\$ 100,394,536	\$ 73,228,507

- Designated for Operating Reserves – to segregate a portion of net position to allow for ongoing operations under conditions of significantly reduced revenue. Target is \$32.5 million, which is an estimate of one full year of operating revenues.
- Designated for Emergency – to segregate a portion of net position to recover and restore operational capability in the event of an unforeseen catastrophic event. Target is \$8.0 million to cover an estimate of \$5.0 million power system equipment and \$3.0 million immediate levee repair.
- Levee Bond Payment – to segregate a portion of net position for commitment to the payment of the Yuba Levee Financing Authority bond, which financed the local share of levee improvements. Target is \$5.5 million, covering one year of payments.
- Non-Routine and Capital Projects – to segregate a portion of net position to support the completion of essential capital projects of the five-year reserve horizon. Target is \$154.0 million, which is an estimate based on the Agency’s Capital Improvement Plans.
- Designated for Capital Facilities - Recreation – to segregate a portion of net position for fees collected for capital facilities projects in the recreation area.
- Designated for Ground Water – to segregate a portion of net position for the monitoring of ground water.
- Designated for Relicensing – to segregate a portion of net position designated for the future relicensing costs for the Agency.
- Designated for Fishery Enhancement – to segregate a portion of net position designated for fish monitoring and habitat improvements.
- Designated for Project Development – to segregate a portion of net position designated for water resources and flood control related studies and capital projects.
- Designated for Future Operations & Administration – to segregate a portion of net position designated for general administration and future operations.
- Designated for River Management – to segregate a portion of net position designated for Accord River Management Team-directed projects.

YUBA COUNTY WATER AGENCY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018 and 2017

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

8) Use of Estimates

The preparation of the financial statement in conformity with generally accepted accounting principles 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 expenses during the reporting period. Actual results could differ from those estimates.

9) Pension Plan

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions and pension expense, information about the fiduciary net position of the Agency's California Public Employees' Retirement System (CalPERS) plan (Plan) and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

10) Other Postemployment Benefits Plan (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows/inflows of resources and OPEB expense, information about the fiduciary net position of the plan held by CalPERS and additions to/deductions from the plan's fiduciary net position have been determined on the same basis as they are reported by the plan. For this purpose, the plan recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts that have a maturity at purchase of one year or less, which are reported at cost.

11) Reclassifications

Certain reclassifications were made to the classifications of grants and reimbursements in the 2017 financial statements to conform to the current presentation. These reclassifications had no effect on previously reported net position or change in net position.

12) New Accounting Pronouncements

In November 2016, the GASB issued Statement No. 83, Certain Asset Retirement Obligations. This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset (an example is decommissioning a water treatment plant). A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement. This Statement requires that recognition occur when the liability is both incurred and reasonably estimable. This Statement requires the measurement of an ARO to be based on the best estimate of the current value of outlays expected to be incurred. The best estimate should include probability weighting of all potential outcomes when such information is available or can be obtained at reasonable cost. The requirements of this Statement are effective for periods beginning after June 15, 2018.

In June 2017, the GASB issued Statement No. 87, Leases. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. A lease is defined as a contract that conveys control of the right to use another

**YUBA COUNTY WATER AGENCY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018 and 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

entity's nonfinancial asset as specified in the contract for a period of time in an exchange or exchange-like transaction. Examples of nonfinancial assets include buildings, land, vehicles, and equipment. Any contract that meets this definition should be accounted for under the leases guidance, unless specifically excluded in this Statement. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

The Agency will fully analyze the impact of these new Statements prior to the effective dates listed above.

NOTE 2 CASH AND CASH EQUIVALENTS

Cash and cash equivalents, at fair value, consisted of the following at June 30:

	2018	2017
Unrestricted cash and cash equivalents:		
Cash on hand	\$ 525	\$ 525
Deposits in financial institutions	8,554,944	41,205,626
Cash and investments with County of Yuba Treasurer	93,324,437	35,900,904
Total cash and cash equivalents	\$ 101,879,906	\$ 77,107,055

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.

At June 30, 2018 and 2017, the carrying amount of the Agency's deposits was \$8,554,944 and \$41,205,626, and the balances in financial institutions were \$8,737,549 and \$41,940,566, respectively. Of the balances in financial institutions at June 30, 2018 and 2017, \$250,000 was covered by federal depository insurance each year and the remaining amounts were collateralized as required by state law (Government Code §53630) by the pledging financial institution with assets held in a common pool for the Agency and other governmental agencies. State law requires that the market value of the common pool of collateral be equal to or greater than 110% of all public deposits with the pledging financial institution if governmental securities are used, or 150% if mortgages are used as collateral. The collateral is not held by or in the name of the Agency.

The Agency's investments in the investment pool maintained by the County of Yuba, California's (the County) Treasurer are stated at fair value. The Agency maintains a significant portion of its cash in County's cash and investment pool. The County apportions interest and changes in fair value to the Agency's funds quarterly based upon average cash balances. Investments held in the County's cash and investment pool are available on demand to the Agency and are stated at fair value. Information regarding categorization of investments can be found in the County's financial statements at www.co.yuba.ca.us under the Auditor-Controller Department page. The County's cash and investment pool is not registered with the Securities and Exchange Commission as an investment company and is in accordance with the applicable laws and regulations of the State of California. The fair value of the Agency's position in the pool is the same as the value of its pool shares and is available on demand. The County has neither provided nor obtained any legally binding guarantees to support the value of the accounts.

Investment policy – Pursuant to Board Resolution 2017-03, the Agency reaffirmed the County's investment policy as the Agency's investment policy. Under the County's policy, the permissible investments for the years ended June 30, 2018 and 2017, included the following instruments:

YUBA COUNTY WATER AGENCY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018 and 2017

NOTE 2 CASH AND CASH EQUIVALENTS (Continued)

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment in One Issuer</u>
Federal Agency Obligations	5 Years	None	None
U.S. Treasury Bills	5 Years	None	None
State of California Obligations	5 Years	None	None
Local Agency Bonds and Obligations	5 Years	None	None
Banker's Acceptances	180 Days	40%	30%
Commercial Paper - Selected Agencies	270 Days	40%	10%
Negotiable Certificates of Deposit	5 Years	30%	None
Nonnegotiable Certificates of Deposit	5 Years	30%	None
Repurchase Agreements	1 Year	None	None
Reverse Repurchase Agreements	92 Days	20%	None
Medium-Term Corporate Notes	5 Years	30%	None
Money Market Mutual Funds	N/A	20%	10%
Local Agency Investment Fund (LAIF)	N/A	None	None
California Asset Management Program (CAMP)	N/A	None	None

Investments authorized by debt agreements – Investments held by a bond fiscal agent (trustee) are governed by the provisions of the debt indenture agreement rather than the provisions of the Agency's investment policy of the California Government Code. The Agency did not have any investments that were invested according to the provisions of debt indenture agreements at June 30, 2018 and 2017.

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. As of June 30, 2018 and 2017, the weighted average maturity of the investments in the County's investment pool was 332 and 286 days, respectively.

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. The County pool is not rated, but specific credit risk ratings for individual investments held for the Agency by the County are provided in the County's financial statements.

Concentration of credit risk – The Agency does not have a policy that limits the amount that can be invested in any one issuer beyond what is specified in the California Government Code. A majority of the Agency's investments are held with the County pool where the concentration of credit risk is not determinable.

NOTE 3 ACCOUNTS RECEIVABLE

Accounts receivable consisted of the following at June 30:

	<u>2018</u>	<u>2017</u>
Sales of electric energy receivable	\$ 3,543,395	\$ 4,404,905
Due from marina operations	99,435	49,902
Due from Pacific Gas & Electric	26,440	25,546
Irrigation and gauging receivables	2,382	729,914
Totals	<u>\$ 3,671,652</u>	<u>\$ 5,210,267</u>

YUBA COUNTY WATER AGENCY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018 and 2017

NOTE 4 LOANS AND LEASES RECEIVABLE FROM OTHER GOVERNMENTAL AGENCIES

Loans and leases receivable activity consisted of the following during the years ended June 30:

	Balance July 1, 2017	Additions	Payments	Balance June 30, 2018	Interest Receivable
Yuba County RDA/County of Yuba as Successor Agency	\$ 896,716	\$ 8,039		\$ 904,755	\$ 165,813
North Yuba Water District	392,378		\$ (392,378)		
Dry Creek Mutual Water Company	1,268,079	13,657		1,281,736	13,740
City of Marysville Levee District	2,703,858	96,199		2,800,057	395,076
Camptonville Community Services District	72,893	55	(72,948)		
Yuba County TRLIA Bond Loan	3,789,435	2,819,933		6,609,368	
Yuba County lease receivable	10,667,939	198,371	(1,047,641)	9,818,669	16,364
Yuba County UAL Loan		6,713,796	(6,112,766)	601,030	2,192
Reclamation Districts 2103 and 817	52,546	1,857		54,403	7,986
Reclamation District 10	1,031,390	40,415		1,071,805	61,452
Totals	\$ 20,875,234	\$ 9,892,322	\$ (7,625,733)	\$ 23,141,823	\$ 662,623

	Balance July 1, 2016	Additions	Payments	Balance June 30, 2017	Interest Receivable
Yuba County RDA/County of Yuba as Successor Agency	\$ 902,695	\$ 7,168	\$ (13,147)	\$ 896,716	\$ 157,773
North Yuba Water District	377,801	14,577		392,378	27,956
Cordua Irrigation District	99,770	818	(100,588)		
Dry Creek Mutual Water Company	1,353,517	10,662	(96,100)	1,268,079	82
City of Marysville Levee District	2,607,658	96,200		2,703,858	298,877
Camptonville Community Services District	599,546	61,219	(587,872)	72,893	1,387
Yuba County TRLIA Bond Loan	1,849,673	1,968,837	(29,075)	3,789,435	
Yuba County lease receivable		11,176,149	(508,210)	10,667,939	14,694
Reclamation Districts 2103 and 817		432,505	(379,959)	52,546	6,130
Reclamation District 10		1,031,390		1,031,390	21,037
Totals	\$ 7,790,660	\$ 14,799,525	\$ (1,714,951)	\$ 20,875,234	\$ 527,936

Each loan accrues interest at a rate established by the Agency as agreed to in the originating loan agreement. The amounts reported above include interest receivable. Typically, the interest rate is based on an average of the interest rate paid by the County of Yuba Treasurer on the investment pool for the preceding 12 months. The interest rates ranged from 1.077% to 4.00% and from 0.788% to 4.00% at June 30, 2018 and 2017, respectively.

The Yuba County TRLIA Bond Loan represents temporary debt service payments by the Agency on the Yuba Levee Financing Authority Bonds, 2008 Series A and Taxable Revenue Bonds, 2008 Series B described in Note 16. Payments were made by the Agency under the Funding Agreement relating to Yuba Levee Financing Authority Bonds (the Agreement) that provides for the Agency to make bond payments on behalf of the County through February 16, 2020 if levee impact fees charged by the County in the Plumas Lake Specific Plan Area are not sufficient to make the Bond payments. The Agency agreed to make payments from available funds, made no pledge of revenues under the Agreement and has an unsecured obligation to make payments under the Agreement. The Agreement requires the County to repay the Agency with future levee impact fees collected in the Plumas Lake Specific Plan Area with interest in the amount that would have been earned on the funds used for debt service payments had the funds been invested with other Agency funds. As described in Note 16, the 2008 Bonds were refunded during the year ended June 30, 2016. However, the provisions of the Agreement were extended to the Refunding Revenue Bonds, 2017 Series A and B, as described in Note 16. As described in Note 20, the Agency funded an additional payment in July 2018.

**YUBA COUNTY WATER AGENCY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018 and 2017**

NOTE 4 LOANS AND LEASE RECEIVABLE FROM OTHER GOVERNMENTAL AGENCIES

Regarding the loan to the Yuba County Redevelopment Agency, the state Redevelopment Dissolution Act (AB 1X 26) dissolved the Redevelopment Agency on February 1, 2012. On March 27, 2012, the Yuba County Board of Supervisors adopted Resolution No. 2012-20 designating the Board of Supervisors of the County of Yuba to serve as the Successor Agency of the Yuba County Redevelopment Agency (Successor Agency). As a result of this legislation, the Successor Agency was required to obtain formal approval for the recognition of the obligation to repay outstanding debts. On May 27, 2012, the California Department of Finance issued a letter to the successor agency approving the obligation for repayment of the loan made by Yuba County Water Agency to the Yuba County Redevelopment Agency.

Lease receivable – In December 2016, as part of the refunding of the Yuba Levee Financing Authority (the Authority) Bonds, 2008 Series A and Taxable Revenue Bonds, 2008 Series B described in Note 16, two lease agreements were executed with the County of Yuba related to the County’s solar equipment. The first lease agreement provided for the lease of the solar equipment to the Agency and the second agreement provided for a lease of the equipment back to the County. The Agency prepaid the \$11,057,939 amount due to the County under the first lease agreement to provide funding to the County to pay-off certain other debt to facilitate the refunding of the Authority’s 2008 bonds. The County will sub-lease the equipment from the Agency through June 1, 2031 under the second lease. Interest will be computed at 3% under the agreement. The County began making payments to the Agency under the second agreement in May 2017. The interest rate will be not less than 1.75% and the term will not extend beyond June 1, 2031 as long as the principal under the agreement does not exceed \$11.1 million. Future payments under the lease will be as follows at June 30, 2018:

Year Ending June 30:	Principal	Interest	Total
2019	\$ 598,127	\$ 196,373	\$ 794,500
2020	640,982	184,411	825,393
2021	686,076	171,591	857,667
2022	818,514	157,870	976,384
2023	868,411	141,499	1,009,910
2024-2028	3,946,559	441,048	4,387,607
2029-2031	2,260,000	91,100	2,351,100
	<u>\$ 9,818,669</u>	<u>\$ 1,383,892</u>	<u>\$ 11,202,561</u>

YUBA COUNTY WATER AGENCY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018 and 2017

NOTE 5 CAPITAL ASSETS

Capital asset activity consisted of the following during the year ended June 30, 2018:

	Balance July 1, 2017	Additions	Deletions	Transfers	Balance June 30, 2018
CAPITAL ASSETS NOT BEING DEPRECIATED:					
General Fund:					
Land and land rights					
Canals	\$ 4,605,454				\$ 4,605,454
Construction in progress					
FERC relicensing	33,304,213	\$ 2,363,838			35,668,051
Other					
Other-GFPS	1,743,393	727,815		\$ (2,471,208)	
Total General Fund	39,653,060	3,091,653		(2,471,208)	40,273,505
Power Systems Fund:					
Land and land rights	2,923,388				2,923,388
Water rights	85,835				85,835
Construction in progress					
General	2,177,742	2,789,935		(779,604)	4,188,073
GFPS	3,180			(3,180)	
Recreation	267,375	152,296	\$ (44,410)	1,880	377,141
Total Power Systems Fund	5,457,520	2,942,231	(44,410)	(780,904)	7,574,437
TOTAL CAPITAL ASSETS NOT BEING DEPRECIATED	45,110,580	6,033,884	(44,410)	(3,252,112)	47,847,942
CAPITAL ASSETS BEING DEPRECIATED:					
General Fund:					
General plant	4,715,294	33,562	(8,000)	2,471,208	7,212,064
Irrigation canals	17,487,652	11,288			17,498,940
Total General Fund	22,202,946	44,850	(8,000)	2,471,208	24,711,004
Power Systems Fund:					
Hydraulic production	228,240,443		(411,490)	989,550	228,818,503
Hydraulic production-MH	396,117			(396,117)	
Hydraulic production-GFPS	345,494			(345,494)	
Electric plant acquisition	4,485,248				4,485,248
Transmission equipment	6,031,993		(129,184)	3,908,628	9,811,437
Transmission equipment-GFPS	3,487,679			(3,487,679)	
General plant	9,367,557	305,505	(78,603)	3,894,188	13,488,647
General plant-GFPS	3,894,186			(3,894,186)	
Recreation facilities	1,516,201			112,014	1,628,215
Intangible assets	248,292				248,292
Total Power Systems Fund	258,013,210	305,505	(619,277)	780,904	258,480,342
TOTAL CAPITAL ASSETS BEING DEPRECIATED	280,216,156	350,355	(627,277)	3,252,112	283,191,346

YUBA COUNTY WATER AGENCY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018 and 2017

NOTE 5 CAPITAL ASSETS (Continued)

	<u>Balance</u> <u>July 1, 2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>Transfers</u>	<u>Balance</u> <u>June 30, 2018</u>
ACCUMULATED DEPRECIATION AND AMORTIZATION:					
General Fund:					
General plant	\$ (2,365,172)	\$ (341,046)	\$ 8,000		\$ (2,698,218)
Irrigation canals	(3,136,761)	(607,891)			(3,744,652)
Total General Fund	<u>(5,501,933)</u>	<u>(948,937)</u>	<u>8,000</u>		<u>(6,442,870)</u>
Power Systems Fund:					
Hydraulic production	(104,739,673)	(3,514,259)	413,587	\$ (389,396)	(108,229,741)
Hydraulic production-MH	(353,708)			353,708	
Hydraulic production-GFPS	(35,688)			35,688	
Electric plant acquisition	(4,485,248)				(4,485,248)
Transmission equipment	(1,654,373)	(480,274)		(197,279)	(2,331,926)
Transmission equipment-GFPS	(197,279)			197,279	
General plant	(6,698,861)	(694,752)	164,947	(248,076)	(7,476,742)
General plant-GFPS	(248,076)			248,076	
Recreation facilities	(1,325,728)	(71,520)			(1,397,248)
Intangible assets	(241,454)	(5,249)			(246,703)
Total Power Systems Fund	<u>(119,980,088)</u>	<u>(4,766,054)</u>	<u>578,534</u>		<u>(124,167,608)</u>
TOTAL ACCUMULATED DEPRECIATION	<u>(125,482,021)</u>	<u>(5,714,991)</u>	<u>586,534</u>		<u>(130,610,478)</u>
Total capital assets being depreciated, net	<u>154,734,135</u>	<u>(5,364,636)</u>	<u>(40,743)</u>	<u>3,252,112</u>	<u>152,580,868</u>
CAPITAL ASSETS, NET	<u>\$ 199,844,715</u>	<u>\$ 669,248</u>	<u>\$ (85,153)</u>	<u>\$ -</u>	<u>\$ 200,428,810</u>

YUBA COUNTY WATER AGENCY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018 and 2017

NOTE 5 CAPITAL ASSETS (Continued)

Capital asset activity consisted of the following during the year ended June 30, 2017:

	Balance July 1, 2016	Additions	Deletions	Transfers	Balance June 30, 2017
CAPITAL ASSETS NOT BEING DEPRECIATED:					
General Fund:					
Land and land rights	\$ 1,449			\$ (1,449)	
Canals	4,605,454				\$ 4,605,454
Construction in progress					
FERC relicensing	30,102,028	\$ 3,202,185			33,304,213
Other	267,375			(267,375)	
Other-GFPS		698,026		1,045,367	1,743,393
Total General Fund	34,976,306	3,900,211		776,543	39,653,060
Power Systems Fund:					
Land and land rights				2,923,388	2,923,388
Water rights				85,835	85,835
Construction in progress					
General		2,234,085		(56,343)	2,177,742
GFPS				3,180	3,180
Recreation				267,375	267,375
Total Power Systems Fund		2,234,085		3,223,435	5,457,520
Hydroelectric Utility Fund:					
Water rights	85,835			(85,835)	
Land and land rights	2,921,939			(2,921,939)	
Construction in progress	1,231,334			(1,231,334)	
Total Hydroelectric Utility Fund	4,239,108			(4,239,108)	
General Fund Power Systems:					
Construction in progress	1,049,177			(1,049,177)	
Total General Fund Power Systems	1,049,177			(1,049,177)	
TOTAL CAPITAL ASSETS NOT BEING DEPRECIATED	40,264,591	6,134,296		(1,288,307)	45,110,580
CAPITAL ASSETS BEING DEPRECIATED:					
General Fund:					
Recreation facilities	1,516,201			(1,516,201)	
General plant	4,605,179	110,115			4,715,294
Irrigation canals	17,487,652				17,487,652
Total General Fund	23,609,032	110,115		(1,516,201)	22,202,946
Power Systems Fund:					
Hydraulic production				228,240,443	228,240,443
Hydraulic production-MH				396,117	396,117
Hydraulic production-GFPS				345,494	345,494
Electric plant acquisition				4,485,248	4,485,248
Transmission equipment				6,031,993	6,031,993
Transmission equipment-GFPS				3,487,679	3,487,679
General plant		131,990	\$ (37,854)	9,273,421	9,367,557
General plant-GFPS				3,894,186	3,894,186
Recreation facilities				1,516,201	1,516,201
Intangible assets				248,292	248,292
Total Power Systems Fund		131,990	(37,854)	257,919,074	258,013,210
General Fund Hydro Fund:					
Hydraulic production	396,117			(396,117)	

YUBA COUNTY WATER AGENCY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018 and 2017

NOTE 5 CAPITAL ASSETS (Continued)

	Balance July 1, 2016	Additions	Deletions	Transfers	Balance June 30, 2017
Hydroelectric Utility Fund:					
Hydraulic production	\$ 226,952,136			\$ (226,952,136)	
Electric plant acquisition	4,485,248			(4,485,248)	
Transmission equipment	6,031,993			(6,031,993)	
General plant	9,273,421			(9,273,421)	
Intangible assets	248,292			(248,292)	
Total Hydroelectric Utility Fund	246,991,090			(246,991,090)	
General Fund Power Systems:					
General plant	3,894,186			(3,894,186)	
Hydraulic production	345,494			(345,494)	
Transmission equipment	3,487,679			(3,487,679)	
Total General Fund Power Systems	7,727,359			(7,727,359)	
TOTAL CAPITAL ASSETS BEING DEPRECIATED	278,723,598	\$ 242,105	\$ (37,854)	1,288,307	\$ 280,216,156
ACCUMULATED DEPRECIATION AND AMORTIZATION:					
General Fund:					
Recreation facilities	(1,242,745)			1,242,745	
General plant	(2,023,506)	(341,666)			(2,365,172)
Irrigation canals	(2,529,772)	(606,989)			(3,136,761)
Total General Fund	(5,796,023)	(948,655)		1,242,745	(5,501,933)
Power Systems Fund:					
Hydraulic production		(3,366,163)		(101,373,510)	(104,739,673)
Hydraulic production-MH		(11,515)		(342,193)	(353,708)
Hydraulic production-GFPS		(34,549)		(1,139)	(35,688)
Electric plant acquisition		(1,904)		(4,483,344)	(4,485,248)
Transmission equipment		(267,258)		(1,387,115)	(1,654,373)
Transmission equipment-GFPS		(190,234)		(7,045)	(197,279)
General plant		(494,833)	37,854	(6,241,882)	(6,698,861)
General plant-GFPS		(225,896)		(22,180)	(248,076)
Recreation facilities		(82,983)		(1,242,745)	(1,325,728)
Intangible assets		(5,249)		(236,205)	(241,454)
Total Power Systems Fund		(4,680,584)	37,854	(115,337,358)	(119,980,088)
General Fund Hydro Fund:					
Hydraulic production	(342,193)			342,193	
Hydroelectric Utility Fund:					
Hydraulic production	(101,373,510)			101,373,510	
Electric plant acquisition	(4,483,344)			4,483,344	
Transmission equipment	(1,387,115)			1,387,115	
General plant	(6,241,882)			6,241,882	
Intangible assets	(236,205)			236,205	
Total Hydroelectric Utility Fund	(113,722,056)			113,722,056	
General Fund Power Systems:					
General plant	(22,180)			22,180	
Hydraulic production	(1,139)			1,139	
Transmission equipment	(7,045)			7,045	
Total General Fund Power Systems	(30,364)			30,364	
TOTAL ACCUMULATED DEPRECIATION	(119,890,636)	(5,629,239)	37,854		(125,482,021)
Total capital assets being depreciated, net	158,832,962	(5,387,134)		1,288,307	154,734,135
CAPITAL ASSETS, NET	\$ 199,097,553	\$ 747,162	\$ -	\$ -	\$ 199,844,715

**YUBA COUNTY WATER AGENCY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018 and 2017**

NOTE 5 CAPITAL ASSETS (Continued)

East-side Canal Extension (Yuba Wheatland Canal Project) – The East-side Canal Extension (Yuba Wheatland Canal Project) was the result of a contractual arrangement between the Agency and Wheatland Water District (WWD). The original agreement was executed on January 27, 2004 and was subsequently amended on February 13, 2007 and again on May 25, 2010. The agreement and subsequent amendments contained cost allocation, ownership, and payment provisions. During the year ended June 30, 2014, the Agency capitalized \$16,613,796 in costs attributable to the project and began depreciation.

On September 5, 2014, the Agency and WWD entered into an agreement whereby WWD will reimburse the Agency \$1,394,080 for project costs related to improvements made within the WWD boundaries. The parties anticipate that this amount will be repaid over a thirty (30) year period with annual principal and interest payments due no later than each December 15th. WWD has the option of reimbursing these costs over a shorter time period. Interest on the unpaid reimbursement balance will be at a rate equal to the average rate of return earned by the Agency on funds invested with the Treasurer of the County of Yuba. Under the agreement, WWD agreed to pay retroactive interest to December 31, 2010. Upon full repayment by WWD, title to certain improvements will be transferred from the Agency to WWD. As of June 30, 2018 and 2017, the undepreciated cost of these improvements totaled \$7,881,523.

During the year ended June 30, 2018, WWD repaid the Agency principal and interest of \$9,000, including interest of \$8,932. As of June 30, 2018 and 2017, the unreimbursed amount due to the Agency totaled \$858,047 and \$865,747, respectively, including accrued interest. At June 30, 2018 and 2017, the Agency reported the cumulative principal payments received of \$536,033 and \$535,360, respectively, as a deposit liability rather than as payments on a loan receivable in the accompanying financial statements under GASB Statement No. 62 because title to the facilities will not be transferred until the loan is fully collected.

NOTE 6 LONG-TERM LIABILITIES

The following is a summary of changes in long-term liabilities for the fiscal years ended June 30:

	Balance July 1, 2017	Additions	Deletions	Balance June 30, 2018	Current	Noncurrent
Net pension liability	\$ 1,516,006	\$ 2,535,983	\$ (1,972,056)	\$ 2,079,933		\$ 2,079,933
Accrued compensated absences	865,844	805,362	(661,499)	1,009,707	\$ 741,855	267,852
Totals	<u>\$ 2,381,850</u>	<u>\$ 3,341,345</u>	<u>\$ (2,633,555)</u>	<u>\$ 3,089,640</u>	<u>\$ 741,855</u>	<u>\$ 2,347,785</u>
	Balance July 1, 2016	Additions	Deletions	Balance June 30, 2017	Current	Noncurrent
Net pension liability	<u>\$ 2,910,127</u>	<u>\$ 1,325,651</u>	<u>\$ (2,719,772)</u>	<u>\$ 1,516,006</u>	<u>\$ -</u>	<u>\$ 1,516,006</u>

NOTE 7 UNEARNED REVENUE

During the year ended June 30, 2008, the Agency entered into a water transfer agreement with the Department of Water Resources whereby \$30,900,000 was paid up front for the transfer of 480,000, acre feet of water over a period of eight (8) years with 60,000 acre feet of water being transferred annually. The revenue is recognized as the water is transferred and the remaining balance of transfer proceeds is reported as unearned revenue until the related water is transferred. Unearned water transfer revenue under this agreement at June 30, 2018 and 2017 was \$3,918,442 each year.

On December 5, 2014, Amendment No. 5 to the water transfer agreement was executed. This amendment extended the water transfer period through December 31, 2025. As a result of this amendment, the Agency received a \$20 million unearned prepayment toward future water transfers that will be earned using fluctuating

YUBA COUNTY WATER AGENCY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018 and 2017

NOTE 7 UNEARNED REVENUE (Continued)

rates per acre foot specified in the agreement ranging from \$50 to \$350 per acre foot that are based on whether the water is transferred in years classified as wet to consecutive dry or critical years.

The following is a summary of unearned water transfer revenue at June 30:

	2018	2017
Water transfer accord	\$ 23,918,442	\$ 23,918,442
Less: Current Portion	(9,835,492)	(3,918,442)
Noncurrent Portion	\$ 14,082,950	\$ 20,000,000

The remaining \$211,298 of unearned revenue at June 30, 2018 and 2017 represents unearned receipts related to the member units well efficiency program.

NOTE 8 DEFINED BENEFIT PENSION PLAN

A. General Information About Pension Plan

Plan Description – All qualified permanent and probationary employees are eligible to participate in the Agency’s cost-sharing multiple employer defined benefit pension plan (Plan), which is administered by the California Public Employees’ Retirement System (CalPERS). The Agency participates in the Miscellaneous Risk Pool and two rate plans, the Classic Miscellaneous Rate Plan and the PEPRA Miscellaneous Rate Plan. Benefit provisions under the Plan are established by State statute and local government resolution. CalPERS issues publicly available reports that include a full description of the pension plan regarding benefit provisions, assumptions, and membership information that can be found on the CalPERS website.

Benefits Provided – CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full-time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is the Optional Settlement 2W Death Benefit and 1959 survivor benefit, level 3. The cost of living adjustments for each plan are applied as specified by the Public Employees’ Retirement Law. The Public Employees’ Pension Reform Act of 2013 (PEPRA) requires new benefits and member contributions to be provided to new employees hired after January 1, 2013. Consequently, the Classic Miscellaneous Rate Plan is closed to new members that were not CalPERS-eligible participants as of December 31, 2012. The Plan’s provisions and benefits in effect at June 30 are summarized as follows:

	2018		2017	
	Prior to January 1, 2013	On or After January 1, 2013	Prior to January 1, 2013	On or After January 1, 2013
Hire date				
Benefit formula	2.0% @ 55	2% @ 62	2.0% @ 55	2% @ 62
Benefit vesting schedule	5 years service	5 years service	5 years service	5 years service
Benefit payments	monthly for life	monthly for life	monthly for life	monthly for life
Retirement age	50-63	52-67	50-63	52-67
Monthly benefits as a % of eligible compensation	1.426% to 2.418%	1.0% to 2.5%	1.426% to 2.418%	1.0% to 2.5%
Final average compensation period	3 years	1 year	3 years	1 year
Required employee contribution rates	7.000%	6.250%	7.000%	6.533%
Required employer contribution rates	8.921%	6.533%	8.880%	6.555%

YUBA COUNTY WATER AGENCY
NOTES TO THE FINANCIAL STATEMENTS
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NOTE 8 DEFINED BENEFIT PENSION PLAN (Continued)

Contributions – Section 20814(c) of the California Public Employees’ Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for the Plan is determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The Agency is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. For the years ended June 30, the contributions recognized as part of pension expense for the Plan was as follows:

	2018	2017
Contributions - employer	\$ 592,945	\$ 534,831

B. Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources Related to Pensions

As of June 30, 2018, and 2017, the Agency reported a net pension liability of \$2,079,933 and \$1,516,006, respectively, for its share of the net pension liability of the Plan. The Agency’s net pension liability for the Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plan for the years ended June 30, 2018 and 2017 was measured as of June 30, 2017 and 2016, and the total pension liability for each rate plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016 and 2015, rolled forward to June 30, 2017 and 2016, using standard update procedures. The Agency’s proportion of the net pension liability was based on a projection of the Agency’s long-term share of contributions to the pension plan relative to the projected contributions of all participating employers (actuarially determined). The Agency’s proportionate share of the net pension liability for the Plan as of June 30 as compared to the prior year, were as follows:

	2018	2017
Proportion - June 30, 2017	0.043640%	
Proportion - June 30, 2018	0.052760%	
Change - Increase (Decrease)	0.009120%	
Proportion - June 30, 2016		0.106075%
Proportion - June 30, 2017		0.043640%
Change - Increase (Decrease)		-0.062435%

During the years ended June 30, 2018 and 2017, the Agency recognized pension expense of \$200,007 and \$1,356,105, respectively. At June 30, the Agency reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

YUBA COUNTY WATER AGENCY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018 and 2017

NOTE 8 DEFINED BENEFIT PENSION PLAN (Continued)

	2018		2017	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 592,945		\$ 534,831	
Differences between actual and expected experience	7,287	\$ (104,397)	19,869	\$ (4,552)
Changes in assumptions	904,125	(68,940)		(187,979)
Differences between the employer's contributions and the employer's proportionate share of contributions		(201,380)		(100,125)
Change in employer's proportion	281,123	(1,147,345)	49,373	(1,778,749)
Net differences between projected and actual earnings on plan investments	<u>204,476</u>		<u>978,364</u>	
Totals	<u>\$ 1,989,956</u>	<u>\$ (1,522,062)</u>	<u>\$ 1,582,437</u>	<u>\$ (2,071,405)</u>

The \$592,945 and \$534,831 at June 30, 2018 and 2017, respectively, reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows for the year ended June 30:

Year Ending June 30:	2018	2017
2018		\$ (638,494)
2019	\$ (457,523)	(604,491)
2020	100,104	(34,222)
2021	353,769	253,408
2022	<u>(121,401)</u>	
	<u>\$ (125,051)</u>	<u>\$ (1,023,799)</u>

Actuarial Assumptions – The total pension liabilities in the June 30, 2016 and 2015, actuarial valuations used during the years ended June 30 were determined using the following actuarial assumptions:

	2018	2017
Valuation date	June 30, 2016	June 30, 2015
Measurement date	June 30, 2017	June 30, 2016
Actuarial cost method	Entry-Age Normal Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:		
Discount rate	7.15%	7.65%
Inflation	2.75%	2.75%
Payroll growth	3.00%	3.00%
Projected salary increase ⁽¹⁾	3.2% - 12.2%	3.2% - 12.2%
Investment rate of return	7.375%	7.650%
Mortality ⁽²⁾	CalPERS Table	

⁽¹⁾ Depending on age, service and type of employment.

⁽²⁾ 20 years of mortality improvement - Society of Actuaries Scale BB.

**YUBA COUNTY WATER AGENCY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018 and 2017**

NOTE 8 DEFINED BENEFIT PENSION PLAN (Continued)

The underlying mortality assumptions and all other actuarial assumptions used in the June 30, 2016 and 2015 valuations were based on the results of an April 2014 actuarial experience study for the period 1997 to 2011. Further details of the Experience Study can be found on the CalPERS website.

Change of Assumptions – During the year ended June 30, 2018, the financial reporting discount rate was reduced from 7.65% to 7.15%.

Discount Rate – The discount rate used by CalPERS to measure the total pension liability was 7.15% in the June 30, 2017 accounting valuation used for the year ended June 30, 2018 and 7.65% in the June 30, 2016 accounting valuation used for the year ended June 30, 2017. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress-tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the 7.15% and 7.65% discount rates used were appropriate and the use of the municipal bond rate calculation is not necessary. The long-term expected discount rate will be applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report that can be obtained from the CalPERS website.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations, as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first 10 years) and the long-term (11 - 60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The table below reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These rates of return are net of administrative expenses.

Asset Class	2018			2017		
	New Strategic Allocation	Real Return Years 1 - 10(a)	Real Return Years 11+(b)	New Strategic Allocation	Real Return Years 1-10 (a)	Real Return Years 11+ (b)
Global equity	47.0%	4.90%	5.38%	51.0%	5.25%	5.71%
Global fixed income	19.0%	0.80%	2.27%	20.0%	0.99%	2.43%
Inflation sensitive	6.0%	0.60%	1.39%	6.0%	0.45%	3.36%
Private equity	12.0%	6.60%	6.63%	10.0%	6.83%	6.95%
Real estate	11.0%	2.80%	5.21%	10.0%	4.50%	5.13%
Infrastructure and forestland	3.0%	3.90%	5.36%	2.0%	4.50%	5.09%
Liquidity	2.0%	(0.40%)	(0.90%)	1.0%	(0.55)%	(1.05)%
	100.0%			100.0%		

(a) An expected inflation of 2.5% used for this period.

(b) An expected inflation of 3.0% used for this period.

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June 30, 2018 and 2017**

NOTE 8 DEFINED BENEFIT PENSION PLAN (Continued)

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

– The following presents the Agency’s proportionate share of the net pension liability for each Plan, calculated using the discount rate for each Plan, as well as what the Agency’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	2018			2017		
	1% Decrease	Current Discount Rate	1% Increase	1% Decrease	Current Discount Rate	1% Increase
Discount rate	6.15%	7.15%	8.15%	6.65%	7.65%	8.65%
Net pension liability	\$ 5,060,186	\$ 2,079,933	\$ (388,368)	\$ 4,091,661	\$ 1,516,006	\$ 612,646

Pension Plan Fiduciary Net Position – Detailed information about the pension plan’s fiduciary net position is available in the separately issued CalPERS financial reports.

Payables to the Pension Plan – There were no significant payables to the pension plan as of June 30, 2018 and 2017.

NOTE 9 DEFERRED COMPENSATION PLAN

In lieu of Social Security, the Agency also offers its employees a deferred compensation plan created in accordance with Internal Revenue Code (IRC) Section 457 (457 Plan). The 457 Plan is administered by the ICMA Retirement Corporation. The 457 Plan is available to all regular employees at their option and permits participants to defer a portion of their salary until future years. The Agency contributes 7.65% of covered salaries for each employee that does not participate in the 401(a) Plan below. For the fiscal year ended June 30, 2018, the Agency contributed \$313,855 and the employees contributed \$378,334 to the 457 Plan. During the year ended June 30, 2017, the Agency contributed \$309,447 and the employees contributed \$385,912 to the 457 Plan.

On December 17, 2002, the Agency established an IRC Section 401(a) plan (401(a) Plan) with the ICMA Retirement Corporation. The Agency selects optional benefits through state statute and agency resolutions. The Agency contributes 7.65% of covered salaries for each employee who does not participate in the 457 Plan above. During the year ended June 30, 2018, the Agency contributed \$212,334 and the employees contributed \$198,281 to the 401(a) Plan. During the year ended June 30, 2017, the Agency contributed \$185,179 and the employees contributed \$175,602 to the 401(a) Plan.

NOTE 10 POST-EMPLOYMENT HEALTH CARE BENEFITS

In addition to the pension benefits, the Agency provides certain health care benefits for retired employees through CalPERS. The disclosures below for the year ended June 30, 2018 are in accordance with GASB Statement No. 75. The disclosures for the year ended June 30, 2017 are in accordance with GASB Statement No. 45.

Plan Description – The Yuba County Water Agency’s Retiree Healthcare Plan (the Plan) is an agent multiple-employer postemployment benefits plan administered by CalPERS through the California Public Employers’ Retiree Benefit Trust (CERBT) Fund. The Agency provides medical benefits to eligible retirees. Benefit provisions are established and may be amended by the Board of Directors, subject to the Agency’s labor agreements. On May 12, 2009, the Board approved a policy to pre-fund retiree health care benefits through contributions to the CERBT and authorized the agreement and election of the Agency to pre-fund other post-employment benefits through CalPERS. CERBT is a tax-qualified irrevocable trust organized under Internal Revenue Code Section 115 to administer retiree healthcare benefits and collectively invest plan assets of all trust members. CERBT issues publicly available financial statements according to GASB Statement

**YUBA COUNTY WATER AGENCY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018 and 2017**

NOTE 10 POST-EMPLOYMENT HEALTH CARE BENEFITS (Continued)

No. 43, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, in aggregate with the other CERBT participating employers. CERBT financial statements can be obtained from the CalPERS website at www.calpers.ca.gov. The Agency's Plan does not issue separate financial statements.

Benefits Provided – Under the Plan, the Agency pays health insurance premiums for employees, surviving spouses and family members of employees retiring directly from the Agency under CalPERS with a maximum monthly benefit of \$1,600, limited to the cost of the Agency-sponsored low-cost health insurance plan for active employees, 2-party or family. Employees hired after December 31, 2007 must have 10 years of Agency service for full benefits. Employees hired after December 31, 2007 that have less than 10 years of Agency service are provided Public Employees' Medical & Hospital Care Act (PEMHCA) minimum benefits (\$133 per month in 2018 and \$128 per month in 2017).

Disclosures Required by GASB Statement No. 75 for the Year Ended June 30, 2018:

Employees Covered by Benefit Terms – At June 30, 2017, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	19
Active employees	61
Total	80

Contributions – The Board of Directors has the authority to establish and amend the contribution requirements of the District and employees under powers granted to it under the 1959 Act establishing the Agency, subject to the Agency's Memorandum of Understanding with the employee bargaining unit. The contributions are contractually rather than actuarially determined, as described above. Employees are not required to contribute to the plan. For fiscal years ended June 30, 2018 and 2017, the Agency contributed a total of \$551,931 and \$450,489, respectively.

Net OPEB Liability – The Agency's net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2017.

Actuarial Assumptions – The total OPEB liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Valuation date	June 30, 2017
Measurement date	June 30, 2017
Actuarial cost method	Entry-age normal cost method
Actuarial assumptions:	
Discount rate	5.75%
Inflation	2.75%
Aggregate salary increases	3.00%
Investment rate of return	5.75%
Mortality, disability, termination, and retirement rates	Derived using CalPERS 1997-2015 Experience Study
Mortality improvement	Society of Actuaries mortality improvement Scale MP-17
Healthcare cost trend rates	7.5% and 6.5% in the first year for pre-65 and post-65, respectively, trending down to 4.00% until 2076 and later.

The healthcare cost trend rates above represent a change in assumption from the previous valuation when healthcare cost trend rates of 7% to 7.2% initially (4.5% for PEMHCA) trending down to 5% after five years were used.

YUBA COUNTY WATER AGENCY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018 and 2017

NOTE 10 POST-EMPLOYMENT HEALTH CARE BENEFITS (Continued)

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) was used and developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Investment Class	Target Allocation	Long-term Expected Real Rate of Return
Global equity	40.00%	4.82%
Fixed income	39.00%	1.47%
TIPS	10.00%	1.29%
Commodities	3.00%	0.84%
REITs	8.00%	3.76%
Total	<u>100.00%</u>	

Discount Rate – The discount rate used to measure the total OPEB liability was 5.75%. This represents a change of assumptions over the previous discount rate used of 6.75%. The projection of cash flows used to determine the discount rate assumed that Agency contributions will continue based upon the current funding policy. Based on those assumptions, the OPEB plan’s fiduciary net position was projected to be available to make projected future benefit payments for current members for all future years. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Changes in the Net OPEB Liability:

	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability/(Asset)
Balance at June 30, 2017 (as restated)	\$ 5,860,000	\$ 6,107,000	\$ (247,000)
Changes for the year:			
Service cost	556,000		556,000
Interest on the total OPEB liability	363,000		363,000
Contribution - employer		450,000	(450,000)
Net investment income		444,000	(444,000)
Benefit payments	(209,000)	(209,000)	
Administrative expense		(3,000)	3,000
Net changes	<u>710,000</u>	<u>682,000</u>	<u>28,000</u>
Balance at June 30, 2018	<u>\$ 6,570,000</u>	<u>\$ 6,789,000</u>	<u>\$ (219,000)</u>

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate and Healthcare Cost Trend Rates

– The following presents the net OPEB liability of the Agency, as well as what the Agency’s net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current discount rate:

	1% Decrease 4.75%	Current Discount Rate 5.75%	1% Increase 6.75%
	Net OPEB liability (asset)	\$ 714,000	\$ (219,000)

**YUBA COUNTY WATER AGENCY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018 and 2017**

NOTE 10 POST-EMPLOYMENT HEALTH CARE BENEFITS (Continued)

The following presents the net OPEB liability of the Agency, as well as what the Agency's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percentage point lower or 1 percentage point higher than the current healthcare cost trend rates:

	1% Decrease (6.5%/5.5% <u>decreasing to 3%</u>)	Current Healthcare Cost Trend Rates (7.5%/6.5% <u>decreasing to 4%</u>)	1% Increase (8.5%/7.5% <u>decreasing to 5%</u>)
Net OPEB liability (asset)	\$ (1,095,000)	\$ (219,000)	\$ 872,000

OPEB Plan Fiduciary Net Position – Detailed information about the Plan's fiduciary net position is available in the separately issued CERBT financial report at www.calpers.ca.gov.

OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB – For the year ended June 30, 2018, the Agency recognized OPEB expense of \$547,000. At June 30, 2018, the Agency reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
OPEB contributions subsequent to measurement date	\$ 551,931	
Net differences between projected and actual earnings on OPEB plan investments		\$ (69,000)
Total	<u>\$ 551,931</u>	<u>\$ (69,000)</u>

The amount reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the following fiscal year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year Ended June 30</u>	
2019	\$ (17,250)
2020	(17,250)
2021	(17,250)
2022	<u>(17,250)</u>
	<u>\$ (69,000)</u>

Payable to the OPEB Plan – There was no payable to the OPEB plan at June 30, 2018.

Disclosures Required by GASB Statement No. 45 for the Year Ended June 30, 2017:

Annual OPEB Cost and Net OPEB Obligation – The Agency's annual OPEB cost (expense) is calculated based on the *annual required contribution of the employer (ARC)*, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The Agency is implementing GASB Statement No. 45 prospectively. The ARC represents a level of funding

YUBA COUNTY WATER AGENCY
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NOTE 10 POST-EMPLOYMENT HEALTH CARE BENEFITS (Continued)

that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a closed period of ten years. The ARC rate was 9.7% of projected annual covered payroll. The following table shows the components of the Agency's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the Agency's net OPEB obligation:

	2017
Annual required contribution	\$ 484,000
Interest on net OPEB obligation	(10,000)
Adjustment to annual required contribution	19,000
Annual OPEB cost (expense)	493,000
Contributions made	(450,489)
Increase in net OPEB obligation	42,511
Net OPEB obligation (asset) - beginning of year	(155,845)
Net OPEB obligation (asset) - end of year	\$ (113,334)

The ARC for the year ended June 30, 2017 was determined as part of a June 30, 2015, actuarial valuation. The Agency's Annual OPEB Cost, the percentage of Annual OPEB Cost contributed to the plan, and the Net OPEB Obligation as of June 30, 2017, were as follows:

Fiscal Year June 30	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation (Asset)
June 30, 2015	\$ 597,000	72.36%	\$ (358,000)
June 30, 2016	483,000	58.15%	(155,845)
June 30, 2017	493,000	0.00%	(113,334)

Funded Status and Funding Process — The funded status of the liability as per the most recent actuarial valuation as of June 30, 2017, which was as of June 30, 2015, was as follows:

	2017
Actuarial accrued liability (AAL)	\$ 5,647,000
Actuarial value of plan assets	(5,839,000)
Unfunded actuarial accrued liability/(asset)	\$ (192,000)
Funded ratio (actuarial value of plan assets/AAL)	103.40%
Covered payroll (active plan members)	\$ 5,037,000
UAAL/(asset) as a percentage of covered payroll	-3.81%

Actuarial valuations of an ongoing plan involve 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 health care 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. The schedule of funding progress presented as required supplementary information following the notes to the financial statements presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

YUBA COUNTY WATER AGENCY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018 and 2017

NOTE 10 POST-EMPLOYMENT HEALTH CARE BENEFITS (Continued)

Actuarial 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 actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the June 30, 2015 actuarial valuation, the Entry Age Normal (EAN) cost method was used. The actuarial assumptions included a 6.50% investment rate of return (net of administrative expenses), an annual healthcare cost trend rate of 7% to 7.2% initially (4.5% for PEMHCA), reduced by decrements to 5% after five years, payroll increases of 3.25%, and an inflation assumption of 3%. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year open period. The unfunded actuarial accrued liability is being amortized over a level percentage of projected payroll over a ten-year period on a closed basis.

NOTE 11 POWER PURCHASE CONTRACTS

On September 22, 2015, the Agency Board of Directors approved two power purchase agreements with Shell Energy of North America for sales of Colgate and Narrows 2 electric energy and related products. Sale of electric energy totaled \$69,007,573 and \$66,190,048 under these agreements during the years ended June 30, 2018 and 2017, respectively.

All electric power generated by the Operations and Maintenance Fund Unit was previously sold to the Pacific Gas and Electric Company (PG&E) under the terms of a contract dated May 13, 1966, which expired in April 2016. For the power received, PG&E paid \$3,850,000 semi-annually for bond and interest and a variable amount for hydro operations. The Operations and Maintenance Fund Unit received from PG&E a total of \$18,704,389 during the year ended June 30, 2016 for operating expenses. Due to the termination of the PG&E contract, the Agency accrued a receivable for the estimated amount due from PG&E to settle all outstanding claims and recognized all unearned revenue during the year ended June 30, 2016. All amounts due from PG&E to settle outstanding claims were received during the year ended June 30, 2017. The Operations and Maintenance Fund Unit was closed as of July 1, 2017, and all assets and liabilities were transferred to other reporting units.

All electric power generated through the Mini Hydro plant is sold to PG&E under the terms of a Renewable Market Adjusting Tariff power purchase agreement between the Agency and PG&E. The unit is rated for 150kW and PG&E pays for the net energy output at a set price of .08923 per kWh. Power delivery started on September 30, 2016 and the contract is valid for 15 years. The Agency received payments totaling \$206,255 and \$214,532 under the contract during the fiscal years ended June 30, 2018 and 2017, respectively.

NOTE 12 ECONOMIC DEPENDENCY

The Agency's operating revenues represent the sale of electric energy and water transfer revenues that are dependent upon the availability of water. A long-term reduction in water available to transfer or generate electric energy could have a significant impact on the Agency's financial condition.

NOTE 13 CONTINGENCIES

Litigation

The Agency is a party to other claims and lawsuits arising in the ordinary course of business. The Agency's management and legal counsel are of the opinion that the ultimate liability, if any, arising from these claims will not have a material adverse impact on the financial position of the Agency.

**YUBA COUNTY WATER AGENCY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018 and 2017**

NOTE 13 CONTINGENCIES (Continued)

Grant and Contractual Contingencies

Amounts received or receivable from grantor agencies and electric sales are subject to audit and adjustment. Any disallowed claims, including amounts already collected, may constitute a liability of the Agency. The amount(s), if any, of expenditures that may be disallowed by these entities cannot be determined at this time, although the Agency expects such amounts, if any, to be immaterial.

NOTE 14 RISK MANAGEMENT

During the year ended June 30, 2018, the Agency participated in the Association of California Water Agencies Joint Powers Insurance Authority (JPIA), a public entity risk pool of water agencies in California, for general, automobile, public officials' errors and omissions liability, property damage and business interruption coverage. Prior to that, the Agency had commercial insurance. Through its membership in the JPIA, the Agency is provided with excess coverage for these items through commercial insurance. Loss contingency reserves established by the JPIA are funded by contributions from member agencies. The Agency pays an annual premium to the JPIA that includes its pro-rata share of excess insurance premiums, charges for pooled risk, claims adjustment and legal costs, and administrative and other costs to operate the JPIA. Financial statements for the JPIA may be obtained at 5630 Birdcage Street, Suite 200, Citrus Heights, California 95610-7632 or www.acwajpai.com.

<u>Amount</u>	<u>Coverage provider</u>	<u>Payment Source</u>
<i>FIDELITY</i>		
\$ 1,000	Self-Insured	Agency Funds
100,000	ACWA JPIA	Shared risk pool
3,000,000	Commercial Insurance	Shared risk pool
<i>GENERAL AND AUTO LIABILITY CLAIMS:</i>		
None	Self-Insured	Agency Funds
\$ 5,000,000	ACWA JPIA	Shared risk pool
55,000,000	Commercial Insurance	Shared risk pool
<i>PUBLIC OFFICIALS ERRORS AND OMISSIONS LIABILITY:</i>		
None	Self-Insured	Agency Funds
\$ 5,000,000	ACWA JPIA	Shared risk pool
55,000,000	Commercial Insurance	Shared risk pool
<i>PROPERTY PROTECTION CLAIMS:</i>		
\$ 5,000 - \$ 50,000	Self-Insured	Agency Funds
100,000	ACWA JPIA	Shared risk pool
500,000,000	Commercial Insurance	Shared risk pool
<i>WORKERS' COMPENSATION:</i>		
None	Self-Insured	Agency Funds
\$ 2,000,000	ACWA JPIA	Shared risk pool
Statutory	Commercial Insurance	Shared risk pool
<i>CYBER LIABILITY:</i>		
None	Self-Insured	Agency Funds
None	ACWA JPIA	Shared risk pool
\$ 5,000,000	Commercial Insurance	Shared risk pool
<i>DAM FAILURE LIABILITY:</i>		
\$ 50,000	Self-Insured	Agency Funds
None	ACWA JPIA	Shared risk pool
5,000,000	Commercial Insurance	Shared risk pool
<i>FLOOD:</i>		
None	Self-Insured	Agency Funds
None	ACWA JPIA	Shared risk pool
\$ 25,000,000	Commercial Insurance	Shared risk pool

YUBA COUNTY WATER AGENCY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018 and 2017

NOTE 14 RISK MANAGEMENT (Continued)

There have not been any significant reductions in insurance coverage compared to the prior year. Settlements have not exceeded the insurance coverage for the past three fiscal years.

NOTE 15 RELICENSING

The Agency has been working on the relicensing of its Power Projects as required by the Federal Energy Regulatory Commission (FERC). In connection with the relicensing, the Agency has incurred expenses, entered into service contracts, and established cash reserves to pay for anticipated costs. Costs incurred for the relicensing are being capitalized in accordance with GASB Statement No. 51, and will be amortized over the life of the new license period once it has been issued by FERC. Total costs capitalized as of June 30, 2018 and 2017, amounted to \$35,668,051 and \$33,304,213, respectively. Total funds designated for the relicensing process, at June 30, 2018 and 2017, amounted to \$529,774 and \$1,260,802, respectively. The Agency submitted the final license application to FERC on April 28, 2014. The relicensing process will take several years to complete. The current FERC license expired on April 30, 2016 and the Agency is operating under an annual license that will be renewed until FERC issues a new license. While the total cost of the relicensing cannot be determined, the Agency anticipates it will have sufficient resources to complete the relicensing process.

NOTE 16 CONDUIT DEBT

On July 22, 2008, the Agency entered into a Joint Exercise of Powers Agreement with the County of Yuba, California, for the creation of the Yuba Levee Financing Authority (the Authority). The Authority is reported as a blended component unit of the County. The primary purpose of the agreement is to provide financial assistance to facilitate improvements to the levee system in the County. On September 3, 2008, bonds totaling \$78,370,000 were issued by the Authority consisting of the Revenue Bonds, 2008 Series A totaling \$64,175,000 and Taxable Revenue Bonds, 2008 Series B totaling \$14,195,000. The Agency agreed to pay 50% of the debt service payments of the Revenue Bonds under an installment sale agreement.

In December 2016, the Yuba Levee Financing Authority Revenue Bonds, 2008 Series A and Taxable Revenue Bonds, 2008 Series B were refunded with the proceeds of the Yuba Levee Financing Authority Refunding Revenue Bonds, 2017 Series A and Taxable Refunding Revenue Bonds, 2017 Series B, resulting in an annual savings in excess of \$700,000. The County reported the Refunding Revenue Bonds as County debt. As part of the agreement, the Agency agreed to purchase certain assets from the Authority under an installment sale agreement to provide semi-annual installment payments that will be used as one of the primary sources of repayment of the Bonds. The installment payments are payable from the Agency's water system revenues if not paid with development-related levee impact fees as defined in the agreement. On December 6, 2016, to facilitate the refunding of the Bonds, the Agency approved a lease of certain County solar equipment from the County and a second lease of the same solar equipment from the Agency back to the County in the amount of \$11,057,939. The Agency prepaid its entire lease obligation prior to June 30, 2017 and the County is making payments to the Agency, as described in Note 4.

The Refunding Revenue Bond Official Statement indicates that the obligation of the Agency to make installment payments does not constitute a debt of the Agency and the Official Statement indicates there is no obligation for the Agency to levy or pledge any form of taxation for the installment payments. The County of Yuba reports the full amount of the Authority's debt as County debt in its financial statements. The County of Yuba is also considered to have the ability to repay the amounts funded by the Agency through levee impact fees over the long-term. As a result, the debt is not reported as a liability in the financial statements of the Agency and the payments provided by the Agency under the agreements are reported as long-term loans receivable to the County identified in Note 4 as the "Yuba County TRLIA Bond loan" and "Yuba County lease receivable."

YUBA COUNTY WATER AGENCY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018 and 2017

NOTE 17 GRANT AND PROJECT FUNDING PROVIDED WITHIN THE COUNTY OF YUBA

Each year, the Agency provides significant grant and project funding to the County of Yuba and other local public agencies within Yuba County. The following is a summary of funds provided for the fiscal years ended June 30:

	<u>2018</u>	<u>2017</u>
Grants:		
NYWD Fobrestown Ditch Local Share - loan to grant	\$ 325,932	
Yuba County Office of Emergency Services Staff Grant	242,150	\$ 75,000
Yuba County Public Works Department - Sycamore Ranch restrooms	200,000	
Yuba County Airport Apron, FAA Grant local share	191,000	
Reclamation District 784 boundary adjustment	107,258	
Camptonville Community Partnership Grant	45,000	30,000
City of Marysville 200 Year Report	36,515	27,364
Reclamation District 2103 & 817 consolidation evaluation	36,385	
Yuba County Fire Safe Program	32,000	32,000
Bill Shaw Rescue Equipment and Training Grant	20,000	
Reclamation District 817 Emergency Study Grant	8,963	48,080
Yuba County Fish & Game Commission	4,050	1,550
Yuba County Office of Emergency Services Flood Safety Plan Grant		70,000
Camptonville Community Services District Grant		69,000
Star Thistle Grant		40,000
Total Grant Funding	<u>1,249,253</u>	<u>392,994</u>
Projects:		
Yuba County Public Works Department storm damage	2,817,059	195,541
Yuba County Public Works Department	814,354	719,244
Yuba County Hammond Grove Center	60,000	35,000
Total Project Funding	<u>3,691,413</u>	<u>949,785</u>
 Total Grant and Project Funding Provided	 <u>\$ 4,940,666</u>	 <u>\$ 1,342,779</u>

NOTE 18 RELATED PARTY TRANSACTIONS

As discussed in Note 1.A., the Agency is a component unit of the County of Yuba, California and participates in the Yuba Levee Finance Authority, which is also a component unit of the County. The Agency maintains investments in the County Treasury as described in Note 2, has loans receivable from the County and the Successor Agency to the former Yuba County Redevelopment Agency as described in Note 4 and provides grants to and participates in projects with the County as described in Note 17. More information about the Agency's participation in the Yuba Levee Finance Authority debt is reported in Note 16.

Additionally, the Agency entered into an agreement with the County in July 2018 to provide funding for the County's unfunded actuarial pension liability (UAL). More information about this contract is reported in Note 20.

YUBA COUNTY WATER AGENCY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018 and 2017

NOTE 19 FLOOD DAMAGE

During January and February 2017, the Agency suffered significant flood damage and impacts to a number of its facilities, including five separate slides on Lake Francis Road, slides on Burma Road and Penstock Road, sedimentation that blocked the 60-inch valve at Our House Dam and Log Cabin Diversion, damage to Waterway 13 Headworks and woody debris that needed to be removed from New Bullards Bar Reservoir. Expenses incurred through June 30, 2018 to repair the flood damage totaled \$8,456,451. The Agency has applied for Federal Emergency Management Agency (FEMA) reimbursements for the flood damage expenses through the California Office of Emergency Services (CalOES). During the year ending June 30, 2018, the Agency recognized reimbursements totaling \$3,985,755 from FEMA and \$1,059,334 from CalOES for flood damage repairs to all of the facilities above. During the year ended June 30, 2017, the Agency recognized reimbursements totaling \$423,990 from FEMA and \$116,598 from CalOES for the New Bullards Bar flood debris removal. Additional awards were obligated after June 30, 2018 that will be recognized during the year ended June 30, 2019.

NOTE 20 SUBSEQUENT EVENTS

In July 2018, the Agency agreed to loan the County \$8,031,642 to fund the County's unfunded actuarial pension liability (UAL) payment due for the year ended June 30, 2019. The loan is subject to interest at the same rate earned on the Agency's investment in the County investment pool until it is repaid. It is scheduled to be repaid in monthly installments of \$669,304 plus interest through June 30, 2019. The County may pay the loan in full with no prepayment penalty.

In July 2018, the California Governor's Office of Emergency Services (Cal OES) approved the Agency's request for reimbursement for the South Canal Dredge Intake in the amount of \$2,735,706. Of the total, \$2,145,652 is a Federal Emergency Management Agency (FEMA) award while \$590,054 is awarded in the form of a California Disaster Assistance Act (CDAA) grant.

In September 2018, the Agency entered into an agreement with Pacific Gas and Electric Company, a California corporation (PG&E), to purchase the Narrows assets. The Agency is to pay PG&E the purchase price of \$507,500, plus the total amount of any prepaid assumed liabilities.

In October 2018, the Board of Directors approved a loan or line of credit not to exceed \$500,000 to the City of Wheatland to fund feasibility study costs for the Department of Water Resources (DWR) Small Community Flood Risk Reduction Program until the City receives reimbursement from the DWR.

NOTE 21 RESTATEMENT

During the year ended June 30, 2018, the Agency implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Due to implementation of this Statement, the Agency increased its OPEB asset by \$133,666, recorded deferred outflows of resources of \$450,000 and net position increased by \$583,666 as of July 1, 2017.

REQUIRED SUPPLEMENTARY INFORMATION

**YUBA COUNTY WATER AGENCY
REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2018**

**Schedule of the Proportionate Share of the
Net Pension Liability - Miscellaneous Plan (Unaudited)
Last 10 Years**

	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
Proportion of the net pension liability	0.052760%	0.043640%	0.106075%	0.119047%
Proportionate share of the net pension liability	\$ 2,079,933	\$ 1,516,006	\$ 2,910,127	\$ 2,942,238
Covered - employee payroll - measurement period	\$ 6,483,987	\$ 5,568,429	\$ 4,364,287	\$ 3,765,735
Proportionate share of the net pension liability as percentage of covered payroll	32.08%	27.23%	66.68%	78.13%
Plan fiduciary net position	\$ 19,587,254	\$ 17,615,198	\$ 14,895,426	\$ 13,727,225
Plan fiduciary net position as a percentage of the total pension liability	90.40%	92.08%	83.66%	82.35%

Notes to schedule:

Benefit changes: There were no changes to benefit terms.

Changes in assumptions: The discount rate was changed to 7.15% from 7.65% in the June 30, 2017 accounting valuation and to 7.65% from 7.5% in the June 30, 2016 accounting valuation.

**Schedule of Contributions to the Pension Plan - Miscellaneous Plan (Unaudited)
Last 10 Years**

	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
Contractually required contribution in Agency's fiscal year (actuarially determined)	\$ 560,806	\$ 534,831	\$ 565,710	\$ 548,810
Contributions in relation to the actuarially determined contributions	(592,945)	(534,831)	(3,039,825)	(596,168)
Contribution deficiency (excess)	\$ (32,139)	\$ -	\$ (2,474,115)	\$ (47,358)
Covered - employee payroll - Agency's fiscal year	\$ 6,897,867	\$ 6,483,987	\$ 5,568,429	\$ 4,364,287
Contributions as a percentage of covered - employee payroll	8.60%	8.25%	54.59%	13.66%

Notes to schedule:

Contributions for the year ended June 30, 2018, 2016 and 2015 include additional payments made against the Agency's unfunded liability in addition to required contributions. These contributions reduce the net pension liability and will be reflected in the subsequent valuation. CalPERS reflected a \$833,222 additional amount contributed on July 1, 2016 as a June 30, 2016 contribution, so it was added to the June 30, 2016 contributions in relation to the actuarially determined contributions line above. The contributions as a percentage of covered employee payroll were corrected to include these additional payments. The June 30, 2016 UAL payment of \$108,618 was reclassified from the additional contribution to required contribution line above. Covered payroll in the first table above was also revised to be the correct covered payroll at the measurement date and the second table was adjusted accordingly.

Valuation Date:	June 30, 2016	June 30, 2015	June 30, 2014	June 30, 2013
Measurement Date:	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
Investment rate of return and discount rate used to compute contribution rates	7.375%	7.500%	7.500%	7.500%
Benefit changes: There were no changes to benefit terms.				

Methods and Assumptions Used to Determine Contribution Rates

Actuarial Method	Entry age normal cost method
Amortization Method	Difference between projected and actual earnings is amortized straight-line over 5 years. All other amounts are amortized straight-line over average remaining service life of participants
Remaining Amortization Period	Not stated
Asset Valuation Method	5-year smoothed market
Inflation	2.75%
Salary Increases	Varies depending on entry age and service
Retirement Age	50-67 Years. Probabilities of retirement are based on the 2010 CalPERS Experience Study for the period 1997 to 2007.
Mortality	CalPERS specific data from January 2014 Actuarial Experience Study for the period 1997 to 2011 that uses 20 years of mortality improvements using Society of Actuaries Scale BB.

Omitted Years: GASB Statement No. 68 was implemented during the year ended June 30, 2015. No information was available prior to this date. Future years will be added prospectively as they become available.

**YUBA COUNTY WATER AGENCY
REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2018**

**Schedule of Changes in the Net OPEB Liability and Related Ratios (Unaudited)
Last Ten Years**

	2018
Total OPEB liability	
Service cost	\$ 556,000
Interest	363,000
Differences between expected and actual experience	
Changes in assumptions	
Changes in benefit terms	
Benefit payments	(209,000)
Net change in total OPEB liability	710,000
Total OPEB liability - beginning	5,860,000
Total OPEB liability - ending (a)	\$ 6,570,000
Plan fiduciary net position	
Contributions - employer	\$ 450,000
Investment income	444,000
Benefit payments	(209,000)
Administrative expenses	(3,000)
Net change in plan fiduciary net position	682,000
Plan fiduciary net position - beginning	6,107,000
Plan fiduciary net position - ending (b)	\$ 6,789,000
Net OPEB liability (asset) - ending (a)-(b)	\$ (219,000)
Plan fiduciary net position as a percentage of the total OPEB liability	103.33%
Covered-employee payroll - measurement period	\$ 6,673,000
Net OPEB liability (asset) as percentage of covered-employee payroll	-3.28%
Notes to schedule:	
Valuation date	June 30, 2017
Measurement period - fiscal year ended	June 30, 2017
Benefit changes:	None
Changes in assumptions:	
Change in discount rate	5.75% in June 30, 2017 valuation. 6.75% in June 30, 2015 valuation
Change in healthcare rate trend	7.5%/6.5% declining to 4% in June 30, 2017 valuation. 7%/7.2% declining to 5% in June 30, 2015 valuation.

Omitted years: GASB Statement No. 75 was implemented during the year ended June 30, 2018. No information was available prior to this date. Information will be added prospectively as it becomes available until 10 years are reported.

**YUBA COUNTY WATER AGENCY
REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2018**

**Schedule of Contributions to the OPEB Plan (Unaudited)
Last Ten Years**

	2018
Actuarially determined contribution - employer fiscal year	\$ 551,931
Contributions in relation to the actuarially determined contributions	(551,931)
Contribution deficiency (excess)	\$ -
Covered-employee payroll - employer fiscal year	\$ 7,313,000
Contributions as a percentage of covered-employee payroll	7.55%

Notes to Schedule:

Valuation date	June 30, 2017
Measurement period - fiscal year ended	June 30, 2017

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age Normal Cost Method
Amortization method/period	Level percentage of payroll over closed 8 year period.
Asset valuation method	Investment gains/losses spread over 5-year rolling period with 20% market value corridor.
Inflation	2.75%
Payroll growth	3.00%
Investment rate of return	5.75%
Healthcare cost-trend rate	7.5%/6.5% declining to 4% in June 30, 2017 valuation. 7%/7.2% declining to 5% in June 30, 2015 valuation.
Mortality, disability, termination and retirement rates	Derived using CalPERS 1997-2015 Experience Study

Omitted years: GASB Statement No. 75 was implemented during the year ended June 30, 2018. No information was available prior to this date. Information will be added prospectively as it becomes available until 10 years are reported.

**YUBA COUNTY WATER AGENCY
REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2017**

**Schedule of Funding Progress for the
Other Post-Employment Benefits (OPEB) Plan
Under GASB Statement No. 45 (Unaudited)**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability AAL Entry Age (b)	Unfunded AAL UAAL/(Asset) (b - a)	Funded Ratio (a / b)	Projected Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a) / (c))
6/30/2011	\$ 3,422,000	\$ 4,048,000	\$ 626,000	84.54%	\$ 3,544,000	17.66%
6/30/2013	4,461,000	4,463,000	2,000	99.96%	3,813,000	0.05%
6/30/2015	5,839,000	5,647,000	(192,000)	103.40%	3,937,000	-4.88%

Note: Schedule is presented for the year ended June 30, 2017 and is prepared in accordance with GASB Statement No. 45 applicable as of that date. Schedule above represents last three years available as of June 30, 2017. Missing dates were not available in valuations.

OTHER SUPPLEMENTARY INFORMATION

YUBA COUNTY WATER AGENCY
 COMBINING SCHEDULE OF NET POSITION BY UNIT
 JUNE 30, 2018
 WITH COMPARATIVE TOTALS AS OF JUNE 30, 2017

	General Fund	Power Systems Fund	Total	Eliminating Entries	Totals	
					2018	2017
ASSETS						
Current Assets:						
Cash and cash equivalents	\$ 92,100,449	\$ 9,779,457	\$ 101,879,906		\$ 101,879,906	\$ 77,107,055
Receivables:						
Accounts receivable	2,382	3,669,270	3,671,652		3,671,652	5,210,267
Interest receivable	287,168	5,363	292,531		292,531	126,532
Due from other units	739,777	289,934	1,029,711	\$ (1,029,711)		
Due from other governments	1,689,707	500,898	2,190,605		2,190,605	1,425,678
Prepaid expenses and other current assets		758,859	758,859		758,859	299,428
Total Current Assets	94,819,483	15,003,781	109,823,264	(1,029,711)	108,793,553	84,168,960
Noncurrent Assets						
Loans receivable from other governments	23,141,823		23,141,823		23,141,823	20,875,234
Other postemployment benefits (OPEB) asset	65,700	153,300	219,000		219,000	113,334
Capital Assets:						
Non-depreciable	40,273,505	7,574,437	47,847,942		47,847,942	45,110,580
Depreciable, net	18,268,134	134,312,734	152,580,868		152,580,868	154,734,135
Total Capital Assets, Net	58,541,639	141,887,171	200,428,810		200,428,810	199,844,715
Total Noncurrent Assets	81,749,162	142,040,471	223,789,633		223,789,633	220,833,283
TOTAL ASSETS	176,568,645	157,044,252	333,612,897	(1,029,711)	332,583,186	305,002,243
DEFERRED OUTFLOWS OF RESOURCES						
Pension plan	827,225	1,162,731	1,989,956		1,989,956	1,582,437
Other postemployment benefits (OPEB)	165,579	386,352	551,931		551,931	
Total Deferred Outflows of Resources	992,804	1,549,083	2,541,887		2,541,887	1,582,437
LIABILITIES						
Current Liabilities:						
Accounts payable and other liabilities	2,076,695	2,024,760	4,101,455		4,101,455	2,976,791
Salaries and benefits payable		300,085	300,085		300,085	179,391
Accrued compensated absences - current	341,787	400,068	741,855		741,855	865,844
Due to other units	315,934	713,777	1,029,711	(1,029,711)		
Due to other governments		503,712	503,712		503,712	1,186,921
Deposits payable	586,033		586,033		586,033	585,360
Unearned revenue - current	10,046,790		10,046,790		10,046,790	4,129,740
Total Current Liabilities	13,367,239	3,942,402	17,309,641	(1,029,711)	16,279,930	9,924,047
Noncurrent Liabilities						
Unearned revenue - noncurrent	14,082,950		14,082,950		14,082,950	20,000,000
Accrued compensated absences - noncurrent	220,548	47,304	267,852		267,852	
Net pension liability	864,628	1,215,305	2,079,933		2,079,933	1,516,006
Total Noncurrent Liabilities	15,168,126	1,262,609	16,430,735		16,430,735	21,516,006
Total Liabilities	28,535,365	5,205,011	33,740,376	(1,029,711)	32,710,665	31,440,053
DEFERRED INFLOWS OF RESOURCES						
Pension plan	632,721	889,341	1,522,062		1,522,062	2,071,405
Other postemployment benefits (OPEB)	20,700	48,300	69,000		69,000	
Total Deferred Inflows of Resources	653,421	937,641	1,591,062		1,591,062	2,071,405
NET POSITION						
Net investment in capital assets	58,541,639	141,887,171	200,428,810		200,428,810	199,844,715
Unrestricted	89,831,024	10,563,512	100,394,536		100,394,536	73,228,507
Total Net Position	\$ 148,372,663	\$ 152,450,683	\$ 300,823,346	\$ -	\$ 300,823,346	\$ 273,073,222

YUBA COUNTY WATER AGENCY
 COMBINING SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION BY UNIT
 FOR THE FISCAL YEAR ENDED JUNE 30, 2018
 WITH COMPARATIVE TOTALS FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	General Fund	Power Systems Fund	Total	Eliminating Entries	Totals	
					2018	2017
Operating Revenues						
Sale of electrical energy		\$ 69,007,573	\$ 69,007,573		\$ 69,007,573	\$ 66,190,048
Water sales	\$ 548,170		548,170		548,170	558,755
Total Operating Revenues	<u>548,170</u>	<u>69,007,573</u>	<u>69,555,743</u>		<u>69,555,743</u>	<u>66,748,803</u>
Operating Expenses						
Hydropower generation		10,950,034	10,950,034		10,950,034	7,827,110
Administration and general	715,451	1,895,569	2,611,020		2,611,020	5,010,260
Maintenance		6,372,957	6,372,957		6,372,957	5,043,152
Depreciation and amortization	948,937	4,766,054	5,714,991		5,714,991	5,629,239
Total Operating Expenses	<u>1,664,388</u>	<u>23,984,614</u>	<u>25,649,002</u>		<u>25,649,002</u>	<u>23,509,761</u>
Net Income (Loss) from Operations	<u>(1,116,218)</u>	<u>45,022,959</u>	<u>43,906,741</u>		<u>43,906,741</u>	<u>43,239,042</u>
Nonoperating Revenues (Expenses)						
Property taxes	499,840		499,840		499,840	479,075
Interest income	551,213	22,530	573,743		573,743	600,735
Rental income	24,000		24,000		24,000	24,000
Grants and reimbursements						
Flood damage reimbursements						
Federal	140,521	3,914,681	4,055,202		4,055,202	423,990
State	38,285	951,602	989,887		989,887	116,598
Other state and local	1,068,508		1,068,508		1,068,508	1,228,770
Miscellaneous income (expenses)	751,606	6,000	757,606		757,606	12,392
Recreation and camping fees		358,979	358,979		358,979	352,298
Gain (loss) on disposal of capital assets		26,453	26,453		26,453	3,276
General administration	(8,226,304)		(8,226,304)		(8,226,304)	(6,193,725)
Recreation and irrigation	(722,019)	(983,747)	(1,705,766)		(1,705,766)	(1,748,280)
Special projects expense	(7,010,998)		(7,010,998)		(7,010,998)	(3,467,041)
Flood damage expense	(2,430,732)	(5,720,701)	(8,151,433)		(8,151,433)	(3,258,885)
Total Nonoperating Revenues (Expenses)	<u>(15,316,080)</u>	<u>(1,424,203)</u>	<u>(16,740,283)</u>		<u>(16,740,283)</u>	<u>(11,426,797)</u>
Income (Loss) Before Operating Transfers	<u>(16,432,298)</u>	<u>43,598,756</u>	<u>27,166,458</u>		<u>27,166,458</u>	<u>31,812,245</u>
Operating Transfers						
Transfers in	78,245,899		78,245,899	\$ (78,245,899)		
Transfers out		(78,245,899)	(78,245,899)	78,245,899		
Total Operating Transfers	<u>78,245,899</u>	<u>(78,245,899)</u>				
Change in Net Position	<u>61,813,601</u>	<u>(34,647,143)</u>	<u>27,166,458</u>		<u>27,166,458</u>	<u>31,812,245</u>
Net Position, Beginning of Year - as previously reported	<u>86,383,962</u>	<u>186,689,260</u>	<u>273,073,222</u>		<u>273,073,222</u>	<u>241,260,977</u>
Restatement	175,100	408,566	583,666		583,666	
Net Position, Beginning of Year - as restated	<u>86,559,062</u>	<u>187,097,826</u>	<u>273,656,888</u>		<u>273,656,888</u>	<u>241,260,977</u>
Net Position, End of Year	<u>\$ 148,372,663</u>	<u>\$ 152,450,683</u>	<u>\$ 300,823,346</u>	<u>\$ -</u>	<u>\$ 300,823,346</u>	<u>\$ 273,073,222</u>

COMPLIANCE REPORT

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
Yuba County Water Agency
Marysville, California

We have audited, 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, the financial statements of the Yuba County Water Agency (the Agency) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements, and have issued our report thereon dated December 10, 2018.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Agency's financial statements are free of 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*.

Yuba County Water Agency
Marysville, California

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.

Richardson & Company, LLP

December 10, 2018

YUBA COUNTY WATER AGENCY MARYSVILLE, CALIFORNIA



AUDITED FINANCIAL STATEMENTS

**For the Years Ended
June 30, 2019 and 2018**

YUBA COUNTY WATER AGENCY
MARYSVILLE, CALIFORNIA

AUDITED FINANCIAL STATEMENTS

*For the Years Ended
June 30, 2019 and 2018*

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YUBA COUNTY WATER AGENCY
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YUBA COUNTY WATER AGENCY
Agency Officials
June 30, 2019

BOARD OF DIRECTORS

<u>NAME</u>	<u>OFFICE</u>	<u>TERM EXPIRES</u>
Brent Hastey	Chairman	December 2022
Randy Fletcher	Vice Chairman	December 2022
Andy Vasquez	Director	December 2022
Gary Bradford	Director	December 2020
Doug Lofton	Director	December 2020
Mike Leahy	Director	December 2020
Charlie Mathews	Director	December 2020

OTHER AGENCY OFFICIALS

Curt Aikens	General Manager
Mike Kline	Power Systems Manager
Kurtis Crawford	Finance Manager
Terri Daly	Administrative Manager

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FINANCIAL SECTION

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550 Howe Avenue, Suite 210
Sacramento, California 95825

Telephone: (916) 564-8727
FAX: (916) 564-8728

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Yuba County Water Agency
Marysville, California

Report on the Financial Statements

We have audited the accompanying financial statements of the Yuba County Water Agency (the Agency), a component unit of the County of Yuba, as of and for the years ending June 30, 2019 and 2018, 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the State Controller's Minimum Audit Requirements for California Special Districts. 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.

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 Agency as of June 30, 2019 and 2018 and the results of its operations and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America as well as accounting systems prescribed by the State Controller's Office and state regulations governing special districts.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of the proportionate share of the net pension liability, schedule of contributions to the pension plan, schedule of changes in the net OPEB liability and related ratios and schedule of contributions to the OPEB plan, as listed in the accompanying table of contents, 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 Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Agency's basic financial statements. The supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 18, 2019 on our consideration of the Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations and contracts and grant agreements and other matters. The purpose of that report is 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 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 Agency's internal control over financial reporting and compliance.

Richardson & Company, LLP

November 18, 2019

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED JUNE 30, 2019

FINANCIAL ANALYSIS OF THE AGENCY

The statements of net position and the statements of revenues, expenses and changes in net position report information about Yuba County Water Agency's (the Agency) activities in a way that will help the reader determine if the Agency, as a whole, is better or worse off as a result of the year's activities. In addition, the reader will need to consider other non-financial factors such as changes in economic conditions and new or changed government legislation.

NET POSITION

As can be seen in **Table 1 below**, net position increased by \$65.17 million to a balance of \$365.99 million in fiscal year (FY) 2018-19, up from the \$300.82 million balance in FY 2017-18. This increase of 21.66% is the result of a \$49.86 million increase in assets balanced against a \$.69 million decrease in deferred pension inflows, and a \$9.02 million decrease to current liabilities, and a \$5.60 million decrease in noncurrent liabilities. The increase in current assets represents the increase in cash and cash equivalents from another above average year for revenue from electric energy sales and the presence of water sales not observed in the prior year. Noncurrent liabilities decreased due to the reduction in outstanding unearned revenue resulting from water transfer conducted during FY2018-19.

In FY 2017-18, net position increased by \$27.75 million to a balance of \$300.82 million, up from the \$273.07 million balance in FY 2016-17. This increase of 10.16% is the result of a \$27.58 million increase in assets and a \$.96 million increase in deferred pension outflows balanced against a \$.48 million decrease in deferred pension inflows, and a \$6.36 million increase to current liabilities, and a \$5.09 million decrease in noncurrent liabilities.

TABLE 1
CONDENSED STATEMENTS OF NET POSITION
As of June 30

	2019	2018	Increase (Decrease)	Percent Change	2017	Increase (Decrease)	Percent Change
ASSETS:							
Current assets	\$ 143,433,730	\$ 108,793,553	\$ 34,640,177	31.84%	\$ 84,168,960	\$ 24,624,593	29.26%
Capital assets, net	204,804,335	200,428,810	4,375,525	2.18%	199,844,715	584,095	0.29%
Other assets	34,208,660	23,360,823	10,847,837	46.44%	20,988,568	2,372,255	11.30%
TOTAL ASSETS	382,446,725	332,583,186	49,863,539	14.99%	305,002,243	27,580,943	9.04%
DEFERRED OUTFLOWS:							
Pension plan	2,535,539	2,541,887	(6,348)	-0.25%	1,582,437	959,450	100.00%
TOTAL DEFERRED OUTFLOWS	2,535,539	2,541,887	(6,348)	-0.25%	1,582,437	959,450	100.00%
LIABILITIES:							
Current liabilities	7,257,361	16,279,930	(9,022,569)	-55.42%	9,924,047	6,355,883	64.05%
Noncurrent liabilities	10,831,699	16,430,735	(5,599,036)	-34.08%	21,516,006	(5,085,271)	-23.63%
TOTAL LIABILITIES	18,089,060	32,710,665	(14,621,605)	-44.70%	31,440,053	1,270,612	4.04%
DEFERRED INFLOWS:							
Pension plan	898,499	1,591,062	(692,563)	-43.53%	2,071,405	(480,343)	100.00%
TOTAL DEFERRED INFLOWS	898,499	1,591,062	(692,563)	-43.53%	2,071,405	(480,343)	100.00%
Net Position							
Net investment in capital assets	204,804,335	200,428,810	4,375,525	2.18%	199,844,715	584,095	0.29%
Unrestricted	161,190,370	100,394,536	60,795,834	60.56%	73,228,507	27,166,029	37.10%
TOTAL NET POSITION	\$ 365,994,705	\$ 300,823,346	\$ 65,171,359	21.66%	\$ 273,073,222	\$ 27,750,124	10.16%

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED JUNE 30, 2019

REVENUES, EXPENSES AND CHANGES IN NET POSITION

While the statements of net position shows the changes in financial position, the statement of revenues, expenses and changes in net position provides answers concerning the nature and source of these changes. As shown in **Table 2 below**, total revenues increased \$32.55 million due to another above average year for electric energy sales and the presence of water sales not observed in the prior year. Total expenses decreased \$5.46 million driven by a reduction in nonoperating expenses related to flood damages. These shifts all combined for a net position increase of \$65.17 million.

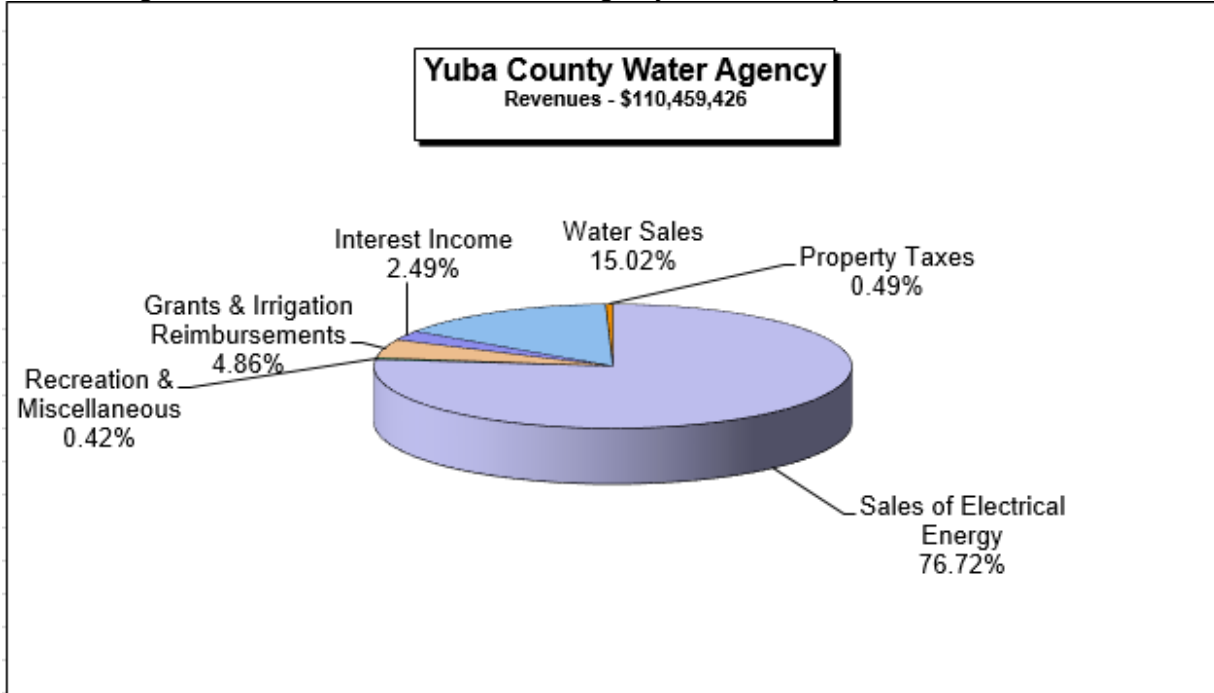
In FY 17-18, total revenues increased \$7.92 million due to the above average electric energy sales, and an increase in nonoperating revenues related to grant funded storm damage reimbursement received. Total Expenses increased \$12.57 million driven by nonoperating expenses related to flood damages. These shifts all combined for a net position increase of \$27.75 million.

TABLE 2
CONDENSED STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For the years ended June 30

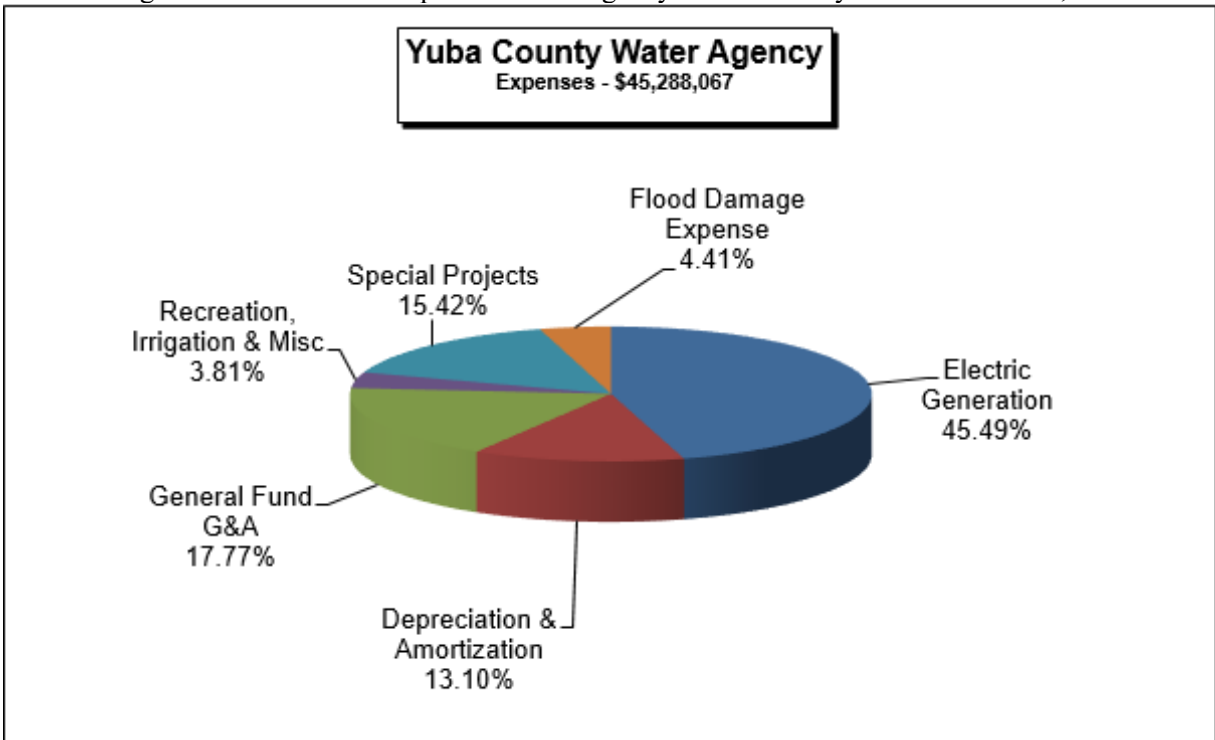
	2019	2018	Increase (Decrease)	Percent Change	2017	Increase (Decrease)	Percent Change
REVENUES:							
Sales of electrical energy	\$ 84,738,509	\$ 69,007,573	\$ 15,730,936	22.80%	\$ 66,190,048	\$ 2,817,525	4.26%
Water sales	16,594,613	548,170	16,046,443	2927.27%	558,755	(10,585)	-1.89%
TOTAL OPERATING REVENUES	101,333,122	69,555,743	31,777,379	45.69%	66,748,803	2,806,940	4.21%
Nonoperating revenues	9,126,304	8,354,218	772,086	9.24%	3,241,134	5,113,084	157.76%
TOTAL REVENUES	110,459,426	77,909,961	32,549,465	41.78%	69,989,937	7,920,024	11.32%
EXPENSES:							
Operating expenses, excluding depreciatio	20,600,962	19,934,011	666,951	3.35%	17,880,522	2,053,489	11.48%
Depreciation	5,932,204	5,714,991	217,213	3.80%	5,629,239	85,752	1.52%
Nonoperating expenses	18,754,901	25,094,501	(6,339,600)	-25.26%	14,667,931	10,426,570	71.08%
TOTAL EXPENSES	45,288,067	50,743,503	(5,455,436)	-10.75%	38,177,692	12,565,811	32.91%
Capital contributions						-	100.00%
CHANGE IN NET POSTION	65,171,359	27,166,458	38,004,901	139.90%	31,812,245	(4,645,787)	-14.60%
Net position, beginning of year	300,823,346	273,073,222	27,750,124	10.16%	241,260,977	31,812,245	13.19%
Effect of change in accounting principle	-	583,666	(583,666)	100.00%		583,666	100.00%
Net position, beginning of year, as restated	300,823,346	273,656,888	27,166,458	9.93%	241,260,977	32,395,911	13.43%
NET POSITION, END OF YEAR	\$365,994,705	\$300,823,346	\$ 65,171,359	21.66%	\$273,073,222	\$ 27,750,124	10.16%

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED JUNE 30, 2019

The following chart illustrates the revenues of the Agency for the fiscal year ended June 30, 2019.



The following chart illustrates the expenses of the Agency for the fiscal year ended June 30, 2019.



MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED JUNE 30, 2019

CAPITAL ASSETS

As can be seen in **Table 3 below**, the Agency's capital assets, net of accumulated depreciation, increased by \$4.38 million to \$204.80 million. Construction in progress was \$45.15 million for FY 2018-19. Depreciable capital assets increased \$4.83 million following a \$2.98 million increase in FY2017-18. Major projects still underway include FERC Relicensing (\$40.11M), Narrows 2 Tailrace Gate Hoist, Narrows 2 Cone Valve Hood and Power Systems warehouse and administration building (\$1.76M). A summary of the Agency's capital assets are as follows:

**TABLE 3
CAPITAL ASSETS, NET
As of June 30**

	2019	2018	Increase (Decrease)	Percent Change	2017	Increase (Decrease)	Percent Change
Nondepreciable capital assets:							
Land and land rights	\$ 3,444,359	\$ 2,923,388	\$ 520,971	17.82%	\$ 2,923,388	\$ -	0.00%
Water rights	85,835	85,835	-	0.00%	85,835	-	0.00%
Canals	4,605,454	4,605,454	-	0.00%	4,605,454	-	0.00%
Construction in progress	45,147,885	40,233,265	4,914,620	12.22%	37,495,903	2,737,362	7.30%
	<u>53,283,533</u>	<u>47,847,942</u>	<u>5,435,591</u>		<u>45,110,580</u>	<u>2,737,362</u>	<u>6.07%</u>
Depreciable capital assets:							
Recreation facilities	1,628,215	1,628,215	-	0.00%	1,516,201	112,014	7.39%
General plant	21,225,940	20,700,711	525,229	2.54%	17,977,037	2,723,674	15.15%
Irrigation canals	17,498,940	17,498,940	-	0.00%	17,487,652	11,288	0.06%
Hydrolic Production	233,137,314	228,818,503	4,318,811	1.89%	228,982,054	(163,551)	-0.07%
Electric plant acquisition	4,485,248	4,485,248	-	0.00%	4,485,248	-	0.00%
Transmission equipment	9,795,173	9,811,437	(16,264)	-0.17%	9,519,672	291,765	3.06%
Intangible assets	248,292	248,292	-	0.00%	248,292	-	0.00%
	<u>288,019,122</u>	<u>283,191,346</u>	<u>4,827,776</u>	<u>1.70%</u>	<u>280,216,156</u>	<u>2,975,190</u>	<u>1.06%</u>
Less: accumulated depreciator	<u>(136,498,320)</u>	<u>(130,610,478)</u>	<u>(5,887,842)</u>	<u>4.51%</u>	<u>(125,482,021)</u>	<u>(5,128,457)</u>	<u>4.09%</u>
Net Capital Assets	<u>\$ 204,804,335</u>	<u>\$ 200,428,810</u>	<u>\$ 4,375,525</u>	<u>2.18%</u>	<u>\$ 199,844,715</u>	<u>\$ 584,095</u>	<u>0.29%</u>

ECONOMIC OUTLOOK

The Agency is continuing to support work on several flood mitigation projects with the main effort focused on the Marysville levee improvements and continued operation and improvement of the Forecasted Coordinated Operations and Forecasted Informed Operations programs. The next major flood mitigation project is the New Bullards Bar (NBB) Secondary Spillway with an estimated cost of \$160 million. This project provides substantial flood mitigation improvement and enhances dam safety via spillway redundancy. The FY2020 Budget approved by the Board of Directors includes \$4.4 million of the approximately \$10 million total for the next phase of the project which includes design and permitting. The Agency petitioned the California Department of Water Resources (DWR) to become a Groundwater Sustainability Agency for the North Yuba and South Yuba groundwater subbasins in accordance with the Sustainable Groundwater Management Act (SGMA) of 2014. A successful petition has resulted in the Agency beginning implementation of SGMA within Yuba County. The Agency has continued the grant funded Groundwater Sustainability Plan (GSP) that will be compliant with SGMA. Work begins to ramp up on the design and permitting needed for the new fish screen for the South Canal Diversion. The Agency has a legal obligation to move forward on a new fish screen to replace the existing screen as part of a lawsuit settlement. The new water supply agreements with the South Member Units call for them to pay either 50% or 70% of the cost of a new screen, depending on the type of screen constructed. The Agency is obligated to pay the remainder of the cost of a new screen and offer financing for the South Member Units' share of the project costs. Preliminary study results indicate there may be a screen option in the \$12-15 million

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED JUNE 30, 2019

range. Sound fiscal management and finalization of the Lower Yuba River Accord have had a positive effect on the Agency's reserves which have achieved levels sufficient to satisfy long-term operations and capital project needs, such as this.

Since May 1, 2016 the Agency has contracted with Shell Energy of North America (SENA) to be the Agency's Scheduling Coordinator with the California Independent System Operator (CAISO) for the sale of electricity from the Colgate and Narrows 2 Powerhouses. Beginning July 1, 2018, a revised contract between the Agency & SENA was implemented to simplify an equitable fee structure that is a result of adapting to the ever changing energy market. Through the first of the revised agreement, the Agency has experienced favorable financial impacts as a result of the change in terms. Power Systems continues to refine and implement the 5 year capital improvement plan, which includes projects such as the Tunnel Outage Planning ahead of the planned 2022 tunnel outage which encompasses several major capital improvements which will take place concurrently; a new Warehouse and Administration building; and numerous ongoing dam safety projects. The positive progress made on the quality of the 5 year capital improvement plan will allow the introduction of a 2 year budget cycle.

As mentioned above, the Agency has acquired a parcel of land in Dobbins, California with plans to be developed into a warehouse and administration building site for the Power Systems functions. This 20 acre parcel is only 2 miles from the Colgate Powerhouse. Construction of the warehouse is expected to begin Spring 2020, and the administration building is expected to begin construction just after the completion of the warehouse. Scope and budget for both buildings is currently under development but appears to be in the range of \$19-21 million.

Due to another exceptionally beneficial hydrologic year, the Agency was able to generate \$84.74 million in Sales of Electric Energy, representing the maximum end of anticipated Electric Energy revenues. The amount of Electric Energy revenues is primarily dependent on the amount of precipitation and the market price for electricity, both of which are not controlled by the Agency. The expected range of average Sales of Electric Energy is between \$40-65 million.

In 2008, the Agency joined with Yuba County to provide the local share (\$46.6 million), through a \$78 million bond sale backed by impact fees, for a \$138 million Prop 1E Levee Improvement Grant. The Three Rivers Levee Improvement Authority (TRLIA) has constructed the Feather River Setback Levee and other levee improvements within Reclamation District 784's territory. One more phase of work is needed by TRLIA to improve the level of protection to a 200-year level. After the close of the 2015-16 fiscal year, the Agency and Yuba County successfully refinanced the bonds at a favorable rate resulting in a reduction of annual payments in excess of \$700,000. The new bond payment schedule is for two payments totaling approximately \$5.50 million per year through 2038. The primary source of bond repayment is new construction impact fees which only cover a fraction of the payment. The Agency has committed to paying the additional amount needed for both the Agency and Yuba County through 2025 date and anticipates future covering of the bond payment in excess of the impact fees.

The Lower Yuba Accord was settled and new Water Rights Order #2008-0014 was issued in 2008, securing long term water transfer ability through 2025. The Accord contained an opener on surface transfer water pricing for transfers starting in 2016 for a 5-year period. Agreement on a new pricing schedule was reached in December 2014 which roughly doubled the price and provided a \$20 million upfront payment. Historically wet winter conditions end of 2016 and beginning of 2017 resulted in no water transfers in 2017. Due to dry conditions in the central valley through Spring 2018, resulting in available channel capacity to facilitate a water transfer, an agreement was reached with DWR which resulted in recognition of \$15.27

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED JUNE 30, 2019

million of unearned revenue, resulting in a remaining balance of \$8.64 million to be covered by water transfers in future years. There doesn't appear to be the potential for any water transfer revenue to be earned in FY2020.

The Agency was granted a 50-year license to operate the Yuba River Project for generation of electricity; Federal Energy Regulatory Commission (FERC) License #2246 expired on April 30, 2016. HDR Engineering, Inc. has been retained to lead the Agency through the 8-year FERC relicensing effort. A cash reserve sufficient to cover anticipated costs has been established. The Final License Application was filed with FERC on April 28, 2014 with an Amended Final License Application filed June 2017. Due to FERC's consideration of work completed during the relicensing process when determining length of the new license to be issued, the Agency will begin investing in the NBB Secondary Spillway project. FERC issued an annual license for 2019 and will continue to issue annual licenses until a new license is issued.

In an effort to share many of our accomplishments and engage the citizens of Yuba County, the Agency has been developing a Communications function, which included a new logo, a new moniker – "Yuba Water Agency," and a new website. For the upcoming fiscal year, the Communications function will focus on outreach related to the new Community Water Projects – Community Enhancement section of the Agency's Board adopted budget.

CONTACTING THE AGENCY'S DEPARTMENT OF FINANCIAL SERVICES

This financial report is designed to provide our citizens, customers, investors and creditors with a general overview of the Agency's finances and to demonstrate the Agency's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Yuba County Water Agency, Department of Financial Services at 1220 F Street, Marysville, CA 95901.

**YUBA COUNTY WATER AGENCY
STATEMENTS OF NET POSITION
June 30, 2019 and 2018**

	2019	2018
<u>ASSETS</u>		
Current Assets:		
Cash and cash equivalents	\$ 136,328,014	\$ 101,879,906
Receivables:		
Accounts receivable	3,725,093	3,671,652
Interest receivable	783,786	292,531
Due from other governments	2,024,226	2,190,605
Prepaid expenses and other current assets	572,611	758,859
Total Current Assets	143,433,730	108,793,553
Noncurrent Assets:		
Restricted investment	234,739	
Loans receivable from other governments	33,739,343	23,141,823
Other postemployment benefits (OPEB) asset	234,578	219,000
Capital Assets:		
Non-depreciable	53,283,533	47,847,942
Depreciable, net	151,520,802	152,580,868
Total Capital Assets, Net	204,804,335	200,428,810
Total Noncurrent Assets	239,012,995	223,789,633
Total Assets	382,446,725	332,583,186
<u>DEFERRED OUTFLOWS OF RESOURCES</u>		
Pension plan	1,867,818	1,989,956
Other postemployment benefits (OPEB)	667,721	551,931
Total Deferred Outflows of Resources	2,535,539	2,541,887
<u>LIABILITIES</u>		
Current Liabilities:		
Accounts payable and other liabilities	5,351,419	4,101,455
Salaries and benefits payable	198,495	300,085
Compensated absences - current	799,364	741,855
Due to other governments	75,000	503,712
Deposits payable	621,785	586,033
Unearned revenue - current	211,298	10,046,790
Total Current Liabilities	7,257,361	16,279,930
Noncurrent Liabilities:		
Unearned revenue - noncurrent	8,643,950	14,082,950
Compensated absences - noncurrent	267,852	267,852
Net pension liability	1,919,897	2,079,933
Total Noncurrent Liabilities	10,831,699	16,430,735
Total Liabilities	18,089,060	32,710,665
<u>DEFERRED INFLOWS OF RESOURCES</u>		
Pension plan	824,216	1,522,062
Other postemployment benefits (OPEB)	74,283	69,000
Total Deferred Inflows of Resources	898,499	1,591,062
<u>NET POSITION</u>		
Investment in capital assets	204,804,335	200,428,810
Unrestricted	161,190,370	100,394,536
Total Net Position	\$ 365,994,705	\$ 300,823,346

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

YUBA COUNTY WATER AGENCY
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
For the Years Ended June 30, 2019 and 2018

	2019	2018
Operating Revenues		
Sale of electrical energy	\$ 84,738,509	\$ 69,007,573
Water sales	16,594,613	548,170
Total Operating Revenues	101,333,122	69,555,743
Operating Expenses		
Hydropower generation	14,036,767	10,950,034
Administration and general	2,435,242	2,611,020
Maintenance	4,128,953	6,372,957
Depreciation and amortization	5,932,204	5,714,991
Total Operating Expenses	26,533,166	25,649,002
Net Income From Operations	74,799,956	43,906,741
Nonoperating Revenues (Expenses)		
Property taxes	541,244	499,840
Interest income	2,751,697	573,743
Rental income	24,000	24,000
Grants and reimbursements		
Flood damage reimbursements		
Federal	2,270,324	4,055,202
State	605,420	989,887
Other state and local	2,492,001	1,068,508
Miscellaneous income (expenses)	39,624	757,606
Recreation and camping fees	363,301	358,979
Gain (loss) on disposal of capital assets	38,693	26,453
General administration	(8,045,851)	(8,226,304)
Recreation and irrigation	(1,727,178)	(1,705,766)
Special projects expense	(6,983,247)	(7,010,998)
Flood damage expense	(1,998,625)	(8,151,433)
Total Nonoperating Revenues (Expenses)	(9,628,597)	(16,740,283)
Change in Net Position	65,171,359	27,166,458
Net Position, Beginning of Year - as previously reported	300,823,346	273,073,222
Restatement		583,666
Net Position, Beginning of Year - as restated	300,823,346	273,656,888
Net Position, End of Year	\$ 365,994,705	\$ 300,823,346

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

**YUBA COUNTY WATER AGENCY
STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2019 and 2018**

	2019	2018
Cash Flows From Operating Activities:		
Cash receipts from customers	\$ 86,040,941	\$ 71,095,031
Cash paid to suppliers for goods and services	(10,912,286)	(30,565,069)
Cash paid to employees	(10,803,665)	9,845,807
Net Cash Provided By Operating Activities	64,324,990	50,375,769
Cash Flows From Noncapital Financing Activities:		
Payments received on loans receivable from other governments	10,446,458	7,625,733
Disbursements of loans receivable from other governments	(21,043,978)	(9,892,322)
Rents received	24,000	24,000
Operating grants and reimbursements	5,534,124	5,348,670
Taxes received	541,244	499,840
Miscellaneous income (expense)	39,624	757,606
Recreation and camping fees	363,301	358,979
General administration expenses	(8,045,851)	(8,226,304)
Recreation and irrigation expenses	(1,727,178)	(1,705,766)
Special program expenses	(6,983,247)	(7,010,998)
Flood damage expenses	(1,998,625)	(8,151,433)
Net Cash Used By Noncapital Financing Activities	(22,850,128)	(20,371,995)
Cash Flows From Capital and Related Financing Activities:		
Purchase of capital assets	(9,091,275)	(5,750,273)
Proceeds from disposal of capital assets	38,818	111,606
Net Cash Used By Capital and Related Financing Activities	(9,052,457)	(5,638,667)
Cash Flows From Investing Activities:		
Purchase of investment	(234,739)	
Interest received	2,260,442	407,744
Net Cash Provided By Investing Activities	2,025,703	407,744
Net Increase in Cash and Cash Equivalents	34,448,108	24,772,851
Cash and Cash Equivalents - Beginning of Year	101,879,906	77,107,055
Cash and Cash Equivalents - End of Year	\$ 136,328,014	\$ 101,879,906

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

(Continued)

**YUBA COUNTY WATER AGENCY
STATEMENTS OF CASH FLOWS (CONTINUED)
For the Years Ended June 30, 2019 and 2018**

	2019	2018
Reconciliation of Net Income from Operations to Net Cash Provided By Operating Activities:		
Net income from operations	\$ 74,799,956	\$ 43,906,741
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	5,932,204	5,714,991
Changes in assets and liabilities:		
Decrease (increase) in accounts receivable	(53,441)	1,538,615
Decrease (increase) in prepaid expenses and other current assets	186,248	(459,431)
Decrease (increase) in OPEB asset	(15,578)	28,000
Decrease (increase) in deferred outflows of resources of pension plan	122,138	(407,519)
Decrease (increase) in deferred outflows of resources of OPEB plan	(115,790)	(101,931)
Increase (decrease) in accounts payable and other liabilities	33,385	490,698
Increase (decrease) in salaries and benefits payable	(101,590)	120,694
Increase (decrease) in accrued compensated absences	57,509	143,863
Increase (decrease) in due to other governments	(428,712)	(683,209)
Increase (decrease) in deposits payable	35,752	673
Increase (decrease) in unearned revenue	(15,274,492)	
Increase (decrease) in net pension liability	(160,036)	563,927
Increase (decrease) in deferred inflows of resources of pension plan	(697,846)	(549,343)
Increase (decrease) in deferred inflows of resources of OPEB plan	5,283	69,000
	<u>5,283</u>	<u>69,000</u>
Net Cash Provided By Operating Activities	<u>\$ 64,324,990</u>	<u>\$ 50,375,769</u>
Supplemental Disclosure of Cash Flow Information:		
Noncash Investing, Capital, and Financing Activities:		
Change in fair value of investments	\$ (145,624)	\$ (295,247)
Capital asset purchases payable	\$ 1,216,579	\$ 633,966
Water transfer unearned revenue recognized	\$ 15,274,492	

NOTES TO THE FINANCIAL STATEMENTS

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YUBA COUNTY WATER AGENCY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019 and 2018

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Established in 1959 by an act of the California State Legislature and headquartered in historic Marysville, California, Yuba County Water Agency (Agency) is a public agency governed by a seven-member Board of Directors comprised of the five members of the Yuba County Board of Supervisors and two members elected at large. The primary functions of the Agency are development and sale of hydroelectric power, flood control, fisheries enhancement, recreation, conservation, storage of water, and wholesale of water to member districts.

A. Financial Reporting Entity

The Agency's financial statements include all financial transactions for which the Agency is financially accountable. A primary government is financially accountable if it appoints a majority of a component unit's governing body and either it has the ability to impose its will on the component unit or there is the possibility that the component unit will provide a financial benefit to or impose a financial burden on the primary government. Based on these criteria, the Agency has determined that it has no component units. However, the Agency is a component unit of the County of Yuba, California due to the County appointing a majority of the Agency's Board of Directors and the other criteria being met. As a result, the financial activities of the Agency are included in the financial statements of the County of Yuba, which is available at the Auditor-Controller's office located at 915 8th Street, Suite 105, Marysville, California 95901 or at www.co.yuba.ca.us/Departments/Auditor-Controller.

The Agency is a member of Yuba Levee Finance Authority, which is a joint powers authority with the Agency and County of Yuba as members that issued debt for levee improvements in Yuba County. Yuba Levee Finance Authority is reported as a blended component unit in the County of Yuba's financial statements and does not issue separate financial statements. Yuba Levee Finance Authority issued debt that is disclosed in Note 16 as conduit debt supported by the Authority through installment sale payments.

B. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The basic financial statements of the Agency have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Agency applies all applicable Governmental Accounting Standards Board (GASB) pronouncements in its accounting and reporting. The more significant of the District's accounting principles are described below.

The Agency's financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recognized when earned and expenses are recorded when the liability is incurred, regardless of timing of the related cash flows. Property taxes are recognized as revenues in the year they are levied. Property taxes attach an enforceable lien on property as of January 1. Taxes are levied on July 1 and are payable in two installments on December 10 and April 10. The County of Yuba bills and collects property taxes and remits them to the Agency in installments during the year. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The financial activities of the Agency are accounted for as an enterprise fund. Enterprise funds are used to account for operations which are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the public on a continuing basis be financed or recovered primarily through user charges.

To enhance accountability, the Agency's enterprise fund consists of the General Fund and Power Systems Fund units at June 30, 2019. Inter-unit balances have been eliminated from the statements of net position and statements of revenues, expenses, and changes in net position.

**YUBA COUNTY WATER AGENCY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019 and 2018**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Agency distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses consist of those revenues and expenses that result from the ongoing principal operations of the Agency. Operating revenues consist primarily of sales of electric energy and water sales. Nonoperating revenues and expenses consist of those revenues and expenses that are related to financing and investing types of activities and result from nonexchange transactions or ancillary activities. The Agency considers all revenues and expenses not related to sales of electric energy and water sales to be nonoperating revenues and expenses, including flood control, recreation and special projects revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the Agency's policy to use restricted resources first, then unrestricted resources as they are needed.

C. Assets, Liabilities, and Net Position

1) Cash and Cash Equivalents

For purposes of reporting in the statement of cash flows, the Agency considers all cash accounts, which are not subject to withdrawal restrictions or penalties, and all highly liquid debt instruments purchased with an original maturity of three months or less to be cash and cash equivalents. See Note 2 for additional information about the Agency's cash and investments.

2) Accounts Receivable and Allowance for Doubtful Accounts

An allowance for doubtful accounts has not been provided because, in the opinion of management, receivable balances are fully collectible.

3) Prepaid Expenses

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenses.

4) Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the Agency's financial statements. Capital assets are defined by the Agency as assets with an initial individual cost of \$10,000 and an estimated useful life in excess of one year.

Capital assets are valued at cost where historical records are available and at estimated historical cost where no historical records exist. Donated capital assets are recorded at the acquisition value, which is the price that would be paid to acquire an asset with equivalent service potential in an orderly market transaction at the acquisition date. The costs of normal maintenance and repairs that do not add to the value of assets, or materially extend asset lives, are not capitalized. The cost of assets sold or retired is eliminated from the capital asset accounts and a gain or loss on disposal is recognized. Fully depreciated assets remain in the accounts until such assets are no longer in service.

Depreciation has been provided using the straight-line method over the following estimated useful lives:

<u>Description</u>	<u>Estimated Life</u>
Facilities and improvements	25 - 100 years
Buildings and structures	10 - 40 years
Equipment and furniture	3 - 25 years

YUBA COUNTY WATER AGENCY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019 and 2018

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4) Capital Assets (Continued)

Expenses incurred for construction projects and major repairs and betterments are accumulated and, when projects are complete, are capitalized and subsequently depreciated over the project's estimated useful life. The Agency did not incur any construction period interest for the fiscal years ended June 30, 2019 or 2018.

5) Compensated Absences

Employees are paid for 100% of their accumulated vacation upon retirement or other termination. In addition, 45% of the sick leave benefits are paid to employees with ten or more years of service upon retirement or termination up to a maximum accrual of 1,040 hours. The Agency has accrued a liability for vacation and sick leave, which has been earned, but not taken, by Agency employees. This liability is recognized when incurred.

6) Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to future periods and will not be recognized as an outflow of resources (expense) until then.

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to future periods and will not be recognized as an inflow of resources until that time.

Deferred inflows and outflows of resources include amounts deferred for the Agency's pension plan under GASB Statement No. 68 as described in Note 8 and for the Agency's OPEB plan under GASB Statement No. 75 as described in Note 10.

7) Net Position

Net position is segregated into the investment in capital assets, restricted and unrestricted.

Investment in Capital Assets – The investment in capital assets represents capital assets, net of accumulated depreciation and amortization, and long-term liabilities that are attributable to the acquisition, construction or improvement of these assets.

Restricted – Restricted net position consists of constraints placed on net position use through external constraints imposed by creditors (such as through debt covenants), grants, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation. The Agency had no restrictions of net position.

Unrestricted – Designations of unrestricted net position are imposed by the Board of Directors to reflect future spending plans or concerns about the availability of future resources. Designations may be modified, amended, or removed by Board action.

**YUBA COUNTY WATER AGENCY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019 and 2018**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The designations included the following at June 30:

	2019	2018
Operating reserves	\$ 32,500,000	\$ 32,500,000
Emergency reserves	8,000,000	8,000,000
Levee bond payment reserves	5,500,000	5,500,000
Non-routine and capital projects reserves	115,190,370	54,394,536
Subtotal - Designated	161,190,370	100,394,536
Undesignated		
Total Unrestricted Net Position	\$ 161,190,370	\$ 100,394,536

- Designated for Operating Reserves – to segregate a portion of net position to allow for ongoing operations under conditions of significantly reduced revenue. Target is \$32.5 million, which is an estimate of one full year of operating revenues.
- Designated for Emergency – to segregate a portion of net position to recover and restore operational capability in the event of an unforeseen catastrophic event. Target is \$8.0 million to cover an estimate of \$5.0 million power system equipment and \$3.0 million immediate levee repair.
- Levee Bond Payment – to segregate a portion of net position for commitment to the payment of the Yuba Levee Financing Authority bond, which financed the local share of levee improvements. Target is \$5.5 million, covering one year of payments.
- Non-Routine and Capital Projects – to segregate a portion of net position to support the completion of essential capital projects of the five-year reserve horizon. Target is \$154.0 million, which is an estimate based on the Agency’s Capital Improvement Plans.

8) Use of Estimates

The preparation of the financial statement in conformity with generally accepted accounting principles 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 expenses during the reporting period. Actual results could differ from those estimates.

9) Pension Plan

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions and pension expense, information about the fiduciary net position of the Agency’s California Public Employees’ Retirement System (CalPERS) plan (Plan) and additions to/deductions from the Plan’s fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

10) Other Postemployment Benefits Plan (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows/inflows of resources and OPEB expense, information about the fiduciary net position of the plan held by CalPERS and additions to/deductions from the plan’s fiduciary net position have been determined on the same basis as they are reported by the plan. For this purpose, the plan recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts that have a maturity at purchase of one year or less, which are reported at cost.

YUBA COUNTY WATER AGENCY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019 and 2018

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

11) New Accounting Pronouncements

In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. This Statement describes four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. Custodial funds generally should report fiduciary activities that are not held in a trust or equivalent arrangement that meets specific criteria. This Statement also provides for recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred that compels the government to disburse fiduciary resources. Events that compel a government to disburse fiduciary resources occur when a demand for the resources has been made or when no further action, approval, or condition is required to be taken or met by the beneficiary to release the assets. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018.

In June 2017, the GASB issued Statement No. 87, *Leases*. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. A lease is defined as a contract that conveys control of the right to use another entity's nonfinancial asset as specified in the contract for a period of time in an exchange or exchange-like transaction. Examples of nonfinancial assets include buildings, land, vehicles, and equipment. Any contract that meets this definition should be accounted for under the lease guidance, unless specifically excluded in this Statement. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. This Statement enhances disclosures about capital assets and the cost of borrowing for a reporting period and simplifies the accounting for interest cost incurred before the end of a construction period. Interest cost incurred before the end of a construction period will be recognized as an expense rather than being recorded as part of the cost of capital assets in a business-type activity or enterprise fund and interest cost incurred by a fund using the current financial resources measurement focus before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles. The requirements of this Statement are effective for the reporting periods beginning after December 15, 2018.

In May 2019, the GASB issued Statement No. 91, *Conduit Debt Obligations*. The Statement indicates an issuer of a conduit debt obligation should not report a liability for the conduit debt obligation, but requires an issuer to report a liability associated with an additional commitment or a voluntary commitment to support the debt. Additional commitments by an issuer to support the debt include extending a moral obligation pledge, appropriation pledge or financial guarantee or pledging the issuer's own property, revenue or assets as security for the debt. The Statement also provides criteria for issuers to determine whether they should record assets acquired or constructed with proceeds of arrangements identified as leases related to conduit debt obligations. The requirements of this Statement are effective for the reporting periods beginning after December 15, 2020.

**YUBA COUNTY WATER AGENCY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019 and 2018**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Agency will fully analyze the impact of these new Statements prior to the effective dates listed above.

NOTE 2 CASH AND INVESTMENTS

Cash and investments are reported at fair value, with the exception of the certificate of deposit that is reported at face value plus accrued interest receivable due to immateriality of the fair value adjustment. Cash and investments consisted of the following at June 30:

	2019	2018
Unrestricted cash and cash equivalents:		
Cash on hand	\$ 525	\$ 525
Deposits in financial institutions	2,855,350	8,554,944
Cash and investments with County of Yuba Treasurer	133,472,139	93,324,437
Total cash and cash equivalents	136,328,014	101,879,906
Restricted investment	234,739	
Total cash and investments	\$ 136,562,753	\$ 101,879,906

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.

At June 30, 2019 and 2018, the carrying amount of the Agency’s unrestricted and restricted deposits was \$3,090,089 and \$8,554,944, and the balances in financial institutions were \$3,507,347 and \$8,737,549, respectively. Of the balances in financial institutions at June 30, 2019 and 2018, \$250,000 was covered by federal depository insurance each year and the remaining amounts were collateralized as required by state law (Government Code §53630) by the pledging financial institution with assets held in a common pool for the Agency and other governmental agencies. State law requires that the market value of the common pool of collateral be equal to or greater than 110% of all public deposits with the pledging financial institution if governmental securities are used, or 150% if mortgages are used as collateral. The collateral is not held by or in the name of the Agency.

The Agency’s investments in the investment pool maintained by the County of Yuba, California’s (the County) Treasurer are stated at fair value. The Agency maintains a significant portion of its cash in County’s cash and investment pool. The County apportions interest and changes in fair value to the Agency’s funds quarterly based upon average cash balances. Investments held in the County’s cash and investment pool are available on demand to the Agency and are stated at fair value. Information regarding categorization of investments can be found in the County’s financial statements at www.co.yuba.ca.us under the Auditor-Controller Department page. The County’s cash and investment pool is not registered with the Securities and Exchange Commission as an investment company and is in accordance with the applicable laws and regulations of the State of California. The fair value of the Agency’s position in the pool is the same as the value of its pool shares and is available on demand. The County has neither provided nor obtained any legally binding guarantees to support the value of the accounts.

Investment policy – Pursuant to Board Resolution 2019-001, the Agency reaffirmed the County’s investment policy as the Agency’s investment policy. Under the County’s policy, the permissible investments for the years ended June 30, 2019 and 2018, included the following instruments:

YUBA COUNTY WATER AGENCY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019 and 2018

NOTE 2 CASH AND INVESTMENTS (Continued)

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Federal Agency Obligations	5 Years	None	None
U.S. Treasury Bills	5 Years	None	None
State of California Obligations	5 Years	None	None
Local Agency Bonds and Obligations	5 Years	None	None
Banker's Acceptances	180 Days	40%	30%
Commercial Paper - Selected Agencies	270 Days	40%	10%
Negotiable Certificates of Deposit	5 Years	30%	None
Nonnegotiable Certificates of Deposit	5 Years	30%	None
Repurchase Agreements	1 Year	None	None
Reverse Repurchase Agreements	92 Days	20%	None
Medium-Term Corporate Notes	5 Years	30%	None
Money Market Mutual Funds	N/A	20%	10%
Local Agency Investment Fund (LAIF)	N/A	None	None
California Asset Management Program (CAMP)	N/A	None	None

Investments authorized by debt agreements – Investments held by a bond fiscal agent (trustee) are governed by the provisions of the debt indenture agreement rather than the provisions of the Agency's investment policy of the California Government Code. The Agency did not have any investments that were invested according to the provisions of debt indenture agreements at June 30, 2019 and 2018.

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. As of June 30, 2019 and 2018, the weighted average maturity of the investments in the County's investment pool was 231 and 332 days, respectively. The certificate of deposit had a maturity date of December 31, 2019.

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. The County pool is not rated, but specific credit risk ratings for individual investments held for the Agency by the County are provided in the County's financial statements. The certificate of deposit was not rated.

Concentration of credit risk – The Agency does not have a policy that limits the amount that can be invested in any one issuer beyond what is specified in the California Government Code. A majority of the Agency's investments are held with the County pool where the concentration of credit risk is not determinable.

Pledge of Certificate of Deposit – The certificate of deposit is pledged under a letter of credit with Rabbobank to support the sediment removal project at Log Dam.

NOTE 3 ACCOUNTS RECEIVABLE

Accounts receivable consisted of the following at June 30:

	2019	2018
Sales of electric energy receivable	\$ 3,543,888	\$ 3,543,395
Due from marina operations	81,646	99,435
Irrigation and gauging receivables	70,141	2,382
Due from Pacific Gas & Electric	27,207	26,440
Other	2,211	
Totals	<u>\$ 3,725,093</u>	<u>\$ 3,671,652</u>

YUBA COUNTY WATER AGENCY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019 and 2018

NOTE 4 LOANS AND LEASES RECEIVABLE FROM OTHER GOVERNMENTS

Loans and leases receivable activity consisted of the following during the years ended June 30:

	Balance July 1, 2018	Additions	Payments	Balance June 30, 2019	Interest Receivable
Yuba County RDA/County of Yuba as Successor Agency	\$ 904,755	\$ 15,341		\$ 920,096	\$ 181,154
Dry Creek Mutual Water Company	1,281,736	22,231	\$ (99,000)	1,204,967	21,819
City of Marysville Levee District	2,800,057	96,947		2,897,004	492,023
City of Marysville Levee District - DWR Short Term		235,527	(224,576)	10,951	
Camptonville Community Services District		19,788		19,788	
Yuba County TRLIA Bond loan	6,609,368	2,565,998		9,175,366	
Yuba County lease receivable	9,818,669		(598,127)	9,220,542	
Yuba County UAL loan	601,030	8,096,942	(7,963,374)	734,598	65,300
Yuba County SB1 advance		9,032,438		9,032,438	32,438
Reclamation Districts 2103 and 817	54,403		(54,403)		
Reclamation District 10	1,071,805		(1,071,805)		
Reclamation Districts 817 & 784 FSRP		458,766	(435,173)	23,593	
Wheatland - SCFRRP short-term		500,000		500,000	
Totals	\$ 23,141,823	\$ 21,043,978	\$ (10,446,458)	\$ 33,739,343	\$ 792,734

	Balance July 1, 2017	Additions	Payments	Balance June 30, 2018	Interest Receivable
Yuba County RDA/County of Yuba as Successor Agency	\$ 896,716	\$ 8,039		\$ 904,755	\$ 165,813
North Yuba Water District	392,378		\$ (392,378)		
Dry Creek Mutual Water Company	1,268,079	13,657		1,281,736	13,740
City of Marysville Levee District	2,703,858	96,199		2,800,057	395,076
Camptonville Community Services District	72,893	55	(72,948)		
Yuba County TRLIA Bond loan	3,789,435	2,819,933		6,609,368	
Yuba County lease receivable	10,667,939	198,371	(1,047,641)	9,818,669	16,364
Yuba County UAL loan		6,713,796	(6,112,766)	601,030	2,192
Reclamation Districts 2103 and 817	52,546	1,857		54,403	7,986
Reclamation District 10	1,031,390	40,415		1,071,805	61,452
Totals	\$ 20,875,234	\$ 9,892,322	\$ (7,625,733)	\$ 23,141,823	\$ 662,623

Each loan accrues interest at a rate established by the Agency as agreed to in the originating loan agreement. The amounts reported above include interest receivable. Typically, the interest rate is based on an average of the interest rate paid by the County of Yuba Treasurer on the investment pool for the preceding 12 months. The interest rates ranged from 1.41% to 4% at June 30, 2019 and 1.077% to 4.00% at June 30, 2018.

The Yuba County TRLIA Bond Loan represents temporary debt service payments by the Agency on the Yuba Levee Financing Authority Bonds, 2008 Series A and Taxable Revenue Bonds, 2008 Series B described in Note 16. Payments were made by the Agency under the Funding Agreement relating to Yuba Levee Financing Authority Bonds (the Agreement) that provides for the Agency to make bond payments on behalf of the County through February 16, 2020 if levee impact fees charged by the County in the Plumas Lake Specific Plan Area are not sufficient to make the Bond payments. The Agency agreed to make payments from available funds, made no pledge of revenues under the Agreement and has an unsecured obligation to make payments under the Agreement. The Agreement requires the County to repay the Agency only with future levee impact fees collected in the Plumas Lake Specific Plan Area with interest in the amount that would have been earned on the funds used for debt service payments had the funds been invested with other Agency funds. The Agency believes the impact fees are collectible on a long-term basis and will be available to repay the loan, but it is reasonably possible the revenues will not be available or the collection of the fees will be delayed beyond the due date of the bonds. As described in Note 16, the 2008 Bonds were refunded during the year ended June 30, 2017.

**YUBA COUNTY WATER AGENCY
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NOTE 4 LOANS AND LEASES RECEIVABLE FROM OTHER GOVERNMENTS (Continued)

However, the provisions of the Agreement were extended to the Refunding Revenue Bonds, 2017 Series A and B, as described in Note 16. As described in Note 20, the Agency funded an additional payment in July 2019.

Yuba County Redevelopment Agency loan - The state Redevelopment Dissolution Act (AB 1X 26) dissolved the Redevelopment Agency on February 1, 2012. On March 27, 2012, the Yuba County Board of Supervisors adopted Resolution No. 2012-20 designating the Board of Supervisors of the County of Yuba to serve as the Successor Agency of the Yuba County Redevelopment Agency (Successor Agency). As a result of this legislation, the Successor Agency was required to obtain formal approval for the recognition of the obligation to repay outstanding debts. On May 27, 2012, the California Department of Finance issued a letter to the successor agency approving the obligation for repayment of the loan made by Yuba County Water Agency to the Yuba County Redevelopment Agency.

Leases receivable

Yuba County Lease Receivable - In December 2016, as part of the refunding of the Yuba Levee Financing Authority (the Authority) Bonds, 2008 Series A and Taxable Revenue Bonds, 2008 Series B described in Note 16, two lease agreements were executed with the County of Yuba related to the County's solar equipment. The first lease agreement provided for the lease of the solar equipment to the Agency and the second agreement provided for a lease of the equipment back to the County. The Agency prepaid the \$11,057,939 amount due to the County under the first lease agreement to provide funding to the County to pay-off certain other debt to facilitate the refunding of the Authority's 2008 bonds. The County will sub-lease the equipment from the Agency through June 1, 2031 under the second lease. Interest will be computed at 3% under the agreement. The County began making payments to the Agency under the second agreement in May 2017. The interest rate will be not less than 1.75% and the term will not extend beyond June 1, 2031 as long as the principal under the agreement does not exceed \$11.1 million.

Yuba County SB1 Advance - In May 2019, the County of Yuba entered into a letter agreement with the County of Yuba resulting in the County assigning the rights under the County of Yuba Public Facilities Corporation (Corporation) lease agreement dated May 1, 2019 between the County and Corporation, including its rights to the lease payments made by the County to the Corporation from Senate Bill 1 (SB1) gas tax funds. The purpose of the lease was to provide funds to the County for road improvements that would be repaid with SB1 funds. The Agency prepaid the \$9,000,000 purchase price of the Corporation's obligations that will be used by the County to finance infrastructure improvements within the County. The advance will be repaid in semi-annual interest payments ranging from \$11,194 to \$101,250 each November 1 and May 1 beginning November 1, 2019 and annual principal payments listed below each May 1 beginning May 1, 2020. Interest will be computed at 2.25%. The County will begin making payments to the Agency in November 2019.

Future payments under the leases will be as follows at June 30, 2019:

Year Ending June 30:	Yuba County Lease Receivable			Yuba County SB1 Advance		
	Principal	Interest	Total	Principal	Interest	Total
2020	\$ 640,982	\$ 184,411	\$ 825,393	\$ 832,438	\$ 198,563	\$ 1,031,001
2021	686,076	171,591	857,667	830,000	184,500	1,014,500
2022	818,514	157,870	976,384	850,000	165,825	1,015,825
2023	868,411	141,499	1,009,910	870,000	146,700	1,016,700
2024	920,883	124,131	1,045,014	890,000	127,125	1,017,125
2025-2029	3,760,676	362,117	4,122,793	4,760,000	326,138	5,086,138
2030-2031	1,525,000	45,900	1,570,900			
	<u>\$ 9,220,542</u>	<u>\$ 1,187,519</u>	<u>\$ 10,408,061</u>	<u>\$ 9,032,438</u>	<u>\$ 1,148,851</u>	<u>\$ 10,181,289</u>

YUBA COUNTY WATER AGENCY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019 and 2018

NOTE 5 CAPITAL ASSETS

Capital asset activity consisted of the following during the year ended June 30, 2019:

	Balance July 1, 2018	Additions	Deletions	Transfers	Balance June 30, 2019
CAPITAL ASSETS NOT BEING DEPRECIATED:					
General Fund:					
Land and land rights		\$ 312,309			\$ 312,309
Canals	\$ 4,605,454				4,605,454
Construction in progress					
FERC general relicensing	35,668,051	2,413,564		(38,947)	38,042,668
FERC second spillway project		2,029,862		38,947	2,068,809
Other		296,268			296,268
Total General Fund	40,273,505	5,052,003			45,325,508
Power Systems Fund:					
Land and land rights	2,923,388	208,662			3,132,050
Water rights	85,835				85,835
Construction in progress					
General	4,188,073	4,350,388		\$ (4,175,462)	4,362,999
Recreation	377,141				377,141
Total Power Systems Fund	7,574,437	4,559,050		(4,175,462)	7,958,025
TOTAL CAPITAL ASSETS NOT BEING DEPRECIATED	47,847,942	9,611,053		(4,175,462)	53,283,533
CAPITAL ASSETS BEING DEPRECIATED:					
General Fund:					
General plant	7,212,064	521,146	\$ (15,758)		7,717,452
Irrigation canals	17,498,940				17,498,940
Total General Fund	24,711,004	521,146	(15,758)		25,216,392
Power Systems Fund:					
Hydraulic production	228,818,503	1		4,318,810	233,137,314
Electric plant acquisition	4,485,248				4,485,248
Transmission equipment	9,811,437			(16,264)	9,795,173
General plant	13,488,647	175,529	(28,604)	(127,084)	13,508,488
Recreation facilities	1,628,215				1,628,215
Intangible assets	248,292				248,292
Total Power Systems Fund	258,480,342	175,530	(28,604)	4,175,462	262,802,730
TOTAL CAPITAL ASSETS BEING DEPRECIATED	283,191,346	696,676	(44,362)	4,175,462	288,019,122
ACCUMULATED DEPRECIATION AND AMORTIZATION:					
General Fund:					
General plant	(2,698,218)	(509,743)	15,758		(3,192,203)
Irrigation canals	(3,744,652)	(609,247)			(4,353,899)
Total General Fund	(6,442,870)	(1,118,990)	15,758		(7,546,102)
Power Systems Fund:					
Hydraulic production	(108,229,741)	(3,555,576)		(14,545)	(111,799,862)
Electric plant acquisition	(4,485,248)				(4,485,248)
Transmission equipment	(2,331,926)	(479,506)		14,545	(2,796,887)
General plant	(7,476,742)	(708,793)	28,604		(8,156,931)
Recreation facilities	(1,397,248)	(67,750)			(1,464,998)
Intangible assets	(246,703)	(1,589)			(248,292)
Total Power Systems Fund	(124,167,608)	(4,813,214)	28,604		(128,952,218)
TOTAL ACCUMULATED DEPRECIATION	(130,610,478)	(5,932,204)	44,362		(136,498,320)
Total capital assets being depreciated, net	152,580,868	(5,235,528)		4,175,462	151,520,802
CAPITAL ASSETS, NET	\$ 200,428,810	\$ 4,375,525	\$ -	\$ -	\$ 204,804,335

YUBA COUNTY WATER AGENCY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019 and 2018

NOTE 5 CAPITAL ASSETS (Continued)

Capital asset activity consisted of the following during the year ended June 30, 2018:

	Balance				Balance
	July 1, 2017	Additions	Deletions	Transfers	June 30, 2018
CAPITAL ASSETS NOT BEING DEPRECIATED:					
General Fund:					
Canals	\$ 4,605,454				\$ 4,605,454
Construction in progress					
FERC relicensing	33,304,213	\$ 2,363,838			35,668,051
Other-GFPS	1,743,393	727,815		\$ (2,471,208)	
Total General Fund	<u>39,653,060</u>	<u>3,091,653</u>		<u>(2,471,208)</u>	<u>40,273,505</u>
Power Systems Fund:					
Land and land rights	\$ 2,923,388				2,923,388
Water rights	85,835				85,835
Construction in progress					
General	2,177,742	2,789,935		(779,604)	4,188,073
GFPS	3,180			(3,180)	
Recreation	267,375	152,296	\$ (44,410)	1,880	377,141
Total Power Systems Fund	<u>5,457,520</u>	<u>2,942,231</u>	<u>(44,410)</u>	<u>(780,904)</u>	<u>7,574,437</u>
TOTAL CAPITAL ASSETS NOT BEING DEPRECIATED	<u>45,110,580</u>	<u>6,033,884</u>	<u>(44,410)</u>	<u>(3,252,112)</u>	<u>47,847,942</u>
CAPITAL ASSETS BEING DEPRECIATED:					
General Fund:					
General plant	4,715,294	33,562	(8,000)	2,471,208	7,212,064
Irrigation canals	17,487,652	11,288			17,498,940
Total General Fund	<u>22,202,946</u>	<u>44,850</u>	<u>(8,000)</u>	<u>2,471,208</u>	<u>24,711,004</u>
Power Systems Fund:					
Hydraulic production	228,240,443		(411,490)	989,550	228,818,503
Hydraulic production-MH	396,117			(396,117)	
Hydraulic production-GFPS	345,494			(345,494)	
Electric plant acquisition	4,485,248				4,485,248
Transmission equipment	6,031,993		(129,184)	3,908,628	9,811,437
Transmission equipment-GFPS	3,487,679			(3,487,679)	
General plant	9,367,557	305,505	(78,603)	3,894,188	13,488,647
General plant-GFPS	3,894,186			(3,894,186)	
Recreation facilities	1,516,201			112,014	1,628,215
Intangible assets	248,292				248,292
Total Power Systems Fund	<u>258,013,210</u>	<u>305,505</u>	<u>(619,277)</u>	<u>780,904</u>	<u>258,480,342</u>
TOTAL CAPITAL ASSETS BEING DEPRECIATED	<u>280,216,156</u>	<u>350,355</u>	<u>(627,277)</u>	<u>3,252,112</u>	<u>283,191,346</u>
ACCUMULATED DEPRECIATION AND AMORTIZATION:					
General Fund:					
General plant	(2,365,172)	(341,046)	8,000		(2,698,218)
Irrigation canals	(3,136,761)	(607,891)			(3,744,652)
Total General Fund	<u>(5,501,933)</u>	<u>(948,937)</u>	<u>8,000</u>		<u>(6,442,870)</u>
Power Systems Fund:					
Hydraulic production	(104,739,673)	(3,514,259)	413,587	(389,396)	(108,229,741)
Hydraulic production-MH	(353,708)			353,708	
Hydraulic production-GFPS	(35,688)			35,688	
Electric plant acquisition	(4,485,248)				(4,485,248)
Transmission equipment	(1,654,373)	(480,274)		(197,279)	(2,331,926)
Transmission equipment-GFPS	(197,279)			197,279	
General plant	(6,698,861)	(694,752)	164,947	(248,076)	(7,476,742)
General plant-GFPS	(248,076)			248,076	
Recreation facilities	(1,325,728)	(71,520)			(1,397,248)
Intangible assets	(241,454)	(5,249)			(246,703)
Total Power Systems Fund	<u>(119,980,088)</u>	<u>(4,766,054)</u>	<u>578,534</u>		<u>(124,167,608)</u>
TOTAL ACCUMULATED DEPRECIATION	<u>(125,482,021)</u>	<u>(5,714,991)</u>	<u>586,534</u>		<u>(130,610,478)</u>
Total capital assets being depreciated, net	154,734,135	(5,364,636)	(40,743)	3,252,112	152,580,868
CAPITAL ASSETS, NET	<u>\$ 199,844,715</u>	<u>\$ 669,248</u>	<u>\$ (85,153)</u>	<u>\$ -</u>	<u>\$ 200,428,810</u>

**YUBA COUNTY WATER AGENCY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019 and 2018**

NOTE 5 CAPITAL ASSETS (Continued)

East-side Canal Extension (Yuba Wheatland Canal Project) – The East-side Canal Extension (Yuba Wheatland Canal Project) was the result of a contractual arrangement between the Agency and Wheatland Water District (WWD). The original agreement was executed on January 27, 2004 and was subsequently amended on February 13, 2007 and again on May 25, 2010. The agreement and subsequent amendments contained cost allocation, ownership, and payment provisions. During the year ended June 30, 2014, the Agency capitalized \$16,613,796 in costs attributable to the project and began depreciation.

On September 5, 2014, the Agency and WWD entered into an agreement whereby WWD will reimburse the Agency \$1,394,080 for project costs related to improvements made within the WWD boundaries. The parties anticipate that this amount will be repaid over a thirty (30) year period with annual principal and interest payments due no later than each December 15th. WWD has the option of reimbursing these costs over a shorter time period. Interest on the unpaid reimbursement balance will be at a rate equal to the average rate of return earned by the Agency on funds invested with the Treasurer of the County of Yuba. Under the agreement, WWD agreed to pay retroactive interest to December 31, 2010. Upon full repayment by WWD, title to certain improvements will be transferred from the Agency to WWD. As of June 30, 2019 and 2018, the undepreciated cost of these improvements totaled \$7,881,523.

During the year ended June 30, 2019 and 2018 WWD repaid the Agency \$42,680 and \$9,000, including interest of \$6,482 and \$9,000, respectively. As of June 30, 2019 and 2018, the unreimbursed amount due to the Agency totaled \$821,850 and \$858,047, respectively, including accrued interest. At June 30, 2019 and 2018, the Agency reported the cumulative principal payments received of \$571,785 and \$536,033, respectively, as a deposit liability rather than as payments on a loan receivable in the accompanying financial statements under GASB Statement No. 62 because title to the facilities will not be transferred until the loan is fully collected.

NOTE 6 LONG-TERM LIABILITIES

The following is a summary of changes in long-term liabilities for the fiscal years ended June 30:

	Balance July 1, 2018	Additions	Deletions	Balance June 30, 2019	Current	Noncurrent
Compensated absences	\$ 1,009,707	\$ 799,364	\$ (741,855)	\$ 1,067,216	\$ 799,364	\$ 267,852
Net pension liability	2,079,933	2,017,589	(2,177,625)	1,919,897		1,919,897
Totals	<u>\$ 3,089,640</u>	<u>\$ 2,816,953</u>	<u>\$ (2,919,480)</u>	<u>\$ 2,987,113</u>	<u>\$ 799,364</u>	<u>\$ 2,187,749</u>
	Balance July 1, 2017	Additions	Deletions	Balance June 30, 2018	Current	Noncurrent
Compensated absences	\$ 865,844	\$ 805,362	\$ (661,499)	\$ 1,009,707	\$ 741,855	\$ 267,852
Net pension liability	1,516,006	2,535,983	(1,972,056)	2,079,933		2,079,933
Totals	<u>\$ 2,381,850</u>	<u>\$ 3,341,345</u>	<u>\$ (2,633,555)</u>	<u>\$ 3,089,640</u>	<u>\$ 741,855</u>	<u>\$ 2,347,785</u>

YUBA COUNTY WATER AGENCY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019 and 2018

NOTE 7 UNEARNED REVENUE

During the year ended June 30, 2008, the Agency entered into a water transfer agreement with the Department of Water Resources whereby \$30,900,000 was paid up front for the transfer of 480,000, acre feet of water over a period of eight (8) years with 60,000 acre-feet of water being transferred annually. The revenue is recognized as the water is transferred and the remaining balance of transfer proceeds is reported as unearned revenue until the related water is transferred. There was no unearned revenue under this agreement at June 30, 2019. Unearned water transfer revenue under this agreement at was \$3,918,442 at June 30, 2018.

On December 5, 2014, Amendment No. 5 to the water transfer agreement was executed. This amendment extended the water transfer period through December 31, 2025. As a result of this amendment, the Agency received a \$20 million unearned prepayment toward future water transfers that will be earned using fluctuating rates per acre foot specified in the agreement ranging from \$50 to \$350 per acre foot that are based on whether the water is transferred in years classified as wet to consecutive dry or critical years.

The following is a summary of unearned water transfer revenue at June 30:

	2019	2018
Water transfer accord	\$ 8,643,950	\$ 23,918,442
Less: Current Portion		(9,835,492)
Noncurrent Portion	\$ 8,643,950	\$ 14,082,950

The remaining \$211,298 of current unearned revenue at June 30, 2019 and 2018 represents unearned receipts related to the member units well efficiency program.

NOTE 8 RETIREMENT PLANS

Defined Benefit Pension Plan

A. General Information About Pension Plan

Plan Description – All qualified permanent and probationary employees are eligible to participate in the Agency’s cost-sharing multiple employer defined benefit pension plan (Plan), which is administered by the California Public Employees’ Retirement System (CalPERS). The Agency participates in the Miscellaneous Risk Pool and two rate plans, the Classic Miscellaneous Rate Plan and the PEPRA Miscellaneous Rate Plan. Benefit provisions under the Plan are established by State statute and local government resolution. CalPERS issues publicly available reports that include a full description of the pension plan regarding benefit provisions, assumptions, and membership information that can be found on the CalPERS website.

Benefits Provided – CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full-time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is the Optional Settlement 2W Death Benefit and 1959 survivor benefit, level 3. The cost of living adjustments for each plan are applied as specified by the Public Employees’ Retirement Law. The Public Employees’ Pension Reform Act of 2013 (PEPRA) requires new benefits and member contributions to be provided to new employees hired after January 1, 2013. Consequently, the Classic Miscellaneous Rate Plan is closed to new members that were not CalPERS-eligible participants as of December 31, 2012.

YUBA COUNTY WATER AGENCY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019 and 2018

NOTE 8 RETIREMENT PLANS (Continued)

The Plan's provisions and benefits in effect at June 30 are summarized as follows:

	2019		2018	
	Prior to January 1, 2013	On or After January 1, 2013	Prior to January 1, 2013	On or After January 1, 2013
Hire date				
Benefit formula	2.0% @ 55	2% @ 62	2.0% @ 55	2% @ 62
Benefit vesting schedule	5 years service	5 years service	5 years service	5 years service
Benefit payments	monthly for life	monthly for life	monthly for life	monthly for life
Retirement age	50-63	52-67	50-63	52-67
Monthly benefits as a % of eligible compensation	1.426% to 2.000%	1.0% to 2.5%	1.426% to 2.000%	1.0% to 2.5%
Final average compensation period	3 years	1 year	3 years	1 year
Required employee contribution rates	7.000%	6.250%	7.000%	6.250%
Required employer contribution rates	9.409%	6.842%	8.921%	6.533%

Contributions – Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for the Plan is determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The Agency is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. For the years ended June 30, the contributions recognized as part of pension expense for the Plan was as follows:

	2019	2018
Contributions - employer	\$ 692,941	\$ 592,945

B. Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources Related to Pensions

As of June 30, 2019, and 2018, the Agency reported a net pension liability of \$1,919,897 and \$2,079,933, respectively, for its share of the net pension liability of the Plan. The Agency's net pension liability for the Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plan for the years ended June 30, 2019 and 2018 was measured as of June 30, 2018 and 2017, and the total pension liability for each rate plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2017 and 2016, rolled forward to June 30, 2018 and 2017, using standard update procedures. The Agency's proportion of the net pension liability was based on a projection of the Agency's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers (actuarially determined). The Agency's proportionate share of the net pension liability for the Plan as of June 30 as compared to the prior year, were as follows:

	2019	2018
Proportion - June 30, 2018	0.05276%	
Proportion - June 30, 2019	0.05094%	
Change - Increase (Decrease)	-0.00182%	
Proportion - June 30, 2017		0.04364%
Proportion - June 30, 2018		0.05276%
Change - Increase (Decrease)		0.00912%

YUBA COUNTY WATER AGENCY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019 and 2018

NOTE 8 RETIREMENT PLANS (Continued)

During the years ended June 30, 2019 and 2018, the Agency recognized pension (benefit) expense of \$(42,803) and \$200,007, respectively. At June 30, the Agency reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2019		2018	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 692,941		\$ 592,945	
Differences between actual and expected experience	73,663	\$ (25,067)	7,287	\$ (104,397)
Changes in assumptions	218,874	(53,642)	904,125	(68,940)
Differences between the employer's contributions and the employer's proportionate share of contributions		(288,759)		(201,380)
Change in employer's proportion	872,849	(456,748)	281,123	(1,147,345)
Net differences between projected and actual earnings on plan investments	9,491		204,476	
Totals	\$ 1,867,818	\$ (824,216)	\$ 1,989,956	\$ (1,522,062)

The \$692,941 and \$592,945 at June 30, 2019 and 2018, respectively, reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows for the year ended June 30:

Year Ending June 30:	2019	2018
2019		\$ (457,523)
2020	\$ (54,010)	100,104
2021	331,159	353,769
2022	90,780	(121,401)
2023	(17,268)	
	\$ 350,661	\$ (125,051)

Actuarial Assumptions – The total pension liabilities in the June 30, 2017 and 2016, actuarial valuations used during the years ended June 30 were determined using the following actuarial assumptions:

	2019	2018
Valuation date	June 30, 2017	June 30, 2016
Measurement date	June 30, 2018	June 30, 2017
Actuarial cost method	Entry-Age Normal Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:		
Discount rate	7.15%	7.15%
Inflation	2.50%	2.75%
Payroll growth	3.00%	3.00%
Projected salary increase ⁽¹⁾	3.2% - 12.2%	3.2% - 12.2%
Investment rate of return	7.375%	7.375%
Mortality ⁽²⁾	CalPERS Table	

⁽¹⁾ Depending on age, service and type of employment.

⁽²⁾ 20 years of mortality improvement - Society of Actuaries Scale BB.

YUBA COUNTY WATER AGENCY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019 and 2018

NOTE 8 RETIREMENT PLANS (Continued)

The underlying mortality assumptions and all other actuarial assumptions used at the June 30, 2018 measurement date were based on the December 2017 experience study for the period 1997 to 2015. The underlying mortality and other assumptions at the 2018 measurement date were based on the results of an April 2014 actuarial experience study for the period 1997 to 2011. Further details of the Experience Study can be found on the CalPERS website.

Change of Assumptions – During the year ended June 30, 2019, the demographic assumptions and inflation rate were change in accordance with the CalPERS study and Review of Actuarial Assumptions in December 2017. During the year ended June 20, 2018, the financial reporting discount rate changed from 7.65% to 7.15%.

Discount Rate – The discount rate used by CalPERS to measure the total pension liability was 7.15% in the June 30, 2018 accounting valuation used for the year ended June 30, 2019 and 7.15% in the June 30, 2017 accounting valuation used for the year ended June 30, 2018. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress-tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the 7.15 discount rate used was appropriate and the use of the municipal bond rate calculation is not necessary. The long-term expected discount rate will be applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report that can be obtained from the CalPERS website.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations, as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first 10 years) and the long-term (11 - 60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The table below reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These rates of return are net of administrative expenses.

Asset Class	2019			2018		
	New Strategic Allocation	Real Return Years 1 - 10 ^(a)	Real Return Years 11+(^b)	New Strategic Allocation	Real Return Years 1-10 ^(a)	Real Return Years 11+ ^(b)
Global equity	50.0%	4.80%	5.98%	47.0%	4.90%	5.38%
Global fixed income	28.0%	1.00%	2.62%	19.0%	0.80%	2.27%
Inflation sensitive	0.0%	0.77%	1.81%	6.0%	0.60%	1.39%
Private equity	8.0%	6.30%	7.23%	12.0%	6.60%	6.63%
Real estate	13.0%	3.75%	4.93%	11.0%	2.80%	5.21%
Infrastructure and forestland	0.0%	0.00%	0.00%	3.0%	3.90%	5.36%
Liquidity	1.0%	0.00%	(0.92%)	2.0%	(0.40%)	(0.90%)
	100.0%			100.0%		

^(a) An expected inflation of 2.5% used for this period.

^(b) An expected inflation of 3.0% used for this period.

YUBA COUNTY WATER AGENCY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019 and 2018

NOTE 8 RETIREMENT PLANS (Continued)

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

– The following presents the Agency’s proportionate share of the net pension liability for each Plan, calculated using the discount rate for each Plan, as well as what the Agency’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	2019			2018		
	1% Decrease	Current Discount Rate	1% Increase	1% Decrease	Current Discount Rate	1% Increase
Discount rate	6.15%	7.15%	8.15%	6.15%	7.15%	9.15%
Net pension liability	\$ 5,123,763	\$ 1,919,897	\$ (724,844)	\$ 5,060,186	\$ 2,079,933	\$ (388,368)

Pension Plan Fiduciary Net Position – Detailed information about the pension plan’s fiduciary net position is available in the separately issued CalPERS financial reports.

Payables to the Pension Plan –There were no significant payables to the pension plan as of June 30, 2019 and 2018.

Defined Contribution Retirement Plan

On December 17, 2002, the Agency established an IRC Section 401(a) plan (401(a) Plan) with the ICMA Retirement Corporation. The Agency selects optional benefits through state statute and agency resolutions. The Board of Directors establishes and may change benefit terms subject to bargaining agreements. Employees are eligible from hire date. Employees may make voluntary contributions up to the lesser of the maximum contributions allowed by the Internal Revenue Code or 25% of compensation. The Agency contributes 7.65% of covered salaries for each employee who does not participate in the 457 Plan described below. Employer contributions vest over 5 years and employee contributions are immediately vested. Forfeitures are used for employer contributions. No significant forfeitures occurred during the years ended June 30, 2019 and 2018. During the year ended June 30, 2019, the Agency contributed \$257,970 and the employees contributed \$240,684 to the 401(a) Plan. During the year ended June 30, 2018, the Agency contributed \$212,334 and the employees contributed \$198,281 to the 401(a) Plan.

NOTE 9 DEFERRED COMPENSATION PLAN

In lieu of Social Security, the Agency also offers its employees a deferred compensation plan created in accordance with Internal Revenue Code (IRC) Section 457 (457 Plan). The 457 Plan is administered by the ICMA Retirement Corporation. The 457 Plan is available to all regular employees at their option and permits participants to defer a portion of their salary until future years. The Agency contributes 7.65% of covered salaries for each employee that does not participate in the 401(a) Plan above. For the fiscal year ended June 30, 2019, the Agency contributed \$329,878 and the employees contributed \$381,025 to the 457 Plan. During the year ended June 30, 2018, the Agency contributed \$313,855 and the employees contributed \$378,334 to the 457 Plan.

NOTE 10 POST-EMPLOYMENT HEALTH CARE BENEFITS

Plan Description – The Yuba County Water Agency’s Retiree Healthcare Plan (the Plan) is an agent multiple-employer postemployment benefits plan administered by CalPERS through the California Public Employers’ Retiree Benefit Trust (CERBT) Fund. The Agency provides medical benefits to eligible retirees. Benefit provisions are established and may be amended by the Board of Directors, subject to the Agency’s labor agreements. On May 12, 2009, the Board approved a policy to pre-fund retiree health care benefits through contributions to the CERBT and authorized the agreement and election of the Agency to pre-fund other post-employment benefits through CalPERS. CERBT is a tax-qualified irrevocable trust organized under Internal

YUBA COUNTY WATER AGENCY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019 and 2018

NOTE 10 POST-EMPLOYMENT HEALTH CARE BENEFITS (Continued)

Revenue Code Section 115 to administer retiree healthcare benefits and collectively invest plan assets of all trust members. CERBT issues publicly available financial statements according to GASB Statement No. 43, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, in aggregate with the other CERBT participating employers. CERBT financial statements can be obtained from the CalPERS website at www.calpers.ca.gov. The Agency's Plan does not issue separate financial statements.

Benefits Provided – Under the Plan, the Agency pays health insurance premiums for employees, surviving spouses and family members of employees retiring directly from the Agency under CalPERS with a maximum monthly benefit of \$1,600, limited to the cost of the Agency-sponsored low-cost health insurance plan for active employees, 2-party or family. Employees hired after December 31, 2007 must have 10 years of Agency service for full benefits. Employees hired after December 31, 2007 that have less than 10 years of Agency service are provided Public Employees' Medical & Hospital Care Act (PEMHCA) minimum benefits (\$136 per month in 2019 and \$133 per month in 2018).

Employees Covered by Benefit Terms – At the measurement date, the following employees were covered by the benefit terms:

	2019	2018
Inactive employees or beneficiaries currently receiving benefit payments	23	19
Active employees	71	61
Total	94	80

Contributions – The Board of Directors has the authority to establish and amend the contribution requirements of the District and employees under powers granted to it under the 1959 Act establishing the Agency, subject to the Agency's Memorandum of Understanding with the employee bargaining unit. The contributions are contractually rather than actuarially determined, as described above. Employees are not required to contribute to the plan. For fiscal years ended June 30, 2019 and 2018, the Agency contributed a total of \$667,721 and \$551,931, respectively.

Net OPEB Liability – The Agency's net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2017.

Actuarial Assumptions – The total OPEB liability at the June 30, 2018 measurement date was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

	2019	2018
Valuation date	June 30, 2017	June 30, 2017
Measurement date	June 30, 2018	June 30, 2017
Actuarial cost method	Entry-age normal cost	Entry-age normal cost method
Actuarial assumptions:		
Discount rate	5.75%	5.75%
Inflation	2.75%	2.75%
Aggregate salary increases	3.00%	3.00%
Investment rate of return	5.75%	5.75%
Mortality, disability, termination, and retirement rates	Same as 2018	Derived using CalPERS 1997-2015 Experience Study
Mortality improvement	Same as 2018	Society of Actuaries mortality improvement Scale MP-17
Healthcare cost trend rates	Same as 2018	7.5% and 6.5% in the first year for pre-65 and post-65, respectively, trending down to 4.00% until 2076 and later.

YUBA COUNTY WATER AGENCY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019 and 2018

NOTE 10 POST-EMPLOYMENT HEALTH CARE BENEFITS (Continued)

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) was used and developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Investment Class	2019		2018	
	Target Allocation	Long-term Expected Real Rate of Return	Target Allocation	Long-term Expected Real Rate of Return
Global equity	40.00%	4.82%	40.00%	4.82%
Fixed income	39.00%	1.47%	39.00%	1.47%
TIPS	10.00%	1.29%	10.00%	1.29%
Commodities	3.00%	0.84%	3.00%	0.84%
REITs	8.00%	3.76%	8.00%	3.76%
Total	100.00%		100.00%	

Discount Rate – The discount rate used to measure the total OPEB liability was 5.75%. The projection of cash flows used to determine the discount rate assumed that Agency contributions will continue based upon the current funding policy. Based on those assumptions, the OPEB plan’s fiduciary net position was projected to be available to make projected future benefit payments for current members for all future years. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Changes in the Net OPEB Liability:

	2019			2018		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability/(Asset)	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability/(Asset)
Balance at June 30, 2018	\$ 6,570,000	\$ 6,789,000	\$ (219,000)	\$ 5,860,000	\$ 6,107,000	\$ (247,000)
Changes for the year:						
Service cost	588,231		588,231	556,000		556,000
Interest on the OPEB liability	403,721		403,721	363,000		363,000
Contribution - employer		600,967	(600,967)		450,000	(450,000)
Net investment income		419,113	(419,113)		444,000	(444,000)
Benefit payments	(273,967)	(273,967)		(209,000)	(209,000)	
Administrative expense		(12,550)	12,550		(3,000)	3,000
Net changes	717,985	733,563	(15,578)	710,000	682,000	28,000
Balance at June 30, 2018	\$ 7,287,985	\$ 7,522,563	\$ (234,578)	\$ 6,570,000	\$ 6,789,000	\$ (219,000)

YUBA COUNTY WATER AGENCY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019 and 2018

NOTE 10 POST-EMPLOYMENT HEALTH CARE BENEFITS (Continued)

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate and Healthcare Cost Trend Rates

– The following presents the net OPEB liability of the Agency, as well as what the Agency's net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current discount rate:

	2019			2018		
	Current			Current		
	1% Decrease 4.75%	Discount Rate 5.75%	1% Increase 6.75%	1% Decrease 4.75%	Discount Rate 5.75%	1% Increase 6.75%
Net OPEB liability (asset)	\$ 812,384	\$ (234,578)	\$ (1,090,771)	\$ 714,000	\$ (219,000)	\$ (983,000)

The following presents the net OPEB liability of the Agency, as well as what the Agency's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percentage point lower or 1 percentage point higher than the current healthcare cost trend rates:

	2019			2018		
	Current Healthcare Cost Trend Rates			Current Healthcare Cost Trend Rates		
	1% Decrease (6.5%/5.5% decreasing to 3%)	(7.5%/6.5% decreasing to 4%)	1% Increase (8.5%/7.5% decreasing to 5%)	1% Decrease (6.5%/5.5% decreasing to 3%)	(7.5%/6.5% decreasing to 4%)	1% Increase (8.5%/7.5% decreasing to 5%)
Net OPEB liability (asset)	\$ (1,278,797)	\$ (234,578)	\$ 1,076,699	\$ (1,095,000)	\$ (219,000)	\$ 872,000

OPEB Plan Fiduciary Net Position – Detailed information about the Plan's fiduciary net position is available in the separately issued CERBT financial report at www.calpers.ca.gov.

OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB – For the years ended June 30, 2019 and 2018, the Agency recognized OPEB expense of \$590,672 and \$547,000, respectively. At June 30, 2019 and 2018, the Agency reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	2019		2018	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
OPEB contributions subsequent to measurement date	\$ 667,721		\$ 551,931	
Net differences between projected and actual earnings on OPEB plan investments		\$ (74,283)		\$ (69,000)
Total	\$ 667,721	\$ (74,283)	\$ 551,931	\$ (69,000)

Payable to the OPEB Plan – There was no significant payables to the OPEB plan at June 30, 2019 and 2018.

**YUBA COUNTY WATER AGENCY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019 and 2018**

NOTE 11 POWER PURCHASE CONTRACTS

On September 22, 2015, the Agency Board of Directors approved two power purchase agreements with Shell Energy of North America for sales of Colgate and Narrows 2 electric energy and related products. Sale of electric energy totaled \$84,738,509 and \$69,007,573 under these agreements during the years ended June 30, 2019 and 2018, respectively.

All electric power generated through the Mini Hydro plant is sold to PG&E under the terms of a Renewable Market Adjusting Tariff power purchase agreement between the Agency and PG&E. The unit is rated for 150kW and PG&E pays for the net energy output at a set price of .08923 per kWh. Power delivery started on September 30, 2016 and the contract is valid for 15 years. The Agency received payments totaling \$123,742 and \$206,255 under the contract during the fiscal years ended June 30, 2019 and 2018, respectively.

NOTE 12 ECONOMIC DEPENDENCY

The Agency's operating revenues represent the sale of electric energy and water transfer revenues that are dependent upon the availability of water. A long-term reduction in water available to transfer or generate electric energy could have a significant impact on the Agency's financial condition.

NOTE 13 COMMITMENTS AND CONTINGENCIES

Litigation

The Agency is a party to other claims and lawsuits arising in the ordinary course of business. The Agency's management and legal counsel are of the opinion that the ultimate liability, if any, arising from these claims will not have a material adverse impact on the financial position of the Agency.

Grant and Contractual Contingencies

Amounts received or receivable from grantor agencies and electric sales are subject to audit and adjustment. Any disallowed claims, including amounts already collected, may constitute a liability of the Agency. The amount(s), if any, of expenditures that may be disallowed by these entities cannot be determined at this time, although the Agency expects such amounts, if any, to be immaterial.

Contract Commitments

The Agency had the following contract commitments at June 20, 2019. Contract commitments were not significant at June 30, 2018:

	2019
FERC secondary spillway	\$ 1,135,908
Disadvantaged Community Involvement (DACI) program	912,649
Narrows 2 generator step up (GSU) transformer	311,621
Our House Diversion Dam flow bypass design	218,145
Warehouse/administration building	145,760
Wheatland FEMA levee analysis and mapping (LAMP) study	124,457
South fish screen environmental impact report	109,349
D Street office	103,490
Total	\$ 3,061,379

YUBA COUNTY WATER AGENCY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019 and 2018

NOTE 14 RISK MANAGEMENT

During the year ended June 30, 2019, the Agency participated in the Association of California Water Agencies Joint Powers Insurance Authority (JPIA), a public entity risk pool of water agencies in California, for general, automobile, public officials' errors and omissions liability, property damage and business interruption coverage. Prior to that, the Agency had commercial insurance. Through its membership in the JPIA, the Agency is provided with excess coverage for these items through commercial insurance. Loss contingency reserves established by the JPIA are funded by contributions from member agencies. The Agency pays an annual premium to the JPIA that includes its pro-rata share of excess insurance premiums, charges for pooled risk, claims adjustment and legal costs, and administrative and other costs to operate the JPIA. Financial statements for the JPIA may be obtained at 5630 Birdcage Street, Suite 200, Citrus Heights, California 95610-7632 or www.acwajpai.com.

Amount	Coverage provider	Payment Source
<i>FIDELITY</i>		
\$ 1,000	Self-Insured	Agency Funds
100,000	ACWA JPIA	Shared risk pool
3,000,000	Commercial Insurance	Shared risk pool
<i>GENERAL AND AUTO LIABILITY CLAIMS:</i>		
None	Self-Insured	Agency Funds
\$ 5,000,000	ACWA JPIA	Shared risk pool
55,000,000	Commercial Insurance	Shared risk pool
<i>PUBLIC OFFICIALS ERRORS AND OMISSIONS LIABILITY:</i>		
None	Self-Insured	Agency Funds
\$ 5,000,000	ACWA JPIA	Shared risk pool
55,000,000	Commercial Insurance	Shared risk pool
<i>PROPERTY PROTECTION CLAIMS:</i>		
\$ 5,000 - \$ 50,000	Self-Insured	Agency Funds
100,000	ACWA JPIA	Shared risk pool
500,000,000	Commercial Insurance	Shared risk pool
<i>WORKERS' COMPENSATION:</i>		
None	Self-Insured	Agency Funds
\$ 2,000,000	ACWA JPIA	Shared risk pool
Statutory	Commercial Insurance	Shared risk pool
<i>CYBER LIABILITY:</i>		
None	Self-Insured	Agency Funds
None	ACWA JPIA	Shared risk pool
\$ 3,000,000	Commercial Insurance	Shared risk pool
<i>DAM FAILURE LIABILITY:</i>		
\$ 50,000	Self-Insured	Agency Funds
None	ACWA JPIA	Shared risk pool
5,000,000	Commercial Insurance	Shared risk pool
<i>FLOOD:</i>		
None	Self-Insured	Agency Funds
None	ACWA JPIA	Shared risk pool
\$ 25,000,000	Commercial Insurance	Shared risk pool

There have not been any significant reductions in insurance coverage compared to the prior year. Settlements have not exceeded the insurance coverage for the past three fiscal years.

YUBA COUNTY WATER AGENCY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019 and 2018

NOTE 15 RELICENSING

The Agency has been working on the relicensing of its Power Projects as required by the Federal Energy Regulatory Commission (FERC). In connection with the relicensing, the Agency has incurred expenses, entered into service contracts, and established cash reserves to pay for anticipated costs. Costs incurred for the relicensing are being capitalized in accordance with GASB Statement No. 51, and will be amortized over the life of the new license period once it has been issued by FERC. Total costs capitalized as of June 30, 2019 and 2018, amounted to \$40,111,477 and \$35,668,051, respectively. Total funds designated for the relicensing process, at June 30, 2019 and 2018, amounted to \$540,914 and \$529,774, respectively. Contract commitments for the secondary spillway project totaled \$1,135,908. The Agency submitted the final license application to FERC on April 28, 2014. The relicensing process will take several years to complete. The current FERC license expired on April 30, 2016 and the Agency is operating under an annual license that will be renewed until FERC issues a new license. While the total cost of the relicensing cannot be determined, the Agency anticipates it will have sufficient resources to complete the relicensing process.

NOTE 16 CONDUIT DEBT

On July 22, 2008, the Agency entered into a Joint Exercise of Powers Agreement with the County of Yuba, California, for the creation of the Yuba Levee Financing Authority (the Authority). The Authority is reported as a blended component unit of the County. The primary purpose of the agreement is to provide financial assistance to facilitate improvements to the levee system in the County. On September 3, 2008, bonds totaling \$78,370,000 were issued by the Authority consisting of the Revenue Bonds, 2008 Series A totaling \$64,175,000 and Taxable Revenue Bonds, 2008 Series B totaling \$14,195,000. The Agency agreed to pay 50% of the debt service payments of the Revenue Bonds under an installment sale agreement.

In December 2016, the Yuba Levee Financing Authority Revenue Bonds, 2008 Series A and Taxable Revenue Bonds, 2008 Series B were refunded with the proceeds of the Yuba Levee Financing Authority Refunding Revenue Bonds, 2017 Series A and Taxable Refunding Revenue Bonds, 2017 Series B, resulting in an annual savings in excess of \$700,000. The County reported the Refunding Revenue Bonds as County debt. As part of the agreement, the Agency agreed to purchase certain assets from the Authority under an installment sale agreement to provide semi-annual installment payments that will be used as one of the primary sources of repayment of the Bonds. The installment payments are payable from the Agency's water system revenues if not paid with development-related levee impact fees as defined in the agreement. On December 6, 2016, to facilitate the refunding of the Bonds, the Agency approved a lease of certain County solar equipment from the County and a second lease of the same solar equipment from the Agency back to the County in the amount of \$11,057,939. The Agency prepaid its entire lease obligation prior to June 30, 2017 and the County is making payments to the Agency, as described in Note 4.

The Refunding Revenue Bond Official Statement indicates that the obligation of the Agency to make installment payments does not constitute a debt of the Agency and the Official Statement indicates there is no obligation for the Agency to levy or pledge any form of taxation for the installment payments. The County of Yuba reports the full amount of the Authority's debt as County debt in its financial statements. The County of Yuba is also considered to have the ability to repay the amounts funded by the Agency through levee impact fees over the long-term. As a result, the debt is not reported as a liability in the financial statements of the Agency and the payments provided by the Agency under the agreements are reported as long-term loans receivable to the County identified in Note 4 as the "Yuba County TRLIA Bond loan" and "Yuba County lease receivable."

**YUBA COUNTY WATER AGENCY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019 and 2018**

NOTE 17 GRANT AND PROJECT FUNDING PROVIDED WITHIN THE COUNTY OF YUBA

Each year, the Agency provides significant grant and project funding to the County of Yuba and other local public agencies within Yuba County. The following is a summary of funds provided for the fiscal years ended June 30:

	<u>2019</u>	<u>2018</u>
Grants:		
Yuba County storm readiness	\$ 511,696	
Camptonville Community Partnership grant	318,475	\$ 45,000
Reclamation District 784 218 benefit assessment election	280,627	
Yuba County water resources engineer	237,278	
Ellis Lake pump station and pipe	200,642	
Reclamation District 10 local share - DWR flood system repair grant	151,553	
Yuba County Sheriff	135,700	
Yuba County Office of Emergency Services staff grant	107,785	242,150
Bill Shaw rescue equipment and training grant	78,500	20,000
Yuba County storm water portable pump	73,843	
RHA water coordination program	67,113	
Reclamation District 2103 and 817 local share - DWR flood system repair grant	54,403	
Marysville ring levee - 17th Street pump station	54,161	
Reclamation District 784 hydraulic mapping	52,704	
Reclamation District 784 and 817 gravel grant	50,974	
Yuba County fire safe program	42,983	32,000
Camptonville Community Services District emergency response vehicle	39,575	
Marysville Levee Commission - DWR flood system repair grant	26,170	
Wheatland FEMA levee analysis and mapping (LAMP) study	25,543	
Reclamation District 2103 & 817 consolidation evaluation	23,525	36,385
North Yuba Water District income survey - Forbestown Ditch	20,001	
Yuba County Sheriff - environmental crimes	20,000	
Continued levee support - F Street Drain crossing	18,572	
Reclamation District 817 emergency study grant	7,908	8,963
Yuba County Sheriff - search and rescue radio	4,430	
City of Marysville 200 year report	4,198	36,515
North Yuba Water District Forbestown Ditch local share - loan to grant		325,931
Yuba County Public Works Department - Sycamore Ranch restrooms		200,000
Yuba County Airport Apron, FAA grant local share		191,000
Reclamation District 784 boundary adjustment		107,258
Yuba County Fish & Game Commission		4,050
Total Grant Funding	<u>2,608,359</u>	<u>1,249,253</u>
Projects:		
Yuba County Public Works Department	918,673	814,354
Reclamation District 10 preliminary levee problem study	549,370	
Yuba County Public Works construction		2,817,059
Yuba County Hammond Grove Center		60,000
Total Project Funding	<u>1,468,043</u>	<u>3,691,413</u>
 Total Grant and Project Funding Provided	 <u>\$ 4,076,402</u>	 <u>\$ 4,940,666</u>

YUBA COUNTY WATER AGENCY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019 and 2018

NOTE 18 RELATED PARTY TRANSACTIONS

As discussed in Note 1.A., the Agency is a component unit of the County of Yuba, California and participates in the Yuba Levee Finance Authority, which is also a component unit of the County. The Agency maintains investments in the County Treasury as described in Note 2, has loans receivable from the County and the Successor Agency to the former Yuba County Redevelopment Agency as described in Note 4 and provides grants to and participates in projects with the County as described in Note 17. More information about the Agency's participation in the Yuba Levee Finance Authority debt is reported in Note 16.

Additionally, the Agency entered into an agreement with the County in July 2020 to provide funding for the County's unfunded actuarial pension liability (UAL). More information about this contract is reported in Note 20.

NOTE 19 FLOOD DAMAGE

During January and February 2017, the Agency suffered significant flood damage and impacts to a number of its facilities, including five separate slides on Lake Francis Road, slides on Burma Road and Penstock Road, sedimentation that blocked the 60-inch valve at Our House Dam and Log Cabin Diversion, damage to Waterway 13 Headworks and woody debris that needed to be removed from New Bullards Bar Reservoir. Expenses incurred through June 30, 2019 and 2018 to repair the flood damage totaled \$10,455,076 and \$8,456,451, respectively. The Agency has applied for Federal Emergency Management Agency (FEMA) reimbursements for the flood damage expenses through the California Office of Emergency Services (CalOES). During the years ending June 30, 2019 and 2018, the Agency recognized reimbursements totaling \$2,270,324 and \$4,055,202 from FEMA and \$605,420 and \$989,887 from CalOES, respectively, for flood damage repairs to all of the facilities above. Additional awards were obligated after June 30, 2019 that will be recognized during the year ended June 30, 2020.

NOTE 20 SUBSEQUENT EVENTS

In July 2019, the Agency agreed to loan the County \$9,602,593 to fund the County's unfunded actuarial pension liability (UAL) payment due for the year ended June 30, 2020. The loan is subject to interest at the same rate earned on the Agency's investment in the County investment pool until it is repaid. It is scheduled to be repaid in monthly installments of \$800,216 plus interest at the County pooled investment rate through June 30, 2020. The County may pay the loan in full with no prepayment penalty.

In September 2018, the Agency entered into an agreement with Pacific Gas and Electric Company (PG&E) to purchase the Narrows assets. The Agency is to pay PG&E the purchase price of \$507,500 plus the total amount of any prepaid assumed liabilities.

In April 2019, The Agency approved a request by Reclamation District (RD) 817 for funding to construct the Bear River Setback Levee, which includes construction of 2,800 linear feet of setback levee along the north bank of the Bear River. RD 817 received a grant of up to \$1.1 million over the next four years to fund the local cost share of the project. In addition, to assist with project operation and day-to-day cash flow, the Agency approved a line of credit in the amount of \$1 million that will be used as needed and repaid as State funding is received. RD 817 did not receive any funding under these agreements as of June 30, 2019.

The Agency is implementing a critical public safety initiative, which will significantly reduce flood risk and improve climate change resilience for Yuba County and nearby communities, including Yuba City. By 2025, the Agency expects to implement three major projects: Forecast-Informed Reservoir Operations for the Yuba-Feather system, an update of the U.S. Army Corps of Engineers' water control manual for New

YUBA COUNTY WATER AGENCY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019 and 2018

NOTE 20 SUBSEQUENT EVENTS (Continued)

Bullards Bar Dam and Reservoir, and the completion of a new \$160 million secondary spillway at New Bullards Bar Dam. In April 2019, the Agency approved a \$1.955 million joint initiative with the California Department of Water Resources for a three-year Forecast Informed Reservoir Operations research project that will provide information needed for the update of the New Bullards Bar Water Control Manual and operation of the secondary spillway.

In August 2019, the Agency approved a \$637,320 grant to the Browns Valley Irrigation District for engineering, design and environmental costs for its Sicard Ditch project to improve water supply efficiency and reliability.

In August 2019, the Agency approved \$2 million cash flow loan to Three Rivers Levee Improvement Authority to cover land acquisitions for the Goldfields project.

REQUIRED SUPPLEMENTARY INFORMATION

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**YUBA COUNTY WATER AGENCY
REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2019**

**Schedule of the Proportionate Share of the
Net Pension Liability - Miscellaneous Plan (Unaudited)
Last 10 Years**

	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
Proportion of the net pension liability	0.05094%	0.05276%	0.04364%	0.10608%	0.11904%
Proportionate share of the net pension liability	\$ 1,919,897	\$ 2,079,933	\$ 1,516,006	\$ 2,910,127	\$ 2,942,238
Covered - employee payroll - measurement period	\$ 6,897,867	\$ 6,483,987	\$ 5,568,429	\$ 4,364,287	\$ 3,765,735
Proportionate share of the net pension liability as percentage of covered payroll	27.83%	32.08%	27.23%	66.68%	78.13%
Plan fiduciary net position	\$ 21,764,879	\$ 19,587,254	\$ 17,615,198	\$ 14,895,426	\$ 13,727,225
Plan fiduciary net position as a percentage of the total pension liability	91.89%	90.40%	92.08%	83.66%	82.35%
Notes to schedule:					
Benefit changes: There were no changes to benefit terms.					
Changes in assumptions:					
Discount rate changes in accounting valuation	7.15%	7.15%	7.65%	7.65%	7.50%

**Schedule of Contributions to the Pension Plan - Miscellaneous Plan (Unaudited)
Last 10 Years**

	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
Contractually required contribution in Agency's fiscal year (actuarially determined)	\$ 692,941	\$ 560,806	\$ 534,831	\$ 565,710	\$ 548,810
Contributions in relation to the actuarially determined contributions	(692,941)	(592,945)	(534,831)	(3,039,825)	(596,168)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ (32,139)</u>	<u>\$ -</u>	<u>\$ (2,474,115)</u>	<u>\$ (47,358)</u>
Covered - employee payroll - Agency's fiscal year	\$ 7,877,205	\$ 6,897,867	\$ 6,483,987	\$ 5,568,429	\$ 4,364,287
Contributions as a percentage of covered - employee payroll	8.80%	8.60%	8.25%	54.59%	13.66%

Notes to schedule:
Contributions for the year ended June 30, 2019, 2018, 2016 and 2015 include additional payments made against the Agency's unfunded liability in addition to required contributions. These contributions reduce the net pension liability and will be reflected in the subsequent valuation. CalPERS reflected a \$833,222 additional amount contributed on July 1, 2016 as a June 30, 2016 contribution, so it was added to the June 30, 2016 contributions in relation to the actuarially determined contributions line above.

Valuation Date:	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014	June 30, 2013
Measurement Date:	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
Date contribution rates were calculated	June 30, 2016	June 30, 2015	June 30, 2014	June 30, 2013	June 30, 2012
Investment rate of return and discount rate used to compute contribution rates (1)	7.375%	7.500%	7.500%	7.500%	7.500%
Inflation	2.750%	2.750%	2.750%	2.750%	2.750%

Benefit changes: There were no changes to benefit terms.

Methods and Assumptions Used to Determine Contribution Rates

Actuarial Method	Entry age normal cost method				
Amortization Method	Level percentage of payroll, closed				
Remaining Amortization Period	Varies, not more than 30 years				
Asset Valuation Method	Market value	Market value	Market value	Market value	Market value
Salary Increases	Varies depending on entry age and service				
Retirement Age	50-67 Years. Probabilities of retirement are based on the 2014 CalPERS Experience Study for the period 1997 to 2011.				

Mortality	(2)	(2)	(3)	(3)	(3)
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Notes to Schedule:

- (1) Net of administrative expenses, includes inflation.
- (2) Probabilities of retirement and mortality are based on CalPERS' 2014 Experience Study for the period 1997 to 2011.
- (3) Probabilities of retirement and mortality are based on CalPERS' 2010 Experience Study for the period 1997 to 2007.

Omitted Years: GASB Statement No. 68 was implemented during the year ended June 30, 2015. No information was available prior to this date. Future years will be added prospectively as they become available.

**YUBA COUNTY WATER AGENCY
REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2019**

**Schedule of Changes in the Net OPEB Liability and Related Ratios (Unaudited)
Last Ten Years**

	2019	2018
Total OPEB liability		
Service cost	\$ 588,231	\$ 556,000
Interest	403,721	363,000
Differences between expected and actual experience		
Changes in assumptions		
Changes in benefit terms		
Benefit payments	(273,967)	(209,000)
Net change in total OPEB liability	717,985	710,000
Total OPEB liability - beginning	6,570,000	5,860,000
Total OPEB liability - ending (a)	\$ 7,287,985	\$ 6,570,000
Plan fiduciary net position		
Contributions - employer	\$ 600,967	\$ 450,000
Investment income	419,113	444,000
Benefit payments	(273,967)	(209,000)
Administrative expenses	(12,550)	(3,000)
Net change in plan fiduciary net position	733,563	682,000
Plan fiduciary net position - beginning	6,789,000	6,107,000
Plan fiduciary net position - ending (b)	\$ 7,522,563	\$ 6,789,000
Net OPEB liability (asset) - ending (a)-(b)	\$ (234,578)	\$ (219,000)
Plan fiduciary net position as a percentage of the total OPEB liability	103.22%	103.33%
Covered-employee payroll - measurement period	\$ 7,313,000	\$ 6,673,000
Net OPEB liability (asset) as percentage of covered-employee payroll	-3.21%	-3.28%
Notes to schedule:		
Valuation date	June 30, 2017	June 30, 2017
Measurement period - fiscal year ended	June 30, 2018	June 30, 2017
Benefit changes	None	None
Changes in assumptions:		
Change in discount rate	5.75% in June 30, 2017 valuation. 6.75% in June 30, 2015 valuation	
Change in healthcare rate trend	7.5%/6.5% declining to 4% in June 30, 2017 valuation. 7%/7.2% declining to 5% in June 30, 2015 valuation.	

Omitted years: GASB Statement No. 75 was implemented during the year ended June 30, 2018. No information was available prior to this date. Information will be added prospectively as it becomes available until 10 years are reported.

**YUBA COUNTY WATER AGENCY
REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2019**

**Schedule of Contributions to the OPEB Plan (Unaudited)
Last Ten Years**

	2019	2018
Actuarially determined contribution - employer fiscal year	\$ 594,000	\$ 551,931
Contributions in relation to the actuarially determined contributions	(667,721)	(551,931)
Contribution deficiency (excess)	\$ (73,721)	\$ -
 Covered-employee payroll - employer fiscal year	 \$ 9,109,435	 \$ 7,313,000
 Contributions as a percentage of covered-employee payroll	 7.33%	 7.55%

Notes to Schedule:

Valuation date	June 30, 2017	June 30, 2017
Measurement period - fiscal year ended	June 30, 2018	June 30, 2017

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age Normal Cost Method
Amortization method/period	Level percentage of payroll over closed 8 year period.
Asset valuation method	Investment gains/losses spread over 5-year rolling period with 20% market value corridor.
Inflation	2.75%
Payroll growth	3.00%
Investment rate of return	5.75%
Healthcare cost-trend rate	7.5%/6.5% declining to 4% in June 30, 2017 valuation. 7%/7.2% declining to 5% in June 30, 2015 valuation.
Mortality, disability, termination and retirement rates	Derived using CalPERS 1997-2015 Experience Study

Omitted years: GASB Statement No. 75 was implemented during the year ended June 30, 2018. No information was available prior to this date. Information will be added prospectively as it becomes available until 10 years are reported.

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OTHER SUPPLEMENTARY INFORMATION

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YUBA COUNTY WATER AGENCY
COMBINING SCHEDULE OF NET POSITION BY UNIT
JUNE 30, 2019
WITH COMPARATIVE TOTALS AS OF JUNE 30, 2018

	General Fund	Power Systems Fund	Total	Eliminating Entries	Totals	
					2019	2018
ASSETS						
Current Assets:						
Cash and cash equivalents	\$ 128,637,448	\$ 7,690,566	\$ 136,328,014		\$ 136,328,014	\$ 101,879,906
Receivables:						
Accounts receivable	70,140	3,654,953	3,725,093		3,725,093	3,671,652
Interest receivable	774,274	9,512	783,786		783,786	292,531
Due from other units	1,148,430	18,987	1,167,417	\$ (1,167,417)		
Due from other governments	1,378,200	646,026	2,024,226		2,024,226	2,190,605
Prepaid expenses and other current assets	51,745	520,866	572,611		572,611	758,859
Total Current Assets	132,060,237	12,540,910	144,601,147	(1,167,417)	143,433,730	108,793,553
Noncurrent Assets:						
Restricted investment		234,739	234,739		234,739	
Loans receivable from other governments	33,739,343		33,739,343		33,739,343	23,141,823
Other postemployment benefits (OPEB) asset	70,373	164,205	234,578		234,578	219,000
Capital Assets:						
Non-depreciable	45,325,508	7,958,025	53,283,533		53,283,533	47,847,942
Depreciable, net	17,670,290	133,850,512	151,520,802		151,520,802	152,580,868
Total Capital Assets, Net	62,995,798	141,808,537	204,804,335		204,804,335	200,428,810
Total Noncurrent Assets	96,805,514	142,207,481	239,012,995		239,012,995	223,789,633
TOTAL ASSETS	228,865,751	154,748,391	383,614,142	(1,167,417)	382,446,725	332,583,186
DEFERRED OUTFLOWS OF RESOURCES						
Pension plan	780,561	1,087,257	1,867,818		1,867,818	1,989,956
Other postemployment benefits (OPEB)	200,316	467,405	667,721		667,721	551,931
Total Deferred Outflows of Resources	980,877	1,554,662	2,535,539		2,535,539	2,541,887
LIABILITIES						
Current Liabilities:						
Accounts payable and other liabilities	3,348,880	2,002,539	5,351,419		5,351,419	4,101,455
Salaries and benefits payable		198,495	198,495		198,495	300,085
Compensated absences - current	366,968	432,396	799,364		799,364	741,855
Due to other units	44,987	1,122,430	1,167,417	(1,167,417)		
Due to other governments		75,000	75,000		75,000	503,712
Deposits payable	621,785		621,785		621,785	586,033
Unearned revenue - current	211,298		211,298		211,298	10,046,790
Total Current Liabilities	4,593,918	3,830,860	8,424,778	(1,167,417)	7,257,361	16,279,930
Noncurrent Liabilities:						
Unearned revenue - noncurrent	8,643,950		8,643,950		8,643,950	14,082,950
Accrued compensated absences - noncurrent	220,548	47,304	267,852		267,852	267,852
Net pension liability	802,325	1,117,572	1,919,897		1,919,897	2,079,933
Total Noncurrent Liabilities	9,666,823	1,164,876	10,831,699		10,831,699	16,430,735
Total Liabilities	14,260,741	4,995,736	19,256,477	(1,167,417)	18,089,060	32,710,665
DEFERRED INFLOWS OF RESOURCES						
Pension plan	344,440	479,776	824,216		824,216	1,522,062
Other postemployment benefits (OPEB)	22,285	51,998	74,283		74,283	69,000
Total Deferred Inflows of Resources	366,725	531,774	898,499		898,499	1,591,062
NET POSITION						
Investment in capital assets	62,995,798	141,808,537	204,804,335		204,804,335	200,428,810
Unrestricted	152,223,364	8,967,006	161,190,370		161,190,370	100,394,536
Total Net Position	\$ 215,219,162	\$ 150,775,543	\$ 365,994,705	\$ -	\$ 365,994,705	\$ 300,823,346

YUBA COUNTY WATER AGENCY
 COMBINING SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION BY UNIT
 FOR THE FISCAL YEAR ENDED JUNE 30, 2019
 WITH COMPARATIVE TOTALS FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	General Fund	Power Systems Fund	Total	Eliminating Entries	Totals	
					2019	2018
Operating Revenues						
Sale of electrical energy		\$ 84,738,509	\$ 84,738,509		\$ 84,738,509	\$ 69,007,573
Water sales	\$ 16,594,613		16,594,613		16,594,613	548,170
Total Operating Revenues	<u>16,594,613</u>	<u>84,738,509</u>	<u>101,333,122</u>		<u>101,333,122</u>	<u>69,555,743</u>
Operating Expenses						
Hydropower generation		14,036,767	14,036,767		14,036,767	10,950,034
Administration and general	746,397	1,688,845	2,435,242		2,435,242	2,611,020
Maintenance		4,128,953	4,128,953		4,128,953	6,372,957
Depreciation and amortization	1,118,990	4,813,214	5,932,204		5,932,204	5,714,991
Total Operating Expenses	<u>1,865,387</u>	<u>24,667,779</u>	<u>26,533,166</u>		<u>26,533,166</u>	<u>25,649,002</u>
Net Income from Operations	<u>14,729,226</u>	<u>60,070,730</u>	<u>74,799,956</u>		<u>74,799,956</u>	<u>43,906,741</u>
Nonoperating Revenues (Expenses)						
Property taxes	541,244		541,244		541,244	499,840
Interest income	2,716,915	34,782	2,751,697		2,751,697	573,743
Rental income	24,000		24,000		24,000	24,000
Grants and reimbursements						
Flood damage reimbursements						
Federal	2,145,652	124,672	2,270,324		2,270,324	4,055,202
State	572,174	33,246	605,420		605,420	989,887
Other state and local	2,492,001		2,492,001		2,492,001	1,068,508
Miscellaneous income (expenses)	33,624	6,000	39,624		39,624	757,606
Recreation and camping fees		363,301	363,301		363,301	358,979
Gain (loss) on disposal of capital assets	15,249	23,444	38,693		38,693	26,453
General administration	(8,045,851)		(8,045,851)		(8,045,851)	(8,226,304)
Recreation and irrigation	(586,825)	(1,140,353)	(1,727,178)		(1,727,178)	(1,705,766)
Special projects expense	(6,983,247)		(6,983,247)		(6,983,247)	(7,010,998)
Flood damage expense	(577,335)	(1,421,290)	(1,998,625)		(1,998,625)	(8,151,433)
Total Nonoperating Revenues (Expenses)	<u>(7,652,399)</u>	<u>(1,976,198)</u>	<u>(9,628,597)</u>		<u>(9,628,597)</u>	<u>(16,740,283)</u>
Income (Loss) Before Operating Transfers	<u>7,076,827</u>	<u>58,094,532</u>	<u>65,171,359</u>		<u>65,171,359</u>	<u>27,166,458</u>
Operating Transfers						
Transfers in	63,766,555	3,996,883	67,763,438	\$ (67,763,438)		
Transfers out	(3,996,883)	(63,766,555)	(67,763,438)	67,763,438		
Total Operating Transfers	<u>59,769,672</u>	<u>(59,769,672)</u>				
Change in Net Position	<u>66,846,499</u>	<u>(1,675,140)</u>	<u>65,171,359</u>		<u>65,171,359</u>	<u>27,166,458</u>
Net Position, Beginning of Year - as previously reported	<u>148,372,663</u>	<u>152,450,683</u>	<u>300,823,346</u>		<u>300,823,346</u>	<u>273,073,222</u>
Restatement						583,666
Net Position, Beginning of Year - as restated	<u>148,372,663</u>	<u>152,450,683</u>	<u>300,823,346</u>		<u>300,823,346</u>	<u>273,656,888</u>
Net Position, End of Year	<u>\$ 215,219,162</u>	<u>\$ 150,775,543</u>	<u>\$ 365,994,705</u>	<u>\$ -</u>	<u>\$ 365,994,705</u>	<u>\$ 300,823,346</u>

COMPLIANCE REPORT

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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
Yuba County Water Agency
Marysville, California

We have audited, 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, the financial statements of the Yuba County Water Agency (the Agency) as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements, and have issued our report thereon dated November 18, 2019.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Agency's financial statements are free of 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*.

Yuba County Water Agency
Marysville, California

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.

Richardson & Company, LLP

November 18, 2019