

NORTH YUBA WATER DISTRICT

Audited Financial Statements and
Compliance Report

June 30, 2024

(This page intentionally left blank.)

NORTH YUBA WATER DISTRICT

Audited Financial Statements and
Compliance Report

June 30, 2024

TABLE OF CONTENTS

Independent Auditor’s Report.....	1
Management’s Discussion and Analysis.....	4
<u>Basic Financial Statements</u>	
Statement of Net Position	8
Statement of Revenues, Expenses and Changes in Net Position	9
Statement of Cash Flows	10
Notes to The Basic Financial Statements.....	12
<u>Compliance Section</u>	
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 <i>Government Auditing Standards</i>	22
Schedule of Findings.....	24

(This page intentionally left blank.)



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
North Yuba Water District
Brownsville, California

Opinions

We have audited the accompanying financial statements of North Yuba Water District (the District), which comprise the statement of net position as of June 30, 2024, and the related statements of revenues, expenses, and changes in net position and cash flows for the year then ended, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the District, as of June 30, 2024, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America as well as accounting systems prescribed by the State Controller's Office and State regulations governing special districts.

Basis for Opinions

We conducted our audit 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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Correction of Error

As discussed in Note K to the financial statements, the District corrected errors in the June 30, 2023 financial statements to correct for the accrual of water and power sales revenue and professional services expenses recorded during fiscal year 2024 that related to fiscal year 2023. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

To the Board of Directors
North Yuba Water District

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District 's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District 's ability to continue as a going concern for a reasonable period of time.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with Government Auditing Standards, we have also issued our report dated June 20, 2025, on our consideration of the District'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

To the Board of Directors
North Yuba Water District

accordance with Government Auditing Standards in considering the District's internal control over financial reporting and compliance.

Richardson & Company, LLP

June 20, 2025

NORTH YUBA WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2024

This section of the North Yuba Water District annual financial report presents an analysis of the District's financial performance during the fiscal year ending June 30, 2024. This information is presented in conjunction with the audited basic financial statements, which follow this section.

FINANCIAL HIGHLIGHTS FOR FISCAL YEAR 2023/2024

- At the end of the current year, total unrestricted net position of the District was a positive \$13.5 million.
- During the year, the District's net position increased by approximately \$11.5 million.
- The District's capital asset balance was \$10.1 million at the end of the year.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of the following three parts: Management's Discussion and Analysis, Basic Financial Statements, and Other Required Supplementary Information. The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data.

REQUIRED FINANCIAL STATEMENTS

The Financial Statements of the District report information utilizing the full accrual basis of accounting. The Financial Statements conform to accounting principles which are generally accepted in the United States of America. The Statement of Net Position include information on the District's assets and liabilities and provide information about the nature and amounts of investments in resources (assets) and the obligations to creditors (liabilities). The Statement of Revenues, Expenses and Changes in Net Position identify the District's revenues and expenses for the fiscal year ending June 30, 2024. These statements provide information on the District's operations over the fiscal year, and can be used to determine whether the District has recovered all if its actual and projected costs through user fees and other charges. The third component of the financial statements is the Statement of Cash Flows. These statements provide information on the District's cash receipts, cash payments and changes in cash resulting from operating, investing, and financing activities. From the Statement of Cash Flows, the reader can obtain comparative information on the sources and uses of cash and the changes in the cash and cash equivalent balances. The notes to the basic financial statements provide additional information that is essential for a full understanding of the data provided in this report. The notes can be found beginning on page 12 of this report.

FINANCIAL ANALYSIS OF THE DISTRICT

The Statements of Net Position and the Statements of Revenues, Expenses and Changes in Net Position provide an indication of the District's financial condition and also indicate if the financial condition of the District has improved during the last fiscal year. The District's Net Position reflects the difference between assets and liabilities.

A summary of the District's Statements of Net Position and Statements of Revenues, Expenses and Changes in Net Position are presented below:

NORTH YUBA WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

JUNE 30, 2024

Condensed Statements of Net Position
As of June 30, 2024 and 2023

	2024	2023	Increase/ (Decrease) from 2023
Current and other assets	\$ 14,205,583	\$ 4,752,198	\$ 9,453,385
Capital assets, net	10,136,452	6,032,770	4,103,682
Restricted assets	119,034	7,565	111,469
Total assets	24,461,069	10,792,533	13,668,536
Current liabilities	659,406	174,993	484,413
Total liabilities	659,406	174,993	484,413
Net investment in capital assets	10,136,452	6,032,770	4,103,682
Restricted net position	119,034	7,565	111,469
Unrestricted net position	13,546,177	4,577,205	8,968,972
Total net position	\$ 23,801,663	\$ 10,617,540	\$ 13,184,123

CURRENT AND OTHER ASSETS

As of June 30, 2024, the District's current and other assets totaled \$14.2 million which was an increase of \$9.5 million over the June 30, 2023 balances of approximately \$4.7 million. Much of the increase in current assets was a result of increases in cash and investments of \$11.8 million, and an increase in receivables of \$2.4 million. The increase in cash and investments was the result of an increase in cash provided by operating activities of \$7.4 million as result of power sale revenue received from the District's participation in the South Feather Power Project, an increase of cash provided from grant revenue and property taxes of a use of cash of \$4.4 million and the use of cash of \$4.8 million for capital acquisitions and construction, and \$119,000 of investment income received. The majority of the cash used for capital and related financing activities was for Challenge Tank replacement, Forbestown Ditch shotcrete, irrigation ditch shotcrete and Halversterm Flume. Receivables increased by \$2.4 million due to \$2.1 million of the 2023 power sales distribution not received until September 2024.

CAPITAL ASSETS

As of June 30, 2024, the District's investments in capital assets, including accumulated depreciation, totaled \$10.1 million which was an increase of \$4.1 million over the capital asset balances at June 30, 2023 of \$6.0 million, as a result of the projects listed above.

Depreciation and amortization expense for the fiscal years 2024 and 2023 was \$275,000 and \$228,000, respectively.

CURRENT LIABILITIES

As of June 30, 2024 the District's current liabilities totaled approximately \$659,000 which was an increase of \$484,000 over the June 30, 2023 balances. Much of the increase in current liabilities was the result of increased accounts payable related to legal services, as well as an increase in accrued vacation

NORTH YUBA WATER DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

JUNE 30, 2024

LONG - TERM DEBT

As of June 30, 2024 and 2023, the District had no long term debt.

NET POSITION

Restricted net position reflects a decrease in fiscal year 2023/24 compared to fiscal year 2022/23 because the fiscal year 2022/23 restricted net position balance reflected amounts that were designated and not restricted. Also, beginning net position was restated in the fiscal year 2023/24 financial statements by \$1.8 million as a result of accrual adjustments made to reflect certain revenues and expenses in the proper fiscal year. These adjustments are described in Note K of the audited financial statements.

Condensed Statements of Revenues, Expenses and Changes in Net Position
Fiscal Years Ended June 30, 2024 and 2023

	2024	2023	Increase/ (Decrease) from 2023
Operating revenues	\$ 10,251,468	\$ 4,698,683	\$ 5,552,785
Non-operating revenues	586,016	510,580	75,436
Capital revenues	3,869,983		3,869,983
Total revenues	<u>14,707,467</u>	<u>5,209,263</u>	<u>9,498,204</u>
Water supply, treatment, distribution expenses	1,163,929	1,034,935	128,994
Administration expenses	1,682,843	2,304,666	(621,823)
Depreciation expense	249,851	228,271	21,580
Total operating expenses	<u>3,096,623</u>	<u>3,567,872</u>	<u>(471,249)</u>
Non-operating expenses	94,158		94,158
Total expenses	<u>3,190,781</u>	<u>3,567,872</u>	<u>(377,091)</u>
Changes in net position	11,516,686	1,641,391	9,875,295
Beginning net position	10,617,540	8,976,149	1,641,391
Restatement	1,832,889		1,832,889
Ending net position	<u>\$ 23,967,115</u>	<u>\$ 10,617,540</u>	<u>\$ 13,349,575</u>

OPERATING REVENUES AND EXPENSES

Operating revenue includes both power and water sales. Power sales increased by \$5.5 million due to the availability of hydroelectric power from the South Feather Power Project. Water sales and other operating revenues increased from 2023 to 2024 by about \$45,000 due to more irrigation water being available for sale during fiscal year 2023/24. Operating expenses during 2024 decreased \$471,000 over the prior year. Much of the decrease was from lower legal and personnel-related expenses in fiscal year 2023/24, offset by an increase in transmission and distribution expenses.

NORTH YUBA WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

JUNE 30, 2024

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The fiscal year 2025 approved operating budget was 7.4% higher than the 2024 budget. The fiscal year 2025 budget reflects increased salary and benefit costs, as well as increased water treatment plant supplies and outside services expenses.

The District is staying engaged with legislative and regulatory requirements that may require fees and/or costs to the District, thus potentially affecting consumer rates.

ADDITIONAL FINANCIAL INFORMATION

This financial report is designed to provide the District's customers and other interested parties with an overview of the District's financial operations and financial condition. Should the reader have questions regarding the information included in this report or to request additional financial information, please contact the North Yuba Water District's General Manager at P.O. Box 299, Brownsville, CA 95919.

NORTH YUBA WATER DISTRICT

STATEMENT OF NET POSITION

June 30, 2024

ASSETS

Current Assets:

Cash and cash equivalents	\$ 11,764,934
Receivables, net	2,396,700
Inventory	33,965
Prepaid expenses	9,984
Total Current Assets	<u>14,205,583</u>

Noncurrent Assets:

Restricted assets cash and cash equivalents	119,034
---	---------

Capital Assets:

Nondepreciable	559,840
Depreciable, net of accumulated depreciation	9,576,612
Total Capital Assets	<u>10,136,452</u>

Total Noncurrent Assets	<u>10,255,486</u>
-------------------------	-------------------

TOTAL ASSETS	<u><u>\$ 24,461,069</u></u>
--------------	-----------------------------

LIABILITIES AND NET POSITION

Current Liabilities:

Accounts payable	\$ 519,964
Accrued expenses	14,520
Compensated absences	68,550
Deposits payable	56,372

TOTAL LIABILITIES	<u>659,406</u>
-------------------	----------------

NET POSITION

Net investment in capital assets	10,136,452
Restricted	119,034
Unrestricted	13,546,177

TOTAL NET POSITION	<u>23,801,663</u>
--------------------	-------------------

TOTAL LIABILITIES AND NET POSITION	<u><u>\$ 24,461,069</u></u>
------------------------------------	-----------------------------

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

NORTH YUBA WATER DISTRICT

STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION

For the Year Ended June 30, 2024

OPERATING REVENUES	
Power sales	\$ 9,487,760
Retail water sales	305,930
Wholesale water sales	439,549
Water fees	18,229
TOTAL OPERATING REVENUES	<u>10,251,468</u>
OPERATING EXPENSES	
General and administrative	1,682,843
Transmission and distribution	534,471
Treatment	289,947
Water purchases	339,511
Depreciation / amortization	249,851
TOTAL OPERATING EXPENSES	<u>3,096,623</u>
NET INCOME FROM OPERATIONS	7,154,845
NON-OPERATING REVENUES (EXPENSES)	
Grant revenues	94,180
Property taxes and assessments	472,387
Investment income	19,389
Other income	60
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>586,016</u>
CAPITAL CONTRIBUTIONS	
Capital grants	3,869,983
TOTAL CAPITAL CONTRIBUTIONS	<u>3,869,983</u>
CHANGE IN NET POSITION	11,610,844
Net position, beginning of year, as previously reported	10,617,540
Restatement (Note N)	1,573,279
Net position, beginning of year, as restated	<u>12,190,819</u>
NET POSITION AT END OF YEAR	<u>\$ 23,801,663</u>

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

NORTH YUBA WATER DISTRICT

STATEMENT OF CASH FLOWS

For the Year Ended June 30, 2024

CASH FLOWS FROM OPERATING ACTIVITIES		
Cash receipts from customers	\$ 751,412	
Cash receipts from power sales	9,119,563	
Cash payments to suppliers for goods and services	(1,574,755)	
Cash payments to employees for services	(977,581)	
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>7,318,639</u>	
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Grant revenues received	146,370	
Property taxes and assessments received	472,387	
Other income	60	
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	<u>618,817</u>	
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital grants received	3,869,983	
Acquisitions and construction of capital assets	(4,730,958)	
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(860,975)</u>	
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment income received	119,356	
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>119,356</u>	
NET INCREASE IN CASH AND CASH EQUIVALENTS		7,195,837
Cash and investments at beginning of year	<u>4,688,131</u>	
CASH AND INVESTMENTS AT END OF YEAR	<u><u>\$ 11,883,968</u></u>	

Continued

NORTH YUBA WATER DISTRICT

STATEMENT OF CASH FLOWS (Continued)

For the Years Ended June 30, 2024 and 2023

Cash and investments - financial statement classification	
Cash and cash equivalents	\$ 11,764,934
Restricted cash and cash equivalents	<u>119,034</u>
TOTAL CASH AND INVESTMENTS	<u>\$ 11,883,968</u>
RECONCILIATION OF NET INCOME FROM OPERATIONS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:	
Operating income	\$ 7,154,845
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation/amortization	249,851
Unrealized loss on investments	(120,568)
(Increase) Decrease in:	
Receivables, net	(381,666)
Inventory	(3,466)
Prepaid expenses	(4,750)
Accounts payable	389,705
Accrued expenses	14,520
Compensated absences	18,995
Deposits payable	<u>1,173</u>
NET CASH USED BY OPERATING ACTIVITIES	<u>\$ 7,318,639</u>

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

NORTH YUBA WATER DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2024

NOTE A – REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the North Yuba Water District (District) have been prepared in conformity with generally accepted accounting principles 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 more significant of the District's accounting policies are described below.

Reporting Entity: The North Yuba Water District (the "District") was formed on July 22, 1952 under California law for the purpose of providing domestic (treated) and irrigation (untreated) water service within the District boundaries. The earlier years of the District's existence were spent resolving water rights disputes against the Oroville-Wyandotte Irrigation District (OWID). A lengthy series of hearings resulted in State Decisions D-838 and D-907 and culminated with the March 8, 1958 and December 9, 1959 Agreements with OWID. The 1959 agreement was amended in 1965 and then superseded in 2005 by the South Feather Water and Power (SFWP) agreement discussed in Note I. As a result of the water rights owned by the District, the District receives a share of the net revenues derived from power and water sales of the South Feather Power Project (SFPP). SFWP is the owner and operator of the SFPP. The District is also required to transfer up to 4,500 acre-feet of water to the City of Yuba City under the 1959 Agreement with the City.

There are five improvement Districts within the North Yuba Water District. Improvement District #1 was formed on March 25, 1964 for the irrigation service area. Improvement District #2 was formed on September 10, 1966 for the domestic service area. Improvement District #3 was formed on April 30, 1968 for the Forbestown water distribution system. Improvement District #5 was formed on July 19, 1974 for the New York House Road water distribution system. Improvement District #6 was formed on February 3, 1979 for the Rackerby water distribution system. At this time, the District serves domestic water to approximately 770 active services in or near the communities of Brownsville, Challenge, Forbestown, and Rackerby, and serves irrigation water to 110 active services in the Dobbins-Oregon House area. The North Yuba Water District is governed by a five-member Board of Directors, elected by division, who set District policy. Subject to the Board's direction, the overall operation and administration of the District is conducted under the authority of the General Manager/Secretary.

Basis of Presentation: The District's resources are allocated to and accounted for in these basic financial statements as an enterprise fund type of the proprietary fund group. The enterprise fund is used to account for operations that 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 general public on a continuing basis be financed or recovered primarily through user charges, or where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other policies. Net position for the enterprise fund represents the amount available for future operations.

Basis of Accounting: The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. Enterprise funds are accounted for on the economic resources measurement focus. Under the economic resources measurement focus, all assets, deferred outflows of resources, liabilities and deferred inflows of resources associated with the operation of the fund are included on the statement of net position. Net position is segregated into the net investment in capital assets, amounts restricted and amounts unrestricted. Enterprise fund type operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net assets. Enterprise funds use the accrual basis of accounting. Under this

NORTH YUBA WATER DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2024

NOTE A – REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)

method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of the timing of cash flow.

Operating revenues and expenses consist of those revenues and expenses that result from the ongoing principal operations of the District, including providing water service, water supply development and planning. Operating revenues consist primarily of water and power sales and related fees. Operating expenses consist of the cost of sales and services, administration and depreciation on capital assets. 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. Cost reimbursement grant revenues are recognized as revenue when the reimbursable costs are incurred under the accrual basis of accounting.

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

Use of Estimates: The preparation of financial statements 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.

Cash and Cash Equivalents: For purposes of the statement of cash flows, the District considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. Cash and cash equivalents held include bank deposits and investments in money market mutual funds.

Receivables: Billed, but unpaid, services provided to individuals or non-governmental entities are recorded as receivables.

Allowance for Doubtful Accounts: Bad debts are recognized on the allowance method based on historical experience and management's evaluation of outstanding accounts receivable. Management believes that all accounts receivable were fully collectible; therefore no allowance for doubtful accounts was recorded as of June 30, 2024.

Inventory: Inventory consists primarily of materials used in the construction and maintenance of the water distribution facilities and is valued at average cost.

Restricted Assets: Restricted assets consist of unspent expansion and capital renovation and replacement (R & R) fees that are restricted to certain expansion and construction projects. There were no amounts payable from restricted assets at June 30, 2024.

Capital Assets: Capital assets are recorded at historical cost. 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. Self-constructed assets are recorded based on the amount of direct labor and materials charged to the asset construction. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets.

NORTH YUBA WATER DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2024

NOTE A – REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
 (Continued)

Description	Estimated Life
Source of supply	50 years
Canals	5-50 years
Pumping plant	10-50 years
Water treatment plant	5-50 years
Water rights	0-50 years
Transmission and Distribution	5-50 years
Building, structures and improvements	10-50 years
Office equipment	5-20 years
Shop equipment	5-14 years
Field equipment and vehicles	5-10 years

Maintenance and repairs are charged to operations when incurred. It is the District’s policy to capitalize all capital assets with a cost of \$1,000 or more, depending on the asset type. Costs of assets sold or retired (and the related amounts of accumulated depreciation) are eliminated from the balance sheet in the year of sale or retirement, and the resulting gain or loss is recognized in operations.

Depreciation was \$274,891 for the year ended June 30, 2024.

Compensated Absences: The District’s policy allows employees to accumulate earned but unused vacation and sick leave which will be paid to employees upon separation from the District’s service. The cost of vacation is recognized in the period earned.

Net Position: Net position is segregated into the investment in capital assets, restricted and unrestricted. The investment in capital assets represents capital assets, net of accumulated depreciation and amortization.

Property Taxes: Secured and unsecured property taxes are levied on July 1 by the Yuba County. Secured property taxes are due in two installments, the first installment is due on November 1 and delinquent with penalties after December 10; the second installment is due February 1 and delinquent with penalties after April 10th, on property taxes assessed on July 1. Unsecured property taxes are payable in one installment on or before August 31. Property tax revenues are recognized in the fiscal year in which they are levied.

New Pronouncements: In June 2022, the GASB issued Statement No. 101, *Compensated Absences*. This Statement requires that liabilities for compensated absences be recognized for leave that has not been used that is attributable to services already rendered, accumulates, and is more likely than not to be used for time off or paid in cash or settled through noncash means, and leave that has been used but not paid in cash or settled through noncash means. Leave that is more likely than not to be settled through conversion to defined benefit postemployment benefits should not be included in the liability for compensated absences. This Statement requires that a liability for certain types of compensated absences, including parental leave, military leave and jury duty leave, not be recognized until the leave commences. Certain salary-related payments that are directly and incrementally associated with payments for leave also should be included in the measurement of the liabilities. With respect to financial statements prepared using the current financial resources measurement focus, this Statement requires that expenditures be recognized for the amount that normally would be liquidated with expendable available financial resources.

NORTH YUBA WATER DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2024

NOTE A – REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
 (Continued)

Governments are allowed to disclose the net change in the liability if identified as such in the footnotes to the financial statements. The provisions of this Statement are effective for years beginning after December 15, 2023.

In December 2023, the GASB issued Statement No. 102, *Certain Risk Disclosures*. This Statement requires a government to assess whether a concentration or constraint makes a government that reports a liability for revenue debt, vulnerable to the risk of a substantial impact and to assess whether an event or events associated with a concentration or constraint that could cause the substantial impact to have occurred, have begun to occur, or are more likely than not to occur within 12 months of the date the financial statements are issued. The provisions of this Statement are effective for years beginning after June 15, 2024.

In April 2024, the GASB issued Statement No. 103, *Financial Reporting Model Improvements*. This Statement will result in changes to the financial reporting model including the Management’s Discussion and Analysis, display of inflows and outflows of unusual and infrequent items, and changing the definition of proprietary fund nonoperating revenues and expenses. The provisions of this Statement are effective for years beginning after June 15, 2025.

In September 2024, the GASB issued Statement No. 104, *Disclosure of Certain Capital Assets*, that requires certain types of assets to be disclosed separately in the note disclosures and established requirements for capital assets held for sale. This provisions of this Statement are effective for fiscal years beginning after June 15, 2025.

The District is currently analyzing the impact of the required implementation of these new statements.

NOTE B – CASH AND CASH EQUIVALENTS

Cash and investments are reported at fair value, cash and investments consisted of the following at June 30, 2024:

Unrestricted cash and cash equivalents:	
Cash on hand	\$ 830
Deposits in financial institutions	7,501,498
Cash and investments with County of Yuba Treasurer	<u>4,262,606</u>
Total cash and cash equivalents	11,764,934
Restricted cash and cash equivalents:	
Restricted deposits in financial institutions	<u>119,034</u>
Total cash and investments	<u><u>\$ 11,883,968</u></u>

NORTH YUBA WATER DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2024

NOTE B – CASH AND CASH EQUIVALENTS (Continued)

Custodial credit risk: Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g. broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party.

At June 30, 2024, the carrying amount of the District's unrestricted and restricted deposits was \$7,620,532, and the balances in financial institutions were \$11,401,646. Of the balances in financial institutions at June 30, 2024, \$500,000 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 District 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 District.

The District's investment in the investment pool maintained by the County of Yuba, California's (the County) Treasurer is stated at fair value. The District 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 District's funds quarterly based upon average cash balances. Investments held in the County's cash and investment pool are available on demand to the District 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 District'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: The District annually reaffirms the County's investment policy as the District's investment policy. Under the County's policy, the permissible investments for the years ended June 30, 2024 included the following instruments:

NORTH YUBA WATER DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2024

NOTE B – CASH AND CASH EQUIVALENTS (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

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, 2024, the weighted average maturity of the investments in the County’s investment pool was 167 days.

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 District by the County are provided in the County’s financial statements.

Concentration of credit risk: The District 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 District’s investments are held with the County pool where the concentration of credit risk is not determinable.

NOTE C – RECEIVABLES, NET

Accounts receivable consisted of the following at June 30, 2024:

Retail water sales receivables	\$ 47,371
Wholesale water sales receivable	77,783
Power sales receivable	2,250,945
Interest receivable	<u>20,601</u>
Total receivable, net	<u>\$ 2,396,700</u>

NORTH YUBA WATER DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2024

NOTE D – CAPITAL ASSETS

Capital asset activity for the years ended June 30, 2024 are as follows:

	Balance July 1, 2023 as restated	Additions	Deletions	Balance June 30, 2024
Capital assets not being depreciated:				
Land	\$ 559,840			\$ 559,840
	<u>559,840</u>			<u>559,840</u>
Capital assets being depreciated:				
Utility system - infrastructure	8,272,886	4,618,143	(85,620)	12,805,409
Building	619,220			619,220
Machinery and equipment	894,786	112,815		1,007,601
Intangible	129,547			129,547
	<u>9,916,439</u>	<u>4,730,958</u>	<u>(85,620)</u>	<u>14,561,777</u>
Less accumulated depreciation:				
Utility system - infrastructure	(3,975,606)	(180,374)	85,620	(4,070,360)
Building	(304,245)	(15,383)		(319,628)
Machinery and equipment	(492,619)	(51,505)		(544,124)
Intangible	(48,464)	(2,589)		(51,053)
	<u>(4,820,934)</u>	<u>(249,851)</u>	<u>85,620</u>	<u>(4,985,165)</u>
Net capital assets being depreciated	<u>5,095,505</u>	<u>4,481,107</u>		<u>9,576,612</u>
Net capital assets	<u>\$ 5,655,345</u>	<u>\$ 4,481,107</u>	<u>\$</u>	<u>\$ 10,136,452</u>

NOTE E – LONG-TERM LIABILITIES

The activity of the District’s long-term liabilities during the year ended June 30, 2024 were as follows:

	Balance July 1, 2023	Additions	(Reductions)	Balance June 30, 2024	Due Within One Year
Compensated absences	\$ 49,555	\$ 18,995		\$ 68,550	\$ 68,550
	<u>\$ 49,555</u>	<u>\$ 18,995</u>	<u>\$ -</u>	<u>\$ 68,550</u>	<u>\$ 68,550</u>

NOTE F – NET POSITION

Restrictions: Restricted net position consists of constraints placed on net asset use through external requirements imposed by creditors (such as through debt covenants), grantors, contributors, or laws and regulations of other governments or constraints by law through constitutional provisions or enabling legislation. Restricted net position of \$119,034 at June 30, 2024 represents unspent facility fees, which are restricted to capital expenses by Section 66013 of the Water Code of the State of California.

NORTH YUBA WATER DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2024

NOTE F – NET POSITION (Continued)

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 of net position included the following at June 30 2024:

Equipment Reserve	\$	8,926
Operating Reserve		2,356,521
Water Tank Reserve		112,594
Capital Reserve		<u>536,772</u>
Subtotal - designated		3,014,813
Undesignated		<u>10,531,364</u>
Total Unrestricted Net Position	\$	<u><u>13,546,177</u></u>

NOTE G – RETIREMENT PLANS

On July 1, 1995 the District entered into a pension plan with Laborers’ Internation Union of North America, National Pension Fund. The District pays \$1.60 for every regular hour worked (173.5 average per month) for all full-time permanent employees into the fund.

The District has a deferred compensation plan which is in compliance with Internal Revenue Code Section 457. The District contributes the difference of 10% (which includes applicable payroll taxes) of the employee’s base wages minus the amount paid into the pension plan for each employee. Contributions are also made on a voluntary basis by the plan participants. No employee may contribute over 25% of yearly base salary or \$7,500 per year, whichever is the lesser amount. The maximum amount is increased to \$15,000 for the last three years before the participant attains normal retirement age. Contributions made the plans for the year ended June 30, 2024 were \$35,591.

NOTE H – INSURANCE

The District participates in the Association of California Water Agencies Joint Powers Insurance Authority (ACWA/JPIA) a public entity risk pool of California water agencies, for general and auto liability, public official’s liability, property damage, fidelity insurance and participants in the Special District Risk Management Authority (SDRMA) for its workers compensation liability program. ACWA/JPIA and SDRMA provides insurance through the pool up to a certain level, beyond which group purchased commercial excess insurance is obtained.

The District pays an annual premium to ACWA/JPIA and SDRMA that includes its pro-rata share of excess insurance premiums, charges for the pooled risk, claims adjusting and legal costs, and administrative and other costs to operate the ACWA/JPIA and SDRMA. The District’s deductibles and maximum coverage are as follows:

NORTH YUBA WATER DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2024

NOTE H – INSURANCE (Continued)

Coverage	ACWA/JPIA	Commercial Insurance	Deductible
General and Auto Liability (includes public officials liability)	\$5,000,000	\$50,000,000	None
Property Damage	100,000	490,000,000	\$1,000 to \$100,000
Fidelity	100,000		1,000
Cyber Liability	5,000,000		50,000 to 100,000
Workers Compensation liability		5,000,000	None

The District continues to carry commercial insurance for all other risks of loss to cover all claims for risk of loss to which the District is exposed. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE I – AGREEMENT WITH SOUTH FEATHER WATER AND POWER AGENCY

In May of 2005, an agreement was reached with South Feather Water and Power Agency (SFWP), which defines the settlement of water rights and the disposition of net hydroelectric project revenues beginning July 1, 2010. The agreement provides first for the payment of normal operating and maintenance expenses for the project, repayment of re-licensing expenses incurred by the SFWP, payment of a minimal annual amount to the SFWP and the District, the creation of a 15% working capital reserve, and the creation of an \$18,000,000 contingency reserve. Following the satisfaction of the obligations, the remaining funds, or net power revenues, are distributed equally between the SFWP and the District. There were distributions of net power revenue for the year ended December 31, 2023 totaling \$8,778,760 that was recognized as revenue during the year ended June 30, 2024. Due to the uncertainty of the amount, and whether a distribution will be made, the District did not accrue a receivable at June 30, 2024 for any distributions related to January to June, 2024.

NOTE J – CONTINGENCIES

In the ordinary course of operations, the District is subject to claims and litigation from outside parties. After consultation with legal counsel, the District believes the ultimate outcome of such matters, if any, will not materially affect its financial condition as of June 30, 2024.

The District filed a lawsuit against South Feather Water and Power Agency (SFWPA) to comply with the parties’ written contract (the 2005 Agreement) to make distributions of net profits from the operation of the South Feather Power Project (SFPP) for which both parties own water licenses. SFWPA filed a cross complaint against the District. There are pending motions to dismiss on both sides, but discovery is still in progress. A jury trial is scheduled to commence on June 3, 2025.

NORTH YUBA WATER DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
June 30, 2024

NOTE K – RESTATEMENTS

During the year ended June 30, 2024, the District discovered revenues for power sales from SFWPA and water sales revenue from the City of Yuba City that should have been recognized during the year ended June 30, 2023. Additionally, the District became aware of expenses also related to previous fiscal year and capital additions that should have been expensed. As a result, a restatement was made to accrue additional revenue and expenses and to write off previously capitalized assets. Changes to net position, net capital assets and change in net position are as follows:

	June 30, 2024	Error	June 30, 2024
	As previously	correction	As
	<u>Reported</u>	<u> </u>	<u>Restated</u>
Net Position	<u>\$ 10,617,540</u>	<u>\$ 1,573,279</u>	<u>\$ 12,190,819</u>
Net capital assets	<u>\$ 6,032,770</u>	<u>\$ (377,425)</u>	<u>\$ 5,655,345</u>
Change in net position for the year	<u>\$ 1,641,391</u>	<u>\$(1,883,942)</u>	<u>\$ (242,551)</u>

NOTE L – SUBSEQUENT EVENT

On April 1, 2025, the Board of Directors approved the District to participate in California Public Employees Retirement System (CalPERS). The District shall contribute to the retirement system the contributions determined by actuarial valuations of prior and future service liability with respect to local miscellaneous members of CalPERS.

(This page intentionally left blank.)

COMPLIANCE REPORTS

(This page intentionally left blank.)

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
North Yuba Water District
Brownsville, 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 North Yuba Water District (the District) as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated June 20, 2025.

Report on Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control, described in the accompanying schedule of findings as item 2024-001 that we consider to be a material weakness.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District'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 financial statements. However, providing an opinion on compliance with those provisions was not an

To the Board of Directors
North Yuba Water District

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*.

District's Response to Findings

The District's response to the findings identified in our audit is described in the accompanying schedule of findings. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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

June 20, 2025

NORTH YUBA WATER DISTRICT

SCHEDULE OF FINDINGS

For the Year Ended June 30, 2024

Finding 2024-001 – Accrual Basis Accounting – Material Weakness

Condition: Certain power and water sale transactions were recorded when the cash was received rather than based on the service period. Certain expenses were also recorded when paid instead of when services were received.

Criteria: Generally Accepted Accounting Principles (GAAP), as applied to proprietary funds in special districts, requires the audited financial statements to be presented on the accrual basis of accounting.

Cause: The District does not have the processes in place for ensuring transactions are recorded in the period the services relate.

Effect: Adjustments were needed during the audit to record certain accrual entries, including restating 2023 balances for these accruals.

Recommendation: We recommend that the District record the general ledger on the accrual basis of accounting when finalizing the general ledger at the end of the fiscal year.

District's Response: The District plans on implementing these recommendations.

(This page intentionally left blank.)