

CITY OF YUBA CITY
STAFF REPORT

Date: May 3, 2011
To: Honorable Mayor & Members of the City Council
From: Public Works Department
Presentation by: Ian Pietz, Senior Engineer

Summary

Subject: Water Rate Study

Recommendation:

- a. Accept and adopt the Water Rate Study.
- b. Adopt a Resolution approving guidelines for the submission and tabulation of protests in connection with rate hearings.
- c. Set the protest hearing for July 12, 2011 at 5:00 pm at the Council Chambers.
- d. Approve form of Notices for Proposition 218 Protest hearing.

Fiscal Impact: Additional revenues will be received if the water rate increase is successfully passed through a Proposition 218 vote.

Background:

The City adopted a rate increase in 2000. The water rates included an annual cost of living adjustment of 4.5%, with the exception of 2006 which was slightly higher due to an energy surcharge. The rate increase occurred annually in October of each year, with the last rate increase in October 2007. Concerns for meeting Proposition 218 requirements and the ongoing recession put off further increases since 2007.

The City's water rates are not differentiated by the types of uses that are served, rather by the quantity of water consumed and service capacity. The larger the meter size is, the larger the minimum monthly charge will be.

Options for water rate charges were presented to Council at workshops on February 7th and March 22nd of this year. At the meetings, three alternatives for rate increases were considered:

- Alternative 1. Existing Rate + Cost of Living Adjustment
- Alternative 2. #1 + Major Capital Improvement Projects
- Alternative 3. #2 + \$1 million Recapitalization

Alternative 1 provides enough of an increase to continue existing operations while accounting for inflationary adjustments for items such as; power and utilities, materials, supplies, services, and equipment.

Alternative 2 includes all adjustments in #1, plus provides funding for major projects identified in the Capital Improvement Program (CIP). One of the projects specifically discussed at the workshop was the fish screen project and improvements to the existing low lift pump station located at the Feather River. This project is necessary to avoid jeopardizing the City's water permits/contracts and the grant funding that has already been secured for partial funding of the construction of the fish screens.

Alternative 3 includes everything in #1 and #2, plus \$1 million dedicated annually for recapitalization. The fixed asset value of the water distribution system and treatment plant is approximately \$112 million, with portions of the distribution system dating back to the 1920's and the majority of the construction of the treatment plant dating back to its original construction in 1969.

Council provided direction through the two workshops to implement Alternative 3, modify the minimum charges for landscape services, adjust the factors for determining minimum usage for larger water meters, and eliminate the senior citizen discount.

Analysis:

The draft Water Rate Study (Exhibit C) has been completed in accordance with Council's direction at the workshops and the requirements of Proposition 218. Table 1 below shows minimum monthly charges for a 1" water service (typical residential service). Table 2 shows the proposed 5-year rate schedule for all water service sizes.

**TABLE 1
Monthly Rate Increases (1" Service)**

	Existing Rate	2011/12	2012/13	2013/14	2014/15	2015/16
Base Rate	\$17.36	\$18.25 (5.1%)	\$19.39	\$20.35	\$20.98	\$21.59
% Increase		4.9%	5.9%	4.7%	3.0%	2.8%
Flow Charge (Above Base Rate Allowance)	\$1.0851	\$1.21 (10.1%)	\$1.28	\$1.34	\$1.39	\$1.43
% Increase		10.3%	5.5%	4.5%	3.6%	2.8%

**TABLE 2
Monthly Water Rates**

	Existing Rate	2011/12	2012/13	2013/14	2014/15	2015/16
1"	\$17.36	\$18.25	\$19.39	\$20.35	\$20.98	\$21.59
1-1/2"	\$31.80	\$36.50	\$38.79	\$40.70	\$41.96	\$43.18
2"	\$101.76	\$73.00	\$77.58	\$81.40	\$83.93	\$86.37
3"	\$203.47	\$292.01	\$310.32	\$325.60	\$335.71	\$345.47
4"	\$382.16	\$584.01	\$620.64	\$651.20	\$671.42	\$690.95
6"	\$830.76	\$1,095.02	\$1,163.69	\$1,220.99	\$1,258.92	\$1,295.52
8"/Industrial	\$1,302.12	\$2,555.05	\$2,715.28	\$2,848.98	\$2,937.48	\$3,022.89

Proposition 218 Process

It is recommended that Council approve and adopt the attached guidelines for the submission and tabulation of protests (Exhibit A). The guidelines describe who can protest, what information must be provided on the protest, how protests are tabulated, and what constitutes a majority protest.

At Council's direction, staff will mail the attached protest hearing notice (Exhibit B) to property owners and utility customers. The protest hearing is scheduled for July 12, 2011, at 5:00 pm in the Council Chambers and the notices will be mailed not less than 45 days prior to the protest hearing. At the protest hearing, property owners or customers may provide testimony and submit their protests. Protests may also be mailed or delivered to the City Clerk. If more than fifty percent (50%) of the affected property owners or customers protest in writing before the close of the public hearing, the rate increase will fail. If there is no majority protest, staff will make the appropriate changes to the rate ordinance for formal adoption by the Council.

Fiscal Impact:

Water sales revenues will vary with the selected alternative.

Alternatives:

- a. Direct staff to consider a different rate increase phase in.
- b. Modify rates so that more or less Capital Improvement Program projects are included.

Recommendation:

- a. Accept and adopt the Water Rate Study.
- b. Adopt a Resolution approving guidelines for the submission and tabulation of protests in connection with rate hearings.
- c. Set the protest hearing for July 12, 2011 at 5:00 pm at the Council Chambers.
- d. Approve form of Notices for Proposition 218 Protest hearing.

Prepared by:

/s/ Ian Pietz
Ian Pietz
Senior Engineer

Submitted by:

/s/ Steven R. Jepsen
Steven R. Jepsen
City Manager

Reviewed by:

Department Head
Finance
City Attorney

GM
RB
TH

Attachments:

- Exhibit A – Guidelines for the Submission and Tabulation of Protests
- Exhibit B – Notice of Proposition 218 Protest Public Hearing Proposed Water Rate Increase
- Exhibit C – Water Rate Study

RESOLUTION NO. 11-_____

**RESOLUTION OF THE CITY COUNCIL OF THE CITY OF YUBA CITY
ADOPTING GUIDELINES FOR THE SUBMISSION AND TABULATION OF
PROTESTS IN CONNECTION WITH RATE HEARINGS CONDUCTED
PURSUANT TO ARTICLE XIID, SECTION 6 OF THE CALIFORNIA
CONSTITUTION**

BE IT RESOLVED AND ORDERED BY THE CITY COUNCIL OF THE CITY OF YUBA CITY AS FOLLOWS

WHEREAS, Article XIID, Section 6 of the California Constitution requires the Council to consider written protests to certain proposed increases to utility rates; and

WHEREAS, this constitutional provision does not offer specific guidance as to who may submit protests, how written protests are to be submitted, or how the City is to tabulate the protests.

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Yuba City that the City Council hereby adopts the guidelines for the submission and tabulation of protests attached hereto as Exhibit "A" and incorporated herein by reference. Resolution 08-096 adopted on September 30, 2008 by this Council is hereby repealed.

PASSED, APPROVED AND ADOPTED by the City Council of the City of Yuba City at a regular meeting held on the 3rd day of May 2011.

AYES:

NOES:

ABSENT:

JOHN DUKES, MAYOR

ATTEST:

TERREL LOCKE, CITY CLERK

Exhibit B

Guidelines for the Submission and Tabulation of Protests

When notice of a public hearing with respect to a utility or other rate increase has been given by the City pursuant to Article XIII D, Section 6 of the California Constitution, the following shall apply:

Submission of Protests

1. Any property owner or utility customer may submit a written protest to the City Clerk, either by mail or delivery to the City Clerk's Office, 1201 Civic Center Blvd, Yuba City CA 95993 or by submitting the protest at the public hearing. Protests must be received by the end of the public hearing. No postmarks will be accepted.
2. Each protest must state that it is a protest (or indicate opposition to the proposed rates). If the City has given notices for public hearings regarding rates for both sewer and water service, and those hearing are to be held on the same date, then the protest may indicate whether it is made (i) with respect only to water rates, (ii) with respect only to sewer rates, or (iii) with respect to both water and sewer rates. If no limitation is indicated, the City will interpret the protest as covering all rates to be considered on the hearing date. Email or facsimile protests cannot be accepted. Although oral comments at the public hearing will not qualify as a formal protest unless accompanied by a written protest, the City Council welcomes input from the community during the public hearing on the proposed fees.
3. A protest by a property owner that is a trust must be signed by the Trustee and identified as such with the signature (i.e., John Smith, Trustee for Smith Family Trust). Protests by property owners that are corporations, partnerships, or similar entities must be signed by a person authorized to execute documents on behalf of the property owner.
4. If a parcel served by the City is owned by more than one record owner or more than one name appears on the City's records as the customer for the property, or the customer is not the record owner, each owner or customer may submit a protest, but only one protest will be counted per parcel and any one protest submitted in accordance with these rules will be sufficient to count as a protest for that property.
5. In order to be valid, a protest must bear date, designation of parcel address or parcel number, printed name, and original signature of the record owner or customer of record with respect to the property identified on the protest. The customer of record is the name of the person whose name is printed on the Utility Bills for the parcel. Except as set forth in paragraph 3 above protests not bearing the original signature of a record owner or customer of record shall not be counted. Protests which have been altered by someone other than the person who signed them shall not be counted.
6. Any person who submits a protest may withdraw it by submitting to the City Clerk a dated written request that the protest be withdrawn. The withdrawal of a protest shall contain sufficient information to identify the affected parcel and the name of the record owner or record customer who submitted both the protest and the request that it be withdrawn.
7. **A fee protest proceeding is not an election.**

8. To ensure transparency and accountability in the fee protest tabulation, protests shall constitute disclosable public records from and after the close of the public hearing. Records shall be maintained for three years and then may be destroyed.

Tabulation of Protests

1. The City Clerk, or designee, shall determine the validity of all protests. The City Clerk shall not accept as valid any protest if s/he determines that any of the following conditions exist:
 - a. The protest does not identify a property that will be subject to the proposed fees.
 - b. The protest does not bear an original signature of a record owner or identified as trustee of the parcel identified on the protest or of a record customer of that parcel.
 - c. The protest does not state its opposition to the proposed fees or is illegible.
 - d. The protest has been altered in any way by someone other than the person who signed it.
 - e. The protest was not received by the City Clerk before the close of the public hearing on the proposed fees.
 - f. A request to withdraw the protest was received by the City Clerk prior to the close of the public hearing on the proposed fees.
 - g. The protest or request for withdrawal is dated prior to the date of mailing of the notices of hearing on the proposed fees.
2. The City Clerk's decision that a protest is not valid shall constitute a final action of the City and shall not be subject to any internal appeal.
3. A majority protest exists if written protests are timely submitted and not withdrawn by the record owners, trustee, or customers with respect to, a majority (50.0% plus one) of the properties subject to the proposed fee. If both water and sewer rates are being considered, a separate determination will be made for with respect to each of these two types of rates.
4. At the conclusion of the public hearing, the City Clerk shall count all protests received, including those received during the public hearing, and shall report the results to the City Council upon completion. If review of the protests received demonstrates that the number received is manifestly less than one-half of the parcels served by the City with respect to the fee which is the subject of the protest, then the City Clerk may advise the Council of the absence of a majority protest without determining the validity of all protests.
5. If, at the conclusion of the public hearing, the Clerk determines that s/he will require additional time to count the protests, s/he shall so advise the Council, which may adjourn the meeting to allow the count to be completed on another day or days. If so, the Council shall declare the time and place of the count, which shall be conducted in a place where interested members of the public may observe the counting, and the Council shall declare the time at which its meeting shall be resumed to receive and act on the report of the Clerk.

Exhibit C

**Notice of Public Hearing
Proposed Water Rate Increase**

Notice is hereby given that a public hearing will be held by the City of Yuba City City Council to consider a proposed water rate increase.

The public hearing will be held on Tuesday, July 12, 2011, at 5:00 pm at the Council Chambers, City Hall, 1201 Civic Center Boulevard, Yuba City, CA. During the Proposition 218 protest hearing, the City Council will hear and consider any objections to the proposed water rate increase.

This notice is being sent to the record owners of parcels that receive water service from the City and existing customers who currently receive water service from the City.

The proposed rates are based upon the estimated cost to keep up with on-going operation and maintenance expenses, provide adequate debt service coverage for existing loans, and fund capitalization at a modest level to rehabilitate/replace deteriorating infrastructure. They are designed to ensure that each customer only pay their proportional share of the water system costs.

Proposed Water Rates

Each water customer pays a monthly rate, based on the size of their water meter, plus a “flow rate” for each hundred cubic feet (HCF) of metered water use above the baseline use that is included in the monthly rate.

Monthly Water Rates

Meter Size	Baseline HCF's	Existing Rate	2011/12	2012/13	2013/14	2014/15	2015/16
1"	15	\$17.36	\$18.25	\$19.39	\$20.35	\$20.98	\$21.59
1-1/2"	30	\$31.80	\$36.50	\$38.79	\$40.70	\$41.96	\$43.18
2"	60	\$101.76	\$73.00	\$77.58	\$81.40	\$83.93	\$86.37
3"	240	\$203.47	\$292.01	\$310.32	\$325.60	\$335.71	\$345.47
4"	480	\$382.16	\$584.01	\$620.64	\$651.20	\$671.42	\$690.95
6"	900	\$830.76	\$1,095.02	\$1,163.69	\$1,220.99	\$1,258.92	\$1,295.52
8"	2,100	\$1,302.12	\$2,555.05	\$2,715.28	\$2,848.98	\$2,937.48	\$3,022.89

Water Flow Rates

	Existing Rate	2011/12	2012/13	2013/14	2014/15	2015/16
Per Excess HCF	\$1.0851	\$1.21	\$1.28	\$1.34	\$1.39	\$1.43

If approved, the 2011/12 rates will go into effect 30 days after their adoption by ordinance of the City Council. Rates for subsequent years will go into effect automatically on October 1 of the year indicated.

Protest

You may submit a written protest against the proposed water rate increase with the City of Yuba City before the close of the public comment portion of the public hearing on July 12, 2011 at 5:00 pm. If written protests against the proposed water rate increase are filed by the record owners or customers of record with a respect to a majority of the parcels to which the proposed water rate increase applies, the rate increase will not be imposed. **Only one protest will be counted per parcel.**

A written protest may be submitted by a record owner or a customer of record and must (i) indicate opposition to the proposed rates, (ii) be signed and dated, and (iii) indicate the name of the person submitting the protest and the address or parcel number of the parcel for which the protest is submitted. Protests may be mailed or delivered to:

City of Yuba City
Proposed Utility Rate Increase Protest
City Clerk
1201 Civic Center Boulevard
Yuba City, CA 95993

Protests must be *received* by the City Clerk at this address *prior* to the public hearing. Protests may also be submitted to the City Clerk at the public hearing any time prior to the close of public input. Emailed or faxed protests cannot be accepted. Protests will be accepted and tabulated according to procedures adopted by the City Council, which are available for review at www.yubacity.net .

Exhibit C

Water Rate Study

YUBA COUNTY WATER AGENCY

MINUTES-REGULAR MEETING-BOARD OF DIRECTORS

JUNE 25, 2013

A regular meeting of the Board of Directors of the Yuba County Water Agency was held on the above date, commencing at 8:30 a.m. within the Yuba County Government Center, Marysville, California, with a quorum being present as follows: Directors Sid Muck, Andy Vasquez, John Nicoletti, Hal Stocker, Thomas "Tib" Belza, Roger Abe and Mary Jane Griego. Also present were General Manager Curt Aikens, Finance Manager Page Hensley and Assistant Secretary Jeanene Upton. Chairman Abe presided.

PUBLIC COMMENTS

No one from the public commented.

CONSENT ITEMS

Upon motion of Director Nicoletti, seconded by Director Vasquez, and unanimously carried, the Board approved the following:

- | | |
|---|--------------------------|
| 1. <u>Minutes</u> : Approval of the minutes from the regular meeting of May 28, 2013, as written. | APPROVE
MINUTES |
| 2. <u>General Fund Claims</u> : Approved the General Fund Claims. | APPROVE
GEN FUND |
| 3. <u>Operation and Maintenance Fund</u> : Approved the Operation and Maintenance Fund Claims. | APPROVE
O&M FUND |
| 4. <u>G.F. Hydro Fund</u> : Approved the G.F. Hydro Fund Claims | APPROVE GF
HYDRO FUND |

CANCEL JULY 2, 2013 BOARD WORKSHOP MEETING

Upon motion of Director Stocker, seconded by Director Muck, and unanimously carried, the Board approved cancelling the July 2, 2013 Board workshop meeting.

CANCEL
MEETING

BUDGET TRANSFER

Upon motion of Director Muck, seconded by Director Nicoletti, and unanimously carried, the Board approved of a budget transfer of \$455,000 from EAP Microwave Upgrade Project (\$230,000) and Microwave Upgrade Project (\$255,000) to Bullards Bar Grout Project.

APPROVE
BUDGET
TRANSFER

FISCAL YEAR 2013/2014 PROPOSED BUDGETS FOR GENERAL FUND
AND GF HYDRO FUND

Upon motion of Director Vasquez, seconded by Director Stocker, and unanimously carried, the Board approved of the fiscal year 2013/2014 proposed budgets for the General Fund and GF Hydro Fund.

APPROVE
BUDGETS

RESOLUTION IN SUPPORT OF JOHN COLEMAN

Upon motion of Director Nicoletti, seconded by Director Stocker, and unanimously carried, the Board adopted Resolution No. 2013-07, entitled “ A RESOLUTION OF THE BOARD OF DIRECTORS OF THE YUBA COUNTY WATER AGENCY IN SUPPORT OF JOHN COLEMAN AS A CANDIDATE FOR THE POSITION OF ACWA PRESIDENT”.

ADOPT
RESOLUTION
NO. 2013-07

OVERVIEW OF OBTAINING A NEW POWER PURCHASE CONTRACT
BY TOM JOHNSON

Mr. Tom Johnson, YCWA Consultant, gave the Board an overview on the Power Purchase Agreement Solicitation Process. The PowerPoint is attached as Exhibit A.
Mr. Johnson highlighted the following:

INFO ONLY

- California Energy Markets
- Current Power Purchase Agreement
- PPA Options
- Solicitation Process
- Tentative Schedule

Mr. Johnson answered questions from the Board.

Chairman Abe thanked Mr. Johnson for his presentation.

INTWEST CLAIM FOR 2013/2014 INSURANCE PREMIUM

Upon motion of Director Griego, seconded by Director Belza, and unanimously carried, the Board approved of the Interwest Insurance claim for 2013/2014 insurance premium (\$528,781) payable on July 1, 2013.

MANAGER’S REPORT

General Manager Curt Aikens reported the following:

Project Operations: The project continues to operate within requirements. The major challenge will be in scheduling the Colgate outages to accommodate the work that needs to be done.

Storage data are instantaneous values at the end of the period; flow data are average values for the period

<i>New Bullards Bar Reservoir</i>		
Elevation (Ft): 1,905.97	Flood Space Req'd (AF): 0	Critical Storage Line (AF): 898,000
Storage (AF): 745,059	Flood Space Avail (AF): 221,044	Target Storage Line (AF): 0
% Total Capacity: 77	Flood Space Req'd (%): 0	
% Usable Capacity: 70	Excess Flood Space (AF): 221,044	
<i>Englebright Reservoir</i>		
<i>Stream Flows</i>		
Englebright Outflow: 1,309	Marysville: 782	
Narrows 1 Generation: 64	North Irrig. Diversion: 474	
Narrows 2 Generation: 1,236	South Irrig. Total Flow: 199	
Spill: 0	Total Diversion: 673	

Colgate Unit 2: There are significant issues with this unit since the GE rewind job. The two major issues are the excessive brush wear and the low field pole resistance readings. Unit 2 was taken out of service for two days on June 17 for the 7th brush replacement since March. Normally the brush replacement occurs every 6 to 9 months. The excessive brush wear appears to have been triggered by out gassing from the field poles, which may be due to uncured epoxies from the field repairs of the poles performed by GE/Delta Star. The second and more significant issue is low field pole resistance. This is a critical issue because low resistance will trip the unit off line causing outages. Our view of the cause is the failure of the GE/Delta Sstar work to meet the contract specification of no gaps or voids in the epoxy pole coating. The carbon dust is entering these gaps and reducing the resistance. In place field pole cleaning is only marginally improving the resistance the poles. GE performed an onsite investigation and suggested that three field poles with extremely low resistance readings be pulled and refurbished. YCWA responded that all 40 poles need to be rehabilitated which is a several month major outage. We are continuing to work with PG&E and GE. PG&E contracted with GE to perform this work.

Colgate Unit 1: The outage that is scheduled late August through October will likely be delayed due to the European flooding that has stopped barge traffic on the rivers.

New Bullards Bar Dam Grout Curtain Repair: The Division Safety of Dam requested grouting of an additional hole to the four that were originally planned. This along with the increase in environmental permitting and video taping of the holes increases the cost of the work to about \$755,000. PG&E has approved a budget transfer for this work. Some leakage within concrete dams is normal and is measured at points throughout the dam to monitor performance of the dam. Over a period of time, the leakage at these five drain holes has increased relative to other drainage location measurements. This indicates deterioration of the grout curtain in these areas. The grout curtain works as a seal between the concrete and rock foundation of the dam which not only limits leakage but minimizes the up-lift pressure on the dam for stability.

The State Division of Safety of Dams has requested this work be performed in 2013. The lower than usual reservoir elevation expected during the fall of 2013 is a favorable condition to perform this work due to the reduced leakage flows. This work is targeted to begin approximately October 1.

NERC/WECC: A successful pre-audit meeting for YCWA's mock audit was held on June 13 to kick off a practice run. The auditors were extremely impressed by the Agency's commitment towards promoting a 'culture of compliance' evident by the site-wide training and Board member participation. The mock audit is being performed with all formalities of a true WECC audit so as to familiarize agency SMEs [Subject Matter Experts] with the audit data request and interview process. All program documents developed will be uploaded to an ftp website and audited remotely over the next two weeks. Audit results will be presented during the third week with associated penalty risk levels for all deficiencies observed. This audit is being performed to ensure we are compliant with the rules before registering.

Information Technology Support: Alliant Networking has opted to end their business association with YCWA because they are no longer able to provide the service we require. Alliant lost a key employee that they have not been able to replace. We have enjoyed a long and productive relationship with Alliant which has provided us guidance and support as we've grown from a few PCs and computer users to more than 50 email accounts and well over 150 PCs, laptops, servers, routers, switches, printers, and smart phones.

It is our very good fortune that Yuba County has graciously offered to provide IT support for the next several months as we develop a long term plan for IT service and support. YCWA and County staff are preparing an MOU to provide work station support for YCWA staff, as well as for our business network, peripherals, and smart phones. County staff has already spent many hours visiting YCWA facilities and working behind the scenes to prepare for the transition. We are also fortunate that Lee Gerney, whose network services we previously accessed through Alliant, has agreed to contract directly with YCWA to provide uninterrupted support for our plant networks which includes the specialized SCADA network. We sincerely appreciate the consideration and support provided to us by County management and staff.

River Management Symposium: The symposium was a great success. Chuck Bonham, California Department of Fish and Wildlife Director, provided very complimentary introductory remarks along with Felicia Marcus, Chair State Water Resources Control Board. We are scheduling an update for those Board members that were unable to attend.

Marysville Levee Improvements: We are encountering Corps delays and additional problems in obtaining credit. Col Leady's schedule was not met for Sacramento District work and we met with Col Leady to get this work back on track. He has made it one of his top ten items to pass on to the new Col that will arrive in July. Marysville Levee Commission is encountering some significant issues on developing language for the Project Partnership Agreement (PPA). The PPA overall defines the overall responsibilities of the non-federal partners in the levee construction work, which includes the State of California

and the Marysville Levee Commission. One significant issue is that the Corps wants to require Marysville to guarantee that TRLIA/RD 784 will perform the ongoing O&M and any levee rehab work in order to be eligible for credit. We are working with Col Leady and Marysville to work this and other issues. A second issue regards how the Corps will calculate the 5% cash requirement for the sponsors. The original thought is that it would be based upon the total cost of the Marysville construction project. Now there is discussion about the 5% being based upon Marysville and the cost of the levee reach providing the source of the credit or for the entire original Yuba Basin project which includes all of the TRLIA work on 784 levees. We are assisting the Marysville Levee Commission and the state on working out these issues.

Marysville AD Editorial: This editorial identified the need for Marysville levee improvements and advocated for additional federal government funding for levee improvements. Rich Golb and I are traveling to Washington, D.C. on July 23 to seek additional funding in the Corps work plan and to help out on the Marysville PPA issues. The District indicates a capability of \$7 million in FY 14. If this funding materializes and the credit issue is not worked out I will be recommending that YCWA grant the funds for any amount the MLC can't cover. If the full \$7 million is provided to the District the local share could be about \$800,000. It is critically important to keep the construction momentum going on this project for public safety.

DIRECTORS' COMMENTS AND REPORTS

Reports/Comments were received on the following:

Director Muck:

- Commented on an article in the Ag Alert Magazine regarding dam removal around Big Sur

Assistant Secretary suggested moving the July 23, 2013 Board meeting time to 1:00 p.m. to accommodate the Board's meeting schedule for that morning.

ADJOURNMENT

There being no further business to come before the Yuba County Water Agency, the meeting was adjourned at 9:23 a.m. by Chairman Abe.



Roger Abe, Chairman

ATTEST: Jeanene Upton
Assistant Secretary

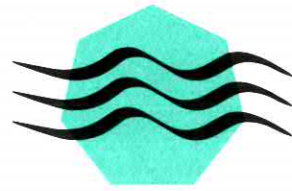


Jeanene Upton

Approved: July 23, 2013




YUBA
COUNTY



WATER
AGENCY

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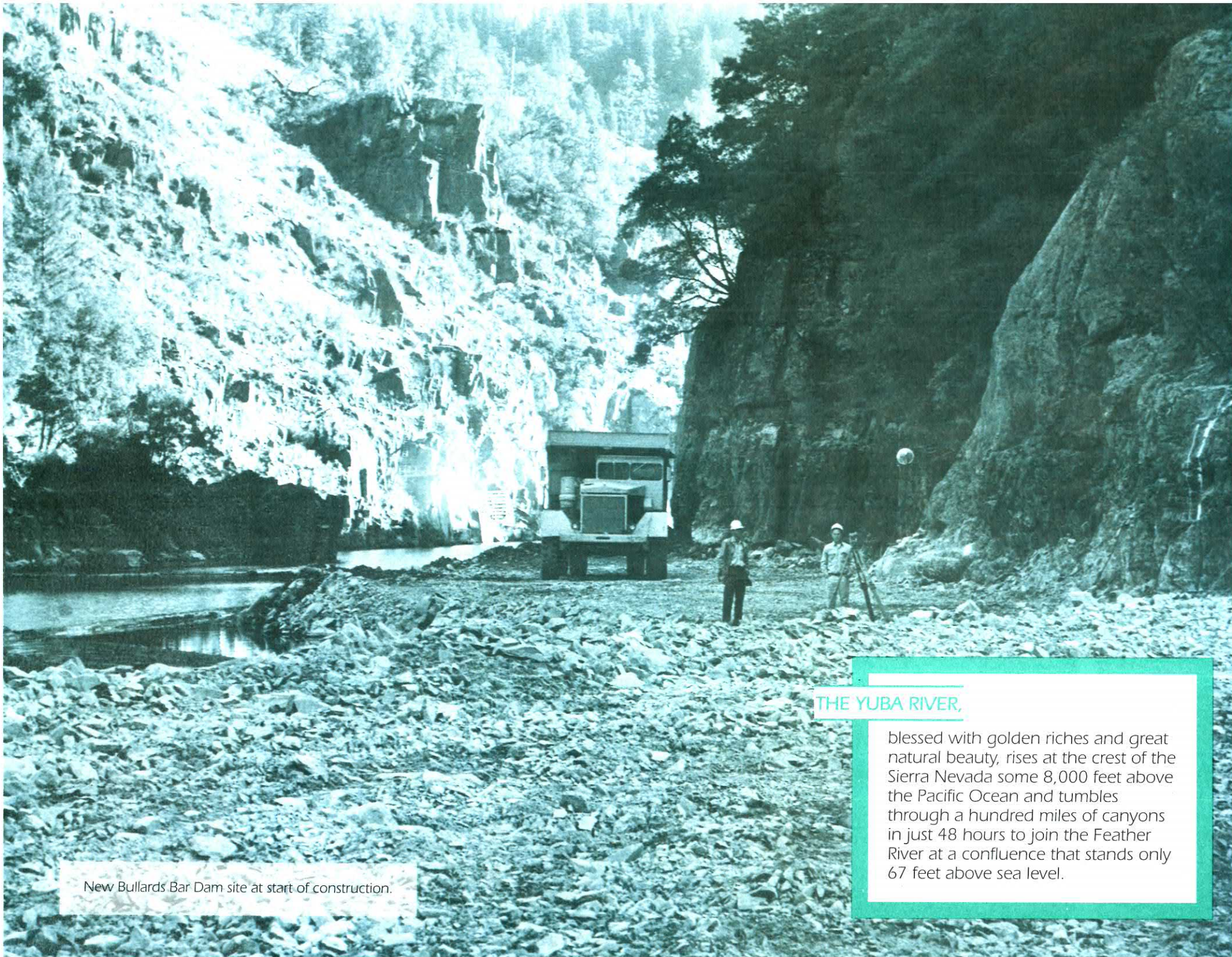
“A district hereinafter called an agency is hereby created for the purpose of accomplishing a function of statewide importance. Said agency shall be known as Yuba County Water Agency”

The agency shall have the power to control the flood and storm waters of the agency and the flood and storm waters of streams that have their sources outside of the agency, which streams and flood waters flow into the agency, and to conserve such waters for the beneficial and useful purposes of said agency”

“The agency shall have the power as limited in this act to do any and every lawful act necessary in order that sufficient water may be available for any present and future beneficial use”

“The Agency shall have the power to develop hydroelectric power to the extent that such power can be developed in connection with the construction and operation of its projects”

YUBA COUNTY WATER AGENCY ACT, Section 84 of the California Water Code Appendix



New Bullards Bar Dam site at start of construction.

THE YUBA RIVER,

blessed with golden riches and great natural beauty, rises at the crest of the Sierra Nevada some 8,000 feet above the Pacific Ocean and tumbles through a hundred miles of canyons in just 48 hours to join the Feather River at a confluence that stands only 67 feet above sea level.

It drains 1,357 square miles of a watershed never more than 35 miles wide.

Peaceful Indians harvested grapes among its willows and cottonwoods when Jedediah Smith guided the first party of white settlers into Northern California in 1828. It took on the name Yuba in 1844, either derived from the Spanish word "uvas" for grapes or the Indian tribal name "Juba," depending on whether you believe Gen. Mariano Vallejo or Capt. John Sutter.

From the days of Jonas Spect, a prospector who hit pay dirt in the river in the summer of 1848, it produced the greatest lode of gold of any stream in the United States.

By the turn of the century panning was no longer profitable, placer mining had displaced the prospector and silt was clogging the channel from Smartville to Marysville. Even as the gold hunt flourished, enterprising men created farms on the fertile valley floor and were tapping the Yuba for an even richer lode of irrigation water to flood their fields and streams.

As early as 1875, levees were rising to protect against the winter flow in farm country and Marysville was beginning to surround itself with dikes that now stand 35 feet above its urban streets.

Old Bullards Bar dam was built between 1922 and 1924 by the Yuba River Power Company and, downstream, the Federal Government created, just prior to World War II, the debris dam at the Narrows and Englebright Reservoir.

But even the checking of the river mining debris and the erection of small dams did little to safeguard against the terrible temper of the Yuba River in full flow.

There have been ten major floods on the Yuba during this century. In 1950 the Yuba cut through its banks at Hammonton and inundated southern Yuba County, causing millions of dollars in damage.

Then in 1955 as every watershed in California was hit by tropical storms, the Yuba became a ravaging torrent that choked its mountain channel, poured over the dams at Bullards Bar and Englebright Reservoir and ripped into the valley.

The 1955 Yuba River flood came within inches of flooding Marysville, wreaked havoc in Yuba City, killed 40 people, forced almost 30,000 people to flee the county, and reinforced the contention that there was an urgent need for a major water program.





Cleaning the foundation
for New Bullards Bar Dam

FORTITUDE PREVAILS

The history of the Yuba County Water Agency and its Yuba River Development Project is the story of people overcoming engineering, financial and political obstacles that would have deterred most. These people, however, were visionaries who had the courage, tenacity, ingenuity, and perseverance to stay the course regardless of the long odds or the obstacles. They overcame them all in order to harness a river that had time and again destroyed lives, homes and crops.

For over 100 years, the people of Yuba and Sutter counties had braced for battle against the rivers which provided them with the essence of their agricultural economy but which also in high water years loomed as enemies that would destroy their industry, wipe out their homes and take their lives.

Before the great flood of 1955, the state had started planning its California Water Project which would build Oroville Dam on the Feather River. But there was no project in State or Federal planning that would control the Yuba River.

Since the wake of the 1950 flood that had raced through Linda and Olivehurst, south of the Yuba River, there had been men at work in Yuba County on a water program that would control the Yuba River against disastrous floods and develop water resources for farmers who were pushing their wells ever deeper into dwindling underground reservoirs. The population of Yuba County, and Sutter County as well, had been growing steadily since World War II and the flood of 1950 had emphasized the danger to lives as more suburban home sites developed.

Led by Harold J. Sperbeck, the Yuba County Board of Supervisors created in December 1951 the Yuba County Water Resources Board.

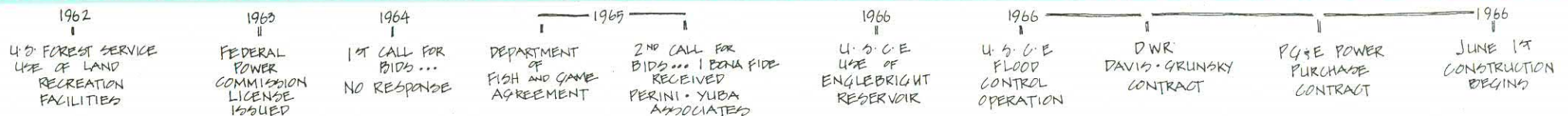
The board had been able to do little more than evolve preliminary plans, locate water rights and help the component water districts until after the 1955 flood.

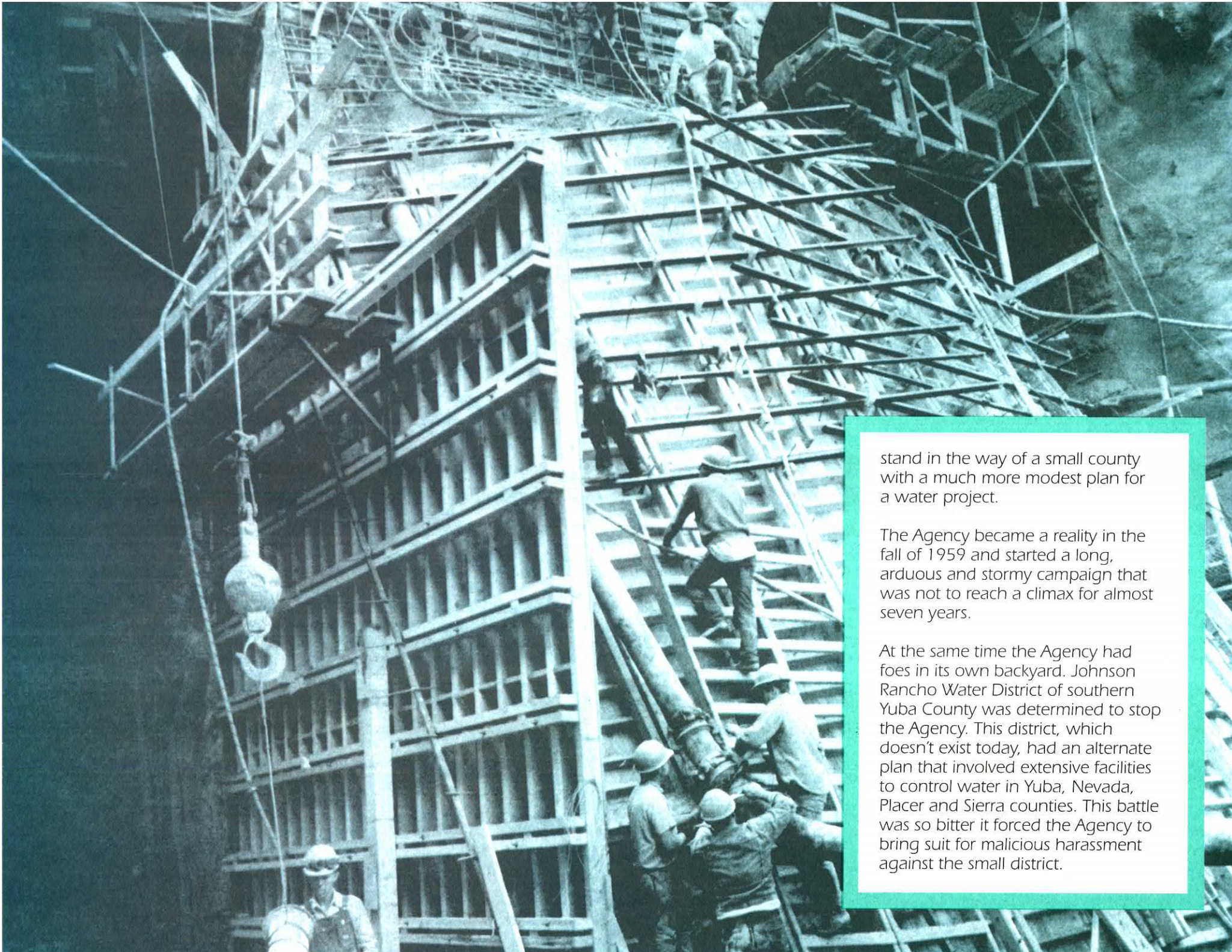
The first problem that had to be resolved was the creation of an effective water agency that could take firm action to develop the Yuba River Project. Over a three-year period, a community battle raged over how to create an agency and how it should be governed.

In January of 1959, Yuba County went to the State Legislature through Assemblyman Harold T. Sedgwick, with a bill to create a water agency, which was almost lost in committee.

Then it was debated on the Assembly floor for longer than the state bond bill authorizing Governor Brown's big dream—the California Water Project. A similar battle took place in the Senate, and lobbying against the bill went on in the governor's office right up until the time Brown signed it on June 1, 1959.

No one in Yuba County realized it at the time, but the election of Edmund G. (Pat) Brown as governor of California in 1958 probably helped the county get its water agency approved. Brown brought to the governor's office a near religious fervor about building the massive state water project. With such grandiose plans in mind Brown could hardly





stand in the way of a small county with a much more modest plan for a water project.

The Agency became a reality in the fall of 1959 and started a long, arduous and stormy campaign that was not to reach a climax for almost seven years.

At the same time the Agency had foes in its own backyard. Johnson Rancho Water District of southern Yuba County was determined to stop the Agency. This district, which doesn't exist today, had an alternate plan that involved extensive facilities to control water in Yuba, Nevada, Placer and Sierra counties. This battle was so bitter it forced the Agency to bring suit for malicious harassment against the small district.

The Agency employed International Engineering Co. of San Francisco, one of the leading engineering firms in the world, to make a feasibility study and, in January of 1961, they filed a report outlining Yuba River development that would cost approximately \$185 million.

Key concepts of the Project were: development of sufficient hydroelectric power to repay bond financing, without any tax obligation on the part of local landowners; and a long term contract for sale of power to Pacific Gas & Electric Co. at a guaranteed annual payment, which would be the sole security for the bond issue. In addition, some help was sought for a Federal contribution in recognition of Project flood control accomplishments, and a state contribution in recognition of statewide benefits to recreation and fish enhancement.

Even so, the project posed a financial chore beyond all other obstacles that would have tried the resources of a state government, no less that of a county which was rich in history but short on financial assets.

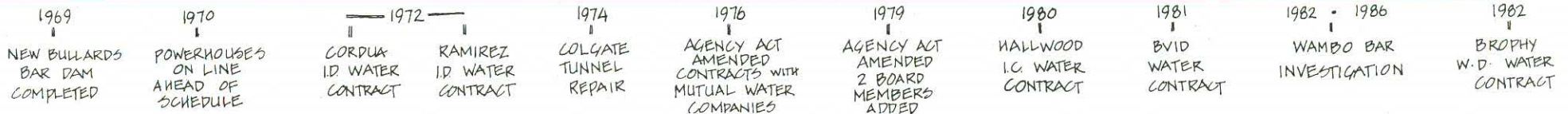
In fact, at this point in its history, the Agency had exhausted its funds. It had committed several years of tax revenues to a loan from the county general fund that was needed to pay engineering costs.

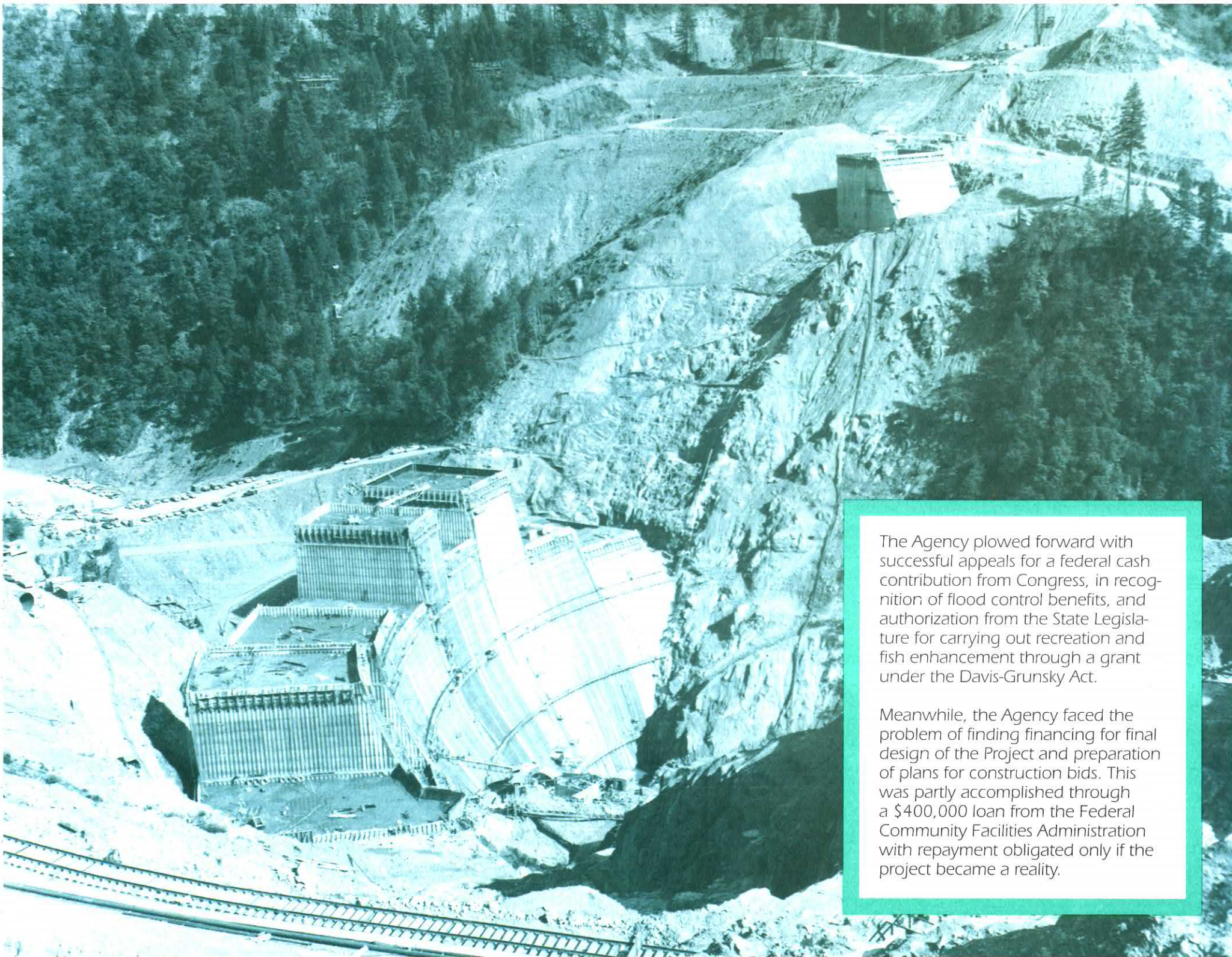
Few people in local, state or federal water bureaus believed that Yuba, one of the state's smaller counties with an assessed valuation of only \$65 million, could develop a project that carried a price tag of almost \$200 million.

Once again, the Agency proved everyone wrong.

When the ballots were counted on May 16, 1961, Yuba County voters had approved, by an 11-1 margin, the \$185 million in revenue bonds needed to fund the project. This was almost three times the total county assessment at that time. Still the Agency faced some complex political maneuvers that had to be carried out despite its lack of political muscle at either the state or federal level.

The Federal Power Commission required a construction license. This license required: an agreement with the U. S. Forest Service, which controls Plumas and Tahoe Forests on the Yuba watershed to insure protection of the forest lands; a recreation plan acceptable to the Forest Service; a Fire Control Plan; a negotiated agreement with the California Department of Fish and Game that would provide fish protection and enhancement, and an agreement with the U. S. Bureau of Reclamation and the State of California for future downstream development.





The Agency plowed forward with successful appeals for a federal cash contribution from Congress, in recognition of flood control benefits, and authorization from the State Legislature for carrying out recreation and fish enhancement through a grant under the Davis-Grunsky Act.

Meanwhile, the Agency faced the problem of finding financing for final design of the Project and preparation of plans for construction bids. This was partly accomplished through a \$400,000 loan from the Federal Community Facilities Administration with repayment obligated only if the project became a reality.

Finally, there were the complicated negotiations with Pacific Gas & Electric Co. for a 50-year contract for the sale of power that would finance the revenue bonds and to acquire the existing power generating plants that PG&E had long been operating at the old Bullards Bar Dam and downstream at Colgate.

Final designs were prepared and by the summer of 1964 the Agency could look at the framework of its Project.

A decision was made to call for bids to get construction under way before a lethargic bond market and a depression in the price of power put it out of business.

The bid opening in September of 1964 elicited considerable interest on the part of several contractors, but in the end they declined to bid—"too many contingencies and not enough money" was the consensus.

After an agonizing reappraisal by the Agency and its engineers, a revised plan was developed to produce more power, more efficiently by eliminating the proposed New Bullards Bar Power Plant and by replacing the old PG&E Colgate Power Plant and tunnel with larger facilities. To save additional money the irrigation diversion dam and canals, the New Narrows afterbay, and other project amenities were eliminated. Irrigation diversions and the

canals would be left for a later stage of construction.

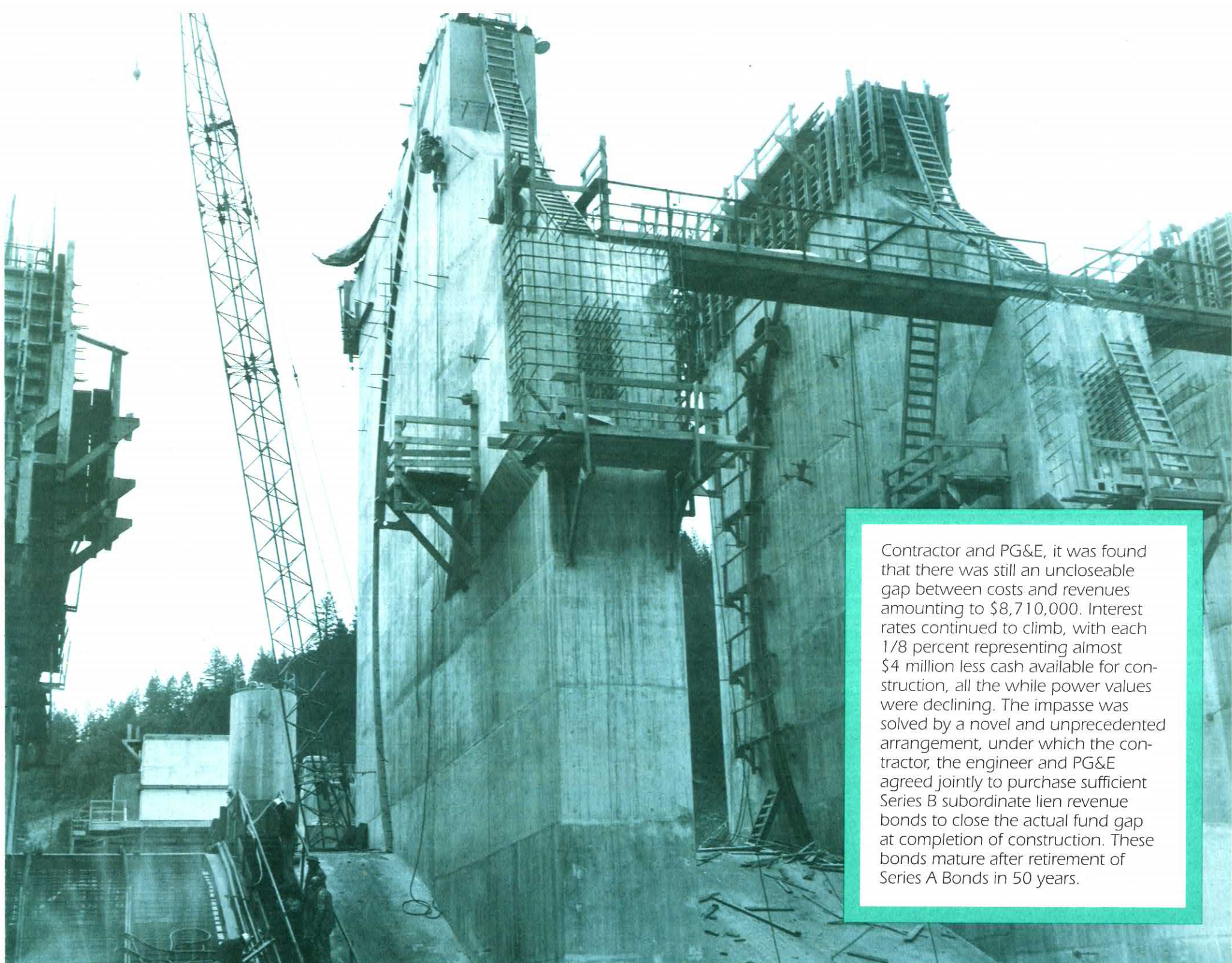
Bids were called for again, in December of 1965, and this time all the necessary contracts, licenses and permits were accomplished facts. Costs had continued to climb sharply since the fall of 1964 and power values continued to fall and, shortly before the bid date, the bond market interest rates rose more than one percent. The Agency received two sealed packages in response to its invitation for bids. One was not a bid, but a substitute proposal for a negotiated cost plus "target estimate" contract.

The other was a bona fide bid, some \$26,000,000 higher than the estimated funds available, from a contracting combine called Perini-Yuba Associates.

Upon finding that the bidding contractor was willing to negotiate a contract, Agency officials obtained the cooperation of the Governor in a special call to the Legislature and, as interest rates continued to climb, were granted legislative authority to execute a negotiated contract with the bidder for the largest single public works contract ever awarded in California.

After intensive negotiation, involving concessions on the part of the Agency, as well as the





Contractor and PG&E, it was found that there was still an unclosable gap between costs and revenues amounting to \$8,710,000. Interest rates continued to climb, with each 1/8 percent representing almost \$4 million less cash available for construction, all the while power values were declining. The impasse was solved by a novel and unprecedented arrangement, under which the contractor, the engineer and PG&E agreed jointly to purchase sufficient Series B subordinate lien revenue bonds to close the actual fund gap at completion of construction. These bonds mature after retirement of Series A Bonds in 50 years.

The Series A Bonds were sold to a single bidder May 24, 1966—Blyth & Co. and Smith-Barney Inc. of San Francisco. It appears in retrospect that there were only a very few days when market conditions were such that this issue could have been absorbed. On June 1, 1966, the money and bonds were delivered, and a unique construction project was under way.

BUILDING A PROJECT

The construction was undertaken by Perini-Yuba Associates. They would hire up to 3,000 workers, hailing from every state in the United States. A score of local firms including H. Earl Parker, Baldwin Contracting Co. and Tenco made major contributions to the development.

The task before them was monumental and the time line was set by the contract, which stated "the project must be completed and operational four years and one month from the starting date".

The challenges lay in the geography of the land where the construction was to take place—steep, rocky canyons accessible only by narrow roads located miles from any large city—and weather in the form of torrential rains that could wipe out months of excavation work in a few hours. Both could cause delays, which no one could afford.

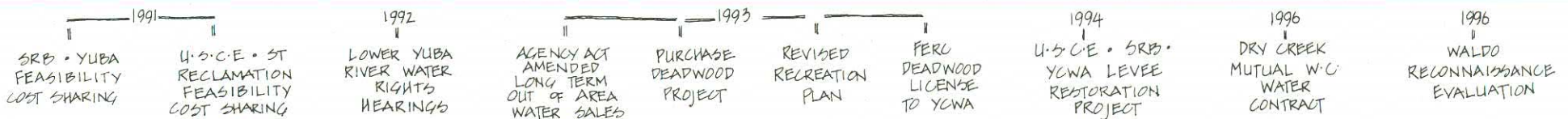
The Agency and the contractor knew that lives, homes and businesses would be lost if the project wasn't completed before the Yuba rose up again.

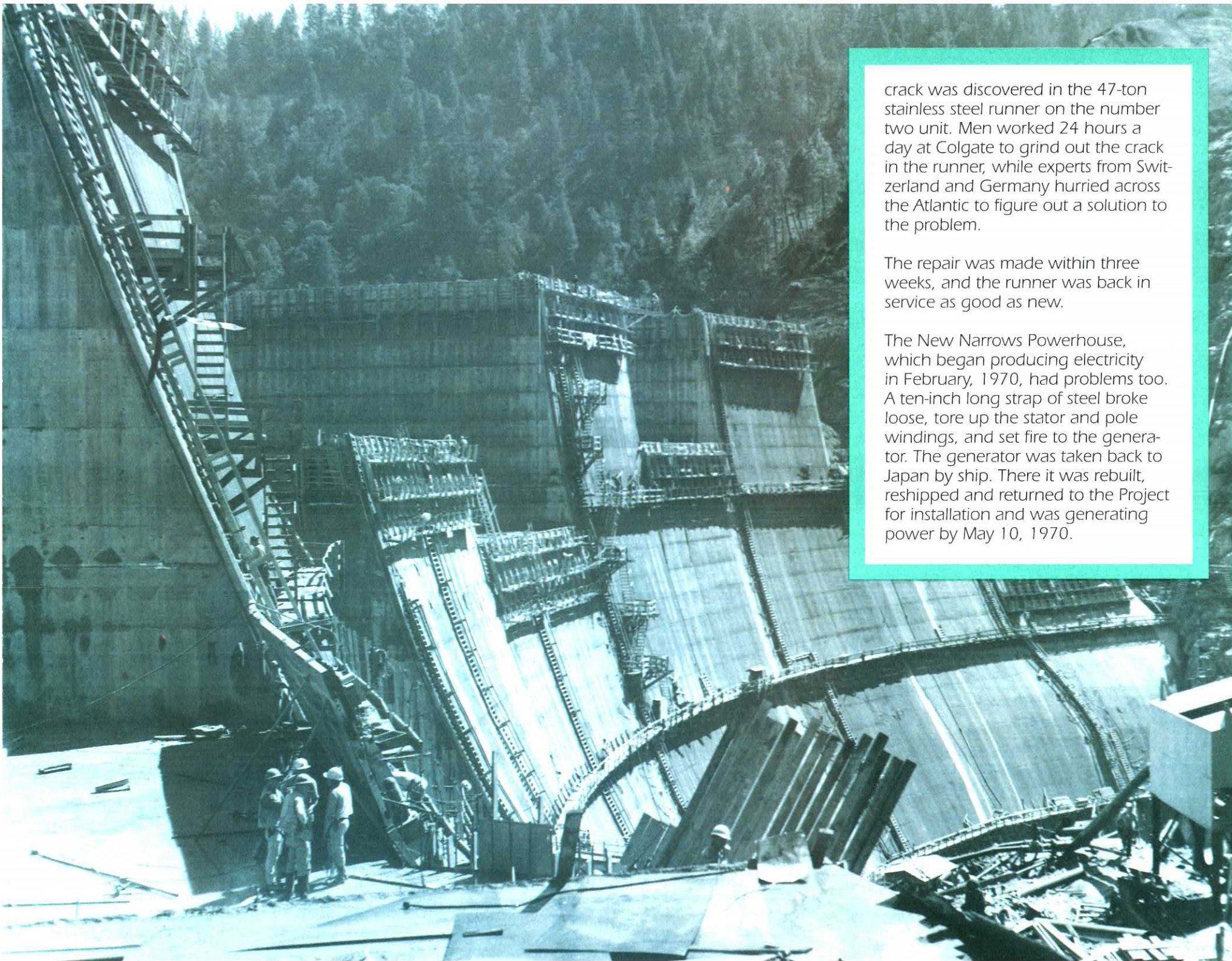
A half-mile of vapor lights strung across the canyon allowed shifts of men to work 24 hours a day for more than two years. Day in and day out concrete was continuously placed 20 hours a day.

In January 1969, a storm hit that produced a historic runoff on the river. Engineers had foreseen such an event and had required the center block of the dam be left lower to handle the Yuba. The waterfall that spilled over that center block was spectacular; even in its unfinished state the new dam had kept the Yuba from turning deadly and destructive.

By the end of 1969 the project was moving toward completion. New Bullards Bar Dam was completed and water was being stored in the new reservoir.

In early 1970 the New Colgate Powerhouse, which contained two of the largest turbines of their kind ever built, was ready for trial tests to produce electricity. The 1300-foot drop of water from behind New Bullards Bar Dam boosted the force of the water at each turbine to the equivalent of 212,000 horsepower. But within a month it was shut down when a





crack was discovered in the 47-ton stainless steel runner on the number two unit. Men worked 24 hours a day at Colgate to grind out the crack in the runner, while experts from Switzerland and Germany hurried across the Atlantic to figure out a solution to the problem.

The repair was made within three weeks, and the runner was back in service as good as new.

The New Narrows Powerhouse, which began producing electricity in February, 1970, had problems too. A ten-inch long strap of steel broke loose, tore up the stator and pole windings, and set fire to the generator. The generator was taken back to Japan by ship. There it was rebuilt, reshipped and returned to the Project for installation and was generating power by May 10, 1970.

A large, complex industrial turbine, specifically a Pelton wheel, is shown in a dark, industrial setting. The turbine consists of a large, circular wheel with many curved, bucket-like segments around its perimeter. A person in a white lab coat stands next to the turbine for scale, with one arm raised. The lighting is dramatic, highlighting the metallic surfaces of the turbine.

So in the beginning there was the Yuba River, blessed in freshet and damned in torrent—and a band of determined men.

They worked in tiny committees. They rallied the backing of a community. They faced the U. S. Congress and the State Legislature. They pleaded before commissions and courts. They drudged over drawing boards and poured through law books. They dickered with bankers and reached into the executive suites of great corporations. They labored in winter storms and sweated in summer heat. They wept with frustration and cheered with victory.

And in the end they were Builders. Creators of a Project that tamed a river, that offered new water resources, that multiplied useful energy, that opened a new area of recreation and that protected their homes and the homes of their children.

One of two 18 ft. diameter Pelton Wheels at New Colgate Powerhouse. These are the largest of their kind ever built.

THE WATER'S JOURNEY

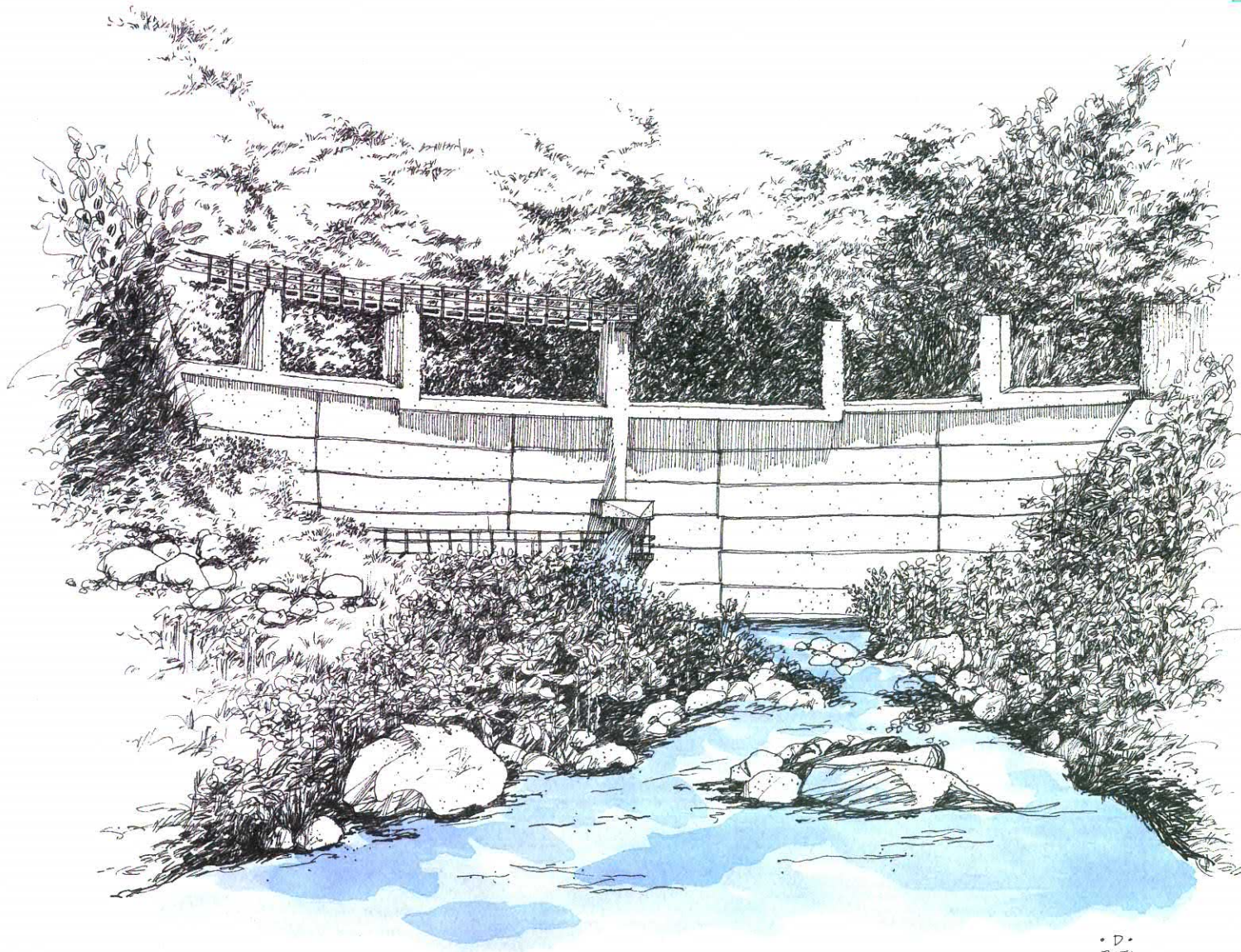
The Yuba begins as three rivers: North, Middle and South. In total they gather water from 1,357 square miles of watershed, which is never more than 35 miles wide at any one point. Jagged, rocky ridges separate the rivers for much of their journeys.

Agreements with local, state and federal agencies determine how much of the water will stay in the rivers' natural channels and how much will be diverted for a variety of beneficial uses.

Entities such as Nevada and Oroville-Wyandotte Irrigation Districts, Pacific Gas & Electric Company and individual water rights holders divert water from the Yuba River for their needs, both within and outside the Yuba watershed, before it ever reaches Y.C.W.A.'s facilities. Through their tunnels and canals Yuba River water is taken to the Feather, Bear and American Rivers.

North Yuba

The North Yuba starts its trek to the valley below at Yuba Pass, elevation 6,701 feet, near State Highway 49 in Sierra County. The river journeys in tandem with the state highway as far as Downieville where it leaves the road and flows westward to the New Bullards Bar Reservoir.



OUR HOUSE DAM

Diverts Middle Yuba water through Lohman Ridge Tunnel to Log Cabin Dam

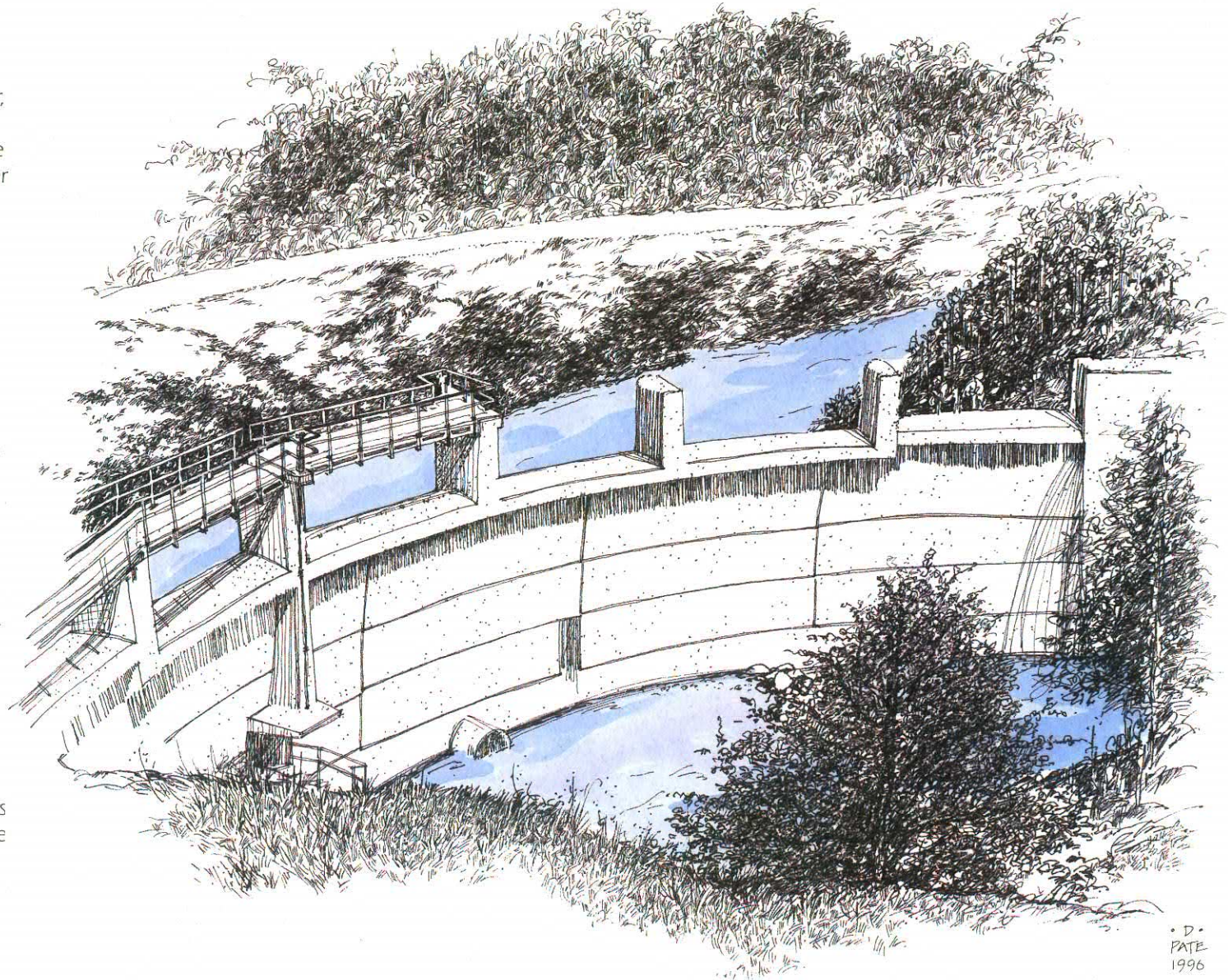
Middle Yuba

The Middle Yuba is born from snow runoff and rainwater gathered at Jackson Meadows Reservoir in Sierra County. It meanders and roars, depending on the season of the year, through narrow, steep canyons until it gets to the 75 foot high Our House Dam, southwest of Camptonville near the Sierra/Nevada County line.

Just upstream from the dam water is diverted into a 3.8 mile long tunnel that carries it to Oregon Creek near Camptonville. How much water can be diverted by the Agency is spelled out in two agreements:

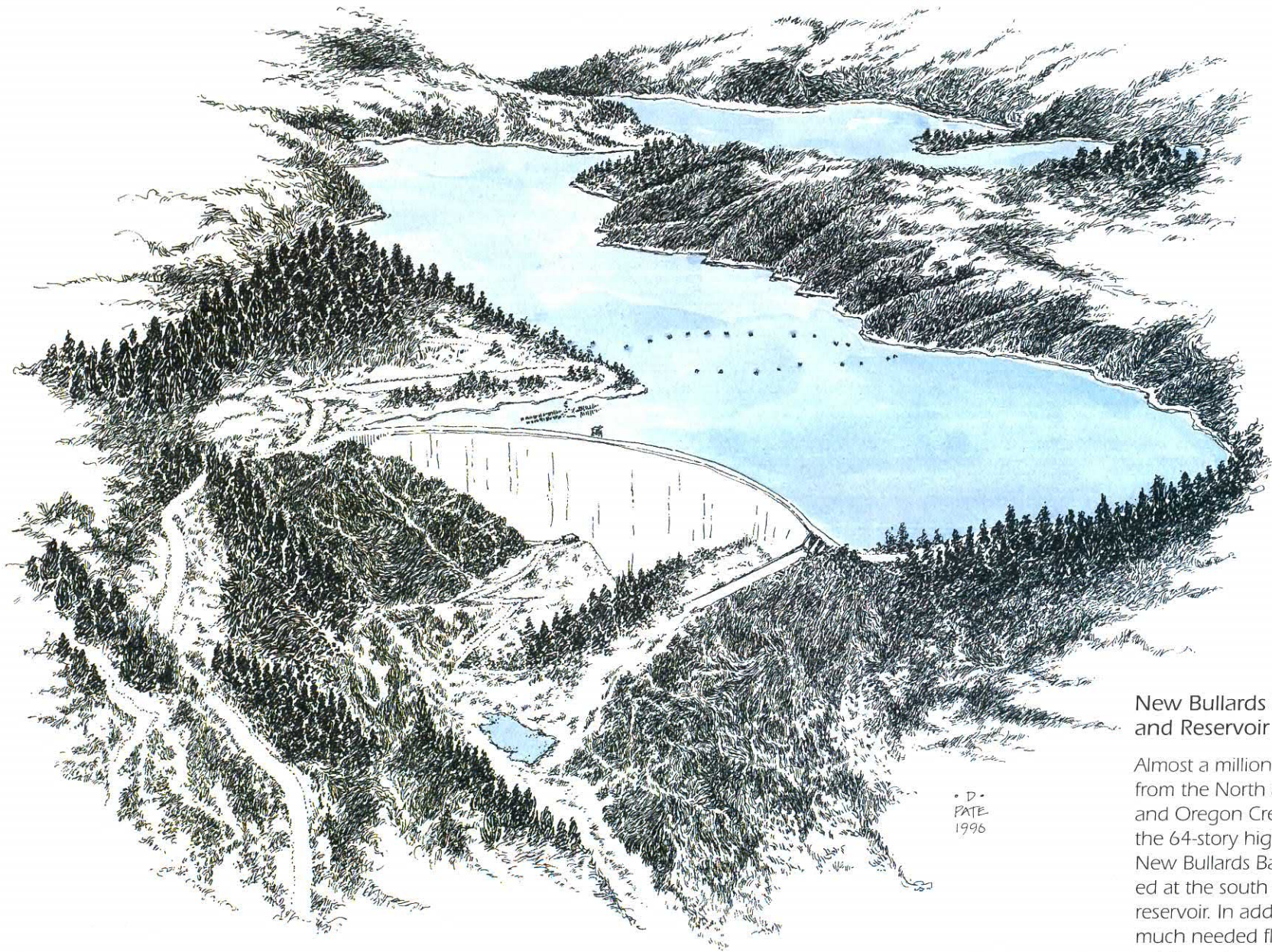
- the Federal Energy Regulatory Commission (FERC) Project License and
- an agreement with the California Department of Fish and Game (CDF&G).

Emerging from the 3.8 mile long tunnel, Middle Yuba water flows into Oregon Creek where it travels a short distance to another dam, which is called Log Cabin. Just upstream from that 55-foot high dam Middle Yuba and Oregon Creek water is diverted into a 1.2 mile long tunnel that carries it to New Bullards Bar Reservoir where it joins water from the North Yuba. At the New Bullards Bar Dam water is released into a 4.7 mile long tunnel that carries it to the mammoth turbines that generate electricity at the New Colgate Powerhouse.



LOG CABIN DAM

Diverts Oregon Creek and Middle Yuba water through Camptonville Tunnel to New Bullards Bar Reservoir



New Bullards Bar Dam and Reservoir

Almost a million acre feet of water from the North and Middle Yuba River and Oregon Creek are stored behind the 64-story high, 2,323 foot long New Bullards Bar Dam, which is located at the south end of a 16 mile long reservoir. In addition to providing much needed flood control, the reservoir is a prime recreation area and stores water for crop irrigation and energy generation, and influences downstream river temperatures for fishery enhancement.

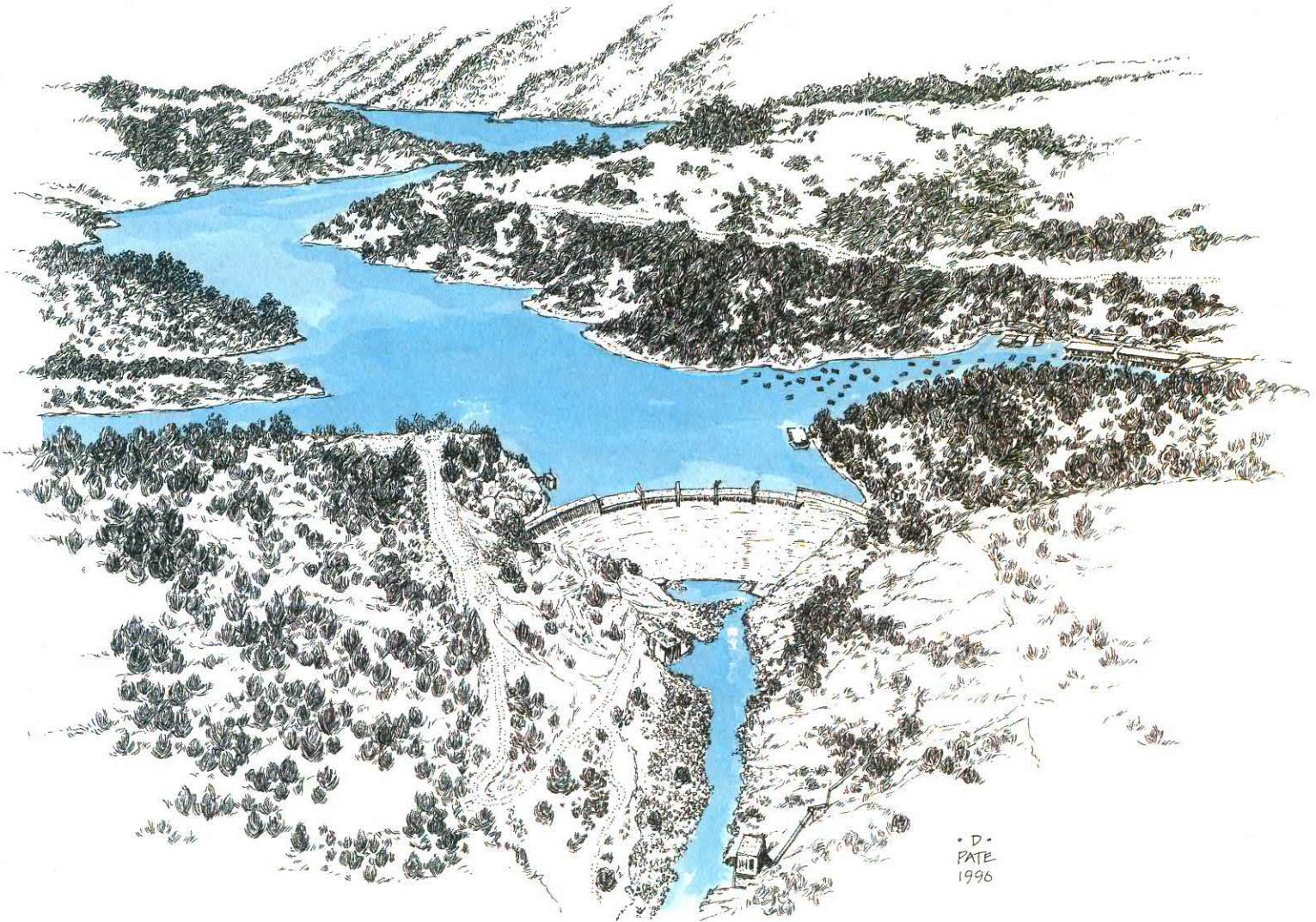
NEW BULLARDS BAR DAM AND RESERVOIR

South Yuba

The South Yuba comes to life at 9,000 feet in Placer County near Castle Peak and Donner Lake. As you drive east or west on Interstate 80 between Emigrant Gap and Donner Pass you can catch glimpses of this pristine waterway on its journey to Englebright Reservoir and the main stem of the Yuba River many miles away. Dozens of creeks large and small flow into the South Yuba as it moves downhill through Placer and Nevada Counties to Yuba County near the old townsite of Bridgeport.

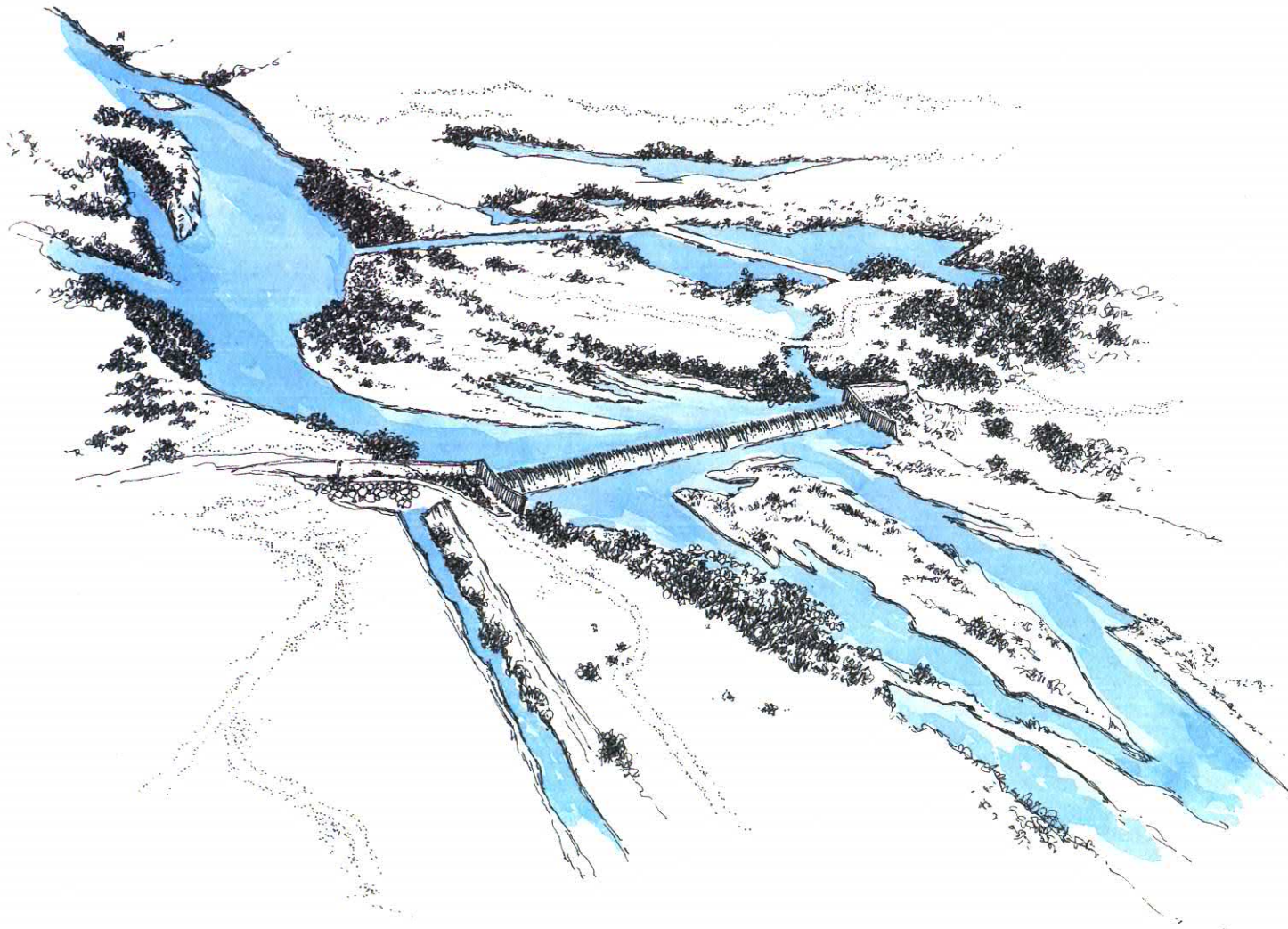
A few miles from Bridgeport the South Yuba joins its siblings—the North and the Middle—and flows into Englebright Reservoir, at a location 3.3 miles downstream from the New Colgate Powerhouse.

Englebright Dam, which is about 10 miles downstream of New Colgate Powerhouse, was built in 1941 by the U.S. Army Corps of Engineers. It was designed to keep upstream hydraulic gold mining debris out of the lower parts of the river. But by the time the dam was completed, World War II had put a stop to gold mining. Two tunnels at the dam move water to the turbines that generate electricity in the PG&E owned and operated Narrows 1 Powerhouse and the Yuba County Water Agency owned and operated Narrows 2 Powerhouse. The two powerhouses are located on opposite sides of the river.



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1996

U.S.C.E ENGELBRIGHT DAM AND RESERVOIR



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U.S.C.E. DAGUERRA POINT DAM

Yuba River

The combined water of the three rivers enters the 6,500 acre Yuba Goldfields a few miles above the Daguerra Point Dam, which is 12.3 miles below the Englebright Dam. In bygone days as many as 12 large bucket type dredges at a time crawled across the goldfields unearthing riches for some and then leaving behind mountains of some of the best aggregate in the country. Now just one dredge is active, the other floats amid the rocky landscape in a land-locked pond like a rusting metal ghost of California's historic past.

Daguerra Point Dam, originally constructed in 1906, was created to keep hydraulic gold mining debris from moving down the river where it would raise the river beds and further increase flood dangers. But now it is the primary diversion point for water to enter canals connected to irrigation districts located north and south of the river. There are fish ladders on both sides of the dam to help spawning salmon on their journey up the Yuba.

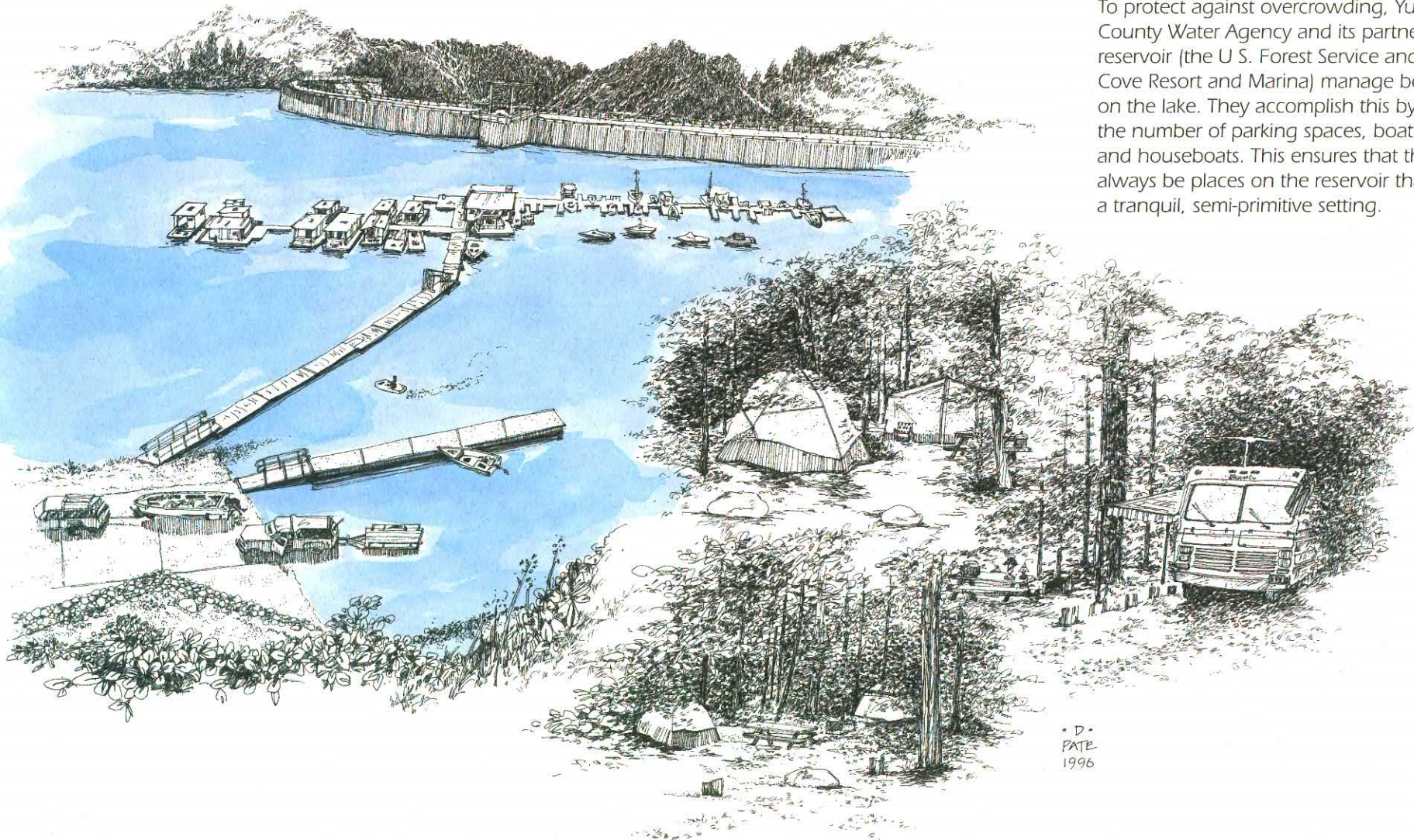
Miles downstream of Daguerra Point Dam the river flows past Marysville to a point where it joins the Feather River.

The high country water and melted snow that feed the Yuba are carried by the Feather River and finally the Sacramento River to the Delta where some is diverted onto Delta islands to irrigate crops and some is diverted by the giant state and federal pumps for irrigation and municipal supplies for the San Joaquin Valley and Southern California. The remainder then flows on to the Pacific Ocean through San Francisco Bay.

Recreation

The New Bullards Bar Reservoir has 55 miles of beautiful shoreline, most of it located in the Plumas and Tahoe National Forests. It offers opportunities to picnic, swim, water ski, fish, camp, hike, boat, mountain bike or cruise the reservoir aboard a fully-equipped houseboat.

To protect against overcrowding, Yuba County Water Agency and its partners at the reservoir (the U.S. Forest Service and Emerald Cove Resort and Marina) manage boat traffic on the lake. They accomplish this by limiting the number of parking spaces, boat launches and houseboats. This ensures that there will always be places on the reservoir that retain a tranquil, semi-primitive setting.



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NEW BULLARDS BAR RECREATION OPPORTUNITIES

HYDROELECTRIC POWER

The Agency's power purchase contract with PG&E insures the repayment of the project bonds and provides funds for operation and maintenance, with the exception of recreation.

Yuba County Water Agency owns four powerhouses on the Yuba River watershed:

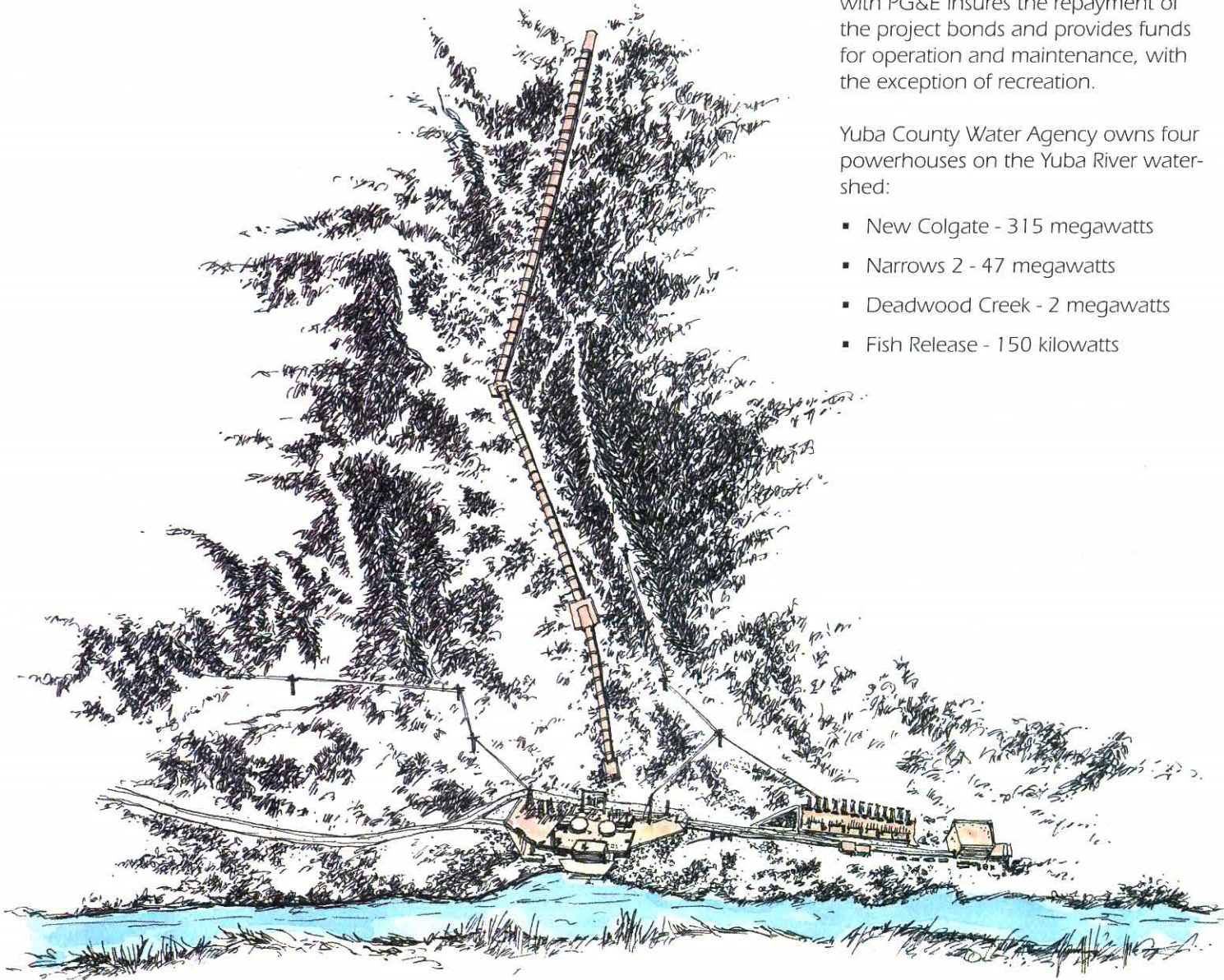
- New Colgate - 315 megawatts
- Narrows 2 - 47 megawatts
- Deadwood Creek - 2 megawatts
- Fish Release - 150 kilowatts

New Colgate Powerhouse provides more energy than any other hydroelectric facility supplying power directly to PG&E. The Colgate turbines are the largest of their kind ever built. Water carried nearly five miles from the New Bullards Bar Reservoir travels through a 26-foot-diameter tunnel, then plunges down a 15 foot diameter penstock to drive the two turbines which produce a total of 315 megawatts of electricity. That's enough electricity for a city of 350,000 people.

Narrows 2 Powerhouse, located just downstream of Englebright Dam, gets the water to drive its turbine from Englebright reservoir. Narrows 2 supplements the smaller PG&E Narrows Powerhouse, which is visible on the other side of the river and accessible only by a short, very steep funicular railway.

The Fish Release Powerhouse is so named because it generates power from the water released at the base of the New Bullards Bar Dam for fishery maintenance on the river. This facility was added by the Agency in 1986. If there is a power outage at the dam, this tiny powerhouse can be used to operate the massive spillway gates of the New Bullards Bar Dam.

Deadwood Creek Powerhouse is the most recent addition to the Agency's power producing capability. Located at the upper end of the New Bullards Bar Reservoir, it is accessible only by boat or hiking trail. It went into service in 1993, after the Agency bought the uncompleted project from creditors who had taken it over when earlier companies failed to complete construction.



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COLGATE POWERHOUSE AND PENSTOCK

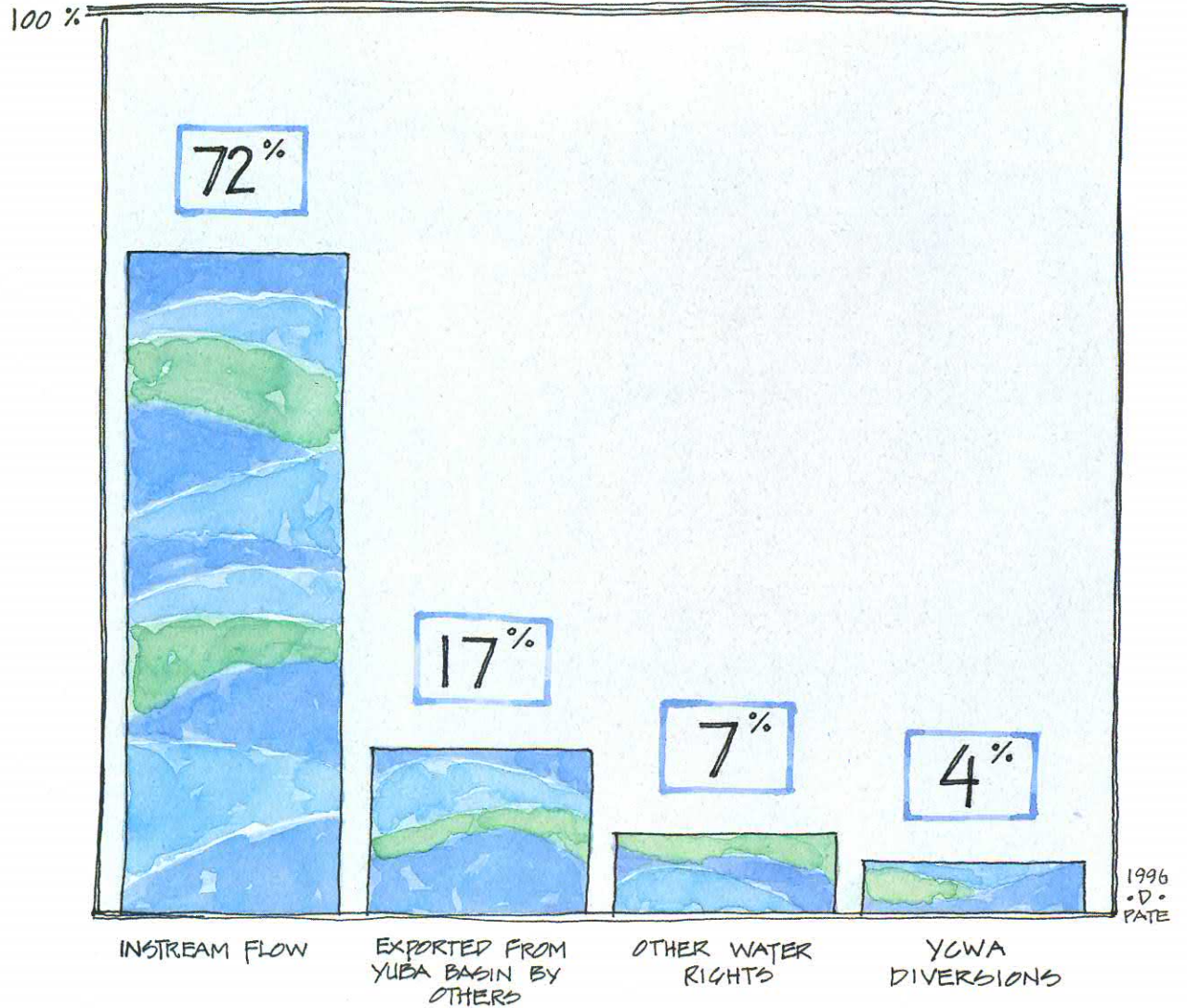
HOW THE YUBA RIVER WATER SUPPLY IS USED

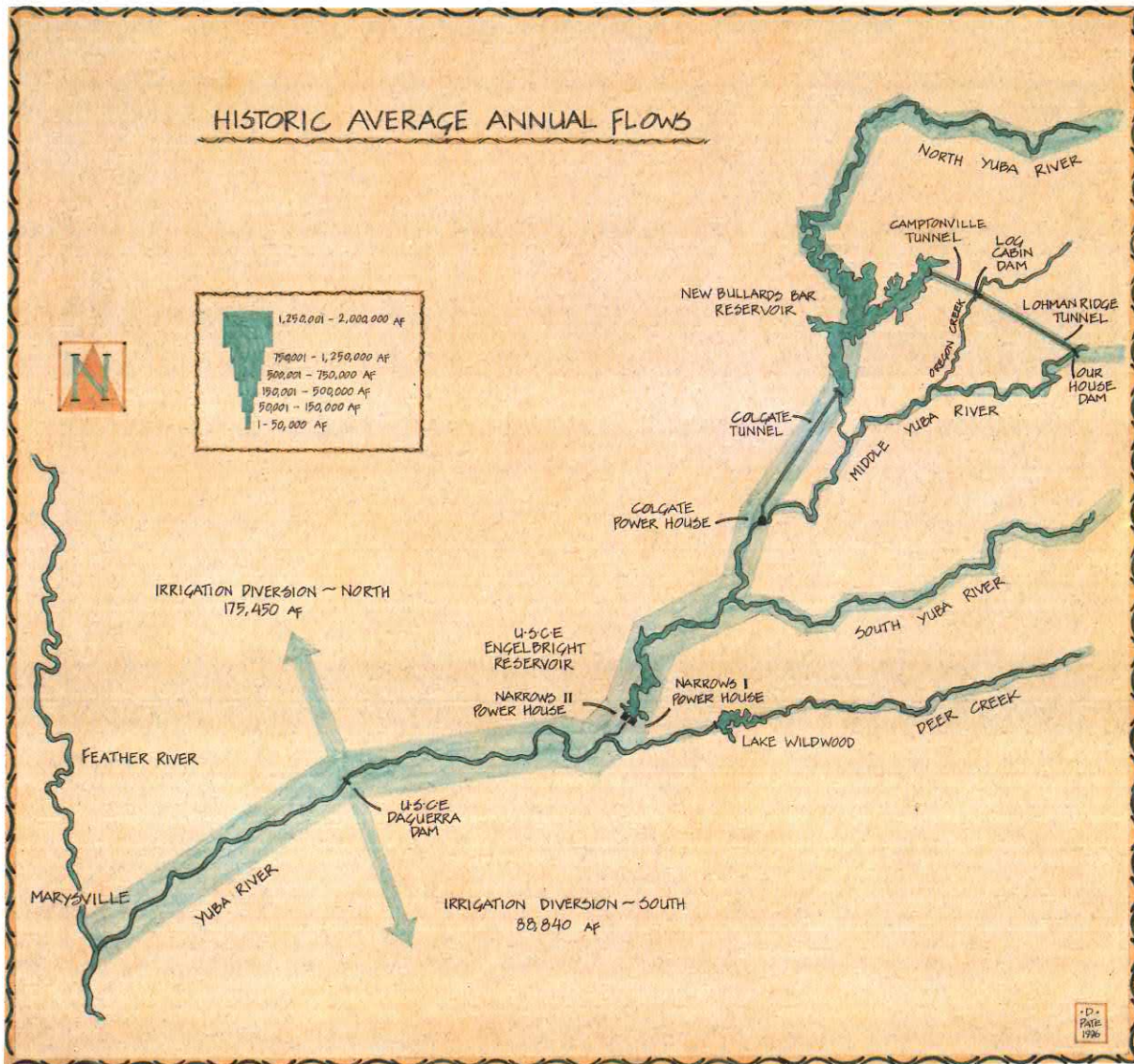
WATER SUPPLY

During an average year, the annual snow and water runoff that passes down the Yuba River is about 2.4 million acre feet. The maximum annual runoff experienced on the river was nearly five million acre feet. Here's how that water is used:

- 4 percent is diverted by the Agency for irrigation supplies to seven water districts and companies, which will increase to 6 percent in the future
- 7 percent is diverted by other districts and individuals with their own water rights on the Yuba River
- 17 percent is diverted to other watersheds for water supply and production of electricity by PG&E and Nevada and Oroville Wyandotte Irrigation Districts
- 72 percent stays in the stream for fish and wildlife and either flows to the ocean or is diverted from the Delta by the state and federal projects and Delta water users

During high runoff years the Agency has sold excess water to help alleviate drought conditions being experienced elsewhere in California. It has sold water to various northern California cities, the California Department of Water Resources, other water or irrigation districts and the State Water Bank.





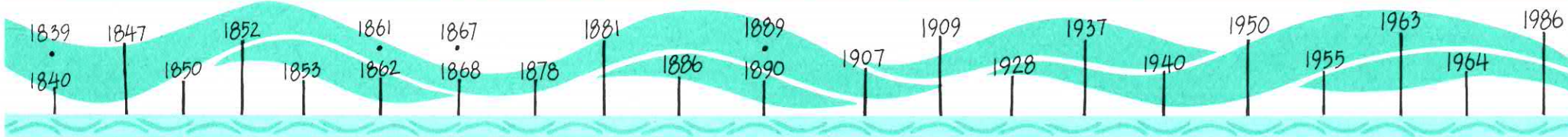
FLOOD CONTROL

The need for flood control on the Yuba River was the principle reason for the creation of the Yuba County Water Agency and the construction of New Bullards Bar Dam on the North Yuba River.

Historically, the Marysville-Yuba City area has experienced the ravages of major flood about once every ten years. The discharge of debris from placer mines in Nevada County compounded the flooding problems because it raised the river beds by many feet.

Levees began providing flood control protection for Yuba City and Marysville as early as 1875 and are still heavily relied on for flood protection. This is primarily because there is no significant flood protection from the South Yuba River.

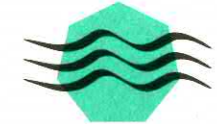
MAJOR FLOODS ON THE YUBA RIVER



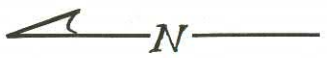
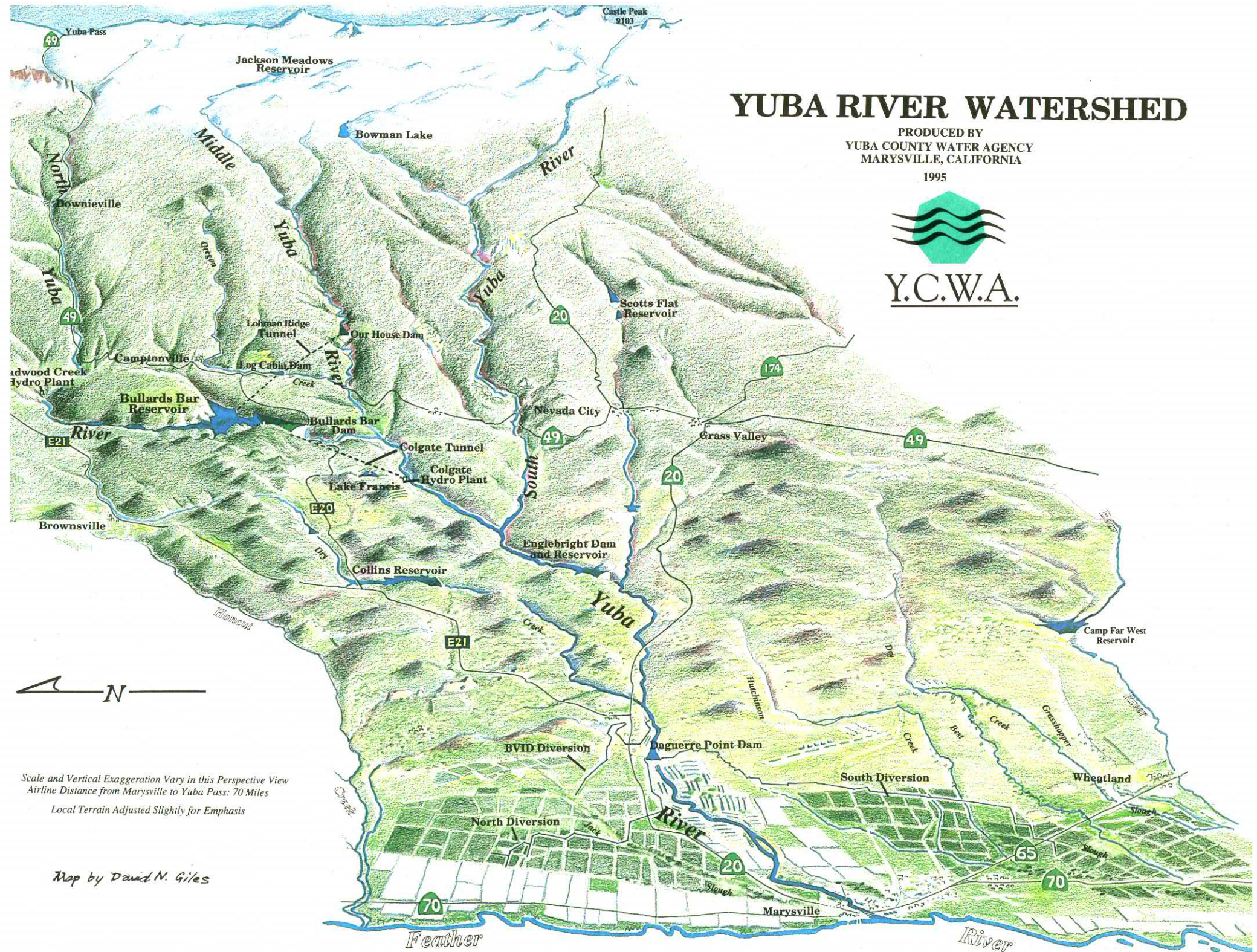
YUBA RIVER WATERSHED

PRODUCED BY
YUBA COUNTY WATER AGENCY
MARYSVILLE, CALIFORNIA

1995



Y.C.W.A.



Scale and Vertical Exaggeration Vary in this Perspective View
Airline Distance from Marysville to Yuba Pass: 70 Miles
Local Terrain Adjusted Slightly for Emphasis

Map by David M. Giles

NEW BULLARDS BAR DAM OUTLET ARRANGEMENT

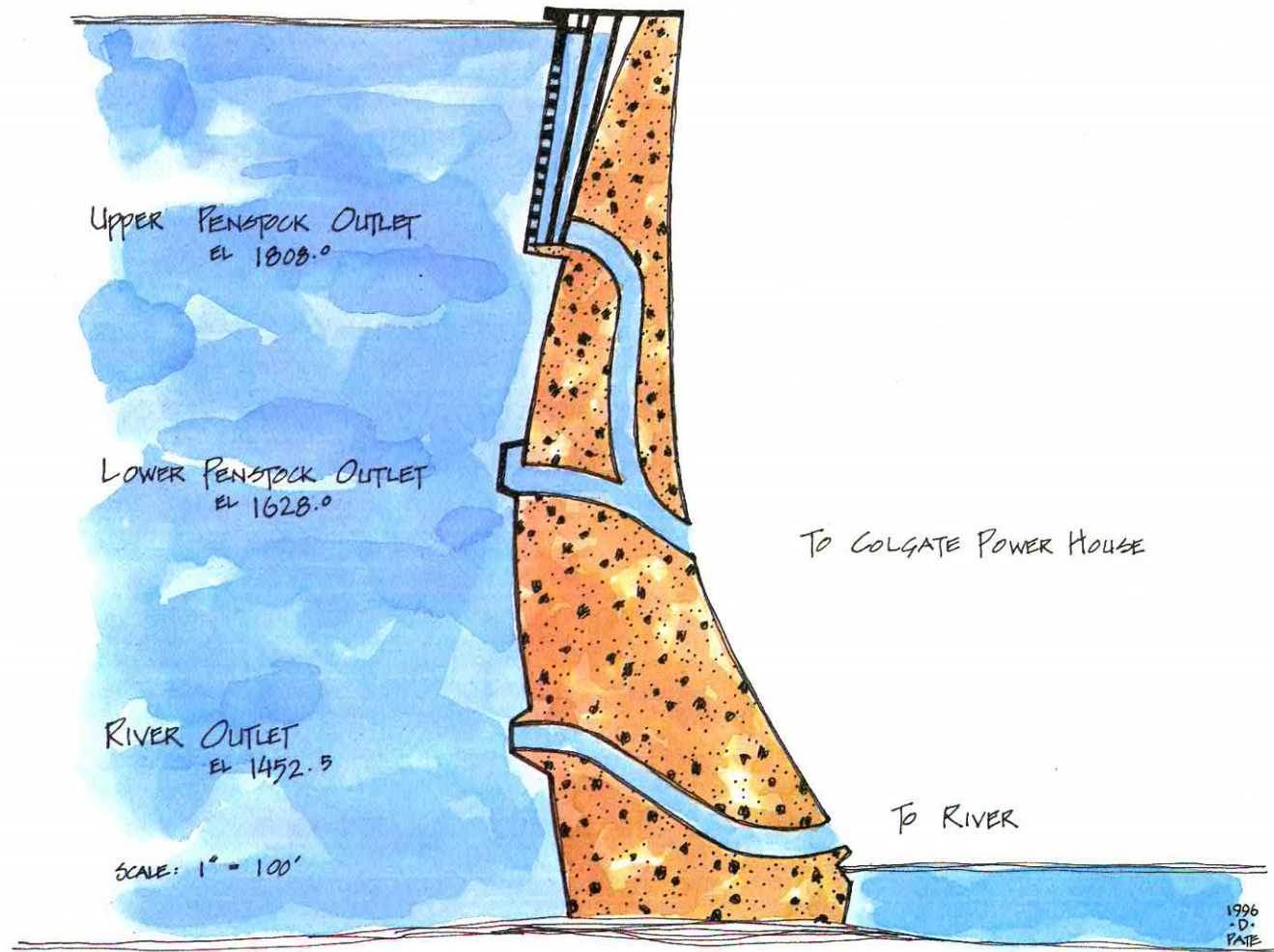
MAXIMUM WATER SURFACE
EL 1956.0

UPPER PENSTOCK OUTLET
EL 1808.0

LOWER PENSTOCK OUTLET
EL 1628.0

RIVER OUTLET
EL 1452.5

SCALE: 1" = 100'



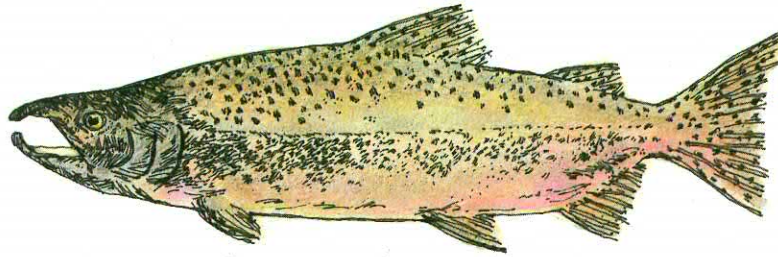
FISHERIES ENHANCEMENT

Since construction of the New Bullards Bar Dam, the number of chinook salmon returning to spawn in the Yuba River has averaged 13,090 per year. That's slightly above the average annual recorded number prior to construction. Steelhead, rainbow trout plus shad also flourish on the Yuba.

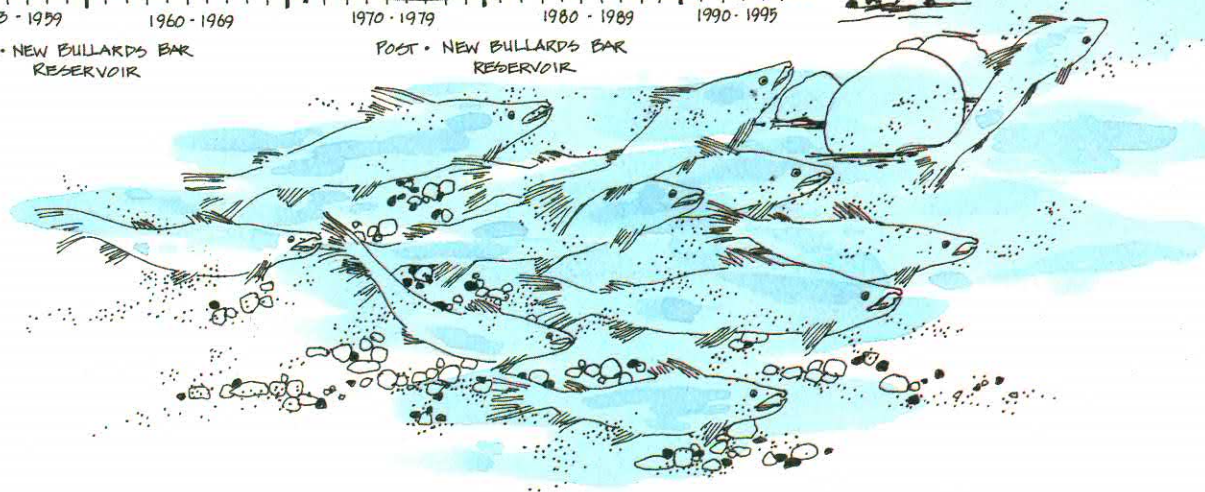
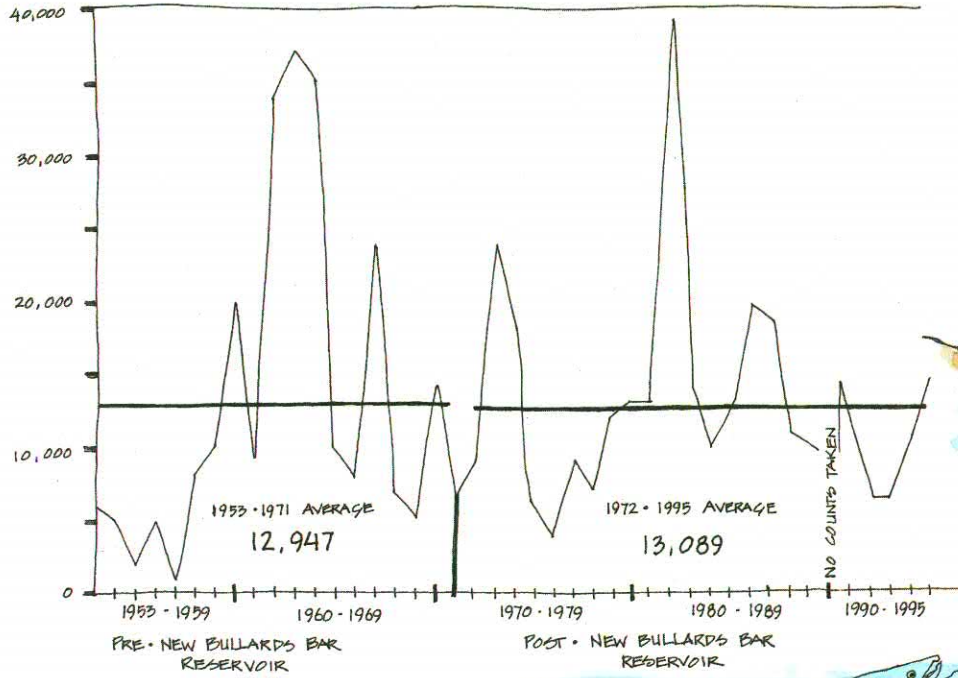
Chinook salmon have done this well on the Yuba because the Agency is able to influence water temperatures and stabilize flows downstream where the fish come to spawn. New Bullards Bar Dam has outlets at several elevations so water can be drawn from the elevation that will provide the best temperature for downstream fish. In mid-April water is drawn from closer to the surface of the reservoir to warm up the river for better growth and rearing conditions. In early October deeper water cools the Yuba for the chinook who need colder temperatures for successful spawning.

The Yuba is one of a few major California rivers that does not have a fish hatchery or a planting program. The California Department of Fish and Game manages the Yuba as a natural spawning river.

Cross Section of New Bullards Bar Dam showing multilevel outlets used to influence downstream temperatures for fishery enhancement.

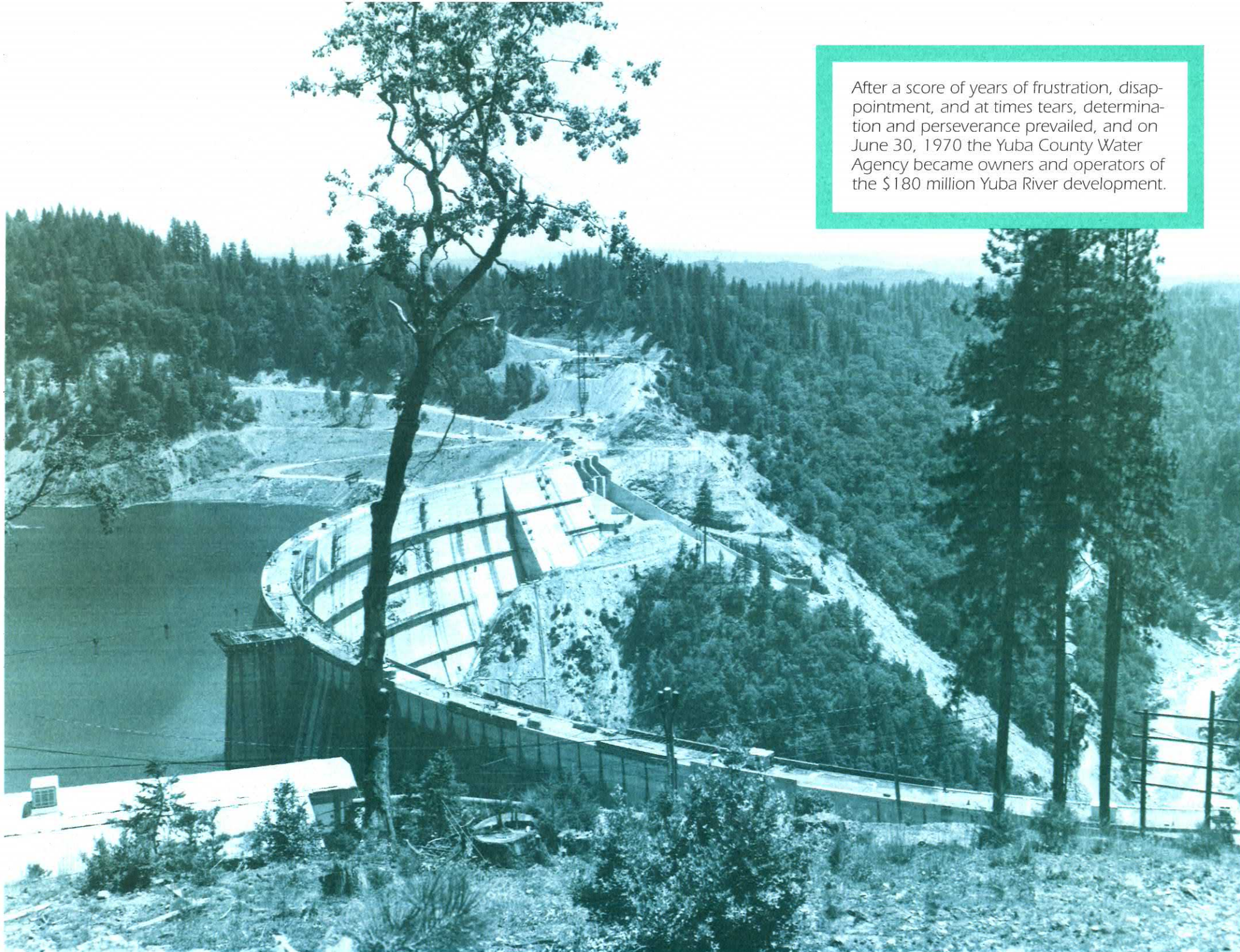


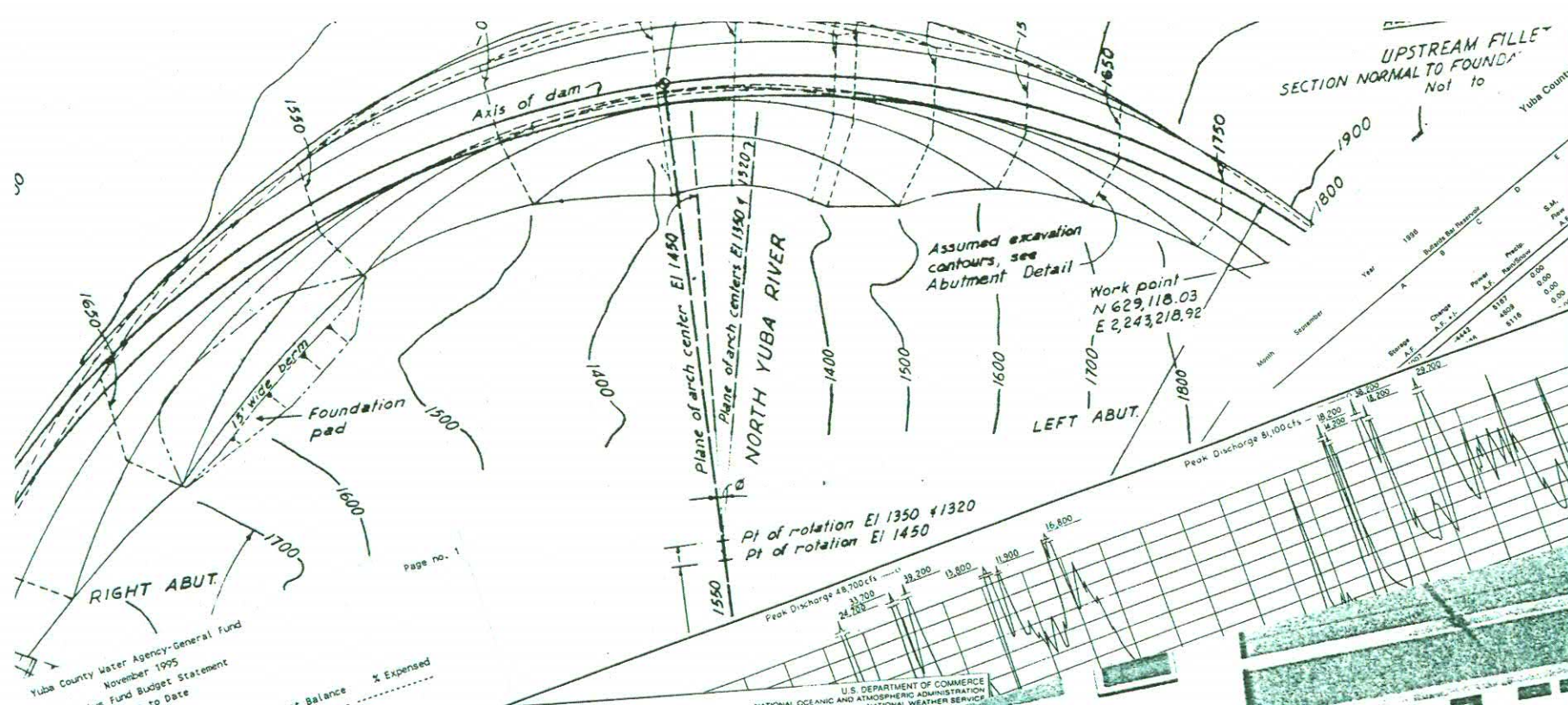
CHINOOK SALMON • KING •
ONCORHYNCHUS TSCHWYTSCHA



SALMON RETURNING TO SPAWN IN THE YUBA RIVER

After a score of years of frustration, disappointment, and at times tears, determination and perseverance prevailed, and on June 30, 1970 the Yuba County Water Agency became owners and operators of the \$180 million Yuba River development.





Yuba County Water Agency - General fund
 November 1995
 Surplus Fund Budget Statement
 Year to Date
 47% of Year

WTD Budget Balance	% Expended

STATION	STATE	COUNTY	RIVER	MONTH	YEAR
Calgate Lower Plant	CA	Yuba	Yuba	Sept	1996

TEMP	PRECIPITATION	STANDARD TIME IN USE
1500	1500	PDSST

TYPE OF RIVER	ELEVATION OF RIVER	FLOOD STAGE	NORMAL POOL STAGE
STAFF	544.18		

TEMPERATURE F.	24-HR AMOUNTS	At 00	At 06	At 12	At 18
100	54	100			
97	54	97			
94	54	94			
84	50	80			
81	48	88			
81	48	82			
95	50	98			
94	52	96			
101	52	101			
99	57	98			
90	54	90			
82	48	82			
70	36	70			
82	56	82			
77	56	77			
82	47	82			
83	47	83			
92	52	92			
91	50	91			
91	51	91			
94	55	94			
84	53	84			
90	50	90			
90	52	90			
90	54	90			
94	52	94			
96	54	96			

WS FORM B-91 (7-89)
 RECORD OF RIVER AND CLIMATOLOGICAL DATA

Yuba County Water Agency Daily Water Report

Report Date: 11/2/96 Printed On: 11/4/96

Max. Flood Pool	1918.32	Max. Operating Elevation	1966.00	Max. Storage	966,103 AF
Elevation (AF)	1870.47	Min. Operating Elevation	1732.00	Min. Pool	234,000 AF
Storage (AF)	610024.2	Flood Space Avail (AF)	170000.0	North Yuba Inflow (CFS)	277.9
24 Hr Stor Change (R)	-0.48	Excess Flood Space (AF)	356078.8	Cg Tunnel Flow (CFS)	5.0
Avg Storage (AF)	624941.0	POB Critical Stor. (AF)	186078.8	Fish Flow (CFS)	0.0
Diversion	51.0		659000	Sluice/Spill (CFS)	1156.0
				Total Outflow (CFS)	30.0
				Fish Flow Req'd (CFS)	3.0
				Flow	9.0
				LC Fish Flow Req'd	8.0
				LC Flow Diff	1.0
				Useable Storage	45,000 AF



FACTS AND FIGURES

Change	Year	Value
100	1974	100
100	1975	100
100	1976	100
100	1977	100
100	1978	100
100	1979	100
100	1980	100
100	1981	100
100	1982	100
100	1983	100
100	1984	100
100	1985	100
100	1986	100
100	1987	100
100	1988	100
100	1989	100
100	1990	100
100	1991	100
100	1992	100
100	1993	100
100	1994	100
100	1995	100
100	1996	100

YUBA COUNTY WATER AGENCY DIRECTORS

Name	Years Served
Ray Brocker	1959-1960
Harold J. Sperbeck	1959-1960
John E. Furneaux	1959-1964
Charles E. Coupe	1959-1966
Charles F. Harvey	1959-1970
Charles Lembke	1961-1964
Ben Rose	1961-1968
Karl Cozad	1965-1969
Charles L. Dean	1965-1972
Roy G. Landerman	1967-1978
Harold J. Sperbeck	1969-1980
Peter A. Reis	1970-1972
Ronald E. Leri	1971-1974
Neil J. Denny	1973-1976
James Pharris	1973-1980
Jim Martin	1975-1978
Doug Waltz	1977-1984
Charlie Parker	1979-1982
George Deveraux	1979-1990
Arthur Bertolini	1980-1982
Charles Center	1981-1984
Samuel Shintaffer	1981-1984

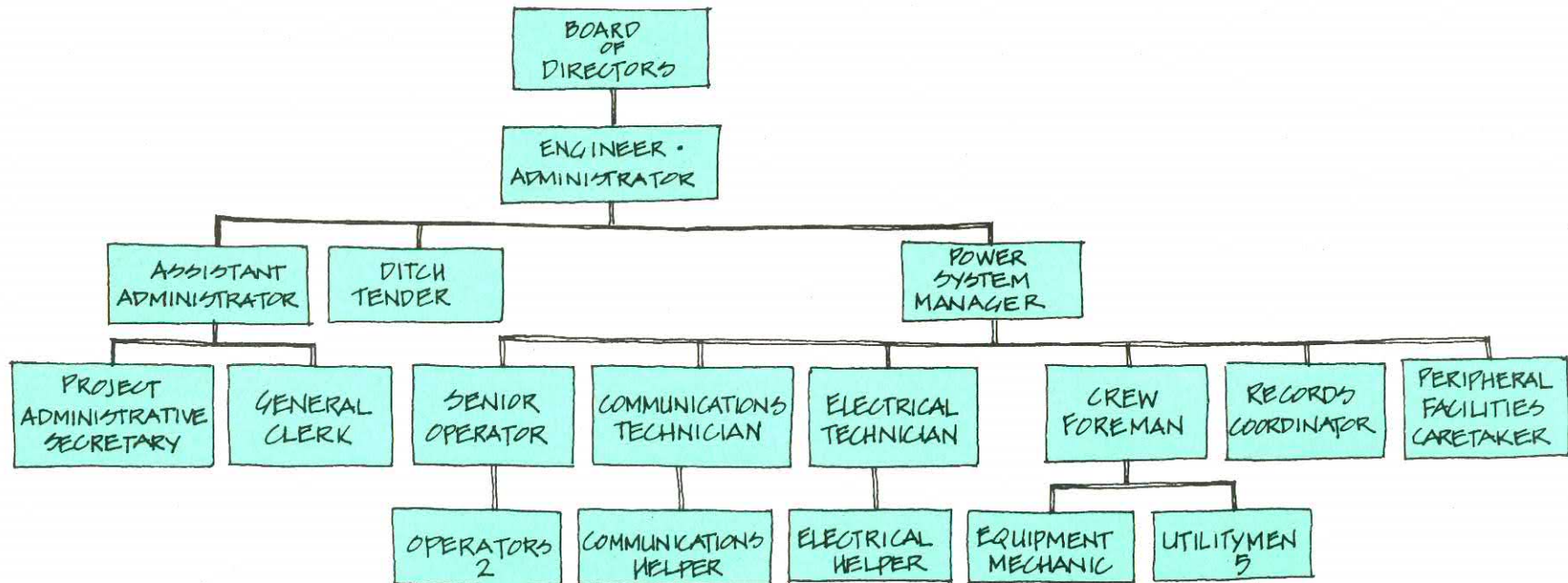
Name	Years Served
John Dower	1981-1988
Michael Rue	1982-1985
J.E. McGill	1983-1990
Charles Mathews	1985-1989
Bill Harper	1985-1992
Michelle D. Mathews	1985-1996
Brian Jones	1986
R. Donald Norene	1987
William H. Gilbert	1988-1989
Tib Belza	1989-To Date
Roger Murray	1990
John Rewis	1990
Leah Stocker	1991
Roy G. Landerman	1991-1992
John Mistler	1991-1994
Joan Saunders	1991-1994
James Sohrakoff	1991-1994
Brent Hastey	1993-To Date
Jay Palmquist	1993-1996
Al Amaro	1995-To Date
Bill Harper	1995-To Date
Hal Stocker	1995-To Date

ORGANIZATION

The Yuba County Water Agency Board of Directors consists of the five members of the County Board of Supervisors and two at large members, one elected from north of the Yuba River and one south of the Yuba River.

The Yuba County Water Agency employs an Engineer-Administrator who oversees a current staff of 22 employees, most of whom are dispersed throughout the Project operating, maintaining and administering powerhouses, dams, reservoirs, tunnels, and canals.

YUBA COUNTY WATER AGENCY • ORGANIZATIONAL CHART



NEW BULLARDS BAR DAM

Completed	1969
Crest length	2323 ft
Crest Width	25 ft
Crest above stream bed	645 ft
Crest above sea level	1965 ft
Spillway above sea level	1902 ft
Spillway gates, 3 tainter	30 ft x 53 ft
Spillway max. capacity	160,000 cfs
Dam Type: variable-thickness double-curvature monolithic concrete arch	
Volume	2,717,000 cy

COLGATE POWER TUNNEL

Tunnel diameter	26 ft
Tunnel length	24,137 ft

RESERVOIR

Capacity, acre feet	966,103
Water Surface, acres	4,790
Shoreline, miles	55
Watershed, sq. miles	485

OUR HOUSE DAM

(Diverts water thru Lohman Ridge Tunnel to Log Cabin Dam)	
Crest above stream bed	89 ft
Tunnel diameter	12.5 ft
Tunnel length	19,410 ft

LOG CABIN DAM

(Diverts water thru Camptonville Tunnel to New Bullards Bar Reservoir)	
Crest above stream bed	51.5 ft
Tunnel diameter	14.3 ft
Tunnel length	6,100 ft

POWER PLANTS:	Colgate (2 units)	Narrows	Fish Release	Deadwood Creek
Capacity, in megawatts	315	46.75	0.15	1.95
Turbine Power HP	212,000 ea	70,000	200	2610
Year in Service	1970	1970	1986	1993
Average Yearly Power Generation, in Gwh	1,314	248.4	1.3	5.1

YUBA RIVER FLOWS (UNIMPAIRED)

Average annual runoff	2,460,000 af
Minimum annual runoff	369,300 af
Maximum annual runoff	4,926,000 af
Maximum record flow	185,000 cfs

FLOOD STORAGE AND FLOWS

Flood storage space required from 1 November through 1 April	170,000 af
Yuba River channel capacity at Marysville when the Feather River is high and when the Feather is low	120,000 cfs 180,000 cfs
During the February 1986 Flood the peak flow at Marysville was	111,000 cfs
During this time the maximum release from New Bullards Bar was and the maximum flow past Englebright Dam was	50,000 cfs 100,000 cfs

SIGNIFICANT INFORMATION

- When installed the Colgate turbines were the largest impulse turbines ever constructed.
- The New Colgate Power Plant produces more energy than any hydroelectric plant in the Pacific Gas & Electric Company system.
- When the \$180,000,000 Yuba River Development Project was bid in 1966, it was the largest single construction contract of its kind.
- When installed the Colgate transformers were the heaviest load ever transported over California Highways.
- When constructed New Bullards Bar Dam was the longest double curvature thin shell arch dam ever built and is still the longest in the United States. It is also the tallest concrete dam in California.
- New Bullards Bar Dam contains 398 miles of cooling tubing.

ORIGINAL PROJECT FEATURES AND CONSTRUCTION COSTS

OUR HOUSE DAM & LOHMAN RIDGE TUNNEL	6,451,040
Concrete dam 89' high on Middle Fork of Yuba in Sierra and Nevada Counties, 12.5' diameter tunnel to Oregon Creek, diversion only	
LOG CABIN DAM & CAMPTONVILLE TUNNEL	2,763,370
Concrete dam 57' high on Oregon Creek, Yuba County, 14.5' diameter tunnel to New Bullards Bar Reservoir, diversion only	
NEW BULLARDS BAR DAM & RESERVOIR	108,987,237
Concrete arch dam, overall height 645', length 2323', volume of concrete 2,717,000 cu.yds., reservoir capacity 966,103 AF, flood reservation 170,000 AF. Flood control, irrigation, storage, power generation, recreation, and fish enhancement	
NEW COLGATE TUNNEL & POWER PLANT	20,053,125
Tunnel diameter 26' Capacity 315,000 kw	
NEW NARROWS POWER PLANT	3,821,487
Capacity 46,750 kw	

RECREATION FACILITIES	
NEW BULLARDS BAR RESERVOIR	815,200
<ul style="list-style-type: none"> ▪ 3 boat in camping areas with 38 units ▪ 2 picnic areas with 60 picnic units ▪ Drive in camping area with 96 campsites ▪ Drive in camping area with 6 group campsites ▪ 2 boat launching ramps (2 lanes each) ▪ Parking areas, roads and administration buildings, complete water and sanitation facilities ▪ Reservoir surface area 4600 acres ▪ Shoreline approximately 55 miles ▪ Summer water surface temperature 75 degrees 	

TOTAL PROJECT CONSTRUCTION COST	142,891,459
This is the largest single construction contract ever let in the United States. Interest, engineering, legal, rights of way and purchase of PG&E facilities and other costs bring the total to	
	180,200,000

FINANCING	
Revenue Bonds, Series A - par value	160,740,000
Federal contribution for flood control	12,000,000
State (Davis-Grunsky) Recreation & Fish Grant	4,403,000
Remainder, as needed, Revenue Bonds, Series B	1,506,000

SUBSEQUENT FACILITIES AND COSTS

Fish Release Power Plant	396,117
capacity 150 kw	
Deadwood Creek Power Plant	
capacity 1950 kw	
Purchase Price	800,000
Completion Costs	1,487,085

Water Conveyance Facilities	
Goldfields Conveyance Facility Purchase	555,012
Brophy W.D. Main Canal Purchase	1,804,200
South Yuba W.D. Main Canal Purchase	2,246,242
South Yuba W.D. Syphon & Canal Extension, 30% of capacity	577,586
Camp Far West Diversion Structure	180,280

CONTROLLING DOCUMENTS AND REGULATORY OVERSIGHT

Though Yuba County Water Agency is an independent, stand-alone organization, it and its Yuba River Development Project are subject to numerous contracts, agreements, licenses, permits and regulatory oversight from a wide range of organizations including a major utility, state and federal resource and regulatory agencies and local water providers. Some of these are:

1. Yuba County Water Agency Act, whose provisions are set forth by the California Legislature. Though the primary purpose for creation of the Agency was the construction of the Yuba River Development Project, the Y.C.W.A. Act grants broad powers pertaining to water development and its control. The Act allows the Agency to develop and promote the beneficial use and regulation of the water resources of Yuba County and the streams flowing into Yuba County. The Act provides for the development of water conservation facilities, for flood control, hydroelectric generation, water supply, fisheries enhancement and related recreation.
2. 1965 California Department of Fish and Game Agreement that sets forth a schedule of minimum fish flows for the Project.
3. The 50-year power purchase contract with Pacific Gas & Electric Company that sets forth what will be built, how it will be operated and how the Project and its operating costs will be paid for.
4. The U.S. Corps of Engineers Agreements set forth how the Project will be operated for flood control and how Englebright Reservoir can be used as part of the Yuba River Development Project.
5. The U.S. Forest Service Agreement authorizes the use of Forest Service lands for the Project and stipulates the recreation facilities that are to be constructed and how they will be operated.
6. The Federal Energy Regulatory Commission License specifically directs the size, type and capacity of the Project facilities and how they are to be operated. FERC continually provides oversight of the operation, maintenance and safety of the Project facilities.
7. The Agency holds 12 water rights of varying priorities, some of which were established prior to 1914, when the regulation of water rights was started by the State. The water rights set forth the amount and location of water that can be diverted or stored, at what time of year and for what purpose it can be used.
8. The State Division of Safety of Dams has issued permits for each of the Agency's four dams that fall under their jurisdiction. Division of Safety of Dams provides twice a year inspection of the dams and continuous safety oversight.
9. The Agency by its Act cannot sell water to individuals, but can only wholesale water to entities authorized to purvey water. Yuba County Water Agency currently has water service agreements with five irrigation and water districts and two water companies and several pre-existing river diverters.

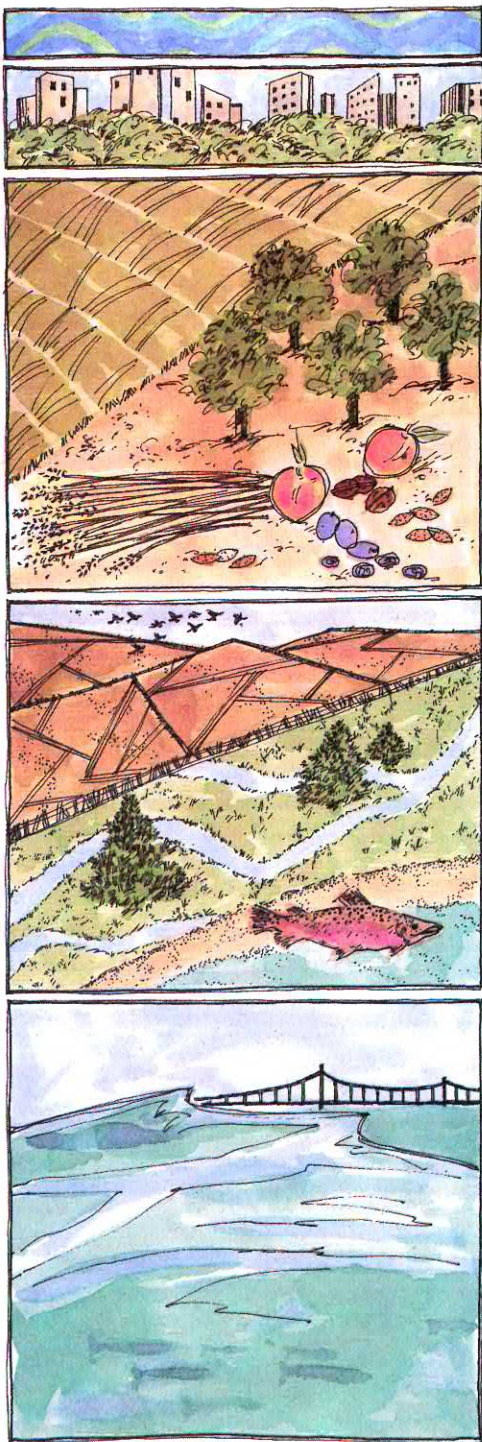
YUBA COUNTY WATER AGENCY ACTIVE WATER CONTRACTS—Acre Feet

CONTRACTOR	OWNED WATER RIGHTS CONTRACTS	PROJECT BASE CONTRACT	PROJECT SUPPLEMENTAL CONTRACT	TOTAL
BVID	16,187	9,500		25,687
CORDUA	60,000	12,000		72,000
DRY CREEK M.W.C		13,682	3,061	16,743
HALLWOOD	78,000			78,000
BROPHY		43,470	32,177	75,641
SOUTH YUBA		25,487	18,843	44,330
RAMIREZ		14,790	10,311	25,101
NAUMES		1,704		1,704
GIFFORD - HALL		10		10
WILBUR		3,890		3,890
TOTALS	154,187	124,533	64,392	343,112

Contract allowed reductions for dry years based on April 1 DWR Forecast, supplemental allocations first cut during dry year shortage.

- BVID water rights
Less than 25% forecast
Actual flow below 47.1 cfs at Goodyear's Bar
- Cordua & Hallwood water rights
Less than 40% forecast
20% reduction
- Y.C.W.A. Project Base Contracts
51 to 84% forecast
40 to 50% forecast
Less than 40% forecast
15% reduction
30% reduction
50% reduction

HOW CALIFORNIA'S SURFACE WATER SUPPLY IS USED



3% FLOWS TO NEVADA

7% URBAN

30% AGRICULTURE

28% ENVIRONMENT

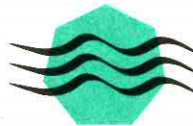
32% FLOWS TO OCEAN

It is often misrepresented that agriculture uses 85% of California's surface water supply. Agriculture uses 85% of the developed water supply, a large percentage of which it was instrumental in developing.

Of the total California surface water supply

- 3% flows to Nevada
- 7% goes for urban use
- 30% is used by agriculture
- 28% is dedicated to the environment
- 32% is undeveloped and flows to the ocean

YUBA
COUNTY



WATER
AGENCY

1402 D STREET
MARYSVILLE
CALIFORNIA
95901-4226

TELEPHONE
916.741.6278
FACSIMILE
916.741.6541

ADDITIONAL INFORMATION

For more detailed information on any of the
material contained in this brochure please contact
the Y.C.W.A.

**YUBA COUNTY WATER AGENCY
MARYSVILLE, CALIFORNIA**



**FINANCIAL STATEMENTS
TOGETHER WITH INDEPENDENT AUDITORS' REPORTS**

**For the years ended
June 30, 2013 and 2012**

YUBA COUNTY WATER AGENCY
MARYSVILLE, CALIFORNIA

**FINANCIAL STATEMENTS
TOGETHER WITH INDEPENDENT
AUDITORS' REPORTS**

*For the Years Ended
June 30, 2013 and 2012*

YUBA COUNTY WATER AGENCY
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For The Years Ended June 30, 2013 and 2012

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YUBA COUNTY WATER AGENCY
Agency Officials
June 30, 2013

BOARD OF DIRECTORS

<u>NAME</u>	<u>OFFICE</u>	<u>TERM EXPIRES</u>
Roger Abe	Chairman	December 2016
Sid Muck	Vice-Chairman	December 2014
Tib Belza	Director	December 2016
Mary Jane Griego	Director	December 2016
John Nicolletti	Director	December 2016
Hal Stocker	Director	December 2014
Andy Vasquez	Director	December 2014

OTHER AGENCY OFFICIALS

Curt Aikens	General Manager
Mike Kline	Power Systems Manager
Page Hensley	Finance Manager

FINANCIAL SECTION



Davis W. Hammon, Jr., CPA
(1924-1989)

Stephen B. Norman, CPA • PFS
Stephen J. Herr, CPA
James L. Duckett, CPA

INDEPENDENT AUDITORS' REPORT

Chairman of the Board, General Manager
and Members of the Board of Directors
Yuba County Water Agency
Marysville, California

We have audited the accompanying financial statements of the Yuba County Water Agency (the Agency), a component unit of the County of Yuba, California, as of and for the years ended June 30, 2013 and 2012, 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 opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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 opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Yuba County Water Agency as of June 30, 2013 and 2012, and the respective change in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America, as well as accounting systems prescribed by the State Controller's Office and state regulations governing special districts.

Page 4

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and Schedule of Funding Progress For Other Post-Employment Benefits on pages 6 through 10 and page 39 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 opinions on the financial statements that collectively comprise the Yuba County Water Agency's basic financial statements. The accompanying supplementary information on pages 41 through 42 is presented for the purpose 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 financial statements. The supplementary 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 financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 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 20, 2013, 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, 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.

Davis Hammon & Co.

December 20, 2013



**YUBA COUNTY WATER AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS**

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 \$9.74 million to a balance of \$210.25 million in FY 2012-13, up from a \$200.60 million balance in FY 2011-12. This small increase is the result of a \$3.98 million net decrease in Total Assets offset by a \$13.72 million decrease in Total Liabilities and Deferred Inflows, the most notable being early extinguishment of Long-term debt.

**TABLE 1
CONDENSED STATEMENTS OF NET POSITION**

	Fiscal year ended June 30,		Dollar Change	Percent Change
	2013	2012		
ASSETS:				
Current assets	\$ 46,956,036	\$ 61,864,583	\$ (14,908,547)	-24.10%
Restricted assets	-	1,069,128	(1,069,128)	-100.00%
Capital assets, net	177,884,676	165,797,504	12,087,172	7.29%
Other assets	5,239,241	5,323,861	(84,620)	-1.59%
TOTAL ASSETS	230,079,953	234,055,076	(3,975,123)	-1.70%
LIABILITIES:				
Current liabilities	3,143,827	3,957,227	(813,400)	-20.55%
Long-term debt	-	7,745,369	(7,745,369)	-100.00%
TOTAL LIABILITIES	3,143,827	11,702,596	(8,558,769)	-73.14%
DEFERRED INFLOWS:				
Deferred Income	16,589,847	21,748,909	(5,159,062)	-23.72%
TOTAL DEFERRED INFLOWS	16,589,847	21,748,909	(5,159,062)	(0)
NET POSITION:				
Investment in capital assets, Net of related debt	177,884,676	159,142,508	18,742,168	11.78%
Restricted	-	1,055,294	(1,055,294)	-100.00%
Unrestricted	32,461,603	40,405,769	(7,944,166)	-19.66%
TOTAL NET POSITION	\$ 210,346,279	\$ 200,603,571	\$ 9,742,708	4.86%

**YUBA COUNTY WATER AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS**

REVENUES EXPENSES AND CHANGES IN NET POSITION

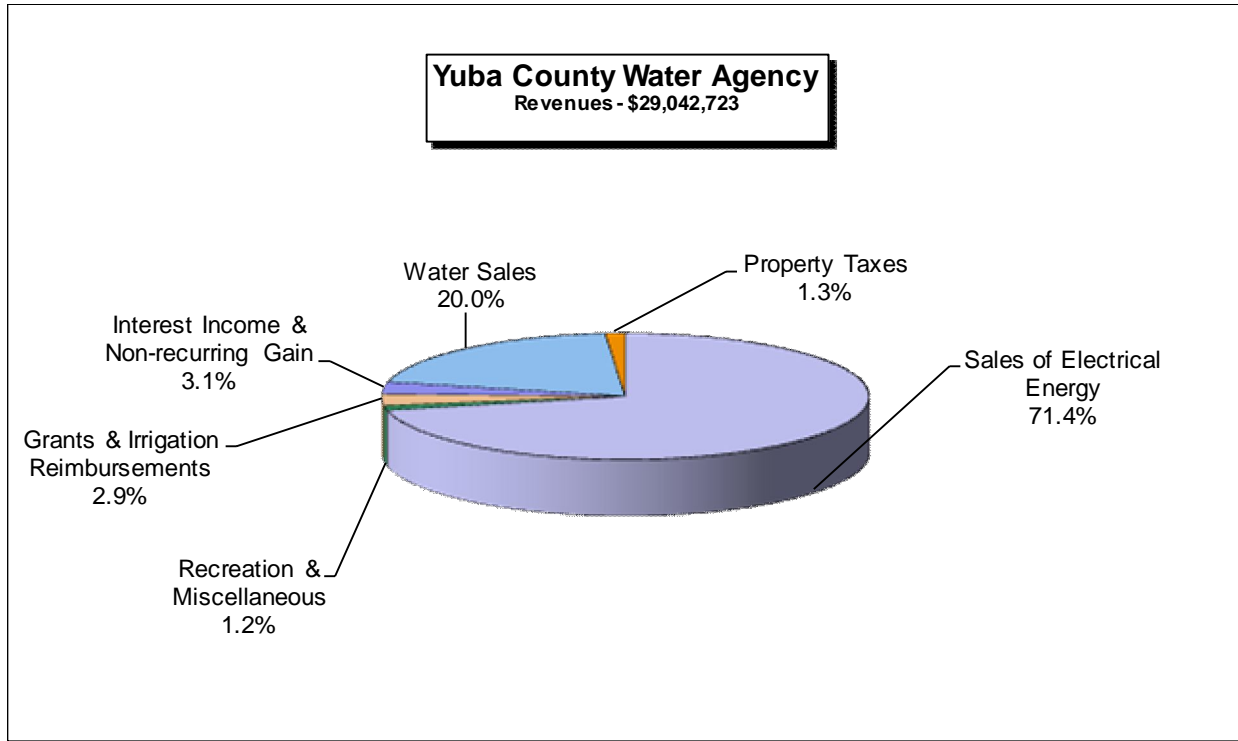
While the Statements of Changes in Net Position shows the changes in financial position, the Statements of Revenues, Expenses and Changes in Net Position provides answers concerning the nature and source of these changes. As shown in **Table 2 below**, Operating Revenues increased \$9.71 million due in equal parts to increased electric revenues and supplemental water sales in 2013. This, combined with fairly stable expense levels, resulted in a Net Position increase of \$9.74 million.

**TABLE 2
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**

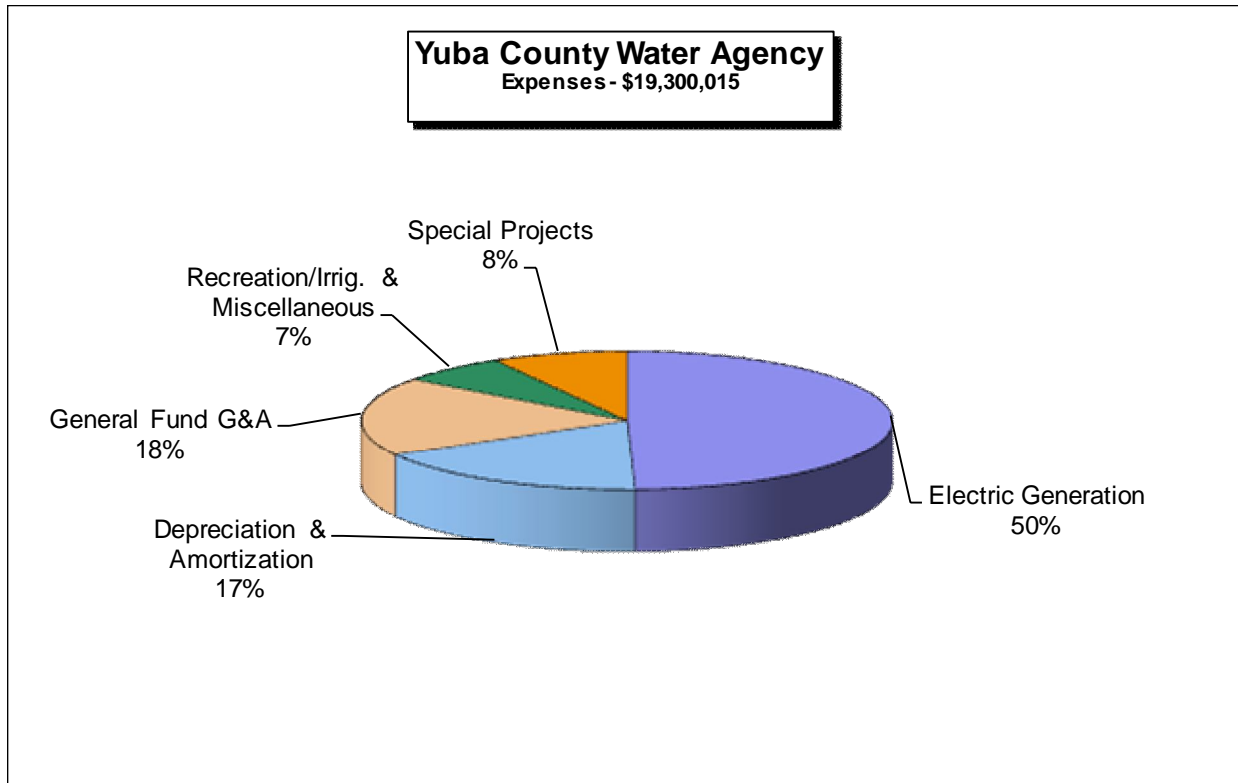
	<u>Fiscal year ended June 30,</u>		Dollar Change	Percent Change
	2013	2012		
REVENUES				
Operating revenues:				
Sales of electrical energy	\$ 20,745,733	\$ 16,558,202	\$ 4,187,531	25.29%
Water sales	5,816,330	295,692	5,520,638	1867.02%
TOTAL OPERATING REVENUES	26,562,063	16,853,894	9,708,169	57.60%
Non-operating revenues	2,165,410	2,903,691	\$ (738,281)	-25.43%
Non-Recurring Gain -				
Early extinguishment of debt	315,250	-	315,250	100.00%
TOTAL REVENUES	29,042,723	19,757,585	9,285,138	47.00%
EXPENSES:				
Depreciation expense	3,334,862	3,374,016	(39,154)	-1.16%
Operating expense, excluding				
depreciation expense	9,559,538	8,300,366	1,259,172	15.17%
Non-operating expense	6,405,615	6,990,729	(585,114)	-8.37%
TOTAL EXPENSES	19,300,015	18,665,111	634,904	3.40%
CHANGE IN NET POSITION	9,742,708	1,092,474	8,650,234	791.80%
Net assets, July 1:	200,603,571	199,511,097	1,092,474	0.55%
NET POSITION, JUNE 30	\$ 210,346,279	\$ 200,603,571	\$ 9,742,708	4.86%

YUBA COUNTY WATER AGENCY MANAGEMENT'S DISCUSSION AND ANALYSIS

The following chart illustrates the revenues of the Agency for the fiscal year ended June 30, 2013.



The following chart illustrates the expenses of the Agency for the fiscal year ended June 30, 2013.



**YUBA COUNTY WATER AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS**

CAPITAL ASSETS

As can be seen in **Table 3 below**, the Agency's capital assets, net of accumulated depreciation, increased by \$12.09 million to \$177.88 million. This increase includes \$7.32 million in Relicensing CIP, and \$7.13 million for the Colgate Unit 2 Generator Rewind, offset by \$3.19 million in increased depreciation. The Penstock Guard Valve Project was completed this year, as well, with a final cost of \$5.87 million. A summary of the Agency's capital assets are as follows:

**TABLE 3
CAPITAL ASSETS, NET**

	<u>Fiscal year ended June 30,</u>		<u>Dollar Change</u>	<u>Percent Change</u>
	<u>2013</u>	<u>2012</u>		
Non-depreciable capital assets:				
Land and water rights	\$ 2,929,275	\$ 2,929,275	\$ -	0.00%
Canal acquisitions	4,605,454	4,605,454	-	0.00%
Construction-in-process	37,183,741	35,749,390	1,434,351	4.01%
	<u>44,718,470</u>	<u>43,284,119</u>	<u>1,434,351</u>	<u>3.31%</u>
Depreciable capital assets, net:				
Utility plant and equipment	234,651,903	220,813,536	13,838,367	6.27%
Non-utility property, at cost	5,649,957	5,649,266	691	0.01%
	<u>240,301,860</u>	<u>226,462,802</u>	<u>13,839,058</u>	<u>6.11%</u>
Less: Accumulated depreciation	<u>(107,135,654)</u>	<u>(103,949,417)</u>	<u>(3,186,237)</u>	<u>3.07%</u>
NET CAPITAL ASSETS	<u>\$ 177,884,676</u>	<u>\$ 165,797,504</u>	<u>\$ 12,087,172</u>	<u>7.29%</u>

LONG TERM DEBT

At year-end, the Agency had \$19.73 million in Total Liabilities and Deferred Inflows, down from the FY 2011-12 balances of \$33.45 million. Supplemental water sales reduced Deferred Income by \$3.86 million and the Agency owed vendors and PG&E \$1.3 million less than at June 30, 2012. Most importantly, the Agency's early extinguishment of the Yuba River Development Revenue Bonds, Series A and Series B in early 2013 accounted for another \$7.75 million reduction. These bonds were secured by prior lien on Power Revenues to be received from Pacific Gas & Electric Company under the Power Purchase Contract between the Agency and the Company. More detailed information about the Agency's long term liabilities is presented in Note 6 to these financial statements beginning on page 27.

ECONOMIC OUTLOOK

The Yuba County Water Agency is continuing work on several flood mitigation projects and studies within the scope of Forecasted Coordinated Operations. We have completed a groundwater monitoring well construction project with AB303 (\$250K) funding, and anticipate receiving additional funding (\$225K) from the same program to develop the YCWA Groundwater Model. We have completed work

YUBA COUNTY WATER AGENCY MANAGEMENT'S DISCUSSION AND ANALYSIS

on an Agriculture Water Management Plan and irrigation water metering and measurement plan to be in compliance with SBX7-7. We have been awarded a planning grant from DWR in the amount of \$630K to update our current IRWMP as required by Proposition 84, and a \$125K grant from the California Water Foundation for development of an Integrated Water Management Decision Support System.

The Agency has joined with Yuba County to provide the local share (\$46.6 million) for a \$138 million Prop 1E Levee Improvement Grant. Financing was completed in September 2008; the Three Rivers Levee Improvement Authority has constructed the Feather River Setback Levee and other levee improvements in the Reclamation District 78 territory. One more phase of work is needed by TRLIA to improve the level of protection to a 200 year level.

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. Dry water conditions created water transfers of 81,681 acre-feet in 2012 and a similar amount is expected in 2013 due to continuing dry conditions.

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 expires in 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 Draft License Application was filed with FERC on December 1, 2013 and the Final License Application is due by April 30, 2014. This work represents the bulk of the FERC relicensing expenditures.

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 agreements with the South Member Units call for them to pay the entire cost of a new screen but require the Agency to offer financing. YCWA is proceeding with a collaborative effort with the South Member Units to select a suitable project. Preliminary study results indication there may be a screen option in the \$5 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.

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, 2013 and 2012**

	<u>2013</u>	<u>2012</u>
Exhibit 1		
<u>ASSETS</u>		
Current Assets:		
Cash and cash equivalents	\$ 44,121,322	\$ 54,589,730
Restricted assets:		
Cash with fiscal agent		1,069,128
Receivables		
Accounts receivable	337,290	4,392,518
Taxes and interest receivable	96,922	200,256
Due from other governments	1,150,349	1,151,469
Prepaid expenses and other current assets	1,250,153	1,530,610
Total Current Assets	<u>46,956,036</u>	<u>62,933,711</u>
Capital Assets:		
Non-depreciable capital assets	44,718,470	43,284,119
Depreciable capital assets, net	133,166,206	122,513,385
Capital Assets, Net	<u>177,884,676</u>	<u>165,797,504</u>
Other Assets:		
Loans receivable from other governmental entities	5,239,241	5,323,861
Total Assets	<u>230,079,953</u>	<u>234,055,076</u>
<u>LIABILITIES</u>		
Current Liabilities:		
Accounts payable and accrued liabilities	2,399,742	3,305,707
Customer deposits		20,000
Wages payable	93,349	73,647
Accrued compensated absences	650,736	557,873
Total Current Liabilities	<u>3,143,827</u>	<u>3,957,227</u>
Long-Term Debt:		
Accrued interest and matured bonds payable		4,252,973
Bonds payable, due after one year		3,492,396
Total Long-Term Debt	<u>-</u>	<u>7,745,369</u>
Total Liabilities	<u>3,143,827</u>	<u>11,702,596</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>		
Deferred income	16,589,847	21,748,909
Total Deferred Inflows Of Resources	<u>16,589,847</u>	<u>21,748,909</u>
<u>NET POSITION</u>		
Net investment in capital assets	177,884,676	159,142,508
Restricted for debt service		1,055,294
Unrestricted net assets	32,461,603	40,405,769
Total Net Position	<u>\$ 210,346,279</u>	<u>\$ 200,603,571</u>

YUBA COUNTY WATER AGENCY
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
For The Years Ended June 30, 2013 and 2012

	2013	Exhibit 2 2012
Operating Revenues:		
Sale of electrical energy	\$ 20,745,733	\$ 16,558,202
Water sales	5,816,330	295,692
Total Operating Revenues	26,562,063	16,853,894
Operating Expenses:		
Hydropower generation	2,777,061	2,916,430
Administration and general	5,105,057	4,335,659
Maintenance	1,677,420	1,048,277
Depreciation and amortization	3,334,862	3,374,016
Total Operating Expenses	12,894,400	11,674,382
Net Income From Operations	13,667,663	5,179,512
Nonoperating Revenues (Expenses):		
Gain (loss) on disposition of assets	25,708	3,816
Property taxes	382,596	392,829
Interest income	584,168	746,882
Grants and reimbursements	850,995	1,441,043
Miscellaneous income (expense)	6,000	6,000
Recreation and camping fees	315,943	313,121
Interest expense	(69,527)	(8,480)
General administration	(3,539,961)	(3,291,800)
Recreation and irrigation	(1,202,675)	(1,121,617)
Special projects expense	(1,593,452)	(2,568,832)
Total Nonoperating Revenues (Expenses)	(4,240,205)	(4,087,038)
Income (loss) before special item	9,427,458	1,092,474
Special item: gain (loss) on early extinguishment of debt	315,250	
Change in Net Position	9,742,708	1,092,474
Net Position, July 1	200,603,571	199,511,097
Net Position, June 30	\$ 210,346,279	\$ 200,603,571

**YUBA COUNTY WATER AGENCY
STATEMENTS OF CASH FLOWS
For The Years Ended June 30, 2013 and 2012**

Exhibit 3

Page 1 of 2

	2013	2012
Cash Flows From Operating Activities:		
Cash receipts from customers	\$ 25,458,229	\$ 16,858,360
Cash payments to suppliers for goods and services	(4,064,124)	(1,657,336)
Cash payments for employee wages and benefits	(6,028,357)	(5,235,433)
Net Cash Provided (Used) By Operating Activities	15,365,748	9,965,591
Cash Flows From Noncapital Financing Activities:		
Payments on loans receivable	500,422	419,700
Loans made to other agencies	(415,802)	(1,440,218)
Grants and reimbursements	852,115	5,458,955
Tax assessment	382,596	392,829
Miscellaneous income (expense)	6,000	6,000
Recreation and camping fees	315,943	313,121
General administration expenses	(3,539,961)	(3,291,800)
Recreation and other expenses	(1,202,675)	(1,121,617)
Special program expenses	(1,593,452)	(2,568,832)
Net Cash Provided (Used) By Noncapital Financing Activities	(4,694,814)	(1,831,862)
Cash Flows From Capital And Related Financing Activities:		
Purchase of property and equipment	(306,903)	(52,790)
Costs incurred on construction in progress projects	(15,110,178)	(7,727,467)
Principal payments on long-term debt	(4,234,000)	(7,680,000)
Interest paid	(3,270,599)	(328,720)
Net Cash Provided (Used) By Capital and Related Financing Activities	(22,921,680)	(15,788,977)
Cash Flows From Investing Activities:		
Proceeds from disposition of property and equipment	25,708	3,816
Interest received	687,502	769,632
Net Cash Provided (Used) By Investing Activities	713,210	773,448
Net Increase (Decrease) in Cash and Cash Equivalents	(11,537,536)	(6,881,800)
Cash and Cash Equivalents - Beginning of Year	55,658,858	62,540,658
Cash and Cash Equivalents - End of Year	\$ 44,121,322	\$ 55,658,858
Reconciliation of Cash and Cash Equivalents:		
Cash and cash equivalents	\$ 44,121,322	\$ 54,589,730
Restricted assets:		
Cash with fiscal agent	1,069,128	1,069,128
Total Cash and Cash Equivalents	\$ 44,121,322	\$ 55,658,858

**YUBA COUNTY WATER AGENCY
STATEMENTS OF CASH FLOWS
For The Years Ended June 30, 2013 and 2012**

Exhibit 3

Page 2 of 2

	2013	2012
Reconciliation of Net Income from Operations to Net Cash Provided (Used) By Operating Activities:		
Net income from operations	\$ 13,667,663	\$ 5,179,512
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation and amortization	3,334,862	3,374,016
Changes in assets and liabilities:		
Decrease (increase) in accounts receivable	4,055,228	(36,680)
Decrease (increase) in prepaid expenses	280,457	201,864
Increase (decrease) in accounts payable and accrued liabilities	(905,965)	1,222,049
Increase (decrease) in customer deposits	(20,000)	(600)
Increase (decrease) in wages payable	19,702	(160,028)
Increase (decrease) in accrued compensated absences	92,863	144,312
Increase (decrease) in deferred income	(5,159,062)	41,146
Net Cash Provided (Used) By Operating Activities	\$ 15,365,748	\$ 9,965,591
Supplemental Disclosure of Cash Flow Information:		
Noncash Investing, Capital, and Financing Activities:		
Change in fair value of investments	\$ (86,932)	\$ (349,445)
Gain (loss) on early extinguishment of debt	\$ 315,250	

NOTES TO THE FINANCIAL STATEMENTS

**YUBA COUNTY WATER AGENCY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012**

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. Financial accountability is defined as appointment of a majority of a component unit's board and either the ability to impose the will of the Agency or the possibility that the component unit will provide a financial benefit to or impose a financial burden on the Agency. Based on these criteria, the Agency has determined that there are no component units that come under the criteria for inclusion. However, the Agency is a component unit of the County of Yuba, California. As a result, the financial activities of the Agency are included in the annual financial report of the County of Yuba which is available at the Auditor-Controller's office located at 915 8th Street, Suite 105, Marysville, California 95901.

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

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 following units:

- General Fund
- Operation and Maintenance Fund
- General Fund Hydro Fund
- Hydroelectric Utility Fund
- Power Revenue Fund
- Series A Interest Fund
- Series A Sinking Fund
- Series B Interest Fund
- Health RA Fund

Inter-unit balances have been eliminated from the statement of net position amounts.

**YUBA COUNTY WATER AGENCY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

The Agency distinguishes *operating* revenues and expenses from *non-operating* 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 charges for services. Non-operating 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.

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.

The Agency's financial statements are presented in conformance with the provisions of Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. The Agency has also adopted the provisions of GASB Statement No. 62 with respect to financial reporting guidance.

C. Assets, Liabilities, and Net Position

1) Cash and Cash Equivalents

For purposes of reporting cash flows, the Agency includes all cash accounts, which are not subject to withdrawal restrictions or penalties, and all highly liquid debt instruments purchased with a maturity of three months or less as 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. Contributed capital assets are valued at their estimated fair market value on the date received.

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 property and equipment accounts with any gain or loss recorded. Fully depreciated assets remain in the accounts until such assets are no longer in service.

**YUBA COUNTY WATER AGENCY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Assets, Liabilities, and Net Position (Continued)

4) Capital Assets (Continued)

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

Depreciation expense, by function, was as follows:

	2013	2012
Hydraulic production	\$ 2,615,986	\$ 2,617,846
Electric plant acquisition	97,464	97,464
Transmission equipment	10,462	22,084
General plant	506,212	517,665
Intangible assets	5,249	5,249
Recreation facilities	82,984	82,984
Irrigation canals	11,552	11,551
Total	\$ 3,329,909	\$ 3,354,843

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 has been recorded in accompanying financial statements.

6) Deferred Income

See Notes 1(C) (10) and (11) for an explanation of deferred income amounts and the related reclassification.

7) Bond Discounts

Bond discounts are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond discounts.

8) Net Position

Restricted:

Restricted net assets 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 government or constraints imposed by law through constitutional provisions or enable legislation. Restrictions include a restriction for debt service as required by related debt covenants and the balance of amounts received for debt service and operations and maintenance of the hydroelectric facility.

**YUBA COUNTY WATER AGENCY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Assets, Liabilities, and Net Position (Continued)

8) Net Position (Continued)

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:

	2013	2012
Capital facilities - recreation	\$ 46,868	\$ 45,631
Ground water	388,640	318,207
Relicensing	2,473,394	9,718,357
Fishery enhancement	928,341	465,280
Project development	14,066,021	13,033,928
Future operations & administration	13,939,015	14,797,177
River management	619,324	550,895
Subtotal - Designated	32,461,603	38,929,475
Undesignated	-	1,476,294
Total Unrestricted Net Position	\$ 32,461,603	\$ 40,405,769

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

9) 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.

**YUBA COUNTY WATER AGENCY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Assets, Liabilities, and Net Assets or Equity (Continued)

10) Reclassifications

For the year ended June 30, 2013, certain classifications have been changed to improve financial statement presentation. For comparative purposes, prior year balances have been reclassified to conform to current presentation. Reclassifications had no effect on previously reported assets, liabilities, net position, or changes in net position other than the reclassification of deferred income amounts from liabilities to deferred inflows of resources. The deferred income amounts are classified as deferred inflows of resources because they represent money received for water and electricity sold but not yet delivered.

11) New Pronouncements

Effective July 1, 2012, the Agency implemented GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. This statement provides financial reporting guidance for deferred outflows and inflows of resources, which Concepts Statement No. 4 introduced and defined those elements as consumption of net assets by the government that is applicable to a future reporting period, and an acquisition of net assets by the government that is applicable to a future reporting period, respectively. Statement No. 63 amends the net assets reporting requirements of GASB Statement No. 34 by incorporating deferred inflows and outflows into the definitions of the required components of residual measure and by renaming that measure as net position, rather than net assets. As a result of the implementation of Statement No. 63, certain items were reclassified as deferred inflows on the statements of net position.

In June 2012, the GASB approved Statement No. 68, *Accounting and Financial Reporting for Pensions*. This statement requires governments providing defined benefit pension plans to recognize their long-term obligation for pension benefits as a liability in the statement of net position and to more comprehensively and comparably measure the annual costs of pension benefits. Statement No. 68 also requires revised and new note disclosures and required supplementary information (RSI) to be reported by employers. The implementation of this GASB statement could have a significant impact on the Agency's financial statements and is effective for the fiscal year ended June 30, 2015.

NOTE 2 CASH AND CASH EQUIVALENTS

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

	<u>Fiscal year ended June 30,</u>	
	<u>2013</u>	<u>2012</u>
Unrestricted cash and cash equivalents:		
Cash on hand	\$ 525	\$ 525
Deposits in financial institutions	1,366,558	965,736
Cash and investments with county treasurer	42,754,239	53,623,469
Total unrestricted	<u>44,121,322</u>	<u>54,589,730</u>
Restricted cash and cash equivalents:		
Mutual fund accounts		1,069,128
Total cash and investments	<u>\$ 44,121,322</u>	<u>\$ 55,658,858</u>

**YUBA COUNTY WATER AGENCY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012**

NOTE 2 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, 2013, the carrying amount of the Agency's deposits was \$1,366,558, and the balances in financial institutions were \$1,755,991. Of the balances in financial institutions, \$264,500 was covered by federal depository insurance, and \$1,491,491 was 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.

At June 30, 2012, the carrying amount of the Agency's deposits was \$965,736, and the balances in financial institutions were \$1,065,649. Of the balances in financial institutions, \$250,000 was covered by federal depository insurance, and \$815,649 was collateralized as described above.

The restricted cash and cash equivalents are for the bond debt service requirements.

The Agency's investments in mutual funds and the Yuba County Treasurer are stated at fair value. The Agency maintains a significant portion of its cash in Yuba County's cash and investment pool. Yuba 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 Yuba County's financial statement. The Yuba County 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. The County has not provided or obtained any legally binding guarantees to support the value of the accounts.

**YUBA COUNTY WATER AGENCY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012**

NOTE 2 CASH AND CASH EQUIVALENTS (Continued)

Investment policy: Pursuant to Board Resolutions 2013-06 and 2012-06, the Agency reaffirmed the County of Yuba, California's investment policy as the Agency's policy. Under the County's policy, the permissible investments for the fiscal years ended June 30, 2013 and 2012, included the following instruments:

<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 the 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.

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.

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. Specific credit risk ratings for investment assets held for the Agency by the County of Yuba are provided in the County of Yuba's annual financial report.

Concentration of credit risk: The Agency does not have a policy that limits the amount that can be invested in any one issuer. 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

The accounts receivable consists of the following:

	<u>Fiscal year ended June 30,</u>	
	<u>2013</u>	<u>2012</u>
Irrigation and gauging receivables	\$ 103,776	\$ 103,776
Due from marina operations	196,258	315,964
Due from Pacific Gas & Electric	37,256	3,972,778
TOTALS	<u>\$ 337,290</u>	<u>\$ 4,392,518</u>

**YUBA COUNTY WATER AGENCY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012**

NOTE 4 LOANS RECEIVABLE FROM OTHER GOVERNMENTAL AGENCIES

The loans receivable consists of the following at June 30, 2013:

	Balance July 1, 2012	Additions	Payments	Balance June 30, 2013
Yuba County RDA/County				
Of Yuba as Successor Agency	\$ 920,698	\$ 8,266		\$ 928,964
North Yuba Water District	529,695		\$ (47,895)	481,800
Reclamation District No. 784	375,065		(374,826)	239
Cordua Irrigation District	99,857		(36)	99,821
Dry Creek Mutual Water Company	1,682,843		(77,665)	1,605,178
City of Marysville Levee District	1,715,703	407,536		2,123,239
TOTALS	\$ 5,323,861	\$ 415,802	\$ (500,422)	\$ 5,239,241

The loans receivable consisted of the following at June 30, 2012:

	Balance July 1, 2011	Additions	Payments	Balance June 30, 2012
Yuba County RDA/County				
Of Yuba as Successor Agency	\$ 910,816	\$ 11,882	\$ (2,000)	\$ 920,698
North Yuba Water District	533,886	12,809	(17,000)	529,695
Reclamation District No. 784	423,960	6,305	(55,200)	375,065
Ramirez Water District	6,463	37	(6,500)	-
Cordua Irrigation District	99,872	3,985	(4,000)	99,857
Dry Creek Mutual Water Company	1,758,335	27,808	(103,300)	1,682,843
City of Marysville Levee District	570,011	1,377,392	(231,700)	1,715,703
TOTALS	\$ 4,303,343	\$ 1,440,218	\$ (419,700)	\$ 5,323,861

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. 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.

Each loan accrues interest at a rate established by the Agency as agreed to in the originating loan agreement. Typically, the 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 were 1.249% to 4.00% and 1.436% to 4.00% at June 30, 2013 and 2012, respectively.

**YUBA COUNTY WATER AGENCY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012**

NOTE 5 CAPITAL ASSETS

The details of capital asset activity for the fiscal year ended June 30, 2013, are as follows:

	<u>Balance</u> <u>July 1, 2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2013</u>
CAPITAL ASSETS NOT BEING DEPRECIATED:				
Hydroelectric Utility Fund:				
Water rights	\$ 85,835			\$ 85,835
Land and land rights	2,841,991			2,841,991
Construction in progress	6,819,138	\$ 7,510,908	\$ (13,675,827)	654,219
Total Hydroelectric Utility Fund	9,746,964	7,510,908	(13,675,827)	3,582,045
General Fund:				
Land and land rights	1,449			1,449
Canals	4,605,454			4,605,454
Construction in progress	28,930,252	7,599,270		36,529,522
Total General Fund	33,537,155	7,599,270	-	41,136,425
TOTAL CAPITAL ASSETS NOT BEING DEPRECIATED	43,284,119	15,110,178	(13,675,827)	44,718,470
CAPITAL ASSETS BEING DEPRECIATED:				
Hydroelectric Utility Fund:				
Hydraulic production	205,270,191	13,626,063	(811)	218,895,443
Electric plant acquisition	4,485,248			4,485,248
Transmission equipment	1,391,312	49,764	(30,000)	1,411,076
General plant	6,611,081	284,919	(91,568)	6,804,432
Intangible assets	248,292			248,292
Total Hydroelectric Utility Fund	218,006,124	13,960,746	(122,379)	231,844,491
General Fund Hydro Fund:				
Hydraulic production	2,807,412			2,807,412
General Fund:				
Recreation facilities	1,516,201			1,516,201
General plant	3,533,218	21,984	(21,293)	3,533,909
Irrigation canals	599,847			599,847
Total General Fund	5,649,266	21,984	(21,293)	5,649,957
TOTAL CAPITAL ASSETS BEING DEPRECIATED	226,462,802	13,982,730	(143,672)	240,301,860

**YUBA COUNTY WATER AGENCY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012**

NOTE 5 CAPITAL ASSETS (Continued)

	Balance July 1, 2012	Additions	Deletions	Balance June 30, 2013
ACCUMULATED DEPRECIATION AND AMORTIZATION:				
Hydroelectric Utility Fund:				
Hydraulic production	(89,255,950)	(2,512,643)	811	(91,767,782)
Electric plant acquisition	(4,093,488)	(97,464)		(4,190,952)
Transmission equipment	(1,351,895)	(10,462)	30,000	(1,332,357)
General plant	(4,962,622)	(263,725)	91,568	(5,134,779)
Intangible assets	(220,458)	(5,249)		(225,707)
Total Hydroelectric Utility Fund	(99,884,413)	(2,889,543)	122,379	(102,651,577)
General Fund Hydro Fund:				
Hydraulic production	(1,947,842)	(103,342)		(2,051,184)
General Fund:				
Recreation facilities	(910,810)	(82,984)		(993,794)
General plant	(945,063)	(242,488)	21,293	(1,166,258)
Irrigation canals	(261,289)	(11,552)		(272,841)
Total General Fund	(2,117,162)	(337,024)	21,293	(2,432,893)
TOTAL ACCUMULATED DEPRECIATION	(103,949,417)	(3,329,909)	143,672	(107,135,654)
Total capital assets being depreciated, net	122,513,385	10,652,821	-	133,166,206
CAPITAL ASSETS, NET	\$165,797,504	\$ 25,762,999	\$ (13,675,827)	\$177,884,676

The details of capital asset activity for the fiscal year ended June 30, 2012, are as follows:

	Balance July 1, 2011	Additions	Deletions	Balance June 30, 2012
CAPITAL ASSETS NOT BEING DEPRECIATED:				
Hydroelectric Utility Fund:				
Water rights	\$ 85,835			\$ 85,835
Land and land rights	2,841,991			2,841,991
Construction in progress	5,686,850	\$ 1,190,502	\$ (58,214)	6,819,138
Total Hydroelectric Utility Fund	8,614,676	1,190,502	(58,214)	9,746,964
General Fund Hydro Fund:				
Construction in progress	21,863	10,011	(31,874)	-
Total General Fund Hydro Fund	21,863	10,011	(31,874)	-
General Fund:				
Land and land rights	1,449			1,449
Canals	4,605,454			4,605,454
Construction in progress	22,403,298	6,526,954		28,930,252
Total General Fund	27,010,201	6,526,954	-	33,537,155
TOTAL CAPITAL ASSETS NOT BEING DEPRECIATED	35,646,740	7,727,467	(90,088)	43,284,119

**YUBA COUNTY WATER AGENCY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012**

NOTE 5 CAPITAL ASSETS (Continued)

	<u>Balance July 1, 2011</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2012</u>
CAPITAL ASSETS BEING DEPRECIATED:				
Hydroelectric Utility Fund:				
Hydraulic production	205,218,351	72,077	(20,237)	205,270,191
Electric plant acquisition	4,485,248			4,485,248
Transmission equipment	1,391,312			1,391,312
General plant	6,611,081			6,611,081
Intangible assets	248,292			248,292
Total Hydroelectric Utility Fund	<u>217,954,284</u>	<u>72,077</u>	<u>(20,237)</u>	<u>218,006,124</u>
General Fund Hydro Fund:				
Hydraulic production	2,775,538	31,874		2,807,412
General Fund:				
Recreation facilities	1,518,693		(2,492)	1,516,201
General plant	3,513,467	38,927	(19,176)	3,533,218
Irrigation canals	599,847			599,847
Total General Fund	<u>5,632,007</u>	<u>38,927</u>	<u>(21,668)</u>	<u>5,649,266</u>
TOTAL CAPITAL ASSETS BEING DEPRECIATED	<u>226,361,829</u>	<u>142,878</u>	<u>(41,905)</u>	<u>226,462,802</u>
ACCUMULATED DEPRECIATION AND AMORTIZATION:				
Hydroelectric Utility Fund:				
Hydraulic production	(86,770,778)	(2,505,409)	20,237	(89,255,950)
Electric plant acquisition	(3,996,024)	(97,464)		(4,093,488)
Transmission equipment	(1,329,811)	(22,084)		(1,351,895)
General plant	(4,685,048)	(277,574)		(4,962,622)
Intangible assets	(215,209)	(5,249)		(220,458)
Total Hydroelectric Utility Fund	<u>(96,996,870)</u>	<u>(2,907,780)</u>	<u>20,237</u>	<u>(99,884,413)</u>
General Fund Hydro Fund:				
Hydraulic production	(1,835,405)	(112,437)		(1,947,842)
General Fund:				
Recreation facilities	(830,318)	(82,984)	2,492	(910,810)
General plant	(724,148)	(240,091)	19,176	(945,063)
Irrigation canals	(249,738)	(11,551)		(261,289)
Total General Fund	<u>(1,804,204)</u>	<u>(334,626)</u>	<u>21,668</u>	<u>(2,117,162)</u>
TOTAL ACCUMULATED DEPRECIATION	<u>(100,636,479)</u>	<u>(3,354,843)</u>	<u>41,905</u>	<u>(103,949,417)</u>
Total capital assets being depreciated, net	125,725,350	(3,211,965)	-	122,513,385
CAPITAL ASSETS, NET	<u>\$161,372,090</u>	<u>\$ 4,515,502</u>	<u>\$ (90,088)</u>	<u>\$165,797,504</u>

**YUBA COUNTY WATER AGENCY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012**

NOTE 6 LONG-TERM DEBT

The following is a summary of debt transactions of the Agency for the fiscal year ended June 30, 2013:

	Balance July 1, 2012	Additions/ Adjustments	Retirements	Balance June 30, 2013	Due within one year
Yuba River Development					
Series A Revenue Bonds	\$ 2,728,000		\$ (2,728,000)	\$ -	
Series B Revenue Bonds	1,506,000		(1,506,000)	-	
Subtotal	4,234,000	\$ -	(4,234,000)	-	\$ -
Less: bond discount	(741,604)	736,651	4,953	-	
Bonds payable, net	3,492,396	736,651	(4,229,047)	-	
Less: portion due within one year	-			-	
Bonds payable, due after one year	<u>\$ 3,492,396</u>	<u>\$ 736,651</u>	<u>\$ (4,229,047)</u>	<u>\$ -</u>	

All remaining bonded debt was paid in full during the fiscal year ended June 30, 2013. Therefore, a schedule identifying the annual requirements to amortize all debt is not presented for the fiscal year ended June 30, 2013.

Bonds Payable

\$160,740,000 Yuba River Development Revenue Bonds, Series A dated May 5, 1966. A total of \$185,000,000 of revenue bonds were authorized at an election held on May 16, 1961. They are secured by a prior lien on Power Revenues to be received from Pacific Gas and Electric Company under the Power Purchase Contract between the Agency and the Company. Sinking funds are due in annual installments of \$985,000 to \$3,760,000, plus interest at 4%. During the time these bonds have been outstanding, the Agency has made additional debt service payments, which resulted in these bonds being paid in full during the fiscal year ended June 30, 2013.

\$ 0

\$1,506,000 Yuba River Development Revenue Bonds, Series B dated June 14, 1977. A total of \$11,310,000 of the Series B bonds was authorized. The Series B bonds are subordinated and junior in standing with respect to the payment of principal and interest to the bonds of Series A. No principal or interest is payable from the power revenues as long as any bonds of Series A are outstanding. The principal and interest are due July 1, 2027. The interest is simple and cumulative at 6% per annum. During the fiscal year ended June 30, 2013, these outstanding bonds were paid in full.

\$ 0

The complete retirement of the Series A and Series B bonds resulted in a \$315,250 gain on early extinguishment of debt which is noted as a Special Item in the accompanying financial statements and schedules.

**YUBA COUNTY WATER AGENCY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012**

NOTE 6 LONG-TERM DEBT (Continued)

The following is a summary of debt transactions of the Agency for the fiscal year ended June 30, 2012:

	Balance July 1, 2011	Additions/ Adjustments	Retirements	Balance June 30, 2012	Due within one year
Yuba River Development					
Series A Revenue Bonds	\$ 10,408,000		\$ (7,680,000)	\$ 2,728,000	
Series B Revenue Bonds	1,506,000			1,506,000	
Subtotal	11,914,000	\$ -	(7,680,000)	4,234,000	\$ -
Less: bond discount	(760,777)		19,173	(741,604)	
Bonds payable, net	11,153,223	-	(7,660,827)	3,492,396	
Less: portion due within one year	(6,380,000)		6,380,000	-	
Bonds payable, due after one year	<u>\$ 4,773,223</u>	<u>\$ -</u>	<u>\$ (1,280,827)</u>	<u>\$ 3,492,396</u>	

The annual requirements to amortize all debt, except accrued absences outstanding, as of June 30, 2012, were as follows:

Year Ended June 30,	Yuba River Development Revenue Bonds				Total Requirements
	Series A		Series B		
	Principal	Interest	Principal	Interest	
2013	\$ 2,728,000	\$ 109,120			\$ 2,837,120
2014					-
2015					-
2016					-
2017					-
2018 - 2022					-
2023 - 2027					-
2028			\$ 1,506,000	\$ 3,162,600	4,668,600
	<u>\$ 2,728,000</u>	<u>\$ 109,120</u>	<u>\$ 1,506,000</u>	<u>\$ 3,162,600</u>	<u>\$ 7,505,720</u>

NOTE 7 ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

The accounts payable and accrued liabilities consist of the following:

	Fiscal year ended June 30,	
	2013	2012
Vendors	\$ 2,235,658	\$ 3,172,751
Other	164,084	132,956
TOTALS	<u>\$ 2,399,742</u>	<u>\$ 3,305,707</u>

**YUBA COUNTY WATER AGENCY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012**

NOTE 8 DEFERRED INFLOWS OF RESOURCES

During the fiscal year ended June 30, 2008, the Agency entered into a water transfer agreement whereby \$30,900,000 was paid up front for the transfer of 480,000 acre feet of water. The water transfer was scheduled to span over a period of eight (8) years with 60,000 acre feet of water being transferred annually. The revenue is being recognized as the water is actually transferred. The remaining balance of transfer proceeds is reported as deferred income until recognition of revenue occurs.

Due to constraints beyond the Agency's control, no water was transferred during the fiscal year ended June 30, 2012.

The Agency also records deferred income amounts for certain water sales and electric energy sales to PG&E.

The following is a summary of deferred income balances:

	Fiscal year ended June 30,	
	2013	2012
Water transfer accord	\$ 15,700,000	\$ 19,312,500
Other water sales & transfers		250,000
Electric energy sales	889,847	2,186,409
TOTALS	<u>\$ 16,589,847</u>	<u>\$ 21,748,909</u>

NOTE 9 RETIREMENT PLANS

Plan Description

The Yuba County Water Agency's defined benefit pension plan, administered through California Public Employees' Retirement System (CalPERS), provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The Agency is part of the Public Agency portion of CalPERS, an agent multiple-employer plan administered by CalPERS, which acts as a common investment and administrative agent for participating public entities within the State of California. A menu of benefit provisions, as well as other requirements, is established by state statutes within the Public Employees' Retirement Law. The Agency selects optional benefits through state statute and Agency resolutions. CalPERS issues a separate comprehensive annual financial report. Copies of CalPERS' annual financial report may be obtained from the CalPERS Actuarial and Employer Services Division, P.O. Box 942709, Sacramento, CA 94229-2709.

Funding Policy

The Agency uses the 2% at 55 retirement formula. This formula applies to eligible employees who were members of the CalPERS system on or before December 31, 2012. New CalPERS employee members, hired on or after January 1, 2013, will be subject to AB 340 and the California Pension Reform Act. These employees will participate under a separate plan formula using 2% at 62.

**YUBA COUNTY WATER AGENCY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012**

NOTE 9 RETIREMENT PLANS (Continued)

Employee and Employer Contribution Obligations

As a result of the above referenced legislative changes, the Agency developed the following matrix that clearly identifies Agency and employee contribution requirements:

Classic Members With Union Affiliation		New Members With Union Affiliation	
Formula	2% @ 55	Formula	2% @ 62
EPMC	Yes	EPMC	Yes
PERS Compensable	Yes	PERS Compensable	No
Employer (ER) Paid Employee Share	5%	Employer (ER) Paid Employee Share	5%
Employee Paid Share	2%	Employee Paid Share	1.25%
FY 2012/13 ER Contribution Rate	11.946%	FY 2012/13 ER Contribution Rate	6.25%
Classic Members With NO Union Affiliation		New Members With NO Union Affiliation	
Formula	2% @ 55	Formula	2% @ 62
EPMC	Yes	EPMC	No
PERS Compensable	Yes	PERS Compensable	No
Employer Paid Employee Share	5%	Employer (ER) Paid Employee Share	0%
Employee Paid Share	2%	Employee Paid Share	6.25%
FY 2012/13 ER Contribution Rate	11.946%	FY 2012/13 ER Contribution Rate	6.25%

As noted above, the Agency has agreed to fund a portion of employee member required contributions depending upon the employee's CalPERS participation and union status. This Agency funding is known as the Employer Paid Member Contribution (EPMC). For the year ended June 30, 2013, the EPMC paid by the Agency was \$166,784, with the employees paying \$66,655. For the year ended June 30, 2012, the EPMC paid by the Agency was \$154,446, with the employees paying \$61,778.

The Yuba County Water Agency is required to contribute at the actuarially determined rate necessary to fund the benefits for its members. The actuarial methods and assumptions used are those adopted by the CalPERS Board of Administration. The required employer contribution rates for fiscal year ended June 30, 2013 are noted in the matrix above. For the fiscal year ended June 30, 2013, the Agency employer contributions totaled \$405,791. The required employer contribution rate, for fiscal year ended June 30, 2012, was 11.383% for a contribution of \$353,815. The contribution requirements of plan members are established by state statute and the employer contribution rate is established and may be amended by CalPERS.

Annual Pension Cost

For the fiscal years ended June 30, 2013 and 2012, the Agency had annual pension costs of \$572,575 and \$508,261, respectively. The principal assumptions and methods used to determine the annual required contributions are as follows:

**YUBA COUNTY WATER AGENCY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012**

NOTE 9 RETIREMENT PLANS (Continued)

Annual Pension Cost (Continued)

1. Valuation date: June 30, 2010 (most recent available data)
2. Actuarial cost method: Entry age actuarial cost method
3. Amortization method: Level percent of payroll
4. Average remaining period as of the valuation date: 18 years
5. Asset valuation method: 15-year smoothed market
6. Actuarial assumptions:
 - 7.75% investment rate of return (net of administrative expenses)
 - Projected annual salary increases that vary by age, service, and type of employment: 3.55% to 14.45%
 - 3.00% inflation
 - 3.25% payroll growth
 - Individual salary growth based on a merit scale varying by duration of employment coupled with an assumed annual inflation component of 3.00% and an annual production growth of 0.25%

Trend Information

Within the Agency's financial statement, three years of historical trend information are required. The trend information is summarized as follows (the most recent data available):

Fiscal Year June 30,	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2011	\$ 458,932	100.00%	none
2012	508,261	100.00%	none
2013	572,575	100.00%	none

Deferred Compensation Plan

The Agency also offers its employees a deferred compensation plan created in accordance with Internal Revenue Code (IRC) Section 457. The plan is administered by the ICMA Retirement Corporation. The plan, available to all regular employees at their option, permits participants to defer a portion of their salary until future years. The Agency contributes 7.65% of covered salaries for each employee who does not participate in the 401(a) plan below. For the fiscal year ended June 30, 2013, the Agency contributed \$168,744, and the employees contributed \$277,772. For the fiscal year ended June 30, 2012, the Agency contributed \$162,906, and the employees contributed \$216,473.

On December 17, 2002, the Agency established an IRC Section 401(a) account 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. For the fiscal year ended June 30, 2013, the Agency contributed \$80,307 and the employees contributed \$88,141 to this plan. For the fiscal year ended June 30, 2012, the Agency contributed \$64,434 and the employees contributed \$74,755 to this plan.

**YUBA COUNTY WATER AGENCY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012**

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, 2013, ten (10) retired employees/survivor dependents met those eligibility requirements. At June 30, 2012, nine (9) retired employees/survivor dependents met those eligibility requirements.

Basis of Accounting

Employees are not required to contribute to the plan. Employer contributions are recognized when due and when a formal commitment is made to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

Plan Description

The Yuba County Water Agency's Retiree Healthcare Plan is part of an aggregation of single-employer plans 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 Agency labor agreements, which are approved by the Agency's Board of Directors. 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.

Funding Policy

Future contribution requirements of plan members and the Agency will be established and amended as needed by the Agency Board. 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. For fiscal years ended June 30, 2013 and 2012, the Agency contributed a total of \$376,000 and \$142,000, respectively.

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 period of ten years. 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:

Annual required contribution	\$ 487,000
Contribution made	(376,000)
	<hr/>
Net OPEB obligation for the fiscal year ended 6/30/13	<u>\$ 111,000</u>

**YUBA COUNTY WATER AGENCY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012**

NOTE 10 POST-EMPLOYMENT HEALTH CARE BENEFITS (Continued)

Annual OPEB Cost and Net OPEB Obligation (Continued)

The ARC was determined as part of a June 30, 2011, actuarial valuation. The ARC rate was 13.74% of projected annual covered payroll. For the fiscal year ended June 30, 2013, the Agency's annual OPEB cost (expense) totaled \$763,000. The OPEB Cost consists of three (3) components: Annual Required Contribution, interest earned on the Net OPEB Obligation, and any adjustments in the Net OPEB Obligation. 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, 2013, were as follows:

Fiscal Year June 30	Annual OPEB Cost	Contribution	Adjustment Of Net OPEB Obligation	Net OPEB Obligation (Asset)
2011	\$ 490,000	\$ (1,078,000)	\$ (993,000)	\$ (1,581,000)
2012	517,000	(142,000)	(1,676,000)	(1,301,000)
2013	763,000	(376,000)	(1,412,000)	(1,025,000)

Funded Status and Funding Process

The funded status of the liability as per the most recent actuarial valuation of June 30, 2011, was as follows:

Actuarial accrued liability (AAL)	\$ 4,048,000
Actuarial value of plan assets contributed	(3,422,000)
Unfunded actuarial accrued liability (UAAL)	<u>\$ 626,000</u>
Funded ratio (actuarial value of plan assets/AAL)	<u>84.54%</u>
Actual covered payroll (active plan members)	<u>\$ 3,177,218</u>
UAAL as a percentage of covered payroll	<u>19.70%</u>

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.

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.

**YUBA COUNTY WATER AGENCY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012**

NOTE 10 POST-EMPLOYMENT HEALTH CARE BENEFITS (Continued)

Actuarial Methods and Assumptions (Continued)

In the June 30, 2011, actuarial valuation, the Entry Age Normal (EAN) cost method was used. The actuarial assumptions included a 7.00% investment rate of return (net of administrative expenses), actual health care cost premiums for the year, payroll increases of 3.25%, and an inflation assumption of 3%. The EAN cost method spreads plan costs for each participant from entry date to the expected retirement date. Under the EAN cost method the plan's normal cost is developed as a level percent of payroll over the participants' working lifetime. The actuarial value of plan assets was \$3,422,000. The plans unfunded actuarial accrued liability will be amortized using the flat dollar amount method over 10 years.

Schedule of Funding Progress

The schedule of funding progress presents trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. Trend data is data is presented in the Required Supplementary Information section of this report.

NOTE 11 POWER PURCHASE CONTRACT

All electric power generated by the Operations and Maintenance Fund is sold to the Pacific Gas and Electric Company (PG&E) under the terms of a contract dated May 13, 1966, and expires in 2016. For the power received, PG&E pays \$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 \$15,393,231 and \$8,620,014 for the fiscal years ended June 30, 2013 and 2012, respectively. The significant increase in funding for the fiscal year ended June 30, 2013, is primarily attributable to funding provided for significant repair and improvement projects.

All electric power generated through the General Fund Hydro Fund is also sold to PG&E under the terms of two Standard Offer #4 Contracts dated May 7, 1984, and expiring in 2016 and 2019. For the power received, PG&E pays for the net energy output under the energy Payment Option 1 Forecasted Energy Prices of two megawatts for the Deadwood Power Plant and for the firm capacity of 130 kilowatts for the Mini-Hydro Power Plant. The General Fund Hydro Fund received payments totaling \$219,168 and \$238,188 for the fiscal years ended June 30, 2013 and 2012, respectively.

NOTE 12 ECONOMIC DEPENDENCY

The Agency received from PG&E power revenues totaling \$20,745,733 and \$16,558,202 for the fiscal years ended June 30, 2013 and 2012, respectively. These revenue amounts represent 78.10% and 98.25% of total operating revenues for the fiscal years ended June 30, 2013 and 2012, respectively.

**YUBA COUNTY WATER AGENCY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012**

NOTE 13 CONTINGENT LIABILITIES

Water Rights

The State Water Resources Control Board adopted Revised Water Right Decision 1644 (RD-1644) in 2003 to address fishery protection, instream flow requirements, and water right issues involving the Agency's diversion and use of water from the Yuba River. Following adoption of RD-1644, the Agency, several other water purveyors in Yuba County, and several environmental groups filed lawsuits challenging the decision on a variety of grounds. The lawsuits, which are still pending, have been consolidated in the San Joaquin County Superior Court. Most of the parties to the consolidated litigation have settled their competing interest regarding use of water from the Yuba River through the approval of a set of agreements known as the Lower Yuba River Accord. The Accord is a comprehensive settlement regarding instream flow requirements, water transfers, and other issues related to diversion and use of water from the lower Yuba River.

The approval of the Accord substantially resolved the issues that were pending in the *Yuba County Water Agency v. State Water Resources Control Board*. However, two other parties to the consolidated cases continue to pursue their arguments in the litigation. On October 29, 2012, the San Joaquin County Superior Court entered a judgment denying the claims brought by these two other parties. On December 11, 2012, one of the parties filed a notice of appeal of this judgment. This appeal is pending in the California Court of Appeal, Third Appellate District.

If the Court of Appeal were to issue an order directing the San Joaquin County Superior Court to require the State Water Resources Control Board to vacate parts or all of RD-1644, then that order might also affect the agreements and subsequent water transfers under the Lower Yuba River Accord, which in turn could adversely affect future Agency water transfer revenues or potentially even require the Agency to reimburse the Department of Water Resources for some of the money the Agency has received under the Accord as advance payments for future water transfers. However, the Agency believes the likelihood of such result is remote.

Western Water v. Yuba County Water Agency and Western Aggregates

The Agency is currently a defendant in the case *Western Water v. Yuba County Water Agency and Western Aggregates*. Western Water claims the Agency breached an agreement entered into between the parties in 1991. Generally, it is claimed that the Agency had an obligation to pay for water which was taken from an area commonly known as Yuba Goldfields. Trial in this matter began on January 23, 2012. Following the trial, the court ruled in favor of the Agency and denied all of the plaintiff's claims. Presently, the plaintiff has filed an appeal. There is low likelihood of an unfavorable outcome.

Litigation

The Agency is a party to 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 Contingencies

Amounts received or receivable from grantor agencies 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 the grantor agencies cannot be determined at this time, although the Agency expects such amounts, if any, to be immaterial.

**YUBA COUNTY WATER AGENCY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012**

NOTE 14 COMMITMENTS

Construction in Progress Commitments

East-side Canal Extension (Yuba Wheatland Canal Project):

The Agency received a total of \$8.15 million in grant funding from the California Department of Water Resources for the project. As of June 30, 2013 and 2012, a total of \$16,613,796 had been expended on this project and is included in the Construction in Progress total reported in the accompanying financial statements.

It is important to note that this project is the result of a contractual agreement between the Agency and Wheatland Water District. 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 contain cost allocation, ownership, and payment provisions which are to be fully addressed upon completion of project construction. While the construction process is complete, the Agency and Wheatland Water District have not fully executed the agreement provisions mentioned. Given this status, the project remains classified as Construction in Progress.

Loan Commitments

On March 12, 2013, the Agency Board of Directors approved a \$600,000 Line of Credit loan to the Camptonville Services District. As of June 30, 2013, no funds had been loaned by the Agency.

Project Commitments

On June 11, 2013, the Agency Board of Directors approved a \$1,166,512 grant to the County of Yuba Public Works Department to repair a section of Marysville Road near Bullards Bar. As of June 30, 2013, no funds had been provided to the County of Yuba for this project.

NOTE 15 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.

NOTE 16 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 and will be amortized over the life of the new license once it has been issued by FERC. Total costs capitalized as of June 30, 2013 and 2012, amounted to \$19,018,648 and \$11,699,507, respectively. Total funds designated for the relicensing process, at June 30, 2013 and 2012, amounted to \$2,473,394 and \$9,718,357, respectively. The relicensing process will take several years to complete. The current FERC license expires on April 30, 2016. While the total cost of the relicensing cannot be determined, the Agency anticipates it will have sufficient resources to complete the relicensing process.

**YUBA COUNTY WATER AGENCY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012**

NOTE 17 SUBSEQUENT EVENT

On August 13, 2013, the Agency Board of Directors adopted Resolution No. 2013-09 declaring Deadwood Creek Hydroelectric Project as surplus property and authorized the sale of the project along with determining that the sale is exempt for review under the California Environmental Quality Act.

NOTE 18 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 primary purpose of the agreement is to provide for financial assistance to facilitate improvements to the levee system in the County. On September 3, 2008, bonds totaling \$78,370,000 were issued. This issue consisted of the Series A Revenue Bonds totaling \$64,175,000, and Series B Taxable Revenue Bonds totaling \$14,195,000.

As part of this financing, the Agency did enter into an installment sale agreement whereby the Agency is required to fund 50% of the debt service payments. The Agency originally anticipated that levee fees collected would provide the necessary revenues to cover debt service. With the housing market crash there has been little real estate development in the Plumas Lake area. To date, approximately \$1.88 million has been collected in levee impact fees. Beginning in 2015, it appears very unlikely that there will be enough fees collected to make the annual \$4 million in debt service payments. Since 2008, approximately \$18 million in debt service payments has been made from the bond proceeds set aside for that purpose.

Given the situation described, Yuba County Water Agency may be the only certain source of funding for the future debt service payments. The Agency is planning to set aside sufficient funding for the debt service payments until such time as additional development impact fees become available.

The Bond documents and the Official Statement related to this financing, state that the obligation of the Agency to make installment payments does not constitute a debt of the Agency. As a result, none of the financial activity associated with this financing is reported in the accompanying financial statements of the Agency at this time. The County of Yuba is currently administering this debt obligation, and activity relating to the Yuba Levee Financing Authority is included in the annual financial report for the County.

REQUIRED SUPPLEMENTARY INFORMATION

**YUBA COUNTY WATER AGENCY
REQUIRED SUPPLEMENTARY INFORMATION
Schedule of Funding Progress for
Other Post-Employment Benefits (OPEB)**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Projected Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a) / (c))
1/1/2009	\$ -	\$ 2,722,000	\$ 2,722,000	-	\$ 2,605,000	104.49%
1/1/2011	2,268,000	3,766,000	1,498,000	60.22%	3,324,000	45.07%
6/30/2011	3,422,000	4,048,000	626,000	84.54%	3,432,000	18.24%

Note:

1. The above schedule is updated at the time each actuarial valuation is performed.

SUPPLEMENTARY INFORMATION

YUBA COUNTY WATER AGENCY
COMBINING SCHEDULE OF NET POSITION BY UNIT
JUNE 30, 2013
WITH COMPARATIVE TOTALS AS OF JUNE 30, 2012

ASSETS	General Fund	Operation and Maintenance Fund	General Fund Hydro Fund	Hydroelectric Utility Fund	Power Revenue Fund	Series A Interest Fund	Series A Sinking Fund	Series B Interest Fund	Health RA Fund	Totals	
										2013	2012
CURRENT ASSETS:											
Cash and cash equivalents	\$ 41,724,542	\$ 1,329,841	\$ 1,052,439						\$ 14,500	\$ 44,121,322	\$ 54,589,730
Restricted assets:											
Cash with fiscal agent											1,069,128
Receivables:											
Accounts receivable	300,034	18,496	18,760							337,290	4,392,518
Taxes and interest receivable	94,566		2,356							96,922	200,256
Due from other units	23,647	144,478	6,750							174,875	152,908
Due from other governments	1,150,349									1,150,349	1,151,469
Prepaid expenses and other current assets	326,452	921,599	2,102							1,250,153	1,530,610
TOTAL CURRENT ASSETS	43,619,590	2,414,414	1,082,407	\$ -	\$ -	\$ -	\$ -	\$ -	14,500	47,130,911	63,086,619
CAPITAL ASSETS, at cost:											
Non-depreciable capital assets:											
Land and water rights	1,449			2,927,826						2,929,275	2,929,275
Canal acquisitions	4,605,454									4,605,454	4,605,454
Construction-in-progress	36,529,522			654,219						37,183,741	35,749,390
Depreciable capital assets, net:											
Utility plant and equipment			2,807,412	231,844,490						234,651,902	220,813,536
Non-utility property	5,649,958									5,649,958	5,649,266
Less: accumulated depreciation	(2,432,892)		(2,051,184)	(102,651,578)						(107,135,654)	(103,949,417)
CAPITAL ASSETS, NET	44,353,491	-	756,228	132,774,957	-	-	-	-	-	177,884,676	165,797,504
OTHER ASSETS:											
Loans receivable from other governmental entities	5,239,241									5,239,241	5,323,861
TOTAL OTHER ASSETS	5,239,241	-	-	-	-	-	-	-	-	5,239,241	5,323,861
TOTAL ASSETS	93,212,322	2,414,414	1,838,635	132,774,957	-	-	-	-	14,500	230,254,828	234,207,984
CURRENT LIABILITIES:											
Accounts payable and accrued liabilities	1,280,543	1,108,399	10,800							2,399,742	3,305,707
Customer deposits											20,000
Wages payable		93,349								93,349	73,647
Accrued compensated absences	320,255	313,096	17,385							650,736	557,873
Due to other units	135,100	9,723	15,552						14,500	174,875	152,908
TOTAL CURRENT LIABILITIES	1,735,898	1,524,567	43,737	-	-	-	-	-	14,500	3,318,702	4,110,135
LONG-TERM DEBT:											
Accrued interest and matured bonds payable											4,252,973
Bonds payable, due after one year											3,492,396
TOTAL LONG-TERM DEBT	-	-	-	-	-	-	-	-	-	-	7,745,369
TOTAL LIABILITIES	1,735,898	1,524,567	43,737	-	-	-	-	-	14,500	3,318,702	11,855,504
DEFERRED INFLOWS OF RESOURCES:											
Deferred income	15,700,000	889,847								16,589,847	21,748,909
TOTAL DEFERRED INFLOWS OF RESOURCES	15,700,000	889,847	-	-	-	-	-	-	-	16,589,847	21,748,909
NET POSITION:											
Net investment in capital assets	44,353,491		756,228	132,774,957						177,884,676	159,142,508
Restricted for debt service											1,055,294
Unrestricted	31,422,933		1,038,670							32,461,603	40,405,769
TOTAL NET POSITION	\$ 75,776,424	\$ -	\$ 1,794,898	\$ 132,774,957	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 210,346,279	\$ 200,603,571

YUBA COUNTY WATER AGENCY
 COMBINING SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION BY UNIT
 FOR THE FISCAL YEAR ENDED JUNE 30, 2013
 WITH COMPARATIVE TOTALS FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	General Fund	Operation and Maintenance Fund	General Fund Hydro Fund	Hydroelectric Utility Fund	Power Revenue Fund	Series A Interest Fund	Series A Sinking Fund	Series B Interest Fund	Health RA Fund	Totals	
										2013	2012
OPERATING REVENUES:											
Sale of electrical energy		\$ 15,393,231	\$ 219,168		\$ 5,133,334					\$ 20,745,733	\$ 16,558,202
Water sales	\$ 5,816,330									5,816,330	295,692
TOTAL OPERATING REVENUES	5,816,330	15,393,231	219,168	\$ -	5,133,334	\$ -	\$ -	\$ -	\$ -	26,562,063	16,853,894
OPERATING EXPENSES:											
Hydropower generation		2,694,630	82,431							2,777,061	2,916,430
Administration and general	623,188	4,370,778	111,091							5,105,057	4,335,659
Maintenance		1,638,048	39,372							1,677,420	1,048,277
Depreciation and amortization	337,023		103,342	2,894,497						3,334,862	3,374,016
TOTAL OPERATING EXPENSES	960,211	8,703,456	336,236	2,894,497	-	-	-	-	-	12,894,400	11,674,382
NET INCOME/(LOSS) FROM OPERATIONS	4,856,119	6,689,775	(117,068)	(2,894,497)	5,133,334	-	-	-	-	13,667,663	5,179,512
NON-OPERATING REVENUES (EXPENSES):											
Gain (loss) on disposition of assets				25,708						25,708	3,816
Property taxes	382,596									382,596	392,829
Interest income	575,818		8,350							584,168	746,882
Grants and reimbursements	850,995									850,995	1,441,043
Miscellaneous income (expense)	6,000									6,000	6,000
Recreation and camping fees	315,943									315,943	313,121
Interest expense						(9,287)		(60,240)	-	(69,527)	(8,480)
General administration	(3,539,961)									(3,539,961)	(3,291,800)
Recreation and irrigation	(1,202,675)									(1,202,675)	(1,121,617)
Special projects expense	(1,593,452)									(1,593,452)	(2,568,832)
TOTAL NON-OPERATING REVENUES (EXPENSES)	(4,204,736)	-	8,350	25,708	-	(9,287)	-	(60,240)	-	(4,240,205)	(4,087,038)
INCOME (LOSS) BEFORE TRANSFERS AND SPECIAL ITEM	651,383	6,689,775	(108,718)	(2,868,789)	5,133,334	(9,287)	-	(60,240)	-	9,427,458	1,092,474
TRANSFERS:											
Transfers in	170,352	1,250,695		3,859,000		1,721,760	1,688,000	3,222,840	-	11,912,647	22,999,244
Transfers out		(170,352)			(7,701,295)	(2,353,000)	(1,688,000)			(11,912,647)	(22,999,244)
Transfer of fixed assets		(7,770,118)		7,770,118						-	-
TOTAL OPERATING TRANSFERS	170,352	(6,689,775)	-	11,629,118	(7,701,295)	(631,240)	-	3,222,840	-	-	-
SPECIAL ITEM:											
Gain (loss) on early extinguishment of debt				(361,650)		676,900				315,250	-
TOTAL SPECIAL ITEM	-	-	-	(361,650)	-	676,900	-	-	-	315,250	-
CHANGE IN NET POSITION	821,735	-	(108,718)	8,398,679	(2,567,961)	36,373	-	3,162,600	-	9,742,708	1,092,474
NET POSITION, July 1	74,954,689	-	1,903,616	124,376,278	2,567,961	(36,373)	-	(3,162,600)	-	200,603,571	199,511,097
NET POSITION, June 30	\$ 75,776,424	\$ -	\$ 1,794,898	\$ 132,774,957	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 210,346,279	\$ 200,603,571

OTHER INDEPENDENT AUDITORS' REPORTS



Davis W. Hammon, Jr., CPA
(1924-1989)

Stephen B. Norman, CPA • PFS
Stephen J. Herr, CPA
James L. Duckett, CPA

**INDEPENDENT AUDITORS' 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**

Chairman of the Board, General Manager,
and Members of 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, 2013, 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 20, 2013.

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 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 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 Agency'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 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*.

We noted certain matters that we reported to management of Yuba County Water Agency, in a separate letter dated December 20, 2013.



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 Agency'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 Agency's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Davis Hammon & Co.

December 20, 2013