YUBA COUNTY WATER AGENCY
MARYSVILLE, CALIFORNIA

FINANCIAL STATEMENTS
TOGETHER WITH INDEPENDENT AUDITORS' REPORTS

For the years ended
June 30, 2014 and 2013

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For the Years Ended
June 30, 2014 and 2013

YUBA COUNTY WATER AGENCY
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For The Years Ended June 30, 2014 and 2013

Cover Photo: Yuba County Water Agency General Manager, Curt Aikens, walks toward the spillway gates at New Bullards Bar Dam. The gates, viewed here from the water side of the dam, release water into the Yuba River during times of high flow. – **Andrew Creasey/Appeal Democrat**

YUBA COUNTY WATER AGENCY
Agency Officials
June 30, 2014

BOARD OF DIRECTORS

NAME	OFFICE	TERM EXPIRES
Sid Muck	Chairman	December 2014
John Nicolletti	Director	December 2016
Roger Abe	Director	December 2016
Tib Belza	Director	December 2016
Mary Jane Griego	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 HAMMON & CO.
Certified Public Accountants

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, 2014 and 2013, 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, 2014 and 2013, 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.

MEMBERS: AMERICAN INSTITUTE AND CALIFORNIA SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS
2080 Myers Street, Suite 3, Oroville, CA 95966-5341 (530) 533-3392 FAX (530) 533-2714

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 38 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 40 through 41 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 November 7, 2014, 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.

November 7, 2014

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 $3.70 million to a balance of $214.05 million in FY 2013-14, up slightly from a $210.35 million balance in FY 2012-13. This small increase is the result of a $4.19 million decrease in Deferred Inflows (water transfer deferred income) offset by a small increase in Total Liabilities (accounts payable) and a small increase in Total Assets.

TABLE 1
CONDENSED STATEMENTS OF NET POSITION

	Fiscal year ended June 30,			
	2014	2013	Dollar Change	Percent Change
ASSETS:				
Current assets	$ 41,499,399	$ 46,956,036	$ (5,456,637)	-11.62%
Restricted assets	-	-	-	-
Capital assets, net	183,279,023	177,884,676	5,394,347	3.03%
Other assets	5,406,857	5,239,241	167,616	3.20%
TOTAL ASSETS	**230,185,279**	**230,079,953**	**105,326**	**0.05%**
LIABILITIES:				
Current liabilities	3,743,764	3,143,827	599,937	19.08%
Long-term debt	-	-	-	-
TOTAL LIABILITIES	**3,743,764**	**3,143,827**	**599,937**	**19.08%**
DEFERRED INFLOWS:				
Deferred Income	12,395,079	16,589,847	(4,194,768)	-25.29%
TOTAL DEFERRED INFLOWS	**12,395,079**	**16,589,847**	**(4,194,768)**	**-25.29%**
NET POSITION:				
Investment in capital assets, net of related debt	183,279,023	177,884,676	5,394,347	3.03%
Restricted	-	-	-	-
Unrestricted	30,767,413	32,461,603	(1,694,190)	-5.22%
TOTAL NET POSITION	**$ 214,046,436**	**$ 210,346,279**	**$ 3,700,157**	**1.76%**

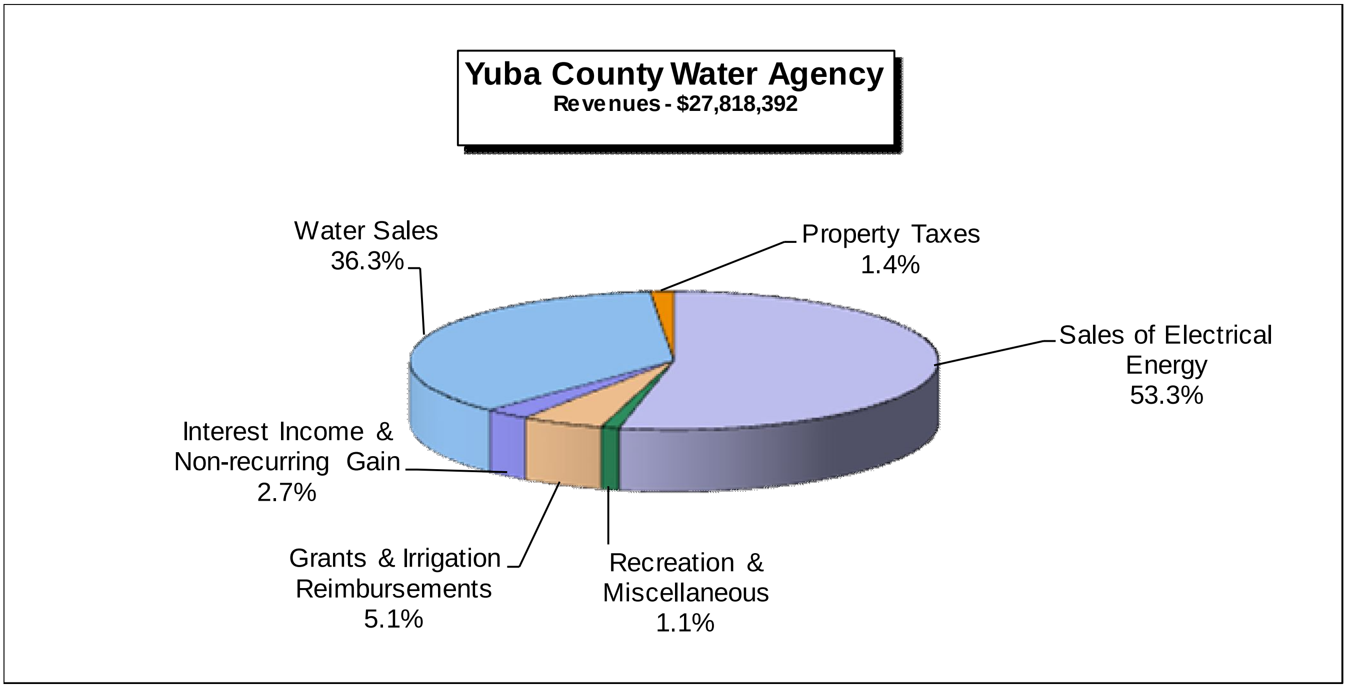
REVENUES EXPENSES AND CHANGES IN NET POSITION

While the Statements of 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**, Total Revenues decreased $1.22 million due to a decrease in sales of electrical energy offset by strong supplemental water sales. At the same time, Total Expenses increased due to depreciation catchup on the East-Side Canal Extension, FERC relicensing, and several Power Systems related maintenance projects. These shifts all combined for a Net Position increase of $3.7 million.

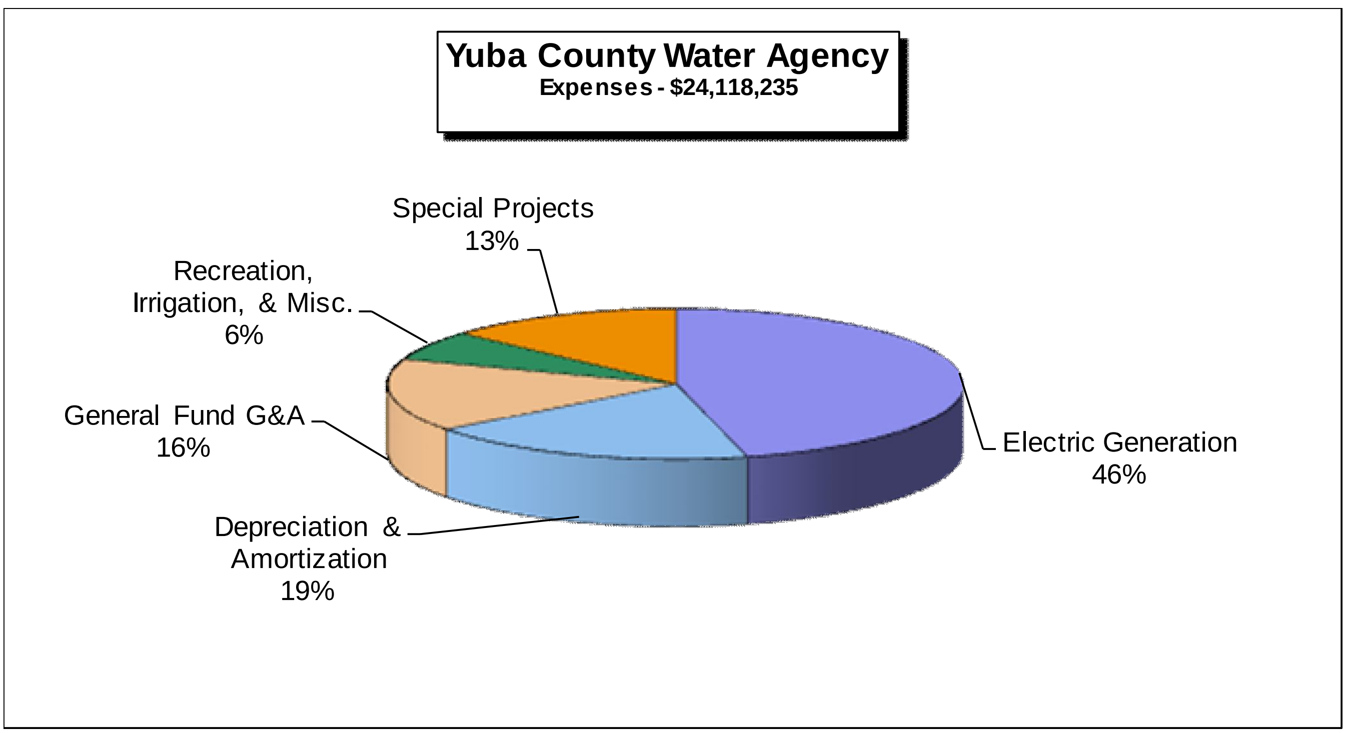
TABLE 2
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

	Fiscal year ended June 30, 2014	Fiscal year ended June 30, 2013	Dollar Change	Percent Change
REVENUES				
Operating revenues:				
Sales of electrical energy	$ 14,832,028	$ 20,745,733	$ (5,913,705)	-28.51%
Water sales	10,107,474	5,816,330	4,291,144	73.78%
TOTAL OPERATING REVENUES	**24,939,502**	**26,562,063**	**(1,622,561)**	-6.11%
Non-operating revenues	2,878,890	2,165,410	$ 713,480	32.95%
Non-Recurring Gain -				
Early extinquishment of debt	-	315,250	(315,250)	100.00%
TOTAL REVENUES	**27,818,392**	**29,042,723**	**(1,224,331)**	-4.22%
EXPENSES:				
Depreciation expense	4,485,971	3,334,862	1,151,109	34.52%
Operating expense, excluding depreciation expense	11,102,243	9,559,538	1,542,705	16.14%
Non-operating expense	8,530,021	6,405,615	2,124,406	33.16%
TOTAL EXPENSES	**24,118,235**	**19,300,015**	**4,818,220**	24.96%
CHANGE IN NET POSITION	**3,700,157**	**9,742,708**	**(6,042,551)**	-62.02%
Net assets, July 1:	210,346,279	200,603,571	9,742,708	4.86%
NET POSITION, JUNE 30	**$ 214,046,436**	**$ 210,346,279**	**$ 3,700,157**	**1.76%**

The following chart illustrates the revenues of the Agency for the fiscal year ended June 30, 2014.



The following chart illustrates the expenses of the Agency for the fiscal year ended June 30, 2014.



CAPITAL ASSETS

As can be seen in **Table 3 below**, the Agency's capital assets, net of accumulated depreciation, increased by $5.40 million to $183.28 million. Seventeen million dollars in completed projects moved from CIP to depreciable capital assets, including the Wheatland South Canal, the Hallwood Field Station, the VOIP phone system, and several smaller improvement projects at Narrows and Colgate powerhouses. Over $9 million was added to CIP, including $5.1 million for relicensing and $4.3 million for various Power Systems projects. Significant Power Systems projects included the New Bullards Bar Dam grouting project ($1.8M) and the Colgate Unit 1 230kV transformer replacement ($714K). The marked increase in accumulated depreciation is due to retroactive depreciation on the East-Side Canal Extension which was completed in 2012. A summary of the Agency's capital assets are as follows:

TABLE 3
CAPITAL ASSETS, NET

	Fiscal year ended June 30,			
	2014	2013	Dollar Change	Percent Change
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	28,979,982	37,183,741	(8,203,759)	-22.06%
	36,514,711	44,718,470	(8,203,759)	-18.35%
Depreciable capital assets, net:				
Utility plant and equipment	235,357,830	234,651,903	705,927	0.30%
Non-utility property, at cost	22,968,865	5,649,957	17,318,908	306.53%
	258,326,695	240,301,860	18,024,835	7.50%
Less: Accumulated depreciation	(111,562,383)	(107,135,654)	(4,426,729)	4.13%
NET CAPITAL ASSETS	**$ 183,279,023**	**$ 177,884,676**	**$ 5,394,347**	**3.03%**

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 received a AB303 grant ($225K) to develop the YCWA Groundwater Model. We continue work on an Agriculture Water Management Plan and irrigation water metering and measurement plan to be in compliance with SB X7-7. We have been awarded a planning grant from DWR in the amount of $630K to update our current Integrated Regional Water Management Plan (IRWMP) as required by Proposition 84, and a $115K 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 Reclamation District 784 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 112,544 acre feet in 2013, and a similar amount is expected in 2014 due to continuing dry conditions. In addition, the Agency facilitated a Member Unit Ground Water Substitution transfer for 64,730 acre feet. The Accord contained an opener on surface transfer water pricing for water transfers starting in 2016 for a 5-year period. Agreement on a new pricing schedule was reached which roughly doubled the price and provides a $20 million upfront payment. The YCWA board has approved the agreement and buyers of the water are in the process of approving the agreement. Final approval is expected in December.

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 Final License Application was filed with FERC on April 28, 2014. Although the bulk of the relicensing costs have been expended, we anticipate another $2 million in costs in fiscal 2014-15 for delayed studies and environmental work.

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 indicate there may be a screen option in the $8 million range. Sound fiscal management and finalization of the Lower Yuba River Accord have had a positive effect on the Agency's reserves, which have achieved levels sufficient to satisfy long term operations and capital project needs such as this.

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, 2014 and 2013

Exhibit 1

ASSETS	2014	2013
Current Assets:		
Cash and cash equivalents	$ 39,193,760	$ 44,121,322
Receivables		
Accounts receivable	241,053	337,290
Taxes and interest receivable	150,865	96,922
Due from other governments	983,238	1,150,349
Prepaid expenses and other current assets	930,483	1,250,153
Total Current Assets	41,499,399	46,956,036
Capital Assets:		
Non-depreciable capital assets	36,514,711	44,718,470
Depreciable capital assets, net	146,764,312	133,166,206
Capital Assets, Net	183,279,023	177,884,676
Other Assets:		
Loans receivable from other governmental entities	5,406,857	5,239,241
Total Assets	230,185,279	230,079,953
LIABILITIES		
Current Liabilities:		
Accounts payable and accrued liabilities	2,943,126	2,399,742
Wages payable	124,915	93,349
Accrued compensated absences	675,723	650,736
Total Current Liabilities	3,743,764	3,143,827
Total Liabilities	3,743,764	3,143,827
DEFERRED INFLOWS OF RESOURCES		
Deferred income	12,395,079	16,589,847
Total Deferred Inflows Of Resources	12,395,079	16,589,847
NET POSITION		
Net investment in capital assets	183,279,023	177,884,676
Unrestricted	30,767,413	32,461,603
Total Net Position	$ 214,046,436	$ 210,346,279

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

YUBA COUNTY WATER AGENCY
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
For The Years Ended June 30, 2014 and 2013

Exhibit 2

	2014	2013
Operating Revenues:		
Sale of electrical energy	$ 14,832,028	$ 20,745,733
Water sales	10,107,474	5,816,330
Total Operating Revenues	24,939,502	26,562,063
Operating Expenses:		
Hydropower generation	3,047,163	2,777,061
Administration and general	5,799,624	5,105,057
Maintenance	2,255,456	1,677,420
Depreciation and amortization	4,485,971	3,334,862
Total Operating Expenses	15,588,214	12,894,400
Net Income From Operations	9,351,288	13,667,663
Nonoperating Revenues (Expenses):		
Gain (loss) on disposition of assets	12,408	25,708
Property taxes	400,668	382,596
Interest income	750,992	584,168
Rental income	24,000	
Grants and reimbursements	1,405,413	850,995
Miscellaneous income (expense)	5,000	6,000
Recreation and camping fees	280,409	315,943
Interest expense		(69,527)
General administration	(3,790,874)	(3,539,961)
Recreation and irrigation	(1,534,037)	(1,202,675)
Special projects expense	(3,205,110)	(1,593,452)
Total Nonoperating Revenues (Expenses)	(5,651,131)	(4,240,205)
Income (loss) before special item	3,700,157	9,427,458
Special item: gain (loss) on early extinguishment of debt		315,250
Change in Net Position	3,700,157	9,742,708
Net Position, July 1	210,346,279	200,603,571
Net Position, June 30	$ 214,046,436	$ 210,346,279

YUBA COUNTY WATER AGENCY
STATEMENTS OF CASH FLOWS
For The Years Ended June 30, 2014 and 2013

Exhibit 3

	2014	2013
Cash Flows From Operating Activities:		
Cash receipts from customers	$20,840,971	$25,458,229
Cash payments to suppliers for goods and services	(2,947,442)	(4,064,124)
Cash payments for employee wages and benefits	(7,235,194)	(6,028,357)
Net Cash Provided (Used) By Operating Activities	10,658,335	15,365,748
Cash Flows From Noncapital Financing Activities:		
Payments on loans receivable	140,875	500,422
Loans made to other agencies	(308,491)	(415,802)
Rents received	24,000	
Grants and reimbursements	1,572,524	852,115
Tax assessment	400,668	382,596
Miscellaneous income (expense)	5,000	6,000
Recreation and camping fees	280,409	315,943
General administration expenses	(3,790,874)	(3,539,961)
Recreation and other expenses	(1,534,037)	(1,202,675)
Special program expenses	(3,205,110)	(1,593,452)
Net Cash Provided (Used) By Noncapital Financing Activities	(6,415,036)	(4,694,814)
Cash Flows From Capital And Related Financing Activities:		
Purchase of property and equipment	(347,988)	(306,903)
Costs incurred on construction in progress projects	(9,533,096)	(15,110,178)
Principal payments on long-term debt		(4,234,000)
Interest paid		(3,270,599)
Net Cash Provided (Used) By Capital and Related Financing Activities	(9,881,084)	(22,921,680)
Cash Flows From Investing Activities:		
Proceeds from disposition of property and equipment	13,174	25,708
Interest received	697,049	687,502
Net Cash Provided (Used) By Investing Activities	710,223	713,210
Net Increase (Decrease) in Cash and Cash Equivalents	(4,927,562)	(11,537,536)
Cash and Cash Equivalents - Beginning of Year	44,121,322	55,658,858
Cash and Cash Equivalents - End of Year	$39,193,760	$44,121,322
Reconciliation of Cash and Cash Equivalents:		
Cash and cash equivalents	$39,193,760	$44,121,322
Total Cash and Cash Equivalents	$39,193,760	$44,121,322

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

YUBA COUNTY WATER AGENCY
STATEMENTS OF CASH FLOWS
For The Years Ended June 30, 2014 and 2013

	2014	2013
Reconciliation of Net Income from Operations to Net Cash Provided (Used) By Operating Activities:		
Net income from operations	$ 9,351,288	$ 13,667,663
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation and amortization	4,485,971	3,334,862
Changes in assets and liabilities:		
Decrease (increase) in accounts receivable	96,237	4,055,228
Decrease (increase) in prepaid expenses	319,670	280,457
Increase (decrease) in accounts payable and accrued liabilities	543,384	(905,965)
Increase (decrease) in customer deposits		(20,000)
Increase (decrease) in wages payable	31,566	19,702
Increase (decrease) in accrued compensated absences	24,987	92,863
Increase (decrease) in deferred income	(4,194,768)	(5,159,062)
Net Cash Provided (Used) By Operating Activities	$ 10,658,335	$ 15,365,748

Supplemental Disclosure of Cash Flow Information:

Noncash Investing, Capital, and Financing Activities:

	2014	2013
Change in fair value of investments	$ 198,833	$ (86,932)
Gain (loss) on early extinguishment of debt		$ 315,250

NOTES TO THE FINANCIAL STATEMENTS

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
- General Fund Power Systems 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.

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.

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:

	2014	2013
Hydraulic production	$ 2,882,660	$ 2,615,986
Electric plant acquisition	97,464	97,464
Transmission equipment	13,365	10,462
General plant	562,009	506,212
Intangible assets	5,249	5,249
Recreation facilities	82,983	82,984
Irrigation canals	842,241	11,552
Total	$ 4,485,971	$ 3,329,909

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.

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:

	2014	2013
Capital facilities - recreation	$ 47,369	$ 46,868
Ground water	492,585	388,640
Relicensing	1,358,579	2,473,394
Fishery enhancement	1,456,405	928,341
Project development	13,753,250	14,066,021
Future operations & administration	13,262,575	13,939,015
River management	396,650	619,324
Subtotal - Designated	30,767,413	32,461,603
Undesignated	-	-
Total Unrestricted Net Position	$ 30,767,413	$ 32,461,603

- 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.

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:

	Fiscal year ended June 30,	
	2014	2013
Unrestricted cash and cash equivalents:		
Cash on hand	$ 525	$ 525
Deposits in financial institutions	2,199,590	1,366,558
Cash and investments with county treasurer	36,993,645	42,754,239
Total unrestricted	39,193,760	44,121,322
Total cash and investments	$ 39,193,760	$ 44,121,322

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, 2014, the carrying amount of the Agency's deposits was $2,199,590, and the balances in financial institutions were $2,417,024. Of the balances in financial institutions, $285,324 was covered by federal depository insurance, and $2,131,700 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, 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 described above.

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.

NOTE 2 CASH AND CASH EQUIVALENTS (Continued)

Investment policy: Pursuant to Board Resolutions 2014-07 and 2013-06, 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, 2014 and 2013, included the following instruments:

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Federal Agency Obligations	5 Years	None	None
U.S. Treasury Bills	5 Years	None	None
State of California Obligations	5 Years	None	None
Local Agency Bonds and Obligations	5 Years	None	None
Banker's Acceptances	180 Days	40%	30%
Commercial Paper - Selected Agencies	270 Days	40%	10%
Negotiable Certificates of Deposit	5 Years	30%	None
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:

	Fiscal year ended June 30, 2014	Fiscal year ended June 30, 2013
Irrigation and gauging receivables		$ 103,776
Due from marina operations	$ 224,857	196,258
Due from Pacific Gas & Electric	16,196	37,256
TOTALS	$ 241,053	$ 337,290

NOTE 4 LOANS RECEIVABLE FROM OTHER GOVERNMENTAL AGENCIES

The loans receivable consists of the following at June 30, 2014:

	Balance June 30, 2013	Additions	Payments	Balance June 30, 2014
Yuba County RDA/County Of Yuba as Successor Agency	$ 928,964	$ 8,491		$ 937,455
North Yuba Water District	481,800		$ (49,769)	432,031
Reclamation District No. 784	239		(239)	-
Cordua Irrigation District	99,821		(27)	99,794
Dry Creek Mutual Water Company	1,605,178		(82,597)	1,522,581
City of Marysville Levee District	2,123,239	300,000	(8,243)	2,414,996
TOTALS	$ 5,239,241	$ 308,491	$ (140,875)	$ 5,406,857

The loans receivable consisted 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

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 .970% to 4.00% and 1.249% to 4.00% at June 30, 2014 and 2013, respectively.

NOTE 5 CAPITAL ASSETS

The details of capital asset activity for the fiscal year ended June 30, 2014, are as follows:

	Balance July 1, 2013	Additions	Deletions	Balance June 30, 2014
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	654,219	$ 4,233,845	$ (427,028)	4,461,036
Total Hydroelectric Utility Fund	3,582,045	4,233,845	(427,028)	7,388,862
General Fund:				
Land and land rights	1,449			1,449
Canals	4,605,454			4,605,454
Construction in progress	36,529,522	5,215,055	(17,309,826)	24,434,751
Total General Fund	41,136,425	5,215,055	(17,309,826)	29,041,654
General Fund Power Systems:				
Construction in progress	-	84,195	-	84,195
Total General Fund Power Systems	-	84,195	-	84,195
TOTAL CAPITAL ASSETS NOT BEING DEPRECIATED	44,718,470	9,533,095	(17,736,854)	36,514,711
CAPITAL ASSETS BEING DEPRECIATED:				
Hydroelectric Utility Fund:				
Hydraulic production	218,895,443	427,029		219,322,472
Electric plant acquisition	4,485,248			4,485,248
Transmission equipment	1,411,076			1,411,076
General plant	6,804,432	292,040	(46,414)	7,050,058
Intangible assets	248,292			248,292
Total Hydroelectric Utility Fund	231,844,491	719,069	(46,414)	232,517,146
General Fund Hydro Fund:				
Hydraulic production	2,807,412			2,807,412
General Fund:				
Recreation facilities	1,516,201			1,516,201
General plant	3,533,909	718,708	(13,596)	4,239,021
Irrigation canals	599,847	16,613,796		17,213,643
Total General Fund	5,649,957	17,332,504	(13,596)	22,968,865
General Fund Power Systems:				
General plant	-	33,272	-	33,272
Total General Fund Power Systems	-	33,272	-	33,272
TOTAL CAPITAL ASSETS BEING DEPRECIATED	240,301,860	18,084,845	(60,010)	258,326,695

NOTE 5 CAPITAL ASSETS (Continued)

	Balance July 1, 2013	Additions	Deletions	Balance June 30, 2014
ACCUMULATED DEPRECIATION AND AMORTIZATION:				
Hydroelectric Utility Fund:				
Hydraulic production	(91,767,782)	(2,779,318)		(94,547,100)
Electric plant acquisition	(4,190,952)	(97,464)		(4,288,416)
Transmission equipment	(1,332,357)	(13,365)		(1,345,722)
General plant	(5,134,779)	(306,892)	46,414	(5,395,257)
Intangible assets	(225,707)	(5,249)		(230,956)
Total Hydroelectric Utility Fund	(102,651,577)	(3,202,288)	46,414	(105,807,451)
General Fund Hydro Fund:				
Hydraulic production	(2,051,184)	(103,342)		(2,154,526)
General Fund:				
Recreation facilities	(993,794)	(82,983)		(1,076,777)
General plant	(1,166,258)	(255,117)	12,828	(1,408,547)
Irrigation canals	(272,841)	(842,241)		(1,115,082)
Total General Fund	(2,432,893)	(1,180,341)	12,828	(3,600,406)
TOTAL ACCUMULATED DEPRECIATION	(107,135,654)	(4,485,971)	59,242	(111,562,383)
Total capital assets being depreciated, net	133,166,206	13,598,874	(768)	146,764,312
CAPITAL ASSETS, NET	$ 177,884,676	$ 23,131,969	$ (17,737,622)	$ 183,279,023

East-side Canal Extension (Yuba Wheatland Canal Project)

It is important to note that this project was the result of a contractual arrangement between the Agency and Wheatland Water District (WWD). The original agreement was executed on January 27, 2004, and was subsequently amended on February 13, 2007, and again on May 25, 2010. The agreement and subsequent amendments contained cost allocation, ownership, and payment provisions. During the fiscal year ended June 30, 2014, the Agency capitalized $16,613,796 in costs attributable to the project and began depreciation. These cumulative costs were previously included and reported as a component of Construction in Progress.

On September 5, 2014, the Agency and WWD entered into an agreement whereby WWD will reimburse the Agency $1,394,080 for project costs related to improvements made within the WWD boundaries. The parties anticipate that this amount will be repaid over a thirty (30) year period with annual principal and interest payments due no later than each December 15th. WWD does have the option of reimbursing these costs over a shorter time period. Interest on the unpaid reimbursement balance will be at a rate equal to the average rate of return earned by the Agency on funds invested with the Treasurer of the County of Yuba. Under the agreement, WWD did agree to pay retroactive interest to December 31, 2010. As of June 30, 2014, the Agency did record accrued interest receivable totaling $69,041. Upon full repayment by WWD, title to certain improvements will be transferred from the Agency to WWD. As of June 30, 2014, the undepreciated cost of these improvements totaled $7,881,523.

NOTE 5 CAPITAL ASSETS (Continued)

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

	Balance July 1, 2012	Additions	Deletions	Balance June 30, 2013
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

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

NOTE 6 LONG-TERM DEBT

As noted below, all remaining bonded debt was paid in full during the fiscal year ended June 30, 2014.

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	$ 3,492,396	$ 736,651	$ (4,229,047)	$ -	

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.

NOTE 6 LONG-TERM DEBT (Continued)

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.

NOTE 7 ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

The accounts payable and accrued liabilities consist of the following:

	Fiscal year ended June 30,	
	2014	2013
Vendors	$ 2,730,930	$ 2,235,658
Other	212,196	164,084
TOTALS	$ 2,943,126	$ 2,399,742

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.

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

NOTE 8 DEFERRED INFLOWS OF RESOURCES (Continued)

The following is a summary of deferred income balances:

	Fiscal year ended June 30, 2014	Fiscal year ended June 30, 2013
Water transfer accord	$ 11,837,500	$ 15,700,000
Electric energy sales	557,579	889,847
TOTALS	$ 12,395,079	$ 16,589,847

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, are subject to AB 340 and the California Pension Reform Act. These employees will participate under a separate plan formula using 2% at 62.

Employee and Employer Contribution Obligations

As are 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 2013/14 ER Contribution Rate	12.440%	FY 2013/14 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 2013/14 ER Contribution Rate	12.440%	FY 2013/14 ER Contribution Rate	6.25%

NOTE 9 RETIREMENT PLANS (Continued)

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, 2014, the EPMC paid by the Agency was $191,336, with the employees paying $89,679. For the year ended June 30, 2013, the EPMC paid by the Agency was $166,784, with the employees paying $66,655.

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, 2014, are noted in the matrix above. For the fiscal year ended June 30, 2014, the Agency employer contributions totaled $478,621. The required employer contribution rate, for fiscal year ended June 30, 2013, was 11.946% for Classic Members and 6.25% for New Members for a contribution of $399,182. 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, 2014 and 2013, the Agency had annual pension costs of $669,957 and $565,966, respectively. The principal assumptions and methods used to determine the annual required contributions are as follows:

1. Valuation date: June 30, 2011
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: 20 years
5. Asset valuation method: 15-year smoothed market
6. Actuarial assumptions:
   - 7.50% investment rate of return (net of administrative expenses)
   - Projected annual salary increases that vary by age, service, and type of employment: 3.30% to 14.20%
   - 2.75% inflation
   - 3.00% payroll growth
   - Individual salary growth based on a merit scale varying by duration of employment coupled with an assumed annual inflation component of 2.75% 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
2012	$ 508,261	100.00%	none
2013	565,966	100.00%	none
2014	669,957	100.00%	none

NOTE 9 RETIREMENT PLANS (Continued)

Deferred Compensation Plan

In lieu of Social Security, the Agency also offers its employees a deferred compensation plan created in accordance with Internal Revenue Code (IRC) Section 457. 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, 2014, the Agency contributed $209,987, and the employees contributed $282,449. For the fiscal year ended June 30, 2013, the Agency contributed $168,744, and the employees contributed $277,772.

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, 2014, the Agency contributed $99,498, and the employees contributed $98,014 to this plan. For the fiscal year ended June 30, 2013, the Agency contributed $80,307, and the employees contributed $88,141 to this plan.

NOTE 10 POST-EMPLOYMENT HEALTH CARE BENEFITS

In addition to the pension benefits, the Agency provides certain health care benefits for retired employees through CalPERS. Substantially all of the Agency's regular employees may become eligible for those benefits if they reach normal retirement age while working for the Agency. At June 30, 2014, twelve (12) retired employees/survivor dependents met those eligibility requirements. At June 30, 2013, ten (10) 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, 2014 and 2013, the Agency contributed a total of $368,000 and $376,000, respectively.

NOTE 10 POST-EMPLOYMENT HEALTH CARE BENEFITS (Continued)

Annual OPEB Cost and Net OPEB Obligation

The Agency's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the *annual required contribution of the employer* (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The Agency is implementing GASB Statement No. 45 prospectively. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a 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	$ 503,000
Contribution made	(368,000)
Net OPEB obligation for the fiscal year ended 6/30/14	$ 135,000

The ARC was determined as part of a June 30, 2013, actuarial valuation. The ARC rate was 13.75% of projected annual covered payroll. For the fiscal year ended June 30, 2014, the Agency's annual OPEB cost (expense) totaled $810,000. 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, 2014, were as follows:

Fiscal Year June 30	Annual OPEB Cost	Contribution	Adjustment Of Net OPEB Obligation	Net OPEB Obligation (Asset)
2012	$ 517,000	$ (142,000)	$ (1,676,000)	$ (1,301,000)
2013	763,000	(376,000)	(1,412,000)	(1,025,000)
2014	810,000	(368,000)	(1,155,000)	(713,000)

Funded Status and Funding Process

The funded status of the liability as per the most recent actuarial valuation of June 30, 2013, was as follows:

Actuarial accrued liability (AAL)	$ 4,463,000
Actuarial value of plan assets contributed	(4,461,000)
Unfunded actuarial accrued liability (UAAL)	$ 2,000
Funded ratio (actuarial value of plan assets/AAL)	99.96%
Projected covered payroll (active plan members)	$ 3,813,000
UAAL as a percentage of covered payroll	0.05%

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.

NOTE 10 POST-EMPLOYMENT HEALTH CARE BENEFITS (Continued)

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the June 30, 2013, actuarial valuation, the Entry Age Normal (EAN) cost method was used. The actuarial assumptions included a 6.50% investment rate of return (net of administrative expenses), 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 $4,461,000. 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 $14,646,917 and $15,393,231 for the fiscal years ended June 30, 2014 and 2013, respectively.

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 $185,111 and $219,168 for the fiscal years ended June 30, 2014 and 2013, respectively.

NOTE 12 ECONOMIC DEPENDENCY

The Agency received from PG&E power revenues totaling $14,832,028 and $20,745,733 for the fiscal years ended June 30, 2014 and 2013, respectively. These revenue amounts represent 60.07 % and 78.10% of total operating revenues for the fiscal years ended June 30, 2014 and 2013, respectively.

NOTE 13 <u>CONTINGENT ASSETS AND LIABILITIES</u>

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. The California Court of Appeal, Third Appellate District, issued its decision affirming the Superior Court's judgment on April 29, 2014. The California Supreme Court denied South Yuba Water District's petition for review on July 23, 2014. This judgment is now final.

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. As a result, the Agency was awarded over one million dollars in attorney fees. Following Judgment being entered in favor of the Agency, Western Water filed an appeal. That appeal is currently pending. Given the appeal, the awarded attorney fees have not be received or accrued as of June 30, 2014.

The Agency has filed a separate lawsuit against Western Water, asserting Western Water violated the Uniform Fraudulent Transfer Act. Western Water filed a Motion to Strike, which was denied. The ruling was appealed. Because of that, the action is stayed pending outcome of the appeal.

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.

NOTE 14 COMMITMENTS

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, 2014, no funds had been loaned by the Agency.

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, in accordance with GASB 51, 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, 2014 and 2013, amounted to $24,162,989 and $19,018,648, respectively. Total funds designated for the relicensing process, at June 30, 2014 and 2013, amounted to $1,358,579 and $2,473,394, respectively. The Agency did submit the final license application to FERC on April 28, 2014. 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.

NOTE 17 SIGNIFICANT TRANSACTION PENDING AS OF JUNE 30, 2014

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.

The Agency invited bids for the sale of the project. On December 10, 2013, the Agency awarded the sale to the highest bidder for $533,000. Subsequently, the highest bidder withdrew their bid proposal. On February 11, 2014, the Agency awarded the sale of the project to the second highest bidder for $321,021.

As of June 30, 2014, the sale of the Deadwood project was not finalized but was subsequently consummated on October 21, 2014.

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.

NOTE 18 CONDUIT DEBT (Continued)

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. Beginning in 2015, it appears very unlikely that there will be enough fees collected to make the annual $4 million in debt service payments.

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.

NOTE 19 GRANT AND PROJECT FUNDING PROVIDED TO THE COUNTY OF YUBA

Each year, the Agency provides significant grant and project funding to the County of Yuba. The following is a summary of funds provided for the fiscal years ended June 30, 2014 and 2013:

	2014	2013
Grants:		
River Highlands Grant		$ 42,000
Yuba County Fire Safe Program	$ 18,000	18,000
Yuba County OES	75,000	75,000
Watershed Protection Plan	52,193	
Total Grant Funding	145,193	135,000
Projects:		
Yuba County Public Works Department	205,000	180,000
Yuba County Flood Preparedness Website		80,563
Yuba County Flood Operations	38,492	6,167
Yuba County Public Works Construction	375,000	
Marysville Road Improvement Project	1,200,000	
Total Project Funding	1,818,492	266,730
Total Grant and Project Funding Provided	$ 1,963,685	$ 401,730

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%	3,544,000	17.66%
6/30/2013	4,461,000	4,463,000	2,000	99.96%	3,813,000	0.05%

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, 2014
WITH COMPARATIVE TOTALS AS OF JUNE 30, 2013

ASSETS	General Fund	Operation and Maintenance Fund	General Fund Hydro Fund	Hydroelectric Utility Fund	General Fund Power Systems Fund	Fiscal Agent Debt Service Funds	Health RA Fund	Totals 2014	Totals 2013
CURRENT ASSETS:									
Cash and cash equivalents	$ 35,786,177	$ 1,885,509	$ 1,037,971		$ 469,603		$ 14,500	$ 39,193,760	$ 44,121,322
Receivables:									
Accounts receivable	224,857		16,196					241,053	337,290
Taxes and interest receivable	148,428		2,437					150,865	96,922
Due from other units	1,017,939	150,507	8,430					1,176,876	174,875
Due from other governments	983,238							983,238	1,150,349
Prepaid expenses and other current assets	224,501	703,772	2,210					930,483	1,250,153
TOTAL CURRENT ASSETS	38,385,140	2,739,788	1,067,244	$ -	$ 469,603	$ -	14,500	42,676,275	47,130,911
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	24,434,751			4,461,036	84,195			28,979,982	37,183,741
Depreciable capital assets, net:									
Utility plant and equipment			2,807,412	232,517,146	33,272			235,357,830	234,651,902
Non-utility property	22,968,865							22,968,865	5,649,958
Less: accumulated depreciation	(3,600,406)		(2,154,526)	(105,807,451)				(111,562,383)	(107,135,654)
CAPITAL ASSETS, NET	48,410,113	-	652,886	134,098,557	117,467	-	-	183,279,023	177,884,676
OTHER ASSETS:									
Loans receivable from other governmental entities	5,406,857							5,406,857	5,239,241
TOTAL OTHER ASSETS	5,406,857	-	-	-	-	-	-	5,406,857	5,239,241
TOTAL ASSETS	92,202,110	2,739,788	1,720,130	134,098,557	587,070	-	14,500	231,362,155	230,254,828
CURRENT LIABILITIES:									
Accounts payable and accrued liabilities	1,162,704	1,723,941	14,524		41,957			2,943,126	2,399,742
Wages payable		124,915						124,915	93,349
Accrued compensated absences	330,025	326,074	16,433		3,191			675,723	650,736
Due to other units	114,364	7,279	10,503		1,030,230		14,500	1,176,876	174,875
TOTAL CURRENT LIABILITIES	1,607,093	2,182,209	41,460	-	1,075,378	-	14,500	4,920,640	3,318,702
TOTAL LIABILITIES	1,607,093	2,182,209	41,460	-	1,075,378	-	14,500	4,920,640	3,318,702
DEFERRED INFLOWS OF RESOURCES:									
Deferred income	11,837,500	557,579						12,395,079	16,589,847
TOTAL DEFERRED INFLOWS OF RESOURCES	11,837,500	557,579	-	-	-	-	-	12,395,079	16,589,847
NET POSITION:									
Net investment in capital assets	48,410,113		652,886	134,098,557	117,467			183,279,023	177,884,676
Unrestricted	30,347,404		1,025,784		(605,775)			30,767,413	32,461,603
TOTAL NET POSITION	$ 78,757,517	$ -	$ 1,678,670	$ 134,098,557	$ (488,308)	$ -	$ -	$ 214,046,436	$ 210,346,279

YUBA COUNTY WATER AGENCY
COMBINING SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION BY UNIT
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
WITH COMPARATIVE TOTALS FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	General Fund	Operation and Maintenance Fund	General Fund Hydro Fund	Hydroelectric Utility Fund	General Fund Power Systems Fund	Fiscal Agent Debt Service Funds	Health RA Fund	Totals 2014	Totals 2013
OPERATING REVENUES:									
Sale of electrical energy		$ 14,646,917	$ 185,111					$ 14,832,028	$ 20,745,733
Water sales	$ 10,107,474							10,107,474	5,816,330
TOTAL OPERATING REVENUES	10,107,474	14,646,917	185,111	$ -	$ -	$ -	$ -	24,939,502	26,562,063
OPERATING EXPENSES:									
Hydropower generation		2,960,489	86,674					3,047,163	2,777,061
Administration and general	449,578	4,778,868	82,925		488,253			5,799,624	5,105,057
Maintenance		2,213,479	41,977					2,255,456	1,677,420
Depreciation and amortization	1,180,343		103,342	3,202,286				4,485,971	3,334,862
TOTAL OPERATING EXPENSES	1,629,921	9,952,836	314,918	3,202,286	488,253			15,588,214	12,894,400
NET INCOME/(LOSS) FROM OPERATIONS	8,477,553	4,694,081	(129,807)	(3,202,286)	(488,253)	-	-	9,351,288	13,667,663
NON-OPERATING REVENUES (EXPENSES):									
Gain (loss) on disposition of assets	5,603			6,805				12,408	25,708
Property taxes	400,668							400,668	382,596
Interest income	737,468		13,579		(55)			750,992	584,168
Rental income	24,000							24,000	
Grants and reimbursements	1,405,413							1,405,413	850,995
Miscellaneous income (expense)	5,000							5,000	6,000
Recreation and camping fees	280,409							280,409	315,943
Interest expense									(69,527)
General administration	(3,790,874)							(3,790,874)	(3,539,961)
Recreation and irrigation	(1,534,037)							(1,534,037)	(1,202,675)
Special projects expense	(3,205,110)							(3,205,110)	(1,593,452)
TOTAL NON-OPERATING REVENUES (EXPENSES)	(5,671,460)	-	13,579	6,805	(55)	-	-	(5,651,131)	(4,240,205)
INCOME (LOSS) BEFORE TRANSFERS AND SPECIAL ITEM	2,806,093	4,694,081	(116,228)	(3,195,481)	(488,308)	-	-	3,700,157	9,427,458
TRANSFERS:									
Transfers in	175,000							175,000	11,912,647
Transfers out		(175,000)						(175,000)	(11,912,647)
Transfer of fixed assets		(4,519,081)		4,519,081					
TOTAL OPERATING TRANSFERS	175,000	(4,694,081)	-	4,519,081	-	-	-	-	-
SPECIAL ITEM:									
Gain (loss) on early extinguishment of debt									315,250
TOTAL SPECIAL ITEM	-	-	-	-	-	-	-	-	315,250
CHANGE IN NET POSITION	2,981,093	-	(116,228)	1,323,600	(488,308)	-	-	3,700,157	9,742,708
NET POSITION, July 1	75,776,424	-	1,794,898	132,774,957	-	-	-	210,346,279	200,603,571
NET POSITION, June 30	$ 78,757,517	$ -	$ 1,678,670	$ 134,098,557	$ (488,308)	$ -	$ -	$ 214,046,436	$ 210,346,279

OTHER INDEPENDENT AUDITORS' REPORTS

DAVIS HAMMON & CO.
Certified Public Accountants

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, 2014, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements, and have issued our report thereon dated November 7, 2014.

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 November 7, 2014.

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DAVIS HAMMON & CO.
Certified Public Accountants

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.

November 7, 2014