

**SOUTH FEATHER WATER AND POWER AGENCY**

**AUDITED FINANCIAL STATEMENTS**

December 31, 2020 and 2019

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SOUTH FEATHER WATER AND POWER AGENCY

AUDITED FINANCIAL STATEMENTS

December 31, 2020

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
South Feather Water and Power Agency  
Oroville, California

### **Report on the Financial Statements**

We have audited the accompanying financial statements of South Feather Water and Power Agency (the Agency) as of December 31, 2020 and 2019, and the related notes to the financial statements, as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

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

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

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

To the Board of Directors  
South Feather Water and Power Agency

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Agency as of December 31, 2020 and 2019, and the changes in financial position and cash flows thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America as well as accounting systems prescribed by the State Controller's Office and state regulations governing special districts.

## ***Other Matters***

### Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the Schedule of the Proportionate Share of the Net Pension Liability, Schedule of Contributions to the Pension Plan and Schedule of Changes in the Total OPEB Liability and Related Ratios be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Agency's basic financial statements. The supplementary information listed in the table of contents is presented for purposes of additional analysis and are not a required part of the basic financial statements. The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 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 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 September 16, 2021, 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

To the Board of Directors  
South Feather Water and Power Agency

over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Agency's internal control over financial reporting and compliance.

*Richardson & Company, LLP*

September 16, 2021



**SOUTH FEATHER WATER & POWER AGENCY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2020**

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This discussion and analysis is part of the overall financial report. The basic financial statements that follow make up the other part of the report.

The South Feather Water and Power Agency, formerly Oroville-Wyandotte Irrigation District (OWID), was formed in 1919 as an irrigation district under the Irrigation District Law, Division 11 of the Water Code (§ 20500 et seq.) of the State of California, for purposes of supplying water for irrigation. The Agency presently includes approximately 54,000 acres in south eastern Butte County and encompasses the unincorporated areas adjacent to the City of Oroville, as well as the unincorporated communities of Kelly Ridge, Bangor, and Palermo. The Agency area has a population of approximately 17,500, and currently provides water services to approximately 7,000 residential customers (domestic water) and 600 irrigation customers (raw water).

The Agency has water rights from the south fork of the Feather River and certain tributaries for hydroelectric generation purposes, which water may also be diverted by the Agency each year for consumptive uses. The Agency owns certain hydroelectric facilities, the power from which is presently sold to Pacific Gas and Electric Company (PG&E).

#### **FINANCIAL HIGHLIGHTS**

- The South Feather Water & Power Agency December 31, 2020 net position of \$92,594,339 a decrease of \$3,827,965 (3.97%) when compared with the December 31, 2019 net position of \$96,422,304.
- The Agency's operating revenues decreased by \$9,483,025 or 38.01% from the prior year. Drought conditions caused revenue from hydropower generation to be significantly less than what has been historically received. The Agency's 2020 operating expenses decreased slightly by \$491,102 or 2.39% from 2019.
- The Agency's capital contributions increased by \$435,734 to the 2020 amount of \$627,699, which includes grants for the Miners Ranch Canal road repairs offset by a decrease in system capacity charges levied.
- Construction-in-Progress decreased by \$311,060 from last year to \$113,317. The projects in progress at December 31, 2020 included the water distribution system remote monitoring program, Community Line, Foothill Blvd/Oro Bangor Hwy-Grange domestic water project, the Oro Bangor Hwy/Red Hawk Ranch irrigation water project, replacement of the Kelly Ridge Powerhouse septic system and the California Independent System Operator (CAISO) meter installation project.
- Relicensing costs accumulated through 2012 in the amount of \$5,716,306 will be amortized over the life of the license beginning when the FERC license is issued. Costs incurred subsequent to 2012 have been expensed.
- The total of the Agency's long-term liabilities increased by \$885,696, the increase resulting from the annual calculation of the liabilities associated with pension and other post-employment benefits.

#### **OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to the Agency's basic financial statements. They are comprised of two components: 1) fund financial statements and, 2) notes to the financial statements.

*Fund financial statements* – A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Agency, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The Agency presents one major proprietary fund on the Statement of Net Position.

**SOUTH FEATHER WATER & POWER AGENCY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2020**

Proprietary funds provide the same type of information as the government-wide financial statements. As such, the Agency has chosen to present only fund financial statements.

The 2020 proprietary fund financial statements may be found on pages 13 - 17 of this report.

*Notes to the financial statements* – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 18 - 43 of this report.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

Year-over-year changes in net position may serve over time as a useful indicator of a government's financial position. In the case of South Feather Water & Power Agency, assets plus deferred outflows of resources exceeded liabilities plus deferred inflows of resources by \$92,594,339 as of December 31, 2020.

The largest portion of the Agency's net position (87.5%) are invested in capital assets (e.g. land and water rights, source of supply, hydroelectric facilities, pumping plant, water treatment facilities, transmission and distribution facilities, buildings and equipment, construction-in-progress and relicensing-in-progress), less any related debt used to acquire those assets that is still outstanding. The Agency uses these capital assets to provide services to the community; consequently these assets are not available for future spending. Although the Agency's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to pay these liabilities.

The following table summarizes the Agency's assets, liabilities and net position as of December 31, 2020, December 31, 2019 and December 31, 2018.

**SOUTH FEATHER WATER & POWER AGENCY'S NET POSITION**

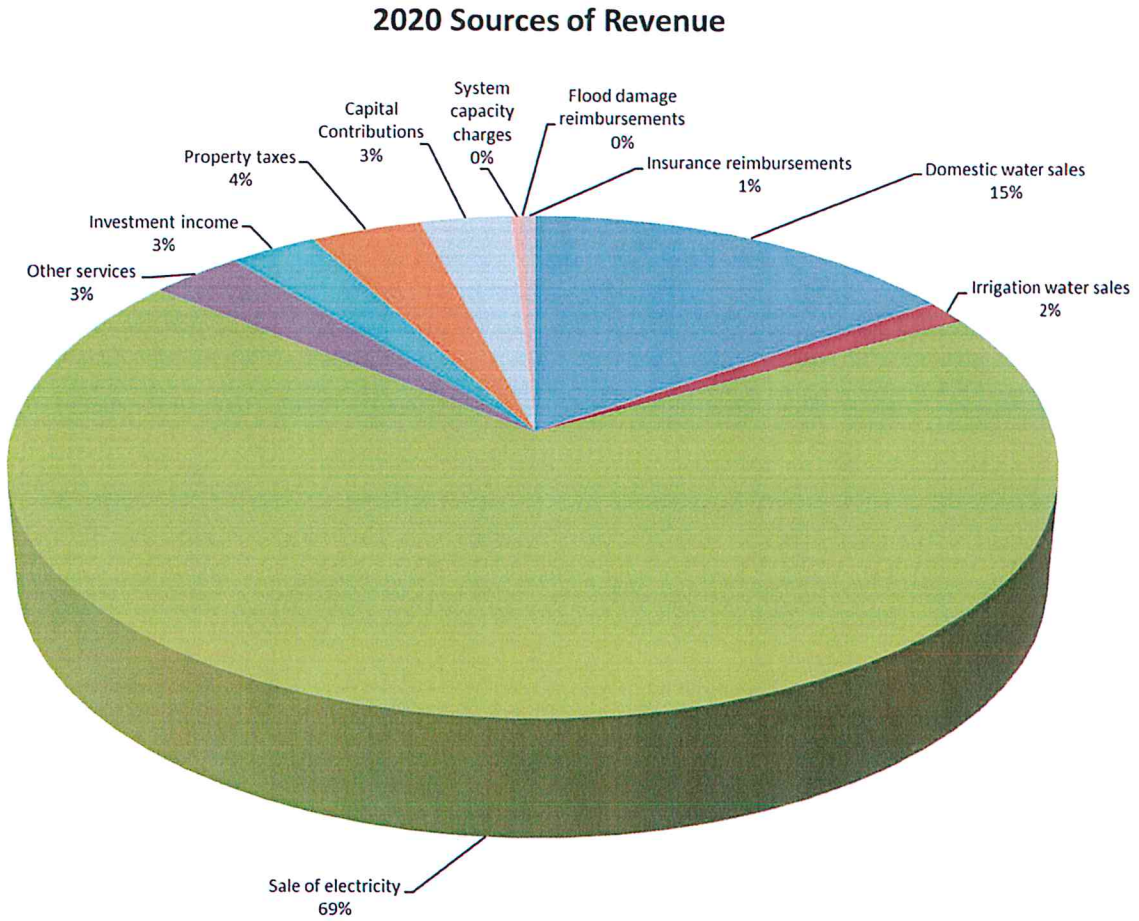
	<u>2020</u>	<u>2019</u>	<u>2018</u>
Current and other assets	\$ 34,537,643	\$ 37,587,162	\$ 32,711,703
Restricted assets	576	574	574
Net capital assets	<u>112,213,976</u>	<u>114,734,446</u>	<u>114,673,312</u>
<b>TOTAL ASSETS</b>	<u>146,752,195</u>	<u>152,322,182</u>	<u>147,385,589</u>
Deferred outflows of resources	<u>4,517,801</u>	<u>3,590,140</u>	<u>1,874,622</u>
<b>TOTAL DEFERRED OUTFLOWS</b>	<u>4,517,801</u>	<u>3,590,140</u>	<u>1,874,622</u>
Current liabilities	3,623,672	5,043,037	4,476,528
Long-term liabilities	<u>53,947,819</u>	<u>53,062,123</u>	<u>52,654,367</u>
<b>TOTAL LIABILITIES</b>	<u>57,571,491</u>	<u>58,105,160</u>	<u>57,130,895</u>
Deferred inflows of resources	<u>1,104,166</u>	<u>1,384,858</u>	<u>1,157,630</u>
Net investment in capital assets	81,018,033	81,444,986	79,899,651
Restricted	263,357	193,556	
Unrestricted	<u>11,312,949</u>	<u>14,783,762</u>	<u>11,072,035</u>
<b>TOTAL NET POSITION</b>	<u>\$ 92,594,339</u>	<u>\$ 96,422,304</u>	<u>\$ 90,971,686</u>

The portion of the Agency's Net Position categorized as Unrestricted Net Position \$11,312,949 (12.2%) may be used to meet the Agency's ongoing obligations to the public and its customers. As of December 31, 2020, the Agency reported positive balances in all three categories of net position.

**SOUTH FEATHER WATER & POWER AGENCY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2020**

*Analysis of the Agency's operations:*

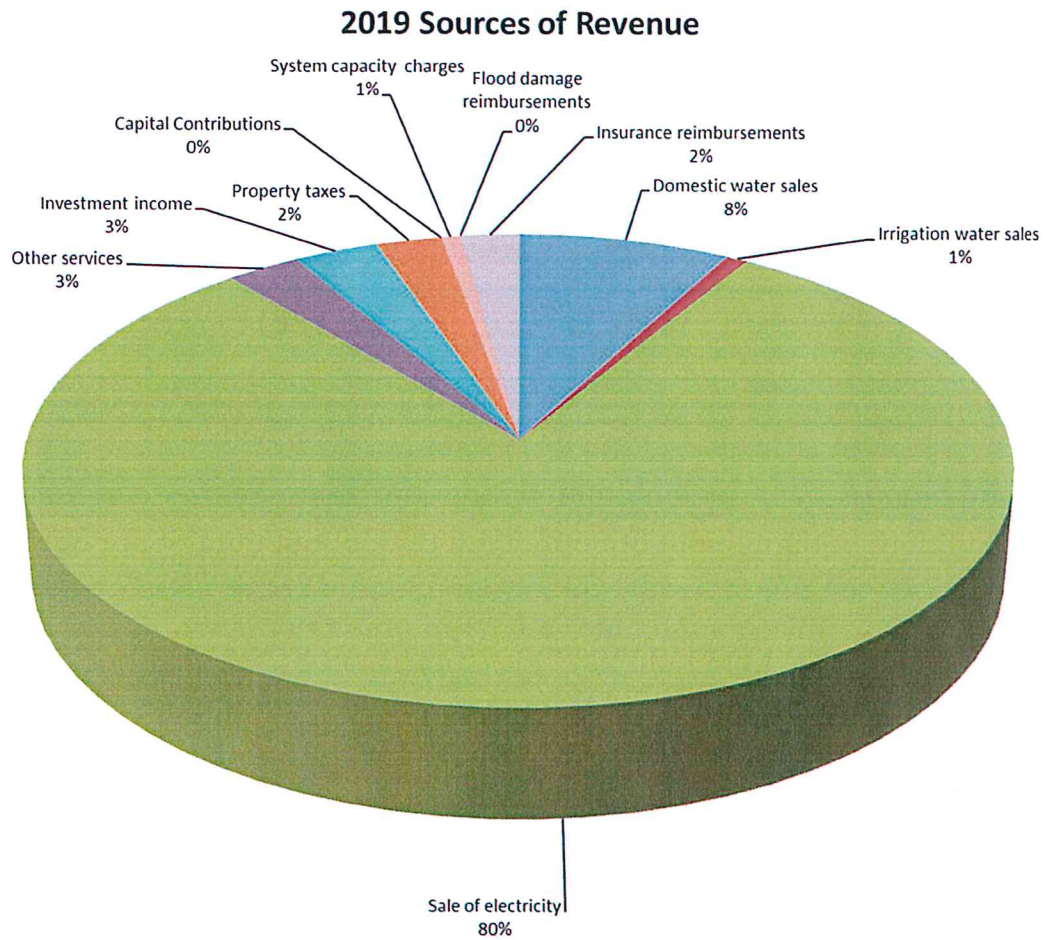
The following chart provides a summary of the Agency's Sources of Revenue for the year ended December 31, 2020.





**SOUTH FEATHER WATER & POWER AGENCY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2020**

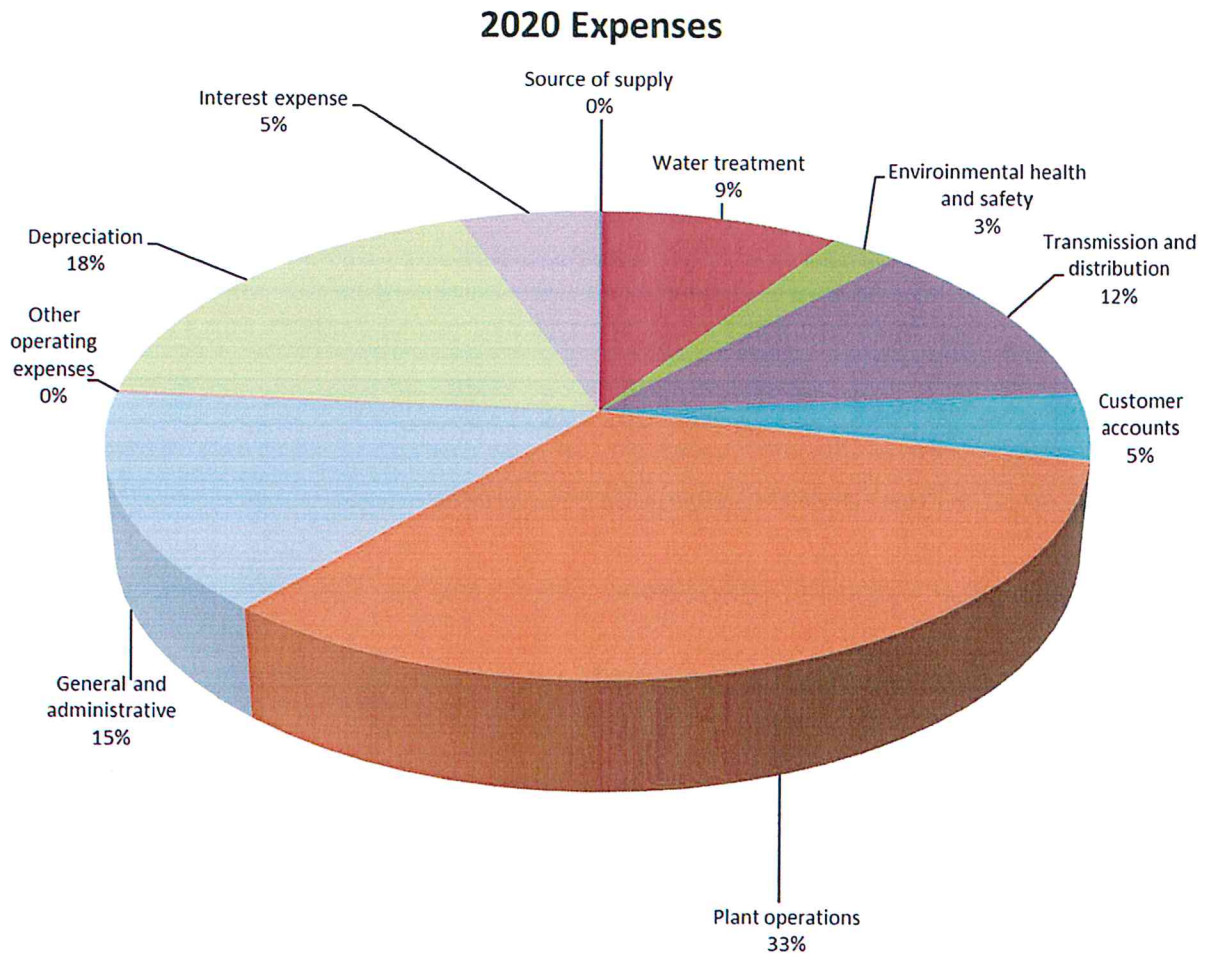
The following chart provides a summary of the Agency's Sources of Revenue for the year ended December 31, 2019.



As the Sources of Revenue Chart above shows, \$11,962,972, or 69% of the Agency's 2020 revenue came from the generation of hydroelectric power. An additional \$2,938,032 or 17% came from Domestic and Irrigation Water Sales, \$535,945 or 3% from interest earnings, \$681,269 or 4% from property taxes, \$627,699 or 3% from capital contributions and \$645,625 or 4% from a variety of other sources.

**SOUTH FEATHER WATER & POWER AGENCY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2020**

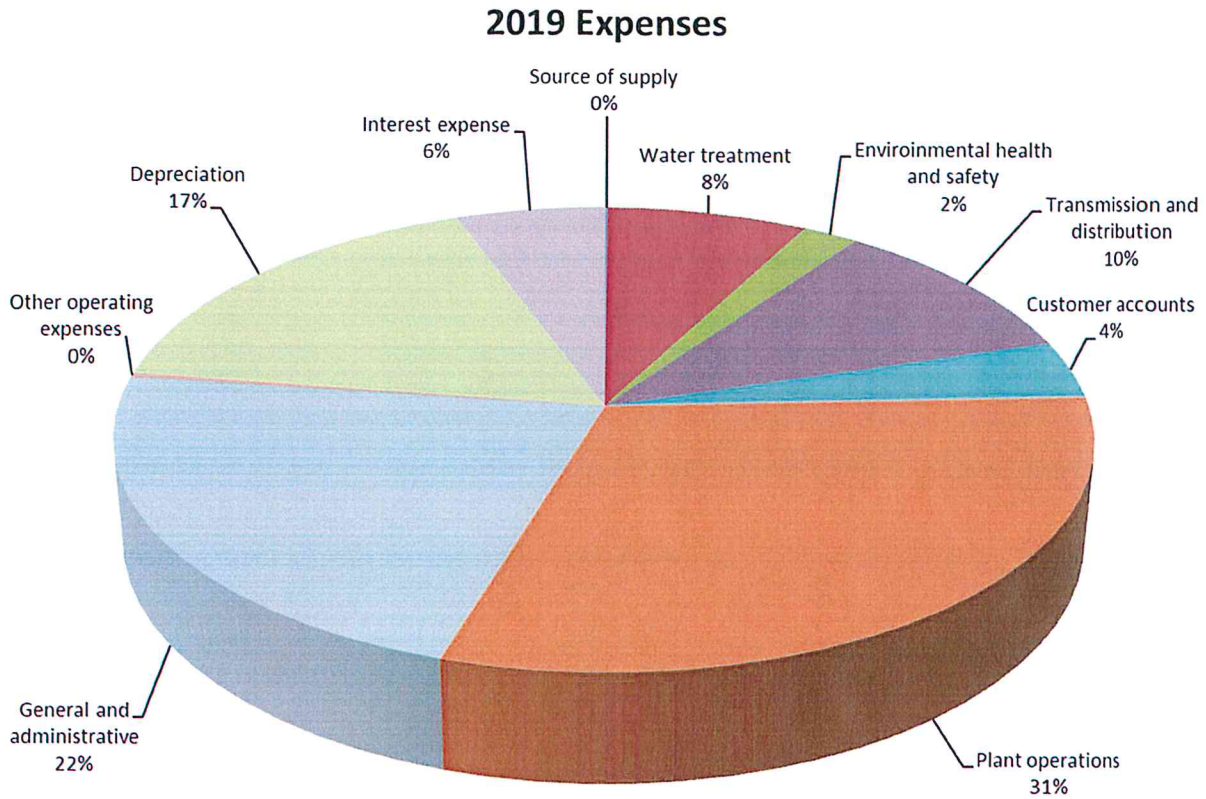
The following chart provides a summary of the Agency's Expenses for the year ended December 31, 2020.





**SOUTH FEATHER WATER & POWER AGENCY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2020**

The following chart provides a summary of the Agency's Expenses for the year ended December 31, 2019.



The Expenses Chart above shows 2020 expenses for plant operations of \$6,962,168 or 33%. 2020 depreciation and amortization expense was \$3,884,633, or 18%. General and administrative expenses accounted for \$3,189,614, or 15% of the total; transmission and distribution accounted for \$2,528,136 or 12% of the total; water treatment accounted for \$1,923,428, or 9%, and the remaining \$2,731,528, or 13%, was made up of various other expenses as shown above.

**SOUTH FEATHER WATER & POWER AGENCY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2020**

The following table provides a summary of the Agency's operations for the years ended December 31, 2020, December 31, 2019 and December 31, 2018.

**SOUTH FEATHER WATER & POWER AGENCY'S CHANGES IN NET POSITION**

	<u>2020</u>	<u>2019</u>	<u>2018</u>
<b>REVENUES</b>			
Operating Revenues			
Domestic water sales	\$ 2,674,305	\$ 2,138,729	\$ 2,151,414
Irrigation water sales	263,727	218,507	222,699
Sales of electricity	11,962,972	21,848,149	14,811,825
Other services	565,173	743,817	902,850
Total operating revenue	<u>15,466,177</u>	<u>24,949,202</u>	<u>18,088,788</u>
Non-operating revenues:			
Property taxes	681,269	663,748	585,383
Investment earnings	535,945	859,928	422,595
Insurance refund	80,452	601,929	2,612,050
Gain or loss on sale of fixed assets		2,600	(619,010)
Miscellaneous non-operating revenue			2,099,530
Total non-operating revenue	<u>1,297,666</u>	<u>2,128,205</u>	<u>5,100,548</u>
Capital contributions	<u>627,699</u>	<u>191,965</u>	<u>2,819,509</u>
<b>TOTAL REVENUES</b>	<u>17,391,542</u>	<u>27,269,372</u>	<u>26,008,845</u>
<b>EXPENSES</b>			
Operating	20,084,321	20,575,423	19,816,365
Non-operating	<u>1,135,186</u>	<u>1,243,331</u>	<u>1,080,524</u>
<b>TOTAL EXPENSES</b>	<u>21,219,507</u>	<u>21,818,754</u>	<u>20,896,889</u>
<b>CHANGE IN NET POSITION</b>	<u>(3,827,965)</u>	<u>5,450,618</u>	<u>5,111,956</u>
<b>NET POSITION AT BEGINNING OF YEAR</b>	<u>96,422,304</u>	<u>90,971,686</u>	<u>85,859,730</u>
<b>NET POSITION END OF YEAR</b>	<u>\$ 92,594,339</u>	<u>\$ 96,422,304</u>	<u>\$ 90,971,686</u>

As the table above shows, the Agency received operating revenues of \$15,466,177 or 89% of the 2020 total revenue, \$24,949,202, or 91% of the 2019 total revenue and \$18,088,788, or 70% of the 2018 total revenue. Operating revenues consist of domestic and irrigation water sales, generation of hydroelectric power, water transfer sales, customer services and installations.

Non-operating revenues account for \$1,297,666, or 7%, \$2,128,205 or 8%, and \$5,100,548, or 20%, of total revenue in 2020, 2019 and 2018 respectively. Non-operating revenues come from property taxes, investment earnings, insurance refunds and any gains or losses on the sale or disposal of an asset.

Total revenue decreased by \$9,877,830, or 36%, between 2020 and 2019. Sale of electricity revenue decreased because of hydrological conditions in 2020 compared with water availability in prior years. Total revenue increased by \$1,260,527, or 5%, between 2019 and 2018, due to unusual hydropower generation pricing in February and March and wetter than average winter storms in 2019.

**SOUTH FEATHER WATER & POWER AGENCY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2020**

Total expenses decreased by \$599,247, or 3%, in 2020 compared to 2019, reflective of efforts to control spending in response to the revenue decreases.

**CAPITAL ASSETS**

The South Feather Water & Power Agency's investment in capital assets (net of accumulated depreciation) amounts to \$112,213,976 as of December 31, 2020. In 2020, the net capital assets made up 76% of the Agency's total assets.

The following table provides a detailed breakdown of net capital assets for 2020, 2019 and 2018.

**CAPITAL ASSETS NET OF ACCUMULATED DEPRECIATION**

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Land, land rights and water rights	\$ 2,138,103	\$ 2,138,103	\$ 2,138,103
Construction in progress	113,317	424,377	61,070
FERC relicensing in progress	5,716,306	5,716,306	5,716,306
Source of supply	149,301,940	147,963,548	144,974,866
Pumping plant	362,297	362,297	362,297
Miners Ranch Treatment Plan, treatment and transmission and distribution facilities	57,097,653	56,896,467	56,805,611
General plant and yard	12,336,144	12,317,831	12,034,548
Tailwater Depression System	124,445	124,445	124,445
Photovoltaic System - MRTTP	2,258,931	2,142,701	2,142,701
Recreational facilities	1,183,989	1,183,989	1,134,095
	<u>(118,419,149)</u>	<u>(114,535,618)</u>	<u>(110,820,730)</u>
Less: Accumulated Depreciation			
<b>TOTAL CAPITAL ASSETS</b>	<u><u>\$ 112,213,976</u></u>	<u><u>\$ 114,734,446</u></u>	<u><u>\$ 114,673,312</u></u>

Major capital asset events during 2020 included completion of the Rockridge and Coventry Drive pipeline replacement, replacement of the Kelly Powerhouse turbine shutoff valve and Miners Ranch Canal road repair.

Additional information on the Agency's capital assets can be found in note C of this report.

**DEBT ADMINISTRATION**

As of December 31, 2020, 2019 and 2018, the Agency's debt consisted of the following:

**OUTSTANDING FINANCING DEBT**

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Loan payable to PG&E			\$ 8,113,749
Certificates of Participation	\$ 25,010,000	\$ 25,610,000	26,190,000
Installment payment agreement	5,749,840	7,226,452	
	<u>30,759,840</u>	<u>32,836,452</u>	<u>34,303,749</u>
<b>TOTAL FINANCING DEBT</b>	<u><u>\$ 30,759,840</u></u>	<u><u>\$ 32,836,452</u></u>	<u><u>\$ 34,303,749</u></u>

In 2016, the Agency issued Certificates of Participation to defease outstanding 2012 Water Revenue Refunding Bonds and provide funds to complete construction of the Miners Ranch Treatment Plant Improvement Project. In March, 2020, Standard and Poors Global Ratings affirmed its 'A/Stable' rating on the certificates.



**SOUTH FEATHER WATER & POWER AGENCY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2020**

In 2019, a five year Installment Purchase Agreement was entered into for the reimbursement to PG&E for the Agency's share of the Lost Creek Dam Crest Modification project.

Additional information on the Agency's long-term debt can be found in note D of the financial statements.

**ECONOMIC FACTORS & SIGNIFICANT EVENTS**

In May of 2005 an agreement was reached with Yuba County Water District, now the North Yuba Water District (NYWD) that defines the settlement of water rights and disposition of net hydroelectric project revenues effective July 1, 2010. SFWP will continue to own, in its own name - not jointly - its historic consumptive water rights on the South Fork of the Feather River. NYWD will be given sole title to the previously jointly held permits – 11516 and 11518. Both districts supported the other's efforts to extend the permits and jointly pursued the environmental documents to receive permit time extensions. The CEQA processing was completed in May of 2006 for the water-right permit time extension application and the petition was filed with the State Resources Control Board in June of 2006.

The FERC License that allows the Agency to operate its hydroelectric project operations expired in March of 2009. In January of 2002, the Agency approved a FERC Relicensing consulting services agreement between SFWPA and Devine Tarbell and Associates (DTA). The draft license application was distributed in July of 2006. The license application was filed with FERC in March of 2007. The Agency and its consultants continue to cooperate in all matters with FERC related to the relicensing process. Until the relicensing process is completed, operations continue under the current FERC license conditions.

In July, 2008, the Agency joined the California Public Employees Retirement System (CalPERS) to serve as the retirement program for Agency employees. In July, 2012, the Agency purchased 25% Prior Service to enhance the Agency's retirement program.

Winter storms in 2017 and 2019, the Oroville Dam Spillway collapse in 2017 and wildfires in 2018, 2019 and 2020 all caused damage to the Agency's infrastructure. All facilities are fully operational and all of the damage has been completely repaired. FEMA, CalOES and insurance proceeds provided significant funding towards the repair and replacement costs and the lost business income.

A 50 year power-purchase agreement with PG&E terminated on June 30, 2010. At its April 28, 2009 Board meeting, the Agency agreed to enter into a ten-year power purchase agreement with PG&E beginning July 1, 2010. Revenue to the Agency from this agreement is based on hydropower generation and a combination of variable, market based payments, and a fixed monthly payment. Because of the recent disasters in the area, the agreement with PG&E has been continued to a termination date of December 18, 2021. Payments to the Agency were not impacted by the PG&E bankruptcy proceedings. Negotiations for a new power purchase agreement are in process.

The Miners Ranch Water Treatment Plant Improvement Program has been completed, significantly increasing its production capacity. In February, 2020, the Agency increased its basic service rate by \$4.00 per month to increase revenue from domestic and irrigation water sales. A review of opportunities for additional customers and adjustments to the rates in order to increase revenue from domestic and irrigation water sales is on-going.

The Lost Creek Dam Improvement Project has been completed. The project was funded by a short-term loan from PG&E. The PG&E loan was paid off on May 31, 2019 with funding provided from a five year Installment Purchase Agreement.

The COVID-19 pandemic had no significant impact on Agency revenues and expenses. Operations have been modified in order for the Agency to safely continue services and meet its on-going obligations. A water transfer, a new power purchase agreement, and adjustments to domestic and irrigation water rates are all in process to address revenue shortfalls.

**FINANCIAL CONTACT**

This financial report is designed to provide a general overview of the South Feather Water and Power Agency's finances for those with an interest in the Agency's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be directed to South Feather Water and Power Agency, at 2310 Oro-Quincy Hwy, Oroville, California 95966.

SOUTH FEATHER WATER AND POWER AGENCY

STATEMENTS OF NET POSITION

December 31, 2020 and 2019

	2020	2019
<b>ASSETS AND DEFERRED OUTFLOWS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 22,495,182	\$ 23,332,937
Accounts receivable	2,191,937	4,172,637
Accrued interest receivable	28,731	109,934
Property taxes receivable	329,249	312,564
Inventory	848,994	809,715
Prepaid expenses	333,879	255,670
Loans receivable	9,448	6,417
<b>TOTAL CURRENT ASSETS</b>	<b>26,237,420</b>	<b>28,999,874</b>
<b>NONCURRENT ASSETS</b>		
Restricted cash and cash equivalents	576	574
Investments	8,300,223	8,587,288
Capital assets:		
Not being depreciated	7,967,726	8,278,786
Being depreciated	222,665,399	220,991,278
Less: accumulated depreciation	(118,419,149)	(114,535,618)
Total Capital Assets, Net	112,213,976	114,734,446
<b>TOTAL NONCURRENT ASSETS</b>	<b>120,514,775</b>	<b>123,322,308</b>
<b>TOTAL ASSETS</b>	<b>146,752,195</b>	<b>152,322,182</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Pension plan	1,583,273	1,566,799
OPEB plan	2,886,297	1,962,522
Deferred loss on bond refunding	48,231	60,819
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>4,517,801</b>	<b>3,590,140</b>

(Continued)

## SOUTH FEATHER WATER AND POWER AGENCY

## STATEMENTS OF NET POSITION (Continued)

December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	\$ 360,349	\$ 1,780,514
Accrued payroll	158,718	344,349
Accrued interest payable	274,948	296,983
Deposits	64,075	30,175
Retainage payable	99,518	
Other payables	106,587	97,772
Current portion of long-term liabilities	2,559,477	2,493,244
TOTAL CURRENT LIABILITIES	<u>3,623,672</u>	<u>5,043,037</u>
NONCURRENT LIABILITIES		
Long-term debt, noncurrent	29,033,935	31,213,421
Compensated absences, noncurrent	779,712	784,117
Net pension liability	5,940,529	5,238,532
Net OPEB liability	18,193,643	15,826,053
TOTAL NONCURRENT LIABILITIES	<u>53,947,819</u>	<u>53,062,123</u>
TOTAL LIABILITIES	<u>57,571,491</u>	<u>58,105,160</u>
DEFERRED INFLOWS OF RESOURCES		
Pension plan	210,172	295,194
OPEB plan	893,994	1,089,664
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>1,104,166</u>	<u>1,384,858</u>
NET POSITION		
Net investment in capital assets	81,018,033	81,444,986
Restricted for capacity expansion	263,357	193,556
Unrestricted	11,312,949	14,783,762
TOTAL NET POSITION	<u>\$ 92,594,339</u>	<u>\$ 96,422,304</u>

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



SOUTH FEATHER WATER AND POWER AGENCY

STATEMENTS OF REVENUES, EXPENSES  
AND CHANGES IN NET POSITION

For the years ended December 31, 2020 and 2019

	2020	2019
OPERATING REVENUES		
Domestic water sales	\$ 2,674,305	\$ 2,138,729
Irrigation water sales	263,727	218,507
Sale of electricity	11,962,972	21,848,149
Other services	565,173	743,817
TOTAL OPERATING REVENUES	15,466,177	24,949,202
OPERATING EXPENSES		
Source of supply	16,117	17,468
Water treatment	1,923,428	1,662,851
Environmental health and safety	539,831	461,578
Transmission and distribution	2,528,136	2,277,470
Customer accounts	990,535	869,709
Plant operations	6,962,168	6,641,390
General and administrative	3,189,614	4,851,407
Other operating expenses	49,859	67,263
Depreciation	3,884,633	3,726,287
TOTAL OPERATING EXPENSES	20,084,321	20,575,423
NET INCOME (LOSS) FROM OPERATIONS	(4,618,144)	4,373,779
NON-OPERATING REVENUE (EXPENSES)		
Property taxes	681,269	663,748
Investment earnings	535,945	859,928
Insurance reimbursements	80,452	601,929
Gain on disposal of capital assets		2,600
Interest expense	(1,135,186)	(1,243,331)
TOTAL NON-OPERATING REVENUES (EXPENSES)	162,480	884,874
CAPITAL CONTRIBUTIONS		
Capital grants:		
Federal	443,135	
State	114,763	
System capacity charges	69,801	191,965
TOTAL CAPITAL CONTRIBUTIONS	627,699	191,965
CHANGE IN NET POSITION	(3,827,965)	5,450,618
Net position at beginning of year	96,422,304	90,971,686
NET POSITION AT END OF YEAR	\$ 92,594,339	\$ 96,422,304

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

SOUTH FEATHER WATER AND POWER AGENCY

STATEMENTS OF CASH FLOWS

For the years ended December 31, 2020 and 2019

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	\$ 17,480,777	\$ 26,850,774
Cash paid to suppliers for goods and services	(5,436,144)	(5,851,413)
Cash paid to employees for services	(9,362,018)	(9,131,682)
NET CASH PROVIDED BY OPERATING ACTIVITIES	2,682,615	11,867,679
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Property taxes received	664,584	632,069
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	664,584	632,069
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital grants received	557,898	(564,570)
System capacity charges received	69,801	191,965
Acquisition of capital assets	(2,559,168)	(4,668,127)
Proceeds from sale of capital assets		41,603
Proceeds from insurance refund	80,452	601,929
Proceeds from loans payable		8,000,000
Principal paid on bonds and loans payable	(2,076,612)	(9,467,297)
Interest paid	(1,161,536)	(1,166,183)
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	(5,089,165)	(7,030,680)
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment earnings received	572,623	681,580
Purchases of investments	(3,481,798)	(2,649,398)
Proceeds from sales and maturities of investments	3,813,388	3,274,806
NET CASH PROVIDED BY INVESTING ACTIVITIES	904,213	1,306,988
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(837,753)	6,776,056
Cash and cash equivalents at beginning of year	23,333,511	16,557,455
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 22,495,758	\$ 23,333,511
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENTS OF NET POSITION		
Cash and cash equivalents	\$ 22,495,182	\$ 23,332,937
Cash and cash equivalents with fiscal agents	576	574
TOTAL CASH AND CASH EQUIVALENTS	\$ 22,495,758	\$ 23,333,511

(Continued)



SOUTH FEATHER WATER AND POWER AGENCY

STATEMENTS OF CASH FLOWS (Continued)

For the years ended December 31, 2020 and 2019

	2020	2019
RECONCILIATION OF NET INCOME (LOSS) FROM OPERATIONS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Net income (loss) from operations	\$ (4,618,144)	\$ 4,373,779
Adjustments to reconcile net income (loss) from operations to net cash provided (used) by operating activities:		
Depreciation and amortization	3,884,633	3,726,287
Abandoned construction in progress reported in operating expenses	144,523	
Changes in operating assets and liabilities:		
Accounts receivable	1,980,700	2,069,444
Inventory	(39,279)	(7,885)
Prepaid expenses	(78,209)	(13,171)
Loans receivable	(3,031)	1,398
Accounts payable	(270,165)	37,086
Accrued payroll	(185,631)	3,533
Deposits	33,900	(167,872)
Other payables	8,815	(16,166)
Compensated absences	(24,143)	69,173
Net pension liability	701,997	654,403
Net OPEB liability	2,367,590	2,638,548
Deferred outflows related to pension plan	(16,474)	234,416
Deferred outflows related to OPEB plan	(923,775)	(1,962,522)
Deferred inflows related to pension plan	(85,022)	50,499
Deferred inflows related to OPEB plan	(195,670)	176,729
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 2,682,615	\$ 11,867,679
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES		
Amortization of bond premiums and discounts	\$ (16,903)	\$ (16,904)
Change in fair value of investments	44,525	157,487
Change in capital asset purchases included in liabilities	(1,150,000)	150,729

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

## SOUTH FEATHER WATER AND POWER AGENCY

### NOTES TO THE FINANCIAL STATEMENTS

December 31, 2020 and 2019

#### NOTE A – REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the South Feather Water and Power Agency (the Agency) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the Agency's accounting policies are described below.

Reporting Entity: The South Feather Water and Power Agency (formerly known as Oroville-Wyandotte Irrigation District) was formed November 18, 1919, under Irrigation Law, Division II, of the California Water Code. The Agency presently includes approximately 54,000 acres in southeastern Butte County and encompasses the unincorporated areas adjacent to the City of Oroville, as well as the unincorporated communities of Kelly Ridge, Bangor, and Palermo. The Agency area has a population of approximately 17,500, and currently provides water services to approximately 7,000 residential customers (domestic water) and 600 irrigation customers (raw water).

The Agency has water rights from the south fork of the Feather River and certain tributaries for hydroelectric generation purposes, which water may also be diverted by the Agency each year for consumptive uses. The Agency owns certain hydroelectric facilities, the power from which is sold to Pacific Gas and Electric Company (PG&E).

In April 1995, the Agency approved the formation of the Oroville-Wyandotte Irrigation District Financing Corporation, now known as the South Feather Water and Power Agency Financing Corporation (the Corporation). This corporation is a nonprofit public benefit corporation and is organized under the Nonprofit Public Benefit Corporation Law (commencing at Section 5110 of the California Corporations Code). The purpose of the Corporation is to provide assistance to public agencies in the State of California, in the financing, acquiring, constructing, rehabilitating or financing various public facilities, land and equipment for the use, benefit and enjoyment of the public.

Although the Agency and Corporation are legally separate entities, the Agency exercises oversight responsibility over the Corporation. The Corporation is reported as if it were part of the primary government because it shares a common Board of Directors with the Agency and its sole purpose is to provide financing to the Agency under the debt issuance documents of the Agency. Debt issued by the Corporation is reflected as debt of the Agency in these financial statements. The Corporation has no other transactions and does not issue separate financial statements.

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

Basis of Accounting: The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The enterprise fund type is accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets, deferred outflows, liabilities, and deferred inflows associated with the operation of the fund are included on the statement of net position. Net



SOUTH FEATHER WATER AND POWER AGENCY  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

December 31, 2020 and 2019

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

position is segregated into the net investment in capital assets, amounts restricted and amounts unrestricted. Enterprise fund type operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total position.

In the Statement of Net Position and Statement of Revenues, Expenses and Changes in Net Position, business-like activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or the economic asset used. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Those revenues susceptible to accrual include taxes, intergovernmental revenues, interest and charges for services.

Enterprise funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal operations. The principal operating revenues of the Agency are charges to customers for sales and services and the sale of electricity. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation of capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Grant revenues are recognized in the fiscal year in which all eligibility requirements are met. Under the terms of grant agreements, the Agency may fund certain programs with a combination of cost-reimbursement grants and general revenues. Thus, both restricted and unrestricted net position are available to finance program expenses. The Agency's policy is to first apply restricted grant resources to such programs, followed by general revenues, if necessary.

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.

Cash and Cash Equivalents: For the purposes of the Statement of Cash Flows, the Agency's cash and cash equivalents include restricted and unrestricted cash on hand, bank deposits and short-term investments with original maturities of three months or less from the date of acquisition, including investments in the California Local Agency Investment Fund (LAIF).

The Agency has adopted a formal investment policy as required by Section 53600et seq., of the California Government Code. The Agency Treasurer has responsibility for selecting depositories and investing idle funds in accordance with the adopted investment policy. See Note B for additional information on the Agency's cash and investments.

Receivables and Payables: Receivables consist of all revenues earned at year-end and not yet received. Receivables are recorded in the financial statements net of any allowance for doubtful accounts, if applicable, and estimated refunds due. Delinquent water charges are submitted to the County Tax Assessor annually to be encumbered on the secured property tax bills. Therefore, no allowance was deemed necessary at December 31, 2020 and 2019. Activities between combining units that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e. the current portion of the interfund loans) or "advances to/from other funds" (i.e. the non-current portion of the interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." These internal transactions are eliminated for reporting in the enterprise funds.

SOUTH FEATHER WATER AND POWER AGENCY  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

December 31, 2020 and 2019

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

Property Taxes: Property tax revenue is recognized in the fiscal year for which the tax and assessment is levied. The County of Butte levies, bills and collects property taxes and special assessments for the Agency. Under the County's "Teeter Plan", the County remits the entire amount levied and handles all delinquencies, retaining interest and penalties.

The term "unsecured" refers to taxes on personal property other than real estate, land and buildings. These taxes are secured by liens on the property being taxed. Property tax revenues are recognized by the Agency in the fiscal year they are assessed.

Secured property tax is due in two installments, on November 1 and February 1, and becomes a lien on July 1. It becomes delinquent on December 10 and April 10, respectively. Unsecured property tax is due on July 1, and becomes delinquent on August 31.

Inventories and Prepaid Items: Inventories are valued at average cost using the first-in, first out method.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the financial statements.

Loans Receivable: The Agency has a computer acquisition program, where the Agency purchases a computer for an employee and is then repaid through payroll deductions from the employee's pay.

Capital Assets: Capital assets, which include property, plant, equipment, and infrastructure assets, are reported on the Statement of Net Position. Capital assets are currently defined by the Agency as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. Capital assets are valued at historical cost. Donated capital assets are recorded at the acquisition value, which is the price that would be paid to acquire an asset with equivalent service potential in an orderly market transaction at the acquisition date. The cost of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized. Interest was capitalized on assets acquired with debt. The amount of interest to be capitalized is offset by interest earned in invested debt proceeds over the construction period. Depreciation is provided over the useful lives of assets using the straight-line method. Estimated useful lives of all depreciable assets are as follows:

Dams, powerhouses and treatment plants	40 - 50 years
Pipelines	50 years
Other general assets	3 - 10 years
Other power-related assets	5 - 50 years

Compensated Absences: The Agency's policy allows employees to accumulate earned but unused annual leave, which will be paid to employees upon separation from the Agency's service. The cost of annual leave is recognized in the period earned. Upon separation from the Agency, employees can elect to be paid one-half of their accumulated sick leave time. This amount is also recognized in the period earned.

Long-Term Liabilities: Long-term liabilities and other long-term obligations are reported on the Statement of Net Position. Initial issue bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. The difference between the reacquisition price of refunding bonds and the net carrying amount of refunded debt (deferred amount on refunding) is amortized over the shorter of the lives of the refunding debt or remaining life of the refunded debt.



SOUTH FEATHER WATER AND POWER AGENCY  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

December 31, 2020 and 2019

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

Amortization of bond premiums or discounts and deferred amounts on refunding is included in interest expense. The cost of issuing debt is expensed as incurred.

Interfund Transactions: Transactions between combining units of the Agency are recorded as interfund transfers on the Combining Schedule of Revenues, Expenses and Changes in Net Position. The unpaid balances at year end, as a result of such transactions, are shown as due to and due from other funds. These amounts are eliminated for reporting in the enterprise fund financial statements.

Net Position: The net position amount is the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. The net investment in capital assets is capital assets, less accumulated depreciation and any outstanding debt related to the acquisition, construction or improvement of those assets excluding unspent debt proceeds. Net position is reported as restricted when there are legal limitations imposed on their use by the Agency or external restrictions by other governments, creditors or grantors.

Management Estimates: The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the reporting date and revenues and expenses during the reporting period. Actual results could differ from those estimates.

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

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

Deferred Inflows and Outflows: The statement of net position includes a separate section for deferred outflows and deferred inflows of resources. *Deferred outflows of resources* represent a consumption of net position by the government that is applicable to a future reporting period. *Deferred inflows of resources* represent an acquisition of net position that is applicable to a future reporting period. These amounts will not be recognized as an outflow of resources (expenditures/expense) or an inflow of resources (revenue) until the earnings process is complete. Deferred outflows and inflows of resources include amounts deferred related to the Agency's pension plan as described in Note F and OPEB Plan as described in Note G.

New Pronouncements: In November 2016, the GASB issued Statement No. 83, *Certain Asset Retirement Obligations*. This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible



SOUTH FEATHER WATER AND POWER AGENCY  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

December 31, 2020 and 2019

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

capital asset (example is decommissioning a water treatment plant). A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement. This Statement requires that recognition occur when the liability is both incurred and reasonably estimable. The determination of when the liability is incurred should be based on the occurrence of external laws, regulations, contracts, or court judgments, together with the occurrence of an internal event that obligates a government to perform asset retirement activities. This Statement requires the measurement of an ARO to be based on the best estimate of the current value of outlays expected to be incurred. The best estimate should include probability weighting of all potential outcomes, when such information is available or can be obtained at reasonable cost. The requirements of this Statement are effective for periods beginning after June 15, 2019.

In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. This Statement describes four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. Custodial funds generally should report fiduciary activities that are not held in a trust or equivalent arrangement that meets specific criteria. This Statement also provides for recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred that compels the government to disburse fiduciary resources. Events that compel a government to disburse fiduciary resources occur when a demand for the resources has been made or when no further action, approval, or condition is required to be taken or met by the beneficiary to release the assets. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

In April 2018, the GASB issued Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*. This Statement improves the information that is disclosed in the notes to government financial statements and clarifies which liabilities governments should include when disclosing information related to debt. This Statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences and significant subjective acceleration clauses. For notes to the financial statement there is a requirement that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt. The requirements of this Statement are effective for the reporting periods beginning after June 15, 2019.

In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. This Statement enhances disclosures about capital assets and the cost of borrowing for a reporting period and simplifies the accounting for interest cost incurred before the end of a construction period. Interest cost incurred before the end of a construction period will be recognized as an expense rather than being recorded as part of the cost of capital assets in a business-type activity or enterprise fund and interest cost incurred by a fund using the current financial resources measurement focus before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles. The requirements of this Statement are effective for the reporting periods beginning after December 15, 2020.

SOUTH FEATHER WATER AND POWER AGENCY  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

December 31, 2020 and 2019

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

In May 2020, the GASB issued Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*. This Statement provides temporary relief to governments due to the COVID-19 pandemic by postponing the effective dates of Statements and Implementation Guides that first become effective or are scheduled to become effective for periods beginning after June 15, 2018 and later. Effective dates of the following Statements and Implementation Guides were postponed by one year: Statements No. 83, 84 and 88 to 93 as well as Implementation Guide No's 2018-1, 2019-1 and 2019-2. Effective dates for Statement No. 87 and Implementation Guide No. 2019-3 were postponed by 18 months. The requirements of this Statement are effective immediately. The implementation dates listed in the paragraphs above were adjusted as indicated in this paragraph.

In May 2020, the GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITA)*. This Statement 1) defines the term SBITA; 2) establishes that a SBITA results in a right-to-use subscription asset – an intangible asset – and a corresponding subscription liability; 3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs to a SBITA; and 4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITA are based on the standards established in Statement No. 87, *Leases*, as amended. This statement is effective for fiscal years beginning after June 15, 2022.

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

NOTE B – CASH AND INVESTMENTS

Cash and investments were classified in the financial statements as shown below at December 31:

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 22,495,182	\$ 23,332,937
Restricted cash and cash equivalents	576	574
Investments	<u>8,300,223</u>	<u>8,587,288</u>
Total cash and investments	<u>\$ 30,795,981</u>	<u>\$ 31,920,799</u>

Cash and investments were comprised of the following at December 31:

	<u>2020</u>	<u>2019</u>
Cash on hand	\$ 950	\$ 950
Deposits with financial institutions	<u>1,823,060</u>	<u>1,170,713</u>
Total cash	<u>1,824,010</u>	<u>1,171,663</u>
Money market mutual funds	13,260	223,568
Local Agency Investment Fund (LAIF)	19,232,796	20,558,987
Certificates of deposit	6,982,758	7,195,825
U.S. Treasury note	251,681	248,599
U.S. government agency securities	1,065,784	1,142,864
Investment Trust of California (CalTRUST)	<u>1,425,692</u>	<u>1,379,293</u>
Total investments	<u>28,971,971</u>	<u>30,749,136</u>
Total cash and investments	<u>\$ 30,795,981</u>	<u>\$ 31,920,799</u>



SOUTH FEATHER WATER AND POWER AGENCY  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

December 31, 2020 and 2019

NOTE B – CASH AND INVESTMENTS (Continued)

The table below identifies the investment types that are authorized by the Agency’s investment policy:

Authorized Investment Type	Maximum Maturity	Maximum Total of Portfolio	Maximum Investment in One Issuer
Bonds issued by the Agency	None	No Limit	None
U.S. Treasury obligations	None	No Limit	None
State of California obligations	None	No Limit	None
Local Agency Investment Fund (LAIF)	N/A	\$ 40,000,000	None
Banker's acceptances	270 days	40%	30%
Commercial paper - U.S. companies	180 days	15%	None
Certificates of deposit	None	30%	None
Repurchase agreements	None	Per Government Code	Per Government Code
Medium term notes	5 years	30%	None
Money Market Mutual Funds	N/A	15%	None
Mortgage obligations	5 years	30%	None
Other investments as permitted by the California Government Code	N/A	Per Government Code	Per Government Code

Investments Authorized by Debt Agreements: Investments held by the bond/COP fiscal agents (trustees) are governed by the provisions of the various debt indenture agreements rather than the general provisions of the Agency's investments policy or the California Government Code.

Disclosures relating to Interest Rate Risk and Credit Risk: Interest rate risk is the risk in the market rate changes that could adversely affect the fair values 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. One of the ways that the Agency manages its exposure to interest rate risk is by purchasing a combination of shorter and longer-term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for Agency operations.

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of an investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization.

Information about the sensitivity of the fair values of the Agency's investments (including investments held by the bond trustee) to market rate fluctuations is provided by the following table that shows the distribution of the Agency's investments by maturity, as well as the credit ratings, as applicable from Standard & Poor's or Moody's as of December 31:



SOUTH FEATHER WATER AND POWER AGENCY  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

December 31, 2020 and 2019

NOTE B – CASH AND INVESTMENTS (Continued)

	Credit Rating	Remaining Maturity		Fair Value
		12 months or less	1-5 years	
<u>December 31, 2020</u>				
Money market mutual funds	Not Rated	\$ 13,260		\$ 13,260
LAIF	Not Rated	19,232,796		19,232,796
Certificates of deposits	Not Rated	3,460,134	\$ 3,522,624	6,982,758
U.S. Treasury note	AAA		251,681	251,681
U.S. government agency securities	AAA		1,065,784	1,065,784
CalTRUST	AA	396	1,425,296	1,425,692
		<u>\$ 22,706,586</u>	<u>\$ 6,265,385</u>	<u>\$ 28,971,971</u>

	Credit Rating	Remaining Maturity		Fair Value
		12 months or less	1-5 years	
<u>December 31, 2019</u>				
Money market mutual funds	Not Rated	\$ 223,568		\$ 223,568
LAIF	Not Rated	20,558,987		20,558,987
Certificates of deposits	Not Rated	2,692,674	\$ 4,503,151	7,195,825
U.S. Treasury note	AAA		248,599	248,599
U.S. government agency securities	AA+	349,981	792,883	1,142,864
CalTRUST	AAf	390	1,378,903	1,379,293
		<u>\$ 23,825,600</u>	<u>\$ 6,923,536</u>	<u>\$ 30,749,136</u>

Fair Value Measurement: The Agency categorizes fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The Agency has the following recurring fair value measurements as of December 31:

	2020			
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by fair value level				
Certificates of deposit	\$ 6,982,758		\$ 6,982,758	
U.S. Treasury note	251,681		251,681	
U.S. government agency securities	1,065,784		1,065,784	
Total investments by fair value level	<u>8,300,223</u>	<u>\$ -</u>	<u>\$ 8,300,223</u>	<u>\$ -</u>
Assets measured at net asset value:				
Money market mutual funds	13,260			
Investments not categorized:				
LAIF	19,232,796			
CalTRUST	1,425,692			
	<u>\$ 28,971,971</u>			

SOUTH FEATHER WATER AND POWER AGENCY  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

December 31, 2020 and 2019

NOTE B – CASH AND INVESTMENTS (Continued)

	2019		
	Fair Value Measurements Using		
Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by fair value level			
Certificates of deposit	\$ 7,195,825		\$ 7,195,825
U.S. Treasury note	248,599		248,599
U.S. government agency securities	1,142,864		1,142,864
Total investments by fair value level	<u>8,587,288</u>	<u>\$ -</u>	<u>\$ 8,587,288</u>
Assets measured at net asset value:			
Money market mutual funds	223,568		
Investments not categorized:			
LAIF	20,558,987		
CalTRUST	1,379,293		
	<u>\$ 30,749,136</u>		

All securities classified in Level 2 are valued using pricing models that are based on market data, such as matrix or model pricing, which use standard inputs, which include benchmark yields, reported trades, broker/dealer quotes, issue spreads, two sided markets, benchmark securities, bids, offers and reference data including market research publications.

Concentration of Credit Risk: The investment policy of the Agency contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. As of December 31, 2020 and 2019 there were no investments in any one issuer (other than U.S. Treasury securities, mutual funds and external investment pools) that represented 5% or more of the total Agency investments.

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 possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counter-party (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investments or collateral securities that are in the possession of another party. The California Government Code and the Agency's investment policy do not contain legal or policy requirements that would limit the exposure of custodial risk for deposits or investments, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state and local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must be equal to at least 100% of the total amount deposited by public agencies. California law also allows financial institutions to secure Agency deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

SOUTH FEATHER WATER AND POWER AGENCY  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

December 31, 2020 and 2019

NOTE B – CASH AND INVESTMENTS (Continued)

As of December 31, 2020 and 2019, the deposits with financial institutions, in excess of the federal depository insurance limit, were collateralized by the pledging financial institution's assets as required by law, which are not held in the name of the district. As of December 31, 2020 and 2019, the carrying amount of the Agency's bank deposits totaled \$1,823,060 and \$1,170,713 and the bank balances totaled \$1,901,292 and \$1,272,095, respectively. The differences between the carrying amounts and the bank balances are due to the normal deposits in transit and outstanding checks. At December 31, 2020 and 2019, the uninsured balances were \$1,401,292 and \$841,274, respectively, which were collateralized by securities held by the pledging financial institution, but not in the name of the Agency. Negotiable certificates of deposit, which are all below the federal depository insurance limit, are excluded from the amounts above.

U.S. Treasury and U.S. government agency securities in the amount of \$1,317,465 and \$1,391,463 as of December 31, 2020 and 2019, respectively, were held by the same broker-dealer (counterparty) that was used to buy the securities.

Investment in LAIF: The Agency is a voluntary participant in the California Local Agency Investment Fund (LAIF) that is regulated by the California Government Code under the oversight of the Treasurer of the State of California. LAIF is stated at amortized cost, which approximates fair value. The LAIF is a special fund of the California State Treasury through which local governments may pool investments. LAIF is managed by the State Treasurer. Of the amount invested in LAIF, 3.28% and 2.79% at December 31, 2020 and 2019 was invested in structured notes and asset-backed instruments. The Local Investment Advisory Board (Board) has oversight responsibility for LAIF. The Board consists of five members as designated by state statute. The fair value of the District's investment in this pool is reported in the accompanying financial statements at amounts based upon the District's pro-rata share of the amount provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

Investment in Investment Trust of California (CalTRUST): The Agency is a voluntary participant in the Investment Trust of California (CalTRUST), which is a Joint Powers Authority governed by a Board of Trustees made up of local treasurers and investment officers. The Board of Trustees sets overall policy for CalTRUST and selects and supervises the activities of the Investment Manager and other agents. The Agency invests in CalTRUST's short-term and medium-term pools. Amounts that may be withdrawn from the short-term and medium-term pools are based on the net asset value per share and the number of shares held by participants in each pool.



SOUTH FEATHER WATER AND POWER AGENCY  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

December 31, 2020 and 2019

NOTE C – CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2020 was as follows:

	Balance at January 1, 2020	Additions	Disposals	Transfers	Balance at December 31, 2020
Capital assets, not being depreciated:					
Land, land rights and water rights	\$ 2,138,103				\$ 2,138,103
Construction in progress	424,377	\$ 1,190,492		\$ (1,501,552)	113,317
FERC relicensing in progress	5,716,306				5,716,306
Total capital assets, not being depreciated	<u>8,278,786</u>	<u>1,190,492</u>		<u>(1,501,552)</u>	<u>7,967,726</u>
Capital assets, being depreciated:					
Source of supply	147,963,548	116,841	\$ (144,523)	1,366,074	149,301,940
Pumping plant	362,297				362,297
Miners Ranch Treatment Plant, treatment and transmissions and distribution facilities	56,896,467	66,810	(1,102)	135,478	57,097,653
General plant and yard	12,317,831	18,313			12,336,144
Tail water depression system	124,445				124,445
Photovoltaic system	2,142,701	116,230			2,258,931
Recreational facilities	1,183,989				1,183,989
Total capital assets being depreciated	<u>220,991,278</u>	<u>318,194</u>	<u>(145,625)</u>	<u>1,501,552</u>	<u>222,665,399</u>
Less: accumulated depreciation:					
Source of supply	(82,913,356)	(1,968,295)			(84,881,651)
Pumping plant	(329,321)	(4,255)			(333,576)
Miners Ranch Treatment Plant, treatment and transmissions and distribution facilities	(20,732,653)	(1,305,071)	1,102		(22,036,622)
General plant and yard	(8,651,075)	(529,101)			(9,180,176)
Tail water depression system	(124,445)				(124,445)
Photovoltaic system	(833,264)	(53,568)			(886,832)
Recreational facilities	(951,504)	(24,343)			(975,847)
Total accumulated depreciation	<u>(114,535,618)</u>	<u>(3,884,633)</u>	<u>1,102</u>		<u>(118,419,149)</u>
Total capital assets being depreciated, net	<u>106,455,660</u>	<u>(3,566,439)</u>	<u>(144,523)</u>	<u>1,501,552</u>	<u>104,246,250</u>
CAPITAL ASSETS, NET	<u>\$ 114,734,446</u>	<u>\$ (2,375,947)</u>	<u>\$ (144,523)</u>	<u>\$ -</u>	<u>\$ 112,213,976</u>

Depreciation expense for the year ended December 31, 2020 totaled \$3,884,633.

SOUTH FEATHER WATER AND POWER AGENCY  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

December 31, 2020 and 2019

NOTE C – CAPITAL ASSETS (Continued)

Capital asset activity for the year ended December 31, 2019 was as follows:

	Balance at January 1, 2019	Additions	Disposals	Transfers	Balance at December 31, 2019
Capital assets, not being depreciated:					
Land, land rights and water rights	\$ 2,138,103				\$ 2,138,103
Construction in progress	61,070	\$ 935,967	\$ (15,144)	\$ (557,516)	424,377
FERC relicensing in progress	5,716,306				5,716,306
Total capital assets, not being depreciated	<u>7,915,479</u>	<u>935,967</u>	<u>(15,144)</u>	<u>(557,516)</u>	<u>8,278,786</u>
Capital assets, being depreciated:					
Source of supply	144,974,866	2,568,815		419,867	147,963,548
Pumping plant	362,297				362,297
Miners Ranch Treatment Plant, treatment and transmission and distribution facilities	56,805,611	33,104	(11,000)	68,752	56,896,467
General plant and yard	12,034,548	238,644	(24,258)	68,897	12,317,831
Tail water depression system	124,445				124,445
Photovoltaic system	2,142,701				2,142,701
Recreational facilities	1,134,095	49,894			1,183,989
Total capital assets being depreciated	<u>217,578,563</u>	<u>2,890,457</u>	<u>(35,258)</u>	<u>557,516</u>	<u>220,991,278</u>
Less: accumulated depreciation:					
Source of supply	(81,069,820)	(1,843,536)			(82,913,356)
Pumping plant	(325,066)	(4,255)			(329,321)
Miners Ranch Treatment Plant, treatment and transmission and distribution facilities	(19,445,806)	(1,298,246)	11,399		(20,732,653)
General plant and yard	(8,148,402)	(502,673)			(8,651,075)
Tail water depression system	(124,445)				(124,445)
Photovoltaic system	(779,696)	(53,568)			(833,264)
Recreational facilities	(927,495)	(24,009)			(951,504)
Total accumulated depreciation	<u>(110,820,730)</u>	<u>(3,726,287)</u>	<u>11,399</u>		<u>(114,535,618)</u>
Total capital assets being depreciated, net	<u>106,757,833</u>	<u>(835,830)</u>	<u>(23,859)</u>	<u>557,516</u>	<u>106,455,660</u>
CAPITAL ASSETS, NET	<u>\$ 114,673,312</u>	<u>\$ 100,137</u>	<u>\$ (39,003)</u>	<u>\$ -</u>	<u>\$ 114,734,446</u>

Depreciation expense for the year ended December 31, 2019 totaled \$3,726,287.

SOUTH FEATHER WATER AND POWER AGENCY  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

December 31, 2020 and 2019

NOTE D – LONG-TERM LIABILITIES

Changes in long-term liabilities were as follows for the years ended December 31:

	January 1, 2020	Additions	Reductions	December 31, 2020	Due Within One Year	Due After One Year
2016 Certificates of Participation	\$ 25,610,000		\$ (600,000)	\$ 25,010,000	\$ 615,000	\$ 24,395,000
Installment Purchase Agreement	7,226,452		(1,476,612)	5,749,840	1,547,584	4,202,256
Total	32,836,452		(2,076,612)	30,759,840	2,162,584	28,597,256
Unamortized premiums	453,582		(16,903)	436,679		436,679
Total Debt and Loans	33,290,034		(2,093,515)	31,196,519	2,162,584	29,033,935
Compensated absences	1,200,748	\$ 622,496	(646,639)	1,176,605	396,893	779,712
Net pension liability	5,238,532	701,997		5,940,529		5,940,529
Net OPEB liability	15,826,053	2,874,078	(506,488)	18,193,643		18,193,643
Total Long-Term Liabilities	\$ 55,555,367	\$ 4,198,571	\$ (3,246,642)	\$ 56,507,296	\$ 2,559,477	\$ 53,947,819

	January 1, 2019	Additions	Reductions	December 31, 2019	Due Within One Year	Due After One Year
2016 Certificates of Participation	\$ 26,190,000		\$ (580,000)	\$ 25,610,000	\$ 600,000	\$ 25,010,000
Loan Payable	8,113,749		(8,113,749)			
Installment Purchase Agreement		\$ 8,000,000	(773,548)	7,226,452	1,476,613	5,749,839
Total Long-Term Debt	34,303,749	8,000,000	(9,467,297)	32,836,452	2,076,613	30,759,839
Unamortized premiums	470,486		(16,904)	453,582		453,582
Total Debt and Loans	34,774,235	8,000,000	(9,484,201)	33,290,034	2,076,613	31,213,421
Compensated absences	1,131,575	711,873	(642,700)	1,200,748	416,631	784,117
Net pension liability	4,584,129	654,403		5,238,532		5,238,532
Net OPEB liability	13,187,505	3,411,531	(772,983)	15,826,053		15,826,053
Total Long-Term Liabilities	\$ 53,677,444	\$ 12,777,807	\$ (10,899,884)	\$ 55,555,367	\$ 2,493,244	\$ 53,062,123

A description of the long-term liabilities is as follows:

2016 Certificates of Participation: In October 2016, the Agency issued \$27,010,000 of Certificates of Participation (Certificates). The 2016 Certificates were issued to refund the 2012 Revenue Refunding Bonds and finance the Miners Ranch Water Treatment Plant Improvement Project. The 2012 Revenue Refunding Bonds were issued to refund the remaining balance of the 1980 Miners Ranch Domestic Revenue Bonds and 2003 Certificates of Participation. The Agency is required to collect rates, fees, and charges that will be sufficient to yield net water system and hydroelectric system revenues equal to 125% of debt service payments on outstanding debt and any future parity debt issued. Annual principal payments, ranging from \$570,000 to \$1,395,000, are due on April 1 through April 1, 2046 and semi-annual interest payments ranging from \$45,338 to \$436,738 are due on April 1 and October 1 through April 1, 2046 at 2% to 4%. In the event of default, the remaining balance will immediately be due and payable. The default interest rate would be the JPMorgan Chase Bank Prime Rate plus 3%.

Loan Payable: In February 2010, the Agency entered into a cost-sharing agreement with PG&E for funding of the Sly Creek Dam and the Lost Creek Dam Crest Modification Projects. The agreement stated that the Agency will reimburse PG&E 60% of the final project costs incurred from January 1, 2009, plus simple interest that accrues monthly at a rate equal to the Wall Street Journal Prime Rate. If the actual costs exceeded the initial cost estimate, the Agency was required to reimburse PG&E 80% of the costs. All amounts due to PG&E from the Agency were due and payable by May 31, 2019. The loan was repaid with the proceeds of the installment purchase agreement described below.



SOUTH FEATHER WATER AND POWER AGENCY  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

December 31, 2020 and 2019

NOTE D – LONG-TERM LIABILITIES (Continued)

Installment Purchase Agreement (Direct Placement): In May 2019, the District obtained a loan in the amount of \$8,000,000 from a finance company to fund repayment of a loan from PG&E for the Sly Creek Dam Crest Modification and Lost Creek Dam Crest Modification projects. The Agency is required to collect rates, fees, and charges that will be sufficient to yield net water system and hydroelectric system revenues equal to 125% of debt service payments on outstanding debt and any future parity debt issued. The loan bears interest of 4.75% and will be repaid in semi-annual principle and interest payments of \$901,270, from October 1, 2019 to April 1, 2024. In the event of default, the remaining balance will immediately be due and payable. The default interest rate would be the lower of 12% or the maximum permitted by law.

Future minimum payments on long-term liabilities will be as follows as of December 31:

Year ended December 31,	2016 Certificates of Participation						
	2020			2019			
	Principal	Interest	Totals	Year ended December 31,	Principal	Interest	Totals
				2020	\$ 600,000	\$ 844,675	\$ 1,444,675
2021	\$ 615,000	\$ 826,675	\$ 1,441,675	2021	615,000	826,675	1,441,675
2022	635,000	808,225	1,443,225	2022	635,000	808,225	1,443,225
2023	655,000	789,175	1,444,175	2023	655,000	789,175	1,444,175
2024	675,000	769,525	1,444,525	2024	675,000	769,525	1,444,525
2025	695,000	749,275	1,444,275	2025-2029	3,755,000	3,457,575	7,212,575
2026-2030	3,905,000	3,307,375	7,212,375	2030-2034	4,520,000	2,698,775	7,218,775
2031-2035	4,665,000	2,554,725	7,219,725	2035-2039	5,250,000	1,961,625	7,211,625
2036-2040	5,415,000	1,796,013	7,211,013	2040-2044	6,155,000	1,059,663	7,214,663
2041-2045	6,355,000	859,625	7,214,625	2045-2046	2,750,000	134,713	2,884,713
2046	1,395,000	45,338	1,440,338				
Total	<u>\$ 25,010,000</u>	<u>\$ 12,505,951</u>	<u>\$ 37,515,951</u>		<u>\$ 25,610,000</u>	<u>\$ 13,350,626</u>	<u>\$ 38,960,626</u>

Year ended December 31,	Installment Purchase Agreement						
	2020			2019			
	Principal	Interest	Totals	Year ended December 31,	Principal	Interest	Totals
				2020	\$ 1,476,613	\$ 325,927	\$ 1,802,540
2021	\$ 1,547,584	\$ 254,955	\$ 1,802,539	2021	1,547,585	254,955	1,802,540
2022	1,621,968	180,572	1,802,540	2022	1,621,968	180,572	1,802,540
2023	1,699,926	102,614	1,802,540	2023	1,699,926	102,614	1,802,540
2024	880,362	20,910	901,272	2024	880,360	20,910	901,270
Total	<u>\$ 5,749,840</u>	<u>\$ 559,051</u>	<u>\$ 6,308,891</u>		<u>\$ 7,226,452</u>	<u>\$ 884,978</u>	<u>\$ 8,111,430</u>

Pledged Revenue: The Agency pledged future water system and hydroelectric system revenues, net of specified expenses, to repay the 2016 Certificates and Installment Purchase Agreement (the Instruments) in the original amounts of \$27,010,000 and \$8,000,000, respectively. The purpose of the Instruments are described above. The Instruments are payable solely from net water system and hydroelectric system revenues (net revenues) and are payable through April 2046. Annual principal and interest payments on the Instruments are expected to require less than 50% of net revenues. Total principal and interest remaining to be paid on the Certificates was \$37,515,951 and \$38,960,626 at December 31, 2020 and 2019, respectively, and the remaining principal and interest remaining to be paid on the Installment Purchase Agreement was \$6,308,891 and \$8,111,430 at December 31, 2020 and 2019, respectively. Total principal and interest paid on the 2016 Certificates from net revenues was \$1,444,675 and \$1,442,075 in 2020 and 2019, respectively, and total principal and interest paid on the Installment Purchase Agreement

SOUTH FEATHER WATER AND POWER AGENCY  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

December 31, 2020 and 2019

NOTE D – LONG-TERM LIABILITIES (Continued)

was \$1,802,540 and \$901,270 in 2020 and 2019, respectively. The total net revenues were \$564,155 and \$10,225,671 for the years ended December 31, 2020 and 2019, respectively. For the years ended December 31, 2020 and 2019, the District’s net revenues were 17% and 436%, respectively, of cash basis debt service payments on the Instruments. During the year ended December 31, 2020, the Agency was not in compliance with the rate covenants contained in the Instruments’ agreements due to reduced power revenues in 2020. Management believes the creditors will waive this noncompliance.

NOTE E – NET POSITION

Restrictions: Restricted net position consists of constraints placed on net position use through external requirements imposed by creditors (such as through debt covenants), grantors, contributors, or laws and regulations of other governments or constraints by law through constitutional provisions or enabling legislation. Restricted net position for capacity expansion represents system capacity fees to be used to construct new capital facilities to benefit existing Agency customers.

Designations: Designations of unrestricted net position may be 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. Designations included the following as of December 31:

	2020	2019
Retiree benefits	\$ 3,660,895	\$ 3,594,547
Designated for North Yuba Water District Agreement	7,652,054	11,189,215
Total Unrestricted Net Position	\$ 11,312,949	\$ 14,783,762

See Note L for a description of the 15% working capital and \$18 million contingency reserve designated for the North Yuba Water District Agreement. Amount above is limited to total unrestricted net position.

NOTE F – PENSION PLAN

The Agency has a defined benefit pension plan and a defined contribution pension plan.

Defined Benefit Plan Description: All qualified permanent and probationary employees are eligible to participate in the Agency’s cost-sharing multiple employer defined benefit pension plan administered by the California Public Employees’ Retirement System (CalPERS). The Board participates in the CalPERS Miscellaneous Risk Pool and the following rate plans:

- Miscellaneous Rate Plan
- PEPRM Miscellaneous Rate Plan

Benefit provisions under the Plan are established by State statute and Board resolution. CalPERS issues publicly available reports that include a full description of the pension plan regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website at [www.calpers.ca.gov](http://www.calpers.ca.gov).

Benefits Provided: CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries.



SOUTH FEATHER WATER AND POWER AGENCY  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

December 31, 2020 and 2019

NOTE F – PENSION PLAN (Continued)

Benefits are based on years of credited service, equal to one year of full-time employment. Members with five years of total service are eligible to retire at age 50 (52 for PEPRA Miscellaneous Rate Plan) with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is the following: the Optional Settlement 2W Death Benefit. The cost of living adjustments are applied as specified by the Public Employees’ Retirement Law.

The Plan’s provisions and benefits in effect at December 31, 2020 and 2019, are summarized as follows:

	Miscellaneous Rate Plan (Prior to January 1, 2013)	PEPRA Miscellaneous Rate Plan (On or after January 1, 2013)
Hire date		
Benefit formula (at full retirement)	3.0% @ 60	2.0% @ 62
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	50 - 60	52 - 67
Monthly benefits, as a % of eligible compensation	2.0% to 3.0%	1.0% to 2.5%
Required employer contribution rates:		
July 1 to December 31, 2020	14.729%	7.732%
January 1 to June 30, 2020	13.692%	6.985%
July 1 to December 31, 2019	13.692%	6.985%
January 1 to June 30, 2019	12.759%	6.842%
Required employee contribution rates:		
July 1 to December 31, 2020	8.000%	6.750%
January 1 to June 30, 2020	8.000%	6.250%
July 1 to December 31, 2019	8.000%	6.250%
January 1 to June 30, 2019	8.000%	6.250%

The Miscellaneous Rate Plan is closed to new members that are not already CalPERS eligible participants.

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

For the years ended December 31, 2020 and 2019, the actuarially required contributions made to the Plan were \$1,064,159 and \$970,912, respectively.

Pension Liability, Pension Expense and Deferred Outflows/Inflows of Resources: As of December 31, 2020 and 2019, the Agency reported a net pension liability for its proportionate share of the net pension liability of the Plan of \$5,940,529 and \$5,238,532, respectively.

SOUTH FEATHER WATER AND POWER AGENCY  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

December 31, 2020 and 2019

NOTE F – PENSION PLAN (Continued)

The Agency's net pension liability for the Plan is measured as the proportionate share of the net pension liability of the Miscellaneous Risk Pool. The net pension liability of the Plan is measured as of June 30, 2020 and 2019, and the total pension liability used to calculate the net pension liability was determined by actuarial valuations as of June 30, 2019 and 2018 rolled forward to June 30, 2020 and 2019, respectively, using standard update procedures. The Agency's proportion of the net pension liability was based on a projection of the Agency's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined.

The Agency's proportionate share of the net pension liability for the Plan as of December 31, 2020 and 2019 was as follows:

Proportion - December 31, 2019	0.13082%
Proportion - December 31, 2020	0.14084%
Change - Increase (Decrease)	0.01002%
Proportion - December 31, 2018	0.12164%
Proportion - December 31, 2019	0.13082%
Change - Increase (Decrease)	0.00918%

For the years ended December 31, 2020 and 2019, the Agency recognized pension expense of \$1,664,660 and \$1,910,230, respectively. At December 31, the Agency reported deferred outflows of resources and deferred inflows of resources related to the Plan from the following sources:

	2020		2019	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 580,366		\$ 384,827	
Differences between actual and expected experience	306,133		363,838	\$ (28,190)
Changes in assumptions		\$ (42,371)	249,797	(88,551)
Differences between the employer's contribution and the employer's proportionate share of contributions		(167,801)		(86,867)
Change in employer's proportion	520,301		568,337	
Net differences between projected and actual earnings on plan investments	176,473			(91,586)
Total	\$ 1,583,273	\$ (210,172)	\$ 1,566,799	\$ (295,194)

The amounts reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the following year. Other amounts reported as net deferred inflows of resources related to pensions will be recognized as pension expense over the 3.8 year average service life of participants as follows:

SOUTH FEATHER WATER AND POWER AGENCY  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

December 31, 2020 and 2019

NOTE F – PENSION PLAN (Continued)

Year Ended December 31	2020	2019
2020		\$ 671,877
2021	\$ 276,365	110,033
2022	259,235	86,361
2023	172,494	18,507
2024	84,641	
	\$ 792,735	\$ 886,778

Actuarial Assumptions: The total pension liability in the June 30, 2020 and 2019 actuarial valuation for the Plan was determined using the following actuarial assumptions:

	2020	2019
Valuation date	June 30, 2019	June 30, 2018
Measurement date	June 30, 2020	June 30, 2019
Actuarial Cost Method	Entry-Age Normal Cost Method	Entry-Age Normal Cost Method
Actuarial assumptions:		
Discount rate	7.15%	7.15%
Inflation	2.50%	2.50%
Payroll growth	2.875%	3.00%
Projected salary increase	0.4% - 8.5% (1)	3.2% - 12.2% (1)
Investment rate of return	7.15%(2)	7.15%(2)
Mortality	Derived using CalPERS Membership Data for all Funds	Derived using CalPERS Membership Data for all Funds

(1) Depending on entry age and service

(2) Net of pension plan investment expenses, including inflation

The underlying mortality assumptions and all other actuarial assumptions used in the June 30, 2020 and 2019 valuation were based on the results of a December 2017 actuarial experience study for the period 1997 to 2015. Further details of the Experience Study can be found on the CalPERS website.

Discount Rate: The discount rate used to measure the total pension liability was 7.15% in the June 30, 2020 and 2019 valuations. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan it administers, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.15% discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long-term expected discount rate of 7.15% will be applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report that can be obtained from the CalPERS website.

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



SOUTH FEATHER WATER AND POWER AGENCY  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

December 31, 2020 and 2019

NOTE F – PENSION PLAN (Continued)

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

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

Asset Class	2020			2019		
	New Strategic Allocation	Real Return Years 1 - 10(a)	Real Return Years 11+(b)	New Strategic Allocation	Real Return Years 1 - 10(a)	Real Return Years 11+(b)
Global equity	50.0%	4.80%	5.98%	50.0%	4.80%	5.98%
Fixed income	28.0%	1.00%	2.62%	28.0%	1.00%	2.62%
Inflation assets	0.0%	0.77%	1.81%	0.0%	0.77%	1.81%
Private equity	8.0%	6.30%	7.23%	8.0%	6.30%	7.23%
Real assets	13.0%	3.75%	4.93%	13.0%	3.75%	4.93%
Liquidity	1.0%		(0.92)%	1.0%		(0.92)%
Total	100.0%			100.0%		

(a) An expected inflation of 2.00% used for this period.

(b) An expected inflation of 2.92% used for this period.

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

	2020	2019
1% Decrease	6.15%	6.15%
Net Pension Liability	\$ 10,246,554	\$ 9,210,170
Current Discount Rate	7.15%	7.15%
Net Pension Liability	\$ 5,940,529	\$ 5,238,532
1% Increase	8.15%	8.15%
Net Pension Liability	\$ 2,382,597	\$ 1,960,225

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

SOUTH FEATHER WATER AND POWER AGENCY  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

December 31, 2020 and 2019

NOTE F – PENSION PLAN (Continued)

Payable to the Pension Plan: At December 31, 2020 and 2019, the Agency reported payables for the outstanding amount of contributions payable to the Plan of \$36,890 and \$26,652, respectively.

Defined Contribution Pension Plans, Plan Descriptions: The Agency offers two defined contribution retirement plans organized under Internal Revenue Code Section 401(a) to its employees. The first defined contribution retirement plan is a Governmental Volume Submitter Money Purchase Plan offered through Massachusetts Mutual Life Insurance Company called the South Feather Water & Power 401(a) Plan (the Plan). The second defined contribution retirement plan is a Governmental Defined Contribution Volume Submitter Plan offered through Lincoln Retirement Services Company. Employees are eligible for both plans after 30 days of service. The Plans are administered by the Agency.

Benefit terms, including contribution requirements, to the Plans are established and may be amended by the Board of Directors subject to the requirements of the Agency's Memorandum's of Understanding with bargaining units. The Agency is currently not required to contribute to the Plans and has not made any contributions since 2010. Employees may make voluntary contributions to the Plans up to 25% of their pay as defined in the Plan Documents. Employees immediately vest in their contributions and Agency contributions. No contributions were made to the Plan by employees or the Agency during the years ended December 31, 2020 or 2019.

NOTE G – OTHER POSTEMPLOYMENT BENEFITS (OPEB) PLAN

Plan Description: The Agency's single employer defined benefit OPEB plan, South Feather Water and Power Agency Retiree Benefits Plan (the Plan), provides OPEB benefits for all permanent full-time employees of the Agency. Benefits are set by the Memoranda of Understandings with the applicable employee bargaining units and may be amended by agreement between the Agency and the bargaining units. The Plan is administered by the Agency. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement 75. As of December 31, 2020 and 2019 the Agency had \$3,660,895 and \$3,594,547, respectively, designated in its Retiree Benefits Fund for future OPEB obligations. Since these funds are not held in an irrevocable trust to provide benefits to plan members, these funds do not meet the criteria for plan assets in paragraph 4 of Statement 75.

Benefits Provided: The Plan provides healthcare, dental and vision insurance benefits to all permanent full-time employees who retire directly from the Agency, at a minimum age of 55, with a minimum of ten years of service. Eligible employees' surviving spouses are also eligible for benefits. The Agency participates in the Public Employees' Medical and Hospital Care Act (PEMHCA) provided through the California Public Employees' Retirement System (CalPERS). Employees may choose one of five medical options: Anthem Blue Cross HMO, Blue Shield HMO, PERSChoice PPO, PERSSelect PPO and PERSCare PPO. The maximum monthly contribution is based on the rate equal to the average of the premiums for all CalPERS plans available, excluding the plan with the lowest premium and the plan with the highest premium. This amount was \$2,706 and \$2,397 in 2020 and 2019, respectively. In addition, dental and vision insurance are provided to employees and spouses through the Association of California Water Agencies Joint Power Insurance Authority (ACWA-JPIA).

Employees Covered by Benefit Terms: At December 31, 2020 and 2019, the following current and former employees were covered by the benefit terms under the Plan:



SOUTH FEATHER WATER AND POWER AGENCY  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

December 31, 2020 and 2019

NOTE G – OTHER POST EMPLOYMENT BENEFITS (OPEB) (Continued)

	2020	2019
Inactive employees or beneficiaries currently receiving benefit payments	37	37
Active employees	57	57
Total	94	94

Contributions: The Agency currently finances health insurance premiums on a pay-as-you-go basis. Total health insurance premiums paid, including implicit rate subsidies, during the years ended December 31, 2020 and 2019 were \$506,488 and \$400,584, respectively, including the implicit subsidy.

Total OPEB Liability: The Agency's total OPEB liability as of December 31, 2020 and 2019 was measured as of the same date, and was determined by an actuarial valuation as of December 31, 2019.

Actuarial Assumptions and Other Inputs: The total OPEB liability in the December 31, 2020 and 2019 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

	2020	2019
Actuarial assumptions:		
Inflation	2.25%	2.25%
Salary increases	3.00%	3.00%
Discount rate	2.12%	2.74%
Pre-retirement mortality	RP-2014 Mortality	RP-2014 Mortality
Pre-retirement turnover	Crocker-Sarason Table T-5 less mortality, reduced by 20% for all ages	Crocker-Sarason Table T-5 less mortality, reduced by 20% for all ages
Mortality improvement	Sale MP-2016 graded from 100% through 2029 down to 20% in 2050	Sale MP-2016 graded from 100% through 2029 down to 20% in 2050
Percent of retirees with spouses	60%	60%
Percent waiving coverage	10%	10%
Healthcare trend rate	Medical 6% for 2020, 5.5% for 2021, 5% for 2022 and 4.5% for 2023 and after. Dental and vision 4%.	Medical 6% for 2020, 5.5% for 2021, 5% for 2022 and 4.5% for 2023 and after. Dental and vision 4%.

The discount rate was based on the Bond Buyer 20-bond General Obligation Index at December 31, 2020 and Standard and Poor's Municipal Bond 20 Year High Grade Index at December 31, 2019. Mortality information was based on the Society of Actuaries (SOA) RP-2014 Mortality Tables based on the results of an actuarial experience study for the period 2004 to 2008. The experience study report may be accessed on the SOA website at <https://www.soa.org/research/topics/pension-exp-study-list/>.



SOUTH FEATHER WATER AND POWER AGENCY  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

December 31, 2020 and 2019

NOTE G – OTHER POST EMPLOYMENT BENEFITS (OPEB) (Continued)

Changes in the Total OPEB Liability

	2020	2019
	Increase (Decrease)	Increase (Decrease)
	Total OPEB Liability	Total OPEB Liability
Balance at January 1	\$ 15,826,053	\$ 13,187,505
Changes in the year:		
Service cost	660,062	591,746
Interest	446,009	366,632
Difference between expected and actual experience	89,656	(372,399)
Changes of assumptions	1,678,351	2,453,153
Benefit payments	(506,488)	(400,584)
Net changes	<u>2,367,590</u>	<u>2,638,548</u>
Balance at December 31	<u>\$ 18,193,643</u>	<u>\$ 15,826,053</u>

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate: The following presents the total OPEB liability of the Agency, as well as what the Agency's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current discount rate:

	2020			2019		
	Current			Current		
	1% Decrease 1.12%	Discount Rate 2.12%	1% Increase 3.12%	1% Decrease 1.74%	Discount Rate 2.74%	1% Increase 3.74%
Net OPEB liability	\$ 21,470,912	\$ 18,193,643	\$ 15,597,379	\$ 18,568,573	\$ 15,826,053	\$ 13,639,564

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates: The following presents the total OPEB liability of the Agency, as well as what the Agency's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percentage point lower or 1 percentage point higher than the current healthcare cost trend rates:

	2020			2019		
	Current Healthcare Cost			Current Healthcare Cost		
	1% Decrease Initial 5%	Trend Rates Initial 6%	1% Increase Initial 7%	1% Decrease Initial 5%	Trend Rates Initial 6%	1% Increase Initial 7%
Net OPEB liability	\$ 15,549,064	\$ 18,193,643	\$ 21,601,726	\$ 13,545,732	\$ 15,826,053	\$ 18,816,172

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources: For the years ended December 31, 2020 and 2019, the Agency recognized OPEB expense of \$1,754,633 and \$1,253,339, respectively. The Agency had deferred inflows related to the OPEB plan from the following sources at December 31:

SOUTH FEATHER WATER AND POWER AGENCY  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

December 31, 2020 and 2019

NOTE G – OTHER POST EMPLOYMENT BENEFITS (OPEB) (Continued)

	2020		2019	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 71,725	\$ (223,439)		\$ (297,919)
Changes of assumptions	2,814,572	(670,555)	\$ 1,962,522	(791,745)
Total	<u>\$ 2,886,297</u>	<u>\$ (893,994)</u>	<u>\$ 1,962,522</u>	<u>\$ (1,089,664)</u>

Amortization of deferred inflows and outflows were as follows at December 31:

Year Ended June 30	2020	2019
2020		\$ 294,961
2021	\$ 648,562	294,961
2022	648,562	294,961
2023	648,561	294,960
2024	232,413	(121,190)
2025	(121,190)	(121,190)
2026	(64,605)	(64,605)
2027		
	<u>\$ 1,992,303</u>	<u>\$ 872,858</u>

NOTE H – COMMITMENTS AND CONTINGENCIES

Various claims have been filed against the Agency. In the opinion of the Agency's management and legal counsel, the claims will not have a material impact on the basic financial statements.

In 2012, the Agency was sued by the State Water Contractors (SWC) alleging the Agency's activities have a negative effect on the temperature of the Feather River. The SWC, through the Department of Water Resources (DWR), agreed as part of their renewal of the FERC license to operate the Oroville facilities to maintain water temperature standards in the Feather River. The SWC's lawsuit claimed the Agency's water discharge from the Kelly Ridge Powerhouse affects DWR's ability to meet the temperature requirements. The Agency reached a settlement with the SWC resulting in the dismissal of the lawsuit. As part of the agreement, DWR may request the Agency to discharge water in Lake Oroville instead of through the Kelly Ridge Powerhouse for periods of seven to twenty-one days. As a result, the Agency would lose the capability to generate power, but would be reimbursed by DWR for the lost power revenue.

The Agency and PG&E are currently corresponding on whether the power purchase agreement allows PG&E, at its option, to extend the term of the agreement beyond its natural termination on June 30, 2020 due to the Oroville Spillway incident causing the Kelly Ridge Powerhouse to suspend power generation operations from February, 2017 through July, 2018. PG&E's position expressed in correspondence is that the agreement is extended for all of the Agency's powerhouses. The Agency's position is that the term



SOUTH FEATHER WATER AND POWER AGENCY  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

December 31, 2020 and 2019

NOTE H – COMMITMENTS AND CONTINGENCIES (Continued)

of the agreement may only be extended as to the affected powerhouse. Delay in the implementation of a new power purchase agreement could result in the loss of additional power generation revenue to the Agency if terms of the new power purchase agreement terms were more favorable to the Agency than the existing agreement.

The Agency has on file before the California State Water Resource Control Board (SWRCB) petitions to extend its currently held water rights permits on the South Fork of the Feather River. These water rights permits, which otherwise were due to expire in December 2004, are the subject of an administrative process before the SWRCB. The Agency has taken all steps required to extend the permits, including making the necessary filings, providing the appropriate environmental documentation, as well as required agreements with the other entity using the same water supply, the North Yuba Water District. No adverse comments, protests, or requests for hearings were filed by any party in connection with this application. In January 2009, the SWRCB's staff issued an order denying the extension. The result of such order would require the Agency to limit its consumptive demand to current use, to license those quantities, and would require it, at substantial expense, to file a new application for new rights to accommodate growth. The Agency has sought rehearing of that order. No action has been taken. The Agency has also sought to engage the SWRCB in discussion but have received no response. If the staff decision is upheld by the SWRCB, the Agency will consider an appeal to the court. The order limits the water rights to current consumptive use and would impact potential, future consumptive use only. The order does not apply to water used for power generation.

On March 11, 2020, the World Health Organization declared the outbreak of a coronavirus (COVID-19) pandemic. The COVID-19 outbreak is disrupting supply chains and affecting production and sales across a range of industries. The extent of the impact of COVID-19 on the District's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, and the impact on citizens, employees and vendors, all of which are uncertain and cannot be predicted. At this point, the extent to which COVID-19 may impact the financial condition or results of operations is uncertain. One possible effect could be lack of the ability of certain customers to pay for water services if the pandemic were to continue for an extended period.

In June 2021 NYWD filed a lawsuit against the Agency asserting breach of contract and breach of fiduciary duty and access to accounting records associated with the Agency's calculation of the net power revenue distribution described in Note L. The lawsuit claims NYWD is owed \$2.2 million from 2019 net power revenues. The outcome of this claim is currently unknown.

NOTE I – ECONOMIC DEPENDENCY

During 2020 and 2019, the Agency received 69% and 81%, respectively, of its total operating and nonoperating revenue from PG&E for power generated from the Agency's power plants. A loss of this revenue source would have a significant impact on the Agency's operations.



SOUTH FEATHER WATER AND POWER AGENCY  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

December 31, 2020 and 2019

NOTE J – RISK MANAGEMENT

The Agency participates in the Association of California Water Agencies Joint Powers Insurance Authority (ACWA/JPIA) a public entity risk pool of California water agencies, for general and auto liability, public officials' liability, property damage, fidelity insurance and workers compensation liability. ACWA/JPIA provides insurance through the pool up to a certain level, beyond which group-purchased commercial excess insurance is obtained. The Agency pays an annual premium to ACWA/JPIA that includes its pro-rata share of excess insurance premiums, charges for the pooled risk, claims adjusting and legal costs, and administrative and other costs to operate the ACWA/JPIA. The Agency's deductibles and maximum coverage are as follows:

Coverage	ACWA/JPIA	Commercial Insurance	Deductible
General and Auto Liability (Includes public officials liability)	\$ 5,000,000	\$ 55,000,000	None
Property Damage	100,000	500,000,000	\$ 1,000 to 50,000
Fidelity	100,000	1,000,000	1,000
Workers' Compensation Liability	2,000,000	Statutory	None
Employers Liability	2,000,000	2,000,000	None
Crime	100,000	1,000,000	1,000
Cyber Liability		5,000,000	10,000 to 50,000

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

NOTE K – AGREEMENT WITH PACIFIC GAS AND ELECTRIC COMPANY

The Agency's power purchase agreement with PG&E ended on July 1, 2010, but continues on a month to month basis. The Agency is currently exploring options for a new power purchase agreement. Revenue to the Agency from this agreement is a combination of variable, market-based payments and a fixed monthly payment. Operations of the facilities are the responsibility of the Agency.

NOTE L – AGREEMENT WITH NORTH YUBA WATER DISTRICT

In May of 2005, an agreement was reached with North Yuba Water District (NYWD), previously known as the Yuba County Water District, which defines the settlement of water rights and the disposition of net hydroelectric project revenues beginning July 1, 2010. The agreement provides first for the payment of normal operating and maintenance expenses for the project, repayment of re-licensing expenses incurred by the Agency, payment of a minimal annual amount to the Agency and NYWD, the creation of a 15% working capital reserve, and the creation of an \$18,000,000 contingency reserve. Following the satisfaction of the obligations, the remaining funds, or net power revenues, are distributed equally between the Agency and NYWD. The net power revenue is also adjusted by loans payable and unexpected expenditures. There was no distribution of net power revenue for the years ended December 31, 2020 and 2019. Due to the uncertainty of the amount, and whether a distribution will be made, the Agency did not accrue this amount as a liability at year-end.

SOUTH FEATHER WATER AND POWER AGENCY  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

December 31, 2020 and 2019

NOTE M – RELICENSING

The Agency has been preparing for 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. Initial 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 December 31, 2020 and 2019 amounted to \$5,716,307. Current costs in the relicensing process are minimal and are being expensed. The relicensing process is nearing its completion. The current FERC license expired on March 31, 2009. Until the relicensing process is completed, operations continue under the current FERC license conditions.

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**REQUIRED SUPPLEMENTARY INFORMATION**

SOUTH FEATHER WATER AND POWER AGENCY

REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)

SCHEDULE OF THE PROPORTIONATE SHARE OF THE  
NET PENSION LIABILITY  
Last Ten Years

	Year Ended December 31:						
	2020	2019	2018	2017	2016	2015	2014
Proportion of the net pension liability	0.140835%	0.130820%	0.121640%	0.120450%	0.111181%	0.101384%	0.110077%
Proportionate share of the net pension liability	\$ 5,940,529	\$ 5,238,532	\$ 4,584,129	\$ 4,748,058	\$ 3,862,276	\$ 2,781,438	\$ 2,720,542
Covered payroll - measurement period	\$ 5,949,907	\$ 5,867,873	\$ 5,952,396	\$ 5,627,825	\$ 5,570,519	\$ 5,746,942	\$ 5,118,332
Proportionate share of the net pension liability as a percentage of covered payroll	99.84%	89.27%	77.01%	84.37%	69.33%	48.40%	53.15%
Plan fiduciary net position as a percentage of the total pension liability	81.64%	82.26%	83.29%	81.13%	74.06%	78.40%	79.82%

Notes to Schedule:

Change in Benefit Terms: None.

Changes in assumptions: In 2017, the accounting discount rate was reduced from 7.65% to 7.15%.

SCHEDULE OF CONTRIBUTIONS TO THE PENSION PLAN - MISCELLANEOUS PLAN  
Last 10 Years

	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution employer calendar year	\$ 1,064,159	\$ 970,912	\$ 861,704	\$ 801,403	\$ 596,806	\$ 729,747	\$ 431,342
Contributions in relation to the contractually required contributions	(1,064,159)	(970,912)	(861,704)	(801,403)	(596,806)	(729,747)	(431,342)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered - employee payroll - calendar year	\$ 5,896,357	\$ 6,012,159	\$ 5,897,229	\$ 5,843,236	\$ 5,374,903	\$ 5,527,640	\$ 5,382,338
Contributions as a percentage of covered - employee payroll	18.05%	16.15%	14.61%	13.72%	11.10%	7.57%	8.01%
Date contributions were computed:							
July 1 to December 31	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014	June 30, 2013	June 30, 2012
January 1 to June 30	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014	June 30, 2013	June 30, 2012	June 30, 2011
Valuation date:	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014	June 30, 2013
Measurement date:	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014

Methods and assumptions used to determine contribution rates:

Actuarial method							
Amortization method							
Remaining amortization period							
Asset valuation method							
Inflation	2.625%	2.75%	2.75%	2.75%	2.75%	2.75%	2.75%
Salary increases							
Investment rate of return	7.25%	7.375%	7.50%	7.50%	7.50%	7.50%	7.50%
Retirement age							

Note: The 2017 contributions in the table above were revised in 2018 to represent accrual basis contributions.

Omitted years: GASB Statement No. 68 was implemented during the year ended December 31, 2014. No information was available prior to this date. Future years will be added prospectively as they become available.

SOUTH FEATHER WATER AND POWER AGENCY

REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)

SCHEDULE OF CHANGES IN THE TOTAL OPEB LIABILITY AND RELATED RATIOS  
Last Ten Years

	Year Ended December 31:			
	2020	2019	2018	2017
Total OPEB liability				
Service cost	\$ 660,062	\$ 591,746	\$ 574,511	\$ 557,075
Interest	446,009	366,632	421,918	404,270
Differences between expected and actual experience	89,656	(372,399)		
Changes of assumptions	1,678,351	2,453,153	(1,034,125)	
Benefit payments	(506,488)	(400,584)	(379,032)	(298,629)
Net change in total OPEB liability	2,367,590	2,638,548	(416,728)	662,716
Total OPEB liability - beginning	15,826,053	13,187,505	13,604,233	12,941,517
Total OPEB liability - ending	<u>\$ 18,193,643</u>	<u>\$ 15,826,053</u>	<u>\$ 13,187,505</u>	<u>\$ 13,604,233</u>
Covered-employee payroll - measurement period	<u>\$ 6,721,463</u>	<u>\$ 6,525,692</u>	<u>\$ 6,288,405</u>	<u>\$ 5,843,236</u>
Total OPEB liability as percentage of covered-employee payroll	<u>270.68%</u>	<u>242.52%</u>	<u>209.71%</u>	<u>232.82%</u>
Notes to schedule:				
Valuation date	December 31, 2019	December 31, 2019	December 31, 2017	December 31, 2017
Measurement period - calendar year ended	December 31, 2020	December 31, 2019	December 31, 2018	December 31, 2017
Discount Rate	2.12%	2.74%	3.71%	3.16%

Note: No assets are accumulated in a trust that meets the criteria in GASB Statement 75, paragraph 4, to pay related benefits.

Benefit changes. None since December 31, 2017.

Changes of assumptions. The discount rate changes listed above represent a change of assumptions.

Omitted years: GASB Statement No. 75 was implemented during the year ended December 31, 2017. No information was available prior to this date. Information will be added prospectively as it becomes available until 10 years are reported.



**SUPPLEMENTARY INFORMATION**

SOUTH FEATHER WATER AND POWER AGENCY

DESCRIPTION OF COMBINING BUDGET UNITS

December 31, 2020 and 2019

Fund 01 - General Fund: This unit is used to account for the Agency's general operations, as well as activities related to the Sly Creek Power Project.

Fund 06 - Legacy Projects: This unit is used to account for activities related to the Agency's remaining cost-sharing projects under the Power Purchase Agreement with Pacific Gas & Electric.

Fund 07 - Joint Facilities Fund: This unit is used to account for revenues and expenses in accordance with the Agency's 2005 agreement with North Yuba Water District.

Fund 12 - Miners Ranch Treatment Plant (MRTP) System Capacity Fees: This unit is used to account for activity related to increasing the Miners Ranch Treatment Plant system capacity. The source of funds for these expenses are system capacity charges (one-time development fees) collected with the installation of new accounts.

Fund 51 - Retiree Benefits Fund: This unit is used to account for the Agency's Other Postemployment Benefits (OPEB) obligations.

Fund 59 - Debt Service Fund: This unit is used to account for the issuance of the 2016 Certificates of Participation.

## SOUTH FEATHER WATER AND POWER AGENCY

## COMBINING SCHEDULE OF NET POSITION

December 31, 2020

	General Fund	Legacy Projects	Joint Facilities
ASSETS AND DEFERREED OUTFLOWS			
CURRENT ASSETS			
Cash and cash equivalents			\$ 22,495,182
Accounts receivable	\$ 612,987		1,578,950
Accrued interest receivable	28,731		
Property taxes receivable	329,249		
Inventory	208,856		640,138
Prepaid expenses	178,213		155,666
Loans receivable	9,448		
TOTAL CURRENT ASSETS	<u>1,367,484</u>		<u>24,869,936</u>
NONCURRENT ASSETS			
Restricted cash and cash equivalents	576		
Investments	2,176,732		6,123,491
Capital assets:			
Not being depreciated	1,069,432		6,898,294
Being depreciated	78,986,896		143,678,503
Less: accumulated depreciation	<u>(37,801,803)</u>		<u>(80,617,346)</u>
Total Capital Assets, Net	<u>42,254,525</u>		<u>69,959,451</u>
TOTAL NONCURRENT ASSETS	<u>44,431,833</u>		<u>76,082,942</u>
TOTAL ASSETS	<u>45,799,317</u>		<u>100,952,878</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension plan	924,937		658,336
OPEB plan	1,587,463		1,298,834
Deferred loss on bond refunding	<u>48,231</u>		
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>2,560,631</u>		<u>1,957,170</u>
LIABILITIES			
CURRENT LIABILITIES			
Accounts payable	94,649		265,700
Accrued payroll	99,179		59,539
Accrued interest payable	206,669		68,279
Deposits	64,075		
Retainage payable			99,518
Other payables	103,279		3,308
Current portion of long-term liabilities	<u>843,404</u>		<u>1,716,073</u>
TOTAL CURRENT LIABILITIES	<u>1,411,255</u>		<u>2,212,417</u>
NONCURRENT LIABILITIES			
Long-term debt, noncurrent	24,831,679		4,202,256
Compensated absences, noncurrent	376,643		403,069
Net pension liability	3,172,329		2,768,200
Net OPEB liability	<u>10,064,214</u>		<u>8,129,429</u>
TOTAL NONCURRENT LIABILITIES	<u>38,444,865</u>		<u>15,502,954</u>
TOTAL LIABILITIES	<u>39,856,120</u>		<u>17,715,371</u>
DEFERRED INFLOWS OF RESOURCES			
Pension plan	109,538		100,634
OPEB plan	<u>491,696</u>		<u>402,298</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>601,234</u>		<u>502,932</u>
NET POSITION			
Net investment in capital assets	16,808,422		64,209,611
Restricted for capacity expansion	263,357		
Unrestricted	<u>(9,169,185)</u>		<u>20,482,134</u>
TOTAL NET POSITION	<u>\$ 7,902,594</u>	<u>\$ -</u>	<u>\$ 84,691,745</u>



<u>M RTP System Capacity</u>	<u>Retiree Benefits</u>	<u>Debt Service</u>	<u>Total</u>	<u>Eliminating Entries</u>	<u>Final</u>
			\$ 22,495,182		\$ 22,495,182
			2,191,937		2,191,937
			28,731		28,731
			329,249		329,249
			848,994		848,994
			333,879		333,879
			9,448		9,448
			<u>26,237,420</u>		<u>26,237,420</u>
			576		576
			8,300,223		8,300,223
			7,967,726		7,967,726
			222,665,399		222,665,399
			(118,419,149)		(118,419,149)
			<u>112,213,976</u>		<u>112,213,976</u>
			120,514,775		120,514,775
			146,752,195		146,752,195
			1,583,273		1,583,273
			2,886,297		2,886,297
			48,231		48,231
			<u>4,517,801</u>		<u>4,517,801</u>
			360,349		360,349
			158,718		158,718
			274,948		274,948
			64,075		64,075
			99,518		99,518
			106,587		106,587
			2,559,477		2,559,477
			<u>3,623,672</u>		<u>3,623,672</u>
			29,033,935		29,033,935
			779,712		779,712
			5,940,529		5,940,529
			<u>18,193,643</u>		<u>18,193,643</u>
			<u>53,947,819</u>		<u>53,947,819</u>
			<u>57,571,491</u>		<u>57,571,491</u>
			210,172		210,172
			893,994		893,994
			<u>1,104,166</u>		<u>1,104,166</u>
			81,018,033		81,018,033
			263,357		263,357
			<u>11,312,949</u>		<u>11,312,949</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 92,594,339</u>	<u>\$ -</u>	<u>\$ 92,594,339</u>

SOUTH FEATHER WATER AND POWER AGENCY

COMBINING SCHEDULE OF NET POSITION

December 31, 2019

	General Fund	Legacy Projects	Joint Facilities
<b>ASSETS AND DEFERRED OUTFLOWS</b>			
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	\$ 416,315		\$ 19,177,119
Accounts receivable	579,481		3,593,156
Accrued interest receivable	109,934		
Property taxes receivable	312,564		
Inventory	220,507		589,208
Prepaid expenses	145,349		110,321
Loans receivable	6,417		
Due from other funds			9,442,857
TOTAL CURRENT ASSETS	1,790,567		32,912,661
<b>NONCURRENT ASSETS</b>			
Restricted cash and cash equivalents			
Investments	8,587,288		
Capital assets:			
Not being depreciated	1,053,074		7,225,712
Being depreciated	78,655,054		142,336,224
Less: accumulated depreciation	(35,923,075)		(78,612,543)
Total Capital Assets, Net	43,785,053		70,949,393
TOTAL NONCURRENT ASSETS	52,372,341		70,949,393
TOTAL ASSETS	54,162,908		103,862,054
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Pension plan	915,877		650,922
OPEB Plan	1,079,387		883,135
Deferred loss on bond refunding	60,819		
TOTAL DEFERRED OUTFLOWS OF RESOURCES	2,056,083		1,534,057
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Accounts payable	103,076		1,677,438
Accrued payroll	213,588		130,761
Accrued interest payable			85,814
Deposits	30,175		
Other payables	97,835	\$ (63)	
Due to other funds	6,400,548	2,666,634	
Current portion of long-term liabilities	249,951		1,643,293
TOTAL CURRENT LIABILITIES	7,095,173	2,666,571	3,537,306
<b>NONCURRENT LIABILITIES</b>			
Long-term debt, noncurrent			5,749,839
Compensated absences, noncurrent	362,664		421,453
Net pension liability	2,786,231		2,452,301
Net OPEB liability	8,762,039		7,064,014
TOTAL NONCURRENT LIABILITIES	11,910,934		15,687,607
TOTAL LIABILITIES	19,006,107	2,666,571	19,224,913
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Pension plan	156,300		138,894
OPEB	599,315		490,349
TOTAL DEFERRED INFLOWS OF RESOURCES	755,615		629,243
<b>NET POSITION</b>			
Net investment in capital assets	16,245,432		65,199,554
Restricted for capacity expansion			
Unrestricted	20,211,837	(2,666,571)	20,342,401
TOTAL NET POSITION	\$ 36,457,269	\$ (2,666,571)	\$ 85,541,955

<u>MTRP System Capacity</u>	<u>Retiree Benefits</u>	<u>Debt Service</u>	<u>Total</u>	<u>Eliminating Entries</u>	<u>Final</u>
\$ 192,893	\$ 3,545,610	\$ 1,000	\$ 23,332,937		\$ 23,332,937
			4,172,637		4,172,637
			109,934		109,934
			312,564		312,564
			809,715		809,715
			255,670		255,670
			6,417		6,417
663	48,937		9,492,457	\$ (9,492,457)	
<u>193,556</u>	<u>3,594,547</u>	<u>1,000</u>	<u>38,492,331</u>	<u>(9,492,457)</u>	<u>28,999,874</u>
		574	574		574
			8,587,288		8,587,288
			8,278,786		8,278,786
			220,991,278		220,991,278
			(114,535,618)		(114,535,618)
			<u>114,734,446</u>		<u>114,734,446</u>
		574	<u>123,322,308</u>		<u>123,322,308</u>
<u>193,556</u>	<u>3,594,547</u>	<u>1,574</u>	<u>161,814,639</u>	<u>(9,492,457)</u>	<u>152,322,182</u>
			1,566,799		1,566,799
			1,962,522		1,962,522
			60,819		60,819
			<u>3,590,140</u>		<u>3,590,140</u>
			1,780,514		1,780,514
			344,349		344,349
		211,169	296,983		296,983
			30,175		30,175
			97,772		97,772
		425,275	9,492,457	(9,492,457)	
		600,000	2,493,244		2,493,244
		<u>1,236,444</u>	<u>14,535,494</u>	<u>(9,492,457)</u>	<u>5,043,037</u>
		25,463,582	31,213,421		31,213,421
			784,117		784,117
			5,238,532		5,238,532
			15,826,053		15,826,053
		<u>25,463,582</u>	<u>53,062,123</u>		<u>53,062,123</u>
		<u>26,700,026</u>	<u>67,597,617</u>	<u>(9,492,457)</u>	<u>58,105,160</u>
			295,194		295,194
			1,089,664		1,089,664
			<u>1,384,858</u>		<u>1,384,858</u>
			81,444,986		81,444,986
193,556			193,556		193,556
	3,594,547	(26,698,452)	14,783,762		14,783,762
<u>\$ 193,556</u>	<u>\$ 3,594,547</u>	<u>\$ (26,698,452)</u>	<u>\$ 96,422,304</u>	<u>\$ -</u>	<u>\$ 96,422,304</u>



SOUTH FEATHER WATER AND POWER AGENCY

COMBINING SCHEDULE OF REVENUES, EXPENSES  
AND CHANGES IN FUND NET POSITION

For the year ended December 31, 2020

	General Fund	Legacy Projects	Joint Facilities
<b>OPERATING REVENUE</b>			
Domestic water sales	\$ 2,674,305		
Irrigation water sales	263,727		
Sale of electricity	1,322,616		\$ 10,640,356
Other services	553,042		12,131
TOTAL OPERATING REVENUE	4,813,690		10,652,487
<b>OPERATING EXPENSES</b>			
Source of supply	16,117		
Water treatment	1,923,428		
Environmental health and safety	239,864		299,967
Transmission and distribution	2,528,136		
Customer accounts	990,535		
Plant operations	1,136,847		5,825,321
General and administrative	1,298,092		1,891,522
Other operating expenses	49,859		
Depreciation	1,879,830		2,004,803
TOTAL OPERATING EXPENSES	10,062,708		10,021,613
NET INCOME (LOSS) FROM OPERATIONS	(5,249,018)		630,874
<b>NON-OPERATING REVENUES (EXPENSES)</b>			
Property taxes	681,269		
Investment earnings	108,903		427,042
Insurance reimbursements			80,452
Interest expense	(826,793)		(308,393)
TOTAL NON-OPERATING REVENUES (EXPENSES)	(36,621)		199,101
<b>CAPITAL CONTRIBUTIONS</b>			
Capital grants:			
Federal			443,135
State			114,763
System capacity charges	69,801		
TOTAL CAPITAL CONTRIBUTIONS	69,801		557,898
INCOME (LOSS) BEFORE TRANSFERS	(5,215,838)		1,387,873
<b>TRANSFERS</b>			
Transfers in	3,359,615	\$ 2,666,571	1,617,546
Transfers out	(26,698,452)		(3,855,629)
TOTAL TRANSFERS	(23,338,837)	2,666,571	(2,238,083)
CHANGE IN NET POSITION	(28,554,675)	2,666,571	(850,210)
Net position at beginning of year	36,457,269	(2,666,571)	85,541,955
NET POSITION AT END OF YEAR	\$ 7,902,594	\$ -	\$ 84,691,745

<u>M RTP System Capacity</u>	<u>Retiree Benefits</u>	<u>Debt Service</u>	<u>Total</u>	<u>Eliminating Entries</u>	<u>Final</u>
			\$ 2,674,305		\$ 2,674,305
			263,727		263,727
			11,962,972		11,962,972
			565,173		565,173
			<u>15,466,177</u>		<u>15,466,177</u>
			16,117		16,117
			1,923,428		1,923,428
			539,831		539,831
			2,528,136		2,528,136
			990,535		990,535
			6,962,168		6,962,168
			3,189,614		3,189,614
			49,859		49,859
			<u>3,884,633</u>		<u>3,884,633</u>
			<u>20,084,321</u>		<u>20,084,321</u>
			(4,618,144)		(4,618,144)
			681,269		681,269
			535,945		535,945
			80,452		80,452
			<u>(1,135,186)</u>		<u>(1,135,186)</u>
			162,480		162,480
			443,135		443,135
			114,763		114,763
			69,801		69,801
			<u>627,699</u>		<u>627,699</u>
			(3,827,965)		(3,827,965)
		\$ 26,698,452	34,342,184	\$ (34,342,184)	
\$ (193,556)	\$ (3,594,547)		<u>(34,342,184)</u>	<u>34,342,184</u>	
<u>(193,556)</u>	<u>(3,594,547)</u>	<u>26,698,452</u>			
(193,556)	(3,594,547)	26,698,452	(3,827,965)		(3,827,965)
<u>193,556</u>	<u>3,594,547</u>	<u>(26,698,452)</u>	<u>96,422,304</u>		<u>96,422,304</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 92,594,339</u>	<u>\$ -</u>	<u>\$ 92,594,339</u>

SOUTH FEATHER WATER AND POWER AGENCY  
 COMBINING SCHEDULE OF REVENUES, EXPENSES  
 AND CHANGES IN FUND NET POSITION

For the year ended December 31, 2019

	General Fund	Legacy Projects	Joint Facilities
<b>OPERATING REVENUE</b>			
Domestic water sales	\$ 2,138,729		
Irrigation water sales	218,507		
Sale of electricity	2,216,278		\$ 19,631,871
Other services	718,999		24,818
TOTAL OPERATING REVENUE	5,292,513		19,656,689
<b>OPERATING EXPENSES</b>			
Source of supply	17,468		
Water treatment	1,662,851		
Environmental health and safety	213,742		247,836
Transmission and distribution	2,277,470		
Customer accounts	869,709		
Plant operations	1,181,094		5,460,296
General and administrative	1,953,158		2,897,149
Other operating expenses	67,263		
Depreciation	1,865,236		1,861,051
TOTAL OPERATING EXPENSES	10,107,991		10,466,332
NET INCOME (LOSS) FROM OPERATIONS	(4,815,478)		9,190,357
<b>NON-OPERATING REVENUES (EXPENSES)</b>			
Property taxes	663,748		
Investment earnings	85,266		665,557
Insurance refund			601,929
Gain (loss) on sale and disposition of capital assets	2,600		
Interest expense	(12,588)		(398,697)
TOTAL NON-OPERATING REVENUES (EXPENSES)	739,026		868,789
<b>CAPITAL CONTRIBUTIONS</b>			
System capacity charges			
TOTAL CAPITAL CONTRIBUTIONS			
INCOME (LOSS) BEFORE TRANSFERS	(4,076,452)		10,059,146
<b>TRANSFERS</b>			
Transfers in	1,420,584		1,096,094
Transfers out	(1,043,046)	\$ (1,096,092)	(1,440,703)
TOTAL TRANSFERS	377,538	(1,096,092)	(344,609)
CHANGE IN NET POSITION	(3,698,914)	(1,096,092)	9,714,537
Net position at beginning of year	40,156,183	(1,570,479)	75,827,418
NET POSITION AT END OF YEAR	\$ 36,457,269	\$ (2,666,571)	\$ 85,541,955



M RTP System Capacity	Retiree Benefits	Debt Service	Total	Eliminating Entries	Final
			\$ 2,138,729		\$ 2,138,729
			218,507		218,507
			21,848,149		21,848,149
			743,817		743,817
			<u>24,949,202</u>		<u>24,949,202</u>
			17,468		17,468
			1,662,851		1,662,851
			461,578		461,578
			2,277,470		2,277,470
			869,709		869,709
			6,641,390		6,641,390
		\$ 1,100	4,851,407		4,851,407
			67,263		67,263
			<u>3,726,287</u>		<u>3,726,287</u>
		<u>1,100</u>	<u>20,575,423</u>		<u>20,575,423</u>
		(1,100)	4,373,779		4,373,779
			663,748		663,748
\$ 1,591	\$ 107,352	162	859,928		859,928
			601,929		601,929
			2,600		2,600
		(832,046)	<u>(1,243,331)</u>		<u>(1,243,331)</u>
1,591	107,352	(831,884)	884,874		884,874
191,965			191,965		191,965
<u>191,965</u>			<u>191,965</u>		<u>191,965</u>
193,556	107,352	(832,984)	5,450,618		5,450,618
	52,200	1,010,963	3,579,841	\$ (3,579,841)	
			<u>(3,579,841)</u>	<u>3,579,841</u>	
	<u>52,200</u>	<u>1,010,963</u>			
193,556	159,552	177,979	5,450,618		5,450,618
	3,434,995	(26,876,431)	90,971,686		90,971,686
<u>\$ 193,556</u>	<u>\$ 3,594,547</u>	<u>\$ (26,698,452)</u>	<u>\$ 96,422,304</u>	<u>\$ -</u>	<u>\$ 96,422,304</u>

SOUTH FEATHER WATER AND POWER AGENCY

OTHER SUPPLEMENTARY INFORMATION  
DEBT SERVICE COVERAGE RATIOS

For the Years Ended December 31, 2020 and 2019

	2020	2019
REVENUES		
Operating revenues	\$ 15,466,177	\$ 24,949,202
Investment earnings	535,945	859,928
Property taxes	681,269	663,748
Insurance reimbursements	80,452	601,929
TOTAL REVENUES	16,763,843	27,074,807
EXPENSES		
Total Operating Expenses	20,084,321	20,575,423
Less: Depreciation	(3,884,633)	(3,726,287)
TOTAL EXPENSES	16,199,688	16,849,136
NET REVENUES	564,155	10,225,671
ACTUAL DEBT SERVICE PAYMENTS (CASH BASIS)		
2016 Certificates of Participation - principal	600,000	580,000
2016 Certificates of Participation - interest	844,675	862,075
Installment Purchase Agreement - principal	1,476,612	773,548
Installment Purchase Agreement - interest	325,928	127,722
TOTAL ACTUAL DEBT SERVICE PAYMENTS	3,247,215	2,343,345
<b>Debt Coverage Ratio - Actual</b>	<b>0.17</b>	<b>4.36</b>
<b>Required Ratio</b>	<b>1.25</b>	<b>1.25</b>
DEBT SERVICE COVERAGE RATIO WITH FULL YEAR OF INSTALLMENT PURCHASE AGREEMENT PAYMENTS		
Net revenues	\$ 564,155	\$ 10,225,671
Total 2016 Certificates of Participation debt service payments	1,444,675	1,442,075
Installment Purchase Agreement - principal (represent 2020 payments) *	1,476,612	1,547,585
Installment Purchase Agreement - interest (represent 2020 payments) *	325,928	254,955
TOTAL	3,247,215	3,244,615
<b>Debt Coverage Ratio - Including Full Year of Installment Purchase Agreement Payments</b>	<b>0.17</b>	<b>3.15</b>
<b>Required Ratio</b>	<b>1.25</b>	<b>1.25</b>

\* Payments represent calendar year 2020 payments, which is the first calendar year that both semi-annual payments will be made.



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

To the Board of Directors  
South Feather Water and Power Agency  
Oroville, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the South Feather Water and Power Agency (the Agency) as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements, and have issued our report thereon dated September 16, 2021.

**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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of the Agency's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the 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 was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a deficiency in internal control, described in the accompanying schedule of findings and responses as Finding 2020-001, that we consider to be a significant deficiency.



To the Board of Directors  
South Feather Water and Power Agency

### **Compliance and Other Matters**

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

### **The Agency's Response to Finding**

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

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result 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.

*Richardson & Company, LLP*

September 16, 2021

SOUTH FEATHER WATER AND POWER AGENCY

SCHEDULE OF FINDINGS AND RESPONSES

December 31, 2020

INTERNAL CONTROL OVER FINANCIAL REPORTING

CURRENT YEAR FINDINGS

FINDING 2020-001 – SIGNIFICANT DEFICIENCY

Criteria: Government Auditing Standards effective during the 2020 audit result in more scrutiny of nonaudit services provided auditors, such as assistance with audit adjustments and closing entries, because nonaudit services are considered to be a threat to the auditor's independence. The expectation is that issuers provide effective internal controls over financial reporting and employ external resources if time constraints exist or more knowledge is needed to ensure financial activities are reported in accordance with Generally Accepted Accounting Principles without the assistance of the auditor.

Condition: Numerous adjustments and closing entries were posted during the audit, including entries to close net income into net position to agree opening net position to the balance in the prior year financial statements, reposting prior year entries, closing entries for pension and OPEB accounts, recording current portion of debt, trueing up the net investment in capital assets, adjusting payables, balancing budget unit borrowings, recording overhead entries among budget units, trueing up restricted cash and cash equivalents and other entries.

Effect: The audit began in April and was completed in August. The adjustments and closing entries delay completion of the audit and result in the audit taking more hours to complete than if the general ledger was final at the start of the audit. It is harder to determine whether the reported balances are appropriate if the balances change during the audit and it is difficult to stop the audit and pick it back up weeks or months later and remember the issues that need to be addressed. It increases the risk that an error exists that will not be identified during the audit. It is also difficult to schedule staff time when the audit has to stop and be resumed as entries and supporting documentation are received.

Cause: The Agency's closing process did not identify all entries necessary to record the District's financial activity in accordance with generally accepted accounting principles. We believe the Finance Manager may need additional help to close the books for the audit. It is the issuer's responsibility to have appropriate staffing and internal controls over financial reporting necessary to make sure the general ledger is final at the start date of the audit.

Recommendation: We recommend the Agency add additional review procedures necessary to ensure general ledger accounts are reconciled and updated prior to the start of the audit in the future. The Agency also should not close net income into net position for the year until the audit is complete to ensure any audit adjustments may be posted in the year under audit. Net position should be reconciled to the audited financial statements after closing net income after the financial statements are issued. The closing process takes a significant amount of time. It is often cited as a second full-time job by accounting staff. Since the Agency does not have a qualified accountant to assist the Finance Division Manager with the closing as do most governments the Agency's size, we recommend considering whether temporary help is needed during the closing process from a qualified CPA or other person familiar with governmental accounting to ensure the Agency's staff has time to fully reconcile all accounts prior to the start date of the audit.

Management's Response: The Agency will implement the recommendations prior to the December 31, 2021 audit.

PRIOR YEAR FINDINGS

Current Status: Finding 2020-001 was a continuation of Finding 2019-001 that was not addressed during the year.