



South Feather Water and Power Agency
Annual Financial Report
December 31, 2021



Our Mission Statement

“To deliver a dependable supply of safe, quality drinking water to its customers, and a dependable supply of water for agricultural users, in an economical, efficient, and publicly responsible manner”.

South Feather Water and Power Agency

Board of Directors as of December 31, 2021

<u>Name</u>	<u>Division</u>	<u>Title</u>	<u>Current Term</u>
Tod Hickman	1	President	12/18 to 12/22
Rick Wulbern	2	Vice President	12/20 to 12/24
Dennis Moreland	3	Director	12/18 to 12/22
Ruth Wright*	4	Director	10/21 to 12/22
John Starr	5	Director	12/18 to 12/22

** Director Ruth Wright was appointed at the October 26, 2021 Board of Directors meeting. Director Jim Edwards, whose term started December 2020, vacated the position on September 24, 2021.*

**South Feather Water and Power Agency
Rath Moseley, General Manager
2310 Oro Quincy Highway
Oroville, California 95966
(530) 533-4578 – www.southfeather.com**

**South Feather Water and Power Agency
Annual Financial Report
For the Year Ended December 31, 2021**

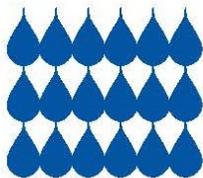
Table of Contents

	<u>Page No.</u>
Table of Contents	i
Financial Section	
Independent Auditor’s Report	1-3
Management’s Discussion and Analysis	4-7
Basic Financial Statements:	
Statement of Net Position	8-9
Statement of Revenues, Expenses and Changes in Net Position	10
Statement of Cash Flows	11-12
Notes to the Basic Financial Statements	13-37
Required Supplementary Information	
Schedules of the Agency’s Proportionate Share of the Net Pension Liability	38
Schedules of Pension Plan Contributions	39
Schedules of Changes in Net OPEB Liability and Related Ratios	40
Supplemental Information Section	
Combining Schedule of Net Position as of December 31, 2021	41-42
Combining Schedule of Revenues, Expenses and Changes in Net Position For the Year Ended December 31, 2021	43
Debt Service Coverage Ratios	44
Report on Compliance and Internal Controls	
Independent Auditor’s Report on Compliance on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on An Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	45-46

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Financial Section

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Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the South Feather Water and Power Agency (Agency), which comprises the statements of net position as of December 31, 2021, and the related statements of revenues, expenses, and changes in net position for the year then ended, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the South Feather Water and Power Agency as of December 31, 2021, and the respective changes in net position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the State Controller's Minimum Audit Requirements for California Special Districts. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Agency, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management 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, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Independent Auditor's Report, continued

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 7, and the required supplementary information on pages 38 through 40, be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

Independent Auditor's Report, continued

Supplementary 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 combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such 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. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 26, 2022, on our consideration of the Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Agency's internal control over financial reporting and compliance. This report can be found on pages 45 and 46.



Fedak & Brown LLP
Cypress, California
July 26, 2022

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South Feather Water and Power Agency
Management's Discussion and Analysis
For the Year Ended December 31, 2021
With Comparative Amounts as of December 31, 2020

The following Management's Discussion and Analysis (MD&A) of activities and financial performance of the South Feather Water and Power Agency (Agency) provides an introduction to the financial statements of the Agency for the year ended December 31, 2021 (with comparative information for the year ended December 31, 2020). We encourage readers to consider the information presented here in conjunction with the basic financial statements and related notes, which follow this section.

Financial Highlights

- In 2021, the Agency's net position increased 11.00% or \$10,185,847 to \$102,780,186.
- In 2021, the Agency's operating revenues increased 85.37% or \$13,014,028 to \$28,259,099.
- In 2021, the Agency's non-operating revenues decreased 31.66% or \$465,053 to \$1,003,860.
- In 2021, the Agency's operating expenses decreased 11.48% or \$1,854,039 to \$14,295,790.
- In 2021, the Agency's non-operating expenses decreased 1.24% or \$14,131 to \$1,121,055.

Required Financial Statements

This annual report consists of a series of financial statements. The Statement of Net Position, Statement of Revenues, Expenses, and Changes in Net Position, and Statement of Cash Flows provide information about the activities and performance of the Agency using accounting methods similar to those used by private sector companies.

The Statement of Net Position includes all of the Agency's investments in resources (assets), deferred outflows of resources, the obligations to creditors (liabilities), deferred inflows of resources, and net position. It also provides the basis for computing a rate of return, evaluating the capital structure of the Agency, and assessing the liquidity and financial flexibility of the Agency. All of the current year's revenues and expenses are accounted for in the Statement of Revenues, Expenses, and Changes in Net Position. This statement measures the success of the Agency's operations over the past year and can be used to determine if the Agency has successfully recovered all of its costs through its rates and other charges. This statement can also be used to evaluate profitability and credit worthiness. The final required financial statement is the Statement of Cash Flows, which provides information about the Agency's cash receipts and cash payments during the reporting period. The Statement of Cash Flows reports cash receipts, cash payments, and net changes in cash resulting from operations, investing, non-capital financing, and capital and related financing activities, and provides answers to such questions as where cash came from, what was cash used for, and what was the change in cash balance during the reporting period.

Financial Analysis of the Agency

One of the most important questions asked about the Agency's finances is, "Is the Agency better off or worse off as a result of this year's activities?" The Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Net Position report information about the Agency in a way that helps answer this question. These statements include all assets, deferred outflows of resources, liabilities, and deferred inflows of resources using the *accrual basis of accounting*, which is similar to the accounting used by most private sector companies. All the current year's revenues and expenses are taken into account regardless of when the cash is received or paid.

South Feather Water and Power Agency
Management's Discussion and Analysis, continued
For the Year Ended December 31, 2021

Financial Analysis of the Agency, continued

These two statements report the Agency's *net position* and changes in it. You can think of the Agency's net position – the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources – as one way to measure the Agency's financial health, or *financial position*. Over time, *increases or decreases* in the Agency's net position are one indicator of whether its *financial health* is improving or deteriorating. However, one will need to consider other non-financial factors such as changes in economic conditions, population growth, and new or changed government regulations, such as changes in Federal and State dam safety requirements and water quality standards.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the basic financial statements. The notes to the basic financial statements can be found on pages 13 through 37.

Statements of Net Position

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Agency, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$102,780,186 as of December 31, 2021.

Condensed Statements of Net Position

	<u>2021</u>	<u>2020</u>	<u>Change</u>
Assets:			
Current assets	\$ 40,242,108	26,237,996	14,004,112
Non-current assets	<u>114,457,454</u>	<u>120,514,199</u>	<u>(6,056,745)</u>
Total assets	<u>154,699,562</u>	<u>146,752,195</u>	<u>7,947,367</u>
Deferred outflows of resources	<u>4,681,037</u>	<u>4,517,801</u>	<u>163,236</u>
Liabilities:			
Current liabilities	3,879,538	4,403,384	(523,846)
Non-current liabilities	<u>48,943,560</u>	<u>53,168,107</u>	<u>(4,224,547)</u>
Total liabilities	<u>52,823,098</u>	<u>57,571,491</u>	<u>(4,748,393)</u>
Deferred inflows of resources	<u>3,777,315</u>	<u>1,104,166</u>	<u>2,673,149</u>
Net position:			
Net investment in capital assets	80,252,150	81,065,688	(813,538)
Unrestricted	<u>22,528,036</u>	<u>11,528,651</u>	<u>10,999,385</u>
Total net position	<u>\$ 102,780,186</u>	<u>92,594,339</u>	<u>10,185,847</u>

A portion of the Agency's net position, 78.08% as of December 31, 2021, reflects the Agency's investment in capital assets (net of accumulated depreciation) less any related debt used to acquire those assets that is still outstanding. The Agency uses these capital assets to provide services to customers within the Agency's service area; consequently, these assets are *not* available for future spending.

As of December 31, 2021, the Agency showed a positive balance in its unrestricted net position of \$22,528,036. See note 9 for further discussion.

South Feather Water and Power Agency
Management's Discussion and Analysis, continued
For the Year Ended December 31, 2021

Statements of Revenues, Expenses, and Changes in Net Position

The statement of revenues, expenses, and changes in net position show how the Agency's net position changed during the years. In the case of the Agency, net position increased 11.00% or \$10,185,847 from \$92,594,339 to \$102,780,186, as a result of ongoing operations for the year ended December 31, 2021.

Condensed Statements of Revenues, Expenses, and Changes in Net Position

	<u>2021</u>	<u>2020</u>	<u>Change</u>
Revenues:			
Operating revenues	\$ 28,259,099	15,245,071	13,014,028
Non-operating revenues	<u>1,003,860</u>	<u>1,468,913</u>	<u>(465,053)</u>
Total revenues	<u>29,262,959</u>	<u>16,713,984</u>	<u>12,548,975</u>
Expenses:			
Operating expenses	14,295,790	16,149,829	(1,854,039)
Depreciation expense	3,888,836	3,884,633	4,203
Non-operating expenses	<u>1,121,055</u>	<u>1,135,186</u>	<u>(14,131)</u>
Total expenses	<u>19,305,681</u>	<u>21,169,648</u>	<u>(1,863,967)</u>
Net income (loss) before capital contributions	9,957,278	(4,455,664)	14,412,942
Capital contributions	<u>228,569</u>	<u>627,699</u>	<u>(399,130)</u>
Changes in net position	<u>10,185,847</u>	<u>(3,827,965)</u>	<u>14,013,812</u>
Net position, beginning of year	<u>92,594,339</u>	<u>96,422,304</u>	<u>(3,827,965)</u>
Net position, end of year	<u>\$ 102,780,186</u>	<u>92,594,339</u>	<u>10,185,847</u>

A closer examination of the sources of changes in net position reveals that:

In 2021, the Agency's operating revenues increased 85.37% or \$13,014,028, due primarily to increases of \$7,385,168 in sale of electricity and \$5,603,915 in outside water sales.

In 2021, the Agency's non-operating revenues decreased 31.66% or \$465,053, due primarily to a decrease of \$480,876 in investment earnings which was offset by an increase of \$36,919 in property taxes.

In 2021, the Agency's operating expenses decreased 11.48% or \$1,854,039, due primarily to decreases of \$721,075 in plant operations, \$546,817 in general and administrative, \$421,290 in transmission and distribution, and \$143,718 in water treatment.

In 2021, the Agency's non-operating expenses decreased 1.24% or \$14,131, due primarily to a decrease of \$90,086 in interest expense which was offset by a \$75,955 increase in unrealized loss on investments.

Capital Asset Administration

As of December 31, 2021, the Agency's capital assets (net of accumulated depreciation) amounted to \$109,233,537. Capital assets (net of accumulated depreciation) include land, hydroelectric power generation facilities, water distribution and treatment plant, dams and reservoirs, buildings and structures, equipment, vehicles, and construction-in-process. See note 4 for further discussion.

South Feather Water and Power Agency
Management's Discussion and Analysis, continued
For the Year Ended December 31, 2021

Capital Asset Administration, continued

Change in capital asset amounts for 2021 was as follows:

	<u>Balance 2020</u>	<u>Additions</u>	<u>Transfers/ Deletions</u>	<u>Balance 2021</u>
Capital assets:				
Non-depreciable assets	\$ 7,967,726	792,544	(869,869)	7,890,401
Depreciable assets	222,665,399	985,722	(172,823)	223,478,298
Accumulated depreciation	<u>(118,419,149)</u>	<u>(3,888,836)</u>	<u>172,823</u>	<u>(122,135,162)</u>
Total capital assets, net	<u>\$ 112,213,976</u>	<u>(2,110,570)</u>	<u>(869,869)</u>	<u>109,233,537</u>

Debt Administration

For the year ended December 31, 2021, long-term debt decreased by \$2,179,489, due primarily to \$631,904 and \$1,547,585 in principal payments of the certificate of participation and loans payable, respectively. See note 6 for further discussion.

Change in long-term debt amounts for 2021 was as follows:

	<u>Balance 2020</u>	<u>Additions/ Deletions</u>	<u>Principal Payments</u>	<u>Balance 2021</u>
Long-term debt:				
Certificate of participation	\$ 25,446,679	-	(631,904)	24,814,775
Loans payable	<u>5,749,840</u>	<u>-</u>	<u>(1,547,585)</u>	<u>4,202,255</u>
Total long-term debt	31,196,519	<u>-</u>	<u>(2,179,489)</u>	29,017,030
Less: current portion	<u>(2,162,585)</u>			<u>(2,256,967)</u>
Non-current portion	<u>\$ 29,033,934</u>			<u>26,760,063</u>

Economic Factors and Other Conditions Affecting Current Financial Position

The COVID-19 outbreak in the United States has caused business disruption through mandated and voluntary closings of businesses. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration of the closings. To date, the COVID-19 outbreak 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 ongoing obligations.

Management is unaware of any other conditions which could have a significant impact on the Agency's current financial position, net position, or operating results in terms of past, present, and future.

Requests for Information

This financial report is designed to provide the Agency's funding sources, customers, stakeholders, and other interested parties with an overview of the Agency's financial operations and financial condition. Should the reader have questions regarding the information included in this report or wish to request additional financial information, please contact the Agency's General Manager or Finance Division Manager at 2310 Oro-Quincy Highway, Oroville, California 95966 or by phone (530) 533-4578.

Basic Financial Statements

South Feather Water and Power Agency
Statement of Net Position
December 31, 2021

	2021
Current assets:	
Cash and cash equivalents (note 2)	\$ 34,214,381
Investments (note 2)	1,971,493
Accounts receivable (note 3)	2,256,931
Due from other government agencies	173,761
Property tax receivable	359,723
Accrued interest receivable	13,664
Prepaid expenses and other deposits	389,888
Materials and supplies inventory	862,267
Total current assets	40,242,108
Non-current assets:	
Investments (note 2)	5,223,917
Capital assets – not being depreciated (note 4)	7,890,401
Capital assets – being depreciated, net (note 4)	101,343,136
Total non-current assets	114,457,454
Total assets	154,699,562
Deferred outflows of resources:	
Deferred pension outflows (note 7)	1,191,484
Deferred OPEB outflows (note 8)	3,453,910
Deferred loss on defeasance of debt (note 6)	35,643
Total deferred outflows of resources	\$ 4,681,037

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See accompanying notes to the basic financial statements

South Feather Water and Power Agency
Statement of Net Position, continued
December 31, 2021

	2021
Current liabilities:	
Accounts payable and accrued expenses	\$ 465,341
Accrued payroll and employee benefits	185,789
Accrued interest payable	251,959
Customer deposits	232,241
Long-term liabilities – due in one year:	
Compensated absences (note 5)	487,241
Certificate-of-participation (note 6)	635,000
Loans payable (note 6)	1,621,967
Total current liabilities	3,879,538
Non-current liabilities:	
Long-term liabilities – due in more than one year:	
Compensated absences (note 5)	730,861
Certificate-of-participation (note 6)	24,179,775
Loans payable (note 6)	2,580,288
Net pension liability (note 7)	1,964,172
Other post-employment benefit liability (note 8)	19,488,464
Total non-current liabilities	48,943,560
Total liabilities	52,823,098
Deferred inflows of resources:	
Deferred pension inflows (note 7)	2,231,175
Deferred OPEB inflows (note 8)	1,546,140
Total deferred inflows of resources	3,777,315
Net position: (note 9)	
Net investment in capital assets	80,252,150
Unrestricted	22,528,036
Total net position	\$ 102,780,186

See accompanying notes to the basic financial statements

South Feather Water and Power Agency
Statement of Revenues, Expenses, and Changes in Net Position
For the Year Ended December 31, 2021

	2021
Operating revenues:	
Domestic water sales	\$ 2,607,133
Irrigation water sales	282,059
Outside water sales	5,799,215
Sale of electricity	19,348,140
Miscellaneous charges	222,552
Total operating revenues	28,259,099
Operating expenses:	
Source of supply	14,888
Water treatment	1,779,710
Transmission and distribution	2,106,846
Customer account	960,562
Environmental health and safety	549,894
Plant operations	6,241,093
General and administrative	2,642,797
Total operating expenses	14,295,790
Operating income before depreciation expense	13,963,309
Depreciation expense	(3,888,836)
Operating income	10,074,473
Non-operating revenues(expenses):	
Property taxes	718,188
Investment earnings	55,069
Unrealized loss on investments	(75,955)
Gain from sale of capital assets	4,850
Interest expense – long-term debt	(1,045,100)
Other non-operating revenues, net	225,753
Total non-operating expenses, net	(117,195)
Net income before capital contributions	9,957,278
Capital contributions:	
Capital grants:	
Federal	108,611
State	58,876
System capacity charges	61,082
Total capital contributions	228,569
Changes in net position	10,185,847
Net position, beginning of year	92,594,339
Net position, end of year	\$ 102,780,186

See accompanying notes to the basic financial statements

South Feather Water and Power Agency
Statement of Cash Flows
For the Year Ended December 31, 2021

	2021
Cash flows from operating activities:	
Cash receipts from customers	\$ 28,185,202
Cash paid to vendors and suppliers for materials and services	(8,041,577)
Cash paid to employees for salaries and wages	(6,301,742)
Net cash provided by operating activities	13,841,883
Cash flows from non-capital financing activities:	
Proceeds from property taxes	687,714
Net cash provided by non-capital financing activities	687,714
Cash flows from capital and related financing activities:	
Acquisition and construction of capital assets	(908,397)
Proceeds from the sale of capital assets	4,850
Proceeds from capital contributions	228,569
Principal paid on long-term debt	(2,179,489)
Interest paid on long-term debt	(1,055,501)
Net cash used in capital and related financing activities	(3,909,968)
Cash flows from investing activities:	
Interest and investment earnings	(5,819)
Purchase of investments	(5,176,682)
Proceeds from maturities and called investments	6,281,495
Net cash provided by investing activities	1,098,994
Net increase in cash and cash equivalents	11,718,623
Cash and cash equivalents, beginning of year	22,495,758
Cash and cash equivalents, end of year	\$ 34,214,381

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See accompanying notes to the basic financial statements

South Feather Water and Power Agency
Statement of Cash Flows, continued
For the Year Ended December 31, 2021

	2021
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ <u>10,074,473</u>
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation expense	3,888,836
Other non-operating revenues, net	225,753
Changes in assets, deferred outflows, liabilities, and deferred inflows:	
(Increase) decrease in assets:	
Accounts receivable	(238,755)
Due from other governments	-
Prepaid expenses and other deposits	(46,561)
Materials and supplies inventory	(13,273)
(Increase) decrease in deferred outflows of resources:	
Deferred pension outflows	391,789
Deferred OPEB outflows	(567,613)
Increase (decrease) in liabilities:	
Accounts payable and accrued expenses	(68,191)
Accrued payroll and employee benefits	(2,543)
Customer deposits	168,166
Unearned revenue	(3,308)
Compensated absences	41,497
Net pension liability	(3,976,357)
Other post-employment benefit liability	1,294,821
Increase (decrease) in deferred inflows of resources:	
Deferred pension inflows	2,021,003
Deferred OPEB inflows	<u>652,146</u>
Total adjustments	<u>3,767,410</u>
Net cash provided by operating activities	\$ 13,841,883
Non-cash investing, capital, and financing transaction:	
Change in fair value of investments	\$ (75,955)

See accompanying notes to the basic financial statements

South Feather Water and Power Agency
Notes to the Basic Financial Statements
For the Year Ended December 31, 2021

(1) Reporting Entity and Summary of Significant Accounting Policies

A. Organization and Operations of the Reporting Entity

The South Feather Water and Power Agency (Agency) was formed on November 18, 1919, under Irrigation Law, Division II, of the California Water Code. Formerly known as Oroville-Wyandotte Irrigation District, 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 was sold to Pacific Gas and Electric Company (PG&E). Effective December 19, 2021, the power has been sold to Northern California Power Agency.

The criteria used in determining the scope of the financial reporting entity is based on the provisions of Governmental Accounting Standards Board Statement No. 61, *The Financial Reporting Entity*. The Agency is the primary governmental unit based on the foundation of a separately elected governing board that is elected by the citizens in a local election. Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. The Agency is financially accountable if it appoints a voting majority of the organization's governing body and 1) It is able to impose its will on that organization, or 2) There is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government.

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. The Corporation is included in the Agency's reporting entity as a blended component unit because the Board of Directors of the Agency serves as the Board of Directors of the Corporation, the Corporation is fiscally dependent on the Agency, and the ability of the Agency to impose its will on the Corporation. The Corporation does not issue separate financial statements.

The Agency is a special district governed by an elected five-member Board of Directors. As required by accounting principles generally accepted in the United States of America, these financial statements represent the Agency and its component unit.

B. Basis of Accounting and Measurement Focus

The Agency reports its activities as an enterprise fund, which is used to account for operations that are financed and operated in a manner similar to a private business enterprise, where the intent of the Agency is that the costs of providing water to its service area on a continuing basis be financed or recovered primarily through user charges (water sales), sale of electricity, capital grants, and similar funding. Revenues and expenses are recognized on the full accrual basis of accounting. Revenues are recognized in the accounting period in which they are earned, and expenses are recognized in the period incurred, regardless of when the related cash flows take place.

South Feather Water and Power Agency
Notes to the Basic Financial Statements, continued
For the Year Ended December 31, 2021

(1) Reporting Entity and Summary of Significant Accounting Policies, continued

B. Basis of Accounting and Measurement Focus, continued

Operating revenues and expenses, such as water sales, sale of electricity and cost of sales and services, result from exchange transactions associated with the principal activity of the Agency. Exchange transactions are those in which each party receives and gives up essentially equal values. Management, administration, and depreciation expenses are also considered operating expenses. Other revenues and expenses not included in the above categories are reported as non-operating revenues and expenses.

C. Financial Reporting

The Agency's basic financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP), as applied to enterprise funds. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Agency solely operates as a special-purpose government which means it is only engaged in business-type activities; accordingly, activities are reported in the Agency's proprietary fund.

The Agency has adopted the following GASB pronouncements in the current year:

Governmental Accounting Standards Board Statement No. 84

In January 2017, the GASB issued Statement No. 84 – *Fiduciary Activities*. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported.

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.

Governmental Accounting Standards Board Statement No. 90

In August 2018, the GASB issued Statement No. 90 – *Majority Equity Interests—an amendment of GASB Statements No. 14 and No. 61*. The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value.

For all other holdings of a majority equity interest in a legally separate organization, a government should report the legally separate organization as a component unit, and the government or fund that holds the equity interest should report an asset related to the majority equity interest using the equity method. This Statement establishes that ownership of a majority equity interest in a legally separate organization results in the government being financially accountable for the legally separate organization and, therefore, the government should report that organization as a component unit.

South Feather Water and Power Agency
Notes to the Basic Financial Statements, continued
For the Year Ended December 31, 2021

(1) Reporting Entity and Summary of Significant Accounting Policies, continued

C. Financial Reporting, continued

Governmental Accounting Standards Board Statement No. 90, continued

This Statement also requires that a component unit in which a government has a 100 percent equity interest account for its assets, deferred outflows of resources, liabilities, and deferred inflows of resources at acquisition value at the date the government acquired a 100 percent equity interest in the component unit. Transactions presented in flows statements of the component unit in that circumstance should include only transactions that occurred subsequent to the acquisition.

D. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position

1. Use of Estimates

The preparation of the basic financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, and deferred inflows of resources, and disclosures of contingent assets, deferred outflows of resources, liabilities, and deferred inflows of resources at the date of the financial statements and the reported changes in net position during the reporting period. Actual results could differ from those estimates.

2. Cash and Cash Equivalents

Substantially all of the Agency's cash is invested in interest bearing accounts. The Agency considers all highly liquid investments with a maturity of three months or less to be cash equivalents.

3. Investments and Investment Policy

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.

Changes in fair value that occur during a fiscal year are recognized as investment income reported for that fiscal year. Investment income includes interest earnings, changes in fair value, and any gains or losses realized upon the liquidation or sale of investments.

4. Fair Value Measurement

The Agency categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on valuation inputs used to measure the fair value of the asset as follows:

- **Level 1** – Valuation is based on quoted prices in active markets for identical assets.
- **Level 2** – Valuation is based on directly observable and indirectly observable inputs. These inputs are derived principally from or corroborated by observable market data through correlation or market-corroborated inputs. The concept of market-corroborated inputs incorporates observable market data such as interest rates and yield curves that are observable at commonly quoted intervals.
- **Level 3** – Valuation is based on unobservable inputs where assumptions are made based on factors such as prepayment rates, probability of defaults, loss severity, and other assumptions that are internally generated and cannot be observed in the market.

The Agency's investment in LAIF is valued at amortized cost and is not subject to the fair value measurement criteria.

South Feather Water and Power Agency
Notes to the Basic Financial Statements, continued
For the Year Ended December 31, 2021

(1) Reporting Entity and Summary of Significant Accounting Policies, continued

D. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position, continued

5. Accounts Receivable and Allowance for Uncollectible Accounts

The Agency extends credit to customers in the normal course of operations. When management deems customer accounts uncollectible, the Agency uses the allowance method for the reservation and write-off of those accounts when material.

6. Property Taxes and Assessments

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. Property tax in California is levied in accordance with Article 13A of the State Constitution at one percent (1%) of countywide assessed valuations.

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. The property tax calendar is as follows:

Lien date	March 1
Levy date	July 1
Due dates	November 1 and March 1
Collection dates	December 10 and April 10

7. Materials and Supplies

Materials and supplies consist primarily of water pipe and pipefittings for construction and repair to the Agency's water treatment and distribution system and for the maintenance of its hydroelectric power generation facilities. Materials and supplies are valued at average cost basis using the first-in, first out method. Material and supply items are charged to expense at the time the items are consumed.

8. 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. Donated assets are recorded at estimated fair market value at the date of donation. Upon retirement or other disposition of capital assets, the cost and related accumulated depreciation are removed from the respective balances and any gains or losses are recognized. Depreciation is recorded on a straight-line basis over the estimated useful lives of the assets 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

9. Deferred Outflows of Resources

Deferred outflows of resources represent the consumption of resources applicable to future periods.

South Feather Water and Power Agency
Notes to the Basic Financial Statements, continued
For the Year Ended December 31, 2021

(1) Reporting Entity and Summary of Significant Accounting Policies, continued

D. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position, continued

10. Compensated Absences

The Agency's policy allows employees to accumulate earned but unused vacation leave, up to the maximum allowance provided for in the memoranda of understanding, which will be paid to employees upon separation from the Agency's service. Upon separation from the Agency, employees can also elect to be paid one-half of their unused accumulated sick leave time. The cost of this annual vacation and sick leave time is recognized in the period earned.

11. 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.

12. Pensions

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pension and pension expense, information about the fiduciary net position of the Agency's California Public Employees' Retirement System (CalPERS) plans (Plans) and addition to/deduction from the Plans' 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.

GASB 68 requires that the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used:

- Valuation Dates: June 30, 2020
- Measurement Dates: June 30, 2021
- Measurement Periods: July 1, 2020 to June 30, 2021

13. 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.

14. Deferred Inflows of Resources

Deferred inflows of resources represent the acquisition of resources applicable to future periods.

15. 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.

South Feather Water and Power Agency
Notes to the Basic Financial Statements, continued
For the Year Ended December 31, 2021

(1) Reporting Entity and Summary of Significant Accounting Policies, continued

D. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position, continued

16. Net Position

The financial statements utilize a net position presentation. Net position is categorized as follows:

- **Net investment in capital assets component of net position** – consists of capital assets, net of accumulated depreciation and reduced by any debt outstanding against the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are included in this component of net position.
- **Restricted component of net position** – consists of restricted assets and deferred outflows of resources reduced by liabilities and deferred inflows of resources related to those assets.
- **Unrestricted component of net position** – the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of the net investment in capital assets or restricted components of net position.

17. Budgetary Principles

The Agency adopts an annual budget, typically in December each year, to take effect January 1 the following year. The budget is subject to supplemental appropriations throughout its term in order to provide flexibility to meet changing needs and conditions. The Board approves all budget addition appropriations. Budget integration is employed as a management control device.

18. Reclassification

The Agency has reclassified certain prior year information to conform to current year presentations.

(2) Cash and Investments

Cash and investments as of December 31 are classified in the accompanying financial statements as follows:

	2021
Cash and cash equivalents	\$ 34,214,381
Investments, current	1,971,493
Investments, non-current	5,223,917
Total	\$ 41,409,791

Cash and investments as of December 31 consist of the following:

	2021
Cash on hand	\$ 950
Cash with fiscal agent	6,576
Deposits with financial institutions	2,513,216
Investments	38,889,049
Total	\$ 41,409,791

South Feather Water and Power Agency
Notes to the Basic Financial Statements, continued
For the Year Ended December 31, 2021

(2) Cash and Investments, continued

Investments Authorized by the California Government Code and the Agency's Investment Policy

The following table identifies the investment types that are authorized by the Agency in accordance with the California Government Code (or the Agency's investment policy, where more restrictive). The table also identifies certain provisions of the California Government Code (or the Agency's investment policy, where more restrictive) that address interest rate risk, credit risk, and concentration of credit risk. This table does not address investments of debt proceeds held by bond trustees that are governed by the provisions of debt agreements of the Agency; rather, the table addresses the general provisions of the California Government Code or the Agency's investment policy.

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Total of Portfolio</u>	<u>Maximum Investment in One Issuer</u>
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	180 days	40%	30%
Commercial paper - U.S. companies	270 days	25%	10%
Certificates of deposit	None	30%	None
Repurchase agreements	None	Per Government Code	
Medium term notes	5 years	30%	None
Money Market Mutual Funds	N/A	15%	None
Mortgage obligations	5 years	20%	None
Other investments as permitted by the California Government Code	N/A	Per Government Code	

Custodial Credit Risk

The custodial credit risk for *deposits* is the risk that, in the event of failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party.

The custodial credit risk for *investments* is the risk that, in the event of failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools (such as LAIF).

The California Government Code and the Agency's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit 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 or 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 equal at least 110% 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. As of December 31, 2021, bank balances are federally insured up to \$250,000. The remaining balance is collateralized in accordance with the Code; however, the collateralized securities are not held in the Agency's name.

South Feather Water and Power Agency
Notes to the Basic Financial Statements, continued
For the Year Ended December 31, 2021

(2) Cash and Investments, continued

Investment in State Investment Pool

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. The fair value of the Agency's investment in this pool is reported in the accompanying financial statements at amounts based upon the Agency's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The fair value factor for LAIF is reported on a quarterly basis. The balance available for withdrawal is based on the accounting records maintained by LAIF, which is recorded on an amortized cost basis.

The Agency's deposit and withdrawal restrictions and limitations are as follows:

- Same day transaction processing occurs for orders received before 10:00 a.m.
- Next day transaction processing occurs for orders received after 10:00 a.m.
- Maximum limit of 15 transactions (combination of deposits and withdrawals) per month.
- Minimum transaction amount requirement of \$5,000, in increments of \$1,000.
- Withdrawals of \$10 million or more require 24 hours advance.
- Prior to funds transfer, an authorized person must call LAIF to do a verbal transaction or process the request through a secure electronic web application.

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the Agency manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio matures or comes close to maturity evenly over time as necessary to provide requirements for cash flow and liquidity needed for operations.

As of December 31, 2021, the Agency's investments are scheduled to mature as follows:

<u>Investment Type</u>	<u>Amount</u>	<u>Remaining Maturity</u>		
		<u>12 Months or Less</u>	<u>13 to 24 Months</u>	<u>25-60 Months</u>
Local Agency Investment Fund	\$ 29,583,730	29,583,730	-	-
Money market deposit account	11,031	11,031	-	-
Certificates of deposit	6,888,167	2,156,038	4,246,311	485,818
CalTrust Term Investment Funds	1,417,587	1,417,587		
U.S. Government bonds	742,071	250,283	248,063	243,725
U.S. Treasury note	246,463	246,463	-	-
Total	\$ 38,889,049	33,665,132	4,494,374	729,543

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented on the next page is the minimum rating required by the California Government Code (where applicable), the Agency's investment policy, or debt agreements, and the actual rating as of the years ended for each investment type.

South Feather Water and Power Agency
Notes to the Basic Financial Statements, continued
For the Year Ended December 31, 2021

(2) Cash and Investments, continued

Credit Risk, continued

Credit ratings as of December 31, 2021, were as follows:

<u>Investment Type</u>	<u>Amount</u>	<u>Minimum Legal Rating</u>	<u>Recognized Statistical Rating</u>
Local Agency Investment Fund	\$ 29,583,730	N/A	N/A
Money market deposit account	11,031	N/A	N/A
Certificates of deposit	6,888,167 ⁽¹⁾	N/A	N/A
CalTrust Term Investment Funds	1,417,587	N/A	N/A
U.S. Government bonds	742,071	AA	AA+
U.S. Treasury note	<u>246,463</u>	AA	AA+
Total	\$ <u>38,889,049</u>		

⁽¹⁾ No minimum legal rating exists for certificate of deposits if the investment is insured by the FDIC or fully collateralized.

Fair Value Hierarchy

Assets measured at fair value on a recurring basis, based on their fair value hierarchy at December 31, 2021, are as follows:

<u>Description</u>	<u>December 31, 2021</u>	<u>Fair Value Measurement at Reporting Date Using:</u>		
		<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Certificates of deposit	\$ 6,888,167	-	6,888,167	-
CalTrust Term Investment Funds	1,417,587	-	1,417,587	-
U.S. Government Bonds	742,071	-	742,071	-
U.S. Treasury notes	<u>246,463</u>	-	<u>246,463</u>	-
Total investments measured at fair value	9,294,288	-	<u>9,294,288</u>	-
Local Agency Investment Fund	29,583,730			
Money market deposit account	<u>11,031</u>			
Total investments	\$ <u>38,889,049</u>			

(3) Accounts Receivable

As of December 31, accounts receivable consists of the following:

	<u>2021</u>
Water sales	\$ 543,443
Sale of electricity	<u>1,713,488</u>
Total	\$ <u>2,256,931</u>

South Feather Water and Power Agency
Notes to the Basic Financial Statements, continued
For the Year Ended December 31, 2021

(4) Capital Assets

Changes in capital assets for 2021 were as follows:

	<u>Balance 2020</u>	<u>Additions/ Transfers</u>	<u>Deletions/ Transfers</u>	<u>Balance 2021</u>
Non-depreciable assets:				
Land, land rights and water rights	\$ 2,138,103			2,138,103
Construction-in-process	113,316	792,544	(869,869)	35,991
FERC Relicensing	5,716,307	-	-	5,716,307
Total non-depreciable assets	<u>7,967,726</u>	<u>792,544</u>	<u>(869,869)</u>	<u>7,890,401</u>
Depreciable assets:				
Source of supply	149,301,940	121,725	-	149,423,665
Pumping plant	362,296	-	-	362,296
Transmission and distribution	57,097,653	349,537	-	57,447,190
General plant and yard	12,336,144	514,460	(172,823)	12,677,781
Tailwater depression	124,445	-	-	124,445
Photovoltaic system	2,258,931	-	-	2,258,931
Recreational facilities	1,183,990	-	-	1,183,990
Total depreciable assets	<u>222,665,399</u>	<u>985,722</u>	<u>(172,823)</u>	<u>223,478,298</u>
Accumulated depreciation:				
Source of supply	(84,881,651)	(1,968,077)	-	(86,849,728)
Pumping plant	(333,576)	(4,254)	-	(337,830)
Transmission and distribution	(22,036,624)	(1,288,397)	-	(23,325,021)
General plant and yard	(9,180,174)	(544,386)	172,823	(9,551,737)
Tailwater depression	(124,445)	-	-	(124,445)
Photovoltaic system	(886,831)	(59,379)	-	(946,210)
Recreational facilities	(975,848)	(24,343)	-	(1,000,191)
Total accumulated depreciation	<u>(118,419,149)</u>	<u>(3,888,836)</u>	<u>172,823</u>	<u>(122,135,162)</u>
Total depreciable assets, net	<u>104,246,250</u>	<u>(2,903,114)</u>	<u>-</u>	<u>101,343,136</u>
Total capital assets, net	<u>\$ 112,213,976</u>	<u>(2,110,570)</u>	<u>(869,869)</u>	<u>109,233,537</u>

Major depreciable capital asset additions during the year include additions to source of supply, transmission and distribution, and general plant and yard.

Depreciation expense for the year ended December 31, 2021, amounted to \$3,888,836. Total depreciation expense was charged to the Agency's general fund and joint facilities fund amounting to \$1,856,069 and \$2,032,767, respectively.

(5) Compensated Absences

Compensated absences comprise unpaid paid time off that accrues when benefits are fully vested and are determined annually. Compensated absences turn-over each year, therefore, the compensated absence balance of the Agency is recorded as a liability on the Statement of Net Position. Changes in compensated absences for 2021 were as follows:

	<u>Balance 2020</u>	<u>Earned</u>	<u>Taken</u>	<u>Balance 2021</u>	<u>Current Portion</u>	<u>Long-term Portion</u>
\$	<u>1,176,605</u>	<u>622,323</u>	<u>(580,826)</u>	<u>1,218,102</u>	<u>487,241</u>	<u>730,861</u>

South Feather Water and Power Agency
Notes to the Basic Financial Statements, continued
For the Year Ended December 31, 2021

(6) Long-term Debt

The change in long-term debts for 2021 was as follows:

	<u>Balance 2020</u>	<u>Additions/ Deletions</u>	<u>Principal Payments</u>	<u>Balance 2021</u>	<u>Current Portion</u>	<u>Long-term Portion</u>
Certificate-of-participation:						
2016 Certificate of Participation	\$ 25,010,000	-	(615,000)	24,395,000	635,000	23,760,000
Add: Unamortized premium	436,679	-	(16,904)	419,775	-	419,775
Total certificate-of-participation	<u>25,446,679</u>	<u>-</u>	<u>(631,904)</u>	<u>24,814,775</u>	<u>635,000</u>	<u>24,179,775</u>
Loans payable:						
2019 Installment Purchase Agreement	5,749,840	-	(1,547,585)	4,202,255	1,621,967	2,580,288
Total loans payable	<u>5,749,840</u>	<u>-</u>	<u>(1,547,585)</u>	<u>4,202,255</u>	<u>1,621,967</u>	<u>2,580,288</u>
Total long-term debt	31,196,519	<u>-</u>	<u>(2,179,489)</u>	29,017,030	<u>2,256,967</u>	<u>26,760,063</u>
Current portion	<u>(2,162,585)</u>			<u>(2,256,967)</u>		
Non-current portion	\$ <u>29,033,934</u>			<u>26,760,063</u>		

2016 Certificate 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 remaining defeased bond refunding amount recorded as part of deferred outflows of resources of \$35,643 in the statement of net position will be amortized over the remaining life of the 2016 Certificate of Participation debt. 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 ranging from 2% to 4%, with principal and interest payments due annually on April 1 of each year and matures on April 1, 2046.

Annual debt service requirements for the certificate-of-participation are as follows:

	<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
	2022	\$ 635,000	808,225	1,443,225
	2023	655,000	789,175	1,444,175
	2024	675,000	769,525	1,444,525
	2025	695,000	749,275	1,444,275
	2026	720,000	721,475	1,441,475
	2027-2031	4,065,000	3,151,175	7,216,175
	2032-2036	4,800,000	2,414,775	7,214,775
	2037-2041	5,590,000	1,622,563	7,212,563
	2042-2046	<u>6,560,000</u>	<u>653,088</u>	<u>7,213,088</u>
	Total	24,395,000	<u>11,679,276</u>	<u>36,074,276</u>
	Premium	419,775		
	Current	<u>(635,000)</u>		
	Non-current	\$ <u>24,179,775</u>		

South Feather Water and Power Agency
Notes to the Basic Financial Statements, continued
For the Year Ended December 31, 2021

(6) Long-term Debt, continued

2019 Installment Purchase Agreement

In May 2019, the Agency 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%, with principal and interest payments due semi-annually on October 1 and April 1 of each year and matures on April 1, 2024.

Annual payments of principal and interest for the loan are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 1,621,967	180,573	1,802,540
2023	1,699,926	102,614	1,802,540
2024	<u>880,362</u>	<u>20,908</u>	<u>901,270</u>
Total	4,202,255	<u>304,095</u>	<u>4,506,350</u>
Current	<u>(1,621,967)</u>		
Non-current	\$ <u>2,580,288</u>		

(7) Defined Benefit Pension Plan

Plan Descriptions

All qualified permanent and probationary employees are eligible to participate in the Public Agency Cost-Sharing Multiple-Employer Defined Pension Plan (Plan or PERF C) administered by the California Public Employees' Retirement System (CalPERS). The Plan consists of a miscellaneous risk pool and a safety risk pool, which are comprised of individual employer miscellaneous and safety plans, respectively. Benefit provisions under the Plan are established by State statute and the Agency's 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 or may be obtained from their executive office at 400 P Street, Sacramento, California 95814.

Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full-time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustment for each plan are applied as specified by the Public Employees' Retirement Law.

South Feather Water and Power Agency
Notes to the Basic Financial Statements, continued
For the Year Ended December 31, 2021

(7) Defined Benefit Pension Plan, continued

Benefits Provided, continued

On September 12, 2012, the California Governor signed the California Public Employees' Pension Reform Act of 2013 (PEPRA) into law. PEPRA took effect January 1, 2013. The new legislation closed the Agency's CalPERS 3.0% at 60 and 2.0% at 60 Risk Pool Retirement Plan to new employee entrants effective December 31, 2012. All employees hired after January 1, 2013, are eligible for the Agency's CalPERS 2.0% at 62 Retirement Plan under PEPRA.

The Agency participates in the Plan's miscellaneous risk pool. The provisions and benefits for the Plan's miscellaneous pool in effect at December 31 2021, are summarized as follows:

	<u>Classic</u>	<u>PEPRA</u>
	Prior to January 1, 2013	On or after January 1, 2013
Hire date		
Benefit formula	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 employee contribution rates		
July 1 to December 31, 2021	7.800%	6.750%
January 1 to June 30, 2021	7.787%	6.750%
Required employer contribution rates		
July 1 to December 31, 2021	14.540%	7.590%
January 1 to June 30, 2021	14.729%	7.732%

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 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, 2021, the contributions recognized as part of pension expense for the Plan were as follows:

	<u>2021</u>
Contributions – employer	\$ <u>698,899</u>

As of December 31, 2021, the Agency reported net pension liabilities for its proportionate share of the net pension liability of the Plan as follows:

	<u>2021</u>
Proportionate share of net pension liability	\$ <u>1,964,172</u>

South Feather Water and Power Agency
Notes to the Basic Financial Statements, continued
For the Year Ended December 31, 2021

(7) Defined Benefit Pension Plan, continued

Net Pension Liability

The Agency's net pension liability for the Plan is measured as the proportionate share of the net pension liability for the miscellaneous risk pool. As of December 31, 2021, the net pension liability of the Plan is measured as of June 30, 2021 (the measurement date). The total pension liability for the Plan's miscellaneous risk pool used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2020 (the valuation date), rolled forward to June 30, 2021, 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's miscellaneous risk pool as of the measurement dates June 30, 2021, was as follows:

	Proportionate Share
Proportion – June 30, 2019	0.05112 %
Increase in proportion	0.00348
Proportion – June 30, 2020	0.05460
Increase in proportion	(0.01828)
Proportion – June 30, 2021	0.03632 %

Deferred Outflows(Inflows) of Resources Related to Pensions

For the year ended December 31, 2021, the Agency recognized pension credit of \$1,563,565.

As of December 31, 2021, the Agency reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description	2021	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to the measurement date	\$ 340,679	-
Differences between actual and expected experience	220,261	-
Changes in assumptions		
Difference between actual contribution and proportionate share of contribution	-	(516,556)
Net difference between projected and actual earnings on plan investments	-	(1,714,619)
Net adjustment due to difference in proportions of net pension liability	630,544	-
Total	\$ 1,191,484	(2,231,175)

South Feather Water and Power Agency
Notes to the Basic Financial Statements, continued
For the Year Ended December 31, 2021

(7) Defined Benefit Pension Plan, continued

Deferred Outflows(Inflows) of Resources Related to Pensions, continued

As of December 31, 2021, the Agency reported \$340,679, as deferred outflows of resources related to contributions subsequent to the measurement dates. Pension contributions subsequent to the measurement date for the year ended December 31, 2021, will be recognized as a reduction of the net pension liability for the year ended December 31, 2022.

As of December 31, 2021, other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Fiscal Year	Deferred Net
Ending	Outflows(Inflows)
<u>December 31,</u>	<u>of Resources</u>
2022	\$ (221,008)
2023	(299,118)
2024	(386,412)
2025	(473,832)

Actuarial Assumptions

The total pension liabilities in the June 30, 2020 actuarial valuation were determined using the following actuarial assumptions and methods:

Valuation Date	June 30, 2020
Measurement Date	June 30, 2021
Measurement Period	July 1, 2020 to June 30, 2021
Actuarial cost method	Entry Age Normal in accordance with the requirements of GASB Statement No. 68
 Actuarial assumptions:	
Discount rate	7.15%
Inflation	2.50%
Salary increases	Varies by Entry Age and Service
Mortality Rate Table*	Derived using CalPERS' Membership Data for all Funds
Post Retirement Benefit	Contract COLA up to 2.50% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.50% thereafter

* The mortality table was developed based on CalPERS specific data. The table includes 15 years of mortality improvement using the Society of Actuaries 90 percent of scale MP 2016. For more details on this table, please refer to the December 2017, experience study report (based on CalPERS demographic data from 1997 to 2015) available online on the CalPERS website.

Discount Rate

The discount rate used to measure the total pension liability as of June 30, 2020, for the PERF C was 7.15%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined.

South Feather Water and Power Agency
Notes to the Basic Financial Statements, continued
For the Year Ended December 31, 2021

(7) Defined Benefit Pension Plan, continued

Discount Rate, continued

Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical and forecasted information for all funds' asset classes, expected compound (geometric) returns were calculated over the short term (first 10 years) and the long term (11+ 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 rounded 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 equal to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses.

The table below reflects long-term expected real rates of return by asset class. The rates of return were calculated using the capital market assumptions applied to determine the discount rate.

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Real Return Years 1-10</u>	<u>Real Return Years 11+</u>
Global equity	50.00 %	4.80 %	5.38 %
Fixed income	28.00	1.00	2.62
Inflation assets	0.00	0.77	1.81
Private equity	8.00	6.30	7.23
Real asset	13.00	3.75	4.93
Liquidity	1.00	0.00	(0.92)
Total	<u>100.00 %</u>		

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 one-percentage point lower or one-percentage point higher than the current rate.

As of December 31, 2021, the Agency's net pension liability at the current discount rate, using a discount rate that is one-percentage point lower, and using a discount rate that is one-percentage point higher, are as follows:

	<u>Discount Rate - 1%</u>	<u>Current Discount Rate</u>	<u>Discount Rate + 1%</u>
District's net pension liability	\$ <u>6,659,578</u>	<u>1,964,172</u>	<u>(1,917,453)</u>

South Feather Water and Power Agency
Notes to the Basic Financial Statements, continued
For the Year Ended December 31, 2021

(7) Defined Benefit Pension Plan, continued

Pension Plan Fiduciary Net Position

Detailed information about the pension plan’s fiduciary net position is available in separately issued CalPERS financial reports. See pages 38 through 39 for the Required Supplementary Information.

(8) Other Post-Employment Benefits

General Information about the 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.

Benefits provided – The Plan provides healthcare, dental and vision insurance benefits to all permanent full-time employees who retire directly from the Agency and CalPERS, 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. 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).

Employee covered by benefit terms – On December 31, the following employees were covered by the benefit terms under the Plan:

	2021
Participating active employees	54
Inactive employees or beneficiaries currently receiving benefit payments	48
Total plan membership	102

Contributions – The contribution requirements of Plan members and the Agency are established and may be amended by the Agency’s Board of Directors. The Board establishes rates based on an actuarially determined rate. For the year ended December 31, 2021, the Agency’s “pay as you go” cost of providing retiree health benefits amounted to \$462,951.

Net OPEB Liability

The Agency’s net OPEB liability was measured as of December 31, 2021, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2021.

The total OPEB liability in the December 31, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

South Feather Water and Power Agency
Notes to the Basic Financial Statements, continued
For the Year Ended December 31, 2021

(8) Other Post-Employment Benefits, continued

Net OPEB Liability, continued

Valuation Date	December 31, 2021
Measurement Date	December 31, 2021
Actuarial cost method	Entry Age Normal cost method in accordance with the requirements of GASB Statement No. 75
Inflation	2.50% per annum
Salary increases	2.75% per annum
Healthcare trend rate	4.00% per annum
Discount rate	2.06% per year net of expenses, based on the Bond Buyer 20 Bond Index

Discount rate – The discount rate used to measure the total OPEB liability was 2.06%, net of expenses, which reflects the Agency’s expectation of the long-term return on trust assets as of the measurement date. The projection of cash flows used to determine the discount rate assumed that liabilities and cash flow will vary based on the number and demographic characteristics of employees and retirees.

Changes in the Net OPEB Liability

For the year ended December 31, 2021, the Agency’s changes in the net OPEB liability are as follows:

	<u>Increase (Decrease)</u>		
	<u>Total OPEB</u>	<u>Plan</u>	<u>Net OPEB</u>
	<u>Liability (a)</u>	<u>Fiduciary</u>	<u>Liability/(Asset)</u>
		<u>Net Position</u>	<u>(c) = (a) - (b)</u>
		<u>(b)</u>	
Balance at beginning of year	\$ 18,193,643	-	18,193,643
Changes during the year:			
Service cost	679,864	-	679,864
Interest	388,005	-	388,005
Contributions - employer	-	462,951	(462,951)
Experience (Gains)/Losses	1,732,722	-	1,732,722
Changes in assumptions	(1,042,819)	-	(1,042,819)
Benefit payments	(462,951)	(462,951)	-
Net changes	1,294,821	-	1,294,821
Balance at end of year	\$ 19,488,464	-	19,488,464

South Feather Water and Power Agency
Notes to the Basic Financial Statements, continued
For the Year Ended December 31, 2021

(8) Other Post-Employment Benefits, continued

Sensitivity of the net OPEB liability to changes in the discount rate and healthcare cost trend rates

As of December 31, 2021, the following presents the net OPEB liability of the Agency, as well as what the Agency's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current discount rate:

		Discount Rate - 1% 1.06%	Current Discount Rate 2.06%	Discount Rate + 1% 3.06%
District's net OPEB liability	\$	<u>22,428,706</u>	<u>19,488,464</u>	<u>17,100,904</u>

As of December 31, 2021, the following presents the net OPEB liability of the Agency, as well as what the Agency's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

		1% Decrease Healthcare Cost Trend 3.00%	Current Healthcare Cost Trend 4.00%	1% Increase Healthcare Cost Trend 5.00%
District's net OPEB liability	\$	<u>16,740,851</u>	<u>19,488,464</u>	<u>22,943,810</u>

OPEB Expense and Deferred Outflows (Inflows) of Resources Related to OPEB

For the year ended December 31, 2021, the Agency recognized OPEB expense of (\$1,294,821). At December 31, the Agency reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	2021	
Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,465,640	(148,959)
Changes in assumptions	1,988,270	(1,397,181)
Total	\$ 3,453,910	(1,546,140)

South Feather Water and Power Agency
Notes to the Basic Financial Statements, continued
For the Year Ended December 31, 2021

(8) Other Post-Employment Benefits, continued

OPEB Expense and Deferred Outflows (Inflows) of Resources Related to OPEB, continued

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Fiscal Year Ending June 30,	Deferred Net Outflows/ (Inflows) of Resources
2022	\$ 775,852
2023	775,851
2024	359,695
2025	6,098
2026	(9,726)
Remaining	-

OPEB plan fiduciary net position

Detailed information about the OPEB plan's fiduciary net position is available in the separately issued CalPERS financial report for CERBT.

Payable to the OPEB Plan

At December 31, 2021, the Agency reported no amounts outstanding as required contributions to CERBT.

(9) Net Position

The balance at December 31, consists of the following:

	2021
Net investment in capital assets:	
Capital assets, net	\$ 109,233,537
Certificate-of-participation, current	(635,000)
Certificate-of-participation, non-current	(24,179,775)
Loans payable, current	(1,621,967)
Loans payable, non-current	(2,580,288)
Deferred loss on defeasance of debt	35,643
Total investment in capital assets	80,252,150
Unrestricted net position:	
Non-spendable net position:	
Prepaid expenses and other deposits	389,888
Materials and supplies inventory	862,267
Total non-spendable net position	1,252,155
Undesignated	21,275,881
Total unrestricted net position	22,528,036
Total net position	\$ 102,780,186

South Feather Water and Power Agency
Notes to the Basic Financial Statements, continued
For the Year Ended December 31, 2021

(10) Deferred Compensation Savings Plan

For the benefit of its employees, the Agency participates in a 457 Deferred Compensation Program (Program). The purpose of this Program is to provide deferred compensation for public employees that elect to participate in the Program. Generally, eligible employees may defer receipt of a portion of their salary until termination, retirement, death, or unforeseeable emergency. Until the funds are paid or otherwise made available to the employee, the employee is not obligated to report the deferred salary for income tax purposes.

Federal law requires deferred compensation assets to be held in trust for the exclusive benefit of the participants. Accordingly, the Agency is in compliance with this legislation. Therefore, these assets are not the legal property of the Agency and are not subject to claims of the Agency's general creditors. The Agency has implemented GASB Statement No. 32, *Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*. Since the Agency has little administrative involvement and does not perform the investing function for this plan, the assets and related liabilities are not shown on the statements of net position. As of December 31, 2021, the assets of all Agency deferred compensation savings plan totaled \$8,932,768.

(11) Risk Management

The Agency is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Agency is a founding member of the Association of California Water Agencies/Joint Powers Insurance Authority (ACWA/JPIA), an intergovernmental risk sharing joint powers authority created to provide self-insurance programs for California water agencies. The purpose of the ACWA/JPIA is to arrange and administer programs of self-insured losses and to purchase the appropriate amount of insurance coverage.

At December 31, 2021, the Agency participated in the liability and property programs of the ACWA/JPIA as follows:

- General liability: The general liability coverage is through ACWA/JPIA who purchases specific occurrence excess insurance from commercial excess, reinsurance carriers, or other pooling agencies. The arrangement with ACWA/JPIA is in substance a transfer of pooling (sharing) of risks among the participants in the ACWA/JPIA's programs. The Agency carries coverage of \$5,000,000 for any one occurrence arising out of bodily injury, property damage, errors and omissions, personal injury, employment practices or any combination thereof.
- Property: The property insurance coverage is as follows: 1) Buildings, personal property, fixed equipment, and unscheduled vehicle on premises with a deductible of \$10,000; 2) Mobile equipment and vehicle with a deductible of \$1,000; and 3) Boiler and machinery accidental breakdown with a 30-day deductible for turbine units and associated equipment, electrical generators, and electrical power distribution. ACWA/JPIA will reimburse the Agency for losses to scheduled property that is insured by the terms and conditions of the purchased insurance or reinsurance, less any applicable deductible. Business interruption coverage of \$20,000,000 is carried by the Agency.
- Crime: Crime coverage includes public employee theft, depositor forgery or alteration, computer and funds transfer fraud up to \$100,000 subject to a deductible of \$1,000; Excess crime coverage include public employee dishonesty, forgery or alteration, computer fraud, faithful performance of duty, pension plans including ERISA, and impersonation fraud (sublimit of \$250,000) up to \$1,000,000, subject to a deductible of \$100,000.

South Feather Water and Power Agency
Notes to the Basic Financial Statements, continued
For the Year Ended December 31, 2021

(11) Risk Management, continued

Coverage for workers' compensation is provided by the ACWA/JPIA. The Agency's coverage is as follows:

- Workers' compensation insurance coverage up to \$2,000,000 per occurrence.

Settled claims have not exceeded any of the coverage amounts in any of the last three fiscal years and there were no reductions in the Agency's insurance coverage during the years ended December 31, 2021. Liabilities are recorded when it is probable that a loss has been incurred and the amount of the loss can be reasonably estimated, net of the respective insurance coverage. Liabilities include an amount for claims that have been incurred but not reported (IBNR). There were no IBNR claims payable as of December 31, 2021.

(12) Governmental Accounting Standards Board Statements Issued, Not Yet Effective

The Governmental Accounting Standards Board (GASB) has issued several pronouncements prior to the report date, that have effective dates that may impact future financial presentations.

Governmental Accounting Standards Board Statement No. 87

In June 2017, the GASB issued Statement No. 87 – *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

The requirements of this Statement were effective for reporting periods beginning after December 15, 2019; however, in light of the COVID-19 pandemic, the effective date has been postponed by 18 months. Earlier application is encouraged.

Governmental Accounting Standards Board Statement No. 91

In May 2019, the GASB issued Statement No. 91 – *Conduit Debt Obligations*. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures.

This Statement also addresses arrangements—often characterized as leases—that are associated with conduit debt obligations. In those arrangements, capital assets are constructed or acquired with the proceeds of a conduit debt obligation and used by third-party obligors in the course of their activities. Payments from third-party obligors are intended to cover and coincide with debt service payments. During those arrangements, issuers retain the titles to the capital assets. Those titles may or may not pass to the obligors at the end of the arrangements.

South Feather Water and Power Agency
Notes to the Basic Financial Statements, continued
For the Year Ended December 31, 2021

(12) Governmental Accounting Standards Board Statements Issued, Not Yet Effective, continued

Governmental Accounting Standards Board Statement No. 91, continued

This Statement requires issuers to disclose general information about their conduit debt obligations, organized by type of commitment, including the aggregate outstanding principal amount of the issuers' conduit debt obligations and a description of each type of commitment. Issuers that recognize liabilities related to supporting the debt service of conduit debt obligations also should disclose information about the amount recognized and how the liabilities changed during the reporting period.

The requirements of this Statement were effective for reporting periods beginning after December 15, 2020; however, in light of the COVID-19 pandemic, the effective date has been postponed by one year. Earlier application is encouraged.

Governmental Accounting Standards Board Statement No. 92

In January 2020, the GASB issued Statement No. 92 – *Omnibus 2020*. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and

The requirements of this Statement were as follows: (1) The requirements related to the effective date of Statement 87 and Implementation Guide 2019-3, reinsurance recoveries, and terminology used to refer to derivative instruments are effective upon issuance; (2) The requirements related to intra-entity transfers of assets and those related to the applicability of Statements 73 and 74 are effective for fiscal years beginning after June 15, 2020; (3) The requirements related to application of Statement 84 to postemployment benefit arrangements and those related to nonrecurring fair value measurements of assets or liabilities are effective for reporting periods beginning after June 15, 2020; and (4) The requirements related to the measurement of liabilities (and assets, if any) associated with AROs in a government acquisition are effective for government acquisitions occurring in reporting periods beginning after June 15, 2020; however, in light of the COVID-19 pandemic, the effective date has been postponed by one year. Earlier application is encouraged and is permitted by topic.

Governmental Accounting Standards Board Statement No. 93

In March 2020, the GASB issued Statement No. 93 – *Replacement of Interbank Offered Rates*. The objective of this Statement is to address accounting and financial reporting implications that result from the replacement of an IBOR. This Statement achieves that objective by: (1) Providing exceptions for certain hedging derivative instruments to the hedge accounting termination provisions when an IBOR is replaced as the reference rate of the hedging derivative instrument's variable payment; (2) Clarifying the hedge accounting termination provisions when a hedged item is amended to replace the reference rate; (3) Clarifying that the uncertainty related to the continued availability of IBORs does not, by itself, affect the assessment of whether the occurrence of a hedged expected transaction is probable; (4) Removing LIBOR as an appropriate benchmark interest rate for the qualitative evaluation of the effectiveness of an interest rate swap; (5) Identifying a Secured Overnight Financing Rate and the Effective Federal Funds Rate as appropriate benchmark interest rates for the qualitative evaluation of the effectiveness of an interest rate swap; (6) Clarifying the definition of reference rate, as it is used in Statement 53, as amended; and (7) Providing an exception to the lease modifications guidance in Statement 87, as amended, for certain lease contracts that are amended solely to replace an IBOR as the rate upon which variable payments depend.

The requirements of this Statement were effective as follows: (1) The removal of LIBOR as an appropriate benchmark interest rate is effective for reporting periods ending after December 31, 2021; and (2) All other requirements of this Statement are effective for reporting periods beginning after June 15, 2020; however, in light of the COVID-19 pandemic, the effective dates have been postponed by one year. Earlier application is encouraged.

South Feather Water and Power Agency
Notes to the Basic Financial Statements, continued
For the Year Ended December 31, 2021

(12) Governmental Accounting Standards Board Statements Issued, Not Yet Effective, continued

Governmental Accounting Standards Board Statement No. 94

In March 2020, the GASB issued Statement No. 94 – *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). As used in this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. Some PPPs meet the definition of a service concession arrangement (SCA), which the Board defines in this Statement as a PPP in which (1) the operator collects and is compensated by fees from third parties; (2) the transferor determines or has the ability to modify or approve which services the operator is required to provide, to whom the operator is required to provide the services, and the prices or rates that can be charged for the services; and (3) the transferor is entitled to significant residual interest in the service utility of the underlying PPP asset at the end of the arrangement. This Statement also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). As defined in this Statement, an APA is an arrangement in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction.

The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Earlier application is encouraged.

Governmental Accounting Standards Board Statement No. 96

In May 2020, the GASB issued Statement No. 96 – *Subscription-Based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a 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 of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, Leases, as amended.

The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Earlier application is encouraged.

Governmental Accounting Standards Board Statement No. 97

In June 2020, the GASB issued Statement No. 97 – *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 41 and No. 84, and a supersession of GASB Statement No. 32*. The primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans.

South Feather Water and Power Agency
Notes to the Basic Financial Statements, continued
For the Year Ended December 31, 2021

(12) Governmental Accounting Standards Board Statements Issued, Not Yet Effective, continued

Governmental Accounting Standards Board Statement No. 97, continued

The requirements of this Statement that (1) exempt primary governments that perform the duties that a governing board typically performs from treating the absence of a governing board the same as the appointment of a voting majority of a governing board in determining whether they are financially accountable for defined contribution pension plans, defined contribution OPEB plans, or other employee benefit plans and (2) limit the applicability of the financial burden criterion in paragraph 7 of Statement 84 to defined benefit pension plans and defined benefit OPEB plans that are administered through trusts that meet the criteria in paragraph 3 of Statement 67 or paragraph 3 of Statement 74, respectively, are effective immediately. The requirements of this Statement that are related to the accounting and financial reporting for Section 457 plans are effective for fiscal years beginning after June 15, 2021. For purposes of determining whether a primary government is financially accountable for a potential component unit, the requirements of this Statement that provide that for all other arrangements, the absence of a governing board be treated the same as the appointment of a voting majority of a governing board if the primary government performed the duties that a governing board typically would perform, are effective for reporting periods beginning after June 15, 2021. Earlier application of those requirements is encouraged and permitted by requirement as specified within this Statement. The Board considered the effective dates for the requirements of this Statement in light of the COVID-19 pandemic and in concert with Statement No. 95, Postponement of the Effective Dates of Certain Authoritative Guidance.

(13) Commitments and Contingencies

Grant Awards

Grant funds received by the Agency are subject to audits by grantor agencies. Such an audit could lead to requests for reimbursements to grantor agencies for expenditures disallowed under terms of the grant. Management of the Agency believes that such disallowances, if any, would not be significant.

Litigation

In the ordinary course of operations, the Agency is subject to claims and litigation from outside parties. After consultation with legal counsel, the Agency believes that the ultimate outcome of such matters, if any, will not materially affect its financial conditions.

(14) Subsequent Events

Events occurring after December 31, 2021, have been evaluated for possible adjustment to the financial statements or disclosure as of July 26, 2022, which is the date the financial statements were available to be issued.

On April 1, 2022, the Agency has paid in full the remaining outstanding balance of its 2019 Installment Purchase Agreement amounting to \$4,404,082.

Except for the above, the Agency is not aware of any subsequent events that would require recognition or disclosure in the financial statements.

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Required Supplementary Information

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South Feather Water and Power Agency
Schedules of the Agency's Proportionate Share of the Net Pension Liability, continued
As of December 31, 2021
Last Ten Years*

Description	Measurement Dates							
	6/30/2021	6/30/2020	6/30/2019	6/30/2018	6/30/2017	6/30/2016	6/30/2015	6/30/2014
District's proportion of the net pension liability	0.03632%	0.05460%	0.05112%	0.04757%	0.04788%	0.04463%	0.04052%	0.04483%
District's proportionate share of the net pension liability	\$ 1,964,172	5,940,529	5,238,532	4,584,129	4,748,058	3,862,276	2,781,438	2,720,542
District's covered payroll	\$ 6,010,468	5,949,207	5,867,873	5,952,396	5,627,825	5,570,519	5,746,942	5,118,332
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	32.68%	99.85%	89.27%	77.01%	84.37%	69.33%	48.40%	53.15%
Plan's fiduciary net position as a percentage of the total pension liability	88.29%	75.10%	75.26%	75.26%	73.31%	74.06%	78.40%	80.43%

Notes to the Schedules of the Agency's Proportionate Share of the Net Pension Liability

Change in Benefit Terms

There were no changes to benefit terms that applied to all members of the Public Agency Pool. However, individual employers in the Plan may have provided a benefit improvement to their employees by granting Two Years Additional Service Credit to members retiring during a specified time period (a.k.a. Golden Handshakes). Employers that have done so may need to report this information as a separate liability in their financial statement as CalPERS considers such amounts to be separately financed employer-specific liabilities. These employers should consult with their auditors. Additionally, the figures above do not include any liability impact that may have resulted from Golden Handshakes that occurred after the June 30, 2020 valuation date, unless the liability impact is deemed to be material to the Public Agency Pool.

Change of Assumptions

None

* The Agency has presented information for those years for which information is available until a full 10-year trend is compiled.

**South Feather Water and Power Agency
Schedules of Pension Plan Contributions
As of December 31, 2021
Last Ten Years***

<u>Description</u>	<u>Calendar Year</u>							
	<u>12/31/2021</u>	<u>12/31/2020</u>	<u>12/31/2019</u>	<u>12/31/2018</u>	<u>12/31/2017</u>	<u>12/31/2016</u>	<u>12/31/2015</u>	<u>12/31/2014</u>
Actuarially determined contribution	\$ 1,110,616	1,064,159	970,912	861,704	801,403	596,806	729,747	431,342
Contributions in relation to the actuarially determined contribution	<u>(1,110,616)</u>	<u>(1,064,159)</u>	<u>(970,912)</u>	<u>(861,704)</u>	<u>(801,403)</u>	<u>(596,806)</u>	<u>(729,747)</u>	<u>(431,342)</u>
Contribution deficiency (excess)	\$ <u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
District's covered payroll	\$ <u>5,745,226</u>	<u>5,896,357</u>	<u>6,012,159</u>	<u>5,897,229</u>	<u>5,843,236</u>	<u>5,374,903</u>	<u>5,527,640</u>	<u>5,382,338</u>
Contribution's as a percentage of covered-employee payroll	<u>19.33%</u>	<u>18.05%</u>	<u>16.15%</u>	<u>14.61%</u>	<u>13.72%</u>	<u>11.10%</u>	<u>13.20%</u>	<u>8.01%</u>

Notes to the Schedules of Pension Plan Contributions

* The Agency has presented information for those years for which information is available until a full 10-year trend is compiled.

South Feather Water and Power Agency
Schedules of Changes in Net OPEB Liability and Related Ratios
As of December 31, 2021
Last Ten Years*

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB Liability				
Service cost	\$ 679,864	660,062	591,746	574,511
Interest	388,005	446,009	366,632	421,918
Differences between expected and actual experience	1,732,722	89,656	(372,399)	-
Changes of assumptions	(1,042,819)	1,678,351	2,453,153	(1,034,125)
Benefit payments	<u>(462,951)</u>	<u>(506,488)</u>	<u>(400,584)</u>	<u>(379,032)</u>
Net change in total OPEB liability	1,294,821	2,367,590	2,638,548	(416,728)
Total OPEB liability - beginning of year	<u>18,193,643</u>	<u>15,826,053</u>	<u>13,187,505</u>	<u>13,604,233</u>
Total OPEB liability - end of year (a)	<u>\$ 19,488,464</u>	<u>18,193,643</u>	<u>15,826,053</u>	<u>13,187,505</u>
Plan fiduciary net position				
Contributions - employer	\$ 462,951	506,488	400,584	379,032
Net investment income	-	-	-	-
Benefit payments	(462,951)	(506,488)	(400,584)	(379,032)
Administrative expenses	-	-	-	-
Other expenses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in plan fiduciary net position	-	-	-	-
Plan fiduciary net position - beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Plan fiduciary net position - end of year (b)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net OPEB liability - ending (a) - (b)	<u>\$ 19,488,464</u>	<u>18,193,643</u>	<u>15,826,053</u>	<u>13,187,505</u>
Plan fiduciary net position as a percentage of the total OPEB liability	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>
Covered - payroll	<u>5,745,226</u>	<u>5,896,357</u>	<u>6,012,159</u>	<u>5,897,229</u>
Net OPEB liability as a percentage of covered-payroll	<u>339.21%</u>	<u>308.56%</u>	<u>263.23%</u>	<u>223.62%</u>

Notes to the Schedules of Changes in Net OPEB Liability and Related Ratios

The Agency contributes on an ad hoc basis, but in amount sufficient to fully fund the obligation over a period not to exceed 25 years.

* The Agency has presented information for those years for which information is available until a full 10-year trend is compiled

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Supplemental Information

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South Feather Water and Power Agency
Combining Schedule of Net Position
December 31, 2021

	<u>General Fund</u>	<u>Joint Facilities Operating Fund</u>	<u>Total</u>
Current assets:			
Cash and cash equivalents	\$ 174,806	34,039,575	34,214,381
Investments	645,495	1,325,998	1,971,493
Accounts receivable	647,041	1,609,890	2,256,931
Due from other government agencies	-	173,761	173,761
Property tax receivable	359,723	-	359,723
Accrued interest receivable	13,664	-	13,664
Prepaid expenses and other deposits	240,349	149,539	389,888
Materials and supplies inventory	224,394	637,873	862,267
Total current assets	<u>2,305,472</u>	<u>37,936,636</u>	<u>40,242,108</u>
Non-current assets:			
Investments	1,710,386	3,513,531	5,223,917
Capital assets – not being depreciated	1,016,066	6,874,335	7,890,401
Capital assets – being depreciated, net	39,722,310	61,620,826	101,343,136
Total non-current assets	<u>42,448,762</u>	<u>72,008,692</u>	<u>114,457,454</u>
Total assets	<u>44,754,234</u>	<u>109,945,328</u>	<u>154,699,562</u>
Deferred outflows of resources:			
Deferred pension outflows	670,274	521,210	1,191,484
Deferred OPEB outflows	2,031,712	1,422,198	3,453,910
Deferred loss on defeasance of debt	35,643	-	35,643
Total deferred outflows of resources	<u>\$ 2,737,629</u>	<u>1,943,408</u>	<u>4,681,037</u>

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South Feather Water and Power Agency
Combining Schedule of Net Position, continued
December 31, 2021

	<u>General Fund</u>	<u>Joint Facilities Operating Fund</u>	<u>Total</u>
Current liabilities:			
Accounts payable and accrued expenses	\$ 186,091	279,250	465,341
Accrued payroll and employee benefits	105,757	80,032	185,789
Accrued interest payable	202,057	49,902	251,959
Customer deposits	232,241	-	232,241
Long-term liabilities – due in one year:			
Compensated absences	266,784	220,457	487,241
Certificate-of-participation	635,000	-	635,000
Loans payable	-	1,621,967	1,621,967
Total current liabilities	<u>1,627,930</u>	<u>2,251,608</u>	<u>3,879,538</u>
Non-current liabilities:			
Long-term liabilities – due in more than one year:			
Compensated absences	400,176	330,685	730,861
Certificate-of-participation	24,179,775	-	24,179,775
Loans payable	-	2,580,288	2,580,288
Net pension liability	587,697	1,376,475	1,964,172
Other post-employment benefit liability	11,463,802	8,024,662	19,488,464
Total non-current liabilities	<u>36,631,450</u>	<u>12,312,110</u>	<u>48,943,560</u>
Total liabilities	<u>38,259,380</u>	<u>14,563,718</u>	<u>52,823,098</u>
Deferred inflows of resources:			
Deferred pension inflows	1,423,190	807,985	2,231,175
Deferred OPEB inflows	909,494	636,646	1,546,140
Total deferred inflows of resources	<u>2,332,684</u>	<u>1,444,631</u>	<u>3,777,315</u>
Net position:			
Net investment in capital assets	15,959,244	64,292,906	80,252,150
Unrestricted	(9,059,445)	31,587,481	22,528,036
Total net position	<u>\$ 6,899,799</u>	<u>95,880,387</u>	<u>102,780,186</u>

South Feather Water and Power Agency
Combining Schedule of Revenues, Expenses, and Changes in Net Position
Year Ended December 31, 2021

	<u>General Fund</u>	<u>Joint Facilities Operating Fund</u>	<u>Total</u>
Operating revenues:			
Domestic water sales	\$ 2,607,133	-	2,607,133
Irrigation water sales	282,059	-	282,059
Outside water sales	199,215	5,600,000	5,799,215
Sale of electricity	1,972,147	17,375,993	19,348,140
Miscellaneous charges	168,345	54,207	222,552
Total operating revenues	<u>5,228,899</u>	<u>23,030,200</u>	<u>28,259,099</u>
Operating expenses:			
Source of supply	14,888	-	14,888
Water treatment	1,779,710	-	1,779,710
Transmission and distribution	2,106,846	-	2,106,846
Customer account	960,562	-	960,562
Environmental health and safety	231,412	318,482	549,894
Plant operations	946,628	5,294,465	6,241,093
General and administrative	1,026,247	1,616,550	2,642,797
Total operating expenses	<u>7,066,293</u>	<u>7,229,497</u>	<u>14,295,790</u>
Operating (loss) income before depreciation expense	(1,837,394)	15,800,703	13,963,309
Depreciation expense	(1,856,069)	(2,032,767)	(3,888,836)
Operating (loss) income	<u>(3,693,463)</u>	<u>13,767,936</u>	<u>10,074,473</u>
Non-operating revenues(expenses), net:			
Property taxes	718,188	-	718,188
Investment earnings	1,071	53,998	55,069
Unrealized loss on investments	-	(75,955)	(75,955)
Gain from sale of capital assets	2,150	2,700	4,850
Interest expense – long-term debt	(808,522)	(236,578)	(1,045,100)
Transfers in (out)	2,558,811	(2,558,811)	-
Other non-operating revenues, net	157,888	67,865	225,753
Total non-operating revenues (expenses), net	<u>2,629,586</u>	<u>(2,746,781)</u>	<u>(117,195)</u>
Net (loss) income before capital contributions	<u>(1,063,877)</u>	<u>11,021,155</u>	<u>9,957,278</u>
Capital contributions:			
Capital grants:			
Federal	-	108,611	108,611
State	-	58,876	58,876
System capacity charges	61,082	-	61,082
Total capital contributions	<u>61,082</u>	<u>167,487</u>	<u>228,569</u>
Changes in net position	(1,002,795)	11,188,642	10,185,847
Net position, beginning of the year	<u>7,902,594</u>	<u>84,691,745</u>	<u>92,594,339</u>
Net position, end of year	<u>\$ 6,899,799</u>	<u>95,880,387</u>	<u>102,780,186</u>

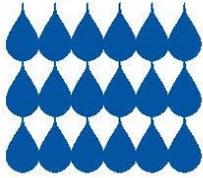
South Feather Water and Power Agency
Debt Service Coverage Ratios
Year Ended December 31, 2021

	<u>2021</u>
Revenues:	
Operating revenues	\$ 28,259,099
Investment earnings	55,069
Property taxes	718,188
Gain from sale of capital assets	4,850
Miscellaneous revenues	<u>330,600</u>
Total revenues	<u>29,367,806</u>
Expenses	
Source of supply	14,888
Water treatment	1,779,710
Transmission and distribution	2,106,846
Customer account	960,562
Environmental health and safety	549,894
Plant operations	6,241,093
General and administrative	2,642,797
Miscellaneous expenses	<u>104,853</u>
Total expenses	<u>14,400,643</u>
Net revenues available for debt service	14,967,163
Actual Debt Service Payments	
2016 Certificates of Participation, principal	615,000
2016 Certificates of Participation, interest	803,910
2019 Installment Purchase Agreement, principal	1,547,585
2019 Installment Purchase Agreement, interest	<u>218,201</u>
Total Actual Debt Service Payments	<u>\$ 3,184,696</u>
Debt Service Coverage Ratio	<u>4.70</u>
Required Debt Service Ratio Greater Than	<u>1.25</u>

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Report on Internal Controls and Compliance

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Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on the Audits of Financial Statements Performed in Accordance with *Government Auditing Standards*

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the South Feather Water and Power Agency (Agency), which comprise the statements of net position as of December 31, 2021, and the related statements of revenues, expenses, and changes in net position and cash flows for the years then ended, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements and have issued our report thereon dated July 26, 2022.

Internal Control Over Financial Reporting

In planning and performing our audits, 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 entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audits we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Agency's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audits 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*.

**Independent Auditor's Report on Internal Control Over Financial Reporting
and on Compliance and Other Matters Based on the Audits of Financial
Statements Performed in Accordance with *Government Auditing Standards*, continued**

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal controls and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Fedak & Brown LLP". The signature is written in a cursive, slightly slanted style.

Fedak & Brown LLP
Cypress, California
July 26, 2022