

SOUTH FEATHER WATER AND POWER AGENCY

Audited Financial Statements
and Compliance Reports

December 31, 2025

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SOUTH FEATHER WATER AND POWER AGENCY

Audited Financial Statements
and Compliance Report

December 31, 2025 and 2024

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550 Howe Avenue, Suite 210
Sacramento, California 95825

Telephone: (916) 564-8727
FAX: (916) 564-8728

INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the accompanying financial statements of the South Feather Water and Power Agency (the Agency), as of and for the years ended December 31, 2025 and 2024, 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 financial position of the Agency as of December 31, 2025 and 2024, and the changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America as well as accounting systems prescribed by the State Controller's Office and state regulations governing special districts.

Emphasis of Matters

As discussed in Note L to the financial statements, the Agency expenses distributions of net power revenues to North Yuba Water District when paid rather than accruing a liability each year end. Our opinion is not modified with respect to this matter.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and the State Controller's Minimum Audit Requirements for California Special Districts. 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 audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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.

To the Board of Directors
South Feather Water and Power Agency

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.

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 opinion. 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 and *Government 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 and *Government 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, the schedule of proportionate share of the net pension liability, schedule of contributions to the pension plan, and schedule of changes in the net OPEB liability and related ratios, as listed in the accompanying table of contents, 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

To the Board of Directors
South Feather Water and Power Agency

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.

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 accompanying supplementary information, as listed in the table of contents, and schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, 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 supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 12, 2026 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 solely 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 the effectiveness of the Agency's 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.

Richardson & Company, LLP

June 12, 2026

South Feather Water and Power Agency
Management's Discussion and Analysis
For the Year Ended December 31, 2025
With Comparative Amounts as of December 31, 2024

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, 2025 (with comparative information for the year ended December 31, 2024). 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 2025, the Agency's net position increased by 1.2% or \$106,112,449 to \$107,414,584.
- In 2025, the Agency's operating revenues decreased by 13.14% or \$28,665,788 to \$24,898,125.
- In 2025, the Agency's non-operating revenues decreased by 5.56% or \$3,261,112 to \$3,079,821.
- In 2025, the Agency's operating expenses decreased by 18.04% or \$29,203,438 to \$23,934,505.
- In 2025, the Agency's non-operating expenses decreased by 41.41% or \$1,212,281 to \$710,261.

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 did cash come 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 question 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 of the current year's revenues and expenses are taken into account regardless of when the cash is received or paid.

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 9 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 for a total net position of \$107,414,584 as of December 31, 2025.

Condensed Statements of Net Position

	2025	2024	Change	% Change
Assets:				
Current assets	\$ 58,297,919	\$ 56,358,945	\$ 1,938,974	3.44%
Non-current assets	\$ 101,391,007	\$ 101,818,632	\$ (427,625)	-0.42%
Total Assets	\$ 159,688,926	\$ 158,177,577	\$ 1,511,349	0.96%
Deferred outflows of resources	\$ 5,376,236	\$ 5,229,864	\$ 146,372	2.80%
Liabilities:				
Current liabilities	\$ 4,922,442	\$ 3,837,116	\$ 1,085,326	28.28%
Non-current liabilities	\$ 46,551,868	\$ 48,408,478	\$ (1,856,610)	-3.84%
Total Liabilities	\$ 51,474,310	\$ 52,245,594	\$ (771,284)	-1.48%
Deferred inflows of resources	\$ 6,176,268	\$ 5,049,398	\$ 1,126,870	22.32%
Net Position:				
Net investment in capital assets	\$ 79,202,539	\$ 78,543,311	\$ 659,228	0.84%
Restricted ofr capacity expansion	\$ 1,565,487	\$ 1,543,672	\$ 21,815	1.41%
Unrestricted	\$ 26,646,558	\$ 26,025,466	\$ 621,092	2.39%
Total net position	\$ 107,414,584	\$ 106,112,449	\$ 1,302,135	1.23%

A portion of the Agency's net position, 74% as of December 31, 2025, 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.

Statements of Net Position, continued

As of December 31, 2025, the Agency showed a positive balance in its unrestricted net position of \$26,646,558. See note E for further discussion.

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 by 1.2% or \$106,112,449 to \$107,414,584.

Condensed Statements of Revenues, Expenses and Changes in Net Position

	2025	2024	Change	% Change
Revenues:				
Operating revenues	\$ 24,898,125	\$ 28,665,788	\$ (3,767,663)	-13.14%
Non-operating revenues	\$ 3,079,821	\$ 3,261,112	\$ (181,291)	-5.56%
Total revenues	\$ 27,977,946	\$ 31,926,900	\$ (3,948,954)	-12.37%
Expenses:				
Operating expenses	\$ 23,934,505	\$ 29,203,438	\$ (5,268,933)	-18.04%
Depreciation expenese	\$ 4,082,947	\$ 4,435,572	\$ (352,625)	-7.95%
Non-operating expenses	\$ 710,261	\$ 1,212,281	\$ (502,020)	-41.41%
Total expenses	\$ 28,727,713	\$ 34,851,291	\$ (6,123,578)	-17.57%
Net income before capital contributions	\$ (749,767)	\$ (2,924,391)	\$ 2,174,624	-74.36%
Capital contributions				
Capital grants:				
Federal	\$ 1,750,624	\$ 7,336	\$ 1,743,288	237.63%
State	\$ 279,463	\$ -	\$ 279,463	100.00%
System capacity charges	\$ 21,815	\$ 994,566	\$ (972,751)	-97.81%
Total capital contributions	\$ 2,051,902	\$ 1,001,902	\$ 1,050,000	104.80%
Changes in net position	\$ 1,302,135	\$ (1,922,489)	\$ 3,224,624	-167.73%
Net position, beginning of year	\$ 106,112,449	\$ 108,034,938	\$ (1,922,489)	-1.78%
Net position, end of year	\$ 107,414,584	\$ 106,112,449	\$ 1,302,135	1.23%

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

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

In 2025, the Agency's operating revenues decreased by 13.14% or \$28,665,788 to \$24,898,125 due primarily to decreases of the sale of electricity in both the Power Division and Sly Creek Power Generation.

In 2025, the Agency's non-operating revenues decreased by 5.56% or \$3,261,112 to \$3,079,821 due to lower investment earnings during 2025.

Capital Asset Administration

As of December 31, 2025, the Agency's capital assets (net of accumulated depreciation) amounted to \$101,390,751. 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 A for further discussion.

Change in capital asset amounts for 2025 was as follows:

	Balance at January 1, 2025	Additions	Disposals/ Transfers	Balance at December 31, 2025
Capital assets:				
Non-depreciable assets	\$ 8,451,809	\$ 92,065	\$ (287,515)	\$ 8,256,359
Depreciable assets	\$ 227,068,033	\$ 3,563,368	\$ 287,515	\$ 230,918,916
Accumulated depreciation	\$ (133,701,577)	\$ (4,082,947)		\$ (137,784,524)
Total capital assets, net	\$ 101,818,265	\$ (427,514)	\$ -	\$ 101,390,751

Debt Administration

For the year ended December 31, 2025, long-term debt decreased by \$695,000 due a principal payment in 2025. See note D for further discussion.

Change in long-term debt amounts for 2025 was as follows:

	Balance 2024	Additions/ Deletions	Principal Payment	Balance 2025
Long-term debt:				
2016 Certificates of participation	\$ 22,430,000	\$ -	\$ 695,000	\$ 21,735,000
Less: current portion				\$ (720,000)
Non-current portion				\$ 21,015,000

Economic Factors and Other Conditions Affecting Current Financial Position

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 Manager at 2310 Oro-Quincy Highway, Oroville, California 95966 or by phone (530) 533-4578.

SOUTH FEATHER WATER AND POWER AGENCY

STATEMENTS OF NET POSITION

December 31, 2025 and 2024

	<u>2025</u>	<u>2024</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 41,186,052	\$ 40,535,150
Investments	11,035,755	10,514,727
Accounts receivable	292,011	289,494
Due from other governments	3,095,997	2,232,680
Accrued interest receivable	448,306	439,969
Property taxes receivable	416,806	417,781
Prepaid expenses	619,758	614,694
Inventory	1,203,234	1,314,450
TOTAL CURRENT ASSETS	<u>58,297,919</u>	<u>56,358,945</u>
NONCURRENT ASSETS		
Restricted cash and cash equivalents	256	367
Capital assets:		
Not being depreciated	8,256,359	8,451,809
Being depreciated, net	93,134,392	93,366,456
Total Capital Assets, Net	<u>101,390,751</u>	<u>101,818,265</u>
TOTAL NONCURRENT ASSETS	<u>101,391,007</u>	<u>101,818,632</u>
TOTAL ASSETS	<u>159,688,926</u>	<u>158,177,577</u>
DEFERRED OUTFLOWS OF RESOURCES		
Pension plan	1,951,109	2,650,939
OPEB plan	3,425,127	2,578,925
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>5,376,236</u>	<u>5,229,864</u>
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	1,074,098	762,959
Accrued payroll and benefits	257,317	216,501
Accrued interest payable	182,223	189,377
Due to North Yuba Water District	177,250	177,250
Deposits	322,274	45,324
Current portion of long-term liabilities	2,909,280	2,445,705
TOTAL CURRENT LIABILITIES	<u>4,922,442</u>	<u>3,837,116</u>
NONCURRENT LIABILITIES		
Long-term liabilities, noncurrent	21,517,835	22,339,078
Net pension liability	6,986,847	8,557,008
Net OPEB liability	18,047,186	17,512,392
TOTAL NONCURRENT LIABILITIES	<u>46,551,868</u>	<u>48,408,478</u>
TOTAL LIABILITIES	<u>51,474,310</u>	<u>52,245,594</u>
DEFERRED INFLOWS OF RESOURCES		
Pension plan	1,262,922	341,867
OPEB plan	4,913,346	4,707,531
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>6,176,268</u>	<u>5,049,398</u>
NET POSITION		
Net investment in capital assets	79,202,539	78,543,311
Restricted for capacity expansion	1,565,487	1,543,672
Unrestricted	26,646,558	26,025,466
TOTAL NET POSITION	<u>\$ 107,414,584</u>	<u>\$ 106,112,449</u>

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

SOUTH FEATHER WATER AND POWER AGENCY

STATEMENTS OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION

For the years ended December 31, 2025 and 2024

	2025	2024
OPERATING REVENUES		
Domestic water sales	\$ 2,579,147	\$ 2,544,034
Irrigation water sales	303,310	279,770
Sale of electricity	21,403,695	22,814,837
Other services	611,973	3,027,147
TOTAL OPERATING REVENUES	24,898,125	28,665,788
OPERATING EXPENSES		
Source of supply	17,595	17,595
Water treatment	2,352,880	2,106,901
Environmental health and safety	788,102	734,193
Transmission and distribution	2,273,860	2,372,396
Customer accounts	1,277,589	1,165,653
Plant operations	10,530,406	16,646,815
General and administrative	6,669,935	6,081,005
Other operating expenses	24,138	78,880
Depreciation	4,082,947	4,435,572
TOTAL OPERATING EXPENSES	28,017,452	33,639,010
NET INCOME (LOSS) FROM OPERATIONS	(3,119,327)	(4,973,222)
NON-OPERATING REVENUE (EXPENSES)		
Property taxes	870,385	831,456
Investment earnings	2,204,574	2,376,037
Insurance reimbursements	4,862	20,903
Miscellaneous non-operating revenue		32,716
Loss on disposal of capital assets		(463,537)
Interest expense	(710,261)	(748,744)
TOTAL NON-OPERATING REVENUES (EXPENSES)	2,369,560	2,048,831
NET INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS	(749,767)	(2,924,391)
CAPITAL CONTRIBUTIONS		
Capital grants:		
Federal	1,750,624	7,336
State	279,463	
System capacity charges	21,815	994,566
TOTAL CAPITAL CONTRIBUTIONS	2,051,902	1,001,902
CHANGE IN NET POSITION	1,302,135	(1,922,489)
Net position at beginning of year	106,112,449	108,034,938
NET POSITION AT END OF YEAR	\$ 107,414,584	\$ 106,112,449

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

SOUTH FEATHER WATER AND POWER AGENCY

STATEMENTS OF CASH FLOWS

For the years ended December 31, 2025 and 2024

	2025	2024
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	\$ 25,272,405	\$ 28,185,980
Cash paid to suppliers for goods and services	(11,456,271)	(17,729,347)
Cash paid to employees for services	(11,342,810)	(10,053,640)
NET CASH PROVIDED BY OPERATING ACTIVITIES	2,473,324	402,993
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Property taxes received	871,360	853,358
Other nonoperating (expense) revenue		32,716
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	871,360	886,074
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital grants received	1,066,923	7,336
System capacity charges received	21,815	994,566
Acquisition of capital assets	(4,033,383)	(1,639,029)
Proceeds from insurance refund	4,862	20,903
Principal paid on bonds payable	(695,000)	(675,000)
Interest paid	(734,319)	(758,184)
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	(4,369,102)	(2,049,408)
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment earnings received	2,179,637	2,336,849
Purchases of investments	(3,450,000)	(3,796,000)
Proceeds from sales and maturities of investments	2,945,572	3,793,479
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	1,675,209	2,334,328
NET INCREASE IN CASH AND CASH EQUIVALENTS	650,791	1,573,987
Cash and cash equivalents at beginning of year	40,535,517	38,961,530
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 41,186,308	\$ 40,535,517
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENTS OF NET POSITION		
Cash and cash equivalents	\$ 41,186,052	\$ 40,535,150
Restricted cash and cash equivalents	256	367
TOTAL CASH AND CASH EQUIVALENTS	\$ 41,186,308	\$ 40,535,517
RECONCILIATION OF NET INCOME (LOSS) FROM OPERATIONS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Net income (loss) from operations	\$ (3,119,327)	\$ (4,973,222)
Adjustments to reconcile net income (loss) from operations to net cash provided (used) by operating activities:		
Depreciation and amortization	4,082,947	4,435,572
Changes in operating assets and liabilities:		
Accounts receivable	(2,517)	63,820
Due from other governments	99,847	(510,243)
Prepaid expenses	(5,064)	(115,605)
Inventory	111,216	41,586
Deferred outflows related to pension plan	699,830	1,422,431
Deferred outflows related to OPEB plan	(846,202)	1,220,551
Accounts payable and accrued expenses	689,089	(312,133)
Accrued payroll and benefits	40,816	27,793
Due to North Yuba Water District		177,250
Deposits	276,950	(33,385)
Compensated absences	354,236	72,037
Net pension liability	(1,570,161)	(84,370)
Net OPEB liability	534,794	(2,330,965)
Deferred inflows related to pension plan	921,055	(120,581)
Deferred inflows related to OPEB plan	205,815	1,422,457
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 2,473,324	\$ 402,993
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES		
Amortization of bond premiums and discounts	\$ (16,904)	\$ (16,903)
Change in fair value of investments	\$ 16,600	\$ (44,729)
Change in capital asset purchases included in liabilities	\$ (377,950)	\$ 450,440

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

SOUTH FEATHER WATER AND POWER AGENCY

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2025 and 2024

NOTE A – REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Reporting Entity: The South Feather Water and Power Agency (formerly known as Oroville-Wyandotte Irrigation District) was formed November 18, 1919, under Irrigation Law, Division II, of the California Water Code. The Agency presently includes approximately 54,000 acres in southeastern Butte County and encompasses the unincorporated areas adjacent to the City of Oroville, as well as the unincorporated communities of Kelly Ridge, Bangor, and Palermo. The Agency's 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 is governed by an elected five-member Board of Directors.

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 that generate power, which is sold to Northern California Power Agency.

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

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

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

Basis of Accounting: The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The enterprise fund type is accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets, deferred outflows, liabilities, and deferred

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

December 31, 2025 and 2024

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

inflows associated with the operation of the fund are included on the statement of net position. Net position is segregated into the net investment in capital assets, amounts restricted and amounts unrestricted. Enterprise fund type operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net assets.

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

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

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

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

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

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

Restricted Cash and Cash Equivalents: Restricted cash and cash equivalents represent fiscal agent accounts limited for the use specified by the related debt covenant and capacity fees that are restricted to certain improvements to facilities.

Receivables and Payables: Receivables consist of all revenues earned at year-end and not yet received. Receivables are recorded in the financial statements net of any allowance for doubtful accounts, if applicable, and estimated refunds due. Delinquent water charges are submitted to the County Tax Assessor annually to be encumbered on the secured property tax bills. Therefore, no allowance was deemed necessary at December 31, 2025 and 2024. Activities between combining units that are

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

December 31, 2025 and 2024

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

representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e. the current portion of the interfund loans) or "advances to/from other funds" (i.e. the non-current portion of the interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." These internal transactions are eliminated for reporting in the Agency's single enterprise fund.

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

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

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

Inventory and Prepaid Expenses: The Agency's inventory consists of primarily water pipe and pipe fittings for maintenance of the Agency's water and treatment and distribution system and its hydroelectric power generation facilities, which are valued at average cost using the first-in, first out method. Inventory items are charged to expense at the time the items are consumed.

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

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 \$10,000 and an estimated useful life in excess of one year. Capital assets are valued at historical cost. Donated capital assets are recorded at the acquisition value, which is the price that would be paid to acquire an asset with equivalent service potential in an orderly market transaction at the acquisition date. The cost of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized. Interest was capitalized on assets acquired with debt. The amount of interest to be capitalized is offset by interest earned in invested debt proceeds over the construction period. Depreciation is provided over the useful lives of assets using the straight-line method. Estimated useful lives of all depreciable assets are as follows:

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

Compensated Absences: Under GASB Statement No. 101, a liability for compensated absences is recognized for unused leave for services already rendered if the leave accumulates and is more likely than not to be used for time-off or otherwise paid in cash or settled through noncash means. The Agency's policy allows employees to accumulate earned but unused vacation, sick leave, floating holidays and birthday holidays. Vacation, floating holidays, and birthday holidays are fully paid to employees upon

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

December 31, 2025 and 2024

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

separation from the Agency's service and are fully accrued as part of the compensated absences liability. All or a portion of sick leave is paid at separation depending on the circumstances and two days of unused sick leave may be converted to one day of vacation leave up to a maximum of four days. The portion of sick leave payable at separation and the estimated amount of sick leave expected to be used for time off is accrued as part of the compensated absences liability. The cost of compensated absences is recognized in the period earned.

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

Lease and Subscription Liabilities: Lease liabilities represent the Agency's obligation to make lease payments arising from leases. Lease liabilities are recognized at the lease commencement date based on the present value of future lease payments expected to be made during the lease term. The lease payments are discounted at the rate inherent in the lease agreement or, if not determinable, at an estimated incremental borrowing rate. The Agency had no material lease agreements meeting the recognition criteria under GASB Statement No. 87.

Subscription liabilities represent the Agency's obligation to make subscription payments arising from subscription contracts. Subscription liabilities are recognized at the subscription commencement date based on the present value of the future subscription payments expected to be made during the subscription term. The subscription payments are discounted at the rate inherent in the lease agreement or, if not determinable, at an estimated incremental borrowing rate. The Agency had no material subscription agreements meeting the recognition criteria under GASB Statement No. 96.

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

Other Postemployment Benefits Plan (OPEB): For purposes of measuring the net OPEB liability, deferred outflows/inflows of resources and OPEB expense, information about the fiduciary net position of the plan held by CalPERS and additions to/deductions from the plan's fiduciary net position have been determined on the same basis as they are reported by the plan. For this purpose, the plan recognizes benefit payments when due and payable in accordance with the benefit terms. Investments, if applicable, are reported at fair value.

Deferred Inflows and Outflows: The statement of net position includes a separate section for deferred outflows and deferred inflows of resources. *Deferred outflows of resources* represent a consumption of net position by the government that is applicable to a future reporting period. *Deferred inflows of resources* represent an acquisition of net position that is applicable to a future reporting period. These

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

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

amounts will not be recognized as an outflow of resources (expenditures/expense) or an inflow of resources (revenue) until the earnings process is complete. Deferred outflows and inflows of resources include amounts deferred related to the Agency’s pension plan as described in Note F and OPEB Plan as described in Note G.

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

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

New Pronouncements: In April 2024, the GASB issued Statement No. 103, *Financial Reporting Model Improvements*. This Statement improves key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government’s accountability, including 1) certain topics and disclosures in management’s discussion and analysis; 2) requiring the display of inflows and outflows of unusual and infrequent items to be reported separately as the last presented flow(s) of resources prior to the net change in resources flows in the government-wide, governmental fund, and proprietary fund statement of resources flows; 3) changing the definition of proprietary fund nonoperating revenues and expenses to include subsidies received and provided, contributions to permanent and term endowments, revenues and expenses related to financing, resources from the disposal of capital assets and inventory and investment income and expenses and defines operating revenues and expenses as revenue and expenses other than nonoperating revenue and expenses; 4) requires major component units to be presented separately in the reporting entity’s statement of net position and statement of activities if it does not reduce the readability of the statements; and 5) requires budgetary comparison schedules to be reported as Required Supplementary Information (RSI), requires the presentation of variances between original and final budget amounts and final budget and actual amounts in the RSI and requires the explanation of significant variances to be reported in notes to the RSI. The provisions of this Statement are effective for years beginning after June 15, 2025.

In September 2024, the GASB issued Statement No. 104, *Disclosure of Certain Capital Assets*. This Statement requires lease assets recognized in accordance with GASB Statement No. 87, *Leases*, right-to-use assets recognized in accordance with GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, subscription assets recognized in accordance with GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, and other intangible assets to be disclosed separately in capital assets footnote disclosures. This Statement also requires additional disclosures for capital assets held for sale. A capital asset is a capital asset held for sale if (a) the government has decided to pursue the sale of the capital asset and (b) it is probable that the sale will be finalized within one year of the financial statement date. Governments should disclose the ending historical cost and accumulated depreciation by major class of asset and the carrying amount of debt for which the assets are pledged as collateral by major class of asset held for sale under this Statement. The provisions of this Statement are effective for fiscal years beginning after June 15, 2025.

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

December 31, 2025 and 2024

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

In December 2025, the GASB issued Statement No. 105, *Subsequent Events*. This Statement defines subsequent events as transactions or other events that occur after the date of the financial statements but before the date the financial statements are available to be issued. This Statement describes the date the financial statements are available to be issued as the date at which (1) the financial statements are complete in a form and format that complies with generally accepted accounting principles and (2) approvals necessary for issuance have been obtained. That definition modifies the subsequent events time frame throughout the GASB literature. This Statement also requires the date through which subsequent events have been evaluated to be disclosed. This Statement clarifies the subsequent events that constitute recognized and nonrecognized events and establishes specific note disclosure requirements for nonrecognized events. The provisions of this Statement are effective for fiscal years beginning after June 15, 2026.

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

NOTE B – CASH AND INVESTMENTS

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

	2025	2024
Cash and cash equivalents	\$ 41,186,052	\$ 40,535,150
Investments	11,035,755	10,514,727
Restricted cash and cash equivalents	256	367
Total cash and investments	\$ 52,222,063	\$ 51,050,244

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

	2025	2024
Cash on hand	\$ 2,417	\$ 2,417
Deposits with financial institutions	4,638,049	5,449,778
Total cash	4,640,466	5,452,195
Money market mutual funds	398,050	599,515
Local Agency Investment Fund (LAIF)	34,575,339	32,993,140
Certificates of deposit	10,533,230	9,283,789
U.S. government agency securities	502,525	1,230,938
Investment Trust of California (CalTRUST)	1,572,453	1,490,667
Total investments	47,581,597	45,598,049
Total cash and investments	\$ 52,222,063	\$ 51,050,244

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

December 31, 2025 and 2024

NOTE B – CASH AND INVESTMENTS (Continued)

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

Authorized Investment Type	Maximum Maturity	Maximum Total of Portfolio	Maximum Investment in One Issuer
Bonds issued by the Agency	None	None	None
U.S. Treasury obligations	None	None	None
State of California obligations	None	None	None
Local Agency Investment Fund (LAIF)	N/A	\$40,000,000	None
Banker's acceptances	270 days	40%	30%
Commercial paper - U.S. companies	180 days	15%	10%
Certificates of deposit	None	30%	None
Repurchase agreements	1 year	None	None
Medium term notes	5 years	30%	None
Money market mutual funds	N/A	15%	None
Mortgage obligations	5 years	30%	None
Other investments as permitted by the California Government Code	N/A	Per Government Code	Per Government Code

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

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

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

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

December 31, 2025 and 2024

NOTE B – CASH AND INVESTMENTS (Continued)

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

	Credit Rating	Remaining Maturity			Fair Value
		12 months or less	Over 12 to 24 Months	Over 24 to 60 Months	
<u>December 31, 2025</u>					
Money market mutual funds	Not Rated	\$ 398,050			\$ 398,050
LAIF	Not Rated	34,575,339			34,575,339
Certificates of deposits	Not Rated	4,486,059	\$ 3,328,914	\$ 2,718,257	10,533,230
U.S. government agency securities	AA+	248,923		253,602	502,525
CalTRUST	AAf	460		1,571,993	1,572,453
		<u>\$ 39,708,831</u>	<u>\$ 3,328,914</u>	<u>\$ 4,543,852</u>	<u>\$ 47,581,597</u>
<u>December 31, 2024</u>					
Money market mutual funds	Not Rated	\$ 599,515			\$ 599,515
LAIF	Not Rated	32,993,140			32,993,140
Certificates of deposits	Not Rated	1,712,998	\$ 4,741,678	\$ 2,829,113	9,283,789
U.S. government agency securities	AA+	990,971	239,967		1,230,938
CalTRUST	AAf	441		1,490,226	1,490,667
		<u>\$ 36,297,065</u>	<u>\$ 4,981,645</u>	<u>\$ 4,319,339</u>	<u>\$ 45,598,049</u>

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

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

December 31, 2025 and 2024

NOTE B – CASH AND INVESTMENTS (Continued)

	2025			
	Total	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by fair value level				
Certificates of deposit	\$ 10,533,230		\$ 10,533,230	
U.S. government agency securities	502,525		502,525	
Total investments by fair value level	<u>11,035,755</u>	<u>\$ -</u>	<u>\$ 11,035,755</u>	<u>\$ -</u>
Assets measured at net asset value:				
Money market mutual funds	398,050			
Investments not categorized:				
LAIF	34,575,339			
CalTRUST	<u>1,572,453</u>			
	<u>\$ 47,581,597</u>			
	2024			
	Total	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by fair value level				
Certificates of deposit	\$ 9,283,789		\$ 9,283,789	
U.S. government agency securities	1,230,938		1,230,938	
Total investments by fair value level	<u>10,514,727</u>	<u>\$ -</u>	<u>\$ 10,514,727</u>	<u>\$ -</u>
Assets measured at net asset value:				
Money market mutual funds	599,515			
Investments not categorized:				
LAIF	32,993,140			
CalTRUST	<u>1,490,667</u>			
	<u>\$ 45,598,049</u>			

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

Concentration of Credit Risk: The investment policy of the Agency contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. As of December 31, 2025 and 2024 there were no investments in any one issuer (other than U.S. Treasury securities, mutual funds and external investment pools) that represented 5% or more of the total Agency investments.

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

December 31, 2025 and 2024

NOTE B – CASH AND INVESTMENTS (Continued)

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

As of December 31, 2025 and 2024, the carrying amount of the Agency's bank deposits totaled \$4,638,049 and \$5,449,778 and the bank balances totaled \$4,875,990 and \$5,721,130, respectively. At December 31, 2025 and 2024, \$500,000 was covered by federal depository insurance and the remaining amounts were collateralized by securities held by the pledging financial institution, but not in the name of the Agency. Negotiable certificates of deposit, all of which are below the federal depository insurance limit, are excluded from the amounts above.

U.S. Treasury and U.S. government agency securities in the amount of \$502,525 and \$1,230,938 as of December 31, 2025 and 2024, respectively, were held by the same broker-dealer (counterparty) that was used to buy the securities.

Investment in LAIF: The Agency is a voluntary participant in the California Local Agency Investment Fund (LAIF) that is regulated by the California Government Code under the oversight of the Treasurer of the State of California. LAIF is stated at amortized cost, which approximates fair value. The LAIF is a special fund of the California State Treasury through which local governments may pool investments. LAIF is managed by the State Treasurer. Of the amount invested in LAIF, 3.59% and 3.69% at December 31, 2025 and 2024 was invested in structured notes and asset-backed instruments. The Local Investment Advisory Board (Board) has oversight responsibility for LAIF. The Board consists of five members as designated by state statute. The fair value of the District's investment in this pool is reported in the accompanying financial statements at amounts based upon the District's pro-rata share of the amount provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

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

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

December 31, 2025 and 2024

NOTE C – CAPITAL ASSETS

Capital asset activity for the years ended December 31 was as follows:

	Balance at January 1, 2025	Additions	Disposals	Transfers	Balance at December 31, 2025
Capital assets, not being depreciated:					
Land, land rights and water rights	\$ 2,365,983				\$ 2,365,983
Construction in progress	369,519	\$ 92,065		\$ (287,515)	174,069
FERC relicensing in progress	5,716,307				5,716,307
Total capital assets, not being depreciated	<u>8,451,809</u>	<u>92,065</u>		<u>(287,515)</u>	<u>8,256,359</u>
Capital assets, being depreciated:					
Source of supply	150,937,123	487,385		211,313	151,635,821
Pumping plant	362,296				362,296
Transmission and distribution	57,953,443	2,079,456		76,202	60,109,101
General plant and yard	14,247,805	996,527			15,244,332
Tailwater depression system	124,445				124,445
Photovoltaic system	2,258,931				2,258,931
Recreational facilities	1,183,990				1,183,990
Total capital assets being depreciated	<u>227,068,033</u>	<u>3,563,368</u>		<u>287,515</u>	<u>230,918,916</u>
Less: accumulated depreciation:					
Source of supply	(92,845,277)	(2,140,644)			(94,985,921)
Pumping plant	(350,595)				(350,595)
Transmission and distribution	(27,107,404)	(1,270,457)			(28,377,861)
General plant and yard	(11,062,654)	(650,058)			(11,712,712)
Tail water depression system	(124,445)				(124,445)
Photovoltaic system	(1,124,347)				(1,124,347)
Recreational facilities	(1,086,855)	(21,788)			(1,108,643)
Total accumulated depreciation	<u>(133,701,577)</u>	<u>(4,082,947)</u>			<u>(137,784,524)</u>
Total capital assets being depreciated, net	<u>93,366,456</u>	<u>(519,579)</u>		<u>287,515</u>	<u>93,134,392</u>
CAPITAL ASSETS, NET	<u>\$ 101,818,265</u>	<u>\$ (427,514)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 101,390,751</u>

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

December 31, 2025 and 2024

NOTE C – CAPITAL ASSETS (Continued)

	Balance at January 1, 2024	Additions	Disposals	Transfers	Balance at December 31, 2024
Capital assets, not being depreciated					
Land, land rights and water rights	\$ 2,365,983				\$ 2,365,983
Construction in progress	315,082	\$ 99,540		\$ (45,103)	369,519
FERC relicensing in progress	5,716,307				5,716,307
Total capital assets, not being depreciated	<u>8,397,372</u>	<u>99,540</u>		<u>(45,103)</u>	<u>8,451,809</u>
Capital assets, being depreciated					
Source of supply	150,439,213	774,445	\$ (321,638)	45,103	150,937,123
Pumping plant	362,296				362,296
Treatment and distribution	57,618,478	471,318	(136,353)		57,953,443
General plant and yard	14,230,337	744,166	(726,698)		14,247,805
Tailwater depression system	124,445				124,445
Photovoltaic system	2,258,931				2,258,931
Recreational facilities	1,183,990				1,183,990
Total capital assets being depreciated	<u>226,217,690</u>	<u>1,989,929</u>	<u>(1,184,689)</u>	<u>45,103</u>	<u>227,068,033</u>
Less: accumulated depreciation					
Source of supply	(90,934,211)	(2,023,818)	112,752		(92,845,277)
Pumping plant	(346,340)	(4,255)			(350,595)
Treatment and distribution	(25,938,519)	(1,290,682)	121,797		(27,107,404)
General plant and yard	(10,522,646)	(1,026,611)	486,603		(11,062,654)
Tailwater depression system	(124,445)				(124,445)
Photovoltaic system	(1,064,968)	(59,379)			(1,124,347)
Recreational facilities	(1,056,028)	(30,827)			(1,086,855)
Total accumulated depreciation	<u>(129,987,157)</u>	<u>(4,435,572)</u>	<u>721,152</u>		<u>(133,701,577)</u>
Total capital assets being depreciated, net	<u>96,230,533</u>	<u>(2,445,643)</u>	<u>(463,537)</u>	<u>45,103</u>	<u>93,366,456</u>
CAPITAL ASSETS, NET	<u>\$ 104,627,905</u>	<u>\$ (2,346,103)</u>	<u>\$ (463,537)</u>	<u>\$ -</u>	<u>\$ 101,818,265</u>

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

December 31, 2025 and 2024

NOTE D – LONG-TERM LIABILITIES

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

	January 1, 2025	Additions	Reductions	December 31, 2025	Due Within One Year	Due After One Year
2016 Certificates of Participation	\$ 22,430,000		\$ (695,000)	\$ 21,735,000	\$ 720,000	\$ 21,015,000
Unamortized premiums	369,064		(16,904)	352,160		352,160
Total long-term debt	<u>22,799,064</u>		<u>(711,904)</u>	<u>22,087,160</u>	<u>720,000</u>	<u>21,367,160</u>
Compensated absences	1,985,719	\$ 354,236		2,339,955	2,189,280	150,675
Total Long-Term Liabilities	<u>\$ 24,784,783</u>	<u>\$ 354,236</u>	<u>\$ (711,904)</u>	<u>\$ 24,427,115</u>	<u>\$ 2,909,280</u>	<u>\$ 21,517,835</u>

	January 1, 2024	Additions	Reductions	December 31, 2024	Due Within One Year	Due After One Year
2016 Certificates of Participation	\$ 23,105,000		\$ (675,000)	\$ 22,430,000	\$ 695,000	\$ 21,735,000
Unamortized premiums	385,967		(16,903)	369,064		369,064
Total Debt and Loans	<u>23,490,967</u>		<u>(691,903)</u>	<u>22,799,064</u>	<u>695,000</u>	<u>22,104,064</u>
Compensated absences	1,913,682	\$ 72,037		1,985,719	1,750,705	235,014
Total Long-Term Liabilities	<u>\$ 25,404,649</u>	<u>\$ 72,037</u>	<u>\$ (691,903)</u>	<u>\$ 24,784,783</u>	<u>\$ 2,445,705</u>	<u>\$ 22,339,078</u>

The changes in compensated absences above represents additions net of reductions.

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

2016 Certificates of Participation: In October 2016, the Agency issued \$27,010,000 of Certificates of Participation (Certificates). The 2016 Certificates were issued to refund the 2012 Revenue Refunding Bonds and finance the Miners Ranch Water Treatment Plant Improvement Project. The 2012 Revenue Refunding Bonds were issued to refund the remaining balance of the 1980 Miners Ranch Domestic Revenue Bonds and 2003 Certificates of Participation. The Agency is required to collect rates, fees, and charges that will be sufficient to yield net water system and hydroelectric system revenues equal to 125% of debt service payments on outstanding debt and any future parity debt issued. Annual principal payments, ranging from \$250,000 to \$1,395,000, are due on April 1 through April 1, 2046 and semi-annual interest payments ranging from \$45,338 to \$436,738 are due on April 1 and October 1 through April 1, 2046 at 2% to 4%. In the event of default, the remaining balance will immediately be due and payable. The default interest rate would be the JPMorgan Chase Bank Prime Rate plus 3%.

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

December 31, 2025 and 2024

NOTE D – LONG-TERM LIABILITIES (Continued)

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

Year ended December 31,	2016 Certificates of Participation						
	2025			2024			
	Principal	Interest	Totals	Year ended December 31,	Principal	Interest	Totals
				2025	\$ 695,000	\$ 749,275	\$ 1,444,275
2026	\$ 720,000	\$ 721,475	\$ 1,441,475	2026	720,000	721,475	1,441,475
2027	750,000	692,675	1,442,675	2027	750,000	692,675	1,442,675
2028	780,000	662,675	1,442,675	2028	780,000	662,675	1,442,675
2029	810,000	631,475	1,441,475	2029	810,000	631,475	1,441,475
2030	845,000	599,075	1,444,075	2030-2034	4,520,000	2,698,775	7,218,775
2031-2035	4,665,000	2,554,725	7,219,725	2035-2039	5,250,000	1,961,625	7,211,625
2036-2040	5,415,000	1,796,013	7,211,013	2040-2044	6,155,000	1,059,663	7,214,663
2041-2045	6,355,000	859,625	7,214,625	2045-2046	2,750,000	134,713	2,884,713
2046	1,395,000	45,338	1,440,338				
Total	<u>\$ 21,735,000</u>	<u>\$ 8,563,076</u>	<u>\$ 30,298,076</u>		<u>\$ 22,430,000</u>	<u>\$ 9,312,351</u>	<u>\$ 31,742,351</u>

Pledged Revenue: The Agency pledged future water system and hydroelectric system revenues, net of specified expenses, to repay the 2016 Certificates in the original amounts of \$27,010,000. The purpose of the Certificates is described above. The certificates are payable solely from net water system and hydroelectric system revenues (net revenues) and are payable through April 2046. Annual principal and interest payments on the Certificates are expected to require less than 50% of net revenues. Total principal and interest remaining to be paid on the Certificates was \$30,298,076 and \$31,742,351 at December 31, 2025 and 2024, respectively. Total principal and interest paid on the Certificates from net revenues was \$1,444,275 and \$1,444,525 in 2025 and 2024, respectively. The total net revenues were \$4,043,441 and \$2,723,462 for the years ended December 31, 2025 and 2024, respectively. For the years ended December 31, 2025 and 2024, the District's net revenues were 280% and 189%, respectively, of cash basis debt service payments on the Certificates.

NOTE E – NET POSITION

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

Designations: Designations of unrestricted net position may be imposed by the Board of Directors to reflect future spending plans or concerns about the availability of future resources. Designations may be modified, amended or removed by Board action. The Agency currently has no approved designations of net position.

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

December 31, 2025 and 2024

NOTE F – PENSION PLANS AND DEFERRED COMPENSATION PLANS

The Agency has a defined benefit pension plan and defined contribution pension plans as follows.

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

- Miscellaneous Rate Plan
- PEPRA Miscellaneous Rate Plan

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

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 (52 for PEPRA Miscellaneous Rate Plan) with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is the following: the Optional Settlement 2W Death Benefit. The cost of living adjustments are applied as specified by the Public Employees’ Retirement Law.

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

	Miscellaneous Rate Plan (Prior to January 1, 2013)	PEPRA Miscellaneous Rate Plan (On or after January 1, 2013)
Hire date		
Benefit formula (at full retirement)	3.0% @ 60	2.0% @ 62
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	50 - 60	52 - 67
Monthly benefits, as a % of eligible compensation	2.0% to 3.0%	1.0% to 2.5%
Required employer contribution rates:		
July 1 to December 31, 2025	16.560%	7.960%
January 1 to June 30, 2025	16.510%	7.870%
July 1 to December 31, 2024	16.510%	7.870%
January 1 to June 30, 2024	16.440%	7.680%
Required employee contribution rates:		
July 1 to December 31, 2025	8.000%	7.750%
January 1 to June 30, 2025	8.000%	7.750%
July 1 to December 31, 2024	8.000%	7.750%
January 1 to June 30, 2024	8.000%	6.750%

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

December 31, 2025 and 2024

NOTE F – PENSION PLANS AND DEFERRED COMPENSATION PLANS (Continued)

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

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

For the years ended December 31, 2025 and 2024, the actuarially required contributions made to the Plan were \$1,484,835 and \$1,329,532, respectively.

Pension Liability, Pension Expense and Deferred Outflows/Inflows of Resources: As of December 31, 2025 and 2024, the Agency reported a net pension liability for its proportionate share of the net pension liability of the Plan of \$6,986,847 and \$8,557,008, respectively.

The Agency’s net pension liability for the Plan is measured as the proportionate share of the net pension liability of the Miscellaneous Risk Pool. The net pension liability of the Plan is measured as of June 30, 2025 and 2024, and the total pension liability used to calculate the net pension liability was determined by actuarial valuations as of June 30, 2024 and 2023 rolled forward to June 30, 2025 and 2024, respectively, using standard update procedures. The Agency’s proportion of the net pension liability was based on a projection of the Agency’s long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined.

The Agency’s proportionate share of the net pension liability for the Plan as of December 31, 2025 and 2024 was as follows:

Proportion - December 31, 2024	0.17692%
Proportion - December 31, 2025	<u>0.17514%</u>
Change - Increase (Decrease)	-0.00178%
Proportion - December 31, 2023	0.17281%
Proportion - December 31, 2024	<u>0.17692%</u>
Change - Increase (Decrease)	0.00411%

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

December 31, 2025 and 2024

NOTE F – PENSION PLANS AND DEFERRED COMPENSATION PLANS (Continued)

For the years ended December 31, 2025 and 2024, the Agency recognized pension expense of \$830,532 and \$1,849,450, respectively. At December 31, the Agency reported deferred outflows of resources and deferred inflows of resources related to the Plan from the following sources:

	2025		2024	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 779,808		\$ 631,970	
Differences between actual and expected experience	837,192		739,832	\$ (28,867)
Changes in assumptions			219,933	
Differences between the employer's contribution and the employer's proportionate share of contributions		\$ (317,525)		(313,000)
Change in employer's proportion	334,109		566,588	
Net differences between projected and actual earnings on plan investments		(945,397)	492,616	
Total	<u>\$ 1,951,109</u>	<u>\$ (1,262,922)</u>	<u>\$ 2,650,939</u>	<u>\$ (341,867)</u>

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

Year Ended December 31	2025	2024
2025		\$ 691,933
2026	\$ 894,508	1,131,993
2027	(204,685)	21,991
2028	(420,548)	(168,815)
2029	(360,896)	
	<u>\$ (91,621)</u>	<u>\$ 1,677,102</u>

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

December 31, 2025 and 2024

NOTE F – PENSION PLANS AND DEFERRED COMPENSATION PLANS (Continued)

Actuarial Assumptions: The total pension liability in the June 30, 2025 and 2024 actuarial valuation for the Plan was determined using the following actuarial assumptions:

	2025	2024
Valuation date	June 30, 2023	June 30, 2022
Measurement date	June 30, 2024	June 30, 2023
Actuarial cost method	Entry-Age Normal Cost Method	Entry-Age Normal Cost Method
Amortization method	Level percentage of payroll	Level percentage of payroll
Asset valuation method	Market value	Market value
Actuarial assumptions:		
Discount rate	6.90%	6.90%
Inflation	2.30%	2.30%
Payroll growth	2.80%	2.80%
Projected salary increase	0.20% - 7.64% (1)	0.20% - 7.64% (1)
Investment rate of return	6.90%(2)	6.90%(2)
Mortality	Derived using CalPERS Membership Data for all Funds	Derived using CalPERS Membership Data for all Funds

(1) Depending on entry age and service

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

The mortality table used was developed based on CalPERS-specific data. The rates incorporate Generational Mortality to capture ongoing mortality improvement using 80% of Scale MP 2020 published by the Society of Actuaries. For more details on this table, please refer to the 2021 Experience Study report that can be found on the CalPERS website under Forms and Publications.

Discount Rate: The discount rate used to measure the total pension liability was 6.90% in the June 30, 2025 and 2024 valuations. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan it administers, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long-term expected discount rate will be applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report that can be obtained from the CalPERS website.

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

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

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

December 31, 2025 and 2024

NOTE F – PENSION PLANS AND DEFERRED COMPENSATION PLANS (Continued)

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

Asset Class	2025		2024	
	New Strategic Allocation	Real Return Years 1 - 10(a)	New Strategic Allocation	Real Return Years 1 - 10(a)
Global equity - cap-weighted	37.0%	4.56%	30.0%	4.54%
Global equity - non-cap-weighted			12.0%	3.84%
Private equity	17.0%	5.56%	13.0%	7.28%
Fixed income	28.0%	2.53%		
Treasury			5.0%	0.27%
Mortgage-backed securities			5.0%	0.50%
Investment grade corporates			10.0%	1.56%
High yield			5.0%	2.27%
Emerging market debt			5.0%	2.48%
Private debt	8.0%	4.93%	5.0%	3.57%
Real assets	15.0%	3.03%	15.0%	3.21%
Leverage	-5.0%	1.40%	-5.0%	-0.59%
Total	<u>100.0%</u>		<u>100.0%</u>	

(a) An expected inflation of 2.30% used for this period.

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

	2025	2024
1% Decrease	5.90%	5.90%
Net Pension Liability	\$ 13,772,743	\$ 14,850,799
Current Discount Rate	6.90%	6.90%
Net Pension Liability	\$ 6,986,847	\$ 8,557,008
1% Increase	7.90%	7.90%
Net Pension Liability	\$ 1,402,126	\$ 3,376,292

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

Payable to the Pension Plan: At December 31, 2025 and 2024, the Agency reported payables for the outstanding amount of contributions payable to the Plan of \$36,869.

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

December 31, 2025 and 2024

NOTE F – PENSION PLANS AND DEFERRED COMPENSATION PLANS (Continued)

Deferred Compensation Plans and Defined Contribution Pension Plans:

Deferred Compensation Plans: The Agency offers two Internal Revenue Code (IRC) Section 457 Deferred Compensation Plans, the South Feather Water & Power Agency 457 Deferred Compensation Plan administered by Empower and a second plan administered by MissionSquare Retirement. Employees are eligible to participate in the 457 Plans at their hire date. Benefit terms, including contribution requirements, to the 457 Plans are established and may be amended by the Board of Directors subject to the requirements of the Agency's Memorandum's of Understanding with bargaining units. The Agency does not contribute to the 457 Plans and employees may voluntarily contribute to the 457 Plans up to IRC limits. Employee contributions during the years ended December 31, 2025 and 2024 were \$91,256 and \$89,041, respectively.

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

Benefit terms, including contribution requirements, to the Plans are established and may be amended by the Board of Directors subject to the requirements of the Agency's Memorandum's of Understanding with bargaining units. The Agency is currently not required to contribute to the Plans and has not made any contributions since 2010. Employees may make voluntary contributions to the Plans up to 25% of their pay as defined in the Plan Documents. Employees immediately vest in their contributions and Agency contributions. No contributions were made to the Plan by employees or the Agency during the years ended December 31, 2025 or 2024.

NOTE G – OTHER POSTEMPLOYMENT BENEFITS (OPEB) PLAN

Plan Description: The Agency's single employer defined benefit OPEB plan, South Feather Water and Power Agency Retiree Benefits Plan (the Plan), provides OPEB benefits for all permanent full-time employees of the Agency. Benefits are set by the Memoranda of Understandings with the applicable employee bargaining units and may be amended by agreement between the Agency and the bargaining units. The Plan is administered by the Agency. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement 75.

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

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

December 31, 2025 and 2024

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

Employees Covered by Benefit Terms: At December 31, 2025 and 2024, the following current and former employees were covered by the benefit terms under the Plan:

	2025	2024
Inactive employees or beneficiaries currently receiving benefit payments	57	54
Active employees	55	55
Total	112	109

Contributions: The Agency currently finances health insurance premiums on a pay-as-you-go basis. Total health insurance premiums paid, including implicit rate subsidies, during the years ended December 31, 2025 and 2024 were \$829,048 and \$785,926, respectively, including the implicit subsidy.

Total OPEB Liability: The Agency's total OPEB liability as of December 31, 2025 and 2024 was measured as of the same date, and was determined by an actuarial valuation as of December 31, 2025 and 2023, respectively.

Actuarial Assumptions and Other Inputs: The total OPEB liability at December 31, 2025 and 2024 was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

	2025	2024
Actuarial assumptions:		
Valuation date	December 31, 2025	December 31, 2023
Measurement date	December 31, 2025	December 31, 2024
Actuarial cost method	Entry Age Normal Cost Method	Entry Age Normal Cost Method
Inflation	2.50%	2.50%
Salary increases	2.75%	2.75%
Discount rate	4.83% net of expenses	4.08% net of expenses
Pre-retirement mortality	2021 CalPERS Mortality	2021 CalPERS Mortality
Pre-retirement turnover	2021 CalPERS Turnover	2021 CalPERS Turnover
Mortality improvement	2021 CalPERS Retiree Mortality	2021 CalPERS Retiree Mortality
Healthcare trend rate	Medical, dental and vision 4% annually	Medical, dental and vision 4% annually

The discount rate was based on the Bond Buyer 20-bond General Obligation Index at December 31, 2025 and 2024. Mortality information was based on the 2021 CalPERS Mortality for Miscellaneous and Schools Employees. The experience study report may be accessed on the CalPERS website at <https://www.calpers.ca.gov>.

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

December 31, 2025 and 2024

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

Changes in the Total OPEB Liability

	2025			2024		
	Increase (Decrease)	Increase (Decrease)	Increase (Decrease)	Increase (Decrease)	Increase (Decrease)	Increase (Decrease)
	Total OPEB Liability	Fiduciary Net Position	Net OPEB Liability	Total OPEB Liability	Total OPEB Liability	Net OPEB Liability
Balance at January 1	\$ 17,512,392		\$ 17,512,392	\$ 19,843,357		\$ 19,843,357
Changes in the year:						
Service cost	672,329		672,329	791,285		791,285
Interest	712,188		712,188	646,981		646,981
Employer contributions		\$ (785,926)	(785,926)		\$ (785,926)	(785,926)
Experience (gains)/losses	2,042,610		2,042,610			
Changes of assumptions	(2,106,407)		(2,106,407)	(2,983,305)		(2,983,305)
Benefit payments	(785,926)	785,926		(785,926)	785,926	
Net changes	534,794		534,794	(2,330,965)		(2,330,965)
Balance at December 31	<u>\$ 18,047,186</u>	<u>\$ -</u>	<u>\$ 18,047,186</u>	<u>\$ 17,512,392</u>	<u>\$ -</u>	<u>\$ 17,512,392</u>

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

	2025			2024		
	1% Decrease 3.83%	Current Discount Rate 4.83%	1% Increase 5.83%	1% Decrease 3.08%	Current Discount Rate 4.08%	1% Increase 5.08%
Net OPEB liability	\$ 20,295,060	\$ 18,047,186	\$ 16,173,625	\$ 19,888,265	\$ 17,512,392	\$ 15,630,775

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

	2025			2024		
	1% Decrease	Current Healthcare Cost Trend Rates Initial	1% Increase	1% Decrease	Current Healthcare Cost Trend Rates Initial	1% Increase
Net OPEB liability	\$ 15,861,923	\$ 18,047,186	\$ 20,734,499	\$ 15,549,064	\$ 17,512,392	\$ 20,363,140

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources: For the years ended December 31, 2025 and 2024, the Agency recognized OPEB expense of \$723,455 and \$1,056,317, respectively. The Agency had deferred inflows related to the OPEB plan from the following sources at December 31:

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

December 31, 2025 and 2024

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

	2025		2024	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 2,115,796		\$ 818,100	
Changes in assumptions	<u>1,309,331</u>	<u>\$ (4,913,346)</u>	<u>1,760,825</u>	<u>\$ (4,707,531)</u>
Total	<u>\$ 3,425,127</u>	<u>\$ (4,913,346)</u>	<u>\$ 2,578,925</u>	<u>\$ (4,707,531)</u>

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

Year Ended June 30	2025	2024
2025		\$ (693,894)
2026	\$ (720,008)	(709,718)
2027	(266,025)	(255,735)
2028	(24,469)	(14,179)
2029	(465,370)	(455,080)
2030	(10,290)	
Thereafter	<u>(2,057)</u>	
	<u>\$ (1,488,219)</u>	<u>\$ (2,128,606)</u>

NOTE H – COMMITMENTS AND CONTINGENCIES

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

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

The Agency has on file before the California State Water Resource Control Board (SWRCB) petitions to extend its currently held water rights permits on the South Fork of the Feather River. These water rights permits, which otherwise were due to expire in December 2004, are the subject of an administrative process before the SWRCB. The Agency has taken all steps required to extend the permits, including making the necessary filings, providing the appropriate environmental documentation, as well as required agreements with the other entity using the same water supply, the North Yuba Water District. No adverse comments, protests, or requests for hearings were filed by any party in connection with this application.

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

December 31, 2025 and 2024

NOTE H – COMMITMENTS AND CONTINGENCIES (Continued)

In January 2009, the SWRCB’s staff issued an order denying the extension. The result of such order would require the Agency to limit its consumptive demand to current use, to license those quantities, and would require it, at substantial expense, to file a new application for new rights to accommodate growth. The Agency has sought rehearing of that order. No action has been taken. The Agency has also sought to engage the SWRCB in discussion but have received no response. If the staff decision is upheld by the SWRCB, the Agency will consider an appeal to the court. The order limits the water rights to current consumptive use and would impact potential, future consumptive use only. The order does not apply to water used for power generation.

There are a number of proceedings occurring concerning the California Bay-Delta which may directly or indirectly affect the Agency, including the SWRCB’s effort to impose an unimpaired flow standard on water rights holders within the Bay-Delta Watershed. If imposed, the unimpaired flow standard would impact the Agency’s ability to generate power through its hydroelectric power plants, which could affect the Agency’s largest revenue source. The Agency, along with the California Department of Water Resources, have proposed an alternative that would have a lesser impact on the Agency. The ultimate outcome of this issue is currently unknown.

In June 2021 NYWD filed a lawsuit against the Agency asserting breach of contract and breach of fiduciary duty and access to accounting records associated with the Agency’s calculation of net power revenue distribution, among other claims. The lawsuit claimed NYWD was owed unpaid distributions for the years 2017-2023 with interest. As described in Note N, the lawsuit was settled after year-end.

NOTE I – ECONOMIC DEPENDENCY

During 2025 and 2024, the Agency received approximately 71% and 70%, respectively, of its total operating, nonoperating and capital revenue from Northern California Power Authority for power generated from the Agency’s power plants. A loss of this revenue source would have a significant impact on the Agency’s operations.

NOTE J – RISK MANAGEMENT

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

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

December 31, 2025 and 2024

NOTE J – RISK MANAGEMENT (Continued)

Coverage	ACWA/JPIA	Commercial Insurance	Deductible
General and auto liability (Includes public officials liability)	\$ 5,000,000	\$ 50,000,000	None
Property damage (includes earthquake and flood)	10,000,000	140,000,000	\$ 1,000 to 100,000
Fidelity	100,000	1,000,000	100,000
Workers' compensation liability	2,000,000	Statutory	None
Employers liability	2,000,000	2,000,000	None
Crime	100,000	1,000,000	1,000 to 100,000
Cyber liability		3,000,000	50,000 to 100,000

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

NOTE K – AGREEMENT WITH NORTHERN CALIFORNIA POWER AGENCY

On December 6, 2021, the Agency entered into a power purchase agreement with Northern California Power Agency for sale of output from Forbestown, Kelly Ridge, Sly Creek, and Woodleaf powerhouses. The agreement is through December 31, 2031. Revenue to the Agency from this agreement is a combination of variable, market-based payments and a fixed monthly payment. Operations of the facilities are the responsibility of the Agency. Total sale of electricity revenue under the agreement during the years ended December 31, 2025 and 2024 were \$21,403,695 and \$22,814,837, respectively.

NOTE L – AGREEMENT WITH NORTH YUBA WATER DISTRICT

In May of 2005, an agreement was reached with North Yuba Water District (NYWD), previously known as the Yuba County Water District, which defines the settlement of water rights and the disposition of net power revenues from certain facilities specified in the agreement beginning July 1, 2010. The Agency accounts for the activities of the at issue facilities in a Joint Facilities, sub-fund that is reported as supplementary information to the financial statements (see table of contents to the financial statements).

The agreement allows for quarterly distributions totaling \$709,000 under certain conditions to NYWD and its General Fund, sub-fund each quarter as transfers out (see supplementary information). The agreement also provides for distribution of additional net power revenues available to be distributed to NYWD and the General Fund, sub-fund by July 1 each year. The agreement does not precisely define how to compute net power revenues. As a result, the Agency interprets the terms of the agreement and exercises significant judgement and discretion to determine the additional distributions due by July 1 each year, which is subject to change. The Agency has determined a tentative approach to determine additional net power revenues available for distribution using the prior year financial results and consideration of events that occurred after the prior year end and up to the date of the distribution and has made tentative distributions of net power revenues, excluding quarterly distributions, from the Joint Facilities, sub-fund to NYWD and the General Fund, sub-fund during the years ended December 31, 2025 and 2024 of \$2,698,902 and \$8,778,760 each.

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

December 31, 2025 and 2024

NOTE L – AGREEMENT WITH NORTH YUBA WATER DISTRICT (Continued)

Because the Agency believes it may consider the prior year financial results and events that occur up to the date of the distributions, as well as other factors, and because the approach used is subject to change and is tentative, the Agency does not consider the distributions to be estimable until determined immediately prior to the distribution. As a result, the distributions are expensed when made rather than accruing a liability for the distributions at year-end. When to expense the distributions could be interpreted differently.

NOTE M – RELICENSING

The Agency has been preparing for the relicensing of its Power Projects as required by the Federal Energy Regulatory Commission (FERC). In connection with the relicensing, the Agency has incurred expenses, entered into service contracts, and established cash reserves to pay for anticipated costs. Initial costs incurred for the relicensing are being capitalized and will be amortized over the life of the new license once it has been issued by FERC. Total costs capitalized as of December 31, 2025 and 2024 amounted to \$5,716,307. Current costs in the relicensing process are minimal and are being expensed. The relicensing process is nearing its completion. The current FERC license expired on March 31, 2009. Until the relicensing process is completed, operations continue under the current FERC license conditions.

NOTE N – SUBSEQUENT EVENTS

In February 2026, a Statement of Decision was issued by a court in the lawsuit with North Yuba Water District described in Note H ordering the Agency to pay North Yuba Water District's attorney fees, expenses and interest totaling \$544,318, which has been accrued as part of general and administrative expenses as of December 31, 2025. The Agency is appealing this decision.

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REQUIRED SUPPLEMENTARY INFORMATION

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SOUTH FEATHER WATER AND POWER AGENCY

REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)

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

	Year Ended December 31:									
	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Proportion of the net pension liability	0.175140%	0.176920%	0.172810%	0.066130%	0.036320%	0.140835%	0.130820%	0.121640%	0.120450%	0.111181%
Proportionate share of the net pension liability	\$ 6,986,847	\$ 8,557,008	\$ 8,641,378	\$ 7,638,657	\$ 1,964,172	\$ 5,940,529	\$ 5,238,532	\$ 4,584,129	\$ 4,748,058	\$ 3,862,276
Covered payroll - measurement period	\$ 6,466,572	\$ 6,126,028	\$ 5,932,858	\$ 5,569,081	\$ 5,574,207	\$ 5,949,907	\$ 5,867,873	\$ 5,952,396	\$ 5,627,825	\$ 5,570,519
Proportionate share of the net pension liability as a percentage of covered payroll	108.05%	139.68%	145.65%	137.16%	35.24%	99.84%	89.27%	77.01%	84.37%	69.33%
Plan fiduciary net position as a percentage of the total pension liability	86.11%	81.65%	79.92%	80.88%	94.48%	81.64%	82.26%	83.29%	81.13%	74.06%

Notes to Schedule:

Change in Benefit Terms: None.

Changes in assumptions:

Changes in discount rate	6.90%	6.90%	6.90%	7.15%	7.15%	7.15%	7.15%	7.15%	7.65%	7.65%
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SCHEDULE OF CONTRIBUTIONS TO THE PENSION PLAN - MISCELLANEOUS PLAN
Last 10 Years

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Contractually required contribution employer calendar year	\$ 1,484,835	\$ 1,329,532	\$ 1,513,417	\$ 1,440,631	\$ 1,110,616	\$ 1,064,159	\$ 970,912	\$ 861,704	\$ 801,403	\$ 596,806
Contributions in relation to the contractually required contributions	(1,484,835)	(1,329,532)	(1,513,417)	(1,440,631)	(1,110,616)	(1,064,159)	(970,912)	(861,704)	(801,403)	(596,806)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered - employee payroll - calendar year	\$ 6,576,061	\$ 7,528,265	\$ 4,907,811	\$ 6,058,398	\$ 5,745,226	\$ 5,896,357	\$ 6,012,159	\$ 5,897,229	\$ 5,843,236	\$ 5,374,903
Contributions as a percentage of covered - employee payroll	22.58%	17.66%	30.84%	23.78%	19.33%	18.05%	16.15%	14.61%	13.72%	11.10%
Date contributions were computed:										
July 1 to December 31 - June 30	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
January 1 to June 30 - June 30	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Valuation date - June 30	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Measurement date - June 30	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015

Methods and assumptions used to determine contribution rates:

Actuarial method										
Amortization method										
Remaining amortization period										
Asset valuation method										
Inflation	2.30%	2.30%	2.50%	2.50%	2.50%	2.625%	2.75%	2.75%	2.75%	2.75%
Salary increases										
Investment rate of return	6.80%	6.80%	7.00%	7.00%	7.00%	7.25%	7.375%	7.50%	7.50%	7.50%
Retirement age										
Mortality										

50-67 years. Probabilities of retirement are based on most recent CalPERS Experience Study.
Most recent CalPERS Experience Study

SOUTH FEATHER WATER AND POWER AGENCY

REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)

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

	Year Ended December 31:								
	2025	2024	2023	2022	2021	2020	2019	2018	2017
Total OPEB liability									
Service cost	\$ 672,329	\$ 791,285	\$ 601,235	\$ 861,840	\$ 679,864	\$ 660,062	\$ 591,746	\$ 574,511	\$ 557,075
Interest	712,188	646,981	597,309	403,477	388,005	446,009	366,632	421,918	404,270
Experience (gains) losses	2,042,610		558,048	(3,998,299)	1,732,722	89,656	(372,399)		
Changes of assumptions	(2,106,407)	(2,983,305)	2,663,813		(1,042,819)	1,678,351	2,453,153	(1,034,125)	
Benefit payments	(785,926)	(785,926)	(666,265)	(666,265)	(462,951)	(506,488)	(400,584)	(379,032)	(298,629)
Net change in total OPEB liability	534,794	(2,330,965)	3,754,140	(3,399,247)	1,294,821	2,367,590	2,638,548	(416,728)	662,716
Total OPEB liability - beginning	17,512,392	19,843,357	16,089,217	19,488,464	18,193,643	15,826,053	13,187,505	13,604,233	12,941,517
Total OPEB liability - ending	<u>\$ 18,047,186</u>	<u>\$ 17,512,392</u>	<u>\$ 19,843,357</u>	<u>\$ 16,089,217</u>	<u>\$ 19,488,464</u>	<u>\$ 18,193,643</u>	<u>\$ 15,826,053</u>	<u>\$ 13,187,505</u>	<u>\$ 13,604,233</u>
Covered-employee payroll - measurement period	<u>\$ 6,576,061</u>	<u>\$ 7,528,265</u>	<u>\$ 4,907,811</u>	<u>\$ 6,058,398</u>	<u>\$ 5,745,226</u>	<u>\$ 6,721,463</u>	<u>\$ 6,525,692</u>	<u>\$ 6,288,405</u>	<u>\$ 5,843,236</u>
Total OPEB liability as percentage of covered-employee payroll	<u>274.44%</u>	<u>232.62%</u>	<u>404.32%</u>	<u>265.57%</u>	<u>339.21%</u>	<u>270.68%</u>	<u>242.52%</u>	<u>209.71%</u>	<u>232.82%</u>
Notes to schedule:									
Valuation date - December 31	2025	2023	2022	2021	2020	2019	2019	2017	2017
Measurement period - calendar year ended December 31	2025	2024	2023	2022	2021	2020	2019	2018	2017
Discount Rate	4.83%	4.08%	3.26%	3.72%	2.06%	2.12%	2.74%	3.71%	3.16%

Note: No assets are accumulated in a trust that meets the criteria in GASB Statement 75, paragraph 4, to pay related benefits and an actuarially determined contribution is not computed. As a result, the Authority has not disclosed a schedule of contributions to the OPEB Plan required by GASB 75, paragraph 57(c).

Benefit changes. None since December 31, 2017.

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

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

SUPPLEMENTARY INFORMATION

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SOUTH FEATHER WATER AND POWER AGENCY

DESCRIPTION OF COMBINING SUB-FUNDS

December 31, 2025 and 2024

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

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

SOUTH FEATHER WATER AND POWER AGENCY

COMBINING SCHEDULE OF NET POSITION

December 31, 2025

	General Fund	Joint Facilities	Total	Eliminating Entries	Final
ASSETS					
CURRENT ASSETS					
Cash and cash equivalents	\$ 9,871,881	\$ 31,314,171	\$ 41,186,052		\$ 41,186,052
Investments	2,182,010	8,853,745	11,035,755		11,035,755
Accounts receivable	292,011		292,011		292,011
Due from other governments	1,129,267	1,966,730	3,095,997		3,095,997
Accrued interest receivable	448,306		448,306		448,306
Property taxes receivable	416,806		416,806		416,806
Prepaid expenses	399,100	220,658	619,758		619,758
Inventory	568,451	634,783	1,203,234		1,203,234
Due from other funds	113,167		113,167	\$ (113,167)	
TOTAL CURRENT ASSETS	<u>15,420,999</u>	<u>42,990,087</u>	<u>58,411,086</u>	<u>(113,167)</u>	<u>58,297,919</u>
NONCURRENT ASSETS					
Restricted cash and cash equivalents	256		256		256
Capital assets:					
Not being depreciated	994,403	7,261,956	8,256,359		8,256,359
Being depreciated, net	36,347,804	56,786,588	93,134,392		93,134,392
Total Capital Assets, Net	<u>37,342,207</u>	<u>64,048,544</u>	<u>101,390,751</u>		<u>101,390,751</u>
TOTAL NONCURRENT ASSETS	<u>37,342,463</u>	<u>64,048,544</u>	<u>101,391,007</u>		<u>101,391,007</u>
TOTAL ASSETS	<u>52,763,462</u>	<u>107,038,631</u>	<u>159,802,093</u>	<u>(113,167)</u>	<u>159,688,926</u>
DEFERRED OUTFLOWS OF RESOURCES					
Pension plan	1,268,221	682,888	1,951,109		1,951,109
OPEB plan	2,040,816	1,384,311	3,425,127		3,425,127
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>3,309,037</u>	<u>2,067,199</u>	<u>5,376,236</u>		<u>5,376,236</u>
LIABILITIES					
CURRENT LIABILITIES					
Accounts payable and accrued expenses	873,441	200,657	1,074,098		1,074,098
Accrued payroll and benefits	257,317		257,317		257,317
Accrued interest payable	182,223		182,223		182,223
Due to North Yuba Water District		177,250	177,250		177,250
Deposits	322,274		322,274		322,274
Due to other funds		113,167	113,167	(113,167)	
Current portion of long-term liabilities	1,888,654	1,020,626	2,909,280		2,909,280
TOTAL CURRENT LIABILITIES	<u>3,523,909</u>	<u>1,511,700</u>	<u>5,035,609</u>	<u>(113,167)</u>	<u>4,922,442</u>
NONCURRENT LIABILITIES					
Long-term liabilities, noncurrent	21,464,098	53,737	21,517,835		21,517,835
Net pension liability	4,541,451	2,445,396	6,986,847		6,986,847
Net OPEB liability	10,828,312	7,218,874	18,047,186		18,047,186
TOTAL NONCURRENT LIABILITIES	<u>36,833,861</u>	<u>9,718,007</u>	<u>46,551,868</u>		<u>46,551,868</u>
TOTAL LIABILITIES	<u>40,357,770</u>	<u>11,229,707</u>	<u>51,587,477</u>	<u>(113,167)</u>	<u>51,474,310</u>
DEFERRED INFLOWS OF RESOURCES					
Pension plan	820,899	442,023	1,262,922		1,262,922
OPEB plan	2,948,008	1,965,338	4,913,346		4,913,346
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>3,768,907</u>	<u>2,407,361</u>	<u>6,176,268</u>		<u>6,176,268</u>
NET POSITION					
Net investment in capital assets	15,156,531	64,046,008	79,202,539		79,202,539
Restricted for capacity expansion	1,565,487		1,565,487		1,565,487
Unrestricted	(4,776,196)	31,422,754	26,646,558		26,646,558
TOTAL NET POSITION	<u>\$ 11,945,822</u>	<u>\$ 95,468,762</u>	<u>\$ 107,414,584</u>	<u>\$ -</u>	<u>\$ 107,414,584</u>

SOUTH FEATHER WATER AND POWER AGENCY

COMBINING SCHEDULE OF NET POSITION

December 31, 2024

	General Fund	Joint Facilities	Total	Eliminating Entries	Final
ASSETS					
CURRENT ASSETS					
Cash and cash equivalents	\$ 9,778,996	\$ 30,756,154	\$ 40,535,150		\$ 40,535,150
Investments	1,919,266	8,595,461	10,514,727		10,514,727
Accounts receivable	289,494		289,494		289,494
Due from other governments	177,597	2,055,083	2,232,680		2,232,680
Accrued interest receivable	439,969		439,969		439,969
Property taxes receivable	417,781		417,781		417,781
Prepaid expenses	341,745	272,949	614,694		614,694
Inventory	674,879	639,571	1,314,450		1,314,450
Due from other funds	502,885		502,885	\$ (502,885)	
TOTAL CURRENT ASSETS	<u>14,542,612</u>	<u>42,319,218</u>	<u>56,861,830</u>	<u>(502,885)</u>	<u>56,358,945</u>
NONCURRENT ASSETS					
Restricted cash and cash equivalents	367		367		367
Capital assets:					
Not being depreciated	1,069,605	7,382,204	8,451,809		8,451,809
Being depreciated, net	35,727,343	57,639,113	93,366,456		93,366,456
Total Capital Assets, Net	<u>36,796,948</u>	<u>65,021,317</u>	<u>101,818,265</u>		<u>101,818,265</u>
TOTAL NONCURRENT ASSETS	<u>36,797,315</u>	<u>65,021,317</u>	<u>101,818,632</u>		<u>101,818,632</u>
TOTAL ASSETS	<u>51,339,927</u>	<u>107,340,535</u>	<u>158,680,462</u>	<u>(502,885)</u>	<u>158,177,577</u>
DEFERRED OUTFLOWS OF RESOURCES					
Pension plan	1,670,092	980,847	2,650,939		2,650,939
OPEB Plan	1,495,777	1,083,148	2,578,925		2,578,925
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>3,165,869</u>	<u>2,063,995</u>	<u>5,229,864</u>		<u>5,229,864</u>
LIABILITIES					
CURRENT LIABILITIES					
Accounts payable and accrued expenses	459,144	303,815	762,959		762,959
Accrued payroll and benefits	216,501		216,501		216,501
Accrued interest payable	189,377		189,377		189,377
Due to North Yuba Water District		177,250	177,250		177,250
Deposits	45,324		45,324		45,324
Due to other funds		502,885	502,885	(502,885)	
Current portion of long-term liabilities	1,694,468	751,237	2,445,705		2,445,705
TOTAL CURRENT LIABILITIES	<u>2,604,814</u>	<u>1,735,187</u>	<u>4,340,001</u>	<u>(502,885)</u>	<u>3,837,116</u>
NONCURRENT LIABILITIES					
Long-term liabilities, noncurrent	22,104,064	235,014	22,339,078		22,339,078
Net pension liability	5,390,915	3,166,093	8,557,008		8,557,008
Net OPEB liability	10,157,187	7,355,205	17,512,392		17,512,392
TOTAL NONCURRENT LIABILITIES	<u>37,652,166</u>	<u>10,756,312</u>	<u>48,408,478</u>		<u>48,408,478</u>
TOTAL LIABILITIES	<u>40,256,980</u>	<u>12,491,499</u>	<u>52,748,479</u>	<u>(502,885)</u>	<u>52,245,594</u>
DEFERRED INFLOWS OF RESOURCES					
Pension plan	215,376	126,491	341,867		341,867
OPEB	2,730,368	1,977,163	4,707,531		4,707,531
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>2,945,744</u>	<u>2,103,654</u>	<u>5,049,398</u>		<u>5,049,398</u>
NET POSITION					
Net investment in capital assets	13,672,748	64,870,563	78,543,311		78,543,311
Restricted for capacity expansion	1,543,672		1,543,672		1,543,672
Unrestricted	(3,913,348)	29,938,814	26,025,466		26,025,466
TOTAL NET POSITION	<u>\$ 11,303,072</u>	<u>\$ 94,809,377</u>	<u>\$ 106,112,449</u>	<u>\$ -</u>	<u>\$ 106,112,449</u>

SOUTH FEATHER WATER AND POWER AGENCY

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

For the year ended December 31, 2025

	General Fund	Joint Facilities	Total	Eliminating Entries	Final
OPERATING REVENUE					
Domestic water sales	\$ 2,579,147		\$ 2,579,147		\$ 2,579,147
Irrigation water sales	303,310		303,310		303,310
Sale of electricity	2,147,030	\$ 19,256,665	21,403,695		21,403,695
Other services	592,801	19,172	611,973		611,973
TOTAL OPERATING REVENUE	<u>5,622,288</u>	<u>19,275,837</u>	<u>24,898,125</u>		<u>24,898,125</u>
OPERATING EXPENSES					
Source of supply	17,595		17,595		17,595
Water treatment	2,352,880		2,352,880		2,352,880
Environmental health and safety	269,756	518,346	788,102		788,102
Transmission and distribution	2,273,860		2,273,860		2,273,860
Customer accounts	1,277,589		1,277,589		1,277,589
Plant operations	1,346,889	9,183,517	10,530,406		10,530,406
General and administrative	2,579,115	4,090,820	6,669,935		6,669,935
Other operating expenses	24,138		24,138		24,138
Depreciation	1,880,273	2,202,674	4,082,947		4,082,947
TOTAL OPERATING EXPENSES	<u>12,022,095</u>	<u>15,995,357</u>	<u>28,017,452</u>		<u>28,017,452</u>
NET INCOME (LOSS) FROM OPERATIONS	(6,399,807)	3,280,480	(3,119,327)		(3,119,327)
NON-OPERATING REVENUES (EXPENSES)					
Property taxes	870,385		870,385		870,385
Investment earnings	445,486	1,759,088	2,204,574		2,204,574
Insurance refund	4,862		4,862		4,862
Interest expense	(710,261)		(710,261)		(710,261)
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>610,472</u>	<u>1,759,088</u>	<u>2,369,560</u>		<u>2,369,560</u>
NET INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS	(5,789,335)	5,039,568	(749,767)		(749,767)
CAPITAL CONTRIBUTIONS					
Capital grants:					
Federal	1,750,624		1,750,624		1,750,624
State	279,463		279,463		279,463
System capacity charges	21,815		21,815		21,815
TOTAL CAPITAL CONTRIBUTIONS	<u>2,051,902</u>		<u>2,051,902</u>		<u>2,051,902</u>
TRANSFERS					
Transfers in	4,380,183		4,380,183	\$ (4,380,183)	
Transfers out		(4,380,183)	(4,380,183)	4,380,183	
TOTAL TRANSFERS	<u>4,380,183</u>	<u>(4,380,183)</u>			
CHANGE IN NET POSITION	642,750	659,385	1,302,135		1,302,135
Net position at beginning of year	11,303,072	94,809,377	106,112,449		106,112,449
NET POSITION AT END OF YEAR	<u>\$ 11,945,822</u>	<u>\$ 95,468,762</u>	<u>\$ 107,414,584</u>	<u>\$ -</u>	<u>\$ 107,414,584</u>

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

For the year ended December 31, 2024

	General Fund	Joint Facilities	Total	Eliminating Entries	Final
OPERATING REVENUE					
Domestic water sales	\$ 2,544,034		\$ 2,544,034		\$ 2,544,034
Irrigation water sales	279,770		279,770		279,770
Sale of electricity	2,310,718	\$ 20,504,119	22,814,837		22,814,837
Other services	616,427	2,410,720	3,027,147		3,027,147
TOTAL OPERATING REVENUE	<u>5,750,949</u>	<u>22,914,839</u>	<u>28,665,788</u>		<u>28,665,788</u>
OPERATING EXPENSES					
Source of supply	17,595		17,595		17,595
Water treatment	2,106,901		2,106,901		2,106,901
Environmental health and safety	252,731	481,462	734,193		734,193
Transmission and distribution	2,372,396		2,372,396		2,372,396
Customer accounts	1,165,653		1,165,653		1,165,653
Plant operations	1,345,076	15,301,739	16,646,815		16,646,815
General and administrative	2,617,581	3,463,424	6,081,005		6,081,005
Other operating expenses	78,880		78,880		78,880
Depreciation	1,897,216	2,538,356	4,435,572		4,435,572
TOTAL OPERATING EXPENSES	<u>11,854,029</u>	<u>21,784,981</u>	<u>33,639,010</u>		<u>33,639,010</u>
NET INCOME (LOSS) FROM OPERATIONS	(6,103,080)	1,129,858	(4,973,222)		(4,973,222)
NON-OPERATING REVENUES (EXPENSES)					
Property taxes	831,456		831,456		831,456
Investment earnings	409,217	1,966,820	2,376,037		2,376,037
Insurance refund		20,903	20,903		20,903
Gain on disposal of capital assets	(61,175)	(402,362)	(463,537)		(463,537)
Miscellaneous non-operating revenue	32,716		32,716		32,716
Interest expense	(748,744)		(748,744)		(748,744)
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>463,470</u>	<u>1,585,361</u>	<u>2,048,831</u>		<u>2,048,831</u>
NET INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS	(5,639,610)	2,715,219	(2,924,391)		(2,924,391)
CAPITAL CONTRIBUTIONS					
Capital grants:					
Federal		7,336	7,336		7,336
System capacity charges	994,566		994,566		994,566
TOTAL CAPITAL CONTRIBUTIONS	<u>994,566</u>	<u>7,336</u>	<u>1,001,902</u>		<u>1,001,902</u>
TRANSFERS					
Transfers in	10,451,136		10,451,136	\$ (10,451,136)	
Transfers out		(10,451,136)	(10,451,136)	10,451,136	
TOTAL TRANSFERS	<u>10,451,136</u>	<u>(10,451,136)</u>			
CHANGE IN NET POSITION	5,806,092	(7,728,581)	(1,922,489)		(1,922,489)
Net position at beginning of year	5,496,980	102,537,958	108,034,938		108,034,938
NET POSITION AT END OF YEAR	<u>\$ 11,303,072</u>	<u>\$ 94,809,377</u>	<u>\$ 106,112,449</u>	<u>\$ -</u>	<u>\$ 106,112,449</u>

SOUTH FEATHER WATER AND POWER AGENCY

OTHER SUPPLEMENTARY INFORMATION
DEBT SERVICE COVERAGE RATIOS

For the Years Ended December 31, 2025 and 2024

	2025	2024
REVENUES		
Operating revenues	\$ 24,898,125	\$ 28,665,788
Property taxes	870,385	831,456
Investment earnings	2,204,574	2,376,037
Insurance reimbursements	4,862	20,903
Other non-operating revenue		32,716
TOTAL REVENUES	27,977,946	31,926,900
EXPENSES		
Total operating expenses	28,017,452	33,639,010
Less: Depreciation	(4,082,947)	(4,435,572)
TOTAL EXPENSES	23,934,505	29,203,438
NET REVENUES	4,043,441	2,723,462
ACTUAL DEBT SERVICE PAYMENTS (CASH BASIS)		
2016 Certificates of Participation - principal	695,000	675,000
2016 Certificates of Participation - interest	749,275	769,525
TOTAL ACTUAL DEBT SERVICE PAYMENTS	1,444,275	1,444,525
Debt Coverage Ratio - Actual	2.80	1.89
Required Ratio	1.25	1.25

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the South Feather Water and Power Agency (the Agency) as of and for the year ended December 31, 2025, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements, and have issued our report thereon date June 12, 2026.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Agency's internal control over financial reporting (internal control) as a basis for designing auditing 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified a deficiency in internal control, described in the accompanying schedule of findings and questioned costs as finding 2025-001 that we consider to be a material weakness.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Agency's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the

To the Board of Directors
South Feather Water and Power Agency

financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters reported as Finding 2025-002 that is required to be reported under *Government Auditing Standards*.

The Agency's Response to Finding

Government Auditing Standards requires the auditor to perform limited procedures on the Agency's response to the finding identified in our audit and described in the accompanying schedule of findings and responses. The Agency's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of This Report

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

Richardson & Company, LLP

June 12, 2026

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM,
INTERNAL CONTROL OVER COMPLIANCE AND SCHEDULE OF EXPENDITURES OF
FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the South Feather Water and Power Agency (the Agency) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct material effect on each of the Agency's major federal programs for the year ended December 31, 2025. The Agency's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questions costs.

In our opinion, the Agency complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2025.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Agency and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Agency's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Agency's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Agency's compliance based on our audit. 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, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Agency's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 Agency's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Agency's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as Finding 2025-002. Our opinion on each major federal program is not modified with respect to this matter.

Government Auditing Standards requires the auditor to perform limited procedures on the Agency's response to noncompliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. The Agency's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant

To the Board of Directors
South Feather Water and Power Agency

deficiencies may exist that were not identified. However, as described below, we identified a deficiency in internal control that we consider to be a significant deficiency.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as Finding 2025-002 to be a significant deficiency.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Government Auditing Standards requires the auditor to perform limited procedures on the Agency's response to the internal control over compliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. The Agency's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Richardson & Company, LLP

June 12, 2026

SOUTH FEATHER WATER AND POWER AGENCY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended December 31, 2025

A. SUMMARY OF AUDITOR'S RESULTS

Financial Statements

- | | |
|--|------------|
| 1. Type of auditor's report issued: | Unmodified |
| 2. Internal control over financial reporting: | |
| a. Material weaknesses identified? | Yes |
| b. Significant deficiencies identified not considered to be material weaknesses? | No |
| 3. Noncompliance material to financial statements noted? | No |

Federal Awards

- | | |
|--|------------|
| 1. Internal control over major programs: | |
| a. Material weaknesses identified? | No |
| b. Significant deficiencies identified not considered to be material weaknesses? | Yes |
| 2. Type of auditor's report issued on compliance for major programs: | Unmodified |
| 3. Any audit findings disclosed that are required to be reported in accordance with 2 CFR, Section 200.516(a)? | Yes |

4. Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program</u>
21.027	Coronavirus State and Local Fiscal Recovery Funds

- | | |
|---|-----------|
| 5. Dollar Threshold used to distinguish between Type A and Type B programs? | \$750,000 |
| 6. Auditee qualified as a low-risk auditee under 2 CFR, Section 200.516(a)? | No |

B. CURRENT YEAR FINDINGS – FINANCIAL STATEMENT AUDIT

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Finding 2025-001 – Material Weakness

Criteria: Management is responsible for designing, implementing, establishing, and maintaining effective internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, and for evaluating and monitoring ongoing activities to help ensure that appropriate goals and objectives are met; following laws and regulations; and ensuring that management and financial information is reliable and properly reported.

SOUTH FEATHER WATER AND POWER AGENCY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

December 31, 2025

Condition: Twenty-two adjustments and closing entries were posted during the audit, including several material adjustments that were not identified by the Agency's closing procedures. Also, certain accounts were not reconciled to subsidiary records and adjusted to reflect final balances during the closing process.

Effect: The adjustments and closing entries delayed completion of the audit, result in the audit taking more hours to complete and compresses the time available to complete the audit by the June Board meeting than if the general ledger was final at the start of the audit. It also increases the risk that an error exists that was not identified during the audit.

Cause: The Agency's closing process did not identify all entries necessary to record the Agency's financial activity in accordance with generally accepted accounting principles prior to the start of the audit.

Recommendation: We recommend the Agency start the closing process sooner after year-end to allow adequate time to close the books and add additional review procedures necessary to ensure general ledger accounts are reconciled to subsidiary records and updated prior to the start of the audit. A complete closing checklist that includes all accounts where adjustments were posted during the 2025 audit may be helpful to identify accounts that need to be reconciled in the closing process. The Agency should review the audit adjustments provided to management to ensure additional controls are put in place to identify and record the transactions prior to the start of the audit.

Views of Responsible Officials and Planned Corrective Actions: Management's response and planned corrective action is included in the Corrective Action Plan included at the end of the report.

REPORT ON COMPLIANCE AND OTHER MATTERS

See Finding 2025-002 under the CURRENT YEAR FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARDS PROGRAM section below.

C. CURRENT YEAR FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARDS PROGRAM AUDIT

REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM

Finding 2025-002 – Significant Deficiency

Award No.: 21.027

Federal Grantor: U.S. Department of Treasury, Passed-through the County of Butte, Pass-through Grantor's Number X25534.

Compliance Requirement: Procurement, Suspension and Debarment.

Condition: The Agency's procurement policy does not adequately document procurement requirements under the Uniform Guidance or contract provisions under Appendix II to Part 200 of the Uniform Guidance.

Criteria: Uniform Guidance, Section 200.318(a) indicates "the recipient or subrecipient must maintain and use documenting procedures for procurement transactions under a Federal award or subaward, including for acquisition of property or services. These documented procurement

SOUTH FEATHER WATER AND POWER AGENCY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

December 31, 2025

procedures must be consistent with State, local, and tribal laws and regulations and the standards identified in §§ 200.317 through 200.327". Required contracting provisions are documented in Appendix II to Part 200 – Contract Provisions for Non-federal Entity Contracts Under Federal Awards.

Cause: The Agency's procurement policy needs to be updated to document the requirements of the Uniform Guidance.

Effect: The Agency's procurement policy does not comply with the requirements of the Uniform Guidance, which could result in procurements that do not comply with the Uniform Guidance and the awarding agency disallowing the federal award and requesting the return of the award.

Context: The Agency's procurement policy complies with many requirements of the Uniform Guidance, but the policy does not comply with certain required provisions, including the thresholds for micro purchases, simplified acquisition threshold and full public procurements and the requirements for sole sourcing procurements under section 200.320. The procurements tested were found to comply with procurement requirements under Uniform Guidance even though the policy did not include all of the required provisions.

Recommendation: The Agency should update its procurement policy to reference Uniform Guidance §§ 200.317 through 200.327 and should reference contracting provisions under Appendix II to Part 200 to be in compliance with Uniform Guidance prior to procurements being made under future federal awards.

Views of Responsible Officials and Planned Corrective Actions: Management's response and planned corrective action is included in the Corrective Action Plan included at the end of the report.

REPORT ON INTERNAL CONTROL OVER COMPLIANCE

See Finding 2025-002 under the REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM section above, which is also considered to be a finding for the REPORT ON INTERNAL CONTROL OVER COMPLIANCE.

D. STATUS OF PRIOR YEAR FINDINGS

FINANCIAL STATEMENT AUDIT

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Finding 2024-001 – Material Weakness

Condition: Thirteen adjustments and closing entries were posted during the audit that were not identified by the Agency's closing procedures and certain accounts were not reconciled to subsidiary records. In addition, a number of adjustments were posted after the general ledger was provided for the audit that resulted in the need to reimport the general ledger.

Current Status: Twenty-two adjustments were posted as part of the audit, so the finding was not resolved. See finding 2025-001 which is a continuation of this finding.

REPORT ON COMPLIANCE AND OTHER MATTERS

None.

SOUTH FEATHER WATER AND POWER AGENCY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

December 31, 2025

FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAM

REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM

None.

REPORT ON INTERNAL CONTROL OVER COMPLIANCE

None.

SOUTH FEATHER WATER AND POWER AGENCY
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

December 31, 2025

<u>Federal Grantor/ Pass-through Grantor/ Program Title</u>	<u>Federal Assistance List Number</u>	<u>Pass-Through Grantors' Number</u>	<u>Expenses</u>
U.S. Department of Treasury Passed-through the County of Butte			
COVID-19 - Coronavirus State and Local Fiscal Recovery Funds	21.027	X25534	<u>\$ 1,750,624</u>
Total U.S. Department of Treasury			<u>1,750,624</u>
TOTAL FEDERAL AWARDS			<u>\$ 1,750,624</u>

See accompanying notes to schedule of expenditures of federal awards.

SOUTH FEATHER WATER AND POWER AGENCY

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

December 31, 2025

NOTE A – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal grant activity of the South Feather Water and Power Agency (the Agency) under programs of the federal government for year ended December 31, 2025. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the Agency's operations, it is not intended to be and does not present the financial position, changes in financial position, or cash flows of the Agency.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenses reported on the Schedule are reported on the accrual basis. Such expenses are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenses are not allowable or are limited as to reimbursement.

NOTE C – INDIRECT COST ALLOCATION

The Agency did not charge indirect costs to federal programs during the year ended December 31, 2025.

NOTE D – CLUSTERS OF PROGRAMS

There were no clusters of the Agency's federal programs during the year ended December 31, 2025.

NOTE E – SUBRECIPIENTS

There were no subrecipients of the Agency's federal programs during the year ended December 31, 2025.



Single audit Corrective Action Plan, December 31, 2025

Finding 2025-001 – Material Weakness

Criteria: Management is responsible for designing, implementing, establishing, and maintaining effective internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, and for evaluating and monitoring ongoing activities to help ensure that appropriate goals and objectives are met; following laws and regulations; and ensuring that management and financial information is reliable and properly reported.

Condition: Twenty-two adjustments and closing entries were posted during the audit, including several material adjustments that were not identified by the Agency’s closing procedures. Also, certain accounts were not reconciled to subsidiary records and adjusted to reflect final balances during the closing process.

Effect: The adjustments and closing entries delayed completion of the audit, result in the audit taking more hours to complete and compresses the time available to complete the audit by the June Board meeting than if the general ledger was final at the start of the audit. It also increases the risk that an error exists that was not identified during the audit.

Cause: The Agency’s closing process did not identify all entries necessary to record the Agency’s financial activity in accordance with generally accepted accounting principles prior to the start of the audit.

Recommendation: We recommend the Agency start the closing process sooner after year-end to allow adequate time to close the books and add additional review procedures necessary to ensure general ledger accounts are reconciled to subsidiary records and updated prior to the start of the audit. A complete closing checklist that includes all accounts where adjustments were posted during the 2025 audit may be helpful to identify accounts that need to be reconciled in the closing process. The Agency should review the audit adjustments provided to management to ensure additional controls are put in place to identify and record the transactions prior to the start of the audit.

Views of Responsible Officials and Planned Corrective Actions: Additional review procedures will be implemented during the 2026 audit to address the areas with audit adjustments.

Title of Responsible Party: Finance Manager

Expected Implementation Date: By March 31, 2027



Finding 2025-002 – Significant Deficiency

Award No.: 21.027

Federal Grantor: U.S. Department of Treasury, Passed-through the County of Butte, Pass-through Grantor’s Number X25534.

Compliance Requirement: Procurement, Suspension and Debarment.

Condition: The Agency’s procurement policy does not adequately document procurement requirements under the Uniform Guidance or contract provisions under Appendix II to Part 200 of the Uniform Guidance.

Criteria: Uniform Guidance, Section 200.318(a) indicates “the recipient or subrecipient must maintain and use documenting procedures for procurement transactions under a Federal award or subaward, including for acquisition of property or services. These documented procurement procedures must be consistent with State, local, and tribal laws and regulations and the standards identified in §§ 200.317 through 200.327”. Required contracting provisions are documented in Appendix II to Part 200 – Contract Provisions for Non-federal Entity Contracts Under Federal Awards.

Cause: The Agency’s procurement policy needs to be updated to document the requirements of the Uniform Guidance.

Effect: The Agency’s procurement policy does not comply with the requirements of the Uniform Guidance, which could result in procurements that do not comply with the Uniform Guidance and the awarding agency disallowing the federal award and requesting the return of the award.

Context: The Agency’s procurement policy complies with many requirements of the Uniform Guidance, but the policy does not comply with certain required provisions, including the thresholds for micro purchases, simplified acquisition threshold and full public procurements and the requirements for sole sourcing procurements under section 200.320. The procurements tested were found to comply with procurement requirements under Uniform Guidance even though the policy did not include all of the required provisions.

Recommendation: The Agency should update its procurement policy to reference Uniform Guidance §§ 200.317 through 200.327 and should reference contracting provisions under Appendix II to Part 200 to be in compliance with Uniform Guidance prior to procurements being made under future federal awards.

Views of Responsible Officials and Planned Corrective Actions: The procurement policy will be updated to include procurement guidance under Uniform Guidance §§ 200.317 through 200.327 and contracting provisions under Appendix II to Part 200 – Contract Provisions for Non-federal Entity Contracts Under Federal Awards.

Title of Responsible Party: Finance Manager

Implementation Date: By September 22, 2026

Sincerely,
Cheri Richter, Finance Manager