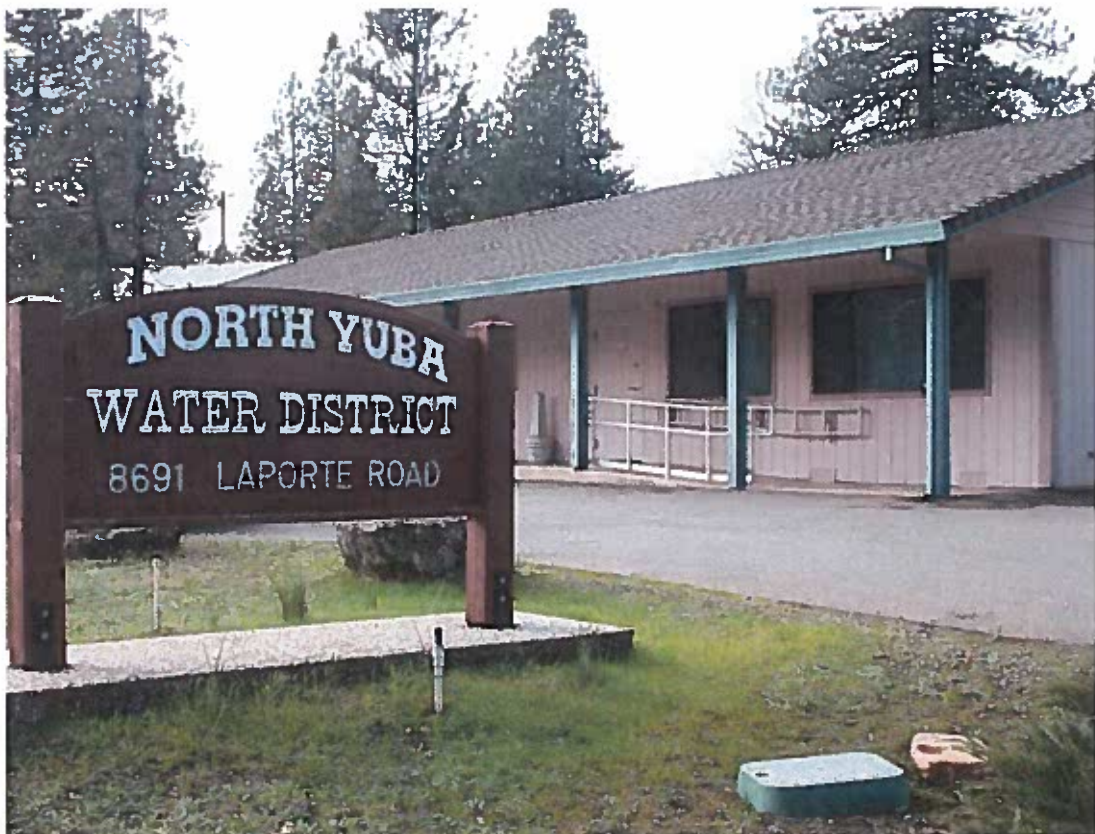


NORTH YUBA WATER DISTRICT

FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT

June 30, 2017 and 2016



NORTH YUBA WATER DISTRICT

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NORTH YUBA WATER DISTRICT
Management Discussion and Analysis
June 30, 2017 and 2016

Our discussion and analysis of the North Yuba Water District's financial performance provides an overview of the District's financial activities for the year ended June 30, 2017. Please, read it in conjunction with the District's basic financial statements, which begin on page 7.

Basic Financial Statements

The District's basic financial statements include four components:

- Statement of Net Position
- Statement of Revenues, Expenses, Changes in Net Position
- Statement of Cash Flows
- Notes to the Financial Statements

The balance sheet includes all of the District's assets and liabilities, with the difference between the two reported as net position.

The balance sheet provides the basis for evaluating the capital structure of the District and assessing its liquidity and financial flexibility.

The statement of revenues, expenses and changes in net position presents information which shows how the District's net position changed during each year. All of the year's revenues and expenses are recorded when the underlying transaction occurs, regardless of the timing of the related cash flows. The statement of revenues, expenses, and changes in net position measures the success of the District's operations during the year and determine whether the District has recovered its costs through user fees and other charges.

The statement of cash flows provides information regarding the District's cash receipts and cash disbursements during the year. This statement reports cash activity in four categories:

- Operating
- Noncapital Financing
- Capital Financing and Related Financing
- Investing

The statement of cash flows differentiates from the statement of revenues, expenses and changes in net position by accounting for transactions that result in cash receipts and cash disbursements. The notes to the financial statements provide a description of the accounting policies used to prepare the financial statements and present material disclosures required by generally accepted accounting principles that are not otherwise present in the financial statements.

NORTH YUBA WATER DISTRICT
Management Discussion and Analysis
June 30, 2017 and 2016

Financial Highlights

During the year ended June 30, 2017, the District's net position decreased by \$96,321 or 1.64%. The District's operating revenues increased by \$29,538 or 2.25%, and operating expenses increased by \$24,631 or 1.36%. Non-operating revenues were \$398,734. The change in net position was \$(96,321).

Financial Analysis of the District

Net Position - the District's net position decreased by \$96,321 between fiscal years 2017 and 2016, from \$5,885,322 to \$5,789,001. Net position invested in capital assets, less accumulated depreciation, increased by \$120,374 because the District have purchased capital assets during the fiscal year.

BALANCE SHEET

	<u>2017</u>	<u>2016</u>	<u>Dollar Change</u>	<u>Percent Change</u>
Current Assets	\$ 1,521,804	\$ 1,586,265	\$ (64,461)	-4.06%
Capital Assets-Net	4,496,507	4,505,876	(9,369)	-0.21%
Restricted Assets	<u>1,155,872</u>	<u>1,283,575</u>	<u>(127,703)</u>	<u>-9.95%</u>
Total Assets	<u>\$ 7,174,183</u>	<u>\$ 7,375,716</u>	<u>\$ (201,533)</u>	<u>-14.22%</u>
Liabilities	<u>\$ 1,385,182</u>	<u>\$ 1,490,394</u>	<u>\$ (105,212)</u>	<u>-7.06%</u>
Total Liabilities	<u>1,385,182</u>	<u>1,490,394</u>	<u>(105,212)</u>	<u>-7.06%</u>
Invested in Capital Assets, Net of Related Debt	3,256,705	3,136,331	120,374	3.84%
Restricted	1,155,872	1,283,575	(127,703)	-9.95%
Unrestricted	<u>1,376,424</u>	<u>1,465,416</u>	<u>(88,992)</u>	<u>-6.07%</u>
Total Net Position	<u>5,789,001</u>	<u>5,885,322</u>	<u>(96,321)</u>	<u>-12.18%</u>
Total Liabilities and Net Position	<u>\$ 7,174,183</u>	<u>\$ 7,375,716</u>	<u>\$ (201,533)</u>	<u>-2.73%</u>

NORTH YUBA WATER DISTRICT
Management Discussion and Analysis
June 30, 2017 and 2016

Financial Analysis of the District (Continued)

Statement of Revenues, Expenses, and Changes in Net Position

	<u>2017</u>	<u>2016</u>	<u>Dollar Change</u>	<u>Percent Change</u>
Revenue				
Operating Income	\$ 1,342,170	\$ 1,312,632	\$ 29,538	2.25%
Non-Operating Income	398,734	376,358	22,376	5.95%
Total Revenue	<u>\$ 1,740,904</u>	<u>\$ 1,688,990</u>	<u>\$ 51,914</u>	<u>3.07%</u>
Operating Expenses				
Water Supply, Treatment, Distribution	\$ 976,079	\$ 916,004	\$ 60,075	6.56%
Administration Expenses	673,876	760,184	(86,308)	-11.35%
Depreciation	187,270	136,406	50,864	37.29%
Total Expenses	<u>1,837,225</u>	<u>1,812,594</u>	<u>24,631</u>	<u>1.36%</u>
Changes in Net Position	<u>(96,321)</u>	<u>(123,604)</u>	<u>27,283</u>	<u>-22.07%</u>
Net Assets- Beginning of Year	<u>5,885,322</u>	<u>6,008,926</u>	<u>(123,604)</u>	<u>-2.06%</u>
Net Assets- End of Year	<u>\$ 5,789,001</u>	<u>\$ 5,885,322</u>	<u>\$ (96,321)</u>	<u>-1.64%</u>

Capital Assets

At June 30, 2017, District invested in capital assets, net of related debt was \$3,256,705. The District purchased \$177,902 of capital assets during fiscal year end June 30, 2017. For the year ended June 30, 2017, depreciation expense was \$187,270. Capital assets, net of accumulated depreciation were decreased by \$9,369.

Capital Debt

At June 30, 2017, the District's long-term debt outstanding was \$1,239,802. Long-term debt decreased by \$129,743 for fiscal year ended June 30, 2017.

NORTH YUBA WATER DISTRICT
Management Discussion and Analysis
June 30, 2017 and 2016

Economic Factors

The District incurred a \$495,055 operating loss during fiscal year 2017, and a \$449,962 operating loss during fiscal year 2016. Operating income for fiscal year 2017 increased primarily from increased revenue from irrigation sales. Power revenue varies significantly from year to year dependent upon hydrological and other factors. The operating loss for fiscal year 2017 is offset by non-operating income of \$398,734 resulting in an overall decrease in net position of \$96,321.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the District's accountability for the financial resources it manages and the stewardship of the facilities it maintains. If you have any questions regarding this report or need additional financial information, please contact North Yuba Water District, P.O. Box 299, Brownsville, CA 95919



Blomberg & Griffin Accountancy Corporation
Certified Public Accountant

INDEPENDENTS AUDITOR'S REPORT

To the Board of Directors
North Yuba Water District
Brownsville, CA

Report on the Financial Statements

We have audited the accompanying financial statements of North Yuba Water District as of and for the years ended June 30, 2017 and 2016 and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the North Yuba Water District, as of June 30, 2017 and 2016 and the respective changes in financial position, and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 1 thru 4 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated January 30, 2018, on our consideration of the North Yuba Water District internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering North Yuba Water District internal control over financial reporting and compliance.

Blomberg & Griffin A.C.

Blomberg & Griffin A.C.
Stockton, CA
January 30, 2018

NORTH YUBA WATER DISTRICT
Statement of Net Position
June 30, 2017 and 2016

ASSETS

	2017	2016
CURRENT ASSETS		
Cash in Bank	\$ 292,278	\$ 143,483
Cash in County	1,167,603	1,369,761
Accounts Receivable (net allowance of -0-):	27,820	37,735
Inventory	23,784	24,434
Prepaid Expenses	10,319	10,852
Total Current Assets	1,521,804	1,586,265
CAPITAL ASSETS AT COST		
Land	142,037	142,037
Property and Equipment	7,917,655	5,987,335
Less Accumulated Depreciation	(3,980,192)	(3,792,922)
Net Property and Equipment	4,079,500	2,336,450
Construction in Progress	41,116	1,793,535
Land for Future Use	375,891	375,891
Total Capital Assets - Net	4,496,507	4,505,876
Restricted Assets:		
Cash with County	658,273	786,968
Tank Project - Cash	108,349	108,132
Capital Improvement Project	182,924	182,559
Saving Money Market	110,679	110,458
Reserve - Savings	95,647	95,458
Total Restricted Assets	1,155,872	1,283,575
TOTAL ASSETS	\$ 7,174,183	\$ 7,375,716
LIABILITIES AND NET POSITION		
CURRENT LIABILITIES		
Accounts Payable	\$ 28,374	\$ 17,927
Accrued Interest	27,956	13,379
Compensated Absences	50,262	53,038
Customer Deposits	38,788	36,505
Current Position of Long-Term Debt	108,641	130,104
Total Current Liabilities	254,021	250,953
Long-Term Debt, Net of Current Portion	1,131,161	1,239,441
Total Liabilities	1,385,182	1,490,394
NET POSITION		
Invested in Capital Assets, Net of Related Debt	3,256,705	3,136,331
Restricted	1,155,872	1,283,575
Unrestricted	1,376,424	1,465,416
Total Net Position	5,789,001	5,885,322
TOTAL LIABILITIES AND NET POSITION	\$ 7,174,183	\$ 7,375,716

See accompanying notes to the financial statements

NORTH YUBA WATER DISTRICT
Statement of Revenues, Expenses, and Changes in Net Position
For the Years Ended June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
OPERATING REVENUES		
Irrigation	\$ 17,860	\$ 22,365
Domestic	232,508	221,757
Power Revenue	709,000	709,000
Resale	343,300	333,901
Other	<u>39,502</u>	<u>25,609</u>
 Total Operating Revenues	 <u>1,342,170</u>	 <u>1,312,632</u>
OPERATING EXPENSES		
Source of Supply	434,498	406,689
Water Treatment	168,098	186,329
Transmission & Distribution	373,483	322,986
Administrative & General	673,876	760,184
Depreciation	<u>187,270</u>	<u>136,406</u>
 Total Operating Expenses	 <u>1,837,225</u>	 <u>1,812,594</u>
 Net Income (Loss) from Operations	 <u>(495,055)</u>	 <u>(499,962)</u>
NON-OPERATING REVENUES (EXPENSES)		
Tax Revenue	369,472	354,510
Interest Income	21,769	16,943
Assessment for Debt Service	68,179	68,179
Interest Expense	<u>(60,686)</u>	<u>(63,274)</u>
 Total Non-Operating Income	 <u>398,734</u>	 <u>376,358</u>
 Changes in Net Position	 (96,321)	 (123,604)
 Net Position - Beginning of Year	 <u>5,885,322</u>	 <u>6,008,926</u>
 NET POSITION - END OF YEAR	 <u><u>\$ 5,789,001</u></u>	 <u><u>\$ 5,885,322</u></u>

See accompanying notes to the financial statements

NORTH YUBA WATER DISTRICT
Statement of Cash Flows
For the Years Ended June 30, 2017 and 2016

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash Receipts from Customers	\$ 1,353,270	\$ 1,301,112
Cash Payments to Suppliers	(1,070,290)	(1,138,677)
Cash Payments to Employees	(555,135)	(548,149)
 Net Cash Provided (Used) by Operating Activities	 (272,155)	 (385,714)
CASH FLOWS FROM NON-CAPITAL ACTIVITIES:		
Receipts from Taxes, Assessments, and Nonoperating Revenue Less Other Nonoperating Expenses	437,651	422,689
 Net Cash Provided (Used) by Non-Capital Activities	 437,651	 422,689
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Purchase of Capital Assets/Adjustment in Capital Asset	(177,902)	2,480
Principal Paid on Capital Debt	(129,743)	(138,531)
Interest Paid on Capital Debt	(60,686)	(63,274)
 Net Cash Provided (Used) by Capital and Related Financing Activities	 (368,331)	 (199,325)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest Income	21,769	16,943
 Net Cash Provided (Used) by Investing Activities	 21,769	 16,943
 NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	 (181,066)	 (145,407)
CASH - BEGINNING OF YEAR	2,796,819	2,942,226
CASH - END OF YEAR	\$ 2,615,753	\$ 2,796,819
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Net Operating Income (Loss)	\$ (495,055)	\$ (499,962)
Adjustments to Reconcile Operating Loss to Net Cash Provided by Operating Activities:		
Depreciation	187,270	136,406
Change in Assets and Liabilities:		
Accounts Receivable	9,917	(14,930)
Inventory	650	870
Prepaid Expenses and Other Current Assets	534	(2,165)
Accounts Payable	10,448	(12,739)
Deposits	2,280	(4,231)
Accrued Expenses and Other Liabilities	11,801	11,037
 Net Cash Provided by (used for) Operating Activities	 \$ (272,155)	 \$ (385,714)

See accompanying notes to the financial statements

NORTH YUBA WATER DISTRICT

Notes to Financial Statements

June 30, 2017 and 2016

1. Organization:

The North Yuba Water District (the "District") was formed on July 22, 1952 under California law for the purpose of providing domestic (treated) and irrigation (untreated) water service within the District boundaries. The earlier years of the District's existence were spent resolving water rights disputes against the Oroville-Wyandotte Irrigation District. A lengthy series of hearings resulted in State Decisions D-838 and D-907 and culminated with the March 8, 1958 and December 9, 1959 Agreements with OWID. The 1959 agreement was amended in 1965 and then superseded in 2005 by the NYWD/SFWPA agreement discussed in item 9 below.

There are five improvement Districts within the North Yuba Water District. Improvement District #1 was formed on March 25, 1964 for the irrigation service area. Improvement District #2 was formed on September 10, 1966 for the domestic service area. Improvement District #3 was formed on April 30, 1968 for the Forbestown water distribution system. Improvement District #5 was formed on July 19, 1974 for the New York House Road water distribution system. Improvement District #6 was formed on February 3, 1979 for the Rackerby water distribution system. At this time, the District serves domestic water to approximately 770 active services in or near the communities of Brownsville, Challenge, Forbestown, and Rackerby, and serves irrigation water to 110 active services in the Dobbins-Oregon House area.

The North Yuba Water District is governed by a five member Board of Directors, elected by division, who set District policy. Subject to the Board's direction, the overall operation and administration of the District is conducted under the authority of the General Manager/Secretary.

2. Summary of Significant Accounting Policies:

The accounting policies of North Yuba Water District conform to generally accepted accounting principles applicable to enterprise funds. The District applies all relevant Governmental Accounting Standards Board (GASB) pronouncements.

Fund Accounting

The District is an enterprise fund. All operations are accounted as an enterprise fund.

Enterprise Fund – The enterprise fund is used to account for water operations that are financed and operated in a manner similar to private business enterprises. The intent of the District is that the costs (expenses, including depreciation) of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges.

NORTH YUBA WATER DISTRICT

Notes to Financial Statements

June 30, 2017 and 2016

2. Summary of Significant Accounting Policies (continued):

Basis of Accounting

The basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of measurement made, regardless of the measurement focus applied.

The District's books and accounts are based upon the Uniform System of Accounts for Public Utilities as prescribed by the Division of Local Government Fiscal Affairs of the State of California. The records are maintained and the accompanying financial statements are presented on the accrual basis of accounting.

Operating revenues and expenses, such as water sales along with water purchases, result from exchange transactions associated with the principal activity of the District. Exchange transactions are those in which each party receives and gives up essentially equal values. Management, administration, and depreciation expenses are also considered operating expenses. Other revenues and expenses not included in the above categories are reported as non-operating revenues and expenses. Non-operating revenues and expenses, such as grant funding, investment income, and interest expense, result from non-exchange transactions, in which, the District gives (receives) value without directly receiving (giving) value in exchange.

Inventories

Inventories have been valued at the lower of cost (first in, first out) or market.

Depreciation

Utility, plant, and equipment are recorded on the basis of purchase cost. Assets acquired by contributions are recorded at estimated cost or fair market value at the date of acquisition.

Depreciation is calculated by the straight-line method over the estimated useful lives of 3 to 50 years.

Interest Capitalization

Interest costs are charged to construction projects during the period of construction.

Statement of Cash Flows

All highly liquid investments with a maturity of three months or less when purchased, are considered to be cash equivalents.

NORTH YUBA WATER DISTRICT
Notes to Financial Statements
June 30, 2017 and 2016

2. Summary of Significant Accounting Policies (continued):

Compensated Absences

Vested or accumulated vacation leave, comp. time, and sick pay that is expected to be liquidated with expendable available financial resources is reported as a current liability.

Budget and Budgetary Accounting

The Board of Directors annually adopts an operating budget. The operating budget is prepared on the accrual basis to match the operating statements.

Tax Revenue

Property tax revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The District considers property tax revenues to be available if they are collected within 60 days of the end of the current fiscal period.

Cash

The District holds its cash in the County of Yuba Treasury. The County maintains a cash and investment pool and allocates interest to the various funds based upon the average monthly cash balances. The funds held by the County can be withdrawn on demand. Information regarding categorization of investments can be found in the County of Yuba statements. The District also maintains an interest-bearing account with a local bank.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates.

NORTH YUBA WATER DISTRICT

Notes to Financial Statements

June 30, 2017 and 2016

3. Cash:

At year-end June 30, 2016 the carrying amount of the District's deposits was \$640,088. All of the bank balances were covered by Federal Depository Insurance and collateral held in the pledging bank's trust department. At year-end June 30, 2017 the carrying amount was \$789,877.

At year-end June 30, 2016 cash with a carrying amount of \$2,156,729 was held by Yuba County in the District's name. At year-end June 30, 2017 the amount was \$1,825,875.

	Balance June 30, 2017	Balance June 30, 2016
Petty Cash	\$ 830	\$ 830
Cash in Checking - Unrestricted	291,448	142,653
- Restricted - Tank	291,273	290,691
Cash with County - Unrestricted	843,429	1,022,102
- Restricted	982,447	1,134,627
Cash In Savings - Reserve	206,325	205,914
Total	\$ 2,615,752	\$ 2,796,817

4. Capital Assets:

Changes in capital assets for the years ended June 30, 2016 and 2017 are as follows:

	Balance, July 1, 2016	2016 Additions	Balance June 30, 2016	2017 Additions	Balance, June 30, 2017
Organizational Costs	\$ 4,510	\$ -	\$ 4,510	\$ -	\$ 4,510
Water Rights	138,841	-	138,841	-	138,841
Land	142,037	-	142,037	-	142,037
Source of Supply plant	73,805	-	73,805	-	73,805
Pumping Plant	63,526	-	63,526	-	63,526
Water Treatment Plant	2,278,419	-	2,278,419	-	2,278,419
Transportation and Distribution System	2,341,096	-	2,341,096	1,930,321	4,271,417
General Plant and Equipment	1,087,138	-	1,087,138	-	1,087,138
Total Capital Assets	\$ 6,129,372	\$ -	\$ 6,129,372	\$ 1,930,321	\$ 8,059,693

NORTH YUBA WATER DISTRICT

Notes to Financial Statements

June 30, 2017 and 2016

5. Long Term – Debt:

The following is a summary of the long-term debt transactions for the years ended June 30, 2017 and 2016:

	<u>Balance June 30, 2016</u>	<u>Debit Retired</u>	<u>Balance June 30, 2017</u>	<u>Current Portion</u>
Safe Drinking Water Contract	\$ 103,432	\$ 50,660	\$ 52,772	\$ 26,114
Energy Drought Relief Repayment Contract of 1977 (Rackerby Improvement Loan)	14,960	7,424	7,536	7,536
Yuba County Water Agency Consolidation	364,422	-	364,422	-
Water Tank Loan	886,730	71,659	815,071	74,991
	<u>\$ 1,369,544</u>	<u>\$ 129,743</u>	<u>\$ 1,239,801</u>	<u>\$ 108,641</u>

Long-term debt maturities for the succeeding five fiscal years are as follows:

Year Ended June 30	<u>Principal</u>
2018	\$ 108,641
2019-2022	721,797
2023-2026	409,363
	<u>\$ 1,239,801</u>

Long-term debt payable at June 30, 2017 is comprised of the following:

Safe Drinking Water Contract

Pursuant to the California Safe Drinking Water Bond Law of 1984, the District entered into a contract with the State of California Department of Water Resources on June 4, 1987. This construction loan was used to finance improvements in the District's domestic water system in order to meet minimum safe drinking water standards. The loan bears interest at 4.1439% and has semi-annual principal and interest payments due on April 1 and October 1 through 2018.

NORTH YUBA WATER DISTRICT

Notes to Financial Statements

June 30, 2017 and 2016

5. Long-Term Debt (continued):

Rackerby Improvement Loan

Resolution No. 78-340 authorized a loan in the amount of \$145,300. The proceeds of the loan were used to finance the construction of a water system and facility to supply water to the Rackerby Water Line Extension Project.

Resolution No. 79-346 declared the formation of improvement District No. 6 which was formed to serve the Rackerby sub-service area.

The loan bears interest at 5% with annual principal and interest payments of \$8,540 due on January 1 through 2018.

Loans from Yuba County Water Agency

Gunite Loan

The District borrowed \$239,539 to Gunite portions of the Dobbins-Oregon House Canal, which will conserve water which was being lost to seepage, deep percolation and evaporation. The project was completed in March, 1993.

On February 14, 2012 the principal balance owing of \$239,539 plus accumulated interest of \$199,834 was consolidated into one loan with Yuba County Water Agency.

Forbestown Ditch Loan

The District had incurred \$96,994 of costs at June 30, 2011 to pay for engineering and environmental studies for rehabilitation feasibility studies of the Forbestown Pipeline Project.

On February 14, 2012 the balance of this Forbestown Ditch loan in the amount of \$99,349, including interest, was consolidated into one loan with Yuba County Water Agency.

Consolidated Loan

The District consolidated the Gunite loan (including interest) and the Forbestown into a new loan of \$538,722 payable through November, 2021. The loan requires quarterly payments of \$17,000 (in February, May, August and November each year) including interest. This loan bears interest at the average rate paid by County Treasurer for preceding 12 months adjusted every April 1 (not less than 4%). This note is secured by a rate covenant.

NORTH YUBA WATER DISTRICT

Notes to Financial Statements

June 30, 2017 and 2016

5. Long-Term Debt (continued):

Loan -Forbestown Water Storage Tank Replacements Project

On March 1, 2011 the District borrowed \$1,200,000 from Municipal Finance Corporation under an installment sales agreement in order to construct certain improvements to the water supply facilities.

This \$1,200,000 is to be paid in annual installments of \$112,892 including 4.65% interest, beginning June 10, 2012 through June 10, 2026.

The District has pledged "net revenues" (as defined by the agreement) as collateral.

6. Restricted County Cash

Cash held in reserve with the County of Yuba at June 30, pursuant to the requirements of the District's loan and bond indebtedness agreements is:

	<u>June 30, 2017</u>	<u>June 30, 2016</u>
Safe Drinking Water Contract	\$ 2,585	\$ 2,559
Rackerby Improvement Loan	<u>10,753</u>	<u>10,647</u>
	<u>13,338</u>	<u>13,206</u>
Balance at June 30, 2017 and 2016 in reserve accounts which were established by the Board of Directors for facility fees associated with the upgrade and expansion of the domestic and irrigation systems	6,954	6,885
Restricted balances that were created by annexation fees	95	94
Board of Directors designated reserve for capital improvement.	632,714	761,662
Board of Directors designated reserve for office equipment replacement	<u>5,173</u>	<u>5,121</u>
	<u>\$ 658,274</u>	<u>\$ 786,968</u>

NORTH YUBA WATER DISTRICT

Notes to Financial Statements

June 30, 2017 and 2016

7. Retirement Plan:

On July 1, 1995 the District entered into a pension plan with Laborers' International Union of North America, National Pension Fund. The District pays \$1.60 for every regular hour worked (173.5 average per month) for all full-time permanent employees into the fund.

The District has a deferred compensation plan which is in compliance with Internal Revenue Code Section 457. The District contributes the difference of 10% (which includes applicable payroll taxes) of the employees base wages minus the amount paid into the pension plan for each employee. Contributions are made on a voluntary basis by the plan participants. No employee may contribute over 25% of yearly base salary or \$7,500 per year, whichever is the lesser amount (this includes the amount that the District contributes). The maximum amount is increased to \$15,000 for the last three years before the participant attains normal retirement age.

8. Aged Accounts Receivable:

Trade accounts receivable consists of the following at June 30:

	<u>2017</u>		<u>2016</u>	
	<u>Total</u>		<u>Total</u>	
	<u>Accounts</u>	<u>Amount</u>	<u>Accounts</u>	<u>Amount</u>
0 - 30	443	\$ 15,328	486	\$22,011
30 - 60	64	2,976	91	4,646
60 - 90	33	1,179	46	2,148
Over 90 Days	35	6,592	28	3,792
	<u>575</u>	<u>\$ 26,075</u>	<u>651</u>	<u>\$32,597</u>

NORTH YUBA WATER DISTRICT

Notes to Financial Statements

June 30, 2017 and 2016

9. South Feather Power Project (SFPP):

On May 27, 2005 the District (NYWD) entered into a new agreement with South Feather Water and Power Agency (SFWPA), which superseded the 1959 agreement with OWID that is discussed in item 1 above. The 2005 agreement was amended in 2010 and 2013.

Details of the 2005 agreement, as amended include the following:

- A. NYWD may continue to receive 3,700 af/yr. from the SFPP at SF-14 at no cost.
- B. After June 30, 2010, NYWD also may receive up to 4,500 acre-feet per year of water at SF-14. NYWD will pay the SFPP Joint Facilities Operating Account for the value of any lost generation at the Woodleaf and Forbestown Powerhouses associated with this water.
- C. After June 30, 2010, NYWD also may receive up to 15,500 af/yr. of additional water at SF-14. NYWD will pay the SFPP Joint Facilities Operating Account for the value of any lost generation at the Woodleaf, Forbestown and Kelly Ridge Powerhouses associated with such water.
- D. If curtailments in deliveries of water from the SFPP to SFWPA and NYWD for consumptive uses ever are necessary, then such curtailments will be made to SFWPA and NYWD in equal percentages of the demands of SFWPA and NYWD for water for consumptive uses

Disposition of net SFPP power revenues after 2010

- A. SFPP net power revenues will be divided and paid on or before April 15 of each year, one half to SFWPA's general account and the other half to NYWD's general account.
- B. SFWPA's costs of obtaining the new FERC license will be post-2010 SFPP Joint Facilities costs that will be paid from the SFPP Joint Facilities Operating Account before net power revenues are calculated. Such repayment will be made by uniform payments spread over the first 5 year after 2010.
- C. A SFPP Contingent Reserve Account of \$15,000,000 was established in 2011. At least \$709,000 of net power revenues will be distributed to SFWPA and \$709,000 will be distributed to NYWD each year, except in very dry years when there are no net power revenues.

NORTH YUBA WATER DISTRICT

Notes to Financial Statements

June 30, 2017 and 2016

9. South Feather Power Project (SFPP) (continued):

New SFPP Facilities

- A. If SFWPA decides to construct any new power-generation facilities as part of the SFPP, and if NYWD decides to participate in such new facilities, then the costs of such facilities will be financed or paid through the SFPP Joint Facilities Operating Account, and all power revenues from, or associated with such facilities will be paid into the SFPP Joint Facilities Operating Account.
- B. SFWPA will own the Sly Creek Powerhouse as a separate facility and SFWPA will be solely responsible for the powerhouse's operation, maintenance, repairs and replacements, unless NYWD decides to "buy in" to this facility.

Forbestown Pipeline and Forbestown Ditch

- A. SFWPA transferred to NYWD, on January 1, 2011, all of SFWPA's interests in the Upper Forbestown Ditch (including all of SFWPA's water rights in Oroleve Creek). This transfer did not include any part of the Forbestown Ditch below Gauge WD-6, and NYWD did not have any obligation to serve any of SFWPA's Forbestown Ditch customers. After this transfer, NYWD is obligated to convey up to 11 cfs and 3,720 af/yr. of water from SF-14 through the Upper Forbestown Ditch to SFWPA at WD-6, for SFWPA then to convey rest of the Forbestown Ditch to its customers. SFWPA is not being responsible for any Upper Forbestown Ditch conveyance losses, and all Upper Forbestown Ditch conveyance losses will be subtracted from NYWD's water. NYWD may construct a pipeline or pipelines to replace some or all reaches of the Upper Forbestown Ditch

10. Risk of Loss:

North Yuba Water District is exposed to various risks of loss related to theft of, damage to, and destruction of assets, and injuries to employees. During the 2017 fiscal year, the District purchased certain commercial insurance coverages to provide for these risks.

NORTH YUBA WATER DISTRICT

Notes to Financial Statements

June 30, 2017 and 2016

11. Net Position:

Net Position at June 30, Consist of:

	<u>2017</u>	<u>2016</u>
Investment in Capital		
Assets, Net of Related Debt	<u>\$ 3,256,706</u>	<u>\$ 3,136,331</u>
Restricted Reserves:		
WPT Loan	108,349	108,132
County Accounts	658,273	786,968
Capital Improvement	182,924	182,559
Money Market-Savings	110,679	110,458
Reserve-Savings	<u>95,647</u>	<u>95,458</u>
	<u>1,155,872</u>	<u>1,283,575</u>
Unrestricted:		
Board Designated		
Replacement - Mobile Equipment	2,832	2,804
Replacement - Office Equipment	<u>5,172</u>	<u>5,121</u>
	<u>8,004</u>	<u>7,925</u>
Undesignated	<u>1,368,419</u>	<u>1,457,501</u>
	<u>\$ 5,789,001</u>	<u>\$ 5,885,332</u>

12. Subsequent Events:

Management has evaluated subsequent events through March 05, 2018, the date these June 30, 2017 financial statements were available to be issued.

**NORTH YUBA WATER DISTRICT
PRINCIPAL OFFICIALS**

Board of Directors:

Donald C. Ferguson

President

Eric Hansard

Vice President

Terry Brown

Gary Hawthorne

Doug Neilson

Staff:

Jeffrey Maupin

Manager/Secretary
to the Board

Heidi Naether

Finance Manager



Blomberg & Griffin Accountancy Corporation
Certified Public Accountant

**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**

Board of Directors
North Yuba Water District
Brownsville, CA

We have audited the business-type activities of the North Yuba Water District as of and for the years ended June 30, 2017 and 2016, which collectively comprise the District's basic financial statements and have issued our report thereon dated January 30, 2018. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the North Yuba Water District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of North Yuba Water District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the North Yuba Water District's internal control over financial reporting.

A *control 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, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected and corrected by North Yuba Water District's internal controls on a timely basis.

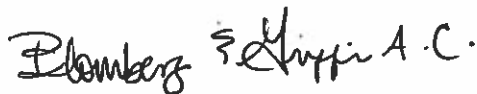
North Yuba Water District -Report on Internal Controls-Page 2

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

This report is intended solely for the information and use of management, Board of Directors, others within the entity, County/State auditor/controller and is not intended to be and should not be used by anyone other than these specified parties.



Blomberg & Griffin A.C.
Stockton, CA
January 30, 2018