

UTICA WATER & POWER AUTHORITY

**INDEPENDENT AUDITOR'S REPORT
AND
FINANCIAL STATEMENTS**

JUNE 30, 2025

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Utica Water & Power Authority
Angels Camp, California

Opinion

We have audited the accompanying financial statements of the Utica Water & Power Authority (the Authority), as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the Authority'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 Authority as of June 30, 2025, and the changes in financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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. 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 Authority and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority'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 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 statement.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority'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 Authority'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.

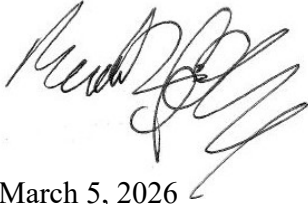
Required Supplementary Information

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

Accounting principles generally accepted in the United States of America require that the Schedule of the Authority's Proportionate Share of Net Pension Liability, and Schedule of Contributions on pages 20 – 21 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 March 5, 2026 on our consideration of the Authority’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the 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 Authority’s internal control over financial reporting and compliance.

A handwritten signature in black ink, appearing to be "Neddy" followed by a stylized flourish.

March 5, 2026

UTICA WATER & POWER AUTHORITY

STATEMENT OF NET POSITION JUNE 30, 2025

ASSETS

Current assets

Cash and investments	\$ 2,295,064
Accounts receivable	427,117
Prepaid expenses	70,434
Total current assets	<u>2,792,615</u>

Non-current and restricted assets

Other Assets	
Licenses - net of amortization	87,547
Deposits	80,000
Capital Assets	
Property, plant, and equipment - net of accumulated depreciation	<u>1,444,456</u>
Total non-current assets	<u>1,612,003</u>

Total assets 4,404,618

DEFERRED OUTFLOWS OF RESOURCES 217,351

LIABILITIES

Current liabilities

Accounts payable and accrued expenses	<u>283,514</u>
Total current liabilities	<u>283,514</u>

Non-current liabilities

Compensated absences	118,016
Net pension liability	<u>147,653</u>
Total non-current liabilities	<u>265,669</u>

Total liabilities 549,183

DEFERRED INFLOWS OF RESOURCES 3,021

NET POSITION

Net investment in capital assets	1,296,803
Unrestricted	<u>2,772,962</u>
Total net position	<u>\$ 4,069,765</u>

UTICA WATER & POWER AUTHORITY

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION YEAR ENDED JUNE 30, 2025

Operating Revenue

Power revenue	\$ 1,617,513
Water revenue	1,019,113
Grant Income	<u>463,729</u>
Total operating revenue	<u>3,100,355</u>

Operating Expense

Wages, benefits, and burden	1,238,434
Repairs and maintenance	442,883
Professional services	849,310
Fees	89,114
Materials, supplies and services	20,219
Outside services	409,179
Insurance	102,310
Communications	31,730
Utilities	31,377
Memberships	17,271
Travel and training	19,639
Other	25,795
Depreciation	<u>219,256</u>
Total operating expense	<u>3,496,517</u>

Operating income/(loss) (396,162)

Non-operating Revenue/(Expense)

Rents and leases	71,452
Interest income	89,725
Other income	22,920
Amortization	<u>(9,831)</u>
Total non-operating revenue/(expense)	<u>174,266</u>

Change in Net Position (221,896)

Net Position

Beginning of year	4,296,834
Prior period adjustment	<u>(5,173)</u>
Beginning of the year - restated	<u>4,291,661</u>
End of year	<u>\$ 4,069,765</u>

UTICA WATER & POWER AUTHORITY

STATEMENT OF CASH FLOWS YEAR ENDED JUNE 30, 2025

Operating Activities

Receipts from customers and users	\$ 3,057,010
Payments to suppliers for goods and services	(2,126,827)
Payments to employees for services	(1,310,789)
Net cash provided by (used in) operating activities	<u>(380,606)</u>

Non-capital Financing Activities

Receipts from facilities charges	71,452
Other income	22,920
Net cash provided by non-capital financing activities	<u>94,372</u>

Capital and Related Financing Activities

Purchase of property, plant and equipment	<u>(143,568)</u>
Net cash provided by (used in) capital and related financing activities	<u>(143,568)</u>

Investing Activities

Interest received	<u>89,725</u>
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Net Increase in Cash and Investments (340,077)

Cash and Investments

Beginning of year	<u>2,635,141</u>
End of year	<u><u>\$ 2,295,064</u></u>

Cash Flows from Operating Activities

Operating income (loss)	\$ (396,162)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation	219,256
(Increase) Decrease in accounts receivable	3,281
(Increase) Decrease in prepaid expenses	(3,094)
(Increase) Decrease in deferred outflows of resources	(82,385)
Increase (Decrease) in accounts payable and accrued expenses	(84,906)
Increase (Decrease) in compensated absences	8,006
Increase (Decrease) in unearned revenue	(46,626)
Increase (Decrease) in net pension liability	172
Increase (Decrease) in deferred inflows of resources	<u>1,852</u>

Net Cash Provided by Operating Activities \$ (380,606)

UTICA WATER & POWER AUTHORITY

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2025

Note 1 – Summary of Significant Accounting Policies

The financial statements of the Utica Water & Power Authority (Authority) have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to enterprise funds of governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The significant accounting principles and policies utilized by the Authority are described below:

Reporting Entity

The Authority was established in December 1995 and is a joint power authority made up of two local agencies in Calaveras County, the City of Angels and the Union Public Utility District. It includes two FERC Projects, each comprised of a hydro-electric power plant and water delivery systems, including canals, flumes, penstocks and reservoirs. The Authority was formed “to help assure that there will be adequate water available from the Projects for the protection of all beneficial public uses in Calaveras County. The projects are funded primarily by the sale of power produced by the Utica and Angels Hydro-Electric plants.

Basis of Accounting

The Authority accounts for its operations in enterprise funds using the economic resources measurement focus and the accrual basis of accounting. A fund is an accounting entity with a self-balancing set of accounts established to record the financial position and results of operations of a specific government activity. The activities of enterprise funds closely resemble those of ongoing businesses in which the purpose is to conserve and add to basic resources while meeting operating expenses from current revenues. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

An enterprise fund distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the Authority’s principal ongoing operations. The principal operating revenues of the Authority are from the sale of electricity and RECs. Operating expenses for the Authority include the cost of hydroelectric plant operation, water conveyance system operation, power and water sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Financial Statement Amounts

Cash and Investments – Cash and investments represent the Authority's cash bank accounts including, but not limited to, certificates of deposit, money market funds and cash management pools for reporting purposes in the Statement of Cash Flows. Additionally, investments with maturities of three months or less when purchased are included as cash equivalents in the Statement of Cash Flows.

Investments of the pool include only those investments authorized by the California Government Code such as, United States Treasury securities, agencies guaranteed by the United States Government, registered state warrants, and other investments. Investments primarily consist of deposits in the State of California Local Agency Investment Fund. Investments are stated at fair value.

UTICA WATER & POWER AUTHORITY

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2025

Note 1 – Summary of Significant Accounting Policies (Continued)

Accounts Receivable – Billings for power and REC sales are sent monthly and are reflected on the accrual basis of accounting. Billings for water sales are sent bi-annually to irrigation customers and only as-needed for other water sales. Water billings are also reflected on the accrual basis of accounting.

Capital Assets – Capital assets are defined by the government as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Betterments and major improvements which significantly increase values, change capacities or extend useful lives are capitalized. Upon sale or retirement of fixed assets, the cost and related accumulated depreciation are removed from the respective accounts and any resulting gain or loss is included in the results of operations.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities are included as part of the capitalized value of the assets constructed.

Capital assets in service are depreciated using the straight-line method over the following estimated useful lives:

	<u>Years</u>
Facilities	30
Equipment	5 - 10

Compensated Absences – All earned vacation hours, holiday, and compensating time is payable upon termination or retirement and are accrued as compensated absences. Compensated absences liability is calculated in accordance with GASB Statement No. 101.

The Authority allows employees to accumulate unused paid time off to a maximum of 520 hours. Upon termination, accumulated paid time off that was not taken will be paid to the employee.

Vested or accumulated paid time off leave that is expected to be paid with expendable available financial resources is recorded as an expense and liability as the benefits accrue. Increase or decrease, as applicable, in compensated absences balance liability from the prior year is presented as a net amount.

Long-Term Obligations – Long-term debt and other long-term obligations are reported as liabilities in the Proprietary Fund Statement of Net Position. Debt principal payments are reported as decreases in the balance of the liability on the Statement of Net Position.

UTICA WATER & POWER AUTHORITY

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2025

Note 1 – Summary of Significant Accounting Policies (Continued)

Pension Plan – All full-time Authority employees are members of the State of California Public Employees' Retirement System. The Authority's policy is to fund all pension costs accrued; such costs to be funded are determined annually as of July 1 by the System's actuary. For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Authority's California Public Employee Retirement System (CalPERS) plan and additions to/deduction 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.

Net Position – The fund financial statements utilize a net position presentation. Net position is categorized as net investment in capital assets, restricted and unrestricted.

- Net Investment in Capital Assets – This category groups all capital assets, including infrastructure, into one component of net position. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce the balance in this category.
- Restricted Net Position – This category presents external restrictions on net position imposed by creditors, grantors, contributors, laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.
- Unrestricted Net Position – This category represents net position of the Authority not restricted for any project or other purpose.

Revenues and Expenses – The Authority distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the Authority's principal ongoing operations. The principal operating revenues of the Authority are charges to customers for sales of electricity, RECs, and water. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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 expenditures/expenses during the reporting period. Actual results could differ from those estimates.

UTICA WATER & POWER AUTHORITY

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2025

Note 2 – Cash and Investments

Cash and investments as of June 30, 2025, are classified in the accompanying financial statements as follows:

Statement of Net Position:

Cash and Investments	\$ 2,295,064
Total Cash and Investments	<u>\$ 2,295,064</u>

Cash and investments as of June 30, 2025 consist of the following:

Cash on hand	\$ 27
Deposits with financial institutions	2,279,994
Local Agency Investment Fund	<u>15,043</u>
Total Cash and Investments	<u>\$ 2,295,064</u>

Fair Value Measurements

The framework for measuring fair value provides a fair value hierarchy that categorizes the inputs to valuation techniques used to measure fair value into three levels. The fair value hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy are described as follows:

- Level 1: Inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets that a government can access at the measurement date.
- Level 2: Inputs to valuation methodology include inputs – other than quoted prices included within Level 1 – that are observable for an asset or liability, either directly or indirectly.
- Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within a fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

UTICA WATER & POWER AUTHORITY

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2025

Note 2 – Cash and Investments (continued)

Following is a description of the valuation methodologies used for assets measured at fair value.

LAIF is valued based on the Authority's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (Level 2 input).

Investments Authorized by the Authority's Investment Policy

The Authority's investment policy only authorizes investment in the local government investment pool administered by the State of California (LAIF). The Authority's investment policy does not contain any specific provisions intended to limit the Authority's exposure to interest rate risk, credit risk, and concentration of credit risk.

Investments Authorized by Debt Agreements

Investments of debt proceeds held by bond trustee are governed by provisions of the debt agreements, rather than the general provisions of the California Government Code or the Authority's investment policy. The table below identifies the investment types that are authorized for investments held by the bond trustee. The table also identifies certain provisions of these debt agreements that address interest rate risk, credit risk, and concentration of credit risk.

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>
U.S. Treasury Obligations	None
U.S. Agency Securities	None
Banker's Acceptances	180 days
Commercial Paper	270 days
Money Market Mutual Funds	N/A
Investment Contracts	30 years

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. As of June 30, 2025, the Authority had the following investments.

<u>Investment Type</u>		<u>Maturity Date</u>
Local Agency Investment Fund (LAIF)	\$ 15,043	N/A
Total	<u>\$ 15,043</u>	

UTICA WATER & POWER AUTHORITY

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2025

Note 2 – Cash and Investments (Continued)

Disclosures Relating to Credit Risk

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

Concentration of Credit Risk

The investment policy of the Authority contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. There are no investments in any one issuer that represent 5% or more of total Authority investments.

Custodial Credit Risk

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The California Government Code and the Authority's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure Authority deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

The custodial risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the Authority's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for investments. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools (such as LAIF).

Investment in State Investment Pool – The Authority is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by the California Government Code under the oversight of the Treasurer of the State of California. The fair value of the Authority's investment in this pool is reported in the accompanying financial statements at amounts based upon the Authority's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

UTICA WATER & POWER AUTHORITY

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2025

Note 3 – Property, Plant and Equipment

The detail of property, plant and equipment at June 30, 2025, is as follows:

	(Re-stated)			
	Balance			Balance
	July 1, 2024	Additions	Retirements	June 30, 2025
Capital assets, not being depreciated				
Construction in progress	\$ 113,953	\$ 99,804	\$ -	\$ 213,757
Total capital assets, not being depreciated	<u>113,953</u>	<u>99,804</u>	<u>-</u>	<u>213,757</u>
Capital assets, being depreciated				
Utility system - infrastructure	4,402,886	32,921	-	4,435,807
Equipment and vehicles	915,787	10,843	-	926,630
Total capital assets, being depreciated	<u>5,318,673</u>	<u>43,764</u>	<u>-</u>	<u>5,362,437</u>
Less accumulated depreciation for				
Utility system - infrastructure	(3,365,256)	(87,439)	-	(3,452,695)
Equipment and vehicles	(547,226)	(131,817)	-	(679,043)
Total accumulated depreciation	<u>(3,912,482)</u>	<u>(219,256)</u>	<u>-</u>	<u>(4,131,738)</u>
Total capital assets being depreciated, net	<u>1,406,191</u>	<u>(175,492)</u>	<u>-</u>	<u>1,230,699</u>
Total capital assets, net	<u>\$ 1,520,144</u>	<u>\$ (75,688)</u>	<u>\$ -</u>	<u>\$ 1,444,456</u>

Note 4 – Non-current Liabilities

The following is a summary of the changes in noncurrent liabilities reported in Statement of Net Position for the year ended June 30, 2025:

	Balance			
	July 1, 2024	Additions	Retirements	Balance
	July 1, 2024	Additions	Retirements	June 30, 2025
Compensated absences	\$ 110,010	\$ 8,006	\$ -	\$ 118,016
Net pension liability	<u>147,481</u>	<u>172</u>	<u>-</u>	<u>147,653</u>
	<u>\$ 257,491</u>	<u>\$ 8,178</u>	<u>\$ -</u>	<u>\$ 265,669</u>

Note 5 – Deferred Compensation Plan

The Authority has established a CalPERS 457 deferred compensation plan eligible to all employees. All contributions made under the Plan are fully vested and nonforfeitable.

Note 6 – Deferred Outflows and Deferred Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial element, deferred outflows of resources, represents a consumption of net position or fund balance that applies to future period(s) and thus, will not be recognized as an outflow of resources (expense/expenditure) until then. The Authority reports \$217,351 in deferred outflows related to net pension liability. See Note 7 for more details.

UTICA WATER & POWER AUTHORITY

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2025

Note 6 – Deferred Outflows and Deferred Inflows of Resources (continued)

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represent an acquisition of net position or fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Authority reports \$3,021 in deferred inflows related to net pension liability. See Note 7 for more details.

Note 7 – Defined Benefit Pension Plan

Plan Description

The Authority’s defined benefit pension plan, the California Public Employees’ Retirement System (CalPERS), provides retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. CalPERS is part of the Public Agency portion of the CalPERS, an agent multiple-employer plan administered by CalPERS, which acts as a common investment and administrative agent for participating public employers within the State of California. A menu of benefit provisions as well as other requirements is established by State statutes within the Public Employees Retirement Law. The Authority selects optional benefit provisions from the benefit menu by contract with CalPERS and adopts those benefits through local ordinance. CalPERS issues a separate comprehensive financial report. Copies of the CalPERS’ annual financial report may be obtained from the CalPERS Executive Office – 400 P Street – Sacramento, CA 95814.

Funding Policy

Active plan members in the Authority’s defined pension plan are required to contribute 7.75% of their annual salary. The Authority is required to contribute the actuarially determined remaining amounts necessary to fund the benefits for its members. The actuarial methods and assumptions used are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2025 was 7.87% for Miscellaneous PEPRA. The contribution requirements of the plan members are established by State statute and the employer contribution rate is established and may be amended by CalPERS.

The Plans’ provisions and benefits in effect at June 30, 2025, are summarized as follows:

	Miscellaneous PEPRA
Hire Date	On or after January 1, 2013
Benefit Formula	2.0% at 62; maximum 2% COLA
Benefit Vesting Schedule	5 years service
Benefit Payments	monthly for life
Retirement Age	62
Monthly Benefits, as a % of Eligible Compensation	2.00%
Required Employee Contribution Rates	7.75%
Required Employer Contribution Rates	7.87%

UTICA WATER & POWER AUTHORITY

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2025

Note 7 – Defined Benefit Pension Plan (continued)

Contributions – Section 20814(c) of the California Public Employees’ Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on July 1 following the notice of a change in the rate. Funding contributions for both Plans 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 Authority is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

The Authority’s contributions to the plan recognized as part of the pension expense for the year ended June 30, 2025 were \$56,959.

As of June 30, 2025, the Authority reported net pension liability for its proportionate share of the net pension liability of each Plan as follows:

	<u>Proportionate share of the net pension liability</u>
Miscellaneous	\$ 147,653

Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources Related to Pensions

The Authority’s net pension liability is measured as the proportionate share of the net pension liability. The net pension liability of each Plan is measured as of June 30, 2024, and the total pension liability for each Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2023 rolled forward to June 30, 2024 using standard update procedures. The Authority’s proportion of the net pension liability was based on a projection of the Authority’s long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined. The Authority’s proportionate share of the net pension liability for the Plan as of June 30, 2025 was as follows:

	<u>Miscellaneous</u>
Proportion - June 30, 2025	0.00305%
Proportion - June 30, 2024	0.00260%
Change - Increase/(Decrease)	<u>0.00045%</u>

UTICA WATER & POWER AUTHORITY

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2025

Note 7 – Defined Benefit Pension Plan (continued)

For the year ended June 30, 2025, the Authority recognized pension expense of \$147,653. At June 30, 2025, the Authority reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions subsequent to measurement date	\$ 82,517	\$ -
Change in employer's proportion	33,232	(2,523)
Changes of assumptions	3,795	-
Differences between employer's contributions and proportionate share of contributions	76,541	-
Difference between expected and actual experience	12,766	(498)
Differences between projected and actual investment earnings	<u>8,500</u>	<u>-</u>
Total	<u>\$ 217,351</u>	<u>\$ (3,021)</u>

\$82,517 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 year ended June 30, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ended <u>June 30</u>	
2026	\$ 80,299
2027	45,145
2028	9,281
2029	(2,912)

UTICA WATER & POWER AUTHORITY

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2025

Note 7 – Defined Benefit Pension Plan (continued)

Actuarial Methods and Assumptions – The collective total pension liability for the June 30, 2024 measurement period was determined by an actuarial valuation as of June 30, 2023, with update procedures used to roll forward the total pension liability to June 30, 2024. The collective total pension liability was based on the following assumptions:

Valuation Date	June 30, 2023
Measurement Date	June 30, 2024
Actuarial Cost Method	Entry-Age Normal Cost Method in accordance with the requirements of GASB Statement No. 68
Actuarial Assumptions:	
Discount Rate	6.90%
Inflation	2.30%
Payroll Growth	2.30%
Salary Increases	Varies by Entry Age and Service
Mortality Rate Table ¹	Derived using CalPERS' Membership Date for all Funds
Post Retirement Benefit Increase	Contract COLA up to 2.30% until Purchasing Power Protection Allowance Floor on Purchasing Power applies

¹ The mortality table was developed based on CalPERS-specific data. The rates incorporate Generational Mortality to capture ongoing mortality improvement using 80% of Scale MP 2023 published by the Society of Actuaries. For more details, please refer to the 2024 experience study report that can be found on the CalPERS website.

Discount rate – The discount rate used to measure the total pension liability for PERF C was 6.90%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

UTICA WATER & POWER AUTHORITY

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2025

Note 7 – Defined Benefit Pension Plan (continued)

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 rate of 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 (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11+ years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the rounded single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses.

The long-term expected real rates of return by asset class can be found in CalPERS' Comprehensive Annual Financial Report for the fiscal year ended June 30, 2025.

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

Asset Class	Assumed Asset Allocation	Real Return Years 1-10 ^{1,2}
Global equity - cap-weighted	30%	4.45%
Global equity non-cap-weighted	12%	3.84%
Private Equity	13%	7.28%
Treasury	5%	0.27%
Mortgage-backed Securities	5%	0.50%
Investment Grade Corporates	10%	1.56%
High Yield	5%	2.27%
Emerging Market Debt	5%	2.48%
Private Debt	5%	3.57%
Real assets	15%	3.21%
Leverage	-5%	-0.59%
Total	100%	

¹ An expected inflation of 2.30% used for this period.

² Figures are based on the 2023-24 Asset Liability Management study.

UTICA WATER & POWER AUTHORITY

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2025

Note 7 – Defined Benefit Pension Plan (continued)

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the Authority's proportionate share of the net pension liability for each Plan, calculating using the discount rate of each Plan, as well as what the Authority's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (5.90%) or 1-percentage point higher (7.90%) than the current rate:

	1% Decrease (5.90%)	Current Discount Rate (6.90%)	1% Increase (7.90%)
Net Pension Liability	\$ 204,187	\$ 147,653	\$ 101,117

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

Payable to the Pension Plan – At June 30, 2025, the Authority has no outstanding amount of contributions to the pension plan required for the year ended June 30, 2025.

Note 8 – Risk Management

The Authority is a member of the ACWA/Joint Powers Insurance Authority (JPIA). JPIA covers general liability claims. Commercial insurance is purchased for excess liability, property and employee dishonesty coverage. The Authority has no deductible for the general liability coverage. Workers' compensation is provided by State Fund.

Claims and judgements, including a provision for claims incurred but not reported, are recorded when a loss is deemed probable of assertion and the amount of the loss is reasonably determinable. As discussed above, the Authority has coverage for such claims.

Note 9 – Prior period adjustment

During the current year, the District determined certain transactions were not properly recorded in the prior year, unearned grant revenue was understated by \$46,626, construction in progress was understated by \$113,953 and accounts receivable were overstated by \$72,500, to correct these errors beginning net position was decreased by \$5,173.

Note 10 – Subsequent Events

The Authority evaluated subsequent events for recognition and disclosure through March 5, 2026, the date which these financial statements were available to be issued. Management concluded that no material subsequent events have occurred since June 30, 2025, that required recognition or disclosure in such financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

UTICA WATER & POWER AUTHORITY

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE AUTHORITY'S PROPORTIONATE SHARE OF NET PENSION LIABILITY

LAST 10 YEARS*

AS OF JUNE 30, 2025

	Proportion of the net pension liability	Proportionate share of the net pension liability	Covered - employee payroll	Proportionate share of the net pension liability as percentage of covered-employee payroll	Plan's fiduciary net position	Plan's fiduciary net position as a percentage of the Total Pension Liability
2023	0.00272%	\$ 127,138	\$ 661,452	19.22%	\$ 25,156	16.52%
2024	0.00260%	\$ 147,481	\$ 661,380	19.93%	\$ 136,235	48.03%
2025	0.00305%	\$ 147,653	\$ 740,055	19.95%	\$ 271,302	64.76%

*Fiscal year 2022-23 was the first year of participation therefore only three years are shown.

UTICA WATER & POWER AUTHORITY

REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF CONTRIBUTIONS

LAST 10 YEARS*

AS OF JUNE 30, 2025

	Contractually required contribution (actuarially determined)	Contributions in relation to the actuarially determined contributions	Contributions deficiency (excess)	Covered-employee payroll	Contributions as a percentage of covered-employee payroll
2023	\$ 67,255	\$ (67,255)	\$ -	\$ 661,380	10.17%
2024	\$ 73,411	\$ (73,411)	\$ -	\$ 740,055	7.31%
2025	\$ 82,517	\$ (82,517)	\$ -	\$ 792,096	10.42%

*Fiscal year 2022-23 was the first year of participation therefore only three years are shown.

**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
Utica Water & Power Authority

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Utica Water & Power Authority (the Authority), which comprise the statement of net position as of June 30, 2025, and the related statement of revenues, expenses and changes in net position, and cash flows for the year then ended, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated March 5, 2026.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of Authority's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

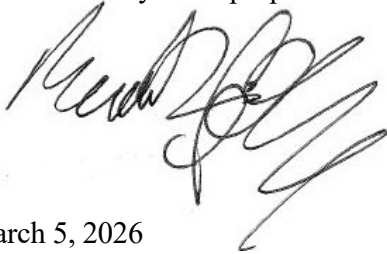
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Authority'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 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

A handwritten signature in black ink, appearing to be 'Kevin J. [unclear]', written in a cursive style.

March 5, 2026