



# UPPER MOKELUMNE RIVER WATERSHED AUTHORITY

FOR THE YEARS ENDED SEPTEMBER 30, 2025 AND 2024    BASIC FINANCIAL STATEMENTS

Focused  
on YOU



UPPER MOKELUMNE RIVER WATERSHED AUTHORITY

Basic Financial Statements

For the Years Ended September 30, 2025 and 2024

Table of Contents

	<u>Page</u>
<b><i>Independent Auditors' Report</i></b> .....	1
<b><i>Management's Discussion and Analysis</i></b> .....	4
<b><i>Basic Financial Statements</i></b>	
Statements of Net Position .....	7
Statements of Revenues, Expenses and Changes in Net Position .....	8
Statements of Cash Flows .....	9
Notes to Basic Financial Statements.....	10
<b><i>Independent Auditors' 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</i></b> .....	14



## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
Upper Mokelumne River Watershed Authority  
Oakland, California

### **Report on the Audit of the Financial Statements**

#### ***Opinions***

We have audited the accompanying financial statements of the Upper Mokelumne River Watershed Authority (the "Authority"), as of and for the year ended September 30, 2025 and 2024, 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 September 30, 2025 and 2024, and the changes in financial position, and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinions***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the State Controller's Minimum Audit Standards 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 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 opinion.

#### ***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.



To the Board of Directors  
Upper Mokelumne River Watershed Authority  
Oakland, California

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the State Controller's Minimum Audit Standards for California Special Districts 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*, and the State Controller's Minimum Audit Standards for California Special Districts, 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***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis as listed on the 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 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.



To the Board of Directors  
Upper Mokelumne River Watershed Authority  
Oakland, California

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 25, 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 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 Authority'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 Authority's internal control over financial reporting and compliance.

*LSL, LLP*

Irvine, California  
March 25, 2026

**UPPER MOKELUMNE RIVER WATERSHED AUTHORITY  
MANAGEMENT'S DISCUSSION & ANALYSIS  
SEPTEMBER 30, 2025 AND 2024**

This section presents management's analysis of the Upper Mokelumne River Watershed Authority's financial condition and activities as of and for the years ended September 30, 2025 and 2024. Management's Discussion and Analysis (MD&A) is intended to serve as an introduction to the Authority's basic financial statements. The MD&A represents management's examination and analysis of the System's financial condition and performance.

This information should be read in conjunction with the audited financial statements that follow this section. The information in the MD&A is presented under the following headings:

- Organization and Business
- Overview of the Financial Statements
- Financial Analysis
- Results of Operations
- Request for Information

**Organization and Business**

The Upper Mokelumne River Watershed Authority ("Authority") is a public entity established pursuant to California Government Code Chapter 5 of Division 7 of Title 1. The Authority was created in accordance with the terms of a Joint Exercise of Powers Agreement, dated August 15, 2000, and amended on April 22, 2005, June 6, 2008, and January 27, 2023, among the Alpine County Water Agency (ACWA), the Amador Water Agency (AWA), the Calaveras County Water District (CCWD), the Calaveras Public Utility District (CPUD), the East Bay Municipal Utility District (EBMUD), the Jackson Valley Irrigation District (JVID), and the Counties of Alpine, Amador and Calaveras. The goals of the Authority are the enhancement of Mokelumne River water supply and the protection of water quality and the environment. The Authority may acquire, construct, operate and maintain watershed projects and provide services to its member entities related to water and other utility-related matters.

For additional information, please see the notes to the basic financial statements.

**Overview of the Financial Statements**

The financial statements include a *statement of net position*, a *statement of revenues, expenses, and changes in fund net position*, a *statement of cash flows*, and *notes to the financial statements*. The report also contains other required supplementary information in addition to the basic financial statements.

The Authority's basic financial statements include:

The *Statements of Net Position* present information on the Authority's assets and liabilities, with the difference between the two reported as net position. It provides information about the nature and amount of resources and obligations at year-end.

The *Statements of Revenues, Expenses, and Changes in Fund Net Position* present the results of the Authority's operations over the course of the fiscal year and information as to how the *fund net position* changed during the year.

The *Statements of Cash Flows* present changes in cash and cash equivalents resulting from operational and noncapital activities. This statement summarizes the annual flow of cash receipts and cash payments, without consideration of the timing of the event giving rise to the obligation or receipt.

The *Notes to the Basic Financial Statements* 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 10 to 13 of this report.

**UPPER MOKELUMNE RIVER WATERSHED AUTHORITY  
MANAGEMENT'S DISCUSSION & ANALYSIS  
SEPTEMBER 30, 2025 AND 2024**

**Financial Analysis**

For fiscal year ended September 30, 2025, the Authority's current assets increased by \$4,906,508 and the total net position increased by \$287,959. Major components of the total net position are:

- Current assets consist of cash at bank, investments, state grant receivables, and interest receivables in the amount of \$6,516,759.
- Current liabilities consist of outstanding accounts payable, short term loan payable, and unearned revenue in the amount of \$5,515,406.
- Unrestricted net position consist of cash available and receivables less payables and unearned revenue in the amount of \$1,001,353.

**Table 1**  
**Summary of Net Position**  
September 30, 2025 and 2024

	<u>2025</u>	<u>2024</u>	<u>Variance</u>
Assets:			
Current assets	\$ 6,516,759	\$ 1,610,251	\$ 4,906,508
Total assets	<u>6,516,759</u>	<u>1,610,251</u>	<u>4,906,508</u>
Current liabilities:	<u>5,515,406</u>	<u>896,857</u>	<u>4,618,549</u>
Net position:			
Unrestricted net position	<u>1,001,353</u>	<u>713,394</u>	<u>287,959</u>
Total net position	<u>\$ 1,001,353</u>	<u>\$ 713,394</u>	<u>\$ 287,959</u>

**UPPER MOKELUMNE RIVER WATERSHED AUTHORITY  
MANAGEMENT'S DISCUSSION & ANALYSIS  
SEPTEMBER 30, 2025 AND 2024**

**Results of Operations**

- Operating revenues during the fiscal years ended September 30, 2025 and 2024 totaled \$9,600,081 and \$3,224,455 respectively. This increase of \$6,375,626 was primarily due to grant revenues.
- Operating expenses during the fiscal years ended September 30, 2025 and 2024 totaled \$9,390,160 and \$3,215,676, respectively. This increase of \$6,174,484 was primarily due to an increase in grant related expenditures.
- Nonoperating revenue during the fiscal years ended September 30, 2025 and 2024 totaled \$78,038 and \$144,498, respectively. This decrease of \$66,460 was primary due to a decrease in other income.
- Change in net position during the fiscal years ended September 30, 2025 and 2024 totaled \$287,959 and \$153,277, respectively. This increase of \$134,682 was primarily due to an increase in grant funding.

**Table 2**  
**Summary of Revenues, Expenses and Changes in Net Position**  
Years ended September 30, 2025 and 2024

	<u>2025</u>	<u>2024</u>	<u>Variance</u>
Operating revenue	\$ 9,600,081	\$ 3,224,455	\$ 6,375,626
Operating expenses	(9,390,160)	(3,215,676)	(6,174,484)
Net operating income (loss)	209,921	8,779	201,142
Nonoperating revenue	78,038	144,498	(66,460)
Change in net position	<u>\$ 287,959</u>	<u>\$ 153,277</u>	<u>\$ 134,682</u>

**Request for Information**

This financial report is designed to provide readers with a general overview of the Upper Mokelumne River Watershed Authority's finances and demonstrate the Authority's accountability for the monies it manages. If you have any questions about this report or need additional information, please contact: the UMRWA Authority Treasurer, P.O. Box 24055, MS #402, Oakland, California 94623-1055.

**UPPER MOKELUMNE RIVER WATERSHED AUTHORITY**  
**STATEMENTS OF NET POSITION**  
**SEPTEMBER, 30 2025 AND 2024**

Assets	2025	2024
Current assets:		
Cash and cash equivalents (Note 2)	\$ 1,601,788	\$ 166,082
Investments (Note 2)	71,544	68,379
Grants receivable	4,842,663	1,375,006
Accrued interest receivable	764	784
Total current assets	6,516,759	1,610,251
Liabilities		
Current liabilities:		
Accounts payable	1,987,163	444,985
Short term loan payable	3,405,309	451,872
Unearned revenue	122,934	-
Total current liabilities	5,515,406	896,857
Net Position (Note 1B)		
Unrestricted	1,001,353	713,394
Total net position	\$ 1,001,353	\$ 713,394

See Notes to Basic Financial Statements.

**UPPER MOKELUMNE RIVER WATERSHED AUTHORITY  
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION  
FOR THE YEARS ENDED SEPTEMBER 30, 2025 AND 2024**

	2025	2024
Operating revenue:		
Member contributions	\$ 155,500	\$ 152,441
State grants	9,444,581	3,072,014
Total operating revenue	9,600,081	3,224,455
Operating expenses:		
Planning and development	(138,662)	(133,011)
General and administration	(187,981)	(173,010)
Grant awards to Sponsors	(9,063,517)	(2,909,655)
Total operating expense	(9,390,160)	(3,215,676)
Net operating income	209,921	8,779
Nonoperating revenue:		
Interest and other income	78,038	144,498
Change in net position	287,959	153,277
Total net position - beginning	713,394	560,117
Total net position - ending	\$ 1,001,353	\$ 713,394

**See Notes to Basic Financial Statements.**

**UPPER MOKELUMNE RIVER WATERSHED AUTHORITY**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED SEPTEMBER 30, 2025 AND 2024**

	2025	2024
Cash flows from operating activities:		
Cash received from members	\$ 278,434	\$ 152,441
Cash received from State grants	5,976,924	1,972,600
Cash paid for supplies and services	(7,847,982)	(3,007,970)
Net cash provided (used) by operating activities	(1,592,624)	(882,929)
Cash used in noncapital financing activities:		
Cash received from short term loan	4,638,930	599,458
Cash paid on short term loan	(1,685,493)	(147,586)
Net cash (used) provided by noncapital financing activities	2,953,437	451,872
Cash provided by investing activities:		
Interest and other income received	78,058	144,279
Net change in cash and cash equivalents	1,438,871	(286,778)
Cash and equivalents, and investments at beginning of period	234,461	521,239
Cash and equivalents, and investments at end of period	\$ 1,673,332	\$ 234,461
Reconciliation of cash and cash equivalents, and investments to amounts reported on the statement of net position:		
Cash and cash equivalents	\$ 1,601,788	\$ 166,082
Investments	71,544	68,379
Cash and equivalents, and investments at end of period	\$ 1,673,332	\$ 234,461
Reconciliation of operating income to net cash provided (used) in operating activities:		
Operating income	\$ 209,921	\$ 8,779
Adjustments to reconcile operating income to net cash provided (used) in operating activities:		
Changes in operating assets and liabilities		
Grants receivable	(3,467,657)	(1,099,414)
Unearned revenue	122,934	207,706
Accounts payable	1,542,178	207,706
Net cash provided (used) by operating activities	\$ (1,592,624)	\$ (882,929)

**See Notes to Basic Financial Statements.**

**UPPER MOKELUMNE RIVER WATERSHED AUTHORITY  
NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEARS ENDED SEPTEMBER 30, 2025 AND 2024**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of Reporting Entity**

The Upper Mokelumne River Watershed Authority (the Authority) is a public entity established pursuant to California Government Code Chapter 5 of Division 7 of Title 1. The Authority was created in accordance with the terms of a Joint Exercise of Powers Agreement, dated August 15, 2000 as amended on April 22, 2005, June 6, 2008, and January 27, 2023, among Alpine County Water Agency (ACWA), Amador Water Agency (AWA), Calaveras County Water District (CCWD), Calaveras Public Utility District (CPUD), East Bay Municipal Utility District (EBMUD), Jackson Valley Irrigation District (JVID), and the Counties of Alpine, Amador and Calaveras. The Authority was initially established in the year 2000 for the purpose of effectuating the acquisition, operation and maintenance of Project No. 137 and any future Watershed Projects. The 2005 amendments to the Joint Exercise of Powers Agreement specify the purposes of the Authority to include enhancement of Mokelumne River water supply and protection of water quality and the environment. The 2008 amendments to the joint powers agreement added regional water supply planning, water supply projects, and projects outside the boundary of the Upper Mokelumne River watershed as eligible Authority activities. The 2023 amendments added reduction in wildfire fuels, improved forest health, and resilience to climate change as expressed purposes of the Authority.

Members contribute funds in support of approved programs and projects in accordance with a funding formula established under Authority Policy three (Budget Policy and Procedure). Funding contributions for the year ending September 30, 2025 were allocated, pursuant to Policy three, with twenty percent to Amador members (Amador Water Agency, Amador County and Jackson Valley Irrigation District), twenty percent to Calaveras members (Calaveras County Water District, Calaveras County and Calaveras Public Utility District), and sixty percent to EBMUD.

**B. Basis of Accounting and Presentation**

The accompanying financial statements report the financial position of the Authority in accordance with accounting principles generally accepted in the United States of America. As the Authority is a governmental entity, the preparation of its financial statements is governed by the pronouncements of the Governmental Accounting Standards Board (GASB).

The Authority as a proprietary enterprise is accounted for on a flow of economic resources measurement focus using the accrual basis of accounting. Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements.

The Authority distinguishes *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing deliverable goods in connection with the Authority's principal ongoing operations. Operating expenses for the Authority include the cost of sales and services and administrative expenses. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

*Statement of Net Position* – The statement of net position is designed to display the financial position of the Authority. The Authority's fund equity is reported as net position, which is the excess of all of the agency's assets over all of its liabilities. Net position is divided into three captions under GASB Statement 34. As of September 30, 2025 and 2024, the Authority reported the following classifications of net position:

*Unrestricted* describes the portion of Net Position which is not restricted to use.

*Statement of Revenues, Expenses, and Changes in Net Position* – The statement of revenues, expenses, and changes in net position is the operating statement for proprietary funds. Revenues are reported by major source. This statement distinguishes between operating and nonoperating revenues and expenses and presents a separate subtotal for operating revenues, operating expenses, and operating income.

**UPPER MOKELUMNE RIVER WATERSHED AUTHORITY  
NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEARS ENDED SEPTEMBER 30, 2025 AND 2024**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**C. 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 certain 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 could differ from those estimates.

**D. Cash and Cash Equivalents**

The Authority considers all highly liquid investments with original maturities of three months or less when purchased to be cash equivalents.

**E. Fair Value Measurements**

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Authority categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The fair value hierarchy categorizes the inputs to valuation techniques used to measure fair value into three levels based on the extent to which inputs used in measuring fair value are observable in the market.

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 inputs are inputs – other than quoted prices included within level 1 – that are observable for an asset or liability, either directly or indirectly.

Level 3 inputs are unobservable inputs for an asset or liability.

If the fair value of an asset or liability is measured using inputs from more than one level of the fair value hierarchy, the measurement is considered to be based on the lowest priority level input that is significant to the entire measurement.

**NOTE 2 - CASH AND INVESTMENTS**

**A. Composition**

The Authority's cash and cash equivalents consisted of the following at September 30:

	<u>2025</u>	<u>2024</u>
Demand deposits with banks	\$ 1,601,788	\$ 166,082
Local Agency Investment Fund	71,544	68,379
Total cash and cash equivalents	<u>\$ 1,673,332</u>	<u>\$ 234,461</u>

**B. Collateralization of Cash and Cash Equivalents**

California Law requires banks and savings and loan institutions to pledge government securities with a market value of 110% of the Authority's cash on deposit or first trust deed mortgage notes with a value of 150% of the Authority's cash on deposit as collateral for these deposits. Under California Law this collateral is held in an investment pool by an independent financial institution in the Authority's name and places the Authority ahead of general creditors of the institution pledging the collateral. The Authority has waived collateral requirements for the portion of deposits covered by federal deposit insurance.

**UPPER MOKELUMNE RIVER WATERSHED AUTHORITY  
NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEARS ENDED SEPTEMBER 30, 2025 AND 2024**

**NOTE 2 - CASH AND INVESTMENTS (CONTINUED)**

**C. Credit Risk**

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. As an investment pool, the Local Agency Investment Fund was not rated as of September 30, 2025 and 2024.

**D. Fair Value Hierarchy**

The Authority categorizes its 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 fair value of the assets. Level 1 inputs are quoted prices in an active market for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs. The California Local Agency Investment Fund is exempt from the classification for fair value hierarchy.

**E. Interest Rate Risk**

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Normally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The Authority generally manages its interest rate risk by holding investments to maturity. The Authority's only investment is in the California Local Agency Investment Fund which has a maturity of less than twelve months.

**F. Local Agency Investment Fund (LAIF)**

The Authority is a participant in the Local Agency Investment Fund (LAIF), which is regulated by California Government Code §16429 under the oversight of the Treasurer of the State of California. The value of the pool shares in LAIF is determined on an amortized cost basis, which is different from the fair value of its position in the pool. The Authority's investments with LAIF at September 30, 2025 and 2024 included a portion of the pool funds invested in Structured Notes and Asset-Backed Securities. These investments included the following:

- Structured Notes are debt securities (other than asset-backed securities) whose cash-flow characteristics (coupon rate, redemption amount, or stated maturity) depend upon one or more indices and/or that have embedded forwards or options.
- Asset-Backed Securities, the bulk of which are mortgage-backed securities, entitle their purchasers to receive a share of the cash flows from a pool of assets, such as principal and interest repayments from a pool of mortgages (such as Collateralized Mortgage Obligations) or credit card receivables.

At September 30, 2025 and 2024, the Authority had investments of \$71,544 and \$68,379, respectively, invested in LAIF, which had invested 3.79% and 2.84% of the pooled investment funds in Structured Notes and Asset-Backed Securities.

**NOTE 3 – RELATED PARTY TRANSACTION**

Two of the Authority's members directly support the Authority's activities. Amador County provides legal services to the Authority with Amador County Counsel serving as Authority Counsel. EBMUD provides professional and administrative support services with staff serving as Treasurer and Authority Secretary. In addition, EBMUD provides certain treasury management and accounting services including all cash transactions and providing for the annual audit. According to the agreement, most of the services provided by members are considered contributions and should not be billed to the Authority.

**UPPER MOKELUMNE RIVER WATERSHED AUTHORITY  
NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEARS ENDED SEPTEMBER 30, 2025 AND 2024**

**NOTE 4 – RISK MANAGEMENT**

The Authority's operations currently consist solely of consulting and education activities and related administrative governance over those activities. All professional services contracts require consultants to have specified comprehensive general liability, workers' compensation, and professional liability insurance. Members who provide services for the Authority are responsible for managing their own risk, including their insurance.

**NOTE 5 – DEBT AND OTHER LIABILITIES**

On January 26, 2024, the Authority approved a no interest loan and services agreement with Blue Forest Finance Inc. in the amount of \$4,000,000, towards funding the Forest Projects Plan in between expenses and receipt of grant funds. On August 1, 2025, the agreement increased to \$6,000,000. The Authority maintains an unused line of credit in the amount of \$2,594,691 as of September 30, 2025.

**NOTE 6 – SUBSEQUENT EVENTS**

The Authority evaluated subsequent events for recognition and disclosure through March 25, 2026, the date on which these financial statements were available to be issued. Management concluded that no material subsequent events, other than what is previously noted above, have occurred since September 30, 2025, that required recognition or disclosure in these financial statements.



INDEPENDENT AUDITORS' 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  
Upper Mokelumne River Watershed Authority  
Oakland, 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 Upper Mokelumne River Watershed Authority (the "Authority") as of and for the years ended September 30, 2025 and 2024, 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 25, 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 the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 or significant deficiencies 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*.



To the Board of Directors  
Upper Mokelumne River Watershed Authority  
Oakland, California

**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 Authority'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 Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*LSL, LLP*

Irvine, California  
March 25, 2026