MADERA-CHOWCHILLA WATER AND POWER AUTHORITY

FINANCIAL STATEMENTS
WITH
INDEPENDENT AUDITORS' REPORT

FOR THE YEARS ENDED
DECEMBER 31, 2025 and 2024

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HUDSON& COMPANY INC
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Madera-Chowchilla Water and Power Authority

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the Madera-Chowchilla Water and Power Authority (the Authority), which comprise the statements of net position as of and for the years ended December 31, 2025 and 2024, and the related statements of revenues, expenses, and changes in net position, and cash flows for the years then ended, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Authority, as of and for the years ended December 31, 2025 and 2024 and the respective changes in financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audits 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 responsibilitis under those standards are further described in the Auditors' 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 audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

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

Auditors' 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 auditors' 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 and *Government Auditing Standards* will always detect a material misstatement when it exists.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

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

- Exercise professional judgement 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 judgement, 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 30, 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standard*s in considering the Authority's internal control over financial reporting and compliance.

HUDSON & COMPANY, INC.



Fresno, California
June 30, 2026

MADERA-CHOWCHILLA WATER AND POWER AUTHORITY
STATEMENTS OF NET POSITION
DECEMBER 31, 2025 AND 2024

	2025	2024
ASSETS		
Current assets:		
Cash and investments	$ 509,230	$ 224,932
Accounts receivable	904	952
Due from member agencies	171,426	294,289
Prepaid expenses	19,684	22,845
Total current assets	701,244	543,018
Noncurrent assets:		
Restricted cash and investments	60,000	60,000
Deposit	74,760	74,760
Capital assets, not being depreciated	608,058	456,637
Capital assets, net of accumulated depreciation	2,883,357	2,792,960
Total noncurrent assets	3,626,175	3,384,357
Total Assets	4,327,419	3,927,375
LIABILITIES		
Current liabilities:		
Accounts payable and accrued expenses	35,039	218,543
Due to member agencies	39,298	60,850
Compensated absences	199,327	203,799
Unearned revenue	400,539	90,970
Total current liabilities	674,203	574,162
Total Liabilities	674,203	574,162
NET POSITION		
Net investment in capital assets	3,491,415	3,249,597
Restricted for capital improvements	60,000	60,000
Restricted for collateral requirement	74,760	74,760
Unrestricted	27,041	(31,144)
Total Net Position	$ 3,653,216	$ 3,353,213

The accompanying notes are an integral part of the basic financial statements.

MADERA-CHOWCHILLA WATER AND POWER AUTHORITY
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024

	2025	2024
OPERATING REVENUES		
Power revenue	$ 356,480	$ 570,914
Contributions from member agencies:		
Madera Irrigation District	1,111,619	1,260,075
Chowchilla Water District	1,000,070	1,100,476
Total Operating Revenues	2,468,169	2,931,465
OPERATING EXPENSES		
Operations and maintenance	1,044,064	1,065,306
Materials, supplies, and services	27,508	27,400
Utilities	81,204	72,847
Vehicle expense	71,080	58,429
Insurance	51,865	51,034
Communications	51,461	86,883
Fees and dues	54,269	57,096
Legal and professional	34,092	35,840
Administration	116,222	114,879
Other	2,502	2,907
Depreciation	305,318	270,597
Total Operating Expenses	1,839,585	1,843,218
Net Income from Operations	628,584	1,088,247
NONOPERATING REVENUES (EXPENSES)		
Distributions to member agencies:		
Madera Irrigation District	(178,240)	(285,457)
Chowchilla Water District	(178,240)	(285,457)
Interest income	3,725	3,686
Gain (loss) on sale of assets	5,252	-
Other income	18,922	2,206
Total Nonoperating Revenues (Expenses)	(328,581)	(565,022)
Change in Net Position	300,003	523,225
Net Position, Beginning of Year	3,353,213	2,829,988
Net Position, End of Year	$ 3,653,216	$ 3,353,213

The accompanying notes are an integral part of the basic financial statements.

MADERA-CHOWCHILLA WATER AND POWER AUTHORITY
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024

	2025	2024
Cash flows from operating activities:		
Receipts from power sales	$ 666,097	$ 675,783
Contributions from member agencies	2,234,552	2,247,880
Payments to suppliers for goods and services	(1,010,084)	(608,229)
Payments to employees for services	(730,551)	(699,558)
Net cash provided by operating activities	1,160,014	1,615,876
Cash flows from noncapital financing activities:		
Distributions to members	(356,480)	(570,914)
Other income	18,922	2,206
Net cash used by noncapital financing activities	(337,558)	(568,708)
Cash flows from capital and related financing activities:		
Capital expenditures	(548,783)	(925,459)
Proceeds from the sale of capital assets	6,900	-
Net cash used by capital and related financing activities	(541,883)	(925,459)
Cash flows from investing activities:		
Interest received	3,725	3,686
Net cash provided by investing activities	3,725	3,686
Net increase (decrease) in cash and cash equivalents	284,298	125,395
Cash and cash equivalents at beginning of year	284,932	159,537
Cash and cash equivalents at end of year	$ 569,230	$ 284,932
Reconciliation of cash and cash equivalents to the Statement of Net Position:		
Cash and cash equivalents	$ 509,230	$ 224,932
Restricted cash and cash equivalents	60,000	60,000
Total cash and cash equivalents	$ 569,230	$ 284,932

The accompanying notes are an integral part of the basic financial statements.

MADERA-CHOWCHILLA WATER AND POWER AUTHORITY
STATEMENTS OF CASH FLOWS (continued)
FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024

	2025	2024
Reconciliation of net income from operations to net cash provided by operating activities:		
Net income from operations	$ 628,584	$ 1,088,247
Adjustments to reconcile net income from operations to net cash provided by operating activities:		
Depreciation	305,318	270,597
(Increase) decrease in:		
Accounts receivable	48	31,787
Due from member agencies	122,863	(112,671)
Prepaid expenses	3,161	(10,834)
Increase (decrease) in:		
Accounts payable and accrued expenses	(183,505)	188,168
Due to member agencies	(21,552)	4,059
Compensated absences	(4,472)	83,441
Unearned revenue	309,569	73,082
Total adjustments	531,430	527,629
Net cash provided by operating activities	$ 1,160,014	$ 1,615,876

The accompanying notes are an integral part of the basic financial statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Madera-Chowchilla Water and Power Authority (the 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: On April 28, 1983, the Madera Irrigation District (MID) and the Chowchilla Water District (CWD) formed the Madera-Chowchilla Power Authority, a joint powers authority, to develop hydroelectric power projects. The name was changed effective March 1, 1998, to Madera-Chowchilla Water and Power Authority, when both MID and CWD passed resolutions transferring the operating and maintenance costs of the Madera Canal to the Authority. On January 22, 2021, Madera-Chowchilla Water and Power Authority entered into an Operation, Maintenance, and Replacement (OM&R) agreement with the Bureau of Reclamation (Bureau), to officially transfer the responsibility for the operation and maintenance of the Madera Canal from the Bureau to the Authority, for a period of 35 years, with the option to renew this agreement for successive periods not to exceed 35 years.

Both Districts have agreed to a cost-sharing ratio for the Madera Canal based upon a twenty-five year running average and are billed accordingly. The cost-sharing ratios for the years ending December 31, 2025, were approximately 56.58% for MID and 43.42% for CWD.

The Authority operates a hydroelectric project on the Madera Canal known as site 980 + 65. The project is operated by the Authority and has a plant capacity of 1,835 kilowatts. The Authority also operates three hydroelectric generating facilities along the Madera Canal with a total plant capacity of 1,915 kilowatts. These facilities have been leased to MID and CWD. Under the terms of the lease agreement, the Authority will operate and maintain the projects for the Districts. The projects are funded primarily by the sale of power produced by the hydroelectric plants. MID and CWD share equally in the net income of the hydroelectric power projects.

The Madera-Chowchilla Water and Power Authority is jointly governed by the Madera Irrigation District and the Chowchilla Water District through a Board of Directors consisting of five members from each of the two Districts, for a total of ten directors.

Measurement Focus, Accounting Basis, and Financial Statement Presentation: All activities of the Authority are accounted for within one proprietary (enterprise) fund. Proprietary funds are used to account for operations that are (a) financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through users charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or operating income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operation.

Measurement focus is a term used to describe "which" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied. The accompanying financial statements are reported using the "economic resources measurement focus", the accrual basis of accounting. Under the economic measurement focus all assets and liabilities (whether current or noncurrent) associated with these activities are included on the Statement of Net Position. The Statement of Revenues, Expenses, and Changes in Net Position presents increases (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 Statements of Cash Flows. Additionally, investments with maturities of three months or less when purchased are included as cash equivalents in the Statements of Cash Flows.

Investments of the Authority 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.

The Authority maintains both restricted and unrestricted cash. Restricted cash is held in reserve and is spent exclusively for the intended purpose. In the event that the restricted cash is insufficient to complete the intended purpose, unrestricted cash is utilized.

Due from Member Agencies: Billings for operational costs are sent monthly to MID and CWD and are reflected on the accrual basis of accounting.

Accounts Receivable: Billings for power generation sales are sent monthly and are reflected on the accrual basis of accounting. The Authority does not anticipate any material write-off of bad debts and, therefore, has not established an “allowance for bad debts” in the Statements of Net Position as of December 31, 2025 and 2024. Bad debt expense for the years ended December 31, 2025 and 2024 was $0 and $0.

Capital Assets: Capital assets are defined by the government as assets with an initial cost of more than $5,000 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.

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

Utility system-infrastructure	10-50 Years
Equipment and vehicles	5-8 Years

Compensated Absences: All earned annual vacation leave, sick leave and compensatory time-off hours are payable as leave or upon termination or retirement and are accrued as compensated absences. The cost of vacation and sick leave is recorded in the period accrued. Compensated absences liability is calculated in accordance with GASB Statement No. 101. As of December 31, 2025 and 2024 the total liability for all compensated absences was $199,327 and $203,799.

Long-Term Obligations: Long-term debt, when applicable, and other obligations are reported as Authority liabilities. Loan fees are deferred and amortized over the life of the loan using the straight line method.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Net Position: Net position represents the residual interest in the District's assets after liabilities are deducted. The Statements of Net Position reports total net position and presents it in three broad components:

Net investment in capital assets – describes the portion of net position which is represented by the current net book value of the Authority's capital assets, less the outstanding balance of any debt issued to finance these assets.

Restricted net position – This component of net position consists of constraints placed on net position use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position – This component of net position consists of net position that do not meet the definition of "restricted" or "net investment in capital assets."

The Authority's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

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 and services. 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 during the reporting period. Actual results could differ from those estimates.

Fair value of financial instruments: Financial instruments include cash, accounts receivable, due from member agencies, prepaid expense, accounts payable and accrued expenses, due to member agencies, compensated absences, and unearned revenue, none of which are held for trading purposes. The fair values of all financial instruments do not differ materially from the aggregate carrying values of the financial instruments recorded in the accompanying Statements of Net Position.

Governmental Accounting Standards Update: During the year ending December 31, 2025, the Authority implemented the following standards:

GASB Statement No. 102 – *Certain Risk Disclosures*. The requirements of this statement are effective for reporting periods beginning after June 15, 2024.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Governmental Accounting Standards Update (continued):

Released GASB Statements to be implemented in future financial statements are as follows:

GASB Statement No. 103 – *Financial Reporting Model Improvements*. The requirements of this statement are effective for reporting periods beginning after June 15, 2025.

GASB Statement No. 104 – *Disclosure of Certain Capital Assets*. The requirements of this statement are effective for reporting periods beginning after June 15, 2025.

GASB Statement No. 105 – *Subsequent Events*. The requirements of this statement are effective for reporting periods beginning after June 15, 2026.

Subsequent Events: In compliance with accounting standards, management has evaluated events that have occurred after year-end to determine if these events are required to be disclosed in the financial statements. Management has determined that no events require disclosure in accordance with accounting standards. These subsequent events have been evaluated through June 30, 2026, which is the date the financial statements were available to be issued.

NOTE 2 – CASH AND INVESTMENTS

Cash and investments held by the Authority are reflected in the accompanying Statements of Net Position at December 31, 2025 and 2024, as follows:

	2025	2024
Cash and investments:		
Unrestricted	$ 509,230	$ 224,932
Restricted	60,000	60,000
Total cash and investments	$ 569,230	$ 284,932

	2025	2024
Cash and investments consist of the following:		
Deposits with financial institutions	$ 483,709	$ 203,115
Local Agency Investment Fund	85,521	81,817
Total cash and investments	$ 569,230	$ 284,932

Disclosure 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. The Authority's investment in LAIF is available for withdrawal on demand.

Concentrations of Credit Risk: At December 31, 2025 and 2024, in accordance with State law, the Authority did not have 5% or more of its net investment in commercial paper, corporate bonds or medium-term notes of a single organization. Investments in obligations of the U.S. government, U.S. government agencies, or government-sponsored enterprises are exempt from these limitations.

NOTE 2 – CASH AND INVESTMENTS (continued)

Custodial Credit Risk: Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. 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 the Authority's deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. 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).

At December 31, 2025 and 2024 the recorded amount of the Authority's deposits were $483,709 and $203,115 and the bank balances were $531,650 and $335,543, respectively. The District's deposits exceeded the Federal Depository Insurance Corporation (FDIC) or the multiple financial institution collateral pool that insures public deposits coverages. Of the balances in financial institutions as of December 31, 2025 and 2024, $250,000 was insured by the FDIC. At December 31, 2025 and 2024, $281,650 and $85,543, respectively, were held by financial institutions that were in excess of the insurance limit.

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. At year end, the Authority's cash and investments with fiscal agents had no securities exposed to credit risk.

Disclosure 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.

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.

NOTE 3 – FAIR VALUE MEASUREMENTS

The Authority applies generally accepted accounting principles for fair value measurements of financial assets and liabilities. These accounting principles define fair value and establishes a hierarchy that prioritizes fair value measurements based on the types of inputs used for the various valuation techniques. The Authority uses appropriate valuation techniques to determine value based on inputs available.

When available, the Authority measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. Level 3 inputs are only used when Level 1 or Level 2 inputs are not available. The following description summarizes the valuation methodologies used for instruments measured at fair value on a recurring basis and recognized in the accompanying Statements of Net Position.

NOTE 3 – FAIR VALUE MEASUREMENTS (continued)

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.

During the years ended December 31, 2025 and 2024, the District had no assets measured at fair value on a recurring basis. The table below presents the Authority's assets measured at amortized cost basis at December 31, 2025 and 2024:

	2025	2024
Investments measured at amortized cost:		
State of California LAIF Investment Pool	$ 85,521	$ 81,817
Total investments	$ 85,521	$ 81,817

NOTE 4 – CAPITAL ASSETS

Capital asset activity for the years ended December 31, 2025 and 2024, were as follows:

	2025 Beginning Balance	Additions / Completions	Retirements / Adjustments	2025 Ending Balance
Capital assets not being depreciated				
Construction in process	$ 456,637	$ 548,783	$ (397,362)	$ 608,058
Total capital assets not being depreciated	456,637	548,783	(397,362)	608,058
Capital assets being depreciated:				
Utility system-infrastructure	10,842,625	254,492	-	11,097,117
Equipment and vehicles	377,298	142,870	(22,601)	497,567
Total capital assets being depreciated	11,219,923	397,362	(22,601)	11,594,684
Less accumulated depreciation for:				
Utility system-infrastructure	(8,143,716)	(257,045)	-	(8,400,761)
Equipment and vehicles	(283,247)	(48,273)	20,954	(310,566)
Total accumulated depreciation	(8,426,963)	(305,318)	20,954	(8,711,327)
Total Capital Assets being Depreciated, Net	2,792,960	92,044	(1,647)	2,883,357
Total Capital Assets, Net	$ 3,249,597	$ 640,827	$ (399,009)	$ 3,491,415

NOTE 4 – CAPITAL ASSETS (continued)

	2024 Beginning Balance	Additions / Completions	Retirements / Adjustments	2024 Ending Balance
Capital assets not being depreciated				
Construction in process	$ 65,854	$ 925,689	$ (534,906)	$ 456,637
Total capital assets not being depreciated	65,854	925,689	(534,906)	456,637
Capital assets being depreciated:				
Utility system-infrastructure	10,352,867	489,758	-	10,842,625
Equipment and vehicles	332,378	44,920	-	377,298
Total capital assets being depreciated	10,685,245	534,678	-	11,219,923
Less accumulated depreciation for:				
Utility system-infrastructure	(7,915,505)	(228,211)	-	(8,143,716)
Equipment and vehicles	(240,859)	(42,388)	-	(283,247)
Total accumulated depreciation	(8,156,364)	(270,599)	-	(8,426,963)
Total Capital Assets being Depreciated, Net	2,528,881	264,079	-	2,792,960
Total Capital Assets, Net	$ 2,594,735	$ 1,189,768	$ (534,906)	$ 3,249,597

Depreciation expense for the years ended December 31, 2025 and 2024, was $305,318 and $270,599, respectively.

NOTE 5 – RESTRICTED ASSETS

The Bureau of Reclamation requires the Authority to establish and keep under its own control restricted funds for the purpose of capital improvements for the Madera Canal. The restricted cash balance was $60,000 and $60,000 at December 31, 2025 and 2024, respectively.

The Authority deposited $74,760 with PG&E in order to satisfy their collateral requirement in accordance with their power purchase agreement with PG&E. As of December 31, 2025 and 2024 the deposited balance with PG&E was $74,760 and $74,760, respectively.

NOTE 6 – COMPENSATED ABSENCES

Compensated absences activity for the years ended December 31, 2025 and 2024 was as follows:

Balance at January 01, 2025	Additions	Payments*	Balance at December 31, 2025	Due Within One Year
$ 203,799	$ -	$ (4,472)	$ 199,327	$ 199,327

Balance at January 01, 2024	Additions*	Payments	Balance at December 31, 2024	Due Within One Year
$ 120,358	$ 83,441	$ -	$ 203,799	$ 203,799

*The changes in the compensated absences liability is presented as a net change.

NOTE 7 – RELATED PARTY TRANSACTIONS

Operating and maintenance costs include monthly billings from Madera Irrigation District and Chowchilla Water District, to be reimbursed for administrative and field labor and payroll burden along with rent, equipment usage and other expenses incurred for the Authority. Billings for 2025 and 2024 totaled $514,888 and $657,456 paid to Madera Irrigation District and $182,445 and $307,783 paid to Chowchilla Water District, respectively. Other transactions with the two Districts are as follows:

	2025	2024
Madera Irrigation District		
O&M Revenues	$ 1,111,619	$ 1,260,075
Due from member agencies	$ 90,037	$ 114,525
Due to member agencies	$ 39,298	$ 60,850
Chowchilla Water District		
O&M Revenues	$ 1,000,070	$ 1,100,476
Due from member agencies	$ 81,389	$ 179,764
Due to member agencies	$ -	$ -

NOTE 8 – JOINTLY GOVERNED ORGANIZATION

The Authority entered into a joint powers agreement, along with other members of the Association of California Water Agencies (ACWA), to form a self-insuring pool for liability coverage. ACWA is governed by a Board of Directors composed of one representative from each member agency. The governing board controls the operation independent of any influence by the Authority other than that Authority's representation on the governing board. Separate financial statements of ACWA are available through the Authority.

NOTE 9 – COMMITMENTS AND CONTINGENCIES

Power Purchase Agreements: The Authority has entered into 15 year Renewable Market Adjusting Tariff (REMAT) Power Purchase Agreements with Pacific Gas & Electric Company that have contract start dates of June 18, 2015, August 1, 2016, August 1, 2016, and July 19, 2016 for Site 980, Site 1174, Site 1302, and Site 1923, respectively. The price for delivered energy under the REMAT contracts is 8.923 cents per kwh.

NOTE 10 – RISK MANAGEMENT

The Authority is a member of the ACWA/Joint Powers Insurance Authority (JPIA). JPIA covers general liability, auto liability, property liability, and cyber liability claims. 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.

The JPIA is governed by a board elected by district members. The governing board controls the operation of the JPIA, independent of any influence by the Authority beyond the Authority's representation on the governing board.

The relationship between the Authority and the JPIA is such that the JPIA is not a component unit of the Authority for financial reporting purposes. ACWA/JPIA prepares separate annual financial statements, which may be obtained from ACWA/Joint Powers Insurance Authority, 2100 Professional Drive, Roseville, CA 95661-9082.

Condensed financial information of the JPIA's most recent audited years are as follows:

	September 30, 2025	September 30, 2024
Total assets	$ 317,463,759	$ 308,144,466
Deferred outflows of resources	2,865,947	3,099,110
Total liabilities	192,995,110	177,706,110
Deferred inflows of resources	4,012,555	4,357,741
Net position	$ 123,322,041	$ 129,179,725
Total revenues	$ 251,873,927	$ 261,895,930
Total expenditures	257,731,611	253,429,117
Net increase in net position	$ (5,857,684)	$ 8,466,813

NOTE 11 – CONCENTRATION OF FINANCIAL RESOURCE PROVIDER

As described in Note 1, both Madera Irrigation District and Chowchilla Water District agreed to a cost sharing ratio based upon a twenty-five-year running average and are billed accordingly. As a result, the contributions from the member agencies have a significant concentration of inflow resources for the funding provided by the two districts. A loss of revenue from either agency could adversely affect the Authority.

HUDSON& COMPANY INC
CERTIFIED PUBLIC ACCOUNTANTS

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
Madera-Chowchilla Water and Power Authority

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 Madera-Chowchilla Water and Power Authority (the Authority), as of and for the years ended December 31, 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 June 30, 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 opinion 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 may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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 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.

HUDSON & COMPANY, INC.



Fresno, California
June 30, 2026