

**LAKE OROVILLE AREA
PUBLIC UTILITY DISTRICT**

**Financial Statements, Management Discussion and Analysis,
and Independent Auditor's Report**

As of and for the Year Ended June 30, 2023

LAKE OROVILLE AREA PUBLIC UTILITY DISTRICT
Audit Report
June 30, 2023

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Lake Oroville Area Public Utility District
Oroville, California

Opinions

We have audited the accompanying financial statements of the business-type activities and the major fund of the Lake Oroville Area Public Utility District as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the District'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 respective financial position of the business-type activities and the major fund of the Lake Oroville Area Public Utility District, as of June 30, 2023, and the respective changes in financial position 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. 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 District, 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 District'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.

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

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

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

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the schedule of proportionate share of the net pension liability, and the schedule of pension contributions be presented to supplement the basic financial statements. Such information, although not a basic part of the 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 operation, 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 Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The Budgetary Comparison Information is presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Budgetary Comparison Information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 20, 2023 on our consideration of the District'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 District's internal control over financial reporting and compliance.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Singleton Auman, PC". The signature is fluid and cursive, with a distinct "PC" at the end.

SingletonAuman, PC

Susanville, California

October 20, 2023

LAKE OROVILLE AREA PUBLIC UTILITY DISTRICT
Management's Discussion and Analysis (MD&A)
June 30, 2023

INTRODUCTION

Lake Oroville Area Public Utility District's present operations include providing sewage collection and transmission services to residents of the District.

Our discussion and analysis of Lake Oroville Area Public Utility District's financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2023. It should be read in conjunction with the District's financial statements, including notes and supplementary information, which follow this section.

FINANCIAL HIGHLIGHTS

- The net position was \$11,357,032 at June 30, 2023. This was an increase of \$1,127,335 from the prior year.
- Overall revenues were \$2,901,809 which were more than expenses of \$1,774,474 by \$1,127,335.
- Deferred Outflows- \$671,927 -an increase of \$235,929 over the prior year which is a result of the most recent actuarial valuation.
- Deferred Inflows – Pension Plan - \$851,745, a decrease of \$315,827 over the prior year, which is the result of the most recent actuarial valuation.

OVERVIEW OF FINANCIAL STATEMENTS

The District's basic financial statements include five components:

- Statement of Net Position – Proprietary Fund
- Statement of Revenues, Expenses and Changes in Net Position – Proprietary Fund
- Statement of Cash Flows – Proprietary Fund
- Statement of Fiduciary Net Position – Custodial Fund
- Statement of Changes in Net Position – Custodial Fund
- Notes to the Financial Statements

The **Statement of Net Position** includes all the District's assets and liabilities, with the difference between the two reported as Net Position. Net Position is displayed in three categories:

- Net investment in capital assets
- Restricted
- Unrestricted

This statement provides the basis for evaluating the capital structure of the District and assessing its liquidity and financial flexibility.

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

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

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

The **Statement of Fiduciary Net Position, and Changes in Net Position – Custodial Fund** includes all of the District's Villa Verona Assessment District assets and liabilities. This statement differs from the statements of revenues, expenses, and changes in equity by only accounting for transactions that result in cash receipts or cash disbursements.

The **Notes to Financial Statements** provide a description of the accounting policies used to prepare the financial statements and present material disclosures required by generally accepted accounting principles that are not otherwise present in the financial statements.

FINANCIAL ANALYSIS OF THE ENTITY AS A WHOLE

Net Position

The District's net position was \$11,357,032 at June 30, 2023. See Table 1. The significant changes in Table 1 line items for fiscal 2023 vs. 2022 are:

Pension Plan Deferred Inflows and Outflows changed as a result of most recent actuarial valuation.

Cash increased as a result of an operating surplus, as well as careful budgeting.

Table 1: Net Position

	Business-Type Activities		Total %
	2023	2022	Change
			2023-2022
Assets			
Cash	\$ 3,603,869	\$ 3,424,259	5.25%
Accounts Receivable	1,335,272	1,190,626	12.15%
Other Current Assets	183,448	174,207	5.30%
Restricted Cash	1,731,765	1,636,739	5.81%
Investment in Sewer Treatment Association	41,982	41,982	0.00%
Capital Assets, Net of Accumulated Depreciation	8,742,882	8,607,695	1.57%
Total Assets	\$ 15,639,218	\$ 15,075,508	
Deferred Outflows of Resources			
Deferred Recognition of Contributions to Pension Plan	\$ 671,927	\$ 435,998	54.11%
Current Liabilities:			
Accounts Payable and Accrued Expenses	\$ 494,327	\$ 438,177	12.81%
Due to Other Funds	6,572		
Accrued Compensated Absences	49,393	60,365	-18.18%
Amounts payable from restricted assets:			
Bond Interest Payable	48,726	50,108	-2.76%
Current Portion of Bonds Payable	68,000	65,000	4.62%
Total Current Liabilities	667,018	613,650	
Long Term Liabilities:			
Net Pension Liability	1,210,350	1,207,586	0.23%
Bonds Payable	2,225,000	2,293,000	-2.97%
Total Long Term Liabilities	3,435,350	3,500,586	
Total Liabilities	\$ 4,102,368	\$ 4,114,236	
Deferred Inflows of Resources			
Deferred Recognition of Pension Plan Earnings	\$ 851,745	\$ 1,167,572	-27.05%
Net Position			
Net Investment in Capital Assets	\$ 6,449,882	\$ 6,249,695	3.20%
Restricted	1,624,717	1,529,691	6.21%
Unrestricted	3,282,433	2,450,312	33.96%
Total Net Position	\$ 11,357,032	\$ 10,229,698	

Changes in Net Position

The District's total revenues were \$2,901,809. A majority of the revenue comes from Service Charges (57%). The Rural Development Loan Surcharge accounted for 12% of the total revenues. Operation Expenses increased significantly due to the recording of deferred inflows and outflows for the pension plan. Charges for Services increased due to an increase in utility rates.

**Table 2:
Changes in Net Position**

	Business-Type Activities		Change
	2023	2022	2023-2022
Revenues			
Operation Revenues:			
Charges for Services	\$ 1,805,172	\$ 1,747,122	3.32%
Special Assessment	44,966	42,011	7.03%
General Revenues			
Taxes	436,002	380,880	14.47%
Interest Income and Late Fees	149,632	74,151	101.79%
Capacity Charges	50,206	26,560	89.03%
Rural Development Loan Surcharge	362,492	362,326	0.05%
Miscellaneous	53,339	38,125	39.91%
TOTAL REVENUES	<u>2,901,809</u>	<u>2,671,175</u>	
Operation Expenses:			
Administration and General	552,604	1,119,947	-50.66%
Sewage Collection Services	519,944	1,068,838	-51.35%
Depreciation	604,473	522,711	15.64%
Other Expenses			
Bond Interest Expense	97,453	101,533	-4.02%
TOTAL EXPENSES	<u>1,774,474</u>	<u>2,813,029</u>	
INCREASE (DECREASE) IN NET POSITION	<u>\$ 1,127,335</u>	<u>\$ (141,854)</u>	-894.71%

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

The overall financial performance of the District as a whole is reflected in the communication between the Board of Directors and the District employees as they all work together in providing the best quality of service to its customers.

Budgetary Highlights

The District prepares a preliminary budget in May or June of each fiscal year. A final budget is adopted by the Board in August. A schedule of the District's original and final budget amounts compared with actual revenues and expenses is provided in the supplemental information section of the audited financial report.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2023, the District had invested \$8,742,882 in a broad range of capital assets, including land and surface lines. See Table 4. More detailed information about the District's capital assets is presented in the notes to the financial statements.

Table 4
Capital Assets

	Business-Type Activities		Total Percentage
	2023	2022	Change 2023-2022
Land	\$ 107,174	\$ 107,174	0.00%
Work in Progress	110,714	370,714	-70.13%
Subsurface Lines	13,966,636	13,865,710	0.73%
General Plant and Admin. Facilites	5,274,619	4,375,885	20.54%
Sewer Collection Facility	4,434,824	4,434,824	0.00%
Totals at Historical Cost	<u>23,893,967</u>	<u>23,154,307</u>	
Total Accumulated Depreciation	<u>(15,151,085)</u>	<u>(14,546,612)</u>	4.16%
NET CAPITAL ASSETS	<u><u>\$ 8,742,882</u></u>	<u><u>\$ 8,607,695</u></u>	

Long-Term Debt

At year end, the District had \$3,435,350 in long-term debt, consisting of Series A - Sewer Revenue Bonds and Net Pension Liability, as shown in Table 5. More detailed information about the District's debt is presented in the notes to the financial statements.

Table 5
Long-Term Debt

	Business-Type Activities		Total Percentage
	2023	2022	Change 2023-2022
Net Pension Liability	\$ 1,210,350	\$ 1,207,586	0.23%
Sewer Revenue Bonds-Series A	2,225,000	2,293,000	-2.97%
TOTAL LONG-TERM DEBT	\$ 3,435,350	\$ 3,500,586	-1.86%

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

At the time these financial statements were prepared and audited, the District was aware of circumstances that could affect its future financial health, specifically:

- The State of California PERS unfunded liability will most likely result in retirement benefit cost increases in future years.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, parents, participants, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report, or need additional financial information, contact:

David Goyer
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LAKE OROVILLE AREA PUBLIC UTILITY DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUND
JUNE 30, 2023

	Utility Fund
ASSETS	
Current Assets:	
Cash and cash equivalents	\$ 3,603,869
Accounts Receivable	1,335,272
Taxes Receivable	114,625
Inventory	15,583
Prepaid Expenses	53,240
Total Current Assets	5,122,589
Restricted and Noncurrent Assets:	
Restricted Cash and Cash Equivalents	1,731,765
Investment in Sewer Treatment JPA	41,982
Capital assets, net of accumulated depreciation	8,742,882
Total Restricted and Noncurrent Assets	10,516,629
Total Assets	\$ 15,639,218
DEFERRED OUTFLOWS OF RESOURCES	
Deferred Outflows - Pension Plan	\$ 671,927
LIABILITIES	
Current Liabilities	
Accounts Payable and other current liabilities	\$ 494,327
Due to other fund	6,572
Accrued Compensated absences	49,393
Amounts payable from restricted assets:	
Bond interest payable	48,726
Current portion - bonds payable	68,000
Total Current Liabilities	667,018
Long-Term Liabilities	
Net Pension Liability	1,210,350
Bonds Payable	2,225,000
Total Long-Term Liabilities	3,435,350
Total Liabilities	\$ 4,102,368
DEFERRED INFLOWS OF RESOURCES	
Deferred Inflows - Pension Plan	\$ 851,745
NET POSITION	
Net Investment in Capital Assets	\$ 6,449,882
Restricted	1,624,717
Unrestricted	3,282,433
Total Net Position	\$ 11,357,032

The accompanying notes are an integral part of this statement.

**LAKE OROVILLE AREA PUBLIC UTILITY DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2023**

	Utility Fund
Operating Revenues:	
Sewer service charges	\$ 1,668,495
Pumping charges	127,446
Connection & inspection fees	9,231
Special Assessment - Kelly Ridge	44,966
Total Operating Revenue	1,850,138
 Operating Expenses:	
Administration and general	552,604
Sewage collection services	519,944
Depreciation	604,473
Total Operating Expense	1,677,021
Net Operating Income (Loss)	173,117
 Nonoperating Revenues (Expenses)	
Property Tax	436,002
Interest income and late fees	149,632
Capacity charges	50,206
Rural Development loan surcharges	362,492
Miscellaneous	53,339
Bond Interest Expense	(97,453)
Net Nonoperating Revenue	954,218
Change in Net Position	1,127,335
Net Position Beginning	10,229,698
Net Position Ending	\$ 11,357,032

The accompanying notes are an integral part of this statement.

LAKE OROVILLE AREA PUBLIC UTILTIY DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2023

Cash Flows from Operating Activities:	
Cash received from customers	\$ 1,660,536
Other income	44,966
Cash paid to employees for service and benefits	(976,455)
Cash paid to suppliers	(573,312)
Net Cash Provided (Used) By Operating Activities	<u>155,735</u>
Cash Flows from Non-Capital Financing Activities:	
Miscellaneous nonoperational receipts	53,339
Property Taxes	406,728
Net Cash Provided (Used) by Non-Capital Financing Activities	<u>460,067</u>
Cash Flows from Capital and Related Financing Activities:	
Additions to property, plant and equipment	(741,043)
Capacity charges received	50,206
Principal paid on Capital Debt	(65,000)
Interest Paid on Capital Debt	(97,453)
Rural development loan surcharges	362,492
Net Cash Provided (Used) By Capital and Related Financing Activities	<u>(490,798)</u>
Cash Flows from Investing Activities:	
Interest on investments and customer late fees	149,632
Net Cash Provided (Used) by Investing Activities	<u>149,632</u>
Net Increase (Decrease) in Cash	<u>274,636</u>
Cash Balance - July 1, 2022	<u>5,060,998</u>
Cash Balance - June 30, 2023	<u>\$ 5,335,634</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:	
Operating Income (Loss)	\$ 173,117
Adjustments to reconcile Net Income to Net Cash Provided by Operating Activities:	
Depreciation	604,473
Change in Assets and Liabilities:	
(Increase)/decrease in receivables	(144,646)
(Increase)/decrease in prepaid assets	20,033
Increase/(decrease) in payables	56,150
Increase/(decrease) in due to other funds	6,572
Increase/(decrease) in accrued compensated absences	(10,972)
Increase/(decrease) in net pension liabilities	2,764
(Increase)/decrease in deferred outflows	(235,929)
Increase/(decrease) in deferred inflows	(315,827)
Net Cash Provided/(Used) by operating activities	<u>\$ 155,735</u>

The accompanying notes are an integral part of this statement.

**LAKE OROVILLE AREA PUBLIC UTILITY DISTRICT
STATEMENT OF NET POSITION
CUSTODIAL FUND
JUNE 30, 2023**

	Villa Verona Assessment District Custodial Fund
ASSETS	
Cash and cash equivalents	\$ 25,817
Due from District	6,572
Assessments receivable - current	19,399
Assessments receivable - delinquent	3,381
Assessments receivable - deferred	137,878
Total Assets	\$ 193,047
 LIABILITIES	
Current Liabilities:	
Unearned Revenues	\$ 137,878
Easements payable	2,703
Due to bondholders	137,000
Total Current Liabilities	\$ 277,581
 NET POSITION	
Restricted for Other Purposes	\$ (84,534)
Total Net Position	\$ (84,534)

The accompanying notes are an integral part of this statement.

**LAKE OROVILLE PUBLIC UTILITY DISTRICT
STATEMENT OF CHANGES IN NET POSITION
CUSTODIAL FUND
FOR THE YEAR ENDED JUNE 30, 2023**

Villa Verona Assessment District
Custodial Fund

ADDITIONS:

Special Assessments	\$	19,399
Interest Income		19
		19,418
Total Additions		19,418

DEDUCTIONS:

Collections Fees		579
Bond Interest Expense		8,100
Miscellaneous		1,634
		10,313
Total Deductions		10,313

Change in Custodial Fund Net Position		9,105
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Total Net Postion, Beginning		(93,639)
		(93,639)
Total Net Position, Ending	\$	(84,534)

The accompanying notes are an integral part of this statement.

Lake Oroville Area Public Utility District
Notes to Financial Statements
June 30, 2023

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Lake Oroville Area Public Utility District (District) is a California Public Utility District that was organized on June 27, 1938. It provides sewage collection and transmission services to residents of the Kelly Ridge and other eastern Oroville areas.

A. Definition of the Reporting Entity

The District's financial statements include the accounts of all District operations. The criteria for including organizations as component units within the District's reporting entity, as set forth in Governmental Accounting Standards Board (GASB) Statement 39, include:

- The organization is legally separate (can sue and be sued in their own name).
- The District holds the corporate powers of the organization.
- The District appoints a majority of the organization's governing board.
- The District is able to impose its will on the organization.
- The organization has the potential to impose a financial benefit/burden on the District.
- There is fiscal dependency by the organization on the District.

Based on the aforementioned criteria, the Lake Oroville Area Public Utility District has no component units.

B. Basis of Accounting and Financial Statement Presentation

The District accounts for its operations and activities as a utility enterprise fund. The enterprise fund is operated in a manner similar to private business enterprises where the intent of the governing body is that costs (expenses, including depreciation) of providing goods or services on a continuing basis be financed or recovered primarily through user service charges.

The District 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 a proprietary fund's principal ongoing operations. Principal operating revenues of the District are charges to customers for sales and services including operating charges collected through special assessments on certain property tax rolls. Operating expenses for the District include salaries and benefits, supplies and other services, and insurance premiums.

Revenues and expenses are recognized on the accrual basis. Revenues are recognized in the accounting period in which they are earned and expenses are recognized in the period incurred, regardless of when the related cash flows actually take place.

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

Fiduciary Fund

Custodial Fund - Custodial funds are used to report fiduciary activities that are not required to be reported as another fiduciary fund type.

Lake Oroville Area Public Utility District
Notes to Financial Statements
June 30, 2023

C. Inventory

Inventories are valued at cost using the average cost method.

D. Use of Estimates

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

E. Cash, Cash Equivalents, and Investments

For the purposes of the statement of cash flows, the District's proprietary fund considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. Investments at June 30, 2023 are stated at fair value.

F. Restricted Assets

The District has presented restricted cash for amounts received from the District's capacity charge and rural development surcharge. In addition, the USDA Bond Reserve is presented as restricted cash. These amounts have been classified as restricted assets on the statement of net position because their use is limited by applicable bond or other covenant.

G. Interfund Receivables and Payables

The purpose of the interfund balance is to reflect the District's collections of Villa Verona special assessments that will be transferred to the Villa Verona bank account at a future date. The amount due to Villa Verona Special Assessment from the District at June 30, 2023 was \$6,572.

H. Bad Debts

It is the District's policy to collect past due accounts by adding such amounts to the County of Butte's property tax rolls. As such, it is management's opinion that past due accounts are, in all material respects, fully collectible, and no allowance for doubtful accounts has been recorded on the accompanying financial statements.

I. Capital Assets

Property and equipment with a life greater than one year are capitalized and stated at cost, except for portions acquired by contribution, which are reported at the agreed upon cost to the done, which equates fair market value. It is the District's policy to capitalize individual items costing more than \$5,000. Maintenance and repair costs are expensed as incurred unless they extend the asset's useful life. Depreciation is computed using the straight-line method over asset estimated useful lives as presented below:

Subsurface lines	50 years
Sewage collection	10 - 50 years
General plant and Administrative Facilities	3 - 30 years

Lake Oroville Area Public Utility District
Notes to Financial Statements
June 30, 2023

Construction-in-progress – Costs associated with development stage projects are accumulated in the construction-in-progress account until the project is fully developed. Once the project is complete, the entire cost of the project is transferred to a capital asset account and depreciated over the estimated useful life.

J. Accrued Compensated Absences

All probationary and permanent employees of the District earn sick leave at a rate of one eight hour working day per month and can accrue an unlimited number of hours. At the employees' request unused sick leave time may be "bought back" by the District at a rate of one-half (1/2) day for each whole day accrued. Buy back shall be limited only to time over and above thirty (30) days of accrued sick leave. No more than 12 days of accrued sick leave shall be bought back in any given calendar year unless employment is voluntarily terminated, in which case all accrued sick leave may be "bought back" by the District at a rate of one-half day for each whole day accrued. Vacation is based upon the length of service. The District will buy back accumulated vacation of an employee upon termination or retirement from the District.

K. Subsequent Events

Subsequent events were evaluated through October 20, 2023 which is the date the financial statements were available to be issued.

NOTE 2 CASH AND INVESTMENTS

Cash and investments at June 30, 2023 consisted of the following:

Cash on Hand	\$ 500
Deposits with Financial Institutions	2,471,792
Deposit with LAIF	<u>2,863,342</u>
Total Cash and Cash equivalents	<u>\$ 5,335,634</u>

Investment Policies - The District may invest in the following types of investments:

- Passbook savings account demand deposits
- Money market accounts
- Certificates of deposit with commercial banks and/or savings and loan companies
- Local Agency Investment Fund (State Pool) demand deposits
- Mutual funds

The District has, in practice, limited deposits and investments to insured and/or collateralized demand deposit accounts, the State Treasurer's Local Agency Investment Fund (LAIF), and certificates of deposit. The District does not enter into reverse repurchase agreements.

Lake Oroville Area Public Utility District
Notes to Financial Statements
June 30, 2023

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. The District does not hold direct investments, therefore, there is no concentration of credit risk.

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 District'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 District deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

The District's deposits with financial institutions in excess of federal depository insurance limits were held in uncollateralized accounts. The amounts in excess of federal depository insurance limits were \$1,951,065 as of June 30, 2023 and the remaining amounts were collateralized as described above.

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) 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 District'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 District is a voluntary participant in LAIF. LAIF is regulated by the California Government Code under the oversight of the Treasurer of the State of California. The fair value of the entity's investment in this pool is reported in the accompanying financial statements at amounts based upon the Entity'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 PROPERTY TAX

Property taxes attach as an enforceable lien on property as of January 1st. Taxes are levied on July 1 and are payable in two installments, on December 10 and April 10. The District relies on the competency of the County of Butte for the billing, collection, and distribution of its share of property tax revenues.

Lake Oroville Area Public Utility District
Notes to Financial Statements
June 30, 2023

NOTE 4 CAPITAL ASSETS

A summary of changes in capital assets follows:

	Balance <u>06/30/22</u>	<u>Additions</u>	<u>Dispositions</u>	Balance <u>06/30/23</u>
Fixed Assets				
Land	\$ 107,174	\$ -	\$ -	\$ 107,174
Subsurface lines	13,865,710	100,926		13,966,636
Sewer collection facilities	4,434,824			4,434,824
General plant and administration facilities	4,375,885	898,734		5,274,619
Work in Progress	370,714		(260,000)	110,714
	<u>23,154,307</u>	<u>999,660</u>	<u>(260,000)</u>	<u>23,893,967</u>
Accumulated Depreciation				
Subsurface lines	(8,402,819)	(331,945)		(8,734,764)
Sewer collection facilities	(4,222,739)	(86,398)		(4,309,137)
General plant and administration facilities	(3,114,086)	(186,130)		(3,300,216)
Accumulated Depreciation	<u>(14,546,612)</u>	<u>(604,473)</u>	<u>-</u>	<u>\$ (15,151,085)</u>
Property and Equipment, Net	<u>\$ 8,607,695</u>	<u>\$ 395,187</u>	<u>\$ (260,000)</u>	<u>\$ 8,742,882</u>

NOTE 5 LONG-TERM DEBT - BONDS

Changes in Long-Term Liabilities – Long-term liability activity, excluding the liability for compensated absences and net pension liability is summarized as follows:

	Balance <u>June 30,2022</u>	<u>Additions</u>	<u>Reductions</u>	Balance <u>June 30,2023</u>	Due Within <u>One Year</u>
Sewer Revenue Bonds - Series A	\$ 2,358,000	-	\$ (65,000)	\$ 2,293,000	\$ 68,000
Total Long-Term Liabilities-Bonds	<u>\$ 2,358,000</u>	<u>-</u>	<u>\$ (65,000)</u>	<u>\$ 2,293,000</u>	<u>\$ 68,000</u>

Sewer Revenue Bonds – The District authorized the issuance of \$5,000,000 in Lake Oroville Area Public Utility District Sewer Revenue Bonds (Bonds). The Bonds were issued in two separate series. All the bonds were purchased by the USDA Rural Development through its Rural Utilities Service. The Bonds are secured by a first lien and a pledge of all revenues of the enterprise fund to repay the Bonds.

The District assessed a “Rural Development Loan Surcharge” for the purpose of making bond principal and interest payments and established required debt service reserves.

The Series A bonds accrue interest at a rate of 4.25% per annum. “Series A” requires annual principal payments ranging from \$29,000 to \$163,000 each July 1 through the year 2043. Interest is paid semi-annually on January 1 and July 1. Total “Series A” bonds outstanding at June 30, 2023, was \$2,293,000

Lake Oroville Area Public Utility District
Notes to Financial Statements
June 30, 2023

Debt service requirements to maturity are as follows:

Year Ended June 30,	Sewer Revenue Bonds		
	Principal	Interest	Total
2024	68,000	97,453	165,453
2025	71,000	94,563	165,563
2026	74,000	91,545	165,545
2027	78,000	88,400	166,400
2028-2032	443,000	389,428	832,428
2033-2037	551,000	286,493	837,493
2038-2042	688,000	158,313	846,313
2043-2044	320,000	20,528	340,528
Totals	<u>\$ 2,293,000</u>	<u>\$ 1,226,723</u>	<u>\$ 3,519,723</u>

NOTE 6 SPECIAL ASSESSMENTS DISTRICT

The District acts as agent for the property owners of the Villa Verona Assessment District in collecting assessments, forwarding the collections to the assessment bond holders, and initiating foreclosure proceedings when required. The District is not obligated in any manner for the repayment of the special assessment debt. At June 30, 2023 the Villa Verona Assessment District had \$137,000 in bonds payable.

NOTE 7 DEFERRED COMPENSATION PLANS

The District offers its full-time employees two deferred compensation plans created in accordance with Internal Revenue Code 457. The plans are available to all District employees, which permits them to defer a portion of their salary until future years. Employees may participate in both plans; however, the District will only contribute to the PERS 457 Plan. This contribution amounts to 2% of the employee's salary only if the employee is matching 2% into the PERS 457 Plan, effective July 1, 2019. The PERS 457 Plan and District match began July 1, 2008. Amounts credited to deferred compensation are deposited in savings or other type of investment accounts with Voya, Nationwide, and PERS. The deferred compensation is not available to employees until termination, retirement, death, or unforeseen emergency.

All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributed to those amounts, property, or rights are held in trust for the exclusive benefit of the plan participants and their beneficiaries. As required by GASB Statement 32, the District does not meet the criteria for inclusion of plan assets within its financial statements and has, therefore, excluded the plan assets from the accompanying financial statements.

Lake Oroville Area Public Utility District
Notes to Financial Statements
June 30, 2023

The following is a summary of plan activity for the year ended June 30, 2023:

	<u>2023</u>
Market Value - July 1	\$ 404,933
Employee Contributions	13,768
Employer Contributions	13,768
Plan Earnings/(Losses)	48,786
Withdrawals/Fees	<u>(15,356)</u>
Market Value - June 30	<u>\$ 465,899</u>

NOTE 8 DEFINED BENEFIT PENSION PLAN

A. General Information about the Pension Plans

Plan Description

The District approved a contract with the Board of Administration, California Public Employees' Retirement System (PERS) on March 16, 2004, which began May 1, 2004. The District is required to make a monthly contribution to PERS to include actuarial valuations of prior and future years of service of each employee. All eligible District employees participate in PERS. The District is required to participate in a PERS cost-sharing, multiple-employer defined benefit retirement plan, since the District had less than 100 active members. PERS acts as a common investment and administrative agent for various local and state governmental agencies within the state.

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

All qualified permanent and probationary employees are eligible to participate in the District's cost-sharing multiple employer defined benefit pension plan (Plan) which is administered by the California Public Employees' Retirement System (CalPERS). Benefit provisions under the Plan are established by State statute and local government resolution. CalPERS issues publicly available reports that include a full description of the pension plan regarding benefit provisions, assumptions, and membership information that can be found on the CalPERS website.

Benefits Provided – CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full-time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

Lake Oroville Area Public Utility District
Notes to Financial Statements
June 30, 2023

The Plan's provisions and benefits in effect at June 30, 2022, are summarized as follows:

Hire Date	Prior to January 1, 2014	On or After January 1, 2014
Benefit formula	2.7 % @ 55	2% @ 62
Benefit vesting schedule	5 years service	5 years service
Benefit payments	Monthly for life	Monthly for life
Retirement age	50-55	62-67
Monthly benefits as % of eligible compensation	2.0 to 2.7 %	1.0 to 2.5 %
Required employee contributions	8%	8%
Required employer contributions rates	27.80%	11.40%

Contributions – Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for the Plan is 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 District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. For the year ended June 30, 2023, the contributions recognized as part of pension expense for the Plan was as follows:

Contributions-Employer	\$ 213,259
------------------------	------------

As of June 30, 2023, the District reported net pension liability of \$1,210,350 for its share of the net pension liability of the Plan. The District's net pension liability for the Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of June 30, 2023, 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, 2022, rolled forward to June 30, 2023, using standard update procedures. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined.

The District's proportionate share of the net pension liability for the Plan as of June 30, 2022 and 2023, were as follows:

Proportion:	June 30, 2022	0.06360%
Proportion:	June 30, 2023	<u>0.02587%</u>
Change-Increase (Decrease)		-0.03773%

For the year ended June 30, 2023, the District recognized pension expense of \$(548,993). At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Lake Oroville Area Public Utility District
Notes to Financial Statements
June 30, 2023

	Deferred Outflows of Resources	Deferred Inflow of Resources
Change in Assumptions	\$ 124,026	
Difference between Expected and Actual Experience	24,306	\$ 16,279
Difference Between Expected and Actual Investment Earnings	221,704	
Difference Between Employer's Contributions and Proportionate Share of Contributions	88,632	
Change in Employer's Proportion	-	835,466
Contributions Subsequent to the Measurement Date	213,259	
Total	\$ 671,927	\$ 851,745

The \$213,359, which is reported as contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized as pension expense as follows:

Measurement Periods Ended June 30:	Deferred Outflows/ (Inflows) of Resources
2024	(207,759)
2025	(242,303)
2026	(291,315)
2027	-
Thereafter	-
Total:	\$ (741,377)

Lake Oroville Area Public Utility District
Notes to Financial Statements
June 30, 2023

Actuarial Assumptions

The total pension liabilities in the June 30, 2021 actuarial valuations were determined using the following actuarial assumptions for the all Plans:

Valuations Date	June 30, 2021
Measurement Date	June 30, 2022
	Entry Age
Actuarial Cost Method	Normal
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.75%
Payroll Growth	3.00%
Projected Salary Increase	3.3%-14.2% (1)
Investment Rate of Return	7.15% (2)

(1) Depending on entry age and service

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

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

Asset Class	New Strategic Allocation	Real Return Years 1-10 ¹	Real Return years 11 + ²
Global Equity	47.00%	5.25%	5.71%
Global Fixed Income	19.00	0.99	2.43
Inflation Sensitive	6.00	0.45	3.36
Private Equity	12.00	6.83	6.95
Real Estate	11.00	4.50	5.13
Infrastructure and Forestland	3.00	4.50	5.09
Liquidity	2.00	(0.55)	(1.05)

¹An expected inflation of 2.5% used for this period

²An expected inflation of 3.0% used for this period

**Lake Oroville Area Public Utility District
Notes to Financial Statements
June 30, 2023**

Discount Rate

The discount rate used to measure the total pension liability was 6.90%. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 6.90% discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 6.90% is applied to all plans in the Public Employees Retirement Fund. The stress test results are presented in a detailed report called "GASB Crossover Testing Report" that can be obtained at the CalPERS' website under the GASB 68 section.

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

The following presents the net pension liability/(asset) of the Plan as of the measurement date using the discount rate of 6.90%, as well as what the net pension liability/(asset) 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:

	Discount Rate -1% 5.90%		Current Discount Rate 6.90%		Discount Rate +1% 7.90%
Net Pension Liability: \$	1,759,186	\$	1,210,350	\$	758,794

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued financial report of CalPERS which can be located at <https://www.calpers.ca.gov/page/forms-publications>.

NOTE 9 RISK MANAGEMENT

The District is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. It is the District's policy to transfer the risks that may arise from these and other events through the purchase of commercial insurance. Over the past three years, no loss settlements have exceeded insurance coverage amounts.

NOTE 10 JOINT POWERS AGREEMENT

On March 29, 1973, the District, the City of Oroville, and the Thermalito Water and Sewer District entered into a Joint Exercise of Powers Agreement that reorganized its governing board and created an independent Agency known as the Sewerage Commission - Oroville Region (SC-OR). SC-OR was created to operate a sewerage treatment plant for the mutual advantage of the member entities. The District presently reports \$41,982 (its original contribution to SC-OR) as an investment. The Fair Market Value is not materially different from cost.

**Lake Oroville Area Public Utility District
Notes to Financial Statements
June 30, 2023**

Two members (only one with voting powers) of SC-OR's Board of Commissioners are appointed by each member entity. SC-OR's operating and capital budgets are funded by user charges for sewage treatment services provided to the residents of each member entity. Each member entity is responsible for billing, collecting, and remitting SC-OR's user charges applicable to their separate residents. The District held \$385,737 in unremitted SC-OR service charges at June 30, 2023.

SC-OR's separate financial statements may be obtained by contacting its administrative offices at:

P.O. Box 1350
Oroville, CA 95965

Noted below is the summarized financial information of SC-OR as of June 30, 2022 which is the latest report available at the time these financial statements were prepared:

	June 30, 2022
Total Assets	\$ 33,685,265
Deferred Outflows	516,795
Total Liabilities	(1,794,069)
Deferred Inflows	(1,335,469)
Net position	\$ 31,072,522
Total Revenues	\$ 9,929,778
Total expenses	(3,743,546)
Change in Net Position	\$ 6,186,232

NOTE 11 RESTRICTED NET POSITION

The District has restricted a portion of its net position to segregate funds restricted for use by external sources as follows:

	2023
Restricted for capacity capital outlay	1,461,285
Restricted for rural development loan surcharge	163,432
Total restricted Net Position	\$ 1,624,717

**SCHEDULE OF THE LAKE OROVILLE AREA PUBLIC UTILITY DISTRICT
 PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
 CALIFORNIA PUBLIC EMPLOYEES RETIREMENT SYSTEM
 (MISCELLANEOUS PLAN)**

	<u>June 30, 2015</u>	<u>June 30, 2016</u>	<u>June 30, 2017</u>	<u>June 30, 2018</u>	<u>June 30, 2019</u>	<u>June 30, 2020</u>
District's Proportion of the Net Pension Liability/(Asset)	0.015690%	0.020923%	0.020923%	0.020130%	0.037684%	0.037060%
Districts Proportionate Share of the Net Pension Liability/(Asset)	\$ 976,118	\$ 1,003,745	\$ 1,158,278	\$ 1,272,892	\$ 1,420,199	\$ 1,484,215
District's Covered-Employee Payroll	\$ 505,421	\$ 475,618	\$ 553,431	\$ 579,643	\$ 574,942	\$ 580,970
District's Proportionate Share of the Net Pension Liability/(Asset) as a Percentage of its Covered-Employee Payroll	193.13%	211.04%	209.29%	219.60%	247.02%	255.47%
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Plan's total Net Pension Liability	81.15%	62.66%	59.79%	71.76%	77.69%	67.91%

	<u>June 30, 2021</u>	<u>June 30, 2022</u>	<u>June 30, 2023</u>
District's Proportion of the Net Pension Liability/(Asset)	0.01365%	0.06360%	0.02587%
Districts Proportionate Share of the Net Pension Liability/(Asset)	\$ 1,537,423	\$ 1,207,586	\$ 1,210,350
District's Covered-Employee Payroll	\$ 555,130	\$ 391,853	
District's Proportionate Share of the Net Pension Liability/(Asset) as a Percentage of its Covered-Employee Payroll	276.95%	308.17%	
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Plan's total Net Pension Liability	59.41%	57.40%	

Notes to Schedule: Only eight years are presented because 10-year data is not yet available.

LAKE OROVILLE AREA PUBLIC UTILITY DISTRICT
SCHEDULE OF PENSION CONTRIBUTIONS
CALIFORNIA PUBLIC EMPLOYEES RETIREMENT SYSTEM
(MISCELLANEOUS PLAN)

	<u>FY 2015</u>	<u>FY 2016</u>	<u>FY 2017</u>	<u>FY 2018</u>	<u>FY 2019</u>	<u>FY 2020</u>	<u>FY 2021</u>	<u>FY 2022</u>
Actuarially Determined Contribution	\$ 128,957	\$ 137,556	\$ 130,420	\$ 145,114	\$ 150,275	\$ 175,489	\$ 185,178	\$ 193,343
Contributions in Relation to the Actuarially Determined Contribution	(128,957)	(130,422)	(138,431)	(145,114)	(150,275)	(175,489)	(185,178)	(193,343)
Contribution Deficiency (Excess)	\$ -	\$ 7,134	\$ (8,011)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Employee Payroll	\$ 505,421	\$ 475,618	\$ 553,431	\$ 579,643	\$ 574,942	\$ 580,970	\$ 555,130	\$ 391,853
Contributions as a Percentage of Covered-Employee Payroll	25.51%	27.42%	27.57%	25.04%	26.14%	30.21%	33.36%	49.34%
Valuation date	6/30/2014	6/30/2015	6/30/2016	6/30/2017	6/30/2018	6/30/2019	6/30/2020	6/30/2021

Notes to Schedule:
Only nine years are presented because 10-year data is not yet available.

LAKE OROVILLE AREA PUBLIC UTILITY DISTRICT
SCHEDULE OF REVENUES, EXPENSES AND CHANGE IN NET POSITION
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2023

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Operating Revenues:			
Sewer service charges	\$ 1,668,489	\$ 1,668,495	\$ 6
Pumping charges	127,462	127,446	(16)
Connection fees		9,231	9,231
Special Assessment - Kelly Ridge	45,000	44,966	(34)
	<u>1,840,951</u>	<u>1,850,138</u>	<u>9,187</u>
Operating Expenses:			
Salararies and wages	625,940	569,795	56,145
Employee benefits	466,125	(149,271)	615,396
Professional services	599,913	189,323	410,590
Insurance	49,955	50,052	(97)
Utilities	90,525	87,537	2,988
Services and supplies	102,700	106,069	(3,369)
Training, memberships, and fees	81,150	29,655	51,495
Operations and maintenance	180,000	162,353	17,647
Fuel, oil, grease and auto	34,000	27,035	6,965
Depreciation (non-cash budgeted item)	556,000	604,473	(48,473)
	<u>2,786,308</u>	<u>1,677,021</u>	<u>1,109,287</u>
Net Operating Income	(945,357)	173,117	1,118,474
Nonoperating Revenues (Expenses):			
Taxes	366,403	436,002	69,599
Interest income and late fees	10,000	149,632	139,632
Capacity charges		50,206	50,206
Rural Development loan surcharges	362,620	362,492	(128)
Miscellaneous		53,339	53,339
Bond Interest Expense	(98,834)	(97,453)	1,381
Total Non Operating Revenues (Expenses)	<u>640,189</u>	<u>954,218</u>	<u>314,029</u>
Other Budgeted Items:			
Capitalized costs	(1,249,500)	(741,023)	508,477
Bond principal payments	(65,000)	(65,000)	-
Total Other Budgeted Items	<u>(1,314,500)</u>	<u>(806,023)</u>	<u>508,477</u>
Net Income (Loss) - Budget Basis	<u>\$ (1,619,668)</u>	<u>\$ 321,312</u>	<u>\$ 1,940,980</u>

**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***

Board of Directors
Lake Oroville Area Public Utilities District
Oroville, California

Members of the Board of Directors:

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 Controller General of the United States, the financial statements of the business-type activities, and each major fund of the Lake Oroville Area Public Utility as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the district's basic financial statements and have issued our report thereon dated October 20, 2023.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the 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 District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be material weaknesses. See Finding 2023-001.

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Compliance and Other Matters

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

District's Response to Findings

The District's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of the Report

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

Respectfully submitted,



SingletonAuman, PC
Susanville, California
October 20, 2023

**LAKE OROVILLE ARE PUBLIC UTILITY DISTRICT
COMBINED SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2023**

EXECUTIVE SUMMARY

The District provides sewer services to residential and commercial customers within the boundaries of the District.

The quality of the District's internal controls is dependent upon oversight by the Board Members. Also, due to the limited number of employees of the District, there is an inability to ideally segregate the custody of and accountability for District assets in the manner generally required for model systems of internal accounting controls. A summary of the auditors' results follows:

1. **Type of Auditors' Report on Financial Statements:** Unmodified.
2. **Internal Control Findings:** 1 Material Weakness.
3. **Material Noncompliance Noted:** None.

**LAKE OROVILLE ARE PUBLIC UTILITY DISTRICT
COMBINED SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2023**

**YELLOW BOOK SECTION
Material Weakness**

Finding 2023-001 Financial Reporting

Criteria Upon Which Audit Finding is Based (Legal Citation)

AU-C Section 265: Communicating Internal Control Matters Identified in an Audit

Finding (Condition)

Similar to many other small special districts, the District does not have policies and procedures in place to ensure that complete and accurate financial statements and footnote disclosures are prepared in accordance with GAAP prior to the annual audit. Management relies upon the auditor to recommend footnote disclosures for the financial statements and to prepare adjusting journal entries for approval in order to report financial information in accordance with GAAP.

Amount of Questioned Cost, How Computed and Prevalence

None.

Effect

There is a risk that a material financial statement misstatement may exist and not be prevented or detected by the District's system of internal control.

Cause

This condition has always existed at the District, and is being reported in accordance with AU-C Section 265.

Recommendation

We recommend that the District should consider the cost benefit of hiring an accountant familiar with GAAP or hiring an independent CPA firm to compile financial statements in conformity with GAAP.

District's Response

The District has determined that the costs of correcting this control weakness outweigh the benefits to be received. The District will continue to rely on the independent auditor to prepare its annual financial statements.

**LAKE OROVILLE ARE PUBLIC UTILITY DISTRICT
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
JUNE 30, 2023**

Finding 2022-001

Similar to many other small special districts, the District does not have policies and procedures in place to ensure that complete and accurate financial statements, MD&A and footnote disclosures are prepared in accordance with GAAP prior to the annual audit. Management relies upon the auditor to recommend footnote disclosures for the financial statements and to prepare adjusting journal entries for approval in order to report financial information in accordance with GAAP.

Status

Not Implemented – See current year finding 2023-001.

**LAKE OROVILLE AREA PUBLIC UTILITY DISTRICT
CORRECTIVE ACTION PLAN
JUNE 30, 2023**

Person Monitoring Corrective Action Plan

David Goyer, General Manager

Finding 2023-001 Financial Reporting

Finding (Condition)

Similar to many other small special districts, the District does not have policies and procedures in place to ensure that complete and accurate financial statements and footnote disclosures are prepared in accordance with GAAP prior to the annual audit. Management relies upon the auditor to recommend footnote disclosures for the financial statements and to prepare adjusting journal entries for approval in order to report financial information in accordance with GAAP.

Corrective Action Planned

The District has determined that the costs of correcting this control weakness outweigh the benefits to be received. The District will continue to rely on the independent auditor to prepare its annual financial statements.

Expected Completion Date

Ongoing.