

**LAKE OROVILLE AREA PUBLIC UTILITY DISTRICT  
STATEMENT OF NET ASSETS  
PROPRIETARY FUND TYPE  
JUNE 30, 2010 AND 2009**

	<b>Enterprise Fund</b>	
	<b>2010</b>	<b>2009</b>
<b><u>ASSETS</u></b>		
Current Assets:		
Cash and cash equivalents	\$ 397,069	\$ 159,698
Accounts receivable	165,983	167,525
Taxes receivable	50,470	39,013
Inventories	72,811	77,180
Prepaid expenses	32,950	33,123
Accrued interest	3,410	5,615
Total Current Assets	722,693	482,154
Restricted and Noncurrent Assets:		
Restricted assets:		
Cash and cash equivalents	1,474,559	2,139,561
Investment in sewer treatment association	41,982	41,982
Capital assets (net of accumulated depreciation)	13,170,883	13,259,500
Total Restricted and Noncurrent Assets	14,687,424	15,441,043
Total Assets	15,410,117	15,923,197
<b><u>LIABILITIES</u></b>		
Current Liabilities:		
Accounts payable and other current liabilities	43,724	47,694
Due to other fund	1,567	595
Accrued compensated absences	35,277	26,503
Due to other related agency	138,985	147,819
Employee flexible spending	1,140	980
Amounts payable from restricted assets:		
Bond interest payable	102,510	103,791
Current portion - bonds payable	61,000	59,000
Total Current Liabilities	384,203	386,382
Long-Term Liabilities		
Accrued compensated absences	15,118	11,358
Bonds payable	4,659,000	4,720,000
Total Long-Term Liabilities	4,674,118	4,731,358
Total Liabilities	5,058,321	5,117,740
<b><u>NET ASSETS</u></b>		
Investment in capital assets, net of related debt	8,450,883	8,480,500
Restricted	1,311,049	1,976,770
Unrestricted	589,864	348,187
Total Net Assets	\$ 10,351,796	\$ 10,805,457

**LAKE OROVILLE AREA PUBLIC UTILITY DISTRICT  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS  
PROPRIETARY FUND TYPE  
FOR THE YEARS ENDED JUNE 30, 2010 AND 2009**

	<u>Enterprise Fund</u>	
	<u>2010</u>	<u>As Restated 2009</u>
Operating Revenues:		
Sewer service charges	\$ 617,956	\$ 598,410
Pumping charges	71,763	69,758
Permit and inspection fees	758	450
Connection fees	14,760	9,950
Other sales and services	497	4,460
Special Assessment - Kelly Ridge	44,936	44,966
Total Operating Revenues	<u>750,670</u>	<u>727,994</u>
Operating Expenses:		
Administration and general	631,052	618,530
Sewage collection and services	493,337	521,878
Depreciation	605,034	604,362
Total Operating Expenses	<u>1,729,423</u>	<u>1,744,770</u>
Net Operating Income (Loss)	<u>(978,753)</u>	<u>(1,016,776)</u>
Nonoperating Revenues (Expenses):		
Annexation charges	196	
Taxes	297,806	305,736
Interest	42,266	66,045
Capacity charges	38,530	27,860
RDA loan surcharges	349,022	348,860
Miscellaneous	2,292	1,650
Indian casino grant revenue		136,932
Bond interest expense	(205,020)	(207,583)
Total Nonoperating Revenues (Expenses)	<u>525,092</u>	<u>679,500</u>
Change in net assets	(453,661)	(337,276)
Total Net Assets - July 1	<u>10,805,457</u>	<u>11,142,733</u>
Total Net Assets - June 30	<u><b>\$ 10,351,796</b></u>	<u><b>\$ 10,805,457</b></u>

**LAKE OROVILLE AREA PUBLIC UTILITY DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUND TYPE  
FOR THE YEARS ENDED JUNE 30, 2010 AND 2009**

	<u>Enterprise Fund</u>	
	<u>2010</u>	<u>As Restated 2009</u>
Cash Flows From Operating Activities:		
Cash received from customers	\$ 706,021	\$ 631,677
Other income	46,191	49,366
Cash paid to employees for services	(841,308)	(521,114)
Cash paid to suppliers	(277,677)	(636,117)
Net Cash Provided (Used) By Operating Activities	<u>(366,773)</u>	<u>(476,188)</u>
Cash Flows From Noncapital Financing Activities:		
Miscellaneous nonoperational receipts	2,488	1,787
Property taxes	286,349	305,736
Net Cash Provided (Used) By Noncapital Financing Activities	<u>288,837</u>	<u>307,523</u>
Cash Flows From Capital and Related Financing Activities:		
Additions to property, plant, and equipment	(516,417)	(136,583)
Proceeds from indian casino grant		136,932
Capacity charges received	38,530	27,860
Principal paid on capital debt	(59,000)	
Interest paid on capital debt	(206,301)	(103,792)
RDA loan surcharges	349,022	348,860
Net Cash Provided (Used) By Capital and Related Financing Activities	<u>(394,166)</u>	<u>273,277</u>
Cash Flows From Investing Activities:		
Interest on investments	44,471	66,045
Net Cash Provided (Used) By Investing Activities	<u>44,471</u>	<u>66,045</u>
Net Increase (Decrease) in Cash	(427,631)	170,657
Cash Balance - July 1	2,299,259	2,128,602
<b>Cash Balance - June 30</b>	<b><u>\$ 1,871,628</u></b>	<b><u>\$ 2,299,259</u></b>
<b>Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:</b>		
Operating Income (Loss)	\$ (978,753)	\$ (1,016,776)
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:		
Depreciation	605,034	604,362
Change in assets and liabilities:		
(Increase) decrease in receivables	1,542	(46,951)
(Increase) decrease in inventories	4,369	(39,903)
(Increase) decrease in prepaid assets	173	3,807
Increase (decrease) in payables	862	19,273
Net Cash Provided (Used) By Operating Activities	<u>\$ (366,773)</u>	<u>\$ (476,188)</u>

**LAKE OROVILLE AREA PUBLIC UTILITY DISTRICT  
STATEMENT OF FIDUCIARY NET ASSETS  
AGENCY FUND  
June 30, 2010 and 2009**

		<b>Villa Verona Assessment District Agency Fund</b>	
		<b>2010</b>	<b>2009</b>
<b><u>ASSETS</u></b>			
Cash and cash equivalents	\$	28,989	\$ 29,688
Due from other fund		1,567	595
Assessments receivable - delinquent		2,595	2,471
<b>Total Assets</b>		<b>33,151</b>	<b>32,754</b>
<b><u>LIABILITIES</u></b>			
Current Liabilities:			
Easements payable		2,703	2,703
Due to bondholders		30,448	30,051
<b>Total Liabilities</b>		<b>33,151</b>	<b>32,754</b>
<b><u>NET ASSETS</u></b>			
Unrestricted		-	-
<b>Total Net Assets</b>	<b>\$</b>	<b>-</b>	<b>\$ -</b>

**LAKE OROVILLE AREA PUBLIC UTILITY DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2010 AND 2009**

**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.

The District's financial statements are presented in conformance with the provisions of GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. The records of the District conform to the uniform system of accounts for waste disposal districts adopted by the Waste Disposal Subcommittee of the Controller's Committee on local agency reports. The District has elected not to apply Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee of Accounting Procedure issued after November 30, 1989.

**LAKE OROVILLE AREA PUBLIC UTILITY DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010 AND 2009**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

B. Basis of Accounting and Financial Statement Presentation (continued)

Fiduciary Fund

Agency Fund - Agency funds are used to account for assets held by a governmental unit in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. The agency fund is custodial in nature (assets equal liabilities) and does not involve measurement of results of operations.

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, 2010 and 2009, are stated at fair value.

F. Restricted Assets

The District has presented restricted cash for amounts received from the District's capacity charge and RDA surcharge. These amounts have been classified as restricted assets on the statement of net assets 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 amounts due Villa Verona Special Assessment from the District were \$1,567 and \$595 for the years ended June 30, 2010 and 2009, respectively.

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.

**LAKE OROVILLE AREA PUBLIC UTILITY DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010 AND 2009**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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 donee, which equates fair market value. 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

*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 working day per month and can accrue an unlimited amount of hours. The District will buy back unused sick leave at a rate of one-half day for each whole day accrued. Said buy back is limited only to time over and above 30 days of accrued sick leave. No more than 12 days will be bought back in any given year unless employment is voluntarily terminated in which case all accrued sick leave over and above 30 days will be bought back at said one-half rate. Retiring employees of the District can accrue an unlimited amount of hours to be used toward the cost of personal health insurance plan upon retirement, or it may be converted to additional CalPERS service credits.

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.

**NOTE 2 CASH AND INVESTMENTS**

Cash and investments as of June 30, 2010 and 2009, are classified in the accompanying financial statements as follows:

	2010	2009
Statement of net assets		
Current Assets:		
Cash and cash equivalents	\$ 397,069	\$ 159,698
Restricted Assets:		
Cash and cash equivalents	1,474,559	2,139,561
Total cash and cash equivalents	\$ 1,871,628	\$ 2,299,259

Cash and investments as of June 30, 2010 and 2009, consist of the following:

Cash on hand	\$ 700	\$ 700
Deposits with financial institutions	1,026,247	796,811
LAIF	844,681	1,501,748
Total cash and cash equivalents	\$ 1,871,628	\$ 2,299,259



**LAKE OROVILLE AREA PUBLIC UTILITY DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2010 AND 2009**

**NOTE 2 CASH AND INVESTMENTS (continued)**

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.

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 \$135,383 and \$121,401, respectively, for 2010 and 2009.

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.



**LAKE OROVILLE AREA PUBLIC UTILITY DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010 AND 2009**

**NOTE 3 PROPERTY TAX**

Property taxes attach as an enforceable lien on property as of January 1st 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.

**NOTE 4 CAPITAL ASSETS**

Construction-in-progress – The District has been involved in various construction projects throughout the year. The balances of the various construction projects that comprise the construction-in-progress balance at June 30, 2010 and 2009, are as follows:

	<u>2010</u>	<u>2009</u>
District Office Expansion	\$ 3,767	\$ 3,767
Villa Verona Mainline	228,772	98,544
SSO Plan		49,756
Villa Verona Replacement Study		59,974
Pending Project at Versie's Place		800
District Master Study		61,020
District Maps Update	18,937	880
Bidwell Canyon Camp Project		110
Stringtown Project		770
Villages @ LP		220
Palermo Community Sewer		2,915
Rio D' Oro		605
2009 Mt. Ida Road Realignment		90
State Line Phase II		24,791
Highway 162 Crossing	29,593	
State Line Phase III	36,940	
Burbank Bypass	11,172	
Total Construction-In-Progress	<u>\$ 329,181</u>	<u>\$ 304,242</u>

The following is a summary of changes in the District's property, plant, and equipment during the fiscal years ended June 30, 2010 and 2009:

	<u>Balance June 30, 2009</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2010</u>
<b>Nondepreciable Capital Assets:</b>				
Land	\$ 107,174			\$ 107,174
Construction-in-progress	304,242	\$ 476,921	\$ 451,982	329,181
Total Nondepreciable Capital Assets	<u>411,416</u>	<u>476,921</u>	<u>451,982</u>	<u>436,355</u>
<b>Depreciable Capital Assets:</b>				
Subsurface lines	12,323,001	293,209		12,616,210
Sewer collection facilities	4,477,270			4,477,270
General plant and administration facilities	3,679,950	198,389	52,391	3,825,948
Total Depreciable Assets	<u>20,480,221</u>	<u>491,598</u>	<u>52,391</u>	<u>20,919,428</u>
<b>Less: Accumulated Depreciation:</b>				
Subsurface lines	(3,927,043)	(306,619)		(4,233,662)
Sewer collection facilities	(2,080,725)	(88,696)		(2,169,421)
General plant and administration facilities	(1,624,369)	(209,718)	52,270	(1,781,817)
Total Accumulated Depreciation	<u>(7,632,137)</u>	<u>(605,033)</u>	<u>52,270</u>	<u>(8,184,900)</u>
<b>Depreciable Capital Assets, Net</b>	<u>12,848,084</u>	<u>(113,435)</u>	<u>104,661</u>	<u>12,734,528</u>
<b>Total Capital Assets, Net</b>	<u>\$ 13,259,500</u>	<u>\$ 363,486</u>	<u>\$ 556,643</u>	<u>\$ 13,170,883</u>

**LAKE OROVILLE AREA PUBLIC UTILITY DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010 AND 2009**

**NOTE 4 CAPITAL ASSETS (continued)**

	Balance July 1, 2008	Additions	Deletions	Balance June 30, 2009
<b>Nondepreciable Capital Assets:</b>				
Land	\$ 107,174			\$ 107,174
Construction-in-progress	176,934	\$ 129,102	\$ 1,794	304,242
Total Nondepreciable Capital Assets	284,108	129,102	1,794	411,416
<b>Depreciable Capital Assets:</b>				
Subsurface lines	12,320,318	2,683		12,323,001
Sewer collection facilities	4,477,270			4,477,270
General plant and administration facilities	3,673,358	6,592		3,679,950
Total Depreciable Assets	20,470,946	9,275	-	20,480,221
<b>Less: Accumulated Depreciation:</b>				
Subsurface lines	(3,620,539)	(306,504)		(3,927,043)
Sewer collection facilities	(1,992,023)	(88,702)		(2,080,725)
General plant and administration facilities	(1,415,213)	(209,156)		(1,624,369)
Total Accumulated Depreciation	(7,027,775)	(604,362)	-	(7,632,137)
<b>Depreciable Capital Assets, Net</b>	13,443,171	(595,087)	-	12,848,084
<b>Total Capital Assets, Net</b>	\$ 13,727,279	\$ (465,985)	\$ 1,794	\$ 13,259,500

**NOTE 5 LONG-TERM DEBT**

Changes in Long-Term Liabilities – Long-term liability activity, excluding the liability for compensated absences, for the years ended June 30, 2010 and 2009, was as follows:

	Balance 06/30/09	Additions	Deletions	Balance 06/30/10	Due Within One Year
Sewer Revenue Bonds - Series A	\$ 2,989,000	\$ -	\$ 37,000	\$ 2,952,000	\$ 38,000
Sewer Revenue Bonds - Series B	1,790,000		22,000	1,768,000	23,000
Total Long-Term Liabilities	\$ 4,779,000	\$ -	\$ 59,000	\$ 4,720,000	\$ 61,000
	Balance 07/01/08	Additions	Deletions	Balance 06/30/09	Due Within One Year
Sewer Revenue Bonds - Series A	\$ 2,989,000	\$ -	\$ -	\$ 2,989,000	\$ 37,000
Sewer Revenue Bonds - Series B	1,790,000			1,790,000	22,000
Total Long-Term Liabilities	\$ 4,779,000	\$ -	\$ -	\$ 4,779,000	\$ 59,000

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. The Series A bonds (\$3,150,000) were issued in fiscal year 2004, and the Series B bonds (\$1,850,000) were issued in 2005. All the bonds were purchased by the USDA Rural Development through its Rural Utilities Service. The District has pledged all revenues of the enterprise fund to repay the Bonds, assessed a “RDA loan surcharge” for the purpose of making Bond principal and interest payments, and established required debt service reserves.

**LAKE OROVILLE AREA PUBLIC UTILITY DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2010 AND 2009**

**NOTE 5 LONG-TERM DEBT (continued)**

On the Series A bonds, interest accrues 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, 2010 and 2009, was \$2,952,000 and \$2,989,000, respectively.

On the Series B bonds, interest accrues at a rate of 4.50% per annum. "Series B" requires annual principal payments ranging from \$19,000 to \$100,000 each July 1 through 2043. Interest is paid semi-annually on January 1 and July 1. Total "Series B" bonds outstanding at June 30, 2010 and 2009, was \$1,768,000 and \$1,790,000, respectively.

Debt service requirements to maturity are presented on the following schedules:

Year Ended June 30,	Sewer Revenue Bonds Series A		Total
	Principal	Interest	
2011	\$ 38,000	\$ 125,460	\$ 163,460
2012	40,000	123,845	163,845
2013	42,000	122,145	164,145
2014	44,000	120,360	164,360
2015	46,000	118,490	164,490
2016-2020	262,000	561,383	823,383
2021-2025	326,000	500,480	826,480
2026-2030	406,000	424,702	830,702
2031-2035	505,000	330,395	835,395
2036-2040	629,000	213,010	842,010
2041-2043	614,000	66,598	680,598
	<u>\$ 2,952,000</u>	<u>\$ 2,706,868</u>	<u>\$ 5,658,868</u>

Year Ended June 30,	Sewer Revenue Bonds Series B		Total
	Principal	Interest	
2011	\$ 23,000	\$ 79,560	\$ 102,560
2012	24,000	78,525	102,525
2013	25,000	77,445	102,445
2014	26,000	76,320	102,320
2015	27,000	75,150	102,150
2016-2020	157,000	356,130	513,130
2021-2025	195,000	317,520	512,520
2026-2030	242,000	269,730	511,730
2031-2035	302,000	210,060	512,060
2036-2040	377,000	135,630	512,630
2041-2043	370,000	42,660	412,660
	<u>\$ 1,768,000</u>	<u>\$ 1,718,730</u>	<u>\$ 3,486,730</u>

**LAKE OROVILLE AREA PUBLIC UTILITY DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010 AND 2009**

**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, 2010 and 2009, the Villa Verona Assessment District had \$253,975 and \$259,975, in outstanding bonds payable, respectively.

**NOTE 7 DEFERRED COMPENSATION PLANS**

The District offers its full-time employees three deferred compensation plans created in accordance with Internal Revenue Code 457. The plans are available to all District employees, permits them to defer a portion of their salary until future years. Employees may participate in all three plans, however, the District will only contribute to the PERS 457 Plan. This contribution amounts to 1% of the employee's salary only if the employee is matching 1% into the PERS 457 Plan. 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 ING Life Insurance and Annuity Company, Nationwide, and PERS. For the years ended June 30, 2010 and 2009, the District made contributions of \$4,434 and \$4,516, respectively, to the PERS 457 Plan. 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.

The following is a summary of plan activity for the years ended June 30, 2010 and 2009:

	<u>2010</u>	<u>2009</u>
Market value - July 1	\$ 262,269	\$ 386,550
Employee contributions	12,613	25,195
Employer contributions	4,434	4,516
Plan earnings	22,132	(60,394)
Withdrawals/fees	(8,507)	(93,598)
Market value - June 30	<u>\$ 292,941</u>	<u>\$ 262,269</u>

**NOTE 8 DEFINED BENEFIT PENSION PLAN**

Plan Description. The District began its defined benefit pension plan on March 1, 2006. Public Employees' Retirement System of the State of California (PERS) provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. PERS is a cost sharing, multiple-employer pension plan administered by the California Public Employees' Retirement System. Government Code Section 20000 of the State of California assigns the authority to establish and amend benefit provisions to the State legislature. The California Public Employees' Retirement System issues a publicly available financial report and required supplementary information for the Commission. That report may be obtained by writing to California Public Employees' Retirement System, Actuarial and Employer Services Division, P.O. Box 942709, Sacramento, CA 94339-2709 or by calling (888) 225-7377.

**LAKE OROVILLE AREA PUBLIC UTILITY DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010 AND 2009**

**NOTE 8 DEFINED BENEFIT PENSION PLAN (continued)**

**Funding Policy.** Plan members are required to contribute 8.0% of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current rate is 21.167% of annual covered payroll. The contribution requirements of plan members and the District are established and may be amended by the state legislature.

Beginning July 1, 2008, the District and the employees agreed to the employer paying 100% of the 8% of the employees' required PERS contribution as allowed under *Internal Revenue Code* Section 414(h)(2).

**Annual Pension Cost.** For 2010, the District's annual pension cost was \$104,943, and the actual pension cost for the District's employees was \$54,905. The actual amount paid by the District was \$159,848, and the actual amount paid by the employees was \$0. These amounts were equal to the District's required and actual normal cost contributions. The required contribution for fiscal year 2009/10 was determined as a part of the June 30, 2007, actuarial valuation. The required employer contribution for 2010/2011 fiscal year is 21.689% of covered payroll, and the District has agreed to pay 100% of the employee required 8% contribution. The total District contribution rate for covered payroll will be 29.689% for 2010/2011 fiscal year.

Three-Year Trend Information for the District

Fiscal Year Ending	Annual Combined Pension Cost	Percentage Contributed
June 30, 2008	\$ 84,221	100%
June 30, 2009	\$ 139,362	100%
June 30, 2010	\$ 159,848	100%

**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.

**LAKE OROVILLE AREA PUBLIC UTILITY DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010 AND 2009**

**NOTE 10 JOINT POWERS AGREEMENT**

On March 29, 1973, the District, the City of Oroville, and the Thermalito Irrigation 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. 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 sewerage 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. At June 30, 2010 and 2009, the District held \$138,985 and \$139,453, respectively, in unremitted SC-OR service charges and \$0 and \$8,366, respectively, in unremitted facility charges that have been reported as a liability on the accompanying balance sheet as "due to other related agency."

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 a condensed audited balance sheet of SC-OR as of June 30, 2009, which is the latest report available:

	June 30, 2009
Cash	\$ 6,619,120
Other assets	11,948,540
Total Assets	\$ 18,567,660
Liabilities	\$ 373,881
Equity	18,193,779
Total Liabilities and Net Assets	\$ 18,567,660
Total Revenues	\$ 2,209,072
Total Expenses	(2,221,236)
Net Change In Equity	\$ (12,164)

**NOTE 11 RESTRICTED NET ASSETS**

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

	2010	2009
Restricted for capacity capital outlay	\$ 779,869	\$ 1,228,186
Restricted for revenue bond debt service	140,819	140,819
Restricted for RDA loan surcharge	390,361	470,869
Restricted Indian Gaming Grant for State Line Phase II		136,896
Total Restricted Net Assets	\$ 1,311,049	\$ 1,976,770

**LAKE OROVILLE AREA PUBLIC UTILITY DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010 AND 2009**

**NOTE 12 2009 RESTATED FINANCIAL STATEMENTS**

The District has no bad debts, and all delinquent accounts at June 30<sup>th</sup> of each year are submitted to Butte County for levy on the teeter program. In past years, the amounts were small and the District elected to write-off the amounts when the levy occurred, and when the remittances from Butte County were made they would be posted to property tax revenue. Since the economic downturn and the current housing crisis, the delinquent amounts have increased and the District, effective July 1, 2008, has elected to not write-off the accounts, which will increase the effectiveness of the District to report revenues correctly. The amounts remitted to the county for levy were \$85,848 and \$53,008 for fiscal years 2010 and 2009, respectively. The restatement is a reclassification of revenues from property tax revenues to operating revenues and this reclassification has no impact on the changes in net assets.