

**HEBER PUBLIC UTILITY DISTRICT**

**GENERAL PURPOSE  
FINANCIAL STATEMENTS**

**For the Year Ended  
June 30, 2009**

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**FINANCIAL SECTION**



## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
Heber Public Utility District  
Heber, California 92249

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Heber Public Utility District as of and for the year ended June 30, 2009, which collectively comprise the District's basic financial statements as listed in the table of contents. The financial statements are the responsibility of the Heber Public Utility District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Heber Public Utility District as of June 30, 2009, and the respective changes in financial position and the cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 13, 2010 on our consideration of the Heber Public Utility District internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants 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* and should be considered in assessing the results of our audits.

The Management's Discussion and Analysis on pages 5 through 11 and budgetary comparison information on pages 39 through 44 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consist primarily of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

*Hutchinson and Bloodgood LLP*

January 13, 2010

**Heber Public Utility District  
Management's Discussion and Analysis  
For the Year Ended June 30, 2009**

The discussion and analysis of the financial performance of Heber Public Utility District provides an overview of the District's financial activities for the year ended June 30, 2009. The intent of this discussion and analysis is to look at the District's financial performance as a whole; users of these financial statements should read this discussion and analysis of this report and the District's basic financial statements following this section to enhance their understanding of the District's financial performance.

**FINANCIAL HIGHLIGHTS**

- The assets of the District exceeded its liabilities at the close of the 2008-2009 fiscal year by \$19,093,875 (*Net Assets*). Of those net assets, \$830,656 are unrestricted. Total Restricted Net Assets for the District is \$17,836,652.
- As of June 30, 2009, the District's governmental funds reported total ending fund balances of \$325,223, a decrease of \$199,271 in comparison with the prior year.
- At the end of the current fiscal year, unreserved fund balance for the General Fund is \$63,251.
- At the end of the current fiscal year, the Business Type Activities assets exceeded its liabilities by \$15,241,132, an decrease of \$479,304 from the prior year.
- The District's total long-term debt increased by the amount of \$138,696 in comparison with the prior year. The increase is the result of the District entering into a new agreement with Governmental Capital.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. These statements are organized so that readers can understand the Heber Public Utility District as a financial whole or as an entire operating entity. The District's basic financial statements are comprised of three components: 1) Government-wide financial statements; 2) Fund financial statements; and 3) Notes to the financial statements. This report also contains other supplementary information in addition to the financial statements themselves.

**1. Government-wide Financial Statements**

The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The Statement of Net Assets presents information on all of the District's assets and liabilities, with the difference between the two reported as net assets. Over time, increases and decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

**Heber Public Utility District  
Management's Discussion and Analysis  
For the Year Ended June 30, 2009**

The Statement of Activities presents information showing how the District's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event takes place regardless of when cash is received or paid. Thus, some revenues and expenses reported in this statement are for some items that will only result in cash inflows and outflows in future fiscal years. Both the Statement of Net Assets and the Statement of Activities distinguishes between activities that are primarily financed with taxes and intergovernmental revenues (governmental activities) and those that are intended to recover all or a significant portion of their costs through user fees and charges for services (business-type activities). The District's governmental activities include general government, parks/retention basins. The business-type activities of the District include the operation of the Water, Wastewater plant and Solid Waste (Trash).

The government-wide financial statements are presented on pages 12 and 13 of this report.

## **2. Fund Financial Statements**

The fund financial statements provide detailed information about the most significant funds - not the District as a whole. A fund is a fiscal and accounting entity designated to report information about groupings of related accounts which are used to maintain control over resources that have been segregated for specific activities or attaining certain objectives in accordance with specific regulations, restrictions, or limitations. All of the District's funds can be divided into three categories: governmental funds, business type funds and agency funds.

**Governmental funds** are used to account for activities that are similar in nature to the governmental activities in the government-wide financial statements. However, unlike the government wide financial statements, the governmental fund financial statements focus on near-term inflows and outflows of resources at the end of the fiscal year. Such information may be used in evaluating the District's near-term financing requirements and available resources.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. This will allow readers to get a better understanding of the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The basic governmental fund financial statements are presented on pages 14 and 16 of this report.

**Proprietary funds** are reported as enterprise funds. Enterprise funds are reported as functions presented as business-type activities in the government-wide financial statements. The District uses enterprise funds to account for the Water, Sewer and Solid Waste (Trash) operations.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Water, Sewer and Solid waste operations and are considered to be major funds of the District.

The basic proprietary financial statements are presented on pages 18 to 20 of this report.

**Agency Funds** are reported as fiduciary funds and are used to account for assets held on behalf of outside parties. Financial information for the fiduciary funds is not reported in the government-wide financial statements because the resources of these funds are not available to support the District's programs.

The basic agency fund statement of assets and liabilities is presented on page 21.

**Heber Public Utility District  
Management's Discussion and Analysis  
For the Year Ended June 30, 2009**

**3. Notes to the Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in both government-wide and fund financial statements.

The notes to the financial statements are presented on pages 22 to 37 of this report.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$19,093,875 (see Table 1) at the close of the current fiscal year.

The portion of the District's net assets reflects unrestricted net assets of \$830,656. Investment in capital assets (e.g., infrastructures, improvements, and construction in progress); less any related outstanding debt used to acquire those assets is \$17,836,652. The District uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the District's net assets represents resources that are subject to external restrictions on how they may be used and amounts to \$426,567. The portion of the restricted net assets is the aggregate amount for repairs, replacement, maintenance, and debt service reserves.

At the end of the current fiscal year, the District as a whole and for its governmental and business type activities reported positive balances in net assets.

**Table 1 – Heber Public Utility District Net Assets  
June 30, 2009 and 2008**

	<b>2009</b>	<b>2008</b>
<b>Current Assets:</b>		
Cash and Investments	\$ 986,131	\$ 1,692,536
Receivables	494,256	320,655
Due From Other Funds	379,440	-
Notes Receivable	44,717	50,733
Capital Assets	<u>20,345,026</u>	<u>20,108,343</u>
<b>Total Assets</b>	<u>22,249,569</u>	<u>22,172,267</u>
<b>Current and Other Liabilities:</b>	667,975	702,248
Customer Deposit Payable	74,579	-
Long-Term Liabilities	<u>2,413,141</u>	<u>2,401,035</u>
<b>Total Liabilities</b>	<u>3,155,695</u>	<u>3,103,283</u>
<b>Net Assets:</b>		
Invested in Capital Assets, Net of Related debt	17,836,652	17,740,662
Restricted	426,567	415,138
Unrestricted	<u>830,656</u>	<u>913,184</u>
<b>Total Net Assets</b>	<u>\$ 19,093,875</u>	<u>\$ 19,068,984</u>

**Heber Public Utility District  
Management's Discussion and Analysis  
For the Year Ended June 30, 2009**

**Table 2 - Heber Public Utility District Changes in Net Assets  
for the Years Ended June 30, 2009 and 2008**

	2009	2008
<i><b>Program revenues:</b></i>		
Charge for services	\$ 2,204,958	\$ 1,936,943
Water capacity	28,825	160,000
Waste-water capacity	10,500	220,000
Royalties and services	166,238	77,236
Capital grants and Contributions	<u>    --</u>	<u>802,112</u>
	2,410,521	3,196,291
<i><b>General revenues:</b></i>		
Property tax	474,118	523,359
Other revenue	<u>58,187</u>	<u>111,791</u>
<i><b>Total revenues</b></i>	<u>2,942,826</u>	<u>3,831,441</u>
<i><b>Program expenses:</b></i>		
General government	386,732	296,163
Water	1,159,622	1,012,027
Wastewater	977,245	981,737
Solid waste	<u>394,336</u>	<u>361,989</u>
<i><b>Total expenses</b></i>	<u>2,917,935</u>	<u>2,651,916</u>
Excess ( deficiencies) Before Special Items and Transfers	<u>    --</u>	<u>1,179,525</u>
Change in Net Assets:	<u>\$ 24,891</u>	<u>\$ 1,179,525</u>

**Governmental Activities**

Governmental activities increased the District's net assets by \$504,196 for the year ended June 30, 2009.

- Water and wastewater capacity service fees related to new homes being constructed totaled \$39,325 representing 6% of the District's program revenue for governmental activities.

**Heber Public Utility District  
Management's Discussion and Analysis  
For the Year Ended June 30, 2009**

**Business-type Activities**

The Business-type activities change in net assets decreased by \$479,305.

- Depreciation expense for business type activities amounted to \$695,572 for the fiscal year.
- Revenues for service charges amounted to \$2,204,958.

**Governmental Funds**

The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At June 30, 2009, The District's governmental funds reported total fund balances of \$325,223. The unreserved fund balance, which is available to meet the District's future capital projects and future obligations, is \$255,934. The remaining portion of the fund balance has been committed to 1) to pay debt service and 2) for capital projects.

The District's management may also designate unreserved fund balance to a particular function, project, or activity. However, designated fund balance is available for appropriations at any time.

Revenues for governmental functions totaled \$703,157, at June 30, 2009. Expenditures for government functions totaled \$1,090,197 at June 30, 2009.

**Proprietary Funds**

The proprietary fund provides similar information to the government-wide financial statements, but in more detail.

**Agency Funds**

The agency funds maintain assets held in an agent capacity for other governments, organizations and individuals. The district is acting as an agent for the Heber Public Utility District Community Facilities District No. 2005-1 by making the payments to the bondholders from the property taxes collected by the County of Imperial.

**Heber Public Utility District  
Management's Discussion and Analysis  
For the Year Ended June 30, 2009**

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

As of June 30, 2009, the District's investment in capital assets for its governmental and business-type activities amounted to \$20,345,026 (net of accumulated depreciation). The investments in capital assets are comprised of land, infrastructure, structures and improvements, furniture and equipment, vehicles, and construction in progress. The District, according to GASB 34 guidelines, has elected retroactively to include all infrastructure assets.

**Table 3 -The District's Capital Assets (Net of accumulated depreciation)**

	<b>2009 Total Fixed Assets</b>	<b>2008 Total Fixed Assets</b>
Land	\$ 1,021,143	\$ 1,021,143
Infrastructure & Improvements	19,099,725	18,808,533
Furniture and Equipment	<u>224,158</u>	<u>278,667</u>
Total	<u>\$ 20,345,026</u>	<u>\$ 20,108,343</u>

**Long-Term Debt**

At the end of the current fiscal year, the District had total long-term debt outstanding of \$2,508,375 which is described in the table below.

**Table 4 - The District's Outstanding Debt**

	<b>2009</b>	<b>2008</b>
1972 Water Bonds	\$ 12,000	\$ 18,000
Trentham Water Line Note Payable	146,331	158,387
2002 Water enterprise Certificates of Participations	1,053,000	1,073,000
2005 U.S.D.A. Loan	191,544	193,791
2000 Wastewater enterprise Certificates of Participations	903,500	918,500
Governmental Capital Corporation	<u>202,000</u>	<u>-</u>
Total	<u>\$ 2,508,375</u>	<u>\$ 2,367,678</u>

**Heber Public Utility District  
Management's Discussion and Analysis  
For the Year Ended June 30, 2009**

**REQUESTS FOR INFORMATION**

This financial report is designed to provide our citizens, taxpayers, creditors, and investors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Graciela Lopez, HPUD Finance Officer at (760) 482-2445.

**HEBER PUBLIC UTILITY DISTRICT**  
**STATEMENT OF NET ASSETS**  
June 30, 2009

	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Current assets:			
Cash and investments	\$ 252,558	\$ 307,005	\$ 559,563
Cash reserve	--	426,567	426,567
Receivables	268,407	250,963	519,370
Due from other funds	254,326	100,000	354,326
Noncurrent assets:			
Note receivable	44,717	--	44,717
Capital assets net of accumulated depreciation			
Land	997,143	24,000	1,021,143
Infrastructure	241,984	--	241,984
Structures and improvements	2,231,488	16,626,253	18,857,741
Equipment	<u>56,906</u>	<u>167,252</u>	<u>224,158</u>
Total assets	<u>4,347,530</u>	<u>17,902,040</u>	<u>22,249,569</u>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	78,296	50,513	128,809
Accrued payroll	28,684	60,922	89,606
Due to other funds	354,326	--	354,326
Noncurrent liabilities:			
Customer deposits payable	33,481	41,098	74,579
Due within one year	--	95,234	95,234
Due in more than one year	<u>--</u>	<u>2,413,141</u>	<u>2,413,141</u>
Total liabilities	<u>494,787</u>	<u>2,660,908</u>	<u>3,155,695</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	3,527,521	14,309,131	17,836,652
Restricted for:			
Special revenue	--	426,567	426,567
Unrestricted	<u>325,222</u>	<u>505,434</u>	<u>830,656</u>
Total net assets	<u>\$ 3,852,743</u>	<u>\$ 15,241,132</u>	<u>\$ 19,093,875</u>

The notes to the financial statements are an integral part of this statement.

**HEBER PUBLIC UTILITY DISTRICT  
STATEMENT OF ACTIVITIES  
Fiscal Year Ended June 30, 2009**

Functions/Programs	Program Revenues				Net (Expense) Revenues and Changes in Net Asset		
	Expenses	Royalties & Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business Type Activities	Total
<b>Primary Government:</b>							
Governmental activities							
General government	\$ 386,732	\$ 166,238	\$ --	\$ --	\$ (220,494)	\$ --	\$ (220,494)
Water Capacity	--	28,825	--	--	28,825	--	28,825
Waste Water Capacity	--	10,500	--	--	10,500	--	10,500
Water Capital Projects	--	--	--	--	--	--	--
Waste Water Capital Project	--	--	--	--	--	--	--
Other governmental activities	--	--	--	--	--	--	--
Total Governmental Activities	<u>386,732</u>	<u>205,563</u>	<u>--</u>	<u>--</u>	<u>(181,169)</u>	<u>--</u>	<u>(181,169)</u>
Business activities							
Water	1,159,622	993,281	--	--	--	(166,340)	(166,340)
Wastewater	977,245	784,345	--	--	--	(192,900)	(192,900)
Solid Waste	394,336	427,332	--	--	--	32,998	32,996
Total Business Type Activities	<u>2,531,203</u>	<u>2,204,958</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>(326,245)</u>	<u>(326,245)</u>
General revenues:							
Property tax					474,118	--	474,118
Note revenue					--	--	--
Other revenue					23,277	34,910	58,187
Transfers in (out)					<u>187,970</u>	<u>(187,970)</u>	<u>--</u>
Total general revenues					<u>685,365</u>	<u>(153,060)</u>	<u>532,305</u>
Change in net assets					504,196	(478,305)	24,891
Net assets - beginning					<u>3,348,547</u>	<u>15,720,437</u>	<u>19,068,984</u>
Net assets - ending					<u>\$ 3,852,743</u>	<u>\$ 15,241,132</u>	<u>\$ 19,093,876</u>

The notes to the financial statements are an integral part of this statement.

**HEBER PUBLIC UTILITY DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2009**

	General	Water Capacity	Wastewater Capacity	Water Capital Projects	Wastewater Capital Projects	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>							
Cash	\$ 54,854	\$ 108,641	\$ --	\$ 616	\$ 10	\$ 88,437	\$ 252,558
Accounts receivable	78,499	28,825	10,500	--	--	150,583	268,407
Due from other funds	--	--	254,326	--	--	--	254,326
Note receivable	--	--	44,717	--	--	--	44,717
<b>Total Assets</b>	<b><u>\$ 133,354</u></b>	<b><u>\$ 137,466</u></b>	<b><u>\$ 309,543</u></b>	<b><u>\$ 616</u></b>	<b><u>\$ 10</u></b>	<b><u>\$ 239,020</u></b>	<b><u>\$ 820,008</u></b>
<b>LIABILITIES AND FUND BALANCES</b>							
<b>LIABILITIES</b>							
Accounts payable	\$ 21,472	\$ --	\$ --	\$ 51,686	\$ 4,900	\$ 238	\$ 78,296
Developer deposits	33,481	--	--	--	--	--	33,481
Due to other funds	--	254,326	--	100,000	--	--	354,326
Accrued expenses	15,150	--	--	--	--	13,533	28,683
<b>Total Liabilities</b>	<b><u>70,103</u></b>	<b><u>254,326</u></b>	<b><u>--</u></b>	<b><u>151,686</u></b>	<b><u>4,900</u></b>	<b><u>13,771</u></b>	<b><u>494,786</u></b>
<b>FUND BALANCES</b>							
Reserved for:							
Debt service	--	--	--	--	--	225,249	225,249
Capital outlay	--	--	--	(151,070)	(4,890)	--	(155,960)
Unreserved, reported in:							
General fund	63,251	--	--	--	--	--	63,251
Special revenue funds	--	(116,860)	309,543	--	--	--	192,683
<b>Total Fund Balances</b>	<b><u>63,251</u></b>	<b><u>(116,860)</u></b>	<b><u>309,543</u></b>	<b><u>(151,070)</u></b>	<b><u>(4,890)</u></b>	<b><u>225,249</u></b>	<b><u>325,223</u></b>
<b>Total Liabilities &amp; Fund Equity</b>	<b><u>\$ 133,354</u></b>	<b><u>\$ 137,466</u></b>	<b><u>\$ 309,543</u></b>	<b><u>\$ 616</u></b>	<b><u>\$ 10</u></b>	<b><u>\$ 239,020</u></b>	<b><u>\$ 820,008</u></b>

The notes to the financial statements are an integral part of this statement.

**HEBER PUBLIC UTILITY DISTRICT  
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET ASSETS  
June 30, 2009**

Amounts reported for governmental activities in the statement of net assets are different because:

Total fund balance - governmental funds	325,222
Capital assets used in governmental activities are not financial resources and, therefore are not reported in the funds. The cost of the assets is \$3,827,587 and the accumulated depreciation is \$300,066.	<u>3,527,521</u>
Total net assets - governmental activities	<u>\$ 3,852,743</u>

The notes to the financial statements are an integral part of this statement.

**HEBER PUBLIC UTILITY DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCES GOVERNMENTAL FUNDS  
Fiscal Year Ended June 30, 2009**

	<u>General</u>	<u>Water Capacity</u>	<u>Wastewater Capacity</u>	<u>Water Capital Projects</u>	<u>Wastewater Capital Project</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>REVENUE</b>							
Property taxes	\$ 337,118	\$ --	\$ --	\$ --	\$ --	\$ 137,000	\$ 474,118
Interest	874	1,032	4,594	--	--	2,593	9,093
Royalties	6,316	--	--	--	--	--	6,316
Charges for service	9,296	28,824	10,500	--	--	150,626	199,246
Rent	1,782	--	--	--	--	--	1,782
Loans	--	--	--	--	--	--	--
Grants	--	--	--	--	--	--	--
Other revenue	<u>12,602</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>12,602</u>
Total Revenue	<u>367,988</u>	<u>29,856</u>	<u>15,094</u>	<u>--</u>	<u>--</u>	<u>290,219</u>	<u>703,157</u>
<b>EXPENDITURES</b>							
General government	220,787	--	--	--	--	140,744	361,531
Capital outlay	<u>201,880</u>	<u>--</u>	<u>2,555</u>	<u>329,549</u>	<u>194,682</u>	<u>--</u>	<u>728,666</u>
Total Expenditures	<u>422,667</u>	<u>--</u>	<u>2,555</u>	<u>329,549</u>	<u>194,682</u>	<u>140,744</u>	<u>1,090,492</u>
Excess (Deficiency) of Revenue Over Expenditures	<u>(54,679)</u>	<u>29,856</u>	<u>12,539</u>	<u>(329,549)</u>	<u>(194,682)</u>	<u>149,475</u>	<u>(387,041)</u>
<b>OTHER FINANCING SOURCES (USES)</b>							
Operating Transfers In	196,259	156,082	--	514,414	261,317	2,000	1,130,072
Operating Transfers out	<u>(123,025)</u>	<u>(394,415)</u>	<u>(220,323)</u>	<u>--</u>	<u>--</u>	<u>(204,340)</u>	<u>(942,103)</u>
Total Other Financing Sources (Uses)	<u>73,234</u>	<u>(238,333)</u>	<u>(220,323)</u>	<u>514,414</u>	<u>261,317</u>	<u>(202,340)</u>	<u>187,969</u>
Net change in fund balances	18,555	(208,477)	(207,784)	184,865	66,635	(52,855)	(199,071)
Fund Balance (Deficit), July 1	<u>44,696</u>	<u>91,617</u>	<u>517,327</u>	<u>(335,935)</u>	<u>(71,525)</u>	<u>278,114</u>	<u>524,294</u>
Fund Balance (Deficit), June 30	<u>\$ 63,251</u>	<u>\$ (116,860)</u>	<u>\$ 309,543</u>	<u>\$ (151,070)</u>	<u>\$ (4,890)</u>	<u>\$ 225,249</u>	<u>\$ 325,223</u>

The notes to the financial statements are an integral part of this statement.

**HEBER PUBLIC UTILITY DISTRICT  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
Fiscal Year Ended June 30, 2009**

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances - governmental funds \$ (199,071)

Capital assets used in governmental funds report capital outlays as expenditures. However, in the statement of activities, assets with an initial, individual cost of more than \$5,000 are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period.

Miscellaneous Cost	(198)		
Depreciation expense	(22,646)		
Capital outlay	<u>726,111</u>	<u>703,267</u>	

Change in net assets - governmental activities \$ 504,196

**HEBER PUBLIC UTILITY DISTRICT  
STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
June 30, 2009**

	<u>Water</u>	<u>Wastewater</u>	<u>Soild Waste</u>	<u>Total</u>
<b>ASSETS</b>				
Current Assets				
Cash and investments	\$ 211,352	\$ 41,479	\$ 54,174	\$ 307,005
Cash reserves	219,639	206,929	--	426,568
Receivables	125,267	84,288	41,407	250,962
Due from other funds	<u>100,000</u>	<u>--</u>	<u>--</u>	<u>100,000</u>
Total Current Assets	<u>656,258</u>	<u>332,696</u>	<u>95,581</u>	<u>1,084,535</u>
Property and equipment, net	<u>11,312,028</u>	<u>5,505,477</u>	<u>--</u>	<u>16,817,505</u>
Total Noncurrent Assets	<u>11,312,028</u>	<u>5,505,477</u>	<u>--</u>	<u>16,817,505</u>
Total Assets	<u>\$ 11,968,286</u>	<u>\$ 5,838,173</u>	<u>\$ 95,581</u>	<u>\$ 17,902,040</u>
<b>LIABILITIES</b>				
Current Liabilities				
Accounts payable	\$ 39,635	\$ 10,692	\$ 186	\$ 50,513
Wages and benefits payable	6,568	6,568	--	13,136
Compensated absences payable	17,333	30,452	--	47,785
Deposits	13,788	23,490	3,820	41,098
Current portion - long term debt	<u>80,234</u>	<u>15,000</u>	<u>--</u>	<u>95,234</u>
Total Current Liabilities	<u>157,558</u>	<u>86,202</u>	<u>4,006</u>	<u>247,765</u>
Long term debt	<u>1,383,071</u>	<u>1,030,070</u>	<u>--</u>	<u>2,413,141</u>
Total Noncurrent Liabilities	<u>1,383,071</u>	<u>1,030,070</u>	<u>--</u>	<u>2,413,141</u>
Total Liabilities	<u>1,540,629</u>	<u>1,116,272</u>	<u>4,006</u>	<u>2,660,907</u>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	9,848,725	4,460,408	--	14,309,133
Restricted	219,638	206,929	--	426,567
Unrestricted	<u>359,295</u>	<u>54,564</u>	<u>91,575</u>	<u>505,433</u>
Total Net Assets	<u>10,427,657</u>	<u>4,721,901</u>	<u>91,575</u>	<u>15,241,133</u>
Total Liabilities and Net Assets	<u>\$ 11,968,286</u>	<u>\$ 5,838,173</u>	<u>\$ 95,581</u>	<u>\$ 17,902,040</u>

The notes to the financial statements are an integral part of this statement.

**HEBER PUBLIC UTILITY DISTRICT  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
PROPRIETARY FUNDS  
Fiscal Year Ended June 30, 2009**

	<u>Water</u>	<u>Wastewater</u>	<u>Solid Waste</u>	<u>Total</u>
<b>OPERATING REVENUE</b>				
Charges for service	\$ 993,281	\$ 784,345	\$ 427,332	\$ 2,204,958
Total Operating Revenue	<u>993,281</u>	<u>784,345</u>	<u>427,332</u>	<u>2,204,958</u>
<b>OPERATING EXPENSES</b>				
Salaries and benefits	337,192	348,789	--	685,981
Materials and supplies	261,657	50,295	1,287	313,239
Contract and other services	133,150	198,897	390,535	722,582
Depreciation expense	361,394	331,671	2,507	695,572
Total Operating Expenses	<u>1,093,393</u>	<u>929,652</u>	<u>394,329</u>	<u>2,417,374</u>
Operating Income (Loss)	<u>(100,112)</u>	<u>(145,307)</u>	<u>33,003</u>	<u>(212,415)</u>
<b>NONOPERATING REVENUE (EXPENSE)</b>				
Interest income	9,952	6,154	--	16,106
Grant funds and other revenue	8,519	8,936	1,343	18,798
Interest expense	(66,229)	(47,593)	--	(113,822)
Total Non-Operating Revenue (Expense)	<u>(47,758)</u>	<u>(32,503)</u>	<u>1,343</u>	<u>(78,918)</u>
Income (Loss) Before Operating Transfers	<u>(147,869)</u>	<u>(177,810)</u>	<u>34,346</u>	<u>(291,334)</u>
Operating Transfers In (Out)	<u>(153,316)</u>	<u>(34,654)</u>	<u>--</u>	<u>(187,970)</u>
Change in Net Assets	(301,186)	(212,464)	34,346	(479,304)
Net Assets, July 1	<u>10,728,843</u>	<u>4,934,365</u>	<u>57,229</u>	<u>15,720,437</u>
Net Assets, June 30	<u>\$ 10,427,657</u>	<u>\$ 4,721,901</u>	<u>\$ 91,575</u>	<u>\$ 15,241,133</u>

The notes to the financial statements are an integral part of this statement.

**HEBER PUBLIC UTILITY DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
Fiscal Year Ended June 30, 2009**

	<u>Water</u>	<u>Wastewater</u>	<u>Solid Waste</u>	<u>Total</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Cash received from users	\$ 862,080	\$ 769,744	\$ 424,704	\$ 2,056,528
Cash received from operating activities	3,813	556	--	4,369
Cash paid to suppliers	(386,509)	(257,379)	(420,145)	(1,064,032)
Cash paid to employees	<u>(345,893)</u>	<u>(375,244)</u>	<u>--</u>	<u>(721,137)</u>
NET CASH PROVIDED (USED) BY OPERATIONS	<u>133,491</u>	<u>137,677</u>	<u>4,559</u>	<u>275,728</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Operating transfers in (out)	<u>(153,316)</u>	<u>(34,654)</u>	<u>--</u>	<u>(187,970)</u>
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	<u>(153,316)</u>	<u>(34,654)</u>	<u>--</u>	<u>(187,970)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Interest expense	(66,229)	(47,593)	--	(113,822)
Impact fees	--	--	--	--
Purchase of fixed assets	(225,219)	(3,570)	--	(228,789)
Bond principal payments	<u>163,357</u>	<u>(22,662)</u>	<u>--</u>	<u>140,695</u>
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(128,091)</u>	<u>(73,825)</u>	<u>--</u>	<u>(201,916)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Interest on cash and investments	<u>9,952</u>	<u>6,154</u>	<u>--</u>	<u>16,106</u>
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>9,952</u>	<u>6,154</u>	<u>--</u>	<u>16,106</u>
<b>CASH FLOWS FROM OTHER ACTIVITIES</b>				
Grant and other revenue	<u>8,519</u>	<u>8,936</u>	<u>1,343</u>	<u>18,798</u>
NET CASH PROVIDED BY OTHER ACTIVITIES	<u>8,519</u>	<u>8,936</u>	<u>1,343</u>	<u>18,798</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	<u>(129,445)</u>	<u>44,288</u>	<u>5,902</u>	<u>(79,255)</u>
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>580,436</u>	<u>204,121</u>	<u>48,272</u>	<u>812,829</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 430,991</u>	<u>\$ 248,408</u>	<u>\$ 54,174</u>	<u>\$ 733,574</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Operating Income (Loss)	\$ (100,112)	\$ (145,307)	\$ 33,003	\$ (212,415)
Adjustments to Reconcile operating Income To Net Cash Provided by Operations				
Depreciation and amortization	361,394	331,671	2,507	695,572
Changes in Assets and Liabilities				--
Increase in receivables	(127,387)	(14,045)	(2,628)	(144,060)
Increase in accounts payable	8,297	(8,185)	(28,316)	(49,828)
Increase in payroll liabilities payable	<u>(8,701)</u>	<u>(26,457)</u>	<u>7</u>	<u>(35,172)</u>
NET CASH PROVIDED (USED) BY OPERATIONS	<u>\$ 133,491</u>	<u>\$ 137,677</u>	<u>\$ 4,559</u>	<u>\$ 275,728</u>

The notes to the financial statements are an integral part of this statement.

**HEBER PUBLIC UTILITY DISTRICT  
STATEMENT OF ASSETS & LIABILITIES  
FIDUCIARY FUND  
June 30, 2009**

	<u>Agency Fund</u>
<b>ASSETS</b>	
Current Assets	
Cash and investments	\$ 386,341
Total Current Assets	<u>386,341</u>
Due from property owners	<u>1,985,610</u>
Total Noncurrent Assets	<u>1,985,610</u>
Total Assets	<u>\$ 2,371,951</u>
<b>LIABILITIES</b>	
Current Liabilities	\$ 106,951
Noncurrent liabilities	
Current portion - long term debt	45,000
Bond obligation	<u>2,220,000</u>
Total Noncurrent Liabilities	<u>2,265,000</u>
Total Liabilities	<u>2,371,951</u>
<b>FUND BALANCE</b>	
Fund Balance	<u>--</u>
Total Fund Balance	<u>--</u>
Total Liabilities & Fund Balance	<u>\$ 2,371,951</u>

The notes to the financial statements are an integral part of this statement.

HEBER PUBLIC UTILITY DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2009

**NOTE 1. THE FINANCIAL REPORTING ENTITY**

The financial statements of the Heber Public Utility District (The "District") have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies are described below:

***Reporting Entity***

The financial statements of the Heber Public Utility District include the financial activities of the District and the Heber Public Utility Financing Corporation (HPUFC).

The criteria used in determining the scope of the reporting entity are based on the provisions of GASB Statement 14. The Heber Public Utility District is the primary government unit. Component units are those entities which are financially accountable to the primary government, either because the District appoints a voting majority of the component unit's Board, or because the component unit will provide a financial benefit or impose a financial burden on the District. The District has accounted for the HPUFC as a component unit. Despite being legally separate, the HPUFC is so intertwined with the District that it is in substance, part of the District's operations. Accordingly, the balances and transactions of the HPUFC are reported as part of the related enterprise funds.

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Presentation**

***Government-wide Financial Statements***

The statement of net assets and statement of activities display information about the primary government (the District) and its component unit. These statements include the financial activities of the overall government, except for fiduciary activities. The District has one component unit, Heber Public Financing Corporation (HPUFC). However, HPUFC is for all purposes indistinguishable from the District's enterprise fund activities and have been integrated into the Water Fund. Governmental activities, which normally are supported by taxes are reported separately from business-type activities, which rely, to a significant extent on fees charged to external parties.

HEBER PUBLIC UTILITY DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2009

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

*Government-wide Financial Statements* (Continued)

The statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the District and for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and therefore are clearly identifiable to a particular function. Program revenues include 1) charges paid by the recipients of goods or services offered by the programs and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented instead as general revenues.

When both restricted and unrestricted net assets are available, restricted resources are used only after the unrestricted resources are depleted.

*Fund Financial Statements*

The fund financial statements provide information about the District's funds, including fiduciary funds. Separate statements for each fund category – *governmental, proprietary and fiduciary* – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds; each displayed in a separate column. All remaining governmental and enterprise funds are separately aggregated and reported as non-major funds.

Proprietary funds distinguish *operating* revenues, such as charges for services, results from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. *Non-operating* revenues, such as subsidies and investment earnings, result from non-exchange transactions or ancillary activities.

The funds of the financial reporting entity are as follows:

*Governmental Fund Types*

- The *General Fund* is the primary operating fund of the district and always classified as a major fund. The fund is used to account for all activities except those legally or administratively required to be accounted for in other funds.
- The *Special Revenue Funds* are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes, other than capital projects. The district has three Special Revenue Funds: Parks and Recreation Fund, Water Capacity Fund, and Wastewater Capacity Fund. The Water and Wastewater Capacity Funds are classified as major funds.

**HEBER PUBLIC UTILITY DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**June 30, 2009**

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Basis of Presentation** (Continued)

***Fund Financial Statements*** (Continued)

***Governmental Fund Types*** (Continued)

- The *Capital Project Funds* are used to account for resources restricted for the acquisition or construction of major capital improvements, other than those financed by revenues accounted for in other funds. The District has two Capital Project Funds: Water Capital Projects and Wastewater Capital Projects. The Water Capital Projects Fund is classified as a major fund.
- The *Debt Service Fund* is used for the purpose of accumulating resources for the payment of interest and current principal on long-term general obligation debt of the governmental funds.

***Proprietary Fund Types***

- The *Enterprise Funds* are used to account for operations that are financed and operated in a manner similar to private enterprises where the intent of the governing body is that the costs of providing goods and services to the public on a continuing basis be financed or recovered primarily through user charges.

***Agency Fund***

- Agency funds are custodial in nature and do not involve measurement of results of operations and account for assets held by the District as an agent for Heber Public Utility District Community Facilities District No. 2005-1 by making payments to bondholders from property taxes collected by the County of Imperial.

**Measurement Focus and Basis of Accounting**

***Measurement Focus***

On the government-wide Statement of Net Assets and Statement of Activities, both governmental and business-like activities are presented using the economic resources measurement focus. The accounting objectives of this measurement focus are determination of operating income, changes in net assets, financial position, and cash flows. All assets and liabilities associated with their activities are reported.

The focus of governmental and enterprise fund financial statements is on major funds rather than reporting funds by type. Each major fund is aggregated and presented in a single column. In the fund financial statements, the "current financial resources" measurement focus or the "economic resources" measurement is used as appropriate.

HEBER PUBLIC UTILITY DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2009

NOTE 2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**Measurement Focus and Basis of Accounting** (Continued)

***Measurement Focus*** (Continued)

The "current financial resources" measurement focus is utilized by all governmental funds. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spend able financial resources during a given period.

Proprietary funds utilize the "economic resources" measurement focus. The accounting objectives of this measurement focus are determination of operating income, changes in net assets, financial position, and cash flows. All assets and liabilities associated with their activities are reported. Proprietary fund equity is classified as net assets.

Fiduciary funds are used to account for assets held in a trustee or agency capacity and cannot be used to support the District's own programs. Agency funds report only assets and liabilities and therefore, do not have a measurement focus; however, agency funds use the accrual basis of accounting to recognize receivables and payables.

***Basis of Accounting***

The government-wide proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time the liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the District gives (or receives) value without directly receiving (or giving) equal value in exchange, include property and sales taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenues from sales tax are recognized when the underlying transactions take place. Revenues from grants, entitlements and donations are recognized in the fiscal year in which all eligible requirements have been satisfied.

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Property and sales taxes, interest, certain state and federal grants, and charges for services are accrued when their receipt occurs within sixty days after the end of the accounting period so as to be both measurable and available. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures as well as expenditures related to claims and judgments are recorded only when payment is due. General capital assets acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and capital leases are reported as other financing sources.

HEBER PUBLIC UTILITY DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2009

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

**Measurement Focus and Basis of Accounting** (Continued)

***Basis of Accounting*** (Continued)

For its business-type activities and enterprise funds, the District has elected under GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, to apply all applicable GASB pronouncements as well as any applicable pronouncements of the Financial Accounting Standards Board, the Accounting Principles Board or any Accounting Research Bulletins issued on or before November 30, 1989 unless those pronouncements conflict with or contradict GASB pronouncements (Statements and Interpretations), constitutes (GAAP) for governments units.

***Budgets***

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriation budgets are adopted for the general and special revenue funds. All annual appropriations lapse at fiscal year end.

***Cash and Investments***

Cash includes amounts in demand deposits as well as short-term investments with a maturity date within three months of the date acquired by the government.

State statutes authorize the government to invest in obligations of the U.S. Treasury Commercial paper, corporate bonds and repurchase agreements.

Investments are stated at cost or amortized cost. If market values decline below cost, no loss is recorded as such declines are considered temporary. The District's policy is to hold investments until maturity or until market values equal or exceed cost. However, if the liquidity needs of the District were to require that investments be sold at a loss subsequent to year end, the decline in value would be recorded as a loss at year end.

***Interfund Receivables/Payables***

During the course of operations, numerous transactions occur between individual fund for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds" on the balance sheet.

***Interfund Transactions***

Quasi-external transactions are accounted for as revenues, expenditures, or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

HEBER PUBLIC UTILITY DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2009

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

*Interfund Transactions* (Continued)

All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers. Nonrecurring or non-routine permanent transfers of equity are reported as equity transfers. All other interfund transfers are reported as operating transfers.

*Property, Plant and Equipment*

Capital assets, including infrastructure, are recorded at historical cost or at estimated historical cost if actual historical cost is not available. Contributed fixed assets are valued at their estimated fair market value on the date contributed. Capital assets include public domain (infrastructure) general fixed assets, which consist of certain improvements including roads, bridges, pavements in progress, and right of way. The District defines capital assets as assets with initial, individual costs of more than \$5,000 and an estimated useful life in excess of one year. Capital assets used in operations are depreciated or amortized (assets under capital leases) using the straight-line method over the lesser of the capital lease period or their estimated useful lives in the government-wide statements and proprietary funds.

Maintenance and repairs are charged to operations when incurred. Betterments and major improvements which significantly increase values, change capacities or extend useful lives are capitalized. Upon sale or retirement of fixed assets, the cost and related accumulated depreciation are removed from the respective accounts and any resulting gain or loss is included in the results of operations.

The estimated useful lives are as follows:

Buildings	40 - 45 years
Improvements	Additional life of asset
Machinery and Equipment	5 - 15 years
Office Furniture	5 - 7 years
Vehicles	5 years
Infrastructure	5 - 45 years

Depreciation of all exhaustible fixed assets used by proprietary funds is charged as an expense against their operations. Accumulated depreciation is netted against the historical cost of the fixed asset on proprietary fund balance sheets. Depreciation has been provided over the estimated useful lives using the straight-line method.

The estimated useful lives are as follows:

Machinery and equipment	5 - 10 years
Water and Wastewater Plant	30 years

HEBER PUBLIC UTILITY DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2009

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***Compensated Absences***

In government fund types, compensated absences that are expected to be liquidated with expendable available financial resources are recorded as an expenditure and a fund liability of the governmental fund that will pay it. The balance of unpaid vacation and compensatory time at June 30, 2009 is recorded in the current payroll liabilities account group in the General, Park, Water, Wastewater and Solid Waste Fund as these amounts will be liquidated from future resources rather than expendable available financial resources. Unpaid compensated absences in proprietary fund types are recorded as a liability in those funds as vested benefits to the employees.

***Long-Term Obligations***

Long-term liabilities expected to be financed from governmental fund and proprietary fund operations are accounted for in those funds.

***Fund Equity***

Reserves represent those portions of fund equity not appropriable for expenditures or legally segregated for a specific future use. Designated fund balances represent tentative plans for future use of financial resources.

***Estimates***

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**NOTE 3. CASH AND INVESTMENTS**

The District follows the practice of pooling cash and investments of all funds except for amounts with fiscal agents and amounts in the deferred compensation plan. Each fund type's portion of this pool is displayed on the combined balance sheet as "Cash and Investments."

Interest income earned on pooled cash, certificates of deposit and investments is allocated annually to the various funds based on month-end cash and investment balances. Interest income from cash and investments of funds excluded from pooled cash is credited directly to the related fund.

HEBER PUBLIC UTILITY DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2009

NOTE 3. CASH AND INVESTMENTS (Continued)

*Deposits*

The District's deposits at year-end are categorized as follows to give an indication of the level of credit risk assumed by the District at year-end.

Category 1 - Deposits which are insured by the FDIC.

Category 2 - Deposits which are collateralized. The California Government Code requires California banks and savings and loan associations to secure a District's deposits by pledging government securities with a value of 110% of a District's deposits. California law also allows financial institutions to secure District deposits by pledging first trust deed mortgage notes having a value of 150% of a District's total deposits. The District Treasurer may waive the collateral requirement for deposits which are fully insured up to \$250,000 by the FDIC. The collateral for deposits in Federal and state chartered banks is held in safekeeping by an authorized Agent of Depository recognized by the State of California Department of Banking. The collateral for deposits with savings and loan associations is generally held in safekeeping by the Federal Home Loan Bank in San Francisco, California as a third-party trustee. These securities are physically held in an undivided pool for all California public agency depositors. Under government Code Section 53655, the placement of securities by a bank or savings and loan with an "Agent of Depository" has the effect of perfecting the security interest in the name of the local government agency. Accordingly, all collateral held by California Agents of Depository are considered to be held for, and in the name of, the local government agency.

Category 3 - Deposits which are uninsured or uncollateralized.

HEBER PUBLIC UTILITY DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2009

NOTE 3. CASH AND INVESTMENTS (Continued)

*County Treasury*

The cash held by the Imperial County Treasury can only be used to pay the principal and interest due for the 1972 water bonds. The terms of the BEIF Construction and Transition Assistance Grant Agreement, which funded in part the wastewater expansion project, required that the District establish and fund Operations and Maintenance Reserve (OMR), Repair and Replacement Reserve (RRR), and Debt Service Reserve (DSR) accounts. These funds are required to be deposited in interest bearing accounts and are restricted for such use.

Deposits and investments were categorized as follows as of June 30, 2009:

	Category			Bank Balances	Carrying Amount
	1	2	3		
Deposits					
Cash In County Treasury	\$ 7,665	\$ --	\$ --	\$ 7,665	\$ 7,665
Demand deposits	<u>1,364,807</u>	<u>--</u>	<u>--</u>	<u>1,364,807</u>	<u>1,364,807</u>
	<u>\$1,372,472</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 1,372,472</u>	<u>\$1,372,472</u>

Cash and investments are reported as follows on the Statement of Net Assets  
Cash and investments \$1,372,472

At June 30, 2009, the carrying amount of the Districts cash deposits in various financial institutions amounted to \$1,372,472. Of the bank balance, \$250,000 was covered by the federal depository insurance.

*Reserve Cash Accounts*

Due to contract conditions from grantors, the district maintains the following reserve bank balances of certain funds received only to be used for certain purposes in the water fund and wastewater fund.

At June 30, 2009, the reserve bank accounts are as follows:

	2009
<b>Water Fund:</b>	
System repair & replacement	\$ 104,341
System operation & maintenance	58,382
System debt service	<u>56,916</u>
Total water reserve accounts	<u>\$ 219,639</u>
<b>Wastewater Fund:</b>	
System repair & replacement	\$ 107,590
System operations & maintenance	34,458
System capital improvement & debt retirement	<u>64,881</u>
Total wastewater reserve accounts	<u>\$ 206,929</u>

HEBER PUBLIC UTILITY DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2009

NOTE 4. PROPERTY TAXES

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on July 1 and are payable in two installments due on November 1 and delinquent if paid after December 10 and February 1 and delinquent if paid after April 10. Property taxes are collected by the County of Imperial and distributed to the District in installments during the fiscal year. District property tax revenues are recognized when received.

NOTE 5. CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2009 was as follows:

	Balance June 30, 2008	Additions	Deletions	Balance June 30, 2009
<b>Governmental activities:</b>				
Land	\$ 997,143	\$ --	\$ --	\$ 997,143
Buildings	250,010	193,458	--	443,468
Machinery and equipment	48,886	--	--	48,886
Furniture and fixtures	68,850	2,801	--	69,651
Computer equipment	31,330	5,620	--	36,950
Construction in process	<u>1,707,254</u>	<u>524,233</u>	--	<u>2,231,487</u>
Total capital assets	<u>3,101,473</u>	<u>726,112</u>	--	<u>3,827,585</u>
Less accumulated depreciation for:				
Buildings	198,539	2,945	--	201,484
Machinery and equipment	41,029	2,278	--	43,307
Computer equipment	20,128	11,949	--	32,077
Furniture and fixtures	<u>17,723</u>	<u>5,474</u>	--	<u>23,197</u>
Total accumulated depreciation	<u>277,419</u>	<u>22,646</u>	--	<u>300,065</u>
Governmental activities capital assets, net	<u>\$ 2,824,054</u>	<u>\$ 703,466</u>	<u>\$ --</u>	<u>\$ 3,527,520</u>
<b>Business-type activities:</b>				
Land	\$ 24,000	\$ --	\$ --	\$ 24,000
Structures & Improvements	76,500	218,896	--	295,396
Machinery and equipment	325,526	--	--	325,526
Computer equipment	74,940	9,893	--	84,833
Infrastructure	<u>21,314,567</u>	--	--	<u>21,314,567</u>
Total capital assets	<u>21,815,533</u>	<u>228,789</u>	--	<u>22,044,322</u>
Less accumulated depreciation for:				
Structures & Improvements	76,500	--	--	76,500
Machinery and Equipment	143,171	25,265	--	168,436
Computer equipment	46,814	27,858	--	74,672
Infrastructure	<u>4,264,759</u>	<u>642,450</u>	--	<u>4,907,209</u>
Total accumulated depreciation	<u>4,531,244</u>	<u>695,573</u>	--	<u>5,226,817</u>
Business-type activities capital assets, net	<u>\$ 17,284,289</u>	<u>\$ (466,784)</u>	<u>\$ --</u>	<u>\$ 16,817,505</u>

**HEBER PUBLIC UTILITY DISTRICT**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2009**

**NOTE 5. CAPITAL ASSETS (CONTINUED)**

**Depreciation**

Depreciation expense was charged to functions as follows:

Governmental Activities

General Government	<u>\$ 22,646</u>
--------------------	------------------

Business-type Activities

Water	\$ 361,394
Wastewater	331,671
Solid Waste	<u>2,507</u>
	<u>\$ 695,572</u>

**NOTE 6. LEASES**

The district has an operating lease on a copier/scanner/printer rented from Océ Financial Services, Inc. The terms of the contract are 60 monthly payments of \$239 beginning January 2008. The following are the future payments the District will make.

Year:	Payments:
2009/2010	\$ 2,868
2011	<u>1,434</u>
Total:	<u>\$ 4,302</u>

**NOTE 7. LONG-TERM DEBT**

Debts to be repaid solely by ad valorem taxes are categorized as long-term liabilities of the general government. Debt instruments, such as the Certificate of Participation loans, that call for the payment of both principal and interest to be secured by the fees for services collected by the enterprise activities are classified as liabilities of the enterprise funds. The following is a schedule of long-term liabilities for the year ended June 30, 2009:

General Obligation Bonds	\$ 12,000
Note Payable – Fonzie Trentham	146,331
Wastewater Enterprise Certificated of Participation Loan 2000	903,500
2005 U.S.D.A. Loan	191,544
Water Enterprise Certificates of Participation Loan 2002	1,053,000
Governmental Capital	<u>202,000</u>
Total	<u>\$ 2,508,375</u>

HEBER PUBLIC UTILITY DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2009

NOTE 7. LONG-TERM DEBT (CONTINUED)

General Obligation Bonds

The following is a summary of bond transactions of the Heber Public Utility District for the year ended June 30, 2009:

	1968 Sewer Bonds	1972 Water Bonds	Total
Bonds Payable – July 1, 2008	\$ 6,000	\$ 18,000	\$ 24,000
Bonds currently retired	<u>(6,000)</u>	<u>(6,000)</u>	<u>(12,000)</u>
Bonds Payable – June 30, 2009	<u>\$ --</u>	<u>\$ 12,000</u>	<u>\$ 12,000</u>

Both bond issues are general obligation bonds with ad valorem property taxes pledged as security. However, the bonds were used to build infrastructure assets of the water and wastewater enterprise funds. In order to most accurately reflect the nature of the bonds, the liabilities and fund balances associated with these bonds are recorded in these enterprise funds.

**Business-Type Activities**

- 1968 Sewer Bond – The 1968 sewer system construction serial bonds, totaling \$180,000, were issued on October 30, 1968. Remaining annual principal installments of \$6,000 are due each October 30. Semi-annual interest payments are due on October 30 and April 30 with interest at 4.75%.
- 1972 Waterworks Serial Bonds – The 1972 waterworks serial bonds, totaling \$112,000, were issued on January 1, 1972. Annual installments, currently \$5,000, are due each January 1. Annual interest payments are due January 1 with interest at 5.0%. Annual principal payments are scheduled to remain at \$6,000 with the year ending June 30, 2009. The unpaid balance at June 30, 2009 was \$12,000.
- Note Payable Fonzie Trentham – The District issued a note as part of a settlement of a lawsuit brought by Fonzie Trentham. The note, issued in the amount of \$212,500, accrues interest at a rate of 10% beginning February 15, 2002, and is scheduled to be repaid with 180 equal monthly payments of \$2,283.54 with the final payment on February 15, 2017. The note has been recorded in the Water Fund, as it is an obligation arising from the enterprise activities of this fund. The unpaid balance at June 2009 was \$146,331. The current portion of the long-term debt is \$13,374.

**HEBER PUBLIC UTILITY DISTRICT**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2009**

**NOTE 7. LONG-TERM DEBT (Continued)**

**Business-Type Activities (Continued)**

- Installment Sale Agreement – Wastewater Plant expansion Project – Certificates of Participation totaling \$1,008,500 were issued during the year ended June 30, 2001 to retire outstanding certificates of participation totaling \$261,000 and to provide the funds to finance the construction of a new wastewater treatment plant. The certificate of participation, owned by the Rural Utilities Service, an agency of the United States Department of Agriculture, bears a fixed rate of interest of 4.50% and matures in 2040. The principal amount outstanding at June 30, 2009 was \$903,500.
- Installment Sale Agreement – 2002 Water and Sewer System Improvement Project – Certificates of Participation with a principal amount not to exceed \$1,173,000 were issued December 3, 2002. The interest rate is 4.5% and maturing December 1, 2042. The purpose of this agreement is to secure the loan from the USDA RDA. The obligation is secured solely by a pledge of and charge and lien upon the net revenues of the Water Fund. Principal payments are due on December 1 of each year. The principal amount outstanding at June 30, 2009 was \$1,053,000.
- Additional Installment Sale Agreement Loan – 2002 Water and Sewer System Improvement Project – Added Inspection and Contingencies loan with a principal of \$200,000 was issued in May 12, 2005. The interest rate is 4.25% and maturing May 12, 2045. The purpose of this loan was to provide funding to pay additional costs and contingencies from the project. Principle payments are due May 12 of every year. The principle amount outstanding at June 30, 2009 is \$191,543.

**Debt Service Requirements**

The following tables identify principal and interest payments of the governmental and business activities separately for each of the next five years, and five year increments thereafter.

Year Ended June 30,	Water and Wastewater Bonds		Loans Payable		Certificates of Participation	
	Principal	Interest	Principal	Interest	Principal	Interest
2010	\$ 6,000	\$ 600	\$ 54,234	\$ 29,930	\$ 35,000	\$ 87,546
2011	6,000	300	55,057	29,106	35,000	85,971
2012	--	--	58,631	25,533	35,000	84,416
2013	--	--	62,529	21,635	35,000	82,821
2014 – 2018	--	--	142,884	56,288	240,000	384,180
2019 – 2023	--	--	18,553	33,867	265,000	327,930
2024 – 2028	--	--	22,845	29,575	305,000	264,368
2029 – 2033	--	--	28,130	24,290	340,000	192,758
2034 – 2038	--	--	34,637	17,783	391,500	111,761
2039 - 2043	--	--	42,651	9,769	275,000	25,085
2044 - 2048	--	--	19,724	1,262	--	--
	<u>\$ 12,000</u>	<u>\$ 900</u>	<u>\$ 539,875</u>	<u>\$ 279,038</u>	<u>\$ 1,956,500</u>	<u>\$ 1,646,836</u>

HEBER PUBLIC UTILITY DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2009

NOTE 8. INTERFUND TRANSACTIONS AND BALANCES

Operating transfers are used to (a) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (b) uses unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations, and (c) to move fixed assets constructed between the capital project funds that build them to the enterprise funds that place them service.

Interfund transfers for the year ended June 30, 2009 consisted of the following:

	Transfers Out					Total
	General & Park Fund	Water Wastewater Capacity	Capital Projects Funds	Debt Services	Water, Wastewater And Solid Waste	
Transfers In						
General & Park Fund	\$ 196,259	\$ --	\$ --	\$ --	\$ --	\$ 196,259
Water, Wastewater Capacity	--	--	--	--	156,082	156,082
Capital Project Funds	120,000	654,696	--	--	--	774,696
Debt Service	--	--	--	--	--	--
Water, Wastewater & Solid Waste	--	--	--	8,081	--	8,081
Total	<u>\$ 316,259</u>	<u>\$ 654,696</u>	<u>\$ --</u>	<u>\$ 8,081</u>	<u>\$ 156,082</u>	<u>\$ 1,135,118</u>

NOTE 9. EMPLOYEE RETIREMENT PLAN

*Plan Description*

The District contributes to the California Public Employees' Retirement System (CalPERS), an agent multiple-employer public employee defined benefit pension plan. CalPERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. PERS acts as a common investment and administrative agent for participating public entities within the State of California. Benefit provisions and all other requirements are established by State statute and District ordinance. Copies of PERS' annual financial report may be obtained from their Executive Office – 400 P Street – Sacramento, California 95814.

*Funding Policy*

Participants are required to contribute 7% of their annual covered salary. The District makes the contributions required of District employees on their behalf and for their account. The District is required to contribute at actuarially determined rates. The contribution requirements of plan members and the District are established and may be amended by CalPERS.

HEBER PUBLIC UTILITY DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2009

NOTE 9. EMPLOYEE RETIREMENT PLAN (Continued)

*Annual Pension Cost*

For the fiscal year ended June 30, 2009, the District's annual pension cost including employees' contribution was \$37,573 for the Miscellaneous Plan. The actuarial assumptions included (a) 7.75% investment rate of return (net of administrative expenses); (b) projected salary increases that vary by duration of service ranging from 3.25% to 14.45% for miscellaneous members (c) 3.25% payroll growth and (d) inflation of 3%. The actuarial value of assets used for funding purposes is obtained through a technique that smoothes the effect of short-term market value fluctuations on employer contribution rates. The Miscellaneous Plan of the Heber Public Utility District's unfunded actuarial liability was zero as of June 30, 2009.

**Three-Year Trend Information for Miscellaneous Plan**

<u>Fiscal Year June 30,</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
2007	32,380	100%	--
2008	32,597	100%	--
2009	37,573	100%	--

Required Supplementary Information

*Risk Pool Valuation*

Effective with the 6/30/2004 valuation, the District's plan was placed in risk pools that were established for plans containing less than 100 active members as of the valuation date. In general, plans satisfying this criterion were lumped into pools based on their benefit formula and membership category.

**Funded Status of Miscellaneous Plan**

<u>Valuation Date</u>	<u>Entry Age Normal Accrued Liability</u>	<u>Actuarial Value of Assets</u>	<u>Unfunded Liability/ (Excess Assets)</u>	<u>Funded Status</u>	<u>Annual Covered Payroll</u>	<u>UAAL As a % of Payroll</u>
2004	\$434,267,445	\$379,807,592	\$54,459,853	87.5%	\$97,227,479	56.0%
2005	579,276,103	500,388,523	78,887,580	86.4%	129,379,492	61.0%
2006	912,988,585	787,758,909	125,229,676	86.3%	200,320,145	62.5%

HEBER PUBLIC UTILITY DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2009

**NOTE 10. DEFICIT NET ASSETS AND FUND BALANCES**

As of June 30, 2009, the following funds have a deficit:

- The Water Capacity Fund has a deficit of \$116,860.
- The Water Capital Project Fund has a fund deficit of \$151,070.
- The Wastewater Capital Project Fund has a fund deficit of \$4,890.

**NOTE 11. RISK MANAGEMENT**

The District is exposed to risks of loss in the areas of health care, general and auto liability, property hazards and workers' compensation. All of these risks are handled by purchasing commercial insurance coverage. There have been no significant reductions in the insurance coverage during the year. The District has had no settlements which exceeded insurance coverage in the last three fiscal years.

**NOTE 12. COMMITMENTS AND CONTINGENCIES**

***Grant Program Involvement***

Amounts received or receivable from grantor agencies are subject to audit and adjustments by grantor agencies. Such audits could result in requests for reimbursement to grantor agencies for expenditures disallowed under the terms of the grant or in reduction of future grant funds. Heber Public Utility District did not receive or expend any grant monies in this fiscal year.

**OTHER SUPPLEMENTARY INFORMATION**

**HEBER PUBLIC UTILITY DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN**  
**FUND BALANCES – BUDGET TO ACTUAL**  
**GENERAL FUND**  
**Year Ended June 30, 2009**

	Original & Final <u>Budget</u>	Actual <u>Amounts</u>	Variance with Final Budget Favorable <u>(Unfavorable)</u>
<b>REVENUE</b>			
Property taxes	\$ 455,619	\$ 337,118	\$ (118,501)
Interest	1,500	874	(626)
Royalties	5,200	6,316	1,116
Charges for service	1,500	9,296	7,796
Loans	--	--	--
Grants	--	--	--
Sale of fixed asset	--	--	--
Other revenue	<u>1,917</u>	<u>14,384</u>	<u>12,467</u>
Total Revenue	<u>465,736</u>	<u>367,988</u>	<u>(97,748)</u>
<b>EXPENDITURES</b>			
General government	271,819	422,667	(150,848)
Capital outlay	--	--	--
Public works	--	--	--
Culture and leisure	--	--	--
Community development	--	--	--
Dial-A-Ride	--	--	--
Total General Government	<u>271,819</u>	<u>422,667</u>	<u>(150,848)</u>
Excess (Deficiency) of Revenue Over Expenditures	<u>193,917</u>	<u>(54,679)</u>	<u>(248,596)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Operating Transfers In	--	196,259	196,259
Operating Transfers Out	--	<u>(123,025)</u>	<u>(123,025)</u>
Total Other Financing Sources (Uses)	<u>--</u>	<u>73,234</u>	<u>73,234</u>
Excess (Deficiency) of Revenue and Other Sources Over Expenditures and Other Uses	<u>193,917</u>	<u>18,555</u>	<u>(175,362)</u>
Fund Balance, July 1	<u>44,696</u>	<u>44,696</u>	<u>--</u>
Fund Balance, June 30	<u>\$ 238,613</u>	<u>\$ 63,251</u>	<u>\$ (175,362)</u>

**HEBER PUBLIC UTILITY DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN**  
**FUND BALANCES – BUDGET TO ACTUAL**  
**WATER CAPACITY FUND**  
**Year Ended June 30, 2009**

	Original & Final Budget	Actual Amounts	Variance with Final Budget Favorable (Unfavorable)
<b>REVENUE</b>			
Property taxes	\$ --	\$ --	\$ --
Interest	--	1,032	1,032
Royalties	--	--	--
Charges for service	--	28,823	28,823
Loans	--	--	--
Grants	--	--	--
Sale of fixed asset	--	--	--
Other revenue	--	--	--
Total Revenue	<u>--</u>	<u>29,855</u>	<u>29,855</u>
<b>EXPENDITURES</b>			
General government	--	--	--
Capital outlay	--	--	--
Public works	--	--	--
Culture and leisure	--	--	--
Community development	--	--	--
Dial-A-Ride	--	--	--
Total General Government	<u>--</u>	<u>--</u>	<u>--</u>
Excess (Deficiency) of Revenue Over Expenditures	<u>--</u>	<u>29,855</u>	<u>29,855</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Operating Transfers In	--	156,082	156,082
Operating Transfers Out	--	(394,414)	(394,414)
Total Other Financing Sources (Uses)	<u>--</u>	<u>(238,332)</u>	<u>(238,332)</u>
Excess (Deficiency) of Revenue and Other Sources Over Expenditures and Other Uses	<u>--</u>	<u>(208,477)</u>	<u>(208,477)</u>
Fund Balance, July 1	<u>91,617</u>	<u>91,617</u>	<u>--</u>
Fund Balance, June 30	<u>\$ 91,617</u>	<u>\$ (116,860)</u>	<u>\$ (208,477)</u>

**HEBER PUBLIC UTILITY DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN**  
**FUND BALANCES – BUDGET TO ACTUAL**  
**WASTEWATER CAPACITY FUND**  
**Year Ended June 30, 2009**

	Original & Final <u>Budget</u>	Actual <u>Amounts</u>	Variance with Final Budget Favorable <u>(Unfavorable)</u>
<b>REVENUE</b>			
Property taxes	\$ --	\$ --	\$ --
Interest	--	4,594	4,594
Royalties	--	--	--
Charges for service	--	10,500	10,500
Loans	--	--	--
Grants	--	--	--
Sale of fixed asset	--	--	--
Other revenue	--	--	--
Total Revenue	<u>--</u>	<u>15,094</u>	<u>15,094</u>
<b>EXPENDITURES</b>			
General government	--	--	--
Capital outlay	--	2,555	(2,555)
Public works	--	--	--
Culture and leisure	--	--	--
Community development	--	--	--
Dial-a-ride	--	--	--
Total General Government	<u>--</u>	<u>2,555</u>	<u>(2,555)</u>
Excess (Deficiency) of Revenue Over Expenditures	<u>--</u>	<u>12,539</u>	<u>12,539</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Operating Transfers In	--	--	--
Operating Transfers Out	--	220,323	(220,323)
Total Other Financing Sources (Uses)	<u>--</u>	<u>(220,323)</u>	<u>(220,323)</u>
Excess (Deficiency) of Revenue and Other Sources Over Expenditures and Other Uses	<u>--</u>	<u>(207,784)</u>	<u>(207,784)</u>
Fund Balance, July 1	<u>517,327</u>	<u>517,327</u>	<u>--</u>
Fund Balance, June 30	<u>\$ 517,327</u>	<u>\$ 309,543</u>	<u>\$ (207,784)</u>

**HEBER PUBLIC UTILITY DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN**  
**FUND BALANCES – BUDGET TO ACTUAL**  
**WATER CAPITAL PROJECT FUND**  
**Year Ended June 30, 2009**

	Original & Final Budget	Actual Amounts	Variance with Final Budget Favorable (Unfavorable)
<b>REVENUE</b>			
Property taxes	\$ --	\$ --	\$ --
Interest	3,500	--	(3,500)
Royalties	--	--	--
Charges for service	--	--	--
Loans	--	--	--
Grants	--	--	--
Sale of fixed asset	--	--	--
Other revenue	<u>2,900,000</u>	<u>--</u>	<u>(2,900,000)</u>
Total Revenue	<u>2,903,500</u>	<u>--</u>	<u>(2,903,500)</u>
<b>EXPENDITURES</b>			
General government	--	--	--
Capital outlay	3,906,265	329,549	3,576,716
Public works	--	--	--
Culture and leisure	--	--	--
Community development	--	--	--
Dial-a-ride	--	--	--
Total General Government	<u>3,906,265</u>	<u>329,549</u>	<u>3,576,716</u>
Excess (Deficiency) of Revenue Over Expenditures	<u>(1,002,765)</u>	<u>(329,549)</u>	<u>673,216</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Operating Transfers In	--	514,414	514,414
Operating Transfers Out	--	--	--
Total Other Financing Sources (Uses)	<u>--</u>	<u>514,414</u>	<u>514,414</u>
Excess (Deficiency) of Revenue and Other Sources Over Expenditures and Other Uses	<u>(1,002,765)</u>	<u>184,865</u>	<u>1,187,630</u>
Fund Balance, July 1	<u>(335,935)</u>	<u>(335,935)</u>	<u>--</u>
Fund Balance, June 30	<u>\$ (1,338,700)</u>	<u>\$ (151,070)</u>	<u>\$ 1,187,630</u>

**HEBER PUBLIC UTILITY DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN**  
**FUND BALANCES – BUDGET TO ACTUAL**  
**WASTEWATER CAPITAL PROJECT FUND**  
**Year Ended June 30, 2009**

	Original & Final Budget	Actual Amounts	Variance with Final Budget Favorable (Unfavorable)
<b>REVENUE</b>			
Property taxes	\$ --	\$ --	\$ --
Interest	12,140	--	(12,140)
Royalties	--	--	--
Charges for service	--	--	--
Loans	--	--	--
Grants	--	--	--
Sale of fixed asset	--	--	--
Other revenue	<u>6,500,000</u>	<u>--</u>	<u>(6,500,000)</u>
Total Revenue	<u>6,512,140</u>	<u>--</u>	<u>(6,512,140)</u>
<b>EXPENDITURES</b>			
General government	--	--	--
Capital outlay	7,236,355	194,684	7,041,671
Public works	--	--	--
Culture and leisure	--	--	--
Community development	--	--	--
Dial-a-ride	<u>--</u>	<u>--</u>	<u>--</u>
Total General Government	<u>7,236,355</u>	<u>194,684</u>	<u>7,041,671</u>
Excess (Deficiency) of Revenue Over Expenditures	<u>(724,215)</u>	<u>(194,684)</u>	<u>529,531</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Operating Transfers In	--	261,317	261,317
Operating Transfers Out	<u>--</u>	<u>--</u>	<u>--</u>
Total Other Financing Sources (Uses)	<u>--</u>	<u>261,317</u>	<u>261,317</u>
Excess (Deficiency) of Revenue and Other Sources Over Expenditures and Other Uses	<u>(724,215)</u>	<u>66,633</u>	<u>790,848</u>
Fund Balance, July 1	<u>(71,524)</u>	<u>(71,524)</u>	<u>--</u>
Fund Balance, June 30	<u>\$ (795,739)</u>	<u>\$ (4,891)</u>	<u>\$ 790,848</u>

**HEBER PUBLIC UTILITY DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN**  
**FUND BALANCES – BUDGET TO ACTUAL**  
**OTHER GOVERNMENTAL FUNDS**  
**Year Ended June 30, 2009**

	Original & Final <u>Budget</u>	Actual <u>Amounts</u>	Variance with Final Budget Favorable <u>(Unfavorable)</u>
<b>REVENUE</b>			
Property taxes	\$ 151,873	\$ 137,000	\$ (14,873)
Interest	2,000	2,593	593
Royalties	--	--	--
Charges for service	57,821	150,626	92,805
Loans	--	--	--
Grants	--	--	--
Sale of fixed asset	--	--	--
Other revenue	--	--	--
Total Revenue	<u>211,694</u>	<u>290,219</u>	<u>78,525</u>
<b>EXPENDITURES</b>			
General government	--	--	--
Capital outlay	--	--	--
Public works	--	--	--
Culture and leisure	205,150	140,744	64,406
Community development	--	--	--
Dial-a-ride	--	--	--
Total General Government	<u>205,150</u>	<u>140,744</u>	<u>64,406</u>
Excess (Deficiency) of Revenue Over Expenditures	<u>6,544</u>	<u>149,475</u>	<u>142,931</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Operating Transfers In	--	2,000	2,000
Operating Transfers Out	--	(204,340)	(204,340)
Total Other Financing Sources (Uses)	<u>--</u>	<u>(202,340)</u>	<u>(202,340)</u>
Excess (Deficiency) of Revenue and Other Sources Over Expenditures and Other Uses	<u>6,544</u>	<u>(52,865)</u>	<u>(59,410)</u>
Fund Balance, July 1	<u>278,114</u>	<u>278,114</u>	<u>--</u>
Fund Balance, June 30	<u>\$ 284,658</u>	<u>\$ 225,249</u>	<u>\$ (59,410)</u>



**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND  
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Directors  
Heber Public Utility District, California

We have audited the general purpose financial statements of the Heber Public Utility District as of and for the year ended June 30, 2009, and have issued our report thereon dated January 13, 2010. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Heber Public Utility District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Heber Public Utility District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Heber Public Utility District's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects The Heber Public Utility District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Heber Public Utility's financial statements that is more than inconsequential will not be prevented or detected by the Heber Public Utility District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Heber Public Utility District's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did identify deficiencies in internal control over financial reporting that we consider to be material weaknesses and are reported in a separate letter entitled Letter to Governance Regarding Internal Controls dated January 13, 2010.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Heber Public Utility District's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 is required to be reported under *Government Auditing Standards*.

This report is intended for the information of the audit committee, management, others within the organization, Board of Directors, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Hutchinson and Bloodgood LLP*

January 13, 2010