

# 2010

## **Corona Utility Authority Corona, California**

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Component Unit Financial Statements and  
Independent Auditors' Report  
Year Ended June 30, 2010



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**CORONA UTILITY AUTHORITY**

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Component Unit Financial Statements  
Year Ended June 30, 2010

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CERTIFIED PUBLIC ACCOUNTANTS

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## INDEPENDENT AUDITORS' REPORT

Board of Directors of the Corona Utility Authority  
Corona, California

We have audited the accompanying financial statements of each major fund of the Corona Utility Authority, a component unit of City of Corona, California, as of and for the year ended June 30, 2010, which collectively comprise the Corona Utility Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Corona Utility Authority's management. Our responsibility is to express opinions 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 *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 misstatements. 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 opinions.

As described in Note 1.A, the basic component unit financial statements present only the Corona Utility Authority and are not intended to present fairly the financial position and results of operation of the City of Corona, California in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the basic component unit financial statements referred to above present fairly, in all material respects, the respective financial position of each major fund of the Corona Utility Authority as of June 30, 2010, and the respective changes in financial position and cash flows, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards* issued by the Comptroller General of the United States, we have also issued our report dated November 23, 2010, on our consideration of the Corona Redevelopment Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.



CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors of the Corona Utility Authority  
Corona, California

The information identified in the accompanying table of contents as *management's discussion and analysis* is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

*Lance, Solt & Lughard, LLP*

November 23, 2010

# **CORONA UTILITY AUTHORITY**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

**Fiscal Year Ended June 30, 2010**

This discussion and analysis of the Corona Utility Authority's financial performance provides an overview of the Authority's financial activities for the fiscal year ended June 30, 2010. Please read it in conjunction with the basic financial statements and the accompanying notes to those financial statements.

### **FINANCIAL HIGHLIGHTS**

- As of the close of the Fiscal Year 2009-10, the Authority reports total net assets of \$136.6 million, an increase of 12.5% from the previous fiscal year.
- Capital assets net of accumulated depreciation decreased by \$1.8 million from the prior year as a result of depreciation recorded during the current fiscal year.
- Total debt decreased by \$4.2 million from the previous fiscal year largely due to the scheduled debt service payment in the normal course of business.

### **OVERVIEW OF THE FINANCIAL STATEMENTS**

Corona Utility Authority's basic financial statements include a statement of net assets, statement of revenues, expenses and changes in fund net assets, statement of cash flows and notes to the basic financial statements.

The Authority's financial statements are prepared on the accrual basis in accordance with generally accepted accounting principles promulgated by the Governmental Accounting Standards Board (GASB).

### **RATES**

Effective September 4, 2009, the Authority incurred a pass-through rate increase to the commodity charge for potable water from \$1.77/unit to \$2.06/unit.

Effective February 17, 2010, the Authority was approved to establish tiered water rates and water budgets, which went into effect in April 2010.

### **FINANCIAL ANALYSIS**

The statement of net assets includes all of the Authority's assets and liabilities and provides information about the nature and amount of investment in resources and the obligations to creditors.

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**CORONA UTILITY AUTHORITY**

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Management's Discussion and Analysis (continued)  
Year Ended June 30, 2010

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The following schedule is a condensed version of the Corona Utility Authority's statement of net assets for fiscal years end June 30, 2010 and 2009:

**Table 1**  
**Corona Utility Authority's Net Assets**  
**(in millions)**

	<b>2010</b>	<b>2009</b>	<b>Dollar Change</b>	<b>Percentage Change</b>
Current Assets	\$ 80.4	\$ 70.0	\$ 10.4	14.9%
Noncurrent Assets	0.5	16.5	(16.0)	-97.0%
Capital Assets	327.3	329.1	(1.8)	-0.5%
<b>Total Assets</b>	<u>408.2</u>	<u>415.6</u>	<u>(7.4)</u>	<u>-1.8%</u>
Current and Other Liabilities	7.6	26.0	(18.4)	-70.8%
Debt Outstanding	264.0	268.2	(4.2)	-1.6%
<b>Total Liabilities</b>	<u>271.6</u>	<u>294.2</u>	<u>(22.6)</u>	<u>-7.7%</u>
<b>Net Assets</b>				
Invested in Capital Assets, Net of Related Debt	63.3	60.9	2.4	3.9%
Unrestricted	73.3	60.5	12.8	21.2%
<b>Total Net Assets</b>	<u>\$ 136.6</u>	<u>\$ 121.4</u>	<u>\$ 15.2</u>	<u>12.5%</u>

The Corona Utility Authority's net assets increased 12.5% between fiscal years 2009 and 2010, to \$136.6 million.

Noncurrent assets and related debt decreased \$16.0 million as a result of removing a long-term receivable and unearned revenue between the Authority and the Metropolitan Water District of Southern California.

Unrestricted net assets increased 21.2% to \$73.3 million.

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**CORONA UTILITY AUTHORITY**

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Management's Discussion and Analysis (continued)  
Year Ended June 30, 2010

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Table 2 below is a condensed version of the Authority's statement of revenues, expenses and change in net assets for the fiscal years ended June 30, 2010 and 2009 respectively.

**Table 2**  
**Corona Utility Authority's Changes in Net Assets**  
**(in millions)**

	<b>2010</b>	<b>2009</b>	<b>Dollar Change</b>	<b>Percentage Change</b>
Operating Revenue	\$ 83.3	\$ 76.2	\$ 7.1	9.3%
Non-operating Revenue	2.7	3.1	(0.4)	-12.9%
Total Revenues	<u>86.0</u>	<u>79.3</u>	<u>6.7</u>	<u>8.4%</u>
Operating Expense	56.1	54.5	1.6	2.9%
Depreciation Expense	10.0	9.9	0.1	1.0%
Non-operating Expense	9.4	9.2	0.2	2.2%
Total Expenses	<u>75.5</u>	<u>73.6</u>	<u>1.9</u>	<u>2.6%</u>
Income Before Capital Contributions and Transfers	10.5	5.7	4.8	84.2%
Capital Contributions	<u>4.7</u>	<u>6.7</u>	<u>(2.0)</u>	<u>-29.9%</u>
Change in Net Assets	15.2	12.4	2.8	22.6%
Beginning Net Assets	<u>121.4</u>	<u>109.0</u>	<u>12.4</u>	<u>11.4%</u>
Ending Net Assets	<u>\$ 136.6</u>	<u>\$ 121.4</u>	<u>\$ 15.2</u>	<u>12.5%</u>

The Authority's operating revenue increased by 9.3% due to increases in water rates. Operating expenses increased 2.9% due to the increase in utility expenses.

Capital contribution decreased by 29.9% due to decrease in contributed capital asset contribution and developer impact fee revenues.

## **CAPITAL ASSETS**

The capital assets of the Corona Utility Authority are those assets that are used in the performance of the Authority's functions. At June 30, 2010, net capital assets of the Authority totaled \$327.3 million. Refer to the Notes to the Component Unit Basic Financial Statements No. 5 for details regarding capital assets.

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**CORONA UTILITY AUTHORITY**

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Management's Discussion and Analysis (continued)

Year Ended June 30, 2010

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Table 3 below presents the Authority's capital assets at June 30, 2010:

**Table 3**  
**Corona Utility Authority's Capital Assets**  
(in millions)

	<u>Original Cost</u>	<u>Accumulated Depreciation</u>	<u>Book Value</u>
<b>Water Utilities</b>			
Land	\$ 2.0	\$ -	\$ 2.0
Water reclamation Rights	9.2	-	9.2
Buildings and Improvements	45.2	(14.3)	30.9
Equipment, Vehicles & Machinery	32.8	(15.2)	17.6
Construction in Progress	12.2	-	12.2
Infrastructure	182.2	(40.0)	142.2
<b>Total Water Capital Assets</b>	<u>283.6</u>	<u>(69.5)</u>	<u>214.1</u>
<b>Water Reclamation Utilities</b>			
Land	0.6	-	0.6
Buildings and Improvements	44.2	(14.7)	29.5
Equipment, Vehicles & Machinery	31.9	(13.5)	18.4
Construction in Progress	5.7	-	5.7
Infrastructure	74.0	(15.0)	59.0
<b>Total Water Reclamation Capital Assets</b>	<u>156.4</u>	<u>(43.2)</u>	<u>113.2</u>
<b>Total Capital Assets</b>	<u>\$ 440.0</u>	<u>\$ (112.7)</u>	<u>\$ 327.3</u>

**DEBT ADMINISTRATION**

The debt of the Corona Utility Authority decreased in Fiscal Year 2009-10 by \$4.2 million, the result of the water utility incurring \$200,000 in new debt for acquisition of certain water facilities and the retirement of debt from scheduled principal payments. Refer to the Notes to the Component Unit Basic Financial Statements No. 7 for additional information. A summary of long-term obligation transactions of the Authority for the year ended June 30, 2010 is presented on the following page.

	<u>Balance July 1, 2009</u>	<u>Incurred or Issued</u>	<u>Satisfied or Matured</u>	<u>Balance June 30, 2010</u>
Contract Payable	\$ 690,391	\$ -	\$ -	\$ 690,391
Term Loan Payable	39,625,438	-	2,418,786	37,206,652
Loan Payable	13,988,931	-	357,796	13,631,135
Capital Lease	172,628,344	-	-	172,628,344
Long-term Installments Payable	41,280,000	200,000	1,624,450	39,855,550
<b>Total Debt</b>	<u>\$ 268,213,104</u>	<u>\$ 200,000</u>	<u>\$ 4,401,032</u>	<u>\$ 264,012,072</u>



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**CORONA UTILITY AUTHORITY**

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Management's Discussion and Analysis (continued)  
Year Ended June 30, 2010

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**Corona Utility Authority Budget Variances – Water Utility**

The original budget of Fiscal Year 2009-10 for the Water Utility was in the amount of \$59,756,037, compared to the revised adopted budget in the amount of \$71,655,962, there was a net increase of \$11,899,925. The increase included a carry over of prior fiscal year's unspent capital improvement projects appropriations of \$10,734,196 as well as committed purchase orders of \$1,165,729.

Original Budget	\$ 59,756,037
Continued Appropriations	10,734,196
Encumbrances	<u>1,165,729</u>
Adopted Budget	71,655,962
Supplemental Changes	<u>1,145,267</u>
Final Budget	<u><u>\$ 72,801,229</u></u>

The Fiscal Year 2009-10's final budget of \$72,801,229 was an increase of \$1,145,267 from the adopted budget of \$71,655,962. This was a result of an overall increase of appropriations to the Water Utility. During the fiscal year, additional appropriations were approved in the amount of \$2,616,178 for the purchase of untreated and treated water from Western Municipal Water District and \$300,000 for the purchase of the Joy Water Company assets. After an evaluation of various other capital projects, many were reduced or closed. The following are the major capital projects where reductions occurred: \$538,458 for Magnolia Avenue - Waterline, \$450,813 for the Transmission Main Zone 5, \$180,000 for Waterline Replacement - Gunnison, \$170,000 for the Sierra Del Oro Reservoir, \$152,000 for Zone Boundary Changes, \$150,000 for the Green River Waterline Connection, \$135,580 for the Replacement of Existing Fire and Water Services, \$61,727 for the Ontario Booster Relocation, \$54,000 for Eagle Glen Zone 5 Booster Capacity, and \$53,250 for Waterline Replacement – Bedford Canyon.

**Corona Utility Authority Budget Variances – Water Reclamation Utility**

The original budget of Fiscal Year 2009-10 for the Water Reclamation Utility was in the amount of \$29,565,689, comparing to the adopted budget in the amount of \$40,104,896, there was a net increase of \$10,539,207. The increase included a carry over of prior fiscal year's unspent capital improvement projects appropriations of \$9,550,661 as well as committed purchase orders of \$988,546.

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**CORONA UTILITY AUTHORITY**

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Management's Discussion and Analysis (continued)  
Year Ended June 30, 2010

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The Fiscal Year 2009-10's final budget of \$35,397,529 was a reduction of \$4,707,367 from the adopted budget of \$40,104,896. This was a result of an overall reduction of appropriations to the Water Reclamation Utility. After an evaluation of various capital projects, many were reduced or closed. The following are the major capital projects where reductions occurred: \$1,542,531 for the Water Reclamation Lift Station – Smith/Rincon, \$978,536 for the Sewer Main Replacement – Howard/Joy, \$650,000 for the Sewer Main Replacement – Victoria, \$300,000 for the New Digester at Reclamation Plant No. 1, \$235,000 for the Sewer Main Replacement – Sheridan, and \$234,000 for the Sewer Main Replacement – Francis Street.

Original Budget	\$ 29,565,689
Continued Appropriations	9,550,661
Encumbrances	<u>988,546</u>
Adopted Budget	40,104,896
Supplemental Changes	<u>(4,707,367)</u>
Final Budget	<u><u>\$ 35,397,529</u></u>

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

- The Water Utility is expected to serve over 42,000 customers with approximately 41,500-acre feet of water in Fiscal Year 2010-11. The recycled water system will provide 5,000-acre feet of reclaimed water to parks and commercial customers.
- The Water Reclamation Utility is expected to treat about 13.5 million gallons of sewage per day in Fiscal Year 2010-11.

Water utility sales are estimated to increase by 12% from the previous budget year projections due to a pass-thru rate increase and historical consumption factors. The water reclamation service charges are expected to increase by 1.5% from the previous budget year projections based on normal usage.

**CONTACTING THE CORONA UTILITY AUTHORITY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, customers, investors and creditors with a general overview of the Corona Utility Authority's finances and to show the Corona Utility Authority's accountability for the money it receives. If you have questions about this report or need any additional financial information, contact the City of Corona Finance Department at 400 South Vicentia Ave, Corona, California, 92882, phone 951-279-3500 or e-mail to [finance@ci.corona.ca.us](mailto:finance@ci.corona.ca.us).

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**CORONA UTILITY AUTHORITY**

**COMPONENT UNIT BASIC FINANCIAL STATEMENTS**

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**CORONA UTILITY AUTHORITY**

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**Statement of Net Assets****Proprietary Funds****June 30, 2010**

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	<u>Water</u>	<u>Water Reclamation</u>	<u>Total</u>
<b>Assets:</b>			
Current Assets			
Cash and Investments	\$ 37,334,227	\$ 29,496,309	\$ 66,830,536
Accounts Receivable, Net	8,364,241	1,842,797	10,207,038
Interest Receivable	241,353	189,577	430,930
Due from Other Governmental Agencies	622	-	622
Inventories and Prepayments	2,907,843	-	2,907,843
Restricted Assets:			
Cash and Investments	37,546	18,508	56,054
Total Current Assets	<u>48,885,832</u>	<u>31,547,191</u>	<u>80,433,023</u>
Noncurrent Assets			
Interfund Advances from the City	473,875	-	473,875
Capital Assets:			
Land, water reclamation rights & construction in progress	23,310,599	6,273,745	29,584,344
Depreciable buildings, property, equipment and infrastructure, net	190,758,949	106,946,843	297,705,792
Total Noncurrent Assets	<u>214,543,423</u>	<u>113,220,588</u>	<u>327,764,011</u>
Total Assets	<u>263,429,255</u>	<u>144,767,779</u>	<u>408,197,034</u>
<b>Liabilities:</b>			
Current Liabilities			
Accounts Payable and Accrued Liabilities	4,108,501	1,523,788	5,632,289
Unearned Revenue	1,180,510	-	1,180,510
Compensated Absences Payable	366,022	272,112	638,134
Long-term Debt - Due within one year	2,716,681	1,930,937	4,647,618
Liabilities Payable from Restricted Assets	37,546	18,508	56,054
Total Current Liabilities	<u>8,409,260</u>	<u>3,745,345</u>	<u>12,154,605</u>
Noncurrent Liabilities			
Compensated Absences Payable	91,480	16,409	107,889
Long-term Debt - Due in More than One Year	166,507,331	92,857,123	259,364,454
Total Noncurrent Liabilities	<u>166,598,811</u>	<u>92,873,532</u>	<u>259,472,343</u>
Total Liabilities	<u>175,008,071</u>	<u>96,618,877</u>	<u>271,626,948</u>
<b>Net Assets:</b>			
Invested in Capital Assets, Net of Related Debt	44,845,536	18,432,528	63,278,064
Unrestricted	43,575,648	29,716,374	73,292,022
<b>Total Net Assets</b>	<u>\$ 88,421,184</u>	<u>\$ 48,148,902</u>	<u>\$ 136,570,086</u>

The accompanying notes are an integral part of these financial statements.

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**CORONA UTILITY AUTHORITY**

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**Statement of Revenues, Expenses and Changes in Fund Net Assets  
Proprietary Funds  
Year Ended June 30, 2010**

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	<u>Water</u>	<u>Water Reclamation</u>	<u>Totals</u>
<b>Operating Revenues:</b>			
Utility Service Charges	\$ 45,584,794	\$ 26,167,119	\$ 71,751,913
Fees and Permits	1,596,852	204,995	1,801,847
Fines and Penalties	1,237,121	500	1,237,621
Other Revenues	6,292,999	2,229,530	8,522,529
Total Operating Revenues	<u>54,711,766</u>	<u>28,602,144</u>	<u>83,313,910</u>
<b>Operating Expenses:</b>			
Personnel Services	7,688,617	5,241,066	12,929,683
Contractual	1,110,706	790,727	1,901,433
Materials and Supplies	18,646,260	8,405,536	27,051,796
Utilities	8,882,590	5,362,203	14,244,793
Depreciation	5,874,663	4,147,696	10,022,359
Total Operating Expenses	<u>42,202,836</u>	<u>23,947,228</u>	<u>66,150,064</u>
Operating Income (Loss)	<u>12,508,930</u>	<u>4,654,916</u>	<u>17,163,846</u>
<b>Non-Operating Revenues (Expenses):</b>			
Investment Earnings	1,493,008	1,196,647	2,689,655
Interest Expense	(5,877,405)	(3,040,212)	(8,917,617)
Other Expense	(460,780)	-	(460,780)
Total Non-Operating Revenues	<u>(4,845,177)</u>	<u>(1,843,565)</u>	<u>(6,688,742)</u>
Income (Loss) before Contributions and Transfers	7,663,753	2,811,351	10,475,104
Capital Grants and Contributions	<u>2,581,465</u>	<u>2,145,369</u>	<u>4,726,834</u>
Change in Net Assets	10,245,218	4,956,720	15,201,938
<b>Total Net Assets - Beginning</b>	78,175,966	43,192,182	121,368,148
<b>Total Net Assets - Ending</b>	<u>\$ 88,421,184</u>	<u>\$ 48,148,902</u>	<u>\$ 136,570,086</u>

The accompanying notes are an integral part of these financial statements.

# CORONA UTILITY AUTHORITY

**Statement of Cash Flows**  
**Proprietary Funds**  
**Year Ended June 30, 2010**

	<b>Water</b>	<b>Water Reclamation</b>	<b>Totals</b>
<b>Cash Flow from Operating Activities:</b>			
Cash Received from Customers/Other Funds	\$ 55,314,398	\$ 28,560,821	\$ 83,875,219
Cash Payments to Suppliers of Goods and Services	(30,528,634)	(14,534,699)	(45,063,333)
Cash Payments to Employees for Services	(7,740,210)	(5,239,554)	(12,979,764)
Net Cash Provided by (Used for) Operating Activities	17,045,554	8,786,568	25,832,122
<b>Cash Flows from Noncapital Financing Activities:</b>			
Unearned Revenue	(679,276)	-	(679,276)
Cash Payments to Other Funds	(460,780)	-	(460,780)
Net Cash Provided by (Used for) Noncapital Financing Activities	(1,140,056)	-	(1,140,056)
<b>Cash Flows from Capital and Related Financing Activities:</b>			
Capital Grants and Contributions	542,019	270,010	812,030
Acquisition and Construction of Capital Assets	(3,429,756)	(1,010,253)	(4,440,009)
Proceeds from Sale of Capital Assets	-	76,000	76,000
Principal Paid on Capital Debt	(2,532,691)	(1,868,341)	(4,401,032)
Proceeds from Capital Debt	200,000	-	200,000
Interest Paid on Capital Debt	(5,877,405)	(3,040,212)	(8,917,617)
Net Cash (Used for) Capital and Related Financing Activities	(11,097,833)	(5,572,796)	(16,670,629)
<b>Cash Flows from Investing Activities:</b>			
Interest on Investments	1,501,348	1,211,240	2,712,588
Net Cash Provided by (Used for) Investing Activities	1,501,348	1,211,240	2,712,588
Net Increase (Decrease) in Cash and Cash Equivalents	6,309,013	4,425,012	10,734,025
<b>Cash and Cash Equivalents</b>			
Beginning	31,062,760	25,089,805	56,152,565
Ending (including \$56,054 in restricted accounts)	\$ 37,371,773	\$ 29,514,817	\$ 66,886,590

The accompanying notes are an integral part of these financial statements.

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**CORONA UTILITY AUTHORITY**

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**Statement of Cash Flows  
Proprietary Funds  
Year Ended June 30, 2010**

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	<u>Water</u>	<u>Water Reclamation</u>	<u>Totals</u>
<b>Reconciliation of Operating Income to Net Cash Provided by (Used for) Operating Activities:</b>			
Operating Income (Loss)	\$ 12,508,930	\$ 4,654,916	\$ 17,163,846
Adjustments to Reconcile Operating Income to Net Cash Provided by (Used For) Operating Activities:			
Depreciation	5,874,663	4,147,696	10,022,359
Loss on Sale of Capital Assets	33,463	79,116	112,579
Changes in Assets and Liabilities:			
Accounts Receivable	(408,021)	(41,324)	(449,345)
Due from Other Governmental Agencies	1,010,653	-	1,010,653
Inventories and Prepayments	(292,380)	-	(292,380)
Accounts Payable and Accrued Liabilities	(1,630,161)	(55,348)	(1,685,509)
Compensated Absences Payable	(51,593)	1,512	(50,081)
Net Cash Provided by (Used for) Operating Activities	<u>\$ 17,045,554</u>	<u>\$ 8,786,568</u>	<u>\$ 25,832,122</u>
<b>Noncash Investing, Capital, and Financing Activities:</b>			
Contributions of capital assets from developers	<u>\$ 2,039,446</u>	<u>\$ 1,875,359</u>	<u>\$ 3,914,805</u>

The accompanying notes are an integral part of these financial statements.





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**CORONA UTILITY AUTHORITY**

**NOTES TO THE COMPONENT UNIT BASIC FINANCIAL STATEMENTS**

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**CORONA UTILITY AUTHORITY**

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Notes to the Component Unit Basic Financial Statements  
Year Ended June 30, 2010

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**1. Reporting Entity and Summary of Significant Accounting Policies****A. Description of the Reporting Entity**

The Corona Utility Authority (Authority) is a joint powers authority which was established on February 6, 2002 pursuant to a Joint Exercise of Powers Agreement between the City of Corona and the Redevelopment Agency of the City of Corona in accordance with the Joint Powers Law (Articles 1 through 4 of Chapter 5, Division 7, Title 1 of the California Government Code) for the purpose of assisting the City in the leasing of the Utility System. The Authority's Officers are the Corona City Council. The Authority is a separate legal entity, which is financially accountable to the City of Corona. It is considered a component unit of the City and, accordingly, is included in the Comprehensive Annual Financial Report of the City of Corona.

The Authority consists of the Water Enterprise Fund and the Water Reclamation Enterprise Fund. These funds account for the operations of the Water Utility and Water Reclamation System, respectively. Both funds render services on a user charge basis to residents and businesses located within the City of Corona.

**B. Basis of Accounting/Measurement Focus**

The accounts of the Authority are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenses, as appropriate.

The Authority applies all applicable GASB pronouncements (including all NCGA Statements and Interpretations currently in effect) as well as the following pronouncements issued on or before November 30, 1989, to the business-type activities, unless those pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the committee on Accounting Procedure. The Authority applies all applicable FASB Statements and Interpretations issued after November 30, 1989, except those that conflict with or contradict GASB pronouncements.

Proprietary Fund financial statements include a statement of net assets, a statement of revenues, expenses and changes in fund net assets, and a statement of cash flows for each major proprietary fund.

Proprietary Funds are accounted for using the *economic resources* measurement focus and the accrual basis of accounting. Accordingly, all assets and liabilities (whether current or non-current) are included on the statement of net assets. The statement of revenues, expenses and changes in fund net assets presents increases (revenues) and decreases (expenses) in total net assets. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred.

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**CORONA UTILITY AUTHORITY**

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Notes to the Component Unit Basic Financial Statements (continued)  
Year Ended June 30, 2010

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Operating revenues in the proprietary funds are those revenues that are generated from the primary operations of the fund. All other revenues are reported as non-operating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as non-operating expenses.

**C. Use of Restricted/Unrestricted Net Assets**

When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, the Authority's policy is to apply restricted net assets first.

**D. Cash, Cash Equivalents and Investments****1. Cash Management**

The Authority pools cash with the City's resources of its various funds to facilitate cash management. Cash in excess of current requirements is invested and reported as investments. It is the City's intent to hold investments until maturity. However, the City may, in response to market conditions, sell investments prior to maturity in order to improve the quality, liquidity or yield of the portfolio. Interest earnings are apportioned among funds based on ending accounting period cash and investment balances.

The Authority's cash and cash equivalents are considered to be cash on hand, demand deposits, and highly liquid investments with original maturities of three months or less at the time of acquisition.

**2. Investments Valuation**

In accordance with GASB Statement No. 31, Accounting and Financial Reporting for Certain Investments and for External Investment Pools, highly liquid market investments with maturities of one year or less at time of purchase are stated at amortized cost. All other investments are stated at fair value. Market value is used as fair value for those securities for which market quotations are readily available.

**3. State Investment Pool**

The City participates in the Local Agency Investment Fund (LAIF), an investment pool managed by the State of California. LAIF has invested a portion of the pooled funds in Structured Notes and Asset-Backed Securities. LAIF's investments are subject to credit risk with the full faith and credit of the State of California collateralizing these investments. In addition, these Structured Notes and Asset-Backed Securities are subject to market risk as a result of changes in interest rates.

**4. Cash and Cash Equivalents**

For purposes of the Statement of Cash Flows, the Authority considered all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. All cash and investments of the proprietary fund types are pooled with the City's pooled cash and investments.

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**CORONA UTILITY AUTHORITY**

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Notes to the Component Unit Basic Financial Statements (continued)  
Year Ended June 30, 2010

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**E. Unbilled Services Receivable**

Utility revenue is recorded when earned. Customers are billed monthly. The estimated value of services provided, but unbilled, at year-end has been included in the accompanying financial statements.

**F. Use of Estimates**

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

**G. Inventories and Prepaid Items**

Inventory is valued at cost using the first in, first out method. Inventory in the Proprietary Funds consists of expendable supplies held for future consumption or capitalization. The cost is recorded as an expense when inventory items are consumed. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

**H. Capital Assets**

The Authority's assets are capitalized at historical cost or estimated historical cost. The Authority follows the City policy, which has set the capitalization threshold for reporting capital assets at \$25,000 for non-infrastructure items and \$100,000 for infrastructure assets. Gifts or contributions of capital assets are recorded at fair market value when received. Depreciation is recorded on a straight-line basis over the useful lives of the assets as follows:

Buildings -----	20-50 years
Improvements -----	20 years
Equipment -----	3-20 years
Infrastructure -----	25-65 years

The Authority defines infrastructure as the basic physical assets that allow the Authority to function. The assets include the water purification and distribution system, sewer collection and treatment system; and buildings combined with the site amenities such as parking and landscaped areas used by the Authority in the conduct of its business. Each major infrastructure system can be divided into subsystems. These subsystems were not delineated in the basic financial statements. The appropriate operating department maintains information regarding the subsystems.

The Authority reports all infrastructure in its basic financial statements in accordance to the Governmental Accounting Standards Board (GASB) Statement No. 34.

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**CORONA UTILITY AUTHORITY**

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Notes to the Component Unit Basic Financial Statements (continued)  
Year Ended June 30, 2010

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**2. Cash and Investments**

The Authority's cash is pooled with City funds for investment purposes, with interest being allocated on the basis of the Authority's overall percentage of participation. Investment policies and associated risk factors applicable to the Authority's funds are those of the City and are included in the City's financial statements. As of June 30, 2010 cash and investments of the Authority was as follows:

Unrestricted Cash and Investments - Pooled Cash	\$ 66,830,536
Restricted Cash and Investments:	
Retention & Escrow Accounts	56,054
<b>Total Cash and Investments</b>	<b><u><u>\$ 66,886,590</u></u></b>

Retention accounts are pooled with other City funds. Escrow accounts are held in the name of the City and the Escrow funds are invested under the terms of the Escrow Agreement.

**3. Receivables**

As of June 30, 2010, the Authority had \$10,207,038 in accounts receivables. Receivables are reported net of allowance for uncollectibles, which were established based on current collection experience. Allowances for uncollectibles were \$219,364 for water utility billing.

**4. Long-Term Interagency Receivable**

As of June 30, 2010, the Authority has an interagency receivable of \$473,875 which represents a reserve with the Corona Public Financing Authority debt service fund related to the 2003 Certificates of Participation for the Recycled Water Project.

**5. Capital Assets**

In accordance with GASB Statement No. 34, the Authority has reported all capital assets including infrastructure in the statement of net assets. The Authority's infrastructure systems were reported using the basic approach whereby accumulated depreciation and depreciation expense have been recorded. The table below presents summary information on infrastructure assets.

<u>Description</u>	<u>Historical Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Cost</u>
Water Utilities	\$ 182,159,592	\$ (39,970,574)	\$ 142,189,018
Water Reclamation Utilities	74,050,215	(14,969,533)	59,080,682
Total Infrastructure Assets	<u><u>\$ 256,209,807</u></u>	<u><u>\$ (54,940,107)</u></u>	<u><u>\$ 201,269,700</u></u>

## **CORONA UTILITY AUTHORITY**

Notes to the Component Unit Basic Financial Statements (continued)  
Year Ended June 30, 2010

Capital Assets of the Authority for the year ended June 30, 2010, consisted of the following:

Description	Balance July 1, 2009	Increases	Decreases	Balance June 30, 2010
Land	\$ 2,295,366	\$ 279,676	\$ -	\$ 2,575,042
Building and Improvements	89,280,068	169,001	-	89,449,069
Equipment, Vehicles and Machinery	60,478,257	4,899,305	(677,085)	64,700,477
Water Reclamation Rights	9,180,000	-	-	9,180,000
Construction in Progress	19,615,588	3,940,010	(5,726,297)	17,829,301
Infrastructure	251,416,688	4,793,119	-	256,209,807
Total Capital Assets	<u>432,265,967</u>	<u>14,081,111</u>	<u>(6,403,382)</u>	<u>439,943,696</u>
Accumulated Depreciation	<u>(103,119,707)</u>	<u>(10,022,359)</u>	<u>488,506</u>	<u>(112,653,560)</u>
Total Capital Assets net of Accumulated Depreciation	<u>\$ 329,146,260</u>	<u>\$ 4,058,752</u>	<u>\$ (5,914,876)</u>	<u>\$ 327,290,136</u>

### **6. Compensated Absences**

As of June 30, 2010, the Authority has compensated absences of \$746,023 which represent accumulated annual leave. As shown in the table below, the long-term portion of this debt, amounting to \$107,889 and is expected to be paid in future years from future resources.

Description	Balance July 1, 2009	Incurred	Satisfied	Balance June 30, 2010	Amounts Due Within One Year	Amounts Due in More than One Year
Water	\$ 509,095	\$ 319,826	\$ 371,419	\$ 457,502	\$ 366,022	\$ 91,480
Water Reclamation	<u>287,009</u>	<u>273,624</u>	<u>272,112</u>	<u>288,521</u>	<u>272,112</u>	<u>16,409</u>
Total	<u>\$ 796,104</u>	<u>\$ 593,450</u>	<u>\$ 643,531</u>	<u>\$ 746,023</u>	<u>\$ 638,134</u>	<u>\$ 107,889</u>

### **7. Long-Term Obligations**

The following is a summary of long-term obligation transactions of the Authority for the year ended June 30, 2010:

Description	Balance July 1, 2009	Incurred or Issued	Satisfied or Matured	Balance June 30, 2010	Amounts Due Within One Year	Amounts Due in More Than One Year
Contracts Payable	\$ 690,391	\$ -	\$ -	\$ 690,391	\$ -	\$ 690,391
Term Loans Payable	39,625,438	-	2,418,786	37,206,652	2,482,679	34,723,973
Loans Payable	13,988,931	-	357,796	13,631,135	373,455	13,257,680
Capital Leases	172,628,344	-	-	172,628,344	-	172,628,344
Long Term Installments	41,280,000	200,000	1,624,450	39,855,550	1,791,484	38,064,066
Totals	<u>\$ 268,213,104</u>	<u>\$ 200,000</u>	<u>\$ 4,401,032</u>	<u>\$ 264,012,072</u>	<u>\$ 4,647,618</u>	<u>\$ 259,364,454</u>

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**CORONA UTILITY AUTHORITY**

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Notes to the Component Unit Basic Financial Statements (continued)  
Year Ended June 30, 2010

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**A. Contracts Payable**

Contracts Payable arise from the acquisition of certain water and water reclamation facilities and represent amounts due to Western Municipal Water District payable from future water and water reclamation connection fees associated with the acquired facilities. Future connections are provided as needed in the area and as such cannot be scheduled. When connection fees are received the amounts attributable to the cost of physical connection are recognized as revenue. The amount outstanding at June 30, 2010 was \$690,391.

**B. Term Loans Payable**

The following Term Loans Payable were outstanding at June 30, 2010:

Description	Balance
State Revolving Fund Loan Contract No. 6-807-5850-0	\$ 11,814,735
State Revolving Fund Loan Contract No. C-06-4802-110	25,391,917
Total Term Loans Payable	<u>\$ 37,206,652</u>

**State Revolving Fund Loan Contract No. 6-807-5850-0**

On September 17, 1996, and February 20, 1997, the Authority and the State Water Resources Control Board of the State of California entered into a State Revolving Fund Loan Contract No. 6-807-5850-0 in the amount of \$22,854,357, for expansion of the Water Reclamation Treatment Plant No. 1. The loan is payable over a period of 20 years at the rate of 2.8% interest in equal installments of \$1,503,293 through the year 2018. The amount outstanding at June 30, 2010 was \$11,814,735.

Fiscal Year	State Revolving Fund Loan 6-807-5850-0		
	Principal	Interest	Total
2011	\$ 1,172,480	\$ 330,813	\$ 1,503,293
2012	1,205,310	297,983	1,503,293
2013	1,239,059	264,234	1,503,293
2014	1,273,752	229,541	1,503,293
2015	1,309,417	193,876	1,503,293
2016-2019	5,614,717	398,455	6,013,172
Totals	<u>\$ 11,814,735</u>	<u>\$ 1,714,902</u>	<u>\$ 13,529,637</u>

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**CORONA UTILITY AUTHORITY**

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Notes to the Component Unit Basic Financial Statements (continued)  
Year Ended June 30, 2010

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**State Revolving Fund Loan Contract No. C-06-4802-110**

On June 10, 2003, the Authority and the State Water Resources Control Board of the State of California entered into a State Revolving Fund Loan Contract No. C-06-4802-110 in the amount of \$30,228,817, for construction of facilities at the Water Reclamation Treatment Plant No. 1. These facilities provide recycled water to existing and potential users within the City. The loan is payable over a period of 20 years at the rate of 2.5% interest in equal annual installments of \$1,944,995 through the year 2026. The amount outstanding at June 30, 2010 was \$25,391,917.

Fiscal Year	State Revolving Fund Loan C-06-4802-110		
	Principal	Interest	Total
2011	\$ 1,310,199	\$ 634,798	\$ 1,944,997
2012	1,342,950	602,043	1,944,993
2013	1,376,526	568,469	1,944,995
2014	1,410,939	534,056	1,944,995
2015	1,446,213	498,782	1,944,995
2016-2020	7,791,813	1,933,163	9,724,976
2021-2025	8,815,721	909,255	9,724,976
2026	1,897,556	47,439	1,944,995
Totals	<u>\$ 25,391,917</u>	<u>\$ 5,728,005</u>	<u>\$ 31,119,922</u>

**C. Loans Payable**

On June 30, 2008, the Corona Utility Authority entered into a loan agreement with the City of Corona to finance the acquisition of the Bio-solids Drying Facility from the City for a total of \$14,667,175. The outstanding loan bears interest from 4.25% to 5.00%. The Authority will make semi-annual payments through September 2031. Annual installments vary from \$1,006,373 to \$1,022,992. The outstanding loan amount at June 30, 2010 was \$13,631,135.

Fiscal Year	Loans Payable to City - Bio-Solid Drying Facility		
	Principal	Interest	Total
2011	\$ 373,455	\$ 650,018	\$ 1,023,473
2012	387,913	635,760	1,023,673
2013	402,369	621,930	1,024,299
2014	415,620	606,576	1,022,196
2015	432,486	589,614	1,022,100
2016-2020	2,485,288	2,606,330	5,091,618
2021-2025	3,170,760	1,902,697	5,073,457
2026-2030	4,046,574	1,004,747	5,051,321
2031-2032	1,916,670	97,009	2,013,679
Totals	<u>\$ 13,631,135</u>	<u>\$ 8,714,681</u>	<u>\$ 22,345,816</u>



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**CORONA UTILITY AUTHORITY**

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Notes to the Component Unit Basic Financial Statements (continued)  
Year Ended June 30, 2010

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**D. Capital Leases**Fund Financial Statements

Capital Leases at June 30, 2010 were as follows:

	<u>Balance</u>
Water Utility Fund	\$ 106,819,662
Water Reclamation Utility Fund	65,808,682
Total Capital Lease Balance	<u>\$ 172,628,344</u>

Related Parties

In 2002, the City of Corona (City) established the Corona Utility Authority (Authority) as a joint powers authority pursuant to a Joint Exercise of Powers Agreement between the City and the Redevelopment Agency of the City of Corona in accordance with the Joint Powers Law (Articles 1 through 4 of Chapter 5, Division 7, title 1 of the California Government Code) for the purpose of assisting the City in the leasing of the water and water reclamation utility systems. The Authority's Officers are the Corona City Council.

Capital Lease Obligations

The Authority entered into capital leases with the City to lease the City's water and water reclamation facilities. The term of the leases are 55 years at which time the Authority will own the capital assets of the water and water reclamation facilities.

The capital assets of the water and water reclamation facilities were recorded at the City's historical cost, net of accumulated depreciation, and related debt has also been recorded resulting in a lease payable for an amount equal to the net assets recorded on the City's financial statements. For the fiscal year ending June 30, 2010, the annual lease payment was calculated with a 4.0% growth factor over the Fiscal Year 2008-09 base amount. The original lease payments since Fiscal Year 2001-02 was established as 5% to 8% of the corresponding utility sales revenues of that year. Starting Fiscal Year 2008-09 and the following five fiscal years, the lease payment is calculated with a 3.5% to 4% growth factor over the previous fiscal year.

Capital Lease Payments

At June 30, 2010, the future minimum lease payments required under the capital leases and the net present value of the future lease payments for the Water and Water Reclamation Utilities are shown on the following page.

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**CORONA UTILITY AUTHORITY**

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Notes to the Component Unit Basic Financial Statements (continued)  
Year Ended June 30, 2010

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**Corona Utility Authority  
Future Lease Payments - Water Utility**

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>
2011	\$ -	\$ 3,597,300
2012	-	3,741,192
2013	-	3,890,840
2014	-	4,046,473
2015	-	4,046,473
2016-2020	-	18,482,670
2021-2025	-	15,871,698
2026-2030	-	13,222,122
2031-2035	-	10,780,958
2036-2040	-	8,790,499
2041-2045	-	7,083,363
2046-2050	-	5,493,620
2051-2055	-	4,166,817
2056	-	146,695
Total Future Lease Payments	-	<u>\$ 103,360,720</u>
Amount to be Forgiven at End of Lease	106,819,662	
Present Value of Total Lease Payment	<u>\$ 106,819,662</u>	

**Corona Utility Authority  
Future Lease Payments - Water Reclamation Utility**

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>
2011	\$ -	\$ 1,934,499
2012	-	2,011,879
2013	-	2,092,354
2014	-	2,176,048
2015	-	2,176,048
2016-2020	-	10,244,576
2021-2025	-	9,260,285
2026-2030	-	8,121,146
2031-2035	-	6,973,904
2036-2040	-	5,988,729
2041-2045	-	5,097,640
2046-2050	-	4,090,041
2051-2055	-	3,248,961
2056	-	532,477
Total Future Lease Payments	-	<u>\$ 63,948,587</u>
Amount to be Forgiven at End of Lease	65,808,682	
Present Value of Total Lease Payment	<u>\$ 65,808,682</u>	

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**CORONA UTILITY AUTHORITY**

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Notes to the Component Unit Basic Financial Statements (continued)  
Year Ended June 30, 2010

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All lease payments are considered interest payments toward the lease obligation. It is understood between the City and the Authority that the principal amount of the lease obligation will be forgiven at the end of the lease term.

Fiscal Year 2009-10 Transactions

In Fiscal Year 2009-10, the following related party transactions were recorded by the City and the Authority:

	<u>Capital Lease Payment</u>
Water Utilities	\$ 3,458,942
Water Reclamation Utilities	1,860,095
Total Payment	<u>\$ 5,319,037</u>

**E. Long Term Installment Payable Agreements**

As of June 30, 2010, the balances outstanding were:

<u>Description</u>	<u>Balance</u>
Installment Agreement- 1997 Certificates of Participation	\$ 3,185,000
Installment Agreement- 2003 Certificates of Participation	6,235,000
Installment Agreement- 1998 Water Revenue Bonds	28,400,000
Installment Agreement- Elsinore Valley Municipal Water District	1,835,550
Installment Agreement- Joy Street Water Purchase Agreement	200,000
Total Long Term Installment Payable	<u>\$ 39,855,550</u>

1997 Refunding Certificates of Participation

On January 21, 1997, the Corona Public Improvement Corporation issued \$7,010,000 in 1997 Refunding Certificates of Participation for the purposes of refunding the remaining \$6,425,000 of the 1986 Sunkist Water Reclamation Treatment Facilities Certificates of Participation and to pay the costs incurred in connection with the issuance, sale, and delivery of the bonds as well as to establish a reserve fund. The original certificates were issued to finance the acquisition, construction and installation of certain improvements to the Authority Water Reclamation Treatment Plant No. 2 (Sunkist Plant). The new bonds bear interest rates from 4.90% to 5.50% and are due in annual installments ranging from \$335,000 to \$530,000 through August 1, 2016. The certificates are payable pursuant to an installment lease agreement (Corona Public Improvement Corporation to the Water Reclamation Utility) from revenues of the Water Reclamation Capacity Fund and as such have been shown as long-term obligations (Long-Term Installments Payable) of the Water Reclamation.

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**CORONA UTILITY AUTHORITY**

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Notes to the Component Unit Basic Financial Statements (continued)  
Year Ended June 30, 2010

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The annual debt service requirements for the 1997 Refunding Certificates of Participation are as follows:

Fiscal Year	1997 Refunding Certificates of Participation		
	Principal	Interest	Total
2011	\$ 385,000	\$ 162,305	\$ 547,305
2012	405,000	141,563	546,563
2013	430,000	119,220	549,220
2014	450,000	95,348	545,348
2015	480,000	70,005	550,005
2016-2017	1,035,000	57,613	1,092,613
Totals	<u>\$ 3,185,000</u>	<u>\$ 646,054</u>	<u>\$ 3,831,054</u>

**2003 Certificates of Participation – Recycled Water**

The Authority purchased the Recycled Water Project from the Corona Public Financing Authority pursuant to an Installment Purchase agreement for a principal amount of \$7,155,000. The City will pay purchase payments to the Corona Public Financing Authority pursuant to a Recycled Water Project Lease Agreement (City of Corona to the Corona Utility Authority). The Corona Utility Authority will make payments to the City from net revenues of the recycled water system. The annual debt service requirements for the 2003 Recycled Water Certificates of Participation are as follows:

Fiscal Year	2003 Certificates of Participation - Recycled Water		
	Principal	Interest	Total
2011	\$ 170,000	\$ 297,275	\$ 467,275
2012	180,000	290,725	470,725
2013	185,000	284,338	469,338
2014	190,000	277,300	467,300
2015	200,000	269,500	469,500
2016-2020	1,135,000	1,191,375	2,326,375
2021-2025	1,450,000	870,000	2,320,000
2026-2030	1,850,000	459,000	2,309,000
2031-2032	875,000	44,375	919,375
Totals	<u>\$ 6,235,000</u>	<u>\$ 3,983,888</u>	<u>\$ 10,218,888</u>

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**CORONA UTILITY AUTHORITY**

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Notes to the Component Unit Basic Financial Statements (continued)  
Year Ended June 30, 2010

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1998 Water Revenue Bonds

On December 10, 1998, the Corona Public Financing Authority issued \$36,690,000 in 1998 Water Revenue Bonds to finance the cost of certain improvements to the Authority's water system, consisting of the construction of a ground water desalting system and to refinance the outstanding 1994 Water System Improvement Project Certificates of Participation. The bonds bear interest from 4.00% to 4.75% and are due in annual installments ranging from \$855,000 to \$1,100,000 through 2013 with term bonds in the amount of \$6,305,000, \$7,950,000 and \$10,025,000 due on September 1, 2018, 2023 and 2028, respectively. The revenue bonds are payable pursuant to an installment purchase agreement (Corona Public Financing Authority to Water Utility) from revenues of the Water Enterprise Fund and as such have been shown as long-term obligations (Long-Term Installment Payable) of the Water Utility.

The annual debt service requirements for the 1998 Water Revenue Bonds are as follows:

<u>Fiscal Year</u>	<u>1998 Water Revenue Bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 965,000	\$ 1,315,876	\$ 2,280,876
2012	1,005,000	1,273,260	2,278,260
2013	1,050,000	1,227,525	2,277,525
2014	1,100,000	1,178,600	2,278,600
2015	1,145,000	1,126,106	2,271,106
2016-2020	6,605,000	4,739,194	11,344,194
2021-2025	8,330,000	2,973,263	11,303,263
2026-2029	8,200,000	801,563	9,001,563
Totals	<u>\$ 28,400,000</u>	<u>\$ 14,635,387</u>	<u>\$ 43,035,387</u>

Elsinore Valley Municipal Water District Agreement

On December 1, 2008, the Authority entered into an agreement with Elsinore Valley Municipal Water District for the acquisition of certain water facilities for a total of \$2,000,000. The Authority will make 10 equal payments of \$250,000 through June 2019. The amount outstanding at June 30, 2010 was \$1,835,550. The annual debt service requirements for the Elsinore Valley Municipal Water District Agreement are as follows:

<u>Fiscal Year</u>	<u>Elsinore Valley Municipal Water District Agreement</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 171,484	\$ 78,516	\$ 250,000
2012	178,820	71,180	250,000
2013	186,469	63,531	250,000
2014	194,445	55,555	250,000
2015	202,762	47,238	250,000
2016-19	901,570	98,430	1,000,000
Totals	<u>\$ 1,835,550</u>	<u>\$ 414,450</u>	<u>\$ 2,250,000</u>

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**CORONA UTILITY AUTHORITY**

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Notes to the Component Unit Basic Financial Statements (continued)  
Year Ended June 30, 2010

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Joy Water Company Purchase Agreement

On April 7, 2010, the Authority entered into an agreement with Joy Water Company to purchase wells, pipeline and related fixtures and equipment for a total of \$500,000, which included a loan for \$200,000. The Authority will make two equal payments of \$100,000 through June 2012. The amount outstanding at June 30, 2010 was \$200,000.

The annual debt service requirements for the Joy Water Company Purchase Agreement are as follows:

Fiscal Year	Joy Water Company Purchase Agreement		
	Principal	Interest	Total
2011	\$ 100,000	\$ 3,500	\$ 103,500
2012	100,000	1,750	101,750
Totals	<u>\$ 200,000</u>	<u>\$ 5,250</u>	<u>\$ 205,250</u>

**8. Classification of Net Assets**

In the Government-Wide Financial Statements, net assets are classified in the following categories:

Invested In Capital Assets, Net of Related Debt – This category groups all capital assets, including infrastructure, into one component of net assets. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce this category.

Restricted Net Assets – This category presents external restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

Unrestricted Net Assets – This category represents the net assets of the Authority, which are not restricted for any project or other purpose.

**9. Risk Management**

The Authority 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. As a blended component unit of the City of Corona, the Authority participates in the City's fully self-insured workers' compensation and general liability programs. The Authority is also insured on property losses through a City policy with coverage of \$100,000,000, and deductibles of \$50,000. The Authority pays into the City's risk management internal service funds through a citywide cost allocation plan.