

**CAMBRIA  
COMMUNITY SERVICES DISTRICT**

Independent Auditor's Report  
and  
Financial Statements

For the Year Ended  
June 30, 2011

**CAMBRIA COMMUNITY SERVICES DISTRICT**  
**INDEPENDENT AUDITOR'S REPORT AND FINANCIAL STATEMENTS**  
For the Year Ended June 30, 2011

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**CAMBRIA COMMUNITY SERVICES DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
Fiscal Year Ended June 30, 2011

Our discussion and analysis of the Cambria Community Services District's (CCSD) financial performance provides an overview of the CCSD's financial activities for the fiscal year ended June 30, 2011. The Management's Discussion & Analysis is to be read in conjunction with the CCSD's financial statements, which follow this section.

The Cambria Community Services District is a multi-purpose special district formed on December 9, 1976. Formation took place under the Community Services District Law, Section 61000, et. seq. of the California Government Code. At the time of formation it absorbed and combined the responsibilities of five existing special districts. These independently operated districts were as follows:

- The Cambria Community Services District - Moonstone Beach Drive area
- The Cambria County Water District
- The Cambria Fire Protection District
- The Cambria Garbage Disposal District
- San Luis Obispo County Service Area No. 6 - Street Lighting Service

The CCSD is a political subdivision of the State of California and operates under a Board of Directors-Manager form of government. A five-member Board of Directors governs it with each member serving a four-year term. The CCSD has a population of 6,400 residents within its boundaries. Tourism in the summer months and on holiday weekends creates seasonal increases in the population. The CCSD provides the following services:

- Water
- Wastewater
- Fire Protection
- Facilities and Resources
- Parks and Recreation
- Resource Conservation
- Administration

**Fund Financial Statements**

The accounting system of the CCSD is organized and operated on a fund basis. A fund is considered a separate self-balancing entity with assets, liabilities, fund equity, revenues, and expenditures/expenses.

The basis of accounting depends on the fund. Basis of accounting refers to "when" revenues and expenses are recognized in the accounts and reported in the financial statements.

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Governmental funds use the modified-accrual basis of accounting. Revenues are recognized when measurable and available as net current assets. Measurable means the amounts can be estimated or determined. Available means the amounts were collected during the reporting period or soon enough to finance the expenditures accrued for the reporting period.

Enterprise or business-like funds use the accrual basis of accounting. Revenues, expenses, assets and liabilities are recognized when the event happens.

**Financial Statements**

There are two government-wide financial statements that include all of the CCSD's funds. These are:

- STATEMENT OF NET ASSETS
- STATEMENT OF ACTIVITIES

The Statement of Net Assets includes all of the CCSD's assets and liabilities, with the difference between the two reported as net assets. Net assets may be displayed in the following categories:

- Invested in Capital Assets, Net of Related Debt
- Restricted Net Assets
- Unrestricted Net Assets

The Statement of Net Assets provides the basis for computing rate of return, evaluating the capital structure of the CCSD and assessing the liquidity and financial flexibility of the CCSD.

The Statement of Activities includes all of the CCSD's individual functions presented using the accrual basis of accounting. One objective of the Statement of Activities is to report the relative financial burden of each of the CCSD's functions.

The remainder of the CCSD's financial statements is grouped into 2 categories:

- Governmental Activities
- Business-Type Activities

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**Governmental Activities**

Governmental activities include the following funds:

- General Fund
- Resource Conservation Fund

The General Fund includes the following Departments:

- Fire Department
- Administration
- Facilities and Resources
- Parks and Recreation

The CCSD's financial statements for governmental activities include six components:

- BALANCE SHEET
- RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET ASSETS
- STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
- RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
- STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES-Budget and Actual-Governmental Funds
- NOTES TO THE FINANCIAL STATEMENTS

The Balance Sheet-Governmental Funds first presents the CCSD's assets (resources it controls that enable it to provide services), liabilities (financial obligations) and fund balance (in essence, what would be left over if the assets were used to satisfy the liabilities). The assets and liabilities are current in nature. Notably absent are capital assets. This is due to the statement being presented using the modified accrual basis of accounting. Fund balance is the difference between assets and liabilities. Fund balance is reported in up to five classifications, which are as follows:

- Nonspendable-amounts that are not in a spendable form, such as Prepaid Expenses or Deposits.
- Restricted-amounts constrained to specific purposes by their providers through constitutional provisions or legislation.
- Committed-amounts constrained to specific purposes by the government itself using its highest level of decision-making authority.

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- Assigned-amounts a government intends to use for a specific purpose.
- Unassigned-amounts that are available for any purpose. These amounts are only found in the general fund.

In prior years, Fund Balance was reported in up to three components; Reserved, Designated and Unreserved. GASB 54 was issued to clarify Fund balance reported as well as to provide additional information.

The Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets is the final component of the Balance Sheet. The reconciling items explain the differences in the accounting bases (the presence of capital assets and long-term liabilities in the government-wide financial statements, but their absence in the governmental funds).

The Statement of Revenues, Expenditures, and Changes in Fund Balances is the governmental funds' income statement, tracking the flow of resources in as Revenues and out as Expenditures. Revenues and Expenditures are not the only resources that flow in and out. Other financing sources (uses) identify transfers in and out of the governmental funds. Besides the fact that transfers are neither revenues nor expenditures, they are shown separately to assist the statement reader in assessing the balance between ongoing revenues and expenditures related to the basic operations of the CCSD. For this same reason, special items such as prior period adjustments (corrections of material errors related to a prior period or periods) are shown separately.

The Reconciliation of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities describes the differences between change in fund balance and change in governmental activities net assets in the government-wide statement of activities. Items are individually described.

The Statement of Revenues, Expenditures, and Changes in Fund Balances-Budget and Actual-Governmental Funds compares the budgeted amounts to the actual amounts.

The Notes to the Financial Statements are disclosures presented to assist the reader in understanding the information found in the financial statements.

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**Business-Type Activities**

Business-type activities include the following funds:

- Water Fund
- Wastewater (Sewer) Fund

The CCSD's financial statements for business-type activities include four components:

- STATEMENT OF NET ASSETS-Proprietary Funds
- STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN NET ASSETS-Proprietary Funds
- STATEMENT OF CASH FLOWS-Proprietary Funds
- NOTES TO THE FINANCIAL STATEMENTS

The Statement of Net Assets includes all of the proprietary funds' assets and liabilities, with the difference between the two reported as net assets. Net assets may be displayed in the following categories:

- Invested in Capital Assets, Net of Related Debt
- Restricted Net Assets
- Unrestricted Net Assets

The Statement of Net Assets provides the basis for computing rate of return, evaluating the capital structure of the Water and Wastewater Funds and assessing their liquidity and financial flexibility.

The Statement of Revenues, Expenditures, and Changes in Net Assets presents information which shows how the Water and Wastewater Fund's net assets changed during the year. All of the current year's revenues and expenditures are recorded when the underlying transaction occurs, regardless of the timing of the related cash flows. The Statement of Revenues, Expenditures, and Changes in Fund Balance measures the success of the CCSD's operations over the past year and determines whether the CCSD has recovered its costs through user fees, property taxes and other changes.

The Statement of Cash Flows provides information regarding the Water and Wastewater Fund's cash receipts and cash disbursements during the fiscal year. The statement reports cash activity in three categories:

- Operations
- Capital and Related Financing
- Noncapital Financing

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**Notes to the Financial Statements**

The Notes to the Financial Statements are disclosures presented to assist the reader in understanding the information found in the financial statements.

NOTE 1 is required in all financial statements, even in cases where only the minimum notes are given. It provides a brief description of the CCSD; which financial statements are provided; how activity is recorded/reported; the accounting basis on which the financial statements are presented; certain financial policies of the CCSD, such as its capitalization policy and some definition of terms.

NOTE 2 provides information related to the CCSD's cash and investments such as how much cash is on-hand, how much is in the CCSD's bank accounts and how much is held in the Local Agency Investment Fund (LAIF). LAIF is a voluntary program offered to California's local governments to allow them to participate in a major portfolio. It is administered by the California State Treasurer. It has the same objectives in its investment policy as does the CCSD (Safety, Liquidity and Yield, in that order). LAIF does not invest in securities or derivatives and no agency has ever lost funds invested in LAIF. It is not subject to seizure by the State of California. On June 30, 2011, the fair market value of LAIF's investments was slightly in excess of the cost plus accrued interest of those assets. Slightly over 50% of LAIF's funds were invested in United States Treasury Bills/Notes.

NOTE 3 provides additional information on the CCSD's Property, Plant and Equipment (Fixed Assets). This is mainly in the form of showing the amounts added and deleted for a given fiscal year by type of asset.

NOTE 4 provides additional information on the CCSD's accrued liabilities.

NOTE 5 provides additional information on the CCSD's Long-Term Debt such as original balances, interest rates and annual amounts due.

NOTE 6 provides additional information related to the refinancing of a debt obligation.

NOTE 7 provides information related to the CCSD's pension plan such as the actuarial assumptions.

NOTE 8 is required by the Governmental Accounting Standards Board (GASB) Statements 43 & 45. While the note is titled Post-Employment Benefits, the purpose of the note is to report on Other Post-Employment Benefits (OPEB) with "Other" signifying other than pensions. For the purposes of the CCSD, this means retiree healthcare benefits. The amount shown is based on an actuarial prepared "in-house". The actuarial is based on the number of employees, retirees and their spouses as well as their ages (and presumed life spans) and presumed retirement dates as of June 30, 2009. The estimated costs are projected forward through the year 2069. (It should be noted that while there were 30 eligible employees as of June 30, 2009, there were 24 eligible employees as of June 30, 2011 although there were unfilled vacancies).



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The CCSD currently operates on a “pay as you go” basis for OPEB. Current retiree costs are fully paid, but nothing is set-aside for future benefits. To account for these future benefits an additional expenditure of \$265,946 was recorded as a future obligation, with no outflow of cash. \$180,784 of this balance is related to the Governmental Funds, \$47,350 is related to the Water Fund and \$37,812 is related to the Wastewater Fund. The CCSD’s OPEB amounts were compared to other governmental entities and appeared consistent with the other entities once staffing levels were factored.

**Economic Factors and Budget**

The United States and especially California’s economy took a significant turn for the worse in the past few years. This downturn continued through the 2010-2011 fiscal year. A large component of the downturn is depressed prices for real property. This negatively impacted property tax revenue, although the impact to the CCSD was less than for San Luis Obispo County as a whole and much less than for all of California. Ad valorem property tax revenue decreased by \$96,015 (4.9%) for fiscal year 2010-2011 from fiscal year 2008-2009 after deducting the County’s administrative charge. From fiscal year 2006-2007 to fiscal year 2008-2009, ad valorem property tax revenue had increased by \$163,984 (9.2%). The economic situation also may be impacting utility sales, although this is not readily discernable. While water and sewer sales decreased \$89,144 (2.7%) for fiscal year 2010-2011 from fiscal year 2009-2010, because sales are thought to be partially driven by weather conditions, the exact cause is unknown.

Two significant factors other than the general economic situation, impact the financial strength of the CCSD. They are:

- Minimal impact fee revenue; and
- Stagnate customer base

These conditions present significant fiscal challenges to the CCSD. Having only minimal capital revenue results in capital outlays being financed by operating revenue or by transfers from the General Fund. A stagnate customer base results in lost economies of scale. To meet these challenges, the CCSD increased water fees by 9.75% and sewer fees by 15% as of July 1, 2009 and reduced staffing and employee benefits costs as well as reducing other operating costs. A hiring freeze was imposed by the Board of Directors and two Administrative Technicians (Administration Department) were laid off. In addition to these two positions, the Utilities Manager/Assistant General Manager, Assistant Fire Chief, Assistant Finance Manager, (a) Water Operator, (a) Wastewater Operator and Administrative Technician (Fire Department) positions are being left vacant.

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Management, confidential firefighter and all newly hired employees began to contribute to their pensions. After increasing from \$2,563,201 in fiscal year 2007-2008 to \$2,566,283 in fiscal year 2008-2009, total salaries and wages decreased to \$2,386,305 in fiscal year 2009-2010 and to \$2,299,794 (this figure does not include the severance pay paid to the previous General Manager) in fiscal year 2010-2011. This is a decrease of \$266,489, or 10.4%. The preceding amounts include all salaries and wages, including any capitalized amounts.

Retirement is the most expensive employee benefit of the CCSD. The annual pension cost decreased from \$675,070 in fiscal year 2007-2008 to \$647,662 in fiscal year 2008-2009, to \$628,216 in fiscal year 2009-2010, and to \$553,184 in fiscal year 2010-2011. This is a decrease of \$121,886, or 18.1%. While a portion of this decrease is due to reduced contribution rates, the majority is due to reduced staffing and increased employee contributions.

Employee health insurance is the second most expensive employee benefit of the CCSD. The annual employee medical insurance cost decreased from \$349,459 in fiscal year 2007-2008 to \$341,026 in fiscal year 2008-2009, to \$242,246 in fiscal year 2009-2010 (approximately \$48,449 of this decrease was due to a two-month premium "holiday" from paying monthly premiums due to excess profits of the provider) and increased to \$253,951 in fiscal year 2010-2011. This is an overall decrease of \$95,508 or 27.3%. The CCSD changed the insurance plan from a PPO to a HMO January 1, 2010, which reduced its contribution (employees staying in the PPO paid all of the excess cost) although the HMO rates have since increased so that they are now higher than that the 2009 PPO rates were.

The third most expensive employee benefit of the CCSD is retiree health insurance. It increased \$174,820 in fiscal year 2007-2008 to \$178,943 in fiscal year 2008-2009, it decreased to \$178,255 in fiscal year 2009-2010 and increased to \$192,722 in fiscal year 2010-2011. This is an overall increase of \$17,902 or 9.3%.

The preceding amounts include all benefits, including any capitalized amounts.

After decreasing for several years, the CCSD's total Cash and Investments was \$4,265,148 as of June 30, 2009. It increased to \$4,499,040 as of June 30, 2010 and decreased to \$4,386,277 as of June 30, 2011. However, while the balance decreased \$112,763, it would have increased by \$293,084 if the capital lease for the fire pumper had not been paid off early and the severance package for the prior general manager had not occurred.

The Board of Directors approved the operating budget for fiscal year 2011-2012 on June 23, 2011. Surpluses were projected for all funds as follows: Water-\$34,515; Wastewater (Sewer)-\$9,553; Governmental (General and Resource Conservation)-\$19,640.

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**Fiscal Year 2010/2011 Financial Highlights**

The following information is provided to give readers of these financial statements further information by providing additional detail, summations and/or by presenting information in a different format than the financial statements as well as by providing narrative comments.

This section is based on the STATEMENT OF NET ASSETS (Pg. 3) and the RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET ASSETS (Pg. 6).

	FISCAL YEAR 2010/2011	FISCAL YEAR 2009/2010	INCREASE/ (DECREASE)
<b>CASH &amp; INVESTMENTS</b>			
Total Cash & Investments-Gov't Activities	3,843,406	4,256,640	(413,234)
Total Cash & Investments-Business Activities	542,871	242,400	300,471
<b>TOTAL CASH &amp; INVESTMENTS</b>	<b>4,386,277</b>	<b>4,499,040</b>	<b>(112,763)</b>
<b>OTHER ASSETS-GOV'T ACTIVITIES</b>			
Current Receivables-Gov't Activities	188,139	154,559	33,580
Prepaid Costs-Gov't Activities	8,544	5,453	3,091
Due From Other Funds-Gov't Activities	157,726	157,726	0
<b>TOTAL OTHER ASSETS-GOV'T ACTIVITIES</b>	<b>354,409</b>	<b>317,738</b>	<b>36,671</b>
<b>OTHER ASSETS-BUSINESS ACTIVITIES</b>			
Current Receivables-Business Activities	712,762	664,712	48,050
Prepaid Costs-Business Activities	991	201	790
Intangible Assets (WMP)-Business Activities	1,611,290	1,611,290	0
Deferred Loss on Bond Refunding-Business	124,035	242,358	(118,323)
<b>TOTAL OTHER ASSETS-BUSINESS ACTIVITIES</b>	<b>2,449,078</b>	<b>2,518,561</b>	<b>(69,483)</b>
<b>CAPITAL ASSETS</b>			
Capital Assets-Net of Depreciation-Gov't Activities	16,673,305	16,829,670	(156,365)
Capital Assets-Net of Depreciation-Business Activities	22,993,269	24,025,195	(1,031,926)
<b>TOTAL CAPITAL ASSETS</b>	<b>39,666,574</b>	<b>40,854,865</b>	<b>(1,188,291)</b>
<b>TOTAL ASSETS</b>			
Total Assets-Gov't Activities	20,871,120	21,404,048	(532,928)
Total Assets-Business Activities	25,985,218	26,786,156	(800,938)
<b>TOTAL ASSETS</b>	<b>46,856,338</b>	<b>48,190,204</b>	<b>(1,333,866)</b>
<b>CURRENT LIABILITIES-GOV'T ACTIVITIES</b>			
Payables & Accrued Expenses-Gov't Activities	387,336	350,944	36,392
Refundable Deposits-Gov't Activities	4,444	4,279	165
Deferred Revenue-Gov't Activities	6,053	1,000	5,053
Capital Lease Payable-Gov't Activities	0	36,426	(36,426)
<b>TOTAL CURRENT LIABILITIES-GOV'T ACTIVITIES</b>	<b>397,833</b>	<b>392,649</b>	<b>5,184</b>
<b>CURRENT LIABILITIES-BUSINESS ACTIVITIES</b>			
Payables & Accrued Expenses-Business Activities	214,152	254,590	(40,438)
Refundable Deposits-Business Activities	36,600	34,780	1,820
Deferred Revenue-Business Activities	101,831	15,000	86,831
Due To Other Funds-Business Activities	157,726	157,726	0
Loans/Notes/Bonds Payable-Business Activities	484,012	455,973	28,039
<b>TOTAL CURRENT LIABILITIES-BUSINESS ACTIVITIES</b>	<b>994,321</b>	<b>918,069</b>	<b>76,252</b>

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	FISCAL YEAR 2010/2011	FISCAL YEAR 2009/2010	INCREASE/ (DECREASE)
<b>LONG-TERM LIABILITIES (EXTERNAL)-GOV'T ACTIVITIES</b>			
Capital Lease Payable-Gov't Activities	0	211,902	(211,902)
Compensated Absences-Gov't Activities	217,863	259,109	(41,246)
<b>TOTAL LONG-TERM LIABILITIES (EXTERNAL)-GOV'T ACTIVITIES</b>	<u>217,863</u>	<u>471,011</u>	<u>(253,148)</u>
<b>LONG-TERM LIABILITIES (EXTERNAL)-BUSINESS ACTIVITIES</b>			
Loans/Notes/Bonds Payable-Business Activities	2,733,296	3,217,308	(484,012)
Compensated Absences-Business Activities	101,907	123,121	(21,214)
<b>TOTAL L/T LIABILITIES (EXTERNAL)-BUSINESS ACTIVITIES</b>	<u>2,835,203</u>	<u>3,340,429</u>	<u>(505,226)</u>
<b>NET ASSETS-GOV'T ACTIVITIES</b>			
Invested in Capital Assets-Net of Related Debt	16,673,305	16,581,342	91,963
Unrestricted	3,582,119	3,959,046	(376,927)
<b>TOTAL NET ASSETS-GOV'T ACTIVITIES</b>	<u>20,255,424</u>	<u>20,540,388</u>	<u>(284,964)</u>
<b>NET ASSETS-BUSINESS ACTIVITIES</b>			
Invested in Capital Assets-Net of Related Debt	19,775,961	20,351,914	(575,953)
Unrestricted	2,379,733	2,175,744	203,989
<b>TOTAL NET ASSETS-BUSINESS ACTIVITIES</b>	<u>22,155,694</u>	<u>22,527,658</u>	<u>(371,964)</u>
<b>NET ASSETS</b>			
Net Assets-Gov't Activities	20,255,424	20,540,388	(284,964)
Net Assets-Business Activities	22,155,694	22,527,658	(371,964)
<b>TOTAL NET ASSETS</b>	<u>42,411,118</u>	<u>43,068,046</u>	<u>(656,928)</u>
<b>TOTAL ASSETS-GOV'T ACTIVITIES</b>	20,871,120	21,404,048	(532,928)
<b>LESS: TOTAL LIABILITIES-GOV'T ACTIVITIES</b>	<u>(615,696)</u>	<u>(863,660)</u>	<u>247,964</u>
<b>TOTAL NET ASSETS-GOV'T ACTIVITIES</b>	<u>20,255,424</u>	<u>20,540,388</u>	<u>(284,964)</u>
<b>TOTAL ASSETS-BUSINESS ACTIVITIES</b>	25,985,218	26,786,156	(800,938)
<b>LESS: TOTAL LIABILITIES-BUSINESS ACTIVITIES</b>	<u>(3,829,524)</u>	<u>(4,258,498)</u>	<u>428,974</u>
<b>TOTAL NET ASSETS-BUSINESS ACTIVITIES</b>	<u>22,155,694</u>	<u>22,527,658</u>	<u>(371,964)</u>
Total Capital Lease Payable-Gov't Activities	<u>0</u>	<u>248,328</u>	<u>(248,328)</u>
Total Loans/Notes/Bonds Payable-Business Activities	<u>3,217,308</u>	<u>3,673,281</u>	<u>(455,973)</u>

As of June 30, 2011, CCSD Cash and Investments exceed all debts owed to external entities by approximately \$98,500.

As of June 30, 2010, all debts owed to external entities exceeded the CCSD Cash and Investments by approximately \$465,400.

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This section is based on the BALANCE SHEET-Governmental Funds (Pg. 5) and the RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET ASSETS (Pg. 6).

	FISCAL YEAR 2010/2011	FISCAL YEAR 2009/2010	INCREASE/ (DECREASE)
TOTAL ASSETS	4,197,815	4,574,378	(376,563)
TOTAL LIABILITIES	(217,049)	(175,439)	(41,610)
Fund Balance-Nonspendable	43,636	N/A	43,636
Fund Balance-Assigned	3,937,130	N/A	3,937,130
Fund Balance-Reserved	N/A	11,084	(11,084)
Fund Balance-Unreserved	N/A	4,387,855	(4,387,855)
TOTAL FUND BALANCE-Governmental Funds	3,980,766	4,398,939	(418,173)
CAPITAL ASSETS	16,673,305	16,829,670	(156,365)
Other Post Employment Benefits Payable	(180,784)	(180,784)	0
Capital Lease Payable	0	(248,328)	248,328
Compensated Absences	(217,863)	(259,109)	41,246
NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u>20,255,424</u>	<u>20,540,388</u>	<u>(284,964)</u>

The Government Accounting Standards Board (GASB) issued Statement #54, which regulates how fund balances are to be reported. Previously, "Reserved, Designated" and "Unreserved" were used as fund balance classifications. GASB # 54 designates that the terms "Nonspendable, Restricted, Committed, Assigned" and "Unassigned" to be used. these classifications signify the spending constraints with Nonspendable having the most constraints and Unassigned having the fewest constraints.

Other Post Employment Benefits (OPEB) Payable is the same balance as of June 30, 2011 as it was as of June 30, 2010 due to the same actuarial being used for both periods as allowed by GASB Statement #45. As the number of active employees decreased from 28 in June, 2010 to 24 in June 2011, if a new actuarial reflected had been done, it may well have reflected a decreased liability.

This section is based on the STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES-Governmental Funds (Pg. 7) and the STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS-Proprietary Funds (Pg. 11).

TOTAL OPERATING REVENUES			
Total Revenue-Gov't Activities	3,751,216	3,965,464	(214,248)
Total Revenue-Business Activities	3,697,318	3,720,885	(23,567)
TOTAL REVENUES	7,448,534	7,686,349	(237,815)

The majority of the decrease in Total Revenue-Governmental Activities is due to a decrease of \$122,217 in Administrative Service Charges, the great majority of which are departmental Administrative Overhead charges. This results in an offsetting decrease in expenditures. The next largest decrease is a reduction of \$47,664 in (property) taxes and assessments. The third largest decrease is a \$33,805 reduction in grant revenue, which would be offset by a reduction in grant expenditures for the most part. These three items account for \$203,686, or 95.1%, of the overall decrease.

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	FISCAL YEAR 2010/2011	FISCAL YEAR 2009/2010	INCREASE/ (DECREASE)
TOTAL EXPENDITURES			
Total Expenditures-Gov't Activities	4,169,389	3,836,614	332,775
Total Expenditures-Business Activities	4,212,959	4,212,295	664
<b>TOTAL EXPENDITURES</b>	<b>8,382,348</b>	<b>8,048,909</b>	<b>333,439</b>

Two transactions occurred during Fiscal Year 2010/2011 that increased Total Expenditures-Governmental Activities by \$405,847. The capital lease payable for a fire pumper engine was paid off early (to save future interest expense). This increased expenditures by \$216,141. The second item was the payment of the severance package for the previous General Manager, which increased expenditures by \$189,706.

**NON-OPERATING REVENUES**

Non-Operating Revenue-Gov't Activities	N/A	N/A	N/A
Non-Operating Revenue-Business Activities	293,695	294,544	(849)
<b>TOTAL NON-OPERATING REVENUES</b>	<b>293,695</b>	<b>294,544</b>	<b>(849)</b>

Non-Operating Revenue-Business Activities is almost entirely Standby Availability revenue with much lesser amounts for Interest and Connection Fee revenue.

**NON-OPERATING EXPENDITURES**

Non-Operating Expenditures-Gov't Activities	N/A	N/A	N/A
Non-Operating Expenditures-Business Activities	150,018	194,980	(44,962)
<b>TOTAL NON-OPERATING EXPENDITURES</b>	<b>150,018</b>	<b>194,980</b>	<b>(44,962)</b>

Non-Operating Expenditures-Business Activities Interest Expense for the great majority with a \$12,940 loss on the disposal of equipment in fiscal year 2009/2010.

This section is based on the STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES-Budget and Actual-Governmental Funds (Pg. 9).

**REVENUES**

Property Taxes and Assessments	2,250,275	2,297,939	(47,664)
Grant Income	49,743	83,548	(33,805)
Weed Abatement	61,893	62,972	(1,079)
Franchise Fees	68,039	68,089	(50)
Use of money & property	20,901	27,132	(6,231)
Charges for Administrative Services	1,244,901	1,367,118	(122,217)
Other	55,464	58,666	(3,202)
<b>TOTAL REVENUES</b>	<b>3,751,216</b>	<b>3,965,464</b>	<b>(214,248)</b>

**EXPENDITURES**

Administration	1,578,060	1,320,154	257,906
Fire	1,684,703	1,780,744	(96,041)
Parks & Recreation	34,513	12,420	22,093
Facilities & Resources	476,792	450,713	26,079
Resource conservation	128,954	147,437	(18,483)
Capital Outlay	1,161	76,080	(74,919)
Debt Service:			
Principal	248,328	34,662	213,666
Interest	16,878	14,404	2,474
<b>TOTAL EXPENDITURES</b>	<b>4,169,389</b>	<b>3,836,614</b>	<b>332,775</b>

**CAMBRIA COMMUNITY SERVICES DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
Fiscal Year Ending June 30, 2011

	<b>FISCAL YEAR 2010/2011</b>	<b>FISCAL YEAR 2009/2010</b>	<b>INCREASE/ (DECREASE)</b>
EXCESS OF REVENUES OVER/(UNDER) EXPENDITURES	(418,173)	128,850	<u>(547,023)</u>
Fund Balance at Beginning of Year	<u>4,398,939</u>	<u>4,270,089</u>	
Fund Balance at End of Year	<u>3,980,766</u>	<u>4,398,939</u>	

In addition to the previously noted severance package costs of \$189,706, Administration's Expenditures increased by \$22,763 for Maintenance & Repairs and Professional Fees increased by \$14,414.

This section is based on the STATEMENT OF NET ASSETS-Proprietary Funds (Pg. 10).

Current Assets	1,256,624	907,313	349,311
Capital Assets	50,216,430	49,987,194	229,236
Accum. Depreciation	(27,223,161)	(25,961,999)	(1,261,162)
Other Assets	1,735,325	1,853,648	(118,323)
Total Assets	<u>25,985,218</u>	<u>26,786,156</u>	<u>(800,938)</u>
Current Liabilities	994,321	918,069	76,252
Non-Current Liabilities	2,835,203	3,340,429	(505,226)
Total Liabilities	<u>3,829,524</u>	<u>4,258,498</u>	<u>(428,974)</u>
Net Assets-Invested in Cap	19,775,961	20,351,914	(575,953)
Net Assets-Unrestricted	2,379,733	2,175,744	203,989
Total Net Assets	<u>22,155,694</u>	<u>22,527,658</u>	<u>(371,964)</u>

The increase in Current Assets is mainly due to an increase in Cash & Investments of \$300,471.

The decrease in Non-Current Liabilities is mainly due to a decrease in Notes/Loans/Bonds Payable of \$484,012.

This section is based on the STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES-Proprietary Funds (Pg. 11).

Utility Sales	3,673,229	3,710,851	(37,622)
Services Charges & Fees	24,089	10,034	14,055
Total Operating Revenues	<u>3,697,318</u>	<u>3,720,885</u>	<u>(23,567)</u>
Salaries & Wages	606,910	672,478	(65,568)
Payroll Taxes & Benefits	418,688	513,489	(94,801)
Maintenance & Repairs	331,544	315,947	15,597
Utilities	320,647	303,210	17,437
Professional Services	111,793	92,656	19,137
Operating Supplies	105,004	91,376	13,628
Licenses & Fees	65,034	63,671	1,363
Depreciation & Amortization	1,403,485	1,303,119	100,366
General & Admin OH	789,751	794,023	(4,272)
Other	60,103	62,326	(2,223)
Total Operating Expenses	<u>4,212,959</u>	<u>4,212,295</u>	<u>664</u>
Operating Income (Loss)	<u>(515,641)</u>	<u>(491,410)</u>	<u>(24,231)</u>

**CAMBRIA COMMUNITY SERVICES DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
Fiscal Year Ending June 30, 2011

	<b>FISCAL YEAR 2010/2011</b>	<b>FISCAL YEAR 2009/2010</b>	<b>INCREASE/ (DECREASE)</b>
Availability Charges	292,462	292,102	360
Connection Fees	0	2,245	(2,245)
Investment Income	1,166	197	969
Other Income	67	0	67
<b>Non-Operating Income</b>	<b>293,695</b>	<b>294,544</b>	<b>(849)</b>
Interest expense	150,018	182,040	(32,022)
Loss on disposition of Assets	0	12,940	(12,940)
<b>Non-Operating Expenses</b>	<b>150,018</b>	<b>194,980</b>	<b>(44,962)</b>
<b>Change in Net Assets</b>	<b>(371,964)</b>	<b>(391,846)</b>	<b>19,882</b>
<b>Net Assets @ Beg, of Year</b>	<b>22,527,658</b>	<b>22,919,504</b>	
<b>FB @ End of Year</b>	<b>22,155,694</b>	<b>22,527,658</b>	

The increase in Depreciation & Amortization is mainly due to the amortization recognized due to the refinancing of the CCSD outstanding bonds.

This section is based on the STATEMENT OF CASH FLOWS (Pg. 12).

Net Cash Provided by Operating Activities	842,003	973,611	(131,608)
Net Cash Used by Capital and Related Financing Activities	(542,765)	(758,959)	216,194
Net Cash Provided by Investing and Non-Operating Activities	1,233	197	1,036
<b>Net Change in Cash</b>	<b>300,471</b>	<b>214,849</b>	<b>85,622</b>
Cash and Cash Equivalents -Beginning of Fiscal Year	242,400	27,551	
Cash and Cash Equivalents -End of Fiscal Year	542,871	242,400	

The Net Cash Used by Capital and Related Financing Activities decrease is mainly a result of a decrease of \$205,402 in the Purchase of Capital Assets.

This section is based on information found in the NOTES TO THE FINACIAL STATEMENTS (Pg. 20).

**CAPITAL ASSETS-GOVERNMENTAL ACTIVITIES**

Land & Trails	14,964,063	14,964,063	0
Bldg & Leasehold Improvements	1,753,270	1,753,270	0
Machinery & Equipment	1,682,239	1,772,176	(89,937)
Construction In Progress	219,961	220,550	(589)
<b>Total Capital Assets @ Cost</b>	<b>18,619,533</b>	<b>18,710,059</b>	<b>(90,526)</b>
Less: Accumulated Depreciation	(1,946,228)	(1,880,389)	(65,839)
<b>CAPITAL ASSETS-GOV'T ACTIVITIES (Net of Depreciation)</b>	<b>16,673,305</b>	<b>16,829,670</b>	<b>(156,365)</b>



**CAMBRIA COMMUNITY SERVICES DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
Fiscal Year Ending June 30, 2011

	<b>FISCAL YEAR 2010/2011</b>	<b>FISCAL YEAR 2009/2010</b>	<b>INCREASE/ (DECREASE)</b>
<b>CAPITAL ASSETS-BUSINESS ACTIVITIES</b>			
Land	2,274,379	2,274,379	0
Buildings & Facilities	41,380,625	41,380,625	0
Machinery & Equipment	1,386,048	1,386,048	0
Construction In Progress	<u>5,175,378</u>	<u>4,946,142</u>	<u>229,236</u>
Total Capital Assets @ Cost	50,216,430	49,987,194	229,236
Less: Accumulated Depreciation	<u>(27,223,161)</u>	<u>(25,961,999)</u>	<u>(1,261,162)</u>
<b>CAPITAL ASSETS-GOV'T ACTIVITIES (Net of Depreciation)</b>	<u><u>22,993,269</u></u>	<u><u>24,025,195</u></u>	<u><u>(1,031,926)</u></u>

**CAMBRIA COMMUNITY SERVICES DISTRICT**  
**BOARD OF DIRECTORS AND ADMINISTRATION**  
June 30, 2011

BOARD OF DIRECTORS

<u>NAME</u>	<u>TERM EXPIRES</u>
Muril Clift, President	December 2012
Allan MacKinnon, Vice President	December 2012
Jim Bahringer, Director	December 2014
Frank De Micco, Director	December 2012
Michael Thompson, Director	December 2014

ADMINISTRATION

Jerry Gruber	General Manager
Tim Carmel	District Counsel
Kathy Choate	District Clerk

**CROSBY COMPANY, CERTIFIED PUBLIC ACCOUNTANT**

1457 MARSH STREET, SUITE 100 - SAN LUIS OBISPO, CA 93401

PHONE: (805)543-6100 FAX: (805)858-9505

Independent Auditor's Report

Board of Directors  
Cambria Community Services District  
Cambria, California

I have audited the accompanying financial statements of the governmental activities and the business-type activities of Cambria Community Services District (CCSD), as of and for the year ended June 30, 2011, which collectively comprise CCSD's basic financial statements as listed in the table of contents. These financial statements are the responsibility of CCSD's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with U.S. generally accepted auditing standards. Those standards require that I 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. I believe my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental and the business-type activities of the Cambria Community Services District as of June 30, 2011, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

The management's discussion and analysis on pages i through xv, are not a required part of the basic financial statements but are supplementary information required by U.S. generally accepted accounting principles. I 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, I did not audit the information and express no opinion on it.

The management's budgetary comparison information on page 9 is not a required part of the basic financial statements but is supplementary information required by U.S. generally accepted accounting principles. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of required supplementary information. However, I did not audit the information and express no opinion on it.

 CPA

**CROSBY COMPANY**  
**Certified Public Accountant**

November 9, 2011

# CAMBRIA COMMUNITY SERVICES DISTRICT

## STATEMENT OF NET ASSETS

June 30, 2011

ASSETS	Primary Government		
	Governmental Activities	Business-type Activities	Total
Cash and investments	\$ 3,843,406	\$ 542,871	\$ 4,386,277
Receivables:			
Interest receivable	5,184		5,184
Taxes	59,804		59,804
Grants	10,969		10,969
Other	77,090	712,762	789,852
Prepaid costs	35,092	991	36,083
Deposits	8,544		8,544
Due from other funds	157,726		157,726
Intangible-water master plan		1,611,290	1,611,290
Deferred loss on refunding, net of accumulated amortization		124,035	124,035
Capital assets:			
Nondepreciable	15,184,024	7,449,757	22,633,781
Depreciable, net	1,489,281	15,543,512	17,032,793
Total capital assets, net of depreciation	16,673,305	22,993,269	39,666,574
 Total assets	 \$ 20,871,120	 \$ 25,985,218	 \$ 46,856,338
 <b>LIABILITIES</b>			
Accounts payable	\$ 106,599	\$ 66,801	\$ 173,400
Accrued expenses	280,737	122,567	403,304
Accrued interest payable		24,784	24,784
Refundable deposits	4,444	36,600	41,044
Deferred revenue	6,053	101,831	107,884
Due to other funds		157,726	157,726
Long-term liabilities			
Due within one year		484,012	484,012
Due within more than one year	217,863	2,835,203	3,053,066
Total liabilities	615,696	3,829,524	4,445,220
 <b>NET ASSETS</b>			
Invested in capital assets-net of related debt	16,673,305	19,775,961	36,449,266
Unrestricted	3,582,119	2,379,733	5,961,852
 Total net assets	 \$ 20,255,424	 \$ 22,155,694	 \$ 42,411,118

The accompanying notes are an integral part of these financial statements

# CAMBRIA COMMUNITY SERVICES DISTRICT

STATEMENT OF ACTIVITIES  
For the Year Ended June 30, 2011

Net (Expense) Revenue and Change in Net Assets

Primary Government

Functions/Programs

Program Revenues

Primary government:	Expenses	Charges for Services	Operating Grants	Govern-mental Activities	Business-type Activities	Totals
Governmental activities:						
Administration	\$ 1,562,423	\$ 1,244,901	\$ -	\$ (317,522)		\$ (317,522)
Fire	1,786,890	61,893	45,437	(1,679,560)		(1,679,560)
Parks and recreation	34,513		4,306	(30,207)		(30,207)
Facilities and resources	505,459			(505,459)		(505,459)
Resource conservation	128,267			(128,267)		(128,267)
Interest on long-term debt	16,878			(16,878)		(16,878)
Total governmental activities	4,034,430	1,306,794	49,743	(2,677,893)		(2,677,893)
Business-type activities:						
Water	1,945,757	1,758,364			\$ (187,393)	(187,393)
Wastewater	2,417,220	1,938,954			(478,266)	(478,266)
Total business-type activities	4,362,977	3,697,318			(665,659)	(665,659)
Total primary government	\$ 8,397,407	\$ 5,004,112	\$ 49,743	(2,677,893)	(665,659)	(3,343,552)

General revenues:

Taxes:

Property taxes and assessments	2,250,275
Availability charges	292,462
Franchise taxes	68,039
Investment income	20,901
Other income	53,714
	67

Total general revenues, investment and other income

2,392,929

Change in net assets

293,695

2,686,624

Net assets - beginning

(371,964)

(656,928)

Net assets - ending

22,527,658

43,068,046

\$ 20,255,424

\$ 22,155,694

\$ 42,411,118

The accompanying notes are an integral part of these financial statements

**CAMBRIA COMMUNITY SERVICES DISTRICT**

BALANCE SHEET  
Governmental Funds  
June 30, 2011

**ASSETS**

Cash and investments  
Receivables:  
    Interest  
    Taxes  
    Grants  
    Other  
Prepaid items  
Deposits  
Amount due from other funds

Total assets

**LIABILITIES AND FUND BALANCES**

**Liabilities:**

Accounts payable  
Accrued expenses  
Refundable deposits  
Deferred revenue

Total liabilities

**Fund balances:**

Nonspendable  
Assigned

Total fund balances

Total liabilities and fund balances

General Fund
\$ 3,843,406
5,184
59,804
10,969
77,090
35,092
8,544
157,726
<b>\$ 4,197,815</b>
\$ 106,599
99,953
4,444
6,053
217,049
43,636
3,937,130
3,980,766
<b>\$ 4,197,815</b>

**CAMBRIA COMMUNITY SERVICES DISTRICT**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET**  
**TO THE STATEMENT OF NET ASSETS**  
 June 30, 2011

**Total fund balances - government funds**

\$ 3,980,766

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.

16,673,305

Long-term liabilities and compensated absences have not been included in the governmental funds activity:

Other post employment benefits payable  
 Compensated absences

(180,784)

(217,863)

**Net assets of governmental activities**

**\$ 20,255,424**

**CAMBRIA COMMUNITY SERVICES DISTRICT**

STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES

Governmental Funds

For the Year Ended June 30, 2011

	General Fund
<b>Revenues:</b>	
Property taxes and assessments	\$ 2,250,275
Grant income	49,743
Weed abatement	61,893
Franchise fees	68,039
Use of money and property	20,901
Charges for administrative services	1,244,901
Other	55,464
<b>Total revenues</b>	<b>3,751,216</b>
<b>Expenditures:</b>	
Administration	1,578,060
Fire	1,684,703
Parks and Recreation	34,513
Facilities and Resources	476,792
Resource Conservation	128,954
Capital outlay	1,161
Debt service:	
Principal	248,328
Interest	16,878
<b>Total expenditures</b>	<b>4,169,389</b>
<b>Net change in fund balance</b>	<b>(418,173)</b>
<b>Fund balance at beginning of year</b>	<b>4,398,939</b>
<b>Fund balance at end of year</b>	<b>\$ 3,980,766</b>



**CAMBRIA COMMUNITY SERVICES DISTRICT**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND**  
**BALANCES OF GOVERNMENT FUNDS TO THE STATEMENT OF ACTIVITIES**  
For the Year Ended June 30, 2011

<b>Net Change in Governmental Fund Balances</b>	\$ (418,173)
Repayment of capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.	248,328
In the statement of activities, compensated absences are measured by the amounts earned during the fiscal year. In governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially the amount paid).	41,246
In the statement of activities, other post employment benefits are measured by the amounts accrued during the fiscal year. In governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially the amount paid).	
Post employment benefits paid	180,784
Less additional post employment benefits accrued	(180,784)
Net amount paid with additional amount accrued	-
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets are allocated over their estimated useful lives and expensed as depreciation expense. In the current period, these amounts are:	
Capital outlay	\$ 1,161
Depreciation expense	(155,776)
Loss on disposal of equipment	(1,750)
Excess of depreciation expense and loss over capital outlay	(156,365)
<b>Change in Net Assets of Governmental Activities</b>	<b>\$ (284,964)</b>

# CAMBRIA COMMUNITY SERVICES DISTRICT

## STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

Budget and Actual - Governmental Funds  
For the Year Ended June 30, 2011

	Budgeted Amounts		Actual	Variance With Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Property taxes and assessments	\$ 2,268,908	2,268,908	\$ 2,250,275	\$ (18,633)
Grant income			49,743	49,743
Weed abatement	60,000	60,000	61,893	1,893
Franchise fees	68,000	68,000	68,039	39
Use of money and property	29,138	29,138	20,901	(8,237)
Charges for administrative services	1,301,265	1,301,265	1,244,901	(56,364)
Other	93,700	93,700	55,464	(38,236)
<b>Total revenues</b>	<b>3,821,011</b>	<b>3,821,011</b>	<b>3,751,216</b>	<b>(69,795)</b>
<b>Expenditures:</b>				
Administration	1,423,815	1,613,521	1,578,060	35,461
Fire	1,629,457	1,629,457	1,684,703	(55,246)
Parks and Recreation	36,586	36,586	34,513	2,073
Facilities and Resources	464,001	464,001	476,792	(12,791)
Resource Conservation	135,662	135,662	128,954	6,708
Capital outlay			1,161	(1,161)
Debt service:				
Principal	36,425	248,328	248,328	-
Interest	12,640	16,878	16,878	-
<b>Total expenditures</b>	<b>3,738,586</b>	<b>4,144,433</b>	<b>4,169,389</b>	<b>(24,956)</b>
<b>Excess of revenues over (under)     expenditures</b>	<b>\$ 82,425</b>	<b>\$ (323,422)</b>	<b>(418,173)</b>	<b>\$ (94,751)</b>
Fund balance at beginning of year			4,398,939	
Fund balance at end of year			<b>\$ 3,980,766</b>	

The accompanying notes are an integral part of these financial statements

**CAMBRIA COMMUNITY SERVICES DISTRICT**

STATEMENT OF NET ASSETS

Proprietary Funds

June 30, 2011

ASSETS	Business-type Activities Enterprise Funds		
	Water Fund	Wastewater Fund	Totals
<b>Current assets:</b>			
Cash and investments	\$ 197,067	\$ 345,804	\$ 542,871
Accounts receivable, net of allowance	333,962	378,800	712,762
Prepaid expense		991	991
Total current assets	531,029	725,595	1,256,624
<b>Noncurrent assets:</b>			
Capital assets:			
Construction in progress	4,852,350	323,028	5,175,378
Land	898,949	1,375,430	2,274,379
Plant and facilities	17,823,149	23,575,211	41,398,360
Machinery and equipment	471,431	896,882	1,368,313
Less: accumulated depreciation	(10,300,278)	(16,922,883)	(27,223,161)
Total noncurrent assets	13,745,601	9,247,668	22,993,269
<b>Other assets:</b>			
Intangible-water master plan	1,611,290		1,611,290
Deferred loss on refunding, net of amortization	65,943	58,092	124,035
Total other assets	1,677,233	58,092	1,735,325
Total assets	\$ 15,953,863	\$ 10,031,355	\$ 25,985,218
<b>LIABILITIES</b>			
<b>Current liabilities:</b>			
Accounts payable	\$ 44,047	\$ 22,754	\$ 66,801
Accrued expenses	65,744	56,823	122,567
Accrued interest payable	4,072	20,712	24,784
Deferred revenue	56,758	45,073	101,831
Refundable deposits	36,600		36,600
Due to other funds	157,726		157,726
Current portion of noncurrent liabilities	159,770	324,242	484,012
Total current liabilities	524,717	469,604	994,321
<b>Noncurrent liabilities:</b>			
Compensated absences	64,027	37,880	101,907
Loan payable, less current portion	383,175	206,325	589,500
Note payable, less current portion		2,143,796	2,143,796
Total noncurrent liabilities	447,202	2,388,001	2,835,203
Total liabilities	\$ 971,919	\$ 2,857,605	\$ 3,829,524
<b>NET ASSETS</b>			
Invested in capital assets - net of related debt	\$ 13,202,656	\$ 6,573,305	\$ 19,775,961
Unrestricted	1,779,288	600,445	2,379,733
Total net assets	\$ 14,981,944	\$ 7,173,750	\$ 22,155,694

The accompanying notes are an integral part of these financial statements

**CAMBRIA COMMUNITY SERVICES DISTRICT**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS**  
**Proprietary Funds**  
**For the Year Ended June 30, 2011**

	Business-type Activities Enterprise Funds		Totals
	Water Fund	Wastewater Fund	
<b>Operating revenues:</b>			
Utility sales	\$ 1,750,606	\$ 1,922,623	\$ 3,673,229
Service charges and fees	7,758	16,331	24,089
Total operating revenues	1,758,364	1,938,954	3,697,318
<b>Operating expenses:</b>			
Salaries and wages	259,501	347,409	606,910
Payroll taxes and benefits	178,083	240,605	418,688
Maintenance and repairs	80,873	250,671	331,544
Office supplies, publications, and dues	9,343	7,557	16,900
Licenses and fees	11,376	53,658	65,034
Rent	26,000	147	26,147
Professional services	99,234	12,559	111,793
Operating supplies	67,936	37,068	105,004
Employee travel and training	10,462	6,195	16,657
Utilities	133,657	186,990	320,647
Bad debts	399		399
General and administrative overhead	450,464	339,287	789,751
Amortized bond costs	17,203	125,120	142,323
Depreciation	571,060	690,102	1,261,162
Total expenses	1,915,591	2,297,368	4,212,959
Net operating loss	(157,227)	(358,414)	(515,641)
<b>Non-operating revenues (expenses):</b>			
Availability charges	177,294	115,168	292,462
Investment income		1,166	1,166
Other income		67	67
Interest expense	(30,166)	(119,852)	(150,018)
Total non-operating revenues (expenses)	147,128	(3,451)	143,677
<b>Change in net assets</b>	(10,099)	(361,865)	(371,964)
<b>Net assets at beginning of year</b>	14,992,043	7,535,615	22,527,658
<b>Net assets at end of year</b>	\$ 14,981,944	\$ 7,173,750	\$ 22,155,694

The accompanying notes are an integral part of these financial statements

# CAMBRIA COMMUNITY SERVICES DISTRICT

## STATEMENT OF CASH FLOWS

Proprietary Funds

For the Year Ended June 30, 2011

	Business-type Activities Enterprise Funds		
	Water Fund	Wastewater Fund	Totals
<b>Cash flows from operating activities:</b>			
Cash received from operating revenue	\$ 1,723,429	\$ 1,925,839	\$ 3,649,268
Payments to suppliers	(1,029,935)	(1,152,454)	(2,182,389)
Payments to employees	(261,439)	(363,437)	(624,876)
Net cash provided by operating activities	432,055	409,948	842,003
<b>Cash flows from capital and related financing activities:</b>			
Proceeds from capital debt		1,585,000	1,585,000
Principal paid on capital debt	(152,880)	(1,888,093)	(2,040,973)
Interest paid on capital debt	(30,166)	(119,852)	(150,018)
Purchase of capital assets	(229,236)		(229,236)
Standby availability	177,294	115,168	292,462
Net cash used by capital and related financing activities	(234,988)	(307,777)	(542,765)
<b>Cash flows from investing and non-operating activities:</b>			
Investment income		1,166	1,166
Other income		67	67
Net cash provided by investing and non-operating activities	-	1,233	1,233
<b>Net change in cash</b>	197,067	103,404	300,471
<b>Cash and cash equivalents-beginning</b>		242,400	242,400
<b>Cash and cash equivalents-end</b>	\$ 197,067	\$ 345,804	\$ 542,871
<b>Reconciliation of operating loss to net cash provided by operating activities:</b>			
Operating loss	\$ (157,227)	\$ (358,414)	\$ (515,641)
Adjustments to reconcile operating loss to net cash used by operating activities:			
Depreciation	571,060	690,102	1,261,162
Amortization	17,203	125,120	142,323
Net changes in assets and liabilities:			
Increase in accounts receivable	(34,935)	(13,115)	(48,050)
Increase in prepaid expense		(790)	(790)
Increase deferred loss on refunding		(24,000)	(24,000)
Increase (decrease) in accounts payable	7,861	(40,458)	(32,597)
Increase (decrease) in accrued expenses	(2,117)	2,983	866
Decrease in accrued interest payable	(1,147)	(7,560)	(8,707)
Increase in deferred revenue	41,758	45,073	86,831
Increase in deposits	1,820		1,820
Decrease in compensated absences	(12,221)	(8,993)	(21,214)
<b>Net cash provided by operating activities</b>	\$ 432,055	\$ 409,948	\$ 842,003

The accompanying notes are an integral part of these financial statements

**CAMBRIA COMMUNITY SERVICES DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2011

**NOTE 1: REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Reporting Entity**

The Cambria Community Services District (CCSD) is a multi-purpose special district established on December 9, 1976. CCSD is a political subdivision of the State of California and operates under a Board of Directors-Manager form of government. CCSD provides water, wastewater, fire protection, parks and recreation, open space, street lighting, conservation and general administrative services.

There are no component units included in this report which meet the criteria of Governmental Accounting Standards Board (GASB) Statement No. 14, The Financial Reporting Entity as amended by GASB Statement No. 39.

**Basis of Accounting, Measurement Focus, and Financial Statements Presentation**

The basic financial statements of CCSD are composed of the following:

- Government-Wide and Fund Financial Statements
- Fund Financial Statements
- Notes to the Financial Statements

**Government-Wide Financial Statements**

Government-wide financial statements display information about the reporting government as a whole. These Statements include separate columns for the governmental activities and business-type activities of the primary government (including its blended component units), as well as its discreetly presented component units. Eliminations have been made in the Statement of Activities so that certain allocated expenses are recorded only once (by the function to which they were allocated). However, general government expenses have not been allocated as indirect expenses to the various functions of CCSD.

Government-wide financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Under the economic resources measurement focus, all (both current and long-term) economic resources and obligations of the reporting government are reported in the government-wide financial statement. Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Under the accrual basis of accounting, revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains losses, assets, and liabilities resulting from non-exchange transaction are recognized in accordance with the requirements of GASB Statement number 33.

Program revenues include charges for services, special assessments, and payments made by parties outside of the reporting government's citizenry if that money is restricted to a particular program. Program revenues are netted with program expenses in the statement of activities to present the net cost of each program.

**CAMBRIA COMMUNITY SERVICES DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2011

**NOTE 1: REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**  
**(continued)**

**Basis of Accounting, Measurement Focus, and Financial Statements Presentation (continued)**

**Fund Financial Statements**

The underlying accounting system of CCSD is organized and operated on the basis of separate funds, each of which is considered to be 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 expenditures or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Fund financial statements for the primary government are presented after the government-wide financial statements. These statements display information about major funds individually and non-major funds in the aggregate for governmental and enterprise funds.

**Governmental Funds**

In the fund financial statements, governmental funds are presented using the modified – accrual basis of accounting. Their revenues are recognized when they become measurable and available as net current assets. Measurable means that the amounts can be estimated, or otherwise determined. Available means that the amounts were collected during the reporting period or soon enough thereafter to be available to finance the expenditures accrued for the reporting period. Revenue recognition is subject to the measurable and availability criteria for the governmental funds in the fund financial statements. Exchange transactions are recognized as revenues in the period in which they are earned (i.e., the related goods or services are provided). Locally imposed derived tax revenues are recognized as revenues in the period in which the underlying exchange transaction upon which they are based takes place. Imposed non-exchange transactions are recognized as revenues in the period for which they were imposed. If the period of use is not specified, they are recognized as revenues in the period for which they were imposed. If the period of use is not specified, they are recognized as revenues when an enforceable legal claim to the revenues arises or when they are received, whichever occurs first. Government-mandated and voluntary non-exchange transactions are recognized as revenues when all applicable eligibility requirements have been met.

In the fund financial statements, governmental funds are presented using the current financial resources measurement focus. This means that only current assets and current liabilities are generally included on their balance sheets. The reported fund balance (net current assets) is considered to be a measure of “available spendable resources.” Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of “available spendable resources” during a period.

**CAMBRIA COMMUNITY SERVICES DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2011

**NOTE 1: REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**  
**(continued)**

**Basis of Accounting, Measurement Focus, and Financial Statements Presentation (continued)**

Non-current portions of long-term receivables due to governmental funds are reported on their balance sheets in spite of their spending measurement focus. Special reporting treatments are used to indicate, however, that they should not be considered "available spendable resources," since they do not represent net current assets. Recognition of governmental fund type revenue represented by non-current receivables are deferred until they become current receivables. Non-current portions of other long-term receivables are offset by fund balance reserve accounts. Because of their spending measurement focus, expenditure recognition for governmental fund types excludes amounts represented by noncurrent liabilities. Since they do not affect net current assets, such long-term amounts are not recognized as governmental fund type expenditures or fund liabilities.

Amounts expended to acquire capital assets are recorded as expenditures in the fiscal year that resources were expended, rather than as capital assets. The proceeds of long-term debt are recorded as an other financing sources rather than as a fund liability. Amounts paid to reduce long-term indebtedness are reported as fund expenditures.

When both restricted and unrestricted resources are combined in a fund, expenditures/expenses are considered to be paid first from restricted resources, and then from unrestricted resources.

CCSD reports the following major governmental fund:

**General Fund:** is the primary operating fund of CCSD. It is used to account for all financial resources except those required to be accounted for in another fund.

CCSD reports the following major proprietary funds:

**Water Fund:** accounts for the activities of CCSD's water operations.

**Wastewater Fund:** accounts for activities of CCSD's sewer operations.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services, and producing and delivering goods in connection with proprietary funds' principal ongoing operations. The principal operating revenues of the Water and Wastewater Funds are charges to customers. Operating expenses for the Water and Wastewater Funds include non-capital expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.



**CAMBRIA COMMUNITY SERVICES DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2011

**NOTE 1: REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**  
**(continued)**

**Estimates**

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

**Encumbrances**

Encumbrance accounting is used for the General Fund. Encumbrances are recorded when purchase orders are issued but are not considered expenditures until liabilities for payments are incurred. Encumbrances are no longer reported as a separate fund balance category on the balance sheet. Encumbrances do not lapse at the close of the fiscal year but are carried forward until liquidated.

**Cash and Cash Equivalents**

For purposes of the statement of cash flows, CCSD considers all highly liquid investments with a maturity of three months or less to be cash and cash equivalents.

**Investments**

Investments are stated at fair value.

**Accounts Receivable**

CCSD water and wastewater charges are billed bimonthly for all residential and commercial customers. Customer accounts receivable are placed on the tax roll when the receivable is deemed uncollectible by CCSD. Management has determined that an allowance for doubtful accounts is zero and not considered necessary since it would not be material.

**Prepaid Expenses**

Payments made to vendors for services that will benefit periods beyond June 30, 2011, are recorded as prepaid expenses.

**Property Taxes**

The County of San Luis Obispo bills and collects property taxes for CCSD. The County charges CCSD for these services. Tax revenues are recognized as soon as the County indicates that they are due to the CCSD.

**CAMBRIA COMMUNITY SERVICES DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2011

**NOTE 1: REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**  
**(continued)**

**Long-term Obligations**

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or business-type activities fund type statement of net assets. In the fund financial statements, governmental fund types report the face amount of debt issued as other financing sources.

**Property, Plant and Equipment**

General capital assets generally result from expenditures in governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements.

All capital assets are valued at historical cost or estimated historical cost, if actual costs are not available. Donated fixed assets are stated at their fair market value on the date donated. CCSD currently maintains a capitalization threshold of \$5,000 and an estimated useful life exceeding two years. Improvements are capitalized and the cost of normal maintenance and repairs that do not add to the value of the net asset or materially extend the asset's life are not.

Capital assets used in operations are depreciated over their estimated useful lives using the straight-line method in the applicable governmental or business-type activity column in the government-wide financial statements. Depreciation is charged as an expense against operations and accumulated depreciation is reported on the respective statement of net assets. The estimated useful lives are as follows:

Equipment	3 to 10 years
Improvements	5 to 20 years

**Compensated Absences**

The accrual for vacation/sick time earned but not taken by staff employees was calculated based on actual vacation/sick days and applied to the individual employees' hourly rate.

**Concentrations**

CCSD will provide water/wastewater services to customers located in the County of San Luis Obispo. Consequently, its ability to collect amounts due from customers may be affected by economic fluctuations, within this region and within the State of California as a whole.

# CAMBRIA COMMUNITY SERVICES DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

June 30, 2011

### **NOTE 1: REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** **(continued)**

#### **Interfund Transactions**

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

With the exception of the loan between the general fund and the water fund, 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 residual equity transfers. All other interfund transfers are reported as operating transfers.

#### **Intergovernmental Revenues**

For governmental funds, intergovernmental revenues, such as contributions awarded on a non-reimbursement basis, are recorded as receivables and revenues when measurable and available.

#### **Fund Balances**

Fund balance can now be displayed in the following classifications depicting the relative strength of the spending constraints placed on the purposes for which resources can be used:

- Non-spendable fund balance – amounts that are not in a spendable form are required to be maintained intact.
- Restricted fund balance – amounts constrained to specific purposes by their providers, through constitutional provisions, or by enabling legislation.
- Committed fund balance – amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest-level action to remove or change the constraint.
- Assigned fund balance – amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority.
- Unassigned fund balance – amounts that have no specific restrictions, commitments or assignments.

If restricted and unrestricted assets are available for the same purpose, the restricted assets will be used before unrestricted assets.

#### **Net Assets**

Net assets present the difference between assets and liabilities in the statement of net assets. Net assets invested in capital assets are reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are legal limitations imposed on their use by external restrictions by creditors, grantors, laws or regulations of other governments.

**CAMBRIA COMMUNITY SERVICES DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2011

**NOTE 2: CASH AND INVESTMENTS**

CCSD pools idle cash from all funds for the purpose of increasing income through investment. Earnings from such investments are allocated to the respective funds on the basis of applicable cash balances of each fund.

The values of cash and investments at June 30, 2011 are summarized as follows:

Petty cash	\$	600
Demand deposits		251,486
Cash and investments with:		
Local Agency Investment Fund (LAIF)		4,134,191
 Total cash and investments	 \$	 4,386,277

The California Government Code requires California banks and savings and loan associations to secure a district's deposits by pledging government securities as collateral. The market value of pledged securities must equal at least 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. CCSD may waive collateral requirements for deposits which are fully insured up to \$250,000 by the Federal Deposit Insurance Corporation (FDIC). Effective October 3, 2008, the FDIC limit was temporarily increased to \$250,000 for interest bearing accounts until December 31, 2013. Effective November 9, 2010, the FDIC established unlimited coverage for public funds held in a noninterest-bearing account until December 31, 2012.

**Credit Risk, Carrying Amount, and Market Value**

Cash is classified in three categories of credit risk as follows:

- Category 1 -insured or collateralized with securities held by the entity or by its agent in the entity's name;
- Category 2 -collateralized with securities held by the pledging financial institution's trust department or agent in the entity's name; and
- Category 3 -uncollateralized.

At June 30, 2011, the carrying amounts of the CCSD's cash demand deposits were \$251,486. The bank's balances were \$447,784. This difference is due to the normal deposits in transit and outstanding checks. CCSD cash deposits by category as of June 30, 2011, were as follows:

		Category			Bank	Carrying
	1	2	3		Balance	Amount
Bank accounts	\$ 447,784	\$ -0-	\$ -0-	\$	447,784	\$ 251,486

**CAMBRIA COMMUNITY SERVICES DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2011

**NOTE 3: PROPERTY, PLANT AND EQUIPMENT**

A summary of capital assets by major classifications is as follows:

<b><u>Governmental activities:</u></b>	<b>Balance June 30, 2010</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance June 30, 2011</b>
Non-depreciable capital assets				
Land	\$ 14,964,063	\$ -	\$ -	\$ 14,964,063
Construction in progress	220,550	1,161	(1,750)	219,961
Total nondepreciable Capital assets	<u>15,184,613</u>	<u>1,161</u>	<u>(1,750)</u>	<u>15,184,024</u>
Depreciable capital assets				
Buildings and improvements	1,753,270	-	-	1,753,270
Equipment	1,772,176		(89,937)	1,682,239
Total depreciable capital assets	3,525,446		(89,937)	3,435,509
Less accumulated depreciation	(1,880,389)	(155,776)	89,937	(1,946,228)
Net depreciable capital assets	<u>1,645,057</u>	<u>(155,776)</u>	<u>-</u>	<u>1,489,281</u>
Net capital assets	<u>\$ 16,829,670</u>	<u>\$ (154,615)</u>	<u>\$ (1,750)</u>	<u>\$ 16,673,305</u>

**Business-type activities:**

Non-depreciable capital assets				
Land	\$ 2,274,379	\$ -	\$ -	\$ 2,274,379
Construction in progress	4,946,142	229,236		5,175,378
Total non-depreciable capital assets	<u>7,220,521</u>	<u>229,236</u>		<u>7,449,757</u>
Depreciable capital assets				
Buildings and facilities	41,380,625			41,380,625
Machinery and equipment	1,386,048			1,386,048
Total depreciable capital assets	42,766,673			42,766,673
Less accumulated depreciation	(25,961,999)	(1,261,162)		(27,223,161)
Net depreciable capital assets	<u>16,804,674</u>	<u>(1,261,162)</u>		<u>15,543,512</u>
Net capital assets	<u>\$ 24,025,195</u>	<u>\$ (1,031,926)</u>	<u>\$ -</u>	<u>\$ 22,993,269</u>

Depreciation expense for all funds was \$1,416,938 for the year ended June 30, 2011.

**CAMBRIA COMMUNITY SERVICES DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2011

**NOTE 4: ACCRUED EXPENSES**

Accrued expenses as of June 30, 2011, are summarized as follows:

Salaries payable	\$	126,031
Other post employment benefits (OPEB) payable		265,946
Other		<u>11,327</u>
 Total accrued liabilities	 \$	 <u><u>403,304</u></u>

**NOTE 5: LONG-TERM DEBT**

**Capital Lease Payable**

CCSD entered into a capital lease agreement on May 16, 2006, with OshKosh Capital for the purchase of a Fire Engine. The terms of the lease were for ten annual payments of \$49,066, commencing May 19, 2007, with an interest rate of 5.09%. On May 4, 2011 the District paid off the remaining principal balance of the capital lease.

**1999 Revenue Bond**

Wastewater revenue bonds totaling \$2,245,000 were issued on October 5, 1999, with interest rates ranging from 3.5 to 5.7 percent. This bond was subsequently refinanced on September 23, 2010 with a private placement bank loan.

**Loan Payable**

On February 17, 2006, CCSD entered into a loan agreement for \$1,897,500 with the Municipal Finance Corporation to advance refund its 1995 water and wastewater bonds. The interest rate on the loan is 4.5%. The loan is allocated 65% to water operations and 35% to wastewater operations. The balance of the loan payable at June 30, 2011, is \$835,300.

The loan matures on May 1<sup>st</sup> of the following fiscal years through 2015, as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2012	\$ 245,800	\$ 37,589	\$ 283,389
2013	256,900	26,528	283,428
2014	268,500	14,967	283,467
2015	<u>64,100</u>	<u>2,883</u>	<u>66,983</u>
Totals	\$ <u><u>835,300</u></u>	\$ <u><u>81,967</u></u>	\$ <u><u>917,267</u></u>

**CAMBRIA COMMUNITY SERVICES DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2011

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

**Notes Payable:**

A State Water Resource Control Board (SWRCB) note payable totaling \$2,512,330 was issued on September 13, 1994, with an interest rate at 3 percent. At June 30, 2011, the note payable principal balance outstanding was \$797,008. Note principal payments are due annually on May 28<sup>th</sup> through 2016.

A City National Bank note payable totaling \$1,585,000 was issued on September 23, 2010 with an interest rate at 4.5 percent. At June 30, 2011, the note payable principal balance outstanding was \$1,585,000. Note principal payments are due annually on September 23<sup>rd</sup> through 2023.

The note payments are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2012	\$ 238,212	\$ 93,961	\$ 332,173
2013	248,653	85,379	334,032
2014	259,293	76,325	335,618
2015	273,071	66,793	339,864
2016	277,779	56,896	334,675
2017-2021	628,000	178,042	806,042
2022-2024	457,000	32,009	489,009
Totals	\$ <u>2,382,008</u>	\$ <u>589,405</u>	\$ <u>2,971,413</u>

Total future debt service payments by activity are as follows:

Fiscal Year Ending June 30,	<u>Governmental Activities</u>		<u>Business-type Activities</u>		Total
	Principal	Interest	Principal	Interest	
2012	\$ -	\$ -	\$ 484,012	\$ 131,550	\$ 615,562
2013			505,553	111,907	617,460
2014			527,793	91,292	619,085
2015			337,171	69,676	406,847
2016			277,779	56,896	334,675
2017-2021			628,000	178,042	806,042
2022-2024			457,000	32,009	489,009
Totals	\$ <u>-</u>	\$ <u>-</u>	\$ <u>3,217,308</u>	\$ <u>671,372</u>	\$ <u>3,888,680</u>

**CAMBRIA COMMUNITY SERVICES DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2011

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

**Changes in long-term liabilities**

The following is a summary of long-term liabilities activity for the fiscal year ended June 30, 2011:

	<u>Balance</u> <u>June 30, 2010</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2011</u>	<u>Current</u>
<b>Governmental activities:</b>					
Capital lease	\$ 248,328	\$ -	\$ (248,328)	\$ -	\$ -
Compensated absences	<u>259,109</u>	<u>-</u>	<u>(41,246)</u>	<u>217,863</u>	<u>-</u>
Governmental activity Long-term liabilities	<u>\$ 507,437</u>	<u>\$ -</u>	<u>\$ (289,574)</u>	<u>\$ 217,863</u>	<u>\$ -</u>
 <b>Business-type activities:</b>					
Bonds payable	\$ 1,660,000	\$ -	\$ (1,660,000)	\$ -	\$ -
Loan payable	1,070,500		(235,200)	835,300	245,800
Notes payable	942,781	1,585,000	(145,773)	2,382,008	238,212
Compensated absences	<u>123,121</u>	<u>-</u>	<u>(21,214)</u>	<u>101,907</u>	<u>-</u>
Business-type activity Long-term liabilities	<u>\$ 3,796,402</u>	<u>\$ 1,585,000</u>	<u>\$ (2,062,187)</u>	<u>\$ 3,319,215</u>	<u>\$ 484,012</u>

**NOTE 6: DEFERRED LOSS ON REFUNDING**

On September 23, 2010, the CCSD refinanced a prior revenue bond refunding with a bank loan, at a cost of \$24,000. The total unamortized balance of a remaining loan refinance and this new refinance at June 30, 2011 was \$124,035.



# CAMBRIA COMMUNITY SERVICES DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

June 30, 2011

### NOTE 7: PENSION PLAN

The Cambria Community Services 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. CalPERS 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 CCSD resolutions. Copies of CalPERS' annual financial report may be obtained from their Executive Office (400 P Street, Sacramento, CA 95814).

Participants are required to contribute 8% of their annual covered salary for miscellaneous members. A new memorandum of understanding with the International Association of Firefighters took effect on April 23, 2010 where they pay 2% (two ninths) of the 9% employee share of retirement. As of July 1, 2010, all management and confidential exempt employees started paying 2% of the 8% employee share of retirement too. CCSD makes the contributions required of CCSD employees on their behalf and for their account. CCSD is required to contribute the actuarially determined remaining amounts necessary to fund the benefits for its members. The actuarial methods and assumptions used are those adopted by the CalPERS Board of Administration. The contribution requirements of the plan members are established by State statute and the employer contribution rate are established and may be amended by CalPERS.

The annual PERS pension cost for the year ended June 30, 2011 was \$553,184 and was equal to CCSD's required and actual contributions. The required contribution was determined as part of the June 30, 2009, actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) 7.75% investment rate of return (net of administrative expenses), (b) projected annual salary increases that vary by duration of service, and (c) no cost-of-living adjustments. Both (a) and (b) included an inflation component of 3.0%. The actuarial value of CalPERS assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a fifteen year period. CalPERS unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The three year trend information was not made available to CCSD for both CCSD participants and safety participants

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**NOTE 8: POST-EMPLOYMENT BENEFITS**

In addition to pension benefits, the District provides post-retirement health care benefits through the California Public Employees' Retirement System. Employees who retire on or after attaining age 50 and are vested, are eligible for District paid health insurance. On June 30, 2010, the District conducted an internal actuarial calculation to determine the required funding for this health care benefits program.

The actuarial liability for the District's retiree health benefits program on this measurement date was determined to be \$6,864,101. This value is based on a discount rate of 5.5%. The District's funding policy is to fund 100% of the annual required contribution determined through the California Employers' Retiree Benefit Trust (CERBT). Currently, 27 retired employees are receiving 95% paid health care benefits totaling \$16,114 per month.

Below are the required disclosures for this plan:

Number of active participants		30
Employer's actuarially required contributions	\$	414,464
Employer's actual contributions	\$	148,546
Actuarial Accrued Liability(AAL)	\$	4,615,089
Actuarial Valuation of Assets(AVA)	\$	-
Unfunded Actuarial Accrued Liability(UAAL)=(AAL less AVL)	\$	4,615,089
Funded Ratio(AVA/AAL)		0%
Estimated Payroll	\$	2,386,307
UAAL as a Percentage of Covered Payroll		193%

# CAMBRIA COMMUNITY SERVICES DISTRICT

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### **NOTE 9: JOINT POWERS AGENCIES**

The Cambria Community Services District participates in a joint venture under a Joint Power Agency (JPA), the Special District Risk Management Authority (SDRMA). The SDRMA was established to provide general liability, workers compensation, automobile, errors and omission, and property loss coverage to special districts. The SDRMA is administered by a Board of Directors, consisting of seven members elected by districts participating. The Board is responsible for establishing premium rates and making budgeting decisions.

Coverage under current policies includes property loss, general liability, auto liability and comprehensive/collision, and public officials' and employees' errors and omissions. Claims over the self-insured amounts are covered by the SDRMA within the limits of the policy. Each member district is assessed a premium in accordance with the JPA agreement creating the agency.

CCSD is also participating in two separate Joint Powers Agreements. The first is an agreement with the City of Morro Bay, the Cayucos Fire District, and the South Bay Fire Department to operate an air fill compressor station for the respective fire departments. CCSD pays their share of the member contributions due on an annual basis, not to exceed \$1,000 per year. There is no contingent liability for CCSD at June 30, 2011.

The second is an agreement with the Coast Unified School District (CUSD) to lease property for the operation of the Santa Rosa Creek Well #4, the CUSD water well, pump, and distribution facilities for the purpose of securing the conveying groundwater. CCSD pays CUSD \$26,000 per year for the easement and access to the site operation and maintenance repairs. The total cost of the 10 year agreement is \$266,000. The first payment of \$32,000 was made in December 2000. This agreement expired in 2010. A 1-year extension was signed on July 28, 2011 and a new agreement is currently being negotiated.