

**NIPOMO  
COMMUNITY SERVICES DISTRICT**

**Independent Auditors' Report  
and  
Financial Statements**

For the Year Ended  
June 30, 2007

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**NIPOMO COMMUNITY SERVICES DISTRICT**  
**INDEPENDENT AUDITORS' REPORT AND FINANCIAL STATEMENTS**  
For the Year Ended June 30, 2007

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SERVICES DISTRICT**

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# NIPOMO COMMUNITY

## BOARD MEMBERS

MICHAEL WINN, PRESIDENT  
LARRY VIERHEILIG, DIRECTOR  
CLIFFORD TROTTER, DIRECTOR  
ED EBY, DIRECTOR  
JAMES HARRISON, DIRECTOR



# SERVICES DISTRICT

## STAFF

BRUCE BUEL, GENERAL MANAGER  
LISA BOGNUDA, ASSISTANT GENERAL MANAGER  
JON SEITZ, GENERAL COUNSEL

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148 SOUTH WILSON STREET POST OFFICE BOX 326 NIPOMO, CA 93444 - 0326  
(805) 929-1133 FAX (805) 929-1932 www.ncsd.ca.gov

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## MANAGEMENT DISCUSSION AND ANALYSIS

The Nipomo Community Services District's Management Discussion and Analysis is an overview of the most recent completed fiscal year's activities designed to:

- Assist the reader in identifying significant financial issues
- Provide an overview of the District's fiscal year financial activity
- Identify changes in the District's financial position
- Identify any material deviations from the financial plan (the approved budget)
- Identify individual fund issues or concerns

Since the Management's Discussion and Analysis (MD&A) is designed to focus on the most recent completed fiscal year's activities, resulting changes and currently known facts, please read it in conjunction with the Independent Auditor's Report (beginning on page 3) and the District's financial statements (beginning on page 4).

### A. DESCRIPTION OF THE BASIC FINANCIAL STATEMENTS

District Staff performs the accounting functions of the District. The District utilizes the Fund Accounting method. The National Council on Government defines the term *fund* as follows:

A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities, or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations.

Financial statements (Consolidated Balance and Income Statements) are presented and reviewed quarterly by the Board of Directors, and confirmed annually by an outside independent audit. The footnotes, contained as supplemental information in the annual Audit Report, provide specific accounting details about Nipomo Community Services District such the basis of accounting, capital assets, and long-term debt. There were no significant accounting process changes during the fiscal year.

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**NIPOMO COMMUNITY SERVICES DISTRICT**  
**MANAGEMENT DISCUSSION AND ANALYSIS**  
**FISCAL YEAR ENDING JUNE 30, 2007**

**CONDENSED FINANCIAL INFORMATION**

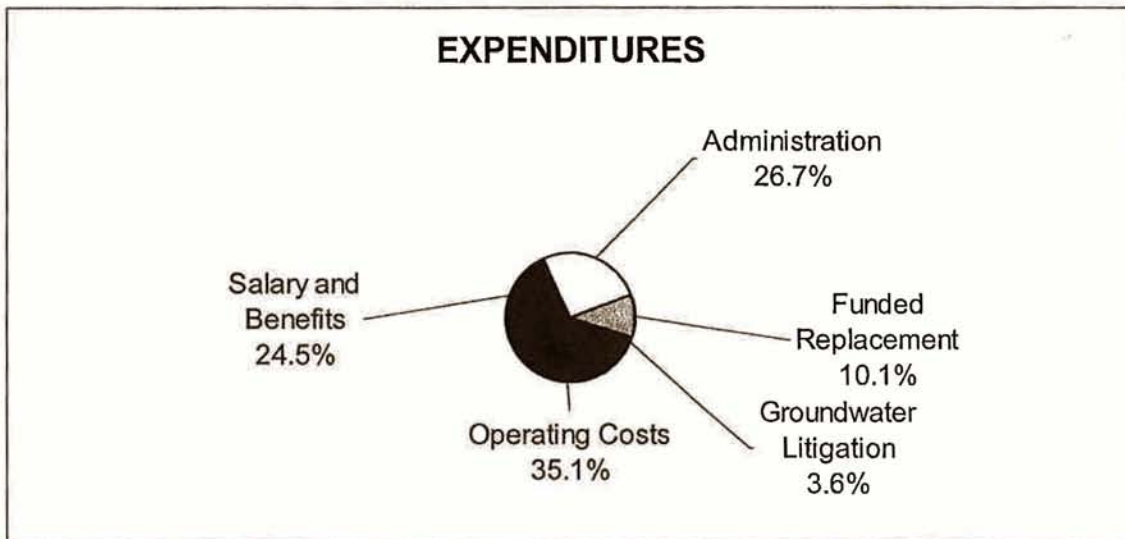
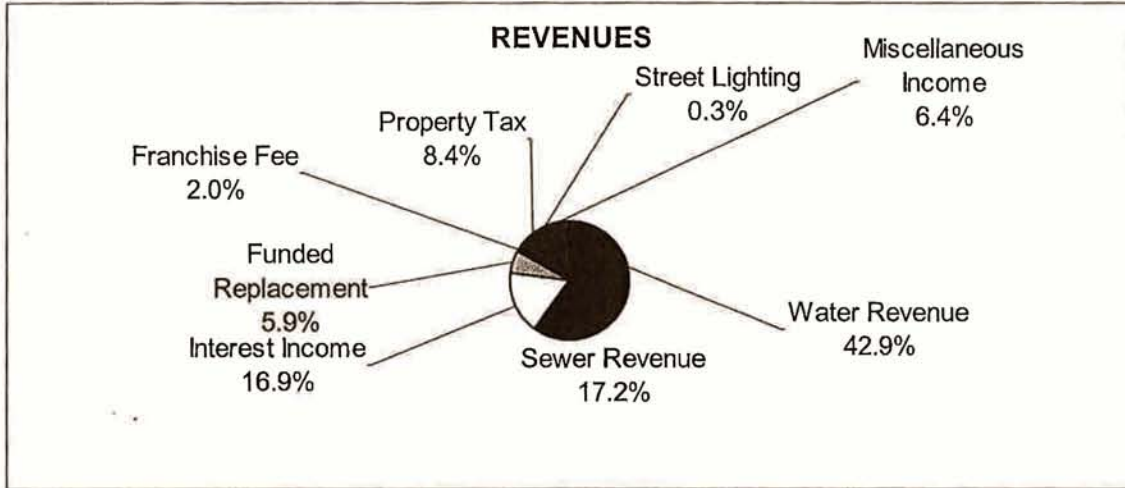
**STATEMENT OF NET ASSETS**

	<u>Fiscal Year</u> <u>7/1/06 – 6/30/07</u>	<u>Fiscal Year</u> <u>7/1/05 – 6/30/06</u>
<u>Assets</u>		
Current and other assets	\$ 22,619,884	\$ 20,689,531
Capital assets, net	24,356,041	23,597,831
Total Assets	46,975,925	44,287,362
<u>Liabilities</u>		
Other liabilities	616,518	367,789
Long-term debt outstanding	4,860,764	5,026,812
Total Liabilities	5,477,282	5,394,601
<u>Net Assets</u>		
Invested in capital assets, net of debt	19,758,349	18,571,019
Restricted	14,862,877	15,349,146
Unrestricted	6,877,417	4,972,596
Total Net Assets	\$ 41,498,643	\$ 38,892,761

**STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET ASSETS**

<u>Operating Revenues</u>		
Charges for services	\$ 3,733,316	\$ 3,200,662
Miscellaneous	485,688	414,867
Total Operating Revenues	4,219,004	3,615,529
<u>Operating Expenses</u>		
Water	2,439,212	2,086,265
Sewer	1,204,354	1,068,952
Other	404,273	321,007
Total Operating Expenses	4,047,839	3,476,224
<u>Non Operating Revenues and (Expenses)</u>		
Interest income	1,045,604	739,159
Miscellaneous revenues	549,769	229,020
Miscellaneous expenses	(1,734)	(454,370)
Interest expense	(176,879)	(186,623)
Net Non Operating Revenues (Expenses)	1,587,925	372,186
Capital Contributions	1,017,957	691,318
Change in Net Assets	2,605,882	1,157,809
Total Net Assets - Beginning of fiscal year	38,892,761	37,734,952
Total Net Assets – End of fiscal year	\$ 41,498,643	\$ 38,892,761

**NIPOMO COMMUNITY SERVICES DISTRICT**  
MANAGEMENT DISCUSSION AND ANALYSIS  
FISCAL YEAR ENDING JUNE 30, 2007



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**NIPOMO COMMUNITY SERVICES DISTRICT**  
**MANAGEMENT DISCUSSION AND ANALYSIS**  
**FISCAL YEAR ENDING JUNE 30, 2007**

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**B. ANALYSIS OF OVERALL FINANCIAL POSITION AND RESULTS OF OPERATION**  
**(Comparison of Fiscal Year 2006-07 to Fiscal Year 2005-06)**

- Overall revenues increased 16.69%
- Overall operating expenditures increased 16.4%
- Total assets increased 6.07%
- Total liabilities decreased 1.53%
- Capital contributions, including water and sewer capacity fees and developer donated assets increased 47.24%

**C. ANALYSIS OF BALANCES AND TRANSACTIONS OF INDIVIDUAL FUNDS**

- Water revenues for the Town Division increased 20% and the Blacklake Division increased 26%. The increase in the Town Division may be attributable to the growth this Division has been experiencing as well as a rate increase that went into effect on January 1, 2007. The increase in the Black Lake Division may be attributable to the rate increase that went into effect on January 1, 2007.
- Sewer revenues for the Town Division increased 8% and the Blacklake Division increased 3.4%. The increase in the Town Division may be attributable to growth in this Division, existing property owners connecting to the sewer system and a rate increase that went into effect on July 1, 2006. The increase in the Blacklake Division is attributable to rate increases that went into effect on July 1, 2006.

**D. ANALYSIS OF SIGNIFICANT VARIATIONS BETWEEN THE BUDGET AND ACTUAL YEAR END RESULTS**

COMPARISON OF BUDGET AMOUNTS TO ACTUAL

	2006-07 <u>BUDGET</u>	2006-07 <u>ACTUAL</u>	% ACTUAL IS OVER(+)/UNDER(-) <u>BUDGET</u>	POSITIVE (+) OR NEGATIVE (-) IMPACT ON <u>BUDGET</u>
Total revenues	\$ 4,112,406	\$ 4,219,004	2.6%	+
Total Expenditures	\$ 3,381,795	\$ 4,047,839	19.69%	-
Net Non Operating Income (Expenses)	\$ 892,243	\$ 1,587,925	77.97%	+

The variation between the budget and actual year-end result for Net Non Operating Income and Expenses is attributable to an increase in Interest Income and Property Tax Revenues.

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**NIPOMO COMMUNITY SERVICES DISTRICT**  
**MANAGEMENT DISCUSSION AND ANALYSIS**  
**FISCAL YEAR ENDING JUNE 30, 2007**

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**E. DESCRIPTION OF SIGNIFICANT CAPITAL ASSETS AND LONG-TERM DEBT ACTIVITY**

All assets purchased by the District are valued at historical cost. Donated fixed assets are valued at their estimated fair market value on the date received by the District. Donated or contributed fixed assets from developers account for the largest increase in capital assets this year.

<b>CAPITAL ASSETS CONTRIBUTED</b>	<b>FAIR MARKET VALUE</b>
Town Division Water	\$297,613
Town Division Sewer	119,339
Blacklake Division Water	0
Blacklake Division Sewer	0
<b>TOTAL</b>	<b>\$416,952</b>

Several years ago, the District recognized the need to implement a Replacement Recovery program. A Replacement Study was completed and a systematic method of funding the replacement was implemented via the budget process. Replacement is very important for water and sewer utilities because of the large investment in the infrastructure required to provide service. A failure to adequately fund the replacement of utility assets over their useful life could result in substantial financing requirements in the future. The replacement funds are restricted and placed in four separate funds (Town Water, Town Sewer, Blacklake Water and Blacklake Sewer) and can only be utilized for replacement and repairs of aging facilities.

The total long-term debt as of June 30, 2007 is as follows:

Town Division Water	Eureka Well development	\$ 129,000
Town Division Sewer	Sewer plant expansion	966,764
Property Tax Secured	Water improvements	3,765,000
<b>Total Long-term debt</b>		<b>\$4,860,764</b>

**F. DISCUSSION OF USE OF THE MODIFIED APPROACH TO REPORT INFRASTRUCTURE ASSETS**

Not applicable. Nipomo Community Services District does not use the modified approach.

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**NIPOMO COMMUNITY SERVICES DISTRICT**  
**MANAGEMENT DISCUSSION AND ANALYSIS**  
**FISCAL YEAR ENDING JUNE 30, 2007**

**G. DESCRIPTION OF FACTS OR CONDITIONS THAT ARE EXPECTED TO HAVE A SIGNIFICANT EFFECT ON FINANCIAL POSITION OR RESULTS OF OPERATION**

- The Board of Directors continues to explore supplemental water alternatives. It is anticipated that a project description will be selected in the coming fiscal year. The financial impacts of that decision will be determined at that time.
- Upon the completion of the Water and Sewer Master Plan Update, additional infrastructure upgrades may be required and additional financial resources may need to be allocated to these projects.
- The legal fees for special water counsel for the groundwater adjudication continue.

**H. ECONOMIC FACTORS**

The Nipomo Community Services District's water and sewer operations rely solely on user fees. The water rates for the Town Division and Blacklake Division will increase on January 1, 2008. The sewer rates for the Town and Blacklake Division will increase on July 1, 2008.

In order to develop and purchase supplemental water, the Board of Directors adopted Ordinance 2005-101 which provides for the collection of a supplemental water capacity charge for new development. The funds collected are restricted for supplemental water use.

Six year summary of Water and Sewer Rates for a single family residence with a one inch meter:

**TOWN DIVISION- WATER RATES AND CHARGES**

As of June 30,	Bi-Monthly Availability Charge	Bi-Monthly Usage Rates	
		0 – 40 Units	41 + Units
2007	\$ 26.96	\$1.38	\$2.35
2006	\$24.75	\$1.23	\$2.10
2005	\$21.04	\$1.07	\$1.64
2004	\$19.26	\$1.01	\$1.51
2003	\$17.50	\$0.95	\$1.42
2002	\$17.50	\$0.90	\$1.33

**BLACKLAKE DIVISION-WATER RATES AND CHARGES**

As of June 30,	Bi-Monthly Availability Charge	Bi-Monthly Usage Rates	
		0 – 40 Units	41 + Units
2007	\$28.40	\$1.42	\$2.49
2006	\$24.42	\$1.16	\$2.04
2005	\$17.86	\$0.97	\$1.70
2004	\$16.22	\$0.75	\$1.15
2003	\$13.00	\$0.75	\$1.15
2002	\$13.00	\$0.75	\$1.15

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**NIPOMO COMMUNITY SERVICES DISTRICT**  
MANAGEMENT DISCUSSION AND ANALYSIS  
FISCAL YEAR ENDING JUNE 30, 2007

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**TOWN DIVISION- SEWER CHARGES**

As of June 30,	Bi-Monthly Sewer Charge
2007	\$43.27
2006	\$41.60
2005	\$37.22
2004	\$36.86
2003	\$36.50
2002	\$36.40

**BLACKLAKE DIVISION- SEWER CHARGES**

As of June 30,	Bi-Monthly Sewer Charge
2007	\$74.56
2006	\$71.70
2005	\$64.40
2004	\$63.66
2003	\$46.00
2002	\$44.50

**I. REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of the Nipomo Community Services District's finances for all those with an interest in the District's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Assistant General Manager, Nipomo Community Services District, P. O. Box 326, Nipomo, CA 93444.

Prepared by:

  
Lisa Bognuda, Assistant General Manager

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**NIPOMO COMMUNITY SERVICES DISTRICT**  
**SCHEDULE OF DIRECTORS**  
June 30, 2007

**BOARD OF DIRECTORS**

**NAME**

**TERM EXPIRES**

Michael Winn, President

December, 2008

Larry Vierheilig, Vice-President

December, 2010

Clifford Trotter, Director

December, 2010

Ed Eby, Director

December, 2008

James Harrison, Director

December, 2010

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**CROSBY & CINDRICH, CERTIFIED PUBLIC ACCOUNTANTS**  
**A PROFESSIONAL CORPORATION**

1368 MARSH STREET - SAN LUIS OBISPO, CA 93401  
PHONE: (805)543-5800 FAX: (805)543-2575

**Independent Auditors' Report**

Board of Directors  
Nipomo Community Services District  
Nipomo, California

We have audited the accompanying financial statements of the business-type activities of the Nipomo Community Services District as of and for the year ended June 30, 2007, which collectively comprise the Organization's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year financial statements are presented for comparative purposes only and were audited by another auditor; the report was dated August 18, 2006, and expressed an unqualified opinion.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Nipomo Community Services District as of June 30, 2007, 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.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental schedules listed in the table of contents are presented for the purposes of additional analysis and are not a required part of the basic financial statements. The supplemental schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements, and in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

**CROSBY & CINDRICH**  
**Certified Public Accountants**  
**A Professional Corporation**

August 17, 2007

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**NIPOMO COMMUNITY SERVICES DISTRICT**  
**STATEMENTS OF NET ASSETS**  
**PROPRIETARY FUNDS**  
**As of June 30, 2007**

(With Comparative Totals for the Year Ended June 30, 2006)

<b>ASSETS</b>	Enterprise Funds	
	<u>2007</u>	<u>2006</u>
<b>Current assets</b>		
Cash and cash equivalents	\$ 21,319,903	\$ 19,826,664
Accounts receivable	167,828	113,837
Unbilled utilities receivable	567,000	467,000
Accrued interest receivable	246,407	215,554
Accrued franchise fees	15,276	14,858
Notes receivable	823	1,606
Total current assets	22,317,237	20,639,519
<b>Non-current assets</b>		
Capital assets:		
Land and construction in progress	2,100,191	1,089,062
Property, plant and equipment, net accumulated depreciation	22,255,850	22,223,069
Total noncurrent assets	24,356,041	23,312,131
<b>Other assets</b>		
Loan fees, net accumulated amortization	263,072	285,700
Deposits	39,575	50,012
Total other assets	302,647	335,712
Total assets	\$ 46,975,925	\$ 44,287,362
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Accounts payable	\$ 372,116	\$ 146,088
Accrued liabilities	135,888	143,897
Deposits	102,214	71,504
Current portion long term debt	171,049	166,049
Total current liabilities	781,267	527,538
<b>Noncurrent liabilities</b>		
Long term debt	4,689,715	4,860,763
Deferred revenues	6,300	6,300
Total noncurrent liabilities	4,696,015	4,867,063
Total liabilities	\$ 5,477,282	\$ 5,394,601
<b>NET ASSETS</b>		
Invested in capital assets, net of related debt	\$ 19,758,349	\$ 18,571,019
Restricted for system expansion and replacement	14,862,877	15,349,146
Unrestricted	6,877,417	4,972,596
Total net assets	\$ 41,498,643	\$ 38,892,761

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**NIPOMO COMMUNITY SERVICES DISTRICT**  
**STATEMENTS OF REVENUES, EXPENSES AND**  
**CHANGES IN FUND NET ASSETS**  
**PROPRIETARY FUNDS**  
**June 30, 2007**

(With Comparative Totals for the Year Ended June 30, 2006)

	Enterprise Funds	
	2007	2006
<b>Operating revenues</b>		
Charges for services	\$ 3,733,316	\$ 3,200,662
Miscellaneous	485,688	414,867
Total operating revenues	4,219,004	3,615,529
<b>Operating expenses</b>		
Personnel	888,097	814,922
Contractual services	496,449	424,638
Utilities	595,073	477,203
Repairs and maintenance	324,286	238,633
Other supplies and expenses	742,136	590,136
Insurance	32,992	32,922
Depreciation and amortization	968,806	897,770
Total operating expenses	4,047,839	3,476,224
Operating income (loss)	171,165	139,305
<b>Non-operating revenues (expenses)</b>		
Interest	1,045,604	739,159
Property taxes	517,110	201,283
Cell site income	28,706	27,737
Miscellaneous income	3,953	
Miscellaneous expense	(1,734)	(50,000)
Abandoned project (Hermreck well)		(404,370)
Interest expense	(176,879)	(186,623)
Total non-operating revenues (expenses)	1,416,760	327,186
<b>Income before contributions</b>	1,587,925	466,491
<b>Capital contributions, net of refunds</b>	1,017,957	691,318
<b>Changes in net assets</b>	2,605,882	1,157,809
<b>Net assets-beginning of year</b>	38,892,761	37,734,952
<b>Net assets-end of year</b>	\$ 41,498,643	\$ 38,892,761

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**NIPOMO COMMUNITY SERVICES DISTRICT**  
**STATEMENTS OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**As of June 30, 2007**

(With Comparative Totals for the Year Ended June 30, 2006)

	Enterprise Funds	
	2007	2006
<b>Cash flows from operating activities</b>		
Cash received from operating revenue	\$ 4,165,013	\$ 3,505,101
Payments to suppliers	(2,064,480)	(1,996,614)
Payments to employees	(888,097)	(814,922)
Net cash provided by operating activities	1,212,436	693,565
<b>Cash flows from non-capital financing activities</b>		
Property tax revenues	517,110	201,283
Net cash provided by non-capital financing activities	517,110	201,283
<b>Cash flows from capital and related financing activities</b>		
Capital contributions	1,017,957	213,903
Acquisition of capital assets	(2,002,922)	(925,951)
Principal paid on capital debt	(166,048)	(165,049)
Interest paid on capital debt	(176,879)	(186,623)
Other cash flows	30,925	(22,263)
Net cash used by capital and related financing activities	(1,296,967)	(1,085,983)
<b>Cash flows from investing activities</b>		
Proceeds from sale of fixed assets	15,056	
Interest income	1,045,604	653,297
Net cash provided by investing activities	1,060,660	653,297
<b>Net increase in cash</b>	1,493,239	462,162
<b>Cash and cash equivalents-beginning</b>	19,826,664	19,364,502
<b>Cash and cash equivalents-ending</b>	\$ 21,319,903	\$ 19,826,664
<b>Reconciliation of operating income to net cash provided by operating activities:</b>		
Operating income	\$ 171,165	\$ 139,305
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	968,806	897,770
Gain on sale	(2,222)	
Net changes in assets and liabilities		
Accounts receivable	(53,991)	(35,428)
Unbilled utility receivable	(100,000)	(75,000)
Accrued interest receivable	(30,853)	(88,281)
Accrued franchise fees	(418)	
Notes receivable	783	746
Deposits and other	10,437	38,517
Accounts payable	226,028	(198,752)
Accrued liabilities	(8,009)	
Deposits	30,710	14,688
Net cash provided by operating activities	\$ 1,212,436	\$ 693,565



**NIPOMO COMMUNITY SERVICES DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2007

**NOTE 1: ORGANIZATION**

The Nipomo Community Services District (District) is a multi-purpose special district and was formed on January 28, 1965 and began operations in November 1966. The District is a political subdivision of the State of California and operates under a Board of Directors - Manager form of government. The District provides water, sewer, street lighting, solid waste, street landscape maintenance, drainage and general administrative services.

The District complies with U.S. Generally Accepted Accounting Principles (GAAP) and all relevant U.S. Governmental Accounting Standards Board pronouncements. These technical pronouncements establish criteria for determining the organization's activities and functions that are included in the financial statements of a governmental unit. The proprietary funds apply Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails.

***Reporting Entity***

For financial reporting purposes, the District would include in this report all funds and account groups of all agencies and boards that are controlled by, or dependent upon, the District's legislative body. The criteria of control is determined on the basis of financial accountability, imposition of will, and financial benefit or burden.

The Nipomo Community Services District Public Facilities Corporation is a component unit of the District. This Corporation was formed to issue Revenues Certificates of Participation (COP'S) in May of 2003. The financial activity of the corporation is blended into the financial statements of the District.

The District is a member of the Special District Authority Risk Management Joint Powers Agency, which was organized for the purpose of providing general liability, automobile, errors and omissions, and property loss insurance coverage to special districts. This organization is financed through premium charges to each member. This organization does not meet the aforementioned reporting entity criteria and therefore is not included in the accompanying financial statements.

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NIPOMO COMMUNITY SERVICES DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2007

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

***Proprietary Fund Financial Statements***

The accounts of the District are organized into proprietary/enterprise funds. Enterprise funds use the economic resources measurement focus. The accounting objectives are a determination of net income, financial position, and cash flows. All assets and liabilities associated with an enterprise fund's activities are included on the balance sheet.

***Basis of Accounting***

The enterprise funds of the District are accounted for using the accrual basis of accounting. Revenues, including user fees and service charges, are recognized when earned, and expenses are recognized when incurred.

***Budgets and Budgetary Accounting***

An annual budget is adopted by the Board of Directors at the start of each year. Any changes or revisions to that budget throughout the year must be approved by the Board of Directors.

***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.

***Cash and Cash Equivalents***

For purposes of the statements of cash flows, the District considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

***Accounts Receivable***

Water and sewer charges are billed monthly/bi-monthly. Customer accounts receivable are placed on the tax roll when the receivable is deemed uncollectible by the District. An allowance for uncollectibles is not considered necessary since it would not be material.

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**NIPOMO COMMUNITY SERVICES DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2007

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

***Property, Plant and Equipment***

All fixed assets are valued at historical cost or estimated historical cost if actual costs are not available. Other donated fixed assets are valued at their estimated fair market value on the date received. Depreciation has been provided over the estimated useful life of the asset using the straight-line method. The estimated useful lives are as follows:

Treatment Plant and Collection System	50 years
Supply/Distribution System	30 years
Buildings/Blowers	20 years
General Plant Machinery and Equipment	5-10 years

***Compensated Absences***

Depending on the length of continuous services, a range of 10-20 vacation and 12 days of sick leave per year may be accumulated by each employee. The District accrues a liability for compensated absences which meet the following criteria:

1. The District's obligation relating to employee's rights to receive compensation for future absences is attributable to employee's services already rendered.
2. The obligation relates to rights that vest or accumulate.
3. Payment of the compensation is probable.
4. The amount can be reasonable estimated.

In accordance with above criteria, the District has accrued a liability for vacation and sick pay which has been earned, but not taken by District employees, and is recorded as a liability.

***Capital Contributions***

Capital contributions are recorded when cash for capacity fees or fixed assets are received from developers, customers, or other governmental entities, and the purpose is for other than operating expenses.

***Property Taxes***

The County of San Luis Obispo bills and collects property taxes for the District. The County charges the District for these services. Tax revenues are recognized by the District in the year received.

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**NIPOMO COMMUNITY SERVICES DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
 June 30, 2007

**NOTE 3: CASH AND CASH EQUIVALENTS**

The values of cash and cash equivalents at June 30, 2007 are summarized as follows:

Cash on hand	\$	350
Demand deposits		28,675
Certificate of deposit		1,937,623
Cash and investments in pooled funds		19,172,055
Deposits with bond trustees		181,200
Total	\$	21,319,903

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. The District may waive collateral requirements for deposits which are fully insured up to \$100,000 by the Federal Deposit Insurance Corporation (FDIC).

***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.

Investments in pools managed by other governments (LAIF) or in mutual funds are not required to be categorized.

At June 30, 2007, the carrying amount of the District's cash deposits was \$1,966,298. The bank's balance was \$2,187,148. This difference is due to the normal deposits in transit and outstanding checks. District cash deposits by category as of June 30, 2007, are as follows:

	<u>1</u>	<u>Category</u> <u>2</u>	<u>3</u>	<u>Bank</u> <u>Balance</u>	<u>Carrying</u> <u>Amount</u>
Bank accounts	\$ <u>2,187,148</u>	\$ <u>-0-</u>	\$ <u>-0-</u>	\$ <u>2,187,148</u>	\$ <u>1,966,298</u>

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**NIPOMO COMMUNITY SERVICES DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
 June 30, 2007

**NOTE 4: INVESTMENTS**

***Investments Authorized by the District's Investment Policy***

The District is authorized to invest in the following institutions:

1. County pooled funds (California Government Code Section 61730)
2. The Local Agency Investment Fund created by the California State Treasury (California Government Code Section 16429.1)
3. One or more FDIC insurance banks and/or savings and loan associations that are designated as District depositories by resolution of the Board of Directors (California Government Code Section 61737.02)
4. Such other financial institutions or securities that may be designated by the Board of Directors from time to time in compliance with California and Federal law.

The District's investment policy does contain specific provisions intended to limit the District's exposure to interest rate risk, credit risk, and concentration of credit risk.

***Investments Authorized by Debt Agreements***

Investment of debt proceeds held by bond trustee and governed by provisions of the debt agreements, rather than the general provisions of the California Government Code or the District's investment policy. The table below identifies certain provisions of these debt agreements that address interest rate risk, credit risk, and concentration of credit risk.

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>
Money Market Mutual Funds	N/A

***Disclosure Relating to Interest Rate Risk***

Interest rate risk is the risk that changes in the market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The weighted average maturity of the investment contained in the LAIF investment pool is approximately 10.5 months.

Information about the sensitivity of the fair values of the District's investment to market interest rate fluctuations is provided by the following table that shows the maturity date of each investment:

	<u>Maturity Date</u>
State investment pool	\$ <u>19,172,055</u> 10.5 months average maturity

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**NIPOMO COMMUNITY SERVICES DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2007

***Investment in State Investment Pool***

The District is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The fair value of the District's investment in this pool is reported in the accompanying financial statements at amounts based upon the entity's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized costs basis.

***Disclosures Relating to Credit Risk***

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. LAIF does not have a rating provided by a nationally recognized statistical rating organization.

***Custodial Credit Risk***

Custodial credit risk for deposits is the risk that in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The California Government Code and the District's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by the state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure District deposits by pledging first trust deed mortgages notes having a value of 150% of the secured public deposits.

The custodial risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the District's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for investments. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to local government's indirect investment in securities through the use of mutual funds or government investment pools (such as LAIF).

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**NIPOMO COMMUNITY SERVICES DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2007

**NOTE 5: PROPERTY, PLANT, EQUIPMENT AND CONSTRUCTION IN PROGRESS**

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

	June, 30 <u>2006</u>	<u>Additions</u>	<u>(Deletions)</u>	June 30, <u>2007</u>
Collection and treatment facilities	\$ 15,578,240	\$ 183,493		\$ 15,761,733
Source of supply and pumping	4,633,286	232,491	(39,806)	4,825,971
Transmission and distribution lines	10,766,384	487,453	(25,620)	11,228,217
Machinery and equipment	470,520			470,520
Vehicles	194,214	43,475	(57,383)	180,306
Building	678,381			678,381
Computer equipment	209,623	42,378		252,001
Office furniture and fixtures	91,112	2,503		93,615
Land and land rights	735,401			735,401
Construction in progress	353,661	1,384,919	(373,790)	1,364,790
Subtotal	<u>33,710,822</u>	<u>2,376,712</u>	<u>(496,599)</u>	<u>35,590,935</u>
Less: Accumulated depreciation	<u>10,398,691</u>	<u>\$ 946,178</u>	<u>\$ (109,975)</u>	<u>11,234,894</u>
Totals	<u>\$ 23,312,131</u>			<u>\$ 24,356,041</u>

Depreciation expense for the period ended June 30, 2007 was \$946,178.

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**NIPOMO COMMUNITY SERVICES DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2007

**NOTE 6: LONG TERM DEBT**

Long term debt consisted of the following:

	<u>Balance at July 1, 2006</u>	<u>Balance at June 30, 2007</u>
In August 1978, the District issued and sold Water Revenue Bonds amounting to \$270,000. The loan is payable over 40 years and bear interest at 5% per annum. Interest is paid semi-annually.	\$ 138,000	\$ 129,000
The District entered into a loan contract for \$697,367 on April 30, 1998, with the State Water Resources Control Board for the construction of the Southland Wastewater Treatment Plant Expansion – Phase I. The loan was funded during the year ended June 30, 1999. Loan interest is zero percent, however, a loan fee of 16.667% was charged. The loan is payable over 20 years. It calls for annual payments of \$34,868 starting May 1, 2000.	453,289	418,420
The District entered into a loan contract for \$843,605 on February 24, 1999, with the State Water Resources Control Board for the construction of the Southland Wastewater Treatment Plant Expansion–Phase II. The loan was funded during the year ended June 30, 2000. The loan interest is zero percent, however, a loan fee of 16.667% was charged. The loan is payable over 20 years. It calls for annual payments of \$42,180 starting March 1, 2001.	590,523	548,344
The District issued \$4,000,000 of Revenue Certificate of Participation (COP'S) on May 1, 2003. The proceeds are to be used for pipeline and storage facility project costs. The COP'S bear interest ranging from 3.00% to 4.93% per annum. Principal is to be paid annually starting September 1, 2004 through September 1, 2033. Annual principal payments range from \$75,000 to \$225,000.	<u>3,845,000</u>	<u>3,765,000</u>
Total long-term debt	5,026,812	4,860,764
Less current maturities	<u>166,049</u>	<u>171,049</u>
Total long-term maturities	<u>\$ 4,860,763</u>	<u>\$ 4,689,715</u>

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**NIPOMO COMMUNITY SERVICES DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2007

**NOTE 6: LONG TERM DEBT (continued)**

Future required principal and interest payments are as follows:

<u>Years ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 171,049	\$ 169,582	\$ 340,631
2009	172,049	167,199	339,248
2010	172,049	164,489	336,538
2011	177,049	161,425	338,474
2012	178,048	158,045	336,093
2013 – 2017	959,243	727,965	1,687,208
2018 – 2022	836,277	598,225	1,434,502
2023 – 2027	775,000	437,174	1,212,174
2028 – 2032	980,000	228,058	1,208,058
2033 – 2034	440,000	21,041	461,041
Totals	\$ <u>4,860,764</u>	\$ <u>2,833,203</u>	\$ <u>7,693,967</u>

**NOTE 7: RESTRICTED NET ASSETS**

Restricted cash and investments were provided by, and are to be used for the following as of June 30, 2007:

<u>Funding Source</u>	<u>Use</u>	
Water capacity charges	For the expansion of the water system	\$ 4,646,780
Water sales	Funded replacement	1,954,212
Sewer capacity charges	For the expansion of sewer system	5,183,023
Sewer sales	Funded replacement	2,755,915
Blacklake water sales	Funded replacement	349,170
Blacklake sewer sales	Funded replacement	<u>(26,223)</u>
	Totals	\$ <u>14,862,877</u>

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**NIPOMO COMMUNITY SERVICES DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2007

**NOTE 8: JOINT POWERS AUTHORITY**

The District is a member of the Special District Risk Management Authority (S.D.R.M.A.), an intergovernmental risk sharing joint powers authority, created pursuant to California Government Code Sections 6500 et.seq. In becoming a member of the S.D.R.M.A., the District elected to participate in the risk financing program(s) listed below for the program periods July 1, 2006 through June 30, 2007 and July 1, 2005 through June 30, 2006.

General Liability: Special District Risk Management Authority, coverage number LCA SDRMA 200607. This covers \$2,500,000 per occurrence with \$500 deductible.

Public Officials and Employees Errors: Special District Risk Management Authority, coverage number LCA SDRMA 200607. This covers \$2,500,000 per occurrence/general aggregate.

Personal Liability Coverage for Board Members: Special District Risk Management Authority, coverage number LCA SDRMA 200607. This covers \$500,000 per occurrence/general aggregate with a \$500 deductible.

Employees Practices Liability: Special District Risk Management Authority, coverage number LCA SDRMA 200607. This covers \$2,500,000 per wrongful employment practice/aggregate limits per member.

Employee Benefits Liability: Special District Risk Management Authority, coverage number LCA SDRMA 200607. This covers \$2,500,000 per occurrence/general aggregate.

Employee Dishonesty Coverage: Special District Risk Management Authority, coverage number EDC SDRMA 200607. This policy includes a \$400,000 Public Employees Dishonesty Blanket Coverage.

Auto Liability: Special District Risk Management Authority, coverage number LCA SDRMA 200607. This policy covers \$2,500,000 per occurrence with a property damage deductible of \$1,000.

Automobile Physical Damage: Special District Risk Management Authority, coverage number LCA SDRMA 200607. The coverage is on file with SDRMA.

Uninsured/Under Insured Motorist: Special District Risk Management Authority, coverage number UMI SDRMA 200607. This covers \$750,000 each incident.

Trailer Coverage: District Risk Management Authority, coverage number LCA SDRMA 200607. The coverage is on file with SDRMA.

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**NIPOMO COMMUNITY SERVICES DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
 June 30, 2007

**NOTE 8: JOINT POWERS AUTHORITY (continued)**

Property Coverage: Special District Risk Management Authority, coverage number PPC SDRMA 200607. This policy covers the replacement cost for scheduled property, \$350,000,000 per occurrence with a property damage deductible of \$2,000.

Boiler and Machinery: Special District Risk Management Authority, coverage number BMC SDRMA 200607. This covers the replacement cost for scheduled property, \$100,000,000 per occurrence with a \$1,000 deductible.

Workers Compensation Coverage and Employer's Liability: Special District Risk Management Authority, coverage number WCP SDRMA 200607. This covers \$200,000,000 per occurrence for workers' compensation and \$5,000,000 for employers' liability coverage.

The annual member contribution was \$29,102 for the Package Program, \$3,889 for the Comp/Collision Program and \$19,856 for the worker's compensation program. Members are subject to dividends and/or assessments, in accordance with Fourth Amended Joint Powers Agreement and amendments thereto, on file with the District. No such dividends have been declared, nor have any assessments been levied. Presently, there are no known refunds or credits due to the District. There has been no reduction in insurance coverage from the prior year. Insurance settlements have not exceeded insurance coverage for each of the past three fiscal years.

Condensed financial information for S.D.R.M.A. for the most recent year available is as follows:

	<u>June 30, 2006</u>
Total assets	\$ 52,454,396
Total liabilities	<u>33,850,371</u>
Risk margin	<u>\$ 18,604,025</u>
Total revenues	\$ 24,464,075
Total expenses	<u>23,321,200</u>
Net income	<u>\$ 1,142,875</u>

Complete audited financial statements on the S.D.R.M.A. are on file with the general manager of the District.

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**NIPOMO COMMUNITY SERVICES DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2007

**NOTE 9: DEFINED BENEFIT PENSION PLAN**

***Plan Description***

The Nipomo 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 District ordinance. Copies of CALPERS' annual financial report may be obtained from their Executive Office – 400 P Street, Sacramento, CA 95814.

Employee membership in CALPERS is compulsory for all regular full-time and part-time employees except those specifically excluded.

Benefits fully vest on reaching five years of services. Employees who retire at or after age 60 with five years of credited services, are entitled to a retirement benefit payable monthly for life. An employee's monthly service benefit is determined by computing the product: years of credited service multiplied by three percent multiplied by final-average monthly compensation. Final-average monthly compensation is the employee's average monthly salary during the last year of credited services, or the last three years, whichever is greater. Vested employees may retire at or after age 50 and receive reduced retirement benefits. CALPERS also provides death and disability benefits. These benefit provisions and all other requirements are established by State statute. Employees are required to contribute to the plan, however, the District agreed to pay the employees' portion. This amount is based upon a payroll contribution rate of eight percent. The District is required to contribute the remaining amounts necessary to fund CALPERS, using the actuarial basis specified by statute.

***Funding Policy***

Participants are required to contribute eight percent of their annual covered salary. The District makes the contribution required of District employees on their behalf and for their account. The District is required to contribute at an actuarially determined rate; the current rate is 20.791% of annual covered payroll. The contribution requirements of plan members and the District are established and may be amended by CALPERS.

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**NIPOMO COMMUNITY SERVICES DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2007

**NOTE 9: DEFINED BENEFIT PENSION PLAN (continued)**

***Actual Pension Cost***

For the fiscal year ending June 30, 2007, the District's annual pension cost of \$147,061 for CALPERS was equal to the District's required and actual contributions. The required contribution was determined as part of the June 30, 2003, actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) 8.25% investment rate of return (net of administrative expenses), (b) projected annual salary increases. 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 two to three year period (smoothed market value).

Actuarial information concerning this pension plan is now combined with several other local districts and individual district information and three year trend information is no longer made available to the Nipomo Community Services District.

***Post-employment Benefits***

In addition to pension benefits, the District provides through CALPERS, post-retirement health care benefits. Employees who retire on or after attaining age 50, are eligible for District paid health insurance. The District funds the benefit payments on a pay-as-you-go basis. Currently two retired employees are receiving 100% paid health care benefits totaling \$1,540 per month.

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**SUPPLEMENTAL INFORMATION**



**NIPOMO COMMUNITY SERVICES DISTRICT**  
COMBINING STATEMENTS OF NET ASSETS  
PROPRIETARY FUNDS  
As of June 30, 2007

**NIPOMO COMMUNITY SERVICES DISTRICT**  
COMBINING STATEMENTS OF NET ASSETS  
PROPRIETARY FUNDS  
As of June 30, 2007

Business Type Activities  
Enterprise Funds

Business Type Activities  
Enterprise Funds

ASSETS	Town Water	Town Sewer	Blacklake Water	Blacklake Sewer
<b>Current Assets</b>				
Cash and cash equivalents	\$ 10,540,340	\$ 8,539,627	\$ 369,348	\$ 20,962
Accounts receivable	67,019	35,397	45,532	19,880
Unbilled utilities receivable	421,000	87,000	39,000	20,000
Accrued interest receivable	110,127	110,607	5,676	659
Accrued franchise fees				
Notes receivable		823		
Total current assets	<u>11,138,486</u>	<u>8,773,454</u>	<u>459,556</u>	<u>61,501</u>
<b>Noncurrent Assets</b>				
Capital assets:				
Land and construction in progress	1,292,623	781,258	5,347	20,963
Property, plant and equipment, net	7,672,966	9,754,736	1,230,003	1,832,001
Total noncurrent assets	<u>8,965,589</u>	<u>10,535,994</u>	<u>1,235,350</u>	<u>1,852,964</u>
<b>Other Assets</b>				
Loan fees, net accumulated amortization		109,460		
Deposits	37,655			
Total other assets	<u>37,655</u>	<u>109,460</u>		
Total assets	<u>\$ 20,141,730</u>	<u>\$ 19,418,908</u>	<u>\$ 1,694,906</u>	<u>\$ 1,914,465</u>
<b>LIABILITIES</b>				
<b>Current Liabilities</b>				
Accounts payable	\$ 245,355	\$ 70,642	\$ 31,569	\$ 16,525
Accrued liabilities	57,027	13,883	4,352	5,735
Deposits	78,044		24,170	
Current portion long term debt	9,000	77,049		
Total current liabilities	<u>389,426</u>	<u>161,574</u>	<u>60,091</u>	<u>22,260</u>
<b>Noncurrent Liabilities</b>				
Long term debt	120,000	889,715		
Deferred revenue		6,300		
Total noncurrent liabilities	<u>120,000</u>	<u>896,015</u>		
Total liabilities	<u>\$ 509,426</u>	<u>\$ 1,057,589</u>	<u>\$ 60,091</u>	<u>\$ 22,260</u>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	\$ 8,836,589	\$ 9,678,690	\$ 1,235,350	\$ 1,852,964
Restricted for system expansion and replacement	6,600,892	7,938,938	349,170	(26,123)
Unrestricted	4,194,823	743,691	50,295	65,364
Total net assets	<u>\$ 19,632,304</u>	<u>\$ 18,361,319</u>	<u>\$ 1,634,815</u>	<u>\$ 1,892,205</u>

Blacklake Lighting	Solid Waste	Drainage	Landscape Maintenance District	Property Taxes	Total
\$ 42,946	\$ 455,405	\$ 5,000	\$ 12,212	\$ 1,334,063	\$ 21,319,903
					167,828
					567,000
549	5,675	229	138	12,747	246,407
	15,276				15,276
					823
<u>43,495</u>	<u>476,356</u>	<u>5,229</u>	<u>12,350</u>	<u>1,346,810</u>	<u>22,317,237</u>
					2,100,191
	11,591			1,754,553	22,255,850
	<u>11,591</u>			<u>1,754,553</u>	<u>24,356,041</u>
				153,612	263,072
				1,920	39,575
				<u>155,532</u>	<u>302,647</u>
<u>\$ 43,495</u>	<u>\$ 487,947</u>	<u>\$ 5,229</u>	<u>\$ 12,350</u>	<u>\$ 3,256,895</u>	<u>\$ 46,975,925</u>
\$ 3,522	\$ 4,044	\$	\$ 459	\$	\$ 372,116
	216			54,675	135,888
					102,214
				85,000	171,049
<u>3,522</u>	<u>4,260</u>		<u>459</u>	<u>139,675</u>	<u>781,267</u>
				3,680,000	4,689,715
					6,300
				<u>3,680,000</u>	<u>4,696,015</u>
<u>\$ 3,522</u>	<u>\$ 4,260</u>		<u>\$ 459</u>	<u>\$ 3,819,675</u>	<u>\$ 5,477,282</u>
\$	\$ 11,591	\$	\$	\$ (1,856,835)	\$ 19,758,349
					14,862,877
<u>39,973</u>	<u>472,096</u>	<u>5,229</u>	<u>11,891</u>	<u>1,294,055</u>	<u>6,877,417</u>
<u>\$ 39,973</u>	<u>\$ 483,687</u>	<u>\$ 5,229</u>	<u>\$ 11,891</u>	<u>\$ (562,780)</u>	<u>\$ 41,498,643</u>



**NIPOMO COMMUNITY SERVICES DISTRICT**  
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGE IN NET ASSETS  
PROPRIETARY FUNDS  
As of June 30, 2007

	Business Type Activities Enterprise Funds			
	Town Water	Town Sewer	Blacklake Water	Blacklake Sewer
<b>Operating Revenues</b>				
Charges for services	\$ 2,289,591	\$ 827,964	\$ 359,127	\$ 237,798
Miscellaneous	310,399	39,775	2,320	
Total operating revenues	<u>2,599,990</u>	<u>867,739</u>	<u>361,447</u>	<u>237,798</u>
<b>Operating expenses</b>				
Personnel	516,840	186,206	97,901	77,178
Contractual services	406,722	11,083	39,567	5,709
Utilities	397,857	95,547	52,378	24,932
Repairs and maintenance	176,312	119,376	11,868	16,730
Other supplies and expenses	382,050	150,440	94,768	79,832
Insurance	19,871	6,069	2,124	2,428
Depreciation and amortization	390,897	365,136	104,948	63,688
Total operating expenses	<u>2,290,549</u>	<u>933,857</u>	<u>403,554</u>	<u>270,497</u>
Operating income (loss)	<u>309,441</u>	<u>(66,118)</u>	<u>(42,107)</u>	<u>(32,699)</u>
<b>Non operating revenues (expenses)</b>				
Interest	514,677	427,181	23,848	2,396
Property taxes				
Cell site	28,706			
Miscellaneous income	2,371	910	316	356
Miscellaneous expense	(1,734)			
Interest expense	(9,510)	(2,944)		
Total non operating revenues (expenses)	<u>534,510</u>	<u>425,147</u>	<u>24,164</u>	<u>2,752</u>
Income (loss) before contributions	<u>843,951</u>	<u>359,029</u>	<u>(17,943)</u>	<u>(29,947)</u>
Transfers (to) from other funds	2,222,198			
Capital contributions, net of refunds	369,815	258,549		
Change in net assets	<u>3,435,964</u>	<u>617,578</u>	<u>(17,943)</u>	<u>(29,947)</u>
Total net assets - beginning	<u>16,196,340</u>	<u>17,743,741</u>	<u>1,652,758</u>	<u>1,922,152</u>
Total net assets - ending	<u>\$ 19,632,304</u>	<u>\$ 18,361,319</u>	<u>\$ 1,634,815</u>	<u>\$ 1,892,205</u>

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**NIPOMO COMMUNITY SERVICES DISTRICT**  
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGE IN NET ASSETS  
PROPRIETARY FUNDS  
As of June 30, 2007

	Business Type Activities Enterprise Funds					Totals
	Blacklake Lighting	Solid Waste	Drainage	Landscape Maintenance District	Property Taxes	
	\$ 18,836	\$	\$	\$ 10,230	\$	\$ 3,733,316
	<u>18,836</u>	<u>122,964</u>	<u></u>	<u>10,230</u>	<u></u>	<u>485,688</u>
						<u>4,219,004</u>
		9,972				888,097
		953		163	32,252	496,449
	22,656	166		1,537		595,073
	58	25,370		5,092	4,526	742,136
	500	2,000				32,992
		3,533			40,604	968,806
	<u>23,214</u>	<u>41,994</u>	<u></u>	<u>6,792</u>	<u>77,382</u>	<u>4,047,839</u>
	<u>(4,378)</u>	<u>80,970</u>	<u></u>	<u>3,438</u>	<u>(77,382)</u>	<u>171,165</u>
	2,164	20,408	681	458	53,791	1,045,604
			14,573		502,537	517,110
						28,706
						3,953
						(1,734)
					(164,425)	(176,879)
	<u>2,164</u>	<u>20,408</u>	<u>15,254</u>	<u>458</u>	<u>391,903</u>	<u>1,416,760</u>
	<u>(2,214)</u>	<u>101,378</u>	<u>15,254</u>	<u>3,896</u>	<u>314,521</u>	<u>1,587,925</u>
			(15,210)		(2,206,988)	
					389,593	1,017,957
	<u>(2,214)</u>	<u>101,378</u>	<u>44</u>	<u>3,896</u>	<u>(1,502,874)</u>	<u>2,605,882</u>
	<u>42,187</u>	<u>382,309</u>	<u>5,185</u>	<u>7,995</u>	<u>940,094</u>	<u>38,892,761</u>
	<u>\$ 39,973</u>	<u>\$ 483,687</u>	<u>\$ 5,229</u>	<u>\$ 11,891</u>	<u>\$ (562,780)</u>	<u>\$ 41,498,643</u>

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**NIPOMO COMMUNITY SERVICES DISTRICT**  
COMBINING STATEMENT OF OTHER SUPPLIES AND EXPENSES  
PROPRIETARY FUNDS  
As of June 30, 2007

Business Type Activities  
Enterprise Funds

	Town Water	Town Sewer	Blacklake Water	Blacklake Sewer	Total
<b>Other supplies and expenses</b>					
Chemicals	\$ 2,534	\$	\$ 2,534	\$ 21,435	\$ 26,503
Lab testing	15,585	21,629	3,803	13,912	54,929
Operating supplies	57,851	32,111	9,776	7,359	107,097
Outside services	39,314	7,295	8,680	243	55,532
Permits and operating fees	7,495	4,119	1,217	3,290	16,121
Fuel	15,055	5,771	2,007	2,258	25,091
Paging service	3,096	1,187	413	464	5,160
Meters - new installation	3,739				3,739
Meters - replacement program	22,620				22,620
Uniforms	3,038	1,165	405	456	5,064
Landscape maintenance					4,913
Intertie costs	(36,382)		36,382		
Clean up costs					25,260
Conservation program	6,120		912		7,032
Bank charges and fees	1,514				1,514
Computer expenses	17,711	5,571	1,949	2,223	27,454
Director fees	12,350	3,800	1,330	1,520	19,000
Dues and subscriptions	6,496	2,232	725	844	10,317
Education and training	3,402	1,351	436	471	5,660
Elections	2,712	834	292	334	4,172
Landscape and janitorial	4,625	1,423	1,698	569	8,315
LAFCO funding	16,163				16,163
Miscellaneous	2,455	400	300		3,155
Newsletters and mailers			1,201		1,201
Office supplies	10,177	3,432	1,052	1,372	16,033
Postage	8,335	3,021	170	1,188	12,714
Public notices	10,056	9		4	10,416
Property taxes	812		660		1,472
Telephone	2,667	807	629	700	4,803
Travel and mileage	6,034	1,967		719	8,720
Bond administration					4,506
Operating transfer	136,476	52,316	18,197	20,471	227,460
<b>Total other supplies and expenses</b>	<b>\$ 382,050</b>	<b>\$ 150,440</b>	<b>\$ 94,768</b>	<b>\$ 79,832</b>	<b>\$ 742,136</b>

**NIPOMO COMMUNITY SERVICES DISTRICT**  
COMBINING STATEMENT OF OTHER SUPPLIES AND EXPENSES  
PROPRIETARY FUNDS  
As of June 30, 2007

Business Type Activities  
Enterprise Funds

	Blacklake Lighting	Solid Waste	Drainage	Landscape Maintenance District	Property Taxes	Total
	\$	\$	\$	\$	\$	\$
Chemicals						26,503
Lab testing						54,929
Operating supplies						107,097
Outside services						55,532
Permits and operating fees						16,121
Fuel						25,091
Paging service						5,160
Meters - new installation						3,739
Meters - replacement program						22,620
Uniforms						5,064
Landscape maintenance				4,913		4,913
Intertie costs						
Clean up costs		25,260				25,260
Conservation program						7,032
Bank charges and fees						1,514
Computer expenses						27,454
Director fees						19,000
Dues and subscriptions					20	10,317
Education and training						5,660
Elections						4,172
Landscape and janitorial						8,315
LAFCO funding						16,163
Miscellaneous						3,155
Newsletters and mailers						1,201
Office supplies						16,033
Postage						12,714
Public notices	58	110		179		10,416
Property taxes						1,472
Telephone						4,803
Travel and mileage						8,720
Bond administration					4,506	4,506
Operating transfer						227,460
<b>Total other supplies and expenses</b>	<b>\$ 58</b>	<b>\$ 25,370</b>	<b>\$</b>	<b>\$ 5,092</b>	<b>\$ 4,526</b>	<b>\$ 742,136</b>

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**NIPOMO COMMUNITY SERVICES DISTRICT**  
**DISCLOSURE UNDER GOVERNMENT CODE SECTION 66013**  
For the Year Ended June 30, 2007

**FUND 500 – SUPPLEMENTAL WATER FUND**

Beginning balance - July 1, 2006	\$	909,721
Ending balance – June 30, 2007	\$	2,411,253
Interest earned	\$	111,408
Amount of charges collected in fiscal year	\$	389,594

Public improvements on which charges were expended and the amount of the expenditure for each improvement:

Public Improvement	Amount of the expenditure for each improvement	Percentage of the total cost that was funded from Fund #500	Project completed during fiscal year
Supplemental Water Project	\$ 562,634	100%	NO

Anticipated projects for 2007-2008 fiscal year:

Supplemental Water Project (including, but not limited to, CEQA, Engineering Design, Right-of-Way, Funding and Permits)

Note: Methodology of calculating capacity charges is included in Section V of the Nipomo Community Services District Water and Sewer Financial Plans, User Rates and Capacity Charges Report. The report is available on the District website at [www.ncsd.ca.gov](http://www.ncsd.ca.gov).



**NIPOMO COMMUNITY SERVICES DISTRICT**  
**DISCLOSURE UNDER GOVERNMENT CODE SECTION 66013**  
For the Year Ended June 30, 2007

**FUND 700 – WATER CAPACITY FUND (TOWN DIVISION)**

Beginning balance - July 1, 2006	\$	4,654,295
Ending balance – June 30, 2007	\$	4,646,680
Interest earned	\$	238,652
Amount of charges collected in fiscal year	\$	98,016

Public improvements on which charges were expended and the amount of the expenditure for each improvement:

Public Improvement	Amount of the expenditure for each improvement	Percentage of the total cost that was funded from Fund #700	Project completed during fiscal year
Hetrick Water Line	\$ 189,840	100%	YES
Work In process – County Drainage Relocation	\$7,661	100%	NO
Work in process – Water and Sewer Master Plan Update	\$132,838	50%	NO
Work in process – Southland Shop Expansion	\$17,143	60%	NO

Anticipated projects for 2007-2008 fiscal year:

- Camino Caballo Water Line
- Master Plan Update
- Southland Shop
- Burton and Mallagh Street Waterline Reset
- Blume to Orchard Water Line
- GIS System Upgrades
- SCADA System Upgrade
- Willow to Aden Water Line

Note: Methodology of calculating capacity charges is included in Section V of the Nipomo Community Services District Water and Sewer Financial Plans, User Rates and Capacity Charges Report. The report is available on the District website at [www.ncsd.ca.gov](http://www.ncsd.ca.gov).

**NIPOMO COMMUNITY SERVICES DISTRICT**  
**DISCLOSURE UNDER GOVERNMENT CODE SECTION 66013**  
For the Year Ended June 30, 2007

**FUND 710 – SEWER CAPACITY FUND (TOWN DIVISION)**

Beginning balance July 1, 2006	\$	5,132,646
Ending balance June 30, 2007	\$	5,183,023
Interest earned	\$	265,866
Amount of charges collected in fiscal year	\$	164,210

Public improvements on which charges were expended and the amount of the expenditure for each improvement:

Public Improvement	Amount of the expenditure for each improvement	Percentage of the total cost that was funded from Fund #710	Project completed during fiscal year
Work in process – Southland Shop Expansion	\$6,812	23%	NO
Work in process – Southland WWTF Upgrade	\$159,762	100%	NO
Work in process – Water and Sewer Master Plan	\$132,838	50%	NO
Work in process – County Drainage Relocation	\$7,661	50%	NO

Anticipated projects for 2007-2008 fiscal year:

- Southland Shop Upgrade
- GIS System Upgrade
- Master Plan Update
- SCADA System Upgrade
- Frontage Road Sewer Tank Line Upgrade (Tefft to Division)
- Southland WWTF Upgrade (including sewer trunk line from Division to Southland)
- Burton and Mallagh Street Sewer Line Reset
- SSO Collection System Evaluation
- East Side Life Station and Plumbing
- Sewer Design and Property Acquisition for Orphan Area

Note: Methodology of calculating capacity charges is included in Section V of the Nipomo Community Services District Water and Sewer Financial Plans, User Rates and Capacity Charges Report. The report is available on the District website at [www.ncsd.ca.gov](http://www.ncsd.ca.gov).