


TO: BOARD OF DIRECTORS  
FROM: BRUCE BUEL   
DATE: OCTOBER 3, 2008

**AGENDA ITEM**  
**E-4**  
**OCTOBER 8, 2008**

AUDIT REPORT FOR FISCAL YEAR 2007-2008

**ITEM**

Audit Report for Fiscal Year 2007-2008

**BACKGROUND**

The District is required by law to have an independent audit performed annually on its financial statements. Robert Crosby, CPA, of Crosby & Cindrich conducted the annual audit for the fiscal year ending June 30, 2008, in accordance with Generally Accepted Accounting Principles.

On September 26, 2008, the Finance and Audit Committee (Director Vierheilig and Director Harrison) and District Staff met and reviewed the draft audit report in detail.

Mr. Crosby, CPA will present the audit report (attached) to your Honorable Board and will answer any questions you may have regarding the audit.

**RECOMMENDATION**

Upon completion of the presentation and public comments, a motion would be in order to accept and file the Audit Report for Fiscal Year 2007-2008.

**ATTACHMENT**

Audit Report

**NIPOMO  
COMMUNITY SERVICES DISTRICT**

**Independent Auditors' Report  
and  
Financial Statements**

For the Year Ended  
June 30, 2008

**NIPOMO COMMUNITY SERVICES DISTRICT**  
**INDEPENDENT AUDITORS' REPORT AND FINANCIAL STATEMENTS**  
For the Year Ended June 30, 2008

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# NIPOMO COMMUNITY



# SERVICES DISTRICT

## BOARD MEMBERS

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

## STAFF

BRUCE BUEL, GENERAL MANAGER  
LISA BOGNUDA, FINANCE DIRECTOR  
JON SEITZ, GENERAL COUNSEL

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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 2) and the District's financial statements (beginning on page 3).

### **A. DESCRIPTION OF THE BASIC FINANCIAL STATEMENTS**

The Nipomo Community Services District's enabling legislation is found in §61000 et seq. of the Government Code and is commonly referred to as Community Services District law. Pursuant to Government Code §§61100 the District supplies water, sewer, solid waste, street lighting and drainage within the District boundaries.

Pursuant to Community Services District law the District:

- On or before July 1<sup>st</sup> of each year, adopts a preliminary budget or final budget that conforms to generally accepted accounting and budgeting procedures for Special Districts (Government Code §61110);
- On or before July 1<sup>st</sup> of each year, adopts a Resolution establishing the District's appropriations limit, if any, and makes other necessary determinations for the following fiscal year, pursuant to Article XIII B of the California Constitution;
- Annually provides for audits of the District's accounts and records (Government Code §61118);
- Provides annual financial reports to the Controller (Government Code §61118);
- Adopts rates and charges to cover costs reasonably borne by the District in providing water, sewer and solid waste collection services within the District boundaries pursuant to the guidelines identified in Water Code §71616 and Article XIII D of the California Constitution (Government Code Section §61123).

**NIPOMO COMMUNITY SERVICES DISTRICT**  
MANAGEMENT DISCUSSION AND ANALYSIS  
FISCAL YEAR ENDING JUNE 30, 2008

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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.

The following is the list of Funds used by the District:

#110	Administration Fund
#120	Water Fund-Town Division
#130	Sewer Fund-Town Division
#140	Water Fund-Blacklake Division
#150	Sewer Fund-Blacklake Division
#200	Blacklake Street Lighting Fund
#250	Street Landscape Maintenance District Fund
#300	Solid Waste Fund
#400	Drainage Fund
#500	Supplemental Water Fund
#600	Property Tax Fund
#700	Water Capacity Charges Fund-Town Division
#710	Sewer Capacity Charges Fund-Town Division
#800	Funded Replacement-Town Water Fund
#810	Funded Replacement-Town Sewer Fund
#820	Funded Replacement-Blacklake Water Fund
#830	Funded Replacement-Blacklake Sewer Fund

The Administration Fund accounts for all of the assets and resources used for the general administration of the District. The remaining operating funds are "enterprise funds". The purpose of enterprise funds is to account for operations in a manner similar to private business enterprises. The policy defined by the elected Board of Directors is that the costs of providing service (expenses, including depreciation of providing goods and services) be financed or recovered primarily through user charges.

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.

**NIPOMO COMMUNITY SERVICES DISTRICT**  
**MANAGEMENT DISCUSSION AND ANALYSIS**  
**FISCAL YEAR ENDING JUNE 30, 2008**

**CONDENSED FINANCIAL INFORMATION**

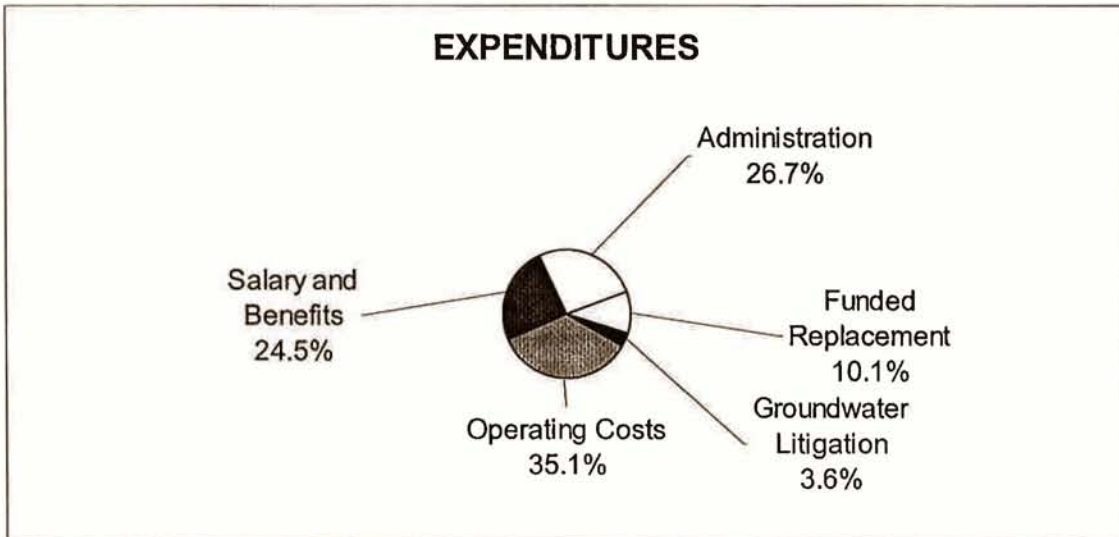
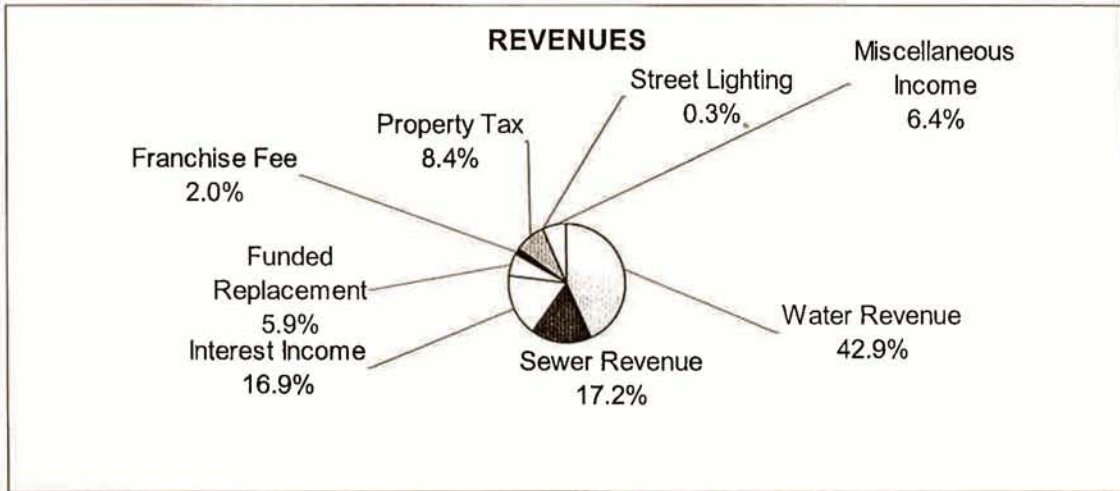
**STATEMENT OF NET ASSETS**

	<u>Fiscal Year</u>	<u>Fiscal Year</u>
<u>Assets</u>	<u>7/1/07 – 6/30/08</u>	<u>7/1/06 – 6/30/07</u>
Current and other assets	\$ 25,453,401	\$ 22,619,884
Capital assets, net	27,433,372	24,356,041
Total Assets	52,886,773	46,975,925
 <u>Liabilities</u>		
Other liabilities	594,986	616,518
Long-term debt outstanding	4,689,715	4,860,764
Total Liabilities	5,284,701	5,477,282
 <u>Net Assets</u>		
Invested in capital assets, net of debt	22,985,210	19,758,349
Restricted	15,786,714	14,862,877
Unrestricted	8,830,148	6,877,417
Total Net Assets	\$ 47,602,072	\$ 41,498,643

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

<u>Operating Revenues</u>		
Charges for services	\$ 4,151,389	\$ 3,733,316
Miscellaneous	587,808	485,688
Total Operating Revenues	4,739,197	4,219,004
 <u>Operating Expenses</u>		
Water	3,325,093	2,439,212
Sewer	1,625,539	1,204,354
Other	160,831	404,273
Total Operating Expenses	5,111,463	4,047,839
 <u>Non Operating Revenues and (Expenses)</u>		
Interest income	961,860	1,045,604
Miscellaneous revenues	576,864	549,769
Miscellaneous expenses	(7,537)	(1,734)
Interest expense	(168,988)	(176,879)
Net Non Operating Revenues (Expenses)	1,362,199	1,416,760
Capital Contributions	5,113,496	1,017,957
Change in Net Assets	6,103,429	2,605,882
Total Net Assets - Beginning of fiscal year	41,498,643	38,892,761
Total Net Assets – End of fiscal year	\$ 47,602,072	\$ 41,498,643

**NIPOMO COMMUNITY SERVICES DISTRICT**  
MANAGEMENT DISCUSSION AND ANALYSIS  
FISCAL YEAR ENDING JUNE 30, 2008



**NIPOMO COMMUNITY SERVICES DISTRICT**  
**MANAGEMENT DISCUSSION AND ANALYSIS**  
**FISCAL YEAR ENDING JUNE 30, 2008**

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

- Overall revenues increased 12.3%
- Overall operating expenditures increased 26.2%
- Total assets increased 12.5%
- Total liabilities decreased 3.5%
- Capital contributions, including water and sewer capacity fees and developer donated assets increased 502%

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

- Water revenues for the Town Division increased 12% and the Blacklake Division increased 13%. The increase in the Town Division is attributable to the growth this Division has been experiencing as well as a rate increase that went into effect on January 1, 2008. The increase in the Black Lake Division is attributable to the rate increase that went into effect on January 1, 2008.
- Sewer revenues for the Town Division increased 9.6% and the Blacklake Division increased 3.2%. The increase in the Town Division is 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, 2007 and April 1, 2008. The increase in the Blacklake Division is attributable to rate increases that went into effect on July 1, 2007.

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

**COMPARISON OF BUDGET AMOUNTS TO ACTUAL**

	<u>2007-08</u> <u>BUDGET</u>	<u>2007-08</u> <u>ACTUAL</u>	<u>% ACTUAL IS</u> <u>OVER(+)/UNDER(-)</u> <u>BUDGET</u>	<u>POSITIVE (+) OR</u> <u>NEGATIVE (-)</u> <u>IMPACT ON</u> <u>BUDGET</u>
Total Revenues	\$ 5,027,352	\$ 5,552,086	10.4%	+
Total Expenditures	\$ 4,443,135	\$ 4,847,587	9.1%	-
Net Non Operating Income (Expenses)	\$ 1,265,057	\$ 1,339,846	5.9%	+



**NIPOMO COMMUNITY SERVICES DISTRICT**  
**MANAGEMENT DISCUSSION AND ANALYSIS**  
**FISCAL YEAR ENDING JUNE 30, 2008**

**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	\$1,202,667
Town Division Sewer	1,492,692
Blacklake Division Water	0
Blacklake Division Sewer	0
<b>TOTAL</b>	<b>\$2,695,359</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.

<b>FUND</b>	<b>FUND #</b>	<b>BUDGETED 2007-08</b>	<b>FUNDED 2007-08</b>
Funded Replacement-Town Water	800	\$392,000	\$392,000
Funded Replacement-Town Sewer	810	\$351,000	\$351,000
Funded Replacement-Blacklake Water	820	\$0	\$0
Funded Replacement-Blacklake Sewer	830	\$40,000	\$40,000

The total long-term debt as of June 30, 2008 is as follows:

Town Division Water	Eureka Well development	\$ 120,000
Town Division Sewer	Sewer plant expansion	889,715
Property Tax Secured	Water improvements and Supplemental Water	3,680,000
Total Long-term debt		\$4,689,715

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

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

**NIPOMO COMMUNITY SERVICES DISTRICT**  
**MANAGEMENT DISCUSSION AND ANALYSIS**  
**FISCAL YEAR ENDING JUNE 30, 2008**

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

- The Board of Directors approved the waterline intertie project between NCSD and the City of Santa Maria. Expenditures are on-going with construction expected to begin in fiscal year 09-10.
- The planning and design of the upgrade to the Southland Wastewater Treatment Facility continue with construction expected to begin fiscal year 09-10.
- The legal and professional services fees continue due to the groundwater adjudication and Nipomo Mesa Technical Group.

**F. 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, 2009. The sewer rates for the Town Division will increase on January 1, 2009 and Blacklake Division will increase on July 1, 2009.

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.

Seven 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
2008	\$29.03	\$1.52	\$2.59
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
2008	\$32.38	\$1.68	\$2.94
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

**NIPOMO COMMUNITY SERVICES DISTRICT**  
MANAGEMENT DISCUSSION AND ANALYSIS  
FISCAL YEAR ENDING JUNE 30, 2008

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**TOWN DIVISION- SEWER CHARGES**

As of June 30,	Bi-Monthly Sewer Charge
2008	\$56.53
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
2008	\$77.55
2007	\$74.56
2006	\$71.70
2005	\$64.40
2004	\$63.66
2003	\$46.00
2002	\$44.50

**G. 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 Finance Director, Nipomo Community Services District, P. O. Box 326, Nipomo, CA 93444.

**NIPOMO COMMUNITY SERVICES DISTRICT**  
**SCHEDULE OF DIRECTORS**  
June 30, 2008

BOARD OF DIRECTORS

<u>NAME</u>	<u>TERM EXPIRES</u>
Michael Winn, President	December 5, 2008
James Harrison, Vice-President	December 3, 2010
Clifford Trotter, Director	December 3, 2010
Ed Eby, Director	December 5, 2008
Larry Vierheilig, Director	December 3, 2010



**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, 2008, 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.

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, 2008, 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 viii, are not a required part of the basic financial statements but are supplementary information required by U.S. generally accepted accounting principles. We have applied certain limited procedures, which consisted principally of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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 19, 2008

**NIPOMO COMMUNITY SERVICES DISTRICT**  
**STATEMENTS OF NET ASSETS**  
**PROPRIETARY FUNDS**  
**As of June 30, 2008**

(With Comparative Totals for the Year Ended June 30, 2007)

<b>ASSETS</b>	Enterprise Funds	
	<u>2008</u>	<u>2007</u>
<b>Current assets</b>		
Cash and cash equivalents	\$ 24,159,649	\$ 21,319,903
Accounts receivable	182,355	167,828
Unbilled utilities receivable	652,500	567,000
Accrued interest receivable	165,916	246,407
Accrued franchise fees	11,804	15,276
Notes receivable		823
Total current assets	25,172,224	22,317,237
<b>Non-current assets</b>		
Capital assets:		
Land and construction in progress	2,488,810	2,100,191
Property, plant and equipment, net accumulated depreciation	24,944,562	22,255,850
Total noncurrent assets	27,433,372	24,356,041
<b>Other assets</b>		
Loan fees, net accumulated amortization	241,553	263,072
Deposits	39,624	39,575
Total other assets	281,177	302,647
Total assets	\$ 52,886,773	\$ 46,975,925
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Accounts payable	\$ 396,390	\$ 372,116
Accrued liabilities	90,282	135,888
Deposits	102,014	102,214
Current portion long term debt	172,049	171,049
Total current liabilities	760,735	781,267
<b>Noncurrent liabilities</b>		
Long term debt	4,517,666	4,689,715
Deferred revenues	6,300	6,300
Total noncurrent liabilities	4,523,966	4,696,015
Total liabilities	\$ 5,284,701	\$ 5,477,282
<b>NET ASSETS</b>		
Invested in capital assets, net of related debt	\$ 22,985,210	\$ 19,758,349
Restricted for system expansion and replacement	15,786,714	14,862,877
Unrestricted	8,830,148	6,877,417
Total net assets	\$ 47,602,072	\$ 41,498,643

**NIPOMO COMMUNITY SERVICES DISTRICT**  
**STATEMENTS OF REVENUES, EXPENSES AND**  
**CHANGES IN FUND NET ASSETS**  
**PROPRIETARY FUNDS**  
**June 30, 2008**

(With Comparative Totals for the Year Ended June 30, 2007)

	Enterprise Funds	
	<u>2008</u>	<u>2007</u>
<b>Operating revenues</b>		
Charges for services	\$ 4,151,389	\$ 3,733,316
Miscellaneous	587,808	485,688
Total operating revenues	4,739,197	4,219,004
<b>Operating expenses</b>		
Personnel	1,197,427	888,097
Contractual services	1,005,913	496,449
Utilities	557,310	595,073
Repairs and maintenance	345,266	324,286
Other supplies and expenses	919,878	742,136
Insurance	38,808	32,992
Depreciation and amortization	1,046,861	968,806
Total operating expenses	5,111,463	4,047,839
Operating income (loss)	(372,266)	171,165
<b>Non-operating revenues (expenses)</b>		
Interest	961,860	1,045,604
Property taxes	546,975	517,110
Cell site income	29,889	28,706
Miscellaneous income		3,953
Miscellaneous expense	(7,537)	(1,734)
Interest expense	(168,988)	(176,879)
Total non-operating revenues (expenses)	1,362,199	1,416,760
<b>Income before contributions</b>	989,933	1,587,925
<b>Capital contributions, net of refunds</b>	5,113,496	1,017,957
<b>Changes in net assets</b>	6,103,429	2,605,882
<b>Net assets-beginning of year</b>	41,498,643	38,892,761
<b>Net assets-end of year</b>	\$ 47,602,072	\$ 41,498,643

**NIPOMO COMMUNITY SERVICES DISTRICT**  
**STATEMENTS OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**As of June 30, 2008**

(With Comparative Totals for the Year Ended June 30, 2007)

	Enterprise Funds	
	<u>2008</u>	<u>2007</u>
<b>Cash flows from operating activities</b>		
Cash received from operating revenue	\$ 4,724,670	\$ 4,165,013
Payments to suppliers	(2,881,933)	(2,064,480)
Payments to employees	(1,197,427)	(888,097)
Net cash provided by operating activities	645,310	1,212,436
<b>Cash flows from non-capital financing activities</b>		
Property tax revenues	546,975	517,110
Net cash provided by non-capital financing activities	546,975	517,110
<b>Cash flows from capital and related financing activities</b>		
Capital contributions	5,113,496	1,017,957
Acquisition of capital assets	(4,110,210)	(2,002,922)
Principal paid on capital debt	(171,049)	(166,048)
Interest paid on capital debt	(168,988)	(176,879)
Other cash flows	22,352	30,925
Net cash provided (used) by capital and related financing activities	685,601	(1,296,967)
<b>Cash flows from investing activities</b>		
Proceeds from sale of fixed assets		15,056
Interest income	961,860	1,045,604
Net cash provided by investing activities	961,860	1,060,660
<b>Net increase in cash</b>	2,839,746	1,493,239
<b>Cash and cash equivalents-beginning</b>	21,319,903	19,826,664
<b>Cash and cash equivalents-ending</b>	\$ 24,159,649	\$ 21,319,903
<b>Reconciliation of operating income to net cash provided by operating activities:</b>		
Operating income (loss)	\$ (372,266)	\$ 171,165
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	1,046,861	968,806
(Gain) loss on disposal	7,537	(2,222)
Net changes in assets and liabilities		
Accounts receivable	(14,527)	(53,991)
Unbilled utility receivable	(85,500)	(100,000)
Accrued interest receivable	80,491	(30,853)
Accrued franchise fees	3,472	(418)
Notes receivable	823	783
Deposits and other	(49)	10,437
Accounts payable	24,274	226,028
Accrued liabilities	(45,606)	(8,009)
Deposits	(200)	30,710
Net cash provided by operating activities	\$ 645,310	\$ 1,212,436



**NIPOMO COMMUNITY SERVICES DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2008

**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 – General 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 (GASB) 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.

**NIPOMO COMMUNITY SERVICES DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2008

**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 fiscal 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 bi-monthly for all residential and commercial customers. 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.

**NIPOMO COMMUNITY SERVICES DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2008

**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:

Wastewater Treatment Plant and Collection System	50 years
Water Supply/Distribution System	20-50 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.

**NIPOMO COMMUNITY SERVICES DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
 June 30, 2008

**NOTE 3: CASH AND CASH EQUIVALENTS**

The values of cash and cash equivalents at June 30, 2008 are summarized as follows:

Cash on hand	\$	350
Demand deposits		51,548
Certificate of deposit		2,004,569
Cash and investments in pooled funds		21,917,210
Deposits with bond trustees		<u>185,972</u>
 Total	 \$	 <u>24,159,649</u>

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.

As of June 30, 2008, the carrying amount of the District's cash deposits was \$2,242,088. The bank's balance was \$2,286,601. This difference is due to the normal deposits in transit and outstanding checks. District cash deposits by category as of June 30, 2008, 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>2,286,601</u>	\$ <u>-0-</u>	\$ <u>-0-</u>	\$ <u>2,286,601</u>	\$ <u>2,242,088</u>

**NIPOMO COMMUNITY SERVICES DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
 June 30, 2008

**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 7 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>21,917,210</u> 7 months average maturity

**NIPOMO COMMUNITY SERVICES DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2008

***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).

**NIPOMO COMMUNITY SERVICES DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2008

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

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

	June, 30 <u>2007</u>	<u>Additions</u>	<u>(Deletions)</u>	June 30, <u>2008</u>
Collection and treatment facilities	\$ 15,761,733	\$ 1,717,225		\$ 17,478,958
Source of supply and pumping	4,825,971	23,148	(14,584)	4,834,535
Transmission and distribution lines	11,228,217	1,381,625		12,609,842
Machinery and equipment	470,520	85,547		556,067
Vehicles	180,306	14,982		195,288
Building	678,381	376,845		1,055,226
Computer equipment	252,001	61,477		313,478
Office furniture and fixtures	93,615	60,742		154,357
Land and land rights	735,401			735,401
Construction in progress	<u>1,364,790</u>	<u>1,602,095</u>	<u>(1,213,476)</u>	<u>1,753,409</u>
Subtotal	<u>35,590,935</u>	<u>5,323,686</u>	<u>(1,228,060)</u>	<u>39,686,561</u>
Less: Accumulated depreciation	<u>11,234,894</u>	<u>\$ 1,025,342</u>	<u>\$ (7,047)</u>	<u>12,253,189</u>
Totals	<u>\$ 24,356,041</u>			<u>\$ 27,433,372</u>

Depreciation expense for the period ended June 30, 2008 was \$1,025,342.

**NIPOMO COMMUNITY SERVICES DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2008

**NOTE 6: LONG TERM DEBT**

Long term debt consisted of the following:

	<u>Balance at July 1, 2007</u>	<u>Balance at June 30, 2008</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.	\$ 129,000	\$ 120,000
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.	418,420	383,552
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.	548,344	506,163
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>3,765,000</u>	<u>3,680,000</u>
Total long-term debt	4,860,764	4,689,715
Less current maturities	<u>171,049</u>	<u>172,049</u>
Total long-term maturities	<u>\$ 4,689,715</u>	<u>\$ 4,517,666</u>



**NIPOMO COMMUNITY SERVICES DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2008

**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>
2009	\$ 172,049	\$ 167,199	\$ 339,248
2010	172,049	164,489	336,538
2011	177,049	161,425	338,474
2012	178,049	158,045	336,094
2013	184,048	154,348	338,396
2014 – 2018	982,243	704,532	1,686,775
2019 – 2023	769,228	569,085	1,338,313
2024 – 2028	815,000	399,346	1,214,346
2029 – 2033	1,025,000	179,937	1,204,937
2034	<u>215,000</u>	<u>5,214</u>	<u>220,214</u>
Totals	\$ <u>4,689,715</u>	\$ <u>2,663,620</u>	\$ <u>7,353,335</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, 2008:

<u>Funding Source</u>	<u>Use</u>		
Water capacity charges	For the expansion of the water system	\$	4,857,333
Water sales	Funded replacement		2,339,823
Sewer capacity charges	For the expansion of sewer system		5,204,055
Sewer sales	Funded replacement		3,247,498
Blacklake water sales	Funded replacement		271,091
Blacklake sewer sales	Funded replacement		<u>(133,086)</u>
	Totals	\$	<u>15,786,714</u>

**NIPOMO COMMUNITY SERVICES DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2008

**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, 2007 through June 30, 2008 and July 1, 2006 through June 30, 2007.

General Liability: Special District Risk Management Authority, coverage number LCA SDRMA 200708. This covers \$2,500,000 per occurrence with \$500 deductible.

Public Officials and Employees Errors: Special District Risk Management Authority, coverage number LCA SDRMA 200708. This covers \$2,500,000 per occurrence/general aggregate.

Personal Liability Coverage for Board Members: Special District Risk Management Authority, coverage number LCA SDRMA 200708. This covers \$500,000 per occurrence/general aggregate with a \$500 deductible.

Employment Practices Liability: Special District Risk Management Authority, coverage number LCA SDRMA 200708. 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 200708. This covers \$2,500,000 per occurrence/general aggregate.

Employee Dishonesty Coverage: Special District Risk Management Authority, coverage number EDC SDRMA 200708. This policy includes a \$400,000 Public Employees Dishonesty Blanket Coverage.

Auto Liability: Special District Risk Management Authority, coverage number LCA SDRMA 200708. 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 200708. The coverage is on file with SDRMA.

Uninsured/Under Insured Motorist: Special District Risk Management Authority, coverage number UMI SDRMA 200708. This covers \$750,000 each incident.

Trailer Coverage: District Risk Management Authority, coverage number LCA SDRMA 200708. The coverage is on file with SDRMA.

**NIPOMO COMMUNITY SERVICES DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2008

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

Property Coverage: Special District Risk Management Authority, coverage number PPC SDRMA 200708. This policy covers the replacement cost for scheduled property, \$1,000,000,000 and \$350,000,000 per occurrence for June 30, 2008 and 2007, respectively. Deductible is on file with SDRMA.

Boiler and Machinery: Special District Risk Management Authority, coverage number BMC SDRMA 200708. This covers the replacement cost for scheduled property, \$100,000,000 per occurrence. Deductible is on file with SDRMA.

Workers Compensation Coverage and Employer's Liability: Special District Risk Management Authority, coverage number WCP SDRMA 200708. This covers \$300,000,000 and \$200,000,000 per occurrence for June 30, 2008 and 2007, respectively for workers' compensation and \$5,000,000 for employers' liability coverage.

The annual member contribution was \$34,458 for the Package Program, \$4,350 for the Comp/Collision Program and \$26,640 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, 2007</u>
Total assets	\$	60,103,067
Total liabilities		<u>46,623,168</u>
Risk margin	\$	<u>13,479,899</u>
Total revenues	\$	28,957,986
Total expenses		<u>28,192,556</u>
Net income	\$	<u>765,430</u>

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

**NIPOMO COMMUNITY SERVICES DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2008

**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 20.759% of annual covered payroll. The contribution requirements of plan members and the District are established and may be amended by CALPERS.

**NIPOMO COMMUNITY SERVICES DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2008

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

***Actual Pension Cost***

For the fiscal year ending June 30, 2008, the District's annual pension cost of \$193,507 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 \$1,579 per month.

**SUPPLEMENTAL INFORMATION**

**NIPOMO COMMUNITY SERVICES DISTRICT**  
**COMBINING STATEMENTS OF NET ASSETS**  
**PROPRIETARY FUNDS**  
As of June 30, 2008

Business Type Activities  
Enterprise Funds

<b>ASSETS</b>		<u>Town</u> <u>Water</u>		<u>Town</u> <u>Sewer</u>		<u>Blacklake</u> <u>Water</u>		<u>Blacklake</u> <u>Sewer</u>
<b>Current Assets</b>								
Cash and cash equivalents	\$	12,881,994	\$	8,862,082	\$	306,200	\$	(144,550)
Accounts receivable		80,523		36,057		44,760		21,015
Unbilled utilities receivable		462,000		125,000		45,000		20,500
Accrued interest receivable		80,909		67,856		2,455		20
Accrued franchise fees								
Total current assets		<u>13,505,426</u>		<u>9,090,995</u>		<u>398,415</u>		<u>(103,015)</u>
<b>Noncurrent Assets</b>								
Capital assets:								
Land and construction in progress		1,475,820		1,012,990				
Property, plant and equipment, net		9,010,501		11,056,157		1,209,157		1,937,111
Total noncurrent assets		<u>10,486,321</u>		<u>12,069,147</u>		<u>1,209,157</u>		<u>1,937,111</u>
<b>Other Assets</b>								
Loan fees, net accumulated amortization				93,877				
Deposits		37,704						
Total other assets		<u>37,704</u>		<u>93,877</u>				
 Total assets	 \$	 <u>24,029,451</u>	 \$	 <u>21,254,019</u>	 \$	 <u>1,607,572</u>	 \$	 <u>1,834,096</u>
<b>LIABILITIES</b>								
<b>Current Liabilities</b>								
Accounts payable	\$	191,943	\$	89,906	\$	42,229	\$	12,128
Accrued liabilities		59,108		15,046		4,555		6,145
Deposits		77,844				24,170		
Current portion long term debt		10,000		77,049				
Total current liabilities		<u>338,895</u>		<u>182,001</u>		<u>70,954</u>		<u>18,273</u>
<b>Noncurrent Liabilities</b>								
Long term debt		110,000		812,666				
Deferred revenue				6,300				
Total noncurrent liabilities		<u>110,000</u>		<u>818,966</u>				
 Total liabilities	 \$	 <u>448,895</u>	 \$	 <u>1,000,967</u>	 \$	 <u>70,954</u>	 \$	 <u>18,273</u>
<b>NET ASSETS</b>								
Invested in capital assets, net of related debt	\$	10,366,321	\$	11,273,309	\$	1,209,157	\$	1,937,111
Restricted for system expansion and replacement		7,197,155		8,451,554		271,091		(133,086)
Unrestricted		6,017,080		528,189		56,370		11,798
Total net assets	 \$	 <u>23,580,556</u>	 \$	 <u>20,253,052</u>	 \$	 <u>1,536,618</u>	 \$	 <u>1,815,823</u>

**NIPOMO COMMUNITY SERVICES DISTRICT**  
**COMBINING STATEMENTS OF NET ASSETS**  
**PROPRIETARY FUNDS**  
**As of June 30, 2008**

Business Type Activities					
Enterprise Funds					
Blacklake Lighting	Solid Waste	Drainage	Landscape Maintenance District	Property Taxes	Total
\$ 42,122	\$ 535,488	\$ 5,000	\$ 17,202	\$ 1,654,111	\$ 24,159,649
					182,355
318	4,076	133	122	10,027	652,500
	11,804				165,916
<u>42,440</u>	<u>551,368</u>	<u>5,133</u>	<u>17,324</u>	<u>1,664,138</u>	<u>25,172,224</u>
					2,488,810
	9,895			1,721,741	24,944,562
	<u>9,895</u>			<u>1,721,741</u>	<u>27,433,372</u>
				147,676	241,553
				1,920	39,624
				<u>149,596</u>	<u>281,177</u>
<u>\$ 42,440</u>	<u>\$ 561,263</u>	<u>\$ 5,133</u>	<u>\$ 17,324</u>	<u>\$ 3,535,475</u>	<u>\$ 52,886,773</u>
\$ 3,523	\$ 1,808		\$ 773	\$ 54,080	\$ 396,390
	1,770			3,658	90,282
				85,000	102,014
<u>3,523</u>	<u>3,578</u>		<u>773</u>	<u>142,738</u>	<u>172,049</u>
					760,735
				3,595,000	4,517,666
					6,300
				<u>3,595,000</u>	<u>4,523,966</u>
<u>\$ 3,523</u>	<u>\$ 3,578</u>		<u>\$ 773</u>	<u>\$ 3,737,738</u>	<u>\$ 5,284,701</u>
\$	\$ 9,895			\$ (1,810,583)	\$ 22,985,210
					15,786,714
<u>38,917</u>	<u>547,790</u>	<u>5,133</u>	<u>16,551</u>	<u>1,608,320</u>	<u>8,830,148</u>
<u>\$ 38,917</u>	<u>\$ 557,685</u>	<u>\$ 5,133</u>	<u>\$ 16,551</u>	<u>\$ (202,263)</u>	<u>\$ 47,602,072</u>



**NIPOMO COMMUNITY SERVICES DISTRICT**  
**COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGE IN NET ASSETS**  
**PROPRIETARY FUNDS**  
**As of June 30, 2008**

	Business Type Activities Enterprise Funds			
	Town <u>Water</u>	Town <u>Sewer</u>	Blacklake <u>Water</u>	Blacklake <u>Sewer</u>
<b>Operating Revenues</b>				
Charges for services	\$ 2,573,409	\$ 907,559	\$ 406,120	\$ 245,465
Miscellaneous	419,033	49,323	6,160	
Total operating revenues	<u>2,992,442</u>	<u>956,882</u>	<u>412,280</u>	<u>245,465</u>
<b>Operating expenses</b>				
Personnel	659,930	282,016	132,469	104,095
Contractual services	674,227	187,195	87,964	14,225
Utilities	313,831	90,069	101,084	27,888
Repairs and maintenance	152,061	153,045	21,963	18,197
Other supplies and expenses	552,110	184,864	65,720	84,954
Insurance	24,022	7,021	2,457	2,808
Depreciation and amortization	422,241	398,315	115,014	70,847
Total operating expenses	<u>2,798,422</u>	<u>1,302,525</u>	<u>526,671</u>	<u>323,014</u>
Operating income (loss)	<u>194,020</u>	<u>(345,643)</u>	<u>(114,391)</u>	<u>(77,549)</u>
<b>Non operating revenues (expenses)</b>				
Interest	483,307	378,903	16,194	1,167
Property taxes				
Cell site	29,889			
Miscellaneous expense	(7,537)			
Interest expense	(6,450)			
Total non operating revenues (expenses)	<u>499,209</u>	<u>378,903</u>	<u>16,194</u>	<u>1,167</u>
Income (loss) before contributions	<u>693,229</u>	<u>33,260</u>	<u>(98,197)</u>	<u>(76,382)</u>
Transfers (to) from other funds				
Capital contributions, net of refunds	<u>3,255,023</u>	<u>1,858,473</u>		
Change in net assets	3,948,252	1,891,733	(98,197)	(76,382)
Total net assets - beginning	<u>19,632,304</u>	<u>18,361,319</u>	<u>1,634,815</u>	<u>1,892,205</u>
Total net assets - ending	<u>\$ 23,580,556</u>	<u>\$ 20,253,052</u>	<u>\$ 1,536,618</u>	<u>\$ 1,815,823</u>

**NIPOMO COMMUNITY SERVICES DISTRICT**  
**COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGE IN NET ASSETS**  
**PROPRIETARY FUNDS**  
**As of June 30, 2008**

Business Type Activities					
Enterprise Funds					
Blacklake Lighting	Solid Waste	Drainage	Landscape Maintenance District	Property Taxes	Totals
\$ 18,836	\$	\$	\$	\$	\$ 4,151,389
	103,063		10,229		587,808
<u>18,836</u>	<u>103,063</u>	<u></u>	<u>10,229</u>	<u></u>	<u>4,739,197</u>
	18,917				1,197,427
	2,760			39,542	1,005,913
21,146			3,292		557,310
					345,266
35	25,377		2,874	3,944	919,878
500	2,000				38,808
	1,696			38,748	1,046,861
<u>21,681</u>	<u>50,750</u>	<u></u>	<u>6,166</u>	<u>82,234</u>	<u>5,111,463</u>
<u>(2,845)</u>	<u>52,313</u>	<u></u>	<u>4,063</u>	<u>(82,234)</u>	<u>(372,266)</u>
1,789	21,685	564	597	57,654	961,860
		14,386		532,589	546,975
					29,889
					(7,537)
				(162,538)	(168,988)
<u>1,789</u>	<u>21,685</u>	<u>14,950</u>	<u>597</u>	<u>427,705</u>	<u>1,362,199</u>
<u>(1,056)</u>	<u>73,998</u>	<u>14,950</u>	<u>4,660</u>	<u>345,471</u>	<u>989,933</u>
		(15,046)		15,046	-
					5,113,496
(1,056)	73,998	(96)	4,660	360,517	6,103,429
<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>
<u>\$ 38,917</u>	<u>\$ 557,685</u>	<u>\$ 5,133</u>	<u>\$ 16,551</u>	<u>\$ (202,263)</u>	<u>\$ 47,602,072</u>

**NIPOMO COMMUNITY SERVICES DISTRICT**  
**COMBINING STATEMENT OF OTHER SUPPLIES AND EXPENSES**  
**PROPRIETARY FUNDS**  
As of June 30, 2008

Business Type Activities  
Enterprise Funds

	<u>Town</u> <u>Water</u>	<u>Town</u> <u>Sewer</u>	<u>Blacklake</u> <u>Water</u>	<u>Blacklake</u> <u>Sewer</u>
<b><i>Other supplies and expenses</i></b>				
Chemicals	\$ 2,376	\$	\$ 2,376	\$ 19,004
Lab testing	13,785	31,701	2,551	10,420
Operating supplies	72,970	22,250	6,184	7,356
Outside services	50,830	8,317	4,658	1,412
Permits and operating fees	9,697	6,251	1,850	2,767
Fuel	18,384	7,047	2,451	2,758
Paging service	3,774	1,447	503	566
Meters - new installation	13,599			
Meters - replacement program	14,550			
Uniforms	3,833	1,471	511	575
Landscape maintenance				
Clean up costs				
Conservation program	36,480		6,403	
Bank charges and fees	1,410			
Computer expenses	34,405	11,728	3,527	4,031
Director fees	13,455	4,140	1,449	1,656
Dues and subscriptions	10,331	3,013	1,159	1,073
Education and training	7,406	3,669	604	534
Landscape and janitorial	7,216	2,221	1,987	938
LAFCO funding	15,832			
Miscellaneous	2,969		657	126
Newsletters and mailers	2,378	892	750	240
Office supplies	10,857	3,737	1,162	1,439
Postage	9,866	4,093	1,591	1,564
Public notices	6,896	730	35	40
Property taxes	927			
Street sweetening				
Trash				
Telephone	3,617	1,266	869	923
Travel and mileage	6,857	2,884	788	921
Bond administration				
Operating transfer	<u>177,410</u>	<u>68,007</u>	<u>23,655</u>	<u>26,611</u>
<b>Total other supplies and expenses</b>	<b>\$ <u>552,110</u></b>	<b>\$ <u>184,864</u></b>	<b>\$ <u>65,720</u></b>	<b>\$ <u>84,954</u></b>

**NIPOMO COMMUNITY SERVICES DISTRICT**  
**COMBINING STATEMENT OF OTHER SUPPLIES AND EXPENSES**  
**PROPRIETARY FUNDS**  
 As of June 30, 2008

Business Type Activities						
<u>Enterprise Funds</u>						
<u>Blacklake</u> <u>Lighting</u>	<u>Solid</u> <u>Waste</u>	<u>Drainage</u>	<u>Landscape</u> <u>Maintenance</u> <u>District</u>	<u>Property</u> <u>Taxes</u>	<u>Total</u>	
\$	\$	\$	\$	\$	\$	
						23,756
						58,457
						108,760
						65,217
						20,565
						30,640
						6,290
						13,599
						14,550
						6,390
						2,643
	516			2,643		516
						42,883
						1,410
						53,691
						20,700
						15,576
						12,213
						12,362
						15,832
						3,752
						4,260
						17,195
						17,114
35	286		231			8,253
						927
	22,448					22,448
	2,127					2,127
						6,675
						11,450
				3,944		3,944
						295,683
<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	
35	25,377		2,874	3,944	\$	919,878

**NIPOMO COMMUNITY SERVICES DISTRICT**  
**DISCLOSURE UNDER GOVERNMENT CODE SECTION 66013**  
For the Year Ended June 30, 2008

**FUND 500 – SUPPLEMENTAL WATER FUND**

Beginning balance - July 1, 2007	\$	2,411,253
Ending balance – June 30, 2008	\$	3,808,363
Interest earned	\$	109,747
Amount of charges collected in fiscal year	\$	1,660,040

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	\$ 334,404	100%	No

Anticipated projects for 2008-2009 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, 2008

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

Beginning balance - July 1, 2007	\$	4,646,680
Ending balance – June 30, 2008	\$	4,857,333
Interest earned	\$	205,693
Amount of charges collected in fiscal year	\$	392,316

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
Work In Process - County Drainage Relocation	\$ 65,137	100%	Yes
Work In Process – Water and Sewer Master Plan Update	\$ 44,659	50%	Yes
Work In Process – Southland Shop Expansion	\$ 488,148	60%	Yes
Work In Process – Water Line Relocations	\$ 7,645	100%	No

Anticipated projects for 2008-2009 fiscal year:

- SCADA System Upgrade
- GIS System Upgrades
- Maintenance Shop Upgrades
- Standpipe Mixing Project
- Willow to Aden Water Line
- Reset facility due to County Road Projects
- Security Upgrades
- New Water Tank Site
- Camino Caballo Upgrades

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, 2008

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

Beginning balance July 1, 2007	\$	5,183,023
Ending balance June 30, 2008	\$	5,204,055
Interest earned	\$	226,602
Amount of charges collected in fiscal year	\$	365,781

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	\$448,148	23%	Yes
Work in process – Southland WWTF Upgrade	\$379,506	100%	No
Work in process – Water and Sewer Master Plan	\$44,659	50%	Yes

Anticipated projects for 2008-2009 fiscal year:

- Salt Management Program
- Bio-Solids Disposal Program
- SSO Program
- SCADA System Upgrade
- GIS System Upgrade
- Maintenance Shop Upgrades
- Reset facilities due to County Road Projects
- Security Upgrades
- Sewer Design and Property Acquisition for Prohibition Zone

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).