

NIPOMO COMMUNITY SERVICES DISTRICT

FRIDAY, SEPTEMBER 18, 2009

9:00 A. M.

SPECIAL MEETING NOTICE & AGENDA **FINANCE AND AUDIT COMMITTEE**

COMMITTEE MEMBERS

LARRY VIERHEILIG
JAMES HARRISON

PRINCIPAL STAFF

BRUCE BUEL, GENERAL MANAGER
LISA BOGNUDA, ASSISTANT GM
DONNA JOHNSON, BOARD SECRETARY
JON SEITZ, GENERAL COUNSEL

MEETING LOCATION - District Board Room
148 S. Wilson Street, Nipomo, California

1. **CALL TO ORDER, ROLL CALL AND FLAG SALUTE**
ACTION RECOMMENDED: None

2. **REVIEW DRAFT AUDIT REPORT FOR FISCAL YEAR ENDING JUNE 30, 2009**
ACTION RECOMMENDED: Provide direction to Staff

3. **REVIEW OPTIONS TO ENCUMBER PROPERTY TAX RESERVES**
ACTION RECOMMENDED: Provide direction to Staff

4. **SET NEXT MEETING DATE**
ACTION RECOMMENDED: Set next meeting date

*** *End Special Meeting Notice* ***

TO: BOARD OF DIRECTORS
FROM: BRUCE BUEL *BB*
DATE: SEPTEMBER 14, 2009

AGENDA ITEM
2
SEPTEMBER 18, 2009

REVIEW DRAFT AUDIT REPORT FOR FISCAL YEAR ENDING JUNE 30, 2009

ITEM

Review draft audit report for fiscal year ending June 30, 2009

BACKGROUND

Bob Crosby, CPA of Crosby Company will review the draft audit report with the Committee.

Mr. Crosby is scheduled to present the final audit report to the Board of Directors at the October 28, 2009, Board Meeting.

RECOMMENDATION

It is recommended that the Committee forward its recommendation to the Board of Directors.

ATTACHMENT

Draft Audit Report

**NIPOMO
COMMUNITY SERVICES DISTRICT**

**Independent Auditors' Report
and
Financial Statements**

For the Year Ended
June 30, 2009

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NIPOMO COMMUNITY SERVICES DISTRICT
INDEPENDENT AUDITORS' REPORT AND FINANCIAL STATEMENTS
For the Year Ended June 30, 2009

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NIPOMO COMMUNITY

BOARD MEMBERS

JAMES HARRISON, PRESIDENT
LARRY VIERHEILIG, DIRECTOR
MICHAEL WINN, DIRECTOR
ED EBY, DIRECTOR
BILL NELSON, DIRECTOR



SERVICES DISTRICT

STAFF

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

148 SOUTH WILSON STREET POST OFFICE BOX 326 NIPOMO, CA 93444 - 0326
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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 1st 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 1st 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, 2009

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 (through June 30, 2009):

#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
#880	Town Sewer Sinking 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, 2009

CONDENSED FINANCIAL INFORMATION

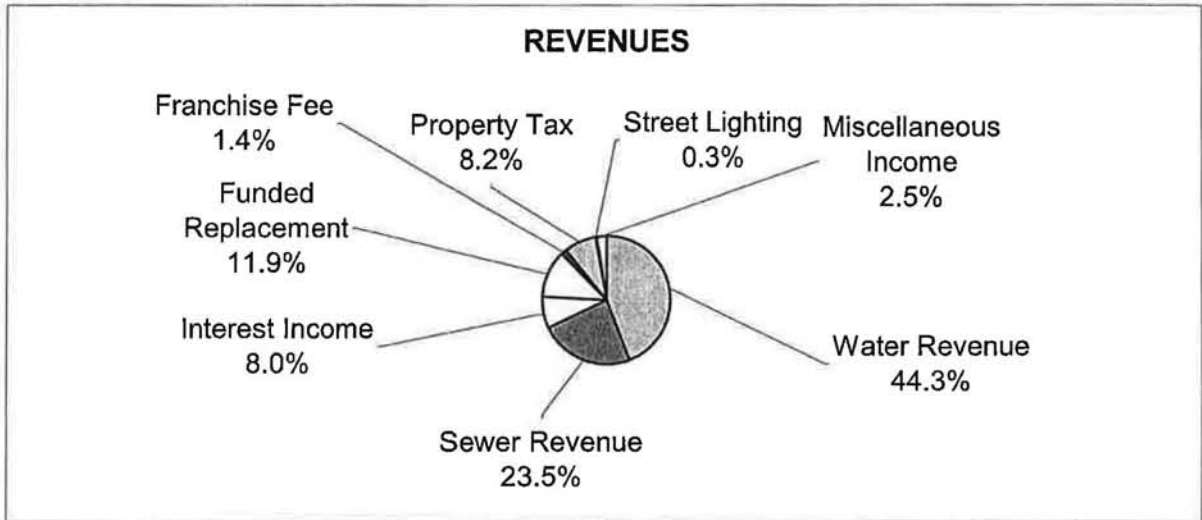
STATEMENT OF NET ASSETS

	<u>Fiscal Year</u>	<u>Fiscal Year</u>
<u>Assets</u>	<u>7/1/08 – 6/30/09</u>	<u>7/1/07 – 6/30/08</u>
Current and other assets	\$ 25,734,376	\$ 25,453,401
Capital assets, net	29,702,586	27,433,372
Total Assets	<u>55,436,962</u>	<u>52,886,773</u>
<u>Liabilities</u>		
Other liabilities	881,761	594,986
Long-term debt outstanding	4,517,666	4,689,715
Total Liabilities	<u>5,399,427</u>	<u>5,284,701</u>
<u>Net Assets</u>		
Invested in capital assets, net of debt	29,702,586	22,985,210
Restricted	16,189,675	15,786,714
Unrestricted	4,145,274	8,830,148
Total Net Assets	<u>\$ 50,037,535</u>	<u>\$ 47,602,072</u>

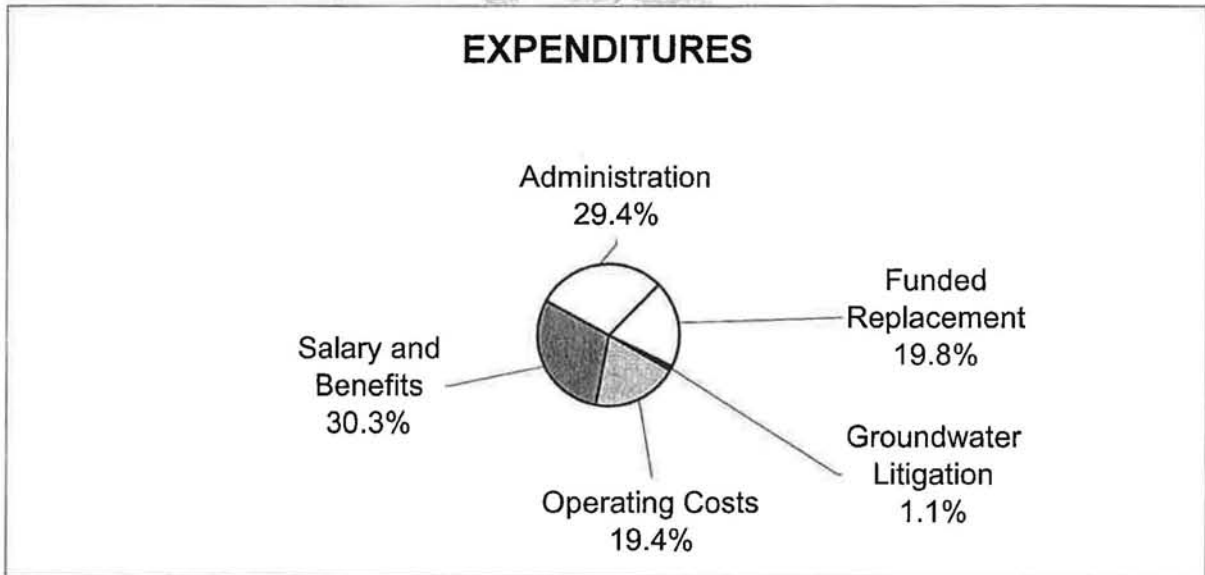
STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET ASSETS

<u>Operating Revenues</u>		
Charges for services	\$ 4,588,563	\$ 4,151,389
Miscellaneous	166,221	587,808
Total Operating Revenues	<u>4,754,784</u>	<u>4,739,197</u>
<u>Operating Expenses</u>		
Water	2,937,033	3,325,093
Sewer	1,412,827	1,625,539
Other	165,451	160,831
Total Operating Expenses	<u>4,515,311</u>	<u>5,111,463</u>
<u>Non Operating Revenues and (Expenses)</u>		
Interest income	537,985	961,860
Miscellaneous revenues	585,567	576,864
Miscellaneous expenses	(15,217)	(7,537)
Interest expense	(174,624)	(168,988)
Net Non Operating Revenues (Expenses)	<u>1,173,184</u>	<u>1,362,199</u>
Capital Contributions	<u>1,262,279</u>	<u>5,113,496</u>
Change in Net Assets	<u>2,435,463</u>	<u>6,103,429</u>
Total Net Assets - Beginning of fiscal year	<u>47,602,072</u>	<u>41,498,643</u>
Total Net Assets – End of fiscal year	<u>\$ 50,037,535</u>	<u>\$ 47,602,072</u>

NIPOMO COMMUNITY SERVICES DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
FISCAL YEAR ENDING JUNE 30, 2009



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NIPOMO COMMUNITY SERVICES DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
FISCAL YEAR ENDING JUNE 30, 2009

B. ANALYSIS OF OVERALL FINANCIAL POSITION AND RESULTS OF OPERATION
(Comparison of Fiscal Year 2008-09 to Fiscal Year 2007-08)

- Overall revenues increased .3%
- Overall operating expenditures decreased 13%
- Total assets increased 5%
- Total liabilities increased 6%
- Capital contributions, including water and sewer capacity fees and developer donated assets decreased 405%

C. ANALYSIS OF BALANCES AND TRANSACTIONS OF INDIVIDUAL FUNDS

- Water revenues increased less than 1% for the fiscal year. The minimal increase is attributable a decrease in water consumption and increase in rates that went into effect on January 1, 2008 and January 1, 2009.
- Sewer revenues for the Town Division increased 35.6% and the Blacklake Division increased 43.2%. The increase in the Town Division is attributable to rate increases that went into effect on April 1, 2008 and January 1, 2009. The increase in the Blacklake Division is attributable to rate increases that went into effect on July 1, 2008 and April 1, 2009.

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

COMPARISON OF BUDGET AMOUNTS TO ACTUAL

	<u>2008-09</u> <u>BUDGET</u>	<u>2008-09</u> <u>ACTUAL</u>	% ACTUAL IS OVER(+)/UNDER(-) <u>BUDGET</u>	POSITIVE (+) OR NEGATIVE (-) IMPACT ON <u>BUDGET</u>
Total Revenues	\$ 4,483,808	\$ 4,754,784	+6%	+
Total Expenditures	\$ 5,383,562	\$ 4,515,311	-19%	+
Net Non Operating Income (Expenses)	\$ 1,032,506	\$ 933,711	-10.5%	-

NIPOMO COMMUNITY SERVICES DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
FISCAL YEAR ENDING JUNE 30, 2009

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.

CAPITAL ASSETS CONTRIBUTED	FAIR MARKET VALUE
Water Division	\$629,9810
Town Division Sewer	525,592
Blacklake Division Sewer	0
TOTAL	\$1,155,573

The total long-term debt as of June 30, 2009 is as follows:

Water Division	Eureka Well development	\$ 110,000
Town Division Sewer	Sewer plant expansion	812,666
Property Tax Secured	Water improvements and Supplemental Water	3,595,000
Total Long-term debt		\$4,517,666

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

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

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
- The legal and professional services fees continue due to the groundwater adjudication and Nipomo Mesa Technical Group.
- A water rate study is expected to be completed Fall 2009.

NIPOMO COMMUNITY SERVICES DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
FISCAL YEAR ENDING JUNE 30, 2009

F. ECONOMIC FACTORS

The Nipomo Community Services District's water and sewer operations rely solely on user fees. The water rates increased on January 1, 2009. A water rate study is expected to be completed in Fall 2009.

The sewer rates for the Town Division and Blacklake Division will increase on January 1, 2010.

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.

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

WATER RATES AND CHARGES

As of June 30,	Bi-Monthly Availability Charge	Bi-Monthly Usage Rates	
		0 – 40 Units	41 + Units
2009	\$30.84	\$1.64	\$2.80
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

TOWN DIVISION- SEWER CHARGES

As of June 30,	Bi-Monthly Sewer Charge
2009	\$70.66
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
2009	\$107.12
2008	\$77.55
2007	\$74.56
2006	\$71.70
2005	\$64.40
2004	\$63.66
2003	\$46.00
2002	\$44.50

NIPOMO COMMUNITY SERVICES DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
FISCAL YEAR ENDING JUNE 30, 2009

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.

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NIPOMO COMMUNITY SERVICES DISTRICT
SCHEDULE OF DIRECTORS
June 30, 2009

BOARD OF DIRECTORS

NAME

TERM EXPIRES

James Harrison, President

December 3, 2010

Larry Vierheilig, Vice-President

December 3, 2010

Michael Winn, Director

December 7, 2012

Ed Eby, Director

December 7, 2012

Bill Nelson, Director

December 3, 2010

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Independent Auditor's 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, 2009, 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 comparative financial statements of Nipomo Community Services District as of June 30, 2008 were audited by other auditors whose report dated August 19, 2008, expressed an unqualified opinion on those statements.

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, 2009, 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 COMPANY
Certified Public Accountant

August 17, 2009

NIPOMO COMMUNITY SERVICES DISTRICT
STATEMENTS OF NET ASSETS
PROPRIETARY FUNDS
As of June 30, 2009

(With Comparative Totals for the Year Ended June 30, 2008)

ASSETS	Enterprise Funds	
	2009	2008
Current assets		
Cash and cash equivalents	\$ 24,532,662	\$ 24,159,649
Accounts receivable	199,293	182,355
Unbilled utilities receivable	642,500	652,500
Accrued interest receivable	86,141	165,916
Prepaid expenses	41,123	39,624
Accrued franchise fees	11,517	11,804
Total current assets	25,513,236	25,211,848
Non-current assets		
Capital assets:		
Land and construction in progress	4,056,688	2,488,810
Property, plant and equipment, net accumulated depreciation	25,645,898	24,944,562
Total noncurrent assets	29,702,586	27,433,372
Other assets		
Loan fees, net accumulated amortization	221,140	241,553
Total other assets	221,140	241,553
Total assets	\$ 55,436,962	\$ 52,886,773
LIABILITIES		
Current liabilities		
Accounts payable	\$ 635,614	\$ 396,390
Accrued liabilities	126,565	90,282
Deposits	113,282	102,014
Current portion long term debt	172,049	172,049
Total current liabilities	1,047,510	760,735
Noncurrent liabilities		
Long term debt	4,345,617	4,517,666
Deferred revenues	6,300	6,300
Total noncurrent liabilities	4,351,917	4,523,966
Total liabilities	\$ 5,399,427	\$ 5,284,701
NET ASSETS		
Invested in capital assets, net of related debt	\$ 29,702,586	\$ 22,985,210
Restricted for system expansion and replacement	16,189,675	15,786,714
Unrestricted	4,145,274	8,830,148
Total net assets	\$ 50,037,535	\$ 47,602,072

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The accompanying notes are an integral part of these financial statements

NIPOMO COMMUNITY SERVICES DISTRICT
STATEMENTS OF REVENUES, EXPENSES AND
CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
June 30, 2009

(With Comparative Totals for the Year Ended June 30, 2008)

	Enterprise Funds	
	2009	2008
Operating revenues		
Charges for services	\$ 4,588,563	\$ 4,151,389
Miscellaneous	166,221	587,808
Total operating revenues	4,754,784	4,739,197
Operating expenses		
Personnel	1,337,120	1,197,427
Contractual services	597,134	1,005,913
Utilities	534,252	557,310
Repairs and maintenance	393,744	345,266
Other supplies and expenses	533,907	919,878
Insurance	41,208	38,808
Depreciation and amortization	1,077,946	1,046,861
Total operating expenses	4,515,311	5,111,463
Operating income (loss)	239,473	(372,266)
Non-operating revenues (expenses)		
Interest	537,985	961,860
Property taxes	554,660	546,975
Cell site income	30,907	29,889
Miscellaneous expense	(15,217)	(7,537)
Interest expense	(174,624)	(168,988)
Total non-operating revenues (expenses)	933,711	1,362,199
Income before contributions	1,173,184	989,933
Capital contributions, net of refunds	1,262,279	5,113,496
Changes in net assets	2,435,463	6,103,429
Net assets-beginning of year	47,602,072	41,498,643
Net assets-end of year	\$ 50,037,535	\$ 47,602,072

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The accompanying notes are an integral part of these financial statements

NIPOMO COMMUNITY SERVICES DISTRICT
STATEMENTS OF CASH FLOWS
PROPRIETARY FUNDS
As of June 30, 2009

(With Comparative Totals for the Year Ended June 30, 2008)

	Enterprise Funds	
	2009	2008
<i>Cash flows from operating activities</i>		
Cash received from operating revenue	\$ 4,737,846	\$ 4,724,670
Payments to suppliers	(1,713,745)	(2,881,933)
Payments to employees	(1,337,120)	(1,197,427)
Net cash provided by operating activities	1,686,981	645,310
<i>Cash flows from non-capital financing activities</i>		
Property tax revenues	554,660	546,975
Net cash provided by non-capital financing activities	554,660	546,975
<i>Cash flows from capital and related financing activities</i>		
Capital contributions	1,262,279	5,113,496
Acquisition of capital assets	(3,337,909)	(4,110,210)
Principal paid on capital debt	(172,049)	(171,049)
Interest paid on capital debt	(174,624)	(168,988)
Other cash flows	15,690	22,352
Net cash provided (used) by capital and related financing activities	(2,406,613)	685,601
<i>Cash flows from investing activities</i>		
Interest income	537,985	961,860
Net cash provided by investing activities	537,985	961,860
<i>Net increase in cash</i>	373,013	2,839,746
<i>Cash and cash equivalents-beginning</i>	24,159,649	21,319,903
<i>Cash and cash equivalents-ending</i>	\$ 24,532,662	\$ 24,159,649
<i>Reconciliation of operating income to net cash provided by operating activities:</i>		
Operating income (loss)	\$ 239,473	\$ (372,266)
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	1,077,946	1,046,861
Loss on disposal	11,162	7,537
Net changes in assets and liabilities		
Accounts receivable	(16,938)	(14,527)
Unbilled utility receivable	10,000	(85,500)
Accrued interest receivable	79,775	80,491
Prepaid expenses	(1,499)	3,472
Accrued franchise fees	287	823
Deposits		(49)
Accounts payable	239,224	24,274
Accrued liabilities	36,283	(45,606)
Deposits	11,268	(200)
Net cash provided by operating activities	\$ 1,686,981	\$ 645,310

The accompanying notes are an integral part of these financial statements

NIPOMO COMMUNITY SERVICES DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2009

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, 2009

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.

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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, 2009

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, 2009

NOTE 3: CASH AND CASH EQUIVALENTS

The values of cash and cash equivalents at June 30, 2009 are summarized as follows:

Cash on hand	\$	350
Demand deposits		73,122
Certificate of deposit		1,947,424
Cash and investments in pooled funds		22,262,739
Deposits with bond trustees		<u>249,027</u>
 Total	 \$	 <u><u>24,532,662</u></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 \$250,000 by the Federal Deposit Insurance Corporation (FDIC).

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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, 2009, the carrying amount of the District's cash deposits was \$2,269,573. The bank's balance was \$2,322,504. This difference is due to the normal deposits in transit and outstanding checks. District cash deposits by category as of June 30, 2009, are as follows:

		<u>Category</u>			<u>Bank</u>	<u>Carrying</u>
	<u>1</u>	<u>2</u>	<u>3</u>		<u>Balance</u>	<u>Amount</u>
Bank accounts	\$ <u>2,322,504</u>	\$ <u>-0-</u>	\$ <u>-0-</u>	\$	<u>2,322,504</u>	\$ <u>2,269,573</u>

See Auditors' report

NIPOMO COMMUNITY SERVICES DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2009

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>22,262,739</u> 7 months average maturity

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NIPOMO COMMUNITY SERVICES DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2009

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, 2009

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

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

	June, 30 <u>2008</u>	<u>Additions</u>	<u>(Deletions)</u>	June 30, <u>2009</u>
Collection and treatment Facilities	\$ 17,478,958	\$ 559,965		\$ 18,038,923
Source of supply and Pumping	4,834,535	29,427	(13,327)	4,850,635
Transmission and distribution lines	12,609,842	922,362		13,532,204
Machinery and equipment	556,067	26,017		582,084
Vehicles	195,288	37,187		232,475
Building	1,055,226	94,222		1,149,448
Computer equipment	313,478	68,845	(20,441)	361,882
Office furniture and fixtures	154,357	32,006		186,363
Land and land rights	735,401			735,401
Construction in progress	1,753,409	2,011,606	(443,728)	3,321,287
Subtotal	<u>39,686,561</u>	<u>\$ 3,781,637</u>	<u>\$ (477,496)</u>	<u>42,990,702</u>
Less: Accumulated depreciation	12,253,189	\$ 1,057,533	\$ (22,606)	13,288,116
Totals	<u>\$ 27,433,372</u>			<u>\$ 29,702,586</u>

Depreciation expense for the period ended June 30, 2009 was \$1,057,533.

NIPOMO COMMUNITY SERVICES DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2009

NOTE 6: LONG TERM DEBT

Long term debt consisted of the following:

	<u>Balance at July 1, 2008</u>	<u>Balance at June 30, 2009</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.	\$ 120,000	\$ 110,000
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.	383,552	348,683
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.	506,163	463,983
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>3,680,000</u>	<u>3,595,000</u>
Total long-term debt	4,689,715	4,517,666
Less current maturities	<u>172,049</u>	<u>172,049</u>
Total long-term maturities	<u>\$ 4,517,666</u>	<u>\$ 4,345,617</u>

See Auditors' report

NIPOMO COMMUNITY SERVICES DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2009

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>
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	189,048	150,235	339,283
2015 – 2019	990,243	679,467	1,669,710
2020 – 2024	722,180	538,910	1,261,090
2025 – 2029	850,000	359,539	1,209,539
2030 – 2034	<u>1,055,000</u>	<u>129,964</u>	<u>1,184,964</u>
Totals	\$ <u>4,517,666</u>	\$ <u>2,496,422</u>	\$ <u>7,014,088</u>

NOTE 7: RESTRICTED NET ASSETS

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Restricted cash and investments were provided by, and are to be used for the following as of June 30, 2009:

<u>Funding Source</u>	<u>Use</u>		
Water capacity charges	For the expansion of the water system	\$	4,598,314
Water sales	Funded replacement		2,971,809
Sewer capacity charges	For the expansion of sewer system		5,080,594
Sewer sales	Funded replacement		3,438,725
Blacklake water sales	Funded replacement		100,643
Blacklake sewer sales	Funded replacement		<u>(410)</u>
	Totals	\$	<u>16,189,675</u>

See Auditors' report

NIPOMO COMMUNITY SERVICES DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2009

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, 2008 through June 30, 2009 and July 1, 2007 through June 30, 2008.

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.

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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, 2009

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 per occurrence. 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 per occurrence, respectively for workers' compensation and \$5,000,000 for employers' liability coverage.

The annual member contribution was \$36,310 for the Package Program, \$4,394 for the Comp/Collision Program and \$24,515 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, 2008</u>
Total assets	\$ 71,125,296
Total liabilities	<u>48,802,348</u>
Risk margin	<u>\$ 22,322,948</u>
Total revenues	\$ 34,919,500
Total expenses	<u>30,076,451</u>
Net income	<u>\$ 4,843,049</u>

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

See Auditors' report

NIPOMO COMMUNITY SERVICES DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2009

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 19.106% 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, 2009

NOTE 9: DEFINED BENEFIT PENSION PLAN (continued)

Actual Pension Cost

For the fiscal year ending June 30, 2009, the District's annual pension cost of \$201,980 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 post-retirement health care benefits through the California Public Employees' Retirement System. Employees who retire on or after attaining age 50, are eligible for District paid health insurance. In prior years, the District reported the post-retirement health care benefits on a pay-as-you-go basis. During the current year, the District conducted an actuarial valuation to determine the required funding for this health care benefits program. Based on this valuation, the District contributed \$113,000 to an irrevocable trust to meet the current obligations of this program and to fully fund the liability. Currently, four retired employees are receiving 100% paid health care benefits totaling \$3,793 per month.

SUPPLEMENTAL INFORMATION

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NIPOMO COMMUNITY SERVICES DISTRICT
COMBINING STATEMENTS OF NET ASSETS
PROPRIETARY FUNDS
As of June 30, 2009

Business Type Activities
Enterprise Funds

ASSETS	Town <u>Water</u>	Town <u>Sewer</u>	Blacklake <u>Water</u>	Blacklake <u>Sewer</u>
Current Assets				
Cash and cash equivalents	\$ 12,485,814	\$ 9,085,441	\$ 433,636	\$ 102,985
Accounts receivable	116,175	41,822	22,836	18,460
Unbilled utilities receivable	412,500	159,000	42,000	29,000
Accrued interest receivable	42,107	34,353	1,481	378
Prepaid expenses	39,203			
Accrued franchise fees				
Total current assets	<u>13,095,799</u>	<u>9,320,616</u>	<u>499,953</u>	<u>150,823</u>
Noncurrent Assets				
Capital assets:				
Land and construction in progress	2,727,581	1,326,666	1,350	1,091
Property, plant and equipment, net	9,708,586	11,255,685	1,109,591	1,874,531
Total noncurrent assets	<u>12,436,167</u>	<u>12,582,351</u>	<u>1,110,941</u>	<u>1,875,622</u>
Other Assets				
Due from other funds				
Loan fees, net accumulated amortization		79,401		
Total other assets		<u>79,401</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ 25,531,966</u>	<u>\$ 21,982,368</u>	<u>\$ 1,610,894</u>	<u>\$ 2,026,445</u>
LIABILITIES				
Current Liabilities				
Accounts payable	\$ 447,451	\$ 138,382	\$ 26,601	\$ 9,860
Accrued liabilities	40,226	19,133	3,776	7,685
Deposits	85,454		24,170	
Current portion long term debt	10,000	77,049		
Total current liabilities	<u>583,131</u>	<u>234,564</u>	<u>54,547</u>	<u>17,545</u>
Noncurrent Liabilities				
Due to other funds				203,173
Long term debt	100,000	735,617		
Deferred revenue		6,300		
Total noncurrent liabilities	<u>100,000</u>	<u>741,917</u>	<u>-</u>	<u>203,173</u>
Total liabilities	<u>\$ 683,131</u>	<u>\$ 976,481</u>	<u>\$ 54,547</u>	<u>\$ 220,718</u>
NET ASSETS				
Invested in capital assets, net of related debt	\$ 12,436,167	\$ 12,582,351	\$ 1,110,941	\$ 1,875,622
Restricted for system expansion and replacement	7,570,123	8,519,319	100,643	(410)
Unrestricted (deficit)	4,842,545	(95,783)	344,763	(69,485)
Total net assets	<u>\$ 24,848,835</u>	<u>\$ 21,005,887</u>	<u>\$ 1,556,347</u>	<u>\$ 1,805,727</u>

See Auditors' Report

NIPOMO COMMUNITY SERVICES DISTRICT
COMBINING STATEMENTS OF NET ASSETS
PROPRIETARY FUNDS
As of June 30, 2009

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>
\$ 40,049	\$ 594,662	\$ 5,000	\$ 21,683	\$ 1,763,392	\$ 24,532,662
					199,293
					642,500
150	2,209	62	80	5,321	86,141
				1,920	41,123
	11,517				11,517
<u>40,199</u>	<u>608,388</u>	<u>5,062</u>	<u>21,763</u>	<u>1,770,633</u>	<u>25,513,236</u>
					4,056,688
	8,199			1,689,306	25,645,898
	<u>8,199</u>			<u>1,689,306</u>	<u>29,702,586</u>
				203,173	203,173
				141,739	221,140
				344,912	424,313
<u>\$ 40,199</u>	<u>\$ 616,587</u>	<u>\$ 5,062</u>	<u>\$ 21,763</u>	<u>\$ 3,804,851</u>	<u>\$ 55,640,135</u>
\$ 1,814	\$ 2,359	\$ -	\$ 460	\$ 11,046	\$ 635,614
				53,386	126,565
				3,658	113,282
				85,000	172,049
<u>1,814</u>	<u>2,359</u>	<u>-</u>	<u>460</u>	<u>153,090</u>	<u>1,047,510</u>
					203,173
				3,510,000	4,345,617
					6,300
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,510,000</u>	<u>4,555,090</u>
<u>\$ 1,814</u>	<u>\$ 2,359</u>	<u>\$ -</u>	<u>\$ 460</u>	<u>\$ 3,663,090</u>	<u>\$ 5,602,600</u>
\$ -	\$ 8,199	\$ -	\$ -	\$ 1,689,306	\$ 29,702,586
					16,189,675
<u>38,385</u>	<u>606,029</u>	<u>5,062</u>	<u>21,303</u>	<u>(1,547,545)</u>	<u>4,145,274</u>
<u>\$ 38,385</u>	<u>\$ 614,228</u>	<u>\$ 5,062</u>	<u>\$ 21,303</u>	<u>\$ 141,761</u>	<u>\$ 50,037,535</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, 2009

	Business Type Activities Enterprise Funds			
	Town <u>Water</u>	Town <u>Sewer</u>	Blacklake <u>Water</u>	Blacklake <u>Sewer</u>
Operating Revenues				
Charges for services	\$ 2,481,862	\$ 1,230,959	\$ 505,406	\$ 351,432
Miscellaneous	58,991	200	3,197	
Total operating revenues	<u>2,540,853</u>	<u>1,231,159</u>	<u>508,603</u>	<u>351,432</u>
Operating expenses				
Personnel	762,105	301,711	145,748	107,198
Contractual services	459,607	7,341	71,459	15,227
Utilities	294,559	107,112	75,409	35,291
Repairs and maintenance	219,007	134,572	12,434	17,845
Other supplies and expenses	289,703	112,248	38,811	65,888
Insurance	25,337	7,641	2,674	3,056
Depreciation and amortization	419,857	421,390	120,323	76,307
Total operating expenses	<u>2,470,175</u>	<u>1,092,015</u>	<u>466,858</u>	<u>320,812</u>
Operating income (loss)	<u>70,678</u>	<u>139,144</u>	<u>41,745</u>	<u>30,620</u>
Non operating revenues (expenses)				
Interest	281,812	194,810	7,490	598
Property taxes				
Cell site	30,907			
Miscellaneous expense	(15,217)			
Interest expense	(6,000)			(8,119)
Total non operating revenues (expenses)	<u>291,502</u>	<u>194,810</u>	<u>7,490</u>	<u>(7,521)</u>
Income (loss) before contributions	<u>362,180</u>	<u>333,954</u>	<u>49,235</u>	<u>23,099</u>
Transfers (to) from other funds	147,532	(84,831)	(29,506)	(33,195)
Capital contributions, net of refunds	758,567	503,712		
Change in net assets	1,268,279	752,835	19,729	(10,096)
Total net assets - beginning	<u>23,580,556</u>	<u>20,253,052</u>	<u>1,536,618</u>	<u>1,815,823</u>
Total net assets - ending	<u>\$ 24,848,835</u>	<u>\$ 21,005,887</u>	<u>\$ 1,556,347</u>	<u>\$ 1,805,727</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, 2009

Business Type Activities					
<u>Enterprise Funds</u>					
<u>Blacklake Lighting</u>	<u>Solid Waste</u>	<u>Drainage</u>	<u>Landscape Maintenance District</u>	<u>Property Taxes</u>	<u>Totals</u>
\$ 18,904	\$	\$	\$	\$	\$ 4,588,563
	92,977		10,856		166,221
<u>18,904</u>	<u>92,977</u>		<u>10,856</u>		<u>4,754,784</u>
	20,358				1,337,120
	1,779			41,721	597,134
19,752			2,129		534,252
	8,092	1,794			393,744
46	14,667		4,384	8,160	533,907
500	2,000				41,208
	1,696			38,373	1,077,946
<u>20,298</u>	<u>48,592</u>	<u>1,794</u>	<u>6,513</u>	<u>88,254</u>	<u>4,515,311</u>
<u>(1,394)</u>	<u>44,385</u>	<u>(1,794)</u>	<u>4,343</u>	<u>(88,254)</u>	<u>239,473</u>
862	12,158	274	409	39,572	537,985
		14,231		540,429	554,660
					30,907
					(15,217)
				(160,505)	(174,624)
<u>862</u>	<u>12,158</u>	<u>14,505</u>	<u>409</u>	<u>419,496</u>	<u>933,711</u>
<u>(532)</u>	<u>56,543</u>	<u>12,711</u>	<u>4,752</u>	<u>331,242</u>	<u>1,173,184</u>
		(12,782)		12,782	-
					<u>1,262,279</u>
(532)	56,543	(71)	4,752	344,024	2,435,463
<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>
<u>\$ 38,385</u>	<u>\$ 614,228</u>	<u>\$ 5,062</u>	<u>\$ 21,303</u>	<u>\$ 141,761</u>	<u>\$ 50,037,535</u>

See Auditors' Report

NIPOMO COMMUNITY SERVICES DISTRICT
COMBINING STATEMENT OF OTHER SUPPLIES AND EXPENSES
PROPRIETARY FUNDS
As of June 30, 2009

Business Type Activities
Enterprise Funds

	<u>Town Water</u>	<u>Town Sewer</u>	<u>Blacklake Water</u>	<u>Blacklake Sewer</u>
<i>Other supplies and expenses</i>				
Chemicals	\$ 2,434	\$ -	\$ 2,434	\$ 26,810
Lab testing	14,724	27,788	3,649	11,887
Operating supplies	48,076	26,476	3,850	5,922
Outside services	48,152	4,832	4,892	1,779
Permits and operating fees	6,741	10,341	1,198	4,205
Fuel	12,297	4,714	1,640	1,845
Paging service	4,210	1,614	561	632
Meters - replacement program	15,026			
Uniforms	4,343	1,665	579	651
Conservation program	7,703		1,359	
Bank charges and fees	1,322			
Computer expenses	5,941	11,361	2,772	3,168
Director fees	2,760	3,680	1,288	1,472
Dues and subscriptions	11,167	2,442	1,599	956
Education and training	7,166	1,396	1,124	536
Landscape and janitorial	6,160	2,464		
LAFCO funding	19,756			
Miscellaneous	315	97	34	39
Newsletters and mailers	5,626	1,338	468	533
Office supplies	25,061	3,572	3,653	1,428
Postage	13,238	4,641	2,070	1,589
Public notices	11,370	143	3,757	670
Property taxes	1,017	7		
Street sweeping				
Trash				
Telephone	5,001	1,375	812	857
Travel and mileage	9,497	2,302	1,072	909
Bond administration				
	<hr/>	<hr/>	<hr/>	<hr/>
Total other supplies and expenses	\$ 289,703	\$ 112,248	\$ 38,811	\$ 65,888

See Auditors' Report

NIPOMO COMMUNITY SERVICES DISTRICT
COMBINING STATEMENT OF OTHER SUPPLIES AND EXPENSES
PROPRIETARY FUNDS
As of June 30, 2009

Business Type Activities						
<u>Enterprise Funds</u>						
<u>Blacklake Lighting</u>	<u>Solid Waste</u>	<u>Drainage</u>	<u>Landscape Maintenance District</u>	<u>Property Taxes</u>	<u>Total</u>	
\$ -	\$ -	\$ -	\$ -	\$ -	\$	31,678
						58,048
						84,324
	65					59,720
						22,485
						20,496
						7,017
						15,026
						7,238
						9,062
						1,322
						23,242
						9,200
						16,164
						10,822
			4,113			12,737
						19,756
				3,500		3,985
						7,965
	1,214					34,928
	171			220		21,929
46	3,637		271	496		20,390
						1,024
	7,324					7,324
	2,030					2,030
	74					8,119
	152					13,932
				3,944		3,944
<u>\$ 46</u>	<u>\$ 14,667</u>	<u>\$</u>	<u>\$ 4,384</u>	<u>\$ 8,160</u>	<u>\$</u>	<u>\$ 533,907</u>

See Auditors' Report

NIPOMO COMMUNITY SERVICES DISTRICT
DISCLOSURE UNDER GOVERNMENT CODE SECTION 66013
For the Year Ended June 30, 2009

FUND 500 – SUPPLEMENTAL WATER FUND

Beginning balance - July 1, 2008	\$	3,808,363
Ending balance – June 30, 2009	\$	3,004,116
Interest earned	\$	77,742
Amount of charges collected in fiscal year	\$	13,750

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	\$ 1,055,642	100%	No

DRAFT

Anticipated projects for 2009-2010 fiscal year:

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

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.

See Auditors' report

NIPOMO COMMUNITY SERVICES DISTRICT
DISCLOSURE UNDER GOVERNMENT CODE SECTION 66013
For the Year Ended June 30, 2009

FUND 700 – WATER CAPACITY FUND (TOWN DIVISION)

Beginning balance - July 1, 2008	\$	4,857,333
Ending balance – June 30, 2009	\$	4,598,314
Interest earned	\$	103,301
Amount of charges collected in fiscal year	\$	725

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 – Southland Shop Expansion	\$30,427	60%	Yes
Work In Process - Water Line Relocations	\$127,601	100%	Yes
Work In Process – GIS Upgrades	\$4,205	100%	Yes
Work in Process – Olympic Well SCADA	\$16,371	100%	Yes
Work In Process – SCADA Upgrades	\$5,787	100%	Yes
Work In Process – Misty Glen Intertie	\$8,385	100%	Yes
Work in Process – Security Upgrades	\$25,740	100%	Yes
Work in Process – Tank Site	\$11,035	100%	No
Work in Process – Standpipe Mixing	\$22,116	100%	No
Work in Process – Willow Road	\$85,808	100%	No

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

See Auditors' report

NIPOMO COMMUNITY SERVICES DISTRICT
DISCLOSURE UNDER GOVERNMENT CODE SECTION 66013
For the Year Ended June 30, 2009

FUND 700 – WATER CAPACITY FUND (TOWN DIVISION) - continued

Anticipated projects for 200⁹~~8~~-20¹⁰~~09~~ fiscal year:

SCADA System Upgrade
GIS System Upgrade
SEMS Local Agency Plan
Shop Addition
Standpipe Mixing
Willow Road Water Line (Phase 1 and 2)
Reset facilities due to County Road Projects
Second Water Connection to Blacklake/Refurbishment
Security Upgrades
State Title 22 Requirements
Blume Street Dead End Looping
Water Tank Site
Camino Caballo Water Line

DRAFT

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.

See Auditors' report

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NIPOMO COMMUNITY SERVICES DISTRICT
DISCLOSURE UNDER GOVERNMENT CODE SECTION 66013
For the Year Ended June 30, 2009

FUND 710 – SEWER CAPACITY FUND (TOWN DIVISION)

Beginning balance July 1, 2008	\$	5,204,055
Ending balance June 30, 2009	\$	5,080,594
Interest earned	\$	112,080
Amount of charges collected in fiscal year	\$	92,228

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	\$11,664	23%	Yes
Work in Process – SCADA UpgradeS	\$2,218	100%	Yes
Work in Process – GIS Upgrades	\$1,612	100%	Yes
Work in Process – Security Upgrades	\$9,867	100%	Yes
Work in Process – Biosolids Disposal	\$1,870	85%	No
Work in Process – SSO	\$4,312	85%	No
Work in Process – Southland WWTF Upgrade	\$263,298	100%	No

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

NIPOMO COMMUNITY SERVICES DISTRICT
DISCLOSURE UNDER GOVERNMENT CODE SECTION 66013
For the Year Ended June 30, 2009

FUND 710 – SEWER CAPACITY FUND (TOWN DIVISION) - continued

Anticipated projects for 200⁹~~8~~-200¹⁰~~9~~ 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

DRAFT

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.

See Auditors' report

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TO: BOARD OF DIRECTORS
FROM: BRUCE BUEL *BB*
DATE: SEPTEMBER 14, 2009



REVIEW OPTIONS TO ENCUMBER PROPERTY TAX RESERVES

ITEM

Review options to encumber property tax reserves

BACKGROUND

Estimated Property Tax Reserve balance as of June 30, 2010 (per adopted Budget on Page 65)	\$714,826
Budget Amendment September 9, 2009, to purchase a backhoe (Resolution 2009-1158)	(\$83,322)
State of California 8% borrowing of 2009-2010 Property Taxes (estimate)	(\$39,520)
Proposed Board Action to designate funds for Park	(\$500,000)
Revised estimated Property Tax Reserve balance as of June 30, 2010	\$91,984

The revised estimated Property Tax Reserve balance as of June 30, 2010, of \$91,984 should be maintained as reserves to pay the Certificates of Participation debt service which is secured by Property Taxes.

The adopted FY 09-10 Budget includes a transfer of \$1,000,000 to the Waterline Intertie Project. Given the time delays involved in negotiations with SLO County, it is unlikely that the \$1,000,000 will be spent in FY 09-10.

If the voters do not approve the Assessment District to fund the park, the estimated Property Tax Reserve balance would be \$500,000 higher and should be re-evaluated at that time.

RECOMMENDATION

It is recommended that the Committee forward its recommendation to the Board of Directors.

ATTACHMENT

Pages 64 and 65 from the adopted Budget for FY 2009-2010
Resolution 2009-1158 amending the Property Tax Budget

NIPOMO COMMUNITY SERVICES DISTRICT
 CAPITAL FUNDING PLAN
 PROPERTY TAXES
 FUND #600

	FY 6/30/10
OPENING BALANCE, JULY 1	1,540,000
SOURCES	
INVESTMENT INCOME (1)	30,800
PROPERTY TAXES (2)	494,000
INTEREST INCOME ON BLACKLAKE SEWER SURCHARGE LOAN	1,225
TOTAL SOURCES	526,025
USES	
CAPITAL EXPENDITURES	105,000
CERTIFICATES OF PARTICIPATION DEBT SERVICE (3)	246,199
TRANSFER TO SUPPLEMENTAL WATER FUND #500	1,000,000
TOTAL USES	1,351,199
NET SOURCES AND USES	-825,174
ENDING BALANCE AND RESERVE	714,826

PLANNING PURPOSES ONLY (NOT FOR BUDGET APPROVAL)		
	FY 6/30/11	FY 6/30/12
	714,826	896,000
	14,297	17,920
	503,880	513,958
	6,986	6,348
	525,163	538,226
	100,000	100,000
	243,989	246,425
	343,989	346,425
	181,174	191,801
	896,000	1,087,800

- (1) Interest income projected at 2.00% annually
- (2) Assume 2% growth in Property Tax Revenue
- (3) Debt service of Certificates of Participation secured by ad valorem property taxes

NIPOMO COMMUNITY SERVICES DISTRICT
 CAPITAL FUNDING PLAN
 PROPERTY TAXES
 FUND #600

	<u>FY 6/30/10</u>
Miller Park	100,000
TOTAL - UNADJUSTED COST	100,000
CONTINGENCY FACTOR @ 5%	5,000
ADJUSTED TOTAL FOR PROJECTS	<u>105,000</u>
Transfer to Supplemental Water Project Fund #500	<u>1,000,000</u>
GRAND TOTAL	<u><u>1,105,000</u></u>

PLANNING PURPOSES ONLY (NOT FOR BUDGET APPROVAL)	
<u>FY 6/30/11</u>	<u>FY 6/30/12</u>
100,000	100,000

**NIPOMO COMMUNITY SERVICES DISTRICT
RESOLUTION NO. 2009-1158**

**A RESOLUTION OF THE BOARD OF DIRECTORS OF THE
NIPOMO COMMUNITY SERVICES DISTRICT
AMENDING THE DISTRICT BUDGET TO PROVIDE FOR THE PURCHASE OF A BACKHOE**

WHEREAS, on August 26, 2009, the Nipomo Community Services District ("District") Board of Directors authorized the purchase of a John Deere backhoe; and

WHEREAS, on June 24, 2009, the District adopted its FY 09-10 Budget; and

WHEREAS, the District desires to amend the FY 09-10 Budget to allocate funds for the purchase of the backhoe and remove the lease option.

NOW THEREFORE, BE IT RESOLVED, DETERMINED AND ORDERED BY THE NIPOMO COMMUNITY SERVICES DISTRICT BOARD OF DIRECTORS AS FOLLOWS:

- 1) The District Board of Directors does hereby authorize the appropriation of \$83,321.77 from budget account #600 (Property Tax Reserves) to purchase the John Deere Backhoe.

On the motion of Director Winn, seconded by Director Vierheilg, and on the following roll call vote, to wit:

AYES: Directors Winn, Vierheilg, Nelson, Eby and Harrison
NOES: None
ABSENT: None
CONFLICTS; None

the foregoing resolution is hereby adopted this 9th day of September, 2009.

Jim Harrison, President
Nipomo Community Services District

ATTEST:

Donna K. Johnson
Secretary to the Board

Jon S. Seitz,
General Counsel

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