

NIPOMO COMMUNITY SERVICES DISTRICT

TUESDAY, NOVEMBER 1, 2011

9:00 A.M.

SPECIAL MEETING NOTICE & AGENDA FINANCE AND AUDIT COMMITTEE

COMMITTEE MEMBERS

LARRY VIERHEILIG, CHAIRMAN
ED EBY, MEMBER

PRINCIPAL STAFF

MICHAEL S. LEBRUN, GENERAL MANAGER
LISA BOGNUDA, ASST GM/FINANCE DIRECTOR
JON SEITZ, GENERAL COUNSEL

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

1. **CALL TO ORDER, FLAG SALUTE AND ROLL CALL**

2. **REVIEW DRAFT AUDIT REPORT FOR FISCAL YEAR ENDING JUNE 30, 2011**
ACTION RECOMMENDED: Review report and provide direction to Staff

3. **REVIEW PROPOSED AMENDMENT TO THE CALIFORNIA EMPLOYER'S RETIREE BENEFIT TRUST PROGRAM ("CERBT") AGREEMENT TO ALLOW THE USE OF THE ALTERNATIVE MEASUREMENT METHOD (AMM) TO PERFORM THE OPEB VALUATION**

ACTION RECOMMENDED: Review report and provide direction to Staff

4. **REVIEW CERTIFICATE OF DEPOSIT ACCOUNT REGISTRY SERVICE (CDARS) ACCOUNT BALANCE**

ACTION RECOMMENDED: Review report and provide direction to Staff

5. **ADJOURN**

TO: MICHAEL S. LEBRUN *MSL*
FROM: LISA BOGNUDA *LSB*
FINANCE DIRECTOR
DATE: OCTOBER 28, 2011

AGENDA ITEM
2
NOVEMBER 1, 2011

**REVIEW DRAFT AUDIT REPORT FOR FISCAL YEAR ENDING
JUNE 30, 2011**

ITEM

Review draft audit report for fiscal year ending June 30, 2011

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 November 16, 2011, 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 Auditor's Report
and
Financial Statements**

For the Year Ended
June 30, 2011

DRAFT

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

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NIPOMO COMMUNITY

BOARD MEMBERS

JAMES HARRISON, PRESIDENT
LARRY VIERHEILIG, DIRECTOR
MICHAEL WINN, DIRECTOR
ED EBY, DIRECTOR
DAN GADDIS, DIRECTOR



SERVICES DISTRICT

STAFF

MICHAEL S. LEBRUN, 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 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, 2011

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
#125	Water Fund
#130	Sewer Fund-Town 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
#710	Sewer Capacity Charges Fund-Town Division
#805	Funded Replacement-Water Fund
#810	Funded Replacement-Town Sewer 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, 2011

CONDENSED FINANCIAL INFORMATION

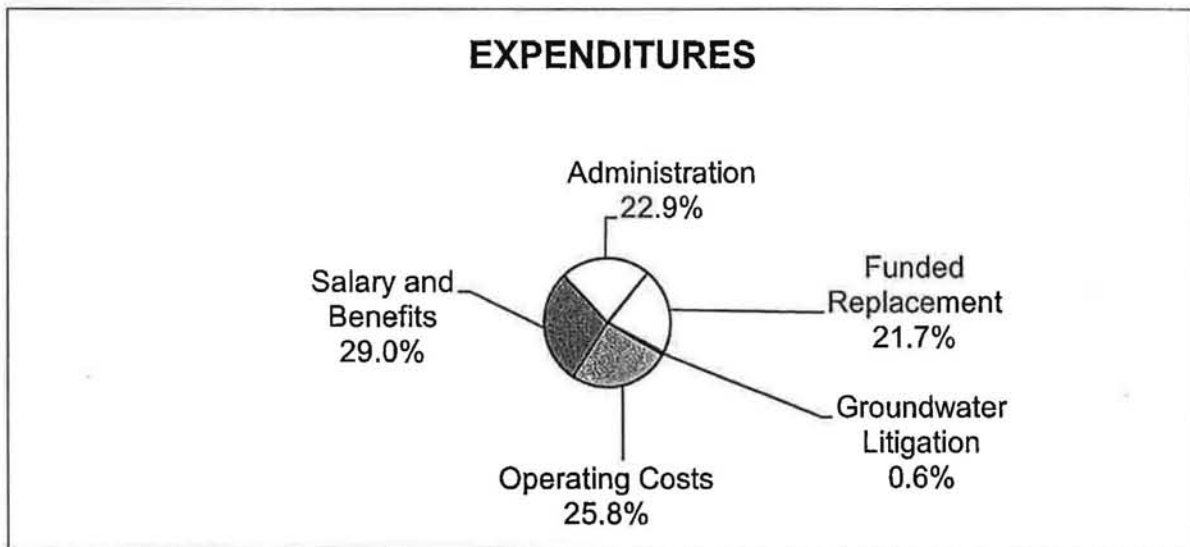
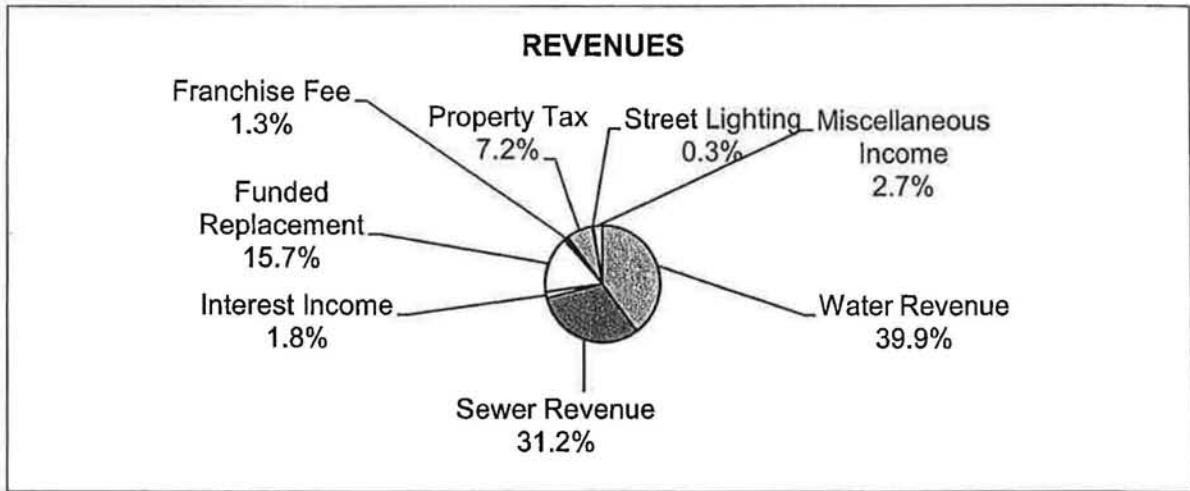
STATEMENT OF NET ASSETS

<u>Assets</u>	<u>Fiscal Year</u> <u>7/1/10 – 6/30/11</u>	<u>Fiscal Year</u> <u>7/1/09 – 6/30/10</u>
Current and other assets	\$ 25,358,844	\$ 25,638,213
Capital assets, net	32,611,674	31,342,793
Total Assets	57,970,518	56,981,006
 <u>Liabilities</u>		
Other liabilities	653,202	606,408
Long-term debt outstanding	4,674,988	4,942,607
Total Liabilities	5,328,190	5,549,015
 <u>Net Assets</u>		
Invested in capital assets, net of debt	28,120,434	26,400,186
Restricted	14,429,872	15,349,110
Unrestricted	10,092,022	9,682,695
Total Net Assets	\$ 52,642,328	\$ 51,431,991

STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET ASSETS

<u>Operating Revenues</u>		
Charges for services	\$ 4,952,837	\$ 4,909,684
Miscellaneous	208,228	164,734
Total Operating Revenues	5,161,065	5,074,418
 <u>Operating Expenses</u>		
Water	3,197,163	3,019,506
Sewer	1,424,512	1,413,767
Other	109,085	175,414
Total Operating Expenses	4,730,760	4,608,687
 <u>Non-Operating Revenues and (Expenses)</u>		
Interest income	125,994	167,857
Miscellaneous revenues	609,449	771,858
Interest expense	(181,873)	(179,462)
Total Non-operating revenues (expenses)	553,570	760,253
Income Before Contributions	983,875	1,225,984
Capital Contributions	226,462	168,472
Change in Net Assets	1,210,337	1,394,456
Total Net Assets - Beginning of fiscal year	51,431,991	50,037,535
Total Net Assets – End of fiscal year	\$ 52,642,328	\$ 51,431,991

NIPOMO COMMUNITY SERVICES DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
FISCAL YEAR ENDING JUNE 30, 2011



NIPOMO COMMUNITY SERVICES DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
FISCAL YEAR ENDING JUNE 30, 2011

B. ANALYSIS OF OVERALL FINANCIAL POSITION AND RESULTS OF OPERATION
(Comparison of Fiscal Year 2010-11 to Fiscal Year 2009-10)

- Overall revenues increased 1.7%.
- Overall operating expenditures increased 2.6%.
- Total assets increased 1.7%.
- Total liabilities decreased 3.9%.
- Capital contributions, including water and sewer capacity fees and developer donated assets increased 134%.

C. ANALYSIS OF BALANCES AND TRANSACTIONS OF INDIVIDUAL FUNDS

- Water revenues decreased 5.6% for the fiscal year. The decrease is attributable a decrease in water consumption.
- Sewer revenues for the Town Division increased 12.6% and the Blacklake Division increased 3%. The increase in the Town Division is attributable to new sewer connections and the increase in the Blacklake Division is attributable to a rate increase that went into effect on January 1, 2011.

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

COMPARISON OF BUDGET AMOUNTS TO ACTUAL

	2010-11 <u>BUDGET</u>	2010-11 <u>ACTUAL</u>	% ACTUAL IS OVER(+)/UNDER(-) <u>BUDGET</u>	POSITIVE (+) OR NEGATIVE (-) <u>IMPACT ON BUDGET</u>
Total Revenues	\$ 5,844,283	\$ 5,896,508	+0.08%	+
Total Expenditures	\$ 4,916,524	\$ 4,730,760	-6.9%	+
Net Non Operating Income (Expenses)	\$ 572,187	\$ 553,570	-3.3%	-

NIPOMO COMMUNITY SERVICES DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
FISCAL YEAR ENDING JUNE 30, 2011

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	\$168,201
Town Division Sewer	58,261
Blacklake Division Sewer	0
TOTAL	\$226,462

The total long-term debt as of June 30, 2011 is as follows (for more detail see Note 6 of the Notes to the Financial Statements found on Pages 13 and 14):

Water Division	Eureka Well development and Inter-Fund loan for the Blacklake Buy-In	\$258,949
Town Division Sewer	Sewer plant expansion, lease purchase of sewer vacuum truck and Inter-Fund Loan for Blacklake Sewer	996,039
Property Tax Secured	Water improvements and Supplemental Water	3,420,000
Total Long-term debt		\$4,674,988

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 Supplemental Water Project expenditures are on-going with the assessment district vote expected to take place in Spring 2012.
- The Southland Wastewater Treatment Facility Upgrade is expected to begin Summer 2012.
- The legal and professional services fees continue due to the groundwater adjudication and Nipomo Mesa Management Area (NMMA) Technical Group.

NIPOMO COMMUNITY SERVICES DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
FISCAL YEAR ENDING JUNE 30, 2011

F. ECONOMIC FACTORS

The Nipomo Community Services District's water and sewer operations rely solely on user fees. The last water rate increases was on January 1, 2009. New water rates will go into effect November 1, 2011.

The sewer rates for the Blacklake Divisions will increase on January 1, 2012.

In order to develop and purchase supplemental water, the Board of Directors adopted Resolution 2008-1102 which provides for the collection of a supplemental water capacity charge for new development. The funds collected are restricted for supplemental water use.

Nine 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
2011	\$30.84	\$1.64	\$2.80
2010	\$30.84	\$1.64	\$2.80
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

TOWN DIVISION- SEWER CHARGES

As of June 30,	Bi-Monthly Sewer Charge
2011	\$88.32
2010	\$88.32
2009	\$70.66
2008	\$56.53
2007	\$43.27
2006	\$41.60
2005	\$37.22
2004	\$36.86
2003	\$36.50

BLACKLAKE DIVISION- SEWER CHARGES

As of June 30,	Bi-Monthly Sewer Charge
2011	\$131.98
2010	\$118.90
2009	\$107.12
2008	\$77.55
2007	\$74.56
2006	\$71.70
2005	\$64.40
2004	\$63.66
2003	\$46.00

NIPOMO COMMUNITY SERVICES DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
FISCAL YEAR ENDING JUNE 30, 2011

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, 2011

BOARD OF DIRECTORS

NAME

TERM EXPIRES

James Harrison, President

December 5, 2014

Larry Vierheilig, Vice-President

December 5, 2014

Michael Winn, Director

December 7, 2012

Ed Eby, Director

December 7, 2012

Dan Gaddis, Director

December 5, 2014

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Independent Auditor's Report

Board of Directors
Nipomo Community Services District
Nipomo, California

I 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, 2011 and 2010, 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. My responsibility is to express an opinion on these financial statements based on my audit.

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

In my 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, 2011 and 2010, and the respective changes in financial position and cash flows, where applicable, thereof for the years 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. I have applied certain limited procedures, which consisted principally of management regarding the methods of measurement and presentation of the required supplementary information. However, I did not audit the information and express no opinion on it.

My audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Nipomo Community Services District basic financial statements. The combining financial statement 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 combining financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, are fairly stated in all material respects in relation to the financial statements taken as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, I express no opinion on them.

CROSBY COMPANY
Certified Public Accountant

August 11, 2011

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NIPOMO COMMUNITY SERVICES DISTRICT
STATEMENTS OF NET ASSETS
PROPRIETARY FUNDS
As of June 30, 2011

(With Comparative Totals for the Year Ended June 30, 2010)

ASSETS	Enterprise Funds	
	<u>2011</u>	<u>2010</u>
Current assets		
Cash and cash equivalents	\$ 23,856,776	\$ 23,922,242
Accounts receivable	208,515	297,406
Unbilled utilities receivable	680,000	725,000
Accrued interest receivable	26,376	31,876
Prepaid expenses	41,362	58,678
Accrued franchise fees	11,820	12,110
Notes receivable (current portion)	39,445	38,192
Total current assets	24,864,294	25,085,504
Non-current assets		
Capital assets:		
Land and construction in progress	7,454,032	5,851,476
Property, plant and equipment, net accumulated depreciation	25,157,642	25,491,317
Total noncurrent assets	32,611,674	31,342,793
Other assets		
Loan fees, net accumulated amortization	183,748	201,864
Notes receivable (less current portion)	310,802	350,845
Total other assets	494,550	552,709
Total assets	\$ 57,970,518	\$ 56,981,006
LIABILITIES		
Current liabilities		
Accounts payable	\$ 396,289	\$ 350,607
Accrued liabilities	159,315	161,994
Deposits	91,298	87,507
Current portion long term debt	257,089	234,551
Total current liabilities	903,991	834,659
Noncurrent liabilities		
Long term debt	4,417,899	4,708,056
Deferred revenues	6,300	6,300
Total noncurrent liabilities	4,424,199	4,714,356
Total liabilities	\$ 5,328,190	\$ 5,549,015
NET ASSETS		
Invested in capital assets, net of related debt	\$ 28,120,434	\$ 26,400,186
Restricted for system expansion and replacement	14,429,872	15,349,110
Unrestricted	10,092,022	9,682,695
Total net assets	\$ 52,642,328	\$ 51,431,991

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, 2011

(With Comparative Totals for the Year Ended June 30, 2010)

	Enterprise Funds	
	<u>2011</u>	<u>2010</u>
Operating revenues		
Charges for services	\$ 4,952,837	\$ 4,909,684
Miscellaneous	208,228	164,734
Total operating revenues	5,161,065	5,074,418
Operating expenses		
Personnel	1,475,273	1,448,688
Contractual services	518,736	468,541
Utilities	556,145	607,219
Repairs and maintenance	316,935	296,920
Other supplies and expenses	624,970	614,681
Insurance	79,754	58,191
Depreciation and amortization	1,158,947	1,114,447
Total operating expenses	4,730,760	4,608,687
Operating income (loss)	430,305	465,731
Non-operating revenues (expenses)		
Interest	125,994	167,857
Property taxes	557,041	520,576
Cell site income	32,838	31,702
Gain on disposal of equipment		101,982
Miscellaneous income	19,570	117,598
Interest expense	(181,873)	(179,462)
Total non-operating revenues (expenses)	553,570	760,253
Income before contributions	983,875	1,225,984
Capital contributions	226,462	168,472
Changes in net assets	1,210,337	1,394,456
Net assets-beginning of year	51,431,991	50,037,535
Net assets-end of year	\$ 52,642,328	\$ 51,431,991

The accompanying notes are an integral part of these financial statements

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NIPOMO COMMUNITY SERVICES DISTRICT
STATEMENTS OF CASH FLOWS
PROPRIETARY FUNDS
As of June 30, 2011

(With Comparative Totals for the Year Ended June 30, 2010)

	Enterprise Funds	
	2011	2010
Cash flows from operating activities		
Cash received from operating revenue	\$ 5,249,956	\$ 4,976,305
Payments to suppliers	(1,924,920)	(2,756,325)
Payments to employees	(1,475,273)	(1,448,688)
Net cash provided by operating activities	1,849,763	771,292
Cash flows from non-capital financing activities		
Property tax revenues	557,041	520,576
Net cash provided by non-capital financing activities	557,041	520,576
Cash flows from capital and related financing activities		
Capital contributions	226,462	168,472
Acquisition of capital assets	(2,427,642)	(2,735,378)
Proceeds from capital debt		633,340
Principal paid on capital debt	(267,619)	(208,399)
Interest paid on capital debt	(181,873)	(179,462)
Proceeds from disposal of property, plant and equipment		101,982
Other cash flows	52,408	149,300
Net cash used by capital and related financing activities	(2,598,264)	(2,070,145)
Cash flows from investing activities		
Interest income	125,994	167,857
Net cash provided by investing activities	125,994	167,857
Net change in cash	(65,466)	(610,420)
Cash and cash equivalents-beginning	23,922,242	24,532,662
Cash and cash equivalents-ending	\$ 23,856,776	\$ 23,922,242
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 430,305	\$ 465,731
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	1,158,947	1,114,447
Loss on disposal of capital assets	17,930	
Net changes in assets and liabilities		
Accounts receivable	88,891	(98,113)
Unbilled utility receivable	45,000	(82,500)
Accrued interest receivable	5,500	54,265
Prepaid expenses	17,316	(17,555)
Accrued franchise fees	290	(593)
Note receivable	38,790	(389,037)
Accounts payable	45,682	(285,007)
Accrued liabilities	(2,679)	35,429
Deposits	3,791	(25,775)
Net cash provided by operating activities	\$ 1,849,763	\$ 771,292

The accompanying notes are an integral part of these financial statements

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

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.

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information is presented for comparative purposes only. Additional detailed information is presented in the prior year financial statements from which the summarized information was derived.

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, 2011

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. The District did not experience any significant bad debt losses and therefore a zero provision has been made for doubtful accounts. Accounts receivable is shown at full value.

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

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, 2011

NOTE 3: CASH AND CASH EQUIVALENTS

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

Cash on hand	\$	350
Bank deposits		79,282
Certificate of deposit		2,069,068
Deposits with bond trustees		249,026
Cash and investments in pooled funds		21,559,561
Less: Cash held in Trust in pooled funds		<u>(100,511)</u>
 Total	 \$	 <u>23,856,776</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). Effective October 3, 2008, the FDIC temporarily increased insured deposits up to \$250,000 and is scheduled to return to \$100,000 after December 31, 2013.

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, 2011, the carrying amount of the District's cash deposits was \$2,296,865. The bank's balance was \$2,224,944. This difference is due to the normal deposits in transit and outstanding checks. District cash deposits by category as of June 30, 2011, 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	\$ 2,224,944	\$ -0-	\$ -0-	\$	2,224,944	\$	2,296,865
	<hr/>	<hr/>	<hr/>		<hr/>		<hr/>

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

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 8 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>21,537,895</u> 8 months average maturity

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

NOTE 4: INVESTMENTS (continued)

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, 2011

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

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

	June 30, <u>2010</u>	<u>Additions</u>	<u>(Deletions)</u>	June 30, <u>2011</u>
Collection and treatment Facilities	\$ 18,188,957	\$ 215,199		\$ 18,404,156
Source of supply and Pumping	4,771,771	130,432	(106,921)	4,795,282
Transmission and distribution lines	13,709,338	260,826	(319,099)	13,651,065
Machinery and equipment	910,903	89,167		1,000,070
Vehicles	280,965			280,965
Building	1,149,447	107,805		1,257,252
Computer equipment	424,999	36	(19,310)	405,725
Office furniture and fixtures	186,363	21,621	(23,602)	184,382
Land and land rights	735,401			735,401
Construction in progress	<u>5,116,075</u>	<u>2,380,557</u>	<u>(778,001)</u>	<u>6,718,631</u>
Subtotal	45,474,219	\$ <u>3,205,643</u>	\$ <u>(1,246,933)</u>	47,432,929
Less: Accumulated depreciation	<u>14,131,426</u>	\$ <u>1,140,831</u>	\$ <u>(451,002)</u>	<u>14,821,255</u>
Totals	\$ <u>31,342,793</u>			\$ <u>32,611,674</u>

Depreciation expense for the period ended June 30, 2011 was \$1,140,831.

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

NOTE 6: LONG TERM DEBT

Long term debt consisted of the following:

	<u>Balance at</u> <u>June 30, 2010</u>	<u>Balance at</u> <u>June 30, 2011</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.	\$ 100,000	\$ 76,000
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.	313,815	278,947
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.	421,803	379,622
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.	3,510,000	3,420,000
The District entered into a lease purchase agreement of \$207,952 on October 20, 2009, with the Municipal Finance Corporation for a sewer vacuum truck. Installment payments in the amount of \$23,607 are due in ten consecutive semi-annual payments and includes interest at the rate of 4.75% per annum on the principal component of the unpaid installment payments.	207,952	170,172

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

NOTE 6: LONG TERM DEBT (continued)

Long term debt consisted of the following:

	<u>Balance at June 30, 2010</u>	<u>Balance at June 30, 2011</u>
<p>The District adopted a water rate adjustment and Buy-In Charge of \$277,742 for the merger of Blacklake and Town Water Division on June 1, 2009, for the purposes of meeting operation, maintenance and capital replacement expenses for providing water service for the merged water systems. Prepayments in the amount of \$55,499 from Blacklake water customers was applied to the total Buy-In Charge. A loan of \$222,243 shall be repaid through a bi-monthly surcharge applied to Blacklake customers' water utility bills for a ten-year period with interest rate at 3%.</p>	\$ 203,512	\$ 182,949
<p>The District entered into an Inter-Fund Loan for \$275,000 on April 1, 2009, with the Blacklake Division for the operation, maintenance and the replacement of existing sewer facilities. Prepayments in the amount of \$68,949 from Blacklake sewer customers was applied to the total. A loan of \$206,501 shall be repaid through a bi-monthly surcharge applied to Blacklake customers' sewer utility bills for a ten-year period with interest rate at 3.5%.</p>	<u>185,525</u>	<u>167,298</u>
Total long-term debt	4,942,607	4,674,988
Less current maturities	<u>234,551</u>	<u>257,089</u>
Total long-term maturities	<u>\$ 4,708,056</u>	<u>\$ 4,417,899</u>

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

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>
2012	\$ 257,089	\$ 176,478	\$ 433,567
2013	266,288	169,582	435,870
2014	274,621	162,137	436,758
2015	279,093	154,289	433,382
2016	239,937	146,609	386,546
2017 – 2021	1,027,960	631,478	1,659,438
2022 – 2026	740,000	472,961	1,212,961
2027 – 2031	935,000	274,018	1,209,018
2032 – 2033	655,000	47,429	702,429
Totals	<u>\$ 4,674,988</u>	<u>\$ 2,234,981</u>	<u>\$ 6,909,969</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, 2011:

<u>Funding Source</u>	<u>Use</u>		
Water capacity charges	For the expansion of the water system	\$	3,408,053
Water sales	Funded replacement		3,964,904
Town Sewer capacity charges	For the expansion of sewer system		2,462,527
Town Sewer sales	Funded replacement		4,531,116
Blacklake sewer sales	Funded replacement		<u>63,272</u>
	Totals	\$	<u>14,429,872</u>

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

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, 2010 through June 30, 2011 and July 1, 2009 through June 30, 2010.

General Liability: Special District Risk Management Authority, coverage number LCA SDRMA 201011. This covers \$10,000,000 per occurrence.

Public Officials and Employees Errors: Special District Risk Management Authority, coverage number LCA SDRMA 201011. This covers \$10,000,000 per occurrence/general aggregate.

Personal Liability Coverage for Board Members: Special District Risk Management Authority, coverage number LCA SDRMA 201011. This covers \$500,000 per occurrence/general aggregate.

Employment Practices Liability: Special District Risk Management Authority, coverage number LCA SDRMA 201011. This covers \$10,000,000 per wrongful employment practice/aggregate limits per member.

Employee Benefits Liability: Special District Risk Management Authority, coverage number LCA SDRMA 201011. This covers \$10,000,000 per occurrence/general aggregate.

Employee Dishonesty Coverage: Special District Risk Management Authority, coverage number EDC SDRMA 201011. This policy includes a \$400,000 Public Employees Dishonesty Blanket Coverage.

Auto Liability: Special District Risk Management Authority, coverage number LCA SDRMA 201011. This policy covers \$10,000,000 per occurrence with personal injury and property damage.

Automobile Physical Damage: Special District Risk Management Authority, coverage number LCA SDRMA 201011. The coverage is on file with SDRMA.

Uninsured/Under Insured Motorist: Special District Risk Management Authority, coverage number UMI SDRMA 201011. This covers \$750,000 each accident.

Trailer Coverage: District Risk Management Authority, coverage number LCA SDRMA 201011. The coverage is on file with SDRMA.

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

NOTE 8: JOINT POWERS AUTHORITY (continued)

Property Coverage: Special District Risk Management Authority, coverage number PPC SDRMA 201011. 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 201011. 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 201011. This coverage is statutory per occurrence, respectively for workers' compensation and \$5,000,000 for employers' liability coverage.

The annual member contribution was \$68,880 for the Package Program, \$8,374 for the Comp/Collision Program and \$22,773 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, 2010</u>
Total assets	\$ 93,151,195
Total liabilities	<u>48,064,871</u>
Risk margin	<u>\$ 45,086,324</u>
Total revenues	\$ 39,472,791
Total expenses	<u>27,232,663</u>
Net income	<u>\$ 12,240,128</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, 2011

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 18.015% 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, 2011

NOTE 9: DEFINED BENEFIT PENSION PLAN (continued)

Actual Pension Cost

For the fiscal year ending June 30, 2011, the District's annual pension cost of \$202,749 for CALPERS was equal to the District's required and actual contributions. The required contribution was determined as part of the June 30, 2008, 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 and are vested, are eligible for District paid health insurance. On January 1, 2010, the District conducted an actuarial valuation to determine the required funding for this health care benefits program.

The actuarial liability for the District's retiree health benefits program on this measurement date was determined to be \$1,402,420. This value is based on a discount rate of 7.75%. The District's funding policy is to fund 100% of the annual required contribution determined through the California Employers' Retiree Benefit Trust (CERBT). Based on this valuation, the District contributed \$103,000 to an irrevocable trust to meet the current obligations of this program and to fully fund the annual liability. Currently, five retired employees are receiving 100% paid health care benefits totaling \$4,762 per month.

Below are the required disclosures for this plan:

Number of active participants		12
Employer's actuarially required contributions	\$	102,298
Employer's actual contributions	\$	113,000
Actuarial Accrued Liability(AAL)	\$	1,157,759
Actuarial Valuation of Assets(AVA)	\$	200,164
Unfunded Actuarial Accrued Liability(UAAL)=(AAL less AVL)	\$	957,595
Funded Ratio(AVA/AAL)		17%
Estimated Payroll	\$	638,000
UAAL as a Percentage of Covered Payroll		150%

SUPPLEMENTAL INFORMATION

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NIPOMO COMMUNITY SERVICES DISTRICT
COMBINING STATEMENTS OF NET ASSETS
PROPRIETARY FUNDS
As of June 30, 2011

Business Type Activities - Enterprise Funds

ASSETS				
	<u>Water</u>	<u>Town Sewer</u>	<u>Blacklake Sewer</u>	<u>Blacklake Lighting</u>
Current Assets				
Cash and cash equivalents	\$ 11,386,758	\$ 9,621,813	\$ 352,902	\$ 33,706
Accounts receivable	117,415	54,221	36,879	
Unbilled utilities receivable	443,000	202,000	35,000	
Accrued interest receivable	11,893	11,545	404	40
Prepaid expenses	39,507			
Accrued franchise fees				
Notes receivable	20,546			
Total current assets	<u>12,019,119</u>	<u>9,889,579</u>	<u>425,185</u>	<u>33,746</u>
Noncurrent Assets				
Capital assets:				
Land and construction in progress	4,845,697	2,608,335		
Property, plant and equipment, net	10,639,018	11,035,081	1,790,720	
Total noncurrent assets	<u>15,484,715</u>	<u>13,643,416</u>	<u>1,790,720</u>	<u>-</u>
Other Assets				
Loan fees, net accumulated amortization		53,883		
Notes receivable	162,403			
Total other assets	<u>162,403</u>	<u>53,883</u>	<u>-</u>	<u>-</u>
Total assets	\$ <u>27,666,237</u>	\$ <u>23,586,878</u>	\$ <u>2,215,905</u>	\$ <u>33,746</u>
LIABILITIES				
Current Liabilities				
Accounts payable	\$ 191,632	\$ 194,763	\$ 7,562	\$ 1,814
Accrued liabilities	75,173	23,108	8,362	
Deposits	87,640			
Current portion long term debt	31,546	116,644	18,899	
Total current liabilities	<u>385,991</u>	<u>334,515</u>	<u>34,823</u>	<u>1,814</u>
Noncurrent Liabilities				
Long term debt	227,403	712,097	148,399	
Deferred revenue		6,300		
Total noncurrent liabilities	<u>227,403</u>	<u>718,397</u>	<u>148,399</u>	<u>-</u>
Total liabilities	\$ <u>613,394</u>	\$ <u>1,052,912</u>	\$ <u>183,222</u>	\$ <u>1,814</u>
NET ASSETS				
Invested in capital assets, net of related debt	\$ 15,225,766	\$ 12,868,558	\$ 1,623,422	\$ -
Restricted for system expansion and replacement	7,372,957	6,993,833	63,082	
Unrestricted	4,454,120	2,671,575	346,179	31,932
Total net assets	\$ <u>27,052,843</u>	\$ <u>22,533,966</u>	\$ <u>2,032,683</u>	\$ <u>31,932</u>

See Auditor's Report

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NIPOMO COMMUNITY SERVICES DISTRICT
COMBINING STATEMENTS OF NET ASSETS
PROPRIETARY FUNDS
 As of June 30, 2011

Business Type Activities - Enterprise Funds

	<u>Solid Waste</u>		<u>Drainage</u>		<u>Landscape Maintenance District</u>		<u>Property Taxes</u>		<u>Total</u>
\$	220,009	\$	5,000	\$	19,114	\$	2,217,474	\$	23,856,776
									208,515
	250		19		22		2,203		680,000
							1,855		26,376
	11,820								41,362
							18,899		11,820
	<u>232,079</u>		<u>5,019</u>		<u>19,136</u>		<u>2,240,431</u>		<u>24,864,294</u>
									7,454,032
	4,807						1,688,016		25,157,642
	<u>4,807</u>		<u>-</u>		<u>-</u>		<u>1,688,016</u>		<u>32,611,674</u>
									183,748
							129,865		310,802
							148,399		494,550
							<u>278,264</u>		
\$	<u>236,886</u>	\$	<u>5,019</u>	\$	<u>19,136</u>	\$	<u>4,206,711</u>	\$	<u>57,970,518</u>
\$	-	\$	-	\$	518	\$	-	\$	396,289
	995						51,677		159,315
							3,658		91,298
							90,000		257,089
	<u>995</u>		<u>-</u>		<u>518</u>		<u>145,335</u>		<u>903,991</u>
									4,417,899
							3,330,000		6,300
							<u>3,330,000</u>		<u>4,424,199</u>
\$	<u>995</u>	\$	<u>-</u>	\$	<u>518</u>	\$	<u>3,475,335</u>	\$	<u>5,328,190</u>
\$	4,807	\$	-	\$	-	\$	(1,602,119)	\$	28,120,434
									14,429,872
	<u>231,084</u>		<u>5,019</u>		<u>18,618</u>		<u>2,333,495</u>		<u>10,092,022</u>
\$	<u>235,891</u>	\$	<u>5,019</u>	\$	<u>18,618</u>	\$	<u>731,376</u>	\$	<u>52,642,328</u>

NIPOMO COMMUNITY SERVICES DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGE IN NET ASSETS
PROPRIETARY FUNDS
As of June 30, 2011

Business Type Activities - Enterprise Funds

	<u>Water</u>	<u>Town Sewer</u>	<u>Blacklake Sewer</u>	<u>Blacklake Lighting</u>
Operating Revenues				
Charges for services	\$ 2,771,928	\$ 1,759,842	\$ 402,163	\$ 18,904
Miscellaneous	106,766	1,070		
Total operating revenues	<u>2,878,694</u>	<u>1,760,912</u>	<u>402,163</u>	<u>18,904</u>
Operating expenses				
Personnel	1,083,144	275,090	95,654	
Contractual services	486,370	29,828	1,869	
Utilities	369,512	125,160	39,629	21,725
Repairs and maintenance	199,784	100,298	16,853	
Other supplies and expenses	444,996	112,738	54,921	46
Insurance	61,596	13,381	2,277	500
Depreciation and amortization	551,761	477,345	79,469	
Total operating expenses	<u>3,197,163</u>	<u>1,133,840</u>	<u>290,672</u>	<u>22,271</u>
Operating income (loss)	<u>(318,469)</u>	<u>627,072</u>	<u>111,491</u>	<u>(3,367)</u>
Non operating revenues (expenses)				
Interest	61,450	46,149	1,234	167
Property taxes	25,072		24,437	
Cell site	32,838			
Miscellaneous income	19,570			
Interest expense	<u>(10,489)</u>	<u>(9,659)</u>	<u>(6,230)</u>	
Total non operating revenues	<u>128,441</u>	<u>36,490</u>	<u>19,441</u>	<u>167</u>
Income (loss) before contributions	<u>(190,028)</u>	<u>663,562</u>	<u>130,932</u>	<u>(3,200)</u>
Transfers (to) from other funds	139,286	325,148	40,718	
Capital contributions	<u>168,201</u>	<u>58,261</u>		
Change in net assets	117,459	1,046,971	171,650	(3,200)
Total net assets - beginning	<u>26,935,384</u>	<u>21,486,995</u>	<u>1,861,033</u>	<u>35,132</u>
Total net assets - ending	<u>\$ 27,052,843</u>	<u>\$ 22,533,966</u>	<u>\$ 2,032,683</u>	<u>\$ 31,932</u>

NIPOMO COMMUNITY SERVICES DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGE IN NET ASSETS
PROPRIETARY FUNDS
As of June 30, 2011

Business Type Activities - Enterprise Funds

Solid Waste	Drainage	Landscape Maintenance District	Property Taxes	Totals
\$ -	\$ -	\$ -	\$ -	4,952,837
<u>91,892</u>		<u>8,500</u>		<u>208,228</u>
<u>91,892</u>		<u>8,500</u>		<u>5,161,065</u>
21,385				1,475,273
669		119		518,736
				556,145
		6,133	3,935	316,935
2,201				624,970
2,000				79,754
1,696			48,676	1,158,947
<u>27,951</u>	<u>-</u>	<u>6,252</u>	<u>52,611</u>	<u>4,730,760</u>
<u>63,941</u>	<u>-</u>	<u>2,248</u>	<u>(52,611)</u>	<u>430,305</u>
2,420	51	83	14,440	125,994
	13,185		494,347	557,041
				32,838
				19,570
			(155,495)	(181,873)
<u>2,420</u>	<u>13,236</u>	<u>83</u>	<u>353,292</u>	<u>553,570</u>
<u>66,361</u>	<u>13,236</u>	<u>2,331</u>	<u>300,681</u>	<u>983,875</u>
(505,158)	(13,239)		13,245	-
<u>(438,797)</u>	<u>(3)</u>	<u>2,331</u>	<u>313,926</u>	<u>226,462</u>
<u>674,688</u>	<u>5,022</u>	<u>16,287</u>	<u>417,450</u>	<u>1,210,337</u>
<u>235,891</u>	<u>5,019</u>	<u>18,618</u>	<u>731,376</u>	<u>52,642,328</u>

NIPOMO COMMUNITY SERVICES DISTRICT
COMBINING STATEMENT OF OTHER SUPPLIES AND EXPENSES
PROPRIETARY FUNDS
As of June 30, 2011

Business Type Activities - Enterprise Funds

	<u>Water</u>	<u>Town Sewer</u>	<u>Blacklake Sewer</u>
<i>Other supplies and expenses</i>			
Chemicals	\$ 18,311	\$ 5,523	\$ 16,264
Lab testing	14,402	29,840	14,602
Operating supplies	70,934	25,129	6,215
Outside services	49,170	3,292	1,051
Permits and operating fees	9,162	5,469	4,239
Fuel	19,489	6,496	3,544
Paging service	5,890	2,435	1,071
Meters - replacement program	70,978	2,781	1,517
Uniforms	5,096	1,699	926
Conservation program	26,753		
Bank charges and fees	4,914		
Computer expenses	46,611	11,742	1,642
Director fees	16,120	3,426	605
Dues and subscriptions	11,015	2,868	328
Education and training	4,678	713	171
Elections	284	60	11
Landscape and janitorial	12,214	2,595	458
LAFCO funding	20,029		
Miscellaneous	4,928		
Newsletters and mailers	651		162
Office supplies	8,733	1,649	359
Postage	9,041	4,769	900
Public notices	3,549		
Property taxes	1,025		
Telephone	7,520	1,508	725
Travel and mileage	3,499	744	131
Bond administration			
Total other supplies and expenses	\$ <u>444,996</u>	\$ <u>112,738</u>	\$ <u>54,921</u>

NIPOMO COMMUNITY SERVICES DISTRICT
COMBINING STATEMENT OF OTHER SUPPLIES AND EXPENSES
PROPRIETARY FUNDS
As of June 30, 2011

Business Type Activities - Enterprise Funds

<u>Blacklake Lighting</u>	<u>Solid Waste</u>	<u>Landscape Maintenance District</u>	<u>Property Taxes</u>	<u>Total</u>
\$ -	\$ -	\$ -	\$ -	\$ 40,098
				58,844
				102,278
				53,513
				18,870
				29,529
				9,396
				75,276
				7,721
				26,753
				4,914
				59,995
				20,151
				14,211
				5,562
				355
		5,864		21,131
	2,029			20,029
				6,957
				813
				10,741
46	172	269		14,710
				4,036
				1,025
				9,753
				4,374
			3,935	3,935
<u>\$ 46</u>	<u>\$ 2,201</u>	<u>\$ 6,133</u>	<u>\$ 3,935</u>	<u>\$ 624,970</u>

NIPOMO COMMUNITY SERVICES DISTRICT
REQUIRED DISCLOSURE UNDER GOVERNMENT CODE SECTION 66013
For the Year Ended June 30, 2011

FUND 500 – SUPPLEMENTAL WATER FUND

Beginning balance July 1, 2010	\$2,409,880
Ending balance June 30, 2011	\$2,094,583
Interest earned	\$9,468
Amount of charges collected in fiscal year	\$136,288

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	\$449,183	100%	No

Anticipated projects for 2011-2012 fiscal year

Supplemental Water Project (including, but not limited to, Engineering, Right-of-Way, Funding/Assessment District, 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.

NIPOMO COMMUNITY SERVICES DISTRICT
REQUIRED DISCLOSURE UNDER GOVERNMENT CODE SECTION 66013
For the Year Ended June 30, 2011

FUND 700 – WATER CAPACITY FUND

Beginning balance July 1, 2010	\$4,052,461
Ending balance June 30, 2011	\$3,408,053
Interest earned	\$17,718
Amount of charges collected in fiscal year	\$31,913

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
Willow Road Phase 1	\$154,119	100%	No
Willow Road Phase 2	\$274,632	100%	No
Tank Site	\$13,680	100%	No
SCADA Upgrades	\$9,925	100%	No
Metal Storage Building	\$71,151	65%	Yes

Anticipated projects for 2011-2012 fiscal year

SCADA Upgrade
Standpipe Mixing
Electrical for Shop Equipment Storage Building
Willow Road Water Line (Phase 1 and 2)
Water Tank Site

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
REQUIRED DISCLOSURE UNDER GOVERNMENT CODE SECTION 66013
For the Year Ended June 30, 2011

FUND 710 – SEWER CAPACITY FUND (TOWN DIVISION)

Beginning balance July 1, 2010	\$4,157,726
Ending balance June 30, 2011	\$2,462,527
Interest earned	\$17,765
Amount of charges collected in fiscal year	\$58,261

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
GIS Upgrades	\$7,744	100%	No
Bio-Solids Disposal	\$161,690	100%	Yes
Work In Process – Southland WWTF Upgrade	\$818,878	100%	No
Frontage Road Sewer Main Upgrade/ Replacement	\$25,962	53%	No
Metal Storage Building	\$23,717	21%	Yes

Anticipated projects for 2011-2012 fiscal year

Southland WWTF Upgrades
 Bio-Solids Removal
 SCADA System Upgrade
 Electrical for Shop Equipment Storage Building
 Frontage Road Trunk Sewer Upgrade

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.

TO: MICHAEL S. LEBRUN *MSL*
FROM: LISA BOGNUDA *LSB*
FINANCE DIRECTOR
DATE: OCTOBER 28, 2011

AGENDA ITEM
3
NOVEMBER 1, 2011

REVIEW PROPOSED AMENDMENT TO THE CALIFORNIA EMPLOYER'S RETIREE BENEFIT TRUST PROGRAM (CERBT) AGREEMENT TO ALLOW THE USE OF THE ALTERNATIVE MEASUREMENT METHOD (AMM) TO PERFORM THE OPEB VALUATION

ITEM

Review proposed amendment to the California Employer's Retiree Benefit Trust Program (CERBT) Agreement to allow the use of the Alternative Measurement Method (AMM) to perform the OPEB valuation.

BACKGROUND

On April 30, 2008, the Board of Directors adopted Resolution 2008-1078, Approving Agreement and Election to Prefund Other Post Employment Benefits through CALPERS and Certification of OPEB Funding Policy and GASB 43/45 Reporting Compliance.

The agreement provides that the District shall provide CERBT an actuarial valuation report on a biennial basis. The next reporting requirement for the District is June 30, 2012. The two prior actuarial valuations were completed by a certified actuarial at a cost of \$6,600 and \$5,570, respectively.

Government Accounting Standards Board (GASB) now allows the use of a simplified approach to the valuation called the Alternative Measurement Method (AMM) for employers with fewer than 100 active and retired plan members.

In order to be eligible to use the AMM, the CERBT requires the District to adopt the newer version of the Agreement (revised 6/23/10) (attached). The changes to the agreement are outlined by CALPERS (attached).

Staff has found firms (only by research on the web) that offer the AMM computation for approximately \$950 - \$1,500.

By approving the newer agreement, it provides the District the option of using the actuarial valuation or the AMM.

RECOMMENDATION

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

ATTACHMENTS

- Changes to the Agreement
- Proposed Agreement (Rev 6/23/10)
- Adopted Agreement (Rev 1/9/08)

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GASB 45 & California Employers' Retiree Benefit Trust Fund

- [Overview](#)
- [Participating Agencies](#)
- [Benefits of Investing with CalPERS](#)
- [CERBT Fund Fact Sheets](#)
- [CERBT Fund Workshops](#)
- [Getting Started](#)
- [Agreement](#)
- [List of OPEB Actuaries \(PDF, 30 KB\)](#)
- [Summary of Actuarial Information Required for CalPERS Financial Statements \(XLS, 62 KB\)](#)
- [The CalPERS OPEB Assumption Model](#)
- [Financial Reporting Under GASB 43 & 45](#)
- [Requesting a Data Extract](#)
- [Request for Proposal \(RFP\) Submission](#)
- [CERBT Forms](#)
- [FAQs - California Employers' Retiree Benefit Trust Fund](#)

Agreement

The following changes have been made to the agreement.

Revision 06/23/2010: The authorizing signature block was changed replacing Ron Seeling with Alan Milligan.

Revision 03/01/2010: Language was added to the Agreement in Section C to allow the Alternative Measurement Method (AMM). In December of 2009 the Governmental Accounting Standards Board released Statement No. 57 allowing agencies to use the AMM and to participate in a multiple employer plan.

Revision 12/1/2009: The authorizing signature block was changed replacing Ken Marzion with Ron Seeling.

Revision 12/17/2008: Language was added in Section H(5) to provide the possibility of termination in less than 36 months, subject to Board approval.

Revision 04/25/2008: Changes were made to Section C(5) to add the words "The minimum" and "whichever is less" as a clarification of the intent of this section, which is that the minimum Annual Required Contribution (ARC) is \$5,000 or the ARC if it is lower than that amount.

Revision 01/09/2008: Assembly Bill 554 (Hernandez) allows all California public agencies, regardless of whether they contract with CalPERS to provide health benefits for their employees, to participate in the California Employers' Retiree Benefit Trust (CERBT) Fund. The new law went into effect January 1, 2008. The Agreement was revised to eliminate language that had restricted participation in the trust to employers contracting for health benefits through CalPERS. These changes include:

- Deleting PEMHCA-related language from the Section: Whereas (3)
- Deleting Section H(1)b, which related to employers ceasing to participate in PEMHCA
- Updating the mailing address in Section A(1) to reflect a more direct route for submitting CERBT Agreements

Revision 12/10/2007: Changes were made to include added references to Section F(1) and H(7) referring to GASB 43 and deleted the words "at any time" from Section I(1).

Revision 07/10/2007: Changes were made to clarify the means by which CERBT adheres to GASB guidelines. These included:

- In Section C(1) the timing and requirements for future valuations have been changed to match GASB 45

New Agreement.

Adopted 4-30-08

ACES & Other Online Services
my|CalPERS for Employers
Administration & Reporting of Members
GASB 45 & California Employers' Retiree Benefit Trust Fund
Interested in Contracting With CalPERS?

- Benefit Programs & Contracting Services
- Part-Time California National Guard Membership
- Actuarial, Risk Pooling, & GASB 27 Information
- Circular Letters
- Sign up for CalPERS Employer eBulletin
- Policies & Procedures
- Employer Education & Events
- Forms & Publications Center
- FAQs - For Employers
- Tips for Helping Your Employees
- Legislation, Precedential Board Decisions, Regulations & Statutes
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- In Section C(4) the definition of "projected benefits" was clarified
- In Section D(6): Any return of trust assets to the employer will be consistent with applicable accounting and legal requirements
- In Section F(1): Disbursements will be limited to the amount of annual retiree premiums and other OPEB costs
- In Section F(4) Disbursement restrictions during the first three years eliminated

[View the Agreement](#) (PDF, 44 KB).

Dated: 06-28-2010



CALIFORNIA EMPLOYER'S RETIREE BENEFIT TRUST PROGRAM ("CERBT")

**AGREEMENT AND ELECTION
OF**

(NAME OF EMPLOYER)

**TO PREFUND OTHER POST EMPLOYMENT
BENEFITS THROUGH CalPERS**

WHEREAS (1) Government Code Section 22940 establishes in the State Treasury the Annuitants' Health Care Coverage Fund for the prefunding of health care coverage for annuitants (Prefunding Plan); and

WHEREAS (2) The California Public Employees' Retirement System (CalPERS) Board of Administration (Board) has sole and exclusive control and power over the administration and investment of the Prefunding Plan (sometimes also referred to as CERBT), the purposes of which include, but are not limited to (i) receiving contributions from participating employers and establishing separate Employer Prefunding Accounts in the Prefunding Plan for the performance of an essential governmental function (ii) investing contributed amounts and income thereon, if any, in order to receive yield on the funds and (iii) disbursing contributed amounts and income thereon, if any, to pay for costs of administration of the Prefunding Plan and to pay for health care costs or other post employment benefits in accordance with the terms of participating employers' plans; and

WHEREAS (3) _____
(NAME OF EMPLOYER)

(Employer) desires to participate in the Prefunding Plan upon the terms and conditions set by the Board and as set forth herein; and

WHEREAS (4) Employer may participate in the Prefunding Plan upon (i) approval by the Board and (ii) filing a duly adopted and executed Agreement and Election to Prefund Other Post Employment Benefits (Agreement) as provided in the terms and conditions of the Agreement; and

WHEREAS (5) The Prefunding Plan is a trust fund that is intended to perform an essential governmental function within the meaning of Section 115 of the Internal Revenue Code as an agent multiple-employer plan as defined in Governmental Accounting Standards Board (GASB) Statement No. 43 consisting of an aggregation of single-employer plans, with pooled administrative and investment functions;

NOW, THEREFORE, BE IT RESOLVED THAT EMPLOYER HEREBY MAKES THE FOLLOWING REPRESENTATION AND WARRANTY AND THAT THE BOARD AND EMPLOYER AGREE TO THE FOLLOWING TERMS AND CONDITIONS:

A. Representation and Warranty

Employer represents and warrants that it is a political subdivision of the State of California or an entity whose income is excluded from gross income under Section 115 (1) of the Internal Revenue Code.

B. Adoption and Approval of the Agreement; Effective Date; Amendment

(1) Employer's governing body shall elect to participate in the Prefunding Plan by adopting this Agreement and filing with the CalPERS Board a true and correct original or certified copy of this Agreement as follows:

Filing by mail, send to: CalPERS
 Constituent Relations Office
 CERBT (OPEB)
 P.O. Box 942709
 Sacramento, CA 94229-2709

Filing in person, deliver to:
 CalPERS Mailroom
 Constituent Relations Office
 CERBT (OPEB)
 Attn: Employer Services Division
 400 Q Street
 Sacramento, CA 95811

(2) Upon receipt of the executed Agreement, and after approval by the Board, the Board shall fix an effective date and shall promptly notify Employer of the effective date of the Agreement.

(3) The terms of this Agreement may be amended only in writing upon the agreement of both CalPERS and Employer, except as otherwise provided herein. Any such amendment or modification to this Agreement shall be adopted and executed in the same manner as required for the Agreement. Upon receipt of the executed amendment or modification, the Board shall fix the effective date of the amendment or modification.

(4) The Board shall institute such procedures and processes as it deems necessary to administer the Prefunding Plan, to carry out the purposes of this Agreement, and to maintain the tax exempt status of the Prefunding Plan. Employer agrees to follow such procedures and processes.

C. Other Post Employment Benefits (OPEB) Cost Reports and Employer Contributions

(1) Employer shall provide to the Board an OPEB cost report on the basis of the actuarial assumptions and methods prescribed by the Board. Such report shall be for the Board's use in financial reporting, and shall be prepared at least as often as the minimum frequency required by GASB 43. This OPEB cost report may be prepared as an actuarial valuation report or, if the employer is qualified under GASB 45 and 57, may be prepared as an Alternative Measurement Method (AMM) report.

- (a) Unless qualified under GASB 45 and 57 to provide an AMM report, Employer shall provide to the Board an actuarial valuation report. Such report shall be for the Board's use in financial reporting, and shall be prepared at least as often as the minimum frequency required by GASB 43 and 57, and shall be:
 - 1) prepared and signed by a Fellow or Associate of the Society of Actuaries who is also a Member of the American Academy of Actuaries or a person with equivalent qualifications acceptable to the Board;
 - 2) prepared in accordance with generally accepted actuarial practice and GASB 43, 45 and 57; and,
 - 3) provided to the Board prior to the Board's acceptance of contributions for the valuation period or as otherwise required by the Board.

- (b) If qualified under GASB 45 and 57, Employer may provide to the Board an AMM report. Such report shall be for the Board's use in financial reporting, shall be prepared at least as often as the minimum frequency required by GASB 43 and 57, and shall be:
 - 1) affirmed by Employer's external auditor, or by a Fellow or Associate of the Society of Actuaries who is also a Member of the American Academy of Actuaries or a person with equivalent qualifications acceptable to the Board, to be consistent with the AMM process described in GASB 45;
 - 2) prepared in accordance with GASB 43, 45, and 57; and,
 - 3) provided to the Board prior to the Board's acceptance of contributions for the valuation period or as otherwise required by the Board.

(2) The Board may reject any OPEB cost report submitted to it, but shall not unreasonably do so. In the event that the Board determines, in its sole discretion, that

the OPEB cost report is not suitable for use in the Board's financial statements or if Employer fails to provide a required OPEB cost report, the Board may obtain, at Employer's expense, an OPEB cost report that meets the Board's financial reporting needs. The Board may recover from Employer the cost of obtaining such OPEB cost report by billing and collecting from Employer or by deducting the amount from Employer's account in the Prefunding Plan.

(3) Employer shall notify the Board of the amount and time of contributions which contributions shall be made in the manner established by the Board.

(4) Employer contributions to the Prefunding Plan may be limited to the amount necessary to fully fund Employer's actuarial present value of total projected benefits, as supported by the OPEB cost report acceptable to the Board. As used throughout this document, the meaning of the term "actuarial present value of total projected benefits" is as defined in GASB Statement No. 45. If Employer's contribution causes its assets in the Prefunding Plan to exceed the amount required to fully fund the actuarial present value of total projected benefits, the Board may refuse to accept the contribution.

(5) The minimum Employer contribution will be at least \$5000 or be equal to Employer's Annual Required Contribution, whichever is less, as that term is defined in GASB Statement No. 45. Contributions can be made at any time following the seventh day after the effective date of the Agreement provided that Employer has first complied with the requirements of Paragraph C.

D. Administration of Accounts, Investments, Allocation of Income

(1) The Board has established the Prefunding Plan as an agent plan consisting of an aggregation of single-employer plans, with pooled administrative and investment functions, under the terms of which separate accounts will be maintained for each employer so that Employer's assets will provide benefits only under employer's plan.

(2) All Employer contributions and assets attributable to Employer contributions shall be separately accounted for in the Prefunding Plan (Employer's Prefunding Account).

(3) Employer's Prefunding Account assets may be aggregated with prefunding account assets of other employers and may be co-invested by the Board in any asset classes appropriate for a Section 115 Trust.

(4) The Board may deduct the costs of administration of the Prefunding Plan from the investment income or Employer's Prefunding Account in a manner determined by the Board.

(5) Investment income shall be allocated among employers and posted to Employer's Prefunding Account as determined by the Board but no less frequently than annually.

(6) If Employer's assets in the Prefunding Plan exceed the amount required to fully fund the actuarial present value of total projected benefits, the Board, in compliance with applicable accounting and legal requirements, may return such excess to Employer.

E. Reports and Statements

(1) Employer shall submit with each contribution a contribution report in the form and containing the information prescribed by the Board.

(2) The Board shall prepare and provide a statement of Employer's Prefunding Account at least annually reflecting the balance in Employer's Prefunding Account, contributions made during the period and income allocated during the period, and such other information as the Board determines.

F. Disbursements

(1) Employer may receive disbursements not to exceed the annual premium and other costs of post employment healthcare benefits and other post employment benefits as defined in GASB 43.

(2) Employer shall notify CalPERS in writing in the manner specified by CalPERS of the persons authorized to request disbursements from the Prefunding Plan on behalf of Employer.

(3) Employer's request for disbursement shall be in writing signed by Employer's authorized representative, in accordance with procedures established by the Board. The Board may require that Employer certify or otherwise establish that the monies will be used for the purposes of the Prefunding Plan.

(4) Requests for disbursements that satisfy the requirements of paragraphs (2) and (3) that are received on or after the first of a month will be processed by the 15th of the following month. (For example, a disbursement request received on or between March 1st and March 31st will be processed by April 15th; and a disbursement request received on or between April 1st and April 30th will be processed by May 15th.)

(5) CalPERS shall not be liable for amounts disbursed in error if it has acted upon the written instruction of an individual authorized by Employer to request disbursements. In the event of any other erroneous disbursement, the extent of CalPERS' liability shall be the actual dollar amount of the disbursement, plus interest at the actual earnings rate but not less than zero.

(6) No disbursement shall be made from the Prefunding Plan which exceeds the balance in Employer's Prefunding Account.

G. Costs of Administration

Employer shall pay its share of the costs of administration of the Prefunding Plan, as determined by the Board.

H. Termination of Employer Participation in Prefunding Plan

(1) The Board may terminate Employer's participation in the Prefunding Plan if:

- (a) Employer gives written notice to the Board of its election to terminate;
- (b) The Board finds that Employer fails to satisfy the terms and conditions of this Agreement or of the Board's rules or regulations.

(2) If Employer's participation in the Prefunding Plan terminates for any of the foregoing reasons, all assets in Employer's Prefunding Account shall remain in the Prefunding Plan, except as otherwise provided below, and shall continue to be invested and accrue income as provided in Paragraph D.

(3) After Employer's participation in the Prefunding Plan terminates, Employer may not make contributions to the Prefunding Plan.

(4) After Employer's participation in the Prefunding Plan terminates, disbursements from Employer's Prefunding Account may continue upon Employer's instruction or otherwise in accordance with the terms of this Agreement.

(5) After thirty-six (36) months have elapsed from the effective date of this Agreement or at such earlier date as may be approved by the Board in its sole discretion:

- (a) Employer may request a trustee to trustee transfer of the assets in Employer's Prefunding Account. Upon satisfactory showing to the Board that the transfer will satisfy applicable requirements of the Internal Revenue Code and the Board's fiduciary duties, then the Board shall effect the transfer within one hundred twenty (120) days. The amount to be transferred shall be the amount in the Employer's Prefunding Account as of the disbursement date and shall include investment earnings up to the investment earnings allocation date immediately preceding the disbursement date. In no event shall the investment earnings allocation date precede the transfer by more than 120 days.
- (b) Employer may request a disbursement of the assets in Employer's Prefunding Account. Upon satisfactory showing to the Board that all of Employer's obligations for payment of post employment health care benefits and other post employment benefits and reasonable administrative costs of the Board have been satisfied, then the Board shall

effect the disbursement within one hundred twenty (120) days. The amount to be disbursed shall be the amount in the Employer's Prefunding Account as of the disbursement date and shall include investment earnings up to the investment earnings allocation date immediately preceding the disbursement date. In no event shall the investment earnings allocation date precede the disbursement by more than 120 days.

(6) After Employer's participation in the Prefunding Plan terminates and at such time that no assets remain in Employer's Prefunding Account, this Agreement shall terminate.

(7) If, for any reason, the Board terminates the Prefunding Plan, the assets in Employer's Prefunding Account shall be paid to Employer after retention of (i) amounts sufficient to pay post employment health care benefits and other post employment benefits to annuitants for current and future annuitants described by the employer's current substantive plan (as defined in GASB 43), and (ii) amounts sufficient to pay reasonable administrative costs of the Board.

(8) If Employer ceases to exist but Employer's Prefunding Plan continues to exist and if no provision has been made by Employer for ongoing payments to pay post employment health care benefits and other post employment benefits to annuitants for current and future annuitants, the Board is authorized to and shall appoint a third party administrator to carry out Employer's Prefunding Plan. Any and all costs associated with such appointment shall be paid from the assets attributable to contributions by Employer.

(9) If Employer should breach the representation and warranty set forth in Paragraph A., the Board shall take whatever action it deems necessary to preserve the tax-exempt status of the Prefunding Plan.

I. General Provisions

(1) Books and Records.

Employer shall keep accurate books and records connected with the performance of this Agreement. Employer shall ensure that books and records of subcontractors, suppliers, and other providers shall also be accurately maintained. Such books and records shall be kept in a secure location at the Employer's office(s) and shall be available for inspection and copying by CalPERS and its representatives.

(2) Audit.

- (a) During and for three years after the term of this Agreement, Employer shall permit the Bureau of State Audits, CalPERS, and its authorized representatives, and such consultants and specialists as needed, at all

reasonable times during normal business hours to inspect and copy, at the expense of CalPERS, books and records of Employer relating to its performance of this Agreement.

- (b) Employer shall be subject to examination and audit by the Bureau of State Audits, CalPERS, and its authorized representatives, and such consultants and specialists as needed, during the term of this Agreement and for three years after final payment under this Agreement. Any examination or audit shall be confined to those matters connected with the performance of this Agreement, including, but not limited to, the costs of administering this Agreement. Employer shall cooperate fully with the Bureau of State Audits, CalPERS, and its authorized representatives, and such consultants and specialists as needed, in connection with any examination or audit. All adjustments, payments, and/or reimbursements determined to be necessary by any examination or audit shall be made promptly by the appropriate party.

(3) Notice.

- (a) Any notice, approval, or other communication required or permitted under this Agreement will be given in the English language and will be deemed received as follows:
 - 1. Personal delivery. When personally delivered to the recipient. Notice is effective on delivery.
 - 2. First Class Mail. When mailed first class to the last address of the recipient known to the party giving notice. Notice is effective three delivery days after deposit in a United States Postal Service office or mailbox.
 - 3. Certified mail. When mailed certified mail, return receipt requested. Notice is effective on receipt, if delivery is confirmed by a return receipt.
 - 4. Overnight Delivery. When delivered by an overnight delivery service, charges prepaid or charged to the sender's account, Notice is effective on delivery, if delivery is confirmed by the delivery service.
 - 5. Telex or Facsimile Transmission. When sent by telex or fax to the last telex or fax number of the recipient known to the party giving notice. Notice is effective on receipt, provided that (i) a duplicate copy of the notice is promptly given by first-class or certified mail or by overnight delivery, or (ii) the receiving party delivers a written confirmation of receipt. Any notice given by telex or fax shall be

deemed received on the next business day if it is received after 5:00 p.m. (recipient's time) or on a nonbusiness day.

6. E-mail transmission. When sent by e-mail using software that provides unmodifiable proof (i) that the message was sent, (ii) that the message was delivered to the recipient's information processing system, and (iii) of the time and date the message was delivered to the recipient along with a verifiable electronic record of the exact content of the message sent.

Addresses for the purpose of giving notice are as shown in Paragraph B.(1) of this Agreement.

- (b) Any correctly addressed notice that is refused, unclaimed, or undeliverable because of an act or omission of the party to be notified shall be deemed effective as of the first date that said notice was refused, unclaimed, or deemed undeliverable by the postal authorities, messenger or overnight delivery service.
- (c) Any party may change its address, telex, fax number, or e-mail address by giving the other party notice of the change in any manner permitted by this Agreement.
- (d) All notices, requests, demands, amendments, modifications or other communications under this Agreement shall be in writing. Notice shall be sufficient for all such purposes if personally delivered, sent by first class, registered or certified mail, return receipt requested, delivery by courier with receipt of delivery, facsimile transmission with written confirmation of receipt by recipient, or e-mail delivery with verifiable and unmodifiable proof of content and time and date of sending by sender and delivery to recipient. Notice is effective on confirmed receipt by recipient or 3 business days after sending, whichever is sooner.

(4) Modification

This Agreement may be supplemented, amended, or modified only by the mutual agreement of the parties. No supplement, amendment, or modification of this Agreement shall be binding unless it is in writing and signed by the party to be charged.

(5) Survival

All representations, warranties, and covenants contained in this Agreement, or in any instrument, certificate, exhibit, or other writing intended by the parties to be a part of their Agreement shall survive the termination of this Agreement until such time as all amounts in Employer's Prefunding Account have been disbursed.

(6) Waiver

No waiver of a breach, failure of any condition, or any right or remedy contained in or granted by the provisions of this Agreement shall be effective unless it is in writing and signed by the party waiving the breach, failure, right, or remedy. No waiver of any breach, failure, right, or remedy shall be deemed a waiver of any other breach, failure, right, or remedy, whether or not similar, nor shall any waiver constitute a continuing waiver unless the writing so specifies.

(7) Necessary Acts, Further Assurances

The parties shall at their own cost and expense execute and deliver such further documents and instruments and shall take such other actions as may be reasonably required or appropriate to evidence or carry out the intent and purposes of this Agreement.

A majority vote of Employer's Governing Body at a public meeting held on the _____ day of the month of _____ in the year _____, authorized entering into this Agreement.

Signature of the Presiding Officer: _____

Printed Name of the Presiding Officer: _____

Name of Governing Body: _____

Name of Employer: _____

Date: _____

BOARD OF ADMINISTRATION
CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM

BY _____
ALAN MILLIGAN
ACTUARIAL AND EMPLOYER SERVICES BRANCH
CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM

To be completed by CalPERS

The effective date of this Agreement is: _____

NIPOMO COMMUNITY SERVICES DISTRICT
RESOLUTION NO. 2008-1078

A RESOLUTION OF THE BOARD OF DIRECTORS OF THE
NIPOMO COMMUNITY SERVICES DISTRICT
APPROVING AGREEMENT AND ELECTION TO PREFUND OTHER POST
EMPLOYMENT BENEFITS THROUGH CALPERS AND CERTIFICATION OF OPEB
FUNDING POLICY AND GASB 43/45 REPORTING COMPLIANCE

WHEREAS, the Nipomo Community Services District (herein "District") Board of Directors (herein "Board") is a local governmental agency formed and authorized to provide services within its jurisdiction, pursuant to Section 61000 et seq. of the California Government Code; and

WHEREAS, Statement 45 of the Governmental Accounting Standards Board (GASB 45) establishes standards for the measurement, recognition and display of OPEB expenses/expenditures, and related liabilities (assets), note disclosures, and if applicable, required supplementary information in the financial reports of State and local governmental employers; and

WHEREAS, Nipomo Community Services District provides medical benefits to its retirees, thus, the District will be required to fund its OPEB liability.

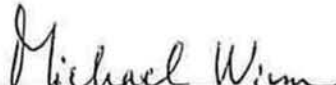
NOW, THEREFORE, the Board of Directors of the Nipomo Community Services District does hereby resolve, declare, determine and order as follows:

1. Authorize the Board President to execute the agreement and election Exhibit "A"
2. Authorize the Board President to execute the Certification of OPEB Funding Policy and GASB 43/45 Reporting Compliance Exhibit "B"

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

AYES: Directors Vierheilig, Harrison, Trotter, Eby and Winn
NOES: None
ABSENT: None
CONFLICTS: None

The foregoing resolution is hereby passed, approved and adopted by the Board of Directors of the Nipomo Community Services District this 30th day of April, 2008.



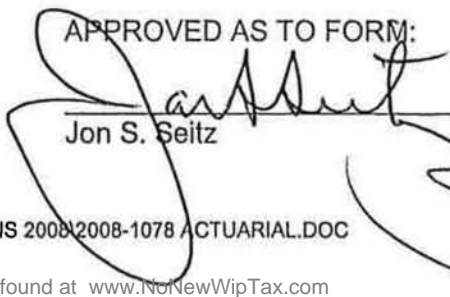
Michael Winn, President
Nipomo Community Services District

ATTEST:



Donna K. Johnson

APPROVED AS TO FORM:



Jon S. Seitz

CALIFORNIA EMPLOYER'S RETIREE BENEFIT TRUST PROGRAM ("CERBT")

**AGREEMENT AND ELECTION
OF**

NIPOMO COMMUNITY SERVICES DISTRICT

(NAME OF EMPLOYER)

**TO PREFUND OTHER POST EMPLOYMENT
BENEFITS THROUGH CalPERS**

WHEREAS (1) Government Code Section 22940 establishes in the State Treasury the Annuitants' Health Care Coverage Fund for the prefunding of health care coverage for annuitants (Prefunding Plan); and

WHEREAS (2) The California Public Employees' Retirement System (CalPERS) Board of Administration (Board) has sole and exclusive control and power over the administration and investment of the Prefunding Plan (sometimes also referred to as CERBT), the purposes of which include, but are not limited to (i) receiving contributions from participating employers and establishing separate Employer Prefunding Accounts in the Prefunding Plan for the performance of an essential governmental function (ii) investing contributed amounts and income thereon, if any, in order to receive yield on the funds and (iii) disbursing contributed amounts and income thereon, if any, to pay for costs of administration of the Prefunding Plan and to pay for health care costs or other post employment benefits in accordance with the terms of participating employers' plans; and

WHEREAS (3) Nipomo Community Services District
(NAME OF EMPLOYER)

(Employer) desires to participate in the Prefunding Plan upon the terms and conditions set by the Board and as set forth herein; and

WHEREAS (4) Employer may participate in the Prefunding Plan upon (i) approval by the Board and (ii) filing a duly adopted and executed Agreement and Election to Prefund Other Post Employment Benefits (Agreement) as provided in the terms and conditions of the Agreement; and

WHEREAS (5) The Prefunding Plan is a trust fund that is intended to perform an essential governmental function within the meaning of Section 115 of the Internal Revenue Code as an agent multiple-employer plan as defined in Governmental Accounting Standards Board (GASB) Statement No. 43 consisting of an aggregation of single-employer plans, with pooled administrative and investment functions;

NOW, THEREFORE, BE IT RESOLVED THAT EMPLOYER HEREBY MAKES THE FOLLOWING REPRESENTATION AND WARRANTY AND THAT THE BOARD AND EMPLOYER AGREE TO THE FOLLOWING TERMS AND CONDITIONS:

A. Representation and Warranty

Employer represents and warrants that it is a political subdivision of the State of California or an entity whose income is excluded from gross income under Section 115 (1) of the Internal Revenue Code.

B. Adoption and Approval of the Agreement; Effective Date; Amendment

(1) Employer's governing body shall elect to participate in the Prefunding Plan by adopting this Agreement and filing with the CalPERS Board a true and correct original or certified copy of this Agreement as follows:

Filing by mail, send to: CalPERS
 Constituent Relations Office
 CERBT (OPEB)
 P.O. Box 942709
 Sacramento, CA 94229-2709

Filing in person, deliver to:
 CalPERS Mailroom
 Attn: Employer Services Division
 400 Q Street
 Sacramento, CA 95814

(2) Upon receipt of the executed Agreement, and after approval by the Board, the Board shall fix an effective date and shall promptly notify Employer of the effective date of the Agreement.

(3) The terms of this Agreement may be amended only in writing upon the agreement of both CalPERS and Employer, except as otherwise provided herein. Any such amendment or modification to this Agreement shall be adopted and executed in the same manner as required for the Agreement. Upon receipt of the executed amendment or modification, the Board shall fix the effective date of the amendment or modification.

(4) The Board shall institute such procedures and processes as it deems necessary to administer the Prefunding Plan, to carry out the purposes of this Agreement, and to maintain the tax exempt status of the Prefunding Plan. Employer agrees to follow such procedures and processes.

C. Actuarial Valuation and Employer Contributions

(1) Employer shall provide to the Board an actuarial valuation report on the basis of the actuarial assumptions and methods prescribed by the Board. Such report shall be for the Board's use in financial reporting, shall be prepared at least as often as the minimum frequency required by GASB Statement No. 43, and shall be:

- (a) prepared and signed by a Fellow or Associate of the Society of Actuaries who is also a Member of the American Academy of Actuaries or a person with equivalent qualifications acceptable to the Board;
- (b) prepared in accordance with generally accepted actuarial practice and GASB Statement Nos. 43 and 45; and,
- (c) provided to the Board prior to the Board's acceptance of contributions for the valuation period or as otherwise required by the Board.

(2) The Board may reject any actuarial valuation report submitted to it, but shall not unreasonably do so. In the event that the Board determines, in its sole discretion, that the actuarial valuation report is not suitable for use in the Board's financial statements or if Employer fails to provide a required actuarial valuation, the Board may obtain, at Employer's expense, an actuarial valuation that meets the Board's financial reporting needs. The Board may recover from Employer the cost of obtaining such actuarial valuation by billing and collecting from Employer or by deducting the amount from Employer's account in the Prefunding Plan.

(3) Employer shall notify the Board of the amount and time of contributions which contributions shall be made in the manner established by the Board.

(4) Employer contributions to the Prefunding Plan may be limited to the amount necessary to fully fund Employer's actuarial present value of total projected benefits, as supported by the actuarial valuation acceptable to the Board. As used throughout this document, the meaning of the term "actuarial present value of total projected benefits" is as defined in GASB Statement No. 45. If Employer's contribution causes its assets in the Prefunding Plan to exceed the amount required to fully fund the actuarial present value of total projected benefits, the Board may refuse to accept the contribution.

(5) Any Employer contribution will be at least \$5000 or be equal to Employer's Annual Required Contribution as that term is defined in GASB Statement No. 45. Contributions can be made at any time following the seventh day after the effective date of the Agreement provided that Employer has first complied with the requirements of Paragraph C.

D. Administration of Accounts, Investments, Allocation of Income

- (1) The Board has established the Prefunding Plan as an agent plan consisting of an aggregation of single-employer plans, with pooled administrative and investment functions, under the terms of which separate accounts will be maintained for each employer so that Employer's assets will provide benefits only under employer's plan.
- (2) All Employer contributions and assets attributable to Employer contributions shall be separately accounted for in the Prefunding Plan (Employer's Prefunding Account).
- (3) Employer's Prefunding Account assets may be aggregated with prefunding account assets of other employers and may be co-invested by the Board in any asset classes appropriate for a Section 115 Trust.
- (4) The Board may deduct the costs of administration of the Prefunding Plan from the investment income or Employer's Prefunding Account in a manner determined by the Board.
- (5) Investment income shall be allocated among employers and posted to Employer's Prefunding Account as determined by the Board but no less frequently than annually.
- (6) If Employer's assets in the Prefunding Plan exceed the amount required to fully fund the actuarial present value of total projected benefits, the Board, in compliance with applicable accounting and legal requirements, may return such excess to Employer.

E. Reports and Statements

- (1) Employer shall submit with each contribution a contribution report in the form and containing the information prescribed by the Board.
- (2) The Board shall prepare and provide a statement of Employer's Prefunding Account at least annually reflecting the balance in Employer's Prefunding Account, contributions made during the period and income allocated during the period, and such other information as the Board determines.

F. Disbursements

- (1) Employer may receive disbursements not to exceed the annual premium and other costs of post employment healthcare benefits and other post employment benefits as defined in GASB 43.
- (2) Employer shall notify CalPERS in writing in the manner specified by CalPERS of the persons authorized to request disbursements from the Prefunding Plan on behalf of Employer.

(3) Employer's request for disbursement shall be in writing signed by Employer's authorized representative, in accordance with procedures established by the Board. The Board may require that Employer certify or otherwise establish that the monies will be used for the purposes of the Prefunding Plan.

(4) Requests for disbursements that satisfy the requirements of paragraphs (2) and (3) that are received on or after the first of a month will be processed by the 15th of the following month. (For example, a disbursement request received on or between March 1st and March 31st will be processed by April 15th; and a disbursement request received on or between April 1st and April 30th will be processed by May 15th.)

(5) CalPERS shall not be liable for amounts disbursed in error if it has acted upon the instruction of an individual authorized by Employer to request disbursements. In the event of any other erroneous disbursement, the extent of CalPERS' liability shall be the actual dollar amount of the disbursement, plus interest at the actual earnings rate but not less than zero.

(6) No disbursement shall be made from the Prefunding Plan which exceeds the balance in Employer's Prefunding Account.

G. Costs of Administration

Employer shall pay its share of the costs of administration of the Prefunding Plan, as determined by the Board.

H. Termination of Employer Participation in Prefunding Plan

(1) The Board may terminate Employer's participation in the Prefunding Plan if:

- (a) Employer gives written notice to the Board of its election to terminate;
- (b) The Board finds that Employer fails to satisfy the terms and conditions of this Agreement or of the Board's rules or regulations.

(2) If Employer's participation in the Prefunding Plan terminates for any of the foregoing reasons, all assets in Employer's Prefunding Account shall remain in the Prefunding Plan, except as otherwise provided below, and shall continue to be invested and accrue income as provided in Paragraph D.

(3) After Employer's participation in the Prefunding Plan terminates, Employer may not make contributions to the Prefunding Plan.

(4) After Employer's participation in the Prefunding Plan terminates, disbursements from Employer's Prefunding Account may continue upon Employer's instruction or otherwise in accordance with the terms of this Agreement.

(5) After thirty-six (36) months have elapsed from the effective date of this Agreement:

- (a) Employer may request a trustee to trustee transfer of the assets in Employer's Prefunding Account. Upon satisfactory showing to the Board that the transfer will satisfy applicable requirements of the Internal Revenue Code and the Board's fiduciary duties, then the Board shall effect the transfer within one hundred twenty (120) days. The amount to be transferred shall be the amount in the Employer's Prefunding Account as of the disbursement date and shall include investment earnings up to the investment earnings allocation date immediately preceding the disbursement date. In no event shall the investment earnings allocation date precede the transfer by more than 120 days.
- (b) Employer may request a disbursement of the assets in Employer's Prefunding Account. Upon satisfactory showing to the Board that all of Employer's obligations for payment of post employment health care benefits and other post employment benefits and reasonable administrative costs of the Board have been satisfied, then the Board shall effect the disbursement within one hundred twenty (120) days. The amount to be disbursed shall be the amount in the Employer's Prefunding Account as of the disbursement date and shall include investment earnings up to the investment earnings allocation date immediately preceding the disbursement date. In no event shall the investment earnings allocation date precede the disbursement by more than 120 days.

(6) After Employer's participation in the Prefunding Plan terminates and at such time that no assets remain in Employer's Prefunding Account, this Agreement shall terminate.

(7) If, for any reason, the Board terminates the Prefunding Plan, the assets in Employer's Prefunding Account shall be paid to Employer after retention of (i) amounts sufficient to pay post employment health care benefits and other post employment benefits to annuitants for current and future annuitants described by the employer's current substantive plan (as defined in GASB 43), and (ii) amounts sufficient to pay reasonable administrative costs of the Board.

(8) If Employer ceases to exist but Employer's Prefunding Plan continues to exist and if no provision has been made by Employer for ongoing payments to pay post employment health care benefits and other post employment benefits to annuitants for current and future annuitants, the Board is authorized to and shall appoint a third party administrator to carry out Employer's Prefunding Plan. Any and all costs associated

with such appointment shall be paid from the assets attributable to contributions by Employer.

(9) If Employer should breach the representation and warranty set forth in Paragraph A., the Board shall take whatever action it deems necessary to preserve the tax-exempt status of the Prefunding Plan.

I. General Provisions

(1) Books and Records.

Employer shall keep accurate books and records connected with the performance of this Agreement. Employer shall ensure that books and records of subcontractors, suppliers, and other providers shall also be accurately maintained. Such books and records shall be kept in a secure location at the Employer's office(s) and shall be available for inspection and copying by CalPERS and its representatives.

(2) Audit.

- (a) During and for three years after the term of this Agreement, Employer shall permit the Bureau of State Audits, CalPERS, and its authorized representatives, and such consultants and specialists as needed, at all reasonable times during normal business hours to inspect and copy, at the expense of CalPERS, books and records of Employer relating to its performance of this Agreement.
- (b) Employer shall be subject to examination and audit by the Bureau of State Audits, CalPERS, and its authorized representatives, and such consultants and specialists as needed, during the term of this Agreement and for three years after final payment under this Agreement. Any examination or audit shall be confined to those matters connected with the performance of this Agreement, including, but not limited to, the costs of administering this Agreement. Employer shall cooperate fully with the Bureau of State Audits, CalPERS, and its authorized representatives, and such consultants and specialists as needed, in connection with any examination or audit. All adjustments, payments, and/or reimbursements determined to be necessary by any examination or audit shall be made promptly by the appropriate party.

(3) Notice.

- (a) Any notice, approval, or other communication required or permitted under this Agreement will be given in the English language and will be deemed received as follows:

1. Personal delivery. When personally delivered to the recipient. Notice is effective on delivery.
2. First Class Mail. When mailed first class to the last address of the recipient known to the party giving notice. Notice is effective three delivery days after deposit in a United States Postal Service office or mailbox.
3. Certified mail. When mailed certified mail, return receipt requested. Notice is effective on receipt, if delivery is confirmed by a return receipt.
4. Overnight Delivery. When delivered by an overnight delivery service, charges prepaid or charged to the sender's account, Notice is effective on delivery, if delivery is confirmed by the delivery service.
5. Telex or Facsimile Transmission. When sent by telex or fax to the last telex or fax number of the recipient known to the party giving notice. Notice is effective on receipt, provided that (i) a duplicate copy of the notice is promptly given by first-class or certified mail or by overnight delivery, or (ii) the receiving party delivers a written confirmation of receipt. Any notice given by telex or fax shall be deemed received on the next business day if it is received after 5:00 p.m. (recipient's time) or on a nonbusiness day.
6. E-mail transmission. When sent by e-mail using software that provides unmodifiable proof (i) that the message was sent, (ii) that the message was delivered to the recipient's information processing system, and (iii) of the time and date the message was delivered to the recipient along with a verifiable electronic record of the exact content of the message sent.

Addresses for the purpose of giving notice are as shown in Paragraph B.(1) of this Agreement.

- (b) Any correctly addressed notice that is refused, unclaimed, or undeliverable because of an act or omission of the party to be notified shall be deemed effective as of the first date that said notice was refused, unclaimed, or deemed undeliverable by the postal authorities, messenger or overnight delivery service.
- (c) Any party may change its address, telex, fax number, or e-mail address by giving the other party notice of the change in any manner permitted by this Agreement.

- (d) All notices, requests, demands, amendments, modifications or other communications under this Agreement shall be in writing. Notice shall be sufficient for all such purposes if personally delivered, sent by first class, registered or certified mail, return receipt requested, delivery by courier with receipt of delivery, facsimile transmission with written confirmation of receipt by recipient, or e-mail delivery with verifiable and unmodifiable proof of content and time and date of sending by sender and delivery to recipient. Notice is effective on confirmed receipt by recipient or 3 business days after sending, whichever is sooner.

(4) Modification

This Agreement may be supplemented, amended, or modified only by the mutual agreement of the parties. No supplement, amendment, or modification of this Agreement shall be binding unless it is in writing and signed by the party to be charged.

(5) Survival

All representations, warranties, and covenants contained in this Agreement, or in any instrument, certificate, exhibit, or other writing intended by the parties to be a part of their Agreement shall survive the termination of this Agreement until such time as all amounts in Employer's Prefunding Account have been disbursed.

(6) Waiver

No waiver of a breach, failure of any condition, or any right or remedy contained in or granted by the provisions of this Agreement shall be effective unless it is in writing and signed by the party waiving the breach, failure, right, or remedy. No waiver of any breach, failure, right, or remedy shall be deemed a waiver of any other breach, failure, right, or remedy, whether or not similar, nor shall any waiver constitute a continuing waiver unless the writing so specifies.

(7) Necessary Acts, Further Assurances

The parties shall at their own cost and expense execute and deliver such further documents and instruments and shall take such other actions as may be reasonably required or appropriate to evidence or carry out the intent and purposes of this Agreement.

A majority vote of Employer's Governing Body at a public meeting held on the 30th day of the month of April in the year 2008, authorized entering into this Agreement.

Signature of the Presiding Officer: Michael Winn

Printed Name of the Presiding Officer: Michael Winn

Name of Governing Body: Board of Directors

Name of Employer: Nipomo Community Services District

Date: 4/30/08

BOARD OF ADMINISTRATION
CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM

BY _____
KENNETH W. MARZION
ACTUARIAL AND EMPLOYER SERVICES BRANCH
CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM

To be completed by CalPERS
The effective date of this Agreement is: _____

CERTIFICATION OF OPEB FUNDING POLICY &
GASB 43/45 REPORTING COMPLIANCE



As the employer, I certify that our funding policy is to contribute consistently an amount at least equal to 100 % of the ARC.

The California Employers' Retiree Benefit Trust (CERBT) fund plan includes more than 200 members. We understand that, under GASB 43, paragraph 33, as an employer participating in the CalPERS CERBT, we must obtain an actuarial valuation on at least a biennial basis.

We understand that we will be asked to provide accounting information to CalPERS as required in order to facilitate CalPERS compliance with GASB 43 reporting requirements, and we agree to make any information requested available to CalPERS on a timely basis. Our contact information is noted below.

We understand that CalPERS will report aggregated GASB 43 information in the Schedule of Funding Progress and Schedule of Employer Contributions

Nipomo Community Services District
Name of Employer

Michael Winn, President of the Board of Directors
Printed Name and Title of Person Signing the Form

Michael Winn 5 MAY 2008
Signature Date

<u>Bruce Buel</u>	
Designated Employer Contact Name for GASB Reporting	
<u>805-929-1133</u>	<u>bbuel@ncsd.ca.gov</u>
Phone #	Email Address

TO: MICHAEL S. LEBRUN *MSL*
 FROM: LISA BOGNUDA *LB*
 FINANCE DIRECTOR
 DATE: OCTOBER 28, 2011



**REVIEW CERTIFICATE OF DEPOSIT ACCOUNT REGISTRY SERVICE
 (CDARS) ACCOUNT BALANCE**

ITEM

Review Certificate of Deposit Account Registry Service (CDARS) account balance.

BACKGROUND

On April 23, 2009, the District opened a CDARS account with Mission Community Bank. The funds used to open the account (\$2,045,871.28) was the remaining balance of the 2003 Certificates of Participation designated for a supplemental water project. The District has been reinvesting these funds and has not had to use them to fund the supplemental water project. The balance as of September 30, 2011 was \$2,070,677.76 and the maturity date for the CDARS is November 17, 2011.

The on-going costs of the supplemental water project have been paid for with Supplemental Water Capacity Charges since the charge was adopted in 2005. However, the expenditures have now exceeded the collection of Supplemental Water Capacity Charges and the District will need to start using the CDARS funds.

Supplemental Water Capacity Charges Collected (thru 9/30/11)	\$3,161,067
Supplemental Water Project Expenditures (thru 9/30/11)	(\$3,356,676)
Expenditures exceed collections	(\$195,609)

Funds will need to be withdrawn from CDARS to cover the deficit as of 9/30/11. In addition, funds will need to be withdrawn to cover on-going costs. It is estimated that \$300,000 should be withdrawn to cover the deficit and the next 90 days of expenses.

The remaining funds can be invested in CDARS for 13 Weeks (90 days), 26 Weeks (180 days), 52 Weeks (1 year) or 2 Years at various amounts depending on our projected needs. The interest rates as of October 25, 2011 were .29%, .35%, .47% and .61% respectively.

Proposed Action	Date	Amount
Withdraw from CDARS	11/17/11	\$300,000
Invest in 13 Week CDARS	11/17/11 to 2/17/11	\$300,000
Invest in 26 Week CDARS	11/17/11 to 5/15/11	±\$1,471,000

RECOMMENDATION

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

ATTACHMENT

None