

**CAMBRIA
COMMUNITY SERVICES DISTRICT**

Independent Auditors' Report
and
Financial Statements

For the Year Ended
June 30, 2008

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

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CAMBRIA COMMUNITY SERVICES DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
Fiscal Year Ending June 30, 2008

Our discussion and analysis of the Cambria Community Services District's (CCSD) financial performance provides an overview of the CCSD's financial activities for the fiscal year ended June 30, 2008. The Management's Discussion and Analysis is to be read in conjunction with the CCSD's financial statements, which follow this section.

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

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

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

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

Fund Financial Statements

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

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

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

CAMBRIA COMMUNITY SERVICES DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
Fiscal Year Ending June 30, 2008

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

Financial Statements

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

- STATEMENT OF NET ASSETS
- STATEMENT OF ACTIVITIES

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

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

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

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

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

- Governmental Activities
- Business-Type Activities

Governmental Activities

Governmental activities includes the following funds:

- General Fund
- Resource Conservation Fund

The General Fund includes the following Departments:

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

CAMBRIA COMMUNITY SERVICES DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
Fiscal Year Ending June 30, 2008

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

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

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

- Reserved
- Unreserved

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

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

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

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

CAMBRIA COMMUNITY SERVICES DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
Fiscal Year Ending June 30, 2008

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

Business-Type Activities

Business-type activities includes the following funds:

- Water Fund
- Wastewater Fund

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

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

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

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

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

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

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

- Operations
- Capital and Related Financing
- Noncapital Financing

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

CAMBRIA COMMUNITY SERVICES DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
Fiscal Year Ending June 30, 2008

Fiscal Year 2007/2008 Financial Highlights

The following increases/(decreases) occurred during the year ended June 30, 2008 as compared to the year ended June 30, 2007:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Net Assets	\$ (927,172)	\$ 1,060,218
Operating Revenues	(1,013,945)	40,830
Operating Expenditures	(1,279,889)	(444,148)
Non-Operating Revenues	N/A	(54,907)
Non-Operating Expenditures	N/A	(23,510)
Transfers Out	(1,552,268)	N/A
Transfers In	\$ N/A	\$ (1,552,268)

Analysis of the Financial Statements-Governmental Activities

Assets, Liabilities and Fund Balance

	<u>As of June 30, 2008</u>	<u>As of June 30, 2007</u>	<u>Increase (Decrease)</u>
Total Assets	\$ 4,898,932	\$ 6,029,289	\$ (1,130,357)
Total Liabilities	247,969	230,387	17,582
Fund Balance-Reserved	21,872	126,027	(104,155)
Fund Balance-Unreserved	4,629,091	5,672,875	(1,043,784)
Capital Assets (Net of Depreciation)	17,044,094	16,914,103	129,991
L/T Liabilities & Comp. Absences	\$ 535,630	\$ 610,936	\$ (75,306)

Revenues, Expenditures and Change in Fund Balance

	<u>As of June 30, 2008</u>	<u>As of June 30, 2007</u>	<u>Increase (Decrease)</u>
Total Revenues	\$ 4,144,864	\$ 5,158,809	\$ (1,013,945)
Total Expenditures	(4,224,335)	(5,504,224)	(1,279,889)
Other Financing Uses	(1,113,411)	(2,288,455)	(1,175,044)
Net Change In Fund Balance	(1,192,882)	(2,633,870)	1,440,988
Fund Balance @ Beginning of Year	5,798,902	8,432,772	(2,633,870)
Prior Period Adjustment	44,943	-	44,943
Fund Balance @ End of Year	\$ <u>4,650,963</u>	\$ <u>5,798,902</u>	\$ <u>(1,147,939)</u>

CAMBRIA COMMUNITY SERVICES DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
 Fiscal Year Ending June 30, 2008

The great majority of the decreases in Total Assets and Fund Balance (Unreserved) are accounted for by transfers to the Water Fund and Wastewater Fund. The great majority of the decreases in Total Revenues and Total Expenditures are accounted for by the decrease in grant revenue and the offsetting decrease in expenditures funded by grant revenue. The great majority of the decrease in Other Financing Uses is due to a reduction in the amount transferred to the Water Fund and Wastewater Fund.

Capital Assets

Amounts shown are historical cost and no allowance for depreciation is included.

	As of June 30, 2008	As of June 30, 2007	Increase (Decrease)
Land & Trails	\$ 14,715,493	\$ 14,712,670	\$ 2,823
Buildings & Leasehold Improvements	1,753,269	1,753,269	-
Equipment	1,777,663	1,777,663	-
Construction In Progress	385,072	322,765	62,307
Total Capital Assets	\$ 18,631,497	\$ 18,566,367	\$ 65,130

Analysis of the Financial Statements-Business-Type Activities

Assets, Liabilities and Net Assets

	As of June 30, 2008	As of June 30, 2007	Increase (Decrease)
Current Assets	\$ 606,045	\$ 626,815	\$ (20,770)
Capital Assets	50,830,567	49,049,151	1,781,416
Accumulated Depreciation	(23,466,642)	(22,350,885)	(1,115,757)
Other Assets	311,997	346,532	(34,535)
Total Assets	28,281,967	27,671,613	610,354
Current Liabilities	892,776	927,540	(34,764)
Non-Current Liabilities	4,281,785	4,696,885	(415,100)
Total Liabilities	5,174,561	5,624,425	(449,864)
Net Assets – Invested in Capital Assets – Net of Related Debt	25,650,965	22,112,573	3,538,392
Net Assets – Unrestricted	(2,543,559)	(65,385)	(2,478,174)
Total Net Assets	\$ 23,107,406	\$ 22,047,188	\$ 1,060,218

CAMBRIA COMMUNITY SERVICES DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
 Fiscal Year Ending June 30, 2008

Revenues, Expenditures and Change in Net Assets

	<u>As of</u> <u>June 30, 2008</u>	<u>As of</u> <u>June 30, 2007</u>	<u>Increase</u> <u>(Decrease)</u>
Operating Revenues	\$ 3,609,413	\$ 3,568,583	\$ 40,830
Operating Expenses	(3,762,822)	(4,206,972)	444,150
Operating Income (Loss)	<u>(153,409)</u>	<u>(638,389)</u>	<u>484,980</u>
Non-operating Income	290,035	321,376	(31,341)
Non-operating Expenses	(217,217)	(270,323)	(53,106)
Total Non-operating Income	<u>72,818</u>	<u>51,053</u>	<u>21,765</u>
Capital Contributions	27,398	50,966	(23,568)
Transfers In	<u>1,113,411</u>	<u>2,665,679</u>	<u>(1,552,268)</u>
Change In Net Assets	1,060,218	2,129,309	(1,069,091)
Net Assets @ Beginning of Year	22,047,188	19,917,879	2,129,309
Net Assets @ End of Year	<u>\$ 23,107,406</u>	<u>\$ 22,047,188</u>	<u>\$ (1,060,218)</u>

Capital Assets

Amounts shown are historical cost and no allowance for depreciation is included.

	<u>As of</u> <u>June 30, 2008</u>	<u>As of</u> <u>June 30, 2007</u>	<u>Increase</u> <u>(Decrease)</u>
Land	\$ 1,821,427	\$ 1,821,427	\$ -
Plant & Facilities	37,383,867	37,311,802	72,065
Machinery & Equipment	1,341,658	1,341,658	-
Construction In Progress	10,283,615	8,574,264	1,709,351
Total Capital Assets	<u>\$ 50,830,567</u>	<u>\$ 49,049,151</u>	<u>\$ 1,781,416</u>

CAMBRIA COMMUNITY SERVICES DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
 Fiscal Year Ending June 30, 2008

The great majority of the increase in Capital Assets are in Construction In Progress. The additions to Construction In Progress were mainly the following projects:

Pine Knolls Storage Tank Replacement	\$	710,715
Bio-Solids Dewatering		313,062
Water Master Plan		233,378
Desalination		190,824
SCADA		113,204
Rodeo Grounds Pump Station Replacement		53,010
Warren Agreement Pipeline		50,111
Stuart Street Tank Fire Storage	\$	35,946

Long-Term Debt

At fiscal year end June 30, 2008, the CCSD had long-term debt of \$535,630 in general governmental activities. Following is the detail of each debt item in the governmental funds.

	As of June 30, 2008	As of June 30, 2007	Increase (Decrease)
Capital Lease-Water Tender	\$ -	\$ 44,942	\$ (44,942)
Capital Lease-Fire Pumper	315,973	347,359	(31,386)
Compensated Balances	219,657	218,635	1,022
Totals	<u>\$ 535,630</u>	<u>\$ 610,936</u>	<u>\$ (75,306)</u>

The CCSD entered into a lease purchase agreement for a Pierce Dash Pumper in 2006. A down payment of \$100,000 was made at that time. 10 annual payments in the amount of \$49,066 are subsequently due. The interest rate is 5.09% and prepayment penalties apply. Payments were current at June 30, 2008.

Compensated balances are the employee accumulated sick and vacation leave. CCSD policy allows employees to accumulate earned but unused vacation and sick pay. Unused vacation and sick leave are paid at termination of employment. One half of sick leave is paid up to maximum of 320 hours. No more than two years worth of vacation pay is to be accrued. Accrued leave balances are an obligation of the CCSD. Reporting requirements dictate that this be included in long-term liabilities.

At fiscal year end June 30, 2008, the CCSD had long-term outstanding debt of \$4,281,785 in water and sewer. Following is the detail of each debt item in the enterprise funds (for the purpose of this analysis, the current portion of the loan, note and bond payable totaling \$417,705 is included):

CAMBRIA COMMUNITY SERVICES DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
 Fiscal Year Ending June 30, 2008

	As of June 30, 2008	As of June 30, 2007	Increase (Decrease)
Water Bank Loan	\$ 982,085	\$ 1,116,050	\$ (133,965)
Water Bank Loan	1,795,000	1,860,000	(65,000)
Wastewater Bank Loan	528,815	600,950	(72,135)
Wastewater SWCRB Note	1,221,714	1,355,225	(133,511)
Compensated Balances-Water	122,274	107,190	15,084
Compensated Balances-WWW	49,602	61,970	(12,368)
Totals	<u>\$ 4,699,490</u>	<u>\$ 5,101,385</u>	<u>\$ (401,895)</u>

The water and wastewater bank loan is a 4.5% note held by Citizens Bank for the original water and sewer infrastructure when the CCSD was formed. It is a refinance of 1995 bonds and matures in May, 2015. Payments were current at June 30, 2008.

The wastewater revenue bond has an interest rate that ranges from 3.5% to 5.7% for the upgrade to the wastewater treatment plant bringing plant capacity to one million gallon per day treatment capability and matures in October 2024. Payments were current at June 30, 2008.

The wastewater is a 3.0% note from the State Water Resources Control Board under the State Revolving Fund Loan Program. It was also used to fund the upgrade to the wastewater treatment plant and matures in May, 2016. Payments were current at June 30, 2008.

Economic Factors and Budget

Two significant factors other than the general economic situation, which appears to be resulting in slightly reduced property tax revenue and may be at least partly responsible for significant reductions in utility sales, impact the financial strength of the CCSD. They are:

- Minimal impact or development fee revenue; and
- Stagnate customer base.

Cambria is a residential coastal community. Commercial activity predominately serves the tourist trade. The CCSD receives no revenue generated by the tourist trade from sales tax or the transient occupancy tax, even though tourists have a significant impact on the CCSD.

The Board of Directors approved the operating and capital budget for fiscal year 2008-2009 on May 22, 2008 and rescinded the 12% rate increase and the related borrowing of funds that was previously contained in the fiscal year 2008-2009 budget on January 8, 2009 and approved a mid-year operating budget for fiscal year 2008-2009 on January 22, 2009.

CAMBRIA COMMUNITY SERVICES DISTRICT
BOARD OF DIRECTORS AND ADMINISTRATION
June 30, 2008

BOARD OF DIRECTORS

<u>NAME</u>	<u>TERM EXPIRES</u>
Joan Cobin, President	December 2008
Gregory Sanders, Vice President	December 2010
Peter Chaldecott, Director	December 2010
Ilan Funke-Bilu, Director	December 2008
Muril Cliff, Director	December 2008

ADMINISTRATION

Tammy Rudock	General Manager
Arther R. Montandon	District Counsel
Kathy Choate	District Clerk



CROSBY & CINDRICH, CERTIFIED PUBLIC ACCOUNTANTS
A PROFESSIONAL CORPORATION

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

Independent Auditors' Report

Board of Directors
Cambria Community Services District
Cambria, California

We have audited the accompanying financial statements of the governmental activities and the business-type activities of Cambria Community Services District (CCSD), as of and for the year ended June 30, 2008, which collectively comprise CCSD's basic financial statements as listed in the table of contents. These financial statements are the responsibility of CCSD's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental and the business-type activities of the Cambria Community Services District as of June 30, 2008, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

The management's discussion and analysis on pages i through ix, are not a required part of the basic financial statements but are supplementary information required by U.S. generally accepted accounting principles. We have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

CROSBY & CINDRICH
Certified Public Accountants
A Professional Corporation

December 18, 2008

CAMBRIA COMMUNITY SERVICES DISTRICT

STATEMENT OF NET ASSETS

June 30, 2008

ASSETS	Primary Government		Total
	Governmental Activities	Business-type Activities	2008
Cash and investments	\$ 4,658,444	\$ -	\$ 4,658,444
Receivables:			
Interest receivable	36,838		36,838
Taxes	133,041		133,041
Note	15,631		15,631
Grants	24,977		24,977
Other	23,760	596,203	619,963
Prepaid costs	644		644
Inventory	5,597	9,842	15,439
Deferred loss on refunding, net of accumulated amortization		311,997	311,997
Capital assets:			
Nondepreciable	15,100,567	12,105,042	27,205,609
Depreciable, net	1,943,527	15,258,883	17,202,410
Total capital assets, net of depreciation	17,044,094	27,363,925	44,408,019
 Total assets	 \$ 21,943,026	 \$ 28,281,967	 \$ 50,224,993
 LIABILITIES			
Accounts payable	\$ 31,257	\$ 178,863	\$ 210,120
Accrued expenses	106,517	42,370	148,887
Accrued interest payable		39,070	39,070
Retentions payable		186,528	186,528
Refundable deposits	4,030	28,240	32,270
Deferred revenue	106,165		106,165
Long-term liabilities			
Due within one year	32,983	417,705	450,688
Due within more than one year	502,647	4,281,785	4,784,432
Total liabilities	783,599	5,174,561	5,958,160
 NET ASSETS			
Invested in capital assets-net of related debt	16,728,121	25,650,965	42,379,086
Unrestricted	4,431,306	(2,543,559)	1,887,747
 Total net assets	 \$ 21,159,427	 \$ 23,107,406	 \$ 44,266,833

The accompanying notes are an integral part of the financial statements

CAMBRIA COMMUNITY SERVICES DISTRICT

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2008

Net (Expense) Revenue and Change in Net Assets

Primary Government

Functions/Programs

Program Revenues

Totals

	Expenses	Charges for Services	Capital Contributions	Governmental Activities	Business-type Activities	2008
Primary government:						
Governmental activities:						
Administration	\$ 1,395,343	\$ 977,523	-	\$ (417,820)	-	\$ (417,820)
Fire	2,133,809	132,436		(2,001,373)		(2,001,373)
Parks and recreation	142,433			(142,433)		(142,433)
Facilities and resources	437,983			(437,983)		(437,983)
Resource conservation	127,412			(127,412)		(127,412)
Interest on long-term debt	21,635			(21,635)		(21,635)
Total governmental activities	4,258,615	1,109,959		(3,148,656)		(3,148,656)
Business-type activities:						
Water	1,950,209	1,864,950	9,714		(75,545)	(75,545)
Sewer	2,029,830	1,709,492	17,684		(302,654)	(302,654)
Total business-type activities	3,980,039	3,574,442	27,398		(378,199)	(378,199)
Total primary government	\$ 8,238,654	\$ 4,684,401	\$ 27,398	(3,148,656)	(378,199)	(3,526,855)
General revenues:						
Taxes:						
Property taxes and assessments				2,270,243		2,270,243
Availability charges					290,035	290,035
Franchise taxes				65,435		65,435
Investment earnings				207,562		207,562
Other				491,665		491,665
Transfers				(1,113,411)	1,113,411	-
Total general revenues, investment and transfers				1,921,494	1,438,417	3,359,911
Change in net assets						
Net assets - beginning					1,060,218	(166,944)
Prior period adjustment					22,047,188	44,133,787
Net assets - beginning, restated					299,990	299,990
Net assets - ending					22,386,589	44,433,777
Net assets - ending					\$ 23,107,406	\$ 44,266,833

The accompanying notes are an integral part of the financial statements.

CAMBRIA COMMUNITY SERVICES DISTRICT

BALANCE SHEET Governmental Funds June 30, 2008

	General Fund
ASSETS	
Cash and investments	\$ 4,658,444
Receivables:	
Interest	36,838
Taxes	133,041
Notes	15,631
Grants	24,977
Other	23,760
Prepaid items	644
Inventory	5,597
 Total assets	 \$ 4,898,932
 LIABILITIES AND FUND BALANCES	
Liabilities:	
Accounts payable	\$ 31,257
Accrued expenses	106,517
Deferred revenue	106,165
Deposits	4,030
 Total liabilities	 247,969
Fund balances:	
Reserved:	
Reserved for inventory	5,597
Reserved for prepaids	644
Reserved for notes receivable	15,631
Unreserved;	
Unreserved	4,629,091
 Total fund balances	 4,650,963
 Total liabilities and fund balances	 \$ 4,898,932

CAMBRIA COMMUNITY SERVICES DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
 June 30, 2008

Total fund balances - government funds	\$ 4,650,963
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	17,044,094
Long-term liabilities and compensated absences have not been included in the governmental funds activity:	
Capital lease payable	(315,973)
Compensated absences	(219,657)
Net assets of governmental activities	\$ 21,159,427

CAMBRIA COMMUNITY SERVICES DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
 Governmental Funds
 For the Year Ended June 30, 2008

	General Fund
Revenues:	
Property taxes and assessments	\$ 2,270,243
Grant income	79,531
Weed abatement	132,436
Franchise fees	65,435
Use of money and property	207,562
Charges for administrative services	977,523
Other	412,134
Total revenues	4,144,864
Expenditures:	
Administration	1,406,198
Fire	1,991,132
Parks and Recreation	142,433
Facilities and Resources	401,128
Resource Conservation	123,173
Capital outlay	62,309
Debt service:	
Principal	76,327
Interest	21,635
Total expenditures	4,224,335
Excess of revenue under expenditures	(79,471)
Other financing uses:	
Transfers out	(1,113,411)
Total other financing uses	(1,113,411)
Net change in fund balance	(1,192,882)
Fund balance at beginning of year (unadjusted)	5,798,902
Prior period adjustment	44,943
Fund balance at beginning of year (adjusted)	5,843,845
Fund balance at end of year	\$ 4,650,963

CAMBRIA COMMUNITY SERVICES DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES OF GOVERNMENT FUNDS TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2008

Net Change in Governmental Fund Balances	\$ (1,192,882)
Repayment of capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.	76,327
In the statement of activities, compensated absences are measured by the amounts earned during the fiscal year. In governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially the amount paid).	14,450
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets are allocated over their estimated useful lives and expensed as depreciation expense. This is the amount of additional capital assets included in the current year statement of net assets.	62,309
In the statement of activities the cost of capital outlays is allocated over their useful lives and reported as depreciation expense.	(187,366)
Change in Net Assets of Governmental Activities	\$ (1,227,162)

CAMBRIA COMMUNITY SERVICES DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

Budget and Actual - Governmental Funds
For the Year Ended June 30, 2008

	Budgeted Amounts		Actual	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Property taxes and assessments	\$ 2,285,324	\$ 2,285,324	\$ 2,270,243	\$ (15,081)
Grant income	154,526	154,526	79,531	(74,995)
Weed abatement	118,848	118,848	132,436	13,588
Franchise fees	64,054	64,054	65,435	1,381
Use of money and property	188,600	188,600	207,562	18,962
Charges for administrative services	1,226,629	1,226,629	977,523	(249,106)
Other	239,325	239,325	412,134	172,809
Total revenues	4,277,306	4,277,306	4,144,864	(132,442)
Expenditures:				
Administration	1,745,280	1,745,280	1,406,198	339,082
Fire	1,797,556	1,797,556	1,991,132	(193,576)
Parks and Recreation	188,524	188,524	142,433	46,091
Facilities and Resources	389,595	389,595	401,128	(11,533)
Resource Conservation	156,381	156,381	123,174	33,207
Capital outlay	-	-	62,308	(62,308)
Debt service:				
Principal	70,467	70,467	76,327	(5,860)
Interest	-	-	21,635	(21,635)
Total expenditures	4,347,803	4,347,803	4,224,335	123,468
Other financing uses:				
Transfers out			(1,113,411)	(1,113,411)
Total other financing uses	-	-	(1,113,411)	(1,113,411)
Excess of revenues under expenditures	\$ (70,497)	\$ (70,497)	(1,192,882)	\$ (1,122,385)
Fund balance at beginning of year (unadjusted)			5,798,902	
Prior period adjustment			44,943	
Fund balance at beginning of year (adjusted)			5,843,845	
Fund balance at end of year			\$ 4,650,963	

The accompanying notes are an integral part of the financial statements

CAMBRIA COMMUNITY SERVICES DISTRICT

STATEMENT OF NET ASSETS

Proprietary Funds

June 30, 2008

	Business-type Activities Enterprise Funds		
	Water Fund	Wastewater Fund	Totals
ASSETS			
Current assets:			
Cash and investments	\$ -	\$ -	\$ -
Accounts receivable, net of allowance	281,591	314,612	596,203
Inventory		9,842	9,842
Total current assets	281,591	324,454	606,045
Noncurrent assets:			
Capital assets:			
Construction in progress	8,965,490	1,318,125	10,283,615
Land	812,416	1,009,011	1,821,427
Plant and facilities	14,529,934	22,853,933	37,383,867
Machinery and equipment	486,086	855,572	1,341,658
Less: accumulated depreciation	(8,619,859)	(14,846,783)	(23,466,642)
Total noncurrent assets	16,174,067	11,189,858	27,363,925
Other assets:			
Deferred loss on refunding, net of amortization	117,551	194,446	311,997
Total other assets	117,551	194,446	311,997
Total assets	\$ 16,573,209	\$ 11,708,758	\$ 28,281,967
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 118,311	\$ 60,552	\$ 178,863
Accrued expenses	24,280	18,090	42,370
Retentions payable	186,528		186,528
Accrued interest payable	7,366	31,704	39,070
Deposits	28,240		28,240
Current portion of noncurrent liabilities	139,945	277,760	417,705
Total current liabilities	504,670	388,106	892,776
Noncurrent liabilities:			
Compensated absences	122,274	49,602	171,876
Loan payable, less current portion	842,140	453,460	1,295,600
Bonds payable, less current portion		1,730,000	1,730,000
Note payable, less current portion		1,084,309	1,084,309
Total noncurrent liabilities	964,414	3,317,371	4,281,785
Total liabilities	\$ 1,469,084	\$ 3,705,477	\$ 5,174,561
NET ASSETS			
Invested in capital assets - net of related debt	\$ 15,191,983	\$ 7,644,329	22,836,312
Unrestricted	(87,858)	358,952	271,094
Total net assets	\$ 15,104,125	\$ 8,003,281	\$ 23,107,406

The accompanying notes are an integral part of the financial statements

CAMBRIA COMMUNITY SERVICES DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
Proprietary Funds
For the Year Ended June 30, 2008

	Business-type Activities		Totals
	Enterprise Funds		
	Water Fund	Wastewater Fund	
Operating revenues:			
Utility sales	\$ 1,864,950	\$ 1,709,492	\$ 3,574,442
Service charges and fees	17,474	17,497	34,971
Total operating revenues	1,882,424	1,726,989	3,609,413
Operating expenses:			
Salaries and wages	312,480	277,336	589,816
Payroll taxes and benefits	210,377	215,773	426,150
Maintenance and repairs	149,392	175,583	324,975
Office supplies, publications, and dues	27,716	25,624	53,340
Licenses and fees	18,305	35,974	54,279
Equipment rent	26,065		26,065
Professional services	73,317	8,527	81,844
Operating supplies	21,744	40,775	62,519
Employee travel and training	28,577	4,570	33,147
Utilities	117,483	172,249	289,732
Bad debts	513		513
General and administrative overhead	425,283	244,867	670,150
Amortized bond costs	17,202	17,333	34,535
Depreciation	469,189	646,568	1,115,757
Total expenses	1,897,643	1,865,179	3,762,822
Net operating loss	(15,219)	(138,190)	(153,409)
Non-operating revenues			
Availability charges	175,893	114,142	290,035
Interest expense	(52,566)	(164,651)	(217,217)
Total non-operating revenues (expenses)	123,327	(50,509)	72,818
Capital contribution - connection fees	9,714	17,684	27,398
Transfers in	953,003	160,408	1,113,411
Change in net assets	1,070,825	(10,607)	1,060,218
Net assets at beginning of year	14,033,300	8,013,888	22,047,188
Net assets at end of year	\$ 15,104,125	\$ 8,003,281	\$ 23,107,406

CAMBRIA COMMUNITY SERVICES DISTRICT

STATEMENT OF CASH FLOWS
Proprietary Funds
For the Year Ended June 30, 2008

	Business-type Activities		
	Water Fund	Wastewater Fund	Totals
Cash flows from operating activities			
Cash received from operating revenue	\$ 1,897,353	\$ 1,989,835	\$ 3,887,188
Payments to suppliers	(937,642)	(966,090)	(1,903,732)
Payments to employees	(509,337)	(501,209)	(1,010,546)
Net cash provided by operating activities	450,374	522,536	972,910
Cash flows from capital and related financing activities			
Interest payments	(50,222)	(167,505)	(217,727)
Principal payments	(133,965)	(270,646)	(404,611)
Purchase of capital assets	(1,404,797)	(376,619)	(1,781,416)
Standby availability	175,893	114,142	290,035
Capital contributions	9,714	17,684	27,398
Net cash used by capital and related financing activities	(1,403,377)	(682,944)	(2,086,321)
Cash flows from non-capital and related financing activities			
Transfers in	953,003	160,408	1,113,411
Net cash provided by non-capital and related financing activities	953,003	160,408	1,113,411
Net change in cash	-	-	-
Cash and cash equivalents-beginning	-	-	-
Cash and cash equivalents-end	-	-	-
Reconciliation of operating loss to net cash provided by operating activities:			
Operating loss	(15,219)	(138,190)	(153,409)
Adjustments to reconcile operating loss to net cash used by operating activities:			
Depreciation	469,189	646,568	1,115,757
Amortization	17,202	17,333	34,535
Net changes in assets and liabilities:			
Decrease in accounts receivable	14,929	8,785	23,714
Increase in inventory		(2,944)	(2,944)
Decrease in accounts payable	(87,071)	(917)	(87,988)
Increase (decrease) in accrued liabilities	(2,068)	4,269	2,201
Increase in retentions payable	48,578		48,578
Decrease in deposits	(10,250)		(10,250)
Increase (decrease) in compensated absences	15,084	(12,368)	2,716
Net cash provided by operating activities	\$ 450,374	\$ 522,536	\$ 972,910

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

NOTE 1: REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

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

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

Basis of Accounting, Measurement Focus, and Financial Statements Presentation

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

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

Government-Wide Financial Statements

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

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

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

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

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

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

Fund Financial Statements

The underlying accounting system of CCSD is organized and operated on the basis of separate funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

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

Governmental Funds

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

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

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

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

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

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

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

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

CCSD reports the following major governmental fund:

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

CCSD reports the following major proprietary funds:

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

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

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

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes.

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

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

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

Estimates

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

Encumbrances

Encumbrance accounting is used for the General Fund. Encumbrances are recorded when purchase orders are issued but are not considered expenditures until liabilities for payments are incurred. Encumbrances are reported as a reservation of fund balance on the balance sheet. Encumbrances do not lapse at the close of the fiscal year but are carried forward as reserved fund balance until liquidated.

Cash and Cash Equivalents

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

Investments

Investments are stated at fair value.

Accounts Receivable

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

Prepaid Expenses

Payments made to vendors for services that will benefit periods beyond June 30, 2008, are recorded as prepaid expenses.

Property Taxes

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

CAMBRIA COMMUNITY SERVICES DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2008

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

Long-term Obligations

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

Inventory

Inventory consisting of materials and supplies is stated at lower of cost or market on a first-in-first-out basis.

Property, Plant and Equipment

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

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

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

Equipment	3 to 10 years
Improvements	5 to 20 years

Compensated Absences

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

Concentrations

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

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

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

Interfund Transactions

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

All other interfund transactions except quasi-external transactions and reimbursements are reported as transfers. Nonrecurring or non-routine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

Intergovernmental Revenues

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

Reservations of Fund Balance

Reserved Fund Balance indicates that portion of fund balance which has been legally segregated for specific purposes;

Designated Fund Balance indicates that portion of fund balance for which the Board of Directors has made tentative plans for financial resource utilization in a future period; and

Undesignated Fund Balance indicates that portion of fund balance which is available for budgeting in future periods.

Net Assets

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

CAMBRIA COMMUNITY SERVICES DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2008

NOTE 2: CASH AND INVESTMENTS

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

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

Petty cash	\$	4,730
Demand deposits		232,126
Cash and investments with:		
Local Agency Investment Fund (LAIF)		<u>4,421,588</u>
Total cash and investments	\$	<u><u>4,658,444</u></u>

The California Government Code requires California banks and savings and loan associations to secure a district's deposits by pledging government securities as collateral. The market value of pledged securities must equal at least 110% of a district's deposits. California law also allows financial institutions to secure district deposits by pledging first trust deed mortgage notes having a value of 150% of a district's total deposits. CCSD may waive collateral requirements for deposits which are fully insured up to \$100,000 by the Federal Deposit Insurance Corporation (FDIC). Effective October 3, 2008, the FDIC limit was temporarily increased to \$250,000 until December 31, 2009.

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. There has been no indication from the County Treasurer and LAIF management the extent of damages resulting from the recent market downturn starting in the 4th quarter of 2008, if any. Outside sources have indicated that unrealized losses could severely impact the value of these accounts in subsequent years

At June 30, 2008, the carrying amount of CCSD's cash deposits was \$232,126. The bank's balance was \$363,197. This difference is due to the normal deposits in transit and outstanding checks. CCSD cash deposits by category as of June 30, 2008, are as follows:

	<u>1</u>	<u>Category</u> <u>2</u>	<u>3</u>	<u>Bank</u> <u>Balance</u>	<u>Carrying</u> <u>Amount</u>
Bank accounts	\$ <u>108,654</u>	\$ <u>254,542</u>	\$ <u>-0-</u>	\$ <u>363,196</u>	\$ <u>232,126</u>

CAMBRIA COMMUNITY SERVICES DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2008

NOTE 3- NOTES RECEIVABLE

CCSD has recorded a note receivable for \$20,631. The Cambria Tennis Club has agreed to pay CCSD \$20,631 to reimburse CCSD for tennis court construction. The interest free note is due in annual installments of \$5,000 with the first payment made on September 1, 2007. The balance at June 30, 2008 was \$15,631.

NOTE 4: PROPERTY, PLANT AND EQUIPMENT

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

	<u>Balance July 1, 2007</u>	<u>Additions</u>	<u>Deletions/ Prior Period Adjustment</u>	<u>Balance June 30, 2008</u>
Governmental activities:				
Nondepreciable capital assets				
Land	\$ 12,714,864	\$ 2,000,629	\$ -	\$ 14,715,493
Construction in progress	<u>322,765</u>	<u>62,309</u>	<u>-</u>	<u>385,074</u>
Total nondepreciable Capital assets	<u>13,037,629</u>	<u>2,062,938</u>	<u>-</u>	<u>15,100,567</u>
Depreciable capital assets				
Buildings and improvements	2,474,310	1,279,589	(2,000,629)	1,753,270
Equipment	<u>3,057,252</u>	<u>-</u>	<u>(1,279,589)</u>	<u>1,777,663</u>
Total depreciable capital assets	5,531,562	1,279,589	(3,280,218)	3,530,933
Less accumulated depreciation	<u>(1,655,088)</u>	<u>(187,366)</u>	<u>255,048</u>	<u>(1,587,406)</u>
Net depreciable capital assets	<u>3,876,474</u>	<u>1,092,223</u>	<u>(3,025,170)</u>	<u>1,943,527</u>
Net capital assets	<u>\$ 16,914,103</u>	<u>\$ 3,155,161</u>	<u>\$ (3,025,170)</u>	<u>\$ 17,044,094</u>

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

NOTE 4: PROPERTY, PLANT AND EQUIPMENT (continued)

	<u>Balance</u> <u>July 1, 2007</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2008</u>
Business-type activities:				
Nondepreciable capital assets				
Land	\$ 1,821,427	\$ -	\$ -	\$ 1,821,427
Construction in progress	8,574,264	1,793,983	84,632	10,283,615
Total nondepreciable capital assets	<u>10,395,691</u>	<u>1,793,983</u>	<u>84,632</u>	<u>12,105,042</u>
Depreciable capital assets				
Buildings and facilities	37,311,802	72,065		37,383,867
Machinery and equipment	1,341,658			1,341,658
Total depreciable capital assets	38,653,460	72,065		38,725,525
Less accumulated depreciation	<u>(22,350,885)</u>	<u>(1,115,757)</u>		<u>(23,466,642)</u>
Net depreciable capital assets	<u>16,302,575</u>	<u>(1,043,692)</u>		<u>15,258,883</u>
Net capital assets	<u>\$ 26,698,266</u>	<u>\$ 750,291</u>	<u>\$ 84,632</u>	<u>\$ 27,363,925</u>

Depreciation expense for all funds was \$1,303,123 for the year ended June 30, 2008.

NOTE 5: ACCRUED EXPENSES

Accrued expenses as of June 30, 2008, are summarized as follows:

Salaries payable	\$ 120,021
Other	<u>28,866</u>
Total accrued liabilities	<u>\$ 148,887</u>

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

NOTE 6: LONG-TERM DEBT

Loan Payable

On February 17, 2006, CCSD entered into a loan agreement for \$1,897,500 with the Municipal Finance Corporation to advance refund its 1995 water and wastewater bonds. The interest rate on the loan is 4.5%. The loan is allocated 65% to water operations and 35% to wastewater operations. The balance of the loan payable at June 30, 2008, is \$1,510,900.

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

Fiscal Year Ending June 30,	Principal	Interest	Total
2009	\$ 215,300	\$ 67,991	\$ 283,291
2010	225,100	58,302	283,402
2011	235,200	48,173	283,373
2012	245,800	37,589	283,389
2013	256,900	26,528	283,428
2014-2015	332,600	17,852	350,452
Totals	\$ 1,510,900	\$ 256,435	\$ 1,767,335

1999 Revenue Bond

Wastewater revenue bonds totaling \$2,245,000 were issued on October 5, 1999, with interest rates ranging from 3.5 to 5.7 percent. At June 30, 2008, the revenue bonds principal balance outstanding was \$1,795,000.

The bonds mature on May 1st of the following fiscal years through 2025, as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2009	\$ 65,000	\$ 97,240	\$ 162,240
2010	70,000	94,082	164,082
2011	75,000	90,582	165,582
2012	75,000	86,870	161,870
2013	80,000	82,955	162,955
2014-2018	480,000	339,895	819,895
2019-2023	635,000	183,910	818,910
2024-2025	315,000	18,098	333,098
Totals	\$ 1,795,000	\$ 993,632	\$ 2,788,632

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

NOTE 6: LONG-TERM DEBT (continued)

Note Payable:

A State Water Resource Control Board (SWRCB) note payable totaling \$2,512,330 was issued on September 13, 1994, with an interest rate at 3 percent. At June 30, 2008, the note payable principal balance outstanding was \$1,221,714.

The note payments are due annually on May 28th of the following fiscal years through 2016, as shown on the following page:

Fiscal Year Ending June 30,	Principal	Interest	Total
2009	\$ 137,405	\$ 36,652	\$ 174,057
2010	141,528	32,529	174,057
2011	145,773	28,284	174,057
2012	150,212	23,845	174,057
2013	154,653	19,404	174,057
2014-2016	<u>492,143</u>	<u>29,799</u>	<u>521,942</u>
Totals	\$ <u>1,221,714</u>	\$ <u>170,513</u>	\$ <u>1,392,227</u>

Capital Lease Payable

CCSD entered into a capital lease agreement on May 16, 2006, with OshKosh Capital for the purchase of a Fire Engine. The terms of the lease are for ten annual payments of \$49,066, commencing May 19, 2007, with an interest rate of 5.09%. At June 30, 2008, the capital lease principal balance outstanding was \$315,973.

The lease payments are due annually on May 19th, until 2016 as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2009	\$ 32,983	\$ 16,083	\$ 49,066
2010	34,662	14,404	49,066
2011	36,426	12,640	49,066
2012	38,280	10,786	49,066
2013	40,229	8,837	49,066
2014-2016	<u>133,393</u>	<u>13,804</u>	<u>147,197</u>
Totals	\$ <u>315,973</u>	\$ <u>76,554</u>	\$ <u>392,527</u>

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

NOTE 7: LOSS ON BOND REFUNDING

On February 17, 2006, CCSD defeased the 1995 Revenue Bonds. CCSD placed \$2,417,216 in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 1995 Revenue Bonds. The bonds are considered to be defeased and the related liability has been removed from the financial statements. The amount of bonds considered defeased at June 30, 2008 is \$0 as the bonds were paid in full on May 1, 2006. The economic gain resulting from the refunding was \$174,494 and CCSD recognized a loss on refunding of \$61,061, which is being amortized along with prior bond refunding through May 15, 2015. The unamortized balance of all bond refundings at June 30, 2008 is \$311,997.

NOTE 8: PENSION PLAN

The Cambria Community Services District contributes to the California Public Employees Retirement System (CalPERS), an agent multiple-employer public employee defined benefit pension plan. CalPERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. CalPERS acts as a common investment and administrative agent for participating public entities within the State of California. Benefit provisions and all other requirements are established by State statute and CCSD resolutions. Copies of CalPERS' annual financial report may be obtained from their Executive Office (400 P Street, Sacramento, CA 95814).

Participants are required to contribute 7% of their annual covered salary for miscellaneous members or 9% for safety members. CCSD makes the contributions required of CCSD employees on their behalf and for their account. CCSD is required to contribute the actuarially determined remaining amounts necessary to fund the benefits for its members. The actuarial methods and assumptions used are those adopted by the CalPERS Board of Administration. The contribution requirements of the plan members are established by State statute and the employer contribution rate are established and may be amended by CalPERS.

The annual PERS pension cost for the year ended June 30, 2008 was \$675,070, and was equal to CCSD's required and actual contributions. The required contribution was determined as part of the June 30, 2004, actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) 7.75% investment rate of return (net of administrative expenses), (b) projected annual salary increases that vary by duration of service, and (c) no cost-of-living adjustments. Both (a) and (b) included an inflation component of 3.0%. The actuarial value of CalPERS assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a three year period. CalPERS unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The three year trend information was not made available to CCSD for both CCSD participants and safety participants

There has been no indication from CalPERS as to the extent of the damages resulting from the investment market downturn starting in the fourth quarter of 2008. Outside sources have indicated that these damages could prove to be extensive and future CalPERS rates charged to individual Governmental units could be severely impacted

CAMBRIA COMMUNITY SERVICES DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2008

NOTE 9: JOINT POWERS AGENCIES

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

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

CCSD is also participating in two separate Joint Powers Agencies. The first is an agreement with the City of Morro Bay, the Cayucos Fire District, and the South Bay Fire Department to operate an air fill compressor station for the respective fire departments. CCSD pays their share of the member contributions due on an annual basis, not to exceed \$1,000 per year. There is no contingent liability for CCSD at June 30, 2008.

The second is an agreement with the Coast Unified School District (CUSD) to operate the Santa Rosa Creek Well #4, the CUSD water well, pump, and distribution facilities for the purpose of securing the conveying groundwater. CCSD pays CUSD \$26,000 per year for the easement and access to the site operation and maintenance repairs. The total cost of the 10 year agreement is \$266,000. The first payment of \$32,000 was made in December 2000. This agreement expires during the fiscal year ending in 2011.

NOTE 10: INTERFUND TRANSACTIONS

Interfund transactions are reported as either loans, services provided, reimbursements, or transfers. Loans are reported as interfund receivables and payables, as appropriate, and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund, and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers.

Interfund transfers consist of operating transfers from funds receiving revenue to funds through which the resources are expended.

Interfund transfers for the 2007-2008 fiscal year, are as follows:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General	\$ -	\$ 1,113,411
Water	953,003	
Wastewater	160,408	
Totals	\$ 1,113,411	\$ 1,113,411

CAMBRIA COMMUNITY SERVICES DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2008

NOTE 11: PRIOR PERIOD ADJUSTMENT

Two prior period adjustments were made to the General Fund totaling \$299,990. The principal balance for a capital lease was overstated in prior years by \$44,943, resulting in an adjustment for the same amount. This adjustment resulted in a change to both the Government Wide and Fund Financial Statements.

Depreciation was overstated in prior years by \$255,047, resulting in an adjustment for the same amount. This adjustment resulted in a change to only the Government Wide Financial Statements because depreciation expense is not recorded for the General Fund in the Fund Financial Statements.