

**CAMBRIA  
COMMUNITY SERVICES DISTRICT**

Independent Auditor's Report  
and  
Financial Statements

For the Year Ended  
June 30, 2012

**CAMBRIA COMMUNITY SERVICES DISTRICT**  
**INDEPENDENT AUDITOR'S REPORT AND FINANCIAL STATEMENTS**  
For the Year Ended June 30, 2012

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**CAMBRIA COMMUNITY SERVICES DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
Fiscal Year Ended June 30, 2012

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, 2012. The Management's Discussion & Analysis is to be read in conjunction with the CCSD's financial statements, which follow this section.

The Cambria Community Services District 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
- Administration

**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.

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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 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 is grouped into 2 categories:

- Governmental Activities
- Business-Type Activities

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**Governmental Activities**

Governmental activities include the following funds:

- General Fund

The General Fund includes the following Departments:

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

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 up to five classifications, which are as follows:

- Nonspendable-amounts that are not in a spendable form, such as Prepaid Expenses or Deposits.
- Restricted-amounts constrained to specific purposes by their providers through constitutional provisions or legislation.
- Committed-amounts constrained to specific purposes by the government itself using its highest level of decision-making authority.

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- Assigned-amounts a government intends to use for a specific purpose.
- Unassigned-amounts that are available for any purpose. These amounts are only found in the general fund.

In prior years, Fund Balance was reported in up to three components; Reserved, Designated and Unreserved. GASB 54 was issued to clarify Fund balance reported as well as to provide additional information.

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.

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 include the following funds:

- Water Fund
- Wastewater (Sewer) Fund

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The Water fund includes the following Departments:

- Water Fund
- Resource Conservation 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 and Wastewater Funds 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 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

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**Notes to the Financial Statements**

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

NOTE 1 is required in all financial statements, even in cases where only the minimum notes are given. It provides a brief description of the CCSD; which financial statements are provided; how activity is recorded/reported; the accounting basis on which the financial statements are presented; certain financial policies of the CCSD, such as its capitalization policy and some definition of terms.

NOTE 2 provides information related to the CCSD's cash and investments such as how much cash is on-hand, how much is in the CCSD's bank accounts and how much is held in the Local Agency Investment Fund (LAIF). LAIF is a voluntary program offered to California's local governments to allow them to participate in a major portfolio. It is administered by the California State Treasurer. It has the same objectives in its investment policy as does the CCSD (Safety, Liquidity and Yield, in that order). LAIF does not invest in securities or derivatives and no agency has ever lost funds invested in LAIF. It is not subject to seizure by the State of California. On June 30, 2011, the fair market value of LAIF's investments was slightly in excess of the cost plus accrued interest of those assets. Slightly over 50% of LAIF's funds were invested in United States Treasury Bills/Notes.

NOTE 3 provides additional information on the CCSD's Property, Plant and Equipment (Fixed Assets). This is mainly in the form of showing the amounts added and deleted for a given fiscal year by type of asset.

NOTE 4 provides additional information on the CCSD's accrued liabilities.

NOTE 5 provides additional information on the CCSD's Long-Term Debt such as original balances, interest rates and annual amounts due.

NOTE 6 provides additional information related to the refinancing of a debt obligation.

NOTE 7 provides information related to the CCSD's pension plan such as the actuarial assumptions.

NOTE 8 is required by the Governmental Accounting Standards Board (GASB) Statements 43 & 45. While the note is titled Post-Employment Benefits, the purpose of the note is to report on Other Post-Employment Benefits (OPEB) with "Other" signifying other than pensions. For the purposes of the CCSD, this means retiree healthcare benefits. The amount shown is based on an actuarial prepared "in-house". The actuarial is based on the number of employees, retirees and their spouses as well as their ages (and presumed life spans) and presumed retirement dates as of June 30, 2011. The estimated costs are projected forward through the year 2071. (It should be noted that while there were 30 eligible employees as of June 30, 2009, there were 24 eligible employees as of June 30, 2011 although there were unfilled vacancies).



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The CCSD currently operates on a "pay as you go" basis for OPEB. Current retiree costs are fully paid, but nothing is set-aside for future benefits. To account for these future benefits an additional expenditure of \$25,050 was recorded as a future obligation, with no outflow of cash; \$29,737 of this balance is related to the Governmental Funds, \$9,475 is related to the Water Fund and the Wastewater Fund had a credit of (\$14,162). The credit in the Wastewater Fund occurred because of multiple factors. As discussed in the next section, as of January 1, 2013, retirees began paying a greater percentage of their healthcare benefits. In addition, healthcare premiums for retirees on Medicare were reduced by over 22%. Finally, the timing of the valuation effects the computation. Because OPEB is computed for the future, these recent changes are factored in, but they had no effect on the costs as of June 30, 2012. It is important to note that this is not a credit in the sense that any excess funds were expended or will be applied to future costs. It only signifies that future costs would be expected to decrease based on the existing information.

NOTE 9 provides information related to agreements with other government entities for mutual aid and the use of property.

**Economic Factors and Budget**

The United States and especially California's economy took a significant turn for the worse in the past few years. While there have recently been positive economic developments, this downturn continued through the 2011-2012 fiscal year in that employment rates and property valuations are still significantly worse than they were prior to the downturn. A large component of the downturn is depressed prices for real property. This negatively impacted property tax revenue, although the impact to the CCSD was less than for San Luis Obispo County as a whole and much less than for all of California. Ad valorem property tax revenue decreased by \$151,906 (7.8%) for fiscal year 2011-2012 from fiscal year 2008-2009 (and decreased by \$55,891 (3.0%) from fiscal year 2010-2011 to fiscal year 2011-2012) after deducting the County's administrative charge. From fiscal year 2006-2007 to fiscal year 2008-2009, ad valorem property tax revenue had increased by \$163,984 (9.2%). However, after three years of decreases, San Luis Obispo County is projecting an increase for the CCSD's ad valorem property tax revenue of approximately \$22,000 for fiscal year 2012-2013, although they do not provide an estimate for Supplemental and Prior Year taxes. In addition, the Fire Suppression Benefit Assessment increased by \$16,078 (4.1%) from fiscal year 2008-2009 to fiscal year 2011-2012 and by \$39,816 (10.9%) from fiscal year 2006-2007 to fiscal year 2011-2012. The economic situation also may have been impacting utility sales, although this is not readily discernable. While water and sewer sales decreased \$89,144 (2.7%) for fiscal year 2010-2011 from fiscal year 2008-2009 after adjusting for the July 1, 2009 rate increases, they increased 6.3% from fiscal year 2010-2011 in fiscal year 2011-2012. This was the highest level of revenue (after adjusting for the July 1, 2009 rate increases) of sales since fiscal year 2006-2007. Because sales are thought to be partially driven by weather conditions, the exact cause for any increase or decrease is unknown.

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Two significant factors other than the general economic situation, impact the financial strength of the CCSD. They are:

- Minimal impact fee revenue; and
- Stagnate customer base

These conditions present significant fiscal challenges to the CCSD. Having only minimal capital revenue has resulted in most enterprise funds' capital outlays being financed by operating revenue or by transfers from the General Fund. A stagnate customer base results in little or no growth in revenue, as well as in lost economies of scale. To meet these challenges, the CCSD increased water fees by 9.75% and sewer fees by 15% as of July 1, 2009 and reduced staffing and employee benefits costs as well as reducing other operating costs. A hiring freeze was imposed by the Board of Directors, which was recently reversed and two Administrative Technicians (Administration Department) were laid off. In addition to these two positions, the Utilities Manager/Assistant General Manager, Assistant Fire Chief, Assistant Finance Manager and Administrative Technician (Fire Department) positions are vacant. Previously, management/confidential employees, firefighters and all newly hired employees began to contribute to their pensions. After increasing from \$2,563,201 in fiscal year 2007/2008 to \$2,566,283 in fiscal year 2008-2009, total salaries and wages decreased to \$2,386,305 in fiscal year 2009-2010, to \$2,299,794 (this figure does not include the severance pay paid to the previous General Manager) in fiscal year 2010-2011 and to \$2,228,801 in fiscal year 2011-2012. This is a decrease of \$337,482 or 13.2% over the four year period. The preceding amounts include all salaries and wages, including any capitalized amounts.

Retirement is the most expensive employee benefit of the CCSD. The annual pension cost decreased from \$675,070 in fiscal year 2007-2008 to \$647,662 in fiscal year 2008-2009, to \$628,216 in fiscal year 2009-2010, and to \$553,184 in fiscal year 2010-2011. While it increased to \$568,541 in fiscal year 2011-2012, there was still a decrease of \$106,529, or 15.8% over the four year period. While a portion of this decrease is due to reduced contribution rates, the majority is due to reduced staffing and increased employee contributions. In addition to the steps already taken to control retirement costs, the CCSD recently entered into agreements with its employees to institute a second tier of retirement rates for newly hired employees, which will cost a fraction of what current retirement rates cost. Also, the agreements call for current employees to pay a greater portion of their retirement contributions.

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Retiree health insurance had traditionally been the third most expensive employee benefit of the CCSD, but became the second most expensive in fiscal year 2011-2012. It increased from \$174,820 in fiscal year 2007-2008 to \$178,943 in fiscal year 2008-2009, it decreased to \$148,546 in fiscal year 2009-2010 (approximately \$35,700 of this decrease was due to a two-month premium "holiday" from paying monthly premiums due to excess profits of the provider), it increased to \$209,186 in fiscal year 2010-2011 and increased to \$270,349 fiscal year 2011-2012. This is an overall increase of \$95,529 or 54.6%. The employee agreements previously referred to provide for increased premium contributions to be made by retirees and newly hired employees will receive a reduced health insurance premium benefit equal to the Public Employees' Medical and Hospital Care Act (PEMHCA) minimum, which is currently \$115. These changes are expected to result in a great reduction of retiree health insurance costs in the future. In addition, the premium rate for retirees on Medicare was reduced by over 22% as of January 1, 2013.

Employee health insurance is now the third most expensive employee benefit for the CCSD. The annual employee medical insurance cost decreased from \$349,459 in fiscal year 2007-2008 to \$341,026 in fiscal year 2008-2009, to \$242,246 in fiscal year 2009-2010 (approximately \$48,400 of this decrease was due to a two-month premium "holiday" from paying monthly premiums due to excess profits of the provider), increased to \$253,951 in fiscal year 2010-2011 and decreased to \$244,632 in fiscal year 2011-2012. This is an overall decrease of \$104,827 or 30.0%. The CCSD changed the insurance plan from a PPO to a HMO January 1, 2010, which reduced its contribution (employees staying in the PPO paid all of the excess cost) although the HMO rates have since increased so that they are now higher than what the 2009 PPO rates were. Even though this cost has decreased significantly in recent years, the referenced employee agreements increase the percentage that employees pay for their health insurance, as well as pro-rate the CCSD's contribution for less than full time employees.

The preceding amounts include all benefits, including any capitalized amounts. The employee agreements contain other cost savings than those listed above, although the most significant savings are noted.

After decreasing for several years, the CCSD's total Cash and Investments was \$4,265,148 as of June 30, 2009. It increased to \$4,499,040 as of June 30, 2010 and decreased to \$4,386,277 as of June 30, 2011 (however, while the balance decreased \$112,763, it would have increased by \$293,084 if the capital lease for the fire pumper had not been paid off early and the severance package for the prior general manager had not occurred) and increased to \$4,654,815 as of June 30, 2012..

The Board of Directors approved the operating budget for fiscal year 2012-2013 on June 23, 2012. Projected activity for all funds is as follows: Water-\$-0- (after \$19,441 transfer from reserves); Wastewater (Sewer)-\$14,913; Governmental (General)-\$29,065.

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**Fiscal Year 2011/2012 Financial Highlights**

The following information is provided to give readers of these financial statements further information by providing additional detail, summations and/or by presenting information in a different format than the financial statements as well as by providing narrative comments.

This section is based on the STATEMENT OF NET ASSETS (Pg. 3), the RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET ASSETS (Pg. 6) and the STATEMENT OF NET ASSETS Proprietary Funds (Pg. 10).

	FISCAL YEAR 2011/2012	FISCAL YEAR 2010/2011	INCREASE/ (DECREASE)
<b>CASH &amp; INVESTMENTS</b>			
Total Cash & Investments-Gov't Activities	\$ 3,815,171	\$ 3,843,406	\$ (28,235)
Total Cash & Investments-Business Activities	839,644	542,871	296,773
<b>TOTAL CASH &amp; INVESTMENTS</b>	<b>4,654,815</b>	<b>4,386,277</b>	<b>268,538</b>
<b>OTHER ASSETS-GOV'T ACTIVITIES</b>			
Current Receivables-Gov't Activities	174,408	188,139	(13,731)
Prepaid Costs-Gov't Activities	176,998	8,544	168,454
Due From Other Funds-Gov't Activities	157,726	157,726	-
<b>TOTAL OTHER ASSETS-GOV'T ACTIVITIES</b>	<b>509,132</b>	<b>354,409</b>	<b>154,723</b>
<b>OTHER ASSETS-BUSINESS ACTIVITIES</b>			
Current Receivables-Business Activities	669,553	712,762	(43,209)
Prepaid Costs-Business Activities	31,928	991	30,937
Intangible Assets (WMP)-Business Activities	1,611,290	1,611,290	-
Deferred Loss on Bond Refunding-Business	95,723	124,035	(28,312)
<b>TOTAL OTHER ASSETS-BUSINESS ACTIVITIES</b>	<b>2,408,494</b>	<b>2,449,078</b>	<b>(40,584)</b>
<b>CAPITAL ASSETS</b>			
Capital Assets-Net of Depreciation-Gov't Activities	16,584,011	16,673,305	(89,294)
Capital Assets-Net of Depreciation-Business Activities	21,881,098	22,993,269	(1,112,171)
<b>TOTAL CAPITAL ASSETS</b>	<b>38,465,109</b>	<b>39,666,574</b>	<b>(1,201,465)</b>
<b>TOTAL ASSETS</b>			
Total Assets-Gov't Activities	20,908,314	20,871,120	37,194
Total Assets-Business Activities	25,129,236	25,985,218	(855,982)
<b>TOTAL ASSETS</b>	<b>\$ 46,037,550</b>	<b>\$ 46,856,338</b>	<b>\$ (818,788)</b>
<b>CURRENT LIABILITIES-GOV'T ACTIVITIES</b>			
Payables & Accrued Expenses-Gov't Activities	\$ 193,108	\$ 387,336	\$ (194,228)
Refundable Deposits-Gov't Activities	7,274	4,444	2,830
Deferred Revenue-Gov't Activities	6,840	6,053	787
Capital Lease Payable-Gov't Activities	-	-	-
<b>TOTAL CURRENT LIABILITIES-GOV'T ACTIVITIES</b>	<b>207,222</b>	<b>397,833</b>	<b>(190,611)</b>
<b>CURRENT LIABILITIES-BUSINESS ACTIVITIES</b>			
Payables & Accrued Expenses-Business Activities	213,891	214,152	(261)
Refundable Deposits-Business Activities	38,900	36,600	2,300
Deferred Revenue-Business Activities	23,183	101,831	(78,648)
Due To Other Funds-Business Activities	157,726	157,726	-
Loans/Notes/Bonds Payable-Business Activities	505,551	484,012	21,539
<b>TOTAL CURRENT LIABILITIES-BUSINESS ACTIVITIES</b>	<b>939,251</b>	<b>994,321</b>	<b>(55,070)</b>

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	FISCAL YEAR 2011/2012	FISCAL YEAR 2010/2011	INCREASE/ (DECREASE)
<b>LONG-TERM LIABILITIES (EXTERNAL)-GOV'T ACTIVITIES</b>			
Capital Lease Payable-Gov't Activities	-	-	-
Compensated Absences-Gov't Activities	197,089	217,863	(20,774)
<b>TOTAL LONG-TERM LIABILITIES (EXTERNAL)-GOV'T ACTIVITIES</b>	<u>197,089</u>	<u>217,863</u>	<u>(20,774)</u>
<b>LONG-TERM LIABILITIES (EXTERNAL)-BUSINESS ACTIVITIES</b>			
Loans/Notes/Bonds Payable-Business Activities	2,227,810	2,733,296	(505,486)
Compensated Absences-Business Activities	98,279	101,907	(3,628)
<b>TOTAL L/T LIABILITIES (EXTERNAL)-BUSINESS ACTIVITIES</b>	<u>2,326,089</u>	<u>2,835,203</u>	<u>(509,114)</u>
<b>NET ASSETS-GOV'T ACTIVITIES</b>			
Invested in Capital Assets-Net of Related Debt Unrestricted	16,584,011	16,673,305	(89,294)
	<u>3,919,992</u>	<u>3,582,119</u>	<u>337,873</u>
<b>TOTAL NET ASSETS-GOV'T ACTIVITIES</b>	<u>20,504,003</u>	<u>20,255,424</u>	<u>248,579</u>
<b>NET ASSETS-BUSINESS ACTIVITIES</b>			
Invested in Capital Assets-Net of Related Debt Unrestricted	19,147,737	19,775,961	(628,224)
	<u>2,716,159</u>	<u>2,379,733</u>	<u>336,426</u>
<b>TOTAL NET ASSETS-BUSINESS ACTIVITIES</b>	<u>21,863,896</u>	<u>22,155,694</u>	<u>(291,798)</u>
<b>NET ASSETS</b>			
Net Assets-Gov't Activities	20,504,003	20,255,424	248,579
Net Assets-Business Activities	<u>21,863,896</u>	<u>22,155,694</u>	<u>(291,798)</u>
<b>TOTAL NET ASSETS</b>	<u>\$ 42,367,899</u>	<u>\$ 42,411,118</u>	<u>\$ (43,219)</u>
<b>TOTAL ASSETS-GOV'T ACTIVITIES</b>	<u>\$ 20,908,314</u>	<u>\$ 20,871,120</u>	<u>\$ 37,194</u>
<b>LESS: TOTAL LIABILITIES-GOV'T ACTIVITIES</b>	<u>(404,311)</u>	<u>(615,696)</u>	<u>211,385</u>
<b>TOTAL NET ASSETS-GOV'T ACTIVITIES</b>	<u>\$ 20,504,003</u>	<u>\$ 20,255,424</u>	<u>\$ 248,579</u>
<b>TOTAL ASSETS-BUSINESS ACTIVITIES</b>	<u>\$ 25,129,236</u>	<u>\$ 25,985,218</u>	<u>\$ (855,982)</u>
<b>LESS: TOTAL LIABILITIES-BUSINESS ACTIVITIES</b>	<u>(3,265,340)</u>	<u>(3,829,524)</u>	<u>564,184</u>
<b>TOTAL NET ASSETS-BUSINESS ACTIVITIES</b>	<u>\$ 21,863,896</u>	<u>\$ 22,155,694</u>	<u>\$ (291,798)</u>
<b>Total Loans/Notes/Bonds Payable-Business Activities</b>	<u>\$ 2,733,361</u>	<u>\$ 3,217,308</u>	<u>\$ (483,947)</u>

As of June 30, 2012, CCSD Cash and Investments exceed all debts owed to external entities by approximately \$1,142,900.00

As of June 30, 2011, CCSD Cash and Investments exceed all debts owed to external entities by approximately \$98,500.

As of June 30, 2010, all debts owed to external entities exceeded the CCSD Cash and Investments by approximately \$465,400.

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This section is based on the BALANCE SHEET-Governmental Funds (Pg. 5) and the RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET ASSETS (Pg. 6).

	FISCAL YEAR 2011/2012	FISCAL YEAR 2010/2011	INCREASE/ (DECREASE)
TOTAL ASSETS-Government Funds	\$ 4,324,303	\$ 4,197,815	\$ 126,488
TOTAL LIABILITIES-Government Funds	(207,222)	(217,049)	9,827
Fund Balance-Nonspendable	182,051	43,636	182,051
Fund Balance-Assigned	3,935,030	3,937,130	3,935,030
TOTAL FUND BALANCE-Governmental Funds	<u>4,117,081</u>	<u>3,980,766</u>	<u>136,315</u>
CAPITAL ASSETS	16,584,011	16,673,305	(89,294)
Other Post Employment Benefits Payable	-	(180,784)	180,784
Compensated Absences	<u>(197,089)</u>	<u>(217,863)</u>	<u>20,774</u>
NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u>\$ 20,504,003</u>	<u>\$ 20,255,424</u>	<u>\$ 248,579</u>

The Government Accounting Standards Board (GASB) issued Statement #54, which regulates how fund balances are to be reported. Previously, "Reserved, Designated" and "Unreserved" were used as fund balance classifications. GASB # 54 designates that the terms "Nonspendable, Restricted, Committed, Assigned" and "Unassigned" to be used. These classifications signify the spending constraints with Nonspendable having the most constraints and Unassigned having the fewest constraints.

Other Post Employment Benefits (OPEB) Payable decreased due to a reduced number of covered individuals as due to an increase in the amount of retiree healthcare costs paid by retirees as was previously discussed.

This section is based on the STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES-Governmental Funds (Pg. 7) and the STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS-Proprietary Funds (Pg. 11).

TOTAL OPERATING REVENUES			
Total Revenue-Gov't Activities	\$ 3,785,564	\$ 3,751,216	\$ 34,348
Total Revenue-Business Activities	<u>3,931,048</u>	<u>3,697,318</u>	<u>233,730</u>
TOTAL REVENUES	<u>\$ 7,716,612</u>	<u>\$ 7,448,534</u>	<u>\$ 268,078</u>

The increase in Total Revenue-Governmental Activities is due to a increase of \$254,124 in Grant Income, which more than offset a decrease of \$133,362 in Administrative Service Charges, (the great majority of which are departmental Administrative Overhead charges), a decrease of \$54,683 in Weed Abatement Charges and a decrease of \$45,135 in Property Taxes and Assessments. The net of all other increase/decreases is \$13,404.

The increase in Total Revenue-Business Activities is due to a increase of \$153,746 in Utility Sales plus an increase of \$79,984 in Service Charges and Fees.

TOTAL EXPENDITURES			
Total Expenditures-Gov't Activities	\$ 3,623,091	\$ 4,169,389	\$ (546,298)
Total Expenditures-Business Activities	<u>4,418,969</u>	<u>4,212,959</u>	<u>206,010</u>
TOTAL EXPENDITURES	<u>\$ 8,042,060</u>	<u>\$ 8,382,348</u>	<u>\$ (340,288)</u>

**CAMBRIA COMMUNITY SERVICES DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
Fiscal Year Ending June 30, 2012**

The largest decrease for Government Activities is \$265,206 in Debt Service Expenditures followed by a decrease of \$208,085 in Administration Expenditures and a decrease of \$128,954 in Resource Conservation Expenditures. These decreases more than offset the increases in expenditures of \$103,009 in the Fire Department, \$47,594 in Capital Outlay, \$28,434 in Facilities and Resources and \$26,861 in Parks and Recreation.

The largest increase for Business Activities is \$199,152 in Maintenance & Repairs Expenditures followed by increases of \$66,886 in Professional Services, \$59,998 in Salaries and Wages and \$52,158 in Payroll Taxes and Benefits Expenditures. There was a decrease of \$114,011 in Amortized Bond Costs and a net increase of \$32,774 in all other expenditures.

	FISCAL YEAR 2011/2012	FISCAL YEAR 2010/2011	INCREASE/ (DECREASE)
<b>NON-OPERATING REVENUES</b>			
Non-Operating Revenue-Gov't Activities	N/A	N/A	N/A
Non-Operating Revenue-Business Activities	\$ 298,443	\$ 293,695	\$ 4,748
<b>TOTAL NON-OPERATING REVENUES</b>	<u>\$ 298,443</u>	<u>\$ 293,695</u>	<u>\$ 4,748</u>

Non-Operating Revenue-Business Activities is almost entirely Standby Availability revenue with much lesser amounts for Interest and Connection Fee revenue.

<b>NON-OPERATING EXPENDITURES</b>			
Non-Operating Expenditures-Gov't Activities	N/A	N/A	N/A
Non-Operating Expenditures-Business Activities	\$ 128,478	\$ 150,018	\$ (21,540)
<b>TOTAL NON-OPERATING EXPENDITURES</b>	<u>\$ 128,478</u>	<u>\$ 150,018</u>	<u>\$ (21,540)</u>

Non-Operating Expenditures-Business Activities is entirely Interest Expense.

This section is based on the STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES-Budget and Actual-Governmental Funds (Pg. 9).

<b>REVENUES</b>			
Property Taxes and Assessments	\$ 2,205,140	\$ 2,250,275	\$ (45,135)
Grant Income	303,867	49,743	254,124
Weed Abatement	7,210	61,893	(54,683)
Franchise Fees	70,652	68,039	2,613
Use of money & property	49,537	20,901	28,636
Charges for Administrative Services	1,111,539	1,244,901	(133,362)
Other	37,619	55,464	(17,845)
<b>TOTAL REVENUES</b>	<u>3,785,564</u>	<u>3,751,216</u>	<u>34,348</u>
<b>EXPENDITURES</b>			
Administration	1,288,415	1,578,060	(289,645)
Fire	1,745,341	1,684,703	60,638
Parks & Recreation	61,374	34,513	26,861
Facilities & Resources	479,206	476,792	2,414
Capital Outlay	48,755	1,161	47,594
Debt Service:			
Principal	-	248,328	(248,328)
Interest	-	16,878	(16,878)
<b>TOTAL EXPENDITURES</b>	<u>3,623,091</u>	<u>4,040,435</u>	<u>(417,344)</u>

**CAMBRIA COMMUNITY SERVICES DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
 Fiscal Year Ending June 30, 2012

	FISCAL YEAR 2011/2012	FISCAL YEAR 2010/2011	INCREASE/ (DECREASE)
EXCESS OF REVENUES OVER/(UNDER) EXPENDITURES	162,473	(289,219)	<u>\$ 451,692</u>
Fund Balance at Beginning of Year	3,980,766	4,269,985	
Transfer out	<u>(26,158)</u>	<u>-</u>	
Fund Balance at End of Year	<u>\$ 4,117,081</u>	<u>\$ 3,980,766</u>	

Of the \$254,124 increase in Grant Revenue, \$148,496 was from an Office of Traffic Safety grant for equipment purchased for other agencies as well as the CCSD. Historically, several SLO County agencies participate in these grants with one agency acting as the lead agency on a rotating basis. The CCSD was the lead agency for fiscal year 2011/2012 and \$130,870 of the revenue was used to purchase equipment for the other agencies. These expenditures are included in the fiscal year 2011/2012 Fire expenditures shown above.

Weed Abatement Revenue decreased by over 80% because the CCSD changed how the program is administered. Not only are property owners notified more frequently, it also gives the property owners more time to abate their lots.

Charges for Administrative Services decreased due to the decrease in Administration Expenditures, which was mainly due to lower personnel costs, including the severance package for the previous General Manager.

This section is based on the STATEMENT OF NET ASSETS-Proprietary Funds (Pg. 10).

Current Assets	\$ 1,541,125	\$ 1,256,624	\$ 284,501
Capital Assets	50,393,842	50,216,430	177,412
Accum. Depreciation	(28,512,744)	(27,223,161)	(1,289,583)
Other Assets	1,707,013	1,735,325	(28,312)
Total Assets	<u>\$ 25,129,236</u>	<u>\$ 25,985,218</u>	<u>\$ (855,982)</u>
Current Liabilities	\$ 939,251	\$ 994,321	\$ (55,070)
Non-Current Liabilities	2,326,089	2,835,203	(509,114)
Total Liabilities	<u>\$ 3,265,340</u>	<u>\$ 3,829,524</u>	<u>\$ (564,184)</u>
Net Assets-Invested in Cap	\$ 19,147,737	\$ 19,775,961	\$ (628,224)
Net Assets-Unrestricted	2,716,159	2,379,733	336,426
Total Net Assets	<u>\$ 21,863,896</u>	<u>\$ 22,155,694</u>	<u>\$ (291,798)</u>

The increase in Current Assets is mainly due to an increase in Cash & Investments of \$296,773.

The decrease in Non-Current Liabilities is mainly due to a decrease in Notes/Loans/Bonds Payable of \$505,486.



**CAMBRIA COMMUNITY SERVICES DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
Fiscal Year Ending June 30, 2012

This section is based on the STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES-Proprietary Funds (Pg. 11).

	FISCAL YEAR 2011/2012	FISCAL YEAR 2010/2011	INCREASE/ (DECREASE)
Utility Sales	\$ 3,826,975	\$ 3,673,229	\$ 153,746
Services Charges & Fees	104,073	24,156	79,917
Total Operating Revenues	<u>3,931,048</u>	<u>3,697,385</u>	<u>233,663</u>
Salaries & Wages	666,908	606,910	59,998
Payroll Taxes & Benefits	379,899	418,688	(38,789)
Maintenance & Repairs	530,696	331,544	199,152
Utilities	314,104	320,647	(6,543)
Professional Services	178,679	111,793	66,886
Operating Supplies	95,910	105,004	(9,094)
Licenses & Fees	72,109	65,034	7,075
Depreciation & Amortization	1,296,702	1,403,485	(106,783)
General & Admin OH	824,611	789,751	34,860
Other	59,351	60,103	(752)
Total Operating Expenses	<u>4,418,969</u>	<u>4,212,959</u>	<u>206,010</u>
Operating Income (Loss)	<u>(487,921)</u>	<u>(515,574)</u>	<u>27,653</u>
Availability Charges	292,536	292,462	74
Investment Income	2,115	1,166	949
Other Income	3,792	67	3,725
Non-Operating Income	<u>298,443</u>	<u>293,695</u>	<u>4,748</u>
Interest expense	128,478	150,018	(21,540)
Non-Operating Expenses	<u>128,478</u>	<u>150,018</u>	<u>(21,540)</u>
Change in Net Assets	(317,956)	(371,897)	<u>\$ 53,941</u>
Net Assets @ Beg. of Year	22,155,694	22,527,658	
Transfer In (Resource Conservation)	<u>26,158</u>	<u>-</u>	
Net Assets @ End of Year	<u>\$ 21,863,896</u>	<u>\$ 22,155,761</u>	

The decrease in Depreciation & Amortization is mainly due to the amortization recognized due to the refinancing of the CCSD outstanding bonds in fiscal year 2010/2011.

This section is based on the STATEMENT OF CASH FLOWS (Pg. 12).

Net Cash Provided by Operating Activities	\$ 740,816	\$ 842,003	\$ (101,187)
Net Cash Provided by Noncapital Financing Activities	26,158		
Net Cash Used by Capital and Related Financing Activities	(476,108)	(542,699)	66,591
Net Cash Provided by Investing and Non-Operating Activities	<u>5,907</u>	<u>1,167</u>	<u>4,740</u>
Net Change in Cash	296,773	300,471	<u>\$ (3,698)</u>
Cash and Cash Equivalents -Beginning of Fiscal Year	<u>542,871</u>	<u>22,400</u>	
Cash and Cash Equivalents -End of Fiscal Year	<u>\$ 839,644</u>	<u>\$ 322,871</u>	

**CAMBRIA COMMUNITY SERVICES DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
Fiscal Year Ending June 30, 2012

This section is based on information found in the NOTES TO THE FINACIAL STATEMENTS (Pg. 20).

	<b>FISCAL YEAR 2011/2012</b>	<b>FISCAL YEAR 2010/2011</b>	<b>INCREASE/ (DECREASE)</b>
<b>CAPITAL ASSETS-GOVERNMENTAL ACTIVITIES</b>			
Land & Trails	\$ 14,990,732	\$ 14,964,063	\$ 26,669
Bldg & Leasehold Improvements	1,753,270	1,753,270	-
Machinery & Equipment	1,678,509	1,682,239	(3,730)
Construction In Progress	<u>224,584</u>	<u>219,961</u>	<u>4,623</u>
Total Capital Assets @ Cost	18,647,095	18,619,533	27,562
Less: Accumulated Depreciation	<u>(2,063,084)</u>	<u>(1,946,228)</u>	<u>(116,856)</u>
<b>CAPITAL ASSETS-GOV'T ACTIVITIES (Net of Depreciation)</b>	<b><u>\$ 16,584,011</u></b>	<b><u>\$ 16,673,305</u></b>	<b><u>\$ (89,294)</u></b>
 <b>CAPITAL ASSETS-BUSINESS ACTIVITIES</b>			
Land	\$ 2,274,379	\$ 2,274,379	\$ -
Buildings & Facilities	41,398,359	41,380,625	17,734
Machinery & Equipment	1,422,110	1,386,048	36,062
Construction In Progress	<u>5,298,994</u>	<u>5,175,378</u>	<u>123,616</u>
Total Capital Assets @ Cost	50,393,842	50,216,430	177,412
Less: Accumulated Depreciation	<u>(28,512,744)</u>	<u>(27,223,161)</u>	<u>(1,289,583)</u>
<b>CAPITAL ASSETS-GOV'T ACTIVITIES (Net of Depreciation)</b>	<b><u>\$ 21,881,098</u></b>	<b><u>\$ 22,993,269</u></b>	<b><u>\$ (1,112,171)</u></b>

**CAMBRIA COMMUNITY SERVICES DISTRICT**  
**BOARD OF DIRECTORS AND ADMINISTRATION**  
June 30, 2012

BOARD OF DIRECTORS

<u>NAME</u>	<u>TERM EXPIRES</u>
Allan MacKinnon, President	December 2012
Michael Thompson, Vice President	December 2014
Muril Clift, Director	December 2012
Jim Bahringer, Director	December 2014
Gail Robinette, Director	December 2012

ADMINISTRATION

Jerry Gruber	General Manager
Tim Carmel	District Counsel
Kathy Choate	District Clerk

**CROSBY COMPANY, CERTIFIED PUBLIC ACCOUNTANT**

1457 MARSH STREET, SUITE 100 - SAN LUIS OBISPO, CA 93401

PHONE: (805)543-6100 FAX: (805)858-9505

Independent Auditor's Report

Board of Directors  
Cambria Community Services District  
Cambria, California

I 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, 2012, 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. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit 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 my audit provides a reasonable basis for my opinion.

In my 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, 2012, 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 xvi, 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 inquiries 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.

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. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of required supplementary information. However, I did not audit the information and express no opinion on it.



**CROSBY COMPANY**  
Certified Public Accountant

December 27, 2012

# CAMBRIA COMMUNITY SERVICES DISTRICT

## STATEMENT OF NET ASSETS

June 30, 2012

ASSETS	Primary Government		
	Governmental Activities	Business-type Activities	Total
Cash and investments	\$ 3,815,171	\$ 839,644	\$ 4,654,815
Receivables:			
Interest receivable	3,420		3,420
Taxes	51,359		51,359
Grants	77,486		77,486
Other	37,090	669,553	706,643
Prepaid costs	176,998	31,928	208,926
Note receivable	5,053		5,053
Due from other funds	157,726		157,726
Intangible-water master plan		1,611,290	1,611,290
Deferred loss on refunding, net of accumulated amortization		95,723	95,723
Capital assets:			
Nondepreciable	15,215,316	7,573,373	22,788,689
Depreciable, net	1,368,695	14,307,725	15,676,420
Total capital assets, net of depreciation	16,584,011	21,881,098	38,465,109
 Total assets	\$ 20,908,314	\$ 25,129,236	\$ 46,037,550
 <b>LIABILITIES</b>			
Accounts payable	\$ 91,676	\$ 140,087	\$ 231,763
Accrued expenses	101,432	52,156	153,588
Accrued interest payable		21,648	21,648
Refundable deposits	7,274	38,900	46,174
Deferred revenue	6,840	23,183	30,023
Due to other funds		157,726	157,726
Long-term liabilities			
Due within one year		505,551	505,551
Due within more than one year	197,089	2,326,089	2,523,178
Total liabilities	404,311	3,265,340	3,669,651
 <b>NET ASSETS</b>			
Invested in capital assets-net of related debt	16,584,011	19,147,737	35,731,748
Unrestricted	3,919,992	2,716,159	6,636,151
 Total net assets	\$ 20,504,003	\$ 21,863,896	\$ 42,367,899

The accompanying notes are an integral part of these financial statements

# CAMBRIA COMMUNITY SERVICES DISTRICT

## STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2012

Net (Expense) Revenue and Change in Net Assets  
Primary Government

Functions/Programs

Program Revenues

	Expenses	Charges for Services	Operating Grants	Governmental Activities	Business-type Activities	Totals
<b>Primary government:</b>						
Governmental activities:						
Administration	\$ 1,249,533	\$ 1,111,539	\$ -	\$ (137,994)		\$ (137,994)
Fire	1,771,019	7,210	288,173	(1,475,636)		(1,475,636)
Parks and recreation	61,359		15,694	(45,665)		(45,665)
Facilities and resources	428,916			(428,916)		(428,916)
Total governmental activities	3,510,827	1,118,749	303,867	(2,088,211)		(2,088,211)
Business-type activities:						
Water	2,186,931	1,924,432			(262,499)	(262,499)
Wastewater	2,360,516	2,006,616			(353,900)	(353,900)
Total business-type activities	4,547,447	3,931,048			(616,399)	(616,399)
<b>Total primary government</b>	<b>\$ 8,058,274</b>	<b>\$ 5,049,797</b>	<b>\$ 303,867</b>	<b>(2,088,211)</b>	<b>(616,399)</b>	<b>(2,704,610)</b>
<b>General revenues:</b>						
Taxes:						
Property taxes and assessments				2,205,140		2,205,140
Availability charges					292,536	292,536
Franchise taxes						70,652
Investment income					2,115	16,131
Other income					3,792	76,932
Transfers					26,158	-
<b>Total general revenues, investment and other income</b>				<b>2,336,790</b>	<b>324,601</b>	<b>2,661,391</b>
<b>Change in net assets</b>				<b>248,579</b>	<b>(291,798)</b>	<b>(43,219)</b>
<b>Net assets - beginning</b>				<b>20,255,424</b>	<b>22,155,694</b>	<b>42,411,118</b>
<b>Net assets - ending</b>				<b>\$ 20,504,003</b>	<b>\$ 21,863,896</b>	<b>\$ 42,367,899</b>

The accompanying notes are an integral part of these financial statements

**CAMBRIA COMMUNITY SERVICES DISTRICT**

BALANCE SHEET  
Governmental Funds  
June 30, 2012

**ASSETS**

Cash and investments  
Receivables:  
    Interest  
    Taxes  
    Grants  
    Other  
Prepaid items  
Note receivable  
Amount due from other funds

Total assets

**LIABILITIES AND FUND BALANCES**

**Liabilities:**

Accounts payable  
Accrued expenses  
Refundable deposits  
Deferred revenue

Total liabilities

**Fund balances:**

Nonspendable  
Assigned

Total fund balances

Total liabilities and fund balances

General Fund
\$ 3,815,171
3,420
51,359
77,486
37,090
176,998
5,053
157,726
<b>\$ 4,324,303</b>
\$ 91,676
101,432
7,274
6,840
207,222
182,051
3,935,030
4,117,081
<b>\$ 4,324,303</b>

**CAMBRIA COMMUNITY SERVICES DISTRICT**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET**  
**TO THE STATEMENT OF NET ASSETS**  
 June 30, 2012

**Total fund balances - government funds**

	\$ 4,117,081
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.	
Long-term liabilities and compensated absences have not been included in the governmental funds activity:	
Compensated absences	
<b>Net assets of governmental activities</b>	
\$ 20,504,003	



**CAMBRIA COMMUNITY SERVICES DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES**  
 Governmental Funds  
 For the Year Ended June 30, 2012

	General Fund
<b>Revenues:</b>	
Property taxes and assessments	\$ 2,205,140
Grant income	303,867
Weed abatement	7,210
Franchise fees	70,652
Use of money and property	49,537
Charges for administrative services	1,111,539
Other	37,619
Total revenues	3,785,564
<b>Expenditures:</b>	
Administration	1,288,415
Fire	1,745,341
Parks and Recreation	61,374
Facilities and Resources	479,206
Capital outlay	48,755
Total expenditures	3,623,091
<b>Net change in fund balance</b>	162,473
<b>Fund balance at beginning of year</b>	3,980,766
<b>Transfers out (Resource Conservation)</b>	(26,158)
<b>Fund balance at end of year</b>	<b>\$ 4,117,081</b>

**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, 2012

<b>Net change in governmental fund balances</b>	\$ 162,473	
Transfers out	(26,158)	
		\$ 136,315
Net change in governmental fund balances after transfers		
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).		20,774
In the statement of activities, other post employment benefits are measured by the amounts accrued 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).		
Post employment benefits paid	180,784	
Less additional post employment benefits accrued	-	
Net amount paid with additional amount accrued		180,784
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. In the current period, these amounts are:		
Capital outlay	\$ 48,755	
Depreciation expense	(138,049)	
Excess of depreciation expense and loss over capital outlay		(89,294)
<b>Change in Net Assets of Governmental Activities</b>		<b>\$ 248,579</b>

**CAMBRIA COMMUNITY SERVICES DISTRICT**

STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE

Budget and Actual - Governmental Funds  
For the Year Ended June 30, 2012

	Budgeted Amounts		Actual	Variance With Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Property taxes and assessments	\$ 2,262,059	2,215,059	\$ 2,205,140	\$ (9,919)
Grant income	-	246,602	303,867	57,265
Weed abatement	37,600	18,422	7,210	(11,212)
Franchise fees	68,000	69,000	70,652	1,652
Use of money and property	39,088	44,354	49,537	5,183
Charges for administrative services	1,094,613	1,085,886	1,111,539	25,653
Other	23,000	23,596	37,619	14,023
<b>Total revenues</b>	<b>3,524,360</b>	<b>3,702,919</b>	<b>3,785,564</b>	<b>82,645</b>
<b>Expenditures:</b>				
Administration	1,350,609	1,356,367	1,288,415	67,952
Fire	1,616,683	1,821,901	1,745,341	76,560
Parks and Recreation	25,086	32,378	61,374	(28,996)
Facilities and Resources	495,437	486,526	479,206	7,320
Capital outlay	-	-	48,755	(48,755)
<b>Total expenditures</b>	<b>3,487,815</b>	<b>3,697,172</b>	<b>3,623,091</b>	<b>74,081</b>
<b>Excess of revenues over (under) expenditures</b>	<b>\$ 36,545</b>	<b>\$ 5,747</b>	<b>162,473</b>	<b>\$ 156,726</b>
Fund balance at beginning of year			3,980,766	
Transfer out (Resource Conservation)			(26,158)	
<b>Fund balance at end of year</b>			<b>\$ 4,117,081</b>	

The accompanying notes are an integral part of these financial statements

**CAMBRIA COMMUNITY SERVICES DISTRICT**

STATEMENT OF NET ASSETS

Proprietary Funds

June 30, 2012

ASSETS	Business-type Activities Enterprise Funds		
	Water Fund	Wastewater Fund	Totals
<b>Current assets:</b>			
Cash and investments	\$ 388,753	\$ 450,891	\$ 839,644
Accounts receivable, net of allowance	307,424	362,129	669,553
Prepaid expense	6,787	25,141	31,928
Total current assets	702,964	838,161	1,541,125
<b>Noncurrent assets:</b>			
Capital assets:			
Construction in progress	4,975,966	323,028	5,298,994
Land	898,949	1,375,430	2,274,379
Plant and facilities	17,823,148	23,575,211	41,398,359
Machinery and equipment	492,625	929,485	1,422,110
Less: accumulated depreciation	(10,892,531)	(17,620,213)	(28,512,744)
Total noncurrent assets	13,298,157	8,582,941	21,881,098
<b>Other assets:</b>			
Intangible-water master plan	1,611,290		1,611,290
Deferred loss on refunding, net of amortization	48,740	46,983	95,723
Total other assets	1,660,030	46,983	1,707,013
Total assets	\$ 15,661,151	\$ 9,468,085	\$ 25,129,236
<b>LIABILITIES</b>			
<b>Current liabilities:</b>			
Accounts payable	\$ 34,190	\$ 105,897	\$ 140,087
Accrued expenses	35,483	16,673	52,156
Accrued interest payable	2,874	18,774	21,648
Deferred revenue	7,500	15,683	23,183
Refundable deposits	38,900		38,900
Due to other funds	157,726		157,726
Current portion of noncurrent liabilities	166,985	338,566	505,551
Total current liabilities	443,658	495,593	939,251
<b>Noncurrent liabilities:</b>			
Compensated absences	73,733	24,546	98,279
Loan payable, less current portion	216,190	116,410	332,600
Note payable, less current portion		1,895,210	1,895,210
Total noncurrent liabilities	289,923	2,036,166	2,326,089
Total liabilities	\$ 733,581	\$ 2,531,759	\$ 3,265,340
<b>NET ASSETS</b>			
Invested in capital assets - net of related debt	\$ 12,914,982	\$ 6,232,755	\$ 19,147,737
Unrestricted	2,012,588	703,571	2,716,159
Total net assets	\$ 14,927,570	\$ 6,936,326	\$ 21,863,896

The accompanying notes are an integral part of these financial statements

**CAMBRIA COMMUNITY SERVICES DISTRICT**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS**  
Proprietary Funds  
For the Year Ended June 30, 2012

	Business-type Activities Enterprise Funds		Totals
	Water Fund	Wastewater Fund	
<b>Operating revenues:</b>			
Utility sales	\$ 1,822,799	\$ 2,004,176	\$ 3,826,975
Service charges and fees	101,633	2,440	104,073
Total operating revenues	1,924,432	2,006,616	3,931,048
<b>Operating expenses:</b>			
Salaries and wages	379,652	287,256	666,908
Payroll taxes and benefits	202,826	177,073	379,899
Maintenance and repairs	135,820	394,876	530,696
Office supplies, publications, and dues	19,400	11,389	30,789
Licenses and fees	12,462	59,647	72,109
Rent	26,000	944	26,944
Professional services	125,323	53,356	178,679
Operating supplies	57,052	38,858	95,910
Employee travel and training	1,120	498	1,618
Utilities	132,349	181,755	314,104
General and administrative overhead	483,430	341,181	824,611
Amortized bond costs	17,203	11,109	28,312
Depreciation	571,060	697,330	1,268,390
Total expenses	2,163,697	2,255,272	4,418,969
Net operating loss	(239,265)	(248,656)	(487,921)
<b>Non-operating revenues (expenses):</b>			
Availability charges	177,338	115,198	292,536
Investment income	837	1,278	2,115
Other income	3,792		3,792
Interest expense	(23,234)	(105,244)	(128,478)
Total non-operating revenues (expenses)	158,733	11,232	169,965
<b>Change in net assets</b>	(80,532)	(237,424)	(317,956)
<b>Net assets at beginning of year</b>	14,981,944	7,173,750	22,155,694
<b>Transfer in (Resource Conservation)</b>	26,158		26,158
<b>Net assets at end of year</b>	<b>\$ 14,927,570</b>	<b>\$ 6,936,326</b>	<b>\$ 21,863,896</b>

The accompanying notes are an integral part of these financial statements

**CAMBRIA COMMUNITY SERVICES DISTRICT**

STATEMENT OF CASH FLOWS

Proprietary Funds

For the Year Ended June 30, 2012

	Business-type Activities		Totals
	Enterprise Funds		
	Water Fund	Wastewater Fund	
<b>Cash flows from operating activities:</b>			
Cash received from operating revenue	\$ 1,950,970	\$ 2,023,287	\$ 3,974,257
Payments to suppliers	(1,275,403)	(1,287,734)	(2,563,137)
Payments to employees	(385,386)	(284,918)	(670,304)
Net cash provided by operating activities	290,181	450,635	740,816
<b>Cash flows from noncapital financing activities:</b>			
Net transfers from other funds	26,158		26,158
Net cash provided by noncapital financing activities	26,158	-	26,158
<b>Cash flows from capital and related financing activities:</b>			
Principal paid on capital debt	(159,770)	(324,177)	(483,947)
Interest paid on capital debt	(23,234)	(105,244)	(128,478)
Purchase of capital assets	(123,616)	(32,603)	(156,219)
Standby availability	177,338	115,198	292,536
Net cash used by capital and related financing activities	(129,282)	(346,826)	(476,108)
<b>Cash flows from investing and non-operating activities:</b>			
Investment income	837	1,278	2,115
Other income	3,792		3,792
Net cash provided by investing and non-operating activities	4,629	1,278	5,907
<b>Net change in cash</b>	<b>191,686</b>	<b>105,087</b>	<b>296,773</b>
<b>Cash and cash equivalents-beginning</b>	<b>197,067</b>	<b>345,804</b>	<b>542,871</b>
<b>Cash and cash equivalents-end</b>	<b>\$ 388,753</b>	<b>\$ 450,891</b>	<b>\$ 839,644</b>
<b>Reconciliation of operating loss to net cash provided by operating activities:</b>			
Operating loss	\$ (239,265)	\$ (248,656)	\$ (487,921)
Adjustments to reconcile operating loss to net cash used by operating activities:			
Depreciation	571,060	697,330	1,268,390
Amortization	17,203	11,109	28,312
Net changes in assets and liabilities:			
Decrease in accounts receivable	26,538	16,671	43,209
Increase in prepaid expense	(6,787)	(24,150)	(30,937)
Increase (decrease) in accounts payable	(9,857)	83,143	73,286
Increase (decrease) in accrued expenses	(30,261)	(40,150)	(70,411)
Decrease in accrued interest payable	(1,198)	(1,938)	(3,136)
Decrease in deferred revenue	(49,258)	(29,390)	(78,648)
Increase in deposits	2,300		2,300
Increase (decrease) in compensated absences	9,706	(13,334)	(3,628)
<b>Net cash provided by operating activities</b>	<b>\$ 290,181</b>	<b>\$ 450,635</b>	<b>\$ 740,816</b>

The accompanying notes are an integral part of these financial statements

**CAMBRIA COMMUNITY SERVICES DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2012

**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, conservation 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, 2012

**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, 2012

### 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/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 the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation.

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, 2012

**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 no longer reported as a separate fund balance category on the balance sheet. Encumbrances do not lapse at the close of the fiscal year but are carried forward 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 zero and not considered necessary since it would not be material.

**Prepaid Expenses**

Payments made to vendors for services that will benefit periods beyond June 30, 2012, 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 as soon as the County indicates that they are due to the CCSD.

**CAMBRIA COMMUNITY SERVICES DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2012

**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.

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

**Concentrations**

CCSD will provide water/wastewater 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, 2012

### 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.

With the exception of the loan between the general fund and the water fund, 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.

#### **Fund Balances**

Fund balance can now be displayed in the following classifications depicting the relative strength of the spending constraints placed on the purposes for which resources can be used:

- Non-spendable fund balance – amounts that are not in a spendable form are required to be maintained intact.
- Restricted fund balance – amounts constrained to specific purposes by their providers, through constitutional provisions, or by enabling legislation.
- Committed fund balance – amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest-level action to remove or change the constraint.
- Assigned fund balance – amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority.
- Unassigned fund balance – amounts that have no specific restrictions, commitments or assignments.

If restricted and unrestricted assets are available for the same purpose, the restricted assets will be used before unrestricted assets.

#### **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, 2012

**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, 2012 are summarized as follows:

Petty cash	\$	600
Demand deposits		127,696
Cash and investments with:		
Local Agency Investment Fund (LAIF)		4,526,519
 Total cash and investments	 \$	 <u><u>4,654,815</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 \$250,000 by the Federal Deposit Insurance Corporation (FDIC). Effective October 3, 2008, the FDIC limit was temporarily increased to \$250,000 for interest bearing accounts until December 31, 2013. Effective November 9, 2010, the FDIC established unlimited coverage for public funds held in a noninterest-bearing account until December 31, 2012.

**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.

At June 30, 2012, the carrying amounts of the CCSD's cash demand deposits were \$127,696. The bank's balances were \$271,217. This difference is due to the normal deposits in transit and outstanding checks. CCSD cash deposits by category as of June 30, 2012, were as follows:

		Category			Bank	Carrying
	<u>1</u>	<u>2</u>	<u>3</u>		<u>Balance</u>	<u>Amount</u>
Bank accounts	\$ <u>271,217</u>	\$ <u>-0-</u>	\$ <u>-0-</u>	\$	<u>271,217</u>	\$ <u>127,696</u>

**CAMBRIA COMMUNITY SERVICES DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2012

**NOTE 3: PROPERTY, PLANT AND EQUIPMENT**

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

<b><u>Governmental activities:</u></b>	<b><u>Balance</u></b> <b><u>June 30, 2011</u></b>	<b><u>Additions</u></b>	<b><u>Resource</u></b> <b><u>Conservation</u></b> <b><u>Reclassified</u></b>	<b><u>Balance</u></b> <b><u>June 30, 2012</u></b>
Non-depreciable capital assets				
Land	\$ 14,964,063	\$ 26,669	\$ -	\$ 14,990,732
Construction in progress	219,961	4,623		224,584
<b>Total nondepreciable</b>	<b>15,184,024</b>	<b>31,292</b>		<b>15,215,316</b>
Depreciable capital assets				
Buildings and improvements	1,753,270			1,753,270
Equipment	1,682,239	17,463	(21,193)	1,678,509
<b>Total depreciable capital assets</b>	<b>3,435,509</b>	<b>17,463</b>	<b>(21,193)</b>	<b>3,431,779</b>
Less accumulated depreciation	(1,946,228)	(138,049)	21,193	(2,063,084)
<b>Net depreciable capital assets</b>	<b>1,489,281</b>	<b>(120,586)</b>	<b>-</b>	<b>1,368,695</b>
<b>Net capital assets</b>	<b>\$ 16,673,305</b>	<b>\$ (89,294)</b>	<b>\$ -</b>	<b>\$ 16,584,011</b>
 <b><u>Business-type activities:</u></b>				
Non-depreciable capital assets				
Land	\$ 2,274,379	\$ -	\$ -	\$ 2,274,379
Construction in progress	5,175,378	123,616		5,298,994
<b>Total non-depreciable capital assets</b>	<b>7,449,757</b>	<b>123,616</b>		<b>7,573,373</b>
Depreciable capital assets				
Buildings and facilities	41,380,625	17,734		41,398,359
Machinery and equipment	1,386,048	14,869	21,193	1,422,110
<b>Total depreciable capital assets</b>	<b>42,766,673</b>	<b>32,603</b>	<b>21,193</b>	<b>42,820,469</b>
Less accumulated depreciation	(27,223,161)	(1,268,390)	(21,193)	(28,512,744)
<b>Net depreciable capital assets</b>	<b>15,543,512</b>	<b>(1,235,787)</b>	<b>-</b>	<b>14,307,725</b>
<b>Net capital assets</b>	<b>\$ 22,993,269</b>	<b>\$ (1,112,171)</b>	<b>\$ -</b>	<b>\$ 21,881,098</b>

Depreciation expense for all funds was \$1,404,838 for the year ended June 30, 2012.

**CAMBRIA COMMUNITY SERVICES DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2012

**NOTE 4: ACCRUED EXPENSES**

Accrued expenses as of June 30, 2012, are summarized as follows:

Salaries payable	\$	141,818
Other post employment benefits (OPEB) payable		9,475
Other		<u>2,295</u>
 Total accrued liabilities	 \$	 <u><u>153,588</u></u>

**NOTE 5: 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, 2012, is \$589,500.

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

Fiscal Year Ending June 30,	Principal	Interest	Total
2013	\$ 256,900	\$ 26,528	\$ 283,428
2014	268,500	14,967	283,467
2015	<u>64,100</u>	<u>2,884</u>	<u>66,984</u>
 Totals	 <u>\$ 589,500</u>	 <u>\$ 44,379</u>	 <u>\$ 633,879</u>

**Notes 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, 2012, the note payable principal balance outstanding was \$646,861. Note principal payments are due annually on May 28<sup>th</sup> through 2016.

A City National Bank note payable totaling \$1,585,000 was issued on September 23, 2010 with an interest rate at 4.5 percent. At June 30, 2012, the note payable principal balance outstanding was \$1,497,000. Note principal payments are due annually on September 23<sup>rd</sup> through 2023.

**CAMBRIA COMMUNITY SERVICES DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2012

**NOTE 5: LONG-TERM DEBT (continued)**

The note payments are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2013	\$ 248,651	\$ 85,381	\$ 334,032
2014	259,290	76,329	335,619
2015	273,069	66,795	339,864
2016	277,851	56,912	334,763
2017	114,000	46,774	160,774
2018-2022	659,000	148,762	807,762
2023-2024	312,000	14,514	326,514
<b>Totals</b>	<b>\$ 2,143,861</b>	<b>\$ 495,467</b>	<b>\$ 2,639,328</b>

Total future debt service payments by activity are as follows:

Fiscal Year Ending June 30,	<u>Governmental Activities</u>		<u>Business-type Activities</u>		Total
	Principal	Interest	Principal	Interest	
2013	\$ -	\$ -	\$ 505,551	\$ 111,909	\$ 617,460
2014			527,790	91,296	619,086
2015			337,169	69,679	406,848
2016			277,851	56,912	334,763
2017			114,000	46,774	160,774
2018-2022			659,000	148,762	807,762
2023-2024			312,000	14,514	326,514
<b>Totals</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 2,733,361</b>	<b>\$ 539,846</b>	<b>\$ 3,273,207</b>



**CAMBRIA COMMUNITY SERVICES DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2012

**NOTE 5: LONG-TERM DEBT (continued)**

**Changes in long-term liabilities**

The following is a summary of long-term liabilities activity for the fiscal year ended June 30, 2012:

	<u>Balance</u> <u>June 30, 2011</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2012</u>	<u>Current</u>
<b>Governmental activities:</b>					
Compensated absences	\$ 217,863	\$ -	\$ (20,774)	\$ 197,089	\$ -
Governmental activity Long-term liabilities	<u>\$ 217,863</u>	<u>\$ -</u>	<u>\$ (20,774)</u>	<u>\$ 197,089</u>	<u>\$ -</u>
<b>Business-type activities:</b>					
Loan payable	\$ 835,300	\$ -	\$ (245,800)	\$ 589,500	\$ 256,900
Notes payable	2,382,008		(238,147)	2,143,861	248,651
Compensated absences	<u>101,907</u>		<u>(3,628)</u>	<u>98,279</u>	
Business-type activity Long-term liabilities	<u>\$ 3,319,215</u>	<u>\$ -</u>	<u>\$ (487,575)</u>	<u>\$ 2,831,640</u>	<u>\$ 505,551</u>

**NOTE 6: DEFERRED LOSS ON REFUNDING**

The total unamortized balance of a remaining loan refinance at June 30, 2012, after the recent September 23, 2010 refinance was \$95,723.

# CAMBRIA COMMUNITY SERVICES DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

June 30, 2012

### NOTE 7: 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 8% of their annual covered salary for miscellaneous members. A new memorandum of understanding with the International Association of Firefighters took effect on April 23, 2010 where they pay 2% (two ninths) of the 9% employee share of retirement. As of July 1, 2010, all management and confidential exempt employees started paying 2% of the 8% employee share of retirement too. 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, 2012 was \$568,541 and was equal to CCSD's required and actual contributions. The required contribution was determined as part of the June 30, 2011, actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) 7.5% 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 2.75%. 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 fifteen 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

# CAMBRIA COMMUNITY SERVICES DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

June 30, 2012

### NOTE 8: 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 June 30, 2012, the District conducted an internal actuarial calculation 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 \$4,594,225. This value is based on a discount rate of 5.5%. The District's funding policy is to pay 100% of the current year costs direct. This is the "pay as you go method". As of June 30, 2012, 30 retired employees are receiving 95% paid health care benefits totaling \$22,786 per month. Due to agreements with employees, this will decrease to 90% as of January 1, 2013.

Below are the required disclosures for this plan:

Number of active participants		24
Employer's actuarially required contributions	\$	295,400
Employer's actual contributions	\$	270,349
Actuarial Accrued Liability(AAL)	\$	3,654,534
Actuarial Valuation of Assets(AVA)	\$	-
Unfunded Actuarial Accrued Liability(UAAL)=(AAL less AVL)	\$	3,654,534
Funded Ratio(AVA/AAL)		0%
Estimated Payroll	\$	2,202,284
UAAL as a Percentage of Covered Payroll		166%

**CAMBRIA COMMUNITY SERVICES DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2012

**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, workers compensation, automobile, errors and omission, and property loss coverage to special districts. The SDRMA is administered by a Board of Directors, consisting of seven 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 Agreements. 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, 2012.

The second is an agreement with the Coast Unified School District (CUSD) to lease property for the operation of 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. On November 15, 2012, a new agreement was subsequently negotiated including a new initial annual payment of \$34,592. The agreement also provides for an annual adjustment for inflation based on the Consumer Price Index (CPI), with a cap on such increases of 4%.