

**CAMBRIA
COMMUNITY SERVICES DISTRICT**

Independent Auditor's Report
and
Financial Statements

For the Year Ended
June 30, 2009

CAMBRIA COMMUNITY SERVICES DISTRICT
INDEPENDENT AUDITOR'S REPORT AND FINANCIAL STATEMENTS
For the Year Ended June 30, 2009

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CAMBRIA COMMUNITY SERVICES DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
Fiscal Year Ending June 30, 2009

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, 2009. 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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MANAGEMENT'S DISCUSSION AND ANALYSIS
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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 remainders of the CCSD's financial statements are grouped into 2 categories:

- Governmental Activities
- Business-Type Activities

Governmental Activities

Governmental activities include the following funds:

- General Fund
- Resource Conservation Fund

CAMBRIA COMMUNITY SERVICES DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
Fiscal Year Ending June 30, 2009

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 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).

CAMBRIA COMMUNITY SERVICES DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
Fiscal Year Ending June 30, 2009

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 difference between 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 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

CAMBRIA COMMUNITY SERVICES DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
 Fiscal Year Ending June 30, 2009

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

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

Fiscal Year 2008/2009 Financial Highlights

The following increases/ (decreases) occurred during the year ended June 30, 2009 as compared to the year ended June 30, 2008:

	Governmental Activities		Business-type Activities	
Net Assets	\$ (528,893)	(2.5%)	\$ (215,453)	(0.9%)
Operating Revenues	112,863	2.7%	(239,313)	(6.6%)
Operating Expenditures	(110,129)	(2.6%)	413,532	11.0%
Non-Operating Revenues	N/A		(18,889)	(6.0%)
Non-Operating Expenditures	N/A		(12,630)	(5.8%)
Transfers Out	(589,016)	(52.9%)	N/A	
Transfers In	\$ N/A		\$ (589,016)	(52.9%)

CAMBRIA COMMUNITY SERVICES DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
 Fiscal Year Ending June 30, 2009

Analysis of the Financial Statements-Governmental Activities

Assets, Liabilities and Fund Balance

	As of June 30, 2009	As of June 30, 2008	Increase (Decrease)
Total Assets	\$ 4,508,897	\$ 4,898,932	\$ (390,035)
Total Liabilities	238,808	247,969	(9,161)
Fund Balance-Reserved	15,301	21,873	(6,572)
Fund Balance-Unreserved	4,254,788	4,629,090	(374,302)
Capital Assets (Net of Depreciation)	16,891,366	17,044,094	(152,728)
L/T Liabilities & Comp. Absences	\$ 530,921	\$ 535,630	\$ (4,709)

Revenues, Expenditures and Change in Fund Balance

	As of June 30, 2009	As of June 30, 2008	Increase (Decrease)
Total Revenues	\$ 4,257,727	\$ 4,144,864	\$ 112,863
Total Expenditures	(4,114,206)	(4,224,335)	110,129
Other Financing Uses	(524,395)	(1,113,411)	589,016
Net Change In Fund Balance	(380,874)	(1,192,882)	812,008
Fund Balance @ Beginning of Year	4,650,963	5,798,902	(1,147,939)
Prior Period Adjustment	-	44,943	(44,943)
Fund Balance @ End of Year	\$ 4,270,089	\$ 4,650,963	\$ (380,874)

The decreases in Total Assets and Fund Balance (Unreserved) are more than accounted for by transfers to the Enterprise Funds. It is expected that transfers from the Governmental Funds to the Enterprise funds to greatly diminish, if not cease entirely, in future years. The decrease in Capital Assets-Net of Depreciation is due to the depreciation allowance for fiscal year 2008-2009 being greater than the Capital Asset Additions. The decrease in Other Financing Uses is due to a reduction in the amount transferred to the Enterprise Funds.

CAMBRIA COMMUNITY SERVICES DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
 Fiscal Year Ending June 30, 2009

Capital Assets

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

	As of June 30, 2009	As of June 30, 2008	Increase (Decrease)
Land & Trails	\$ 14,715,493	\$ 14,715,493	\$ -
Buildings & Leasehold Improvements	1,753,269	1,753,269	-
Equipment	1,777,663	1,777,663	-
Construction in Progress	415,473	385,072	30,401
Total Capital Assets	<u>\$ 18,661,898</u>	<u>\$ 18,631,497</u>	<u>\$ 30,401</u>

Analysis of the Financial Statements-Business-Type Activities

Assets, Liabilities and Net Assets

	As of June 30, 2009	As of June 30, 2008	Increase (Decrease)
Current Assets	\$ 615,615	\$ 606,045	\$ 9,570
Capital Assets	49,570,290	50,830,567	(1,260,277)
Accumulated Depreciation	(24,698,776)	(23,466,642)	(1,232,134)
Other Assets	1,888,750	311,997	1,576,753
Total Assets	<u>27,375,879</u>	<u>28,281,967</u>	<u>(906,088)</u>
Current Liabilities	634,600	892,776	(258,176)
Non-Current Liabilities	3,821,775	4,281,785	(460,010)
Total Liabilities	<u>4,456,375</u>	<u>5,174,561</u>	<u>(718,186)</u>
Net Assets – Invested in Capital			
Assets – Net of Related Debt	20,761,605	22,836,311	(2,074,706)
Net Assets – Unrestricted	2,157,899	271,095	1,886,804
Total Net Assets	<u>\$ 22,919,504</u>	<u>\$ 23,107,406</u>	<u>\$ (187,902)</u>

CAMBRIA COMMUNITY SERVICES DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
Fiscal Year Ending June 30, 2009

Revenues, Expenditures and Change in Net Assets

	As of June 30, 2009	As of June 30, 2008	Increase (Decrease)
Operating Revenues	\$ 3,370,100	\$ 3,609,413	\$ (239,313)
Operating Expenses	(4,176,354)	(3,762,822)	(413,532)
Operating Income (Loss)	<u>(806,254)</u>	<u>(153,409)</u>	<u>(652,845)</u>
Non-operating Income	290,118	290,035	83
Non-operating Expenses	(204,587)	(217,217)	12,630
Total Non-operating Income	<u>85,531</u>	<u>72,818</u>	<u>12,713</u>
Capital Contributions	8,426	27,398	(18,972)
Transfers In	<u>524,395</u>	<u>1,113,411</u>	<u>(589,016)</u>
Change In Net Assets	(187,902)	1,060,218	(1,248,120)
Net Assets @ Beginning of Year	<u>23,107,406</u>	<u>22,047,188</u>	<u>1,060,218</u>
Net Assets @ End of Year	<u>\$ 22,919,504</u>	<u>\$ 23,107,406</u>	<u>\$ (187,902)</u>

The most significant reason for the decrease in Operating Revenue by far is the decrease in surcharge revenue in FY 2008-2009. The main causes for the increase in Operating Expenses are increases to General and administrative overhead/Salaries and wages/Depreciation/Payroll taxes and benefits, which was partially offset by a material decrease in Maintenance and repairs. The increases to General and administrative overhead/Salaries and wages/ Payroll taxes and benefits were mainly due to the allocation of personnel costs as directed by the CCSD Board of Directors. The increase in depreciation is the result of having more assets being depreciated and the decrease in Maintenance and repairs is the result of decreased vehicle repairs, decreased sludge hauling costs, decrease hydrant repairs and various other smaller decreases.

Capital Assets

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

	As of June 30, 2009	As of June 30, 2008	Increase (Decrease)
Land	\$ 2,274,379	\$ 1,821,427	\$ 452,952
Plant & Facilities	41,324,225	37,383,867	3,940,358
Machinery & Equipment	1,378,684	1,341,658	37,026
Construction In Progress	<u>4,593,002</u>	<u>10,283,615</u>	<u>(5,690,613)</u>
Total Capital Assets	<u>\$ 49,570,290</u>	<u>\$ 50,830,567</u>	<u>\$ (1,260,277)</u>

CAMBRIA COMMUNITY SERVICES DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
 Fiscal Year Ending June 30, 2009

The great majority of the increase in Capital Assets is in Plant and Facilities. This is due to the Pine Knolls Storage Tank Replacement (total \$3,347,159) and Bio-Solids Dewatering (total \$1,046,151) being completed during the fiscal year and their associated costs being moved from Construction In Progress to Fixed Assets. In addition, the Water Master Plan was completed during the fiscal year and its associated costs (total \$1,611,290) were moved from Construction In Progress to Intangible Assets (See Other Assets). \$452,952 was moved from Plant and Facilities to Land as the costs were land improvements such as ponds, berms and creek bank restoration. The actual additions to Capital Assets represented by fiscal year 2008-2009 expenditures were mainly the following projects:

Desalination	\$	109,352
Water Master Plan		68,081
Pine Knolls Storage Tank Replacement		41,448
Bio-Solids Dewatering		32,917
SCADA		27,829
Rodeo Grounds Pump Station Replacement		26,623
FRP EIR		26,073
Emergency Generator-WWTP	\$	24,717

Other Assets

Amounts shown are net of applicable allowance for amortization. (Intangible Assets are shown at historical costs as no amortization has been realized).

	As of June 30, 2009	As of June 30, 2008	Increase (Decrease)
Intangible Assets	\$ 1,611,290	\$ -	\$ 1,611,290
Deferred Loss on Refunding	277,460	311,997	(34,537)
Totals	<u>\$ 1,888,750</u>	<u>\$ 311,997</u>	<u>\$ 1,576,753</u>

Long-Term Debt

At fiscal year end June 30, 2009, the CCSD had long-term debt of \$530,921 in general governmental activities. Following is the detail of each debt item in the governmental funds.

	As of June 30, 2009	As of June 30, 2008	Increase (Decrease)
Capital Lease-Fire Pumper	\$ 282,990	\$ 315,973	\$ (32,983)
Compensated Balances	247,931	219,657	28,274
Totals	<u>\$ 530,921</u>	<u>\$ 535,630</u>	<u>\$ (4,709)</u>

CAMBRIA COMMUNITY SERVICES DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
Fiscal Year Ending June 30, 2009

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. Ten 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, 2009.

Compensated absences 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, 2009, the CCSD had long-term outstanding debt of \$3,821,775 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 \$436,628 is included):

	As of June 30, 2009	As of June 30, 2008	Increase (Decrease)
Water Bank Loan	\$ 842,140	\$ 982,085	\$ (139,945)
Wastewater Revenue Bonds	1,730,000	1,795,000	(65,000)
Wastewater Bank Loan	453,460	528,815	(75,355)
Wastewater SWCRB Note	1,084,309	1,221,714	(137,405)
Compensated Absences-Water	99,560	122,274	(22,714)
Compensated Absences-WWW	48,934	49,602	(668)
Totals	\$ 4,258,403	\$ 4,699,490	\$ (441,087)

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, 2009.

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, 2009.

The wastewater SWCRB note 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, 2009.

CAMBRIA COMMUNITY SERVICES DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
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Economic Factors and Budget

The United States and especially California's economy took a significant turn for the worse during fiscal year 2008-2009. A large component of the downturn was 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 increased by 1.2% for fiscal year 2008-2009 compared to an average increase of over 10% for the prior three years. 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.

These conditions present significant fiscal challenges to the CCSD. To meet these challenges, the CCSD has increased water and sewer fees and reduced staffing and employee benefits costs as well as reducing other operating costs. For example, the annual pension cost decreased from \$675,070 in fiscal year 2007-2008 to \$647,662 in fiscal year 2008-2009 and is projected to decrease further in fiscal year 2009-2010. Important improvements to be found in these audited financial statements include an excess of revenues over expenditures in the Governmental Funds of \$143,521 for fiscal year 2008-2009 compared to an excess of expenditures over revenues in the Governmental Funds of \$79,471 for fiscal year 2007-2008 and a decrease in transfers from the Governmental Funds of \$1,113,411 for fiscal year 2007-2008 compared to \$524,395 for fiscal year 2008-2009.

The Board of Directors approved the operating budget for fiscal year 2009-2010 on June 25, 2009 and a mid-year operating budget for fiscal year 2009-2010 will be presented on January 21, 2010 to the CCSD Board of Directors.

CAMBRIA COMMUNITY SERVICES DISTRICT
BOARD OF DIRECTORS AND ADMINISTRATION
June 30, 2009

BOARD OF DIRECTORS

<u>NAME</u>	<u>TERM EXPIRES</u>
Gregory Sanders, President	December 2010
Peter Chaldecott, Vice President	December 2010
Muril Clift, Director	December 2012
Frank DeMicco, Director	December 2012
Allan MacKinnon, Director	December 2012

ADMINISTRATION

Tammy Rudock	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, 2009, 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, 2009, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

The management's discussion and analysis on pages i through xi, 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 inquires 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 1, 2009

CAMBRIA COMMUNITY SERVICES DISTRICT

STATEMENT OF NET ASSETS

June 30, 2009

ASSETS	Primary Government		
	Governmental <u>Activities</u>	Business-type <u>Activities</u>	<u>Total</u>
Cash and investments	\$ 4,237,597	\$ 27,551	\$ 4,265,148
Receivables:			
Interest receivable	16,191		16,191
Taxes	133,540		133,540
Note	10,631		10,631
Grants	94,089		94,089
Other	12,179	581,450	593,629
Prepaid costs	4,670	1,137	5,807
Inventory		5,477	5,477
Intangible-water master plan		1,611,290	1,611,290
Deferred loss on refunding, net of accumulated amortization		277,460	277,460
Capital assets:			
Nondepreciable	15,130,968	6,867,381	21,998,349
Depreciable, net	1,760,398	18,004,133	19,764,531
Total capital assets, net of depreciation	16,891,366	24,871,514	41,762,880
 Total assets	 \$ 21,400,263	 \$ 27,375,879	 \$ 48,776,142
 LIABILITIES			
Accounts payable	\$ 85,765	\$ 87,263	\$ 173,028
Accrued expenses	114,050	41,945	155,995
Accrued interest payable		36,364	36,364
Refundable deposits	4,254	32,400	36,654
Deferred revenue	34,739		34,739
Long-term liabilities			
Due within one year	34,662	436,628	471,290
Due within more than one year	496,259	3,821,775	4,318,034
Total liabilities	769,729	4,456,375	5,226,104
 NET ASSETS			
Invested in capital assets-net of related debt	16,608,376	20,761,605	37,369,981
Unrestricted	4,022,158	2,157,899	6,180,057
 Total net assets	 \$ 20,630,534	 \$ 22,919,504	 \$ 43,550,038

The accompanying notes are an integral part of these financial statements

CAMBRIA COMMUNITY SERVICES DISTRICT

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2009

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

Functions/Programs

Program Revenues

Primary government:	Expenses	Charges for Services	Operating Grants	Capital Contributions	Govern-mental Activities	Business-type Activities	Totals
Governmental activities:							
Administration	\$ 1,559,966	\$ 1,450,902	\$ -	\$ -	\$ (109,064)		\$ (109,064)
Fire	1,966,781	57,315	42,505		(1,866,961)		(1,866,961)
Parks and recreation	71,832		151,720		79,888		79,888
Facilities and resources	497,993				(497,993)		(497,993)
Resource conservation	149,570				(149,570)		(149,570)
Interest on long-term debt	16,083				(16,083)		(16,083)
Total governmental activities	4,262,225	1,508,217	194,225		(2,559,783)		(2,559,783)
Business-type activities:							
Water	2,097,639	1,657,810		5,500		\$ (434,329)	(434,329)
Sewer	2,283,302	1,712,290		2,926		(568,086)	(568,086)
Total business-type activities	4,380,941	3,370,100		8,426		(1,002,415)	(1,002,415)
Total primary government	\$ 8,643,166	\$ 4,878,317	\$ 194,225	\$ 8,426	(2,559,783)	(1,002,415)	(3,562,198)
General revenues:							
Taxes:							
Property taxes and assessments					2,340,969		2,340,969
Availability charges						290,118	290,118
Franchise taxes					67,884		67,884
Investment earnings					90,009		90,009
Other					56,423		56,423
Transfers					(524,395)	524,395	-
Total general revenues, investment and transfers					2,030,890	814,513	2,845,403
Change in net assets					(528,893)	(187,902)	(716,795)
Net assets - beginning					21,159,427	23,107,406	44,266,833
Net assets - ending					\$ 20,630,534	\$ 22,919,504	\$ 43,550,038

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

CAMBRIA COMMUNITY SERVICES DISTRICT

BALANCE SHEET
Governmental Funds
June 30, 2009

	General Fund
ASSETS	
Cash and investments	\$ 4,237,597
Receivables:	
Interest	16,191
Taxes	133,540
Notes	10,631
Grants	94,089
Other	12,179
Prepaid items	4,670
 Total assets	 \$ 4,508,897
LIABILITIES AND FUND BALANCES	
Liabilities:	
Accounts payable	\$ 85,765
Accrued expenses	114,050
Deferred revenue	34,739
Deposits	4,254
 Total liabilities	 238,808
Fund balances:	
Reserved:	
Reserved for prepaids	4,670
Reserved for notes receivable	10,631
Unreserved:	
Unreserved	4,254,788
 Total fund balances	 4,270,089
 Total liabilities and fund balances	 \$ 4,508,897

CAMBRIA COMMUNITY SERVICES DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
 June 30, 2009

Total fund balances - government funds	\$ 4,270,089
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.	16,891,366
Long-term liabilities and compensated absences have not been included in the governmental funds activity:	
Capital lease payable	(282,990)
Compensated absences	(247,931)
Net assets of governmental activities	\$ 20,630,534

CAMBRIA COMMUNITY SERVICES DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

Governmental Funds
For the Year Ended June 30, 2009

	<u>General Fund</u>
Revenues:	
Property taxes and assessments	\$ 2,340,969
Grant income	194,225
Weed abatement	57,315
Franchise fees	67,884
Use of money and property	90,009
Charges for administrative services	1,450,902
Other	56,423
Total revenues	4,257,727
Expenditures:	
Administration	1,509,253
Fire	1,847,374
Parks and Recreation	71,832
Facilities and Resources	460,022
Resource Conservation	146,258
Capital outlay	30,401
Debt service:	
Principal	32,983
Interest	16,083
Total expenditures	4,114,206
Excess of revenues over expenditures	143,521
Other financing uses:	
Transfers out	(524,395)
Total other financing uses	(524,395)
Net change in fund balance	(380,874)
Fund balance at beginning of year	4,650,963
Fund balance at end of year	\$ 4,270,089

The accompanying notes are an integral part of these financial statements

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, 2009

Net Change in Governmental Fund Balances

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.

32,983

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).

(28,274)

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.

30,401

In the statement of activities the cost of capital outlays is allocated over their useful lives and reported as depreciation expense.

(183,129)

Change in Net Assets of Governmental Activities

\$ (528,893)

CAMBRIA COMMUNITY SERVICES DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE

Budget and Actual - Governmental Funds
For the Year Ended June 30, 2009

	Budgeted Amounts		Actual	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Property taxes and assessments	\$ 2,371,326	\$ 2,317,341	\$ 2,340,969	\$ 23,628
Grant income	86,335	122,496	194,225	71,729
Weed abatement	105,848	40,848	57,315	16,467
Franchise fees	67,857	67,857	67,884	27
Use of money and property	98,680	94,486	90,009	(4,477)
Charges for administrative services	1,322,209	1,468,815	1,450,902	(17,913)
Other	42,500	57,195	56,423	(772)
Total revenues	4,094,755	4,169,038	4,257,727	88,689
Expenditures:				
Administration	1,519,065	1,527,137	1,509,253	17,884
Fire	1,828,826	1,822,305	1,847,374	(25,069)
Parks and Recreation	77,243	83,726	71,832	11,894
Facilities and Resources	429,837	467,991	460,022	7,969
Resource Conservation	183,987	163,444	146,258	17,186
Capital outlay	-	-	30,401	(30,401)
Debt service:				
Principal	32,983	32,983	32,983	-
Interest	16,083	16,083	16,083	-
Total expenditures	4,088,024	4,113,669	4,114,206	(537)
Other financing uses:				
Transfers out			(524,395)	(524,395)
Total other financing uses	-	-	(524,395)	(524,395)
Excess of revenues over (under) expenditures	\$ 6,731	\$ 55,369	(380,874)	\$ (436,243)
Fund balance at beginning of year			4,650,963	
Fund balance at end of year			\$ 4,270,089	

The accompanying notes are an integral part of these financial statements

CAMBRIA COMMUNITY SERVICES DISTRICT

STATEMENT OF NET ASSETS

Proprietary Funds

June 30, 2009

ASSETS	Business-type Activities Enterprise Funds		
	Water Fund	Wastewater Fund	Totals
Current assets:			
Cash and investments	\$ -	\$ 27,551	\$ 27,551
Accounts receivable, net of allowance	268,612	312,838	581,450
Prepaid expense	1,137		1,137
Inventory		5,477	5,477
Total current assets	269,749	345,866	615,615
Noncurrent assets:			
Capital assets:			
Construction in progress	4,270,362	322,640	4,593,002
Land	898,949	1,375,430	2,274,379
Plant and facilities	17,790,559	23,533,666	41,324,225
Machinery and equipment	484,171	894,513	1,378,684
Less: accumulated depreciation	(9,155,167)	(15,543,609)	(24,698,776)
Total noncurrent assets	14,288,874	10,582,640	24,871,514
Other assets:			
Intangible-water master plan	1,611,290		1,611,290
Deferred loss on refunding, net of amortization	100,348	177,112	277,460
Total other assets	1,711,638	177,112	1,888,750
Total assets	\$ 16,270,261	\$ 11,105,618	\$ 27,375,879
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 53,151	\$ 34,112	\$ 87,263
Accrued expenses	23,342	18,803	41,945
Accrued interest payable	6,316	30,048	36,364
Deposits	32,400		32,400
Current portion of noncurrent liabilities	146,315	290,313	436,628
Total current liabilities	261,524	373,076	634,600
Noncurrent liabilities:			
Compensated absences	99,560	48,934	148,494
Loan payable, less current portion	695,825	374,675	1,070,500
Bonds payable, less current portion		1,660,000	1,660,000
Note payable, less current portion		942,781	942,781
Total noncurrent liabilities	795,385	3,026,390	3,821,775
Total liabilities	\$ 1,056,909	\$ 3,399,466	\$ 4,456,375
NET ASSETS			
Invested in capital assets - net of related debt	\$ 13,446,734	\$ 7,314,871	20,761,605
Unrestricted	1,766,618	391,281	2,157,899
Total net assets	\$ 15,213,352	\$ 7,706,152	\$ 22,919,504

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, 2009

	Business-type Activities Enterprise Funds		
	Water Fund	Wastewater Fund	Totals
Operating revenues:			
Utility sales	\$ 1,654,193	\$ 1,710,613	\$ 3,364,806
Service charges and fees	3,617	1,677	5,294
Total operating revenues	1,657,810	1,712,290	3,370,100
Operating expenses:			
Salaries and wages	359,099	368,330	727,429
Payroll taxes and benefits	247,005	261,856	508,861
Maintenance and repairs	75,875	147,644	223,519
Office supplies, publications, and dues	24,351	19,815	44,166
Licenses and fees	10,833	51,715	62,548
Equipment rent	26,000		26,000
Professional services	102,749	29,564	132,313
Operating supplies	32,311	27,416	59,727
Employee travel and training	5,203	3,872	9,075
Utilities	136,078	170,440	306,518
Bad debts			0
General and administrative overhead	480,381	329,146	809,527
Amortized bond costs	17,203	17,334	34,537
Depreciation	535,308	696,826	1,232,134
Total expenses	2,052,396	2,123,958	4,176,354
Net operating loss	(394,586)	(411,668)	(806,254)
Non-operating revenues			
Availability charges	175,885	114,233	290,118
Interest expense	(45,243)	(159,344)	(204,587)
Total non-operating revenues (expenses)	130,642	(45,111)	85,531
Capital contribution - connection fees	5,500	2,926	8,426
Transfers in	367,672	156,723	524,395
Change in net assets	109,228	(297,130)	(187,902)
Net assets at beginning of year	15,104,124	8,003,282	23,107,406
Net assets at end of year	\$ 15,213,352	\$ 7,706,152	\$ 22,919,504

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, 2009

	Business-type Activities		Totals
	Water Fund	Wastewater Fund	
Cash flows from operating activities:			
Cash received from operating revenue	\$ 1,670,789	\$ 1,714,064	\$ 3,384,853
Payments to suppliers	(1,412,372)	(1,066,261)	(2,478,633)
Payments to employees	(360,881)	(367,422)	(728,303)
Net cash provided (used) by operating activities	(102,464)	280,381	177,917
Cash flows from capital and related financing activities:			
Interest payments	(45,243)	(159,344)	(204,587)
Principal payments	(139,945)	(277,760)	(417,705)
Purchase of capital assets	(261,405)	(89,808)	(351,013)
Standby availability	175,885	114,233	290,118
Capital contributions	5,500	2,926	8,426
Net cash used by capital and related financing activities	(265,208)	(409,553)	(674,761)
Cash flows from non-capital and related financing activities:			
Transfers in	367,672	156,723	524,395
Net cash provided by non-capital and related financing activities	367,672	156,723	524,395
Net change in cash	-	27,551	27,551
Cash and cash equivalents-beginning	-	-	-
Cash and cash equivalents-end	-	27,551	27,551
Reconciliation of operating loss to net cash provided by operating activities:			
Operating loss	(394,586)	(411,668)	(806,254)
Adjustments to reconcile operating loss to net cash used by operating activities:			
Depreciation	535,308	696,826	1,232,134
Amortization	17,202	17,333	34,535
Net changes in assets and liabilities:			
Decrease in accounts receivable	12,979	1,774	14,753
Increase in prepaid expense	(1,137)		(1,137)
Decrease in inventory		4,365	4,365
Decrease in accounts payable	(65,160)	(26,439)	(91,599)
Increase (decrease) in accrued liabilities	(938)	514	(424)
Decrease in retentions payable	(186,528)		(186,528)
Decrease in accrued interest payable	(1,050)	(1,656)	(2,706)
Increase in deposits	4,160		4,160
Decrease in compensated absences	(22,714)	(668)	(23,382)
Net cash provided (used) by operating activities	\$ (102,464)	\$ 280,381	\$ 177,917

The accompanying notes are an integral part of these financial statements

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

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 discretely 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, 2009

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, 2009

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. 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, 2009

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, 2009, 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, 2009

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, 2009

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, 2009

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, 2009 are summarized as follows:

Petty cash	\$	4,954
Demand deposits (overdraft)		(51,116)
Cash and investments with:		
Local Agency Investment Fund (LAIF)		4,311,310
 Total cash and investments	 \$	 <u>4,265,148</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 until December 31, 2013.

Credit Risk, Carrying Amount, and Market Value

Cash is classified in three categories of credit risk as follows:

- Category 1 -insured or collateralized with securities held by the entity or by its agent in the entity's name;
- Category 2 -collateralized with securities held by the pledging financial institution's trust department or agent in the entity's name; and
- Category 3 -uncollateralized.

Investments in pools managed by other governments/(LAIF) or in mutual funds are not required to be categorized. 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.

At June 30, 2009, the carrying amount of CCSD's cash overdrafts were \$51,116. The bank's balances were \$148,094. This difference is due to the normal deposits in transit and outstanding checks. CCSD cash deposits by category as of June 30, 2009, were as follows:

		Category			Bank	Carrying
	<u>1</u>	<u>2</u>	<u>3</u>		<u>Balance</u>	<u>Amount</u>
Bank accounts	\$ <u>148,094</u>	\$ <u>-0-</u>	\$ <u>-0-</u>	\$	<u>148,094</u>	\$ <u>(51,116)</u>

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

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, 2009 was \$10,631.

NOTE 4: PROPERTY, PLANT AND EQUIPMENT

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

	<u>Balance</u> <u>July 1, 2008</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2009</u>
Governmental activities:				
Nondepreciable capital assets				
Land	\$ 14,715,493	\$ -	\$ -	\$ 14,715,493
Construction in progress	385,074	30,401	-	415,475
	<u>15,100,567</u>	<u>30,401</u>	<u>-</u>	<u>15,130,968</u>
Total nondepreciable Capital assets				
	15,100,567	30,401	-	15,130,968
Depreciable capital assets				
Buildings and improvements	1,753,270	-	-	1,753,270
Equipment	1,777,663	-	-	1,777,663
	<u>3,530,933</u>	<u>-</u>	<u>-</u>	<u>3,530,933</u>
Total depreciable capital assets	3,530,933	-	-	3,530,933
Less accumulated depreciation	<u>(1,587,406)</u>	<u>(183,129)</u>	<u>-</u>	<u>(1,770,535)</u>
Net depreciable capital assets	<u>1,943,527</u>	<u>(183,129)</u>	<u>-</u>	<u>1,760,398</u>
Net capital assets	<u>\$ 17,044,094</u>	<u>\$ (152,728)</u>	<u>\$ -</u>	<u>\$ 16,891,366</u>

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

NOTE 4: PROPERTY, PLANT AND EQUIPMENT (continued)

	Balance July 1, 2008	Additions	Deletions	Balance June 30, 2009
Business-type activities:				
Nondepreciable capital assets				
Land	\$ 1,821,427	\$ 452,952	\$ -	\$ 2,274,379
Construction in progress	10,283,615	324,593	(6,015,206)	4,593,002
	12,105,042	777,545	(6,015,206)	6,867,381
Depreciable capital assets				
Buildings and facilities	37,383,867	4,393,310	(452,952)	41,324,225
Machinery and equipment	1,341,658	38,941	(1,915)	1,378,684
	38,725,525	4,432,251	(454,867)	42,702,909
Total depreciable capital assets	38,725,525	4,432,251	(454,867)	42,702,909
Less accumulated depreciation	(23,466,642)	(1,232,134)		(24,698,776)
Net depreciable capital assets	15,258,883	3,200,117	(454,867)	18,004,133
Net capital assets	\$ 27,363,925	\$ 3,977,662	\$ (6,470,073)	\$ 24,871,514

Depreciation expense for all funds was \$1,415,263 for the year ended June 30, 2009.

NOTE 5: ACCRUED EXPENSES

Accrued expenses as of June 30, 2009, are summarized as follows:

Salaries payable	\$ 117,999
Other	37,996
	155,995
Total accrued liabilities	\$ 155,995

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

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, 2009, is \$1,295,600.

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

Fiscal Year Ending June 30,	Principal	Interest	Total
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	268,500	14,967	283,467
2015	64,100	2,883	66,983
Totals	\$ <u>1,295,600</u>	\$ <u>188,442</u>	\$ <u>1,484,042</u>

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, 2009, the revenue bonds principal balance outstanding was \$1,730,000.

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

Fiscal Year Ending June 30,	Principal	Interest	Total
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	85,000	78,535	163,535
2015-2019	510,000	312,175	822,175
2020-2024	675,000	146,633	821,633
2025-2025	160,000	4,560	164,560
Totals	\$ <u>1,730,000</u>	\$ <u>896,392</u>	\$ <u>2,626,392</u>

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

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, 2009, the note payable principal balance outstanding was \$1,084,309.

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
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	159,293	14,764	174,057
2015-2016	332,850	15,035	347,885
Totals	\$ <u>1,084,309</u>	\$ <u>133,861</u>	\$ <u>1,218,170</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, 2009, the capital lease principal balance outstanding was \$282,990.

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

Fiscal Year Ending June 30,	Principal	Interest	Total
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	42,276	6,790	49,066
2015-2016	91,117	7,014	98,131
Totals	\$ <u>282,990</u>	\$ <u>60,471</u>	\$ <u>343,461</u>

CAMBRIA COMMUNITY SERVICES DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2009

NOTE 6: LONG-TERM DEBT (continued)

Total future debt service payments by activity are as follows:

Fiscal Year Ending June 30,	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2010	34,662	14,404	436,628	184,914
2011	36,426	12,640	455,973	167,038
2012	38,280	10,786	471,012	148,303
2013	40,229	8,837	491,553	128,886
2014	42,276	6,790	512,793	108,266
2015-2019	91,117	7,014	906,950	330,095
2020-2024			675,000	146,633
2025-2028			160,000	4,560
Totals	\$ <u>282,990</u>	\$ <u>60,471</u>	\$ <u>4,109,909</u>	\$ <u>1,218,695</u>

Changes in long-term liabilities

The following is a summary of long-term liabilities activity for the fiscal year ended June 30, 2009:

	<u>Balance July 1, 2008</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2009</u>	<u>Current</u>
Governmental activities:					
Capital leases	\$ 315,974	\$ -	\$ 32,984	\$ 282,990	\$ 34,662
Compensated absences	219,656	28,275		247,931	
Governmental activity Long-term liabilities	\$ <u>535,630</u>	\$ <u>28,275</u>	\$ <u>32,984</u>	\$ <u>530,921</u>	\$ <u>34,662</u>
	<u>Balance July 1, 2008</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2009</u>	<u>Current</u>
Business-type activities:					
Bonds payable	\$ 1,795,000	\$ -	\$ 65,000	\$ 1,730,000	\$ 70,000
Loan payable	1,510,900		215,300	1,295,600	225,100
Note payable	1,221,714		137,405	1,084,309	141,528
Compensated absences	171,876		23,382	148,494	
Business-type activity Long-term liabilities	\$ <u>4,699,490</u>	\$ <u>-</u>	\$ <u>441,087</u>	\$ <u>4,258,403</u>	\$ <u>436,628</u>

CAMBRIA COMMUNITY SERVICES DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2009

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, 2009 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, 2009 is \$277,460.

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 8% 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, 2009 was \$647,662, and was equal to CCSD's required and actual contributions. The required contribution was determined as part of the June 30, 2007, 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 fourteen 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, 2009

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, 2009.

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. 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 2008-2009 fiscal year, are as follows:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General	\$ -	\$ 524,395
Water	367,672	
Wastewater	156,723	
	<hr/>	<hr/>
Totals	\$ <u>524,395</u>	\$ <u>524,395</u>