

CAMBRIA COMMUNITY SERVICES DISTRICT

BASIC FINANCIAL STATEMENTS

June 30, 2007

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CAMBRIA COMMUNITY SERVICES DISTRICT
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INDEPENDENT AUDITORS' REPORT

Board of Directors
Cambria Community Services District
Cambria, California

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Cambria Community Services District (the District) as of June 30, 2007, and for the fiscal year then ended, which collectively comprise the District's basic financial statements as listed in the foregoing table of contents. These financial statements are the responsibility of the management of the Cambria Community Services District. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, and each major fund of the Cambria Community Services District, as of June 30, 2007, and the respective changes in financial position and cash flows, where applicable thereof, and the respective budgetary comparison for the general fund, for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

Management's Discussion and Analysis on pages X through XX, is not a required part of the basic financial statements but is supplementary information required, by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

MOSS, LEVY & HARTZHEIM LLP

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BASIC FINANCIAL STATEMENTS

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CAMBRIA COMMUNITY SERVICES DISTRICT

STATEMENT OF NET ASSETS

June 30, 2007

	Governmental Activities	Business -type Activities	Total
ASSETS			
Cash and investments	\$ 5,561,428	\$ -	\$ 5,561,428
Receivables:			
Interest	78,151		78,151
Taxes	113,946		113,946
Note	67,550		67,550
Grants	141,197		141,197
Other	8,540	619,917	628,457
Prepaid costs	42,187		42,187
Inventory	16,290	6,898	23,188
Internal balances	2,665,679	(2,665,679)	
Capital assets:			
Nondepreciable	13,037,629	10,395,691	23,433,320
Depreciable, net	3,876,474	16,302,575	20,179,049
Deferred loss on refunding, net of accumulated amortization		346,532	346,532
Total assets	25,609,071	25,005,934	50,615,005
LIABILITIES			
Accounts payable	51,221	266,851	318,072
Accrued expenses	67,661	40,169	107,830
Accrued interest payable	15,470	39,580	55,050
Retentions payable		137,950	137,950
Refundable deposits	6,340	38,490	44,830
Deferred revenue	105,165		105,165
Long-term debt:			
Due in one year	76,327	404,500	480,827
Due in more than one year	534,609	4,696,885	5,231,494
Total liabilities	856,793	5,624,425	6,481,218
NET ASSETS			
Invested in capital assets, net of related debt	16,521,802	22,517,073	39,038,875
Unrestricted	8,230,476	(3,135,564)	5,094,912
Total net assets	\$ 24,752,278	\$ 19,381,509	\$ 44,133,787

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The notes to basic financial statements are an integral part of this statement.

CAMBRIA COMMUNITY SERVICES DISTRICT

STATEMENT OF ACTIVITIES

For the Fiscal Year Ended June 30, 2007

	<u>Expenses</u>	<u>Charges for Services</u>	<u>Program Revenues Operating Contributions and Grants</u>
Governmental activities:			
General government	\$ 1,707,819	\$ 1,226,341	\$ -
Public safety	1,787,192	116,464	
Parks and recreation	604,804		
Facilities management	455,143		
Conservation program	143,336		
Interest on long-term debt	39,592		
Total governmental activities	<u>4,737,886</u>	<u>1,342,805</u>	
Business-type activities:			
Water	2,208,512	1,808,808	
Sewer	2,268,783	1,759,775	
Total business-type activities	<u>4,477,295</u>	<u>3,568,583</u>	
Total government	<u>\$ 9,215,181</u>	<u>\$ 4,911,388</u>	<u>\$ -</u>

General Revenues

Taxes:

Property taxes and assessments

Availability charges

Franchise taxes

Investment income

Other

Total general revenues

Change in net assets

Net assets at beginning of fiscal year

Prior period adjustment

Net assets at beginning of fiscal year

Net assets at end of fiscal year

The notes to basic financial statements are an integral part of this statement.

Capital Contributions and Grants	Net (Expense) Revenue and Changes in Net Assets		
	Governmental Activities	Business-type Activities	Total
\$ -	\$ (481,478)	\$ -	\$ (481,478)
	(1,670,728)		(1,670,728)
579,947	(24,857)		(24,857)
300,000	(155,143)		(155,143)
	(143,336)		(143,336)
	(39,592)		(39,592)
<u>879,947</u>	<u>(2,515,134)</u>		<u>(2,515,134)</u>
40,853		(358,851)	(358,851)
10,113		(498,895)	(498,895)
<u>50,966</u>		<u>(857,746)</u>	<u>(857,746)</u>
<u>\$ 930,913</u>	<u>(2,515,134)</u>	<u>(857,746)</u>	<u>(3,372,880)</u>
	2,196,806		2,196,806
		289,988	289,988
	66,903		66,903
	400,102	31,388	431,490
	225,327		225,327
	<u>2,889,138</u>	<u>321,376</u>	<u>3,210,514</u>
	<u>374,004</u>	<u>(536,370)</u>	<u>(162,366)</u>
	24,378,274	20,018,324	44,396,598
		(100,445)	
	<u>24,378,274</u>	<u>19,917,879</u>	<u>44,396,598</u>
<u>\$ 24,752,278</u>	<u>\$ 19,381,509</u>	<u>\$ 44,133,787</u>	

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CAMBRIA COMMUNITY SERVICES DISTRICT
BALANCE SHEET
GOVERNMENTAL FUND
June 30, 2007

	<u>General Fund</u>
ASSETS	
Cash and investments	\$ 5,561,428
Receivables:	
Interest	78,151
Taxes	113,946
Notes	67,550
Grants	141,197
Other	8,540
Due from other funds	2,665,679
Prepaid items	42,187
Inventory	<u>16,290</u>
 Total assets	 <u><u>\$ 8,694,968</u></u>
LIABILITIES AND FUND BALANCE	
Accounts payable	\$ 51,221
Payroll and related liabilities	67,661
Deferred revenue	105,165
Refundable deposits	<u>6,340</u>
 Total liabilities	 <u>230,387</u>
Fund Balance	
Fund Balance:	
Reserved:	
Reserved for inventory	16,290
Reserved for prepaid items	42,187
Reserved for notes receivable	67,550
Unreserved:	
Designated for capital projects	
Undesignated	<u>8,338,554</u>
 Total fund balance	 <u>8,464,581</u>
 Total liabilities and fund balance	 <u><u>\$ 8,694,968</u></u>

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The notes to basic financial statements are an integral part of this statement.

CAMBRIA COMMUNITY SERVICES DISTRICT
RECONCILIATION OF THE GOVERNMENTAL
FUND BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
June 30, 2007

Total Fund Balance \$ 8,464,581

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets, net of depreciation, have been included as financial resources in governmental funds activity: 16,914,103

In governmental funds, interest on long-term debt is not recognized until the period in which it matures and is paid. In government-wide statement of net activities, it is recognized in the period that it is incurred. (15,470)

Long-term debt and compensated absences have not been included in the governmental funds activity:

Capital lease payable (218,635)
 Compensated absences (392,301)

Total net assets \$ 24,752,278

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The notes to basic financial statements are an integral part of this statement.

CAMBRIA COMMUNITY SERVICES DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUND
For the Fiscal Year Ended June 30, 2007

	<u>General Fund</u>
Revenues:	
Property taxes and assessments	\$ 2,196,806
Grant income	926,866
Weed abatement	116,464
Franchise fees	66,903
Use of money and property	400,102
Charges for administrative services	1,226,341
Other revenues	<u>225,327</u>
Total revenues	<u>5,158,809</u>
Expenditures:	
General government	1,649,705
Public safety	1,690,723
Parks and recreation	602,107
Facilities management	423,861
Conservation program	139,098
Capital outlay	901,696
Debt service:	
Principal	72,912
Interest	<u>24,122</u>
Total expenditures	<u>5,504,224</u>
Excess of revenues over (under) expenditures	(345,415)
Other Financing Sources (uses):	
Proceeds from Capital lease	<u>377,224</u>
Total Other Financing Sources (uses)	<u>377,224</u>
Net change in fund balance	31,809
Fund balance - beginning of fiscal year	<u>8,432,772</u>
Fund balance - end of fiscal year	<u><u>\$ 8,464,581</u></u>

The notes to basic financial statements are an integral part of this statement.

CAMBRIA COMMUNITY SERVICES DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUND STATEMENT OF
REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
TO THE STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2007

Net Change in Fund Balance - governmental fund	\$ 31,809
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>	
<p>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.</p>	72,912
<p>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 amounts paid). This fiscal year, vacation used was more than the amounts earned by \$2,954.</p>	2,954
<p>In governmental funds, proceeds from debt are recognized as Other Financing Sources. In the government-wide statements, proceeds from debt are reported as increases to liabilities. Amount recognized in governmental funds as proceeds from debt were:</p>	(377,224)
<p>In governmental funds, notes receivable are offset by deferred revenue as it is not available to pay for current period expenditures. In the statement of activities, the payment on the long-term notes are recorded as a reduction in the net assets.</p>	(46,919)
<p>In governmental funds, interest on long-term debt is recognized in the period that it becomes due. In the government-wide statement of activities, it is recognized in the period that it is incurred. Unmatured interest owing at the end of the period, less matured interest paid during the period but owing from the prior period was:</p>	(15,470)
<p>Capital outlays are reported in the governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which additions to capital outlay of \$880,165 is greater than depreciation expense \$(174,223) in the period.</p>	705,942
<p>Change in net assets</p>	<u>\$ 374,004</u>

The notes to basic financial statements are an integral part of this statement.

CAMBRIA COMMUNITY SERVICES DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
GENERAL FUND
For Fiscal Year Ended June 30, 2007

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance
	Original	Final		Favorable (Unfavorable)
Revenues:				
Property taxes and assessments	\$ 1,930,566	\$ 2,112,972	\$ 2,196,806	\$ 83,834
Grant income	375,000	661,800	926,866	265,066
Weed abatement	59,000	98,673	116,464	17,791
Franchise fees	66,300	53,378	66,903	13,525
Use of money and property	147,400	270,334	400,102	129,768
Charges for administrative services	1,179,451	1,179,451	1,226,341	46,890
Other revenues	240,000	212,583	225,327	12,744
Total revenues	3,997,717	4,589,191	5,158,809	569,618
Expenditures:				
General government	1,534,780	1,640,089	1,649,705	(9,616)
Public safety	1,722,259	1,801,539	1,690,723	110,816
Parks and recreation	112,473	566,128	602,107	(35,979)
Facilities management	406,487	445,230	423,861	21,369
Conservation program	130,500	128,444	139,098	(10,654)
Capital outlay	88,300	88,300	901,696	(813,396)
Debt service:				
Principal			72,912	(72,912)
Interest			24,122	(24,122)
Total expenditures	3,994,799	4,669,730	5,504,224	(834,494)
Excess of revenues over (under) expenditures	2,918	(80,539)	(345,415)	(264,876)
Other Financing Sources (uses):				
Proceeds from Capital lease			377,224	377,224
Total Other Financing Sources (uses)			377,224	377,224
Net change in fund balance	2,918	(80,539)	31,809	112,348
Fund balance - beginning of fiscal year	8,432,772	8,432,772	8,432,772	
Fund balance - end of fiscal year	<u>\$ 8,438,608</u>	<u>\$ 8,271,694</u>	<u>\$ 8,464,581</u>	<u>\$ 192,887</u>

The notes to basic financial statements are an integral part of this statement.

CAMBRIA COMMUNITY SERVICES DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
June 30, 2007

	Business-type Activities		
	Enterprise Funds		
	Water Fund	Wastewater Fund	Totals
ASSETS			
Current Assets:			
Cash and investments	\$ -	\$ -	\$ -
Accounts receivable, net of allowance	296,520	323,397	619,917
Inventory		6,898	6,898
Total current assets	296,520	330,295	626,815
Capital Assets:			
Construction in progress	7,632,758	941,506	8,574,264
Land	812,416	1,009,011	1,821,427
Plant and facilities	14,457,869	22,853,933	37,311,802
Machinery and equipment	486,086	855,572	1,341,658
Less: accumulated depreciation	(8,150,670)	(14,200,215)	(22,350,885)
Net capital assets	15,238,459	11,459,807	26,698,266
Other Assets:			
Deferred loss on refunding - net of accumulated amortization	134,753	211,779	346,532
Total assets	15,669,732	12,001,881	27,671,613

The notes to basic financial statements are an integral part of this statement.

CAMBRIA COMMUNITY SERVICES DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
June 30, 2007

	Business-type Activities		
	Enterprise Funds		
	Water Fund	Wastewater Fund	Totals
LIABILITIES			
Current Liabilities:			
Accounts payable	\$ 205,382	\$ 61,469	\$ 266,851
Payroll and related items	26,348	13,821	40,169
Retentions payable	137,950		137,950
Accrued interest payable	5,022	34,558	39,580
Deposits	38,490		38,490
Due to other funds	1,893,981	771,698	2,665,679
Current portion of noncurrent liabilities	<u>133,965</u>	<u>270,535</u>	<u>404,500</u>
Total current liabilities	<u>2,441,138</u>	<u>1,152,081</u>	<u>3,593,219</u>
Noncurrent Liabilities:			
Compensated absences	107,190	61,970	169,160
Note payable, less current portion		1,221,825	1,221,825
Bonds payable, less current portion		1,795,000	1,795,000
Loan payable, less current portion	<u>982,085</u>	<u>528,815</u>	<u>1,510,900</u>
Total noncurrent liabilities	<u>1,089,275</u>	<u>3,607,610</u>	<u>4,696,885</u>
Total liabilities	<u>3,530,413</u>	<u>4,759,691</u>	<u>8,290,104</u>
Net Assets			
Invested in capital assets, net of related debt	14,391,127	8,125,946	22,517,073
Unrestricted	<u>(2,251,808)</u>	<u>(883,756)</u>	<u>(3,135,564)</u>
Total net assets	<u>\$ 12,139,319</u>	<u>\$ 7,242,190</u>	<u>\$ 19,381,509</u>

The notes to basic financial statements are an integral part of this statement.

CAMBRIA COMMUNITY SERVICES DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2007

	Business-type Activities		Totals
	Enterprise Funds		
	Water Fund	Wastewater Fund	
Operating Revenues:			
Utility sales	\$ 1,732,455	\$ 1,759,775	\$ 3,492,230
Service charges and fees	76,353		76,353
Total operating revenues	1,808,808	1,759,775	3,568,583
Operating Expenses:			
Salaries and wages	372,383	309,717	682,100
Payroll taxes and benefits	222,511	215,624	438,135
Maintenance and repairs	169,541	347,866	517,407
Office supplies, publications, and dues	19,740	15,470	35,210
Licenses and fees	6,775	35,961	42,736
Rent - equipment	4,560	163	4,723
Professional services	199,094	39,430	238,524
Operating supplies	17,034	40,567	57,601
Employee travel and training	11,419	4,294	15,713
Utilities	125,029	166,006	291,035
Bad debts	1,133		1,133
General and administrative overhead	514,754	237,815	752,569
Depreciation	470,251	659,835	1,130,086
Total operating expenses	2,134,224	2,072,748	4,206,972
Operating income (loss)	(325,416)	(312,973)	(638,389)
Non-Operating Income (Expenses):			
Interest income	31,232	156	31,388
Availability charges	175,861	114,127	289,988
Interest expense	(74,288)	(196,035)	(270,323)
Total non-operating revenues (expenses)	132,805	(81,752)	51,053
Net income (loss) before contributions	(192,611)	(394,725)	(587,336)
Capital contribution - connection fees	40,853	10,113	50,966
Change in net assets	(151,758)	(384,612)	(536,370)
Total net assets - beginning of fiscal year	12,391,522	7,626,802	20,018,324
Prior period adjustment	(100,445)		(100,445)
Total net assets - beginning of fiscal year, restated	12,291,077	7,626,802	19,917,879
Total net assets - end of fiscal year	\$ 12,139,319	\$ 7,242,190	\$ 19,381,509

The notes to basic financial statements are an integral part of this statement.

CAMBRIA COMMUNITY SERVICES DISTRICT
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2007

	Business-type Activities		
	Enterprise Funds		
	Water Fund	Wastewater Fund	Totals
Cash Flows From Operating Activities			
Receipts from customers and users	\$ 1,766,409	\$ 1,746,107	\$ 3,512,516
Payments to suppliers	(214,487)	(540,624)	(755,111)
Payments to employees	(547,118)	(513,889)	(1,061,007)
Net cash provided (used) by operating activities	<u>1,004,804</u>	<u>691,594</u>	<u>1,696,398</u>
Cash Flows from Capital and Related Financing Activities:			
Interest payments	(68,082)	(186,319)	(254,401)
Principal payments	(117,325)	(257,690)	(375,015)
Purchase of capital assets	(2,390,055)	(371,981)	(2,762,036)
Capital contributions	40,853	10,113	50,966
Net cash provided (used) by capital and related financing activities	<u>(2,534,609)</u>	<u>(805,877)</u>	<u>(3,340,486)</u>
Cash Flows from Non-Capital and Related Financing Activities:			
Availability charges	175,861	114,127	289,988
Net cash provided (used) by non-capital and related financing activities	<u>175,861</u>	<u>114,127</u>	<u>289,988</u>
Cash Flows from Investing Activities:			
Investment income	63,172	156	63,328
Net cash provided (used) by investing activities	<u>63,172</u>	<u>156</u>	<u>63,328</u>
Net increase (decrease) in cash and cash equivalents	(1,290,772)		(1,290,772)
Cash and cash equivalents, beginning of fiscal year	1,290,772		1,290,772
Cash and cash equivalents, end of fiscal year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Reconciliation to Statement of Net Assets:			
Cash and investments	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Operating income (loss)	\$ (325,416)	\$ (312,973)	\$ (638,389)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities			
Depreciation	470,251	659,835	1,130,086
Change in operating assets and liabilities:			
(Increase) decrease in due from other funds	349,990		349,990
(Increase) decrease in accounts receivable	(42,399)	(15,398)	(57,797)
(Increase) decrease in inventory		1,730	1,730
Increase (decrease) in deposits	6,018		6,018
Increase (decrease) in accounts payable	(12,636)	(74,760)	(87,396)
Increase (decrease) in accrued payroll	(13,933)	7,065	(6,868)
Increase (decrease) in retentions payable	137,950		137,950
Increase (decrease) in due to other funds	1,893,981	421,708	2,315,689
Increase (decrease) in Department of Health Services Payable	(1,520,711)		(1,520,711)
Increase (decrease) in compensated absences	61,709	4,387	66,096
Net cash provided (used) by operating activities	<u>\$ 1,004,804</u>	<u>\$ 691,594</u>	<u>\$ 1,696,398</u>

The notes to basic financial statements are an integral part of this statement.

CAMBRIA COMMUNITY SERVICES DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2007

NOTE 1 – REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

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

B. Basis of Accounting, Measurement Focus, and Financial Statements Presentation

The *basic financial statements* of the District are composed of the following:

- Government-wide financial statements
- Fund financial statements
- Notes to the basic 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 the District.

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 statements. *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 nonexchange transaction are recognized in accordance with the requirements of GASB Statement No. 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.

Fund Financial Statements

The underlying accounting system of the District 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.

NOTE 1 – REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Accounting, Measurement Focus, and Financial Statements Presentation (Continued)

Fund financial statements for the primary government are presented after the government-wide financial statements. These statements display information about major funds individually and nonmajor 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 nonexchange* 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 when an enforceable legal claim to the revenues arises or when they are received, whichever occurs first. *Government-mandated and voluntary nonexchange 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.

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.

The District reports the following major governmental fund:

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

The District reports the following major proprietary funds:

The Water Fund accounts for the activities of the District’s water operations.

The Wastewater Fund accounts for activities of the District’s sewer operations.

NOTE 1 – REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Accounting, Measurement Focus, and Financial Statements Presentation (Continued)

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. The District 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 nonoperating 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 nonoperating revenues and expenses.

C. Investments

Investments are stated at fair value.

D. Capital Assets

Capital assets (including infrastructure) are recorded at cost where historical records are available and at estimated original cost where no historical records exist. Contributed capital assets are valued at their estimated fair value at the date of the contribution. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and estimated useful life in excess of two years.

Capital assets include public domain (infrastructure) capital assets consisting of certain improvements including roads, streets, sidewalks, medians, and storm drains.

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

E. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

F. 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.

CAMBRIA COMMUNITY SERVICES DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2007

NOTE 1 – REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Compensated Absences

It is the District’s policy to permit employees to accumulate earned but unused vacation and sick pay benefits.

Sick and vacation pay is accrued when incurred in the government-wide and proprietary fund statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

H. 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.

I. 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 nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

J. Cash Equivalents

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

NOTE 2 - CASH AND INVESTMENTS

The District 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.

On June 30, 2007, the District had the following cash and investments:

Pooled cash	\$ 189,072
Pooled investments	<u>5,372,356</u>
Total cash and investments	<u>\$ 5,561,428</u>

CAMBRIA COMMUNITY SERVICES DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2007

NOTE 2 - CASH AND INVESTMENTS (Continued)

Investments Authorized by the California Government Code

The table below identifies the investment types that are authorized for the District by the California Government Code. The table also identifies certain provisions of the California Government Code that address interest rate risk, credit risk, and concentration of credit risk.

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage Of Portfolio</u>	<u>Maximum Investment in One Issuer</u>
Local Agency Bonds	5 years	None	None
U.S. Treasury Obligations	5 years	None	None
U.S. Agency Securities	5 years	10%	5%
Bankers' Acceptances	180 days	40%	30%
Commercial Paper	270 days	25%	10%
Negotiable Certificates of Deposit	5 years	30%	None
Repurchase Agreements	1 year	None	None
Reverse Repurchase Agreements	92 days	20% of base value	None
Medium-Term Notes	5 years	30%	None
Mutual Funds	N/A	20%	10%
Money Market Mutual Funds	N/A	20%	10%
Mortgage Pass-Through Securities	5 years	20%	None
County Pooled Investment Fund	N/A	10%	None
Local Agency Investment Fund (LAIF)	N/A	None	None
JPA Pools (other investment pools)	N/A	None	None

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the District manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

Information about the sensitivity of the fair values of the District's investments to market interest rate fluctuations is provided by the following table that shows the distribution of the District's investments by maturity:

<u>Investment Type</u>	<u>Carrying Amount</u>	<u>Remaining Maturity (in Months)</u>			
		<u>12 Months Or Less</u>	<u>13-24 Months</u>	<u>25-60 Months</u>	<u>More than 60 Months</u>
LAIF	\$ 5,372,356	\$ 5,372,356	\$ -	\$ -	\$ -
Total	\$ 5,372,356	\$ 5,372,356	\$ -	\$ -	\$ -

CAMBRIA COMMUNITY SERVICES DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2007

NOTE 2 - CASH AND INVESTMENTS (Continued)

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by the California Government Code, the District's investment policy, and the actual rating as of fiscal year end for each investment type.

<u>Investment Type</u>	<u>Carrying Amount</u>	<u>Minimum Legal Rating</u>	<u>Exempt From Disclosure</u>	<u>Rating as of Fiscal Year End</u>		
				<u>AAA</u>	<u>Aa</u>	<u>Not Rated</u>
LAIF	\$ 5,372,356	N/A	\$ -	\$ -	\$ -	\$ 5,372,356
Total	\$ 5,372,356		\$ -	\$ -	\$ -	\$ 5,372,356

Concentration of Credit Risk

The investment policy of the District contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. There are no investments in any one issuer that represent 5% or more of total District investments.

Custodial Credit Risk

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The California Government Code and the District's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The fair value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure the District's deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

None of the District's deposits with financial institutions in excess of federal depository insurance limits were held in uncollateralized accounts.

The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the District's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for investments. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in government investment pools (such as LAIF).

Investment in State Investment Pool

The District is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by the California Government Code under the oversight of the Treasurer of the State of California. The fair value of the District's investment in this pool is reported in the accompanying basic financial statements at the amounts based upon the District's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

CAMBRIA COMMUNITY SERVICES DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2007

NOTE 3 - PROPERTY TAXES

Property taxes in the State of California are administered for all local agencies at the county level, and consist of secured, unsecured, and utility tax rolls. The following is a summary of major policies and practices relating to property taxes:

Tax Collections - are the responsibility of the county tax collector. Taxes and assessments on secured and utility rolls which constitute a lien against the property, may be paid in two installments: the first is due on November 1 of the fiscal year and is delinquent if not paid by December 10; and the second is due on March 1 of the fiscal year and is delinquent if not paid by April 10. Unsecured personal property taxes do not constitute a lien against real property unless the taxes become delinquent. Payment must be made in one installment, which is delinquent if not paid by August 31 of the fiscal year. Significant penalties are imposed by the county for late payments.

Tax Levy Apportionments - Due to the nature of the District-wide maximum levy, it is not possible to identify general purpose tax rates for specific entities. Under state legislation adopted subsequent to the passage of Proposition 13, apportionments to local agencies are made by the county auditor-controller based primarily on the ratio that each agency represented of the total District-wide levy for the three years prior to fiscal year 1979.

Property Tax Administration Fees - The State of California FY 90-91 Budget Act, authorized counties to collect an administrative fee for collection and distribution of property taxes. Property taxes are recorded as net of administrative fees withheld during the fiscal year.

Tax Levies - are limited to 1% of full market value which results in a tax rate of \$1.00 per \$100 assessed valuation, under the provisions of Proposition 13. Tax rates for voter-approved indebtedness are excluded from this limitation.

Tax Levy Dates - are attached annually on January 1 preceding the fiscal year for which the taxes are levied. The fiscal year begins July 1 and ends June 30 of the following year. Taxes are levied on both real and unsecured personal property as it exists at that time. Liens against real estate, as well as the tax on personal property, are not relieved by subsequent renewal or change in ownership.

Property Valuations - are established by the Assessor of the County of San Luis Obispo for the secured and unsecured property tax rolls; the utility property tax roll is valued by the State Board of Equalization. Under the provisions of Article XIII A of the State Constitution (Proposition 13 adopted by the voters on June 6, 1978) properties are assessed at 100% of full value. From the base assessment, subsequent annual increases in valuation are limited to a maximum of 2%. However, increases to full value are allowed for property improvements or upon change in ownership. Personal property is excluded from these limitations, and is subject to annual reappraisal.

NOTE 4 - NOTES RECEIVABLE

The District has recorded a note receivable for \$46,919. Chevron-Texaco agreed to reimburse the District for the purchase of a 2002 Kenworth Dryside Tanker. The District has not deferred any amount of the note as it has met the revenue recognition criteria under the modified accrual basis of accounting as discussed in Note 1.

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

CAMBRIA COMMUNITY SERVICES DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2007

NOTE 5 – CAPITAL ASSETS

Capital assets activity for the fiscal year ended June 30, 2007, was as follows:

	<u>Balance</u> <u>July 1, 2006</u>	<u>Increases</u>	<u>Decreases</u>	<u>Prior Period</u> <u>Adjustment</u>	<u>Balance</u> <u>June 30, 2007</u>
Governmental activities					
Nondepreciable capital assets					
Land	\$12,714,864	\$ -	\$ -	\$ -	\$ 12,714,864
Construction in progress	<u>2,012,425</u>	<u>272,736</u>	<u>505,860</u>	<u>(1,456,536)</u>	<u>322,765</u>
Total nondepreciable capital assets	<u>14,727,289</u>	<u>272,736</u>	<u>505,860</u>	<u>(1,456,536)</u>	<u>13,037,629</u>
Depreciable capital assets:					
Buildings and improvements	\$ 1,794,453	\$ 523,673	\$ -	\$ 156,184	\$ 2,474,310
Equipment	<u>1,167,284</u>	<u>589,616</u>	<u> </u>	<u>1,300,352</u>	<u>3,057,252</u>
Total depreciable capital assets	2,961,737				5,531,562
Less accumulated depreciation	<u>(1,480,865)</u>	<u>(174,223)</u>	<u> </u>	<u>1,456,536</u>	<u>(1,655,088)</u>
Net depreciable capital assets	<u>1,480,872</u>	<u>939,066</u>	<u> </u>	<u> </u>	<u>3,876,474</u>
Net capital assets	<u>\$16,208,161</u>	<u>\$ 1,211,802</u>	<u>\$ 505,860</u>	<u>\$ -</u>	<u>\$ 16,914,103</u>

	<u>Balance</u> <u>July 1, 2006</u>	<u>Increases</u>	<u>Decreases</u>	<u>Prior Period</u> <u>Adjustment</u>	<u>Balance</u> <u>June 30, 2007</u>
Business-type activities					
Nondepreciable capital assets					
Land	\$ 1,821,427	\$ -	\$ -	\$ -	\$ 1,821,427
Construction in progress	<u>6,078,362</u>	<u>2,779,656</u>	<u>183,309</u>	<u>(100,445)</u>	<u>8,574,264</u>
Total nondepreciable capital assets	<u>7,899,789</u>	<u>2,779,656</u>	<u>183,309</u>	<u>(100,445)</u>	<u>10,395,691</u>
Depreciable capital assets:					
Plant and facilities	37,165,908	145,894			37,311,802
Machinery and equipment	<u>1,321,863</u>	<u>19,795</u>	<u> </u>	<u> </u>	<u>1,341,658</u>
Total depreciable capital assets	38,487,771	165,689			38,653,460
Less accumulated depreciation	<u>(21,220,799)</u>	<u>(1,130,086)</u>	<u> </u>	<u> </u>	<u>(22,350,885)</u>
Net depreciable capital assets	<u>17,266,972</u>	<u>(964,397)</u>	<u> </u>	<u> </u>	<u>16,302,575</u>
Net capital assets	<u>\$ 25,166,761</u>	<u>\$ 1,815,259</u>	<u>\$ 183,309</u>	<u>\$ (100,445)</u>	<u>\$ 26,698,266</u>

NOTE 6 – LONG-TERM DEBT

Loan Payable

On February 17, 2006, the District 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, 2007, is \$1,717,000.

CAMBRIA COMMUNITY SERVICES DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2007

NOTE 6 – LONG-TERM DEBT (Continued)

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

Fiscal Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 206,100	\$ 77,265	\$ 283,365
2009	215,300	67,990	283,290
2010	225,100	58,302	283,402
2011	235,200	48,173	283,373
2012	245,800	37,589	283,389
2013-2015	<u>589,500</u>	<u>44,379</u>	<u>633,879</u>
Totals	<u>\$ 1,717,000</u>	<u>\$ 333,698</u>	<u>\$ 2,050,698</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, 2007, the revenue bonds principal balance outstanding was \$1,860,000.

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

Fiscal Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 65,000	\$ 100,198	\$ 168,090
2009	65,000	97,240	165,198
2010	70,000	94,082	162,240
2011	75,000	90,582	164,082
2012	75,000	86,870	165,582
2013-2017	455,000	365,875	820,875
2018-2022	600,000	218,940	818,940
2023-2025	<u>455,000</u>	<u>40,043</u>	<u>495,043</u>
Totals	<u>\$ 1,860,000</u>	<u>\$ 1,093,830</u>	<u>\$ 2,953,830</u>

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, 2007, the note payable principal balance outstanding was \$1,355,225.

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

CAMBRIA COMMUNITY SERVICES DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2007

NOTE 6 – LONG-TERM DEBT (Continued)

Note Payable (Continued)

Fiscal Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 133,400	\$ 40,657	\$ 174,057
2009	137,402	36,655	174,057
2010	141,524	32,533	174,057
2011	145,770	28,287	174,057
2012	150,143	23,914	174,057
2013-2016	<u>646,986</u>	<u>49,241</u>	<u>696,227</u>
Totals	<u>\$ 1,355,225</u>	<u>\$ 211,287</u>	<u>\$ 1,566,512</u>

Capital Lease Payable

The District entered into a capital lease agreement on November 7, 2002, with OshKosh Capital for the purchase of a 2002 Kenworth Dryside Tanker. The terms of the lease are for five annual payments of \$46,919, commencing November 7, 2003, with an interest rate of 4.40%. At June 30, 2007, the capital lease principal balance outstanding was \$44,942. As part of the MTBE settlement, Chevron-Texaco has agreed to reimburse the District the payments associated with the capital lease. See Note 4, for further details.

The lease payments are due annually on November 7th, until 2007 as follows:

Fiscal Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 44,942	\$ 1,977	\$ 46,919
Totals	<u>\$ 44,942</u>	<u>\$ 1,977</u>	<u>\$ 46,919</u>

The District 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, 2007, the capital lease principal balance outstanding was \$347,359.

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

Fiscal Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 31,385	\$ 17,681	\$ 49,066
2009	32,983	16,083	49,066
2010	34,662	14,404	49,066
2011	36,426	12,640	49,066
2012	38,280	10,786	49,066
2013-2016	<u>173,623</u>	<u>22,641</u>	<u>196,263</u>
Totals	<u>\$ 347,359</u>	<u>\$ 94,235</u>	<u>\$ 441,594</u>

CAMBRIA COMMUNITY SERVICES DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2007

NOTE 6 – LONG-TERM DEBT (Continued)

Total future debt service payments by activity is as follows:

Fiscal Year Ending June 30,	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2008	\$ 76,327	\$ 19,658	\$ 404,500	\$ 218,120
2009	32,983	16,083	417,702	201,885
2010	34,662	14,404	436,624	184,917
2011	36,426	12,640	455,970	167,042
2012	38,280	10,786	470,943	148,372
2013-2017	173,623	22,641	1,691,486	459,495
2018-2022			600,000	218,940
2023-2024			455,000	40,043
Total	\$ 392,301	\$ 96,212	\$ 4,932,225	\$ 1,638,814

Changes in long-term liabilities

The following is a summary of long-term liabilities activity for the fiscal year ended June 30, 2007:

	Balance July 1, 2006	Additions	Reductions	Balance June 30, 2007	Due Within One Year
Governmental activities:					
Capital lease	\$ 87,989	\$ 377,224	\$ 72,912	\$ 392,301	\$ 76,327
Compensated absences	221,589		2,954	218,635	
Governmental activity Long-term liabilities	<u>\$ 309,578</u>	<u>\$ 377,224</u>	<u>\$ 75,866</u>	<u>\$ 610,936</u>	<u>\$ 76,327</u>
Business-type activities:					
Bonds payable	\$ 1,925,000	\$ -	\$ 65,000	\$ 1,860,000	\$ 65,000
Loan payable	1,897,500		180,500	1,717,000	206,100
Note payable	1,484,740		129,515	1,355,225	133,400
Compensated absences	103,064	77,752		180,816	
Business-type activity long-term liabilities	<u>\$ 5,410,304</u>	<u>\$ 77,752</u>	<u>\$ 375,015</u>	<u>\$ 5,113,041</u>	<u>\$ 404,500</u>

NOTE 7 – LOSS ON REFUNDING BOND

On February 17, 2006, the District defeased the 1995 Revenue Bonds. The District 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, 2007 is \$0 as the bonds were paid in full on May 1, 2006. The economic gain resulting from the refunding was \$174,494 and the District recognized a loss on refunding of \$61,061, which is being amortized through May 15, 2015.

CAMBRIA COMMUNITY SERVICES DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2007

NOTE 8 - DISTRICT EMPLOYEES' RETIRMENT PLAN/DEFINED BENEFIT PENSION PLAN (FULL TIME EMPLOYEES)

Plan Description

The Cambria Community Services District's (the District) defined benefit pension plan, Public Employees' Retirement System (PERS), provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The PERS is part the Public Agency portion of the California Public Employees' Retirement System, (CalPERS), an agent multiple-employer plan administered by CalPERS, which acts as a common investment and administrative agent for participating public employers within the State of California. A menu of benefit provisions as well as other requirements are established by State statutes with the Public Employees' Retirement Law. The District selects optional benefit provisions from the benefit menu by contract with CalPERS and adopts those benefits through local ordinance (other local methods). CalPERS issues a separate comprehensive annual financial report. Copies of the CalPERS' annual financial report may be obtained from the CalPERS Executive Office – 400 P Street – Sacramento, CA 95814.

Funding Policy

Active plan members in the PERS are required to contribute 7% for miscellaneous members or 9% for safety members of their annual covered salary. The District makes the contributions required of District employees on their behalf and for their account. The District 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 required employer contribution rate of fiscal 2006/2007 year was 22.402% for miscellaneous employees and 34.231% for safety employees. The contribution requirements of the plan members are established by State statute and employer contribution rate established may be amended by CalPERS.

Annual Pension Cost

For fiscal year 2006/2007, the District's annual pension cost was \$531,171, and the District actually contributed \$531,171. The required contribution for fiscal year 2006/2007 was determined as part of the June 30, 2006 actuarial valuation using the entry age normal actuarial cost method with the contributions determined as a percent of pay. The actuarial assumptions included (a) 7.75% investment rate of return (net of administrative expenses); (b) projected salary increases that vary by duration of service, and (c) no cost-of-living adjustment. Both (a) and (b) include an inflation component of 3.0%. The actuarial value of the District's assets was determined using a technique that smoothes the effect of short-term volatility in the market value of investments over a two to five year period depending on the size of investment gains and/or losses. The Cambria Community Services District's unfunded actuarial accrued liability (or excess assets) is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at June 30, 2005, was 17 years.

Three Year Trend Information for the Cambria Community Services District Public Employees' Retirement Plan

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contribution	Net Pension Obligation
6/30/05	\$ 318,003	100%	\$ 0
6/30/06	\$ 513,579	100%	\$ 0
6/30/07	\$ 531,171	100%	\$ 0

CAMBRIA COMMUNITY SERVICES DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2007

NOTE 8 - DISTRICT EMPLOYEES' RETIREMENT PLAN/DEFINED BENEFIT PENSION PLAN (FULL TIME EMPLOYEES') (Continued)

Required Supplementary Information
Funded Status of Miscellaneous Plan (Pool)

Valuation Date	Entry Age Normal Accrued Liability (a)	Actuarial Value of Assets (b)	Unfunded Liability (Excess Assets) (a)-(b)	Funded Status (b)/(a)	Annual Covered Payroll (c)	UAAL As of % of Payroll ((a)-(b))/(c)
6/30/04	\$ 426,958,282	\$ 324,956,019	\$ 92,002,263	78.5%	\$ 90,667,029	101.5%
6/30/05	\$ 499,323,280	\$ 405,480,805	\$ 93,842,475	81.2%	\$108,618,321	86.4%
6/30/06	\$ 620,492,183	\$ 501,707,110	\$118,785,073	80.9%	\$126,049,770	94.2%

Required Supplementary Information
Funded Status of Safety Plan (Pool)

Valuation Date	Entry Age Normal Accrued Liability (a)	Actuarial Value of Assets (b)	Unfunded Liability (Excess Assets) (a)-(b)	Funded Status (b)/(a)	Annual Covered Payroll (c)	UAAL As of % of Payroll ((a)-(b))/(c)
6/30/04	\$5,383,921,942	\$4,424,586,846	\$ 959,335,096	82.2%	\$ 575,296,434	166.8%
6/30/05	\$6,367,049,264	\$5,295,150,375	\$1,071,898,889	83.2%	\$ 664,147,796	161.4%
6/30/06	\$7,278,049,834	\$6,102,615,567	\$1,175,434,267	83.9%	\$ 754,730,438	155.7%

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 the districts participating. The Board is responsible for establishing premium rates and making budgeting decisions.

Coverage under current policies it 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.

Condensed financial information for the SDRMA for the fiscal year ended June 30, 2007, is as follows:

Total assets	\$ 60,103,067
Total liabilities	<u>42,623,168</u>
Fund equity	<u>\$ 17,479,899</u>
Total operating revenues	\$ 25,928,458
Total operating expenditures	<u>27,753,581</u>
Net decrease	<u>\$ (1,825,123)</u>

CAMBRIA COMMUNITY SERVICES DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2007

NOTE 9 – JOINT POWERS AGENCIES (continued)

The District 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. The District 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 the District at June 30, 2007.

The second is an agreement with the Coast Unified School District (CUSD) to operate the Santa Rosa Creek Well #4, the CUSD water well, pump, and distribution facilities for the purpose of securing the conveying groundwater. The District 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.

NOTE 10 – DEPARTMENT OF HEALTH SERVICES PAYABLE

The District received monies from the Department of Health Services (DOHS) for the construction of the SR-4 Emergency Well Project. There is no formal agreement schedule, nor any interest rate terms in the agreement, however, the money is due back to DOHS upon receipt of the Chevron-Texaco settlement, which was received in the 03-04 fiscal year. The note was repaid during the current fiscal year.

NOTE 11 – NET ASSETS

The government-wide activity and proprietary fund financial statements utilize a net assets presentation. Net assets are categorized as invested capital assets (net of related debt), restricted and unrestricted.

Invested In Capital Assets, Net of Related Debt – This category groups all capital assets, including infrastructure, into one component of net assets. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction, or improvement of these assets reduce the balance in this category.

Restricted Net Assets – This category presents external restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

Unrestricted Net Assets – This category represents net assets of the District, not restricted for any project or other purpose.

NOTE 12 - 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.

Due From/Due to Other Funds

Individual fund interfund receivable and payable balances at June 30, 2007, are as follows:

<u>Fund</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General	\$ 2,665,679	\$ -
Water		1,893,981
Wastewater	<u> </u>	<u>771,698</u>
Totals	<u>\$ 2,665,679</u>	<u>\$ 2,665,679</u>

CAMBRIA COMMUNITY SERVICES DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2007

NOTE 13– DEFICIT SPENDING

The District in the past fiscal year incurred significant losses in the Enterprise Funds (Water and Wastewater). The Water Fund realized a deficit change in net assets of \$151,758 and the Wastewater Fund of \$384,612. In addition, the Water and Wastewater Fund have a deficit cash balance of \$1,893,981 and \$771,698, respectively. If the District continues to incur these deficits it will be unable to meet their ongoing obligations.

NOTE 14– PRIOR PERIOD ADJUSTMENT

A prior period adjustment of \$100,445 was made in the Water Fund to write off certain work in progress accounts.

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