

NIPOMO COMMUNITY SERVICES DISTRICT

REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2005

NIPOMO COMMUNITY SERVICES DISTRICT
BOARD OF DIRECTORS
JUNE 30, 2005

Name

Office Held

Larry Vierheilig

President

Ed Eby

Vice - President

Michael Winn

Director

Judith Wirsing

Director

Clifford Trotter

Director

NIPOMO COMMUNITY SERVICES DISTRICT
REPORT AND FINANCIAL STATEMENTS
JUNE 30, 2005

TABLE OF CONTENTS

<u>MANAGEMENT'S DISCUSSION AND ANALYSIS</u>	
<u>FINANCIAL SECTION</u>	i - vii
Independent Auditor's Report	1 -2
Basic Financial Statements:	
Statement of Net Assets	3 - 4
Statement of Revenues, Expenses and Changes in Fund Net Assets	5 - 6
Statement of Cash Flows	7 - 10
Notes to the Financial Statements	11 - 26
<u>SUPPLEMENTARY INFORMATION</u>	27
Required Disclosure Under Government Code Section 66013	28 - 29
Statement of Net Assets - Other Non Major Funds	30 - 31
Schedule of Blacklake Capital Assets	32
Schedule of Other Supplies and Expenses	33



BOARD MEMBERS

LARRY VIERHEILIG, PRESIDENT
ED EBY, DIRECTOR
MICHAEL WINN, DIRECTOR
JUDITH WIRSING, DIRECTOR
CLIFFORD TROTTER, DIRECTOR

STAFF

MICHAEL LeBRUN, GENERAL MANAGER
LISA BOGNUDA, ASSISTANT ADMINISTRATOR
JON SEITZ, GENERAL COUNSEL

148 SOUTH WILSON STREET POST OFFICE BOX 326 NIPOMO, CA 93444 - 0326
(805) 929-1133 FAX (805) 929-1932 Email address gm@nipomocsd.com

MANAGEMENT DISCUSSION AND ANALYSIS

The Nipomo Community Services District's Management Discussion and Analysis is an overview of the most recent completed fiscal year's activities designed to:

- Assist the reader in identifying significant financial issues
- Provide an overview of the District's year financial activity
- Identify changes in the District's financial position
- Identify any material deviations from the financial plan (the approved budget)
- Identify individual fund issues or concerns

Since the Management's Discussion and Analysis (MD & A) is designed to focus on the most recent completed fiscal year's activities, resulting changes and currently known facts, please read it in conjunction with the Independent Auditor's Report (beginning on page 1) and the District's financial statements (beginning on page 3).

A. DESCRIPTION OF THE BASIC FINANCIAL STATEMENTS

District Staff performs the accounting functions of the District. The District utilizes the Fund Accounting method. The National Council on Government defines the term *fund* as follows:

A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities, or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations.

Financial statements (Consolidated Balance and Income Statements) are presented and reviewed quarterly by the Board of Directors, and confirmed annually by an outside independent audit. The footnotes, contained as supplemental information in the annual Audit Report, provide specific accounting details about Nipomo Community Services District such the basis of accounting, capital assets, and long-term debt. There were no significant accounting process changes during the fiscal year.

NIPOMO COMMUNITY SERVICES DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
FISCAL YEAR ENDING JUNE 30, 2005

CONDENSED FINANCIAL INFORMATION

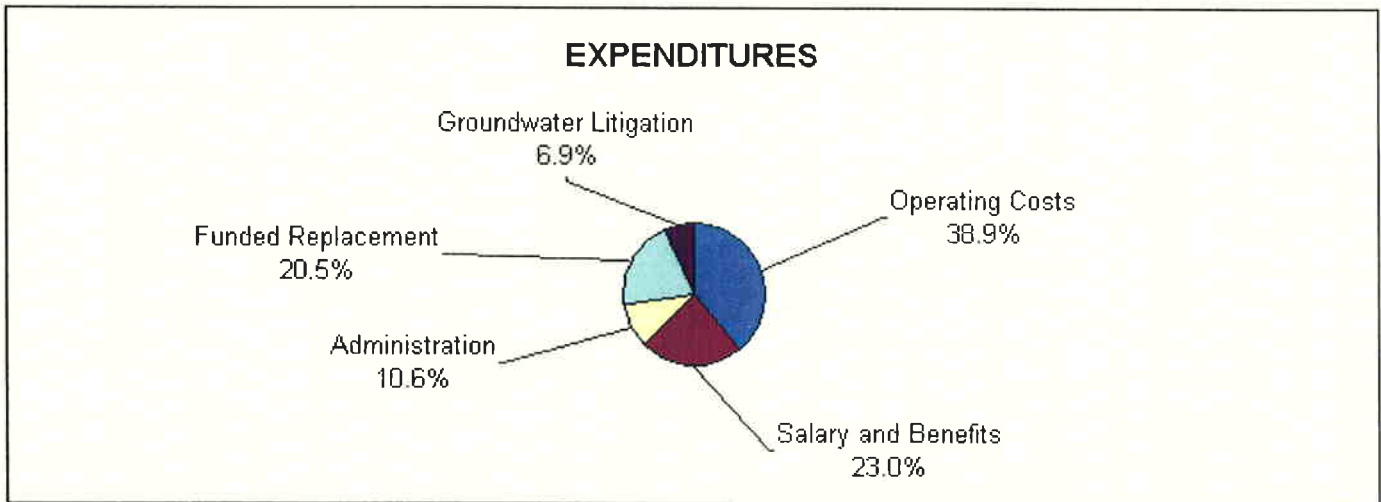
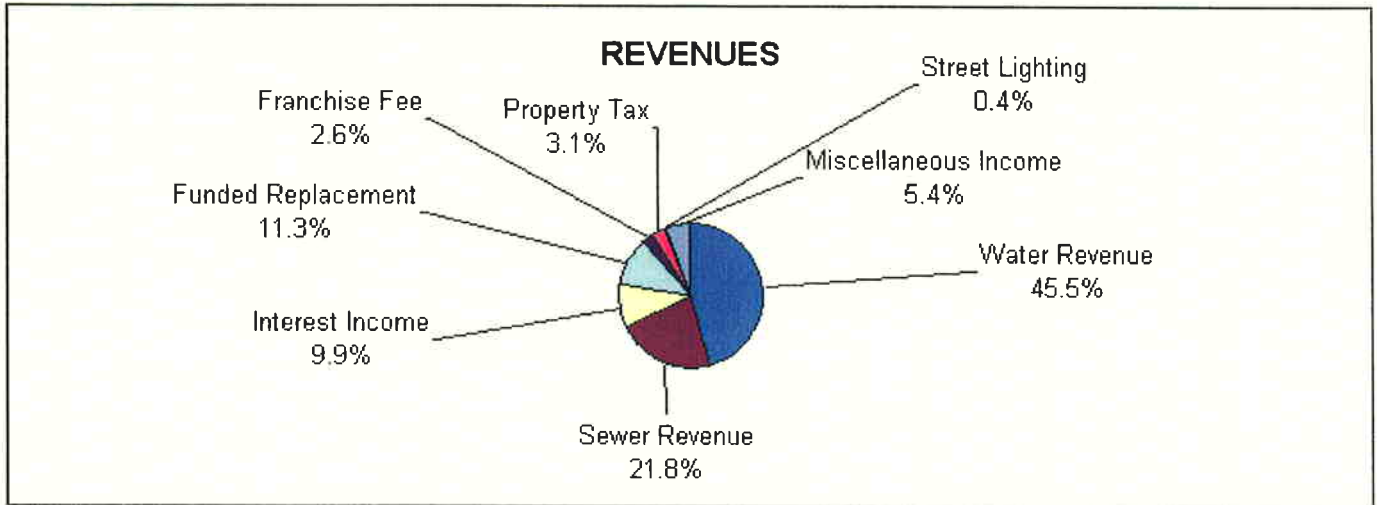
STATEMENT OF NET ASSETS

<u>Assets</u>	<u>Fiscal Year</u> <u>7/1/04 – 6/30/05</u>	<u>Fiscal Year</u> <u>7/1/03 – 6/30/04</u>
Current and other assets	\$ 20,067,923	\$ 17,728,425
Capital assets, net	23,410,743	22,929,576
Total Assets	43,478,666	40,658,001
 <u>Liabilities</u>		
Other liabilities	551,853	490,284
Long-term debt outstanding	5,191,861	5,351,910
Total Liabilities	5,743,714	5,842,194
 <u>Net Assets</u>		
Invested in capital assets, net of debt	18,218,882	17,577,666
Restricted	15,112,119	11,344,482
Unrestricted	4,403,951	5,893,659
Total Net Assets	\$ 37,734,952	\$ 34,815,807

STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET ASSETS

<u>Operating Revenues</u>		
Charges for services	\$ 2,768,620	\$ 2,600,695
Miscellaneous	462,660	410,738
Total Operating Revenues	3,231,280	3,011,433
 <u>Operating Expenses</u>		
Water	1,989,606	2,246,861
Sewer	960,075	964,764
Other	305,790	268,804
Total Operating Expenses	3,255,471	3,480,429
 <u>Non Operating Revenues and (Expenses)</u>		
Interest income	403,197	247,925
Miscellaneous revenues	155,567	354,486
Miscellaneous expenses	(26,310)	(8,582)
Interest expense	(176,900)	(201,510)
Net Non Operating Revenues (Expenses)	355,554	392,319
Capital Contributions	2,587,782	1,721,424
Change in Net Assets	2,919,145	1,644,747
Total Net Assets - Beginning of fiscal year	34,815,807	33,171,060
Total Net Assets – End of fiscal year	\$ 37,734,952	\$ 34,815,807

NIPOMO COMMUNITY SERVICES DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
FISCAL YEAR ENDING JUNE 30, 2005



NIPOMO COMMUNITY SERVICES DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
FISCAL YEAR ENDING JUNE 30, 2005

B. ANALYSIS OF OVERALL FINANCIAL POSITION AND RESULTS OF OPERATION
(Comparison of Fiscal Year 2004-05 to Fiscal Year 2003-04)

- Overall revenues increased 7.3%
- Overall operating expenditures decreased 6.5%
- Total assets increased 6.9%
- Total liabilities decreased 1.7%
- Capital contributions, including water and sewer capacity fees and developer donated assets increased 50.3%

C. ANALYSIS OF BALANCES AND TRANSACTIONS OF INDIVIDUAL FUNDS

- Water revenues for the Town Division increased 7.1% and the Blacklake Division remained the same. The increase in the Town Division may be attributable to the growth this Division has been experiencing as well as a rate increase that went into effect on January 1, 2005. No change in the Blacklake Division is a result of no growth in the Division as well as no change in the commodity rate structure during the fiscal year.
- Sewer revenues for the Town Division increased 5.6% and the Blacklake Division increased 12.4%. The increase in the Town Division may be attributable to growth in this Division, existing property owners connecting to the sewer system and a rate increase that went into effect on July 1, 2004. The increase in the Blacklake Division is attributable to rate increases that went into effect on July 1, 2004.

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

COMPARISON OF BUDGET AMOUNTS TO ACTUAL

	2004-05 <u>BUDGET</u>	2004-05 <u>ACTUAL</u>	% ACTUAL IS OVER(+)/UNDER(-) <u>BUDGET</u>	POSITIVE (+) OR NEGATIVE (-) IMPACT ON <u>BUDGET</u>
Total revenues	\$ 3,106,518	\$ 3,231,280	+4.0%	+
Total Expenditures	3,245,575	3,255,471	+0.3%	-
Net Non Operating Income (Expenses)	304,075	355,554	+15%	+

There were no significant variations between the budget and actual year-end results.

NIPOMO COMMUNITY SERVICES DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
FISCAL YEAR ENDING JUNE 30, 2005

E. DESCRIPTION OF SIGNIFICANT CAPITAL ASSETS AND LONG-TERM DEBT ACTIVITY

All assets purchased by the District are valued at historical cost. Donated fixed assets are valued at their estimated fair market value on the date received by the District. Donated or contributed fixed assets from developers account for the largest increase in capital assets this year.

CAPITAL ASSETS CONTRIBUTED	FAIR MARKET VALUE
Town Division Water	\$ 317,812
Town Division Sewer	\$ 156,516
Blacklake Division Water	\$ 0
Blacklake Division Sewer	\$ 0
TOTAL	\$ 474,328

Several years ago, the District recognized the need to implement a Replacement Recovery program. A Replacement Study was completed and a systematic method of funding the replacement was implemented via the budget process. Replacement is very important for water and sewer utilities because of the large investment in the infrastructure required to provide service. A failure to adequately fund the replacement of utility assets over their useful life could result in substantial financing requirements in the future. The replacement funds are restricted and placed in four separate funds (Town Water, Town Sewer, Blacklake Water and Blacklake Sewer) and can only be utilized for replacement and repairs of aging facilities.

The total long-term debt as of June 30, 2005 is as follows:

Town Division Water	Eureka Well development	\$ 146,000
Town Division Sewer	Sewer plant expansion	\$1,080,861
Property Tax Secured	Water improvements	\$3,925,000
Total Long-term debt		\$5,191,861

F. DISCUSSION OF USE OF THE MODIFIED APPROACH TO REPORT INFRASTRUCTURE ASSETS

Not applicable. Nipomo Community Services District does not use the modified approach.

NIPOMO COMMUNITY SERVICES DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
FISCAL YEAR ENDING JUNE 30, 2005

G. DESCRIPTION OF FACTS OR CONDITIONS THAT ARE EXPECTED TO HAVE A SIGNIFICANT EFFECT ON FINANCIAL POSITION OR RESULTS OF OPERATION

- The Board of Directors acquired the services of a consultant to prepare an environmental analysis and documentation pursuant to the California Environmental Quality Act (CEQA) for the City of Santa Maria/Nipomo Community Services District water line intertie and transfer of supplemental water to NCSD.
- The Board of Directors acquired the services of Science Applications International Corporation to prepare an Urban Water Management Plan Update.
- The legal fees for special water counsel for the groundwater adjudication continue.

H. ECONOMIC FACTORS

The Nipomo Community Services District's water and sewer operations rely solely on user fees. The water rates for the Town Division and Blacklake Division will increase on August 1, 2005. The sewer rates for the Town and Blacklake Division will increase on August 1, 2005.

In order to develop and purchase supplemental water, the Board of Directors adopted Ordinance 2005-101 which provides for the collection of a supplemental water capacity charge for new development. The funds collected are restricted for supplemental water use.

Five year summary of Water and Sewer Rates for a single family residence with a one inch meter:

TOWN DIVISION- WATER RATES AND CHARGES

As of June 30,	Bi-Monthly Availability Charge	Bi-Monthly Usage Rates	
		0 – 40 Units	41 + Units
2005	\$21.04	\$1.07	\$1.64
2004	\$19.26	\$1.01	\$1.51
2003	\$17.50	\$0.95	\$1.42
2002	\$17.50	\$0.90	\$1.33
2001	\$17.50	\$0.85	\$1.24

BLACKLAKE DIVISION-WATER RATES AND CHARGES

As of June 30,	Bi-Monthly Availability Charge	Bi-Monthly Usage Rates	
		0 – 40 Units	41 + Units
2005	\$17.86	\$0.75	\$1.15
2004	\$16.22	\$0.75	\$1.15
2003	\$13.00	\$0.75	\$1.15
2002	\$13.00	\$0.75	\$1.15
2001	\$13.00	\$0.75	\$1.15

NIPOMO COMMUNITY SERVICES DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
FISCAL YEAR ENDING JUNE 30, 2005

TOWN DIVISION- SEWER CHARGES

As of June 30,	Bi-Monthly Sewer Charge
2005	\$37.22
2004	\$36.86
2003	\$36.50
2002	\$36.40
2001	\$36.00

BLACKLAKE DIVISION- SEWER CHARGES

As of June 30,	Bi-Monthly Sewer Charge
2005	\$64.40
2004	\$63.66
2003	\$46.00
2002	\$44.50
2001	\$40.00

I. REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Nipomo Community Services District's finances for all those with an interest in the District's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Assistant Administrator, Nipomo Community Services District, P. O. Box 326, Nipomo, CA 93444.

Prepared by:



Lisa Bognuda, Assistant Administrator



Carlos J. Reynoso
Certified Public Accountant

935 Riverside Ave., Suite 8 • P.O. Box 70
Paso Robles, California 93447-0070
(805) 238-9601 • Fax (805) 238-2406
E-mail: cjrcpa@sbcglobal.net

INDEPENDENT AUDITOR'S REPORT

Board of Directors
NIPOMO COMMUNITY SERVICES DISTRICT
Nipomo, California 93444

I have audited the accompanying basic financial statements of Nipomo Community Services District as of and for the year ended June 30, 2005, as listed in the table of contents. These basic financial statements are the responsibility of the District's management. My responsibility is to express an opinion on these basic financial statements based on my audit.

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

In my opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the Nipomo Community Services District as of June 30, 2005, and the results of its operations and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

My audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The required disclosures under Government Code Section 66013 are presented for purposes of additional analysis and are not a required part of the basic financial statements of the Nipomo Community Services District. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly presented in all material respects in relation to the basic financial statements taken as a whole.

Board of Directors
Nipomo Community Services District
Page Two

In accordance with Government Auditing Standards, I have also issued a report dated August 25, 2005, on my consideration of Nipomo Community Services District's internal control structure and a report dated August 25, 2005, on its compliance with laws and regulations.



Carlos J. Reynoso, C.P.A.

August 25, 2005

NIPOMO COMMUNITY SERVICES DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2005

	Business - Type Activities - Enterprise Funds		Blacklake Water	Blacklake Sewer	Other Non Major	Totals
	Town Water	Town Sewer				
<u>ASSETS</u>						
<u>Current Assets</u>						
Cash and investments - Note 2	\$ 7,423,257	\$ 8,048,347	\$ 526,270	\$ 182,929	\$ 3,183,699	\$ 19,364,502
Accounts receivable	31,181	19,571	12,781	14,876		78,409
Unbilled utility receivables	280,000	76,000	19,000	17,000		392,000
Accrued interest receivable	48,438	55,960	3,932	1,265	20,097	129,692
Accrued franchise fees					12,439	12,439
Notes receivable		2,352				2,352
Total current assets	<u>7,782,876</u>	<u>8,202,230</u>	<u>561,983</u>	<u>216,070</u>	<u>3,216,235</u>	<u>19,979,394</u>
<u>Noncurrent assets</u>						
Capital assets, net - Note 3	7,731,093	10,518,514	1,131,755	1,566,490	2,462,891	23,410,743
Deposits and other			1,131,755	1,566,490	88,529	88,529
Total noncurrent assets	<u>7,731,093</u>	<u>10,518,514</u>	<u>1,131,755</u>	<u>1,566,490</u>	<u>2,551,420</u>	<u>23,499,272</u>
Total assets	<u>15,513,969</u>	<u>18,720,744</u>	<u>1,693,738</u>	<u>1,782,560</u>	<u>5,767,655</u>	<u>43,478,666</u>
<u>LIABILITIES</u>						
<u>Current Liabilities</u>						
Accounts payable	85,503	24,354	40,014	6,292	52,646	208,809
Accrued liabilities	115,642	16,259	5,447	6,744	135,836	279,928
Deposits	11,000		24,170		21,646	56,816
Current portion of long term obligation - Note 4	8,000	77,049	69,631	13,036	80,000	165,049
Total current liabilities	<u>220,145</u>	<u>117,662</u>	<u>69,631</u>	<u>13,036</u>	<u>290,128</u>	<u>710,602</u>
<u>Noncurrent Liabilities</u>						
Noncurrent portion of long-term obligation - Note 4	138,000	1,043,812			3,845,000	5,026,812
Deferred revenues		6,300				6,300
Total noncurrent liabilities	<u>138,000</u>	<u>1,050,112</u>	<u>69,631</u>	<u>13,036</u>	<u>3,845,000</u>	<u>5,033,112</u>
Total liabilities	<u>358,145</u>	<u>1,167,774</u>	<u>69,631</u>	<u>13,036</u>	<u>4,135,128</u>	<u>5,743,714</u>
<u>NET ASSETS</u>						
Invested in capital assets, net of related debt	7,585,093	9,397,653	1,131,755	1,566,490	(1,462,109)	18,218,882
Restricted for system expansion and replacement - Note 2	6,987,633	7,442,913	529,420	152,153		15,112,119
Unrestricted	583,098	712,404	(37,068)	50,881	3,094,636	4,403,951
Total net assets	<u>\$ 15,155,824</u>	<u>\$ 17,552,970</u>	<u>\$ 1,624,107</u>	<u>\$ 1,769,524</u>	<u>\$ 1,632,527</u>	<u>\$ 37,734,952</u>

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

NIPOMO COMMUNITY SERVICES DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2005

	Business - Type Activities - Enterprise Funds		Blacklake Water	Blacklake Sewer	Other Non Major	Totals
	Town Water	Town Sewer				
<u>Operating revenues</u>						
Charges for services	\$ 1,647,614	\$ 683,391	\$ 212,464	\$ 206,893	\$ 18,258	\$ 2,768,620
Miscellaneous	<u>124,536</u>	<u>7,553</u>	<u>1,392</u>		<u>329,179</u>	<u>462,660</u>
Total operating revenues	<u>1,772,150</u>	<u>690,944</u>	<u>213,856</u>	<u>206,893</u>	<u>347,437</u>	<u>3,231,280</u>
<u>Operating expenses</u>						
Personnel	316,676	163,231	82,599	64,756	139,300	766,562
Contractual Services	309,039	7,420	44,486	761	29,640	391,346
Utilities	274,280	90,084	79,958	20,822	26,586	491,730
Repairs and maintenance	71,757	56,684	9,034	16,979	2,195	156,649
Other supplies and expenses	285,729	134,636	54,872	53,372	45,641	574,250
Insurance	14,822	5,892	2,062	2,354	7,028	32,158
Depreciation	<u>347,079</u>	<u>301,319</u>	<u>97,213</u>	<u>41,765</u>	<u>55,400</u>	<u>842,776</u>
Total operating expenses	<u>1,619,382</u>	<u>759,266</u>	<u>370,224</u>	<u>200,809</u>	<u>305,790</u>	<u>3,255,471</u>
Operating income (loss)	<u>152,768</u>	<u>(68,322)</u>	<u>(156,368)</u>	<u>6,084</u>	<u>41,647</u>	<u>(24,191)</u>
Non operating revenues (expenses)						
Interest revenue	126,638	170,734	12,738	3,919	89,168	403,197
Property tax revenue					127,163	127,163
Cell site revenues	22,962				4,202	27,164
Miscellaneous revenue	930	372	155	93	(310)	1,240
Abandoned project	(26,310)					(26,310)
Interest expense	<u>(7,700)</u>				<u>(169,200)</u>	<u>(176,900)</u>
Total non operating revenues (expenses)	<u>116,520</u>	<u>171,106</u>	<u>12,893</u>	<u>4,012</u>	<u>51,023</u>	<u>355,554</u>
Income (loss) before contributions	269,288	102,784	(143,475)	10,096	92,670	331,363
Capital contributions	<u>1,570,996</u>	<u>1,016,786</u>				<u>2,587,782</u>
Change in net assets	1,840,284	1,119,570	(143,475)	10,096	92,670	2,919,145
Total net assets - beginning	<u>13,315,540</u>	<u>16,433,400</u>	<u>1,767,582</u>	<u>1,759,428</u>	<u>1,539,857</u>	<u>34,815,807</u>
Total net assets - ending	<u>\$15,155,824</u>	<u>\$17,552,970</u>	<u>\$1,624,107</u>	<u>\$1,769,524</u>	<u>\$1,632,527</u>	<u>\$37,734,952</u>

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

NIPOMO COMMUNITY SERVICES DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2005

	Business - Type Activities - Enterprise Funds		Blacklake Water	Blacklake Sewer	Other Non Major	Totals
	Town Water	Town Sewer				
<u>Cash Flows from Operating Activities</u>						
Receipts from customers	\$ 1,772,150	\$ 690,944	\$ 213,856	\$ 206,893	\$ 347,437	\$ 3,231,280
Payments to suppliers	(904,829)	(376,951)	(169,321)	(93,376)	(137,630)	(1,682,107)
Payments to employees	(316,676)	(163,231)	(82,599)	(64,756)	(139,300)	(766,562)
	<u>550,645</u>	<u>150,762</u>	<u>(38,064)</u>	<u>48,761</u>	<u>70,507</u>	<u>782,611</u>
Net cash provided by operating activities						
<u>Cash Flows from Noncapital Financing Activities</u>						
Property taxes					127,163	127,163
<u>Cash Flows from Capital and Related Financing Activities</u>						
Capital contributions	1,195,979	793,115	(19,865)	(20,324)	(141,035)	1,989,094
Purchases of capital assets	(409,381)	(60,335)			(75,000)	(650,940)
Principal paid on capital debt	(8,000)	(77,049)			(169,950)	(160,049)
Interest paid on capital debt	(7,700)		155	93	1,798	(177,650)
Other cash flows	(2,418)	372	(1,740)	(16,800)	(1,735,172)	-
Other transfers	<u>1,650,987</u>	<u>102,725</u>				<u>-</u>
Net cash provided by capital and related financing activities	2,419,467	758,828	(21,450)	(37,031)	(2,119,359)	1,000,455
<u>Cash Flows from Investing Activities</u>						
Interest income	<u>92,442</u>	<u>139,374</u>	<u>10,896</u>	<u>3,218</u>	<u>85,796</u>	<u>331,726</u>
Net increase (decrease) in cash and cash investments	3,062,554	1,048,964	(48,618)	14,948	(1,835,893)	2,241,955
Balance - beginning of year	<u>4,360,703</u>	<u>6,999,383</u>	<u>574,888</u>	<u>167,981</u>	<u>5,019,592</u>	<u>17,122,547</u>
Balance - end of year	<u>\$ 7,423,257</u>	<u>\$ 8,048,347</u>	<u>\$ 526,270</u>	<u>\$ 182,929</u>	<u>\$ 3,183,699</u>	<u>\$ 19,364,502</u>

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

NIPOMO COMMUNITY SERVICES DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS (continued)
FOR THE YEAR ENDED JUNE 30, 2005

	<u>Business - Type Activities - Enterprise Funds</u>	
	<u>Town Water</u>	<u>Town Sewer</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:		
Operating income (loss)	\$ 153,332	\$ (68,033)
Adjustments to reconcile operating income to net cash provided(used) by operating activities:		
Depreciation expense	347,079	301,319
Change in assets and liabilities:		
Accounts receivable	26,518	3,060
Unbilled utility receivable	18,000	(5,000)
Accrued income	(34,196)	(31,360)
Notes receivable		13,944
Deposits and other		
Accounts payable and accrued expenses	41,412	(63,168)
Deposits and cash held	(1,500)	
Net cash provided by operating activities	<u>\$ 550,645</u>	<u>\$ 150,762</u>

<u>Blacklake Water</u>	<u>Blacklake Sewer</u>	<u>Other Non Major</u>	<u>Totals</u>
\$(156,187)	\$ 6,084	\$ 41,647	\$ (24,191)
97,213	41,765	55,400	842,776
420	(2,351)		27,647
5,000			18,000
(1,842)	(701)	(3,709)	(71,808)
			13,944
		(85,326)	(85,326)
17,332	3,868	78,992	78,436
		(15,367)	(16,867)
<u>\$ (38,064)</u>	<u>\$ 48,665</u>	<u>\$ 71,637</u>	<u>\$ 782,611</u>

Information on Non-Cash Investing, Capital and Financial Activities
During the year, the District received donated fixed assets in the amount of \$474,328 from developers.

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

NIPOMO COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

Note 1 - Summary of Significant Accounting Policies

A. Organization

District was formed on January 28, 1965, under the authorization of Community Service District Law, Section 61000, et. seq., of the Government Code of the State of California, for the purpose of providing all permissible services of a community services district. The District which provides water, sewer, street lighting, solid waste, street landscape maintenance and drainage began operations in November 1966. The District operates under a Board of Directors - Manager form of government.

The District's financial statements include the accounts of all District operations. The accounting policies of the District conform to generally accepted accounting principles.

The Reporting Entity - The Nipomo Community Services District (District) is a political subdivision of the State of California. The District's basic financial statements are presented in accordance with Governmental Accounting Standards Board Statement No. 14, "The Financial Reporting Entity". This technical pronouncement established criteria for determining the organization's activities and functions that should be included in the basic financial statements of a governmental unit.

For financial reporting purposes, the District would include in this report all funds and account groups of all agencies and boards that are controlled by, or dependent upon, the District's legislative body. The criteria of control is determined on the basis of financial accountability, imposition of will, and financial benefit or burden.

The District is a member of the Special District Risk Management Authority Joint Powers Agency, which was organized for the purpose of providing general liability, automobile, errors and omission and property loss insurance coverage to special districts. This organization is financed through premium charges to each member. This organization does not meet the aforementioned reporting entity criteria and therefore is not included in the accompanying financial statements.

Basic Financial Statements

The District has implemented Governmental Accounting Standards Board Statement No. 34 "Basic Financial Statements-and managements discussions and analysis- for State and local Governments" July 1, 2000.

NIPOMO COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005
Page Two

Note 1 - Summary of Significant Accounting Policies (continued)

B. Basis of Accounting

The District utilizes accounting principles appropriate for an enterprise fund to record its activities. Accordingly, revenues and expenses are recognized on a accrual basis of accounting. The District's books and records include water funds, sewer funds, street lighting fund, drainage fund, street landscape maintenance fund, solid waste fund, supplemental water fund, property tax fund, and funded replacement fund. These funds are reported in the basis financial statements by major fund activity.

These funds have been combined in the accompanying statements net assets balance, statement of revenues, expenses and changes in fund net assets, and statement of cash flows. All material interfund and interdivisional transactions have been eliminated.

The District applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless those pronouncements contradict GASB pronouncements: FASB Statements and Interpretations, APB Opinions, and ARBs.

C. Revenue Recognition

The District recognizes revenue from user fees and service charges, as it is earned. Taxes and assessments are recognized as revenue in the year assessed.

D. Cash and Investments

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

E. Receivable

District water and sewer charges are billed monthly or bi-monthly. Customer accounts receivable are placed on the tax roll when the receivable is deemed uncollectible by the District. An allowance for uncollectibles is not considered to be necessary since it would not be material.

NIPOMO COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005
Page Three

Note 1 - Summary of Significant Accounting Policies (continued)

F. Fixed Assets and Loan Fees

Depreciation of all exhaustible fixed assets is charged as an expense against their operations. Depreciation has been provided over the estimated useful lives ranging from five to 50 years using the straight-line method. All purchased fixed assets are valued at historical cost. Other donated fixed assets are valued at their estimated fair market value on the date received. Loan fees are amortized under the financing method over 20 years.

G. Compensated Absences

Depending on the length of continuous services, a range of 10-20 vacation and 12 days of sick leave per year may be accumulated by each employee. The District accrues a liability for compensated absences which meet the following criteria:

1. The District's obligation relating to employee's rights to receive compensation for future absences is attributable to employees' services already rendered.
2. The obligation relates to rights that vest or accumulate.
3. Payment of the compensation is probable.
4. The amount can be reasonably estimated.

In accordance with above criteria, the District has accrued a liability for vacation and sick pay which has been earned but not taken by District employees, and is recorded as a liability in accordance with FASB Statement 43.

H. Capital Contributions

Capital contributions are recorded when cash for capacity fees or fixed assets are received from developers, customers, or other government entities, and the purpose is for other than operating expenses.

I. Property Tax

Secured property taxes attach as an enforceable lien on property as of January 1. Taxes are payable in two installments on December 10, and April 10. Unsecured property taxes are payable in one installment on or before August 31. The County of San Luis Obispo bills and collects the taxes for the District. Tax revenues are recognized by the District in the year levied.

NIPOMO COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005
Page Four

Note 1 - Summary of Significant Accounting Policies (continued)

J. Types of Investments Authorized

The District Finance Officer is authorized to invest in the following institutions:

1. County pooled funds (California Government Code § 61730)
2. The Local Agency Investment Fund created by the California State Treasury (California Government Code § 16429.1)
3. One or more FDIC insured Banks and/or savings and Loan Associations that are designated as District depositories by resolution of the Board of Directors (California Government Code § 61737.02)
4. Such other financial institutions or securities that may be designated by the Board of Directors from time to time in compliance with California and Federal law.

Note 2 - Cash and Investments

Cash and investments as of June 30, 2005 consist of the following:

Cash on hand	\$ 350
Deposits with financial institutions	457,356
Investments - Cash in pooled funds	18,614,615
Deposits with bond trustees	<u>292,181</u>
Total cash and investments	<u>\$19,364,502</u>

Investments Authorized by the District's Investment Policy

The District's investment policy only authorizes investments in the local government investment pool administered by the State of California (LAIF) , and in the County of San Luis Obispo. The District's investment policy does contain specific provisions intended to limit the District's exposure to interest rate risk, credit risk, and concentration of credit risk.

NIPOMO COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005
Page Five

Note 2 - Cash and Investments (continued)

Investments Authorized by Debt Agreements

Investment of debt proceeds held by bond trustee are governed by provisions of the debt agreements, rather than the general provisions of the California Government Code or the District's investment policy. The table below identifies the investment types that are authorized for investments held by bond trustee. The table also identifies certain provisions of these debt agreements that address interest rate risk, credit risk, and concentration of credit risk.

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>
Money Market Mutual Funds	N/A

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in the market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. As of year end, the weighted average maturity of the investments contained in the LAIF investment pool is approximately 10.5 months.

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 maturity date of each investment:

	<u>Maturity Date</u>
State investment pool	<u>\$18,598,322</u> 10.5 months average maturity

NIPOMO COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2005

Page Six

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 a rating by a nationally recognized statistical rating organization. LAIF does not have a rating provided by a nationally recognized statistical rating organization.

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's investments except that investments in the LAIF amounted of 96% of total 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 the state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure District deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

\$357,356 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 securities through the use of mutual funds or government investment pools (such as LAIF).

NIPOMO COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005
Page Seven

Note 2 - Cash and Investments (continued)

Investment in State Investment Pool

The District is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The fair value of the District's investment in this pool is reported in the accompanying financial statements at amounts based upon the Entity's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized costs basis.

Restricted Net Assets

Restricted cash and investments were provided by, and are to be used for the following:

<u>Funding Source</u>	<u>Use</u>	<u>Amount</u>
Water capacity charges	For the expansion of the water system	\$ 4,810,050
Supplemental water capacity charges	For the development/purchase of supplemental water	410,923
Water sales	Funded replacement	<u>1,766,660</u>
		<u>6,987,633</u>
Sewer capacity charges	For the expansion of sewer system	5,222,743
Sewer sales	Funded replacement	<u>2,220,170</u>
		<u>7,442,913</u>
Black Lake water sales	Funded replacement	529,420
Blake Lake sewer sales	Funded replacement	<u>152,153</u>
		<u>\$15,112,119</u>

NIPOMO COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2005

Page Eight

Note 3 - Capital Assets

Capital assets at June 30, 2005, consisted of the following:

	<u>Balance</u> <u>7/1/04</u>	<u>Additions</u>	<u>Deletions</u> <u>and</u> <u>Reclassi-</u> <u>fications</u>	<u>Balance</u> <u>6/30/05</u>
Collection and treatment facilities	\$ 14,521,132	\$ 509,435	\$ -	\$ 15,030,567
Source of supply and pumping	4,585,982	16,763	-	4,602,745
Transmission and distribution lines	9,962,138	581,862	(15,019)	10,528,981
Machinery and equipment	295,268	19,459	-	314,727
Vehicles	125,936	36,272	(12,278)	149,930
Building	678,381	-	-	678,381
Computer equipment	180,628	31,841	(18,703)	193,766
Office furniture and fixtures	76,130	-	(3,242)	72,888
Land and land rights	704,535	30,866	-	735,401
Loan fees and discounts	434,935	-	-	434,935
Subtotal	<u>31,565,065</u>	<u>1,226,498</u>	<u>(49,242)</u>	<u>32,742,321</u>
Work in process	<u>369,144</u>	<u>746,766</u>	<u>(649,039)</u>	<u>466,871</u>
	<u>31,934,209</u>	<u>1,973,264</u>	<u>(698,281)</u>	<u>33,209,192</u>
Accumulated depreciation/ amortization	<u>(9,004,633)</u>	<u>(842,776)</u>	<u>48,960</u>	<u>(9,798,449)</u>
Net capital assets	<u>\$ 22,929,576</u>			<u>\$ 23,410,743</u>

NIPOMO COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

Page Nine

Note 4 - Long-Term Debt

Notes Payable

	<u>June 30, 2005</u> <u>Ending</u> <u>Balance</u>	<u>July 1, 2004</u> <u>Beginning</u> <u>Balance</u>
In August of 1978, the District issued and sold Water Revenue Bonds amounting to \$270,000. The loan is payable over 40 years and bears interest at 5% per annum. Interest is paid semi-annually.	\$ 146,000	\$ 154,000
The District entered into a loan contract on April 30, 1998, with the State Water Resources Control Board for the construction of the Southland Wastewater Treatment Plant Expansion-Phase I. The loan was funded during the year ended June 30, 1999. The loan is zero interest, however a loan fee of 16.667% was charged. The loan is payable over 20 years. It calls for annual payments of \$34,868.35 starting on May 1, 2000.	488,157	523,025
The District entered into a loan contract on February 24, 1999, with the State Water Resources Control Board for the construction of the Southland Wastewater Treatment Plant Expansion - Phase II. The loan was funded during the year ended June 30, 2000. The loan is zero interest, however a loan fee of 16.667% was charged. The loan is payable over 20 years. It calls for annual payments of \$42,180.25 starting March 1, 2001.	632,704	674,885
The District issued \$4,000,000 of Revenue Certificates of Participation (COP'S) on May 1, 2003. The proceeds are to be used for pipeline and storage facility project costs. The COP'S bear interest ranging from 3.00% to 4.93% per annum. Principal is to be paid annually starting September 1, 2004 through September 1, 2033. Annual principal payments range from \$75,000 to \$225,000.	3,925,000	4,000,000
	<u>\$ 5,191,861</u>	<u>\$ 5,351,910</u>
Current portion	\$ 165,049	
Noncurrent portion	<u>5,026,812</u>	
	<u>\$ 5,191,861</u>	

The following is a summary of future principal payments to be made:

<u>Year</u>	<u>Amount</u>
2006	\$ 165,048
2007	166,048
2008	171,048
2009	171,048
2010	171,048
Thereafter	<u>4,347,621</u>
	<u>\$ 5,191,861</u>

NIPOMO COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005
Page Ten

Note 4 - Long-Term Debt (continued)
Special Assessment Debt

In July 1994, the District issued Assessment District No. 93-1 bonds in the amount of \$1,752,938. The bonds are not secured by the general taxing power of the District. The bonds are secured by the unpaid assessments on each parcel of land. The District is not obligated in any manner. The balance outstanding at June 30, 2005 amounted to \$863,000.

Note 5 - Joint Powers Authority

The District is a member of the Special District Risk Management Authority (S.D.R.M.A.), an intergovernmental risk sharing joint powers authority, created pursuant to California Government Code Sections 6500 et. Seq. In becoming a member of the Special District Risk Management Authority, the District elected to participate in the risk financing program (s) listed below for the program periods July 1, 2004 through June 30, 2005.

Policy No 0405. Memorandum of Coverage and the following excess policies:

Policy Dates:	7/1/2004 to 6/30/2005	LIMITS
<u>General and Automobile Liability</u>		
Company: Special District Risk Management Authority, Cov. No. CVA0405V06E03		\$2.5 million per occurrence/aggregate where applicable. \$2.5 million excess coverage and additional \$5.0 million excess coverage.
<u>Public Officials and Employees Errors and Omissions Liability</u>		
Company: Special District Risk Management Authority, Cov. No. CVA0405V06E03		\$2.5 million per wrongful act/annual member aggregate. \$2.5 million excess coverage and additional \$5.0 million excess coverage.
<u>Employees Practices Liability</u>		
Company: Special District Risk Management Authority, Cov. No. CVA0405V06E03		\$2.5 million per wrongful employment practice/aggregate limits per member included with Public Officials and Employee Errors and Omissions Coverage. \$2.5 million excess coverage and additional \$5.0 million excess coverage.

NIPOMO COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005
Page Eleven

Note 5 - Joint Powers Authority (continued)

Policy Dates: 7/1/2004 to 6/30/2005

LIMITS

Employee Dishonesty Coverage

Company: Great American No. GTV 554-39-30

Forgery or Alteration Coverage. Theft, Disappearance and Destruction Coverage, \$400,000 per loss.

Public Officials Personal Liability

Company: SDRMA as faciltator for American Safety Insurance Co. CVA0304V04E03-POPL

\$500,000 per occurrence/annual aggregate per Board Member.

Automobile Physical Damage

Company: Special District Risk Management Authority, Cov. No. SDRMA0304V05E02-CC

Limits on file with SDRMA

Property Coverage

Company: Special District Risk Management Authority

Company: Lexington Insurance Company, Policy No. RKMI03900348

Replacement cost for Scheduled Property.
\$500 million per occurrence.

Boiler and Machinery

Company: Lexington Insurance Company, Policy No. RKMI03900348

\$100 million per occurrence

Workers Compensation Coverage and Employer's Liability

\$100 million per occurrence for workers compensation and \$5 million for employer's liability coverage

NIPOMO COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005
Page Twelve

Note 5 - Joint Powers Authority (continued)

The annual member contribution was \$28,746 for the Package Program and \$3,412 for the Comp/Collision Program and \$26,113 for the worker's compensation program. Members are subject to dividends and/or assessments, in accordance with the fourth Amended Joint Powers Agreement and amendments thereto, on file with the District. No such dividends have been declared, nor have any assessments been levied. Presently, there are no known refunds or credits due to the District. There has been no reductions in insurance coverage from the prior year. Insurance settlements have not exceeded insurance coverages for each of the past three fiscal years.

Condensed financial information for S.D.R.M.A. for the most recent year available is as follows:

	<u>June 30, 2004</u>
Total assets	\$ 34,455,390
Total liabilities	<u>20,378,337</u>
Risk margin	<u>\$ 14,077,053</u>
Total revenues	\$ 16,843,014
Total expenses	<u>15,237,118</u>
Net income	<u>\$ 1,605,896</u>

Complete audited financial statements on the S.D.R.M.A. are on file with the general manager of District.

NIPOMO COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005
Page Thirteen

Note 6 - Defined Benefit Pension Plan

Plan Description

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

Employee membership in CALPERS is compulsory for all regular full-time and part-time employees except those specifically excluded.

Benefits fully vest on reaching five years of service. Employees who retire at or after age 60 with five years of credited service, are entitled to a retirement benefit payable monthly for life. An employee's monthly service benefit is determined by computing the product: years of credited service multiplied by three percent multiplied by final-average monthly compensation. Final-average monthly compensation is the employee's average monthly salary during the last year of credited service, or the last three years, whichever is greater. Vested employees may retire at or after age 50 and receive reduced retirement benefits. CALPERS also provides death and disability benefits. These benefit provisions and all other requirements are established by State statute. Employees are required to contribute to the plan, however, the District agreed to pay the employees' portion. This amount is based upon a payroll contribution rate of 8 percent. The District is required to contribute the remaining amounts necessary to fund CALPERS, using the actuarial basis specified by statute.

Funding Policy

Participants are required to contribute 8% of their annual covered salary. The District makes the contribution required of District employees on their behalf and for their account. The District is required to contribute at an actuarially determined rate; the current rate is 18.573% of annual covered payroll. The contribution requirements of plan members and the District are established and may be amended by CALPERS.

NIPOMO COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005
Page Fourteen

Note 6 - Defined Benefit Pension Plan (continued)

Annual Pension Cost

For the fiscal year ending June 30, 2005, the District's annual pension cost of \$126,607 for CALPERS was equal to the District's required and actual contributions. The required contribution was determined as part of the June 30, 2003, actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) 8.25% investment rate of return (net of administrative expenses), (b) projected annual salary increases. The actuarial value of CALPERS assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a two-three year period (smoothed market value).

THREE-YEAR TREND INFORMATION FOR PERS

Fiscal Year	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/01	\$ 0	100%	\$ 0
6/30/02	0	100	0
6/30/03	0	100	0

REQUIRED SUPPLEMENTARY INFORMATION

	(A)	(B)	(C)	(D)	(E)	(F)
Actuarial Valuation Date	Actuarial Asset Value	Entry Age Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability [(B) - (A)]	Funded Ratio [(A) / (B)]	Covered Payroll	Unfunded Actuarial Liability as Percentage of Covered Payroll {(B)-(A)}/(E)}
6/30/94	\$ 609,308	\$ 525,235	\$ (84,073)	116.0%	\$ 295,713	(28.431%)
6/30/95	675,678	572,380	(103,298)	118.0%	327,328	(31.558%)
6/30/96	794,690	661,740	(132,950)	120.1%	296,500	(44.828%)
6/30/97	963,528	708,201	(255,327)	136.1%	299,724	(85.187%)
6/30/98	1,137,206	833,105	(304,101)	136.5%	326,670	(93.091%)
6/30/99	1,324,399	993,663	(330,736)	133.3%	309,647	(106.811%)
6/30/00	1,456,042	1,062,883	(393,159)	137.0%	322,048	(122.081%)
6/30/01	1,546,367	1,389,627	(156,740)	111.3%	330,560	(47.4%)
6/30/02	1,432,896	1,580,302	147,406	90.7%	358,163	41.2%
6/30/03	1,503,245	1,774,826	271,581	84.7%	400,172	67.9%

NIPOMO COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005
Page Fifteen

Note 6 - Defined Benefit Pension Plan (continued)

Postemployment Benefits

In addition to the pension benefits, the District provides through CALPERS, postretirement health care benefits. Employees who retire on or after attaining age 50, are eligible for District paid health insurance. The District funds the benefit payments on a pay-as-you-go basis. Currently two retired employees are receiving 100% paid health care benefits totalling \$934.28 per month.

NIPOMO COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005
Page Sixteen

Note 7 - Segment Reporting for Activities Supporting Outstanding Revenue Bonds (in 1,000's)

<u>Statement of Revenues, Expenses and changes in Net Assets</u>	<u>Town Water</u>
Operating revenues	\$ 1,772
Depreciation and amortization expense	347
Operating income (or loss)	153
Nonoperating revenues (expenses):	
Interest revenue	126
Interest expense	7
Change in net assets	1,840
Capital contributions	1,571
Beginning net assets	13,316
Ending net assets	15,156
 <u>Statements of Cash Flows</u>	
Net cash provided (used) By:	
Operating activities	551
Noncapital financing activities	-
Capital and related financing activities	2,419
Investing activities	92
Beginning cash and equivalents	4,361
Ending cash and equivalents	7,423
 <u>Balance Sheet</u>	
Total assets	15,514
Total liabilities	358
Total net assets	15,156

SUPPLEMENTARY INFORMATION

NIPOMO COMMUNITY SERVICES DISTRICT
REQUIRED DISCLOSURE UNDER GOVERNMENT CODE SECTION 66013
FOR THE YEAR ENDED JUNE 30, 2005

FUND 700 - WATER CAPACITY FUND (TOWN DIVISION)

Beginning balance July 1, 2004	\$2,636,730
Ending balance June 30, 2005	\$4,810,051
Interest earned	\$ 8,488
Amount of charges collected in fiscal year	\$ 840,107

Public improvements on which charges were expended and the amount of the expenditure for each improvement:

Water Line - Tefft/Osage	\$ 166,047
Water Tank - Rim Rock	\$ 15,939
Hermreck Well	\$ 364,348

Anticipated projects for 2005-2006 fiscal year:

1. Urban Water Management Plan Update
2. Desalination Study
3. G.I.S. (Geographic Information System) System Software and database upgrade
4. Replace Water Line on Hetrick Avenue

NIPOMO COMMUNITY SERVICES DISTRICT
REQUIRED DISCLOSURE UNDER GOVERNMENT CODE SECTION 66013
FOR THE YEAR ENDED JUNE 30, 2005
(continued)

FUND 710 - SEWER CAPACITY FUND (TOWN DIVISION)

Beginning balance July 1, 2004	\$4,423,340
Ending balance June 30, 2005	\$5,222,743
Interest earned	\$ 110,410
Amount of charges collected in fiscal year	\$ 793,115

Public improvements on which charges were expended and the amount of the expenditures for each improvement:

Lift Station Upgrade - Tefft Street	\$ 22,639
-------------------------------------	-----------

Anticipated projects for 2005-2006 fiscal year:

1. Upgrade Frontage Road trunk line
2. Upgrade headwork at Southland Plant
3. G.I.S (Geographic Information System) Software and database upgrade

NIPOMO COMMUNITY SERVICES DISTRICT
STATEMENT OF NET ASSETS - OTHER NON MAJOR FUNDS
PROPRIETARY FUNDS
JUNE 30, 2005

	<u>Administration</u>	<u>Blacklake St. Lighting</u>	<u>Solid Waste</u>	<u>Drainage</u>	<u>Landscape Maintenance District</u>	<u>Property Taxes</u>	<u>Totals</u>
<u>ASSETS</u>							
<u>Current Assets</u>							
Cash and cash equivalents	\$ 46,033	\$ 49,953	\$ 290,942	\$ 5,239	\$ 6,972	\$ 2,784,560	\$ 3,183,699
Accrued interest receivable		340	2,023	105	42	17,587	20,097
Accrued franchise fees			12,439				12,439
Total current assets	<u>46,033</u>	<u>50,293</u>	<u>305,404</u>	<u>5,344</u>	<u>7,014</u>	<u>2,802,147</u>	<u>3,216,235</u>
<u>Noncurrent assets</u>							
Capital assets, net	22,703		16,820			2,423,368	2,462,891
Deposit and other	138					88,391	88,529
Total noncurrent assets	<u>22,841</u>		<u>16,820</u>			<u>2,511,759</u>	<u>2,551,420</u>
Total assets	<u>68,874</u>	<u>50,293</u>	<u>322,224</u>	<u>5,344</u>	<u>7,014</u>	<u>5,313,906</u>	<u>5,767,655</u>
<u>LIABILITIES</u>							
<u>Current Liabilities</u>							
Accounts payable	13,441	1,693	663		809	36,040	52,646
Accrued liabilities	45,121					90,715	135,836
Deposits	21,646					80,000	21,646
Current portion of long - term obligation						80,000	80,000
Total current liabilities	<u>80,208</u>	<u>1,693</u>	<u>663</u>		<u>809</u>	<u>206,755</u>	<u>290,128</u>
<u>Noncurrent Liabilities</u>							
Noncurrent portion of long - term obligation						3,845,000	3,845,000
Total noncurrent liabilities						3,845,000	3,845,000
Total liabilities	<u>80,208</u>	<u>1,693</u>	<u>663</u>		<u>809</u>	<u>4,051,755</u>	<u>4,135,128</u>
<u>NET ASSETS</u>							
Invested in capital assests, net of related debt	22,703		16,820			(1,501,632)	(1,462,109)
Unrestricted	(34,037)	48,600	304,741	5,344	6,205	2,763,783	3,094,636
Total net assets	<u>\$ (11,334)</u>	<u>\$ 48,600</u>	<u>\$ 321,561</u>	<u>\$ 5,344</u>	<u>\$ 6,205</u>	<u>\$ 1,262,151</u>	<u>\$ 1,632,527</u>

NIPOMO COMMUNITY SERVICES DISTRICT
SCHEDULE OF BLACKLAKE CAPITAL ASSETS
JUNE 30, 2005

	<u>Balance</u> <u>7/01/04</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>6/30/05</u>
Sanitation Collection	\$ 723,226	\$ 17,405	\$ -	\$ 740,631
Sewer - Contributed	1,142,407	-	-	1,142,407
Water - Pumping	1,599,174	16,763	-	1,615,937
Water - Distribution	69,668	-	-	69,668
Water - Contributed	416,232	-	-	416,232
Machinery & Equipment	20,354	499	-	20,853
Computer Equipment	12,617	-	-	12,617
Vehicles	<u>23,944</u>	<u>6,166</u>	<u>(2,010)</u>	<u>28,100</u>
Total	4,007,622	40,833	(2,010)	4,046,445
Work in Process	<u>-</u>	<u>19,032</u>	<u>-</u>	<u>19,032</u>
Grand Total	<u>\$ 4,007,622</u>	<u>\$ 59,865</u>	<u>\$ (2,010)</u>	<u>\$ 4,065,477</u>

	<u>Balance</u> <u>7/01/04</u>	<u>Depreciation</u> <u>Expense</u>	<u>Deletions</u>	<u>Balance</u> <u>6/30/05</u>
Accum Depreciation	<u>\$ 1,231,394</u>	<u>\$ 138,978</u>	<u>\$ (2,010)</u>	<u>\$ 1,368,362</u>

NIPOMO COMMUNITY SERVICES DISTRICT
SCHEDULE OF OTHER SUPPLIES AND EXPENSES
FOR THE YEAR ENDED JUNE 30, 2005

OTHER SUPPLIES AND EXPENSES	<u>Town</u> <u>Water</u>	<u>Town</u> <u>Sewer</u>	<u>Blacklake</u> <u>Water</u>	<u>Blacklake</u> <u>Sewer</u>	<u>Other</u> <u>NonMajor</u>	<u>Totals</u>
Chemicals	\$ 1,676	\$ -	\$ 1,866	\$ 7,011	\$ -	\$ 10,553
Lab testing	10,991	8,316	1,459	9,788	-	30,554
Operating supplies	34,685	17,989	3,927	4,994	-	61,595
Outside services	56,140	4,946	12,552	3,009	2,055	78,702
Permits and operating fees	9,125	3,050	2,063	1,962	-	16,200
Fuel	11,155	4,276	1,487	1,673	-	18,591
Paging service	3,085	1,182	411	463	-	5,141
Meters - new installation	6,314	-	-	-	-	6,314
Meters-replacements program	2,861	-	1,531	-	-	4,392
Uniforms	1,954	749	261	293	-	3,257
Rent	137	35,200	-	-	-	35,337
Landscape maintenance	-	-	-	-	6,569	6,569
Intertie costs	7,353	-	7,353	-	-	-
Clean up costs	-	-	-	-	5,383	5,383
Bank charges and fees	250	-	-	-	531	781
Computer expenses	13,278	4,989	1,947	1,996	3,839	26,049
Director fees	8,350	3,340	1,169	1,336	2,505	16,700
Dues and subscriptions	2,839	1,131	401	595	1,527	6,493
Education and training	2,195	1,146	310	449	1,100	5,200
Elections	2,601	1,040	364	416	780	5,201
Landscape and janitorial	3,329	1,332	1,096	983	1,034	7,774
LAFCO funding	-	-	-	-	10,178	10,178
Miscellaneous	783	-	-	167	1,315	2,265
Newsletters and mailers	248	-	62	-	470	780
Office supplies	5,493	1,896	725	773	3,072	11,959
Postage	7,432	2,646	1,063	1,040	1,203	13,384
Public notices	2,289	932	307	230	395	4,153
Property taxes	678	-	-	-	-	678
Telephone	1,556	622	573	604	497	3,852
Travel and mileage	3,098	1,239	434	496	1,013	6,280
Bond administration	-	-	-	-	3,305	3,305
Operating transfer out-funded administration	<u>99,976</u>	<u>38,326</u>	<u>13,330</u>	<u>14,998</u>	<u>-</u>	<u>166,630</u>
Total operating supplies and expenses	<u>\$ 285,165</u>	<u>\$ 134,347</u>	<u>\$ 54,691</u>	<u>\$ 53,276</u>	<u>\$ 46,771</u>	<u>\$ 574,250</u>