

**NIPOMO COMMUNITY SERVICES DISTRICT**  
**REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2006**



**CARLOS J. REYNOSO**  
**CERTIFIED PUBLIC ACCOUNTANT**

**NIPOMO COMMUNITY SERVICES DISTRICT**  
**BOARD OF DIRECTORS**  
**JUNE 30, 2006**

| <b><u>Name</u></b> | <b><u>Office Held</u></b> |
|--------------------|---------------------------|
| Larry Vierheilig   | President                 |
| Michael Winn       | Vice - President          |
| Clifford Trotter   | Director                  |
| Judith Wirsing     | Director                  |
| Ed Eby             | Director                  |

**NIPOMO COMMUNITY SERVICES DISTRICT**  
**REPORT AND FINANCIAL STATEMENTS**  
**JUNE 30, 2006**

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# NIPOMO COMMUNITY

## BOARD MEMBERS

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



# SERVICES DISTRICT

## STAFF

BRUCE BUEL, GENERAL MANAGER  
LISA BOGNUDA, ASSISTANT ADMINISTRATOR  
JON SEITZ, GENERAL COUNSEL

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## 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 fiscal 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, 2006**

**CONDENSED FINANCIAL INFORMATION**

**STATEMENT OF NET ASSETS**

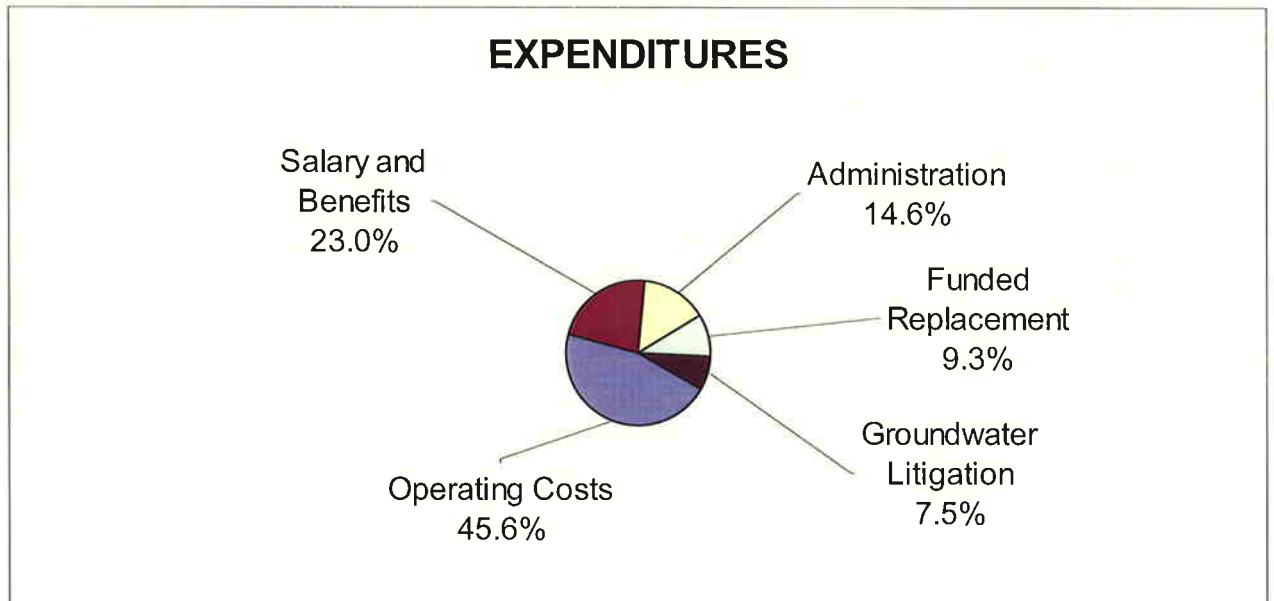
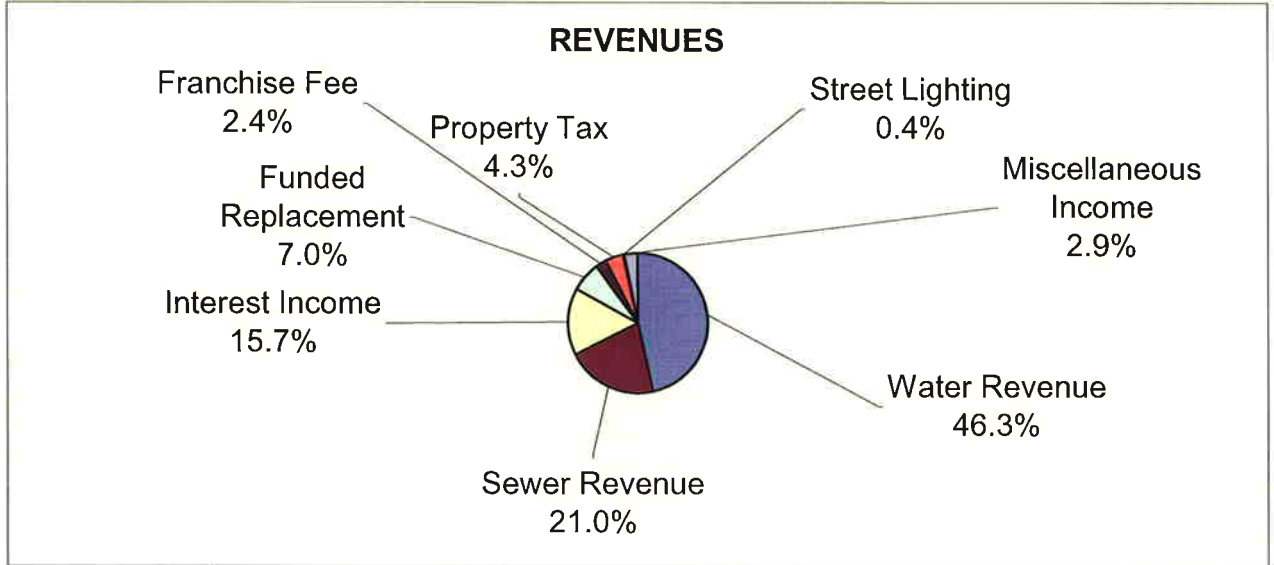
| <u>Assets</u>                           | <u>Fiscal Year</u><br><u>7/1/05 – 6/30/06</u> | <u>Fiscal Year</u><br><u>7/1/04 – 6/30/05</u> |
|---|---|---|
| Current and other assets                | \$ 20,689,531                                 | \$ 20,067,923                                 |
| Capital assets, net                     | 23,597,831                                    | 23,410,743                                    |
| Total Assets                            | 44,287,362                                    | 43,478,666                                    |
| <br><u>Liabilities</u>                  |   |   |
| Other liabilities                       | 367,789                                       | 551,853                                       |
| Long-term debt outstanding              | 5,026,812                                     | 5,191,861                                     |
| Total Liabilities                       | 5,394,601                                     | 5,743,714                                     |
| <br><u>Net Assets</u>                   |   |   |
| Invested in capital assets, net of debt | 18,571,019                                    | 18,218,882                                    |
| Restricted                              | 15,349,146                                    | 15,112,119                                    |
| Unrestricted                            | 4,972,596                                     | 4,403,951                                     |
| Total Net Assets                        | \$ 38,892,761                                 | \$ 37,734,952                                 |

**STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET ASSETS**

|  |               |               |
|--|---------------|---------------|
| <u>Operating Revenues</u>                        |               |               |
| Charges for services                             | \$ 3,200,662  | \$ 2,768,620  |
| Miscellaneous                                    | 414,867       | 462,660       |
| Total Operating Revenues                         | 3,615,529     | 3,231,280     |
| <br><u>Operating Expenses</u>                    |               |               |
| Water  | 2,086,265     | 1,989,606     |
| Sewer  | 1,068,952     | 960,075       |
| Other  | 321,007       | 305,790       |
| Total Operating Expenses                         | 3,476,224     | 3,255,471     |
| <br><u>Non Operating Revenues and (Expenses)</u> |               |               |
| Interest income                                  | 739,159       | 403,197       |
| Miscellaneous revenues                           | 229,020       | 155,567       |
| Miscellaneous expenses                           | (454,370)     | (26,310)      |
| Interest expense                                 | (186,623)     | (176,900)     |
| Net Non Operating<br>Revenues (Expenses)         | 327,186       | 355,554       |
| Capital Contributions                            | 691,318       | 2,587,782     |
| Change in Net Assets                             | 1,157,809     | 2,919,145     |
| Total Net Assets - Beginning of fiscal year      | 37,734,952    | 34,815,807    |
| Total Net Assets – End of fiscal year            | \$ 38,892,761 | \$ 37,734,952 |

**NIPOMO COMMUNITY SERVICES DISTRICT**  
MANAGEMENT DISCUSSION AND ANALYSIS  
FISCAL YEAR ENDING JUNE 30, 2006

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**NIPOMO COMMUNITY SERVICES DISTRICT**  
**MANAGEMENT DISCUSSION AND ANALYSIS**  
**FISCAL YEAR ENDING JUNE 30, 2006**

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**B. ANALYSIS OF OVERALL FINANCIAL POSITION AND RESULTS OF OPERATION**  
**(Comparison of Fiscal Year 2005-06 to Fiscal Year 2004-05)**

- Overall revenues increased 11.89%
- Overall operating expenditures increased 6.78%
- Total assets increased 1.86%
- Total liabilities decreased 6.47%
- Capital contributions, including water and sewer capacity fees and developer donated assets decreased 375%

**C. ANALYSIS OF BALANCES AND TRANSACTIONS OF INDIVIDUAL FUNDS**

- Water revenues for the Town Division increased 15% and the Blacklake Division increased 34%. 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 August 1, 2005 and January 1, 2006. The increase in the Black Lake Division may be attributable to the rate increase that went into effect on August 1, 2005 and January 1, 2006.
- Sewer revenues for the Town Division increased 12% and the Blacklake Division increased 11%. 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 August 1, 2005. The increase in the Blacklake Division is attributable to rate increases that went into effect on August 1, 2005.

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

COMPARISION OF BUDGET AMOUNTS TO ACTUAL

|                                     | 2005-06<br><u>BUDGET</u> | 2005-06<br><u>ACTUAL</u> | % ACTUAL IS<br>OVER(+)/UNDER(-)<br><u>BUDGET</u> | POSITIVE (+) OR<br>NEGATIVE (-)<br><u>IMPACT ON<br/>BUDGET</u> |
|-------------------------------------|--------------------------|--------------------------|--|--|
| Total revenues                      | \$ 3,664,522             | \$ 3,615,529             | -1.3%  | -  |
| Total Expenditures                  | 3,031,472                | 2,578,454                | -17.5%   | +  |
| Net Non Operating Income (Expenses) | 196,295                  | 327,186                  | +66.6%   | +  |

The variation between the budget and actual year-end result for Net Non Operating Income and Expenses is attributable to an increase in Interest Income and Property Tax Revenues.

**NIPOMO COMMUNITY SERVICES DISTRICT**  
**MANAGEMENT DISCUSSION AND ANALYSIS**  
**FISCAL YEAR ENDING JUNE 30, 2006**

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**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.

| <b>CAPITAL ASSETS CONTRIBUTED</b> | <b>FAIR MARKET VALUE</b> |
|-----------------------------------|--------------------------|
| Town Division Water               | \$113,317                |
| Town Division Sewer               | 121,290                  |
| Blacklake Division Water          | 89,500                   |
| Blacklake Division Sewer          | 153,300                  |
| <b>TOTAL</b>                      | <b>\$477,407</b>         |

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, 2006 is as follows:

|                             |                         |                    |
|-----------------------------|-------------------------|--------------------|
| Town Division Water         | Eureka Well development | \$ 138,000         |
| Town Division Sewer         | Sewer plant expansion   | 1,043,812          |
| Property Tax Secured        | Water improvements      | 3,845,000          |
| <b>Total Long-term debt</b> |                         | <b>\$5,026,812</b> |

**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, 2006**

**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 NCS. It is anticipated that the certification of the Final EIR will take place at the end of 2006.
- The Board of Directors acquired the services of Boyle Engineering, Inc. to prepare the preliminary design of the water line intertie project.
- 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 January 1, 2007. The sewer rates for the Town and Blacklake Division will increase on July 1, 2007.

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 |
| 2006           | \$24.75                        | \$1.23                 | \$2.10     |
| 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     |

**BLACKLAKE DIVISION-WATER RATES AND CHARGES**

| As of June 30, | Bi-Monthly Availability Charge | Bi-Monthly Usage Rates |            |
|----------------|--------------------------------|------------------------|------------|
|                |                                | 0 – 40 Units           | 41 + Units |
| 2006           | \$24.42                        | \$1.16                 | \$2.04     |
| 2005           | \$17.86                        | \$0.97                 | \$1.70     |
| 2004           | \$16.22                        | \$0.75                 | \$1.15     |
| 2003           | \$13.00                        | \$0.75                 | \$1.15     |
| 2002           | \$13.00                        | \$0.75                 | \$1.15     |

**NIPOMO COMMUNITY SERVICES DISTRICT**  
MANAGEMENT DISCUSSION AND ANALYSIS  
FISCAL YEAR ENDING JUNE 30, 2006

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**TOWN DIVISION- SEWER CHARGES**

| As of June 30, | Bi-Monthly<br>Sewer Charge |
|----------------|----------------------------|
| 2006           | \$41.60                    |
| 2005           | \$37.22                    |
| 2004           | \$36.86                    |
| 2003           | \$36.50                    |
| 2002           | \$36.40                    |


**BLACKLAKE DIVISION- SEWER CHARGES**

| As of June 30, | Bi-Monthly<br>Sewer Charge |
|----------------|----------------------------|
| 2006           | \$71.70                    |
| 2005           | \$64.40                    |
| 2004           | \$63.66                    |
| 2003           | \$46.00                    |
| 2002           | \$44.50                    |

**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*

## 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, 2006, 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, 2006, 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 18, 2006, on my consideration of Nipomo Community Services District's internal control structure and a report dated August 18, 2006, on its compliance with laws and regulations.

  
Carlos J. Reynoso, C.P.A.

August 18, 2006

**NIPOMO COMMUNITY SERVICES DISTRICT**  
**STATEMENT OF NET ASSETS**  
**PROPRIETARY FUNDS**  
**JUNE 30, 2006**

**Business - Type Activities -  
Enterprise Funds**

|  | <u>Town<br/>Water</u> | <u>Town<br/>Sewer</u> | <u>Blacklake<br/>Water</u> | <u>Blacklake<br/>Sewer</u> | <u>Other<br/>Non Major</u> | <u>Totals</u>       |
|--|-----------------------|-----------------------|----------------------------|----------------------------|----------------------------|---------------------|
| <b><u>ASSETS</u></b>                                     |                       |                       |                            |                            |                            |                     |
| <b><u>Current Assets</u></b>                             |                       |                       |                            |                            |                            |                     |
| Cash and investments - Note 2                            | \$ 8,240,141          | \$ 8,132,571          | \$ 466,322                 | \$ (4,912)                 | \$ 2,992,542               | \$ 19,826,664       |
| Accounts receivable                                      | 36,852                | 24,276                | 30,479                     | 22,230                     |                            | 113,837             |
| Unbilled utility receivables                             | 331,000               | 87,000                | 29,000                     | 20,000                     |                            | 467,000             |
| Accrued interest receivable                              | 90,724                | 90,821                | 5,604                      | 719                        | 27,686                     | 215,554             |
| Accrued franchise fees                                   |                       |                       |                            |                            | 14,858                     | 14,858              |
| Notes receivable   |                       | 1,606                 |                            |                            |                            | 1,606               |
| Total current assets                                     | <u>8,698,717</u>      | <u>8,336,274</u>      | <u>531,405</u>             | <u>38,037</u>              | <u>3,035,086</u>           | <u>20,639,519</u>   |
| <b><u>Noncurrent assets</u></b>                          |                       |                       |                            |                            |                            |                     |
| Capital assets, net - Note 3                             | 7,729,699             | 10,497,025            | 1,162,381                  | 1,893,199                  | 2,315,527                  | 23,597,831          |
| Deposits and other                                       | 9,902                 |                       |                            |                            | 40,110                     | 50,012              |
| Total noncurrent assets                                  | <u>7,739,601</u>      | <u>10,497,025</u>     | <u>1,162,381</u>           | <u>1,893,199</u>           | <u>2,355,637</u>           | <u>23,647,843</u>   |
| Total assets   | <u>16,438,318</u>     | <u>18,833,299</u>     | <u>1,693,786</u>           | <u>1,931,236</u>           | <u>5,390,723</u>           | <u>44,287,362</u>   |
| <b><u>LIABILITIES</u></b>                                |                       |                       |                            |                            |                            |                     |
| <b><u>Current Liabilities</u></b>                        |                       |                       |                            |                            |                            |                     |
| Accounts payable   | 51,738                | 28,268                | 13,493                     | 4,393                      | 48,196                     | 146,088             |
| Accrued liabilities                                      | 28,296                | 11,178                | 3,365                      | 4,691                      | 96,367                     | 143,897             |
| Deposits   | 11,500                |                       | 24,170                     |                            | 35,834                     | 71,504              |
| Current portion of long term obligation - Note 4         | 9,000                 | 77,049                |                            |                            | 80,000                     | 166,049             |
| Total current liabilities                                | <u>100,534</u>        | <u>116,495</u>        | <u>41,028</u>              | <u>9,084</u>               | <u>260,397</u>             | <u>527,538</u>      |
| <b><u>Noncurrent Liabilities</u></b>                     |                       |                       |                            |                            |                            |                     |
| Noncurrent portion of long-term obligation - Note 4      | 129,000               | 966,763               |                            |                            | 3,765,000                  | 4,860,763           |
| Deferred revenues  |                       | 6,300                 |                            |                            |                            | 6,300               |
| Total noncurrent liabilities                             | <u>129,000</u>        | <u>973,063</u>        | <u>          </u>          | <u>          </u>          | <u>3,765,000</u>           | <u>4,867,063</u>    |
| Total liabilities  | <u>229,534</u>        | <u>1,089,558</u>      | <u>41,028</u>              | <u>9,084</u>               | <u>4,025,397</u>           | <u>5,394,601</u>    |
| <b><u>NET ASSETS</u></b>                                 |                       |                       |                            |                            |                            |                     |
| Invested in capital assets, net of related debt          | 7,591,699             | 9,453,213             | 1,162,381                  | 1,893,199                  | (1,529,473)                | 18,571,019          |
| Restricted for system expansion and replacement - Note 2 | 7,340,231             | 7,517,306             | 491,609                    |                            |                            | 15,349,146          |
| Unrestricted   | <u>1,276,854</u>      | <u>773,222</u>        | <u>(1,232)</u>             | <u>28,953</u>              | <u>2,894,799</u>           | <u>4,972,596</u>    |
| Total net assets   | <u>\$16,208,784</u>   | <u>\$ 17,743,741</u>  | <u>\$ 1,652,758</u>        | <u>\$ 1,922,152</u>        | <u>\$ 1,365,326</u>        | <u>\$38,892,761</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, 2006**

|  | Business - Type Activities -<br>Enterprise Funds |                     |                    |                    |                    |                     |
|--|--|---------------------|--------------------|--------------------|--------------------|---------------------|
|  | Town<br>Water                                    | Town<br>Sewer       | Blacklake<br>Water | Blacklake<br>Sewer | Other<br>Non Major | Totals              |
| <b>Operating revenues</b>                          |  |                     |                    |                    |                    |                     |
| Charges for services                               | \$ 1,901,305                                     | \$ 765,735          | \$ 284,854         | \$ 229,898         | \$ 18,870          | \$ 3,200,662        |
| Miscellaneous                                      | <u>74,758</u>                                    | <u>880</u>          | <u>2,090</u>       |                    | <u>337,139</u>     | <u>414,867</u>      |
| Total operating revenues                           | <u>1,976,063</u>                                 | <u>766,615</u>      | <u>286,944</u>     | <u>229,898</u>     | <u>356,009</u>     | <u>3,615,529</u>    |
| <b>Operating expenses</b>                          |  |                     |                    |                    |                    |                     |
| Personnel  | 361,499  | 169,052             | 88,531             | 68,077             | 127,763            | 814,922             |
| Contractual Services                               | 334,710  | 4,472               | 43,466             | 1,602              | 40,388             | 424,638             |
| Utilities  | 271,223  | 89,737              | 58,323             | 29,152             | 28,768             | 477,203             |
| Repairs and maintenance                            | 101,724  | 101,826             | 15,619             | 14,315             | 5,149              | 238,633             |
| Other supplies and expenses                        | 283,230  | 124,921             | 59,166             | 66,127             | 56,692             | 590,136             |
| Insurance  | 15,169   | 6,067               | 2,124              | 2,427              | 7,135              | 32,922              |
| Depreciation                                       | <u>351,446</u>                                   | <u>338,526</u>      | <u>100,035</u>     | <u>52,651</u>      | <u>55,112</u>      | <u>897,770</u>      |
| Total operating expenses                           | <u>1,719,001</u>                                 | <u>834,601</u>      | <u>367,264</u>     | <u>234,351</u>     | <u>321,007</u>     | <u>3,476,224</u>    |
| Operating income (loss)                            | <u>257,062</u>                                   | <u>(67,986)</u>     | <u>(80,320)</u>    | <u>(4,453)</u>     | <u>35,002</u>      | <u>139,305</u>      |
| Non operating revenues (expenses)                  |  |                     |                    |                    |                    |                     |
| Interest revenue                                   | 294,831  | 307,451             | 19,471             | 3,781              | 113,625            | 739,159             |
| Property tax revenue                               |  |                     |                    |                    | 201,283            | 201,283             |
| Cell site revenues                                 | 23,653   |                     |                    |                    | 4,084              | 27,737              |
| Miscellaneous expense                              |  |                     |                    |                    | (50,000)           | (50,000)            |
| Abandoned project (Hermreck well)                  |  |                     |                    |                    | (404,370)          | (404,370)           |
| Interest expense                                   | <u>(13,549)</u>                                  | <u>(6,249)</u>      |                    |                    | <u>(166,825)</u>   | <u>(186,623)</u>    |
| Total non operating revenues (expenses)            | <u>304,935</u>                                   | <u>301,202</u>      | <u>19,471</u>      | <u>3,781</u>       | <u>(302,203)</u>   | <u>327,186</u>      |
| Income (loss) before contributions                 | 561,997  | 233,216             | (60,849)           | (672)              | (267,201)          | 466,491             |
| Capital contributions, net of refunds of \$575,345 | <u>490,963</u>                                   | <u>(42,445)</u>     | <u>89,500</u>      | <u>153,300</u>     |                    | <u>691,318</u>      |
| Change in net assets                               | 1,052,960  | 190,771             | 28,651             | 152,628            | (267,201)          | 1,157,809           |
| Total net assets - beginning                       | <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>   |
| Total net assets - ending                          | <u>\$16,208,784</u>                              | <u>\$17,743,741</u> | <u>\$1,652,758</u> | <u>\$1,922,152</u> | <u>\$1,365,326</u> | <u>\$38,892,761</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, 2006**

|  | <b>Business - Type Activities -<br/>Enterprise Funds</b> |                              |                                   |                                   |                                   | <b>Totals</b>        |
|--|--|------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|----------------------|
|  | <b><u>Town<br/>Water</u></b>                             | <b><u>Town<br/>Sewer</u></b> | <b><u>Blacklake<br/>Water</u></b> | <b><u>Blacklake<br/>Sewer</u></b> | <b><u>Other<br/>Non Major</u></b> |                      |
| <b><u>Cash Flows from Operating Activities</u></b>                     |  |                              |                                   |                                   |                                   |                      |
| Receipts from customers  | \$ 1,919,392   | \$ 750,910                   | \$ 259,246                        | \$ 219,544                        | \$ 356,009                        | \$ 3,505,101         |
| Payments to suppliers  | (1,178,855)  | (362,305)                    | (208,973)                         | (117,029)                         | (129,452)                         | (1,996,614)          |
| Payments to employees  | (361,499)  | (169,052)                    | (88,531)                          | (68,077)                          | (127,763)                         | (814,922)            |
| Net cash provided by operating activities                              | <u>379,038</u>   | <u>219,553</u>               | <u>(38,258)</u>                   | <u>34,438</u>                     | <u>98,794</u>                     | <u>693,565</u>       |
| <b><u>Cash Flows from Noncapital Financing Activities</u></b>          |  |                              |                                   |                                   |                                   |                      |
| Property taxes   |  |                              |                                   |                                   | 201,283                           | 201,283              |
| <b><u>Cash Flows from Capital and Related Financing Activities</u></b> |  |                              |                                   |                                   |                                   |                      |
| Capital contributions (refunds)  | 377,638  | (163,735)                    |                                   |                                   |                                   | 213,903              |
| Purchases of capital assets  | (194,441)  | (160,886)                    | (39,489)                          | (226,606)                         | (304,529)                         | (925,951)            |
| Principal paid on capital debt   | (8,000)  | (77,049)                     |                                   |                                   | (80,000)                          | (165,049)            |
| Interest paid on capital debt  | (13,549)   | (6,249)                      |                                   |                                   | (166,825)                         | (186,623)            |
| Other cash flows   | <u>23,653</u>  |                              |                                   |                                   | <u>(45,916)</u>                   | <u>(22,263)</u>      |
| Net cash provided by capital and related financing activities          | 185,301  | (407,919)                    | (39,489)                          | (226,606)                         | (597,270)                         | (1,085,983)          |
| <b><u>Cash Flows from Investing Activities</u></b>                     |  |                              |                                   |                                   |                                   |                      |
| Interest income  | <u>252,545</u>   | <u>272,590</u>               | <u>17,799</u>                     | <u>4,327</u>                      | <u>106,036</u>                    | <u>653,297</u>       |
| Net increase (decrease) in cash and cash investments                   | 816,884  | 84,224                       | (59,948)                          | (187,841)                         | (191,157)                         | 462,162              |
| Balance - beginning 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>    |
| Balance - end of year  | <u>\$ 8,240,141</u>                                      | <u>\$ 8,132,571</u>          | <u>\$ 466,322</u>                 | <u>\$ (4,912)</u>                 | <u>\$ 2,992,542</u>               | <u>\$ 19,826,664</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, 2006**

|  | Business - Type Activities -<br>Enterprise Funds |                   |                    |                    |                    |                   |
|--|--|-------------------|--------------------|--------------------|--------------------|-------------------|
|  | Town<br>Water                                    | Town<br>Sewer     | Blacklake<br>Water | Blacklake<br>Sewer | Other<br>Non Major | Totals            |
| <b>Reconciliation of operating income (loss) to net cash provided by operating activities:</b> |  |                   |                    |                    |                    |                   |
| Operating income (loss)  | \$ 257,062                                       | \$ (67,986)       | \$ (80,320)        | \$ (4,453)         | \$ 35,002          | \$ 139,305        |
| Adjustments to reconcile operating income to net cash provided(used) by operating activities:  |  |                   |                    |                    |                    |                   |
| Depreciation expense   | 351,446  | 338,526           | 100,035            | 52,651             | 55,112             | 897,770           |
| Change in assets and liabilities:  |  |                   |                    |                    |                    |                   |
| Accounts receivable  | (5,671)  | (4,705)           | (17,698)           | (7,354)            |                    | (35,428)          |
| Unbilled utility receivable  | (51,000)   | (11,000)          | (10,000)           | (3,000)            |                    | (75,000)          |
| Accrued income   | (42,286)   | (34,861)          | (1,672)            | 546                | (10,008)           | (88,281)          |
| Notes receivable   |  | 746               |                    |                    |                    | 746               |
| Deposits and other   | (9,902)  |                   |                    |                    | 48,419             | 38,517            |
| Accounts payable and accrued expenses  | (121,111)  | (1,167)           | (28,603)           | (3,952)            | (43,919)           | (198,752)         |
| Deposits and cash held   | 500  |                   |                    |                    | 14,188             | 14,688            |
| Net cash provided by operating activities  | <u>\$ 379,038</u>                                | <u>\$ 219,553</u> | <u>\$ (38,258)</u> | <u>\$ 34,438</u>   | <u>\$ 98,794</u>   | <u>\$ 693,565</u> |

**Information on Non-Cash Investing, Capital and Financial Activities**

During the year, the District received donated fixed assets in the amount of \$477,407 from developers.

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



**NIPOMO COMMUNITY SERVICES DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2006**

**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 Nipomo Community Services District Public Facilities Corporation is a component unit of the District. This Corporation was formed to issue Revenues Certificates of Participation (COP'S) in May of 2003. The financial activity of the corporation is blended into the financial statements of the District and is reported in the "other non major" column.

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, 2006**

**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 an 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, 2006**  
**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, 2006**  
**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, 2006 consist of the following:

|                                      |                     |
|--------------------------------------|---------------------|
| Cash on hand                         | \$ 350              |
| Deposits with financial institutions | 26,521              |
| Investments - Cash in pooled funds   | 17,807,992          |
| Deposits with bond trustees          | <u>1,991,801</u>    |
| Total cash and investments           | <u>\$19,826,664</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, 2006**  
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**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.

| <b><u>Authorized<br/>Investment Type</u></b> | <b><u>Maximum<br/>Maturity</u></b> |
|--|------------------------------------|
| 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:

|                       | <b><u>Maturity Date</u></b>                             |
|-----------------------|---|
| State investment pool | <b><u>\$17,786,161</u></b> 10.5 months average maturity |

**NIPOMO COMMUNITY SERVICES DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2006**  
**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 99% 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.

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, 2006**  
**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:

| <b><u>Funding Source</u></b>        | <b><u>Use</u></b>                                  | <b><u>Amount</u></b> |
|-------------------------------------|--|----------------------|
| Water capacity charges              | For the expansion of the water system              | \$ 4,654,295         |
| Supplemental water capacity charges | For the development/purchase of supplemental water | 909,721              |
| Water sales                         | Funded replacement                                 | <u>1,776,215</u>     |
|                                     |  | <u>7,340,231</u>     |
| Sewer capacity charges              | For the expansion of sewer system                  | 5,132,646            |
| Sewer sales                         | Funded replacement                                 | <u>2,384,660</u>     |
|                                     |  | <u>7,517,306</u>     |
| Black Lake water sales              | Funded replacement                                 | <u>491,609</u>       |
|                                     |  | <u>\$15,349,146</u>  |

**NIPOMO COMMUNITY SERVICES DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2006**  
**Page Eight**

**Note 3 - Capital Assets**

Capital assets at June 30, 2006, consisted of the following:

|   | <u>Balance</u><br><u>7/1/05</u> | <u>Additions</u> | <u>Deletions</u><br><u>and</u><br><u>Reclassi-</u><br><u>fications</u> | <u>Balance</u><br><u>6/30/06</u> |
|---|---------------------------------|------------------|--|----------------------------------|
| Collection and treatment facilities       | \$ 15,030,567                   | \$ 547,673       | \$   | \$ 15,578,240                    |
| Source of supply and pumping              | 4,602,745                       | 30,541           |  | 4,633,286                        |
| Transmission and distribution lines       | 10,528,981                      | 254,174          | (16,771)   | 10,766,384                       |
| Machinery and equipment                   | 314,727                         | 281,950          | (126,157)  | 470,520                          |
| Vehicles                                  | 149,930                         | 44,284           |  | 194,214                          |
| Building                                  | 678,381                         |                  |  | 678,381                          |
| Computer equipment                        | 193,766                         | 15,857           |  | 209,623                          |
| Office furniture and fixtures             | 72,888                          | 23,588           | (5,364)  | 91,112                           |
| Land and land rights                      | 735,401                         |                  |  | 735,401                          |
| Loan fees and discounts                   | 434,935                         |                  |  | 434,935                          |
| Subtotal                                  | <u>32,742,321</u>               | <u>1,198,067</u> | <u>(148,292)</u>   | <u>33,792,096</u>                |
| Work in process                           | <u>466,871</u>                  | <u>874,659</u>   | <u>(987,869)</u>   | <u>353,661</u>                   |
|   | <u>33,209,192</u>               | <u>2,072,726</u> | <u>(1,136,161)</u>   | <u>34,145,757</u>                |
| Accumulated depreciation/<br>amortization | <u>(9,798,449)</u>              | <u>(897,770)</u> | <u>148,293</u>   | <u>(10,547,926)</u>              |
| Net capital assets                        | <u>\$ 23,410,743</u>            |                  |  | <u>\$ 23,597,831</u>             |



**NIPOMO COMMUNITY SERVICES DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2006**  
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**Note 4 - Long-Term Debt**  
**Notes Payable**

|   | <b><u>June 30, 2006</u></b> | <b><u>July 1, 2005</u></b> |
|---|-----------------------------|----------------------------|
|   | <b><u>Ending</u></b>        | <b><u>Beginning</u></b>    |
|   | <b><u>Balance</u></b>       | <b><u>Balance</u></b>      |
| 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.   | \$ 138,000                  | \$ 146,000                 |
| The District entered into a loan contract for \$697,367 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.      | 453,289                     | 488,157                    |
| The District entered into a loan contract for \$843,605 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. | 590,523                     | 632,704                    |
| 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.   | <u>3,845,000</u>            | <u>3,925,000</u>           |
| Current portion   | \$ <u>5,026,812</u>         | \$ <u>5,191,861</u>        |
| Noncurrent portion  | \$ 166,049                  |                            |
|   | <u>4,860,763</u>            |                            |
|   | <u>\$ 5,026,812</u>         |                            |

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

| <b><u>Year</u></b> | <b><u>Amount</u></b> |
|--------------------|----------------------|
| 2007               | \$ 166,049           |
| 2008               | 166,048              |
| 2009               | 171,048              |
| 2010               | 171,048              |
| 2011               | 171,048              |
| Thereafter         | <u>4,181,571</u>     |
|                    | <u>\$ 5,026,812</u>  |

**NIPOMO COMMUNITY SERVICES DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2006**  
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**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, 2006 amounted to \$794,000.

**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, 2005 through June 30, 2006.

Policy No 0506. Memorandum of Coverage and the following excess policies:

| <b>Policy Dates:</b>  | <b>7/1/2005 to 6/30/2006</b> | <b>LIMITS</b>  |
|---|------------------------------|--|
| <u>General and Automobile Liability</u>   |                              |  |
| Company: Special District Risk Management Authority, Cov.<br>No. LCA-SDRMA-200506 |                              | \$10 million per occurrence/aggregate where applicable.                    |
| <u>Public Officials and Employees Errors</u>                                      |                              |  |
| Company: Special District Risk Management Authority, Cov.<br>No. LCA-SDRMA-200506 |                              | \$10 million per wrongful act/annual member aggregate.                     |
| <u>Employees Practices Liability</u>  |                              |  |
| Company: Special District Risk Management Authority, Cov.<br>No. LCA-SDRMA-200506 |                              | \$10 million per wrongful employment practice/aggregate limits per member. |

**NIPOMO COMMUNITY SERVICES DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2006**  
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**Note 5 - Joint Powers Authority (continued)**

| <b>Policy Dates:</b>   | <b>7/1/2005 to 6/30/2006</b> | <b>LIMITS</b>   |
|--|------------------------------|---|
| <u>Employee Dishonesty Coverage</u>  |                              |   |
| Company: Special District Risk Management Authority ,Cov.<br>No. EDC - SDRMA- 200506 |                              | \$400,000 per loss.   |
| <u>Public Officials Personal Liability</u>   |                              |   |
| Company: Special District Risk Management Authority ,Cov.<br>No. LCA - SDRMA- 200506 |                              | \$500,000 per occurrence/annual<br>aggregate per Board Member.  |
| <u>Automobile Physical Damage</u>  |                              |   |
| Company: Special District Risk Management Authority, Cov.<br>No. LCA - SDRMA- 200506 |                              | Limits on file with SDRMA   |
| <u>Property Coverage</u>   |                              |   |
| Company: Special District Risk Management Authority, Cov.<br>No. PPC - SDRMA- 200506 |                              | Replacement cost for Scheduled<br>Property.<br>\$1 billion per occurrence.                                    |
| <u>Boiler and Machinery</u>  |                              |   |
| Company: Special District Risk Management Authority, Cov.<br>No. BMC - SDRMA- 200506 |                              | \$100 million per occurrence  |
| <u>Workers Compensation Coverage and Employer's Liability</u>                        |                              |   |
| Company: Special District Risk Management Authority, Cov.<br>No. WCP - SDRMA- 200506 |                              | \$150 million per occurrence for workers<br>compensation and \$5 million for<br>employer's liability coverage |
| <u>Employee Benefits Liability</u>   |                              |   |
| Company: Special District Risk Management Authority ,Cov.<br>No. LCA - SDRMA- 200506 |                              | \$10 Million per occurrence and general<br>aggregate  |
| <u>Uninsured / Under Insured Motorist</u>  |                              |   |
| Company: Special District Risk Management Authority ,Cov.<br>No. UMI - SDRMA- 200506 |                              | \$750,000 each accident   |

**NIPOMO COMMUNITY SERVICES DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2006**  
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**Note 5 - Joint Powers Authority (continued)**

The annual member contribution was \$30,180 for the Package Program and \$2,657 for the Comp/Collision Program and \$19,681 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:

|                   | <b><u>June 30, 2005</u></b> |
|-------------------|-----------------------------|
| Total assets      | \$ 42,332,618               |
| Total liabilities | <u>24,871,468</u>           |
| Risk margin       | <u>\$ 17,461,150</u>        |
| Total revenues    | \$ 20,321,844               |
| Total expenses    | <u>16,937,747</u>           |
| Net income        | <u>\$ 3,384,097</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, 2006**  
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**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 20.951% 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, 2006**  
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**Note 6 - Defined Benefit Pension Plan (continued)**

**Annual Pension Cost**

For the fiscal year ending June 30, 2006, the District's annual pension cost of \$144,544 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**

| Actuarial Valuation Date | (A)<br>Actuarial Asset Value | (B)<br>Entry Age Actuarial Accrued Liability | (C)<br>Unfunded Actuarial Accrued Liability<br>[(B) - (A)] | (D)<br>Funded Ratio<br>[(A) / (B)] | (E)<br>Covered Payroll | (F)<br>Unfunded Actuarial Liability as Percentage of Covered Payroll<br>{[(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, 2006**  
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**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 \$930.65 per month.

**NIPOMO COMMUNITY SERVICES DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2006**  
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**Note 7 - Segment Reporting for Activities Supporting Outstanding Revenue Bonds (in 1,000's)**

| <b><u>Statement of Revenues, Expenses<br/>and changes in Net Assets</u></b> | <b><u>Town<br/>Water</u></b> |
|---|------------------------------|
| Operating revenues  | \$ 1,976                     |
| Depreciation and<br>amortization expense                                    | 351                          |
| Operating income (or loss)  | 257                          |
| Nonoperating revenues (expenses):   |                              |
| Interest revenue  | 294                          |
| Interest expense  | 14                           |
| Change in net assets  | 1,053                        |
| Capital contributions   | 491                          |
| Beginning net assets  | 15,156                       |
| Ending net assets   | 16,209                       |
| <b><u>Statements of Cash Flows</u></b>                                      |                              |
| Net cash provided (used) By:  |                              |
| Operating activities  | 379                          |
| Noncapital financing activities   | -                            |
| Capital and related financing activities                                    | 185                          |
| Investing activities  | 252                          |
| Beginning cash and equivalents  | 7,423                        |
| Ending cash and equivalents   | 8,240                        |
| <b><u>Balance Sheet</u></b>   |                              |
| Total assets  | 16,438                       |
| Total liabilities   | 230                          |
| Total net assets  | 16,208                       |



**SUPPLEMENTARY INFORMATION**

NIPOMO COMMUNITY SERVICES DISTRICT  
REQUIRED DISCLOSURE UNDER GOVERNMENT CODE SECTION 66013  
FOR THE YEAR ENDED JUNE 30, 2006

FUND 500 – SUPPLEMENTAL WATER FUND

|  |           |
|--|-----------|
| Beginning balance July 1, 2005             | \$410,923 |
| Ending balance June 30, 2006               | \$909,721 |
| Interest Earned                            | \$20,013  |
| Amount of charges collected in fiscal year | \$542,159 |

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

| Public Improvement                | Amount of the expenditure for each improvement | Percentage of the total cost that was funded from Fund #500 | Project completed during fiscal year |
|-----------------------------------|--|---|--------------------------------------|
| Nipomo Waterline Intertie Project | \$225,460                                      | 100%  | NO                                   |

Anticipated projects for 2006-2007 fiscal year

Nipomo Waterline Intertie Project (including, but not limited to, CEQA, Engineering Design, Right-of-Way, Funding and Permits)

Note: Methodology of calculating capacity charges is included in Section V of the Nipomo Community Services District Water and Sewer Financial Plans, User Rates and Capacity Charges Report. The report is available on the District web site at [www.ncsd.ca.gov](http://www.ncsd.ca.gov)

NIPOMO COMMUNITY SERVICES DISTRICT  
REQUIRED DISCLOSURE UNDER GOVERNMENT CODE SECTION 66013  
FOR THE YEAR ENDED JUNE 30, 2006

FUND 700 – WATER CAPACITY FUND (TOWN DIVISION)

|  |             |
|--|-------------|
| Beginning balance July 1, 2005             | \$4,810,051 |
| Ending balance June 30, 2006               | \$4,654,295 |
| Interest Earned                            | \$175,662   |
| Amount of charges collected in fiscal year | \$122,036   |

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

| Public Improvement                          | Amount of the expenditure for each improvement | Percentage of the total cost that was funded from Fund #700 | Project completed during fiscal year |
|---|--|---|--------------------------------------|
| Ave De Socios Waterline                     | \$18,832                                       | 100%  | YES                                  |
| Fencing around Cheyenne and Mandi Wells     | \$17,214                                       | 100%  | YES                                  |
| Urban Water Management Plan Update          | \$59,056                                       | 100%  | YES                                  |
| Work In Process – Southland Shop Expansion  | \$1,210  | 60%   | NO                                   |
| Work In Process – Hetrick Waterline Upgrade | \$28,935                                       | 100%  | NO                                   |

Anticipated projects for 2006-2007 fiscal year

|   |                      |
|---|----------------------|
| Hetrick Waterline                         | GIS System Upgrade   |
| Desalination Study                        | Master Plan Update   |
| Southland Shop Upgrade                    | SCADA System Upgrade |
| Burton and Mallagh Street Waterline reset |                      |

Note: Methodology of calculating capacity charges is included in Section V of the Nipomo Community Services District Water and Sewer Financial Plans, User Rates and Capacity Charges Report. The report is available on the District web site at [www.ncsd.ca.gov](http://www.ncsd.ca.gov)

NIPOMO COMMUNITY SERVICES DISTRICT  
REQUIRED DISCLOSURE UNDER GOVERNMENT CODE SECTION 66013  
FOR THE YEAR ENDED JUNE 30, 2006

FUND 710 – SEWER CAPACITY FUND (TOWN DIVISION)

|  |             |
|--|-------------|
| Beginning balance July 1, 2005             | \$5,222,743 |
| Ending balance June 30, 2006               | \$5,132,646 |
| Interest Earned                            | \$195,471   |
| Amount of charges collected in fiscal year | \$125,053   |

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

| Public Improvement                         | Amount of the expenditure for each improvement | Percentage of the total cost that was funded from Fund #710 | Project completed during fiscal year |
|--|--|---|--------------------------------------|
| Work In Process – Southland Shop Expansion | \$464  | 23%   | NO                                   |
| Work In Process – Southland WWTF Upgrade   | \$17,560                                       | 100%  | NO                                   |

Anticipated projects for 2006-2007 fiscal year

Southland Shop Upgrade  
 GIS System Upgrade  
 Master Plan Update  
 SCADA System Upgrade  
 Frontage Road Sewer Trunk Line Upgrade (Tefft to Division)  
 Southland WWTF Upgrade (including sewer trunk line from Division to Southland)  
 Burton and Mallagh Street Sewer Line reset

Note: Methodology of calculating capacity charges is included in Section V of the Nipomo Community Services District Water and Sewer Financial Plans, User Rates and Capacity Charges Report. The report is available on the District web site at [www.ncsd.ca.gov](http://www.ncsd.ca.gov)

**NIPOMO COMMUNITY SERVICES DISTRICT**  
**STATEMENT OF NET ASSETS - OTHER NON MAJOR FUNDS**  
**PROPRIETARY FUNDS**  
**JUNE 30, 2006**

| <u>ASSETS</u>                                    | <u>Administration</u> | <u>Blacklake<br/>St. Lighting</u> | <u>Solid<br/>Waste</u> | <u>Drainage</u> | <u>Landscape<br/>Maintenance<br/>District</u> | <u>Property<br/>Taxes</u> | <u>Totals</u>       |
|--|-----------------------|-----------------------------------|------------------------|-----------------|---|---------------------------|---------------------|
| <b><u>Current Assets</u></b>                     |                       |                                   |                        |                 |   |                           |                     |
| Cash and cash equivalents                        | \$ 15,013             | \$ 48,724                         | \$ 349,511             | \$ 5,000        | \$ 9,008                                      | \$ 2,565,286              | \$ 2,992,542        |
| Accrued interest receivable                      |                       | 536                               | 3,795                  | 185             | 88  | 23,082                    | 27,686              |
| Accrued franchise fees                           |                       |                                   | 14,858                 |                 |   |                           | 14,858              |
| Total current assets                             | <u>15,013</u>         | <u>49,260</u>                     | <u>368,164</u>         | <u>5,185</u>    | <u>9,096</u>                                  | <u>2,588,368</u>          | <u>3,035,086</u>    |
| <b><u>Noncurrent assets</u></b>                  |                       |                                   |                        |                 |   |                           |                     |
| Capital assets, net                              | 59,736                |                                   | 15,124                 |                 |   | 2,240,667                 | 2,315,527           |
| Deposit and other                                | 130                   |                                   |                        |                 |   | 39,980                    | 40,110              |
| Total noncurrent assets                          | <u>59,866</u>         |                                   | <u>15,124</u>          |                 |   | <u>2,280,647</u>          | <u>2,355,637</u>    |
| Total assets                                     | <u>74,879</u>         | <u>49,260</u>                     | <u>383,288</u>         | <u>5,185</u>    | <u>9,096</u>                                  | <u>4,869,015</u>          | <u>5,390,723</u>    |
| <b><u>LIABILITIES</u></b>                        |                       |                                   |                        |                 |   |                           |                     |
| <b><u>Current Liabilities</u></b>                |                       |                                   |                        |                 |   |                           |                     |
| Accounts payable                                 | 12,401                | 7,073                             | 790                    |                 | 1,101   | 26,831                    | 48,196              |
| Accrued liabilities                              | 39,088                |                                   | 189                    |                 |   | 57,090                    | 96,367              |
| Deposits   | 35,834                |                                   |                        |                 |   |                           | 35,834              |
| Current portion of long - term obligation        |                       |                                   |                        |                 |   | 80,000                    | 80,000              |
| Total current liabilities                        | <u>87,323</u>         | <u>7,073</u>                      | <u>979</u>             |                 | <u>1,101</u>                                  | <u>163,921</u>            | <u>260,397</u>      |
| <b><u>Noncurrent Liabilities</u></b>             |                       |                                   |                        |                 |   |                           |                     |
| Noncurrent portion of long - term obligation     |                       |                                   |                        |                 |   | 3,765,000                 | 3,765,000           |
| Total noncurrent liabilities                     |                       |                                   |                        |                 |   | 3,765,000                 | 3,765,000           |
| Total liabilities                                | <u>87,323</u>         | <u>7,073</u>                      | <u>979</u>             |                 | <u>1,101</u>                                  | <u>3,928,921</u>          | <u>4,025,397</u>    |
| <b><u>NET ASSETS</u></b>                         |                       |                                   |                        |                 |   |                           |                     |
| Invested in capital assests, net of related debt | 59,736                |                                   | 15,124                 |                 |   | (1,604,333)               | (1,529,473)         |
| Unrestricted                                     | (72,180)              | 42,187                            | 367,185                | 5,185           | 7,995   | 2,544,427                 | 2,894,799           |
| Total net assets                                 | <u>\$ (12,444)</u>    | <u>\$ 42,187</u>                  | <u>\$ 382,309</u>      | <u>\$ 5,185</u> | <u>\$ 7,995</u>                               | <u>\$ 940,094</u>         | <u>\$ 1,365,326</u> |

**NIPOMO COMMUNITY SERVICES DISTRICT**  
**SCHEDULE OF BLACKLAKE CAPITAL ASSETS**  
**JUNE 30, 2006**

|                       | <b><u>Balance</u></b> |           | <b><u>Additions</u></b> |           | <b><u>Deletions</u></b> |           | <b><u>Balance</u></b> |
|-----------------------|-----------------------|-----------|-------------------------|-----------|-------------------------|-----------|-----------------------|
|                       | <b><u>7/01/05</u></b> |           | <b><u>7/01/05</u></b>   |           | <b><u>6/30/06</u></b>   |           | <b><u>6/30/06</u></b> |
| Sanitation Collection | \$ 740,631            | \$        | 219,985                 | \$        | -                       | \$        | 960,616               |
| Sewer - Contributed   | 1,142,407             |           | 153,300                 |           | -                       |           | 1,295,707             |
| Water - Pumping       | 1,615,937             |           | -                       |           | -                       |           | 1,615,937             |
| Water - Distribution  | 69,668                |           | -                       |           | -                       |           | 69,668                |
| Water - Contributed   | 416,232               |           | 89,500                  |           | -                       |           | 505,732               |
| Machinery & Equipment | 20,853                |           | 47,993                  |           | (5,846)                 |           | 63,000                |
| Computer Equipment    | 12,617                |           | -                       |           | -                       |           | 12,617                |
| Vehicles              | <u>28,100</u>         |           | <u>4,682</u>            |           | <u>-</u>                |           | <u>32,782</u>         |
| Total                 | 4,046,445             |           | 515,460                 |           | (5,846)                 |           | 4,556,059             |
| Work in Process       | <u>19,032</u>         |           | <u>261,037</u>          |           | <u>(266,476)</u>        |           | <u>13,593</u>         |
| Grand Total           | <u>\$ 4,065,477</u>   | <u>\$</u> | <u>776,497</u>          | <u>\$</u> | <u>(272,322)</u>        | <u>\$</u> | <u>4,569,652</u>      |

|                    | <b><u>Balance</u></b> |           | <b><u>Depreciation</u></b> |           | <b><u>Balance</u></b> |           |                  |
|--------------------|-----------------------|-----------|----------------------------|-----------|-----------------------|-----------|------------------|
|                    | <b><u>7/01/05</u></b> |           | <b><u>Expense</u></b>      |           | <b><u>6/30/06</u></b> |           |                  |
| Accum Depreciation | <u>\$ 1,368,362</u>   | <u>\$</u> | <u>152,686</u>             | <u>\$</u> | <u>(5,846)</u>        | <u>\$</u> | <u>1,515,202</u> |

**NIPOMO COMMUNITY SERVICES DISTRICT**  
**SCHEDULE OF OTHER SUPPLIES AND EXPENSES**  
**FOR THE YEAR ENDED JUNE 30, 2006**

| OTHER SUPPLIES AND EXPENSES                     | <u>Town</u><br><u>Water</u> | <u>Town</u><br><u>Sewer</u> | <u>Blacklake</u><br><u>Water</u> | <u>Blacklake</u><br><u>Sewer</u> | <u>Other</u><br><u>NonMajor</u> | <u>Totals</u>     |
|---|-----------------------------|-----------------------------|----------------------------------|----------------------------------|---------------------------------|-------------------|
| Chemicals                                       | \$ 1,454                    | \$ -                        | \$ 1,454                         | \$ 12,188                        | \$ -                            | \$ 15,096         |
| Lab testing                                     | 16,255                      | 18,139                      | 3,948                            | 12,648                           | -                               | 50,990            |
| Operating supplies                              | 36,777                      | 23,185                      | 7,285                            | 7,497                            | -                               | 74,744            |
| Outside services                                | 40,051                      | 7,268                       | 2,537                            | 3,045                            | 6,544                           | 59,445            |
| Permits and operating fees                      | 3,980                       | 4,737                       | 1,103                            | 2,195                            | -                               | 12,015            |
| Fuel  | 13,749                      | 5,270                       | 1,833                            | 2,062                            | -                               | 22,914            |
| Paging service                                  | 3,099                       | 1,188                       | 413                              | 465                              | -                               | 5,165             |
| Meters - new installation                       | 6,754                       | -                           | 795                              | -                                | -                               | 7,549             |
| Meters-replacements program                     | 4,763                       | -                           | 539                              | -                                | -                               | 5,302             |
| Uniforms  | 2,324                       | 878                         | 306                              | 344                              | -                               | 3,852             |
| Landscape maintenance                           | -                           | -                           | -                                | -                                | 6,684                           | 6,684             |
| Intertie costs                                  | (14,854)                    | -                           | 14,854                           | -                                | -                               | -                 |
| Clean up costs                                  | -                           | -                           | -                                | -                                | 3,005                           | 3,005             |
| Conservation program                            | 1,848                       | -                           | 386                              | -                                | -                               | 2,234             |
| Bank charges and fees                           | 429                         | -                           | -                                | -                                | 450                             | 879               |
| Computer expenses                               | 16,338                      | 6,535                       | 2,287                            | 2,614                            | 4,904                           | 32,678            |
| Director fees                                   | 7,650                       | 3,060                       | 1,071                            | 1,224                            | 2,295                           | 15,300            |
| Dues and subscriptions                          | 3,364                       | 1,222                       | 490                              | 514                              | 1,294                           | 6,884             |
| Education and training                          | 1,471                       | 511                         | 221                              | 194                              | 689                             | 3,086             |
| Landscape and janitorial                        | 3,611                       | 1,444                       | 1,366                            | 768                              | 2,281                           | 9,470             |
| LAFCO funding                                   | -                           | -                           | -                                | -                                | 12,148                          | 12,148            |
| Miscellaneous                                   | 7                           | 288                         | -                                | -                                | 1,281                           | 1,576             |
| Office supplies                                 | 6,220                       | 2,409                       | 878                              | 961                              | 2,221                           | 12,689            |
| Postage   | 8,234                       | 3,317                       | 1,104                            | 1,247                            | 598                             | 14,500            |
| Public notices                                  | 449                         | 116                         | 40                               | 45                               | 7,221                           | 7,871             |
| Property taxes                                  | 663                         | 7                           | -                                | -                                | -                               | 670               |
| Telephone                                       | 1,804                       | 721                         | 607                              | 644                              | 596                             | 4,372             |
| Travel and mileage                              | 3,306                       | 1,124                       | 518                              | 449                              | 843                             | 6,240             |
| Bond administration                             | -                           | -                           | -                                | -                                | 3,638                           | 3,638             |
| Operating transfer out-funded<br>administration | <u>113,484</u>              | <u>43,502</u>               | <u>15,131</u>                    | <u>17,023</u>                    | <u>-</u>                        | <u>189,140</u>    |
| Total operating supplies and<br>expenses        | <u>\$ 283,230</u>           | <u>\$ 124,921</u>           | <u>\$ 59,166</u>                 | <u>\$ 66,127</u>                 | <u>\$ 56,692</u>                | <u>\$ 590,136</u> |