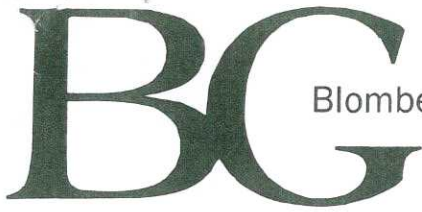


**AVILA BEACH
COMMUNITY SERVICES DISTRICT**

Independent Auditor's Report
And
Financial Statements

For Year Ended
June 30, 2012





Blomberg & Griffin Accountancy Corporation
Certified Public Accountant

Communication with Those Charged with Governance at or Near the Conclusion of the Audit

November 13, 2012

To the Members of the Board of Directors
Avila Beach Community Services District

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Avila Beach Community Services District for the year ended June 30, 2012. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards (and, if applicable, *Government Auditing Standards* and OMB Circular A-133), as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated 11/13/12. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practice

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Avila Beach Community Services District are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during fiscal year 2012. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate(s) affecting the governmental and business-type activities opinion units' financial statements were:

Management's estimate of the depreciation expense is based on the straight-line method. We evaluated the key factors and assumptions used to develop the depreciation expense in determining that it is reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure(s) affecting the financial statements were:

The disclosure of the prior period adjustment in Note 10 to the financial statements explains the prior period adjustment and the reasons for adjusting prior period net assets.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated September 25, 2012.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

This information is intended solely for the use of the members of the Board of Directors and management of Avila Beach Community Services District and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

A handwritten signature in cursive script that reads "Blomberg & Griffin A.C.".

Blomberg & Griffin Accountancy Corporation

AVILA BEACH COMMUNITY SERVICES DISTRICT
INDEPENDENT AUDITOR'S REPORT AND FINANCIAL STATEMENTS
For Year Ended June 30, 2012

TABLE OF CONTENTS

	PAGE
MANAGEMENT'S DISCUSSION AND ANALYSIS	i-iv
BOARD OF DIRECTORS	1
INDEPENDENT AUDITOR'S REPORT	2
STATEMENT OF NET ASSETS	3
STATEMENT OF ACTIVITIES	4
BALANCE SHEET – Governmental Funds	5
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET ASSETS	6
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – Governmental Funds	7
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES	8
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – Budget and Actual – Governmental Funds	9
STATEMENT OF NET ASSETS – Enterprise Funds	10
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS – Enterprise Funds	11
STATEMENT OF CASH FLOWS – Enterprise Funds	12
NOTES TO THE FINANCIAL STATEMENTS	13 - 23
SUPPLEMENTAL SCHEDULES:	
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – General Fund (Schedule I)	24
COMBINING STATEMENT OF NET ASSETS – Enterprise Funds (Schedule II)	25
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS – Enterprise Funds (Schedule III)	26
COMBINING STATEMENTS OF CASH FLOWS – Enterprise Funds (Schedule IV)	27

**AVILA BEACH
COMMUNITY SERVICES DISTRICT**

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Management's Discussion and Analysis
Fiscal Year Ending June 30, 2012

The following is a discussion of the consolidated financial condition and results of operations of the Avila Beach Community Services District (ABCSD) for the year ending June 30, 2012, and should be read together with the financial statements. This discussion contains information that is qualified by reference to, and should be read together with, the notes contained in the Independent Auditors' Report prepared by Blomberg and Griffin Accountancy Corporation. The Avila Beach Community Services District Financial Audit has been prepared in accordance with U.S. generally accepted auditing standards.

Overall Performance

Overall the ABCSD realized an increase in assets over the previous year. This is primarily a result of increases in the value of improvements to the District's infrastructure, such as the cleaning of the digester and the reroofing of the clarifier. It is anticipated that tax revenues will now stabilize as the community has reached substantial build-out following reconstruction of the downtown section of the town, however, due to the general downturn of property values, the District may yet see further reductions in tax revenues as property owners have their parcels re-evaluated for current property values. As may be noted a substantial decrease in assessments and connection fees has been realized during the last three Fiscal Years (2009/10, 2010/11 & 2011/12). This is the result of the lack of new construction due to the overall economy and the collection of one half of the connection fees at the start of the projects with the balance being due prior to occupation of the facility. A minimal number of projects have been proposed for construction in the last several fiscal years, thereby decreasing connection fees collected by the District. Although, the District collected additional assessments and connection fees this fiscal year, it must be noted that the majority of construction has now been completed and as a result, fewer fees will be collected in the future.

**Comparative Combined Funds Financial Results
Fiscal Years 2010/11 & 2011/12**

	2010/11	2011/12
Total Net Assets	\$5,726,631	\$5,908,094

Net increase of \$181,463 for 2011/12

AVILA BEACH COMMUNITY SERVICES DISTRICT

Management's Discussion and Analysis

Fiscal Year Ending June 30, 2012

Governmental Functions

Governmental functions of the District include Street lighting, Fire Protection and General Administration. These services are primarily funded through tax revenue with administration being funded proportionally from the other activities provided by the District. The District received less funding in property tax receipts during the last fiscal year.

Comparative Governmental Funds Financial Results Fiscal Years 2010/11 & 2011/12

	2010/11	2011/12
Governmental Tax Revenues	\$268,699	\$262,408

Net decrease of \$6,291 for 2011/12

Business Type Activities

Business type activities of the District include enterprise funds including Sanitary Wastewater activities, Water Services and Solid Waste/Refuse Disposal Administration. Each of these funds should be self supporting. The District previously increased service rates in January 2007 to more closely reflect the actual costs associated with providing these services. The previously adopted Ordinance provided for an annual 3% increase in rates, thereby, keeping pace with increasing operations costs for a five year period. (consistent with Prop 218) The annual rate increase expired at the end of last fiscal year; however the District is currently in the process of completing a rate study to determine if current rates meet the needs of the District. The preliminary conclusion is that rates will need to be adjusted.

Sanitary Wastewater Activities

The Sanitary Fund receives some property tax revenue in addition to collection of user fees. Annual service rate increases as established by District Ordinances (January 2007) assisted the District in meeting the ongoing expenses associated with operating the wastewater system. Additionally, connection and assessment charges will fund expansion and improvements to the collection system as necessary. Due to the limited number of projects under construction and with substantial completion of projects in town, a decrease in the connection/assessments was realized this fiscal year. It is anticipated that connection and assessments will continue to decline, to the point of minimal revenues being realized from this source. The District also provides wastewater treatment services to Port San Luis Harbor District which provides reimbursement for its proportionate costs of the treatment and disposal services. The reimbursement of these costs is reflected in the "User Fees" revenue line.

AVILA BEACH COMMUNITY SERVICES DISTRICT

Management's Discussion and Analysis

Fiscal Year Ending June 30, 2012

Sanitary Wastewater Activities

**Comparative Sanitary Fund Financial Results
Fiscal Years 2010/11 & 2011/12**

	2010/11	2011/12
User Fees	\$285,873	\$294,748
Connection/Assessments	\$ 2,425	\$ 1,131
Tax Revenues	<u>\$190,366</u>	<u>\$182,152</u>
Total	\$478,664	\$478,031

Net decrease of \$633 for 2011/12

Water Service

The Water Fund is dependent upon service rates and connection fees as its sources of revenue. Annual service rate increases as established by District Ordinances (January 2007) have assisted the District in meeting the ongoing expenses associated with operating the water system. Future improvements to the system will be funded by connection and assessment charges. The majority of new construction has been completed within the District and the revenue associated with these charges has been identified and reserved for future improvements.

**Comparative Water Funds Financial Results
Fiscal Years 2010/11 & 2011/12**

	2010/11	2011/12
User Fees	\$384,309	\$374,449
Connection/Assessments	<u>\$ 9,372</u>	<u>\$ 4,981</u>
Total	\$393,681	\$379,430

Net decrease of \$14,251 for 2011/12

(this is a result of most construction within the District having been completed in previous years and less construction water being sold)

Solid Waste / Refuse Disposal Administration

Since 2006, the District administers the solid waste / refuse disposal services through a contract with South County Sanitary Disposal Service. This is supported through a franchise agreement. It is anticipated that franchise fees will continue to support the administration of this service.

AVILA BEACH COMMUNITY SERVICES DISTRICT
 Management's Discussion and Analysis
 Fiscal Year Ending June 30, 2012

Solid Waste / Refuse Disposal Administration (Continued)

**Comparative Solid Waste / Refuse Funds Financial Results
 Fiscal Years 2010/11 & 2011/12**

	2010/11	2011/12
Franchise Fees	\$11,381	\$14,324
Net increase of \$2,943 for 2011/12		

Summary

In conclusion, the District has undergone many transitions over the last several years, from water moratoriums, to extensive remediation with reconstruction now substantially complete. Throughout this time the District has maintained excellent service to our customers, and continued to operate the facilities in a fiscally responsible manner. Recently, the District has completed a needed cleaning of the digester resulting in the need to provide funding for rehabilitation in the next fiscal year. Staff continues to identify long term improvements for the infrastructure necessary to meet the demands of the community into the future. Funds have been invested through the Local Agency Investment Fund (LAIF) to assist the District in meeting these future needs.

**Summary of Total Revenue / Expenses
 Fiscal Year 2011/12
 2011/12**

Total Revenue	\$1,279,449
Total Expenses	\$ 977,284
Depreciation	<u>\$ 155,866</u>
Total	\$ 146,299

AVILA BEACH COMMUNITY SERVICES DISTRICT
BOARD OF DIRECTORS
June 30, 2012

BOARD OF DIRECTORS

<u>NAME</u>	<u>TERM EXPIRES</u>
Pete Kelley, President	December, 2014
Terry Brown, Vice President	December, 2014
John Janowicz, Director	December, 2012
Richard Rowe, Director	December, 2014
Dan Yoder, Director	December, 2012



Blomberg & Griffin Accountancy Corporation
Certified Public Accountant

INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Avila Beach Community Services District
Avila Beach, California

We have audited the accompanying basic financial statements of Avila Beach Community Services District (the District) as of and for the fiscal year ended June 30, 2012, as listed in the table of contents. These basic financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on the financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental and the business-type activities, each major fund, and the aggregate remaining fund information of the District as of June 30, 2012, and respective changes in financial position and cash flows, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis on pages I through IV and the budgetary comparison information on page 9 are not a required part of the basic financial statements but are supplementary information required by U.S. generally accepted accounting principles. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Avila Beach Community Services District basic financial statements. The combining financial statement schedules listed in the table of contents are presented for the purposes of additional analysis and are the auditing procedures applied in the audit of the basic financial statements, and in our opinion, are fairly stated in all material respects in relation to the financial statements taken as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Blomberg & Griffin A.C.
September 25, 2012

AVILA BEACH COMMUNITY SERVICES DISTRICT

STATEMENT OF NET ASSETS

June 30, 2012

(With Comprehensive Totals for June 30, 2011)

	Primary Government			Totals	
	Governmental	Business-type	Eliminations	2012	2011
	Activities	Activities			
ASSETS					
Cash and Cash Equivalents	\$ 2,005,663	\$ 158,747	\$ -	\$ 2,164,410	\$ 2,156,058
Taxes Receivable	5,269	5,098	-	10,367	12,441
Accounts Receivable	-	74,986	-	74,986	70,869
Interest Receivable	1,772	-	-	1,772	2,358
Harbor Capital Receivable	-	66,303	-	66,303	-
Due from other Funds	-	885,293	(885,293)	-	870,212
Capital Assets:					
Land and Construction in Progress	20	60,294	-	60,314	96,196
Buildings and Equipment	42,570	5,474,986	-	5,517,556	5,192,618
Less Accumulated Depreciation	(34,384)	(1,835,146)	-	(1,869,530)	(1,712,484)
Total Capital Assets, Net of Depreciation	8,206	3,700,134	-	3,708,340	3,576,330
Total Assets	\$ 2,020,910	\$ 4,890,561	\$ (885,293)	\$ 6,026,178	\$ 6,688,268
LIABILITIES					
Accounts Payable	\$ 8,125	\$ 59,404	\$ -	\$ 67,529	\$ 38,007
Accrued Vacation Payable	2,936	-	-	2,936	6,549
Due to other Funds	247,309	637,984	(885,293)	-	870,212
Deposits	2,000	45,619	-	47,619	46,869
Total Liabilities	\$ 260,370	\$ 743,007	\$ (885,293)	\$ 118,084	\$ 961,637
NET ASSETS					
Invested in Capital Assets-Net of related debt	\$ 8,206	\$ 3,700,134	\$ -	\$ 3,708,340	\$ 3,576,330
Unrestricted	1,752,334	447,420	-	2,199,754	2,150,301
Total Net Assets	\$ 1,760,540	\$ 4,147,554	\$ -	\$ 5,908,094	\$ 5,726,631

The accompanying notes are an integral part of the financial statements

AVILA BEACH COMMUNITY SERVICES DISTRICT
 STATEMENT OF ACTIVITIES
 For the Year Ended June 30, 2012
 (With Comparative Totals for the Year Ended June 30, 2011)

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

Totals

Functions/Programs	Program Revenues					Totals	
	Expenses	Charges for Services	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	2012	2011
Primary Government:							
Governmental Activities:							
General Government - Administration and lighting	\$ 30,763	\$ 1,206	\$ -	\$ (29,557)	\$ -	\$ (29,557)	\$ (27,162)
Public Safety - Fire	142,936	33,212	-	(109,724)	-	(109,724)	(131,080)
Total Governmental Activities	173,699	34,418	-	(139,281)	-	(139,281)	(158,242)
Business-Type Activities							
Sanitary	557,283	294,749	103,375	-	(159,159)	(159,159)	(170,341)
Water	391,613	374,449	-	-	(17,164)	(17,164)	40,008
Refuse	10,555	14,323	-	-	3,768	3,768	2,227
Total Business-Type Activities	959,451	683,521	103,375	-	(172,555)	(172,555)	(128,106)
Total Primary Government	\$ 1,133,150	\$ 717,939	\$ 103,375	\$ (139,281)	\$ (172,555)	\$ (311,836)	\$ (286,348)
General Revenues:							
Taxes:							
Property Taxes, levied for general purposes							
Assessments and Connection Fees							
Investment Income							
Total General Revenues, Investment and Transfers							
Change in Net Assets							
Prior Period Adjustment							
Net Assets - Beginning							
Net Assets - Ending							
						\$ 5,726,631	\$ 5,532,425
						\$ 5,908,094	\$ 5,726,631
						\$ 4,147,554	\$ 4,147,554
						\$ 5,908,094	\$ 5,726,631
						\$ 1,760,540	\$ 1,629,950
						\$ 4,147,554	\$ 4,096,681
						\$ 5,908,094	\$ 5,532,425

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

AVILA BEACH COMMUNITY SERVICES DISTRICT

BALANCE SHEET

Governmental Funds

June 30, 2012

(With Comparative Totals for June 30, 2011)

	General	
	<u>2012</u>	<u>2011</u>
ASSETS		
Cash and Cash Equivalents	\$ 2,005,663	\$ 1,997,311
Taxes Receivable	5,269	6,307
Interest Receivable	1,772	2,358
Total Assets	<u>\$ 2,012,704</u>	<u>\$ 2,005,976</u>
LIABILITIES AND FUND BALANCES		
Liabilities:		
Accounts Payable	8,125	13,610
Accrued Vacations Payable	2,936	6,549
Due to other Funds	247,309	355,019
Deposits	2,000	2,000
Total Liabilities	<u>260,370</u>	<u>377,178</u>
FUND BALANCES:		
Assigned	1,752,334	1,628,798
Total Fund Balances	<u>1,752,334</u>	<u>1,628,798</u>
Total Liabilities and Fund Balances	<u>\$ 2,012,704</u>	<u>\$ 2,005,976</u>

The accompanying notes are an integral part of the financial statements

AVILA BEACH COMMUNITY SERVICES DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
 June 30, 2012
 (With Comparative Totals for June 30, 2011)

	2012	2011
Total Fund Balance - Government Funds	\$ 1,752,334	\$ 1,628,798
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:		
Land	20	20
Property, Plant & Equipment	42,570	34,336
Less: Accumulated Depreciation	(34,384)	(33,204)
Total Capital Assets, Net of Depreciation	8,206	1,152
Net Assets of Governmental Activities	\$ 1,760,540	\$ 1,629,950

The accompanying notes are an integral part of the financial statements

AVILA BEACH COMMUNITY SERVICES DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES

Governmental Funds

For the Year Ended June 30, 2012

(With Comparative Totals for the Year Ended June 30, 2011)

	2012	2011
Revenues:		
Property Taxes	\$ 262,408	\$ 268,699
Intergovernmental		-
Investment Income	7,463	9,692
Rental Income	29,904	28,476
Contract Services	2,698	3,505
Miscellaneous Income	1,816	2,050
Total Revenues	304,289	312,422
Expenditures:		
Administration	14,625	34,844
Street Lighting	23,192	11,912
Fire Department	142,936	144,612
Total Expenditures	180,753	191,368
Excess of Revenue over Expenditures	123,536	121,054
Fund Balance at Beginning of Year	1,628,798	1,507,744
Fund Balance at End of Year	\$ 1,752,334	\$ 1,628,798

The accompanying notes are an integral part of the financial statements

AVILA BEACH COMMUNITY SERVICES DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2012
 (With Comparative Totals for the Year Ended June 30, 2011)

Net Change in Governmental Fund Balances

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets are allocated over their estimated useful lives and expensed as depreciation expense.

	2012	2011
	\$ 123,536	\$ 121,054
	7,054	(905)
	\$ 130,590	\$ 120,149

Change in Net Assets of Governmental Activities

The accompanying notes are an integral part of the financial statements

AVILA BEACH COMMUNITY SERVICES DISTRICT
STATEMENT OF REVENUES, EXPENSES AND EXPENDITURES AND
CHANGES IN FUND BALANCE
 Budget and Actual - Governmental Funds
 For the Year Ended June 30, 2012

	Budgeted Amounts		Actual	Variance With Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues:				
Property Taxes	\$ 213,610	\$ 213,610	\$ 262,408	\$ 48,798
Investment Income	10,000	10,000	7,463	(2,537)
Rental Income	27,347	27,347	29,904	2,557
Contract Services	3,500	4,700	2,698	(2,002)
Miscellaneous Income	500	500	1,816	1,316
Total Revenues	254,957	256,157	304,289	48,132
Expenditures:				
Administration	27,417	27,417	14,625	12,792
Street Lighting	12,950	12,950	23,192	(10,242)
Fire Department	150,947	150,947	142,936	8,011
Total Expenditures	191,314	191,314	180,753	10,561
Excess of Revenues over Expenditures	\$ 63,643	\$ 64,843	123,536	\$ 58,693
Fund Balance at Beginning of Year			1,628,798	
Fund Balance at End of Year			\$ 1,752,334	

The accompanying notes are an integral part of the financial statements

AVILA BEACH COMMUNITY SERVICES DISTRICT

STATEMENT OF NET ASSETS

Enterprise Funds

June 30, 2012

(With Comparative Totals June 30, 2011)

	Enterprise Funds	
	<u>2012</u>	<u>2011</u>
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 158,747	\$ 158,747
Taxes Receivable	5,098	6,134
Accounts Receivable	74,986	70,869
Harbor Capital Receivable	66,303	
Due from other Funds	885,293	870,212
Total Current Assets	1,190,427	1,105,962
Noncurrent Assets:		
Capital Assets:		
Land and Construction in Progress	60,294	96,176
Building and Equipment,	5,474,986	5,158,282
Less: Accumulated Depreciation	(1,835,146)	(1,679,280)
Total Noncurrent Assets	3,700,134	3,575,178
Total Assets	\$ 4,890,561	\$ 4,681,140
LIABILITIES		
Current Liabilities:		
Accounts Payable	\$ 59,404	\$ 24,397
Due to other Funds	637,984	515,193
Deposits	45,619	44,869
Total Liabilities	743,007	584,459
NET ASSETS		
Invested in Capital Assets - net of related debt	3,700,134	3,575,178
Unrestricted	447,420	521,503
Total Net Assets	\$ 4,147,554	\$ 4,096,681

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

AVILA BEACH COMMUNITY SERVICES DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

Enterprise Funds
For Year Ended June 30, 2012

(With Comparative Totals for the Year Ended June 30, 2011)

	Enterprise Funds	
	<u>2012</u>	<u>2011</u>
Operating Revenues:		
Utility Sales	\$ 644,433	\$ 625,258
Harbor Charges	35,496	36,775
Other Income and Fees	3,592	19,530
Total Revenues	683,521	681,563
Operating Expenses:		
Insurance	7,446	7,640
Lab Test	26,373	41,317
Maintenance and Repairs	25,580	29,456
Miscellaneous	505	-
Office Supplies and Expenses	2,258	1,779
Professional Services	222,554	234,845
Operating Supplies	108,909	79,463
Public Notices	-	-
Permits and Fees	10,501	8,469
Communications	2,242	2,131
Utilities	23,760	19,867
Water Purchases - Lopez Lake	95,985	100,420
Water Purchases - State Water Project	98,044	81,710
General and Administrative Overhead	179,428	155,620
Depreciation	155,866	129,861
Total Expenses	959,451	892,578
Net Operating Loss	(275,930)	(211,015)
Non-Operating Revenue:		
Property Taxes	182,152	190,366
Harbor Capital Contribution	103,375	82,909
Assessments and Connection Fees	6,112	11,797
Gain on sale of Equipment	-	-
Total Non-Operating Revenues	291,639	285,072
Change in Net Assets	15,709	74,057
Prior Period Adjustment	35,164	-
Net Assets at Beginning of Year	4,096,681	4,022,624
Net Assets at End of Year	\$ 4,147,554	\$ 4,096,681

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

AVILA BEACH COMMUNITY SERVICES DISTRICT
STATEMENT OF CASH FLOWS
Enterprise Funds
For the Year Ended June 30, 2012
(With Comparative Totals for the Year Ended June 30, 2011)

	Enterprise Funds	
	<u>2012</u>	<u>2011</u>
Cash Flows from Operating Activities:		
Cash Received from Operating Revenue	\$ 666,109	\$ 686,180
Other Payments	(645,787)	(683,892)
Net Provided by Operating Activities	20,322	2,288
Cash Flows from Non-Capital Financing Activities:		
Property Taxes	182,152	190,366
Harbor Capital Contribution	37,072	82,909
Assessments and Connection Fees	6,112	11,797
Net Cash Provided by Non-Capital Financing Activities	225,336	285,072
Cash Flows from Capital and related Financing Activities:		
Principal Paid on Capital Debt	-	-
Acquisition of Capital Assets	(280,822)	(287,320)
Net Cash used by Investing Activities	(280,822)	(287,320)
Cash Flows from Investing Activities:		
Proceeds from sale of Equipment	-	-
Net Cash Provided by Financing Activities	-	-
Net Change in Cash	(35,164)	40
Prior Period Adjustment	35,164	-
Cash and Cash Equivalents-Beginning	158,747	158,707
Cash and Cash Equivalents-End	\$ 158,747	\$ 158,747
Reconciliation of Operating Loss to Net Cash used by Operating Activities:		
Operating Loss	(275,930)	(211,015)
Adjustments to reconcile Operating Loss to Net Cash Provided by Operating Activities:		
Depreciation	155,866	129,861
Net Changes in Assets and Liabilities:		
Taxes Receivable	1,036	2,224
Accounts Receivable	(4,117)	4,617
Due from other Funds	(15,081)	(65,717)
Accounts Payable	35,007	(75,414)
Due to other Funds	122,791	236,565
Deposits	750	(18,833)
Net Cash Provided by Operating Activities	\$ 20,322	\$ 2,288

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

AVILA BEACH COMMUNITY SERVICES DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

NOTE 1: ORGANIZATION

The Avila Beach Community Services District (District) is a multi-purpose special District established on February 11, 1997, formerly the Avila Beach County Water District which was established December 4, 1972. The District is political subdivision of the State of California and operates under the Board of Directors form of government and provides fire protection, sanitary and water services, refuse/solid waste, street lighting and general administrative services.

The District complies with U.S. Generally Accepted Accounting Principles (GAAP). The District's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements. These technical pronouncements establish criteria for determining the District's activities and functions that are included in the financial statements of a governmental unit. The proprietary funds apply Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails.

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information is presented for comparative purposes only. Additional detailed information is presented in the prior year financial statements from which the summarized information was derived.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the primary government.

Funds Accounting

The accounts of the District are organized into funds and account groups, each of which is considered to be a separate accounting entity. The major fund categories are:

Governmental Fund Types

Governmental funds use the current financial resources measurement focus. Only current assets and current liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available resources during a given period.

Proprietary Fund Types

Proprietary funds use the economic resources measurement focus. The accounting objectives are a determination of net income, financial position, and cash flows. All assets and liabilities associated with a proprietary fund's activities are included on the balance sheet.

AVILA BEACH COMMUNITY SERVICES DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Interest income and various intergovernmental revenues comprise the significant revenues susceptible to accrual.

The accrual basis of accounting is utilized by the proprietary fund financial statements, where revenues are recognized when earned and expenses recognized when incurred.

Restricted Assets

These assets consist of cash and cash equivalents for water customer deposits and for administration, capital projects funds and parks and recreation deposits related to future services and capital projects.

Interfund Transaction

During the course of normal operations, the District has numerous transactions between funds. Interfund transactions are generally classified as operating transfers and reported as "Other Financing Sources and Uses" in governmental funds, as "Operating Transfers In" by the recipient fund, and "Operating Transfer Out" by the disbursing fund.

On the governmental funds balance sheet, receivables and payables resulting from short-term interfund loans are classified as "Interfund Loan Receivable/Payable." These amounts are eliminated on the statement of net assets.

Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles require management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Encumbrances

Encumbrances accounting is used for the General Fund. Encumbrances are recorded when purchase orders are issued but are not considered expenditures until liabilities for payments are incurred. Encumbrances are no longer reported as a separate fund balance category on the balance sheet. Encumbrances do not lapse at close of the fiscal year but are carried forward until liquidated.

See Auditor's Report

AVILA BEACH COMMUNITY SERVICES DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents

For purposes of the statement of cash flows, the District considers all highly liquid investments including money market accounts to be cash and cash equivalents.

Accounts Receivable

District water and sewer charges are billed monthly. Management has determined that an allowance for doubtful accounts is zero because of the District's credit policies and prior collection experience.

Prepaid Expenses

Payments made to vendors for services that will benefit periods beyond June 20, 2012, are recorded as prepaid expenses.

Property, Plant and Equipment

General capital assets generally result from expenditures in governmental funds. These assets are reported in the governmental activities column of the governmental-wide statement of net assets but are not reported in the fund financial statements.

All capital assets are valued at historical cost or estimated historical cost, if actual costs are not available. Donated fixed assets are stated at their fair market value on the date donated. The District currently maintains a capitalization threshold of \$5,000. Improvements are capitalized and the cost of normal maintenance and repairs that do not add to the value of the net asset or materially extend the asset's life are not. Depreciation recorded over the useful life of the assets using the straight-line method. The estimated useful lives are as follows:

Sewage Disposal System	75 Years
Sewage Treatment / Collection System	10 - 50 Years
Water Supply / Distribution System	20 - 50 Years
General Plant and Equipment	5 - 10 Years

Compensated Absences

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

Property Taxes

The County of San Luis Obispo bills and collects property taxes for the District. The County charges the District for these services. Tax revenues are recognized by the District in the year levied.

AVILA BEACH COMMUNITY SERVICES DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Concentrations

The District will provide water services to customers located in the County of San Luis Obispo. Consequently, its ability to collect amounts due from customers may be affected by economic fluctuations, within this region and within the State of California as a whole.

Intergovernmental Revenues

For governmental funds, intergovernmental revenues, such as contributions awarded on a non-reimbursement basis, are recorded as receivables and revenues when measurable and available.

Operating and Non-Operating Revenue

Revenue is considered operating revenue if it is related to providing services that are for sanitary, water or refuse. All other income is non-operating revenue.

Fund Balances

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

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

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

Net Assets

Net assets present the difference between assets and liabilities in the statement of net assets. Net assets invested in capital assets are reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are legal limitations imposed on their use by external restrictions by creditors, grantors, laws or regulations of other governments.

AVILA BEACH COMMUNITY SERVICES DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2012

NOTE 3: FUND BUDGETS

The District requires that all funds be budgeted. The annual budget is prepared by the District Manager and submitted to the District Board for adoption. A budget has been prepared for both governmental funds and proprietary funds.

A budget analysis for governmental funds is included as supplementary information in the financial statements (page 9). All unencumbered appropriations in the budget lapse at the end of the fiscal year. The following has been prepared to report operations and ending fund balance:

	<u>Enterprise Funds</u>			
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Operating Revenues	\$ 574,166	\$ 574,166	\$ 683,521	\$ 109,355
Operating Expenses	(829,217)	(829,217)	(803,585)	25,632
Depreciation Expense	(130,154)	(130,154)	(155,866)	(25,712)
Net Operating Income	(385,205)	(385,205)	(275,930)	109,275
Non-Operating Revenues	252,764	252,764	291,639	38,875
Net Income	<u>\$ (132,441)</u>	<u>\$ (132,441)</u>	15,709	<u>\$ 148,150</u>
Net Assets at the Beginning of Year			4,096,681	
Prior Period Adjustment			<u>35,164</u>	
Net Assets at the End of Year			<u>\$ 4,147,554</u>	

See Auditor's Report

AVILA BEACH COMMUNITY SERVICES DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2012

NOTE 4: CASH AND INVESTMENTS

The values of cash and investments at June 30, 2012 are summarized as follows:

Petty Cash	\$	80
Demand Deposits		163,572
cash and Investments with:		
Local Agency Investment Fund		1,994,658
Subtotal		2,158,310
Restricted Cash:		
Demand Deposits		6,100
Total Cash and Investments	\$	2,164,410

The California Government Code requires California banks and savings and loan associations to secure a District's deposits by pledging government securities as collateral. The market value of pledge securities must equal at least 110% of District's deposits. California law also allows financial institutions to secure District deposits by pledging first trust deed mortgage notes having a value of 150% of a District's total deposits. The District may waive collateral requirements for deposits which are fully insured up to \$250,000 by the Federal Deposit Insurance Corporation (FDIC).

Credit Risk, Carrying Amount, and Market Value

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

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

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

At June 30, 2012, the carrying amount of the District's cash deposits was \$163,572. The bank balances were \$187,991. This difference is due to the normal deposits in transit and outstanding checks. District cash deposits by category as of June 30, 2012, are as follows:

	Category			Bank	Carrying Amount
	1	2	3		
Bank Accounts	\$ 195,516	\$ -	\$ -	\$ 187,991	\$ 163,572

Effective October 3, 2008, the Federal Deposit Insurance Corp. (FDIC) insured limit was temporarily increased from \$100,000 to \$250,000, until December 31, 2013.

See Auditor's Report

AVILA BEACH COMMUNITY SERVICES DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

NOTE 5: PROPERTY, PLANT AND EQUIPMENT

A summary of governmental fixed assets by major classifications at June 30, 2012, is as follows:

	<u>Balance</u> <u>July 1, 2011</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2012</u>
Land	\$ 20	\$ -	\$ -	\$ 20
General Plant and Equipment	<u>34,336</u>	<u>8,234</u>	<u>-</u>	<u>42,570</u>
Subtotals	34,356	8,234		42,590
Less: Accumulated Depreciation	<u>(33,204)</u>	<u>(1,180)</u>	<u>-</u>	<u>(34,384)</u>
Governmental Capital Asset Totals	<u>\$ 1,152</u>	<u>\$ 7,054</u>	<u>\$ -</u>	<u>\$ 8,206</u>

A summary of proprietary fund type property, plant and equipment at June 30, 2012, is as follows:

	<u>Balance</u> <u>July 1, 2011</u>	<u>Additions</u>	<u>Deletions/ Capitalized</u>	<u>Balance</u> <u>June 30, 2012</u>
Land	\$ 60,294	\$ -	\$ -	\$ 60,294
Construction in Progress	<u>35,882</u>	<u>-</u>	<u>(35,882)</u>	<u>-</u>
Subtotals	<u>96,176</u>	<u>-</u>	<u>(35,882)</u>	<u>60,294</u>
General Plant and Equipment:				
Sewer	4,026,313	316,704	-	4,343,017
Water	<u>1,131,969</u>	<u>-</u>	<u>-</u>	<u>1,131,969</u>
Subtotals	<u>5,158,282</u>	<u>316,704</u>	<u>-</u>	<u>5,474,986</u>
Less: Accumulated Depreciation	<u>(1,679,280)</u>	<u>(155,866)</u>	<u>-</u>	<u>(1,835,146)</u>
Proprietary Capital Asset Totals	<u>\$ 3,575,178</u>	<u>\$ 160,838</u>	<u>\$ (35,882)</u>	<u>\$ 3,700,134</u>
Total Capital Assets	<u>\$ 3,576,330</u>	<u>\$ 167,892</u>	<u>\$ (35,882)</u>	<u>\$ 3,708,340</u>

See Auditor's Report

AVILA BEACH COMMUNITY SERVICES DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

NOTE 6: JOINT VENTURE

On March 1, 1992 the District approved participation in the State Water Project (SWP) and joined in the formation of the Central Coast Water Authority (CCWA). The purpose of the CCWA is to provide for the financing, construction, operation, and maintenance of certain local (non-state owned) facilities required to deliver water from the SWP to certain water purveyors and users in San Luis Obispo and Santa Barbara Counties.

Each participant, including the Avila Beach Community Services District, has entered into a water supply agreement in order to provide for the development, financing, construction, operation and maintenance of the CCWA project. The purpose of the water supply agreement is to assist in carrying out the purposes of CCWA with respect to the CCWA project by: (1) requiring CCWA to sell, and the project participants to buy, a specified amount of water from CCWA; and (2) assigning the project participants entitlement rights in the SWP to CCWA. Although the District does have an ongoing financial obligation to the water supply agreement with CCWA, it has been determined that the District does not own an equity interest in the project.

Each project participant is required to pay to CCWA an amount equal to its share of the total cost of “fixed projects costs” and certain other costs in the portion established in the water supply agreement. This includes the project participant’s share of payments to the State Department of Water Resources (DWR) under the State Water Supply Contract (including capital, operation, maintenance, power and replacement cost of the DWR facilities), debt service on CCWA bonds and all CCWA operating and administrative costs.

Each project participant is required to make payments under its water supply agreement solely from the revenues of its water system. Each participant has agreed in its water supply agreement to fix, prescribe, and collect rates and charges for its water system which will be at least sufficient to yield each fiscal year net revenues equal to 125% of the sum of (1) the payment required pursuant to the water supply agreement, and (2) debt services on any existing participant obligation for which revenues are also pledged.



See Auditor’s Report

AVILA BEACH COMMUNITY SERVICES DISTRICT
NOTES TO THE FINANCIAL STATEMENTS

June 30, 2012

NOTE 6: JOINT VENTURE (Continued)

CCWA is composed of eight members, all of which are public agencies. CCWA was organized and exists under a joint exercise of power agreement among the various participating public agencies. The Board of Directors is made up of one representative from each participating entity. Voters on the Board are apportioned between the entities based upon each entity's pro rate share of the water provided by the project. The District's share of the project, based upon number of acre feet of water, is 0.215%. Operating and capital expenses are allocated among the members based upon various formulas recognizing the benefits of the various project components to each member.

On October 1, 1992, CCWA sold \$177,120,000 in revenue bonds at a true interest cost of 6.64% to enable CCWA to finance a portion of the costs of constructing a water treatment plant to treat State water for use by various participating water purveyors and users within Santa Barbara and San Luis Obispo Counties, a transmission system to deliver such water to the participating water purveyors and users, and certain local improvements to the water systems of some of the participating purveyors.

In November 1996, CCWA sold \$198,015,000 of revenue bonds at a true interest cost of 5.55% to defease CCWA's \$177,120,000 1992 revenue bonds and to pay certain costs of issuing the bonds. The 1996 bonds were issued in two series: Series A of \$173,015,000 and Series B of \$25,000,000. The Series B bonds are subject to mandatory redemption from amounts transferred from the Construction Fund and the Reserve Fund upon completion of the construction of the CCWA facilities.

NOTE 7: 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 Section 6500 et.seq. In becoming a member of the S.D.R.M.A., the District elected to participate in the risk financing program(s) listed below for the program period July 1, 2011 through June 30, 2012.

General Liability: S.R.R.M.A. Policy No. LCA-SDRMA-201011, \$5,000,000 per occurrence.

Auto Liability: S.D.R.M.A. Policy No. LCA-SDRMA-201011, \$5,000,000 per occurrence.

Auto Physical Damage: S.D.R.M.A. Policy No. LCA-SDRMA-201011. This coverage is on file with S.D.R.M.A.

Uninsured/Underinsured Motorist: S.D.R.M.A. Policy No. UMI-SDRMA-201011, \$750,000 each accident.

Boiler and Machinery: S.D.R.M.A. Policy No. BMC-SDRMA-201011 for scheduled locations only for repair/replacement cost with \$100,000,000 limit. The deductible is on file with S.D.R.M.A.

Personal Liability Coverage for Board Members/Directors: S.D.R.M.A. Policy No. LCA-SDRMA-201011, \$500,000 per member per year with \$500,000 general aggregate.

Employee Dishonesty Coverage: S.D.R.M.A Policy No. EDC-SDRMA-201011, \$400,000 limit.

Employee Benefits Liability: S.D.R.M.A. Policy No. LCA-SDRMA-201011, \$5,000,000 per occurrence/annual aggregate.

See Auditor's Report

AVILA BEACH COMMUNITY SERVICES DISTRICT
NOTES TO THE FINANCIAL STATEMENTS

June 30, 2012

NOTE 7: JOINT POWERS AUTHORITY (Continued)

Employee Practices Liability: S.D.R.M.A. Policy No. LCA-SDRMA-201011, \$5,000,000 per occurrence/annual aggregate.

Property Coverage: S.D.R.M.A Policy No. PPC-SDRMA-201011 replacement cost for property on file, \$1,000,000,000 limit per occurrence. The deductible is on file with S.D.R.M.A.

Public Officials Errors and Omissions: S.D.R.M.A. Policy No. LCA-SDRMA-201011, total risk financing limits of \$5,000,000 per occurrence/annual aggregate.

Workers Compensation: S.D.R.M.A. Policy No. WCP-SDRMA-201011, statutory worker's compensation and up to \$5,000,000 each occurrence for employer's liability coverage.

Total insurance expense for the year ended June 30, 2012 was \$11,169. Members are subject to dividends and/or assessments, in accordance with Second Amendment Joint Powers Agreement and amendments thereto, on file with the District. No such dividends have been declared, nor have any assessments been levied.

NOTE 8: PENSION PLAN

The Avila Beach 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 adjustment, 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 resolutions. Copies of CalPERS' annual financial report may be obtained from their Executive Office (400 P Street, Sacramento, CA 95814).

The actuarial methods and assumptions used are those adopted by the CalPERS Board of Administration. The District is required to contribute at an actuarially determined rate of 23.259% for District participants of their annual covered salary, for the current fiscal year. The contribution requirements of plan members and the District are established and may be amended by CalPERS.

The annual CalPERS employer pension cost, for the year ended June 30, 2012 was \$13,710, and was equal to the District's required and actual contributions. The required contribution was determined as part of the June 30, 2010 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions include (a) 7.75% investment rate of return (net of administrative expenses), (b) projected annual salary increases that vary by duration of service from 3.55% to 14.45%, and (c) 3.25% payroll growth. Both (a) and (b) include an inflation component of 3.0%. The actuarial value of CalPERS assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over fifteen year period (smoothed market value). CalPERS unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on closed basis. The remaining amortization period at June 30, 2010 was 5 years.

Actuarial information concerning this pension plan is now combined with several other District's and individual District information and three year trend information is no longer made available to the Avila Beach Community Services District.

See Auditor's Report

AVILA BEACH COMMUNITY SERVICES DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

NOTE 9: COMMENTS

Port San Luis Harbor District

On March 5, 1968, the District entered in an agreement granting 70,000 gallons per day average flow capacity rights in the sewer treatment and disposal system to Port San Luis Harbor District in exchange for the Harbor District paying a portion of the cost of the treatment and disposal system. For any system expansion required, the Harbor District capacity rights will be recalculated based on the portion of total cost of expansion paid by the Harbor District.

California Department of Forestry (CDF)

On November 18, 1999, the District signed an agreement with the California Department of Forestry (CDF) consolidating fire and emergency services between the two agencies. On July 1, 2010, the District Board agreed to extend this agreement for one year, without changing the level of fire protection services that are provided in the original agreement. Payment for these services is based on standards fees outlined in the agreement service cost calculation.

NOTE 10: PRIOR PERIOD ADJUSTMENT

The prior period adjustment consists of a receivable not previously recorded in the prior year.



AVILA BEACH COMMUNITY SERVICES DISTRICT
COMPINGING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES

General Fund

Schedule I

For the Year Ended June 30, 2012

(With Comparative Totals for the Year Ended June 30, 2011)

	<u>Administration</u>	<u>General/Fire Department</u>	<u>Street Lighting</u>	<u>Total General Fund</u>	
				<u>2012</u>	<u>2011</u>
Revenues:					
Property Taxes	\$ -	\$ 262,408	\$ -	\$ 262,408	\$ 268,699
Intergovernmental	-	-	-	-	-
Investment Income	-	7,462	-	7,462	9,692
Rental Income	-	29,904	-	29,904	28,476
Contract Services	-	2,698	-	2,698	3,505
Miscellaneous Income	-	613	1,206	1,819	2,050
Total Revenues	-	303,085	1,206	304,291	312,422
Expenditures:					
Salaries and Wages	60,808	-	-	60,808	60,977
Payroll Taxes and Benefits	24,043	112	-	24,155	21,349
Insurance	-	3,723	-	3,723	3,820
Maintenance and Repairs	1,094	-	1,202	2,296	1,455
Miscellaneous	-	19	-	19	112
Office Supplies and Expenses	2,855	-	-	2,855	3,262
Professional Services	84,307	142,936	-	227,243	229,255
Public Notices	106	-	-	106	-
Permits and Fees	5,442	-	-	5,442	4,739
Communications	859	-	-	859	878
Employee Travel and Training	1,069	-	-	1,069	510
Occupancy	7,956	-	-	7,956	7,956
Utilities	1,101	-	11,436	12,537	12,676
Administrative Overhead	-	21,109	10,555	31,664	27,462
Capital Purchases	11,115	-	-	11,115	-
Less: Administrative Overhead allocated to other funds	(211,092)	-	-	(211,092)	(183,083)
Total Expenditures	(10,337)	167,899	23,193	180,755	191,368
Excess of Revenues over (under) Expenditures	10,337	135,186	(21,987)	123,536	121,054
Fund Balance (deficit) at Beginning of Year	(17,433)	1,773,758	(127,527)	1,628,798	1,507,744
Fund Balance (deficit) at End of Year	(7,096)	1,908,944	(149,514)	1,752,334	1,628,798

**AVILA BEACH COMMUNITY SERVICES DISTRICT
COMBINING STATEMENT OF NET ASSETS**

Enterprise Funds
June 30, 2012

Schedule II

(With Comparative Total for June 30, 2011)

	Sanitary Fund	Water Fund	Refuse Fund	Total Enterprise Funds	
				2012	2011
ASSETS					
Current Assets:					
Cash and Cash Equivalents	\$ 128,156	\$ 27,342	\$ 3,249	\$ 158,747	\$ 158,747
Taxes Receivable	5,098	-	-	5,098	6,134
Accounts Receivable	34,521	40,465	-	74,986	70,869
Harbor Capital Receivable	66,303	-	-	-	-
Due from Other Funds	-	885,293	-	885,293	870,212
Total Current Assets	234,078	953,100	3,249	1,124,124	1,105,962
Noncurrent Assets:					
Capital Assets:					
Land	60,294	-	-	60,294	60,294
Building and Equipment	4,343,017	1,131,969	-	5,474,986	5,158,282
Less: Accumulated Depreciation	(1,361,097)	(474,049)	-	(1,835,146)	(1,679,280)
Total Noncurrent Assets	3,042,214	657,920	-	3,700,134	3,539,296
Total Assets	\$ 3,276,292	\$ 1,611,020	\$ 3,249	\$ 4,890,561	\$ 4,645,258
LIABILITIES AND NET ASSETS					
Current Liabilities:					
Accounts Payable	51,493	7,911	-	59,404	24,397
Due to Other Funds	629,486	-	8,498	637,984	515,193
Deposits	36,973	8,646	-	45,619	44,869
Total Liabilities	717,952	16,557	8,498	743,007	584,459
Net Assets:					
Invested in Capital Assets - Net of Related Debt	3,042,214	657,920	-	3,700,134	3,575,178
Unrestricted	(483,874)	936,543	(5,249)	447,420	521,503
Total Net Assets	2,558,340	1,594,463	(5,249)	4,147,554	4,096,681
Total Liabilities and Net Assets	\$ 3,276,292	\$ 1,611,020	\$ 3,249	\$ 4,890,561	\$ 4,681,140

AVILA BEACH COMMUNITY SERVICES DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN NET ASSETS

Enterprise Funds
For the Year Ended June 30, 2012

Schedule III

(With Comparative Totals for the Year Ended June 30, 2011)

	Sanitary Fund	Water Fund	Refuse Fund	Totals	
				2012	2011
Operating Revenues:					
Utility Sales	\$ 257,372	\$ 372,737	\$ 14,324	\$ 644,433	\$ 625,258
Harbor Charges	35,496	-	-	35,496	36,775
Other Income and Fees	1,880	1,712	-	3,592	19,530
Total Revenues	294,748	374,449	14,324	683,521	681,563
Operating Expenses:					
Insurance	3,723	3,723	-	7,446	7,640
Lab Test	26,373	-	-	26,373	41,317
Maintenance and Repairs	22,858	2,722	-	25,580	29,456
Miscellaneous	253	252	-	505	-
Office Supplies and Expenses	1,129	1,129	-	2,258	1,779
Professional Services	157,375	65,179	-	222,554	234,845
Operating Supplies	90,969	17,940	-	108,909	79,463
Public Notices	-	-	-	-	-
Permits and Fees	8,542	1,959	-	10,501	8,469
Communications	2,242	-	-	2,242	2,131
Utilities	23,003	757	-	23,760	19,867
Water Purchases - Lopez Lake	-	95,985	-	95,985	100,420
Water Purchases - State Water Project	-	98,044	-	98,044	81,710
General and Administrative Overhead	94,991	73,882	10,555	179,428	155,620
Depreciation	125,827	30,039	-	155,866	129,861
Total Expenses	557,285	391,611	10,555	959,451	892,578
Operating Income (Loss)	(262,537)	(17,162)	3,769	(275,930)	(211,015)
Non-operating Revenues:					
Property Taxes	182,152	-	-	182,152	190,366
Harbor Capital Contribution	103,375	-	-	103,375	82,909
Assessments and Connection Fees	1,131	4,981	-	6,112	11,797
Total Non-Operating Revenues	286,658	4,981	-	291,639	285,072
Net Income	24,121	(12,181)	3,769	15,709	74,057
Net Assets (deficit) at Beginning of Year	2,499,320	1,606,379	(9,018)	4,096,681	4,022,624
Net Assets (deficit) at End of Year	\$ 2,523,441	\$ 1,594,198	\$ (5,249)	\$ 4,112,390	\$ 4,096,681

**AVILA BEACH COMMUNITY SERVICES DISTRICT
COMBINING STATEMENT OF NET ASSETS**

Enterprise Funds

June 30, 2012

Schedule IV

(With Comparative Totals for the Year Ended June 30, 2011)

	Sanitary Fund	Water Fund	Refuse Fund	Totals	
				2012	2011
Cash Flows from Operating Activities:					
Cash Received from Operating Revenue	\$ 297,505	\$ 354,280	\$ 14,324	\$ 666,109	\$ 686,180
Other Payments	(271,937)	(359,526)	(14,324)	(645,787)	(683,892)
Net Cash Used by Operating Activities	25,568	(5,246)	-	20,322	2,288
Cash Flows From Non-Capital Financing Activities:					
Property Taxes	182,152	-	-	182,152	190,366
Harbor Capital Contribution	37,072	-	-	37,072	82,909
Assessments and Connection Fees	1,131	4,981	-	6,112	11,797
Net Cash Provided by Non-Capital Financing Activities	220,355	4,981	-	225,336	285,072
Cash Flows from Capital and Related Financing Activities:					
Acquisition of Capital Assets	(280,822)	-	-	(280,822)	(287,320)
Net Cash Used by Investing Activities	(280,822)	-	-	(280,822)	(287,320)
Cash Flows from Investing activities:					
Proceeds from sale of Equipment	-	-	-	-	-
Net Cash Provided by Financing Activities	-	-	-	-	-
Net Change in Cash	(34,899)	(265)	-	(35,164)	40
Prior Period Adjustment	35,164	-	-	35,164	-
Cash and Cash Equivalent-Beginning	128,157	27,342	3,248	158,747	158,789
Cash and Cash Equivalents-End	\$ 128,422	\$ 27,077	\$ 3,248	\$ 158,747	\$ 158,707
Reconciliation of Operating Income (Loss) to net Cash Provided (used) by Operating Activities:					
Net Operating Income (Loss)	\$ (262,537)	\$ (17,162)	\$ 3,769	\$ (275,930)	\$ (211,015)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Used by Operating Activities:					
Depreciation	125,827	30,039	-	155,866	129,861
Net Changes in Assets and Liabilities:					
Taxes Receivable	1,036	-	-	1,036	2,224
Accounts Receivable	1,453	(5,569)	-	(4,116)	4,617
Due from Other Funds	-	(15,081)	-	(15,081)	(65,717)
Accounts Payables	32,962	2,045	-	35,007	(75,414)
Due to Other Funds	126,559	-	(3,769)	122,790	236,565
Deposits	268	482	-	750	(18,833)
Net Cash Provided (Used) by Operating Activities	\$ 25,568	\$ (5,246)	\$ -	\$ 20,322	\$ 2,288