

**AVILA BEACH
COMMUNITY SERVICES DISTRICT**

Independent Auditor's Report
and
Financial Statements

For the Year Ended
June 30, 2011

AVILA BEACH COMMUNITY SERVICES DISTRICT
INDEPENDENT AUDITOR'S REPORT AND FINANCIAL STATEMENTS
For the Year Ended June 30, 2011

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AVILA BEACH COMMUNITY SERVICES DISTRICT

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Management's Discussion and Analysis Fiscal Year Ending June 30, 2011

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, 2011, 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 Auditor's Report prepared by Crosby Company CPA. The Avila Beach Community Services 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 San Rafael Street sewerline. 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 was realized during the last two fiscal years (2009/10 & 2010/11). 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. Several projects began construction in previous fiscal years and are now complete. 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 2009/10 & 2010/11

	<u>2009/10</u>	<u>2010/11</u>
Total Net Assets	\$ <u>5,532,425</u>	\$ <u>5,726,631</u>

Net increase of \$194,206 for 2010/11

AVILA BEACH COMMUNITY SERVICES DISTRICT

Management's Discussion and Analysis
Fiscal Year Ending June 30, 2011

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 slightly greater funding in property tax receipts during the last fiscal year.

Comparative Governmental Funds Financial Results Fiscal Years 2009/10 & 2010/11

	<u>2009/10</u>	<u>2010/11</u>
Governmental Tax Revenues	\$ 246,487	\$ 268,699
Prop 1A Funds	<u>19,162</u>	<u>-</u>
Total	<u>\$ 265,649</u>	<u>\$ 268,699</u>

Net increase of \$3,050 for 2010/11

Business Type Activities

Business type activities of the District include enterprise funds including Sanitary and Wastewater activities, Water Services and Solid Waste/Refuse Disposal Administration. Each of these funds should be self supporting. The District recently increased service rates which more closely reflects the actual costs associated with providing these services. Additionally, the previously adopted Ordinance (January 2007) provides for an annual 3% increase in rates, thereby, keeping pace with increasing operations costs. The annual rate increase expired at the end of this fiscal year, however the Board has authorized a rate study to determine if current rates meet the needs of the District or if rates need to be increased.

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) will assist 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.

AVILA BEACH COMMUNITY SERVICES DISTRICT

Management's Discussion and Analysis

Fiscal Year Ending June 30, 2011

Comparative Sanitary Fund Financial Results Fiscal Years 2009/10 & 2010/11

	<u>2009/10</u>	<u>2010/11</u>
User Fees	\$ 266,718	\$ 285,873
Connection/Assessments	12,373	2,425
Tax Revenues	<u>194,638</u>	<u>190,366</u>
Total	\$ <u>473,729</u>	\$ <u>478,664</u>

Net increase of \$4,935 for 2010/11

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) will assist 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 2009/10 & 2010/11

	<u>2009/10</u>	<u>2010/11</u>
User Fees	\$ 346,360	\$ 364,954
Connection/Assessments	<u>34,967</u>	<u>9,372</u>
Total	\$ <u>381,327</u>	\$ <u>374,326</u>

Net decrease of \$7,001 for 2010/11

(This is a result of most construction within the District having been completed in previous years)

AVILA BEACH COMMUNITY SERVICES DISTRICT

Management's Discussion and Analysis
Fiscal Year Ending June 30, 2011

Solid Waste / Refuse Disposal Administration

Since 2006, the District administers the solid waste / refuse disposal 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.

Comparative Solid Waste / Refuse Funds Financial Results Fiscal Years 2009/10 & 2010/11

	<u>2009/10</u>	<u>2010/11</u>
Franchise Fees	\$ <u>11,998</u>	\$ <u>11,381</u>

Net decrease of \$617 for 2010/11

Summary

In conclusion, the District has undergone many transitions over the last several years, from water moratoriums, to extensive remediation and 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 review of our wastewater treatment plant from a biological and hydraulic standpoint. Additionally, both water and wastewater master plans have been updated. These documents 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 Years 2010/11

	<u>2010/11</u>
Total Revenue	\$ 1,279,057
Total Expenses	1,083,946
Depreciation	<u>129,861</u>
Total	\$ <u>65,250</u>

AVILA BEACH COMMUNITY SERVICES DISTRICT

BOARD OF DIRECTORS

June 30, 2011

BOARD OF DIRECTORS

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

CROSBY COMPANY, CERTIFIED PUBLIC ACCOUNTANT

1457 MARSH STREET, SUITE 100 - SAN LUIS OBISPO, CA 93401

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Independent Auditor's Report

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

I have audited the accompanying financial statements of the governmental activities and the business-type activities of Avila Beach Community Services District, as of and for the years ended June 30, 2011 and 2010, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. My responsibility is to express an opinion on these financial statements based on my audits.

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

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental and the business-type activities of the Avila Beach Community Services District as of June 30, 2011 and 2010, and the respective changes in financial position and cash flows, where applicable, thereof for the years then ended in conformity with U.S. generally accepted accounting principles.

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, I did not audit the information and express no opinion on it.

My audits were 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 not a required part of the basic financial statements. The combining financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my 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, I express no opinion on them.



CROSBY COMPANY
Certified Public Accountant

September 27, 2011

AVILA BEACH COMMUNITY SERVICES DISTRICT

STATEMENT OF NET ASSETS

June 30, 2011

(With Comparative Totals for June 30, 2010)

ASSETS	Primary Government			
	Governmental Activities	Business-type Activities	Totals	
			2011	2010
Cash and cash equivalents	\$ 1,997,311	\$ 158,747	\$ 2,156,058	\$ 2,195,547
Taxes receivable	6,307	6,134	12,441	17,028
Accounts receivable		70,869	70,869	75,486
Interest receivable	2,358		2,358	2,879
Due from other funds		870,212	870,212	804,495
Capital assets:				
Land and construction in progress	20	96,176	96,196	372,502
Buildings and equipment	34,336	5,158,282	5,192,618	4,628,992
Less accumulated depreciation	(33,204)	(1,679,280)	(1,712,484)	(1,581,718)
Total capital assets, net of depreciation	1,152	3,575,178	3,576,330	3,419,776
Total assets	\$ 2,007,128	\$ 4,681,140	\$ 6,688,268	\$ 6,515,211
LIABILITIES				
Accounts payable	\$ 13,610	\$ 24,397	\$ 38,007	\$ 108,072
Accrued vacations payable	6,549		6,549	4,517
Due to other funds	355,019	515,193	870,212	804,495
Deposits	2,000	44,869	46,869	65,702
Total liabilities	\$ 377,178	\$ 584,459	\$ 961,637	\$ 982,786
NET ASSETS				
Invested in capital assets-net of related debt	\$ 1,152	\$ 3,575,178	\$ 3,576,330	\$ 3,419,776
Unrestricted	1,628,798	521,503	2,150,301	2,112,649
Total net assets	\$ 1,629,950	\$ 4,096,681	\$ 5,726,631	\$ 5,532,425

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, 2011

(With Comparative Totals for the Year Ended June 30, 2010)

Functions/Programs	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Change in Net Assets</u>			
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Primary Government</u>	<u>Totals</u>
	2011	2010	2011	2011	2010	2011	2010
Primary government:							
General government - administration and lighting	\$ 28,448	\$ 1,286	\$ -	\$ (27,162)	\$ -	\$ (27,162)	\$ (23,525)
Public safety - fire	163,825	32,745	-	(131,080)	-	(131,080)	(129,033)
Total governmental activities	192,273	34,031	-	(158,242)	-	(158,242)	(152,558)
Business-type activities:							
Sanitary	539,123	285,873	82,909	(170,341)	(170,341)	(170,341)	(118,373)
Water	344,301	384,309	-	40,008	40,008	40,008	(22,912)
Refuse	9,154	11,381	-	2,227	2,227	2,227	2,866
Total business-type activities	892,578	681,563	82,909	(128,106)	(128,106)	(128,106)	(138,419)
Total primary government	\$1,084,851	\$ 715,594	\$ 82,909	(158,242)	(128,106)	(286,348)	(290,977)
General revenues:							
Taxes:							
Property taxes, levied for general purposes				268,699	190,366	459,065	460,287
Assessments and connection fees				9,692	11,797	11,797	47,340
Investment income				-	-	9,692	12,955
Gain on sale of equipment				278,391	202,163	480,554	1,500
Total general revenues, investment and transfers				556,782	394,326	961,808	522,082
Change in net assets				120,149	74,057	194,206	231,105
Net assets - beginning				1,509,801	4,022,624	5,532,425	5,301,320
Net assets - ending				\$ 1,629,950	\$ 4,096,681	\$ 5,726,631	\$ 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, 2011

(With Comparative Totals for June 30, 2010)

	General	
	<u>2011</u>	<u>2010</u>
ASSETS		
Cash and cash equivalents	\$ 1,997,311	\$ 2,036,840
Taxes receivable	6,307	8,670
Interest receivable	2,358	2,879
 Total assets	 \$ 2,005,976	 \$ 2,048,389
LIABILITIES AND FUND BALANCES		
Liabilities:		
Accounts payable	\$ 13,610	\$ 8,261
Accrued vacations payable	6,549	4,517
Due to other funds	355,019	525,867
Deposits	2,000	2,000
 Total liabilities	 377,178	 540,645
Fund balances:		
Assigned	1,628,798	1,507,744
 Total fund balances	 1,628,798	 1,507,744
 Total liabilities and fund balances	 \$ 2,005,976	 \$ 2,048,389

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, 2011

(With Comparative Totals for June 30, 2010)

	2011	2010
Total fund balances - government funds	\$ 1,628,798	\$ 1,507,744
<p>Amounts reported for governmental activities in the statement of net assets are different because:</p> <p>Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:</p>		
Land	20	20
Property, plant & equipment	34,336	34,336
Less: accumulated depreciation	(33,204)	(32,299)
Total capital assets, net of depreciation	1,152	2,057
Net assets of governmental activities	\$ 1,629,950	\$ 1,509,801

AVILA BEACH COMMUNITY SERVICES DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND

CHANGES IN FUND BALANCES

Governmental Funds

For the Year Ended June 30, 2011

(With Comparative Totals for the Year Ended June 30, 2010)

	General	
	<u>2011</u>	<u>2010</u>
Revenues:		
Property taxes	\$ 268,699	\$ 265,649
Intergovernmental		1,302
Investment income	9,692	12,955
Rental income	28,476	27,120
Contract services	3,505	3,504
Miscellaneous income	2,050	2,413
Total revenues	312,422	312,943
Expenditures:		
Administration	34,844	27,611
Street lighting	11,912	14,877
Fire department	144,612	143,504
Total expenditures	191,368	185,992
Excess of revenue over expenditures	121,054	126,951
Fund balance at beginning of year	1,507,744	1,380,793
Fund balance at end of year	\$ 1,628,798	\$ 1,507,744

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, 2011

(With Comparative Totals for the Year Ended June 30, 2010)

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.

Change in Net Assets of Governmental Activities

	<u>2011</u>	<u>2010</u>
	\$ 121,054	\$ 126,951
	\$ (905)	\$ (905)
	<u>\$ 120,149</u>	<u>\$ 126,046</u>

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, 2011

	Budgeted Amounts		Actual	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Property taxes	\$ 201,610	\$ 201,610	\$ 268,699	\$ 67,089
Investment income	15,000	15,000	9,692	(5,308)
Rental income	27,254	27,254	28,476	1,222
Contract services	4,700	4,700	3,505	(1,195)
Miscellaneous income	500	500	2,050	1,550
Total revenues	249,064	249,064	312,422	63,358
Expenditures:				
Administration	26,826	26,826	34,844	(8,018)
Street lighting	12,950	12,950	11,912	1,038
Fire department	144,576	144,576	144,612	(36)
Total expenditures	184,352	184,352	191,368	(7,016)
Excess of revenues over expenditures	\$ 64,712	\$ 64,712	121,054	\$ 56,342
Fund balance at beginning of year			1,507,744	
Fund balance at end of year			\$ 1,628,798	

The accompanying notes are an integral part of the financial statements

AVILA BEACH COMMUNITY SERVICES DISTRICT

STATEMENT OF NET ASSETS

Proprietary Funds

June 30, 2011

(With Comparative Totals for June 30, 2010)

ASSETS	Enterprise Funds	
	2011	2010
Current assets:		
Cash and cash equivalents	\$ 158,747	\$ 158,707
Taxes receivable	6,134	8,358
Accounts receivable	70,869	75,486
Due from other funds	870,212	804,495
Total current assets	1,105,962	1,047,046
Noncurrent assets:		
Capital assets:		
Land and construction in progress	96,176	372,482
Building and equipment,	5,158,282	4,594,656
Less: accumulated depreciation	(1,679,280)	(1,549,419)
Total noncurrent assets	3,575,178	3,417,719
Total assets	\$ 4,681,140	\$ 4,464,765
LIABILITIES		
Current liabilities:		
Accounts payable	\$ 24,397	\$ 99,811
Due to other funds	515,193	278,628
Deposits	44,869	63,702
Total liabilities	584,459	442,141
NET ASSETS		
Invested in capital assets - net of related debt	\$ 3,575,178	\$ 3,417,719
Unrestricted	521,503	604,905
Total net assets	\$ 4,096,681	\$ 4,022,624

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

Proprietary Funds

For the Year Ended June 30, 2011

(With Comparative Totals for the Year Ended June 30, 2010)

	Enterprise Funds	
	2011	2010
Operating revenues:		
Utility sales	\$ 625,258	\$ 590,721
Harbor charges	36,775	29,530
Other income and fees	19,530	4,825
Total revenues	681,563	625,076
Operating expenses:		
Insurance	7,640	6,928
Lab tests	41,317	14,971
Maintenance and repairs	29,456	74,250
Miscellaneous		875
Office supplies and expense	1,779	1,388
Professional services	234,845	188,577
Operating supplies	79,463	51,166
Public notices		808
Permits and fees	8,469	9,278
Communications	2,131	2,038
Utilities	19,867	16,025
Water purchases - Lopez Lake	100,420	100,145
Water purchases - State Water Project	81,710	98,997
General and administrative overhead	155,620	155,244
Depreciation	129,861	130,101
Total expenses	892,578	850,791
Net operating loss	(211,015)	(225,715)
Non-operating revenue:		
Property taxes	190,366	194,638
Harbor capital contribution	82,909	87,296
Assessments and connection fees	11,797	47,340
Gain on sale of equipment		1,500
Total non-operating revenues	285,072	330,774
Change in net assets	74,057	105,059
Net assets at beginning of year	4,022,624	3,917,565
Net assets at end of year	\$ 4,096,681	\$ 4,022,624

The accompanying notes are an integral part of the financial statements

AVILA BEACH COMMUNITY SERVICES DISTRICT

STATEMENT OF CASH FLOWS

Proprietary Funds

For the Year Ended June 30, 2011

(With Comparative Totals for the Year Ended June 30, 2010)

	Enterprise Funds	
	2011	2010
Cash flows from operating activities:		
Cash received from operating revenue	\$ 686,180	\$ 574,165
Other payments	(683,892)	(566,019)
Net provided by operating activities	2,288	8,146
Cash flows from non-capital financing activities:		
Property taxes	190,366	194,638
Harbor capital contribution	82,909	87,296
Assessments and connection fees	11,797	47,340
Net cash provided by non-capital financing activities	285,072	329,274
Cash flows from capital and related financing activities:		
Principal paid on capital debt		(50,000)
Acquisition of capital assets	(287,320)	(289,002)
Net cash used by investing activities	(287,320)	(339,002)
Cash flows from investing activities:		
Proceeds from sale of equipment		1,500
Net cash provided by financing activities	-	1,500
Net change in cash	40	(82)
Cash and cash equivalents-beginning	158,707	158,789
Cash and cash equivalents-end	\$ 158,747	\$ 158,707
Reconciliation of operating loss to net cash used by operating activities:		
Operating loss	\$ (211,015)	\$ (225,715)
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Depreciation	129,861	130,101
Net changes in assets and liabilities:		
Taxes receivable	2,224	2,382
Accounts receivable	4,617	5,755
Due from other funds	(65,717)	3,710
Accounts payable	(75,414)	63,640
Due to other funds	236,565	31,195
Deposits	(18,833)	(2,922)
Net cash provided by operating activities	\$ 2,288	\$ 8,146

The accompanying notes are an integral part of the financial statements

AVILA BEACH COMMUNITY SERVICES DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2011

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 a political subdivision of the State of California and operates under a 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, 2011

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 Transactions

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

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

AVILA BEACH COMMUNITY SERVICES DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2011

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 30, 2011, 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 government-wide statement of net assets but are not reported in the fund financial statements.

All capital assets are valued at historical cost or estimated historical cost, if actual costs are not available. Donated fixed assets are stated at their fair market value on the date donated. 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 asset 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, 2011

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, 2011

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>			Variance With Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	<u>Original</u>	<u>Final</u>		
Operating revenues	\$ 610,053	\$ 610,053	\$ 681,563	\$ 71,510
Operating expenses	(783,974)	(783,974)	(762,717)	21,257
Depreciation expense	<u>(130,154)</u>	<u>(130,154)</u>	<u>(129,861)</u>	293
Operating income	(304,075)	(304,075)	(211,015)	93,060
Non-operating revenues	<u>239,140</u>	<u>239,140</u>	<u>285,072</u>	45,932
Net income	\$ <u><u>(64,935)</u></u>	\$ <u><u>(64,935)</u></u>	74,057	\$ <u><u>138,992</u></u>
Net assets at the beginning of year			<u>4,022,624</u>	
Net assets at end of year			\$ <u><u>4,096,681</u></u>	

AVILA BEACH COMMUNITY SERVICES DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2011

NOTE 4: CASH AND INVESTMENTS

The values of cash and investments at June 30, 2011 are summarized as follows:

Petty cash	\$	80
Demand deposits		163,269
Cash and investments with:		
Local Agency Investment Fund		1,986,609
Subtotal		2,149,958
Restricted cash:		
Demand deposits		6,100
Total cash and investments	\$	2,156,058

The California Government Code requires California banks and savings and loan associations to secure a district's deposits by pledging government securities as collateral. The market value of pledged securities must equal at least 110% of a district's deposits. California law also allows financial institutions to secure district deposits by pledging first trust deed mortgage notes having a value of 150% of a district's total deposits. 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 governments (LAIF) or in mutual funds are not required to be categorized.

At June 30, 2011, the carrying amount of the District's cash deposits was \$169,369. The bank balances were \$195,516. This difference is due to the normal deposits in transit and outstanding checks. District cash deposits by category as of June 30, 2011, are as follows:

		<u>Category</u>			<u>Bank</u>	<u>Carrying</u>
	<u>1</u>	<u>2</u>	<u>3</u>		<u>Balance</u>	<u>Amount</u>
Bank accounts	\$ <u>195,516</u>	\$ <u>-0-</u>	\$ <u>-0-</u>	\$	<u>195,516</u>	\$ <u>169,369</u>

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.

AVILA BEACH COMMUNITY SERVICES DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2011

NOTE 5: PROPERTY, PLANT AND EQUIPMENT

A summary of governmental fixed assets by major classifications at June 30, 2011, is as follows:

	Balance July 1, 2010	Additions	Deletions	Balance June 30, 2011
Land	\$ 20	\$ -	\$ -	\$ 20
General plant and equipment	34,336			34,336
Subtotals	<u>34,356</u>			<u>34,356</u>
Less: Accumulated depreciation	<u>(32,299)</u>	<u>(905)</u>	<u>-</u>	<u>(33,204)</u>
Governmental capital asset totals	<u>\$ 2,057</u>	<u>\$ (905)</u>	<u>\$ -</u>	<u>\$ 1,152</u>

A summary of proprietary fund type property, plant and equipment at June 30, 2011, is as follows:

	Balance July 1, 2010	Additions	Deletions/ Capitalize	Balance June 30, 2011
Land	\$ 60,294	\$ -	\$ -	\$ 60,294
Construction in progress	312,188	208,218	(484,524)	35,882
Subtotals	<u>372,482</u>	<u>208,218</u>	<u>(484,524)</u>	<u>96,176</u>
General plant and equipment:				
Sewer	3,462,687	563,626		4,026,313
Water	1,131,969			1,131,969
Subtotals	<u>4,594,656</u>	<u>563,626</u>		<u>5,158,282</u>
Less: Accumulated depreciation	<u>(1,549,419)</u>	<u>(129,861)</u>		<u>(1,679,280)</u>
Proprietary capital asset totals	<u>\$ 3,417,719</u>	<u>\$ 641,983</u>	<u>\$ (484,524)</u>	<u>\$ 3,575,178</u>
Total capital assets	<u>\$ 3,419,776</u>	<u>\$ 641,078</u>	<u>\$ (484,524)</u>	<u>\$ 3,576,330</u>

AVILA BEACH COMMUNITY SERVICES DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2011

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 agreements 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 participant's 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 project costs" and certain other costs in the proportion 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 costs 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 service on any existing participant obligation for which revenues are also pledged.

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 rata 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.

AVILA BEACH COMMUNITY SERVICES DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2011

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 Sections 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, 2010 through June 30, 2011.

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 Motorists: 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.

Employment 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. 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 workers' compensation and up to \$5,000,000 each occurrence for employers' liability coverage.

Total insurance expense for the year ended June 30, 2011 was \$11,461. Members are subject to dividends and/or assessments, in accordance with Second Amended Joint Powers Agreement and amendments thereto, on file with the District. No such dividends have been declared, nor have any assessments been levied.

AVILA BEACH COMMUNITY SERVICES DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2011

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 20.194% 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, 2011 was \$12,322, and was equal to the District's required and actual contributions. The required contribution was determined as part of the June 30, 2007 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) 7.75% investment rate of return (net of administrative expenses), (b) projected annual salary increases that vary by duration of service from 3.25% to 14.45%, and (c) 3.25% payroll growth. Both (a) and (b) included an inflation component of 3.0%. The actuarial value of CalPERS assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a fifteen year period (smoothed market value). CalPERS unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a 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 local districts and individual district information and three year trend information is no longer made available to the Avila Beach Community Services District.

NOTE 9: COMMITMENTS

Port San Luis Harbor District

On March 5, 1968, the District entered into 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 standard fees outlined in the agreement service cost calculation.

See Auditor's Report

SUPPLEMENTAL SCHEDULES

AVILA BEACH COMMUNITY SERVICES DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
 General Fund
 For the Year Ended June 30, 2011
 (With Comparative Totals for the Year Ended June 30, 2010)

	<u>Administration</u>	<u>General/Fire Department</u>	<u>Street Lighting</u>	<u>Total General Fund</u>	
				<u>2011</u>	<u>2010</u>
Revenues:					
Property taxes	\$ -	\$ 268,699	\$ -	\$ 268,699	\$ 265,649
Intergovernmental				-	1,302
Investment income		9,692		9,692	12,955
Rental income		28,476		28,476	27,120
Contract services		3,505		3,505	3,504
Miscellaneous income		764	1,286	2,050	2,413
Total revenues		311,136	1,286	312,422	312,943
Expenditures:					
Salaries and wages	60,977			60,977	60,525
Payroll taxes and benefits	21,349			21,349	19,856
Insurance		3,820		3,820	2,512
Maintenance and repairs	987		468	1,455	6,023
Miscellaneous		112		112	349
Office supplies and expense	3,262			3,262	2,047
Professional services	88,575	140,680		229,255	224,544
Public notices				-	112
Permits and fees	4,739			4,739	5,952
Communications	878			878	971
Employee travel and training	510			510	325
Occupancy	7,956			7,956	7,293
Utilities	1,231		11,445	12,676	10,726
Administrative overhead		18,308	9,154	27,462	27,396
Less: Administrative overhead allocated to other funds	(183,083)			(183,083)	(182,639)
Total expenditures	7,381	162,920	21,067	191,368	185,992
Excess of revenues over (under) expenditures	(7,381)	148,216	(19,781)	121,054	126,951
Fund balance (deficit) at beginning of year	(10,052)	1,625,542	(107,746)	1,507,744	1,380,793
Fund balance (deficit) at end of year	\$ (17,433)	\$ 1,773,758	\$ (127,527)	\$ 1,628,798	\$ 1,507,744

AVILA BEACH COMMUNITY SERVICES DISTRICT

COMBINING STATEMENT OF NET ASSETS

Enterprise Funds

June 30, 2011

(With Comparative Totals for June 30, 2010)

ASSETS	Sanitary Fund	Water Fund	Refuse Fund	Total Enterprise Funds	
				2011	2010
Current assets:					
Cash and cash equivalents	\$ 128,157	\$ 27,342	\$ 3,248	\$ 158,747	\$ 158,707
Taxes receivable	6,134			6,134	8,358
Accounts receivable	35,974	34,895		70,869	75,486
Due from other funds		870,212		870,212	804,495
Total current assets	170,265	932,449	3,248	1,105,962	1,047,046
Noncurrent assets:					
Capital assets:					
Land and construction in progress	96,176			96,176	372,482
Building and equipment,	4,026,313	1,131,969		5,158,282	4,594,656
Less: accumulated depreciation	(1,235,270)	(444,010)		(1,679,280)	(1,549,419)
Total noncurrent assets	2,887,219	687,959		3,575,178	3,417,719
Total assets	\$ 3,057,484	\$ 1,620,408	\$ 3,248	\$ 4,681,140	\$ 4,464,765
LIABILITIES AND NET ASSETS					
Current liabilities:					
Accounts payable	\$ 18,531	\$ 5,866		\$ 24,397	\$ 99,811
Due to other funds	502,927		12,266	515,193	278,628
Deposits	36,705	8,164		44,869	63,702
Total liabilities	558,163	14,030	12,266	584,459	442,141
Net assets:					
Invested in capital assets - net of related debt	2,887,219	687,959		3,575,178	3,417,719
Unrestricted	(387,898)	918,419	(9,018)	521,503	604,905
Total net assets	2,499,321	1,606,378	(9,018)	4,096,681	4,022,624
Total liabilities and net assets	\$ 3,057,484	\$ 1,620,408	\$ 3,248	\$ 4,681,140	\$ 4,464,765

AVILA BEACH COMMUNITY SERVICES DISTRICT

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

Enterprise Funds

For the Year Ended June 30, 2011

(With Comparative Totals for the Year Ended June 30, 2010)

	Sanitary Fund	Water Fund	Refuse Fund	Totals	
				2011	2010
Operating revenues:					
Utility sales	\$ 248,923	\$ 364,954	\$ 11,381	\$ 625,258	\$ 590,721
Harbor charges	36,775			36,775	29,530
Other income and fees	175	19,355		19,530	4,825
Total revenues	285,873	384,309	11,381	681,563	625,076
Operating expenses:					
Insurance	3,820	3,820		7,640	6,928
Lab tests	41,317			41,317	14,971
Maintenance and repairs	25,867	3,589		29,456	74,250
Miscellaneous				-	875
Office supplies and expense	908	871		1,779	1,388
Professional services	181,324	53,521		234,845	188,577
Operating supplies	76,680	2,783		79,463	51,166
Public notices				-	808
Permits and fees	6,821	1,648		8,469	9,278
Communications	2,131			2,131	2,038
Utilities	18,589	1,278		19,867	16,025
Water - Lopez Lake		100,420		100,420	100,145
Water - State Water Project		81,710		81,710	98,997
General and administrative overhead	82,387	64,079	9,154	155,620	155,244
Depreciation	99,279	30,582		129,861	130,101
Total expenses	539,123	344,301	9,154	892,578	850,791
Operating income (loss)	(253,250)	40,008	2,227	(211,015)	(225,715)
Non-operating revenues:					
Property taxes	190,366			190,366	194,638
Harbor capital contribution	82,909			82,909	87,296
Assessments and connection fees	2,425	9,372		11,797	47,340
Gain on sale of equipment				-	1,500
Total non-operating revenues	275,700	9,372		285,072	330,774
Net income	22,450	49,380	2,227	74,057	105,059
Net assets (deficit) at beginning of year	2,476,870	1,556,999	(11,245)	4,022,624	3,917,565
Net assets (deficit) at end of year	\$ 2,499,320	\$ 1,606,379	\$ (9,018)	\$ 4,096,681	\$ 4,022,624

AVILA BEACH COMMUNITY SERVICES DISTRICT

COMBINING STATEMENT OF CASH FLOWS

Enterprise Funds

For the Year Ended June 30, 2011

(With Comparative Totals for the Year Ended June 30, 2010)

	Sanitary	Water	Refuse	Totals	
	Fund	Fund	Fund	2011	2010
Cash flows from operating activities:					
Cash received from operating revenue	\$ 284,472	\$ 390,327	\$ 11,381	\$ 686,180	\$ 574,165
Other payments	(272,852)	(399,659)	(11,381)	(683,892)	(566,019)
Net cash used by operating activities	11,620	(9,332)	-	2,288	8,146
Cash flows from non-capital financing activities:					
Property taxes	190,366			190,366	194,638
Harbor capital contribution	82,909			82,909	87,296
Assessments and connection fees	2,425	9,372		11,797	47,340
Net cash provided by non-capital financing activities	275,700	9,372	-	285,072	329,274
Cash flows from capital and related financing activities:					
Principal paid on capital debt				-	(50,000)
Acquisition of capital assets	(287,320)			(287,320)	(289,002)
Net cash used by investing activities	(287,320)	-	-	(287,320)	(339,002)
Cash flows from investing activities:					
Proceeds from sale of equipment				-	1,500
Net cash provided by financing activities	-	-	-	-	1,500
Net change in cash	-	40	-	40	(82)
Cash and cash equivalents-beginning	128,157	27,302	3,248	158,707	158,789
Cash and cash equivalents-end	\$ 128,157	\$ 27,342	\$ 3,248	\$ 158,747	\$ 158,707
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:					
Net operating income (loss)	\$ (253,250)	\$ 40,008	\$ 2,227	\$ (211,015)	\$ (225,715)
Adjustments to reconcile operating income (loss) to net cash used by operating activities:					
Depreciation	99,279	30,582		129,861	130,101
Net changes in assets and liabilities:					
Taxes receivable	2,224			2,224	2,382
Accounts receivable	(1,401)	6,018		4,617	5,755
Due from other funds		(65,717)		(65,717)	3,710
Accounts payable	(73,756)	(1,658)		(75,414)	63,640
Due to other funds	238,792		(2,227)	236,565	31,195
Deposits	(268)	(18,565)		(18,833)	(2,922)
Net cash provided (used) by operating activities	\$ 11,620	\$ (9,332)	\$ -	\$ 2,288	\$ 8,146

See Auditor's Report