

**AVILA BEACH
COMMUNITY SERVICES DISTRICT**

Independent Auditor's Report
and
Financial Statements

For the Year Ended
June 30, 2010

AVILA BEACH COMMUNITY SERVICES DISTRICT
INDEPENDENT AUDITOR'S REPORT AND FINANCIAL STATEMENTS
For the Year Ended June 30, 2010

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AVILA BEACH COMMUNITY SERVICES DISTRICT

Post Office Box 309, Avila Beach, CA 93424
Office and Meeting Room - 191 San Miguel Street, Avila Beach
Telephone (805) 595-2664 FAX (805) 595-7623
E-Mail Avilacsd@AOL.com

Management's Discussion and Analysis Fiscal Year Ending June 30, 2010

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, 2010, 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 construction in progress on the wastewater treatment plant and 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 may be noted a substantial decrease in assessments and connection fees was realized during this Fiscal Year (2009/10). 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 2008/09 & 2009/10

	<u>2008/09</u>	<u>2009/10</u>
Total Net Assets	\$ 5,301,320	\$ 5,532,425

Net increase of \$231,105 for 2009/10

AVILA BEACH COMMUNITY SERVICES DISTRICT

Management's Discussion and Analysis
Fiscal Year Ending June 30, 2010

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. As a result of the overall downturn of property values, the District received less funding in property tax receipts than was realized during the last fiscal year. Additionally, due to declining state revenues, the State of California withheld a percentage of local tax revenue as a "one time loan", thereby further reducing funding to local agencies. As a result of this "loan" many local agencies opted to participate in a program that provided for the full amount of tax revenues to be paid to the agencies. This program is referred to as Prop 1A Funding. Our District participated in this program and received funds that would have otherwise been withheld in the amount of \$19,161, thus keeping our tax revenues in line with tax assessments.

Comparative Governmental Funds Financial Results Fiscal Years 2008/09 & 2009/10

	<u>2008/09</u>	<u>2009/10</u>
Governmental Tax Revenues	\$ 274,174	\$ 246,487
Prop 1A Funds	-	19,162
Total	\$ <u>274,174</u>	\$ <u>265,649</u>

Net decrease of \$8,525 for 2009/10

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.

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, 2010

Comparative Sanitary Fund Financial Results Fiscal Years 2008/09 & 2009/10

	<u>2008/09</u>	<u>2009/10</u>
User Fees	\$ 260,965	\$ 266,718
Connection/Assessments	21,602	12,373
Tax Revenues	<u>196,834</u>	<u>194,638</u>
Total	\$ <u>479,401</u>	\$ <u>473,729</u>

Net decrease of \$5,672 for 2009/10

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 2008/09 & 2009/10

	<u>2008/09</u>	<u>2009/10</u>
User Fees	\$ 330,768	\$ 346,360
Connection/Assessments	<u>109,104</u>	<u>34,967</u>
Total	\$ <u>439,872</u>	\$ <u>381,327</u>

Net decrease of \$58,545 for 2009/10

(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, 2010

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 2008/09 & 2009/10

	<u>2008/09</u>	<u>2009/10</u>
Franchise Fees	\$ 11,165	\$ 11,998
		Net increase of \$833 for 2009/10

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 2009/10

	<u>2009/10</u>
Total Revenue	\$ 1,268,793
Total Expenses	907,587
Depreciation	130,101
	\$ 231,105

AVILA BEACH COMMUNITY SERVICES DISTRICT

BOARD OF DIRECTORS

June 30, 2010

BOARD OF DIRECTORS

<u>NAME</u>	<u>TERM EXPIRES</u>
Pete Kelley, President	December, 2010
Terry Brown, Vice President	December, 2010
Jason Simas, Director	December, 2012
Richard Rowe, Director	December, 2010
John Janowicz, Director	December, 2012

CROSBY COMPANY, CERTIFIED PUBLIC ACCOUNTANT

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

PHONE: (805)543-6100 FAX: (805)858-9505

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, 2010 and 2009, 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, 2010 and 2009, 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, we 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 23, 2010

AVILA BEACH COMMUNITY SERVICES DISTRICT

STATEMENT OF NET ASSETS

June 30, 2010

(With Comparative Totals for June 30, 2009)

ASSETS	Primary Government			
	Governmental Activities	Business-type Activities	Totals	
			2010	2009
Cash and cash equivalents	\$ 2,036,840	\$ 158,707	\$ 2,195,547	\$ 2,168,927
Taxes receivable	8,670	8,358	17,028	20,201
Accounts receivable		75,486	75,486	81,241
Interest receivable	2,879		2,879	6,989
Due from other funds		804,495	804,495	808,205
Capital assets:				
Land and construction in progress	20	372,482	372,502	83,500
Buildings and equipment	34,336	4,594,656	4,628,992	4,658,674
Less accumulated depreciation	(32,299)	(1,549,419)	(1,581,718)	(1,480,394)
Total capital assets, net of depreciation	2,057	3,417,719	3,419,776	3,261,780
Total assets	\$ 2,050,446	\$ 4,464,765	\$ 6,515,211	\$ 6,347,343
LIABILITIES				
Accounts payable	\$ 8,261	\$ 99,811	\$ 108,072	\$ 116,033
Accrued vacations payable	4,517		4,517	3,161
Due to other funds	525,867	278,628	804,495	808,205
Deposits	2,000	63,702	65,702	68,624
Long-term liabilities				
Note payable-due within one year				50,000
Total liabilities	\$ 540,645	\$ 442,141	\$ 982,786	\$ 1,046,023
NET ASSETS				
Invested in capital assets-net of related debt	\$ 2,057	\$ 3,417,719	\$ 3,419,776	\$ 3,211,780
Unrestricted	1,507,744	604,905	2,112,649	2,089,540
Total net assets	\$ 1,509,801	\$ 4,022,624	\$ 5,532,425	\$ 5,301,320

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, 2010

(With Comparative Totals for the Year Ended June 30, 2009)

Functions/Programs Primary government: Governmental activities: General government - administration and lighting Public safety - fire Total governmental activities Business-type activities: Sanitary Water Refuse Total business-type activities Total primary government	<u>Program Revenues</u>		<u>Net (Expense) Revenue and Change in Net Assets</u>	
	<u>Charges for Services</u>	<u>Capital Grants and Contributions</u>	<u>Primary Government</u>	<u>Totals</u>
	2010	2009	2010	2009
Expenses	\$ 24,224		\$ (23,525)	\$ (17,558)
	162,673		(129,033)	(137,371)
	186,897		(152,558)	(154,929)
	472,387			
	369,272	87,296	(118,373)	(243,629)
	9,132		(22,912)	(52,625)
	850,791	87,296	2,866	2,970
	\$1,037,688	\$ 88,598	(138,419)	(293,284)
			(138,419)	(448,213)
			194,638	471,008
			47,340	130,706
			12,955	41,704
			1,500	
			243,478	643,418
			126,046	195,205
			1,383,755	5,106,115
			\$ 1,509,801	\$ 5,301,320
			\$ 5,532,425	

General revenues:

Taxes:

Property taxes, levied for general purposes

Assessments and connection fees

Investment income

Gain on sale of equipment

Total general revenues, investment and transfers

Change in net assets

Net assets - beginning

Net assets - ending

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

AVILA BEACH COMMUNITY SERVICES DISTRICT

BALANCE SHEET Governmental Funds June 30, 2010

(With Comparative Totals for June 30, 2009)

	General	
	<u>2010</u>	<u>2009</u>
ASSETS		
Cash and cash equivalents	\$ 2,036,840	\$ 2,010,138
Taxes receivable	8,670	9,461
Interest receivable	2,879	6,989
 Total assets	 \$ 2,048,389	 \$ 2,026,588
LIABILITIES AND FUND BALANCES		
Liabilities:		
Accounts payable	\$ 8,261	\$ 79,862
Accrued vacations payable	4,517	3,161
Due to other funds	525,867	560,772
Deposits	2,000	2,000
 Total liabilities	 540,645	 645,795
Fund balances:		
Unreserved	1,507,744	1,380,793
 Total fund balances	 1,507,744	 1,380,793
 Total liabilities and fund balances	 \$ 2,048,389	 \$ 2,026,588

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, 2010

(With Comparative Totals for June 30, 2009)

Total fund balances - government funds

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
 Property, plant & equipment
 Less: accumulated depreciation

Total capital assets, net of depreciation

Net assets of governmental activities

	2010	2009
	\$ 1,507,744	\$ 1,380,793
Land	20	20
Property, plant & equipment	34,336	34,336
Less: accumulated depreciation	(32,299)	(31,394)
Total capital assets, net of depreciation	2,057	2,962
	\$ 1,509,801	\$ 1,383,755

AVILA BEACH COMMUNITY SERVICES DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND

CHANGES IN FUND BALANCES

Governmental Funds

For the Year Ended June 30, 2010

(With Comparative Totals for the Year Ended June 30, 2009)

	General	
	<u>2010</u>	<u>2009</u>
Revenues:		
Property taxes	\$ 265,649	\$ 274,174
Intergovernmental	1,302	
Investment income	12,955	37,606
Rental income	27,120	25,830
Contract services	3,504	3,532
Miscellaneous income	2,413	2,302
Total revenues	312,943	343,444
Expenditures:		
Administration	27,611	28,384
Street lighting	14,877	10,308
Fire department	143,504	146,996
Total expenditures	185,992	185,688
Excess of revenue over expenditures	126,951	157,756
Fund balance at beginning of year	1,380,793	1,223,037
Fund balance at end of year	\$ 1,507,744	\$ 1,380,793

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, 2010

(With Comparative Totals for the Year Ended June 30, 2009)

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

	2010	2009
	\$ 126,951	\$ 157,756
	\$ (905)	\$ (905)
	\$ 126,046	\$ 156,851

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, 2010

	Budgeted Amounts		Actual	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Property taxes	\$ 201,610	\$ 201,610	\$ 265,649	\$ 64,039
Intergovernmental	1,200	1,200	1,302	102
Investment income	40,000	40,000	12,955	(27,045)
Rental income	25,956	25,956	27,120	1,164
Contract services	2,500	2,500	3,504	1,004
Miscellaneous income	500	500	2,413	1,913
Total revenues	271,766	271,766	312,943	41,177
Expenditures:				
Administration	26,064	26,064	27,611	(1,547)
Street lighting	12,950	12,950	14,877	(1,927)
Fire department	144,748	144,748	143,504	1,244
Total expenditures	183,762	183,762	185,992	(2,230)
Excess of revenues over expenditures	\$ 88,004	\$ 88,004	126,951	\$ 38,947
Fund balance at beginning of year			1,380,793	
Fund balance at end of year			\$ 1,507,744	

The accompanying notes are an integral part of the financial statements

AVILA BEACH COMMUNITY SERVICES DISTRICT

STATEMENT OF NET ASSETS

Proprietary Funds

June 30, 2010

(With Comparative Totals for June 30, 2009)

ASSETS	Enterprise Funds	
	<u>2010</u>	<u>2009</u>
Current assets:		
Cash and cash equivalents	\$ 158,707	\$ 158,789
Taxes receivable	8,358	10,740
Accounts receivable	75,486	81,241
Due from other funds	804,495	808,205
Total current assets	1,047,046	1,058,975
Noncurrent assets:		
Capital assets:		
Land and construction in progress	372,482	83,480
Building and equipment,	4,594,656	4,612,526
Less: accumulated depreciation	(1,549,419)	(1,437,188)
Total noncurrent assets	3,417,719	3,258,818
Total assets	\$ 4,464,765	\$ 4,317,793
 LIABILITIES		
Current liabilities:		
Accounts payable	\$ 99,811	\$ 36,171
Due to other funds	278,628	247,433
Deposits	63,702	66,624
Note payable-current portion		50,000
Total liabilities	442,141	400,228
NET ASSETS		
Invested in capital assets - net of related debt	\$ 3,417,719	\$ 3,208,818
Unrestricted	604,905	708,747
Total net assets	\$ 4,022,624	\$ 3,917,565

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, 2010
(With Comparative Totals for the Year Ended June 30, 2009)

	Enterprise Funds	
	2010	2009
Operating revenues:		
Utility sales	\$ 590,721	\$ 558,741
Harbor charges	29,530	46,178
Other income and fees	4,825	2,077
Total revenues	625,076	606,996
Operating expenses:		
Insurance	6,928	7,950
Lab tests	14,971	18,664
Maintenance and repairs	74,250	183,004
Miscellaneous	875	338
Office supplies and expense	1,388	1,196
Professional services	188,577	163,597
Operating supplies	51,166	55,553
Public notices	808	
Permits and fees	9,278	7,755
Communications	2,038	1,905
Utilities	16,025	18,465
Water purchases - Lopez Lake	100,145	77,423
Water purchases - State Water Project	98,997	91,492
General and administrative overhead	155,244	139,317
Depreciation	130,101	129,523
Total expenses	850,791	896,182
Net operating loss	(225,715)	(289,186)
Non-operating revenue:		
Property taxes	194,638	196,834
Harbor captial contribution	87,296	
Assessments and connection fees	47,340	130,706
Gain on sale of equipment	1,500	
Total non-operating revenues	330,774	327,540
Change in net assets	105,059	38,354
Net assets at beginning of year	3,917,565	3,879,211
Net assets at end of year	\$ 4,022,624	\$ 3,917,565

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, 2010

(With Comparative Totals for the Year Ended June 30, 2009)

	Enterprise Funds	
	2010	2009
Cash flows from operating activities:		
Cash received from operating revenue	\$ 630,831	\$ 600,363
Other payments	(622,685)	(859,203)
Net provided (used) by operating activities	8,146	(258,840)
Cash flows from non-capital financing activities:		
Property taxes	194,638	196,834
Harbor capital contribution	87,296	
Assessments and connection fees	47,340	130,706
Net cash provided by non-capital financing activities	329,274	327,540
Cash flows from capital and related financing activities:		
Acquisition of capital assets		(13,088)
Principal paid on capital debt	(50,000)	(50,000)
Construction in progress	(289,002)	(20,164)
Net cash used by investing activities	(339,002)	(83,252)
Cash flows from investing activities:		
Proceeds from sale of equipment	1,500	
Net cash provided by financing activities	1,500	-
Net change in cash	(82)	(14,552)
Cash and cash equivalents-beginning	158,789	173,341
Cash and cash equivalents-end	\$ 158,707	\$ 158,789
Reconciliation of operating loss to net cash used by operating activities:		
Operating loss	\$ (225,715)	\$ (289,186)
Adjustments to reconcile operating loss to net cash provided (used) by operating activities:		
Depreciation	130,101	129,523
Net changes in assets and liabilities:		
Taxes receivable	2,382	(2,476)
Accounts receivable	5,755	(2,535)
Due from other funds	3,710	(14,769)
Accounts payable	63,640	(4,490)
Due to other funds	31,195	(77,447)
Deposits	(2,922)	2,540
Net cash provided (used) by operating activities	\$ 8,146	\$ (258,840)

The accompanying notes are an integral part of the financial statements

AVILA BEACH COMMUNITY SERVICES DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2010

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) except that management has elected not to include a management discussion and analysis since the general fund is now contracted with another governmental unit. This analysis is not a required part of the basic financial statements but is supplementary information normally required by U.S. generally accepted accounting principles.

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. Management has elected not to include a management discussion and analysis, which is not a required part of the basic financial statements but is supplementary information normally required by U.S. generally accepted accounting principles.

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.

See Auditor's Report

AVILA BEACH COMMUNITY SERVICES DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2010

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

AVILA BEACH COMMUNITY SERVICES DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2010

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 reported as a reservation of fund balance on the balance sheet. Encumbrances do not lapse at the close of the fiscal year but are carried forward as reserved fund balance until liquidated.

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, 2010, 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

See Auditor's Report

AVILA BEACH COMMUNITY SERVICES DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2010

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

Reservations of Fund Balance

The District records reservations for portions of fund equity which are legally segregated for specific future use or which do not represent available expendable resources and therefore, are not available for appropriations or expenditure in the governmental fund balance sheet. Unreserved fund balance indicates that portion of fund equity, which is available for appropriations, in future periods. Fund equity reserves have been established in the general and capital project funds. 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.

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AVILA BEACH COMMUNITY SERVICES DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2010

NOTE 3: CASH AND INVESTMENTS

The values of cash and investments at June 30, 2010 are summarized as follows:

Petty cash	\$	80
Demand deposits		113,011
Cash and investments with:		
Local Agency Investment Fund		2,076,396
Subtotal		<u>2,189,487</u>
Restricted cash:		
Demand deposits		<u>6,060</u>
 Total cash and investments	\$	<u><u>2,195,547</u></u>

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, 2010, the carrying amount of the District's cash deposits was \$119,071. The bank balances were \$177,383. This difference is due to the normal deposits in transit and outstanding checks. District cash deposits by category as of June 30, 2010, are as follows:

	<u>1</u>	<u>2</u>	<u>3</u>	<u>Bank Balance</u>	<u>Carrying Amount</u>
Bank accounts	\$ <u>177,383</u>	\$ <u>-0-</u>	\$ <u>-0-</u>	\$ <u>177,383</u>	\$ <u>119,071</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.

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AVILA BEACH COMMUNITY SERVICES DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2010

NOTE 4: PROPERTY, PLANT AND EQUIPMENT

A summary of governmental fixed assets by major classifications is as follows:

	Balance July 1, 2009	Additions	Deletions	Balance June 30, 2010
Land	\$ 20	\$	\$	\$ 20
General plant and equipment	46,148		(11,812)	34,336
Subtotals	46,168		(11,812)	34,356
Less: Accumulated depreciation	(43,206)	(905)	11,812	(32,299)
Governmental capital asset totals	\$ 2,962	\$ (905)	\$ -	\$ 2,057

A summary of proprietary fund type property, plant and equipment at June 30, 2010, is as follows:

	Balance July 1, 2009	Additions	Deletions	Balance June 30, 2010
Land	\$ 60,294	\$	\$	\$ 60,294
Construction in progress	23,186	289,002		312,188
General plant and equipment:				
Water	2,232,505		(17,870)	2,214,635
Sewer	2,380,021			2,380,021
Subtotals	4,696,006	289,002	(17,870)	4,967,138
Less: Accumulated depreciation	(1,437,188)	(130,101)	17,870	(1,549,419)
Proprietary capital asset totals	3,258,818	158,901	-	3,417,719
Total capital assets	\$ 3,261,780	\$ 157,996	\$ -	\$ 3,419,776

See Auditor's Report

AVILA BEACH COMMUNITY SERVICES DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2010

NOTE 5: 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.

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AVILA BEACH COMMUNITY SERVICES DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2010

NOTE 6: 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, 2009 through June 30, 2010.

General Liability: S.R.R.M.A. Policy No. LCA-SDRMA-200910, \$5,000,000 per occurrence.

Auto Liability: S.D.R.M.A. Policy No. LCA-SDRMA-200910, \$5,000,000 per occurrence.

Auto Physical Damage: S.D.R.M.A. Policy No. LCA-SDRMA-200910. This coverage is on file with S.D.R.M.A.

Uninsured/Underinsured Motorists: S.D.R.M.A. Policy No. UMI-SDRMA-200910, \$750,000 each accident.

Boiler and Machinery: S.D.R.M.A. Policy No. BMC-SDRMA-200910 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-200910, \$500,000 per member per year with \$500,000 general aggregate.

Employee Dishonesty Coverage: S.D.R.M.A. Policy No. EDC-SDRMA-200910, \$400,000 limit.

Employee Benefits Liability: S.D.R.M.A. Policy No. LCA-SDRMA-200910, \$5,000,000 per occurrence/annual aggregate.

Employment Practices Liability: S.D.R.M.A. Policy No. LCA-SDRMA-200910, \$5,000,000 per occurrence/annual aggregate.

Property Coverage: S.D.R.M.A. Policy No. PPC-SDRMA-200910, 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-200910, total risk financing limits of \$5,000,000 per occurrence/annual aggregate.

Workers Compensation: S.D.R.M.A. Policy No. WCP-SDRMA-200910, statutory workers' compensation and up to \$5,000,000 each occurrence for employers' liability coverage.

Total insurance expense for the year ended June 30, 2010 was \$9,439. 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.

See Auditor's Report

AVILA BEACH COMMUNITY SERVICES DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2010

NOTE 7: 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		<u>Actual</u>	
	<u>Original</u>	<u>Final</u>		
Operating revenues	\$ 579,758	\$ 579,758	\$ 625,076	\$ 45,318
Operating expenses	(748,539)	(748,539)	(720,690)	27,849
Depreciation expense	(130,154)	(130,154)	(130,101)	53
Operating income	(298,935)	(298,935)	(225,715)	73,220
Non-operating revenues	247,490	247,490	330,774	83,248
Net income	\$ <u>(51,445)</u>	\$ <u>(51,445)</u>	105,059	\$ <u>156,504</u>
Net assets at the beginning of year			<u>3,917,565</u>	
Net assets at end of year			\$ <u>4,022,624</u>	

See Auditor's Report

AVILA BEACH COMMUNITY SERVICES DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2010

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, 2010 was \$11,921, 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. The term of this agreement was from January 1, 2000 through June 30, 2004. On July 1, 2009, 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.

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SUPPLEMENTAL SCHEDULES

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

General Fund

For the Year Ended June 30, 2010

(With Comparative Totals for the Year Ended June 30, 2009)

	Administration	General/Fire Department	Street Lighting	Total General Fund	
				2010	2009
Revenues:					
Property taxes	\$ -	\$ 265,649	\$ -	\$ 265,649	\$ 274,174
Intergovernmental		1,302		1,302	-
Investment income		12,955		12,955	37,608
Rental income		27,120		27,120	25,830
Contract services		3,504		3,504	3,532
Miscellaneous income		1,714	699	2,413	2,302
Total revenues		312,244	699	312,943	343,446
Expenditures:					
Salaries and wages	60,525			60,525	59,481
Payroll taxes and benefits	19,856			19,856	20,437
Insurance		2,512		2,512	4,275
Maintenance and repairs	968		5,055	6,023	1,672
Miscellaneous	37	312		349	4,051
Office supplies and expense	2,047			2,047	2,291
Professional services	83,864	140,680		224,544	208,207
Public notices	112			112	391
Permits and fees	5,952			5,952	5,743
Communications	971			971	1,256
Employee travel and training	325			325	542
Occupancy	7,293			7,293	5,304
Utilities	904		9,822	10,726	11,357
Administrative overhead		18,264	9,132	27,396	24,585
Less: Administrative overhead allocated to other funds	(182,639)			(182,639)	(163,902)
Total expenditures	215	161,768	24,009	185,992	185,690
Excess of revenues over (under) expenditures	(215)	150,476	(23,310)	126,951	157,756
Fund balance (deficit) at beginning of year	(9,837)	1,475,066	(84,436)	1,380,793	1,223,037
Fund balance (deficit) at end of year	\$ (10,052)	\$ 1,625,542	\$ (107,746)	\$ 1,507,744	\$ 1,380,793

AVILA BEACH COMMUNITY SERVICES DISTRICT

COMBINING STATEMENT OF NET ASSETS

Enterprise Funds

June 30, 2010

(With Comparative Totals for June 30, 2009)

ASSETS	Sanitary Fund	Water Fund	Refuse Fund	Total Enterprise Funds	
				2010	2009
Current assets:					
Cash and cash equivalents	\$ 128,157	\$ 27,302	\$ 3,248	\$ 158,707	\$ 158,789
Taxes receivable	8,358			8,358	10,740
Accounts receivable	34,573	40,913		75,486	81,241
Due from other funds		804,495		804,495	808,205
Total current assets	171,088	872,710	3,248	1,047,046	1,058,975
Noncurrent assets:					
Capital assets:					
Land and construction in progress	372,482			372,482	83,480
Building and equipment,	3,462,687	1,131,969		4,594,656	4,612,526
Less: accumulated depreciation	(1,135,991)	(413,428)		(1,549,419)	(1,437,188)
Total noncurrent assets	2,699,178	718,541		3,417,719	3,258,818
Total assets	\$ 2,870,266	\$ 1,591,251	\$ 3,248	\$ 4,464,765	\$ 4,317,793
LIABILITIES AND NET ASSETS					
Current liabilities:					
Accounts payable	\$ 92,287	\$ 7,524	\$ -	\$ 99,811	\$ 36,171
Due to other funds	264,135		14,493	278,628	247,433
Deposits	36,973	26,729		63,702	66,624
Note payable-current portion					50,000
Total liabilities	393,395	34,253	14,493	442,141	400,228
Net assets:					
Invested in capital assets - net of related debt	2,699,178	718,541		3,417,719	3,208,818
Unrestricted	(222,307)	838,457	(11,245)	604,905	708,747
Total net assets	2,476,871	1,556,998	(11,245)	4,022,624	3,917,565
Total liabilities and net assets	\$ 2,870,266	\$ 1,591,251	\$ 3,248	\$ 4,464,765	\$ 4,317,793

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

Enterprise Funds

For the Year Ended June 30, 2010

(With Comparative Totals for the Year Ended June 30, 2009)

	Sanitary Fund	Water Fund	Refuse Fund	Totals	
				2010	2009
Operating revenues:					
Utility sales	\$ 232,363	\$ 346,360	\$ 11,998	\$ 590,721	\$ 558,741
Harbor charges	29,530			29,530	46,178
Other income and fees	4,825			4,825	2,077
Total revenues	266,718	346,360	11,998	625,076	606,996
Operating expenses:					
Insurance	3,464	3,464		6,928	7,950
Lab tests	14,971			14,971	18,664
Maintenance and repairs	57,256	16,994		74,250	183,004
Miscellaneous	730	145		875	338
Office supplies and expense	711	677		1,388	1,196
Professional services	139,930	48,647		188,577	163,597
Operating supplies	50,813	353		51,166	55,553
Public notices	20	788		808	
Permits and fees	5,739	3,539		9,278	7,755
Communications	2,038			2,038	1,905
Utilities	15,008	1,017		16,025	18,465
Water - Lopez Lake		100,145		100,145	77,423
Water - State Water Project		98,997		98,997	91,492
General and administrative overhead	82,188	63,924	9,132	155,244	139,317
Depreciation	99,519	30,582		130,101	129,523
Total expenses	472,387	369,272	9,132	850,791	896,182
Operating income (loss)	(205,669)	(22,912)	2,866	(225,715)	(289,186)
Non-operating revenues:					
Property taxes	194,638			194,638	196,834
Harbor capital contribution	87,296			87,296	
Assessments and connection fees	12,373	34,967		47,340	130,706
Gain on sale of equipment		1,500		1,500	
Total non-operating revenues	294,307	36,467		330,774	327,540
Net income	88,638	13,555	2,866	105,059	38,354
Net assets (deficit) at beginning of year	2,388,232	1,543,444	(14,111)	3,917,565	3,879,211
Net assets (deficit) at end of year	\$ 2,476,870	\$ 1,556,999	\$ (11,245)	\$ 4,022,624	\$ 3,917,565

AVILA BEACH COMMUNITY SERVICES DISTRICT

COMBINING STATEMENT OF CASH FLOWS

Enterprise Funds

For the Year Ended June 30, 2010

(With Comparative Totals for the Year Ended June 30, 2009)

	Sanitary Fund	Water Fund	Refuse Fund	Totals	
				2010	2009
Cash flows from operating activities:					
Cash received from operating revenue	\$ 249,131	\$ 313,036	\$ 11,998	\$ 574,165	\$ 573,332
Other payments	(254,438)	(299,583)	(11,998)	(566,019)	(836,270)
Net cash used by operating activities	(5,307)	13,453	-	8,146	(262,938)
Cash flows from non-capital financing activities:					
Property taxes	194,638			194,638	196,834
Harbor capital contribution	87,296			87,296	
Assessments and connection fees	12,373	34,967		47,340	130,706
Net cash provided by non-capital financing activities	294,307	34,967	-	329,274	327,540
Cash flows from capital and related financing activities:					
Acquisition of capital assets				-	(13,088)
Principal paid on capital debt		(50,000)		(50,000)	(50,000)
Construction in progress	(289,002)			(289,002)	(20,164)
Net cash used by investing activities	(289,002)	(50,000)	-	(339,002)	(83,252)
Cash flows from investing activities:					
Proceeds from sale of equipment		1,500		1,500	
Net cash provided by financing activities	-	1,500	-	1,500	
Net change in cash	(2)	(80)	-	(82)	(18,650)
Cash and cash equivalents-beginning	128,158	27,383	3,248	158,789	173,341
Cash and cash equivalents-end	\$ 128,156	\$ 27,303	\$ 3,248	\$ 158,707	\$ 154,691
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:					
Net operating income (loss)	\$ (205,669)	\$ (22,912)	\$ 2,866	\$ (225,715)	\$ (293,284)
Adjustments to reconcile operating income (loss) to net cash used by operating activities:					
Depreciation	99,519	30,582		130,101	129,523
Net changes in assets and liabilities:					
Taxes receivable	2,382			2,382	(2,476)
Accounts receivable	6,153	(398)		5,755	(2,535)
Due from other funds		3,710		3,710	(14,769)
Accounts payable	61,839	1,801		63,640	(4,490)
Due to other funds	34,061		(2,866)	31,195	(77,447)
Deposits	(3,592)	670		(2,922)	2,540
Net cash provided (used) by operating activities	\$ (5,307)	\$ 13,453	\$ -	\$ 8,146	\$ (262,938)