

Oceano Community Services District

Financial Statements

June 30, 2012

Oceano Community Services District

BOARD OF DIRECTORS

Matthew G. Guerrero, President

Mary K. Lucey, Vice President

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Karen White, Director

C O N T E N T S

	<u>Page(s)</u>
<i>Independent Auditors' Report on the Financial Statements</i>	1 - 2
<i>Financial Statements</i>	
<i>Government-wide Financial Statements</i>	
Statement of net assets	3
Statement of activities	4
<i>Fund Financial Statements</i>	
Governmental fund:	
Balance sheet	5
Reconciliation of the governmental fund balance sheet to the statement of net assets	6
Statement of revenues, expenditures, and changes in fund balance	7
Reconciliation of the statement of revenues, expenditures, and changes in fund balance of the governmental fund to the statement of activities	8
Proprietary funds:	
Statement of net assets	9
Statement of revenues, expenditures, and changes in net assets	10
Statement of cash flows	11
Notes to basic financial statements	12 - 27
<i>Supplementary Information</i>	
General fund – schedule of revenues, expenditures, and changes in fund balance – budget and actual	29



Independent Auditors' Report on the Financial Statements

To the Board of Directors
Oceano Community Services District
Oceano, California

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Oceano Community Services District (District), as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Oceano Community Services District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

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

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on page 24, be presented to support the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.



Independent Auditors' Report on the Financial Statements - Continued

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Caliber Audit & Attest, LLP

San Luis Obispo, California

July 19, 2013

Oceano Community Services District

Statement of Net Assets

June 30, 2012

<i>ASSETS</i>	<i>Governmental Activities</i>	<i>Business-type Activities</i>	<i>Total</i>
<i>Current Assets</i>			
Cash and investments	\$ 423,481	\$ 813,774	\$ 1,237,255
Accounts receivable, less allowance for doubtful accounts of \$16,177	28,457	873,445	901,902
Due to (due from) other funds	740,968	(740,968)	-
Prepaid expenses	63,092	702,037	765,129
Deposits	1,802	-	1,802
Inventory	-	19,281	19,281
Total current assets	1,257,800	1,667,569	2,925,369
<i>Capital Assets</i>			
Non-depreciable:			
Land	385,390	231,000	616,390
Depreciable:			
Buildings and improvements	635,168	8,165,074	8,800,242
Equipment, vehicles and machinery	246,558	535,967	782,525
Software	-	195,918	195,918
Accumulated depreciation	(731,130)	(4,109,173)	(4,840,303)
Total capital assets	535,986	5,018,786	5,554,772
Total assets	1,793,786	6,686,355	8,480,141
<i>LIABILITIES</i>			
<i>Current Liabilities</i>			
Accounts payable	36,877	183,122	219,999
Accrued wages and benefits	24,077	14,053	38,130
Accrued interest payable	-	1,000	1,000
Customer deposits	-	1,484	1,484
Unearned revenue	-	18,990	18,990
Total current liabilities	60,954	218,649	279,603
<i>Non-current liabilities:</i>			
Due within one year	-	106,008	106,008
Due in more than one year	-	173,590	173,590
Total noncurrent liabilities	-	279,598	279,598
<i>NET ASSETS</i>			
Invested in capital assets, net of related debt	535,986	4,739,188	5,275,174
Restricted	112,683	-	112,683
Unrestricted	1,084,163	1,448,920	2,533,083
Total net assets	\$ 1,732,832	\$ 6,188,108	\$ 7,920,940

See Notes to Financial Statements.

Oceano Community Services District

*Statement of Activities
Year Ended June 30, 2012*

	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expenses) Revenue and Changes in Net Assets</u>		
		<u>Charges for Services</u>	<u>Operating Contributions and Grants</u>	<u>Capital Contributions and Grants</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Governmental activities							
Administrative	\$ 610,096	\$ 558,416	\$ -	\$ -	\$ (51,680)	\$ -	\$ (51,680)
Fire protection	737,480	-	-	-	(737,480)	-	(737,480)
Street lighting	32,621	-	-	-	(32,621)	-	(32,621)
Total governmental activities	<u>1,380,197</u>	<u>558,416</u>	<u>-</u>	<u>-</u>	<u>(821,781)</u>	<u>-</u>	<u>(821,781)</u>
Business-type activities							
Water	2,194,036	2,026,879	-	-	-	(167,157)	(167,157)
Sewer	929,402	847,814	-	440,555	-	358,967	358,967
Garbage	35,371	69,987	-	-	-	34,616	34,616
Total business-type activities	<u>3,158,809</u>	<u>2,944,680</u>	<u>-</u>	<u>440,555</u>	<u>-</u>	<u>226,426</u>	<u>226,426</u>
Total	<u>\$ 4,539,006</u>	<u>\$ 3,503,096</u>	<u>\$ -</u>	<u>\$ 440,555</u>	<u>(821,781)</u>	<u>226,426</u>	<u>(595,355)</u>
General Revenues							
Taxes and assessments					763,403	-	763,403
Interest income					5,763	1,298	7,061
Rental income					25,800	113,940	139,740
Other general revenues					15,836	-	15,836
Total general revenues					<u>810,802</u>	<u>115,238</u>	<u>926,040</u>
Change in net assets					(10,979)	341,664	330,685
Net assets - July 1, 2011					<u>1,743,811</u>	<u>5,846,444</u>	<u>7,590,255</u>
Net assets, end of fiscal year					<u>\$ 1,732,832</u>	<u>\$ 6,188,108</u>	<u>\$ 7,920,940</u>

See Notes to Financial Statements.

Oceano Community Services District

*Balance Sheet - Governmental Fund
June 30, 2012*

ASSETS

Cash and investments	\$ 423,481
Accounts receivable	28,457
Due to other funds	740,968
Prepaid expenses	63,092
Deposits	1,802
Total assets	<u>\$ 1,257,800</u>

LIABILITIES AND FUND BALANCE

Liabilities

Accounts payable	\$ 36,877
Accrued wages and benefits	24,077
Total liabilities	<u>60,954</u>

Fund Balance

Nonspendable	800,726
Restricted	112,683
Committed	-
Assigned	-
Unassigned	283,437
Total fund balance	<u>1,196,846</u>
Total liabilities and fund balance	<u>\$ 1,257,800</u>

See Notes to Financial Statements.

Oceano Community Services District

*Reconciliation of Governmental Fund Balance Sheet
to the Statement of Net Assets
June 30, 2012*

Total fund balance - governmental fund \$ 1,196,846

In the governmental fund, only current assets are reported. In the statement of net assets, all assets are reported, including capital assets and accumulated depreciation.

Capital assets at historical cost	\$ 1,267,116	
Accumulated depreciation	<u>(731,130)</u>	
Net		<u>535,986</u>

Total net assets - governmental activities \$ 1,732,832

See Notes to Financial Statements.

Oceano Community Services District

*Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Fund
Year Ended June 30, 2012*

	General Fund
Revenues	
Taxes and assessments	\$ 763,403
Interest income	5,763
Rental income	25,800
Administration cost allocation	558,416
Other	15,836
Total revenue	<u>1,369,218</u>
Expenditures	
Salaries and wages	160,363
Payroll taxes and employee benefits	72,150
Liability insurance	37,667
Repairs and maintenance	31,930
Vehicle operations and maintenance	318
Administrative services	9,260
Data processing	4,700
Dues and fees	5,257
Education	2,307
Legal fees	57,587
Miscellaneous	8,445
Office expense	11,285
Street lighting	32,621
Professional fees	171,097
Supplies	3
Utilities	18,088
Public safety	737,480
Total expenditures	<u>1,360,558</u>
Excess of revenues over (under) expenditures	8,660
Fund balance - July 1, 2011	<u>1,188,186</u>
Fund balance - June 30, 2012	<u>\$ 1,196,846</u>

See Notes to Financial Statements.

Oceano Community Services District

*Reconciliation of the Statement of Revenues, Expenditures, and Changes
in Fund Balance of the Governmental Fund to the Statement of Activities
Year Ended June 30, 2012*

Total net change in fund balance - governmental funds	\$ 8,660
Capital outlays - reported in the governmental funds as expenditures. However, in the statement of activities, the costs of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which additions to capital outlays of \$0 is less than depreciation expense of \$(19,639) in the period.	<u>(19,639)</u>
Change in net assets - governmental activities	<u>\$ (10,979)</u>

See Notes to Financial Statements.

Oceano Community Services District

*Statement of Net Assets - Proprietary Funds
June 30, 2012*

ASSETS	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Garbage Fund</u>	<u>Total</u>
<i>Current Assets</i>				
Cash and investments	\$ 228,271	\$ 409,696	\$ 175,807	\$ 813,774
Accounts receivable, less allowance for doubtful accounts of \$16,177	302,671	566,541	4,233	873,445
Prepaid expenses	701,965	72	-	702,037
Inventory, at cost	17,798	1,483	-	19,281
Total current assets	<u>1,250,705</u>	<u>977,792</u>	<u>180,040</u>	<u>2,408,537</u>
<i>Capital Assets</i>				
Non-depreciable:				
Land	73,500	157,500	-	231,000
Depreciable:				
Buildings and improvements	4,589,100	3,575,974	-	8,165,074
Equipment, vehicles and machinery	381,550	142,495	11,922	535,967
Software	156,734	39,184	-	195,918
Accumulated depreciation	(2,935,170)	(1,162,081)	(11,922)	(4,109,173)
Total net capital assets	<u>2,265,714</u>	<u>2,753,072</u>	<u>-</u>	<u>5,018,786</u>
Total assets	<u>3,516,419</u>	<u>3,730,864</u>	<u>180,040</u>	<u>7,427,323</u>
<i>LIABILITIES AND NET ASSETS</i>				
<i>Current Liabilities</i>				
Accounts payable	17,943	165,179	-	183,122
Accrued wages and benefits	13,546	507	-	14,053
Accrued interest payable	1,000	-	-	1,000
Customer deposits	1,484	-	-	1,484
Unearned revenue	5,697	13,293	-	18,990
Due to other funds	735,832	5,136	-	740,968
Current portion of capital lease	25,031	6,258	-	31,289
Current portion of long-term liabilities	74,719	-	-	74,719
Total current liabilities	<u>875,252</u>	<u>190,373</u>	<u>-</u>	<u>1,065,625</u>
<i>Non-current liabilities:</i>				
Capital lease payable	54,872	13,718	-	68,590
Revenue bonds payable	105,000	-	-	105,000
Total non-current liabilities	<u>159,872</u>	<u>13,718</u>	<u>-</u>	<u>173,590</u>
Total liabilities	<u>1,035,124</u>	<u>204,091</u>	<u>-</u>	<u>1,239,215</u>
<i>Net Assets</i>				
Invested in capital assets, net of related debt	2,006,092	2,733,096	-	4,739,188
Restricted	-	-	-	-
Unrestricted	475,203	793,677	180,040	1,448,920
Total net assets	<u>\$ 2,481,295</u>	<u>\$ 3,526,773</u>	<u>\$ 180,040</u>	<u>\$ 6,188,108</u>

See Notes to Financial Statements.

Oceano Community Services District

*Statement of Revenues, Expenditures and Changes in Net Assets - Proprietary Funds
Year Ended June 30, 2012*

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Garbage Fund</u>	<u>Total</u>
Revenues				
Charges for services	\$ 1,946,063	\$ 847,264	\$ -	\$ 2,793,327
Other fees	80,816	550	69,987	151,353
Total operating revenues	<u>2,026,879</u>	<u>847,814</u>	<u>69,987</u>	<u>2,944,680</u>
Operating Expenses				
Salaries and wages	145,297	12,316	-	157,613
Payroll taxes and employee benefits	42,524	3,424	-	45,948
Insurance	-	353	-	353
Office	11,470	5,143	-	16,613
Legal and professional	91,017	12,811	103	103,931
Dues and fees	13,167	-	-	13,167
Education	2,921	-	-	2,921
Vehicle operation and maintenance	7,499	1,179	-	8,678
Repairs and maintenance	33,890	20,870	-	54,760
Water meters	31,937	-	-	31,937
Wheeled water expense	17,986	-	-	17,986
Lopez/flood control expense	419,406	-	-	419,406
Bad debt	5,253	1,239	-	6,492
Sanitation district fees	-	488,371	-	488,371
Supplies	21,067	12,388	-	33,455
Utilities	18,234	2,613	-	20,847
State water project expense	881,684	-	-	881,684
General and administrative overhead	282,147	241,001	35,268	558,416
Miscellaneous	5,778	-	-	5,778
Depreciation	145,581	125,675	-	271,256
Total operating expenses	<u>2,176,858</u>	<u>927,383</u>	<u>35,371</u>	<u>3,139,612</u>
Operating income (loss)	<u>(149,979)</u>	<u>(79,569)</u>	<u>34,616</u>	<u>(194,932)</u>
Non-operating Revenues (Expenses)				
Interest income	1,262	-	36	1,298
Rent income	34,182	79,758	-	113,940
Capital grants	-	440,555	-	440,555
Interest expense	(17,178)	(2,019)	-	(19,197)
Total non-operating revenues (expenses)	<u>18,266</u>	<u>518,294</u>	<u>36</u>	<u>536,596</u>
Change in net assets	(131,713)	438,725	34,652	341,664
Net assets - July 1, 2011	<u>2,613,008</u>	<u>3,088,048</u>	<u>145,388</u>	<u>5,846,444</u>
Net assets - June 30, 2012	<u>\$ 2,481,295</u>	<u>\$ 3,526,773</u>	<u>\$ 180,040</u>	<u>\$ 6,188,108</u>

See Notes to Financial Statements.

Oceano Community Services District

*Statement of Cash Flows - Proprietary Funds
Year Ended June 30, 2012*

	<i>Water Fund</i>	<i>Sewer Fund</i>	<i>Garbage Fund</i>	<i>Total</i>
<i>Cash flows from operating activities:</i>				
Receipts from customers	\$ 2,072,709	\$ 511,929	\$ 69,848	\$ 2,654,486
Payments to employees for services	(183,045)	(15,831)	-	(198,876)
Payments to suppliers	(1,848,909)	(616,175)	(68,660)	(2,533,744)
Net cash provided (used) by operating activities	40,755	(120,077)	1,188	(78,134)
<i>Cash flows from capital and related financing activities:</i>				
Payments on long-term debt	(89,652)	(5,888)	-	(95,540)
Interest paid on long-term debt	(17,803)	(2,019)	-	(19,822)
Net cash provided (used) by capital and related financing activities	(107,455)	(7,907)	-	(115,362)
<i>Cash flows from investing activities:</i>				
Interest income	1,262	-	36	1,298
Rent income	34,182	79,758	-	113,940
Net cash provided (used) by investing activities	35,444	79,758	36	115,238
<i>Net increase (decrease) in cash and cash equivalents</i>	(31,256)	(48,226)	1,224	(78,258)
<i>Cash and cash equivalents, beginning of year</i>	259,527	457,922	174,583	892,032
<i>Cash and cash equivalents, end of year</i>	\$ 228,271	\$ 409,696	\$ 175,807	\$ 813,774
 <i>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</i>				
Operating income (loss)	\$ (149,979)	\$ (79,569)	\$ 34,616	\$ (194,932)
<i>Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:</i>				
Depreciation/amortization	145,581	125,675	-	271,256
Bad debt expense	5,778	1,239	-	7,017
<i>Changes in assets and liabilities:</i>				
Accounts receivable	(45,830)	103,431	(139)	57,462
Inventory	3,864	10,499	-	14,363
Prepaid expenses	100,030	(72)	-	99,958
Due to other funds	469,519	(222,340)	(33,289)	213,890
Accounts payable	(489,706)	(65,495)	-	(555,201)
Accrued wages	4,776	(91)	-	4,685
Compensated Absences	(6,126)	-	-	(6,126)
Customer deposits and unearned revenue	2,848	6,646	-	9,494
Net cash provided by (used) by operating activities	\$ 40,755	\$ (120,077)	\$ 1,188	\$ (78,134)
 <i>Non cash activities:</i>				
Grant funds receivable for prior year expenditures	\$ -	\$ 440,555	\$ -	\$ 440,555

See Notes to Financial Statements.

Oceano Community Services District

Notes to Financial Statements

Note 1. Nature of Business and Summary of Significant Accounting Policies

Reporting Entity:

The Oceano Community Services District (the District) is a multipurpose special district established on January 1, 1981. The District is a political subdivision of the State of California and operates under a Board of Directors. The District provides fire protection, street lighting, water, wastewater, and garbage franchise services.

The District complies with the United States Generally Accepted Accounting Principles (US GAAP) and all relevant Government 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) Accounting Standards Codification (ASC) unless those principles 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 United States GASB pronouncements.

There are no component units included in this report, which meet the criteria of GASB Statement No. 14, *The Financial Reporting Entity*, as amended by GASB Statement No. 39.

Significant Accounting Policies:

Basis of accounting:

The *basic financial statements* of the District are composed of the following:

- Government-wide financial statements
- Fund financial statements
- Notes to basic financial statements

Government-wide Financial Statements

Government-wide financial statements display information about the reporting government as a whole. These statements include separate columns for the governmental and business-type activities of the primary government. Eliminations have been made in the statement of activities so that certain allocated expenses are recorded only once (by the function to which they were allocated). However, general government expenses have not been allocated as indirect expenses to the various functions of the District.

Government-wide financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Under the economic resources measurement focus, all (both current and long-term) economic resources and obligations of the reporting government are reported. Basis of accounting refers to when revenues

Oceano Community Services District

Notes to Financial Statements

and expenses are recognized in the accounts and reported in the financial statements. Under the accrual basis of accounting, revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets, and liabilities resulting from non-exchange transaction are recognized in accordance with the requirements of GASB Statement No. 33.

Program revenues include charges for services, special assessments, and payments made by parties outside of the reporting government's citizenry if that money is restricted to a particular program. Program revenues are netted with program expenses in the statement of activities to present the net cost of each program.

Fund Financial Statements

The underlying accounting system of the District is organized and operated on the basis of separate funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Fund financial statements for the primary government are presented after the government-wide financial statements. These statements display information about major funds individually and non-major funds in the aggregate for governmental and enterprise funds.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The District has elected not to follow subsequent private-sector guidance.

As a general rule, the effect of inter-fund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services, and producing and delivering goods in connection with proprietary funds' principal ongoing operations. The principal operating revenues of the Water and Sewer Funds are charges to customers. Operating expenses for the Water and Sewer Funds include non-capital expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

When both restricted and unrestricted resources are combined in a fund, expenditures/expenses are considered to be paid first from restricted resources, and then from unrestricted resources.

Oceano Community Services District

Notes to Financial Statements

Governmental Funds

In the fund financial statements, governmental funds are presented using the modified accrual basis of accounting. Their revenues are recognized when they become measurable and available as net current assets. Measurable means that the amounts can be estimated, or otherwise determined. Available means that the amounts were collected during the reporting period or soon enough thereafter to be available to finance the expenditures accrued for the reporting period. Revenue recognition is subject to the measurable and availability criteria for the governmental funds in the fund financial statements. Exchange transactions are recognized as revenues in the period in which they are earned (i.e., the related goods or services are provided). Locally imposed derived tax revenues are recognized as revenues in the period in which the underlying exchange transaction upon which they are based takes place. Imposed non-exchange transactions are recognized as revenues in the period for which they were imposed. If the period of use is not specified, they are recognized as revenues when an enforceable legal claim to the revenues arises or when they are received, whichever occurs first. Government-mandated and voluntary non-exchange transactions are recognized as revenues when all applicable eligibility requirements have been met.

In the fund financial statements, governmental funds are presented using the current financial resources measurement focus. This means that only current assets and current liabilities are generally included on their balance sheets. The reported fund balance (net current assets) is considered to be a measure of available spendable resources. Governmental funds operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of available spendable resources during a period.

Non-current portions of long-term receivables due to governmental funds are reported on their balance sheets in spite of their spending measurement focus. Special reporting treatments are used to indicate; however, that they should not be considered available spendable resources, since they do not represent net current assets. Recognition of governmental fund type revenue represented by non-current receivables is deferred until they become current receivables. Non-current portions of other long-term receivables are offset by fund balance reserve accounts. Because of their spending measurement focus, expenditure recognition for governmental fund types excludes amounts represented by non-current liabilities. Since they do not affect net current assets, such long-term amounts are not recognized as governmental fund type expenditures or fund liabilities.

Amounts expended to acquire capital assets are recorded as expenditures in the fiscal year that resources were expended, rather than as capital assets. The proceeds of long-term debt are recorded as other financing sources rather than as a fund liability. Amounts paid to reduce long-term indebtedness are reported as fund expenditures.

The District reports the General Fund as the only major governmental fund.

Oceano Community Services District

Notes to Financial Statements

Proprietary Funds

Proprietary funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

The District reported its proprietary funds as major funds in the accompanying basic financial statements.

Use of estimates:

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

Cash and cash equivalents:

For purposes of the statement of cash flows, the District has defined cash equivalents to be petty cash, equity in the District's cash and investment pool, and non-pooled investments with initial maturities of three months or less.

The District maintains its cash balance in financial institutions in the United States and abroad. The balances at the institutions in the United States are generally insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. As of June 30, 2012, the District held cash in financial institutions in excess of federally insured limits.

Investments:

The District records investments at fair market value. Local Agency Investment Fund (LAIF) determines the fair value of their portfolio quarterly and reports a factor to the District. Changes in fair value are allocated to each participating fund.

Accounts receivable:

Accounts receivable consist of all revenues earned at year end and not yet received. Accounts receivable are stated at the amount management expects to collect from balances outstanding at year-end. Bad debts are recognized under the allowance method of accounting which is based on expected write-offs, historical write-off patterns and other available information. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to account receivable. Major receivable balances for the governmental activities may include sales taxes, franchise taxes, grants, and other fees, if any. Business type activities report utility and franchise fees as their major receivables.

Oceano Community Services District

Notes to Financial Statements

Inventory:

Material and supplies inventory is stated at the lower of cost or market. Valuation is determined under the average cost method. Inventory consists of parts and supplies used in repairs and maintenance, capital repairs, or construction.

Capital assets:

Capital assets (including infrastructure) are recorded at cost where historical records are available and at estimated original cost where no historical records exist. Contributed capital assets are valued at their estimated fair value at the date of the contribution.

Capital assets include public domain (infrastructure) capital assets consisting of certain improvements including roads, streets, sidewalks, medians, and storm drains.

Capital assets used in operations are depreciated over their estimated useful lives using the straight-line method in the applicable governmental or business-type activities column in the government-wide financial statements. The estimated useful lives are as follows:

	<u><i>Years</i></u>
Water system	5 to 75
Sanitation system	10 to 50
Drainage	5 to 50
Fire department	5 to 40
Administration	5 to 40

Upon retirement, sale, or other disposition of property and equipment, the cost and accumulated depreciation are eliminated from the accounts and any gain or loss is included in operations.

Compensated absences:

The District allows permanent employees to receive compensation for vacation and sick leave. Vacation hours, which accrue from the first day of employment, can be taken immediately and are capped at a maximum which equals the total an employee is entitled to earn in two years of employment. Sick hours, which accrue from the first day of employment, can be taken immediately and are capped at a maximum of 180 days. The estimate related to compensated absences is based on vacation and sick hours available and current pay rates.

Long-term obligations:

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental or business-type activities fund type statement of net assets. In the fund financial statements, governmental fund types report the face amount of debt issued as other financing sources.

Oceano Community Services District

Notes to Financial Statements

Net assets – statement of net assets:

The statement of net assets utilizes a net assets presentation for both the governmental and business-type activities. Business-type activities also use this same presentation in the fund financial statements. Net assets are categorized as invested capital assets (net of related debt), restricted, and unrestricted.

In summary, the following are the net asset categories under this statement:

Invested in capital assets, net of related debt	Groups all capital assets, including infrastructure, into one component of net assets. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction, or improvement of these assets, reduce the balance in this category.
Restricted net assets	Groups external restrictions imposed by creditors, granters, contributors, and laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.
Unrestricted net assets	Groups net assets of the District not restricted for any project or other purpose.

Fund balances:

Equity accounts used for governmental funds in the fund financial statements are presented differently from the statement of net assets as described above. The presentation follows statements of the GASB. Presentation has changed several times in the past with the latest change effective in fiscal year 2011-12. This change is implemented according to GASB Statement No. 54. This statement categorizes governmental equities mainly based on the constraints and source of the constraints placed on the funds. The District has affirmed that the Board of Directors alone can create, change, and dispose of restricted and committed fund balances.

Oceano Community Services District

Notes to Financial Statements

In summary, the following are the fund balance categories under this statement:

Nonspendable	Resources are not spendable form or are legally required to remain intact.
Restricted	The constraint to spend the funds is imposed or legally enforced by external parties.
Committed	Constraint is created by and can only be changed by the legislative body pursuant to a formal action.
Assigned	The constraint is merely an expression of intent by the legislative body or by an authorized official.
Unassigned	No constraints.

As of June 30, 2012, the following fund balances of governmental funds are presented in the fund financial statements:

	<u>General Fund</u>
Nonspendable:	
Long-term due from Water Fund	\$ 735,832
Prepaid expenses	63,092
Deposits	1,802
	<u>800,726</u>
Restricted	
Public facilities fees	<u>112,683</u>
Committed	<u>-</u>
Assigned	<u>-</u>
Unassigned fund balance	<u>283,437</u>
Total fund balance	<u>\$ 1,196,846</u>

Interfund transactions:

Quasi-external transactions are accounted for as revenues and expenditures. Transactions that constitute reimbursements to a fund for expenditures initially made from it that are properly applicable to another fund, are recorded as expenses/expenditures in the reimbursing fund and as reductions of expenses/expenditures in the fund that is reimbursed.

All other interfund transactions except quasi-external transactions and reimbursements are reported as transfers. Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

Oceano Community Services District

Notes to Financial Statements

Note 2. Cash and Investments

On June 30, 2012, the District had the following cash and investments on hand:

Cash on hand and in banks	\$	822,700
Investments		414,555
Total		\$ 1,237,255

Investments authorized by the California Government Code:

The table below identifies the investment types that are authorized for the District by the California Government Code. The table also identifies certain provisions of the California Government Code that address interest rate risk, credit risk, and concentration of credit risk.

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment In One Issuer
U.S. Treasury Obligation	5 years	None	None
U.S. Agency Securities	5 years	10 %	5%
Bankers' Acceptances	180 days	40 %	30%
Commercial Paper	270 days	25 %	10%
Negotiable Certificates of Deposit	5 years	30 %	None
Repurchase Agreements	1 year	None	None
Reverse Repurchase Agreements	92 days	20% of base value	None
Medium-Term Notes	5 years	30%	None
Mutual Funds	N/A	20%	10%
Money Market Mutual Funds	N/A	20%	10%
Mortgage Pass-Through Securities	5 years	20%	None
Local Agency Investment Fund (LAIF)	N/A	None	None
County Investment Pool	N/A	None	None

Oceano Community Services District

Notes to Financial Statements

Disclosures relating to interest rate risk:

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. In general, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the District manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

Information about the sensitivity of the fair values of the District's investments (including investments held by bond trustees) to market interest rate fluctuations is provided by the following table, that shows the distribution of the District's investments by maturity:

<u>Investment Type</u>	<u>Carrying Amount</u>	<u>Remaining Maturity (in Months)</u>			
		<u>12 Months Or Less</u>	<u>13-24 Months</u>	<u>25-60 Months</u>	<u>More than 60 Months</u>
San Luis Obispo County Investment Pool	\$ 363,107	\$ 363,107	\$ -	\$ -	\$ -
Local Agency Investment Fund	295	295	-	-	-
Time Deposits	51,153	-	27,903	23,250	-
	<u>\$ 414,555</u>	<u>\$ 363,402</u>	<u>\$ 27,903</u>	<u>\$ 23,250</u>	<u>\$ -</u>

Disclosures relating to credit risk:

In general, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by the California Government Code, the District's investment policy or debt agreements, and the actual rating as of fiscal year end for each investment type.

<u>Investment Type</u>	<u>Carrying Amount</u>	<u>Minimum Legal Rating</u>	<u>Exempt from Disclosure</u>	<u>Rating as of Fiscal Year End</u>		
				<u>AAA</u>	<u>AA</u>	<u>Not Rated</u>
San Luis Obispo County Investment Pool	\$ 363,107	N/A	\$ -	\$ -	\$ -	\$ 363,107
Local Agency Investment Fund	295	N/A	-	-	-	295
Time Deposits	51,153	N/A	-	-	-	51,153
	<u>\$ 414,555</u>		<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 414,555</u>

Oceano Community Services District

Notes to Financial Statements

Concentration of credit risk:

The investment policy of the District contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. There are no investments in any one issuer that represent 5% or more of total District investments.

Custodial credit risk:

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the District will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The California Government Code and the District's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The fair value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure the District's deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

The District may and has waived collateral requirements for deposits which are fully insured up to \$250,000 by the Federal Deposit Insurance Corporation.

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the District's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for investments. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools (such as LAIF).

Investment in state investment pool:

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

Note 3. Property Taxes

Property taxes in the State of California are administered for all local agencies at the

Oceano Community Services District

Notes to Financial Statements

county level, and consist of secured, unsecured, and utility tax rolls. The following is a summary of major policies and practices relating to property taxes:

Tax Collections – Tax Collections are the responsibility of the County Tax Collector. Taxes and assessments on secured and utility rolls which constitute a lien against the property, may be paid in two installments: the first is due on November 1 of the fiscal year and is delinquent if not paid by December 10; and the second is due on March 1 of the fiscal year and is delinquent if not paid by April 10. Unsecured personal property taxes do not constitute a lien against real property unless the taxes become delinquent. Payment must be made in one installment, which is delinquent if not paid by August 31 of the fiscal year. Significant penalties are imposed by the County for late payments.

Tax Levy Apportionments - Due to the nature of the District-wide maximum levy, it is not possible to identify general purpose tax rates for specific entities. Under State legislation adopted subsequent to the passage of Proposition 13, apportionments to local agencies are made by the County Auditor-Controller based primarily on the ratio that each agency represented of the total District-wide levy for the three years prior to fiscal year 1979.

Property Tax Administration Fees - The State of California FY 90-91 Budget Act, authorized counties to collect an administrative fee for collection and distribution of property taxes. Property taxes are recorded as net of administrative fees withheld during the fiscal year.

Tax Levies – Tax levies are limited to 1% of full market value which results in a tax rate of \$1.00 per \$100 assessed valuation, under the provisions of Proposition 13. Tax rates for voter-approved indebtedness are excluded from this limitation.

Tax Levy Dates - Tax levy dates are attached annually on January 1 preceding the fiscal year for which the taxes are levied. The fiscal year begins July 1 and ends June 30 of the following year. Taxes are levied on both real and unsecured personal property as it exists at that time. Liens against real estate, as well as the tax on personal property, are not relieved by subsequent renewal or change in ownership.

Property Valuations – Property valuations are established by the Assessor of the County of San Luis Obispo for the secured and unsecured property tax rolls and the utility property tax roll is valued by the State Board of Equalization. Under the provisions of Article XIII A of the State Constitution (Proposition 13 adopted by the voters on June 6, 1978), properties are assessed at 100% of full value. From the base assessment, subsequent annual increases in valuation are limited to a maximum of 2%. However, increases to full value are allowed for property improvements or upon change in ownership. Personal property is excluded from these limitations, and is subject to annual reappraisal.

Oceano Community Services District

Notes to Financial Statements

Note 4. Capital Assets

Capital assets activity for the fiscal year ended June 30, 2012 was as follows:

	<u>Balance July 1, 2011</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2012</u>
<i>Governmental Activities</i>				
Capital assets, not depreciated:				
Land	<u>\$ 385,391</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 385,391</u>
Capital assets, depreciated:				
Buildings and improvements	\$ 635,168	\$ -		635,168
Vehicles and equipment	<u>246,557</u>	<u>-</u>	<u>-</u>	<u>246,557</u>
Total capital assets, depreciated	881,725			881,725
Less: accumulated depreciation	<u>711,491</u>	<u>19,639</u>	<u>-</u>	<u>731,130</u>
Net depreciable capital assets	<u>\$ 170,234</u>	<u>\$ (19,639)</u>	<u>\$ -</u>	<u>\$ 150,595</u>
Net capital assets	<u>\$ 555,625</u>	<u>\$ (19,639)</u>	<u>\$ -</u>	<u>\$ 535,986</u>
<i>Business-Type Activities</i>				
Capital assets, not depreciated:				
Land	<u>\$ 231,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 231,000</u>
Capital assets, depreciated:				
Buildings and improvements	\$ 8,165,074	\$ -	\$ -	\$ 8,165,074
Software	195,918	-	-	195,918
Vehicles and equipment	<u>535,967</u>	<u>-</u>	<u>-</u>	<u>535,967</u>
Total capital assets, depreciated	8,896,959			8,896,959
Less: accumulated depreciation	<u>3,837,918</u>	<u>271,255</u>	<u>-</u>	<u>4,109,173</u>
Net depreciable capital assets	<u>\$ 5,059,041</u>	<u>\$ (271,255)</u>	<u>\$ -</u>	<u>\$ 4,787,786</u>
Net capital assets	<u>\$ 5,290,041</u>	<u>\$ (271,255)</u>	<u>\$ -</u>	<u>\$ 5,018,786</u>

Oceano Community Services District

Notes to Financial Statements

Note 5. Long Term Debt – Revenue Bonded Debt

The outstanding revenue bonded debt of the Oceano Community Services District at June 30, 2012 is:

Date of Issue	1979
Interest Rate	5.00%
Maturity Date	2020
Amount of Original Issue	<u>\$ 318,300</u>
Outstanding June 30, 2011	\$ 130,000
Issued current fiscal year	-
Redeemed current fiscal year	<u>10,000</u>
Outstanding June 30, 2012	<u><u>\$ 120,000</u></u>

The annual requirement to amortize the revenue bond payable outstanding as of June 30, 2012 is as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2013	\$ 15,000	\$ 5,625	\$ 20,625
2014	15,000	4,875	19,875
2015	15,000	4,125	19,125
2016	15,000	3,375	18,375
2017	15,000	2,625	17,625
Thereafter	<u>45,000</u>	<u>3,375</u>	<u>48,375</u>
	<u><u>\$ 120,000</u></u>	<u><u>\$ 24,000</u></u>	<u><u>\$ 144,000</u></u>

Note 6. Long Term Debt – CSCDA Water Loan Payable

The District had been advanced \$703,205 on a loan under the Safe Water Drinking Bond Law of 1976 from the State of California. The loan has an interest rate of 6.35% and requires principal and interest payments of \$31,289 on June 1 and December 1 of every year through June 2013.

The following is a schedule of payments to be made under the loan:

Fiscal Year Ending June 30	Principal	Interest	Total
2013	<u>\$ 59,720</u>	<u>\$ 2,859</u>	<u>\$ 62,579</u>

Oceano Community Services District

Notes to Financial Statements

Note 7. Capital Lease Obligations

The District acquired a license for Tyler Software under capital lease obligations. The capital lease obligations have been recorded in the accompanying financial statements at the present value of future minimum lease payments. The cost of assets acquired under capital leases totaled \$156,734 for the year ended June 30, 2012. Accumulated depreciation on assets under these capital leases totaled \$22,391 at June 30, 2012. Depreciation expense on assets recorded under the capital leases totaled \$25,104 for the year ended June 30, 2012.

Capital lease obligations consist of the following at June 30, 2012:

Diversified Lenders, Inc, 6.00% implicit rate of interest at time of signing, payable in 60 monthly installments of \$3,041, due in June 2015	\$ 99,878
Less current maturities	<u>(31,288)</u>
Capital lease obligations, less current maturities	<u>\$ 68,590</u>

At June 30, 2012, future minimum lease payments under the capital lease obligations and the net present value of the future minimum lease payments are as follows:

<i>Fiscal Year</i>	
<i><u>Ending June 30</u></i>	
2013	\$ 36,517
2014	36,517
2015	<u>36,517</u>
Total future minimum lease payments	109,551
Less amount representing interest	<u>(9,673)</u>
Present value of future minimum lease payments	<u>\$ 99,878</u>

Note 8. Pension Plan - California Public Employees' Retirement System (CalPERS)

Plan Description

The District contributes to the California Public Employees' Retirement System (CalPERS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. The Plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by State statutes, as legislatively amended, within the Public Employees' Retirement Law. CalPERS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalPERS' annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, California 95814.

Oceano Community Services District

Notes to Financial Statements

Funding Policy

Active plan members are required to contribute 7% of their salary. The District makes the required contributions for all employees. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate for the fiscal year 2011-2012, was 9.235% for miscellaneous employees of annual payroll. The contribution requirements of Plan members are established by State statutes. The District's contributions to CalPERS for the fiscal years ending June 30, 2012, 2011, and 2010, were \$46,081, \$59,285, and \$87,316, respectively, and equal 100% of the required contributions for each fiscal year.

Note 9. Joint Venture

In 1991, the District approved participation in the State Water Project (SWP). As a result, the District joined in the formation of the Central Coast Water Authority (CCWA) in August 1991. The purpose of the CCWA is to provide for financing, construction, operation, and maintenance of certain (non-state owned) facilities required to deliver water from SWP to certain water purveyors and users in San Luis Obispo and Santa Barbara Counties.

Each participant, including the District, has entered into a water supply agreement in order to provide for development, financing, construction, operation, and maintenance of the CCWA project. The purpose of the water supply agreement is to assist in carrying out the purposes of CCWA with respect to the CCWA project by: (1) requiring CCWA to sell, and the Project participants to buy, a specified amount of water from CCWA; and (2) assigning the Project participant's entitlement rights from the SWP to CCWA. Although the District does have 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 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's 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.

Oceano Community Services District

Notes to Financial Statements

CCWA is composed of eight members, all of which are public agencies. CCWA was organized and exists under a joint exercise of power agreement amount 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 0.766%. Operating and capital expenses are allocated to the member 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.

The District's current fiscal year State water project expense totaled \$881,684.

Note 10. Contingencies

The District has received federal funds for specific purposes that are subject to review and audit by the grantor agencies. Although such audits could generate disallowances under the terms of the grants, it is believed that any requirement would not be material.

Note 11. Subsequent Events

The date to which events occurring after June 30, 2012 have been evaluated for possible adjustment to the financial statements or disclosure is July 19, 2013, which is the date on which the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION SECTION

Oceano Community Services District

*Statement of Revenues, Expenditures and Changes in Fund Balance - General Funds
Budget and Actual
Year Ended June 30, 2012*

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes and assessments	\$ 803,659	\$ 803,659	\$ 763,403	\$ (40,256)
Interest income	5,820	5,820	5,763	(57)
Rental income	25,800	25,800	25,800	-
Administration cost allocation	-	-	558,416	558,416
Other	101,000	101,000	15,836	(85,164)
Total revenue	<u>936,279</u>	<u>936,279</u>	<u>1,369,218</u>	<u>432,939</u>
Operating Expenses				
Salaries and wages	253,500	253,500	160,363	(93,137)
Payroll taxes and employee benefits	-	-	72,150	72,150
Liability insurance	55,000	55,000	37,667	(17,333)
Repairs and maintenance	-	-	31,930	31,930
Vehicle operations and maintenance	-	-	318	318
Administrative services	12,000	12,000	9,260	(2,740)
Data processing	14,000	14,000	4,700	(9,300)
Dues and fees	10,000	10,000	5,257	(4,743)
Education	12,000	12,000	2,307	(9,693)
Legal fees	100,000	100,000	57,587	(42,413)
Miscellaneous	-	-	8,445	8,445
Office expense	20,908	20,908	11,285	(9,623)
Street lighting	56,832	56,832	32,621	(24,211)
Professional fees	80,000	80,000	171,097	91,097
Supplies	-	-	3	3
Utilities	26,783	26,783	18,088	(8,695)
Public safety	737,500	737,500	737,480	(20)
Total operating expenses	<u>1,378,523</u>	<u>1,378,523</u>	<u>1,360,558</u>	<u>(17,965)</u>
Excess of revenues over (under) expenditures	<u>\$ (442,244)</u>	<u>\$ (442,244)</u>	8,660	<u>\$ 450,904</u>
Fund balance - July 1, 2011			<u>1,188,186</u>	
Fund balance - June 30, 2012			<u>\$ 1,196,846</u>	