

**COASTSIDE COUNTY WATER DISTRICT**

**BASIC FINANCIAL STATEMENTS**

**AND SUPPLEMENTARY SCHEDULES**

**JUNE 30, 2009**

**Coastside County Water District**  
**Basic Financial Statements**  
**For the year ended June 30, 2009**

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**Coastside County Water District**  
**Basic Financial Statements**  
**For the year ended June 30, 2009**

**Elected Officials and Administrative Personnel**

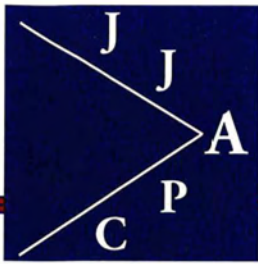
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**BOARD OF DIRECTORS**

Chris Mickelsen – President  
Bob Feldman – Vice President  
Ken Coverdell – Director  
Everett Ascher – Director  
Jim Larimer – Director

**MANAGEMENT**

David Dickson – General Manager



# JJACPA, Inc.

A Professional Accounting Services Corp.

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors of the  
Coastside County Water District  
Half Moon Bay, California

We have audited the accompanying basic financial statements of the Coastside County Water District (District) as of and for the year ended June 30, 2009. These basic financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these basic financial statements based on our audit. The prior year summarized comparative information has been derived from the District's June 30, 2008, financial statements, which were audited by other auditors who expressed an unqualified opinion on October 2, 2008, on those financial statements.

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 basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the District as of June 30, 2009, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis (MD&A) on pages three to nine is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

November 23, 2009

JJACPA, Inc.

**Coastside County Water District**  
**Basic Financial Statements**  
**For the year ended June 30, 2009**

**Management's Discussion and Analysis**

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This section of Coastside County Water District's basic financial statements presents management's discussion and analysis of the District's financial performance during the fiscal year ended June 30, 2009. Since this management's discussion and analysis is designed to focus on current activities, resulting change and current known facts, please read it in conjunction with the District's basic financial statements (pages 12 - 14) and the footnotes (pages 15 - 26).

**Financial Highlights**

At June 30, 2009, the District's net assets decreased to \$36,179,828 from \$36,296,107 in 2008 or \$116,279. Operating revenues increased by \$143,447 as can be seen on Page 5 primarily from a water rate increase, which became effective July 1, 2008. Operating expenses (with depreciation included) increased by \$144,707 as can be seen on Page 7 as a result of increases to transmission and distribution and administrative and general expenses offset by reductions to source of supply expenses. Depreciation expense increased by \$136,665 due to the initiation of depreciation on completed construction projects.

**Using This Report**

In December 1998, the Governmental Accounting Standards Board (GASB) released statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, which revised the reporting of property tax revenue. In June 1999, GASB released statement No. 34, *Basic Financial Statements -- and Management's Discussion and Analysis -- for State and Local Governments*. Changes in Statement No. 34 require a comprehensive one-line look at the entity as a whole and capitalization of assets and depreciation for agencies not reporting on the accrual basis of accounting. Since the District has historically reported all activities in enterprise funds in a manner similar to business activities and followed the accrual basis of accounting, the District merely has been required to reclassify certain balances to utilize the new Statement No. 34 terminology. There were no major reconciling items necessary or elimination of balances due to the implementation of Statement No. 34.

The annual financial statements include the Independent Auditors' Report, this management's discussion and analysis, the basic financial statements, and notes to the basic financial statements.

**Coastside County Water District**  
**Basic Financial Statements**  
**For the year ended June 30, 2009**

**Management's Discussion and Analysis, Continued**

**Financial Analysis of the District as a Whole**

<b>Net Assets</b>				
<b>As of June 30, 2009 and 2008</b>				
	<b>2009</b>	<b>2008</b>	<b>Increase (Decrease)</b>	<b>Percent Change</b>
<b>Assets:</b>				
Current assets	\$ 6,454,336	\$ 9,750,932	\$ (3,296,596)	(33.8)%
Non-current assets	38,445,479	36,655,542	1,789,937	4.9%
<b>Total assets</b>	<u>44,899,815</u>	<u>46,406,474</u>	<u>(1,506,659)</u>	<u>(3.2)%</u>
<b>Liabilities:</b>				
Current liabilities	547,057	1,527,076	(980,019)	(64.2)%
Non-current liabilities	8,172,930	8,583,291	(410,361)	(4.8)%
<b>Total liabilities</b>	<u>8,719,987</u>	<u>10,110,367</u>	<u>(1,390,380)</u>	<u>(13.8)%</u>
<b>Net assets:</b>				
Investment in capital assets, net of related debt	30,349,431	28,196,742	2,152,689	7.6%
Unrestricted:				
Restricted for Crystal Springs Project	130,118	1,137,085	(1,006,967)	(88.6)%
Restricted for capital improvements	2,324,846	4,173,471	(1,848,625)	(44.3)%
Unrestricted	3,375,433	2,788,809	586,624	21.0%
<b>Total net assets</b>	<u>\$ 36,179,828</u>	<u>\$ 36,296,107</u>	<u>\$ (116,279)</u>	<u>(0.3)%</u>

This schedule is prepared from the District's Statement of Net Assets (page 12), which is presented on the accrual basis of accounting, whereby revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Operating revenues in the Statement of Activities are those revenues that are generated from the primary operations of the District. All other revenues are reported as non-operating revenues. Operating expenses are those expenses that are essential to the primary operations of the District. All other expenses are reported as non-operating expenses.

As can be seen from the table above, net assets at June 30, 2009, decreased to \$36,179,828 from \$36,296,107 in 2008. The decrease in net assets was primarily due to recent capital improvement projects and the related increase in depreciation.

**Coastside County Water District**  
**Basic Financial Statements**  
**For the year ended June 30, 2009**

**Management's Discussion and Analysis, Continued**

Operating results are summarized as follows:

**Operating Results**  
**For the years ended June 30, 2009 and 2008**

	<u>2009</u>	<u>2008</u>	<u>Increase (Decrease)</u>	<u>Percent Change</u>
<b>Operating revenues</b>	\$ 5,342,937	\$ 5,199,490	\$ 143,447	2.8%
<b>Operating expenses</b>	<u>6,430,938</u>	<u>6,286,231</u>	<u>144,707</u>	<u>2.3%</u>
<b>Operating income</b>	(1,088,001)	(1,086,741)	(1,260)	0.1%
<b>Non-operating revenues</b>	1,239,896	1,427,996	(188,100)	(13.2)%
<b>Non-operating expenses</b>	<u>(397,810)</u>	<u>(404,719)</u>	<u>6,909</u>	<u>(1.7)%</u>
<b>Net income before contributions</b>	(245,915)	(63,464)	(182,451)	287.5%
Capital contributions	<u>129,636</u>	<u>-</u>	<u>129,636</u>	<u>100.0%</u>
<b>Change in net assets</b>	(116,279)	(63,464)	(52,815)	83.2%
<b>Net assets:</b>				
Beginning of year	<u>36,296,107</u>	<u>36,359,571</u>	<u>(63,464)</u>	<u>(0.2)%</u>
End of year	<u><u>\$ 36,179,828</u></u>	<u><u>\$ 36,296,107</u></u>	<u><u>\$ (116,279)</u></u>	<u><u>(0.3)%</u></u>

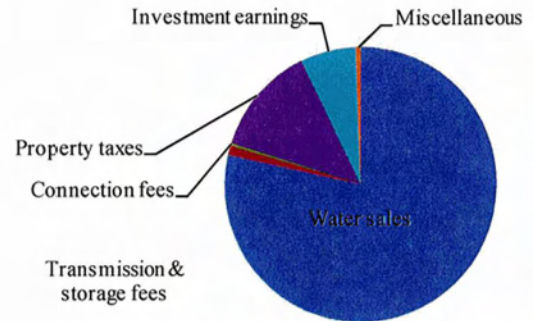
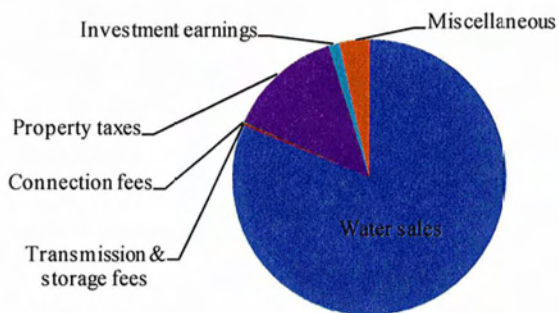
While the Statement of Net Assets shows the change in financial position of net assets, the operating results are reflected in the Statement of Revenues, Expenses, and Changes in Net Assets. This statement provides answers to the nature and source of the change in financial position of net assets.

**Coastside County Water District**  
**Basic Financial Statements**  
**For the year ended June 30, 2009**

**Management's Discussion and Analysis, Continued**

The following is a graphic illustration of revenues by source:

**Revenues by Source**  
**Both Operating & Non-Operating**



FY 2008-2009			FY 2007-2008		Increase (Decrease)
\$ 5,342,937	81.2%	Water sales	\$ 5,199,490	78.5%	\$ 143,447
13,940	0.2%	Transmission & storage fees	70,984	1.1%	(57,044)
7,316	0.1%	Connection fees	20,074	0.3%	(12,758)
894,152	13.6%	Property taxes	856,774	12.9%	37,378
85,876	1.3%	Investment earnings	439,408	6.6%	(353,532)
238,612	3.6%	Miscellaneous	40,756	0.6%	197,856
<u>\$ 6,582,833</u>	<u>100.0%</u>	<b>Totals</b>	<u>\$ 6,627,486</u>	<u>100.0%</u>	<u>\$ (44,653)</u>

Water sales increased \$143,447 due to an 11% rate increase for fiscal year 2008-2009, which was approved by the Board of Directors. Property taxes increased by \$37,378 primarily due to San Mateo County's method of calculating and distributing funds. Investment earnings decreased significantly by \$353,532, primarily the result of declining interest rates and a recessionary economy.



**Coastside County Water District**  
**Basic Financial Statements**  
**For the year ended June 30, 2009**

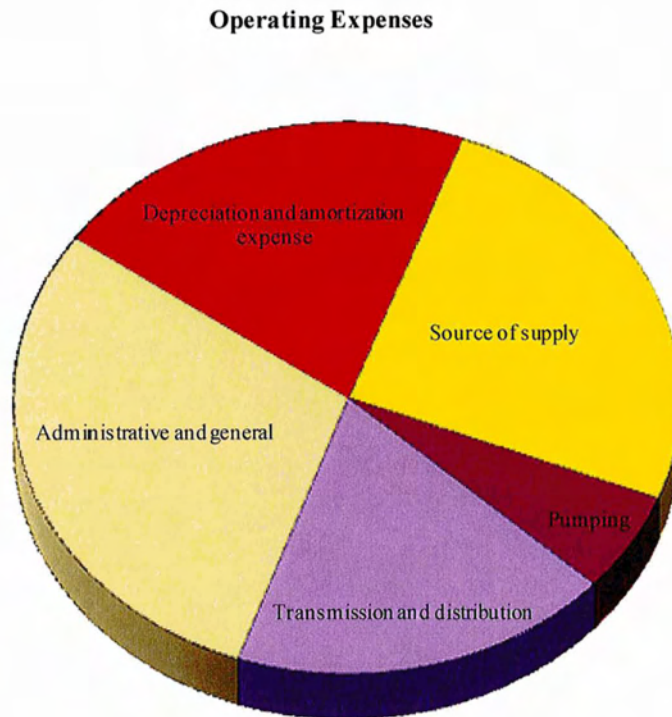
**Management's Discussion and Analysis, Continued**

Operating expenses increased by \$144,707 as detailed below:

Operating Expenses For the years ended June 30, 2009 and 2008				
	2009	2008	Increase (Decrease)	Percent Change
<b>Operating expenses:</b>				
Source of supply	\$ 1,633,664	\$ 1,900,644	\$ (266,980)	(14.0)%
Pumping	374,722	372,943	1,779	0.5%
Transmission and distribution	1,194,947	1,117,384	77,563	6.9%
Administrative and general	1,898,231	1,702,551	195,680	11.5%
Depreciation and amortization expense	1,329,374	1,192,709	136,665	11.5%
<b>Total</b>	<b>\$ 6,430,938</b>	<b>\$ 6,286,231</b>	<b>\$ 144,707</b>	<b>2.3%</b>

Source of supply decreased \$266,980, which coincides with the draught conditions and water rationing affecting demand. Depreciation and amortization increased by \$136,665 due to initiation of depreciation on completed projects.

The following is a graphic illustration of operating expenses:



**Coastside County Water District**  
**Basic Financial Statements**  
**For the year ended June 30, 2009**

**Management's Discussion and Analysis, Continued**

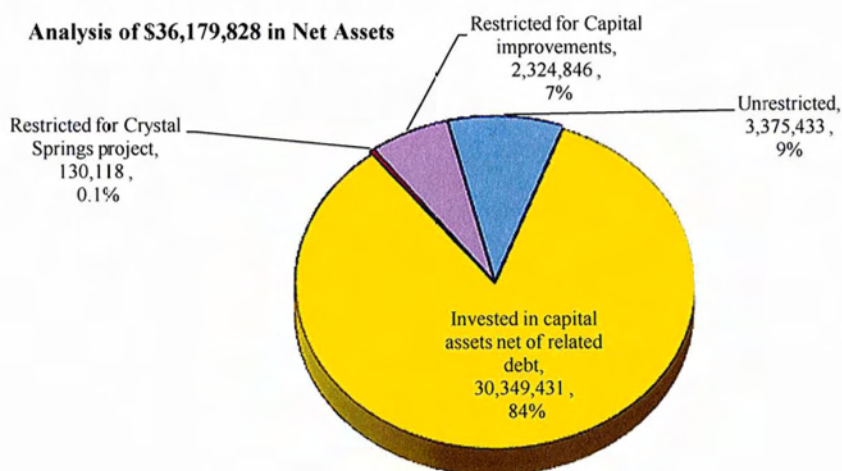
Net assets decreased by \$116,279 as detailed below:

**Analysis of Net Assets**  
**As of June 30, 2009 and 2008**

	<u>2009</u>	<u>2008</u>	<u>Increase (Decrease)</u>	<u>Percent Change</u>
<b>Net assets:</b>				
Invested in capital assets net of related debt	\$ 30,349,431	\$ 28,196,742	\$ 2,152,689	7.6%
Restricted				
Crystal Springs Project	130,118	1,137,085	(1,006,967)	0.0%
Capital improvements	2,324,846	4,173,471	(1,848,625)	(44.3)%
Unrestricted	<u>3,375,433</u>	<u>2,788,809</u>	<u>586,624</u>	<u>21.0%</u>
<b>Total</b>	<u><u>\$ 36,179,828</u></u>	<u><u>\$ 36,296,107</u></u>	<u><u>\$ (116,279)</u></u>	<u><u>(0.3)%</u></u>

The change in net assets is a \$116,279 decrease due primarily to recent capital improvement projects and the related increase in depreciation.

The following is a graphic illustration of net assets:



**Coastside County Water District**  
**Basic Financial Statements**  
**For the year ended June 30, 2009**

**Management's Discussion and Analysis, Continued**

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**Cash Flows**

Cash flows have remained relatively unchanged with a decrease of \$229,739, which coincides with the significant reductions in interest receipts on invested monies.

**Long-term Debt**

No new debt was issued for the year, with amounts decreasing by \$362,752 as a result of annual principal payments and amortization of bond discounts.

**Economic Factors and Potential Future Results**

The District's water sales will remain stable or decrease as a result of continuing water conservation efforts. This trend, combined with a series of significant increases in the wholesale water rate charged by the San Francisco Public Utilities Commission and the need to finance essential infrastructure maintenance, will increase the District's revenue requirements in the future. The District has generally raised rates on an annual basis to meet revenue requirements and will continue to do so.

**Contacting the District**

This financial report is designed to provide our customers and creditors a general overview of the District's finances and to demonstrate the District's accountability for the money it receives and is allocated to it. If you have questions about this report, contact:

Coastside County Water District  
766 Main Street  
Half Moon Bay, CA 94019

Phone (650) 726 4405  
Fax (650) 726 5245

David R Dickson, General Manager  
Gina Brazil, Office Manager

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## **BASIC FINANCIAL STATEMENTS**

# Coastside County Water District

## Statement of Net Assets

June 30, 2009

(with comparative totals for June 30, 2008)

	2009	2008
<b>ASSETS</b>		
<b>Current assets:</b>		
Cash and investments	\$ 3,120,914	\$ 3,350,653
Restricted cash and investments	2,434,253	5,310,556
Accounts receivable:		
Customer water	487,099	577,542
Taxes	24,707	42,111
Interest	9,932	33,595
Prepaid expenses	15,489	18,798
Materials and supplies inventory	118,157	157,511
Unamortized bond issuance costs	243,785	260,166
<b>Total current assets</b>	<b>6,454,336</b>	<b>9,750,932</b>
<b>Noncurrent assets:</b>		
Capital assets:		
Utility plant	54,225,125	46,448,952
Construction in progress	3,038,853	7,886,092
Less accumulated depreciation	(18,818,499)	(17,679,502)
<b>Total noncurrent assets</b>	<b>38,445,479</b>	<b>36,655,542</b>
<b>Total assets</b>	<b>\$ 44,899,815</b>	<b>\$ 46,406,474</b>
<b>LIABILITIES</b>		
<b>Current liabilities:</b>		
Accounts payable and accrued liabilities	\$ 379,652	\$ 1,263,410
Accrued payroll	21,536	55,741
Customer deposits	59,250	51,560
Unearned revenue	-	87,830
Due to Crystal Springs Assessment District	86,619	68,535
<b>Total current liabilities</b>	<b>547,057</b>	<b>1,527,076</b>
<b>Noncurrent liabilities:</b>		
Due within one year	387,752	365,000
Due after one year	7,708,296	8,093,800
Accrued vacation and sick leave	76,882	124,491
<b>Total noncurrent liabilities</b>	<b>8,172,930</b>	<b>8,583,291</b>
<b>Total liabilities</b>	<b>8,719,987</b>	<b>10,110,367</b>
<b>NET ASSETS</b>		
Invested in capital assets net of related debt	30,349,431	28,196,742
Restricted for Crystal Springs Project	130,118	1,137,085
Restricted for capital improvements	2,324,846	4,173,471
Unrestricted	3,375,433	2,788,809
<b>Total net assets</b>	<b>36,179,828</b>	<b>36,296,107</b>
<b>Total liabilities and net assets</b>	<b>\$ 44,899,815</b>	<b>\$ 46,406,474</b>

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

**Coastside County Water District**  
**Statement of Revenues, Expenses, and Changes in Net Assets**  
**For the year ended June 30, 2009**

(with comparative totals for the year ended June 30, 2008)

	<u>2009</u>	<u>2008</u>
<b>OPERATING REVENUES:</b>		
Water sales	\$ 5,342,937	\$ 5,199,490
<b>OPERATING EXPENSES:</b>		
Source of supply	1,633,664	1,900,644
Pumping	374,722	372,943
Transmission and distribution	1,194,947	1,117,384
Administrative and general	1,898,231	1,702,551
Depreciation and amortization	1,329,374	1,192,709
<b>Total operating expenses</b>	<u>6,430,938</u>	<u>6,286,231</u>
<b>Operating loss</b>	<u>(1,088,001)</u>	<u>(1,086,741)</u>
<b>NONOPERATING REVENUES (EXPENSES):</b>		
Property taxes	894,152	856,774
Investment earnings	85,876	439,408
Transmission and storage fees	13,940	70,984
Connection fees	7,316	20,074
Miscellaneous income	238,612	40,756
Collection fees	(8,798)	(7,269)
Interest expense	(389,012)	(397,450)
<b>Total nonoperating revenues (expenses)</b>	<u>842,086</u>	<u>1,023,277</u>
<b>Income (loss) before contributions</b>	<u>(245,915)</u>	<u>(63,464)</u>
Capital contributions	129,636	-
<b>Net Income (Loss)</b>	<u>(116,279)</u>	<u>(63,464)</u>
<b>CHANGE IN NET ASSETS:</b>		
Beginning of year	36,296,107	36,359,571
End of year	<u>\$ 36,179,828</u>	<u>\$ 36,296,107</u>

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

# Coastside County Water District

## Statement of Cash Flows

For the year ended June 30, 2009

(with comparative amounts for the year ended June 30, 2008)

	2009	2008
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Receipts from customers	\$ 5,362,954	\$ 5,134,006
Payments to suppliers	(4,453,911)	(2,975,027)
Payments to employees	(1,562,872)	(1,246,891)
Net cash provided (used) by operating activities	(653,829)	912,088
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>		
Property taxes net of collection fees	885,354	827,803
Miscellaneous receipts	238,612	40,756
Net cash provided (used) by noncapital financing activities	1,123,966	868,559
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>		
Change in restricted cash and investments	2,876,303	3,923,613
Capital contributions	129,636	-
Transmission and storage fee receipts	13,940	70,984
Connection fee receipts	7,316	20,074
Redemption of Crystal Springs Project Bond	18,084	1,485
Principal and interest payments on long-term debt	(754,013)	(760,300)
Acquisition of fixed assets	(3,100,681)	(5,364,038)
Net cash provided (used) by capital and related financing activities	(809,415)	(2,108,182)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Interest received on investments	109,539	479,895
Net cash provided (used) by investing activities	109,539	479,895
Net increase (decrease) in cash and cash equivalents	(229,739)	152,360
<b>CASH:</b>		
Beginning of year	3,350,653	3,198,293
End of year	\$ 3,120,914	\$ 3,350,653
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>		
Operating (loss)	\$ (1,088,001)	\$ (1,086,741)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation and amortization expense	1,329,374	1,192,709
Change in assets and liabilities:		
Accounts receivable	107,847	(39,409)
Materials and supplies	39,354	(9,917)
Prepaid expenses	3,309	(245)
Accounts payable and accrued liabilities	(883,758)	873,325
Accrued payroll	(34,205)	30,601
Customer deposits	7,690	(4,117)
Unearned revenue	(87,830)	(21,958)
Accrued vacation and sick leave	(47,609)	(22,160)
Net cash provided (used) by operating activities	\$ (653,829)	\$ 912,088

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



**Coastside County Water District**  
**Basic Financial Statements**  
**For the year ended June 30, 2009**

**Notes to Basic Financial Statements**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of Coastside County Water District (District) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental enterprises classified as proprietary fund types. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The reports are based on all applicable GASB pronouncements as well as applicable Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Review Boards of the Committee on Accounting Procedure issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. When applicable, certain prior year amounts have been reclassified to conform to current year presentation. The following is a summary of the more significant policies:

**A. Description of the Reporting Entity**

The District is organized under the Water Code provisions of the general laws of the State of California and is governed by a five-member Board of Directors elected at large by the registered voters of the District. The District is located along the Pacific Ocean in San Mateo County; it purchases more than half of its water supply from the San Francisco Water Department. The balance is developed from local sources, including surface diversion and wells. Water is distributed to customers inside and outside the District's boundaries.

Oversight responsibility, the ability to conduct independent financial affairs, issue debt instruments, approve budgets, and otherwise influence operations and account for fiscal matters is exercised by the District's Board of Directors. The District is a separate reporting entity for financial reporting purposes and the accompanying financial statements reflect the assets, liabilities, net assets, revenues, and expenses of the District only.

As defined by GASB Statements No. 14 and 39, *The Financial Reporting Entity*, the District is not financially accountable for any other entity other than itself, nor are there any other entities for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete.

In addition, based upon the above criteria, the District is not aware of any entity which would be financially accountable for the District which would result in the District being considered a component of the entity.

**Coastside County Water District**  
**Basic Financial Statements**  
**For the year ended June 30, 2009**

**Notes to Basic Financial Statements, Continued**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

**B. Fund Accounting Classification and Basis of Accounting**

On the Statement of Net Assets and the Statement of Revenues, Expenses, and Changes in Net Assets, business-like activities are presented using the economic resources measurement focus. The accounting objectives of this measurement focus are the determination of net income, financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Fund equity is classified as net assets.

District funds are classified as enterprise funds, which account for operations that are financed and operated in a manner similar to private business enterprises where the intent 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. The acquisition and capital improvement of the physical plant facilities required to provide these goods and services are financed from existing cash resources, the issuance of bonds, and cash flow from operations.

**C. Cash and Investments**

For the purposes of the Statement of Net Assets and Statement of Cash Flows, "cash equivalents and investments" includes all demand, savings accounts, and certificates of deposits or short-term investments with an original maturity of three months or less.

Fair value is based on quoted market price. Additional cash and investment disclosures are presented in Note 2.

**D. Capital Assets**

Capital assets are carried at cost or estimated cost if actual cost was not available. Contributed capital assets are valued at their estimated fair value on the date contributed.

Depreciation is calculated on a straight-line basis using the following useful life schedule:

Water treatment plant and pipelines	22-50 years
Buildings	23-33 years
Furniture and equipment	10 years
Vehicles	5 years

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized.

**Coastside County Water District**  
**Basic Financial Statements**  
**For the year ended June 30, 2009**

**Notes to Basic Financial Statements, Continued**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

**E. Property Taxes**

The District's property taxes are levied each calendar year on all taxable real property located in the District. Property taxes are recorded on an accrual basis of accounting.

The County Assessor is responsible for assessment of all taxable real property within San Mateo County. Reassessment is on a three-year schedule established by the Assessor.

The County Clerk computes the annual tax for each parcel of real property and prepares tax books used by the County Collector as the basis for issuing tax bills to all taxpayers in the County.

Property taxes are collected by the County Collector and are submitted to the County Treasurer, who remits to each unit its respective share of the collections. Taxes levied in one year become due and payable in two installments during the following year generally on March 1<sup>st</sup> and August 30<sup>th</sup>.

The first installment is an estimated bill, and is approximately one-half of the prior year's tax bill. The second installment is based on the current levy, assessment, equalization, and certificate to limit levy, if any and any changes from the prior year will be reflected in the second installment bill. Taxes must be levied by the last Tuesday in December for the following collection year. The levy becomes an enforceable lien against the property as of January 1 of the levy year.

**F. Accrued Vacation and Sick Leave**

The liability for vested vacation pay is recorded as an expense when the vacation is earned. District employees have a vested interest of up to 240 hours of accrued vacation time and up to 120 days of accrued sick time for employees that retire and are hired prior to December 31, 1990. Employees hired after that date have a vested interest in up to fifty percent of their sick time up to 60 days, based upon retirement and time with the District.

**G. Unamortized Bond Issuance Costs**

Costs incurred in issuing long-term debt are capitalized and amortized over the life of the debt.

**H. Comparative Data**

Comparative data for the prior year has been presented in the accompanying financial statements in order to provide an understanding of changes in the District's financial position and operations.

**I. Reclassifications**

Certain amounts from the prior year have been reclassified to conform to the current year's presentation.

**Coastside County Water District**  
**Basic Financial Statements**  
**For the year ended June 30, 2009**

**Notes to Basic Financial Statements, Continued**

**2. CASH AND INVESTMENTS**

**A. Composition**

The District's cash and temporary investments are carried at market, and include:

	June 30, 2009			June 30, 2008
	FDIC insured	Not rated	Fair Value	
Cash in bank	\$ 250,000	\$ 337,227	\$ 587,227	\$ 1,427,058
Petty cash	430	-	430	1,930
Local Agency Investment Fund (LAIF)	-	2,642,664	2,642,664	3,058,750
Money Market Funds	-	2,324,846	2,324,846	4,173,471
Total	<u>\$ 250,430</u>	<u>\$ 5,304,737</u>	<u>\$ 5,555,167</u>	<u>\$ 8,661,209</u>
Financial Statement presentation:				
Cash and investments			\$ 3,120,914	\$ 3,350,653
Restricted cash and investments			2,434,253	5,310,556
Total			<u>\$ 5,555,167</u>	<u>\$ 8,661,209</u>

California Law requires banks and savings and loan institutions to pledge government securities with a market value of 110% of the District's cash on deposit or first trust deed mortgage notes with a value of 150% of the District's cash on deposit as collateral for these deposits. Under California Law this collateral is held in an investment pool by an independent financial institution in the District's name and places the District ahead of general creditors of the institution pledging the collateral. The District has waived collateral requirements for the portion of deposits covered by federal deposit insurance.

The District's investments are carried at fair value, as required by generally accepted accounting principles. The District adjusts the carrying value of its investments to reflect their fair value at each fiscal year end, and it includes the effects of these adjustments in income for that fiscal year.

**B. Authorized Investments**

The District's Investment Policy and the California Government Code allow the District to invest in the following, provided the credit ratings of the issuers are acceptable to the District and approved percentages and maturities are not exceeded.

**Coastside County Water District**  
**Basic Financial Statements**  
**For the year ended June 30, 2009**

**Notes to Basic Financial Statements, Continued**

**2. CASH AND INVESTMENTS, Continued**

The table below also identifies certain provisions of the California Government Code, or the District's Investment Policy where the District's Investment Policy is more restrictive.

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio</u>
California Local Agency Investment Fund	N/A	None
U.S. Treasury Obligations	5 years	None
Negotiable Certificates of Deposit	1 year	30%

**C. Fair Value of Investments**

In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, investments were stated at fair value using the aggregate method, which includes any adjustments in interest/investment income.

**D. Investments Authorized by Debt Agreements**

The District must maintain required amounts of cash and investments with trustees or fiscal agents under the terms of certain debt issues. These funds are unexpended bond proceeds or are pledged reserves to be used if the District fails to meet its obligations under these debt issues. The California Government Code requires these funds to be invested in accordance with District resolutions, bond indentures, or State statutes. The table below identifies the investment types that are authorized for investments held by fiscal agents. The bond indentures contain no limitations for the maximum investment in any one issuer or the maximum percentage of the portfolio that may be invested in any one investment type.

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Minimum Credit Quality</u>
U.S. Treasury Obligations	N/A	Aaa
U.S. Agency Securities	N/A	Aaa
Bankers' Acceptances	30 days	A-1
Commercial Paper	270 days	A-1+
Money Market Funds	N/A	Aam
Pre-Funded Municipal Obligations	N/A	AAA
Repurchase Agreements	270 days	A
State Direct General Obligations	N/A	AA Special
Revenue Bonds	N/A	AA
California Local Agency Investment Fund	N/A	None

**Coastside County Water District**  
**Basic Financial Statements**  
**For the year ended June 30, 2009**

**Notes to Basic Financial Statements, Continued**

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**2. CASH AND INVESTMENTS, Continued**

**E. Interest Rate and Credit Risk**

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Normally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates.

The District is a participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The District reports its investment in LAIF at the fair value amount provided by LAIF, which is the same as the value of the pool share. The balance available for withdrawal is based on the accounting records maintained by LAIF, which are maintained on an amortized cost basis. Included in LAIF's investment portfolio are collateralized mortgage obligations, mortgage-backed securities, other asset-backed securities, loans to certain state funds, and floating rate securities issued by federal agencies, government-sponsored enterprises, United States Treasury Notes and Bills, and corporations. At June 30, 2009, these investments matured in an average of 212 days.

Money market funds are available for withdrawal on demand and at June 30, 2009, matured in an average of 26 days.

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The District's only investments are in the California Local Agency Investment Fund and in Money Market accounts which are not rated at June 30, 2009.

**F. Reassessment Redemption Fund**

The cash balance in the Reassessment Redemption and Reassessment Reserve Fund accounts represent receipts of the Crystal Springs Assessment District, held by the District as the Assessment District's agent. Amounts reported as restricted will be utilized on Assessment District projects and reduced to zero in 2009-10.

**Coastside County Water District**  
**Basic Financial Statements**  
**For the year ended June 30, 2009**

**Notes to Basic Financial Statements, Continued**

**3. CAPITAL ASSETS**

Changes in capital assets and depreciation were as follows:

	July 1, 2008	Additions	Retirements	June 30, 2009
<b><u>Capital Assets</u></b>				
<b><i>Nondepreciable:</i></b>				
Land	\$ 160,612	\$ -	\$ -	\$ 160,612
Construction in progress	7,886,092	3,932,845	(8,780,084)	3,038,853
Total nondepreciable assets	8,046,704	3,932,845	(8,780,084)	3,199,465
<b><i>Depreciable:</i></b>				
Source of supply	401,039	-	-	401,039
Transmission and distribution	17,033,135	-	(67,169)	16,965,966
Treatment plants and well field projects				
Acquired and constructed	849,981	-	-	849,981
Contributed	2,899,227	-	-	2,899,227
Pipelines and meters	1,262,654	7,744,522	-	9,007,176
Crystal Springs Project	21,526,507	-	-	21,526,507
Buildings and structures	579,925	-	-	579,925
Vehicles	676,629	16,443	(27,766)	665,306
Furniture and equipment	1,059,244	119,198	(9,056)	1,169,386
Total depreciable assets	46,288,341	7,880,163	(103,991)	54,064,513
Total utility plant at cost	54,335,045	11,813,008	(8,884,075)	57,263,978
<b>Less: accumulated depreciation</b>	<b>(17,679,502)</b>	<b>(1,310,745)</b>	<b>171,748</b>	<b>(18,818,499)</b>
Total utility plant (net)	\$ 36,655,543	\$ 10,502,263	\$ (8,712,327)	\$ 38,445,479

Construction in progress at June 30, 2009, consisted primarily of pipeline replacement costs.

**Coastside County Water District**  
**Basic Financial Statements**  
**For the year ended June 30, 2009**

**Notes to Basic Financial Statements, Continued**

**4. LONG-TERM DEBT**

**A. Long-Term Debt Activity**

	Original Issue Amount	Balance July 1, 2008	Retirements	Balance June 30, 2009	Due Within One Year
1998A ABAG Water and Wastewater Revenue Refunding Bonds, 3.75-5.3%, due 10/01/2013	\$ 2,855,000	\$ 1,380,000	\$ (200,000)	\$ 1,180,000	\$ 215,000
2006B Water Revenue Bonds 3.5-4.75%, due 10/01/32	7,295,000	7,135,000	(165,000)	6,970,000	175,000
Discount	(58,459)	(56,200)	(2,248)	(53,952)	(2,248)
Totals	<u>\$ 10,091,541</u>	<u>8,458,800</u>	<u>\$ (367,248)</u>	<u>8,096,048</u>	<u>\$ 387,752</u>
Amount due within one year		(365,000)		(387,752)	
Total Long-term Debt		<u>\$ 8,093,800</u>		<u>\$ 7,708,296</u>	

**B. 1998A ABAG Water and Wastewater Revenue Refunding Bonds**

On May 12, 1998, the District issued ABAG Water and Wastewater Revenue Refunding Bonds, Series 1998A in an original principal amount of \$2,855,000. Proceeds of the 1998 Bonds were placed in an irrevocable trust to advance refund the outstanding balance of the Water Revenue Refunding Bonds, Series 1993; a portion was also used to finance water pipeline replacements.

All revenues generated by the Utility Plant and a debt service insurance policy serving as a reserve fund are pledged for the repayment of the 1998 Bonds. The 1998 Bonds bear interest at 3.75% to 5.3% and require semiannual interest payments on October 1 and April 1 and annual principal payments on October 1. A final installment is due October 1, 2013.

Any 1998 Bonds maturing on or after October 1, 2009, may be redeemed at par plus a 2% premium on or after October 1, 2008. The premium decreases 1% each year until October 1, 2010, at which time the 1998 Bonds may be redeemed at par. 1998 Bonds maturing on or after October 1, 2010 and 2021, are subject to mandatory annual redemption commencing October 1, 2006 and 2011, respectively, at par.

**C. 2006B Water Revenue Bonds**

On June 1, 2006, the District issued Water Revenue Bonds, Series 2006B in an original principal amount of \$7,295,000 to finance and refinance certain public capital improvements. The bonds are payable from revenues of the District. The 2006B Bonds bear interest at 3.50% to 4.75% and require semiannual interest payments on October 1 and April 1 and annual principal payments on October 1, beginning October 1, 2007. A final installment is due October 1, 2032.



**Coastside County Water District**  
**Basic Financial Statements**  
**For the year ended June 30, 2009**

**Notes to Basic Financial Statements, Continued**

**4. LONG-TERM DEBT, Continued**

**D. Repayment Schedule**

Future annual repayment requirements are as follows:

Year Ending June 30,	Enterprise activities					
	1998A ABAG Water and Wastewater Revenue Refunding Bonds		2006B Water Revenue Bonds		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2010	\$ 215,000	\$ 55,845	\$ 175,000	\$ 311,401	\$ 390,000	\$ 367,246
2011	225,000	44,845	180,000	304,966	405,000	349,811
2012	235,000	32,993	185,000	298,281	420,000	331,274
2013	245,000	20,272	190,000	291,296	435,000	311,568
2014	260,000	6,890	200,000	283,859	460,000	290,749
2015-2019	-	-	1,130,000	1,289,420	1,130,000	1,289,420
2020-2024	-	-	1,405,000	999,645	1,405,000	999,645
2025-2029	-	-	1,765,000	628,745	1,765,000	628,745
2030-2033	-	-	1,740,000	170,050	1,740,000	170,050
Total	<u>\$ 1,180,000</u>	<u>\$ 160,845</u>	<u>\$ 6,970,000</u>	<u>\$ 4,577,663</u>	<u>\$ 8,150,000</u>	<u>\$ 4,738,508</u>
Due within one year	\$ 215,000	\$ 55,845	\$ 175,000	\$ 311,401	\$ 390,000	\$ 367,246
Due after one year	965,000	105,000	6,795,000	4,266,262	7,760,000	4,371,262
Total	<u>\$ 1,180,000</u>	<u>\$ 160,845</u>	<u>\$ 6,970,000</u>	<u>\$ 4,577,663</u>	<u>\$ 8,150,000</u>	<u>\$ 4,738,508</u>
Discounts						
2010	\$ -	\$ -	\$ (2,248)	\$ -	\$ (2,248)	\$ -
2011	-	-	(2,248)	-	(2,248)	-
2012	-	-	(2,248)	-	(2,248)	-
2013	-	-	(2,248)	-	(2,248)	-
2014	-	-	(2,248)	-	(2,248)	-
2015-2019	-	-	(11,240)	-	(11,240)	-
2020-2024	-	-	(11,240)	-	(11,240)	-
2025-2029	-	-	(11,240)	-	(11,240)	-
2030-2034	-	-	(8,992)	-	(8,992)	-
Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (53,952)</u>	<u>\$ -</u>	<u>\$ (53,952)</u>	<u>\$ -</u>

**Coastside County Water District**  
**Basic Financial Statements**  
**For the year ended June 30, 2009**

**Notes to Basic Financial Statements, Continued**

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**5. CRYSTAL SPRINGS ASSESSMENT DISTRICT**

The Crystal Springs Water Supply Project (CSP) constructed by the District was financed by purchasers of CSP water service connections who either paid cash for their water service connections or have agreed to place their properties in the Crystal Springs Assessment District, which was formed for the sole purpose of providing funding to construct the Project.

At June 30, 2008, the Assessment District had fully repaid the balance of its Limited Obligation Refunding Bonds, issued in 1999. Property owners were solely responsible for repayment of these Bonds. Security for the bonds was provided by a lien against each property to which a CSP water service connection is assigned. The County of San Mateo acted as the agent for the Assessment District, collecting assessments and forwarding bond payments to the Assessment District. The Assessment District was responsible for submitting monies collected by the County to a paying agent, which in turn paid the bond holders. In the event of non-payment of an assessment by a property owner, the District was responsible only for initiating foreclosure action on the property encumbered by the CSP assessment.

Since the District has never assumed any legal or moral liability to pay any of the Assessment District's bonded indebtedness, the District's financial statements do not include the Assessment District bonds or related balances. However, as the Assessment District's agent, the District uses the cash discussed in Note 2 A to make the required payments on the Assessment District Bonds or projects within the Assessment District with any remaining funds. At June 30, 2009, a final accounting for the District had not been performed and therefore residual balances remain on the District books for certain accounts.

**6. NET ASSETS**

Net assets are set aside for the Crystal Springs project of \$130,118 and capital improvements of \$2,324,846.

**7. RISK MANAGEMENT AND SELF-INSURANCE**

The District is exposed to various risks of loss related to torts, theft of, damage and destruction of assets, errors and omissions, and natural disasters. The District is a member of the Association of California Water Agencies Joint Powers Insurance Authority (JPIA) to provide coverage with respect to certain risks.

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Claim liabilities are calculated considering recent claim settlement trends including the frequency and amount of payouts and other economic and social factors. The liability for claims and judgments is reported in the general long-term debt account group because it is not expected to be liquidated with expendable available financial resources.

**Coastside County Water District**  
**Basic Financial Statements**  
**For the year ended June 30, 2009**

**Notes to Basic Financial Statements, Continued**

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**7. RISK MANAGEMENT AND SELF-INSURANCE, Continued**

The District's JPIA membership includes property coverage of \$1,000-\$51,000 per occurrence, \$51,000 - \$50,000,000 excess insurance fidelity coverage of \$1,000 to \$101,000 per occurrence, general liability/automobile coverage of \$500,000, and excess insurance of \$70 million with no self-insurance retention. Workers' compensation insurance is provided through JPIA with a \$350,000 per occurrence coverage.

There were no open claims or incurred but not reported at June 30, 2008, and June 30, 2009, for the District.

**8. PUBLIC EMPLOYEES' RETIREMENT SYSTEM (PERS)**

**A. 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.

**B. Funding Policy**

All full-time District employees are eligible to participate in the Plan. District employees are required to contribute 7% of their salary (7% of monthly salary over \$133.33 if the member participates in Social Security), and the District is required to contribute an actuarially determined rate. Beginning July 1, 2000, the District began paying the 7% employee contribution. 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 fiscal year 2008-09 was 21.551% of annual payroll. The contribution requirements of the plan members are established by state statute.

**C. Annual Pension Cost**

For 2009, the District's annual pension cost of \$290,060 for CALPERS was equal to the District's required and actual contribution. 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% of investment rate of return (net of administrative expenses), and (b) 3.25% to 14.45% projected annual salary increases that vary by age, duration of service and type of employment. Both (a) and (b) included an inflation component of 3% and annual production growth of 0.25%.

**Coastside County Water District**  
**Basic Financial Statements**  
**For the year ended June 30, 2009**

**Notes to Basic Financial Statements, Continued**

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**8. PUBLIC EMPLOYEES' RETIREMENT SYSTEM (PERS), Continued**

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 four-year period (smooth market value). CALPERS has increased the future rate the City pays to reflect an unfunded condition in the plan.

<u>Fiscal Year</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
June 30, 2007	\$ 312,839	100%	-
June 30, 2008	300,547	100%	-
June 30, 2009	290,060	100%	-

**9. OTHER POST-EMPLOYMENT BENEFITS**

In addition to the pension benefits, the District provides certain healthcare benefits for retired employees through PERS. The District's full-time employees may become eligible for those benefits if they reach normal retirement age while still working for the District. At June 30, 2009, 11 retired employees/survivor dependents meet those eligibility requirements. The District contributions are financed on a pay-as-you-go basis and thus the District recognizes the cost of providing those benefits by budgeting for and expensing the annual insurance premiums, which amounted to \$74,029 for the year ended June 30, 2009. The District has not set aside amounts in a trust, nor have they had an actuarial valuation of the benefits performed to determine a net OPEB Obligation. They have elected to treat the obligation in accordance with the exception for smaller governments and have a valuation performed at a later date.

<u>Fiscal Year</u>	<u>Annual OPEB Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2008	\$ 80,572	100%	-
June 30, 2009	74,029	100%	-

**10. COMMITMENTS AND CONTINGENCIES**

The District is subject to general risk and exposure due to normal operations in the course of business. These risks involve various claims against the District, both asserted and unasserted, all of which management considers to be immaterial to these financial statements.