MONTECITO SANITARY DISTRICT

June 30, 2009 and 2008

FINANCIAL STATEMENTS

BARTLETT, PRINGLE & WOLF, LLP
CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

MONTECITO SANITARY DISTRICT

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Montecito Sanitary District

We have audited the accompanying financial statements of Montecito Sanitary District (the "District") as of June 30, 2009 and 2008 and for the fiscal years then ended, as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the State Controller's Minimum Audit Requirements for California Special Districts. Those standards require that we plan and perform the audits 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 audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Montecito Sanitary District, as of June 30, 2009 and 2008, and the changes in its financial position and its cash flows for the fiscal years then ended, in conformity with accounting principles generally accepted in the United States of America, as well as accounting systems prescribed by the State Controller's Office and State regulations governing special districts.

Management's Discussion and Analysis on pages 2 through 9 is not a required part of the financial statements, but is supplementary information required by the Governmental Accounting Standards Board. This supplementary information is the responsibility of the District's management. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the District's financial statements taken as a whole. The supplemental information is presented for purposes of additional analysis and is not a required part of the basic general purpose financial statements. The supplemental information for the year ended June 30, 2009 has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

Bartlett, Pringle & Wolf, LLP

Santa Barbara, California
December 14, 2009

Montecito Sanitary District (the District) provides wastewater collection, treatment, and disposal for most of the community of Montecito. The Montecito Sanitary District is an independent special district voted into existence in 1947, by the residents of Montecito to provide for the collection, treatment and disposal of wastewater. In 1961, the District constructed a secondary plant capable of processing 750,000 gallons per day, including ocean outfall (located 1500 feet offshore) and trunk sewer system. In 1981 the voters approved $3.1 million in revenue bonds to incorporate new technology, double the plant’s capacity to 1.5 million gallons per day, implement more stringent testing procedures and provide emergency power. The District’s mission has always been “to protect public health and safety and to preserve the natural environment through the collection, treatment and disposal of wastewater in the most cost-effective way possible.”

There are still areas that do not have sewer available but are within the District’s boundaries, and there are currently 108 properties using on-site septic systems that have sewer available. The current number of residential connections is 2,995 and there are 50 commercial and/or institutional connections. Coast Village Road businesses are not within the boundaries of the District, they are served by the City of Santa Barbara.

This Management’s Discussion and Analysis (MD&A) is a key element of the District’s annual audited financial statements that are prepared in accordance with the Governmental Accounting Standards Board Statement No. 34 (GASB 34). The purpose of the MD&A is to provide an overview of the District’s financial condition and to highlight important changes and activities with fiscal implications that occurred during the fiscal years (FY) 2008-09 and 2007-08.

The District’s accounting system follows the accrual method whereby revenues are recorded as earned, and expenses are recorded when incurred. Operating expenses are stated as expenses and capital expenses are capitalized and depreciated over the useful lives of the asset. The District’s fiscal year (FY) runs from July 1 through June 30 for each year reported.

Management and Governance

The District is governed by a five-member Board of Directors. The Directors are elected on an at-large basis for four year terms. In 2001, the Board voted to align its elections with the Statewide General Elections to increase voter turnout and achieve a substantial cost savings. At the Board’s discretion an Organizational Meeting is held at least every other year to assign officers’ duties and to appoint the standing Committee Representatives. This process generally results in a rotation of duties among the Board members. The established Committees meet on an as-needed basis. If necessary, Ad Hoc Committees are formed for special projects. It is the Board that approves the annual operating and capital budgets and authorizes expenditures of the District’s funds.

The District employs a General Manager as the chief executive. The General Manager reports directly to the Board of Directors and is responsible for the overall operation and administration of the District. The District’s Management Staff also includes an Office Manager who is the chief administrator and an Operations & Maintenance Manager. In FY 2008-09 the District had 14 full-time authorized positions and in FY 2007-08, there were 15 full-time authorized positions.

Financial Highlights

The following is a summary of the District's statement of net assets. The table shows that the District's total net assets increased by $500,750 (+2.71%) in FY 2008-09.

	June 30, 2009	June 30, 2008	June 30, 2007	% Change FY 2008-2009 and 2007-2008	% Change FY 2007-2008 and 2006-2007
Assets:					
Current assets	$ 4,572,495	$ 3,749,287	$ 2,796,659	21.96%	34.06%
Noncurrent assets:					
Other assets	379,049	392,587	406,124.00	-3.45%	100.00%
Restricted assets	9,511,287	10,937,721	12,600,615.00	-13.04%	100.00%
Capital assets	20,086,698	19,368,934	18,116,872	3.71%	6.91%
Total Assets	34,549,529	34,448,529	33,920,270	0.29%	1.56%
Liabilities:					
Current liabilities	492,836	836,676	681,383	-41.10%	22.79%
Long term liabilities	15,055,834	15,111,744	15,101,513	-0.37%	0.07%
Total Liabilities	15,548,670	15,948,420	15,782,896	-2.51%	1.05%
Net Assets:					
Invested in capital assets, net of related debt	14,612,111	14,885,747	15,601,012	-1.84%	-4.58%
Restricted	71,630	501,334	191,571	100.00%	100.00%
Unrestricted	4,317,118	3,113,028	2,344,791	38.68%	32.76%
Total Net Assets	$ 19,000,859	$ 18,500,109	$ 18,137,374	2.71%	2.00%

The following is a summary of the District's revenues and expenses. The table shows that the District's operating revenues increased by $657,720 (+25.2%) and operating expenses increased by $410,981(+14.2%) in FY 2008-09.

Fiscal Year	Operating Revenues	Operating Expenses [1]	Operating Income/(Loss)	Operating Income/(Loss) Excluding Depreciation
2008-09	3,264,912	3,306,235	(41,323)	614,268
2007-08	2,607,192	2,895,254	(288,062)	340,721
2006-07	2,852,265	2,639,808	212,457	753,339

[1] Includes depreciation expense.

Sources of Revenue

The District's total revenue for the fiscal year ended June 30, 2009 was $4,081,656 (+9%); fiscal year ended June 30, 2008 revenue was $3,754,545 (+8%); and fiscal year ended June 30, 2007 revenue was $3,479,071 (+37%). The revenue stream is broken down into various components which are described below:

Revenue Category	2008-09	2007-08	2006-07	% Change FY 2008-2009 and 2007-2008	% Change FY 2007-2008 and 2006-2007
Service Charges	$ 3,115,718	$ 2,542,342	$ 2,367,620	22.6%	7.4%
Connection Fees	128,394	46,250	194,095	177.6%	-76.2%
Other Services	20,800	18,600	290,550	11.8%	-93.6%
Investment Income	343,595	704,671	250,521	-51.2%	181.3%
Property Taxes	415,875	390,713	361,838	6.4%	8.0%
Other Revenue	57,274	51,969	14,447	10.2%	259.7%
	$ 4,081,656	$ 3,754,545	$ 3,479,071	8.7%	7.9%

Sewer Service Charge (SSC)

The major source of revenue for the District is the Sewer Service Charge(s) (SSC). The annual sewer service charge increased approximately 22% from the prior (2007-08) fiscal year. A 5-year planned and approved rate increase structure went into effect beginning with FY 2004-05 and ended with FY 2008-09. The rate increases were validated and approved by following the procedures and requirements of Proposition 218. The rate increases were necessary to keep up with the rising operations and maintenance costs and depreciation of the District's capital assets.

The District's total annual SSC revenue for the year ended June 30, 2009 was $3,115,718; which amounted to 76% of the total revenues and 95% of the total operating revenue. SSC revenue for the year ended June 30, 2008 was $2,542,342; which amounted to 68% of total revenues and 98% of the total operating revenue, and SSC revenue for the year ended June 30, 2007 was $2,367,620; which amounted to 68% of total revenues and 83% of the total operating revenue. The District maintains a Teeter Plan agreement with the County of Santa Barbara. Under this agreement, the District receives the total guaranteed amounts of SSC revenue reported to the County each year and the County collects these funds from the District's customers on their bi-annual property tax statements.

Connection Permit Fees

The Connection Fee collected on District permits is the fee charged for connection to the District's sanitary sewer system, intended to cover or recoup infrastructure costs incurred to provide service. Connection fees collected for the fiscal year ended June 30, 2009 was $128,394 and for fiscal year ended June 30, 2008 was $46,250.

Connection Permit Fees (continued)

The number of new connections made each year is variable and it is normal to see fluctuations in this revenue stream. Currently, the District charges $3,250 for a single family residence to connect to the sewer. There are additional fees involved for second residential units based on their number of bedrooms ($1,250-$3,250). Auxiliary units (i.e., pool cabanas, art studios, guest houses and workshops) that have bathroom facilities, but no kitchen/cooking facilities, are currently charged a $1,000 connection fee, but no additional annual sewer service charge, because they do not allow for full-time living.

Other Fees and Revenues

The District's other sources of revenue and fees collected during the fiscal years ended June 30, 2009 and 2008 are listed in the table below.

Other Fees and Sources of Revenue	FY 2008-09	FY 2007-08
Inspection Fees	$ 10,950	$ 11,300
Agreements, Administrative, Plan Check and Engineering Fees	9,850	7,300
Miscellaneous Revenue	1,481	1,770
Pooled Insurance Dividends/Refunds	39,595	13,931
Reimbursements to MSD		
Sewer Mainline Extension – Tabor Lane	18,118	
Sewer Mainline Extension – Orchard	13,260	6,055
Sale of Assets	1,800	0
TOTALS	$ 95,054	$ 40,356

Investment Income

The District's current approved investment policy, under Resolution No. 2000-779, states that it shall be the policy of the District to invest funds, with maximum security through diversification and prudence, in a manner which will provide the highest investment return, while meeting the daily cash flow demands of the entity and conforming to all statutes governing the investments of District funds.

In keeping with that policy, the District Board chose to split the District's monies between two investment vehicles: the Santa Barbara County Investment Pool, and the Local Agency Investment Fund (LAIF) which is a State controlled investment pool. Funds are readily available from either pool, but the District has thus far used the Santa Barbara County Pool as its major source of operating funds since revenues from property taxes are part of that pool, as well as the District's sewer service charges that are collected by means of the County's tax roll. Unrealized gains on the investment accounts totaled $40,964 during the year

Interest revenues received, excluding those earned from the Certificates of Participation (COP) monies; within the 2008-09 FY from the two investment pools was $90,150 (see COP discussion on page 7). Interest earned from the COP monies was $212,281. Minor checking account interest in the amount of $200 was earned for the Running Expense account.

Property Tax

The District receives one half of 1% of the total property tax revenue that is collected by the County of Santa Barbara for parcels within its service area whether or not they are a customer of the District. The property tax revenue (shown on chart on page 4) is inclusive of secure, unsecured, unitary, and supplemental property taxes.

Certificates of Participation (COPs) – California Special Districts Association (CSDA) Finance Corporation – 2007 Series UU

Due to an urgent need for capital improvement project funds in FY 2006-07 the District worked with CSDA and CSDA's financial consultant, Mr. Saul Rosenbaum, at Prager, Sealey & Co. Inc. to seek funding through the issuance of COPs. The District contracted the services of Fieldman, Rolapp & Associates, independent financial advisors. The Board and General Manager saw this as a means to ensure the District would have the funds necessary to complete a list of capital projects deemed to be mission critical to the District's efforts to provide the kind of service expected and mandated by federal and state regulations, and to ensure the environmental health and safety of the community in which the District serves.

As part of the COP funding process the District used a portion of the COP proceeds to pay off a $2 million loan secured from Santa Barbara Bank & Trust in May 2005, $1.3 million of which was used to construct a new maintenance building at the plant site. After paying off the loan at SBB&T, and payments made for bond insurance, bond issuance costs, underwriter's discount and delivery costs, the District netted $12,558,494 of the $14,765,000 proceeds from the COPs. Bank of New York (BNY) was engaged as the Administrator of the COP funds and at the request of the District's Board of Directors, BNY was instructed to set up separate accounts as indicated below. All of the COP funds are invested with the State Treasurer's Investment Pool (LAIF).

1.	Interest Account of the Installment Fund	$ 1,084,435
2.	Reserve Fund	$ 940,565
3.	Acquisition Fund (capital projects)	$10,533,493
4.	Delivery Cost Fund	$ 166,501

The COP funds became available in early April 2007 following the official closing on March 29, 2007. During the budget process it was determined that the District would need to consider increasing service charge rates that would become effective at the beginning of July 1, 2009 for FY 2009-10. The current 5-year approved rate increase plan ends with FY 2008-09 (June 30, 2009). The District will need sufficient service generated revenues to cover not only the daily operations and maintenance costs, but monies to build up the District's reserves (currently at $1.5M), fund depreciation, future debt service payments, and in 2010, GASB 45 will require that the District accrue estimated liabilities regarding payment of medical insurance premiums for retirees.

Operating Expenses

The District's operating expenses (not including depreciation or amortization) for the fiscal year ended June 30, 2009 was $2,637,107 and for fiscal year ended June 30, 2008 was $2,266,471. This represents an overall increase for FY 2008-09 in actual operating expenses of 16.4%. For FY 2007-08 the increase in actual operating expenses was 8.0%. Depreciation expense for FY 2008-09 was $655,591 and for FY 2007-08 depreciation expense was $615,246. Amortization expense for FY 2008-09 and 2007-08 was $13,537. A tabular summary of the expenditure increases or decreases versus the previous fiscal year is presented on the following pages.

Expenditure increases or decreases in fiscal year ended June 30, 2009 versus June 30, 2008 were as follows:

Expense Category	Expenses FY 2008/2009	Expenses FY 2007/2008	FY 2008/09 Expense Increase (Decrease)	Difference	Comments/Justification
Personnel (Salaries, Payroll Taxes, WC Insurance, and Benefits)	$ 1,838,295	$ 1,551,850	$ 286,445	18.5%	Salary Increase (COLA 1.5%), Retiring Employee – Leave Accrual Payout
Pooled Liability and Other CSRMA Insurance Programs	54,047	48,541	5,506	11.3%	Insurance Premium Increases
Maintenance, Repairs, Operating Supplies/Equip, and Contracted Services	323,392	281,271	42,121	15.0%	Vehicle Repairs, Perimeter Tree Trimming
Utilities, Telephone, Fuel and Oil	142,523	147,370	(4,847)	-3.3%	Electricity Costs Decreased, Energy Efficiency Measures
Research & Monitoring	10,354	9,278	1,076	11.6%	Chemical/Fuel Costs, Equipment Replacement
Office Expenses, and Misc. Administrative Costs	19,147	14,742	4,405	29.9%	Noticing for Sewer, Rate Increase
Professional Services, Administrative Fees, and Memberships	207,302	166,035	41,267	24.9%	Legal Fees – Workers' Compensation Case, Service Charge-Rate Study
Training, Safety and Travel Expenses	42,047	47,384	(5,337)	-11.3%	Minimal travel to conferences, etc.
Subtotals	**2,637,107**	**2,266,471**	**370,636**	**16.4%**	
Depreciation and Amortization	669,128	628,783	40,345	6.4%	Depreciation expense
Totals	**$ 3,306,235**	**$ 2,895,254**	**$ 410,981**	**14.2%**	

Expenditure increases or decreases in fiscal year ended June 30, 2008 versus June 30, 2007 were as follows:

Expense Category	Expenses FY 2007/2008	Expenses FY 2006/2007	FY 2007/08 Expense Increase (Decrease)	Difference	Comments/Justification
Personnel (Salaries, Payroll Taxes, WC Insurance, and Benefits)	$ 1,551,850	$ 1,464,773	$ 87,077	5.9%	COLA increases, succession plan hiring, benefit increases
Pooled Liability and Other CSRMA Insurance Programs	48,541	47,913	628	1.3%	Dividend refunds kept increases in line
Maintenance, Repairs, Operating Supplies/Equip, and Contracted Services	281,271	247,885	33,386	13.5%	Contract labor, biosolids disposal, chemicals increased
Utilities, Telephone, Fuel and Oil	147,370	148,135	(765)	-0.5%	Lower electric expense
Research & Monitoring	9,278	21,302	(12,024)	-56.4%	Engineer study costs reimbursed in 07/08
Office Expenses, and Misc. Administrative Costs	14,742	17,351	(2,609)	-15.0%	Less expenses incurred
Professional Services, Administrative Fees, and Memberships	166,035	131,732	34,303	26.0%	Increase in NPDES permit fees
Training, Safety and Travel Expenses	47,384	19,835	27,549	138.9%	Addition of a new joint safety officer
Subtotals	**2,266,471**	**2,098,926**	**167,545**	**8.0%**	
Depreciation and Amortization	628,783	540,882	87,901	16.3%	Depreciation on new maintenance building
Totals	**$ 2,895,254**	**$ 2,639,808**	**$ 255,446**	**9.7%**	

Non-Operating Expenses

Capitalized Expenditures

Capital expenditures of the COP funds from July 1, 2008 through June 30, 2009 total $1,510,703. The balance of available funds from the Acquisition Fund monies at June 30, 2009 was $7,753,863.

One of the District's significant projects completed with the COP funds was Lift Station No. 4. This lift station refurbishment and force main replacement project was approved for construction in October 2007 and competed in February 2009.

Annual Audited Financial Statements

At the end of each fiscal year, the District is audited by an independent certified public accounting firm qualified to perform government accounting audits. The financial statements consist of a series of financial statements and notes to those statements. The statements are organized so the reader can understand the District as a financial whole, an entire operating entity. These statements then proceed to provide a detailed look at specific financial activities. This annual report consists of two parts – management's discussion and analysis (this section) and a series of basic financial statements.

The annual financial statements include the Statement of Net Assets, Statement of Revenues, Expenses and Changes in Net Assets, and a Statement of Cash Flows, followed by various and specific notes to those financial statements.

Additionally, the report provides supplemental information such as: Board of Directors names and titles and Schedules of Operating Expenses **–** by Department.

Future Rate Increases/Expenses

During the budget process it was determined that the District would need to consider increasing service charge rates that would become effective at the beginning of July 1, 2009 for FY 2009-10. A public hearing was held in May 2009 and a new resolution was adopted to increase the sewer service charges. This current 3-year approved rate increase plan ends with FY 2011-2012 (June 30, 2012). These increases will enable the District to collect service generated revenues to cover not only the daily operations and maintenance costs, but monies to fund future rehabilitation projects to maintain system integrity. Additionally, in 2010, GASB 45 will require that the District accrue estimated liabilities regarding payment of medical insurance premiums for retirees.

On May 26, 2009, the Board authorized the creation of a separate fund for depreciation. Effective July 1, 2009, the County-Auditor Controller's office established a new fund titled Montecito Sanitary Capital Replacement Fund and $1,200,000 was transferred to this fund. Additional amounts may be contributed annually based on the annual depreciation expense as approved by the Board. The District may withdraw monies from the Capital Replacement Fund at any time to fund Capital projects or to meet operational, maintenance or any type of financial need of the District. The fund will earn interest at the same rate as other monies invested with the County.

Contacting the District's Financial Management

This financial report is designed to provide the District's customers, creditors, and other interested parties with a general overview of the District's finances and to demonstrate the District's accountability of the money it receives. If you have any questions about this report or need additional financial information, contact Debbie Hughey, Office Manager/Clerk of the Board, at 1042 Monte Cristo Lane, Santa Barbara, CA 93108, or by telephone at (805) 969-4200.

MONTECITO SANITARY DISTRICT
STATEMENT OF NET ASSETS
June 30, 2009 and 2008

ASSETS

	2009	2008
Current Assets:		
Cash and investments	$ 4,514,057	$ 3,701,008
Interest receivable	16,541	30,224
Prepaid insurance	41,897	18,055
Total Current Assets	4,572,495	3,749,287
Restricted Assets:		
Cash and investments	9,476,904	10,853,867
Interest receivable	34,383	83,854
Total Restricted Assets	9,511,287	10,937,721
Capital Assets:		
Depreciable:		
Plant and equipment	32,407,729	29,669,138
Less accumulated depreciation	(12,600,782)	(11,978,490)
	19,806,947	17,690,648
Non-depreciable:		
Construction in progress	173,251	1,571,786
Land and improvements	106,500	106,500
Net Capital Assets	20,086,698	19,368,934
Other Assets:		
Bond issuance costs, net	379,049	392,587
Total Assets	$ 34,549,529	$ 34,448,529

See accompanying notes

MONTECITO SANITARY DISTRICT
STATEMENT OF NET ASSETS
June 30, 2009 and 2008

LIABILITIES

	2009	2008
Current Liabilities:		
Accounts payable	$ 40,641	$ 377,055
Accrued salaries and benefits	35,080	55,064
Accrued interest	323,738	323,739
Customer deposits	68,377	80,818
Current portion of long-term debt	25,000	
Total current liabilities	492,836	836,676
Long-Term Liabilities:		
Compensated absences payable	166,590	192,170
Long-term debt, net of current portion	14,889,244	14,919,574
Total long-term liabilities	15,055,834	15,111,744
Total Liabilities	15,548,670	15,948,420

NET ASSETS

	2009	2008
Invested in capital assets, net of related debt	14,612,111	14,885,747
Restricted net assets	71,630	501,334
Unrestricted	4,317,118	3,113,028
Total Net Assets	$ 19,000,859	$ 18,500,109

See accompanying notes

MONTECITO SANITARY DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
For the Fiscal Years Ended June 30, 2009 and 2008

	2009	2008
Operating Revenues:		
Service Charges	$ 3,115,718	$ 2,542,342
Connection fees	128,394	46,250
Other services	20,800	18,600
Total Operating Revenues	3,264,912	2,607,192
Operating Expenses:		
Sewage collection	1,002,246	854,716
Sewage treatment	1,342,956	1,262,929
Sewage disposal	65,445	67,524
Administrative	895,588	710,085
Total Operating Expenses	3,306,235	2,895,254
Income (loss) from operations	(41,323)	(288,062)
Nonoperating Revenue (Expense):		
Investment income	343,595	704,671
Property taxes	415,875	390,713
Other revenue	57,274	51,969
Interest Expense	(350,141)	(509,061)
Total Non-Operating Revenue	466,603	638,292
Excess of revenue over expenses	425,280	350,230
Capital contributions	75,470	12,505
Change in Net Assets	500,750	362,735
Net assets at beginning of year	18,500,109	18,137,374
Net assets at end of year	$ 19,000,859	$ 18,500,109

See accompanying notes

MONTECITO SANITARY DISTRICT
STATEMENT OF CASH FLOWS
For the Fiscal Years Ended June 30, 2009 and 2008

	2009	2008
Cash Flows from Operating Activities:		
Cash received from customers	$ 3,254,271	$ 2,601,770
Cash payments to vendors for goods and services	(1,159,068)	(569,719)
Cash payments to employees for services	(1,883,859)	(1,520,977)
Net cash provided by operating activities	211,344	511,074
Cash Flows from Noncapital Financing Activities:		
Property taxes	415,875	390,713
Other	72,085	52,391
Net cash provided by noncapital financing activities	487,960	443,104
Cash Flows from Capital and Related Financing Activities:		
Purchase of capital assets	(1,096,159)	(1,734,644)
Interest payments	(647,478)	(647,477)
Extension reimbursements	75,470	12,505
Net cash provided (used) by capital and related financing activities	(1,668,167)	(2,369,616)
Cash Flows from Investing Activities:		
Investment income received	404,949	771,819
Net cash provided by investing activities	404,949	771,819
Net increase (decrease) in cash and restricted cash	(563,914)	(643,619)
Cash and restricted cash – beginning of year	14,554,875	15,198,494
Cash and restricted cash – end of year	$ 13,990,961	$ 14,554,875
Reconciliation to Statement of Net Assets:		
Cash and investments	$ 4,514,057	$ 3,701,008
Restricted cash and investments	9,476,904	10,853,867
	$ 13,990,961	$ 14,554,875

See accompanying notes

MONTECITO SANITARY DISTRICT
STATEMENT OF CASH FLOWS
For the Fiscal Years Ended June 30, 2009 and 2008

	2009	2008
Reconciliation of operating income (loss) to net cash used by operating activities:		
Operating income (loss)	$ (41,323)	$ (288,062)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Depreciation expense	655,591	615,246
Amortization expense	13,537	13,537
Change in assets and liabilities:		
Receivables	1,801	(1,922)
Prepaids	(23,842)	1,421
Accounts payable	(336,414)	(14,792)
Accrued salaries and benefits	(19,984)	15,312
Accrued interest	(1)	158,273
Customer deposits	(12,441)	(3,500)
Compensated absences	(25,580)	15,561
Net cash provided by operating activites	$ 211,344	$ 511,074

See accompanying notes

Note 1 - Reporting Entity

Montecito Sanitary District was organized in 1947, pursuant to the Sanitary District Act of 1923, to provide sewage collection and treatment for residents within the District's geographical boundaries.

The District is governed by a board of directors consisting of five members elected at large. The Directors receive fees for attendance at Board and Committee meetings. The Board employs a District Manager, Engineer, Office Manager and such other personnel as are required to meet its responsibilities.

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

Note 2 - Summary of Significant Accounting Policies

A) Accounting Policies

The accounting policies of the District conform to accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board and the American Institute of Certified Public Accountants (AICPA).

B) Accounting Basis

The District follows the accrual method of accounting, whereby revenues are recorded as earned, and expenses are recorded when incurred. The financial statements of the District have been prepared in conformity with Generally Accepted Accounting Principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting financial reporting principles. Additionally the District applies all Financial Accounting Standards Board (FASB) statements and interpretations, Accounting Principles Board (APB) opinions, and Accounting Research Bulletins (ARBs) issued on or before November 30, 1989 unless those pronouncements conflict with or contradict GASB pronouncements.

C) Budget

The District prepares an annual budget which estimates major sources of revenue to be received during the fiscal year, as well as estimated expenditures needed for operation of District facilities.

D) Cash and Cash Equivalents

For purposes of the statement of cash flows, cash and cash equivalents include restricted and unrestricted cash and restricted and unrestricted certificates of deposit with original maturities of three months or less.

Note 2 - <u>Summary of Significant Accounting Policies</u> (continued)

E) <u>Property, Plant and Equipment</u>

Capital assets purchased by the District are recorded at cost. Contributed or donated capital assets are recorded at fair value when acquired.

F) <u>Depreciation</u>

Capital assets purchased by the District are depreciated over their estimated useful lives (ranging from 5-75 years) under the straight-line method of depreciation.

G) <u>Accumulated Vacation, Compensated Time Off and Sick Leave</u>

Accumulated unpaid employee vacation, compensated time off, and sick leave benefits are recognized as liabilities of the District.

H) <u>Property Taxes</u>

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

Property Valuations – are established by the Assessor of the County of Santa Barbara (County) for the secured and unsecured property tax rolls; the utility property tax roll is valued by the State Board of Equalization. Under the provisions of Article XIIA 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.

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.

During the fiscal year ended June 30, 1994, the District adopted the “Teeter Plan” as defined in the Revenue and Taxation Code. Under this plan, the District is guaranteed 99.6% of the secured property taxes each year. The District is also assured of receiving 95% of the unsecured property taxes for each fiscal year by July 31 of the following fiscal year. The remaining 5% is placed in a Tax Loss Reserve Fund which will be used to offset future tax sale losses incurred by the County. Additionally, the District is assured of receiving 100% of its sewer service charges for each fiscal year by July 31 of the following year.

Note 2 - Summary of Significant Accounting Policies (continued)

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 – are limited to 1% of full 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 – 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 they exist 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.

I) Annual Appropriations Limit

The District is exempt from the annual appropriations limit required by Senate Bill 813 (Chapter 1025, Statutes of 1987) in accordance with California Constitution Article XIII B. This exemption is based on a tax rate not greater than 12-1/2 cents per $100 of assessed valuation in 1978.

J) Net Assets

GASB Statement No. 34 requires that the difference between assets and liabilities be reported as net assets. Net assets are classified as either invested in capital assets, net of related debt, restricted or unrestricted.

Net assets that are invested in capital assets, net of related debt, consist of capital assets, net of accumulated depreciation, and reduced by the outstanding principal of related debt. Restricted net assets are those net assets that have external constraints placed on them by creditors, grantors, contributors, laws or regulations of other governments, or through constitutional provisions or enabling legislation. Unrestricted net assets consist of net assets that do not meet the definition of invested capital assets, net of related debt or restricted net assets.

K) Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America, as prescribed by the GASB and the AICPA, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

Note 3 - Cash and Investments

Investments are carried at fair value as determined by the external investment pool sponsor. On June 30, 2009 and 2008, the District had the following cash and investments on hand:

	June 30, 2009	June 30, 2008
Cash on hand	$ 250	$ 179
Cash with fiscal agent	355,069	329,404
Deposits held with financial institutions	217,897	127,430
Deposits held in pooled investment funds	13,417,745	14,097,862
Total cash and investments	$ 13,990,961	$ 14,554,875

Investments Authorized by the District's Investment Policy

The District's investment policy only authorizes investment in the local government investment pool administered by the State of California (LAIF) and the Santa Barbara County Investment Pool. The District's investment policy does not contain any specific provisions intended to limit the District's exposure to interest rate risk, credit risk and concentration of credit risk.

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. Generally, 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 to market interest rate fluctuations is provided by the following table that shows the distribution of the District's investments by maturity:

		Remaining Maturity (in Months)			
Investment Type	Carrying Amount	12 Months or Less	13-24 Months	25-60 Months	More than 60 Months
LAIF	$ 10,752,277	$ 10,752,277	$ 0	$ 0	$ 0
Santa Barbara County Investment Pool	2,665,468	2,665,468	0	0	0
Total	$ 13,417,745	$ 13,417,745	$ 0	$ 0	$ 0

Note 3 - Cash and Investments (continued)

Disclosures Relating to Credit Risk

Generally, 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 and the District's investment policy, and the actual rating as of fiscal year end for each investment type.

	Carrying Amount	Minimum Legal Rating	Exempt From Disclosure	Rating as of Fiscal Year End AAA	Aa	Not Rated
LAIF	$10,752,277	N/A	$ 0	$ 0	$ 0	$10,752,277
Santa Barbara County Investment Pool	2,665,468	N/A	0	0	0	2,665,468
Total	$13,417,745		$ 0	$ 0	$ 0	$13,417,745

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, a government 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 provisions 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.

None of the District's deposits with financial institutions in excess of federal depository insurance limited were held in uncollateralized accounts.

Note 3 - Cash and Investments (continued)

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 and the Santa Barbara County Investment Pool).

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 4 - Schedule of Capital Assets

A schedule of changes in capital assets and depreciation for the fiscal year ended June 30, 2009, is shown below:

	Balance July 1, 2008	Additions	Deletions	Transfers	Balance June 30, 2009
Subsurface Lines	$ 19,584,497	26,495	-	-	$ 19,610,992
Collection Facilities	968,273	785,876	-	1,792,501	3,546,650
Treatment Facilities	8,126,376	181,154	(48,110)	-	8,259,420
Disposal Facilities	532,466	-	-	-	532,466
Administrative Facilities	457,526	675	-	-	458,201
	29,669,138	994,200	(48,110)	1,792,501	32,407,729
Accumulated Depreciation	(11,978,490)	(655,591)	33,299	-	(12,600,782)
	17,690,648	338,609	(14,811)	1,792,501	19,806,947
Construction in Progress	1,571,786	393,966	-	(1,792,501)	173,251
Land and Improvements	106,500	-	-	-	106,500
Net capital assets	$ 19,368,934	$ 732,575	$ (14,811)	$ -	$ 20,086,698

Note 4 - Schedule of Capital Assets (continued)

A schedule of changes in capital assets and depreciation for the fiscal year ended June 30, 2008, is shown below:

	Balance July 1, 2007	Additions	Deletions	Transfers	Balance June 30, 2008
Subsurface Lines	$ 17,956,096	$ 185,652		$ 1,442,749	$ 19,584,497
Collection Facilities	1,516,972	62,055	(8,997)	(601,757)	968,273
Treatment Facilities	7,759,474	206,163	(1,874)	162,613	8,126,376
Disposal Facilities	532,466				532,466
Administrative Facilities	417,127	51,414	(11,015)		457,526
	28,182,135	505,284.00	(21,886)	1,003,605	29,669,138
Accumulated Depreciation	(11,384,708)	(615,246)	21,464		(11,978,490)
	16,797,427	(109,962)	(422)	1,003,605	17,690,648
Construction in Progress	1,212,945	1,362,446		(1,003,605)	1,571,786
Land and Improvements	106,500				106,500
Net capital assets	$ 18,116,872	$ 1,252,484	$ (422)	$ -	$ 19,368,934

Note 5 - Intangible Assets

The District's intangible assets as of June 30, 2009 and 2008 consisted of:

	2009	2008
Unamortized debt issue costs:		
Certificates of participation, Series 2007 net of accumulated amortization of $27,075 and $13,537, respectively.	$ 379,049	$ 392,587

Debt issuance costs are being amortized over 30 years and will be fully amortized in 2037. Estimated amortization expense is as follows for the five fiscal years ending June 30:

2010	$ 13,537
2011	13,537
2012	13,537
2013	13,537
2014	13,537
Thereafter	311,364
Total	$ 379,049

Note 6 - Compensated Absences

Employees are entitled to accumulate up to 120 working days of sick leave, at the rate of eight hours per month for full time employees, and pro-rated for part-time employees. If employees retire under the District's retirement program, or voluntarily resign after twenty or more years of service, they would receive full compensation for any unused sick leave, paid at their current salary level. If employees voluntarily resign with less than twenty years of service, they would receive one-half to three quarters of their unused sick leave, depending on the years of service completed.

Employees are also entitled to accumulate vacation leave at a rate of two to five weeks per year, depending on the number of years of service completed. Such accumulated leave cannot exceed two times the employee's annual entitlement. Vacation leave is fully vested at all times and will be paid to employees upon termination of employment.

In accordance with accounting principles generally accepted in the United States of America, the liability is reflected on the statement of net assets and the current fiscal year allocation has been expensed.

Note 7 - Long-Term Debt

The long-term debt liabilities of the District are as follows:

	Balance June 30, 2008	Additions	Retirements/ Amortization	Balance June 30, 2009
Series 2007 Certificates of Participation	$ 14,765,000	$ -	$ -	$ 14,765,000
Unamortized premiums	154,574		(5,330)	149,244
Net long-term debt	$ 14,919,574	$ -	$ (5,330)	$ 14,914,244

CSDA Finance Corporation Certificates of Participation 2007 Series UU

The CSDA Finance Corporation Certificates of Participation 2007 Series UU were issued March 1, 2007 in the aggregate principal amount of $14,765,000. The CSDA Finance Corporation Certificates of Participation consisted of serial certificates in the principal amount of $4,750,000 bearing an average interest rate of 4%, with the final installment payment due July 1, 2022, term certificates in the amount of $2,615,000 bearing interest of 4.25% due July 1, 2027, term certificates in the amount of $4,020,000 bearing interest of 5% due July 1, 2033, and term certificates in the amount of $3,380,000 bearing interest of 4.3% due July 1, 2037. Interest is payable semi-annually each January 1 and July 1, commencing July 1, 2007. The Certificates shall not be subject to optional prepayment prior to July 1, 2017. The District is required to use the proceeds from the certificates to finance the following expenditures:

Note 7 - Long-Term Debt (Continued)

1. The acquisition of certain sanitary sewer improvements, in connection with the District's wastewater system.
2. To prepay the District's obligations under the installment Note dated as of May 31, 2005, between the District and Santa Barbara Bank & Trust.
3. To fund in whole or in part, a Reserve Fund for the Certificates.
4. To fund certain capitalized interest with respect to the Certificates.
5. To pay certain costs of issuing the Certificates.

Total annual requirements to amortize the Certificates of Participation are as follows:

Fiscal Year End	Principal	Interest	Total
7/1/09-6/30/10	$ 25,000	$ 646,978	$ 671,978
7/1/10-6/30/11	220,000	642,078	862,078
7/1/11-6/30/12	300,000	631,678	931,678
7/1/12-6/30/13	310,000	619,478	929,478
7/1/13-6/30/14	325,000	606,778	931,778
2015 - 2019	1,830,000	2,823,988	4,653,988
2020 - 2024	2,220,000	2,419,788	4,639,788
2025 - 2029	2,725,000	1,903,419	4,628,419
2030 - 2034	3,430,000	1,172,450	4,602,450
2035 - 2038	3,380,000	298,205	3,678,205
Total	$ 14,765,000	$ 11,764,837	$ 26,529,837

Note 8 - Deferred Compensation Plan

The District offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all District employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights are (until paid or made available to the employee or other beneficiary) solely the property and rights of the employees.

Note 9 - Defined Benefit Pension Plan

Plan Description

The District's defined benefit pension plan, Public Employees' Retirement System (PERS), provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The District contributes to the California Public Employees' Retirement System (CalPERS) Miscellaneous 2% at 55 Risk Pool, a cost-sharing multiple-employer defined benefit pension plan administered by CalPERS. A menu of benefit provisions, as well as other requirements, is established by State statutes within the Public Employees' Retirement Law. The District selects optional benefit provisions from the benefit menu by contract with CalPERS and adopts those benefits through local ordinance (other local methods). CalPERS issues a separate comprehensive annual financial report. Copies of the CalPERS' annual financial report may be obtained from the CalPERS Executive Office – 400 P Street – Sacramento, CA 95814.

Funding Policy

Active plan members in the CalPERS are required to contribute 7% of their annual covered salary. The District makes the contributions required of District employees on their behalf and for their account. In addition, the District is required to contribute the actuarially determined remaining amounts necessary to fund the benefits for its members. The actuarial methods and assumptions used are those adopted by the CalPERS Board of Administration. The required employer contribution rate was 7.105% and 6.730% for fiscal years 2009 and 2008, respectively. The contribution requirements of the plan members are established by State statute and the employer contribution rate is established and may be amended by CalPERS.

Annual Pension Cost

The following is a summary of the actuarial assumptions and methods:

Valuation Date	June 30, 2007
Actuarial Cost Method	Entry Age Actuarial Cost Method
Amortization Method	Level Percent of Payroll
Average Remaining Period	16 Years as of the Valuation Date
Asset Valuation Method	15 Year Smoothed Market
Actuarial Assumptions	
Investment Rate of Return	7.75% (net of administrative expenses)
Projected Salary Increases	3.25% to 14.45% depending on Age, Service, and type of employment
Inflation	3.00%
Payroll Growth	3.25%
Individual Salary Growth	A merit scale varying by duration of employment coupled with an assumed annual inflation growth of 3.00% and an annual production growth of 0.25%

Note 9 - Defined Benefit Pension Plan (continued)

The actuarial value of the District's assets was determined using a technique that smoothes the effect of short-term volatility in the market value of investments over a three year period. CalPERS unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis over 20 years.

Three Year Trend Information for Montecito Sanitary District Public Employees' Retirement Plan

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contribution	Net Pension Obligation
6/30/07	60,737	100%	0
6/30/08	63,856	100%	0
6/30/09	75,950	100%	0

Required Supplementary Information

The schedule for funding progress below represents the recent history of the risk pool's actuarial value of assets accrued liability, their relationship, and the relationship of the unfunded liability.

Valuation Date	Accrued Liability (a)	Actuarial Value of Assets (b)	Unfunded Liability (a)-(b)	Funded Ratio (b)/(a)	Annual Covered Payroll (c)	UL As a % of Payroll [(a)-(b)]/(c)
6/30/2005	$2,891,460,651	$2,588,713,000	$302,747,651	89.5%	$755,046,679	40.1%
6/30/2006	$2,754,396,608	$2,492,226,176	$262,170,432	90.5%	$699,897,835	37.5%
6/30/2007	$2,611,746,790	$2,391,434,447	$220,312,343	91.6%	$665,522,859	33.1%

Note 10 - Risk Management

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees, and natural disaster.

The District participates in the California Sanitation Risk Management Authority (CSRMA), which arranges for and provides general liability, property damage, workers' compensation and employee dishonesty liability insurance to its member agencies. The District pays a premium commensurate with the level of coverage requested.

Note 11 - Subsequent Events

Subsequent events have been evaluated through December 14, 2009, the date that the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

MONTECITO SANITARY DISTRICT

BOARD OF DIRECTORS

NAME	POSITION	TERM EXPIRES
Daniel A. Eidelson	President	November 2012
Judith M. Ishkanian	Vice President	November 2010
Charles C. Arnold	Secretary	November 2012
Harry G. Hovey	Treasurer	November 2012
Deirdre M. Cannata	Director	November 2010

MONTECITO SANITARY DISTRICT
SCHEDULE OF OPERATING EXPENSES - BY DEPARTMENT
For the Year Ended June 30, 2009 with Comparative Totals for the Year Ended June 30, 2008

	Collection	Treatment	Disposal	Administration	2009	2008
Salaries and Benefits:						
Salaries	$ 340,892	$ 440,517	$ (7,762)	$ 479,282	$ 1,252,929	$ 1,058,906
Stand-by pay	24,227	34,331		-	58,558	57,589
Overtime	4,338	16,295		-	20,633	24,631
Retirement contribution	43,009	55,670		67,374	166,053	144,082
Payroll tax	29,726	36,592		34,435	100,753	87,364
Group insurance	85,978	88,736		64,655	239,369	179,278
Total Salaries and Benefits	528,170	672,141	(7,762)	645,746	1,838,295	1,551,850
Supplies and Services:						
Insurance	22,822	25,868		5,357	54,047	48,541
Maintenance	44,481	59,170		3,418	107,069	75,982
Operating supplies	3,753	107,299	62,196	1,804	175,052	165,562
Office supplies	518	493		12,277	13,288	9,917
Memberships	660	785		21,490	22,935	19,249
Employee/Community goodwill		-		2,987	2,987	2,261
Miscellaneous	164	-		157	321	112
Office expense	18	230		1,195	1,443	1,359
Legal services				23,865	23,865	37,079
Consulting services				20,731	20,731	19,056
NPDES Permit expenses		57,589			57,589	68,526
Other professional services				65,706	65,706	10,719
Administrative fees	1,095	700		14,681	16,476	11,406
Research and monitoring		10,354		-	10,354	9,278
Contract services	5,634	18,606		11,306	35,546	28,700
Publications and notices				1,108	1,108	1,093
Minor equipment purchases		1,926		3,799	5,725	8,527
Special projects				0	-	2,500
Training and safety	14,206	16,607		4,422	35,235	38,493
Travel and meeting costs	-	1,709		5,103	6,812	8,891
Fuel and oil	5,559	5,041		35	10,635	10,550
Utilities and telephone	17,356	105,369		9,163	131,888	136,820
Amortization				13,537	13,537	13,537
Depreciation	357,810	259,069	11,011	27,701	655,591	615,246
Total Supplies and Services	474,076	670,815	73,207	249,842	1,467,940	1,343,404
Totals, June 30, 2009	$1,002,246	$1,342,956	$ 65,445	$ 895,588	$ 3,306,235	
Totals, June 30, 2008	$ 854,716	$1,262,929	$ 67,524	$ 710,085		$ 2,895,254