

Cazadero Community Services District

**Annual Report
For the Fiscal Year Ended
June 30, 2009**



RODNEY A. DOLE
SONOMA COUNTY
AUDITOR-CONTROLLER
TREASURER-TAX COLLECTOR

Cazadero Community Services District

**Annual Report
For the Fiscal Year Ended
June 30, 2009**

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RODNEY A. DOLE
AUDITOR-CONTROLLER
TREASURER-TAX COLLECTOR

Auditor-Controller
Treasurer-Tax Collector
County of Sonoma

585 FISCAL DRIVE
SUITE 101F
SANTA ROSA, CALIFORNIA
95403-2819
(707) 565-2631
FAX (707) 565-3489

DONNA M. DUNK
ASSISTANT
AUDITOR-CONTROLLER

ROBERT BOITANO
ASSISTANT
TREASURER

PAM JOHNSTON
ASSISTANT
TAX COLLECTOR/AUDITOR

Board of Directors
Cazadero Community Services District
Cazadero, CA

Auditor-Controller's Report

We have audited the accompanying basic financial statements of the Cazadero Community Services District (the District), as of and for the year ended June 30, 2009, which collectively comprise the basic financial statements 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 the financial statements based on our audit.

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

The District's management has not presented the management's discussion and analysis information that the Government Accounting Standards Board has determined is required to supplement, although not required to be a part of, the basic financial statements.

Sonoma County Auditor-Controller

May 27, 2010

Cazadero Community Services District
Statement of Net Assets
June 30, 2009

Assets

Cash and investments	\$	240,657
Accounts receivable		17,972
Prepaid expenses		1,020
Capital assets (net of accumulated depreciation)		
Land		66,897
Building and improvements		123,834
Equipment		513,412
		963,792
Total assets		963,792

Liabilities

Accounts payable		1,558
Capital leases payable - Due within one year		33,876
Non-current liabilities:		
Salaries and benefits payable		1,859
Capital leases payable - Due in more than one year		66,404
		103,697
Total liabilities		103,697

Net Assets

Invested in capital assets, net of related debt		603,863
Unrestricted		256,232
		860,095
Total net assets	\$	860,095

The notes to the basic financial statements are an integral part of this statement.

**Cazadero Community Services District
Statement of Activities
For the Fiscal Year Ended June 30, 2009**

Program Expenses

Public safety - fire prevention	
Salaries and employee benefits	\$ 40,088
Services and supplies	109,006
Depreciation	37,686
Interest expense	5,307
Total program expenses	192,087

Program Revenues

Charges for services	
Charges for services	775
Total charges for services	775
Net program revenues (expenses)	(191,312)

General Revenues

Property taxes	212,477
Investment earnings	2,880
Miscellaneous	6,888
Gain on sale of capital asset	3,550
Total special items and general revenues	225,795

Change in net assets	34,483
Net assets, beginning of year	825,612
Net assets, end of year	\$ 860,095

The notes to the basic financial statements are an integral part of this statement.

**Cazadero Community Services District
Balance Sheet
Governmental Fund
June 30, 2009**

Assets

Cash and investments	\$	240,657
Accounts receivable		17,972
Prepaid expense		1,020
		259,649
Total assets	\$	259,649

Liabilities and Fund Balance

Liabilities:

Accounts payable	\$	1,558
Salaries and benefits payable		1,859

Fund balance:

Unreserved:		256,232
		256,232
Total liabilities and fund balance	\$	259,649

Reconciliation of Balance Sheet to Statement of Net Assets

Fund balance - total government funds	\$	256,232
Amount reported for governmental activities in the statement of net assets is different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.		704,143
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds.		
Capital leases payable		(100,280)
Net assets of governmental activities	\$	860,095

The notes to the basic financial statements are an integral part of this statement.

**Cazadero Community Services District
Statement of Revenues, Expenditures and
Changes in Fund Balance
Governmental Fund
For the Fiscal Year Ended June 30, 2009**

Revenues

Property taxes	\$ 212,477
Investment earnings	2,880
Charges for services	775
Miscellaneous	6,888
	223,020
Total revenues	223,020

Expenditures

Current:	
Salaries and employee benefits	40,088
Services and supplies	109,006
Debt service:	
Principal	32,578
Interest	5,307
Capital outlay	31,068
	31,068
Total expenditures	218,047

Excess (deficiency) of revenues over (under) expenditures	4,973
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Other Financing Sources (Uses)

Gain on sale of capital asset	3,550
	3,550
Total other financing sources (uses)	3,550

Net change in fund balance	8,523
Fund balance, beginning of year, as stated	247,709
	247,709
Fund balance, end of year	\$ 256,232
	256,232

The notes to the basic financial statements are an integral part of this statement.

**Cazadero Community Services District
 Reconciliation of the Statement of Revenues, Expenditures and
 Changes in Fund Balance of the Governmental Fund to the
 Statement of Activities
 For the Fiscal Year Ended June 30, 2009**

**Amounts reported for governmental activities in the statement of activities
 are different because:**

Net change in fund balance - total governmental fund	\$	8,523
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.</p>		
Expenditure for capital assets		31,068
Current year depreciation		(37,686)
The net effect of various miscellaneous transactions involving capital leases payable (i.e. principal payment, accrued interest) is to increase net assets.		32,578
Change in net assets of governmental activities	\$	<u><u>34,483</u></u>

The notes to the basic financial statements are an integral part of this statement.

Cazadero Community Services District
Statement of Revenues, Expenditures and Changes in Fund Balance -
Budgets and Actual
General Fund
For the Fiscal Year Ended June 30, 2009

Revenues	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Property taxes	\$ 204,880	\$ 204,124	\$ 212,477	\$ 8,353
Investment earnings	5,000	2,065	2,880	815
Charges for services	50	775	775	-
Miscellaneous	-	4,500	6,888	2,388
Total revenues	<u>209,930</u>	<u>211,464</u>	<u>223,020</u>	<u>11,556</u>
Expenditures				
Current:				
Salaries and employee benefits	48,000	48,000	40,088	7,912
Services and supplies	130,302	117,819	109,006	8,813
Debt service:				
Principal	32,578	32,578	32,578	-
Interest	5,307	5,307	5,307	-
Capital outlay	27,800	35,336	31,068	4,268
Total expenditures	<u>243,987</u>	<u>239,040</u>	<u>218,047</u>	<u>20,993</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(34,057)</u>	<u>(27,576)</u>	<u>4,973</u>	<u>32,549</u>
Other Financing Sources (Uses)				
Sale of capital assets	-	3,550	3,550	-
Total other financing sources (uses)	<u>-</u>	<u>3,550</u>	<u>3,550</u>	<u>-</u>
Net change in fund balance	(34,057)	(24,026)	8,523	32,549
Fund balance, beginning of year	<u>247,709</u>	<u>247,709</u>	<u>247,709</u>	<u>-</u>
Fund balance, end of year	<u><u>\$ 213,652</u></u>	<u><u>\$ 223,683</u></u>	<u><u>\$ 256,232</u></u>	<u><u>\$ 32,549</u></u>

The notes to the basic financial statements are an integral part of this statement.

**Cazadero Community Services District
Notes to the Basic Financial Statements
June 30, 2009**

I. Summary of Significant Accounting Policies

A. Reporting Entity

The Cazadero Community Services District of Sonoma County was organized under Government Code, Section 61000 et seq., on April 30, 1963, by Resolution No. 5872-1. The District is governed by a five member elected Board of Directors. The purpose of the District is to provide fire protection, street lighting, and support recreational and cultural activities in the Cazadero area. The District also maintains tennis courts, and a playground.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or section and 2) grants and contributions that are restricted to meeting operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Taxes, interest, and charges for services are accrued when receipt occurs within 365 days of the end of the accounting period so as to be both measurable and available. Licenses,

Cazadero Community Services District
Notes to the Basic Financial Statements
June 30, 2009

permits, fines, forfeitures, and other revenues are recorded as revenues when received in cash because they are generally not measurable until actually received. Property taxes are accrued when their receipt occurs within sixty days of the end of the accounting period. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments are recorded only when payment is due.

Amounts recorded as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided and 2) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than program revenues. Likewise, general revenues include all taxes.

D. Assets, Liabilities, and Net Assets or Equity

1. Cash and Investments

The District's property tax revenue is received by the Sonoma County Treasurer, who distributes the funds to the District. The District retains several accounts in commercial banks. In addition, the District maintains an investment account with the California Local Agency Fund.

2. Receivables and Payables

a. Property Taxes

The County of Sonoma is responsible for assessing, collecting and distributing property taxes in accordance with state law. Liens on real property are established January 1 for the ensuing fiscal year. The property tax is levied as of July 1 on all taxable property located in the County of Sonoma. Secured property taxes are due in two installments, on November 1 and February 1, and are delinquent after December 10 and April 10, respectively. Additionally, supplemental property taxes are levied on a pro rata basis when changes in assessed valuation occur due to sales transactions or the completion of construction.

Since the passage of California's Proposition 13, beginning with the fiscal year 1978/1979, general property taxes are based either on a flat 1% rate applied to the 1975/1976 full value, or on 1% of the sales price of the property on sales transactions and construction after the 1975/1976 valuation. Taxable values on properties (exclusive of increases related to sales and construction) can rise at a maximum of 2% per year.

**Cazadero Community Services District
Notes to the Basic Financial Statements
June 30, 2009**

On June 30, 1993, the Board of Supervisors adopted the “Teeter” Method of property tax allocation. This method allocates property taxes based on the total property tax billed. At year-end, the County advances cash to each taxing jurisdiction equal to its current year delinquent property taxes. In exchange, the County receives the penalties and interest on delinquent taxes when collected. The penalties and interest are used to pay the interest cost of borrowing the cash used for the advances.

3. Capital Assets

Capital assets, which include land, buildings and improvements, and equipment, are reported in the applicable governmental activities columns in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

Buildings and improvements and equipment of the District are depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Buildings and improvements	30 – 50 years
Equipment	5 – 20 years

4. Net Assets

Net assets are classified into three components – invested in capital assets, net of related debt, restricted and unrestricted. These classifications are defined as follows:

- Invested in capital assets, net of related debt, if any – This component of net assets consists of capital assets including restricted capital assets, net of accumulated depreciation and net of related debt.
- Restricted net assets, if any – This category presents external restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.
- Unrestricted net assets, if any – This component of net assets consists of net assets not restricted for any project or purpose.

Cazadero Community Services District
Notes to the Basic Financial Statements
June 30, 2009

II. Stewardship, Compliance, and Accountability

A. Budgetary Information

Budgetary revenue estimates represent original estimates modified for any authorized adjustment which was contingent upon new or additional revenue sources. Budgetary expenditure amounts represent original appropriations adjusted by budget transfers and authorized appropriation adjustments made during the year. All budgets are adopted on a non-GAAP basis. The District's budgetary information was amended during the year by resolution of the Board of Directors.

III. Detailed Notes

A. Cash and Investments

Investment in the California Local Agency Investment Fund (LAIF)

The District retains several accounts in commercial banks. 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 financial statements as cash equivalents at 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. At June 30, 2009, the balance of such deposits was \$111,096.

The amount of cash at June 30, 2009, is as follows:

Cash with West America Bank	\$ 129,561
Cash with Local Agency Investment Fund	111,096
Total	<u>\$ 240,657</u>

**Cazadero Community Services District
Notes to the Basic Financial Statements
June 30, 2009**

B. Capital Assets

Capital asset activity for the year ended June 30, 2009 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers & Adjustments</u>	<u>Ending Balance</u>
Capital assets, not being depreciated:					
Land	\$ 66,897	\$ 0	\$ 0	\$ 0	\$ 66,897
Construction in progress	0	0	0	0	0
Total capital assets, not being depreciated	<u>66,897</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>66,897</u>
Capital assets, being depreciated:					
Buildings and improvements	191,100	22,068	0	0	213,168
Equipment	<u>678,026</u>	<u>9,000</u>	<u>(2,421)</u>	<u>0</u>	<u>684,605</u>
Total capital assets, being depreciated	<u>869,126</u>	<u>31,068</u>	<u>(2,421)</u>	<u>0</u>	<u>897,773</u>
Less accumulated depreciation for:					
Buildings and improvements	(84,903)	(4,431)	0		(89,334)
Equipment	<u>(140,359)</u>	<u>(33,255)</u>	<u>2,421</u>		<u>(171,193)</u>
Total accumulated depreciation	<u>(225,262)</u>	<u>(37,686)</u>	<u>2,421</u>	<u>0</u>	<u>(260,527)</u>
Total capital assets, being depreciated, net	<u>643,864</u>	<u>(6,618)</u>	<u>0</u>	<u>0</u>	<u>637,246</u>
Capital assets, net	<u>\$ 710,761</u>	<u>\$ (6,618)</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 704,143</u>

Depreciation expense was charged to functions/programs of the District as follows:

Governmental activities:

Public safety - fire protection	<u>\$ 37,686</u>
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**Cazadero Community Services District
Notes to the Basic Financial Statements
June 30, 2009**

C. Long-term Debt

Changes in Long Term Debt

Long-term liability activity for the year ended June 30, 2009, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Long-term liabilities:					
Capital lease	\$ 132,858	\$ 0	\$ (32,578)	\$ 100,280	\$ 33,876
Total long-term liabilities	<u>\$ 132,858</u>	<u>\$ 0</u>	<u>\$ (32,578)</u>	<u>\$ 100,280</u>	<u>\$ 33,876</u>

On November 20, 2003, the District entered into a lease-purchase agreement with First Municipal Leasing Corporation for a new Ferrara Fire Apparatus Model T1251 Pumper Truck. An amount of \$198,054 was financed over a term of 10 years with an annual interest rate of 4.00% on the unpaid balance.

On February 27, 2007, the District entered into a lease-purchase agreement with First Municipal Leasing Corporation for a new Ferrara Fire Apparatus Model LD084 Commercial Light Duty Rescue Truck. An amount of \$52,000 was financed over a term of 4 years with an annual interest rate of 4.02% on the unpaid balance.

As of June 30, 2009, annual debt service requirements for the above leases are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 33,868	\$ 4,014	\$ 37,882
2011	21,278	2,657	23,935
2012	22,129	1,806	23,935
2013	<u>23,005</u>	<u>930</u>	<u>23,935</u>
Total	<u>\$ 100,280</u>	<u>\$ 9,408</u>	<u>\$ 109,687</u>

**Cazadero Community Services District
Notes to the Basic Financial Statements
June 30, 2009**

IV. Subsequent Events

Debt Issuance

On December 15, 2009, the District entered into a lease-purchase agreement with First Municipal Leasing Corporation in the amount of \$302,500 financed over a term of 6 years with an annual interest rate of 4.750% on the unpaid balance. The proceeds of the lease agreement were to be used as follows:

Purchase of a parcel of property	\$144,940
Construction of a metal garage on property	\$46,406
Defeasance of existing capital leases	\$102,593
Debt issuance costs	\$2,500

Unspent portions of the lease agreement are to be held in trust for the District by West America Bank.

V. Other Information

A. Risk Management

The District retains two insurance policies through American Alternative Insurance Corporation whose agents have provided for commercial property, business auto and commercial general liability insurance coverage including a liquor liability section. The coverage also includes a volunteer Firemen's equipment floater.

Additionally, the District carries Workers' Compensation Insurance through the State compensation Insurance Fund for its clerical, seasonal and extra help employees.

**Cazadero Community Services District
Roster of Board Members**

As of June 30, 2009, the District Board consisted of the following members:

Eric E. Schanz – President	Term: Dec 2009
Homer Canelis – Vice President	Term: Dec 2009
Steven Parmeter	Term: Dec 2011
Larry Kaher	Term: Dec 2011
Susan E. Delaney Moeckel - Secretary	Term: Dec 2011

Regular Meetings:

The regular meeting of the Board of Directors is held at 8:00 P.M. on the second Monday of each month at the Cazadero Community Services District Firehouse, Station #1, located at 5985 Cazadero Highway, Cazadero, California. (707) 538-7513.