

**SPRECKELS COMMUNITY SERVICES DISTRICT
FINANCIAL STATEMENTS**

June 30, 2009

SPRECKELS COMMUNITY SERVICES DISTRICT

TABLE OF CONTENTS

June 30, 2009

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT	1
BASIC FINANCIAL STATEMENTS	
Government-Wide Financial Statements:	
Statement of Net Assets	3
Statement of Activities and Changes in Net Assets	4
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet – Governmental Fund	5
Reconciliation of the Governmental Fund Balance Sheet to the Statement of Net Assets	6
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Governmental Fund	7
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance of the Governmental Fund to the Statement of Activities	8
NOTES TO BASIC FINANCIAL STATEMENTS	9



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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Spreckels Community Services District
Spreckels, California

We have audited the accompanying basic financial statements of the Spreckels Community Services District (District) as of and for the year ended June 30, 2009 as listed in the table of contents. 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.

We conducted our audit 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 audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic 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 changes in financial position for the year then ended in conformity with auditing standards 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.

The Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. The District has elected not to present Management's Discussion and Analysis.

Bianchi, Kasavan & Pope LLP

Salinas, California

BASIC FINANCIAL STATEMENTS

SPRECKELS COMMUNITY SERVICES DISTRICT

STATEMENT OF NET ASSETS

JUNE 30, 2009

ASSETS

CURRENT ASSETS

Cash in County Treasury - Note 1	\$	106,568
Cash in Bank		57
Receivables		
Taxes		1,401
Fire protection funding - Note 2		36,674

TOTAL CURRENT ASSETS 144,700

NONCURRENT ASSETS

Capital assets, net - Notes 1 and 3		253,759
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TOTAL ASSETS \$ 398,459

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable	\$	16,876
Accrued liabilities		815

TOTAL CURRENT LIABILITIES 17,691

NET ASSETS - Note 1

Investment in capital assets		253,759
Unrestricted		127,009

TOTAL NET ASSETS 380,768

TOTAL LIABILITIES AND NET ASSETS \$ 398,459

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

SPRECKELS COMMUNITY SERVICES DISTRICT
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2009

OPERATING REVENUES	
Property taxes	\$ 25,995
Fire protection funding	36,674
Fire protection user fees	36,874
Homeowners' property tax relief	<u>146</u>
TOTAL OPERATING REVENUES	<u>99,689</u>
OPERATING EXPENSES	
Salaries and employee benefits	4,365
Services and supplies	43,556
Fire protection service	34,500
Fire department expense	36,720
Insurance	<u>4,353</u>
TOTAL OPERATING EXPENSES	<u>123,494</u>
LOSS FROM OPERATIONS BEFORE DEPRECIATION	(23,805)
DEPRECIATION - Note 3	<u>(11,803)</u>
OPERATING LOSS	(35,608)
NON-OPERATING REVENUES	
Interest income	<u>4,810</u>
CHANGE IN NET ASSETS	(30,798)
NET ASSETS, BEGINNING OF YEAR	407,213
PRIOR PERIOD ADJUSTMENT - Note 4	<u>4,353</u>
NET ASSETS, END OF YEAR	<u><u>\$ 380,768</u></u>

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

SPRECKELS COMMUNITY SERVICES DISTRICT

BALANCE SHEET - GOVERNMENTAL FUND

JUNE 30, 2009

ASSETS

CURRENT ASSETS

Cash in County Treasury - Note 1	\$	106,568
Cash in Bank		57
Receivables		
Taxes		1,401
Fire protection funding - Note 2		36,674
		<hr/>
TOTAL ASSETS	\$	144,700
		<hr/> <hr/>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable	\$	16,876
Accrued liabilities		815
		<hr/>
TOTAL LIABILITIES		17,691
		<hr/>

FUND BALANCES

Unreserved		
Designated		
Public Safety		42,941
Storm drain maintenance		58,890
Undesignated		25,178
		<hr/>
TOTAL FUND BALANCES		127,009
		<hr/>
TOTAL LIABILITIES AND FUND BALANCES	\$	144,700
		<hr/> <hr/>

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

SPRECKELS COMMUNITY SERVICES DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2009

FUND BALANCE - GOVERNMENTAL FUND	\$ 127,009
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Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not current financial resources and therefore are not reported in the governmental fund balance sheet.

<u>253,759</u>

NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u><u>\$ 380,768</u></u>
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The accompanying notes are an integral part of these financial statements.

SPRECKELS COMMUNITY SERVICES DISTRICT

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL - GOVERNMENTAL FUND**

FOR THE YEAR ENDED JUNE 30, 2009

	<u>Budget</u>	<u>Actual</u>	<u>Variance - Favorable (Unfavorable)</u>
REVENUE			
Property taxes	\$ -	\$ 25,995	\$ 25,995
Fire protection funding	-	36,674	36,674
Fire protection user fees	-	36,874	36,874
Interest	-	4,810	4,810
Homeowners' property tax relief	-	146	146
	<hr/>	<hr/>	<hr/>
TOTAL REVENUE	-	104,499	104,499
	<hr/>	<hr/>	<hr/>
EXPENDITURES			
Salaries and employee benefits	4,600	4,365	235
Services and supplies	25,000	43,556	(18,556)
Fire protection services	34,500	34,500	-
Fire Department expense	-	36,720	(36,720)
Insurance	5,000	4,353	647
Capital outlay	227,735	-	227,735
	<hr/>	<hr/>	<hr/>
TOTAL EXPENDITURES	296,835	123,494	173,341
	<hr/>	<hr/>	<hr/>
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	\$ (296,835)	(18,995)	\$ 277,840
	<hr/>	<hr/>	<hr/>
FUND BALANCE, BEGINNING OF YEAR		141,651	
PRIOR PERIOD ADJUSTMENT - Note 4		4,353	
		<hr/>	
FUND BALANCE, END OF YEAR		\$ 127,009	
		<hr/>	

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

SPRECKELS 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 YEAR ENDED JUNE 30, 2009

NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUND

Amounts reported for governmental activities in the statement
of activities are different because: \$ (18,995)

Depreciation expense on capital assets is reported in
the government-wide statement of activities and
changes in net assets, but do not require the use of
current financial resources. Therefore, depreciation
expense is not reported as an expenditure in
governmental funds. (11,803)

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES \$ (30,798)

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

SPRECKELS COMMUNITY SERVICES DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The Spreckels Community Services District was organized by resolution of the Board of Supervisors of Monterey County on March 17, 1985, subsequent to the approval by the voters in the District. The same resolution ordered dissolution of Monterey County Service Area (CSA) No. 40 and transfer of the funds, property, rights and obligations of the County Service Area No. 40. The effective date of the organization of the District and dissolution of CSA No. 40 was July 1, 1986. The District is governed by the provisions of the California Government Code commencing with Section 61000.

Effective July 1, 1991, the District, in accordance with the Spreckels Volunteer Fire Company, is to provide fire protection services for the community according to the agreement entered into on May 10, 1991.

The function of the District is to provide the following services:

- Collection, treatment and disposal of sewage waste and water
- Street lighting
- Collection and disposal of garbage
- Fire protection services
- Storm drain maintenance

Financial Reporting Entity

The accompanying basic financial statements of the District include all the financial activities of the District. The District has no component units.

Basis of Presentation

The accounting and reporting policies of the District relating to the funds included in the accompanying basic financial statements conform to accounting principles generally accepted in the United States of America applicable to state and local governments. Generally accepted accounting principles for local governments include those principles prescribed by the Governmental Accounting Standards Board (GASB), the American Institute of Certified Public Accountants in the publication entitled *Audits of State and Local Governmental Units* and by the

SPRECKELS COMMUNITY SERVICES DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

Financial Accounting Standards Board (when applicable). As allowed in Section P80 of GASB's Codification of Governmental Accounting and Financial Reporting Standards, the District has elected not to apply Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the Committee of Accounting Procedure issued after November 30, 1989. The more significant accounting policies of the District are described below.

The District's basic financial statements consist of government-wide financial statements and fund financial statements. The government-wide financial statements display information about the primary government as a whole. The fund financial statements for the primary government's governmental fund are presented after the government-wide statements.

The District reports the following fund:

- **General Fund**

The fund is used to account for all financial resources except those required to be accounted for in another fund.

Measurement Focus/Basis of Accounting

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The government-wide financial statements are reported using the accrual basis of accounting. The fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual, i.e., both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are recorded when the related fund liability is incurred, if measurable.

Revenues from local sources consist primarily of property taxes. Property tax revenues received from the State of California are recognized when susceptible to accrual. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received.

SPRECKELS COMMUNITY SERVICES DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Designated Fund Balances

- **Fire mitigation fees**

The District adopted Resolution 94-1 on January 11, 1994 imposing fire protection development fees on new construction developments within the District. The purpose of the fee is to enable the District to provide and maintain its level of fire protection services. As required by Ordinance 3602 of the Monterey County Code, all fees collected shall be segregated and expended for the purpose of providing capital facilities and equipment to serve new development within the service area of the District.

Budgets and Budgetary Control

The District is required to adopt an annual budget. The District operates under the general laws of the State of California and annually adopts a budget for its general fund effective July 1 for the ensuing fiscal year. The annual budgets are adopted on the modified accrual basis of accounting which is consistent with the basis of accounting applied to the funds. Budgeted amounts are as originally adopted or amended by the District's Trustees.

Cash in County Treasury

Cash accounts, which essentially operate as demand deposit accounts, are maintained by the Monterey County Treasurer's Office. Available cash balances are controlled and invested by the County Treasurer in pooled investment funds characterized as Category I, which include investments that are insured or registered and held by an agent in the District's name as set forth by the Government Accounting Standards Board. Earnings from these funds are generally credited to the District's accounts on a quarterly basis.

The Monterey County Treasurer's policy is to invest in any security authorized by Section 53635 of the Government Code of the State of California and any other Government Code that permits investments in various securities or participation in investment trading techniques or strategies. However, these balances are not insured or collateralized by any agency. As of June 30, 2009 the market value of the County investment portfolio was not materially different from its carrying value.

SPRECKELS COMMUNITY SERVICES DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets

Capital assets (including infrastructure) of the District are recorded at historical cost or at estimated historical cost if actual historical cost is not available. Contributed capital assets are valued at their estimated fair market value on the date contributed. The District defines capital assets as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of one year. Capital assets are depreciated or amortized using the straight-line method over their estimated useful lives.

The estimated useful lives are as follows:

Infrastructure (Storm drainage system)	40 years
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Maintenance and repairs are charged to operations when incurred. Betterments and major improvements which significantly increase values, change capacities or extend useful lives are capitalized. Upon sale or retirement of capital assets, the cost and related accumulated depreciation are removed from the respective accounts and any resulting gain or loss is included in the results of operations.

Certain storm drainage fixed assets were transferred from the Monterey County Services Area No. 40 to the District upon the dissolution of the Services Area. The transferred fixed assets, consisting of a storm drainage system, are recorded based on an estimate of the system's value as of December 24, 1987. The storm drainage system consists of concrete gutters, underground collector lines, a steel pumphouse containing a 5 horsepower pump, two 75 horsepower pumps and a 24-inch outfall line which drains into the Salinas River. Depreciation expense was \$11,803 for the year ended June 30, 2009.

Property Taxes

The County is responsible for assessment, collection and apportionment of property taxes for all taxing jurisdictions, including the District. Secured property taxes for each year ended June 30 are payable in equal installments, November 1 and February 1, and become delinquent on December 10 and April 10, respectively. The lien date is March 1 of each year. Property taxes are accounted for as collected and remitted by the County in the governmental funds. Property taxes on the unsecured roll are due on the March 1 lien date and become delinquent if unpaid on August 31.

SPRECKELS COMMUNITY SERVICES DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes

The District is a California local government unit which is exempt from both federal and state income taxes.

Net Assets

Net assets are the excess of all the District's assets over all its liabilities, regardless of the fund. Net assets are divided into three captions under GASB Statement 34 and are described below:

- *Invested in Capital Assets, net of related debt* describes the portion of net assets which is represented by the current net book value of the District's capital assets, less the outstanding balance of any debt issued to finance these assets (if any).
- *Restricted* describes the portion of net assets which is restricted as to use by the terms and conditions of agreements with outside parties, governmental regulations, laws or other restrictions which the District cannot unilaterally alter.
- *Unrestricted* describes the portion of net assets which is not restricted to use.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts. Actual results could differ from those estimates.

2. FIRE PROTECTION FUNDING RECEIVABLE

A total of \$2.6 million in Proposition 172 revenues was approved by the Monterey County Board of Supervisors for allocation to fire protection service agencies to help maintain existing service levels. A receivable of \$36,674 is the portion of the funding allocated to the District.

SPRECKELS COMMUNITY SERVICES DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2009

3. CAPITAL ASSETS

Changes in fixed assets for the year ended June 30, 2009 consist of the following:

	<u>Balance</u> <u>July 1, 2008</u>	<u>Net</u> <u>Additions</u>	<u>Balance</u> <u>June 30, 2009</u>
Drainage system	\$ 472,110	\$ -	\$ 472,110
Accumulated depreciation	<u>(206,548)</u>	<u>(11,803)</u>	<u>(218,351)</u>
TOTAL	<u>\$ 265,562</u>	<u>\$ (11,803)</u>	<u>\$ 253,759</u>

4. PRIOR PERIOD ADJUSTMENT

Insurance payments of \$4,353 for 2008-2009 were expensed in 2007-2008. An adjustment was made to correct net assets and insurance expense at June 30, 2009.