

**INDEPENDENCE RANCH
COMMUNITY SERVICES DISTRICT**

Independent Auditor's Report
and
Financial Statements

For the Year Ended
June 30, 2010

INDEPENDENCE RANCH COMMUNITY SERVICES DISTRICT
INDEPENDENT AUDITOR'S REPORT AND FINANCIAL STATEMENTS
For the Year Ended June 30, 2010

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INDEPENDENCE RANCH COMMUNITY SERVICES DISTRICT

BOARD OF DIRECTORS

June 30, 2010

BOARD OF DIRECTORS

<u>NAME</u>	<u>TERM EXPIRES</u>
Mark Kenyon, President	December 2, 2010
George Tracy, Vice President	December 2, 2010
Carol Noe, Director	December 2, 2010
Don Duke, Director	December 2, 2010
John Hunter, Director	December 2, 2010

CROSBY COMPANY, CERTIFIED PUBLIC ACCOUNTANT

1457 MARSH STREET, SUITE 100 - SAN LUIS OBISPO, CA 93401

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Independent Auditor's Report

Board of Directors
Independence Ranch Community Services District
San Miguel, California

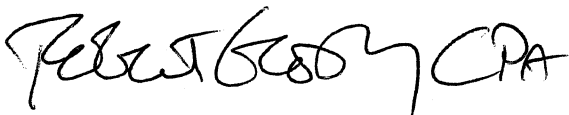
I have audited the accompanying financial statements of the governmental activities of the Independence Ranch Community Services District, for the year ended June 30, 2010, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. My responsibility is to express an opinion on these financial statements based on my audit.

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

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities of the Independence Ranch Community Services District as of June 30, 2010, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

As described in Note 1, management has elected not to include a management discussion and analysis. This analysis is not a required part of the basic financial statements but is supplementary information normally required by U.S. generally accepted accounting principles.

The budgetary comparison information on page 10 is not a required part of the basic financial statements but is supplementary information required by U.S. generally accepted accounting principles. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of required supplementary information. However, I did not audit the information and express no opinion on it.



CROSBY COMPANY
Certified Public Accountant

October 5, 2010

INDEPENDENCE RANCH COMMUNITY SERVICES DISTRICT

STATEMENT OF NET ASSETS

June 30, 2010

	Street Maintenance
ASSETS	
Cash in Bank	\$ 51,388
Cash with San Luis Obispo County Treasury	1,509
Prepaid expenses	63
Total assets	\$ 52,960
LIABILITIES	
Accounts payable	\$ -
Total liabilities	\$ -
NET ASSETS	
Unreserved	\$ 52,960
Total net assets	\$ 52,960

The accompanying notes are an integral part of the financial statements

INDEPENDENCE RANCH COMMUNITY SERVICES DISTRICT

STATEMENT OF ACTIVITIES For the Year Ended June 30, 2010

Governmental activities expenses:	
General government - street maintenance	\$ 32,993
Total expenses	32,993
General Revenues:	
Taxes:	
Property taxes	62,500
Investment income	102
Total general revenues, investment and transfers	62,602
Change in net assets	29,609
Net Assets, Beginning of Year	23,351
Net Assets, End of Year	\$ 52,960

The accompanying notes are an integral part of the financial statements

INDEPENDENCE RANCH COMMUNITY SERVICES DISTRICT

BALANCE SHEET
Governmental Funds
June 30, 2010

	<u>Street Maintenance</u>
ASSETS	
Cash in Bank	\$ 51,388
Cash with San Luis Obispo County Treasury	1,509
Prepaid expenses	63
Total assets	\$ 52,960
LIABILITIES AND FUND BALANCES	
Accounts payable	\$ -
Total liabilities	-
Fund balances:	
Unreserved	52,960
Total fund balances	52,960
Total liabilities and fund balances	\$ 52,960

The accompanying notes are an integral part of the financial statements

INDEPENDENCE RANCH COMMUNITY SERVICES DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET

TO THE STATEMENT OF NET ASSETS

June 30, 2010

Total fund balances - government funds

\$	52,960
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Amounts reported for governmental activities in the statement of net assets are different because:

No differences

-

Net assets of governmental activities

\$	52,960
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INDEPENDENCE RANCH COMMUNITY SERVICES DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES

General Fund

For the Year Ended June 30, 2010

	<u>General</u>
Revenues:	
Property taxes	\$ 62,500
Interest income	102
Total revenues	62,602
Expenditures:	
Fees and dues	744
General overhead	5,638
Street maintenance	26,574
Utilities	37
Total expenditures	32,993
Excess of revenues over expenditures	29,609
Fund balance at beginning of the year	23,351
Fund balance at end of the year	\$ 52,960

The accompanying notes are an integral part of the financial statements

INDEPENDENCE RANCH COMMUNITY SERVICES DISTRICT
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
 BALANCES OF GOVERNMENT FUNDS TO THE STATEMENT OF ACTIVITIES
 For the Year Ended June 30, 2010

Net Change in Governmental Fund Balances

	\$ 29,609
	-
	\$ 29,609

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

No differences

Change in Net Assets of Governmental Activities

INDEPENDENCE RANCH COMMUNITY SERVICES DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

Budget and Actual - Governmental Funds
For the Year Ended June 30, 2010

	Budgeted Amounts		Actual	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Property taxes	\$ 62,500	\$ 62,500	\$ 62,500	\$ -
Interest income			102	102
Total revenues	62,500	62,500	62,602	102
Expenditures:				
Accounting	2,000	2,000	3,187	(1,187)
District treasurer	1,100	1,100		1,100
Dues	450	450	490	(40)
Fees	900	900	254	646
General manager	2,500	2,500	1,125	1,375
Insurance	1,750	1,750	1,236	514
Mailboxes	350	350		350
Miscellaneous	325	325	90	235
Office supplies	300	300		300
Postage	50	50		50
Road repair and maintenance	45,000	45,000	26,169	18,831
Road signs and materials	300	300	405	(105)
Travel	300	300		300
Utilities	200	200	37	163
Web site	250	250		250
Total expenditures	55,775	55,775	32,993	22,782
Excess of revenues over expenditures	\$ 6,725	\$ 6,725	29,609	\$ 22,884
Fund balance at beginning of year			23,351	
Fund balance at end of year			\$ 52,960	

The accompanying notes are an integral part of the financial statements

INDEPENDENCE RANCH COMMUNITY SERVICES DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2010

NOTE 1: ORGANIZATION

The Independence Ranch Community Services District (District) was formed in 1992. It is a political subdivision of the State of California and operates under a Board of Directors form of government. The District provides street maintenance and road improvement services for 125 parcels.

The District complies with U.S. Generally Accepted Accounting Principles and all relevant Governmental Accounting Standards Board pronouncements. These technical pronouncements establish criteria for determining the organization's activities and functions that are included in the financial statements of a governmental unit. Management has elected not to include a management discussion and analysis, which is not a required part of the basic financial statements but is supplementary information normally required by U.S. generally accepted accounting principles. The general ledger and budgetary projections are maintained by the District.

The District is a member of the Special District Authority Risk Management Joint Powers Agency, which was organized for the purpose of providing general liability, automobile, errors and omissions, and property loss insurance coverage to special districts. This organization is financed through premium charges to each member.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

- Government-Wide Financial Statements
- Fund Financial Statements
- Notes to the Financial Statements

Government-Wide Financial Statements

Government-wide financial statements display information about the reporting government as a whole and are presented using the economic resources measurement focus and the accrual basis of accounting. Under the economic resources measurement focus, all (both current and long-term) economic resources and obligations of the reporting government are reported in the government-wide financial statement. Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Under the accrual basis of accounting, revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains losses, assets, and liabilities resulting from non-exchange transaction are recognized in accordance with the requirements of GASB Statement number 33.

See Auditor's report

INDEPENDENCE RANCH COMMUNITY SERVICES DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2010

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fund Financial Statements

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

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

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

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

Budgets and Budgetary Accounting

An annual budget is adopted by the Board of Directors at the start of each year. The budget is revised by the District’s governing Board during the year to give consideration to unanticipated income and expenditures. All unencumbered appropriations in the budget lapse at the end of the year.

Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles require management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

See Auditor’s report

INDEPENDENCE RANCH COMMUNITY SERVICES DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2010

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Encumbrances

Encumbrance accounting is used for the General Fund. Encumbrances are recorded when purchase orders are issued but are not considered expenditures until liabilities for payments are incurred. Encumbrances are reported as a reservation of fund balance on the balance sheet. Encumbrances do not lapse at the close of the fiscal year but are carried forward as reserved fund balance until liquidated.

Cash and Cash Equivalents

The District considers all highly liquid investments including money market accounts to be cash and cash equivalents.

Prepaid Expenses

Payments made to vendors for services that will benefit periods beyond June 30, 2010 are recorded as prepaid expenses.

Property Taxes/Taxes Receivable

The County of San Luis Obispo bills and collects property taxes for the District. The County charges the District for these services. Tax revenues are recognized by the District in the year received. Management has determined that an allowance for doubtful accounts is zero because of the District's credit policies and collection experience.

Concentrations

The District provides street maintenance services to customers located in the Independence Ranch community, in the County of San Luis Obispo. Consequently, its ability to collect taxes from the County of San Luis Obispo may be affected by economic fluctuations, within this region and within the State of California as a whole.

Intergovernmental Revenues

For governmental funds, intergovernmental revenues, such as property taxes, are recorded as receivables and revenues when measurable and available.

Net Assets

Net assets present the difference between assets and liabilities in the statement of net assets. Net assets are reported as restricted when there are legal limitations imposed on their use by external restrictions by creditors, grantors, laws or regulations of other governments.

See Auditor's report

INDEPENDENCE RANCH COMMUNITY SERVICES DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2010

NOTE 3: CASH AND CASH EQUIVALENTS

The values of cash and cash equivalents at June 30, 2010 are summarized as follows:

Demand deposits	\$	51,388
Cash and investments with County Treasury		<u>1,509</u>
 Total cash and cash equivalents	 \$	 <u><u>52,897</u></u>

The California Government Code requires California banks and savings and loan associations to secure a district's deposits by pledging government securities as collateral. The market value of pledged securities must equal at least 110% of a district's deposits. California law also allows financial institutions to secure district deposits by pledging first trust deed mortgage notes having a value of 150% of a district's total deposits. The District may waive collateral requirements for deposits which are fully insured up to \$250,000 by the Federal Deposit Insurance Corporation (FDIC). Effective October 3, 2008, the FDIC temporarily increased insured deposits up to \$250,000 and is scheduled to return to \$100,000 after December 31, 2013.

Credit Risk, Carrying Amount, and Market Value

Cash is classified in three categories of credit risk as follows:

Category 1 - insured or collateralized with securities held by the entity or by its agent in the entity's name;

Category 2 - collateralized with securities held by the pledging financial institution's trust department or agent in the entity's name; and

Category 3 - uncollateralized.

Investments in pools managed by other governments (County of San Luis Obispo) or in mutual funds are not required to be categorized.

At June 30, 2010, the carrying amount of the District's cash deposits was \$51,388. The bank balances were \$54,096. This difference is due to the normal deposits in transit and outstanding checks. District cash deposits by category as of June 30, 2010, are as follows:

		<u>Category</u>		<u>Bank</u>	<u>Carrying</u>
	<u>1</u>	<u>2</u>	<u>3</u>	<u>Balance</u>	<u>Amount</u>
Bank accounts	\$ <u>54,096</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>54,096</u>	\$ <u>51,388</u>

See Auditor's report

INDEPENDENCE RANCH COMMUNITY SERVICES DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2010

NOTE 4: JOINT POWERS AUTHORITY

The District is a member of the Special District Risk Management Authority (S.D.R.M.A.), an intergovernmental risk sharing joint powers authority, created pursuant to California Government Code Sections 6500 et.seq. In becoming a member of the S.D.R.M.A., the District elected to participate in the risk financing program(s) listed below for the program periods July 1, 2009 through June 30, 2010.

General Liability: Special District Risk Management Authority, coverage number LCA SDRMA 200910. This covers \$2,500,000 per occurrence.

Public Officials and Employees Errors: Special District Risk Management Authority, coverage number LCA SDRMA 200910. This covers \$2,500,000 per occurrence/general aggregate.

Personal Liability Coverage for Board Members: Special District Risk Management Authority, coverage number LCA SDRMA 200910. This covers \$500,000 per occurrence/general aggregate.

Employment Practices Liability: Special District Risk Management Authority, coverage number LCA SDRMA 200910. This covers \$2,500,000 per occurrence/general aggregate.

Employee Benefits Liability: Special District Risk Management Authority, coverage number LCA SDRMA 200910. This covers \$2,500,000 per occurrence/general aggregate.

Employee Dishonesty Coverage: Special District Risk Management Authority, coverage number EDC SDRMA 200910. This covers \$400,000 per occurrence.

Auto Liability: Special District Risk Management Authority, coverage number LCA SDRMA 200910. This policy covers \$2,500,000 per occurrence for personal injury and property damage.

Uninsured/Under Insured Motorist: Special District Risk Management Authority, coverage number UMI SDRMA 200910. This covers \$750,000 each accident.