

**BUZZTAIL COMMUNITY
SERVICES DISTRICT**

Chico, California

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

Years Ended June 30, 2011 and 2010

BUZZTAIL COMMUNITY SERVICES DISTRICT

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Years Ended June 30, 2011 and 2010

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JOHN A. POWELL & ASSOCIATES, LLP
CERTIFIED PUBLIC ACCOUNTANTS

JOHN A. POWELL

RICHARD W. POWELL

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Buzztail Community Services District
Chico, California

We have audited the accompanying basic financial statements of Buzztail Community Services District (the District) as of and for the years ended June 30, 2011 and 2010, as listed in the table of contents. These basic financial statements are the responsibility of Buzztail Community Services District's management. Our responsibility is to express an opinion on these basic financial statements based upon 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 basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The District's financial statements do not include the necessary disclosures for reporting its participation in an external investment pool. The district participates in Butte County's investment pool and the district does not disclose the following required financial statement disclosures: a brief description of the regulatory oversight of the investment pool, the frequency of determining fair value of investments, the method used to determine participant's shares sold and redeemed, a summary of the fair value, carrying amount, ranges of interest rates, and maturity dates of each major investment classification, and credit risk information. In our opinion, disclosure of that information is required to conform with accounting principles generally accepted in the United States of America.

BUZZTAIL COMMUNITY SERVICES DISTRICT

INDEPENDENT AUDITORS' REPORT
Continued

In our opinion, except for the District's omission of the required disclosures of its external investment pool, as described in the preceding paragraph, the basic financial statements referred to above present fairly, in all material respects, the financial position of Buzztail Community Services District as of June 30, 2011 and 2010, and the changes in financial position and cash flows for the 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.

The Buzztail Community Services District has not presented Management's Discussion and Analysis that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the basic financial statements.

John A. Powell & Associates, LLP

August 29, 2012

BUZZTAIL COMMUNITY SERVICES DISTRICT

STATEMENTS OF NET ASSETS

June 30, 2011 and 2010

	<u>Proprietary Fund Type</u>	
	<u>Enterprise Fund</u>	
	<u>2011</u>	<u>2010</u>
ASSETS		
CURRENT ASSETS		
Cash	\$ 80,364	\$ 53,108
Accounts receivable	8,530	6,560
Interest receivable	302	263
Total Current Assets	89,196	59,931
CAPITAL ASSETS - Net of accumulated depreciation	80,028	86,697
TOTAL ASSETS	<u>\$ 169,224</u>	<u>\$ 146,628</u>
LIABILITIES AND FUND EQUITY		
CURRENT LIABILITIES		
Accounts payable	\$ 4,226	\$ 1,968
Other liabilities	993	993
Total Current Liabilities	5,219	2,961
LONG-TERM DEBT - Net of current maturities	1	1
TOTAL LIABILITIES	<u>5,220</u>	<u>2,962</u>
NET ASSETS		
Contributed capital - net of related debt	2,082	2,082
Restricted for capital acquisitions	500	500
Unrestricted	161,422	141,084
TOTAL NET ASSETS	<u>164,004</u>	<u>143,666</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 169,224</u>	<u>\$ 146,628</u>

The accompanying independent auditors' report and notes
are an integral part of the financial statements.

BUZZTAIL COMMUNITY SERVICES DISTRICT

**STATEMENTS OF REVENUES, EXPENSES, AND
CHANGES IN NET ASSETS**

Years Ended June 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
OPERATING REVENUES		
Water assessments	\$ 37,042	\$ 33,267
Miscellaneous income	495	241
Total Operating Revenues	<u>37,537</u>	<u>33,508</u>
OPERATING EXPENSES		
Administrative and General	15,694	15,856
Water treatment	16,999	14,170
Depreciation	6,669	6,668
Total Operating Expenses	<u>39,362</u>	<u>36,694</u>
Net Operating Loss	<u>(1,825)</u>	<u>(3,186)</u>
NONOPERATING REVENUES (EXPENSES)		
Tax assessments	31,524	30,805
Investment income	1,010	882
Miscellaneous nonoperating income (expense)	(45)	434
Nonoperating expenses	<u>(10,326)</u>	<u>(8,885)</u>
Nonoperating Revenues - Net	<u>22,163</u>	<u>23,236</u>
Change in Net Assets	20,338	20,050
NET ASSETS		
Beginning of Year	<u>143,666</u>	<u>123,616</u>
End of Year	<u>\$ 164,004</u>	<u>\$ 143,666</u>

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BUZZTAIL COMMUNITY SERVICES DISTRICT

STATEMENTS OF CASH FLOWS

June 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from water customers	\$ 35,567	\$ 34,477
Payments for water treatment	(16,999)	(14,170)
Payments for administrative and general expense	<u>(13,436)</u>	<u>(16,567)</u>
NET CASH FROM OPERATING ACTIVITIES	<u>5,132</u>	<u>3,740</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Property tax and other road impact assessments	31,440	31,162
Miscellaneous noncapital expenses paid	<u>(10,326)</u>	<u>(8,885)</u>
NET CASH FROM NONCAPITAL FINANCING ACTIVITIES	<u>21,114</u>	<u>22,277</u>
CASH FLOWS FROM (USED BY) INVESTING ACTIVITIES		
Interest	1,010	882
Acquisition of property and equipment	<u>-</u>	<u>(21,270)</u>
NET CASH FROM (USED BY) INVESTING ACTIVITIES	<u>1,010</u>	<u>(20,388)</u>
NET INCREASE IN CASH	27,256	5,629
CASH - Beginning of Year	<u>53,108</u>	<u>47,479</u>
CASH - End of Year	<u>\$ 80,364</u>	<u>\$ 53,108</u>

The accompanying independent auditors' report and notes
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BUZZTAIL COMMUNITY SERVICES DISTRICT

STATEMENTS OF CASH FLOWS

June 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Net operating loss	\$ (1,825)	\$ (3,186)
Adjustments to reconcile net operating loss to net cash from operating activities:		
Depreciation	6,669	6,668
Changes in:		
Accounts receivable	(1,970)	969
Accounts payable	<u>2,258</u>	<u>(711)</u>
NET CASH FROM OPERATING ACTIVITIES	<u>\$ 5,132</u>	<u>\$ 3,740</u>

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

Cash paid for the years ended June 30, 2011 and 2010 for:

Interest	<u>\$ -</u>	<u>\$ -</u>
Income Taxes	<u>\$ -</u>	<u>\$ -</u>

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are an integral part of the financial statements

BUZZTAIL COMMUNITY SERVICES DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2011 and 2010

1. REPORTING ENTITY

Buzztail Community Services District (the District) was formed on March 5, 1985, to provide supplemental police and fire services, road services, water services, surface drainage facilities and maintenance, sewer maintenance, and street lighting authorization for residents of the Buzztail Community Services District. The District consists of 67 lots and is considered a governmental agency.

Services are provided for through two different assessments. An assessment to provide for road maintenance is collected, by an agreement with the County of Butte, through property tax assessments. Water assessments are collected directly from the members.

On November 18, 1980, a separate corporation was created to operate the waterworks, under the name of Buzztail Waterworks. On September 24, 1994, this corporation was liquidated and all assets and liabilities were transferred to Buzztail Community Services District.

The District's basic financial statements include the operations of all organizations for which the District's Board of Directors exercises oversight responsibility. Oversight responsibility is demonstrated by financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations and accountability for fiscal matters.

No operations of other entities met the aforementioned oversight criteria for inclusion or exclusion from the accompanying financial statements in accordance with Governmental Accounting Standards Board Statement No. 14.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

See independent auditors' report

BUZZTAIL COMMUNITY SERVICES DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2011 and 2010

Basis of Presentation: Fund Accounting

The accounts of the District are organized on the basis of funds and account groups. A fund is a separate accounting entity with a self-balancing set of accounts. An account group, on the other hand, is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources. These funds and account groups are used to report on the District's financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain governmental functions or activities. Resources are accounted for in individual funds based upon the purposes for which they are to be spent and the restrictions, if any, on the spending activities. The District has no account groups. The District uses the following generic fund types in its activities:

Proprietary Fund Type

Proprietary funds use the economic resources measurement focus and apply all applicable pronouncements of the Financial Accounting Standards Board (FASB) issued on or before November 30, 1989 that are not in conflict with applicable GASB pronouncements. The accounting objectives are determination of net income, financial position, and cash flows. All assets and liabilities associated with a proprietary fund's activities are included on its statement of net assets. Proprietary fund equity is segregated into contributed capital and fund equity.

Enterprise Funds - Enterprise Funds are used to account for operations that are financed in a manner similar to private business enterprises, in that the costs of providing goods and services on a continuing basis are financed or recovered partly through user charges. Buzztail Community Services District accounts for the operations of its services on this basis.

Basis of Accounting

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 measurements made, regardless of the measurement focus applied.

The accrual basis of accounting is used in proprietary fund types. The accrual basis of accounting recognizes revenues when earned and expenses are recorded when incurred. Operating revenues consist of charges to customers for sales and use of water. Non-operating revenues consist of property taxes and interest earned on investments.

See independent auditors' report

BUZZTAIL COMMUNITY SERVICES DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2011 and 2010

Budgetary Reporting – The Board of Directors does not operate under any budgetary constraints. Budget integration is employed as a management control device. Budgets are formally adopted by the Board soon after the beginning of the fiscal year and take effect July 1.

Use of Estimates - The preparation of financial statements in conformity with generally accepted accounting principles 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 reporting period. Actual results could differ from those estimates.

Concentrations of Credit Risk - Financial instruments that potentially subject the District to concentrations of credit risk consist principally of accounts receivable. Concentrations of credit risk with respect to accounts receivable are limited due to the small relative size of each balance.

Investment Policies – The governing body of the district has not formally adopted deposit and investment policies that limit the district's allowable deposits or investments and address the specific types of risk to which the district is exposed.

Cash and Cash Equivalents - For purposes of the statement of cash flows, cash and cash equivalents include all items of restricted and unrestricted cash, having a maturity of three months or less. Cash equivalents also represent the district's share in the county investment pool.

Accounts Receivable - Accounts receivable consists of amounts due on water fees and special assessments. All balances are considered collectible; therefore, no allowance for uncollectible amounts was deemed necessary.

Interest Receivable – Interest receivable consists of amounts due from the County Treasury for interest income. All balances are considered collectible, therefore no allowance is deemed necessary.

Equipment - Equipment is stated at cost. Depreciation is provided for in amounts sufficient to relate the cost of the depreciable assets to operations over their estimated service lives, using the straight-line method. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts and any resulting gain or loss is recognized in income for the period.

See independent auditors' report

BUZZTAIL COMMUNITY SERVICES DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2011 and 2010

Income Taxes - Since Buzztail Community Services District is considered a governmental agency, no income tax is assessed on the collection of water fees and special assessments.

Fund Equity

Contributed Capital

Contributed capital transactions are recorded as contributions in the enterprise fund and are the result of the merger with Buzztail Waterworks on September 24, 1994.

Net Assets

Restricted Net Assets indicates that portion of fund equity, which has been legally segregated for specific purposes. The restricted net assets balance at June 30, 2011 and 2010 consists of monies set aside for the purchase of a fire truck.

Unrestricted Net Assets indicates that portion of fund equity, which is available for budgeting in future periods.

3. CASH

Cash at June 30, 2011 and 2010 consists of the following:

	<u>2011</u>	<u>2010</u>
Cash in County Treasury	\$ 69,193	\$ 46,172
Checking - Northern California National Bank	10,196	5,916
Cash equivalents	975	1,020
Total Cash	<u>\$ 80,364</u>	<u>\$ 53,108</u>

See independent auditors' report

BUZZTAIL COMMUNITY SERVICES DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2011 and 2010

4. EQUIPMENT

Equipment at June 30, 2011 and 2010 consists of the following:

	Balance June 30, 2010	Additions	Deletions	Balance June 30, 2011
Generator shed	\$ 1,785	\$ -	\$ -	\$ 1,785
Tank cover	6,400	-	-	6,400
Water tank	41,620	-	-	41,620
Water meters	6,950	-	-	6,950
Water meter	700	-	-	700
Steel plumbing manifold	2,884	-	-	2,884
Flow meters	2,272	-	-	2,272
Water pump	13,741	-	-	13,741
Flow meter refurbish	409	-	-	409
Air rite compressor	2,428	-	-	2,428
Pump house	24,450	-	-	24,450
Astronomical clock	1,980	-	-	1,980
Data logger	1,404	-	-	1,404
Water Pump	17,198	-	-	17,198
Walking Beam Sprayer	4,072	-	-	4,072
Subtotal	128,293	-	-	128,293
Less accumulated depreciation	(41,596)	(6,669)	-	(48,265)
Equipment - Net	\$ 86,697	\$ (6,669)	\$ -	\$ 80,028

Depreciation expense for the years ended June 30, 2011 and 2010 was \$6,669 and \$6,668, respectively.

See independent auditors' report

BUZZTAIL COMMUNITY SERVICES DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2011 and 2010

5. RELATED PARTIES

The Board members and the elected project manager are service and water users of the District. All water sales were consummated on terms equivalent to those that prevail in arm's-length transactions.

The position of project manager was implemented in the year ended June 30, 2010. The resident elected to this position is an independent contractor, and is paid a Board-approved hourly rate of \$20 per hour. Several other services, including repairs and the construction of the District's new water pump, are performed by District residents, who are reimbursed by the District for their services. Finally, the resident elected to the position of water manager is in charge of the monthly water reading services, and is compensated for those services through his company.

See independent auditors' report