Sonoma County Abandoned Vehicle Abatement Service Authority

Annual Report
For the Fiscal Year Ended
June 30, 2009

Sonoma County Abandoned Vehicle
Abatement Service Authority

Annual Report
For the Fiscal Year Ended
June 30, 2009

Table of Contents

	Page
Auditor-Controller's Report	
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Assets	1
Statement of Activities	2
Fund Financial Statements:	
Balance Sheet – Governmental Fund	3
Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Fund	4
Statement of Revenues, Expenditures and Changes in Fund Balance – Budgets and Actual	5
Notes to the Basic Financial Statements	6 – 12
Roster of Board Members	13

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
Sonoma County Abandoned Vehicle
Abatement Service Authority
Santa Rosa, CA

Auditor-Controller's Report

We have audited the accompanying basic financial statements of the Sonoma County Abandoned Vehicle Abatement Service Authority (the Authority), 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 Authority'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.

As described in Note IV.B of the Notes to the Financial Statements, the Auditor-Controller is mandated by various statutes within the California Government Code to perform certain accounting, auditing, and financial reporting functions. These activities, in themselves, necessarily impair the auditor's independence. However, we believe adequate safeguards and divisions of responsibility exist.

In our opinion, except for the effects, if any, of the impairment to auditor independence, the basic financial statements referred to above present fairly, in all material respects, the financial position of the Authority 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.

Management has not presented the management discussion and analysis information that the Governmental Accounting Standards Board has determined is required to supplement, although not required to be part of the basic financial statements.

Sonoma County Auditor Controller

June 29, 2010

Sonoma County Abandoned Vehicle
Abatement Service Authority
Statement of Net Assets
June 30, 2009

Assets		
Cash and investments	$	99,953
Due from other governments		126,141
Total assets		226,094
Liabilities		
Due to other governments		123,603
Total liabilities		123,603
Net Assets		
Unrestricted		102,491
Total net assets	$	102,491

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

Sonoma County Abandoned Vehicle
Abatement Service Authority
Statement of Activities
For the Fiscal Year Ended June 30, 2009

Program Expenses		
Abandoned vehicle abatement:		
Current	$	472,613
Total program expenses		472,613
Program Revenues		
Charges for services:		
Vehicle registration service fee		467,490
Total charges for services		467,490
Net program revenues (expenses)		(5,123)
General Revenues		
Investment earnings		3,770
Change in net assets		(1,353)
Net assets, beginning of year		150,718
Prior period adjustment		(46,874)
Net assets, beginning of year, as restated		103,844
Net assets, end of year	$	102,491

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

Sonoma County Abandoned Vehicle
Abatement Service Authority
Balance Sheet
Governmental Fund
June 30, 2009

Assets		
Cash and investments	$	99,953
Due from other governments		126,141
Total assets	$	226,094
Liabilities and Fund Balance		
Liabilities:		
Due to other governments	$	123,603
Fund balance:		
Unreserved		102,491
Total liabilities and fund balance	$	226,094

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

Sonoma County Abandoned Vehicle
Abatement Service Authority
Statement of Revenues, Expenditures and
Changes in Fund Balance
Governmental Fund
For the Fiscal Year Ended June 30, 2009

Revenues	
Vehicle registration service fees	$ 467,490
Investment earnings	3,770
Total revenues	471,260
Expenditures	
Current:	
Abandoned vehicle abatement	447,885
Services and supplies	24,728
Total expenditures	472,613
Excess (deficiency) of revenues over (under) expenditures	(1,353)
Fund balance, beginning of year	150,718
Prior period adjustment	(46,874)
Fund balance, beginning of year, as restated	103,844
Fund balance, end of year	$ 102,491

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

Sonoma County Abandoned Vehicle
Abatement Service Authority
Statement of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual
For the Fiscal Year Ended June 30, 2009

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final	Amounts	Over (Under)
Program Revenues				
Vehicle registration service fees	$ 455,000	$ 455,000	$ 467,490	$ 12,490
Investment earnings	5,000	5,000	3,770	(1,230)
Total revenue	460,000	460,000	471,260	11,260
Expenditures				
Abandoned vehicle abatement	437,250	437,250	447,885	(10,635)
Service and supplies	22,750	22,750	24,728	(1,978)
Total expenditures	460,000	460,000	472,613	(12,613)
Excess (deficiency) of revenues over (under) expenditures	-	-	(1,353)	(1,353)
Fund balance, beginning of year	150,718	150,718	150,718	-
Prior period adjustment	-	-	(46,874)	(46,874)
Fund Balance, beginning of year, as restated	150,718	150,718	103,844	(46,874)
Fund balance, end of year	$ 150,718	$ 150,718	$ 102,491	$ (48,227)

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

I. Summary of Significant Accounting Policies

A. Reporting Entity

The Sonoma County Abandoned Vehicle Abatement Service Authority (the Authority) was established under provisions of the California Vehicle Code Sections 9250.7 and 22710. On September 16, 1994 the Sonoma County Board of Supervisors authorized the creation of the Authority with Resolution 94-1207. Membership in the Authority is open to all cities in the County and the County of Sonoma. Membership consists of the cities of Cloverdale, Cotati, Healdsburg, Petaluma, Rohnert Park, Santa Rosa, Sebastopol, Sonoma, Windsor and the County of Sonoma. The Authority is governed by a Board of Directors composed of a representative from each member.

The purpose of the Authority is the abatement of the costs incurred by its members for the removal and disposal of abandoned, wrecked, dismantled or inoperative vehicles. The Authority is funded by an abandoned vehicle service fee imposed on the registration of vehicles in Sonoma County. The Authority apportions its revenue among its members according to population percentage and the number of vehicles removed or disposed.

B. Basis of Presentation

Government-wide 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 non-fiduciary activities of the Authority. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business type activities (if any).

The statement of activities presents a comparison between direct expenses and program revenues. Direct expenses are those that are clearly identifiable with a specific program or function. Program revenues include 1) charges paid by the recipients of goods or services offered by a program and 2) grants and contributions that are restricted to meeting operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented instead as general revenues.

When both restricted and unrestricted net assets are available, unrestricted resources are used only after the restricted resources are depleted.

Fund Financial Statements

The fund financial statements provide information about the Authority's general fund.

C. Measurement Focus and Basis of Accounting

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 at the time the liabilities are incurred, regardless of when the related cash flows take place. Revenues from grants, entitlements and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied.

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. Revenues other than property taxes, interest, certain state and federal grants and charges for services are accrued when their receipt occurs within three hundred sixty five days of the end of the accounting period so as to be both measurable and available. Expenditures are generally recorded when a liability is incurred, as under accrual accounting.

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 Fund Balance

1. Investments

Investments are stated at fair value in the statement of net assets and balance sheet and the corresponding changes in fair value of investments are recognized in the year in which the change occurred. The Authority follows the practice of pooling cash and investments of all funds with the County of Sonoma Treasurer.

Fair value of investments is determined quarterly. Realized and unrealized gains or losses and interest earned on pooled investments are allocated quarterly to the appropriate fund based on their respective average daily balance for that quarter. The value of participants' pool shares is based on amortized cost, which is different than fair value. The County of Sonoma Treasurer has not provided nor obtained any legally binding guarantees to support the value of pool shares.

2. Net Assets

Net assets are classified into three components – 1) invested in capital assets, net of related debt, 2) restricted, and 3) unrestricted. These classifications are defined as follows:

- Invested in capital assets, net of related debt (if any) - This category groups all capital assets, including infrastructure, into one component of net assets. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce the balance in this category.
- 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 - This category represents net assets of the entity, not restricted for any project or other purpose.

3. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

II. Stewardship, Compliance, and Accountability

A. Budgetary Information

Budgetary revenue estimates represent original estimates modified for any authorized adjustment. 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.

III. Detail Notes

A. Cash and Investments

The Authority's cash is pooled with the Sonoma County Treasurer, who acts as a disbursing agent. Deposits with the Sonoma County Treasurer include pooled investments that are not held in the name of the individual Authority. Funds are available on short notice and are treated as cash equivalent.

Investment in the Sonoma County Treasurer's Investment Pool

The Sonoma County Treasurer acts as a disbursing agent for the Authority. The fair value of the Authority's investment in this pool is reported in the accompanying financial statements at amounts based upon the Authority's pro-rata share of the fair value provided by the Treasury Pool for the entire Treasury Pool portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on accounting records maintained by the Treasury Pool, which are recorded on an amortized cost basis. Interest earned on investments pooled with the County is allocated quarterly to the appropriate fund based on its respective average daily balance for that quarter. The Treasury Oversight Committee has regulatory oversight for all monies deposited into the Treasury Pool.

Investment Guidelines

The Authority's pooled cash and investments are invested pursuant to investment policy guidelines established by the County Treasurer and approved by the Board of Supervisors. The objectives of the policy are, in order of priority: safety of capital, liquidity and maximum rate of return. The policy addresses the soundness of financial institutions in which the County will deposit funds, types of investment instruments as permitted by the California Government Code 53601, and the percentage of the portfolio that may be invested in certain instruments with longer terms to maturity.

A copy of the Treasury Pool investment policy is available upon request from the Sonoma County Treasurer at 585 Fiscal Drive, Room 100-F, Santa Rosa, California, 95403-2871.

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 is to changes in market interest rates. As a means of limiting its exposure to fair value losses arising from rising interest rates, one of the ways that the Treasury Pool manages it's 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 maturing evenly over time as necessary to provide the cash flow and liquidity needed for operations.

As of June 30, 2009, approximately 74 percent of the securities in the Treasury Pool had maturities of one year or less. Of the remainder, only three percent had a maturity of more than five years.

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 a rating by a nationally recognized statistical rating organization. The Treasury Pool does not have a rating provided by a nationally recognized statistical rating organization.

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 custodial credit risk for investments is the risk that, in the event of the failure of the counterparty 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 Treasury Pool's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits and securities lending transactions:

- 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 depository regulated under stated law. The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies.

➢ The California Government Code limits the total of all securities lending transactions to 20% of the fair value of the investment portfolio.

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 the Treasury Pool).

Concentration of Credit Risk

The investment policy of the County contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. For a listing of investments in any one issuer (other than U.S. Treasury securities, mutual funds, or external investment pools) that represent 5% or more of total County investments, refer to the 2007 Sonoma County CAFR.

B. Due from Other Governments

Due from Other Governments is the amount due to the Authority as of June 30, 2009 from the State of California for appropriated but not disbursed vehicle abatement service fees.

C. Due to Other Governments

Due to Other Governments is the amount owed in total to Authority member participants as of June 30, 2009 for their combined share of the State vehicle service fee.

D. Fund Balance/Net Assets

Fund Balance/Net Assets are comprised of the following:

- The amount of interest earned on Cash and Investments not apportioned to Authority member participants.
- The unexpended portion of the administration fee withheld from disbursements to members.

E. Excess of Expenditures over Appropriations

For the fiscal year ended June 30, 2009, expenditures exceeded appropriations by $12,613 due to the Authority limiting year end accruals to the amounts budgeted.

IV. Other Information

A. Risk Management

Although the Authority is an independent legal entity, its administration and staff are County of Sonoma employees. As such, administrative personnel are covered by the County's self insurance program as follows: $300,000 per occurrence for workers' compensation claims, and $1,000,000 per occurrence for automobile and general liability claims. The County is entirely self-insured for unemployment claims. The County has established an internal service fund to account for the eventual settlement of lawsuits and claims.

The County participates in the CSAC Excess Insurance Authority (CSAC EIA) excess liability insurance program. The County is covered under this program for $1,000,000 to $25,000,000 per occurrence for liability claims. The County maintains "All Risk" coverage for physical loss and damage including flood and earthquake coverage through participation in the CSAC EIA with the following limits and deductibles: $600,000,000 limit (shared) per occurrence and $50,000 deductible for "All-Risk" and flood, earthquake limits of $365,000 with a deductible of 5% of the building value.

The County pays an annual basic premium for excess coverage and is assessed an annual risk premium based on an actuarial review that estimates each of the program's participant's ultimate liabilities. Settled claims have not exceeded the commercial coverage in any of the past three fiscal years.

B. Auditor Independence

As required by various statutes within the California Government Code, County Auditor-Controllers are mandated to perform certain accounting, auditing and financial reporting functions. These activities, in themselves, necessarily impair the auditor's independence. Specifically, "Auditors should not audit their own work or provide non-audit services in situations where the amounts or services involved are significant or material to the subject matter of the audit." Although the office of the Auditor-Controller is statutorily obligated to maintain accounts of departments, districts or funds that are contained within the County Treasury, we believe that adequate safeguards and divisions of responsibility exist. Therefore, we believe that subject to this qualification and disclosure, the reader can rely on the information contained in this report.

C. Prior Period Adjustment

A prior period adjustment was made to beginning fund balance to adjust for prior period expenditures that were recorded in the current period.

As of June 29, 2010, the Authority's Board consisted of:

Directors

Chief Mark Tuma ..... City of Cloverdale
(707) 894-2150

Chief Robert Stewart ..... City of Cotati
(707) 792-4611

Chief Susan Jones ..... City of Healdsburg
(707) 431-3377

Chief Steve Hood ..... City of Petaluma
(707) 778-4372

Lt. Patrick Strouse ..... City of Rohnert Park
(707) 584-2650

Lt. Gary Negri ..... City of Santa Rosa
(707) 543-3600

Chief Jeff Weaver ..... City of Sebastopol
(707) 829-4400

Chief Brett Sackett ..... City of Sonoma
(707) 996-3602

Debra Watts - Chair ..... County of Sonoma
(707) 565-1923

Chief Steve Freitas ..... Town of Windsor
(707) 838-5332

Regular Meetings

The Board of Directors is required to meet at least annually.