

Volcano  
Community  
Services  
District

# 2015 & 2016

For the Fiscal Years Ended June 30, 2015  
and June 30, 2016

**Annual  
Financial  
Report**

VOLCANO COMMUNITY SERVICES DISTRICT

BOARD OF DIRECTORS

As of June 30, 2016

<u>MEMBER</u>	<u>POSITION</u>	<u>TERM ENDS</u>
Nancy Bailey	President	2016
Jane Norcross	Vice President	2016
Gary Korematsu	Director	2018
Terry Grillo	Director	2016
Gerald Schippers	Director	2018

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Member of the American Institute of Certified Public  
Accountants, California Society of CPA's and AICPA Peer Review Program

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Volcano Community Service District  
Volcano, California

I have audited the accompanying financial statements of governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Volcano Community Service District as of and for the fiscal years ended June 30, 2015 and 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to error or fraud.

### Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. Because of the matter described in the "Basis for Disclaimer of Opinion" paragraph, however, we were not able to obtain sufficient appropriate evidence to provide a basis for an opinion on the Hall Fund and related activities.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to error or fraud. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes the evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by managements, as well as evaluating the overall presentation of the financial statements.

Except for the matter described in the "Basis for Disclaimer of Opinion on Hall Fund" paragraph, I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

## Summary of Opinions

<u>Opinion Unit</u>	<u>Type of Opinion</u>
Governmental Activities	Unmodified
Business-Type Activities	Disclaimer
Government General Fund	Unmodified
Enterprise Water Fund	Unmodified
Enterprise Hall Fund	Disclaimer

### Basis for Disclaimer of Opinion for Hall Fund

Detailed hall rental records have not been maintained and supporting data was not sufficient for our audit. Therefore, we were not able to obtain sufficient appropriate evidence about hall rental activity and the related fund balance in the accompanying financial statements.

### Disclaimer of Opinion

Because of the significance of the matter described in the "Basis for Disclaimer of Opinion for Hall Fund" paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the Hall Fund of Volcano Community Services District. Accordingly, we do not express an opinion on these financial statements.

### Unmodified Opinions

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and Water Fund of the Volcano Community Services District as of June 30, 2016 and 2015 and the respective changes in financial position and the results of its cash flows for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

### Other Matters

Management has omitted the management discussion and analysis (MD & A) and budgetary comparison 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. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. My opinion on the basic financial statements is not affected by this missing information.



Cathy Castillo  
Certified Public Accountant

September 19, 2019  
Sutter Creek, California

**June 30, 2015**

**VOLCANO COMMUNITY SERVICES DISTRICT**  
**STATEMENT OF NET POSITION**  
June 30, 2015

	Governmental Activities	Business- Type Activities	Total
<b>ASSETS</b>			
Unrestricted cash:			
Petty cash	\$ -	\$ (109)	\$ (109)
Cash in checking	-	26,136	26,136
Certificates of deposits	-	67,916	67,916
Total unrestricted cash	-	93,943	93,943
Accounts receivable-operations	-	9,892	9,892
Due to general fund	4,462	-	4,462
Due to hall fund	-	481	481
Prepaid insurance	-	3,500	3,500
Capital assets:			
Armory hall	-	65,440	65,440
Equipment	-	335,035	335,035
Land	25,000	26,800	51,800
Water treatment system	-	275,138	275,138
	25,000	702,413	727,413
Less accumulated depreciation	-	(330,953)	(330,953)
Total capital assets, net	25,000	371,460	396,460
Other assets:			
Water rights	-	16,560	16,560
Less accumulated amortization	-	(16,395)	(16,395)
Total other assets	-	165	165
<b>TOTAL ASSETS</b>	<b>\$ 29,462</b>	<b>\$ 479,441</b>	<b>\$ 508,903</b>
<b>LIABILITIES</b>			
Accounts payable	\$ 60	\$ 3,114	\$ 3,174
Due to general fund	-	4,462	4,462
Due to hall fund	-	481	481
Total liabilities	60	8,057	8,117
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred rent	-	2,750	2,750
Total deferred inflows of resources	-	2,750	2,750
<b>NET POSITION</b>			
Net investment in capital assets	25,000	371,460	396,460
Unrestricted	4,402	97,174	101,576
Total net position	29,402	468,634	498,036
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</b>	<b>\$ 29,462</b>	<b>\$ 479,441</b>	<b>\$ 508,903</b>

The accompanying notes are an integral part of these financial statements

**VOLCANO COMMUNITY SERVICES DISTRICT**  
**STATEMENT OF ACTIVITIES**  
For the Fiscal Year Ending June 30, 2015

	<u>Governmental Activities</u>	<u>Business- Type Activities</u>	<u>Total</u>
<b>EXPENSES</b>			
Amortization	\$ -	\$ 41	\$ 41
Bank fees	-	16	16
Depreciation	-	19,884	19,884
General liability insurance	1,136	4,545	5,681
Janitorial	1,061	1,230	2,291
Lab reports	-	4,023	4,023
Legal notices	1,036	-	1,036
Membership and subscriptions	286	-	286
Permits	-	887	887
Postage	43	395	438
Professional and specialized services	2,080	31,330	33,410
Repairs and maintenance	74	7,156	7,230
Supplies	1,409	548	1,957
Telephone	-	1,061	1,061
Utilities	4,253	3,020	7,273
	<u>11,378</u>	<u>74,136</u>	<u>85,514</u>
<b>PROGRAM REVENUES</b>			
Charges for current services- Water	-	50,514	50,514
Charges for current services (net)- Hall	-	5,450	5,450
Operating contributions	2,029	-	2,029
Capital contributions- Hall	-	2,744	2,744
Total program revenues	<u>2,029</u>	<u>58,708</u>	<u>60,737</u>
Net program revenue (expenses)	<u>(9,349)</u>	<u>(15,428)</u>	<u>(24,777)</u>
<b>GENERAL REVENUES</b>			
Property tax assessments	13,303	-	13,303
Investment earnings	448	-	448
Refunds and reimbursements	-	-	-
Total general revenues	<u>13,751</u>	<u>-</u>	<u>13,751</u>
Change in net position	4,402	(15,428)	(11,026)
Net Position-beginning of year	-	509,062	509,062
Allocation to major funds	25,000	(25,000)	-
Net Position-end of year	<u>\$ 29,402</u>	<u>\$ 468,634</u>	<u>\$ 498,036</u>

The accompanying notes are an integral part of these financial statements



VOLCANO COMMUNITY SERVICES DISTRICT  
BALANCE SHEET- GOVERNMENTAL FUND  
Governmental Activities  
June 30, 2015

	<u>GENERAL FUND</u>
<b>ASSETS</b>	
Unrestricted cash:	
Petty cash	\$ -
Cash in checking	-
Certificates of deposits	-
Total unrestricted cash	-
Due to general fund	4,462
<b>TOTAL ASSETS</b>	<b>\$ 4,462</b>
<b>LIABILITIES</b>	
Accounts payable	\$ 60
Total liabilities	60
<b>NET POSITION</b>	
Fund Balance- Unassigned	4,402
Total fund balance	4,402
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b>\$ 4,462</b>

VOLCANO COMMUNITY SERVICES DISTRICT  
RECONCILIATION OF THE BALANCE SHEET-GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET POSITION  
June 30, 2015

Total Fund Balances of Governmental Funds	\$ 4,402
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets, net of accumulated depreciation, are not current financial resources and are not reported in governmental funds	25,000
<b>Net Position of Governmental Activities</b>	<b>\$ 29,402</b>

The accompanying notes are an integral part of these financial statements

VOLCANO COMMUNITY SERVICES DISTRICT  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND BALANCE-  
GOVERNMENTAL ACTIVITIES  
For the Fiscal Year Ending June 30, 2015

REVENUES	<u>GENERAL FUND</u>
Property tax assessments	\$ 13,303
Interest and investment earnings	448
Operating contributions	<u>2,029</u>
Total operating revenue	<u>15,780</u>
<b>EXPENDITURES</b>	
General liability insurance	1,136
Janitorial	1,061
Legal notices	1,036
Membership and subscriptions	286
Postage	43
Professional and specialized services	2,080
Repairs and maintenance	74
Supplies	1,409
Utilities	<u>4,253</u>
Total expenditures	<u>11,378</u>
<b>Change in Net Position</b>	4,402
Net Position- beginning of year	-
Net Position- end of year	<u>\$ 4,402</u>

The accompanying notes are an integral part of these financial statements

**VOLCANO COMMUNITY SERVICES DISTRICT**  
**STATEMENT OF NET POSITION- ENTERPRISE FUND**  
June 30, 2015

	<b>Business-type Activities- Enterprise Funds</b>		
	<u>WATER FUND</u>	<u>HALL FUND</u>	<u>Total</u>
<b>ASSETS</b>			
Unrestricted cash:			
Petty cash	\$ (109)	\$ -	\$ (109)
Cash in checking	26,136	-	26,136
Certificates of deposits	67,916	-	67,916
Total unrestricted cash	<u>93,943</u>	<u>-</u>	<u>93,943</u>
			-
Accounts receivable-operations	9,592	300	9,892
Prepaid insurance	3,500	-	3,500
Due to hall fund	-	1,261	1,261
			-
Capital assets:			-
Armory hall	-	65,440	65,440
Equipment	335,035	-	335,035
Land	25,000	1,800	26,800
Water treatment system	275,138	-	275,138
	<u>635,173</u>	<u>67,240</u>	<u>702,413</u>
Less accumulated depreciation	<u>(294,523)</u>	<u>(36,430)</u>	<u>(330,953)</u>
Total capital assets, net	<u>340,650</u>	<u>30,810</u>	<u>371,460</u>
			-
Other assets:			-
Water rights	16,560	-	16,560
Less accumulated amortization	<u>(16,395)</u>	<u>-</u>	<u>(16,395)</u>
Total other assets	<u>165</u>	<u>-</u>	<u>165</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 447,850</u></b>	<b><u>\$ 32,371</u></b>	<b><u>\$ 480,221</u></b>
			-
<b>LIABILITIES</b>			
Accounts payable	\$ 2,864	\$ 250	\$ 3,114
Due to general fund	4,462	-	4,462
Due to hall fund	1,261	-	1,261
Total liabilities	<u>8,587</u>	<u>250</u>	<u>8,837</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred Rent	-	2,750	2,750
Total deferred inflows of resources	<u>-</u>	<u>2,750</u>	<u>2,750</u>
<b>NET POSITION</b>			
Net investment in capital assets	340,650	30,810	371,460
Unrestricted	98,613	(1,439)	97,174
Total net position	<u>439,263</u>	<u>29,371</u>	<u>468,634</u>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<b><u>\$ 447,850</u></b>	<b><u>\$ 32,371</u></b>	<b><u>\$ 480,221</u></b>

The accompanying notes are an integral part of these financial statements

VOLCANO COMMUNITY SERVICES DISTRICT  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION  
ENTERPRISE FUND  
For the Fiscal Year Ending June 30, 2015

	Business-type Activities- Enterprise Funds		
	WATER FUND	HALL FUND	TOTAL
<b>OPERATING REVENUES</b>			
Charges for current services- gross	\$ 50,514	\$ 10,000	\$ 60,514
Waived charges	-	(4,550)	(4,550)
	<hr/>	<hr/>	<hr/>
Total operating revenue	50,514	5,450	55,964
<b>OPERATING EXPENSES</b>			
Amortization	41	-	41
Bank fees	16	-	16
Depreciation	14,947	4,937	19,884
Health permits	887	-	887
Insurance	3,409	1,136	4,545
Janitorial	-	1,230	1,230
Lab reports	4,023	-	4,023
Maintenance and repairs	5,933	1,223	7,156
Postage	394	-	394
Professional Services	28,142	3,330	31,472
Supplies	-	407	407
Telephone	512	549	1,061
Utilities	1,262	1,758	3,020
	<hr/>	<hr/>	<hr/>
Total operating expenses	59,566	14,570	74,136
<b>Operating income</b>	<hr/> <b>(9,052)</b>	<hr/> <b>(9,120)</b>	<hr/> <b>(18,172)</b>
<b>NON-OPERATING REVENUES</b>			
Capital contributions	-	2,744	2,744
	<hr/>	<hr/>	<hr/>
Total non-operating revenue	-	2,744	2,744
<b>Non-operating income(loss)</b>	<hr/> <b>-</b>	<hr/> <b>2,744</b>	<hr/> <b>2,744</b>
<b>Change in net position</b>	<hr/> <b>(9,052)</b>	<hr/> <b>(6,376)</b>	<hr/> <b>(15,428)</b>
Net Position -beginning of year	484,062	-	484,062
Allocation to major fund	(35,747)	35,747	-
<b>Net Position -end of year</b>	<hr/> <b>\$ 439,263</b>	<hr/> <b>\$ 29,371</b>	<hr/> <b>\$ 468,634</b>

The accompanying notes are an integral part of these financial statements

VOLCANO COMMUNITY SERVICES DISTRICT  
STATEMENT OF CASH FLOWS  
ENTERPRISE FUND  
For the Fiscal Year Ending June 30, 2015

	Business-type Activities- Enterprise Funds		
	WATER FUND	HALL FUND	TOTAL
CASH FLOWS USED FOR OPERATING ACTIVITIES:			
Cash received from customers	\$ 52,941	\$ 8,200	\$ 61,141
Cash paid to suppliers and vendors	(41,178)	(10,944)	(52,122)
Net cash used for operating activities	<u>11,763</u>	<u>(2,744)</u>	<u>9,019</u>
CASH FLOWS USED FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Capital contribution	-	2,744	2,744
Purchase of equipment	(2,363)	-	(2,363)
Net cash used for financing activities	<u>(2,363)</u>	<u>2,744</u>	<u>381</u>
NET INCREASE IN CASH	9,400	-	9,400
CASH BEGINNING OF YEAR	<u>84,543</u>	<u>-</u>	<u>84,543</u>
CASH END OF YEAR	<u>\$ 93,943</u>	<u>\$ -</u>	<u>\$ 93,943</u>
Operating income	\$ (9,052)	\$ (9,120)	\$ (18,172)
Adjustments to reconcile change in net assets to net cash used for operating activities:			
Depreciation	14,947	4,937	19,884
Amortization	41	-	41
Change in:			
Accounts receivable	2,227	(300)	1,927
Prepaid expense	(2,770)	-	(2,770)
Accounts payable	647	250	897
Due to general fund	4,462	-	4,462
Due to hall fund	1,261	(1,261)	-
Deferred rent	-	2,750	2,750
Net cash used for operating activities	<u>\$ 11,763</u>	<u>\$ (2,744)</u>	<u>\$ 9,019</u>

The accompanying notes are an integral part of these financial statements

**June 30, 2016**

**VOLCANO COMMUNITY SERVICES DISTRICT**  
**STATEMENT OF NET POSITION**  
June 30, 2016

	Governmental Activities	Business- Type Activities	Total
<b>ASSETS</b>			
Unrestricted cash:			
Petty cash	\$ -	\$ (93)	\$ (93)
Cash in checking	-	31,700	31,700
Certificates of deposits	-	68,460	68,460
Total unrestricted cash	-	100,067	100,067
Accounts receivable-operations	-	8,893	8,893
Due to general fund	10,664	-	10,664
Due to hall fund	-	834	834
Prepaid insurance	-	702	702
Capital assets:			
Armory hall	-	65,440	65,440
Equipment	-	335,035	335,035
Land	25,000	26,800	51,800
Water treatment system	-	277,238	277,238
	25,000	704,513	729,513
Less accumulated depreciation	-	(350,837)	(350,837)
Total capital assets, net	25,000	353,676	378,676
Other assets:			
Water rights	-	16,560	16,560
Less accumulated amortization	-	(16,436)	(16,436)
Total other assets	-	124	124
<b>TOTAL ASSETS</b>	<b>\$ 35,664</b>	<b>\$ 464,296</b>	<b>\$ 499,960</b>
<b>LIABILITIES</b>			
Accounts payable	\$ 60	\$ 2,280	\$ 2,340
Due to general fund	-	10,664	10,664
Due to hall fund	-	834	834
Total liabilities	60	13,778	13,838
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred rent	-	550	550
Total deferred inflows of resources	-	550	550
<b>NET POSITION</b>			
Net investment in capital assets	25,000	353,676	378,676
Unrestricted	10,604	96,292	106,896
Total net position	35,604	449,968	485,572
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</b>	<b>\$ 35,664</b>	<b>\$ 464,296</b>	<b>\$ 499,960</b>

The accompanying notes are an integral part of these financial statements

VOLCANO COMMUNITY SERVICES DISTRICT  
STATEMENT OF ACTIVITIES  
For the Fiscal Year Ending June 30, 2016

	Governmental Activities	Business- Type Activities	Total
<b>EXPENSES</b>			
Amortization	\$ -	\$ 41	\$ 41
Bank fees	-	16	16
Depreciation	-	19,884	19,884
General liability insurance	560	5,007	5,567
Janitorial	780	2,600	3,380
Lab reports	-	4,804	4,804
Legal notices	-	-	-
Membership and subscriptions	301	-	301
Permits	-	887	887
Postage	34	310	344
Professional and specialized services	1,884	29,499	31,383
Recognition gifts	-	500	500
Repairs and maintenance	735	8,771	9,506
Supplies	548	547	1,095
Telephone	-	1,107	1,107
Utilities	5,049	3,037	8,086
<b>Total expenses</b>	<b>9,891</b>	<b>77,010</b>	<b>86,901</b>
<b>PROGRAM REVENUES</b>			
Charges for current services- Water	-	48,577	48,577
Charges for current services (net)- Hall	-	5,125	5,125
Operating contributions	782	-	782
Capital contributions- Hall	-	4,642	4,642
<b>Total program revenues</b>	<b>782</b>	<b>58,344</b>	<b>59,126</b>
<b>Net program revenues (expenses)</b>	<b>(9,109)</b>	<b>(18,666)</b>	<b>(27,775)</b>
<b>GENERAL REVENUES</b>			
Property tax assessments	13,060	-	13,060
Investment earnings	551	-	551
Refunds and reimbursements	1,700	-	1,700
<b>Total general revenues</b>	<b>15,311</b>	<b>-</b>	<b>15,311</b>
<b>Change in net position</b>	<b>6,202</b>	<b>(18,666)</b>	<b>(12,464)</b>
<b>Net Position-beginning of year</b>	<b>29,402</b>	<b>468,634</b>	<b>498,036</b>
<b>Net Position-end of year</b>	<b>\$ 35,604</b>	<b>\$ 449,968</b>	<b>\$ 485,572</b>

The accompanying notes are an integral part of these financial statements



VOLCANO COMMUNITY SERVICES DISTRICT  
BALANCE SHEET- GOVERNMENTAL FUND  
Governmental Activities  
June 30, 2016

	<u>GENERAL FUND</u>
<b>ASSETS</b>	
Unrestricted cash:	
Petty cash	\$ -
Cash in checking	-
Certificates of deposits	-
Total unrestricted cash	-
Due to general fund	10,664
<b>TOTAL ASSETS</b>	<b>\$ 10,664</b>
<b>LIABILITIES</b>	
Accounts payable	\$ 60
Total liabilities	60
<b>NET POSITION</b>	
Fund Balance- Unassigned	10,604
Total fund balance	10,604
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b>\$ 10,664</b>

VOLCANO COMMUNITY SERVICES DISTRICT  
RECONCILIATION OF THE BALANCE SHEET-GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET POSITION  
June 30, 2016

Total Fund Balances of Governmental Funds	\$ 10,604
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets, net of accumulated depreciation, are not current financial resources and are not reported in governmental funds	25,000
<b>Net Position of Governmental Activities</b>	<b>\$ 35,604</b>

The accompanying notes are an integral part of these financial statements

VOLCANO COMMUNITY SERVICES DISTRICT  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND BALANCE-  
GOVERNMENTAL ACTIVITIES  
For the Fiscal Year Ending June 30, 2016

REVENUES	<u>GENERAL FUND</u>
Property tax assessments	\$ 13,060
Interest and investment earnings	551
Operating contributions	782
Refunds and reimbursements	1,700
Total operating revenue	<u>16,093</u>
<b>EXPENDITURES</b>	
General liability insurance	560
Janitorial	780
Legal notices	-
Membership and subscriptions	301
Postage	34
Professional and specialized services	1,884
Repairs and maintenance	735
Supplies	548
Utilities	5,049
Total expenditures	<u>9,891</u>
Change in Net Position	6,202
Net Position- beginning of year	4,402
Net Position- end of year	<u>\$ 10,604</u>

The accompanying notes are an integral part of these financial statements

**VOLCANO COMMUNITY SERVICES DISTRICT**  
**STATEMENT OF NET POSITION- ENTERPRISE FUND**  
June 30, 2016

	<b>Business-type Activities- Enterprise Funds</b>		
	<b>WATER FUND</b>	<b>HALL FUND</b>	<b>Total</b>
<b>ASSETS</b>			
Unrestricted cash:			
Petty cash	\$ (92)	\$ -	\$ (92)
Cash in checking	31,700	-	31,700
Certificates of deposits	68,459	-	68,459
Total unrestricted cash	<u>100,067</u>	<u>-</u>	<u>100,067</u>
			-
Accounts receivable-operations	8,893	-	8,893
Prepaid insurance	702	-	702
Due to hall fund	-	249	249
 Capital assets:			
Armory hall	-	65,440	65,440
Equipment	335,035	-	335,035
Land	25,000	1,800	26,800
Water treatment system	277,238	-	277,238
	<u>637,273</u>	<u>67,240</u>	<u>704,513</u>
Less accumulated depreciation	<u>(309,470)</u>	<u>(41,367)</u>	<u>(350,837)</u>
Total capital assets, net	327,803	25,873	353,676
			-
Other assets:			
Water rights	16,560	-	16,560
Less accumulated amortization	<u>(16,436)</u>	<u>-</u>	<u>(16,436)</u>
Total other assets	<u>124</u>	<u>-</u>	<u>124</u>
 <b>TOTAL ASSETS</b>	 <b><u>\$ 437,589</u></b>	 <b><u>\$ 26,122</u></b>	 <b><u>\$ 463,711</u></b>
<b>LIABILITIES</b>			
Accounts payable	\$ 2,180	\$ 100	\$ 2,280
Due to general fund	10,664	-	10,664
Due to hall fund	249	-	249
Total liabilities	<u>13,093</u>	<u>100</u>	<u>13,193</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred Rent	-	550	550
Total deferred inflows of resources	<u>-</u>	<u>550</u>	<u>550</u>
<b>NET POSITION</b>			
Net investment in capital assets	327,803	25,873	353,676
Unrestricted	96,693	(401)	96,292
Total net position	<u>424,496</u>	<u>25,472</u>	<u>449,968</u>
 <b>TOTAL LIABILITIES AND NET POSITION</b>	 <b><u>\$ 437,589</u></b>	 <b><u>\$ 26,122</u></b>	 <b><u>\$ 463,711</u></b>

The accompanying notes are an integral part of these financial statements

**VOLCANO COMMUNITY SERVICES DISTRICT**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION-**  
**ENTERPRISE FUND**  
For the Fiscal Year Ending June 30, 2016

	Business-type Activities- Enterprise Funds		
	WATER FUND	HALL FUND	TOTAL
<b>OPERATING REVENUES</b>			
Charges for current services- gross	\$ 48,577	\$ 14,225	\$ 62,802
Charges not collected	-	(2,700)	(2,700)
Waived charges	-	(6,400)	(6,400)
	<hr/>	<hr/>	<hr/>
Total operating revenue	48,577	5,125	53,702
<b>OPERATING EXPENSES</b>			
Amortization	41	-	41
Bank fees	16	-	16
Depreciation	14,947	4,937	19,884
Health permits	887	-	887
Insurance	4,447	560	5,007
Janitorial	-	2,600	2,600
Lab reports	4,804	-	4,804
Postage	310	-	310
Professional services	27,214	2,285	29,499
Recognition gifts	500	-	500
Repairs and maintenance	7,608	1,163	8,771
Supplies	345	202	547
Telephone	534	573	1,107
Utilities	1,691	1,346	3,037
	<hr/>	<hr/>	<hr/>
Total operating expenses	63,344	13,666	77,010
Operating income	<hr/> <u>(14,767)</u>	<hr/> <u>(8,541)</u>	<hr/> <u>(23,308)</u>
<b>NON-OPERATING REVENUES</b>			
Capital contributions	-	4,642	4,642
	<hr/>	<hr/>	<hr/>
Total non-operating revenue	-	4,642	4,642
Non-operating income(loss)	-	4,642	4,642
Change in net position	(14,767)	(3,899)	(18,666)
Net position -beginning of year	439,263	29,371	468,634
Net position -end of year	<hr/> <u>\$ 424,496</u>	<hr/> <u>\$ 25,472</u>	<hr/> <u>\$ 449,968</u>

The accompanying notes are an integral part of these financial statements

VOLCANO COMMUNITY SERVICES DISTRICT  
STATEMENT OF CASH FLOWS  
ENTERPRISE FUND  
For the Fiscal Year Ending June 30, 2016

	<u>Business-type Activities- Enterprise Funds</u>		
	<u>WATER FUND</u>	<u>HALL FUND</u>	<u>TOTAL</u>
CASH FLOWS USED FOR OPERATING ACTIVITIES:			
Cash received from customers	\$ 49,276	\$ 3,975	\$ 53,251
Cash paid to suppliers and vendors	<u>(41,052)</u>	<u>(8,617)</u>	<u>(49,669)</u>
Net cash used for operating activities	<u>8,224</u>	<u>(4,642)</u>	<u>3,582</u>
CASH FLOWS USED FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Capital contribution	-	4,642	4,642
Purchase of equipment	<u>(2,100)</u>	<u>-</u>	<u>(2,100)</u>
Net cash used for financing activities	<u>(2,100)</u>	<u>4,642</u>	<u>2,542</u>
NET INCREASE(DECREASE) IN CASH	6,124	-	6,124
CASH BEGINNING OF YEAR	<u>93,943</u>	<u>-</u>	<u>93,943</u>
CASH END OF YEAR	<u>\$ 100,067</u>	<u>\$ -</u>	<u>\$ 100,067</u>
Operating income	\$ (14,767)	\$ (8,541)	\$ (23,308)
Adjustments to reconcile change in net assets to net cash used for operating activities:			
Depreciation	14,947	4,937	19,884
Amortization	41	-	41
Change in:			
Accounts receivable	699	300	999
Prepaid expense	2,798	-	2,798
Accounts payable	(684)	(150)	(834)
Due to general fund	6,202	-	6,202
Due to hall fund	(1,012)	1,012	-
Deferred rent	<u>-</u>	<u>(2,200)</u>	<u>(2,200)</u>
Net cash used for operating activities	<u>\$ 8,224</u>	<u>\$ (4,642)</u>	<u>\$ 3,582</u>

The accompanying notes are an integral part of these financial statements

**VOLCANO COMMUNITY SERVICES DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2015 and 2016**

**NOTE 1- ORGANIZATION AND PURPOSE**

*Nature of Activities:*

The Volcano Community Services District (herein after known as the District), provides water services to the town of Volcano, located in Amador County, California. The District was established June 1, 1966, and currently provides water to 67 parcels. The District provides service to itself on 3 of these parcels.

Governing activities include administration and maintenance of the water treatment facilities, City Park, renovation and maintenance of the Armory Hall, maintenance of street lights and a non-partisan cemetery within the district. A five- member Board of Directors, who serve for a four-year term, governs the district.

**NOTE 2- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

*Measurement Focus and Basis of Accounting:*

The accounting records of the District are organized on basis of funds, each of which are considered to be a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts which compromise each fund's assets, liabilities, fund equity, revenues and expenditures, or expenses. The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The proprietary fund and government-wide financial statements are reported using the economic resources measurement focus. The government fund financial statements are reported using the current financial resources measurement focus.

*Government -wide Statements:*

The government- wide financial statements (i.e. the statement of net position and the statement of activities) report information on all the non-fiduciary activities of the primary government. Governmental activities, which normally are supported by taxes and intergovernmental revenues are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include charges paid by the recipients of goods or services offered by the programs, as well as grants and assessments that are restricted to meeting the operational or capital requirements of a particular function or activity. Revenues that are not presented as program revenues are presented as general revenues.

The government- wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Under this measurement focus, revenues are recorded when earned and expenses are recorded at the time the liability is incurred, regardless of the timing of cash flows. Property taxes are recognized as revenues in the year for which they are levied.

VOLCANO COMMUNITY SERVICES DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2015 and 2016

**NOTE 2- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-continued**

In accordance with GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, the Statement of Net Position reports different sections for Deferred Outflows of Resources and Deferred Inflows of Resources, when applicable.

*Deferred Outflows of Resources*- represent outflows of resources (consumption of net position) that may apply to future periods and that, therefore, will not be recognized as an expense until that time. The District has no deferred outflows of resources.

*Deferred Inflows of Resources*- represent inflows of resources (acquisition of net position) that may apply to future periods and that, therefore, will not be recognized as a revenue until that time. The District has deferred rent from rental fees collected, but not earned.

***Accounting Change:***

The District determined that its interpretation of GASB No. 34 in relating to presentation of funds was incorrect. Therefore, the District has presented in addition to the water fund previously reported, a general fund and hall fund were added. The District made certain allocations of capital assets from the water fund to the general fund and hall fund based on the activities of the District and estimated values of the capital assets, as listed on the statement of activities.

***Fund Financial Statements:***

The fund financial statements provide information about the District's individual funds, which are used to account for the District's various activities. Separate financial statements are provided for the General Fund (a governmental fund) and the Enterprise Fund (a proprietary fund) which are each classified as major funds.

***Governmental Fund:*** The focus of governmental funds' measurement is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the governmental funds of the District:

The ***General Fund*** is the primary operating fund of the District and is used to account for all activities except those legally or administratively required to be accounted for in other funds.

***Enterprise Fund*** - Enterprise funds are used to account for the District's operations that are financed and operated in manner similar to a private business enterprise, where the intent of the Board of Directors is that the costs (expenses, including depreciation) of providing services to the general public on a continuing basis be financed or recovered primarily through user charges.

**VOLCANO COMMUNITY SERVICES DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2015 and 2016**

**NOTE 2- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-continued**

The District reports the following major enterprise funds:

- The Water Service Fund accounts for the activities of the District's water service activities.
- The Hall Rental Fund accounts for the activities of the District's Memorial Hall activities.

The accrual basis of accounting is followed by the proprietary enterprise funds. Under the accrual basis of accounting, revenues are recorded when earned. Expenditures are recognized under the accrual basis of accounting when the related liability is incurred or economic asset used.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues in the proprietary fund are those revenues that are generated from the primary operation of the fund. All other revenues are reported as non-operating revenues. Operating expenses are those expenses that are essential to the primary operation of the fund. All other expenses are reported as non-operating expenses.

***Revenue:***

Water Assessments: The District assesses water fees on 64 of the 67 parcels that comprise the District, based on the level of water service used. Rates for water services are billed monthly according to a three-tier rate schedule based on number of gallons used. The Board last approved a rate increase October 2008. Such billings may become a lien on the property should no payments be made.

Property Taxes: The District receives property taxes from Amador County, which has been assigned the responsibility for assessment, collections, and apportionment of property taxes for all taxing jurisdictions within the county. Secured property taxes are levied on January 1 for the following fiscal year and on which date it becomes a lien on real property. Secured property taxes are due in two installments on November 1 and February 1 and are delinquent after December 10 and April 10, respectively for the secured roll. Based on policy called the Teeter Plan, 100% of allocated taxes are transmitted by the County to the District, eliminating the need for allowance for uncollectible. The County, in return, receives all penalties and interest. Property tax revenues on the unsecured roll are due on January 1 lien date and become delinquent if unpaid by August 31. Property tax revenues are recognized in the fiscal year they are received.

Rental Income: The District also has a hall, which is available for rent to various non-profit, community groups, and private parties. Annual rental income varies from year to year. Rent is reported at gross rents, with a discount for resident and board approved fee waivers reported separately.

***Accounts Receivable:***

Accounts receivable at June 30, 2015 and 2016 consists of customer water utility billings due and rent due. No allowance for uncollectible accounts has been established because the District expects all accounts to be collected.



**VOLCANO COMMUNITY SERVICES DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2015 and 2016**

**NOTE 2- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-continued**

***Budgetary Control:***

The District establishes the fiscal year as the twelve-month period beginning July 1. The Budget is formally adopted by the Board of Directors by July of each year. This budget is prepared on the cash basis of accounting, which does not vary significantly from the accrual basis of accounting used in the financial statements. The Board monitors monthly expenses using the budget as a control device.

***Capital Assets:***

Fixed assets are recorded at cost at time of purchase. Lesser amounts are expensed. Major renewals and improvements are capitalized, while replacements, maintenance and repairs, which do not materially extend the useful lives of the assets, are expensed. Upon sale or retirement of fixed assets, the cost and related accumulated depreciation are eliminated from the respective accounts and the resulting gain or loss is recorded.

Depreciation on all assets is provided using the straight-line method over the estimated useful lives of the assets. Estimated useful lives range from 5 to 40 years.

Depreciation expense for June 30, 2015 and 2016 is \$19,884 for both years.

***Due to Due From:***

The District currently has one operating checking account, which accounts for all activities of the District. The due to and due from represents the net activity from the other funds, which were paid through the operating account.

***Estimates and Assumptions:***

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates as 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.

***Equity Classifications:***

***Government-wide statements***

Equity is classified as net position, which comprises the various net earnings from operating income, non-operating revenue and expenses, and capital contributions. Net position is classified into three components:

Net investment in capital assets: This component of net position consists of capital assets, net of accumulated depreciations and reduced by the outstanding balances on any borrowings that are attributed to the acquisition, construction, or improvements of those assets.

Restricted: This component of net position consists of constraints imposed by creditors, contributors, or laws of other governmental entities, or constraints imposed by law through constitutional provisions or enabling legislation. The District had no restricted net assets as of June 30, 2015 or 2016.

**VOLCANO COMMUNITY SERVICES DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2015 and 2016**

**NOTE 2- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-continued**

Unrestricted: This component of net position consists of net assets that do not meet the definition of "restricted" or "net investment in capital assets".

The District determines the use of restricted funds on a case by case basis and has no formal policy regarding the use of restricted assets versus unrestricted assets.

***Fund Financial Statements***

Governmental fund equity is defined as fund balance. Fund balance is further classified as follows:

Nonspendable: amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to remain intact.

Restricted: amounts that can only be spent for specific purposes because of enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations from other government entities.

Committed: amounts that can only be used for specific purposes determined by a formal action taken by the Board. The Board is the highest level of decision-making authority for the District. Commitments may be established, modified, or rescinded only through resolutions or motions approved by the Board.

Assigned: amounts that do not meet the criteria to be classified as restricted or committed but are intended to be used for specific purposes. Only the Board has the authority to assign amounts for specific purposes.

Unassigned: the balance that have not been restricted, committed or assigned.

The District has no formal policy of which funds will be used first. Each expenditure is reviewed on a case by case basis. Fund commitments and assignments may be made, modified, or rescinded by the Board of Directors.

***Net Position:***

Net position comprises the various net earnings from operating income, non-operating revenues and expenses and capital contributions. Net position is classified in the following three components:

*Net investment in capital assets-* This component of net position consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets.

*Restricted-* This component of net position consists of constraints imposed by creditors, grantors, contributors, or laws or regulations of other governments.

*Unrestricted net position-* This component of net position consists of net position that do not meet the definition of "restricted" or "net investment in capital assets".

***Prepaid Expense:***

As of June 30, 2015, and 2016, the prepaid expense consisted of general liability and machinery insurance. The policy periods cover the fiscal year from October to September for the general liability policy and July to June for the machinery policy and accordingly the premiums are expensed over the period covered.

**VOLCANO COMMUNITY SERVICES DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2015 and 2016**

**NOTE 3- CASH**

Cash and other highly liquid investments with maturities of three months or less are considered to be cash equivalents. Cash and cash equivalents for the purposes of the statement of cash flows includes the District's certificates of deposit, even though they have a maturity of three months or more. Certificates of deposit (CD's) are stated at fair market value.

The entire bank balances were covered by the Federal Depository Insurance Corporation (FDIC). At no time during the fiscal year did the deposits exceed the federally insured amount of \$250,000.

The District's cash is held at Bank of Stockton and El Dorado Savings Bank in Pine Grove, California.

Cash accounts at June 30, 2015 are as follows:

June 30, 2015	Rate	Value
	%	
General checking	0.03%	\$ 26,136
Petty cash	-	(109)
<b>Total District Cash</b>		<b>\$ 26,027</b>

Cash accounts at June 30, 2016 are as follows:

June 30, 2016	Rate	Value
	%	
General checking	0.03%	\$ 31,700
Petty cash	-	(93)
<b>Total District Cash</b>		<b>\$ 31,607</b>

The District does not have a formal deposit and investment policy.

*Interest rate risk:* Interest rate risk is the risk that changes in the market interest rates will adversely affect the fair value of an investment. The District has no formal policy to mitigate this risk.

*Credit risk:* Credit risk is the risk that the issuer of an investment will not fulfill its obligation to the holder of the investment. The District mitigates this risk by only investing in highly reputable financial institutions.

*Custodial credit risk:* Custodial credit risk is the risk that, in the event of the failure of a depository financial institution, a district may not be able to recover its deposits. As of June 30, 2016, and 2015, all of the cash balances were entirely secured or collateralized with securities held by the District or by agents in the District's name.

*Concentration of credit risk:* Concentration of credit risk is the risk of loss that may be caused by investment in a single issuer. The District has no policy to mitigate this risk.

**VOLCANO COMMUNITY SERVICES DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2015 and 2016**

**NOTE 4- CERTIFICATES OF DEPOSIT**

Certificates of deposit (CD's) are stated at fair market value. The fair market value is based on quoted market prices for similar assets or liabilities in active markets. The CD is held at the El Dorado Savings Bank branch office located in Pine Grove, California.

June 30, 2015	<u>Maturity Date</u>	<u>Rate %</u>	<u>Value</u>
Bank of Stockton CD	6/23/2016	0.18%	5,655
El Dorado Savings CD	12/20/2018	1.09%	23,938
El Dorado Savings CD	10/16/2018	1.09%	11,201
Bank of Stockton CD	7/1/2015	0.20%	27,122
			<u>\$ 67,916</u>

June 30, 2016	<u>Maturity Date</u>	<u>Rate %</u>	<u>Value</u>
Bank of Stockton CD	6/23/2017	0.18%	5,665
El Dorado Savings CD	12/20/2018	1.09%	24,201
El Dorado Savings CD	10/16/2018	1.09%	11,417
Bank of Stockton CD	7/1/2017	0.20%	27,177
			<u>\$ 68,460</u>

**NOTE 5- CAPITAL ASSETS**

Capital assets governmental activities changes are summarized below:

Governmental Activities	<u>Beg. Balance 07/01/2014</u>	<u>Additions</u>	<u>Deletions</u>	<u>End Balance 6/30/2015</u>
Capital assets not being depreciated:				
Land	\$ 25,000	\$ -	\$ -	\$ 25,000
Total capital assets not being depreciated	<u>\$ 25,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 25,000</u>

Governmental Activities	<u>Beg. Balance 07/01/2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>End Balance 6/30/2016</u>
Capital assets not being depreciated:				
Land	\$ 25,000	\$ -	\$ -	\$ 25,000
Total capital assets not being depreciated	<u>\$ 25,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 25,000</u>

**VOLCANO COMMUNITY SERVICES DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2015 and 2016**

**NOTE 5- CAPITAL ASSETS- continued**

Capital assets business-type activities changes are summarized below:

<b>Business- Type Activities</b>	<b>Beg. Balance 07/01/2014</b>	<b>Additions</b>	<b>Deletions</b>	<b>End Balance 6/30/2015</b>
Capital assets not being depreciated:				
Land	\$ 26,800	\$ -	\$ -	\$ 26,800
Total capital assets not being depreciated	<u>26,800</u>	<u>-</u>	<u>-</u>	<u>26,800</u>
Capital assets being depreciated:				
Armory hall	65,440	-	-	65,440
Equipment	332,672	2,363	-	335,035
Water treatment and buildings	275,138	-	-	275,138
Total capital assets being depreciated	<u>673,250</u>	<u>2,363</u>	<u>-</u>	<u>675,613</u>
Less accumulated depreciation	<u>(311,069)</u>	<u>(19,884)</u>	<u>-</u>	<u>(330,953)</u>
Total capital assets being depreciated, net	<u>\$ 362,181</u>			<u>344,660</u>
Total capital assets, net				<u><b>\$ 371,460</b></u>

<b>Business- Type Activities</b>	<b>Beg. Balance 07/01/2015</b>	<b>Additions</b>	<b>Deletions</b>	<b>End Balance 6/30/2016</b>
Capital assets not being depreciated:				
Land	\$ 26,800	\$ -	\$ -	\$ 26,800
Total capital assets not being depreciated	<u>26,800</u>	<u>-</u>	<u>-</u>	<u>26,800</u>
Capital assets being depreciated:				
Armory hall	65,440	-	-	65,440
Equipment	335,035	-	-	335,035
Water treatment and buildings	275,138	2,100	-	277,238
Total capital assets being depreciated	<u>675,613</u>	<u>2,100</u>	<u>-</u>	<u>677,713</u>
Less accumulated depreciation	<u>(330,953)</u>	<u>(19,884)</u>	<u>-</u>	<u>(350,837)</u>
Total capital assets being depreciated, net	<u>\$ 344,660</u>			<u>326,876</u>
Total capital assets, net				<u><b>\$ 353,676</b></u>

**NOTE 6- COMMITMENTS AND CONTINGENCIES**

The District is unaware of any claims against it, which may have a material effect on the financial statements as of June 30, 2015 and 2016.

**VOLCANO COMMUNITY SERVICES DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2015 and 2016**

**NOTE 7- RELATED PARTY TRANSACTIONS**

The District had water assessments included in accounts receivable from Board members in the amount of \$3,537 and \$4,124 as of June 30, 2015 and 2016 respectfully.

**NOTE 8- RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts; theft of, damage of and destruction of assets; errors and omissions; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. There were no significant reductions in insurance coverage from the prior period.

**NOTE 9- SUBSEQUENT EVENTS**

The Board has evaluated subsequent events through September 19, 2019, the date the financial statements were available to be issued. There are no significant events to report.