

Volcano
Community
Services
District

2017 & 2018

For the Fiscal Years Ended June 30, 2017
and June 30, 2018

**Annual
Financial
Report**

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VOLCANO COMMUNITY SERVICES DISTRICT

BOARD OF DIRECTORS

As of June 30, 2018

<u>MEMBER</u>	<u>POSITION</u>	<u>TERM ENDS</u>
Nancy Bailey	President	2020
Jane Norcross	Vice President	2020
Wendy Cooper	Director	2022
Chuck Swift	Director	2020
Gerald Schippers	Director	2022

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CATHY CASTILLO

CERTIFIED PUBLIC ACCOUNTANT

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Toni Heppe, CPA

Susan Bordwell, Staff Accountant

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

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, 2017 and 2018, and the related notes to the financial statements, which collectively compromise 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.

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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, 2018 and 2017 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 XXXXX, 2019
Sutter Creek, California

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June 30, 2017

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VOLCANO COMMUNITY SERVICES DISTRICT
STATEMENT OF NET POSITION
June 30, 2017

	Governmental Activities	Business- Type Activities	Total
ASSETS			
Unrestricted cash:			
Petty cash	\$ -	\$ (426)	\$ (426)
Cash in checking	-	41,532	41,532
Certificates of deposits	-	68,836	68,836
Total unrestricted cash	-	109,942	109,942
Accounts receivable-operations	-	12,220	12,220
Due to general fund	-	-	-
Due to hall fund	17,233	776	18,009
Prepaid insurance	-	695	695
Capital assets:			
Armory hall	-	79,640	79,640
Equipment	-	335,035	335,035
Land	25,000	26,800	51,800
Water treatment system	-	277,238	277,238
	25,000	718,713	743,713
Less accumulated depreciation		(369,826)	(369,826)
Total capital assets, net	25,000	348,887	373,887
Other assets:			
Water rights	-	16,560	16,560
Less accumulated amortization	-	(16,477)	(16,477)
Total other assets	-	83	83
TOTAL ASSETS	\$ 42,233	\$ 472,603	\$ 514,836
LIABILITIES			
Accounts payable	\$ 75	\$ 3,163	\$ 3,238
Due to general fund	-	17,233	17,233
Due to hall fund	-	776	776
Total liabilities	75	21,172	21,247
DEFERRED INFLOWS OF RESOURCES			
Deferred rent	-	550	550
Total deferred inflows of resources	-	550	550
NET POSITION			
Net investment in capital assets	25,000	348,887	373,887
Unrestricted	17,158	101,994	119,152
Total net position	42,158	450,881	493,039
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	\$ 42,233	\$ 472,603	\$ 514,836

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, 2017

	Governmental Activities	Business- Type Activities	Total
EXPENSES			
Amortization	\$ -	\$ 41	\$ 41
Bank fees	-	-	-
Depreciation	-	18,989	18,989
General liability insurance	1,133	4,543	5,676
Janitorial	1,405	900	2,305
Lab reports	-	2,262	2,262
Legal notices	218	-	218
Membership and subscriptions	315	-	315
Permits	-	887	887
Postage	28	253	281
Professional and specialized services	1,717	27,540	29,257
Repairs and maintenance	-	9,266	9,266
Supplies	630	167	797
Telephone	-	1,115	1,115
Utilities	4,177	3,815	7,992
Total expenses	9,623	69,778	79,401
PROGRAM REVENUES			
Charges for current services- Water	-	49,641	49,641
Charges for current services (net)- Hall	-	3,550	3,550
Operating contributions	1,178	-	1,178
Capital contributions- Hall	-	17,500	17,500
Total program revenues	1,178	70,691	71,869
Net program revenues (expenses)	(8,445)	913	(7,532)
GENERAL REVENUES			
Property tax assessments	13,830	-	13,830
Investment earnings	387	-	387
Refunds and reimbursements	782	-	782
Total general revenues	14,999	-	14,999
Change in net position	6,554	913	7,467
Net Position-beginning of year	35,604	449,968	485,572
Net Position-end of year	\$ 42,158	\$ 450,881	\$ 493,039

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VOLCANO COMMUNITY SERVICES DISTRICT
 BALANCE SHEET- GOVERNMENTAL FUND
 Governmental Activities
 June 30, 2017

	<u>GENERAL FUND</u>
ASSETS	
Unrestricted cash:	
Petty cash	\$ -
Cash in checking	-
Certificates of deposits	-
Total unrestricted cash	-
Due to general fund	17,233
TOTAL ASSETS	\$ 17,233
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LIABILITIES	
Accounts payable	\$ 75
Total liabilities	75
NET POSITION	
Fund Balance- Unassigned	17,158
Total fund balance	17,158
TOTAL LIABILITIES AND FUND BALANCE	\$ 17,233

VOLCANO COMMUNITY SERVICES DISTRICT
 RECONCILIATION OF THE BALANCE SHEET-GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET POSITION
 June 30, 2017

Total Fund Balances of Governmental Funds	\$ 17,158
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
Net Position of Governmental Activities	\$ 42,158

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, 2017

REVENUES	<u>GENERAL FUND</u>
Property tax assessments	\$ 13,830
Interest and investment earnings	387
Operating contributions	1,178
Refunds and reimbursements	782
Total operating revenue	<u>16,177</u>
EXPENDITURES	
General liability insurance	1,133
Janitorial	1,405
Legal notices	218
Membership and subscriptions	315
Postage	28
Professional and specialized services	1,717
Repairs and maintenance	-
Supplies	630
Utilities	4,177
Total expenditures	<u>9,623</u>
Change in Net Position	6,554
Net Position- beginning of year	10,604
Net Position- end of year	<u>\$ 17,158</u>

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VOLCANO COMMUNITY SERVICES DISTRICT
STATEMENT OF NET POSITION- ENTERPRISE FUND
June 30, 2017

	Business-type Activities- Enterprise Funds		
	WATER FUND	HALL FUND	Total
ASSETS			
Unrestricted cash:			
Petty cash	\$ (426)	\$ -	\$ (426)
Cash in checking	41,532	-	41,532
Certificates of deposits	68,836	-	68,836
Total unrestricted cash	<u>109,942</u>	<u>-</u>	<u>109,942</u>
			-
Accounts receivable-operations	12,220	-	12,220
Prepaid insurance	695	-	695
Due to hall fund	776	-	776
			-
Capital assets:			-
Armory hall	-	79,640	79,640
Equipment	335,035	-	335,035
Land	25,000	1,800	26,800
Water treatment system	277,238	-	277,238
	<u>637,273</u>	<u>81,440</u>	<u>718,713</u>
Less accumulated depreciation	<u>(324,629)</u>	<u>(45,197)</u>	<u>(369,826)</u>
Total capital assets, net	312,644	36,243	348,887
			-
Other assets:			-
Water rights	16,560	-	16,560
Less accumulated amortization	<u>(16,477)</u>	<u>-</u>	<u>(16,477)</u>
Total other assets	<u>83</u>	<u>-</u>	<u>83</u>
TOTAL ASSETS	<u>\$ 436,360</u>	<u>\$ 36,243</u>	<u>\$ 472,603</u>
			-
LIABILITIES			
Accounts payable	\$ 3,063	\$ 100	\$ 3,163
Due to general fund	17,233	-	17,233
Due to hall fund	-	776	776
Total liabilities	<u>20,296</u>	<u>876</u>	<u>21,172</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred Rent	-	550	550
Total deferred inflows of resources	<u>-</u>	<u>550</u>	<u>550</u>
NET POSITION			
Net investment in capital assets	312,644	36,243	348,887
Unrestricted	103,420	(1,426)	101,994
Total net position	<u>416,064</u>	<u>34,817</u>	<u>450,881</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 436,360</u>	<u>\$ 36,243</u>	<u>\$ 472,603</u>

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, 2017

	Business-type Activities- Enterprise Funds		
	<u>WATER FUND</u>	<u>HALL FUND</u>	<u>TOTAL</u>
OPERATING REVENUES			
Charges for current services- gross	\$ 49,641	\$ 13,750	\$ 63,391
Charges not collected	-	(2,700)	(2,700)
Waived charges	-	(7,500)	(7,500)
	<hr/>	<hr/>	<hr/>
Total operating revenue	49,641	3,550	53,191
OPERATING EXPENSES			
Amortization	41	-	41
Bank fees	-	-	-
Depreciation	15,159	3,830	18,989
Health permits	887	-	887
Insurance	3,409	1,134	4,543
Janitorial	-	900	900
Lab reports	2,262	-	2,262
Maintenance and repairs	7,508	1,758	9,266
Postage	253	-	253
Professional Services	25,710	1,830	27,540
Supplies	-	167	167
Telephone	563	552	1,115
Utilities	2,281	1,534	3,815
	<hr/>	<hr/>	<hr/>
Total operating expenses	58,073	11,705	69,778
Operating income	<u>(8,432)</u>	<u>(8,155)</u>	<u>(16,587)</u>
NON-OPERATING REVENUES			
Capital contributions	-	17,500	17,500
	<hr/>	<hr/>	<hr/>
Total non-operating revenue	-	17,500	17,500
Non-operating income(loss)	-	17,500	17,500
Change in net position	(8,432)	9,345	913
Net Position -beginning of year	424,496	25,472	449,968
Net Position -end of year	<u>\$ 416,064</u>	<u>\$ 34,817</u>	<u>\$ 450,881</u>

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VOLCANO COMMUNITY SERVICES DISTRICT
STATEMENT OF CASH FLOWS
ENTERPRISE FUND
For the Fiscal Year Ending June 30, 2017

	<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	\$ 46,314	\$ 3,550	\$ 49,864
Cash paid to suppliers and vendors	<u>(36,439)</u>	<u>(6,850)</u>	<u>(43,289)</u>
Net cash used for operating activities	<u>9,875</u>	<u>(3,300)</u>	<u>6,575</u>
CASH FLOWS USED FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Capital contribution	-	17,500	17,500
Purchase of capital asset	<u>(14,200)</u>	<u>(14,200)</u>	<u>(14,200)</u>
Net cash used for financing activities	<u>-</u>	<u>3,300</u>	<u>3,300</u>
NET INCREASE IN CASH	9,875	-	9,875
CASH BEGINNING OF YEAR	<u>100,067</u>	<u>-</u>	<u>100,067</u>
CASH END OF YEAR	<u><u>\$ 109,942</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 109,942</u></u>
Operating income	\$ (8,432)	\$ (8,155)	\$ (16,587)
Adjustments to reconcile change in net assets to net cash used for operating activities:			
Depreciation	15,159	3,830	18,989
Amortization	41	-	41
Change in:			
Accounts receivable	(3,327)	-	(3,327)
Prepaid expense	7	-	7
Accounts payable	883	-	883
Due to general fund	6,569	-	6,569
Due to hall fund	(249)	249	-
Due to water fund	(776)	776	-
Deferred rent	<u>-</u>	<u>-</u>	<u>-</u>
Net cash used for operating activities	<u><u>\$ 9,875</u></u>	<u><u>\$ (3,300)</u></u>	<u><u>\$ 6,575</u></u>

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June 30, 2018

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VOLCANO COMMUNITY SERVICES DISTRICT
STATEMENT OF NET POSITION
June 30, 2018

	Governmental Activities	Business- Type Activities	Total
ASSETS			
Unrestricted cash:			
Petty cash	\$ -	\$ 27	\$ 27
Cash in checking	-	32,769	32,769
Certificates of deposits	-	69,423	69,423
Total unrestricted cash	-	102,219	102,219
Accounts receivable-operations	-	10,170	10,170
Due to general fund	25,532	-	25,532
Due to hall fund	-	23,908	23,908
Prepaid insurance	-	723	723
Capital assets:			
Armory hall	-	106,690	106,690
Equipment	-	335,035	335,035
Land	25,000	26,800	51,800
Water treatment system	-	277,238	277,238
	25,000	745,763	770,763
Less accumulated depreciation	-	(389,864)	(389,864)
Total capital assets, net	25,000	355,899	380,899
Other assets:			
Water rights	-	16,560	16,560
Less accumulated amortization	-	(16,519)	(16,519)
Total other assets	-	41	41
TOTAL ASSETS	\$ 50,532	\$ 492,960	\$ 543,492
LIABILITIES			
Accounts payable	\$ 75	\$ 2,295	\$ 2,370
Due to general fund	-	25,532	25,532
Due to hall fund	-	23,908	23,908
Total liabilities	75	51,735	51,810
DEFERRED INFLOWS OF RESOURCES			
Deferred rent	-	-	-
Total deferred inflows of resources	-	-	-
NET POSITION			
Net investment in capital assets	25,000	355,899	380,899
Unrestricted	25,457	85,326	110,783
Total net position	50,457	441,225	491,682
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	\$ 50,532	\$ 492,960	\$ 543,492

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, 2018

	<u>Governmental Activities</u>	<u>Business- Type Activities</u>	<u>Total</u>
EXPENSES			
Amortization	\$ -	\$ 41	\$ 41
Bank fees	-	8	8
Depreciation	-	20,038	20,038
General liability insurance	568	5,090	5,658
Janitorial	780	1,550	2,330
Lab reports	-	4,266	4,266
Legal notices	-	-	-
Membership and subscriptions	254	-	254
Permits	-	887	887
Postage	38	334	372
Professional and specialized services	1,042	27,210	28,252
Recognition gifts	-	-	-
Repairs and maintenance	270	8,022	8,292
Supplies	252	144	396
Telephone	-	1,435	1,435
Utilities	4,425	3,478	7,903
	<u>7,629</u>	<u>72,503</u>	<u>80,132</u>
PROGRAM REVENUES			
Charges for current services- Water	-	50,897	50,897
Charges for current services (net)- Rental	50	4,450	4,500
Operating contributions	810	-	810
Capital contributions- Hall	-	7,500	7,500
Total program revenues	<u>860</u>	<u>62,847</u>	<u>63,707</u>
	<u>(6,769)</u>	<u>(9,656)</u>	<u>(16,425)</u>
GENERAL REVENUES			
Property tax assessments	14,470	-	14,470
Investment earnings	598	-	598
Refunds and reimbursements	-	-	-
Total general revenues	<u>15,068</u>	<u>-</u>	<u>15,068</u>
Change in net position	8,299	(9,656)	(1,357)
Net Position-beginning of year	42,158	450,881	493,039
Net Position-end of year	<u><u>\$ 50,457</u></u>	<u><u>\$ 441,225</u></u>	<u><u>\$ 491,682</u></u>

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VOLCANO COMMUNITY SERVICES DISTRICT
BALANCE SHEET- GOVERNMENTAL FUND
Governmental Activities
June 30, 2018

	<u>GENERAL FUND</u>
ASSETS	
Unrestricted cash:	
Petty cash	\$ -
Cash in checking	-
Certificates of deposits	-
Total unrestricted cash	-
Due to general fund	25,532
TOTAL ASSETS	\$ 25,532
LIABILITIES	
Accounts payable	\$ 75
Total liabilities	75
NET POSITION	
Fund Balance- Unassigned	25,457
Total fund balance	25,457
TOTAL LIABILITIES AND FUND BALANCE	\$ 25,532

VOLCANO COMMUNITY SERVICES DISTRICT
RECONCILIATION OF THE BALANCE SHEET-GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
June 30, 2018

Total Fund Balances of Governmental Funds	\$ 25,457
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
Net Position of Governmental Activities	\$ 50,457

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, 2018

REVENUES	<u>GENERAL FUND</u>
Property tax assessments	\$ 14,470
Charges for current services	50
Interest and investment earnings	598
Operating contributions	810
Refunds and reimbursements	-
Total operating revenue	<u>15,928</u>
EXPENDITURES	
General liability insurance	568
Janitorial	780
Legal notices	-
Membership and subscriptions	254
Postage	38
Professional and specialized services	1,042
Repairs and maintenance	270
Supplies	252
Utilities	4,425
Total expenditures	<u>7,629</u>
Change in Net Position	8,299
Net Position- beginning of year	17,158
Net Position- end of year	<u>\$ 25,457</u>

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VOLCANO COMMUNITY SERVICES DISTRICT
STATEMENT OF NET POSITION- ENTERPRISE FUND
June 30, 2018

	Business-type Activities- Enterprise Funds		
	WATER FUND	HALL FUND	Total
ASSETS			
Unrestricted cash:			
Petty cash	\$ 27	\$ -	\$ 27
Cash in checking	32,769	-	32,769
Certificates of deposits	69,423	-	69,423
Total unrestricted cash	<u>102,219</u>	<u>-</u>	<u>102,219</u>
			-
Accounts receivable-operations	10,170	-	10,170
Prepaid insurance	723	-	723
Due to hall fund	23,908	-	23,908
Capital assets:			
Armory hall	-	106,690	106,690
Equipment	335,035	-	335,035
Land	25,000	1,800	26,800
Water treatment system	277,238	-	277,238
	<u>637,273</u>	<u>108,490</u>	<u>745,763</u>
Less accumulated depreciation	<u>(339,688)</u>	<u>(50,176)</u>	<u>(389,864)</u>
Total capital assets, net	297,585	58,314	355,899
			-
Other assets:			
Water rights	16,560	-	16,560
Less accumulated amortization	<u>(16,519)</u>	<u>-</u>	<u>(16,519)</u>
Total other assets	<u>41</u>	<u>-</u>	<u>41</u>
TOTAL ASSETS	<u>\$ 434,646</u>	<u>\$ 58,314</u>	<u>\$ 492,960</u>
LIABILITIES			
Accounts payable	\$ 2,195	\$ 100	\$ 2,295
Due to general fund	25,532	-	25,532
Due to hall fund	-	23,908	23,908
Total liabilities	<u>27,727</u>	<u>24,008</u>	<u>51,735</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred Rent	-	-	-
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>
NET POSITION			
Net investment in capital assets	297,585	58,314	355,899
Unrestricted	109,334	(24,008)	85,326
Total net position	<u>406,919</u>	<u>34,306</u>	<u>441,225</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 434,646</u>	<u>\$ 58,314</u>	<u>\$ 492,960</u>

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, 2018

	<u>Business-type Activities- Enterprise Funds</u>		
	<u>WATER FUND</u>	<u>HALL FUND</u>	<u>TOTAL</u>
OPERATING REVENUES			
Charges for current services- gross	\$ 50,897	\$ 14,350	\$ 65,247
Charges not collected	-	(2,750)	(2,750)
Waived charges	-	(7,150)	(7,150)
	<hr/>	<hr/>	<hr/>
Total operating revenue	50,897	4,450	55,347
OPERATING EXPENSES			
Amortization	41	-	41
Bank fees	8	-	8
Depreciation	15,057	4,981	20,038
Health permits	887	-	887
Insurance	4,521	569	5,090
Janitorial	-	1,550	1,550
Lab reports	4,266	-	4,266
Postage	334	-	334
Professional services	25,369	1,841	27,210
Repairs and maintenance	6,819	1,203	8,022
Supplies	-	144	144
Telephone	593	842	1,435
Utilities	2,147	1,331	3,478
	<hr/>	<hr/>	<hr/>
Total operating expenses	60,042	12,461	72,503
Operating income	<hr/> <u>(9,145)</u>	<hr/> <u>(8,011)</u>	<hr/> <u>(17,156)</u>
NON-OPERATING REVENUES			
Capital contributions	-	7,500	7,500
	<hr/>	<hr/>	<hr/>
Total non-operating revenue	-	7,500	7,500
Non-operating income(loss)	-	7,500	7,500
Change in net position	(9,145)	(511)	(9,656)
Net Position -beginning of year	416,064	34,817	450,881
Net Position -end of year	<hr/> <u>\$ 406,919</u>	<hr/> <u>\$ 34,306</u>	<hr/> <u>\$ 441,225</u>

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VOLCANO COMMUNITY SERVICES DISTRICT
STATEMENT OF CASH FLOWS
ENTERPRISE FUND
For the Fiscal Year Ending June 30, 2018

	<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	\$ 52,947	\$ 3,900	\$ 56,847
Cash paid to suppliers and vendors	<u>(36,763)</u>	<u>(8,257)</u>	<u>(45,020)</u>
Net cash used for operating activities	<u>16,184</u>	<u>(4,357)</u>	<u>11,827</u>
CASH FLOWS USED FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Capital contribution	-	7,500	7,500
Capital asset acquisition	-	(27,050)	(27,050)
Due to water fund	<u>(23,907)</u>	<u>23,907</u>	<u>-</u>
Net cash used for financing activities	<u>(23,907)</u>	<u>4,357</u>	<u>(19,550)</u>
NET INCREASE(DECREASE) IN CASH	(7,723)	-	(7,723)
CASH BEGINNING OF YEAR	<u>109,942</u>	<u>-</u>	<u>109,942</u>
CASH END OF YEAR	<u>\$ 102,219</u>	<u>\$ -</u>	<u>\$ 102,219</u>
Operating income	\$ (9,145)	\$ (8,011)	\$ (17,156)
Adjustments to reconcile change in net assets to net cash used for operating activities:			
Depreciation	15,057	4,980	20,037
Amortization	41	-	41
Change in:			
Accounts receivable	2,050	-	2,050
Prepaid expense	(27)	-	(27)
Accounts payable	(867)	-	(867)
Due to general fund	8,299	-	8,299
Due to hall fund	776	(776)	-
Deferred rent	<u>-</u>	<u>(550)</u>	<u>(550)</u>
Net cash used for operating activities	<u>\$ 16,184</u>	<u>\$ (4,357)</u>	<u>\$ 11,827</u>

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**VOLCANO COMMUNITY SERVICES DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2017 and 2018**

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.

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**VOLCANO COMMUNITY SERVICES DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2017 and 2018**

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.

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.

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.

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**VOLCANO COMMUNITY SERVICES DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2017 and 2018**

NOTE 2- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-continued

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, 2017 and 2018 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.

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.

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**VOLCANO COMMUNITY SERVICES DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2017 and 2018**

NOTE 2- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-continued

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, 2017 and 2018 is \$18,989 and \$20,038 respectively.

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:

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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, 2017 or 2018.

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.

**VOLCANO COMMUNITY SERVICES DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2017 and 2018**

NOTE 2- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-continued

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, 2017, and 2018, 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.

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**VOLCANO COMMUNITY SERVICES DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2017 and 2018**

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, 2017 are as follows:

June 30, 2017		Rate %	Value
General checking	-	0.03%	\$ 41,532
Petty cash	-	-	(426)
Total District Cash			\$ 41,106

Cash accounts at June 30, 2018 are as follows:

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June 30, 2018		Rate %	Value
General checking	-	0.03%	\$ 32,769
Petty cash	-	-	27
Total District Cash			\$ 32,796

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, 2017 and 2018**

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, 2017	<u>Maturity Date</u>	<u>Rate %</u>	<u>Value</u>
Bank of Stockton CD	6/23/2018	0.18%	5,678
El Dorado Savings CD	12/20/2018	1.09%	24,465
El Dorado Savings CD	10/16/2018	1.09%	11,448
Bank of Stockton CD	7/1/2017	0.20%	27,245
			<u>\$ 68,836</u>

June 30, 2018	<u>Maturity Date</u>	<u>Rate %</u>	<u>Value</u>
Bank of Stockton CD	6/23/2019	0.18%	5,685
El Dorado Savings CD	12/20/2018	1.09%	24,847
El Dorado Savings CD	10/16/2018	1.09%	11,606
Bank of Stockton CD	7/1/2019	0.20%	27,285
			<u>\$ 69,423</u>

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NOTE 5- CAPITAL ASSETS

Capital assets governmental activities changes are summarized below:

Governmental Activities	<u>Beg. Balance 07/01/2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>End Balance 6/30/2017</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 07/01/2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>End Balance 6/30/2018</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, 2017 and 2018**

NOTE 7- CAPITAL ASSETS- continued

Capital assets business-type activities changes are summarized below:

Business- Type Activities	Beg. Balance 07/01/2016	Additions	Deletions	End Balance 6/30/2017
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	14,200	-	79,640
Equipment	335,035	-	-	335,035
Water treatment and buildings	277,238	-	-	277,238
Total capital assets being depreciated	<u>677,713</u>	<u>14,200</u>	<u>-</u>	<u>691,913</u>
Less accumulated depreciation	<u>(350,837)</u>	<u>(18,989)</u>		<u>(369,826)</u>
Total capital assets being depreciated, net	<u>\$ 326,876</u>			<u>322,087</u>
Total capital assets, net				<u><u>\$ 348,887</u></u>

Business- Type Activities	Beg. Balance 07/01/2017	Additions	Deletions	End Balance 6/30/2018
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	79,640	27,050	-	106,690
Equipment	335,035	-	-	335,035
Water treatment and buildings	277,238	-	-	277,238
Total capital assets being depreciated	<u>691,913</u>	<u>27,050</u>	<u>-</u>	<u>718,963</u>
Less accumulated depreciation	<u>(369,826)</u>	<u>(20,038)</u>		<u>(389,864)</u>
Total capital assets being depreciated, net	<u>\$ 322,087</u>			<u>329,099</u>
Total capital assets, net				<u><u>\$ 355,899</u></u>

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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, 2017 and 2018.

**VOLCANO COMMUNITY SERVICES DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2017 and 2018**

NOTE 7- RELATED PARTY TRANSACTIONS

The District had water assessments included in accounts receivable from Board members in the amount of \$4,119 and \$815 as of June 30, 2017 and 2018 respectfully.

NOTE 9- 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 10- SUBSEQUENT EVENTS

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

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