

Volcano  
Community  
Services  
District

2014

For the Fiscal Year Ended June 30, 2014  
with Comparative Totals for the Fiscal  
Year Ended June 30, 2013

**Annual  
Financial  
Report**

**VOLCANO COMMUNITY SERVICES DISTRICT**

**BOARD OF DIRECTORS**

**As of June 30, 2014**

<b>MEMBER</b>	<b>POSITION</b>	<b>TERM ENDS</b>
Nancy Bailey	President	2016
Meg Gottstein	Vice President	2014
Gary Korematsu	Director	2014
Terry Grillo	Director	2016
Jane Norcross	Director	2016

**VOLCANO COMMUNITY SERVICES DISTRICT**

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**June 30, 2014**

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**CATHY CASTILLO**  
**CERTIFIED PUBLIC ACCOUNTANT**

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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 the Volcano Community Service District as of and for the fiscal years ended June 30, 2014, 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. Management is also responsible for designing, implementing, and maintaining 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.

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 policies used and the reasonableness of significant accounting estimates made by managements, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

**Opinion**

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of Volcano Community District as of June 30, 2014 and the 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.

## Report on Summarized Comparative Information

I have previously audited the Volcano Community Service District's 2013 financial statements, and I expressed an unmodified audit opinion on those audited financial statements in my report dated October 21, 2014. In my opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2013 is consistent, in all material respects, with the audited financial statements from which it has been derived.

### Other Matters

Management has omitted the management discussion and analysis (MD & A) 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

July 30, 2015  
Sutter Creek, California

**VOLCANO COMMUNITY SERVICES DISTRICT**  
**STATEMENT OF NET POSITION**  
Proprietary Fund  
**June 30, 2014 with Comparative Totals as of June 30, 2013**

	<u>2014</u>	<u>2013</u>
<b>ASSETS</b>		
Unrestricted cash-		
Petty cash	\$ (441)	\$ (70)
Cash in checking	17,513	15,373
Certificates of deposits	67,471	72,993
Total unrestricted cash	84,543	88,296
Accounts receivable-operations	12,319	13,088
Prepaid insurance	730	648
Capital assets:		
Armory hall	65,440	58,440
Equipment	332,672	332,166
Land	51,800	51,800
Water treatment system	275,138	275,138
	725,050	717,544
Less accumulated depreciation	(311,069)	(291,342)
Total capital assets, net	413,981	426,202
Other assets:		
Water rights	16,560	16,560
Less accumulated amortization	(16,354)	(16,312)
Total other assets	206	248
<b>TOTAL ASSETS</b>	<b>\$ 511,779</b>	<b>\$ 528,482</b>
<b>LIABILITIES</b>		
Accounts payable	\$ 2,717	\$ 2,320
Total liabilities	2,717	2,320
<b>NET POSITION</b>		
Net investment in capital assets	413,981	426,202
Unrestricted	95,081	99,960
Total net position	509,062	526,162
<b>TOTAL LIABILITIES AND NET POSITION</b>	<b>\$ 511,779</b>	<b>\$ 528,482</b>

The accompanying notes are an integral part of these financial statements

**VOLCANO COMMUNITY SERVICES DISTRICT**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**  
**Proprietary Fund**  
**For the Fiscal Year Ended June 30, 2014 with Comparative Totals for the Fiscal Year**  
**Ended June 30, 2013**

	<u>2014</u>	<u>2013</u>
<b>OPERATING REVENUES</b>		
Charges for services	\$ 48,758	\$ 51,521
Property tax assessments	12,297	12,943
	<hr/>	<hr/>
Total operating revenue	61,055	64,464
 <b>OPERATING EXPENSES</b>		
Amortization	41	41
Billing secretary	4,140	4,140
Depreciation	14,790	14,689
Health permits	887	887
Insurance	5,571	5,226
Lab reports	5,274	3,633
Maintenance and repairs	27,244	27,501
Operating fees	50	50
Utilities-water system	795	1,150
	<hr/>	<hr/>
Total operating expenses	58,792	57,317
	<hr/>	<hr/>
<b>Operating income</b>	<b>2,263</b>	<b>7,147</b>

The accompanying notes are an integral part of these financial statements

**VOLCANO COMMUNITY SERVICES DISTRICT**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION-**  
**Proprietary Fund-continued**  
**For the Fiscal Year Ended June 30, 2014 with Comparative Totals for the Fiscal Year**  
**Ended June 30, 2013**

	<u>2014</u>	<u>2013</u>
<b>NON-OPERATING REVENUES</b>		
Donations	2,217	1,054
Hall rental fees	2,725	2,716
Interest income	316	224
Reimbursements and refunds	-	615
	<hr/>	<hr/>
Total non-operating revenue	5,258	4,609
	<hr/>	<hr/>
<b>NON-OPERATING EXPENSES</b>		
Cleaning supplies	480	1,019
Dues and subscriptions	196	182
Fees	421	419
Hall expenses:		
Cleaning supplies	180	435
Depreciation	4,937	4,237
Janitorial	603	2,638
Maintenance and repair	1,436	3,087
Rental supplies	-	500
Telephone	513	552
Utilities	2,542	2,896
Total hall expenses	10,211	14,345
Janitorial	1,860	1,785
Maintenance and repair	450	895
Office supplies and expenses	1,471	1,262
Secretarial services	5,700	5,700
Telephone	489	458
Utilities	3,343	3,845
	<hr/>	<hr/>
Total non-operating expenses	24,621	29,910
	<hr/>	<hr/>
<b>Non-operating income(loss)</b>	(19,363)	(25,301)
<b>Change in net position</b>	(17,100)	(18,154)
Net position -beginning of year	526,162	544,316
<b>Net position -end of year</b>	<u><u>\$ 509,062</u></u>	<u><u>\$ 526,162</u></u>

The accompanying notes are an integral part of these financial statements



**VOLCANO COMMUNITY SERVICES DISTRICT**  
**STATEMENT OF CASH FLOWS**  
**Proprietary Fund**  
**For the Fiscal Year Ended June 30, 2014 with Comparative Totals for the Fiscal Year**  
**Ended June 30, 2013**

	<u>2014</u>	<u>2013</u>
<b>CASH FLOWS USED FOR OPERATING ACTIVITIES:</b>		
Change in net position	\$ (17,100)	\$ (18,154)
Adjustments to reconcile change in net assets to net cash used for operating activities:		
Depreciation	19,727	18,926
Amortization	41	41
(Increase) decrease in:		
Accounts receivable	769	(1,486)
Prepaid expense	(82)	(20)
Increase (decrease) in:		
Accounts payable	398	(35)
	<hr/>	<hr/>
Net cash used for operating activities	3,753	(728)
<b>CASH FLOWS USED FROM INVESTING ACTIVITIES:</b>		
Purchase of equipment	(7,506)	(3,270)
Net cash used for investing activities	<hr/> (7,506) <hr/>	<hr/> (3,270) <hr/>
<b>NET INCREASE(DECREASE) IN CASH</b>	(3,753)	(3,998)
<b>CASH BEGINNING OF YEAR</b>	88,296	92,294
	<hr/>	<hr/>
<b>CASH END OF YEAR</b>	<u>\$ 84,543</u>	<u>\$ 88,296</u>

The accompanying notes are an integral part of these financial statements

VOLCANO COMMUNITY SERVICES DISTRICT

STATEMENT OF REVENUES AND EXPENSES-Budget vs Actual  
 Proprietary Fund  
 For the Fiscal Year Ended June 30, 2014

	Original and Final Budget Amount	Actual	Variance (unfavorable)
<b>OPERATING REVENUES</b>			
Charges for services	\$ 53,000	\$ 48,758	\$ (4,242)
Property tax assessments	8,950	12,297	3,347
Total operating revenue	<u>61,950</u>	<u>61,055</u>	<u>(895)</u>
<b>OPERATING EXPENSES</b>			
Amortization	-	41	(41)
Audit fee	2,000	-	2,000
Billing secretary	4,140	4,140	-
Depreciation	14,642	14,790	(148)
Health permits	887	887	-
Insurance	5,250	5,571	(321)
Maintenance and repairs	31,000	32,518	(1,518)
Operating fees	-	50	(50)
Utilities-water system	1,300	795	505
Total operating expenses	<u>59,219</u>	<u>58,792</u>	<u>427</u>
Operating Income	<u>\$ 2,731</u>	<u>\$ 2,263</u>	<u>\$ (468)</u>
<b>NON-OPERATING REVENUES</b>			
Donations	500	2,217	1,717
Hall rental fees	5,250	2,725	(2,525)
Interest income	150	316	166
Total non-operating revenue	<u>5,900</u>	<u>5,258</u>	<u>(642)</u>
<b>NON-OPERATING EXPENSES</b>			
Cleaning supplies	800	480	320
Dues and subscriptions	200	196	4
Fees	50	421	(371)
Hall expenses	6,900	10,211	(3,311)
Janitorial	1,300	1,860	(560)
Maintenance and repair	650	450	200
Office supplies and expenses	1,130	1,471	(341)
Other contingencies	1,500	-	1,500
Professional services	800	-	800
Secretarial services	5,700	5,700	-
Telephone	450	489	(39)
Utilities	370	3,343	(2,973)
Total non-operating expenses	<u>19,850</u>	<u>24,621</u>	<u>(4,771)</u>
Non-operating income(loss)	<u>(13,950)</u>	<u>(19,363)</u>	<u>(5,413)</u>
Change in net assets	<u>\$ (11,219)</u>	<u>\$ (17,100)</u>	<u>\$ (5,881)</u>

The accompanying notes are an integral part of these financial statements.

**VOLCANO COMMUNITY SERVICES DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2014

**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 five-year term, governs the district.

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

***Fund Accounting:***

The accounting records of the District are organized on the generally accepted basis of accounting for an enterprise fund.

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 has one enterprise fund, water services.

***Basis of Accounting:***

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.

***Assessments and Fees:***

The District's general operations are funded primarily by billings on the 67 parcels that comprise the District. 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.

The District also receives property tax assessments from the County of Amador based on the number of parcels in the District. Property tax assessments are received primarily in January and May.

The District also has a hall, which is available for rent. Annual rental income varies from year to year.

**VOLCANO COMMUNITY SERVICES DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2014

**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, 2014 is \$19,727.

***Comparative Financial Information:***

The financial statements include certain prior-year summarized comparative information in total. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the District's financial statements for the fiscal year ended June 30, 2013, from which the summarized information was derived. Certain amounts have been restated to conform with current year presentation.

***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.

***Prepaid Items:***

Prepaid balances are for payments made by the District in the current year to provide services occurring in the subsequent fiscal year. The prepaid item has been recorded to signify that a portion of fund balance is not available for other subsequent expenditures. The prepaid item for the District represents insurance expenditures allocable between fiscal years.

**VOLCANO COMMUNITY SERVICES DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2014

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

***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".

**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 District's cash is held at Bank of Stockton in Stockton, CA and El Dorado Savings Bank in Placerville, CA.

Cash accounts at June 30, 2014 are as follows:

	<u>Maturity Date</u>	<u>Rate %</u>	<u>Value</u>
General checking	-	0.03%	\$ 17,513
Petty cash	-	-	(441)
Bank of Stockton CD	6/23/2015	0.18%	5,645
El Dorado Savings CD	12/20/2018	0.10%	23,678
El Dorado Savings CD	10/16/2018	0.10%	11,080
Bank of Stockton CD	7/1/2015	0.45%	27,068
<b>Total District Cash</b>			<b><u><u>\$ 84,543</u></u></b>

***Interest Rate Risk-*** Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. The longer the maturity an investment has the greater its fair value has sensitivity to changes in market interest rates. The District mitigates this risk by only investing in fixed rate CD's.

**VOLCANO COMMUNITY SERVICES DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2014

**NOTE 3- CASH-continued**

**Credit Risk-** Credit risk is the risk that an 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.

**Concentration of Credit Risk-** The District does not have a formal policy for concentration of credit risk.

**Custodial Credit Risk-** Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a district will not be able to recover its deposits. 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.

**NOTE 4- ACCOUNTS RECEIVABLE**

Accounts receivable at June 30, 2014 consist entirely of customer water utility billings due. No allowance for uncollectible accounts has been established because the District expects all accounts to be collected.

**NOTE 5- PREPAID EXPENSE**

As of June 30, 2014, 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.

**NOTE 6- CAPITAL ASSETS**

Capital assets at June 30, 2014 consisted of the following:

	<u>Beg. Balance</u> <u>07/01/2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>End Balance</u> <u>6/30/2014</u>
Capital assets not being depreciated:				
Land	\$ 51,800	\$ -	\$ -	\$ 51,800
Total capital assets not being depreciated	<u>51,800</u>	<u>-</u>	<u>-</u>	<u>51,800</u>
Capital assets being depreciated:				
Armory hall	58,440	7,000	-	65,440
Equipment	332,166	506	-	332,672
Water treatment and buildings	275,138	-	-	275,138
Total capital assets being depreciated	<u>665,744</u>	<u>7,506</u>	<u>-</u>	<u>673,250</u>
Less accumulated depreciation				<u>(311,069)</u>
Total capital assets being depreciated, net				362,181
Total capital assets, net				<u><u>\$ 413,981</u></u>

**VOLCANO COMMUNITY SERVICES DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2014

**NOTE 7-      ACCOUNTS PAYABLE**

The District's accounts payable as of June 30, 2014 consist of June services for system operator, janitor, billing secretary and county administration fees that were paid in the next fiscal year. All accounts were paid within 30 days following the end of the fiscal year.

**NOTE 8-      SUBSEQUENT EVENTS**

The Board has evaluated subsequent events through July 30, 2015, the date the financial statements were available to be issued. There are no significant events to report.

**NOTE 9-      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, 2014.

**NOTE 10-     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.