

**ANDERSON VALLEY COMMUNITY SERVICES DISTRICT**

**FINANCIAL STATEMENTS**

**and**

**REQUIRED SUPPLEMENTARY INFORMATION**

**Year Ended June 30, 2017**

**ANDERSON VALLEY COMMUNITY SERVICES DISTRICT**

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June 30, 2017

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**RICK BOWERS, CPA, PFS, CMA**  
**A Professional Corporation**  
730 S. Dora Street  
Ukiah, CA 95482

office (707) 468-9210  
fax (707) 468-1260  
email [rbcpacorp@yahoo.com](mailto:rbcpacorp@yahoo.com)

Certified Public Accountant  
Personal Financial Specialist  
Certified Management Accountant

### **Independent Auditor's Report**

Board of Directors  
Anderson Valley Community Services District  
Boonville, CA

#### **Report on the Financial Statements**

I have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Anderson Valley Community Services District as of and for the year ended June 30, 2017, 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 these financial statements in accordance with 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 financial statements that are free from material misstatement, whether due to fraud or error.

#### **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 fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District'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 District's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, 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 the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Anderson Valley Community Services District as of June 30, 2017, and the respective changes in financial position and cash flows thereof for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management Discussion and Analysis and budgetary comparison information be presented to supplement the basic financial statements. Such 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. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.



Rick Bowers, CPA  
August 20, 2018

**ANDERSON VALLEY FIRE DEPARTMENT**  
**P. O. Box 398 – 14281 Highway 128**  
**Boonville, CA 95415**  
**(707) 895-2075 – FAX (707) 895-2239**

Directors:	Seat 1: Valerie Hanelt, Chair Seat 2: Kathleen McKenna Seat 3: Francois Christen Seat 4: Larry Mailliard Seat 5: Paul Soderman	District Manager: Fire Chief: Airport Manager: Airport Committee Chair: Recreation Committee Chair: District Secretary:	Joy Andrews Andres Avila Kirk Wilder Kirk Wilder Shauna Espinosa Patty Liddy
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**MANAGEMENT'S DISCUSSION AND ANALYSIS**

This narrative overview of the financial activities of the Anderson Valley Community Service District is prepared for the fiscal year ended June 30, 2017.

**FINANCIAL HIGHLIGHTS:**

<b>ASSETS</b>	<b><u>June 30, 2017</u></b>	<b><u>June 30, 2016</u></b>
CURRENT ASSETS:	\$ 754,229	\$ 632,694
RESTRICTED CASH:	\$ 1,124	\$ 1,123
CAPITAL ASSETS-NET:	<u>\$ 2,419,436</u>	<u>\$ 2,330,559</u>
TOTAL ASSETS:	\$ 3,174,789	\$ 2,964,376
<b>LIABILITIES</b>		
CURRENT LIABILITIES	\$ 53,664	\$ 5,232
LONG-TERM DEBT	<u>-0-</u>	<u>-0-</u>
TOTAL LIABILITIES:	\$ 53,664	\$ 5,232
<b>NET ASSETS</b>		
INVESTED IN CAPITAL ASSETS		
NET OF DEBT:	\$ 2,419,436	\$ 2,330,559
RESTRICTED:	\$ 1,123	\$ 1,123
UNRESTRICTED:	<u>\$ 700,566</u>	<u>\$ 627,462</u>
TOTAL NET ASSETS:	<u><b>\$ 3,121,125</b></u>	<u><b>\$ 2,959,144</b></u>

- Cash has increased by \$72,473 over the prior year.
- Current assets were higher in the current year, because of the purchase of a fire engine
- Current liabilities were higher in the current year, because of a large account payable associated with the water/sewer planning grant
- Capital Assets increased due to the construction in progress associated with the airport
- Revenues are up \$858,457 in the governmental funds due to an increase in grant awards.
- Expenditures were higher in the previous year by \$461,000 due to the expenditure for the airport a large runway widening project, funded by a grant.

## OVERVIEW OF FINANCIAL STATEMENTS

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of the District as a whole and present a longer-term view of the District's finances. Fund financial statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the District's operations in more detail than the government-wide statements by providing information about the District's most financially significant expenses.

One of the most important questions asked about the District's finances is "Is the District as a whole better off or worse as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the District as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to accounting used by most private-sector companies. Accrual of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the District's net assets and changes in them. You can think of the District's net assets, the difference between assets and liabilities as one way to measure the District's financial health, or financial position. Over time, increases or decreases in the District's net assets are one indicator of whether its financial health is improving or deteriorating.

The District's services are reported in both a governmental fund and proprietary fund. The governmental fund focuses on how money flows into and out of the fund, and the balances left at year-end that are available for spending. AVCS D governmental funds include the Fire Department, Community Services, and the Recreation Committee/Teen Center. Governmental funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statement provides a detailed short-term view of the District's operations and the services it provides. The governmental fund statement of revenues, expenditures, and changes in fund balance is reconciled to the statement of activities in the financial statements.

The proprietary fund (Airport) presents its financial statements using the economic resources measurement focus and accrual method of accounting. The Airport is reported separately in the government-wide statement of net assets, and in a proprietary fund statement of revenues, expenses and changes in net assets. The Airport is also required to present a statement of cash flows.

## NOTES TO FINANCIAL STATEMENTS

The notes to financial statements provide additional information that is essential to a full understanding of the data provided in the District's fund financial statements.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve as a useful indicator of a government's financial position. In the case of AVCS D, assets exceed liabilities by \$3,121,125 an increase of \$161,981 compared with the prior year. The largest portion of AVCS D's net assets (76%) reflects its investment in

capital assets. In the course of the year, the AVCSD purchased a new fire engine. AVCSD uses all of its assets to provide services to citizens.

The Statement of Activities presents program revenues and expenses and general revenues in detail. A summary of the District's Statement of Activities is presented below:

<b>REVENUES</b>	<b><u>JUNE 30, 2017</u></b>	<b><u>JUNE 30, 2016</u></b>
<b>PROGRAM REVENUES</b>		
ASSESSMENTS	\$ 164,449	\$ 141,932
CHARGES FOR SERVICES	92,008	161,495
GRANTS & CONTRIBUTIONS	16,720	73,180
<b>GENERAL REVENUES</b>		
CAPITAL GRANTS	107,706	-----
PROPERTY TAXES	255,894	236,353
INVESTMENT EARNINGS	3,131	970
MISCELLANEOUS	<u>82,298</u>	<u>6,843</u>
<b>TOTAL REVENUES</b>	<b>722,206</b>	<b>\$620,773</b>
<b>EXPENSES</b>	<b>\$ <u>612,086</u></b>	<b>\$ <u>615,347</u></b>
<b>INCREASE IN NET ASSETS</b>	<b>\$ 110,120</b>	<b>\$ 5,426</b>

**LOOKING FORWARD**

In the coming year, the AVCSD is more aggressively exploring the possibility of taking on water and/or sewer services in Boonville, which is being considered with a planning grant that has been awarded for both to study the possibility of the system. The local volunteer ambulance service will be merging with the fire department on July 1, 2017 and its finances will have to be closely monitored for the first couple of years to ensure it is self-sustaining.



Joy Andrews  
 District Manager/CFO  
 Anderson Valley Community Services District

**ANDERSON VALLEY COMMUNITY SERVICES DISTRICT**  
**STATEMENT OF NET POSITION**  
June 30, 2017

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<b><u>ASSETS</u></b>			
<b>Current Assets</b>			
Cash and Cash Equivalents	\$ 592,395	\$ 40,393	\$ 632,788
Grants Receivable - Water / Sewer		42,773	42,773
Accounts Receivable	6,316		6,316
Taxes Receivable	28,839		28,839
Prepaid Expenses	43,513		43,513
<b>Total Current Assets</b>	<u>671,063</u>	<u>83,166</u>	<u>754,229</u>
Restricted Cash	1,124		1,124
<b>Capital Assets</b>			
Land	225,000	22,226	247,226
Construction in Progress (CIP)		104,857	104,857
Buildings and Improvements	513,598	1,843,745	2,357,343
Vehicles and Equipment	1,267,192		1,267,192
Total	<u>1,780,790</u>	<u>1,843,745</u>	<u>3,624,535</u>
Less: Accumulated Depreciation	(864,179)	(693,003)	(1,557,182)
Total	<u>916,611</u>	<u>1,150,742</u>	<u>2,067,353</u>
<b>Total Net Capital Assets</b>	<u>1,141,611</u>	<u>1,277,825</u>	<u>2,419,436</u>
<b>TOTAL ASSETS</b>	<u>1,813,798</u>	<u>1,360,991</u>	<u>3,174,789</u>
<b><u>LIABILITIES</u></b>			
<b>Current Liabilities</b>			
Engineering Fees - Water / Sewer		43,370	43,370
Accounts Payable	7,726		7,726
Accrued Vacation	2,568		2,568
<b>Total Current Liabilities</b>	<u>10,294</u>	<u>43,370</u>	<u>53,664</u>
<b><u>NET POSITION</u></b>			
Net Investment in Capital Assets	1,141,611	1,277,228	2,418,839
Restricted	1,124		1,124
Unrestricted	660,769	40,393	701,162
<b>TOTAL NET POSITION</b>	<u>\$1,803,504</u>	<u>\$1,317,621</u>	<u>\$3,121,125</u>

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



**ANDERSON VALLEY COMMUNITY SERVICES DISTRICT**  
**STATEMENT OF ACTIVITIES**  
For The Year Ended June 30, 2017

Functions / Programs	Expenses	Program Revenues			Net (Expense) Revenue
		Fire Service Tax	Charges for Services	Grants and Contributions	
<b>Governmental Activities</b>					
Fire Department	\$ 329,782	\$ 145,038	\$ 89,526	\$ 72,756	\$ (22,462)
Community Services	57,980		500	2,000	(55,480)
Recreation/Teen Center	1,950			1,111	(839)
Depreciation	74,492				(74,492)
<b>Total Governmental Activities</b>	<b>464,204</b>	<b>145,038</b>	<b>90,026</b>	<b>75,867</b>	<b>(153,273)</b>
<b>Business-Type Activities</b>					
Water and Sewer	914			107,706	\$ 106,792
Airport	84,637		2,482	10,000	(72,155)
<b>Total Business-Type Activities</b>	<b>85,551</b>	<b>0</b>	<b>2,482</b>	<b>117,706</b>	<b>34,637</b>
<b>Total</b>	<b>\$ 549,755</b>	<b>\$ 145,038</b>	<b>\$ 92,508</b>	<b>\$ 193,573</b>	<b>\$ (118,636)</b>
			<b>Governmental Activities</b>	<b>Business-Type Activities (Airport)</b>	<b>Total</b>
<b>Changes in Net Position</b>					
Net (Expense) Revenue			\$ (153,273)	\$ 34,637	\$ (118,636)
<b>General Revenues</b>					
Property Taxes			255,894		255,894
Special Assessments			19,411		19,411
Investment Earnings			3,106	35	3,141
Gain on Sale of Capital Assets			6,000		6,000
Other Income			1	6,675	6,676
<b>Total General Revenues</b>			<b>284,412</b>	<b>6,710</b>	<b>291,122</b>
<b>Change in Net Position</b>			<b>131,139</b>	<b>41,347</b>	<b>172,486</b>
<b>Net Position - Beginning</b>			<b>1,682,870</b>	<b>1,276,274</b>	<b>2,959,144</b>
Cloud Forest Institute Funds			(10,505)		(10,505)
<b>Net Position - Ending</b>			<b>\$ 1,803,504</b>	<b>\$ 1,317,621</b>	<b>\$ 3,121,125</b>

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

**ANDERSON VALLEY COMMUNITY SERVICES DISTRICT**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
June 30, 2017

	<u>Fire Department</u>	<u>Community Services</u>	<u>Recreation/ Teen Center</u>	<u>Total Governmental Funds</u>
<b><u>ASSETS</u></b>				
Cash	\$ 473,857	\$ 95,792	\$ 22,746	\$ 592,395
Accounts Receivable	6,316			6,316
Taxes Receivable	28,839			28,839
Prepaid Expenses	43,513			43,513
Restricted Cash		1,124		1,124
<b>TOTAL ASSETS</b>	<b><u>\$ 552,525</u></b>	<b><u>\$ 96,916</u></b>	<b><u>\$ 22,746</u></b>	<b><u>\$ 672,187</u></b>
<b><u>LIABILITIES AND FUND BALANCE</u></b>				
<b>LIABILITIES</b>				
Accounts Payable	\$ 7,726	\$ -	\$ -	\$ 7,726
Accrued Vacation	2,568			2,568
<b>TOTAL LIABILITIES</b>	<b><u>10,294</u></b>	<b><u>0</u></b>	<b><u>0</u></b>	<b><u>10,294</u></b>
<b>FUND BALANCE</b>				
Restricted For:				
Community Rewards and Trust Fund		1,124		1,124
Nonspendable	43,513			43,513
Assigned	450,839	85,288	20,016	556,143
Unassigned	47,879	10,504	2,730	61,113
<b>TOTAL FUND BALANCE</b>	<b><u>542,231</u></b>	<b><u>96,916</u></b>	<b><u>22,746</u></b>	<b><u>661,893</u></b>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b><u>\$ 552,525</u></b>	<b><u>\$ 96,916</u></b>	<b><u>\$ 22,746</u></b>	<b><u>\$ 672,187</u></b>

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

**ANDERSON VALLEY COMMUNITY SERVICES DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN**  
**FUND BALANCES - GOVERNMENTAL FUNDS**  
For The Year Ended June 30, 2017

	Fire Department	Community Services	Recreation/ Teen Center	Total Governmental Funds
<b>Revenues</b>				
Fire Service Tax	\$145,038	\$ -	\$ -	\$ 145,038
Property Tax	191,932	63,962		255,894
Special Assessments	19,411			19,411
Contributions	66,756	2,000		68,756
Grants	6,000		720	6,720
Charges for Services	89,526			89,526
Fundraising - Net			391	391
Fund Administrative Fees		500		500
Other Income		1		1
Gain on Sale	6,000			6,000
Interest	2,526	467	113	3,106
<b>Total Revenues</b>	<u>527,189</u>	<u>66,930</u>	<u>1,224</u>	<u>595,343</u>
<b>Expenditures</b>				
Salaries and Wages	144,249	33,173	75	177,497
Payroll Taxes and Benefits	33,288	5,785	6	39,079
Administrative Fees	2,667	4,218		6,885
Audit Fees		5,400		5,400
Cleaning Service	2,925			2,925
Clothing and Personal	20,594			20,594
Communications	7,465			7,465
Household Expense	2,651	20		2,671
Insurance	18,071			18,071
Insurance - Workmen's Comp	19,481			19,481
LAFCO Fee		919		919
Lighting District		3,683		3,683
Medical Exams	2,216			2,216
Memberships	200			200
Office Expense	4,377	2,732		7,109
Professional Services	1,266	664	32	1,962
Program Expenses			1,837	1,837
Repairs and Maintenance	18,566	190		18,756
Supplies	19,251			19,251
Telephone and Cellular	4,803	748		5,551
Training	7,856	110		7,966
Transportation and Travel	14,868	338		15,206
Utilities	4,987			4,987
Fixed Assets	136,824			136,824
<b>Total Expenditures</b>	<u>466,605</u>	<u>57,980</u>	<u>1,950</u>	<u>526,535</u>
<b>Excess of Revenues Over Expenditures</b>	60,584	8,950	(726)	68,808
<b>Fund Balance - Beginning</b>	481,647	87,966	33,977	603,590
Cloud Forest Institute Funds			(10,505)	(10,505)
<b>Fund Balance - Ending</b>	<u>\$542,231</u>	<u>\$ 96,916</u>	<u>\$ 22,746</u>	<u>\$ 661,893</u>

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

**ANDERSON VALLEY COMMUNITY SERVICES DISTRICT**  
**RECONCILIATION OF THE GOVERNMENTAL FUND STATEMENT OF**  
**REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**TO THE STATEMENT OF ACTIVITIES**

June 30, 2017

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<b>Excess of Revenues over Expenditures - Governmental Fund</b>	<b>\$ 68,808</b>
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Current year capital asset purchases reported as expenditures in the governmental fund financial statements are capitalized and depreciated over their estimated useful lives in the government-wide financial statements.	136,824
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Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The effect of current year's depreciation is to decrease net position.	<u>(74,493)</u>
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<b>Change in Net Assets - Governmental Activities, Statement of Activities</b>	<b><u>\$ 131,139</u></b>
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The accompanying notes are an integral part of these financial statements.

**ANDERSON VALLEY COMMUNITY SERVICES DISTRICT**  
**STATEMENT OF NET POSITION - PROPRIETARY FUNDS**  
June 30, 2017

	<b>Business-Type Activities - Enterprise Funds</b>		
	<b>Airport</b>	<b>Water &amp; Sewer</b>	<b>Total Proprietary Funds</b>
<b><u>ASSETS</u></b>			
<b>Current Assets</b>			
Cash and Cash Equivalents	\$ 37,861	\$ 2,532	\$ 40,393
Grants Receivable		42,773	42,773
<b>Total Current Assets</b>	<u>37,861</u>	<u>45,305</u>	<u>83,166</u>
<b>Capital Assets</b>			
Land	22,226		22,226
CIP - Engineering Fees		104,857	104,857
Buildings and Improvements	1,843,745		1,843,745
Less: Accumulated Depreciation	(693,003)		(693,003)
Total	<u>1,150,742</u>		<u>1,150,742</u>
<b>Total Net Capital Assets</b>	<u>1,172,968</u>	<u>104,857</u>	<u>1,277,825</u>
<b>TOTAL ASSETS</b>	<u>1,210,829</u>	<u>150,162</u>	<u>1,360,991</u>
<b><u>LIABILITIES</u></b>			
<b>Current Liabilities</b>			
Engineering Fees Payable	<u>0</u>	<u>43,370</u>	<u>43,370</u>
<b><u>NET POSITION</u></b>			
Net Investment in Capital Assets	1,172,968	104,260	1,277,228
Unrestricted	37,861	2,532	40,393
<b>TOTAL NET POSITION</b>	<u>\$ 1,210,829</u>	<u>\$ 106,792</u>	<u>\$ 1,317,621</u>

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

**ANDERSON VALLEY COMMUNITY SERVICES DISTRICT**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION -**  
**PROPRIETARY FUNDS**  
June 30, 2017

	<b>Business-Type Activities - Enterprise Funds</b>		
	<b>Airport</b>	<b>Water &amp; Sewer</b>	<b>Total Proprietary Funds</b>
<b><u>Operating Revenues</u></b>			
State CAAP Grant	\$ 10,000	\$ -	\$ 10,000
Fees for Services	2,482		2,482
Sales and Other Income	6,675		6,675
<b>Total Operating Revenues</b>	<b>19,157</b>	<b>0</b>	<b>19,157</b>
<b><u>Operating Expenses</u></b>			
Payroll Expenses		914	914
Fund Administrative Fees	500		500
Insurance	2,750		2,750
Maintenance	2,651		2,651
Office Expenses	7		7
Rents and Leases	418		418
Depreciation	78,311		78,311
<b>Total Operating Expenses</b>	<b>84,637</b>	<b>914</b>	<b>85,551</b>
<b>Operating Income (Loss)</b>	<b>(65,480)</b>	<b>(914)</b>	<b>(66,394)</b>
<b><u>Nonoperating Revenues (Expenses)</u></b>			
Capital Grants		107,706	107,706
Interest Income	35		35
<b>Change in Net Position</b>	<b>(65,445)</b>	<b>106,792</b>	<b>41,347</b>
<b>Net Position - Beginning</b>	<b>1,276,274</b>	<b>0</b>	<b>1,276,274</b>
<b>Net Position - Ending</b>	<b>\$ 1,210,829</b>	<b>\$ 106,792</b>	<b>\$ 1,317,621</b>

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

**ANDERSON VALLEY COMMUNITY SERVICES DISTRICT**  
**STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS**  
For The Year Ended June 30, 2017

	<b>Business-Type Activities - Enterprise Funds</b>		
	<b>Airport</b>	<b>Water &amp; Sewer</b>	<b>Total Proprietary Funds</b>
<b><u>Operating Activities</u></b>			
Received from State CAAP Grant	\$ 10,000	\$ -	\$ 10,000
Received for Services and Other Income	9,157		9,157
Paid for Administrative Fees	(500)		(500)
Payments for Goods and Services	(5,826)		(5,826)
Payments to / for Employees		(914)	(914)
<b>Net Cash Provided by (Used in) Operating Activities</b>	<b>12,831</b>	<b>(914)</b>	<b>11,917</b>
<b><u>Capital and Related Financing Activities</u></b>			
Capital Grants Received		64,933	64,933
Capital Expenditures		(61,487)	(61,487)
<b>Net Cash Provided by Capital and Related Financing Activities</b>	<b>0</b>	<b>3,446</b>	<b>3,446</b>
<b><u>Investing Activities</u></b>			
Investment Income Received	35		35
<b>Net Increase in Cash</b>	<b>12,866</b>	<b>2,532</b>	<b>15,398</b>
<b>Cash - Beginning of Year</b>	<b>24,995</b>		<b>24,995</b>
<b>Cash - End of Year</b>	<b>\$ 37,861</b>	<b>\$ 2,532</b>	<b>\$ 40,393</b>
<b><u>Reconciliation of Operating Income to Net Cash Provided by (Used in) Operating Activities</u></b>			
Operating Income (Loss)	\$ (65,480)	\$ (914)	\$ (66,394)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:			
Depreciation	78,311		78,311
<b>Net Cash Provided by (Used in) Operating Activities</b>	<b>\$ 12,831</b>	<b>\$ (914)</b>	<b>\$ 11,917</b>

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

**ANDERSON VALLEY COMMUNITY SERVICES DISTRICT  
NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2017**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Anderson Valley Community Services District (the District) was formed by the Mendocino County Board of Supervisors, Resolution 70-100, on April 21, 1970, pursuant to a special election on March 10, 1970, authorizing formation of the District. Services provided by the District include fire protection, recreation, street lighting, and the operation of the Boonville airport. The District provides services in and around the Highway 128 corridor between the towns of Yorkville and Navarro.

**a. Reporting Entity**

The reporting entity consists of the District as the primary government. Criteria used in determining the scope of the reporting entity includes financial interdependency, selection of governing authority, designation of management, legal separation, and accountability for fiscal matters. The District is governed by an elected five-member Board of Directors which maintains the District's highest level of decision-making authority.

**b. Government-Wide Financial Statements**

The government-wide financial statements (the statement of net position and statement of activities) report information about the District as a whole and include all funds of the District. These statements distinguish between governmental activities, which normally are financed by taxes and other non-exchange revenues; and business-type activities, which are financed in whole or in part by fees charged to external parties for services.

The statement of activities demonstrates the degree to which the direct expenses of a given function or program are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or program. *Program revenues* include 1) charges for services rendered, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Other items not properly included among program revenues are reported instead as *general revenues*. Major individual governmental funds are reported as separate columns in the fund financial statements.

**c. Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The financial statements of the District are prepared in conformity with accounting principles generally accepted in the United States of America, as defined by the Government Accounting Standards Board (GASB), the independent and ultimate authoritative accounting and financial reporting standard-setting body for state and local governments. The District's reporting entity applies all relevant GASB pronouncements.



**ANDERSON VALLEY COMMUNITY SERVICES DISTRICT  
NOTES TO FINANCIAL STATEMENTS (Continued)**

**JUNE 30, 2017**

Government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The District uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. Fund financial statements are provided for governmental and proprietary funds.

Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions.

Governmental Funds

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they become both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures are generally recorded when a liability is incurred, as under accrual accounting.

Grants, taxes, and accounts receivable associated with the current fiscal period are considered susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered measurable and available when the District receives the cash.

Proprietary Fund

Enterprise funds (proprietary fund type) financial statements are accounted for on the flow of economic resources measurement focus and use the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. Proprietary funds enable the District to determine the extent to which user charges are covering costs of providing the services.

**d. Budgetary Accounting**

An annual budget is adopted by the District on a non-GAAP basis for all governmental funds. The budget is used for operating management and internal accounting control, and may be revised during the year for unanticipated revenues or expenditures.

**ANDERSON VALLEY COMMUNITY SERVICES DISTRICT  
NOTES TO FINANCIAL STATEMENTS (Continued)**

**JUNE 30, 2017**

**e. Cash**

Cash consists of amounts on deposit with financial institutions, and with the county treasury. Cash and cash equivalents are considered to be cash-on-hand, highly liquid demand deposits, and short-term investments with maturities of three months or less.

**f. Prepaid Expenses**

Prepaid expenses reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

**g. Receivables and Revenues**

Management considers all receivables to be fully collectible, and no allowance for doubtful accounts has been recorded. If receivables do become uncollectible they are charged against operations when the amounts become determinable.

The District, by special election, is authorized to impose a special tax for fire protection and prevention. The tax is based on the type of use of the property, and is levied annually, collected by the county, and recognized as revenue by the District upon receipt or accrual.

General property tax revenue represents the portion of ad valorem taxes received as determined by their allocation factor. The tax revenue is available for general district use. Tax allocation factors represent each agency's pro rata share of the total ad valorem taxes collected countywide. This allocation is calculated by the county under provisions of Proposition 13, as revised by Assembly Bill 8, by adjustment of "base year" total taxes received, and is modified annually by an adjustment for:

- Increases and decreases in "full cash value" of property within the District's boundaries,
- Increases and decreases resulting from boundary annexations,
- State mandated property tax shifts to fund education.

The County of Mendocino collects the taxes and distributes them to taxing jurisdictions on the basis of assessed valuations subject to adjustments for voter-approved debt. Property taxes are levied March 1, are due on November 1 and March 1, and become delinquent on December 10 and April 10. The District receives special taxes pursuant to an arrangement with the County known as the "Teeter Plan", whereby the County assumes responsibility for the collection of delinquent taxes and pays the full allocation to the District. The District recognizes property tax revenues to the extent of each year's tax allocation received or to be received within 60 days after the end of each fiscal year.

**ANDERSON VALLEY COMMUNITY SERVICES DISTRICT  
NOTES TO FINANCIAL STATEMENTS (Continued)**

**JUNE 30, 2017**

**h. Capital Assets**

Capital assets are stated at historical cost and reported in the government-wide financial statements. In the governmental fund financial statements, capital assets purchased or donated to the District during the fiscal year are reported as expenditures. In proprietary funds they are capitalized and depreciated.

Donated assets are recorded at fair value on the date donated. Major improvements and additions are charged to the related capital asset accounts. Improvements and additions which do not significantly improve or extend the life of the asset are charged against earnings in the period incurred.

Capital assets of the District are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	15 - 30
Land Improvements	10 - 15
Fire Engines	7 - 20
Vehicles	7 - 10
Equipment	5 - 15

**i. Net Position and Fund Balance**

The differences between fund assets and liabilities is called “net position” in the government-wide and proprietary fund financial statements, and “fund balance” in the governmental fund financial statements.

Government-wide and proprietary fund financial statements have the following categories of net position:

- **Net investment in capital assets**, represents capital assets net of accumulated depreciation, reduced by the outstanding principal balances of debt attributable to the acquisition construction, or improvement of those assets.
- **Restricted net position**, includes amounts that can be spent only for specific purposes as stipulated by law, external resource providers, contracts, or through enabling legislation.

**ANDERSON VALLEY COMMUNITY SERVICES DISTRICT  
NOTES TO FINANCIAL STATEMENTS (Continued)**

**JUNE 30, 2017**

- **Unrestricted net position**, represents resources available for transactions relating to the general operations of the District which is neither net investment in capital assets or restricted.

In accordance with the provisions of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, the governmental fund financial statements have the following categories of fund balance:

- **Restricted fund balance** includes amounts that can be spent only for specific purposes as stipulated by law, external resource providers, contract, or through enabling legislation.
- **Nonspendable fund balance** includes amounts that cannot be spent, either because they are in a nonspendable form or because they are legally or contractually required to be maintained.
- **Assigned fund balance** includes amounts that are intended to be spent for specific purposes but do not meet the criteria to be classified as restricted. Intent can be expressed by the District's governing body or by an official or body to which the governing body delegates authority.
- **Unassigned fund balance** represents the residual classification for the District's general fund and includes all spendable amounts not contained in the other classifications.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, followed by assigned and unassigned resources as they are needed.

**j. Compensated Absences**

Vested vacation is recorded as an expense and liability as the benefits accrue. No liability is recorded for nonvesting accumulating rights to receive sick pay or compensated time off.

**k. Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**ANDERSON VALLEY COMMUNITY SERVICES DISTRICT  
NOTES TO FINANCIAL STATEMENTS (Continued)**

**JUNE 30, 2017**

**NOTE 2. CASH**

Cash consists of amounts on deposit in financial institutions and with the county treasurer. Individual accounts with financial institutions that have balances of less than \$250,000 are fully insured by the Federal Deposit Insurance Corporation (FDIC). Any remaining amounts are collateralized, as required by the California Government Code, by the pledging institution with assets held in a common pool for the District and other governmental agencies.

Amounts on deposit with the county treasurer are pooled money investment accounts and are accessible by warrants issued by the county. The funds deposited are invested in accordance with Sections 53601 and 53635 of the California Government Code which specify the authorized investments which an investment pool can purchase.

Cash consists of the following at June 30, 2017:

Deposits in Financial Institutions	\$ 73,113
Cash in County Treasury	559,416
Petty Cash	<u>259</u>
Total	<u>\$ 632,788</u>
 Restricted Cash	 <u>\$ 1,124</u>

**NOTE 3. CAPITAL ASSETS**

Following is a summary of changes in capital assets for the year ended June 30, 2017:

Capital Assets:	As Adjusted Beginning <u>Balance</u>	<u>Additions</u>	<u>Deletions</u>	Ending <u>Balance</u>
Land	\$ 247,226	\$ -	\$ -	\$ 247,226
Construction in Progress	-0-	104,857		104,857
Buildings and Improvements	2,357,343			2,357,343
Vehicles and Equipment	<u>1,160,369</u>	<u>136,824</u>	<u>30,000</u>	<u>1,267,192</u>
Total	3,517,712	136,824	30,000	3,624,535
Less Accumulated Depreciation	<u>(1,434,379)</u>	<u>(152,803)</u>	<u>30,000</u>	<u>(1,557,182)</u>
Total	<u>2,083,333</u>			<u>2,067,353</u>
Total Net Capital Assets	<u>\$ 2,330,559</u>			<u>\$ 2,314,579</u>

Construction in Progress consists of engineering fees for the water / sewer projects.

**ANDERSON VALLEY COMMUNITY SERVICES DISTRICT  
NOTES TO FINANCIAL STATEMENTS (Continued)**

**JUNE 30, 2017**

**NOTE 4. HEALTHCARE REIMBURSEMENT PLAN**

The District has established a Healthcare Reimbursement Plan (the Plan) to allow eligible employees to obtain reimbursement of specified medical care expenses on a nontaxable basis. The Plan has been established under Section 105 of the Internal Revenue Code. The Plan provides reimbursements up to an annual maximum dollar amount for the coverage period, which is the Plan year. Total expenses under this plan were \$15,000.

**NOTE 5. WATER / SEWER PROJECT**

The California State Water Board has agreed to provide Planning Funds as grants in the amount of up to five hundred thousand dollars each towards the AVCS D Water System and Clean Wastewater Projects. Total grant funds \$1,000,000. The Planning Completion date is established as May 30, 2019. Project Evaluation and Pre-design Engineering shall include: Identify and describe proposed service area alternatives (maximum of three); describe existing private water facilities in area and current water quality problems the projects are intended to resolve; determine water demands for the various user types and project water supply and storage requirements; analyze available water supply options and anticipated treatment requirements and recommend the best option; analyze two distribution system alternatives (“domestic and fire” services with deferred fire storage and hydrants, and complete “domestic and fire” service; identify potential storage sites and storage volumes to be located at each site for the various distribution system alternatives; prepare schematic design exhibits for use in the CEQA documentation process; and prepare summary memo of findings and submit to the CSD, Division of Drinking Water (DDW) and Division of Financial Assistance (DFA) at the State Water Resources Control Board.

The Projects additionally includes: Hydrogeological Investigation; CEQA/NEPA Exemptions; Right-of-Way Negotiations & Right-of-Way Options; Well Testing – Existing Wells; Engineering Report and Conceptual Design; Water Rate Study; Plans and Specifications; and CEQA/NEPA Contingencies.

Funding has been provided in full or in part through an agreement with the State Water Resources Control Board using funds from Proposition 1. California’s Drinking Water State Revolving Fund is capitalized through a variety of funding sources, including grants from the United States Environmental Protection Agency and state bond proceeds.

The above agreements reflect Planning funding only. If AVCS D desires construction funding they must complete the planning process, apply for construction funding, and execute a construction funding agreement. Costs associated with the construction phase of the possible eventual construction projects are not eligible for reimbursement under this Agreement.

**ANDERSON VALLEY COMMUNITY SERVICES DISTRICT  
NOTES TO FINANCIAL STATEMENTS (Continued)**

**JUNE 30, 2017**

**NOTE 6. CLOUD FOREST INSTITUTE FUNDS TRANSFER**

The Board voted to transfer Recreation Self-Sustaining Seed funding back to the Cloud Forest Institute out of fund balances.

**NOTE 7. SUBSEQUENT EVENTS**

In preparing these financial statements, the District's management has evaluated subsequent events for potential recognition or disclosure through August 20, 2018, the date the financial statements were available to be issued.

**ANDERSON VALLEY COMMUNITY SERVICES DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN**  
**FUND BALANCES - GOVERNMENTAL FUNDS**  
**BUDGET TO ACTUAL**  
For The Year Ended June 30, 2017

<b>Revenues</b>	Original / Final Budget	Fire Department	Community Services	Recreation	Variance
Fire Service Tax	\$ 145,800	\$ 145,038	\$ -	\$ -	\$ (762)
Property Tax	245,600	191,932	63,962		10,294
Special Assessments	19,411	19,411			0
Contributions	5,100	66,756	2,000		63,656
Grants	2,000	6,000		720	4,720
Charges for Services	78,268	89,526			11,258
Fundraising - Net	1,570			391	(1,179)
Fund Admin Fees	2,710		500		(2,210)
Other Income	1		1		0
Gain on Sale		6,000			6,000
Interest	890	2,526	467	113	2,216
<b>Total Revenues</b>	<b>501,350</b>	<b>527,189</b>	<b>66,930</b>	<b>1,224</b>	<b>93,993</b>
<b>Expenditures</b>					
Transfer (From) To Reserves	62,865				62,865
Contingency	15,050				15,050
Salaries and Wages	173,456	144,249	33,173	75	(4,041)
Payroll Taxes and Benefits	39,799	33,288	5,785	6	720
Administrative Fees	9,446	2,667	4,218		2,561
Audit Fees	5,400		5,400		0
Cleaning Service	2,600	2,925			(325)
Clothing and Personal	12,000	20,594			(8,594)
Communications	8,025	7,465			560
Household Expense	2,500	2,651	20		(171)
Insurance	19,450	18,071			1,379
Insurance - Workmen's Comp	20,500	19,481			1,019
LAFCO Fees	918		919		(1)
Lighting District	3,550		3,683		(133)
Medical Exams	2,000	2,216			(216)
Memberships	640	200			440
Office Expense	5,548	4,377	2,732		(1,561)
Professional Fees	1,004	1,266	664	32	(958)
Program Expenses	3,900			1,837	2,063
Rents and Leases	1,000				1,000
Repairs and Maintenance	25,500	18,566	190		6,744
Supplies	22,300	19,251			3,049
Telephone and Cellular	5,899	4,803	748		348
Training	8,500	7,856	110		534
Transportation and Travel	17,500	14,868	338		2,294
Utilities	5,000	4,987			13
Fixed Assets	27,000	136,824			(109,824)
<b>Total Expenditures</b>	<b>501,350</b>	<b>466,605</b>	<b>57,980</b>	<b>1,950</b>	<b>(25,185)</b>
<b>Excess of Revenues Over Expenditures</b>	<b>\$ -</b>	<b>\$ 60,584</b>	<b>\$ 8,950</b>	<b>\$ (726)</b>	<b>\$ 68,808</b>

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