

ANDERSON VALLEY COMMUNITY SERVICES DISTRICT

FINANCIAL STATEMENTS

and

REQUIRED SUPPLEMENTARY INFORMATION

Year Ended June 30, 2018

Rick Bowers, CPA
A Professional Corporation

ANDERSON VALLEY COMMUNITY SERVICES DISTRICT

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June 30, 2018

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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, 2018, 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, 2018, and the respective changes in financial position, and where applicable, 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
July 11, 2019

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, 2018.

FINANCIAL HIGHLIGHTS:

ASSETS	<u>June 30, 2018</u>	<u>June 30, 2017</u>
CURRENT ASSETS:	\$ 879,998	\$ 754,229
RESTRICTED CASH:	\$ 1,125	\$ 1,124
CAPITAL ASSETS-NET:	<u>\$ 2,783,818</u>	<u>\$ 2,419,436</u>
TOTAL ASSETS:	\$ 3,664,941	\$ 3,174,789
LIABILITIES		
CURRENT LIABILITIES	\$ 126,642	\$ 53,664
LONG-TERM DEBT	<u>-0-</u>	<u>-0-</u>
TOTAL LIABILITIES:	\$ 126,642	\$ 53,664
NET ASSETS		
INVESTED IN CAPITAL ASSETS		
NET OF DEBT:	\$ 2,746,791	\$ 2,418,839
RESTRICTED:	\$ 1,125	\$ 1,124
UNRESTRICTED:	<u>\$ 790,383</u>	<u>\$ 701,162</u>
TOTAL NET ASSETS:	<u>\$ 3,538,299</u>	<u>\$ 3,121,125</u>

- Cash has increased by \$133,656 over the prior year.
 - Current assets were higher in the current year, because of accounts receivable
 - Current liabilities were higher in the current year, because of a large account payable associated with the water/sewer planning grant. In addition, the ambulance service had unearned membership revenue at the end of the year from pre-paid memberships. This was the first year the local volunteer ambulance service was operating.
 - Capital Assets increased due to the construction in progress associated with the airport
 - Revenues are up in the governmental funds due to an increase in strike team income but a decrease in grants.
 - Expenditures were higher than in the previous year by due to fire department operations and regular expenditures associated with operating the ambulance.
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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, Water/Sewer/Ambulance) presents its financial statements using the economic resources measurement focus and accrual method of accounting. These are reported separately in the government-wide statement of net assets, and in a proprietary fund statement of revenues, expenses and changes in net assets. These are 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 \$3,538,299 an increase of \$417,174 compared with the prior year. The largest portion of AVCS D's net assets (77%) reflects its investment in capital assets. In the course of the year, the AVCS D purchased a new fire engine. AVCS D 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:

REVENUES	<u>JUNE 30, 2018</u>	<u>JUNE 30, 2017</u>
PROGRAM REVENUES		
ASSESSMENTS	\$ 144,512	\$ 145,038
CHARGES FOR SERVICES	309,650	92,508
GRANTS & CONTRIBUTIONS	403,183	193,573
GENERAL REVENUES		
PROPERTY TAXES	264,257	255,894
SPECIAL ASSESSMENTS	19,879	19,411
INVESTMENT EARNINGS	6,690	3,141
MISCELLANEOUS	<u>5,014</u>	<u>12,676</u>
TOTAL REVENUES	\$ 1,153,185	\$ 722,241
EXPENSES	\$ <u>803,011</u>	\$ <u>549,755</u>
INCREASE IN NET ASSETS	\$ <u>350,174</u>	\$ <u>172,486</u>

LOOKING FORWARD

In the coming year, the AVCSD is still 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 finances have been closely monitored for the first year to ensure it is self-sustaining. Additional governmental funding is being explored that was not previously available to the ambulance in its non-profit capacity. Mendocino County is exploring the possibility of an Exclusive Operating Agreement (EOA) that would award a service zone to a single ambulance service and increase the level of care available in the rural arms of the county. This could greatly affect the Anderson Valley Ambulance Service if the EOA contractor does not choose to partner with it.

Joy M. Andrews

Joy Andrews
District Manager/CFO
Anderson Valley Community Services District

ANDERSON VALLEY COMMUNITY SERVICES DISTRICT
STATEMENT OF NET POSITION
June 30, 2018

	Governmental Activities	Business-Type Activities	Total
<u>ASSETS</u>			
Current Assets			
Cash and Cash Equivalents	\$ 631,830	\$ 134,614	\$ 766,444
Grants Receivable		41,167	41,167
Accounts Receivable	9,210	29,324	38,534
Taxes Receivable	30,050		30,050
Prepaid Expenses	2,050	1,753	3,803
Total Current Assets	673,140	206,858	879,998
Restricted Cash	1,125		1,125
Capital Assets			
Land	225,000	22,226	247,226
Construction in Progress (CIP)		423,804	423,804
Buildings and Improvements	513,598	1,843,745	2,357,343
Vehicles and Equipment	1,476,480		1,476,480
Total	1,990,078	1,843,745	3,833,823
Less: Accumulated Depreciation	(949,721)	(771,314)	(1,721,035)
Total	1,040,357	1,072,431	2,112,788
Total Net Capital Assets	1,265,357	1,518,461	2,783,818
TOTAL ASSETS	1,939,622	1,725,319	3,664,941
<u>LIABILITIES</u>			
Current Liabilities			
Engineering Fees - Water / Sewer		62,194	62,194
Unearned Revenue	10,000	36,059	46,059
Accounts Payable	12,353		12,353
Accrued Payroll Taxes	3,820		3,820
Accrued Vacation	2,216		2,216
Total Current Liabilities	28,389	98,253	126,642
<u>NET POSITION</u>			
Net Investment in Capital Assets	1,265,357	1,481,434	2,746,791
Restricted	1,125		1,125
Unrestricted	644,751	145,632	790,383
TOTAL NET POSITION	\$1,911,233	\$1,627,066	\$ 3,538,299

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, 2018

Functions / Programs	Expenses	Program Revenues			Net (Expense) Revenue
		Fire Service Tax	Charges for Services	Grants and Contributions	
Governmental Activities					
Fire Department	\$ 396,802	\$ 144,512	\$ 193,630	\$ 29,229	\$ (29,431)
Community Services	66,705		500		(66,205)
Recreation/Teen Center	2,472		240	630	(1,602)
Depreciation	85,542				(85,542)
Total Governmental Activities	551,521	144,512	194,370	29,859	(182,780)
Business-Type Activities					
EMS / Ambulance	162,244		113,021	82,000	32,777
Airport	87,908		2,259	55,085	(30,564)
Water and Sewer	1,338			236,239	234,901
Total Business-Type Activities	251,490	0	115,280	373,324	237,114
Total	\$ 803,011	\$ 144,512	\$ 309,650	\$ 403,183	\$ 54,334

	Governmental Activities	Business-Type Activities	Total
Changes in Net Position			
Net (Expense) Revenue	\$ (182,780)	\$ 237,114	\$ 54,334
General Revenues			
Property Taxes	264,257		264,257
Special Assessments	19,879		19,879
Investment Earnings	6,016	674	6,690
Other Income	357	4,657	5,014
Total General Revenues	290,509	5,331	295,840
Change in Net Position	107,729	242,445	350,174
Transfers In		67,000	67,000
Net Position - Beginning	1,803,504	1,317,621	3,121,125
Net Position - Ending	\$ 1,911,233	\$ 1,627,066	\$ 3,538,299

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

ANDERSON VALLEY COMMUNITY SERVICES DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2018

	Fire Department	Community Services	Recreation/ Teen Center	Total Governmental Funds
<u>ASSETS</u>				
Cash	\$ 508,713	\$ 91,427	\$ 31,690	\$ 631,830
Accounts Receivable	9,210			9,210
Taxes Receivable	30,050			30,050
Prepaid Expenses	2,050			2,050
Restricted Cash		1,125		1,125
TOTAL ASSETS	<u>\$ 550,023</u>	<u>\$ 92,552</u>	<u>\$ 31,690</u>	<u>\$ 674,265</u>
<u>LIABILITIES AND FUND BALANCE</u>				
LIABILITIES				
Unearned Revenue	\$ -	\$ -	\$ 10,000	\$ 10,000
Accounts Payable	12,353			12,353
Accrued Payroll Taxes	3,820			3,820
Accrued Vacation	2,216			2,216
TOTAL LIABILITIES	<u>18,389</u>	<u>0</u>	<u>10,000</u>	<u>28,389</u>
FUND BALANCE				
Restricted For:				
Community Rewards and Trust Fund		1,125		1,125
Nonspendable	2,050			2,050
Assigned	448,620	84,112	20,266	552,998
Unassigned	80,964	7,315	1,424	89,703
TOTAL FUND BALANCE	<u>531,634</u>	<u>92,552</u>	<u>21,690</u>	<u>645,876</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 550,023</u>	<u>\$ 92,552</u>	<u>\$ 31,690</u>	<u>\$ 674,265</u>

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, 2018

	Fire Department	Community Services	Recreation/ Teen Center	Total Governmental Funds
Revenues				
Fire Service Tax	\$144,512	\$ -	\$ -	\$ 144,512
Property Tax	203,350	60,907		264,257
Special Assessments	19,879			19,879
Donations	22,729		630	23,359
Grants	6,500			6,500
Charges for Services	193,630		240	193,870
Fundraising - Net			295	295
Fund Administrative Fees		500		500
Other Income	61	1		62
Gain on Sale				0
Interest	4,832	933	251	6,016
Total Revenues	595,493	62,341	1,416	659,250
Expenditures				
Salaries and Wages	202,442	38,681	452	241,575
Payroll Taxes and Benefits	35,035	5,959	35	41,029
Administrative Fees	2,676	4,673		7,349
Audit Fees		5,400		5,400
Cleaning Service	3,250			3,250
Clothing and Personal	22,693			22,693
Communications	4,646			4,646
Household Expense	1,152			1,152
Insurance	18,621			18,621
Insurance - Workmen's Comp	19,200			19,200
LAFCO Fee		612		612
Lighting District		3,655		3,655
Medical Exams	3,437			3,437
Memberships and Subscriptions	589	1,712		2,301
Office Expense	5,750	4,015		9,765
Professional Services	390	1,130		1,520
Program Expenses			1,060	1,060
Repairs and Maintenance	41,993		925	42,918
Supplies	1,637			1,637
Telephone and Cellular	3,757	461		4,218
Training	7,848	200		8,048
Transportation and Travel	17,434	207		17,641
Utilities	4,252			4,252
Fixed Assets	209,288			209,288
Total Expenditures	606,090	66,705	2,472	675,267
Excess of Revenues Over Expenditures	(10,597)	(4,364)	(1,056)	(16,017)
Fund Balance - Beginning	542,231	96,916	22,746	661,893
Fund Balance - Ending	\$531,634	\$ 92,552	\$ 21,690	\$ 645,876

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, 2018

Excess of Revenues over Expenditures - Governmental Fund	\$ (16,017)
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.	209,288
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>(85,542)</u>
Change in Net Assets - Governmental Activities, Statement of Activities	<u><u>\$ 107,729</u></u>

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

ANDERSON VALLEY COMMUNITY SERVICES DISTRICT
STATEMENT OF NET POSITION - PROPRIETARY FUNDS
June 30, 2018

	<u>EMS / Ambulance</u>	<u>Airport</u>	<u>Water & Sewer</u>	<u>Total Proprietary Funds</u>
<u>ASSETS</u>				
Current Assets				
Cash and Cash Equivalents	\$ 90,812	\$ 43,801	\$ 1	\$ 134,614
Grants Receivable	16,000		25,167	41,167
Accounts Receivable	29,324			29,324
Prepaid Expenses	263	1,490		1,753
Total Current Assets	<u>136,399</u>	<u>45,291</u>	<u>25,168</u>	<u>206,858</u>
Capital Assets				
Land		22,226		22,226
CIP - Engineering Fees		45,085	378,719	423,804
Buildings and Improvements		1,843,745		1,843,745
Less: Accumulated Depreciation		(771,314)		(771,314)
Total	<u>0</u>	<u>1,072,431</u>	<u>0</u>	<u>1,072,431</u>
Total Net Capital Assets	<u>0</u>	<u>1,139,742</u>	<u>378,719</u>	<u>1,518,461</u>
TOTAL ASSETS	<u>136,399</u>	<u>1,185,033</u>	<u>403,887</u>	<u>1,725,319</u>
<u>LIABILITIES</u>				
Current Liabilities				
Engineering Fees			62,194	62,194
Unearned Revenue	36,059			36,059
Total Current Liabilities	<u>36,059</u>	<u>0</u>	<u>62,194</u>	<u>98,253</u>
<u>NET POSITION</u>				
Net Investment in Capital Assets		1,139,742	341,692	1,481,434
Unrestricted	100,340	45,291	1	145,632
TOTAL NET POSITION	<u>\$ 100,340</u>	<u>\$ 1,185,033</u>	<u>\$ 341,693</u>	<u>\$ 1,627,066</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
For The Year Ended June 30, 2018

	EMS / Ambulance	Airport	Water & Sewer	Total Proprietary Funds
<u>Operating Revenues</u>				
State CAAP Grant	\$ -	\$ 10,000	\$ -	\$ 10,000
ALS Grant	82,000			82,000
Charges for Services	72,551	2,259		74,810
Membership Income	40,470			40,470
Sales and Other Income	20	4,637		4,657
Total Operating Revenues	195,041	16,896	0	211,937
<u>Operating Expenses</u>				
Payroll and Benefits	103,543		1,186	104,729
Accounting and Billing	4,500			4,500
ALS Provider Services	22,855			22,855
Bad Debt	2,695			2,695
Communications	856			856
Education and Training	1,596			1,596
Fuel Expense	2,775			2,775
Fund Administrative Fees		500		500
Household Expenses	271			271
Insurance		2,750		2,750
Maintenance and Repairs	2,757	5,805		8,562
Medical Exams and Certifications	3,182			3,182
Medical Supplies	7,180			7,180
Office Expenses	2,544	125	152	2,821
Rents and Leases	6,000	417		6,417
Supplies	319			319
Telephone and Cellular	1,171			1,171
Depreciation		78,311		78,311
Total Operating Expenses	162,244	87,908	1,338	251,490
Operating Income (Loss)	32,797	(71,012)	(1,338)	(39,553)
<u>Nonoperating Revenues</u>				
Capital Grants		45,085	236,239	281,324
Interest Income	543	131		674
Change in Net Position	33,340	(25,796)	234,901	242,445
Transfers In	67,000			67,000
Net Position - Beginning		1,210,829	106,792	1,317,621
Net Position - Ending	\$ 100,340	\$ 1,185,033	\$ 341,693	\$ 1,627,066

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, 2018

	EMS / Ambulance	Airport	Water & Sewer	Total
<u>Operating Activities</u>				
Cash Received from Operating Grants	\$ 66,000	\$ 10,000	\$ -	\$ 76,000
Cash Received for Services and Misc.	119,776	6,896		126,672
Cash Payments for Goods and Services	(58,964)	(11,087)	(152)	(70,203)
Cash Payments to / for Employees	<u>(103,543)</u>		<u>(1,186)</u>	<u>(104,729)</u>
Net Cash Provided (Used) by Operating Activities	<u>23,269</u>	<u>5,809</u>	<u>(1,338)</u>	<u>27,740</u>
<u>Capital and Related Financing Activities</u>				
Transfers In	67,000			67,000
Capital Grants Received		45,085	253,845	298,930
Capital Expenditures		<u>(45,085)</u>	<u>(255,038)</u>	<u>(300,123)</u>
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>67,000</u>	<u>0</u>	<u>(1,193)</u>	<u>65,807</u>
<u>Investing Activities</u>				
Investment Income Received	<u>543</u>	<u>131</u>		<u>674</u>
Net Increase (Decrease) in Cash	90,812	5,940	(2,531)	94,221
Cash - Beginning of Year		<u>37,861</u>	<u>2,532</u>	<u>40,393</u>
Cash - End of Year	<u>\$ 90,812</u>	<u>\$ 43,801</u>	<u>\$ 1</u>	<u>\$ 134,614</u>
<u>Reconciliation of Operating Income to Net Cash Provided by (Used in) Operating Activities</u>				
Operating Income (Loss)	\$ 32,797	\$ (71,012)	\$ (1,338)	\$ (39,553)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:				
Depreciation		78,311		78,311
(Increase) Decrease in Grants Receivable	(16,000)			(16,000)
(Increase) Decrease in Accounts Receivable	(29,324)			(29,324)
(Increase) Decrease in Prepaid Expenses	(263)	(1,490)		(1,753)
Increase (Decrease) in Unearned Revenue	<u>36,059</u>			<u>36,059</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 23,269</u>	<u>\$ 5,809</u>	<u>\$ (1,338)</u>	<u>\$ 27,740</u>

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

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

JUNE 30, 2018

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 also provides ambulance – EMS services, and is working with grants to provide water and sewer services in the near future. 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, 2018

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, 2018

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, 2018

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, 2018

- **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, 2018

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, 2018:

Deposits in Financial Institutions	\$ 108,257
Cash in County Treasury	657,901
Petty Cash	<u>286</u>
Total	<u>\$ 766,444</u>
Restricted Cash	<u>\$ 1,125</u>

NOTE 3. CAPITAL ASSETS

Following is a summary of changes in capital assets for the year ended June 30, 2018:

Capital Assets:	Beginning <u>Balance</u>	<u>Additions</u>	<u>Deletions</u>	Ending <u>Balance</u>
Land	\$ 247,226	\$ -	\$ -	\$ 247,226
Construction in Progress	104,857	318,947		423,804
Buildings and Improvements	2,357,343			2,357,343
Vehicles and Equipment	<u>1,267,192</u>	<u>209,288</u>		<u>1,476,480</u>
Total	3,624,535	209,288		3,833,823
Less Accumulated Depreciation	<u>(1,557,182)</u>	<u>(163,853)</u>		<u>(1,721,035)</u>
Total	<u>2,067,353</u>			<u>2,112,788</u>
Total Net Capital Assets	<u>\$ 2,419,436</u>			<u>\$ 2,783,818</u>

Construction in Progress consists of engineering fees for the water / sewer projects of \$378,719, and engineering fees for a new airport layout plan of \$45,085. Total final cost of the airport layout plan is estimated at \$125,000.

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

JUNE 30, 2018

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 \$19,800.

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 AVCSD 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 AVCSD 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, 2018

NOTE 6. TRANSFERS IN

The Transfers In to the EMS / Ambulance net position are start up amounts from the Anderson Valley Ambulance Services. The District has taken over EMS and ambulance services as of July 2017.

NOTE 7. SUBSEQUENT EVENTS

In preparing these financial statements, the District's management has evaluated subsequent events for potential recognition or disclosure through July 11, 2019, 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, 2018

Revenues	Original / Final Budget	Fire Department	Community Services	Recreation	Variance
Fire Service Tax	\$ 144,000	\$ 144,512			\$ 512
Property Tax	247,491	203,350	60,907		16,766
Special Assessments	19,880	19,879			(1)
Contributions	20,050	22,729		630	3,309
Grants	2,000	6,500			4,500
Charges for Services	195,078	193,630		240	(1,208)
Fundraising - Net	440			295	(145)
Fund Admin Fees	2,210		500		(1,710)
Other Income	1	61	1		61
Interest	1,179	4,832	933	251	4,837
Total Revenues	632,329	595,493	62,341	1,416	26,921
Expenditures					
Transfer (From) To Reserves	(79,157)				(79,157)
Contingency	16,550				16,550
Salaries and Wages	240,969	202,442	38,681	452	(606)
Payroll Taxes and Benefits	37,754	35,035	5,959	35	(3,275)
Administrative Fees	7,300	2,676	4,673		(49)
Audit Fees	5,400		5,400		0
Cleaning Service	2,664	3,250			(586)
Clothing and Personal	27,000	22,693			4,307
Communications	6,000	4,646			1,354
Household Expense	1,800	1,152			648
Insurance	20,940	18,621			2,319
Insurance - Workmen's Comp	21,333	19,200			2,133
LAFCO Fees	6,918		612		6,306
Lighting District	3,550		3,655		(105)
Medical Exams	2,000	3,437			(1,437)
Memberships	2,250	589	1,712		(51)
Office Expense	8,250	5,750	4,015		(1,515)
Professional Fees	2,820	390	1,130		1,300
Program Expenses	2,489			1,060	1,429
Rents and Leases	1,000				1,000
Repairs and Maintenance	33,500	41,993		925	(9,418)
Supplies	2,000	1,637			363
Telephone and Cellular	7,499	3,757	461		3,281
Training	11,500	7,848	200		3,452
Transportation and Travel	23,500	17,434	207		5,859
Utilities	5,000	4,252			748
Fixed Assets	211,500	209,288			2,212
Total Expenditures	632,329	606,090	66,705	2,472	(42,938)
Excess of Revenues Over Expenditures	\$ -	\$ (10,597)	\$ (4,364)	\$ (1,056)	\$ (16,017)

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