

ANDERSON VALLEY COMMUNITY SERVICES DISTRICT

FINANCIAL STATEMENTS

and

REQUIRED SUPPLEMENTARY INFORMATION

Year Ended June 30, 2019

ANDERSON VALLEY COMMUNITY SERVICES DISTRICT

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June 30, 2019

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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) 463-6633
email 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, 2019, 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, 2019, 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
January 14, 2020

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, 2019.

FINANCIAL HIGHLIGHTS:

ASSETS	<u>June 30, 2019</u>	<u>June 30, 2018</u>
CURRENT ASSETS:	\$ 750,061	\$ 879,998
RESTRICTED CASH:	1,126	1,124
CAPITAL ASSETS-NET:	<u>3,233,290</u>	<u>2,783,818</u>
TOTAL ASSETS:	\$ 3,984,477	\$ 3,664,941
LIABILITIES		
CURRENT LIABILITIES	\$ 78,887	\$ 126,642
LONG-TERM DEBT	<u>-0-</u>	<u>-0-</u>
TOTAL LIABILITIES:	\$ 78,887	\$ 126,642
NET ASSETS		
INVESTED IN CAPITAL ASSETS NET OF DEBT:	\$ 3,173,085	\$ 2,746,791
RESTRICTED:	1,125	1,125
UNRESTRICTED:	<u>731,380</u>	<u>790,383</u>
TOTAL NET ASSETS:	<u>\$ 3,905,590</u>	<u>\$ 3,538,299</u>

- Cash has decreased by \$96,350 over the prior year.
- Current assets were lower in the current year, because of accounts receivable
- Current liabilities were lower in the current year, because of a large account payable associated with the water/sewer planning grant in the prior year. In addition, the ambulance service had unearned membership revenue at the end of the year from pre-paid memberships. This was the second year the local volunteer ambulance service was operating as a government function under the fire department.
- Capital Assets increased due to the construction in progress associated with the airport

- Revenues are down by \$149,502 in the governmental funds due to a decrease in strike team income.
- Expenditures were marginally lower than in the previous year by \$4,398 due to similar spending from year to year.

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 AVCSD, assets exceed liabilities by \$3,905,590 an increase of \$367,291 compared with the prior year. The largest portion of AVCSD's net assets (81%) 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:

REVENUES	<u>JUNE 30, 2019</u>	<u>JUNE 30, 2018</u>
ASSESSMENTS	\$ 147,744	\$ 144,512
CHARGES FOR SERVICES	264,089	309,650
GRANTS & CONTRIBUTIONS	437,221	403,183
GENERAL REVENUES		
PROPERTY TAXES	278,359	264,257
SPECIAL ASSESSMENTS	19,985	19,879
INVESTMENT EARNINGS	10,813	6,690
MISCELLANEOUS	<u>7,693</u>	<u>5,014</u>
TOTAL REVENUES	\$ 1,165,904	\$ 1,153,185
EXPENSES	<u>798,613</u>	<u>803,011</u>
INCREASE IN NET ASSETS	\$ <u>367,291</u>	\$ <u>350,174</u>

LOOKING FORWARD

In the coming years, the AVCSD is still aggressively exploring the possibility of taking on water and/or sewer services in Boonville, which is being considered with two planning grants that have been awarded for each service to study the possibility of the system. The local volunteer ambulance service merged with the fire department on July 1, 2017 and its finances have been closely monitored for the first year to ensure it is self-sustaining. Additional governmental funding has been secured that was not previously available to the ambulance in its non-profit capacity. It is now operating with enough revenue to put a small amount into reserves. Mendocino County is no longer exploring the possibility of an Exclusive Operating Agreement (EOA) that would have awarded a service zone to a single ambulance service and increase the level of care available in the rural arms of the county.

Joy M. Andrews

Joy Andrews
District Manager/CFO
Anderson Valley Community Services District

ANDERSON VALLEY COMMUNITY SERVICES DISTRICT
STATEMENT OF NET POSITION
June 30, 2019

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<u>ASSETS</u>			
Current Assets			
Cash and Cash Equivalents	\$ 505,143	\$ 164,951	\$ 670,094
Grants Receivable		16,000	16,000
Accounts Receivable		28,554	28,554
Taxes Receivable	31,211		31,211
Prepaid Expenses	2,389	1,813	4,202
Total Current Assets	<u>538,743</u>	<u>211,318</u>	<u>750,061</u>
Restricted Cash	1,126		1,126
Capital Assets			
Land	225,000	22,226	247,226
Construction in Progress (CIP)		694,863	694,863
Buildings and Improvements	513,598	1,843,745	2,357,343
Vehicles and Equipment	1,778,185		1,778,185
Total	<u>2,291,783</u>	<u>1,843,745</u>	<u>4,135,528</u>
Less: Accumulated Depreciation	(994,702)	(849,625)	(1,844,327)
Total	<u>1,297,081</u>	<u>994,120</u>	<u>2,291,201</u>
Total Net Capital Assets	<u>1,522,081</u>	<u>1,711,209</u>	<u>3,233,290</u>
TOTAL ASSETS	<u>2,061,950</u>	<u>1,922,527</u>	<u>3,984,477</u>
<u>LIABILITIES</u>			
Current Liabilities			
Engineering Fees - Water / Sewer		44,205	44,205
Unearned Revenue		21,175	21,175
Accounts Payable	7,692	926	8,618
Accrued Vacation	4,889		4,889
Total Current Liabilities	<u>12,581</u>	<u>66,306</u>	<u>78,887</u>
<u>NET POSITION</u>			
Net Investment in Capital Assets	1,522,081	1,667,004	3,189,085
Restricted	1,125		1,125
Unrestricted	<u>526,163</u>	<u>189,217</u>	<u>715,380</u>
TOTAL NET POSITION	<u>\$2,049,369</u>	<u>\$1,856,221</u>	<u>\$ 3,905,590</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, 2019

Functions / Programs	Expenses	Program Revenues			Net (Expense) Revenue
		Fire Service Tax	Charges for Services	Grants and Contributions	
Governmental Activities					
Fire Department	\$ 369,373	\$ 147,744	\$ 122,378	\$ 82,901	\$ (16,350)
Community Services	73,382		500		(72,882)
Recreation/Teen Center	4,233			12,700	8,467
Depreciation	91,118				(91,118)
Total Governmental Activities	538,106	147,744	122,878	95,601	(171,883)
Business-Type Activities					
EMS / Ambulance	172,589		138,438	70,496	36,345
Airport	85,908		2,773	70,749	(12,386)
Water and Sewer	2,010			200,375	198,365
Total Business-Type Activities	260,507	0	141,211	341,620	222,324
Total	\$ 798,613	\$ 147,744	\$ 264,089	\$ 437,221	\$ 50,441

	Governmental Activities	Business-Type Activities	Total
Changes in Net Position			
Net (Expense) Revenue	\$ (171,883)	\$ 222,324	\$ 50,441
General Revenues			
Property Taxes	278,359		278,359
Special Assessments	19,985		19,985
Investment Earnings	9,448	1,365	10,813
Other Income	2,227	5,466	7,693
Total General Revenues	310,019	6,831	316,850
Change in Net Position	138,136	229,155	367,291
Net Position - Beginning	1,911,233	1,627,066	3,538,299
Net Position - Ending	\$ 2,049,369	\$ 1,856,221	\$ 3,905,590

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

ANDERSON VALLEY COMMUNITY SERVICES DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2019

	<u>Fire Department</u>	<u>Community Services</u>	<u>Recreation/ Teen Center</u>	<u>Total Governmental Funds</u>
<u>ASSETS</u>				
Cash	\$ 383,379	\$ 90,291	\$ 31,473	\$ 505,143
Taxes Receivable	31,211			31,211
Prepaid Expenses	2,389			2,389
Restricted Cash		1,126		1,126
TOTAL ASSETS	<u>\$ 416,979</u>	<u>\$ 91,417</u>	<u>\$ 31,473</u>	<u>\$ 539,869</u>
<u>LIABILITIES AND FUND BALANCE</u>				
LIABILITIES				
Accounts Payable	\$ 7,692	\$ -	\$ -	\$ 7,692
Accrued Vacation	4,889			4,889
TOTAL LIABILITIES	<u>12,581</u>	<u>0</u>	<u>0</u>	<u>12,581</u>
FUND BALANCE				
Restricted For:				
Community Rewards and Trust Fund		1,126		1,126
Nonspendable	2,389			2,389
Assigned	350,266	57,277	25,657	433,200
Unassigned	51,743	33,014	5,816	90,573
TOTAL FUND BALANCE	<u>404,398</u>	<u>91,417</u>	<u>31,473</u>	<u>527,288</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 416,979</u>	<u>\$ 91,417</u>	<u>\$ 31,473</u>	<u>\$ 539,869</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, 2019

	Fire Department	Community Services	Recreation/ Teen Center	Total Governmental Funds
Revenues				
Fire Service Tax	\$147,744	\$ -	\$ -	\$ 147,744
Property Tax	205,286	73,073		278,359
Special Assessments	19,985			19,985
Donations	81,651		200	81,851
Grant Income	1,250		12,500	13,750
Charges for Services	122,378			122,378
Fundraising - Net			921	921
Fund Administrative Fees		500		500
Other Income	5	1		6
Gain on Sale	1,300			1,300
Interest	7,980	1,073	395	9,448
Total Revenues	587,579	74,647	14,016	676,242
Expenditures				
Salaries and Wages	159,787	44,666	925	205,378
Payroll Taxes and Benefits	33,454	7,111	71	40,636
Administrative Fees	2,956	4,454		7,410
Audit Fees		6,300		6,300
Cleaning Service	3,245			3,245
Clothing and Personal	32,325			32,325
Communications	11,777			11,777
Household Expense	2,430			2,430
Insurance	23,076			23,076
Insurance - Workmen's Comp	25,638			25,638
LAFCO Fee		998		998
Lighting District		3,658		3,658
Medical Exams	667			667
Memberships and Subscriptions	489	1,663		2,152
Office Expense	5,541	3,249		8,790
Professional Services	509	755		1,264
Program Expenses			1,824	1,824
Repairs and Maintenance	30,195		1,413	31,608
Supplies	1,678			1,678
Telephone and Cellular	3,722	354		4,076
Training	6,157			6,157
Transportation and Travel	21,895	174		22,069
Utilities	3,832			3,832
Fixed Assets	345,442	2,400		347,842
Total Expenditures	714,815	75,782	4,233	794,830
Excess of Revenues Over (Under) Expenditures	(127,236)	(1,135)	9,783	(118,588)
Fund Balance - Beginning	531,634	92,552	21,690	645,876
Fund Balance - Ending	\$404,398	\$ 91,417	\$ 31,473	\$ 527,288

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, 2019

Excess of Revenues over Expenditures - Governmental Fund \$ (118,588)

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. 347,842

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. (91,118)

Change in Net Assets - Governmental Activities,
Statement of Activities \$ 138,136

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

ANDERSON VALLEY COMMUNITY SERVICES DISTRICT
STATEMENT OF NET POSITION - PROPRIETARY FUNDS
June 30, 2019

	<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	\$ 120,048	\$ 44,903	\$ -	\$ 164,951
Grants Receivable	16,000			16,000
Accounts Receivable	23,588	4,966		28,554
Prepaid Expenses	323	1,490		1,813
Total Current Assets	<u>159,959</u>	<u>51,359</u>	<u>0</u>	<u>211,318</u>
Capital Assets				
Land		22,226		22,226
CIP - Engineering Fees		110,600	584,263	694,863
Buildings and Improvements		1,843,745		1,843,745
Less: Accumulated Depreciation		(849,625)		(849,625)
Total	<u>0</u>	<u>994,120</u>	<u>0</u>	<u>994,120</u>
Total Net Capital Assets	<u>0</u>	<u>1,126,946</u>	<u>584,263</u>	<u>1,711,209</u>
TOTAL ASSETS	<u>159,959</u>	<u>1,178,305</u>	<u>584,263</u>	<u>1,922,527</u>
<u>LIABILITIES</u>				
Current Liabilities				
Accounts Payable	926			926
Engineering Fees			44,205	44,205
Unearned Revenue	21,175			21,175
Total Current Liabilities	<u>22,101</u>	<u>0</u>	<u>44,205</u>	<u>66,306</u>
<u>NET POSITION</u>				
Net Investment in Capital Assets		1,126,946	540,058	1,667,004
Unrestricted	137,858	51,359	0	189,217
TOTAL NET POSITION	<u>\$ 137,858</u>	<u>\$ 1,178,305</u>	<u>\$ 540,058</u>	<u>\$ 1,856,221</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, 2019

	EMS / Ambulance	Airport	Water & Sewer	Total Proprietary Funds
<u>Operating Revenues</u>				
State CAAP Grant	\$ -	\$ 10,000	\$ -	\$ 10,000
ALS Grant	66,000			66,000
Grant Income	1,250			1,250
Donations	3,246	200		3,446
Charges for Services	87,270	2,773		90,043
GEMT Funding - Net	9,047			9,047
Fundraising Income		500		500
Membership Income	42,121			42,121
Sales and Other Income		4,966		4,966
Total Operating Revenues	208,934	18,439	0	227,373
<u>Operating Expenses</u>				
Payroll and Benefits	112,597		1,430	114,027
Accounting and Billing	4,470			4,470
ALS Provider Services	19,000			19,000
Ambulance Membership	1,564			1,564
Communications	1,031			1,031
Education and Training	3,729			3,729
Fuel Expense	2,813			2,813
Fund Administrative Fees		500		500
Household Expenses	474			474
Insurance	1,149	2,750		3,899
Maintenance and Repairs	1,636	3,860		5,496
Medical Exams and Certifications	4,712			4,712
Medical Supplies	7,048			7,048
Office Expenses	4,147	53	103	4,303
Professional Fees			456	456
Rents and Leases	6,000	434		6,434
Supplies	671			671
Telephone and Cellular	886			886
Travel	662		21	683
Depreciation		78,311		78,311
Total Operating Expenses	172,589	85,908	2,010	260,507
Operating Income (Loss)	36,345	(67,469)	(2,010)	(33,134)
<u>Nonoperating Revenues</u>				
Capital Grants		60,549	200,375	260,924
Interest Income	1,173	192		1,365
Change in Net Position	37,518	(6,728)	198,365	229,155
Net Position - Beginning	100,340	1,185,033	341,693	1,627,066
Net Position - Ending	\$ 137,858	\$ 1,178,305	\$ 540,058	\$ 1,856,221

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, 2019

<u>Operating Activities</u>	<u>EMS / Ambulance</u>	<u>Airport</u>	<u>Water & Sewer</u>	<u>Total</u>
Cash Received from Operating Grants	\$ 67,250	\$ 10,000	\$ -	\$ 77,250
Cash Received for Services and Misc.	132,536	3,473		136,009
Cash Payments for Goods and Services	(59,126)	(7,597)	(580)	(67,303)
Cash Payments to / for Employees	(112,597)		(1,430)	(114,027)
Net Cash Provided (Used) by Operating Activities	<u>28,063</u>	<u>5,876</u>	<u>(2,010)</u>	<u>31,929</u>
<u>Capital and Related Financing Activities</u>				
Capital Grants Received		60,549	225,542	286,091
Capital Expenditures		(65,515)	(222,035)	(287,550)
Interfund Transfer			(1,498)	(1,498)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>0</u>	<u>(4,966)</u>	<u>2,009</u>	<u>(2,957)</u>
Investment Income Received	1,173	192		1,365
Net Increase (Decrease) in Cash	29,236	1,102	(1)	30,337
Cash - Beginning of Year	<u>90,812</u>	<u>43,801</u>	<u>1</u>	<u>134,614</u>
Cash - End of Year	<u>\$ 120,048</u>	<u>\$ 44,903</u>	<u>\$ -</u>	<u>\$ 164,951</u>
<u>Reconciliation of Operating Income to Net Cash Provided by (Used in) Operating Activities</u>				
Operating Income (Loss)	\$ 36,345	\$ (67,469)	\$ (2,010)	\$ (33,134)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:				
Depreciation		78,311		78,311
(Increase) Decrease in Grants Receivable				0
(Increase) Decrease in Accounts Receivable	5,736	(4,966)		770
(Increase) Decrease in Prepaid Expenses	(60)			(60)
Increase (Decrease) in Accounts Payable	926			926
Increase (Decrease) in Unearned Revenue	(14,884)			(14,884)
Net Cash Provided (Used) by Operating Activities	<u>\$ 28,063</u>	<u>\$ 5,876</u>	<u>\$ (2,010)</u>	<u>\$ 31,929</u>

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

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

JUNE 30, 2019

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, 2019

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, 2019

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, 2019

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, 2019

- **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, 2019

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, 2019:

Deposits in Financial Institutions	\$ 115,753
Cash in County Treasury	554,080
Petty Cash	<u>261</u>
Total	<u>\$ 670,094</u>
Restricted Cash	<u>\$ 1,126</u>

NOTE 3. CAPITAL ASSETS

Following is a summary of changes in capital assets for the year ended June 30, 2019:

Capital Assets:	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Land	\$ 247,226	\$ -	\$ -	\$ 247,226
Construction in Progress	423,804	271,059		694,863
Buildings and Improvements	2,357,343			2,357,343
Vehicles and Equipment	<u>1,476,480</u>	<u>347,842</u>	<u>46,137</u>	<u>1,778,185</u>
Total	3,833,823	347,842	46,137	4,135,528
Less Accumulated Depreciation	<u>(1,721,035)</u>	<u>(169,429)</u>	<u>(46,137)</u>	<u>(1,844,327)</u>
Total	<u>2,112,788</u>			<u>2,291,201</u>
Total Net Capital Assets	<u>\$ 2,783,818</u>			<u>\$ 3,233,290</u>

Construction in Progress consists of engineering fees for the water / sewer projects of \$584,263, and engineering fees for a new airport layout plan of \$110,600. 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, 2019

During the fiscal year ended June 30, 2019 the District undertook a review of capital assets. This review resulted in a preliminary write off of fully depreciated capital assets no longer in service of \$46,137.

NOTE 4. HEALTHCARE REIMBURSEMENT PLAN

The District has a Healthcare Reimbursement Plan (the Plan) that allows 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. RETIREMENT PLAN

The District has established a SIMPLE (Savings Incentive Match Plan for Employees) IRA retirement plan for eligible employees. A SIMPLE IRA is a written salary reduction agreement that lets eligible employees elect to have the employer make payments as elective contributions to a SIMPLE IRA of the employee. The employer is required to make contributions to its employees' SIMPLE IRAs either matching contributions of up to three percent of compensation or as nonelective contributions. The employee's right to matching contributions are fully vested at all times. An employee must be eligible to participate in any calendar year if he or she received at least \$5,000 of compensation from the employer during any of the two preceding calendar years, and is reasonably expected to receive \$5,000 in compensation during the current calendar year.

Total employer contributions to the SIMPLE IRA for the fiscal year ended June 30, 2019 were \$3,085.

NOTE 6. 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 AVCSO Water System and Clean Wastewater Projects. Total grant funds \$1,000,000. 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;

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

JUNE 30, 2019

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.

NOTE 7. SUBSEQUENT EVENTS

In preparing these financial statements, the District's management has evaluated subsequent events for potential recognition or disclosure through January 14, 2020, 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, 2019

<u>Revenues</u>	Original / Final Budget	Fire Department	Community Services	Recreation / Teen Center	Variance
Fire Service Tax	\$ 144,000	\$ 147,744	\$ -	\$ -	\$ 3,744
Property Tax	267,373	205,286	73,073		10,986
Special Assessments	19,985	19,985			0
Donations	74,050	81,651		200	7,801
Grants	10,500	1,250		12,500	3,250
Charges for Services	117,287	122,378			5,091
Fundraising - Net	410			921	511
Fund Admin Fees	500		500		0
Other Income	1	1,305	1		1,305
Interest	8,200	7,980	1,073	395	1,248
Total Revenues	642,306	587,579	74,647	14,016	33,936
<u>Expenditures</u>					
Transfer (From) To Reserves	(161,686)				(161,686)
Contingency	12,298				12,298
Salaries and Wages	210,105	159,787	44,666	925	4,727
Payroll Taxes and Benefits	50,116	33,454	7,111	71	9,480
Administrative Fees	9,910	2,956	4,454		2,500
Audit Fees	6,000		6,300		(300)
Cleaning Service	3,164	3,245			(81)
Clothing and Personal	33,500	32,325			1,175
Communications	7,425	11,777			(4,352)
Household Expense	3,000	2,430			570
Insurance	22,734	23,076			(342)
Insurance - Workmen's Comp	28,487	25,638			2,849
LAFCO Fees	998		998		0
Lighting District	3,550		3,658		(108)
Medical Exams	1,000	667			333
Memberships	2,587	489	1,663		435
Office Expense	6,775	5,541	3,249		(2,015)
Professional Fees	1,500	509	755		236
Program Expenses	2,900			1,824	1,076
Rents and Leases	1,000				1,000
Repairs and Maintenance	29,500	30,195		1,413	(2,108)
Supplies	2,000	1,678			322
Telephone and Cellular	6,636	3,722	354		2,560
Training	9,400	6,157			3,243
Transportation and Travel	22,400	21,895	174		331
Utilities	5,000	3,832			1,168
Fixed Assets	322,007	345,442	2,400		(25,835)
Total Expenditures	642,306	714,815	75,782	4,233	(152,524)
Excess of Revenues Over Expenditures	\$ -	\$ (127,236)	\$ (1,135)	\$ 9,783	\$ (118,588)

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