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**BIOLA COMMUNITY
SERVICES DISTRICT**

INDEPENDENT AUDITOR'S REPORT

AND

FINANCIAL STATEMENTS

JUNE 30, 2022

draft

TABLE OF CONTENTS

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT	1 – 3
BASIC FINANCIAL STATEMENTS:	
Government-Wide Financial Statements	
Statement of Net Position	4
Statement of Activities	5
Fund Financial Statements	
Balance Sheet - Governmental Funds	6
Reconciliation of Total Governmental Fund Balance to Net Position of Governmental Activities	7
Statement of Revenue, Expenditures and Changes in Fund Balance - Governmental Funds	8
Reconciliation of Statement of Revenue, Expenditures and Changes in Fund Balance of Governmental Funds to the Statement of Activities and Changes in Net Position	9
Statement of Net Position - Proprietary Funds	10
Statement of Revenue, Expense and Changes in Fund Net Assets - Proprietary Funds	11
Statement of Cash Flow - Proprietary Funds	12
Notes to Financial Statements	13 – 23
Required Supplementary Information	
Statement of Revenue, Expenditures and Changes in Fund Balance Budget and Actual - General Fund	24
INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENT PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	25 – 26

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Biola Community Services District

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Biola Community Services District (the "District") as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our 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, and each major fund of the District, as of June 30, 2022, 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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on page 24 be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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. We 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 our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 15, 2023, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



January 15, 2023

draft

BIOLA COMMUNITY SERVICES DISTRICT

STATEMENT OF NET POSITION JUNE 30, 2022

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and investments	\$ -	\$ 723,125	\$ 723,125
Accounts receivable, net	31,757	98,459	130,216
Accrued interest receivable	-	1,822	1,822
Prepaid expenses	4,657	26,011	30,668
Due from other governmental agencies	-	25,533	25,533
Internal balances	(431,479)	431,479	-
Capital assets (net of allowance for depreciation)	1,790,215	3,840,668	5,630,883
Total assets	<u>1,395,150</u>	<u>5,147,097</u>	<u>6,542,247</u>
LIABILITIES			
Accounts payable and accrued expense	76,032	388,175	464,207
Accrued interest	3,863	449	4,312
Deposits	1,400	17,125	18,525
Long-term liabilities			
Due within one year	7,096	47,692	54,788
Due in more than one year	74,643	439,537	514,180
Total liabilities	<u>163,034</u>	<u>892,978</u>	<u>1,056,012</u>
NET POSITION			
Net investment in capital assets	1,711,709	3,353,439	5,065,148
Unrestricted/(deficit)	(479,593)	900,680	421,087
Total net position	<u>\$ 1,232,116</u>	<u>\$ 4,254,119</u>	<u>\$ 5,486,235</u>

See accompanying notes.

BIOLA COMMUNITY SERVICES DISTRICT

**STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2022**

Functions/Programs	Expense	Program Revenue			Net Revenue/(Expense) and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-Type Activities	Total
Primary Government							
Governmental activities							
General government	\$ 269,923	\$ -	\$ -	\$ -	\$ (269,923)	\$ -	\$ (269,923)
Total governmental activities	269,923	-	-	-	(269,923)	-	(269,923)
Business-type activities							
Water	310,496	216,305	27,723	30,922	-	(35,546)	(35,546)
Waste Disposal	402,309	277,295	24,373	731	-	(99,910)	(99,910)
Total business-type activities	712,805	493,600	52,096	31,653	-	(135,456)	(135,456)
Total primary government	\$ 982,728	\$ 493,600	\$ 52,096	\$ 31,653	(269,923)	(135,456)	(405,379)
General Revenues							
Property taxes					53,576	-	53,576
Special assessments					7,244	-	7,244
Interest revenue					1,098	4,941	6,039
Other revenue					21,970	-	21,970
Transfers					(5,992)	5,992	-
Total general revenues					77,896	10,933	88,829
Change in Net Position					(192,027)	(124,523)	(316,550)
Net Position							
Beginning of year					1,424,143	4,378,642	5,802,785
End of year					\$ 1,232,116	\$ 4,254,119	\$ 5,486,235

See accompanying notes.

BIOLA COMMUNITY SERVICES DISTRICT

BALANCE SHEET – GOVERNMENTAL FUNDS JUNE 30, 2022

	<u>General Fund</u>
ASSETS	
Current assets	
Due from other governmental agencies	\$ 31,757
Prepaid expenses	4,657
Total assets	<u>\$ 36,414</u>
 LIABILITIES AND FUND BALANCE	
Liabilities	
Accounts payable and accrued expenses	\$ 76,032
Accrued interest payable	77
Deposits	1,400
Due to other fund	<u>431,479</u>
Total liabilities	<u>508,988</u>
 Fund Balance	
Unassigned	<u>(472,574)</u>
Total fund balance	<u>(472,574)</u>
Total liabilities and fund balance	<u>\$ 36,414</u>

BIOLA COMMUNITY SERVICES DISTRICT

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCE TO NET POSITION OF GOVERNMENTAL ACTIVITIES JUNE 30, 2022

Total governmental fund balances	\$ (472,574)
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	1,790,215
Interest payable is not due and payable in the current period and, therefore, is not reported in the funds.	(3,786)
Long-term liabilities, including notes payable, are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(81,739)</u>
Net position of governmental activities	<u>\$ 1,232,116</u>

BIOLA COMMUNITY SERVICES DISTRICT

STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE – GOVERNMENTAL FUNDS YEAR ENDED JUNE 30, 2022

	<u>General Fund</u>
Revenue	
Property taxes	\$ 53,576
Special assessments	7,244
Interest revenue	1,098
Other revenues	21,970
Total revenue	<u>83,888</u>
Expenditures	
Personnel	37,926
Contract services	3,449
License and fees	1,350
Maintenance and repairs	21,850
Professional services	15,094
Telephone and communications	1,479
Insurance	3,269
Office expense	17,941
Supplies and tools	528
Utilities	8,815
Membership and publications	2,700
Other expenses	79
Capital outlay	66,965
Total expenditures	<u>181,445</u>
Revenue over/(under) expenditures	(97,557)
Net Change in Fund Balance	(97,557)
Fund Balance	
Beginning of year	(375,017)
End of year	<u>\$ (472,574)</u>

BIOLA COMMUNITY SERVICES DISTRICT

RECONCILIATION OF STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES AND CHANGES IN NET POSITION YEAR ENDED JUNE 30, 2022

Net change in fund balance - total governmental funds \$ (97,557)

Amounts reported for governmental activities in the statement of activities are different because:

Depreciation expense on capital assets is reported in the Statement of Activities, but it does not require the use of current financial resources. Therefore, depreciation expense is not recorded as an expenditure in Governmental Funds (155,443)

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. 66,965

Transfer out uses noncurrent financial resources from governmental activities, however, this transaction does not have an effect on on fund balance. (5,992)

Change in net position of governmental activities \$ (192,027)

BIOLA COMMUNITY SERVICES DISTRICT

STATEMENT OF NET POSITION – PROPRIETARY FUNDS JUNE 30, 2022

	<u>Business-Type Activities - Enterprise Funds</u>		
	<u>Water</u>	<u>Waste Disposal</u>	<u>Total Proprietary Funds</u>
ASSETS			
Current assets			
Cash and investments	\$ 718,769	\$ 4,356	\$ 723,125
Accounts receivable, net	36,353	62,106	98,459
Accrued interest receivable	1,822	-	1,822
Prepaid expenses	11,436	14,575	26,011
Due from other governmental agencies	25,533	-	25,533
Due from other funds	431,479	12,897	444,376
Total current assets	<u>1,225,392</u>	<u>93,934</u>	<u>1,319,326</u>
Non-current assets			
Property, plant and equipment (net of allowance for depreciation)	<u>1,926,229</u>	<u>1,914,439</u>	<u>3,840,668</u>
Total noncurrent assets	<u>1,926,229</u>	<u>1,914,439</u>	<u>3,840,668</u>
Total assets	<u>3,151,621</u>	<u>2,008,373</u>	<u>5,159,994</u>
LIABILITIES			
Current liabilities			
Accounts payable and accrued expense	154,372	233,803	388,175
Accrued interest payable	185	264	449
Deposits	17,125	-	17,125
Due to other funds	-	12,897	12,897
Current portion of long-term debt	8,850	-	8,850
Total current liabilities	<u>180,532</u>	<u>246,964</u>	<u>427,496</u>
Noncurrent Liabilities			
Long-term debt	<u>212,399</u>	<u>265,980</u>	<u>478,379</u>
Total liabilities	<u>392,931</u>	<u>512,944</u>	<u>905,875</u>
NET POSITION			
Net investment in capital assets	1,704,980	1,648,459	3,353,439
Unrestricted	<u>1,053,710</u>	<u>(153,030)</u>	<u>900,680</u>
Total net position	<u>\$ 2,758,690</u>	<u>\$ 1,495,429</u>	<u>\$ 4,254,119</u>

See accompanying notes.

BIOLA COMMUNITY SERVICES DISTRICT

STATEMENT OF REVENUE, EXPENSE, AND CHANGES IN FUND NET POSITION – PROPRIETARY FUNDS YEAR ENDED JUNE 30, 2022

	Business-Type Activities - Enterprise Funds		
	Water	Waste Disposal	Total Proprietary Funds
Operating Revenue			
Charges for services	\$ 216,305	\$ 277,295	\$ 493,600
Operating grant	27,723	24,373	52,096
Total operating revenue	<u>244,028</u>	<u>301,668</u>	<u>545,696</u>
Operating Expense			
Personnel	37,432	40,856	78,288
Contract services	30,336	147,030	177,366
License and fees	9,650	24,243	33,893
Maintenance and repairs	57,972	12,749	70,721
Professional services	25,340	27,806	53,146
Telephone and communications	3,535	4,289	7,824
Insurance	7,764	9,399	17,163
Office expense	936	1,063	1,999
Supplies and tools	188	-	188
Utilities	21,353	22,872	44,225
Memberships and publications	1,672	1,721	3,393
Bad debt expense	27,723	24,373	52,096
Depreciation expense	86,410	85,644	172,054
Total operating expense	<u>310,311</u>	<u>402,045</u>	<u>712,356</u>
Operating income/(loss)	<u>(66,283)</u>	<u>(100,377)</u>	<u>(166,660)</u>
Nonoperating Revenue/(Expense)			
Interest income	4,941	-	4,941
Interest expense	(185)	(264)	(449)
Total nonoperating revenue/(expense)	<u>4,756</u>	<u>(264)</u>	<u>4,492</u>
Net income/(loss) before capital contributions	(61,527)	(100,641)	(162,168)
Other Financing Sources/(Uses)			
Transfer in	3,562	2,430	5,992
Total other financing sources/(uses)	<u>3,562</u>	<u>2,430</u>	<u>5,992</u>
Capital Contributions	<u>30,922</u>	<u>731</u>	<u>31,653</u>
Change in Net Position	(27,043)	(97,480)	(124,523)
Net Position			
Beginning of year	2,785,733	1,592,909	4,378,642
End of year	<u>\$ 2,758,690</u>	<u>\$ 1,495,429</u>	<u>\$ 4,254,119</u>

See accompanying notes.

BIOLA COMMUNITY SERVICES DISTRICT

STATEMENT OF CASH FLOW - PROPRIETARY FUNDS YEAR ENDED JUNE 30, 2022

	Business-Type Activities - Enterprise Funds		
	Water	Waste Disposal	Total Proprietary Funds
Operating Activities			
Receipts from customers and users	\$ 277,873	\$ 304,616	\$ 582,489
Payments for goods and services	(47,958)	(64,504)	(112,462)
Payments to/for employees	(37,432)	(40,856)	(78,288)
Net cash provided by (used in) operating activities	<u>192,483</u>	<u>199,256</u>	<u>391,739</u>
Non-capital Financing Activities			
Received from/(paid to) other funds	(33,813)	2,430	(31,383)
Net cash provided by (used in) noncapital financing activities	<u>(33,813)</u>	<u>2,430</u>	<u>(31,383)</u>
Capital and Related Financing Activities			
Capital contributions received	21,562	731	22,293
Purchase of property, plant and equipment	(322,533)	(480,259)	(802,792)
Proceeds from long-term debt	168,149	265,980	434,129
Net cash provided by (used in) capital and related financing activities	<u>(132,822)</u>	<u>(213,548)</u>	<u>(346,370)</u>
Investing Activities			
Interest received	4,377	-	4,377
Net cash provided by investing activities	<u>4,377</u>	<u>-</u>	<u>4,377</u>
Net Increase/(Decrease) in Cash and Investments	30,225	(11,862)	18,363
Cash and Investments			
Beginning of year	<u>688,544</u>	<u>16,218</u>	<u>704,762</u>
End of year	<u>\$ 718,769</u>	<u>\$ 4,356</u>	<u>\$ 723,125</u>
Cash Flows from Operating Activities			
Operating income (loss)	\$ (66,283)	\$ (100,377)	\$ (166,660)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation expense	86,410	85,644	172,054
(Increase) Decrease in Accounts Receivable, net	31,881	2,948	34,829
(Increase) Decrease in Prepaid Expenses	(8,592)	(3,654)	(12,246)
Increase (Decrease) in Deposits	1,964	-	1,964
Increase (Decrease) in Accounts Payable and Accrued Expense	147,103	214,695	361,798
Net Cash Provided by/(Used in) Operating Activities	<u>\$ 192,483</u>	<u>\$ 199,256</u>	<u>\$ 391,739</u>

See accompanying notes.

BIOLA COMMUNITY SERVICES DISTRICT

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2022

Note 1 – Summary of Significant Accounting Policies

The financial statements of Biola Community Services District (the District) have been prepared in conformity with Accounting Principles Generally Accepted in the United States of America (GAAP) as applicable to governmental entities. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

Reporting Entity

The Biola Community Services District is a public entity organized under the provisions of Section 6100, Title 6 of the California Government Code and supplies its consumers with water, waste disposal, storm drain, community center and street light services in the unincorporated community of Biola in the County of Fresno. The District is governed by an elected five-member Board of Directors.

The District does not have a relationship with any other related activities, organizations or functions of government which should be included in the financial reporting entity of the District as required by GASB Statement No. 14, "The Financial Reporting Entity".

Basis of Presentation – Fund Accounting

Government-Wide Financial Statements - The Government-Wide Financial Statements (the Statement of Net Position and the Statement of Activities and Changes in Net Position) report information of all of the nonfiduciary activities of the primary government. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the governmental and business-type activities of the District. Governmental activities, which normally are supported by taxes, are reported separately from business-type activities, which rely significantly on fees charged to external parties.

The Statement of Activities and Changes in Net Position presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the District and for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and are clearly identifiable to a particular function. Program revenues include 1) charges paid by the recipients of goods or services offered by the programs and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Net position is restricted when constraints placed on them are either externally imposed or are imposed by constitutional provisions or enabling legislation. Internally imposed designations of resources are not presented as restricted Net position. When both restricted and unrestricted resources are available for use, generally, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

BIOLA COMMUNITY SERVICES DISTRICT

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2022

Note 1 – Summary of Significant Accounting Policies (Continued)

Governmental Fund Financial Statements – The Governmental Fund Financial Statements provide information about the District's funds. Separate statements for each fund category - governmental and proprietary - are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as investment earnings, result from non-exchange transactions.

The District reports the following major governmental fund:

General Fund – The General Fund is the general operating fund of the District and is always classified as a major fund. It is used for all financial resources except those required legally, or by sound financial management to be accounted for in another fund.

Basis of Accounting

The Government-Wide and Proprietary Fund 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 at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the District gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenues from grants, entitlements and donations are recognized in the fiscal year in which all eligible requirements have been satisfied.

Governmental Funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Property taxes, interest, certain state and federal grants and charges for services are accrued when their receipt occurs within sixty days after the end of the accounting period so as to be both measurable and available. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and capital leases are reported as other financing sources.

Proprietary Funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a Proprietary Fund's principal ongoing operations. Revenues and expenses not meeting this definition are reported as non-operating.

BIOLA COMMUNITY SERVICES DISTRICT

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2022

Note 1 – Summary of Significant Accounting Policies (Continued)

Financial Statement Amounts

Cash and Investments – Substantially all of the District's cash is invested in interest bearing accounts. The District considers all highly liquid investments with a maturity of three months or less to be cash equivalents.

The District maintains a cash and investment pool that is available for use by all funds. Interest earnings as a result of this pooling are distributed to the appropriate funds based on month end cash balances in each fund.

Accounts Receivable – The District bills for services on a cycle billing method. Cycle billing results in an amount of services rendered but not yet billed at year-end. The District has recorded this revenue by estimating the unbilled amount. The estimate was calculated by using the billings subsequent to the financial statement date (June 30) and calculating the amount of service provided prior to June 30. This calculated amount is included within accounts receivable as part of the customer accounts balances along with billed but unpaid services. An allowance for doubtful accounts is provided to account for potentially uncollectible amounts.

Fresno County is responsible for the assessment, collection and apportionment of property taxes for all taxing jurisdictions. Property taxes are levied in equal installments on November 1 and February 1. They become delinquent on December 10 and April 10, respectively. The lien date is March 1 of each year. Property taxes are accounted for in the General Fund. Property tax revenues are recognized when they become measurable and available to finance current liabilities. The District considers property taxes as available if they are collected within 60 days after year end. Property tax on the unsecured roll are due on the March 1 lien date and become delinquent if unpaid on August 31. However, unsecured property taxes are not susceptible to year end accrual.

Capital Assets – The accounting treatment over property, plant, and equipment depends on whether the assets are used in governmental fund operations or proprietary fund operations. The presentation and recording of governmental assets are described below.

Capital assets, which include property, plant, equipment, are reported in the applicable governmental or business-type activities columns in the Government-Wide Financial Statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Betterments and major improvements which significantly increase values, change capacities or extend useful lives are capitalized. Upon sale or retirement of fixed assets, the cost and related accumulated depreciation are removed from the respective accounts and any resulting gain or loss is included in the results of operations.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities are included as part of the capitalized value of the assets constructed.

BIOLA COMMUNITY SERVICES DISTRICT

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2022

Note 1 – Summary of Significant Accounting Policies (Continued)

Property, plant, and equipment of the primary government is depreciated using the straight line method over the following estimated useful lives:

	<u>Years</u>
Buildings, structures and improvements	20 - 30
Water and sewer utility plants and improvements	25 - 30
Equipment	5 - 15

Long-Term Obligations – In the Government-Wide Financial Statements, and Proprietary Fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or Proprietary Fund Type Statement of Net Position. Debt principal payments of both government and business-type activities are reported as decreases in the balance of the liability on the Statement of Net Position.

Net Position – The government-wide and business-type activities fund financial statements utilize a net position presentation. Net position is categorized as net investment in capital assets, restricted and unrestricted.

- Net Investment in Capital Assets - This category groups all capital assets, including infrastructure, into one component of net position. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce the balance in this category.
- Restricted Net Position - This category presents external restrictions on net position imposed by creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.
- Unrestricted Net Position - This category represents net position of the District, not restricted for any project or other purpose.

Fund Balance – In the fund financial statements, governmental fund balance is made up of the following components:

- Nonspendable fund balance typically includes inventories, prepaid items, long-term portion of loans receivable, nonfinancial assets held for resale and other items that must be maintained intact pursuant to legal or contractual requirements, such as endowments.
- Restricted fund balance category includes amounts that can be spent only for specific purposes imposed by creditors, grantors, contributors, or laws or regulations of other governments or through enabling legislations.
- Committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the Board of Directors. The Board of Directors has the authority to establish, modify, or rescind a fund balance commitment.

BIOLA COMMUNITY SERVICES DISTRICT

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2022

Note 1 – Summary of Significant Accounting Policies (Continued)

- Assigned fund balance are amounts designated by the Board of Directors for specific purposes and do not meet the criteria to be classified as restricted or committed.
- Unassigned fund balance is the residual classification that includes all spendable amounts in the General Fund not contained in other classifications.

When expenditures are incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) fund balances are available, the District's policy is to apply restricted first. When expenditures are incurred for purposes for which committed, assigned, or unassigned fund balances are available, the District's policy is to apply committed fund balance first, then assigned fund balance, and finally unassigned fund balance.

Use of Estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

Note 2 – Cash and Investments

Cash and investments as of June 30, 2022 are classified in the accompanying financial statements as follows:

Statement of Net Position:

Cash and Investments	\$ 723,125
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Cash and investments as of June 30, 2022 consist of the following:

Deposits with Financial Institutions	\$ 52,226
County of Fresno's Pooled Cash	385,233
Local Agency Investment Fund	<u>285,666</u>
Total Cash and Investments	<u>\$ 723,125</u>

BIOLA COMMUNITY SERVICES DISTRICT

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2022

Note 2 – Cash and Investments

Fair Value Measurements

The framework for measuring fair value provides a fair value hierarchy that categorizes the inputs to valuation techniques used to measure fair value into three levels. The fair value hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy are described as follows:

Level 1: Inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets that a government can access at the measurement date.

Level 2: Inputs to valuation methodology include inputs – other than quoted prices included within Level 1 – that are observable for an asset or liability, either directly or indirectly.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within a fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The District is considered to be an voluntary participant in an external investment pool, which is under the direct authority of the Fresno County Treasurer and Tax Collector and governed by the California Government Code. The fair value of the District's investment in the pool is reported in the accompanying financial statements at amounts based upon the District's pro-rata share of the fair value provided by the County Treasurer for the entire portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis.

The District's only investments, which are allocated at fair value, are in the County of Fresno Treasurer's Investment Pool and the California Local Agency Investment Fund (LAIF). These investment pools invest in numerous types of investments ranging all levels in the fair value hierarchy. Accordingly, it is not an investment type that can be categorized in any particular level in the fair value hierarchy.

Authorized Deposits and Investments

The District's investment policy authorizes investments in the County of Fresno Treasurer's Pooled Cash Portfolio and the California Local Agency Investment Fund (LAIF). The District's investment policy does not contain specific provisions intended to limit its exposure to interest rate risk, credit risk, custodial risk, and concentration of credit risk.

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District does not have a formal investment policy that would further limit investment maturities as a means of managing its exposure to fair value losses arising from increasing rates.

BIOLA COMMUNITY SERVICES DISTRICT

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2022

Note 2 – Cash and Investments (Continued)

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization; however, the Fresno County Pool and LAIF are not rated.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of the District's investment in a single issuer of securities. When investments are concentrated in one issuer, this concentration presents a heightened risk of potential loss. The District's deposit portfolio with governmental agencies, Fresno County is 53% and LAIF is 40% as of June 30, 2022, of the District's total depository and investment portfolio. The District does not have a formal investment policy that would further limit exposure to concentration of credit risk.

Custodial Credit Risk

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The California Government Code does not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. The District did not have cash with banks that exceeded federal depository insurance limits as of June 30, 2022.

The custodial risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code does not contain legal or policy requirements that would limit the exposure to custodial credit risk for investments. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools (such as the Fresno County Pool or LAIF).

Fresno County Treasurer Fund

The Fresno County Treasurer's Pooled Cash Portfolio (Pool) is a pooled investment fund program governed by the Fresno County Board of Supervisors, and administered by the Fresno County Treasurer. Investments in the Pool are highly liquid as deposits and withdrawals can be made at any time without penalty. The Pool does not impose a maximum investment limit. The Fresno County's bank deposits are either federally insured or collateralized in accordance with the California Government Code.

BIOLA COMMUNITY SERVICES DISTRICT

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2022

Note 2 – Cash and Investments (Continued)

Investment in State Investment Pool

The District is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by the California Government Code under the oversight of the Treasurer of the State of California. The fair value of the District's investment in this pool is reported in the accompanying financial statements at amounts based upon the District's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

Note 3 – Accounts Receivable – Utilities, net

The accounts receivable – utilities, net balance consists of the following balances as of June 30, 2022.

	<u>Water</u>	<u>Waste Disposal</u>	<u>Total</u>
Accounts receivable	\$ 38,353	\$ 64,106	\$ 102,459
Allowance for uncollectible receivables	<u>(2,000)</u>	<u>(2,000)</u>	<u>(4,000)</u>
Accounts receivable, net	<u>\$ 36,353</u>	<u>\$ 62,106</u>	<u>\$ 98,459</u>

Note 4 – Interfund Activities

Interfund receivables and payables consist of short-term loans resulting from regular transactions. These loans are expected to be repaid as soon as the borrowing fund has available cash resources. Individual fund interfund receivables and payables balances as of June 30, 2022 are as follows:

	<u>Due From</u>	<u>Due To</u>
General Fund	\$ -	\$ 431,479
Water Fund	<u>431,479</u>	<u>-</u>
	<u>\$ 431,479</u>	<u>\$ 431,479</u>

The purpose of the majority of transfers is to reimburse a fund that has made expenditures on behalf of another fund. Transfers within fund types have been eliminated with the government-wide financial statements. Transfers in and out for the year ended June 30, 2022 are as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
Governmental Activities	-	(5,992)
Water Fund	3,562	-
Waste Disposal Fund	<u>2,430</u>	<u>-</u>
	<u>\$ 5,992</u>	<u>\$ (5,992)</u>

BIOLA COMMUNITY SERVICES DISTRICT

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2022

Note 5 – Capital Assets

Capital asset activity for the year ended June 30, 2022, was as follows:

	Balance July 1, 2021	Additions	Retirements	Balance June 30, 2022
<u>Governmental Activities</u>				
Capital assets, not being depreciated				
Land	\$ 68,066	\$ -	\$ -	\$ 68,066
Construction in progress	573,418	58,472	594,493	37,397
Total capital assets, not being depreciated	<u>641,484</u>	<u>58,472</u>	<u>594,493</u>	<u>105,463</u>
Capital assets, being depreciated				
Buildings and improvements	2,634,342	141,099	-	2,775,441
Machinery and equipment	59,368	8,493	-	67,861
Total capital assets, being depreciated	<u>2,693,710</u>	<u>149,592</u>	<u>-</u>	<u>2,843,302</u>
Less accumulated depreciation for:				
Buildings and improvements	(973,879)	(148,731)	-	(1,122,610)
Machinery and equipment	(29,228)	(6,712)	-	(35,940)
Total accumulated depreciation	<u>(1,003,107)</u>	<u>(155,443)</u>	<u>-</u>	<u>(1,158,550)</u>
Total capital assets, being depreciated, net	<u>1,690,603</u>	<u>(5,851)</u>	<u>-</u>	<u>1,684,752</u>
Governmental activities capital assets, net	<u>\$ 2,332,087</u>	<u>\$ 52,621</u>	<u>\$ 594,493</u>	<u>\$ 1,790,215</u>
<u>Business-Type Activities</u>				
Capital assets, not being depreciated				
Land	\$ 125,990	\$ -	\$ -	\$ 125,990
Construction in progress	719,280	656,832	626,346	749,766
Total capital assets, not being depreciated	<u>845,270</u>	<u>656,832</u>	<u>626,346</u>	<u>875,756</u>
Capital assets, being depreciated				
Buildings and improvements	5,210,148	772,306	-	5,982,454
Machinery and equipment	118,714	-	-	118,714
Total capital assets, being depreciated	<u>5,328,862</u>	<u>772,306</u>	<u>-</u>	<u>6,101,168</u>
Less: accumulated depreciation	<u>(2,964,202)</u>	<u>(172,054)</u>	<u>-</u>	<u>(3,136,256)</u>
Total capital assets, being depreciated, net	<u>2,364,660</u>	<u>600,252</u>	<u>-</u>	<u>2,964,912</u>
Business-type activities capital assets, net	<u>\$ 3,209,930</u>	<u>\$ 1,257,084</u>	<u>\$ 626,346</u>	<u>\$ 3,840,668</u>

BIOLA COMMUNITY SERVICES DISTRICT

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2022

Note 5 – Capital Assets (Continued)

Depreciation expense was charged to the following functions in the Statement of Activities:

Governmental Functions:

General Government	\$ <u>155,443</u>
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Business-Type Functions:

Water	\$ 86,410
Waste Disposal	<u>85,644</u>
	<u>\$ 172,054</u>

Note 6 – Long-Term Debt

Long-term debt at June 30, 2022, consisted of the following:

	Balance July 1, 2021	Additions	Retirements	Balance June 30, 2022	Current Portion
<u>Governmental Activities Long Term Debt</u>					
<i>Direct borrowings:</i>					
Note payable - CA. Energy Commission	\$ 529,143	\$ -	\$ 447,404	\$ 81,739	\$ 7,096
Total Governmental Activities Debt	<u>\$ 529,143</u>	<u>\$ -</u>	<u>\$ 447,404</u>	<u>\$ 81,739</u>	<u>\$ 7,096</u>
<u>Business-Type Activities Long Term Debt</u>					
<i>Direct borrowings:</i>					
Department of Water Resources Loan	\$ 53,100	\$ -	\$ 13,275	\$ 39,825	\$ 8,850
Note payable - CA. Energy Commission	-	447,404	-	\$ 447,404	\$ 38,842
Total Business-Type Activities Debt	<u>\$ 53,100</u>	<u>\$ 447,404</u>	<u>\$ 13,275</u>	<u>\$ 487,229</u>	<u>\$ 47,692</u>

Long-term debt payable at June 30, 2022 was comprised of the following individual issues:

Note Payable – CA Energy Commission – In May 2020 the District entered into a loan agreement payable for \$881,904 with the State of California Energy Resources Conservation and Development Commission to fund certain energy conservation improvements to the district facilities. The loan is payable in semi-annual payments of \$27,662 on December 22 and June 22, each year beginning December 22, 2022 and ending December 22, 2039. The loan bears a 1.00% interest rate. As of June 30, 2022 the district had drawn \$529,143 of available loan amount and balance is allocated as follows based on project expenditures: business-type activities \$447,404, governmental activities \$81,739.

Department of Water Resources Loan – In July 2006 the district entered into a loan payable for \$177,000 with the State of California Department of Water Resources to fund improvements to the district water facilities. The loan is payable in semi-annual payments of \$4,425 on July 1 and January 1, each year beginning July 1, 2006 for a period of 20 years. The loan is non-interest bearing. Water revenues were pledged to guarantee the loan.

BIOLA COMMUNITY SERVICES DISTRICT

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2022

Note 6 – Long-Term Debt (Continued)

The annual requirements to amortize the principal and interest on long-term debt at June 30, 2022 were as follows:

Years ending June 30,	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2023	\$ 7,096	\$ 1,450	\$ 47,692	\$ 7,935
2024	7,817	729	51,637	3,990
2025	7,897	649	52,077	3,550
2026	7,977	569	52,510	3,117
2027	8,057	489	48,523	2,679
2028-2032	37,265	1,193	203,968	6,528
2033	5,630	35	30,822	193
	<u>\$ 81,739</u>	<u>\$ 5,114</u>	<u>\$ 487,229</u>	<u>\$ 27,992</u>

Note 7 – Risk Management

The District is exposed to various risks of loss to torts; theft of, damage of, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District carries all its insurance coverage over these risks and also for Workers' Compensation through the Special Districts Risk Management Authority (SDRMA). The District retain risk of loss, depending on type of occurrence, of up to \$2,000.

Note 8 – Stewardship, Compliance, and Accountability

For the year ended June 30, 2022, capital expenditures exceeded budgeted amounts in the General Fund by \$546,536. These over expenditures were funded by proceeds of long-term debt issuance and higher than expected intergovernmental revenues.

Note 9 – Deficit Fund Balance

The District has a deficit fund balance of \$472,576 in the General Fund due to operating expenditures exceeding operating revenues over the years.

Note 10 – Subsequent Events

The District evaluated subsequent events for recognition and disclosure through January 15, 2023, the date which these financial statements were available to be issued. Management concluded that no material subsequent events have occurred since June 30, 2022 that required recognition or disclosure in such financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

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BIOLA COMMUNITY SERVICES DISTRICT

BUDGETARY COMPARISON SCHEDULE

GENERAL FUND

YEAR ENDED JUNE 30, 2022

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive/ (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenue				
Property taxes	\$ 39,800	\$ 39,800	\$ 53,576	\$ 13,776
Special assessments	8,000	8,000	7,244	(756)
Intergovernmental	-	-	-	-
Interest revenue	5,000	5,000	1,098	(3,902)
Rents	21,250	21,250	-	(21,250)
Other revenues	-	-	21,970	21,970
Total revenue	<u>74,050</u>	<u>74,050</u>	<u>83,888</u>	<u>9,838</u>
Expenditures				
General government	110,776	110,776	114,480	(3,704)
Capital outlay	60,000	60,000	66,965	(6,965)
Total expenditures	<u>170,776</u>	<u>170,776</u>	<u>181,445</u>	<u>(10,669)</u>
Excess of revenues over expenditures	(96,726)	(96,726)	(97,557)	(831)
Net Change in Fund Balance	<u>\$ (96,726)</u>	<u>\$ (96,726)</u>	<u>(97,557)</u>	<u>\$ (831)</u>
Fund Balance				
Beginning of year			<u>(375,017)</u>	
End of year			<u>\$ (472,574)</u>	

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER
MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Board of Directors
Biola Community Services District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, and each major fund of Biola Community Services District (the "District"), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated **January 15, 2023**.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements, on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink, appearing to be "Neddy J. J.", written in a cursive style.

January 15, 2023

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