

**BIOLA COMMUNITY  
SERVICES DISTRICT**

**INDEPENDENT AUDITOR'S REPORT  
AND  
FINANCIAL STATEMENTS**

**JUNE 30, 2016**

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CERTIFIED PUBLIC ACCOUNTANTS

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Biola Community Services District

### Report on the Financial Statements

We 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 Biola Community Services District (District), as of and for the year ended June 30, 2016, 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 controls 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

Our responsibility is to express opinions on these financial statements based on our audit. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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 entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes 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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

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, each major fund, and the aggregate remaining fund information of the Biola Community Services District, as of June 30, 2016, 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.



**Emphasis of Matter – Change in Accounting Principles**

As discussed in Note 1 to the financial statements, effective July 1, 2015, the District adopted the provisions of Governmental Accounting Standards Board Statement No. 72, *Fair Value Measurement and Application*. Our opinion is not modified with respect to this matter.

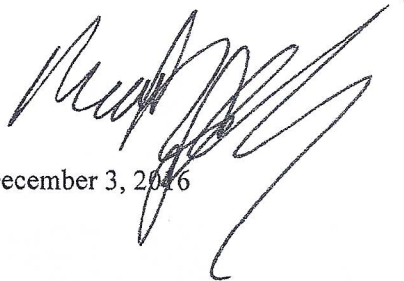
**Other Matters**

**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.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 3, 2016 on our consideration of the Biola Community Services 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 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 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.



December 3, 2016



# BIOLA COMMUNITY SERVICES DISTRICT

## STATEMENT OF NET POSITION

JUNE 30, 2016

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and investments	\$ -	\$ 726,430	\$ 726,430
Accounts receivable, net	-	52,418	52,418
Accrued interest receivable	-	361	361
Prepaid expenses	2,097	7,395	9,492
Due from other governmental agencies	10,800	255,032	265,832
Internal balances	(164,862)	164,862	-
Capital assets (net of allowance for depreciation)	554,981	3,361,389	3,916,370
Total assets	<u>403,016</u>	<u>4,567,886</u>	<u>4,970,902</u>
<b>LIABILITIES</b>			
Accounts payable and accrued expense	10,759	268,539	279,298
Accrued interest	-	419	419
Deposits	2,482	3,191	5,673
Long-term liabilities			
Due within one year	-	21,925	21,925
Due in more than one year	-	110,663	110,663
Total liabilities	<u>13,241</u>	<u>404,737</u>	<u>417,978</u>
<b>NET POSITION</b>			
Net investment in capital assets	554,981	3,228,801	3,783,782
Unrestricted/(deficit)	(165,206)	934,349	769,143
Total net position	<u>\$ 389,775</u>	<u>\$ 4,163,149</u>	<u>\$ 4,552,924</u>

# BIOLA COMMUNITY SERVICES DISTRICT

## STATEMENT OF ACTIVITIES YEAR ENDED JUNE 30, 2016

Functions/Programs	Program Revenue				Net Revenue/(Expense) and Changes in Net Position		
	Expense	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<b>Primary Government</b>							
Governmental activities							
General government	\$ 112,355	\$ -	\$ -	\$ 24,300	\$ (88,055)	\$ -	\$ (88,055)
Total governmental activities	112,355	-	-	24,300	(88,055)	-	(88,055)
Business-type activities							
Water	216,058	186,066	-	262,082	-	232,090	232,090
Waste Disposal	327,191	295,197	-	-	-	(31,994)	(31,994)
Total business-type activities	543,249	481,263	-	262,082	-	200,096	200,096
<b>Total primary government</b>	<b>\$ 655,604</b>	<b>\$ 481,263</b>	<b>\$ -</b>	<b>\$ 286,382</b>	<b>(88,055)</b>	<b>200,096</b>	<b>112,041</b>
<b>General Revenues</b>							
Property taxes					38,011	-	38,011
Special assessments					13,716	-	13,716
Interest revenue					5	6,090	6,095
Rents					18,458	-	18,458
Other revenue					795	610	1,405
Total general revenues					70,985	6,700	77,685
<b>Change in Net Position</b>					(17,070)	206,796	189,726
<b>Net Position</b>							
Beginning of year					406,845	3,956,353	4,363,198
End of year					\$ 389,775	\$ 4,163,149	\$ 4,552,924

**BIOLA COMMUNITY SERVICES DISTRICT**

**BALANCE SHEET – GOVERNMENTAL FUNDS**

**JUNE 30, 2016**

	<u>General Fund</u>
<b>ASSETS</b>	
<b>Current assets</b>	
Cash and investments	\$ -
Due from other governmental agencies	10,800
Prepaid expenses	2,097
Total assets	<u>\$ 12,897</u>
<b>LIABILITIES AND FUND BALANCE</b>	
<b>Liabilities</b>	
Accounts payable and accrued expenses	\$ 10,759
Deposits	2,482
Due to other fund	164,862
Total liabilities	<u>178,103</u>
<b>Fund Balance</b>	
Unassigned	(165,206)
Total fund balance	<u>(165,206)</u>
Total liabilities and fund balance	<u>\$ 12,897</u>

2015  
159,570



**BIOLA COMMUNITY SERVICES DISTRICT**

**RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCE TO NET POSITION  
OF GOVERNMENTAL ACTIVITIES**

**JUNE 30, 2016**

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Total governmental fund balances \$ (165,206)

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 554,981

Net position of governmental activities \$ 389,775

# BIOLA COMMUNITY SERVICES DISTRICT

## STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE – GOVERNMENTAL FUNDS YEAR ENDED JUNE 30, 2016

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	<u>General Fund</u>
<b>Revenue</b>	
Property taxes	\$ 38,011
Special assessments	13,716
Intergovernmental	24,300
Interest revenue	5
Rents	18,458
Other revenues	795
Total revenue	<u>95,285</u>
<b>Expenditures</b>	
Salaries and wages	17,469
Insurance	157
Maintenance and repairs	18,554
Office expense	5,851
Professional services	5,617
Telephone and communications	1,113
Utilities	15,073
Other expenses	4,017
Capital outlay	33,100
Total expenditures	<u>100,951</u>
Revenue over/(under) expenditures	(5,666)
<b>Net Change in Fund Balance</b>	(5,666)
<b>Fund Balance</b>	
Beginning of year	<u>(159,540)</u>
End of year	<u>\$ (165,206)</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, 2016

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Net change in fund balance - total governmental funds \$ (5,666)

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 they do not require the use of current financial resources. Therefore, depreciation expense is not required as expenditures in Governmental Funds (44,504)

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. 33,100

Change in net position of governmental activities \$ (17,070)



# BIOLA COMMUNITY SERVICES DISTRICT

## STATEMENT OF NET POSITION – PROPRIETARY FUNDS

JUNE 30, 2016

	<u>Business-Type Activities - Enterprise Funds</u>		
	<u>Water</u>	<u>Waste Disposal</u>	<u>Total Proprietary Funds</u>
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and investments	\$ 653,255	\$ 73,175	\$ 726,430
Accounts receivable, net	21,613	30,805	52,418
Accrued interest receivable	361	-	361
Prepaid expenses	3,346	4,049	7,395
Due from other governmental agencies	255,032	-	255,032
Due from other funds	164,862	-	164,862
Total current assets	<u>1,098,469</u>	<u>108,029</u>	<u>1,206,498</u>
<b>Non-current assets</b>			
Property, plant and equipment (net of allowance for depreciation)	<u>1,689,312</u>	<u>1,672,077</u>	<u>3,361,389</u>
Total noncurrent assets	<u>1,689,312</u>	<u>1,672,077</u>	<u>3,361,389</u>
Total assets	<u>2,787,780</u>	<u>1,780,106</u>	<u>4,567,886</u>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Accounts payable and accrued expense	253,454	15,085	268,539
Accrued interest payable	419	-	419
Deposits	3,191	-	3,191
Current portion of long-term debt	19,771	2,154	21,925
Total current liabilities	<u>276,835</u>	<u>17,239</u>	<u>294,074</u>
<b>Noncurrent Liabilities</b>			
Long-term debt	<u>102,073</u>	<u>8,590</u>	<u>110,663</u>
Total liabilities	<u>378,908</u>	<u>25,829</u>	<u>404,737</u>
<b>NET POSITION</b>			
Net investment in capital assets	1,567,468	1,661,333	3,228,801
Unrestricted	841,405	92,944	934,349
Total net position	<u>\$ 2,408,872</u>	<u>\$ 1,754,277</u>	<u>\$ 4,163,149</u>

# BIOLA COMMUNITY SERVICES DISTRICT

## STATEMENT OF REVENUE, EXPENSE, AND CHANGES IN FUND NET POSITION – PROPRIETARY FUNDS YEAR ENDED JUNE 30, 2016

	<u>Business-Type Activities - Enterprise Funds</u>		
	<u>Water</u>	<u>Waste Disposal</u>	<u>Total Proprietary Funds</u>
<b>Operating Revenue</b>			
Charges for services	\$ 184,866	\$ 293,997	\$ 478,863
Connection fees	1,200	1,200	2,400
Total operating revenue	<u>186,066</u>	<u>295,197</u>	<u>481,263</u>
<b>Operating Expense</b>			
Salaries and taxes	35,308	39,813	75,121
Contract services	2,022	133,623	135,645
License and fees	26,633	2,089	28,722
Maintenance and repairs	23,060	14,234	37,294
Professional services	14,430	19,725	34,155
Telephone and communications	2,144	3,090	5,234
Office expense	109	800	909
Supplies and tools	3,137	650	3,787
Utilities	14,753	23,876	38,629
Memberships and publications	250	-	250
Fees and assessment	252	363	615
Other expenses	855	743	1,598
Depreciation expense	91,742	87,915	179,657
Total operating expense	<u>214,695</u>	<u>326,921</u>	<u>541,616</u>
Operating income/(loss)	<u>(28,629)</u>	<u>(31,724)</u>	<u>(60,353)</u>
<b>Nonoperating Revenue/(Expense)</b>			
Interest income	6,090	-	6,090
Other income	610	-	610
Interest expense	(1,363)	(270)	(1,633)
Total nonoperating revenue/(expense)	<u>5,337</u>	<u>(270)</u>	<u>5,067</u>
Net income/(loss) before capital contributions	(23,292)	(31,994)	(55,286)
<b>Capital Contributions</b>	<u>262,082</u>	<u>-</u>	<u>262,082</u>
<b>Change in Net Position</b>	238,790	(31,994)	206,796
<b>Net Position</b>			
Beginning of year	2,170,082	1,786,271	3,956,353
End of year	<u>\$ 2,408,872</u>	<u>\$ 1,754,277</u>	<u>\$ 4,163,149</u>

See accompanying notes.

# BIOLA COMMUNITY SERVICES DISTRICT

## STATEMENT OF CASH FLOW - PROPRIETARY FUNDS YEAR ENDED JUNE 30, 2016

	Business-Type Activities - Enterprise Funds		
	Water	Waste Disposal	Total Business-Type Funds
<b>Operating Activities</b>			
Receipts from customers and users	\$ 195,589	\$ 297,606	\$ 493,195
Payments for goods and services	(338,896)	(199,826)	(538,722)
Payments to/for employees	(35,307)	(39,812)	(75,119)
Net cash provided by (used in) operating activities	(178,614)	57,968	(120,646)
<b>Non-capital Financial Activities</b>			
Paid to other funds	(14,588)	-	(14,588)
Net cash provided by (used in) noncapital financing activities	(14,588)	-	(14,588)
<b>Capital and Related Financing Activities</b>			
Capital contributions received	514,478	-	514,478
Purchase of property, plant and equipment	(292,089)	(14,858)	(306,947)
Proceeds from capital lease	-	11,832	11,832
Principal paid on long-term debt	(18,671)	(1,088)	(19,759)
Interest paid on long-term debt	(1,533)	(270)	(1,803)
Net cash provided by (used in) capital and related financing activities	202,186	(4,384)	197,802
<b>Investing Activities</b>			
Interest received	5,729	-	5,729
Net cash provided by investing activities	5,729	-	5,729
<b>Net Increase/(Decrease) in Cash and Investments</b>	14,713	53,584	68,297
<b>Cash and Investments</b>			
Beginning of year	638,542	19,591	658,133
End of year	\$ 653,255	\$ 73,175	\$ 726,430
<b>Cash Flows from Operating Activities</b>			
Operating income (loss)	\$ (28,629)	\$ (31,724)	\$ (60,353)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	91,742	87,915	179,657
(Increase) Decrease in Accounts Receivable	7,671	2,410	10,081
(Increase) Decrease in Prepaid Expenses	(1,493)	(4,049)	(5,542)
Increase (Decrease) in Accounts Payable and Accrued Liabilities	(247,905)	3,416	(244,489)
<b>Net Cash Provided by (Used in) Operating Activities</b>	\$ (178,614)	\$ 57,968	\$ (120,646)

See accompanying notes.



# BIOLA COMMUNITY SERVICES DISTRICT

## NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2016

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### 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, 2016

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### 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, 2016

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### 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, 2016

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### 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 Equity* – 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, 2016

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### 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.

### New Effective Accounting Pronouncements

For the year ended June 30, 2016, the District implemented GASB Statement No. 72 (GASB 72), *Fair Value Measurement and Application*. The primary objective of GASB 72 is to provide guidance for applying fair value to certain investments, and disclosures related to all fair value measurements. There was no material impact on the District's financial statements as a result of the implementation of Statement No. 72. All required disclosures were added to Note 2.

### Note 2 – Cash and Investments

Cash and investments as of June 30, 2016 are classified in the accompanying financial statements as follows:

Statement of Net Position:

Cash and Investments	\$ <u>726,430</u>
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Cash and investments as of June 30, 2016 consist of the following:

Deposits with Financial Institutions	\$ 87,006
County of Fresno's Pooled Cash	374,439
Local Agency Investment Fund	<u>264,985</u>
Total Cash and Investments	<u>\$ 726,430</u>



# BIOLA COMMUNITY SERVICES DISTRICT

## NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2016

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### Note 2 – Cash and Investments (Continued)

#### 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.

Following is a description of the valuation methodologies used for assets measured at fair value.

LAIF and County of Fresno (COF) Pool are valued based on the District's pro-rata share of the fair value provided by LAIF and COF Pool for the entire LAIF and COF Pool portfolio (Level 2 input).

#### 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.

#### 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.

# BIOLA COMMUNITY SERVICES DISTRICT

## NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2016

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### Note 2 – Cash and Investments (Continued)

#### 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 52% and LAIF is 36% as of June 30, 2016, 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, 2016.

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, 2016

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### 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, 2016.

	<u>Water</u>	<u>Waste Disposal</u>	<u>Total</u>
Accounts receivable	\$ 23,613	\$ 32,805	\$ 56,418
Allowance for uncollectible receivables	<u>(2,000)</u>	<u>(2,000)</u>	<u>(4,000)</u>
Accounts receivable, net	<u>\$ 21,613</u>	<u>\$ 30,805</u>	<u>\$ 52,418</u>

# BIOLA COMMUNITY SERVICES DISTRICT

## NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2016

### Note 4 – Capital Assets

Capital asset activity for the year ended June 30, 2016, was as follows:

	<u>Balance</u> <u>July 1, 2015</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2016</u>
<b><u>Governmental Activities</u></b>				
Capital assets, not being depreciated				
Land	\$ 68,066	\$ -	\$ -	\$ 68,066
Construction in progress	-	31,069	-	31,069
Total capital assets, not being depreciated	<u>68,066</u>	<u>31,069</u>	<u>-</u>	<u>99,135</u>
Capital assets, being depreciated				
Buildings and improvements	1,018,203	-	-	1,018,203
Machinery and equipment	27,305	2,031	-	29,336
Total capital assets, being depreciated	<u>1,045,508</u>	<u>2,031</u>	<u>-</u>	<u>1,047,539</u>
Less accumulated depreciation for:				
Buildings and improvements	(529,491)	(43,069)	-	(572,560)
Machinery and equipment	(17,698)	(1,435)	-	(19,133)
Total accumulated depreciation	<u>(547,189)</u>	<u>(44,504)</u>	<u>-</u>	<u>(591,693)</u>
Total capital assets, being depreciated, net	<u>498,319</u>	<u>(42,473)</u>	<u>-</u>	<u>455,846</u>
Governmental activities capital assets, net	<u>\$ 566,385</u>	<u>\$ (11,404)</u>	<u>\$ -</u>	<u>\$ 554,981</u>
<b><u>Business-Type Activities</u></b>				
Capital assets, not being depreciated				
Land	\$ 124,047	\$ 1,943	\$ -	\$ 125,990
Construction in progress	566,192	290,146	563,131	293,207
Total capital assets, not being depreciated	<u>690,239</u>	<u>292,089</u>	<u>563,131</u>	<u>419,197</u>
Capital assets, being depreciated				
Buildings and improvements	4,342,140	563,131	-	4,905,271
Machinery and equipment	81,918	14,857	-	96,775
Total capital assets, being depreciated	<u>4,424,058</u>	<u>577,988</u>	<u>-</u>	<u>5,002,046</u>
Less: accumulated depreciation	<u>(1,880,198)</u>	<u>(179,657)</u>	<u>-</u>	<u>(2,059,855)</u>
Total capital assets, being depreciated, net	<u>2,543,860</u>	<u>398,331</u>	<u>-</u>	<u>2,942,191</u>
Business-type activities capital assets, net	<u>\$ 3,234,099</u>	<u>\$ 690,420</u>	<u>\$ 563,131</u>	<u>\$ 3,361,388</u>

# BIOLA COMMUNITY SERVICES DISTRICT

## NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2016

### Note 4 – Capital Assets (Continued)

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

#### Governmental Functions:

General Government	\$ 44,504
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#### Business-Type Functions:

Water	\$ 91,742
Waste Disposal	87,915
	<u>\$ 179,657</u>

### Note 5 – Long-Term Debt

Long-term debt at June 30, 2016, consisted of the following:

	Balance July 1, 2015	Additions	Retirements	Balance June 30, 2016	Current Portion
<b><u>Business-Type Activities Long Term Debt</u></b>					
Safe Drinking Water Loan	\$ 10,315	\$ -	\$ 2,821	\$ 7,494	\$ 2,921
Berkadia Commercial Loan	24,000	-	7,000	17,000	8,000
Department of Water Resources Loan	106,200	-	8,850	97,350	8,850
John Deere Capital Lease	-	11,832	1,088	10,744	2,154
Total Business-Type Activities Debt	<u>\$ 140,515</u>	<u>\$ 11,832</u>	<u>\$ 19,759</u>	<u>\$ 132,588</u>	<u>\$ 21,925</u>

Long-term debt payable at June 30, 2016 was comprised of the following individual issues:

**Safe Drinking Water Loan** – In October 1991 the district entered into a loan payable for \$52,500 with the State of California to fund improvements to the district water facilities. The loan is payable in semi-annual payments of \$1,577 on October 1 and April 1, each year beginning April 1, 1994 for a period of 25 years. The interest rate is 3.46% per annum. Real and personal property were pledged to guarantee the loan.

**Berkadia Commercial Loan** – In February 1978 the district entered into a loan payable for \$148,000 to fund improvements to the district water facilities. The loan is for a term of 40 years ending in February 2018 with an interest rate of 5.0% per annum. Annual payments average \$8,000 per year including interest. Debt service payments are due in August and February each year.

**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.

**John Deere Capital Lease** – In January 2016 the district entered into a lease payable for \$11,832 with John Deere to purchase equipment. The loan is for a term of 5 years ending in January 2021 with an interest rate of 5.75% per annum. Monthly payments total \$226 including interest. The lease is secured by the equipment acquired.



# BIOLA COMMUNITY SERVICES DISTRICT

## NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2016

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### Note 5 – Long-Term Debt (Continued)

The annual requirement to amortize the principal and interest on long-term debt at June 30, 2016 were as follows:

Years ending June 30,	<u>Principal</u>	<u>Interest</u>
2017	\$ 21,925	\$ 1,646
2018	23,153	1,017
2019	12,817	327
2020	11,408	157
2021-2025	45,585	22
2026-2027	17,700	-
	<u>\$ 132,588</u>	<u>\$ 3,169</u>

### Note 6 – 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 7 – Subsequent Events

The District evaluated subsequent events for recognition and disclosure through December 3, 2016, the date which these financial statements were available to be issued. Management concluded that no material subsequent events have occurred since June 30, 2016 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, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive/ (Negative)
<b>Revenue</b>				
Property taxes	\$ 40,624	\$ 40,624	\$ 38,011	\$ (2,613)
Special assessments	432	432	13,716	13,284
Interest revenue	1,289	1,289	5	(1,284)
Rents	1,325	1,325	18,458	17,133
Other revenues	400	400	795	395
Total revenue	<u>44,070</u>	<u>44,070</u>	<u>95,285</u>	<u>51,215</u>
<b>Expenditures</b>				
Salaries and wages	7,470	7,470	17,469	(9,999)
Insurance	-	-	157	(157)
Office expense	1,366	1,366	5,851	(4,485)
Maintenance and repairs	2,356	2,356	18,554	(16,198)
Professional services	20,864	20,864	5,617	15,247
Telephone and communications	459	459	1,113	(654)
Utilities	9,521	9,521	15,073	(5,552)
Other expenses	6,698	6,698	4,017	2,681
Capital outlay	35,692	35,692	33,100	2,592
Total expenditures	<u>84,426</u>	<u>84,426</u>	<u>100,951</u>	<u>(16,525)</u>
Excess of revenues over expenditures	(40,356)	(40,356)	(5,666)	34,690
<b>Net Change in Fund Balance</b>	<u>\$ (40,356)</u>	<u>\$ (40,356)</u>	(5,666)	<u>\$ 34,690</u>
<b>Fund Balance</b>				
Beginning of year			(159,540)	
End of year			<u>\$ (165,206)</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, each major fund, and the aggregate remaining fund information of the Biola Community Services District, (the "District") as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise District's basic financial statements, and have issued our report thereon dated December 3, 2016.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Biola Community Services District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose 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.

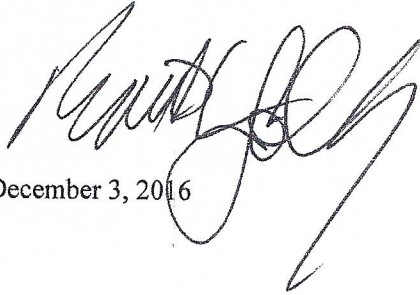
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Biola Community Services 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 determination of financial statement amounts. 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 'Randy J. [unclear]', written in a cursive style.

December 3, 2016