

**BIOLA COMMUNITY  
SERVICES DISTRICT**

**INDEPENDENT AUDITOR'S REPORT  
AND  
FINANCIAL STATEMENTS  
JUNE 30, 2017**

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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, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

**Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal 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, 2017, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Other Matters

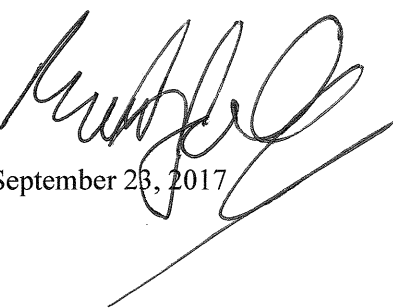
### Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on page 23 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. 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.

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 September 23, 2017 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.



September 23, 2017

# BIOLA COMMUNITY SERVICES DISTRICT

## STATEMENT OF NET POSITION

JUNE 30, 2017

	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Cash and investments	\$ -	\$ 691,309	\$ 691,309
Accounts receivable, net	-	46,470	46,470
Accrued interest receivable	-	614	614
Prepaid expenses	2,276	8,070	10,346
Due from other governmental agencies	-	64,658	64,658
Internal balances	(219,652)	219,652	-
Capital assets (net of allowance for depreciation)	784,184	3,397,424	4,181,608
Total assets	<u>566,808</u>	<u>4,428,197</u>	<u>4,995,005</u>
<b>LIABILITIES</b>			
Accounts payable and accrued expense	14,043	75,795	89,838
Accrued interest	-	227	227
Deposits	1,102	4,638	5,740
Long-term liabilities			
Due within one year	-	23,153	23,153
Due in more than one year	-	87,510	87,510
Total liabilities	<u>15,145</u>	<u>191,323</u>	<u>206,468</u>
<b>NET POSITION</b>			
Net investment in capital assets	784,184	3,286,761	4,070,945
Unrestricted/(deficit)	(232,521)	950,113	717,592
Total net position	<u>\$ 551,663</u>	<u>\$ 4,236,874</u>	<u>\$ 4,788,537</u>

# BIOLA COMMUNITY SERVICES DISTRICT

## STATEMENT OF ACTIVITIES YEAR ENDED JUNE 30, 2017

Functions/Programs	Program Revenue				Net Revenue/(Expense) and Changes in Net Position		
	Expense	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-Type Activities	Total
<b>Primary Government</b>							
Governmental activities							
General government	\$ 129,334	\$ -	\$ -	\$ 225,853	\$ 96,519	\$ -	\$ 96,519
Total governmental activities	129,334	-	-	225,853	96,519	-	96,519
Business-type activities							
Water	235,891	190,173	-	204,444	-	158,726	158,726
Waste Disposal	344,072	255,322	-	-	-	(88,750)	(88,750)
Total business-type activities	579,963	445,495	-	204,444	-	69,976	69,976
<b>Total primary government</b>	<b>\$ 709,297</b>	<b>\$ 445,495</b>	<b>\$ -</b>	<b>\$ 430,297</b>	<b>96,519</b>	<b>69,976</b>	<b>166,495</b>
<b>General Revenues</b>							
Property taxes					39,410	-	39,410
Special assessments					7,478	-	7,478
Interest revenue					17	7,426	7,443
Rents					13,781	-	13,781
Other revenue					460	546	1,006
Transfers					4,223	(4,223)	-
Total general revenues					65,369	3,749	69,118
<b>Change in Net Position</b>					161,888	73,725	235,613
<b>Net Position</b>							
Beginning of year					389,775	4,163,149	4,552,924
End of year					\$ 551,663	\$ 4,236,874	\$ 4,788,537

# BIOLA COMMUNITY SERVICES DISTRICT

## BALANCE SHEET – GOVERNMENTAL FUNDS

JUNE 30, 2017

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	<u>General Fund</u>
<b>ASSETS</b>	
<b>Current assets</b>	
Prepaid expenses	\$ 2,276
Total assets	<u>\$ 2,276</u>
 <b>LIABILITIES AND FUND BALANCE</b>	
<b>Liabilities</b>	
Accounts payable and accrued expenses	\$ 14,043
Deposits	1,102
Due to other fund	<u>219,652</u>
Total liabilities	<u>234,797</u>
 <b>Fund Balance</b>	
Unassigned	<u>(232,521)</u>
Total fund balance	<u>(232,521)</u>
Total liabilities and fund balance	<u>\$ 2,276</u>

# BIOLA COMMUNITY SERVICES DISTRICT

## RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCE TO NET POSITION OF GOVERNMENTAL ACTIVITIES JUNE 30, 2017

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Total governmental fund balances	\$ (232,521)
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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	<u>784,184</u>
Net position of governmental activities	<u>\$ 551,663</u>



# BIOLA COMMUNITY SERVICES DISTRICT

## STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE – GOVERNMENTAL FUNDS YEAR ENDED JUNE 30, 2017

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	<u>General Fund</u>
<b>Revenue</b>	
Property taxes	\$ 39,410
Special assessments	7,478
Intergovernmental	225,853
Interest revenue	17
Rents	13,781
Other revenues	460
Total revenue	<u>286,999</u>
<b>Expenditures</b>	
Salaries and wages	15,268
Insurance	1,732
Maintenance and repairs	28,396
Office expense	5,187
Professional services	11,088
Telephone and communications	1,246
Utilities	12,108
Other expenses	4,500
Capital outlay	274,789
Total expenditures	<u>354,314</u>
Revenue over/(under) expenditures	(67,315)
<b>Net Change in Fund Balance</b>	(67,315)
<b>Fund Balance</b>	
Beginning of year	(165,206)
End of year	<u>\$ (232,521)</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, 2017

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Net change in fund balance - total governmental funds	\$ (67,315)
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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 recorded as expenditures in Governmental Funds	(49,809)
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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.	<u>279,012</u>
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Change in net position of governmental activities	<u>\$ 161,888</u>
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# BIOLA COMMUNITY SERVICES DISTRICT

## STATEMENT OF NET POSITION – PROPRIETARY FUNDS

JUNE 30, 2017

	<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	\$ 691,309	\$ -	\$ 691,309
Accounts receivable, net	19,387	27,083	46,470
Accrued interest receivable	614	-	614
Prepaid expenses	3,621	4,449	8,070
Due from other governmental agencies	64,658	-	64,658
Due from other funds	242,970	-	242,970
Total current assets	<u>1,022,559</u>	<u>31,532</u>	<u>1,054,091</u>
<b>Non-current assets</b>			
Property, plant and equipment (net of allowance for depreciation)	<u>1,710,943</u>	<u>1,686,481</u>	<u>3,397,424</u>
Total noncurrent assets	<u>1,710,943</u>	<u>1,686,481</u>	<u>3,397,424</u>
Total assets	<u>2,733,502</u>	<u>1,718,013</u>	<u>4,451,515</u>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Accounts payable and accrued expense	55,217	20,578	75,795
Accrued interest payable	227	-	227
Deposits	4,638	-	4,638
Due to other funds	-	23,318	23,318
Current portion of long-term debt	<u>20,872</u>	<u>2,281</u>	<u>23,153</u>
Total current liabilities	<u>80,954</u>	<u>46,177</u>	<u>127,131</u>
<b>Noncurrent Liabilities</b>			
Long-term debt	<u>81,201</u>	<u>6,309</u>	<u>87,510</u>
Total liabilities	<u>162,155</u>	<u>52,486</u>	<u>214,641</u>
<b>NET POSITION</b>			
Net investment in capital assets	1,608,870	1,677,891	3,286,761
Unrestricted	<u>962,477</u>	<u>(12,364)</u>	<u>950,113</u>
Total net position	<u>\$ 2,571,347</u>	<u>\$ 1,665,527</u>	<u>\$ 4,236,874</u>

# BIOLA COMMUNITY SERVICES DISTRICT

## STATEMENT OF REVENUE, EXPENSE, AND CHANGES IN FUND NET POSITION – PROPRIETARY FUNDS YEAR ENDED JUNE 30, 2017

	Business-Type Activities - Enterprise Funds		
	Water	Waste Disposal	Total Proprietary Funds
<b>Operating Revenue</b>			
Charges for services	\$ 190,123	\$ 255,322	\$ 445,445
Total operating revenue	<u>190,123</u>	<u>255,322</u>	<u>445,445</u>
<b>Operating Expense</b>			
Salaries and taxes	38,295	44,547	82,842
Contract services	24,261	105,030	129,291
License and fees	5,025	29,847	34,872
Maintenance and repairs	22,042	17,118	39,160
Professional services	13,694	20,306	34,000
Telephone and communications	2,851	3,468	6,319
Insurance	3,389	4,103	7,492
Office expense	649	2,429	3,078
Supplies and tools	3,604	540	4,144
Utilities	20,681	25,440	46,121
Memberships and publications	388	470	858
Other expenses	155	2,288	2,443
Depreciation expense	99,446	88,443	187,889
Total operating expense	<u>234,480</u>	<u>344,029</u>	<u>578,509</u>
Operating income/(loss)	<u>(44,357)</u>	<u>(88,707)</u>	<u>(133,064)</u>
<b>Nonoperating Revenue/(Expense)</b>			
Interest income	7,426	-	7,426
Other income	596	-	596
Interest expense	(1,411)	(43)	(1,454)
Total nonoperating revenue/(expense)	<u>6,611</u>	<u>(43)</u>	<u>6,568</u>
Net income/(loss) before capital contributions	(37,746)	(88,750)	(126,496)
<b>Other Financing Sources/(Uses)</b>			
Transfer out	(4,223)	-	(4,223)
Total other financing sources/(uses)	<u>(4,223)</u>	<u>-</u>	<u>(4,223)</u>
<b>Capital Contributions</b>	<u>204,444</u>	<u>-</u>	<u>204,444</u>
<b>Change in Net Position</b>	162,475	(88,750)	73,725
<b>Net Position</b>			
Beginning of year	2,408,872	1,754,277	4,163,149
End of year	<u>\$ 2,571,347</u>	<u>\$ 1,665,527</u>	<u>\$ 4,236,874</u>

# BIOLA COMMUNITY SERVICES DISTRICT

## STATEMENT OF CASH FLOW - PROPRIETARY FUNDS YEAR ENDED JUNE 30, 2017

	Business-Type Activities - Enterprise Funds		
	Water	Waste Disposal	Total Business-Type Funds
<b>Operating Activities</b>			
Receipts from customers and users	\$ 194,391	\$ 259,044	\$ 453,435
Payments for goods and services	(270,990)	(100,916)	(371,906)
Payments to/for employees	(62,556)	(149,577)	(212,133)
Net cash provided by/(used in) operating activities	(139,155)	8,551	(130,604)
<b>Non-capital Financial Activities</b>			
Received from/(paid to) other funds	(82,331)	23,318	(59,013)
Net cash provided by (used in) noncapital financing activities	(82,331)	23,318	(59,013)
<b>Capital and Related Financing Activities</b>			
Capital contributions received	394,818	-	394,818
Purchase of property, plant and equipment	(121,077)	(102,847)	(223,924)
Principal paid on long-term debt	(19,771)	(2,154)	(21,925)
Interest paid on long-term debt	(1,603)	(43)	(1,646)
Net cash provided by (used in) capital and related financing activities	252,367	(105,044)	147,323
<b>Investing Activities</b>			
Interest received	7,173	-	7,173
Net cash provided by investing activities	7,173	-	7,173
<b>Net Increase/(Decrease) in Cash and Investments</b>	38,054	(73,175)	(35,121)
<b>Cash and Investments</b>			
Beginning of year	653,255	73,175	726,430
End of year	\$ 691,309	\$ -	\$ 691,309
<b>Cash Flows from Operating Activities</b>			
Operating income (loss)	\$ (44,307)	\$ (88,707)	\$ (133,014)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation and amortization expense	99,446	88,443	187,889
(Increase) Decrease in Accounts Receivable, net	2,226	3,722	5,948
(Increase) Decrease in Prepaid Expenses	(275)	(400)	(675)
Increase (Decrease) in Deposits	1,447	-	1,447
Increase (Decrease) in Accounts Payable and Accrued Expense	(197,692)	5,493	(192,199)
<b>Net Cash Provided by/(Used in) Operating Activities</b>	\$ (139,155)	\$ 8,551	\$ (130,604)

# **BIOLA COMMUNITY SERVICES DISTRICT**

## **NOTES TO FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2017**

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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, 2017

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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, 2017

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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, 2017

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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:

	Years
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, 2017

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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.

### Note 2 – Cash and Investments

Cash and investments as of June 30, 2017 are classified in the accompanying financial statements as follows:

#### Statement of Net Position:

Cash and Investments	\$ 691,309
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Cash and investments as of June 30, 2017 consist of the following:

Deposits with Financial Institutions	\$ 53,625
County of Fresno's Pooled Cash	370,973
Local Agency Investment Fund	266,711
Total Cash and Investments	<u>\$ 691,309</u>

# BIOLA COMMUNITY SERVICES DISTRICT

## NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2017

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### 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 involuntary 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. The County invests 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, 2017

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### 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 54% and LAIF is 39% as of June 30, 2017, 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, 2017.

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, 2017

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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, 2017.

	<u>Water</u>	<u>Waste Disposal</u>	<u>Total</u>
Accounts receivable	\$ 21,387	\$ 29,083	\$ 50,470
Allowance for uncollectible receivables	(2,000)	(2,000)	(4,000)
Accounts receivable, net	<u>\$ 19,387</u>	<u>\$ 27,083</u>	<u>\$ 46,470</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, 2017 are as follows:

	<u>Due From</u>	<u>Due To</u>
General Fund	\$ -	\$ 219,652
Water Fund	242,970	-
Waste Disposal Fund	-	23,318
	<u>\$ 242,970</u>	<u>\$ 242,970</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, 2017 consisted of the following:

Transfer out of the Water Fund to Governmental Activities of \$4,223 was the reclassification of the construction in progress Biola Ave East Sidewalk Project from a water project to a downtown project, which is a governmental activities project.

# BIOLA COMMUNITY SERVICES DISTRICT

## NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2017

### Note 5 – Capital Assets

Capital asset activity for the year ended June 30, 2017, was as follows:

	Balance July 1, 2016	Additions	Retirements	Balance June 30, 2017
<b><u>Governmental Activities</u></b>				
Capital assets, not being depreciated				
Land	\$ 68,066	\$ -	\$ -	\$ 68,066
Construction in progress	31,069	260,341	270,841	20,569
Total capital assets, not being depreciated	<u>99,135</u>	<u>260,341</u>	<u>270,841</u>	<u>88,635</u>
Capital assets, being depreciated				
Buildings and improvements	1,018,203	289,512	-	1,307,715
Machinery and equipment	29,336	-	-	29,336
Total capital assets, being depreciated	<u>1,047,539</u>	<u>289,512</u>	<u>-</u>	<u>1,337,051</u>
Less accumulated depreciation for:				
Buildings and improvements	(572,560)	(48,135)	-	(620,695)
Machinery and equipment	(19,133)	(1,674)	-	(20,807)
Total accumulated depreciation	<u>(591,693)</u>	<u>(49,809)</u>	<u>-</u>	<u>(641,502)</u>
Total capital assets, being depreciated, net	<u>455,846</u>	<u>239,703</u>	<u>-</u>	<u>695,549</u>
Governmental activities capital assets, net	<u>\$ 554,981</u>	<u>\$ 500,044</u>	<u>\$ 270,841</u>	<u>\$ 784,184</u>
<b><u>Business-Type Activities</u></b>				
Capital assets, not being depreciated				
Land	\$ 125,990	\$ -	\$ -	\$ 125,990
Construction in progress	293,207	207,707	295,521	205,393
Total capital assets, not being depreciated	<u>419,197</u>	<u>207,707</u>	<u>295,521</u>	<u>331,383</u>
Capital assets, being depreciated				
Buildings and improvements	4,905,271	291,298	-	5,196,569
Machinery and equipment	96,775	20,441	-	117,216
Total capital assets, being depreciated	<u>5,002,046</u>	<u>311,739</u>	<u>-</u>	<u>5,313,785</u>
Less: accumulated depreciation	<u>(2,059,855)</u>	<u>(187,889)</u>	<u>-</u>	<u>(2,247,744)</u>
Total capital assets, being depreciated, net	<u>2,942,191</u>	<u>123,850</u>	<u>-</u>	<u>3,066,041</u>
Business-type activities capital assets, net	<u>\$ 3,361,388</u>	<u>\$ 331,557</u>	<u>\$ 295,521</u>	<u>\$ 3,397,424</u>

# BIOLA COMMUNITY SERVICES DISTRICT

## NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2017

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### Note 5 – Capital Assets (Continued)

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

**Governmental Functions:**

General Government	\$ 49,809
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**Business-Type Functions:**

Water	\$ 99,446
Waste Disposal	88,443
	<u>\$ 187,889</u>

### Note 6 – Long-Term Debt

Long-term debt at June 30, 2017, consisted of the following:

	Balance July 1, 2016	Additions	Retirements	Balance June 30, 2017	Current Portion
<b><u>Business-Type Activities Long Term Debt</u></b>					
Safe Drinking Water Loan	\$ 7,494	\$ -	\$ 2,921	\$ 4,573	\$ 3,022
Berkadia Commercial Loan	17,000	-	8,000	9,000	9,000
Department of Water Resources Loan	97,350	-	8,850	88,500	8,850
John Deere Capital Lease	10,744	-	2,154	8,590	2,281
Total Business-Type Activities Debt	<u>\$ 132,588</u>	<u>\$ -</u>	<u>\$ 21,925</u>	<u>\$ 110,663</u>	<u>\$ 23,153</u>

Long-term debt payable at June 30, 2017 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.

# BIOLA COMMUNITY SERVICES DISTRICT

## NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2017

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### Note 6 – Long-Term Debt

The annual requirement to amortize the principal and interest on long-term debt at June 30, 2017 were as follows:

Years ending June 30,	<u>Principal</u>	<u>Interest</u>
2018	\$ 23,153	\$ 1,017
2019	12,817	327
2020	11,408	157
2021	10,185	22
2022	8,850	-
2023-2027	44,250	-
	<u>\$ 110,663</u>	<u>\$ 1,523</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 – Subsequent Events

The District evaluated subsequent events for recognition and disclosure through September 23, 2017, the date which these financial statements were available to be issued. Management concluded that no material subsequent events have occurred since September 23, 2017 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, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive/ (Negative)
	Original	Final		
<b>Revenue</b>				
Property taxes	\$ 37,000	\$ 37,000	\$ 39,410	\$ 2,410
Special assessments	14,000	14,000	7,478	(6,522)
Intergovernmental	250,000	250,000	225,853	(24,147)
Interest revenue	1,000	1,000	17	(983)
Rents	12,000	12,000	13,781	1,781
Other revenues	-	-	460	460
Total revenue	<u>314,000</u>	<u>314,000</u>	<u>286,999</u>	<u>(27,001)</u>
<b>Expenditures</b>				
Salaries and wages	15,000	15,000	15,268	(268)
Insurance	1,000	1,000	1,732	(732)
Office expense	5,000	5,000	5,187	(187)
Maintenance and repairs	20,000	20,000	28,396	(8,396)
Professional services	10,000	10,000	11,088	(1,088)
Telephone and communications	1,000	1,000	1,246	(246)
Utilities	10,000	10,000	12,108	(2,108)
Other expenses	2,000	2,000	4,500	(2,500)
Capital outlay	250,000	250,000	274,789	(24,789)
Total expenditures	<u>314,000</u>	<u>314,000</u>	<u>354,314</u>	<u>(40,314)</u>
Excess of revenues over expenditures	-	-	(67,315)	(67,315)
<b>Other Financing Sources</b>				
Transfers in (out) - net	-	-	-	-
<b>Net Change in Fund Balance</b>	<u>\$ -</u>	<u>\$ -</u>	(67,315)	<u>\$ (67,315)</u>
<b>Fund Balance</b>				
Beginning of year			(165,206)	
End of year			<u>\$ (232,521)</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, 2017, and the related notes to the financial statements, which collectively comprise District's basic financial statements, and have issued our report thereon dated September 23, 2017.

**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.

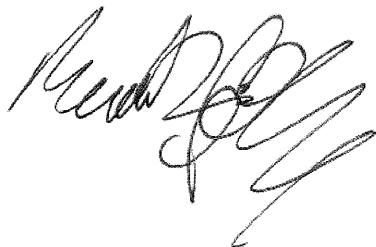
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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 "Michael J. [unclear]", written in a cursive style.

September 23, 2017