

**BIOLA COMMUNITY
SERVICES DISTRICT**

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

JUNE 30, 2020

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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, 2020, 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, 2020, 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 May 20, 2021 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.

A handwritten signature in black ink, appearing to be 'M. J. [unclear]', written in a cursive style.

May 20, 2021

BIOLA COMMUNITY SERVICES DISTRICT

STATEMENT OF NET POSITION

JUNE 30, 2020

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
ASSETS			
Cash and investments	\$ -	\$ 766,476	\$ 766,476
Accounts receivable, net	442,314	132,802	575,116
Accrued interest receivable	735	2,505	3,240
Prepaid expenses	5,976	17,765	23,741
Due from other governmental agencies	-	12,024	12,024
Internal balances	(324,966)	324,966	-
Capital assets (net of allowance for depreciation)	1,869,386	3,375,433	5,244,819
Total assets	<u>1,993,445</u>	<u>4,631,971</u>	<u>6,625,416</u>
LIABILITIES			
Accounts payable and accrued expense	462,930	74,704	537,634
Deposits	600	13,386	13,986
Long-term liabilities			
Due within one year	-	10,169	10,169
Due in more than one year	-	53,100	53,100
Total liabilities	<u>463,530</u>	<u>151,359</u>	<u>614,889</u>
NET POSITION			
Net investment in capital assets	1,869,386	3,312,164	5,181,550
Unrestricted/(deficit)	(339,471)	1,168,448	828,977
Total net position	<u>\$ 1,529,915</u>	<u>\$ 4,480,612</u>	<u>\$ 6,010,527</u>

BIOLA COMMUNITY SERVICES DISTRICT

STATEMENT OF ACTIVITIES YEAR ENDED JUNE 30, 2020

Functions/Programs	Expense	Program Revenue		Net Revenue/(Expense) and Changes in Net Position		
		Charges for Services	Capital Grants and Contributions	Primary Government		Total
				Governmental Activities	Business-Type Activities	
Primary Government						
Governmental activities						
General government	\$ 186,017	\$ -	\$ 1,142,888	\$ 956,871	\$ -	\$ 956,871
Total governmental activities	186,017	-	1,142,888	956,871	-	956,871
Business-type activities						
Water	246,863	224,118	17,322	-	(5,423)	(5,423)
Waste Disposal	372,297	290,557	51,810	-	(29,930)	(29,930)
Total business-type activities	619,160	514,675	69,132	-	(35,353)	(35,353)
Total primary government	\$ 805,177	\$ 514,675	\$ 1,212,020	956,871	(35,353)	921,518
General Revenues						
Property taxes				48,360	-	48,360
Special assessments				7,244	-	7,244
Interest revenue				7,525	9,823	17,348
Rents				27,990	-	27,990
Other revenue				1,233	-	1,233
Total general revenues				92,352	9,823	102,175
Change in Net Position				1,049,223	(25,530)	1,023,693
Net Position						
Beginning of year				480,692	4,506,142	4,986,834
End of year				\$ 1,529,915	\$ 4,480,612	\$ 6,010,527

See accompanying notes.

BIOLA COMMUNITY SERVICES DISTRICT

BALANCE SHEET – GOVERNMENTAL FUNDS

JUNE 30, 2020

	<u>General Fund</u>
ASSETS	
Current assets	
Accrued interest receivable	\$ 735
Due from other governmental agencies	442,314
Prepaid expenses	<u>5,976</u>
Total assets	<u>\$ 449,025</u>
 LIABILITIES AND FUND BALANCE	
Liabilities	
Accounts payable and accrued expenses	\$ 462,930
Deposits	600
Due to other fund	<u>324,966</u>
Total liabilities	<u>788,496</u>
 Fund Balance	
Unassigned	<u>(339,471)</u>
Total fund balance	<u>(339,471)</u>
Total liabilities and fund balance	<u>\$ 449,025</u>

BIOLA COMMUNITY SERVICES DISTRICT

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCE TO NET POSITION OF GOVERNMENTAL ACTIVITIES JUNE 30, 2020

Total governmental fund balances \$ (339,471)

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>1,869,386</u>
Net position of governmental activities	<u><u>\$ 1,529,915</u></u>

BIOLA COMMUNITY SERVICES DISTRICT

STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE – GOVERNMENTAL FUNDS YEAR ENDED JUNE 30, 2020

	General Fund
Revenue	
Property taxes	\$ 48,360
Special assessments	7,244
Intergovernmental	1,142,888
Interest revenue	7,525
Rents	27,990
Other revenues	1,233
Total revenue	<u>1,235,240</u>
Expenditures	
Personnel	31,178
Contract services	4,400
License and fees	4,287
Maintenance and repairs	14,383
Professional services	16,381
Telephone and communications	1,454
Insurance	3,284
Office expense	7,967
Utilities	10,696
Membership and publications	293
Other expenses	2,764
Capital outlay	1,197,282
Total expenditures	<u>1,294,369</u>
Revenue over/(under) expenditures	(59,129)
Net Change in Fund Balance	(59,129)
Fund Balance	
Beginning of year	(280,342)
End of year	<u>\$ (339,471)</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, 2020

Net change in fund balance - total governmental funds \$ (59,129)

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

Depreciation expense on capital assets is reported in the Statement of Activities, but it does not require the use of current financial resources. Therefore, depreciation expense is not recorded as an expenditure in Governmental Funds (88,930)

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. 1,197,282

Change in net position of governmental activities \$ 1,049,223

BIOLA COMMUNITY SERVICES DISTRICT

STATEMENT OF NET POSITION – PROPRIETARY FUNDS JUNE 30, 2020

	<u>Business-Type Activities - Enterprise Funds</u>		
	<u>Water</u>	<u>Waste Disposal</u>	<u>Total Proprietary Funds</u>
ASSETS			
Current assets			
Cash and investments	\$ 755,430	\$ 11,046	\$ 766,476
Accounts receivable, net	64,682	68,120	132,802
Accrued interest receivable	2,505	-	2,505
Prepaid expenses	6,844	10,921	17,765
Due from other governmental agencies	4,929	7,095	12,024
Due from other funds	324,966	-	324,966
Total current assets	<u>1,159,356</u>	<u>97,182</u>	<u>1,256,538</u>
Non-current assets			
Property, plant and equipment (net of allowance for depreciation)	<u>1,769,965</u>	<u>1,605,468</u>	<u>3,375,433</u>
Total noncurrent assets	<u>1,769,965</u>	<u>1,605,468</u>	<u>3,375,433</u>
Total assets	<u>2,929,321</u>	<u>1,702,650</u>	<u>4,631,971</u>
LIABILITIES			
Current liabilities			
Accounts payable and accrued expense	46,139	28,565	74,704
Deposits	13,386	-	13,386
Current portion of long-term debt	8,850	1,319	10,169
Total current liabilities	<u>68,375</u>	<u>29,884</u>	<u>98,259</u>
Noncurrent Liabilities			
Long-term debt	<u>53,100</u>	-	<u>53,100</u>
Total liabilities	<u>121,475</u>	<u>29,884</u>	<u>151,359</u>
NET POSITION			
Net investment in capital assets	1,708,015	1,604,149	3,312,164
Unrestricted	<u>1,099,831</u>	<u>68,617</u>	<u>1,168,448</u>
Total net position	<u>\$ 2,807,846</u>	<u>\$ 1,672,766</u>	<u>\$ 4,480,612</u>

BIOLA COMMUNITY SERVICES DISTRICT

STATEMENT OF REVENUE, EXPENSE, AND CHANGES IN FUND NET POSITION – PROPRIETARY FUNDS YEAR ENDED JUNE 30, 2020

	<u>Business-Type Activities - Enterprise Funds</u>		
	<u>Water</u>	<u>Waste Disposal</u>	<u>Total Proprietary Funds</u>
Operating Revenue			
Charges for services	\$ 224,118	\$ 290,557	\$ 514,675
Total operating revenue	<u>224,118</u>	<u>290,557</u>	<u>514,675</u>
Operating Expense			
Personnel	42,122	42,567	84,689
Contract services	30,968	123,868	154,836
License and fees	5,878	20,154	26,032
Maintenance and repairs	15,733	22,986	38,719
Professional services	24,178	32,064	56,242
Telephone and communications	3,454	4,181	7,635
Insurance	5,329	6,451	11,780
Office expense	2,442	2,855	5,297
Supplies and tools	1,525	45	1,570
Utilities	28,014	30,029	58,043
Memberships and publications	697	844	1,541
Depreciation expense	86,366	86,253	172,619
Total operating expense	<u>246,706</u>	<u>372,297</u>	<u>619,003</u>
Operating income/(loss)	<u>(22,588)</u>	<u>(81,740)</u>	<u>(104,328)</u>
Nonoperating Revenue/(Expense)			
Interest income	9,823	-	9,823
Interest expense	(157)	-	(157)
Total nonoperating revenue/(expense)	<u>9,666</u>	<u>-</u>	<u>9,666</u>
Net income/(loss) before capital contributions	(12,922)	(81,740)	(94,662)
Capital Contributions	<u>17,322</u>	<u>51,810</u>	<u>69,132</u>
Change in Net Position	4,400	(29,930)	(25,530)
Net Position			
Beginning of year	<u>2,803,446</u>	<u>1,702,696</u>	<u>4,506,142</u>
End of year	<u>\$ 2,807,846</u>	<u>\$ 1,672,766</u>	<u>\$ 4,480,612</u>

BIOLA COMMUNITY SERVICES DISTRICT

STATEMENT OF CASH FLOW - PROPRIETARY FUNDS YEAR ENDED JUNE 30, 2020

	Business-Type Activities - Enterprise Funds		
	Water	Waste Disposal	Total Business-Type Funds
Operating Activities			
Receipts from customers and users	\$ 185,386	\$ 253,502	\$ 438,888
Payments for goods and services	(98,529)	(240,372)	(338,901)
Payments to/for employees	(42,122)	(42,567)	(84,689)
Net cash provided by (used in) operating activities	<u>44,735</u>	<u>(29,437)</u>	<u>15,298</u>
Non-capital Financial Activities			
Received from/(paid to) other funds	(35,783)	-	(35,783)
Net cash provided by (used in) noncapital financing activities	<u>(35,783)</u>	<u>-</u>	<u>(35,783)</u>
Capital and Related Financing Activities			
Capital contributions received	29,871	60,790	90,661
Purchase of property, plant and equipment	(21,886)	(30,148)	(52,034)
Principal paid on long-term debt	(8,850)	(2,558)	(11,408)
Interest paid on long-term debt	(157)	-	(157)
Net cash provided by (used in) capital and related financing activities	<u>(1,022)</u>	<u>28,084</u>	<u>27,062</u>
Investing Activities			
Interest received	9,823	-	9,823
Net cash provided by investing activities	<u>9,823</u>	<u>-</u>	<u>9,823</u>
Net Increase/(Decrease) in Cash and Investments	17,753	(1,353)	16,400
Cash and Investments			
Beginning of year	737,677	12,399	750,076
End of year	<u>\$ 755,430</u>	<u>\$ 11,046</u>	<u>\$ 766,476</u>
Cash Flows from Operating Activities			
Operating income (loss)	\$ (22,588)	\$ (81,740)	\$ (104,328)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation expense	86,366	86,253	172,619
(Increase) Decrease in Accounts Receivable, net	(40,514)	(37,055)	(77,569)
(Increase) Decrease in Prepaid Expenses	(1,583)	(4,552)	(6,135)
Increase (Decrease) in Deposits	1,782	-	1,782
Increase (Decrease) in Accounts Payable and Accrued Expense	21,272	7,657	28,929
Net Cash Provided by/(Used in) Operating Activities	<u>\$ 44,735</u>	<u>\$ (29,437)</u>	<u>\$ 15,298</u>

BIOLA COMMUNITY SERVICES DISTRICT

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2020

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, 2020

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, 2020

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, 2020

Note 1 – Summary of Significant Accounting Policies (Continued)

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

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

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

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

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

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

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

BIOLA COMMUNITY SERVICES DISTRICT

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2020

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, 2020 are classified in the accompanying financial statements as follows:

Statement of Net Position:

Cash and Investments	\$ 766,476
----------------------	------------

Cash and investments as of June 30, 2020 consist of the following:

Deposits with Financial Institutions	\$ 51,864
County of Fresno's Pooled Cash	432,134
Local Agency Investment Fund	<u>282,478</u>
Total Cash and Investments	<u>\$ 766,476</u>

BIOLA COMMUNITY SERVICES DISTRICT

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2020

Note 2 – Cash and Investments

Fair Value Measurements

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

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

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

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

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

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

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

Authorized Deposits and Investments

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

Disclosures Relating to Interest Rate Risk

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

BIOLA COMMUNITY SERVICES DISTRICT

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2020

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 56% and LAIF is 37% as of June 30, 2020, 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, 2020.

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, 2020

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, 2020.

	<u>Water</u>	<u>Waste Disposal</u>	<u>Total</u>
Accounts receivable	\$ 66,682	\$ 70,120	\$ 136,802
Allowance for uncollectible receivables	<u>(2,000)</u>	<u>(2,000)</u>	<u>(4,000)</u>
Accounts receivable, net	<u>\$ 64,682</u>	<u>\$ 68,120</u>	<u>\$ 132,802</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, 2020 are as follows:

	<u>Due From</u>	<u>Due To</u>
General Fund	\$ -	\$ 324,966
Water Fund	<u>324,966</u>	<u>-</u>
	<u>\$ 324,966</u>	<u>\$ 324,966</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. There were no transfers in and out for the year ended June 30, 2020.

BIOLA COMMUNITY SERVICES DISTRICT

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2020

Note 5 – Capital Assets

Capital asset activity for the year ended June 30, 2020, was as follows:

	<u>Balance July 1, 2019</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance June 30, 2020</u>
<u>Governmental Activities</u>				
Capital assets, not being depreciated				
Land	\$ 68,066	\$ -	\$ -	\$ 68,066
Construction in progress	59,592	476,694	-	536,286
Total capital assets, not being depreciated	<u>127,658</u>	<u>476,694</u>	<u>-</u>	<u>604,352</u>
Capital assets, being depreciated				
Buildings and improvements	1,371,349	714,684	-	2,086,033
Machinery and equipment	32,369	5,904	-	38,273
Total capital assets, being depreciated	<u>1,403,718</u>	<u>720,588</u>	<u>-</u>	<u>2,124,306</u>
Less accumulated depreciation for:				
Buildings and improvements	(748,374)	(87,080)	-	(835,454)
Machinery and equipment	(21,968)	(1,850)	-	(23,818)
Total accumulated depreciation	<u>(770,342)</u>	<u>(88,930)</u>	<u>-</u>	<u>(859,272)</u>
Total capital assets, being depreciated, net	<u>633,376</u>	<u>631,658</u>	<u>-</u>	<u>1,265,034</u>
Governmental activities capital assets, net	<u>\$ 761,034</u>	<u>\$ 1,108,352</u>	<u>\$ -</u>	<u>\$ 1,869,386</u>
<u>Business-Type Activities</u>				
Capital assets, not being depreciated				
Land	\$ 125,990	\$ -	\$ -	\$ 125,990
Construction in progress	662,194	50,536	-	712,730
Total capital assets, not being depreciated	<u>788,184</u>	<u>50,536</u>	<u>-</u>	<u>838,720</u>
Capital assets, being depreciated				
Buildings and improvements	5,210,148	-	-	5,210,148
Machinery and equipment	117,216	1,498	-	118,714
Total capital assets, being depreciated	<u>5,327,364</u>	<u>1,498</u>	<u>-</u>	<u>5,328,862</u>
Less: accumulated depreciation	<u>(2,619,530)</u>	<u>(172,619)</u>	<u>-</u>	<u>(2,792,149)</u>
Total capital assets, being depreciated, net	<u>2,707,834</u>	<u>(171,121)</u>	<u>-</u>	<u>2,536,713</u>
Business-type activities capital assets, net	<u>\$ 3,496,018</u>	<u>\$ (120,585)</u>	<u>\$ -</u>	<u>\$ 3,375,433</u>

BIOLA COMMUNITY SERVICES DISTRICT

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2020

Note 5 – Capital Assets (Continued)

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

Governmental Functions:

General Government	\$ 88,930
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Business-Type Functions:

Water	\$ 86,366
Waste Disposal	86,253
	<u>\$ 172,619</u>

Note 6 – Long-Term Debt

Long-term debt at June 30, 2020, consisted of the following:

	<u>Balance</u> <u>July 1, 2019</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2020</u>	<u>Current</u> <u>Portion</u>
Business-Type Activities Long Term Debt					
Department of Water Resources Loan	\$ 70,800	\$ -	\$ 8,850	\$ 61,950	\$ 8,850
John Deere Capital Lease	3,877	-	2,558	1,319	1,319
Total Business-Type Activities Debt	<u>\$ 74,677</u>	<u>\$ -</u>	<u>\$ 11,408</u>	<u>\$ 63,269</u>	<u>\$ 10,169</u>

Long-term debt payable at June 30, 2020 was comprised of the following individual issues:

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 capital lease agreement for \$11,832 with John Deere Financial to finance the acquisition of diesel equipment for use in the district facilities. The lease is payable in monthly payments of \$226 starting January 21, 2016 and ending December 21, 2020 with a \$1 purchase option at the end of the lease term.

BIOLA COMMUNITY SERVICES DISTRICT

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2020

Note 6 – Long-Term Debt (Continued)

The annual requirements to amortize the principal and interest on long-term debt at June 30, 2020 were as follows:

Years ending June 30,	<u>Principal</u>	<u>Interest</u>
2021	\$ 10,169	\$ 22
2022	8,850	-
2023	8,850	-
2024	8,850	-
2025-2027	26,550	-
	<u>\$ 63,269</u>	<u>\$ 22</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 – Deficit Fund Balance

The District has a deficit fund balance of \$339,471 in the General Fund due to operating expenditures exceeding operating revenues over the years.

Note 9 – Subsequent Events

The District evaluated subsequent events for recognition and disclosure through May 20, 2021, the date which these financial statements were available to be issued. Management concluded that no material subsequent events have occurred since June 30, 2020 that required recognition or disclosure in such financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

BIOLA COMMUNITY SERVICES DISTRICT

BUDGETARY COMPARISON SCHEDULE

GENERAL FUND

YEAR ENDED JUNE 30, 2020

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive/ (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenue				
Property taxes	\$ 39,800	\$ 39,800	\$ 48,360	\$ 8,560
Special assessments	8,000	8,000	7,244	(756)
Intergovernmental	-	-	1,142,888	1,142,888
Interest revenue	5,000	5,000	7,525	2,525
Rents	21,250	21,250	27,990	6,740
Other revenues	-	-	1,233	1,233
Total revenue	<u>74,050</u>	<u>74,050</u>	<u>1,235,240</u>	<u>1,161,190</u>
Expenditures				
General government	110,776	110,776	97,087	13,689
Capital outlay	<u>60,000</u>	<u>60,000</u>	<u>1,197,282</u>	<u>(1,137,282)</u>
Total expenditures	<u>170,776</u>	<u>170,776</u>	<u>1,294,369</u>	<u>(1,123,593)</u>
Excess of revenues over expenditures	(96,726)	(96,726)	(59,129)	37,597
Net Change in Fund Balance	<u>\$ (96,726)</u>	<u>\$ (96,726)</u>	(59,129)	<u>\$ 37,597</u>
Fund Balance				
Beginning of year			<u>(280,342)</u>	
End of year			<u>\$ (339,471)</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, 2020, and the related notes to the financial statements, which collectively comprise District's basic financial statements, and have issued our report thereon dated May 20, 2021.

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) as a basis for designing 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 have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings as item 2020-001 that we consider to be material weaknesses

Compliance and Other Matters

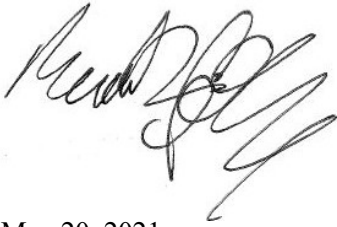
As part of obtaining reasonable assurance about whether the Biola Community Services District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could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

District's Response to Findings

The District's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 "M. J. [unclear]", written in a cursive style.

May 20, 2021

BIOLA COMMUNITY SERVICES DISTRICT

SCHEDULE OF FINDINGS AS OF JUNE 30, 2020

2020-001: Internal Controls over Utility Billing Process

Criteria

An effective internal control system over utility billing procedures provides reasonable assurance for the safeguarding of assets and the reliability of financial information.

Condition

We reviewed the Utility Billing system application data for the fiscal year ended June 30, 2020 and determined it was incomplete. Upon further inspection, it was determined that during a troubleshooting session the software application technical support erroneously reversed one month billing cycle. The Utility Billing system is a stand-alone application that is used to record and track customer's utility usage, billings, and payments data. Account receivable balances are adjusted in the general ledger system (Quickbooks) at year end, therefore year end adjustments recorded in the general ledger were understated.

Cause

Lack of application controls over accuracy and completeness and lack of reconciliation to the general ledger.

Effect

Understatement of accounts receivable and utility revenue of \$37,706.

Recommendation

We recommend that the District implement control procedures to ensure accuracy and completeness of billing data and perform a reconciliation of application utility billing data to amounts recorded in the general ledger.

Management Response

The District is in search of a new utility tracking software that will integrate with the general ledger.