



Annual Financial Report
June 30, 2021

Diablo Community Services District

Independent Auditor’s Report 1

 Management’s Discussion and Analysis 3

 Management’s Discussion and Analysis 4

Financial Statements

 Statement of Net Position 8

 Statement of Activities..... 9

 Balance Sheet – Governmental Fund..... 10

 Reconciliation of the Governmental Fund Balance Sheet to the Statement of Net Position..... 11

 Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental Fund 12

 Reconciliation of the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balance to the Statement of Activities 13

 Notes to Financial Statements 14

Required Supplementary Information

 Budgetary Comparison Schedule – General Fund 24

Independent Auditors’ 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* 25



Independent Auditor's Report

Board of Directors
Diablo Community Services District
Diablo, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the general fund of the Diablo Community Services District (District) as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' 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 opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the general fund of the District as of June 30, 2021 and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information, as listed in the table of contents, 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 4, 2022, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Menlo Park, California
March 4, 2022

The following discussion and analysis of the Diablo Community Services District's (District) financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2021. Please read it in conjunction with the District financial statements.

Highlights

Financial Highlights

The Diablo Community Services District (District) is a California Special District established in 1969 to provide security services to the residents of Diablo and maintain the roads, culverts, bridges, and Kay's trail within Diablo. The District contracts with the Contra Costa County Sheriff Department for security and contracts with third party contractors to provide road maintenance. Security costs are consistent from one year to the next and road maintenance costs fluctuate year to year depending on the maintenance needs. In FY 2021 The District grind and paved ten roads at a cost of \$675 thousand (2021 grind and pave road project).

The District is funded with Contra Costa County Ad Valorem Tax revenue and a voter approved Special Tax. The District's revenue is consistent from one year to the next and funds the security and road maintenance needs of the District.

Using this Annual Report

This annual report consists of two parts: Management's Discussion and Analysis and Financial Statements. The Financial Statements also include notes that explain in more detail some of the information contained in the statements.

Required Financial Statements

The Basic Financial Statements are comprised of District-wide financial statements and Fund financial statements. These two sets of financial statements provide the reader two different viewpoints of the District's financial activities and financial position.

District-wide financial statements report financial information about the District using the accrual basis of accounting method similar, to those used by private sector companies. The Statement of Net Position includes all District assets and liabilities and provides information about the nature and amounts of investments and resources (assets) and obligations (liabilities). It also provides the basis for computing rate of return, evaluating the capital structure of the District, and assessing the liquidity and financial flexibility of the District. The Statement of Activities provides information about the District's revenues and expenses, also on the accrual basis, with the emphasis on measuring net revenues and/or expenses for each of the District's activities. The Statement of Activities explains in detail the change in Net Position for the fiscal year.

Fund financial statements include statements for governmental activities. The Governmental Activities are prepared using the current financial resources measurement focus and modified accrual basis of accounting. Capital assets and other long-lived assets, along with long-term liabilities if any, are not presented in the governmental fund financial statements balance sheet. Unlike the government-wide financial statements, governmental fund financial statements focuses on near-term inflows and outflows of spendable resources, and on balances of spendable resources available at the end of the fiscal year. Such information may be useful in

evaluating the District's near-term financing requirements. All of the current year's revenues and expenditures are accounted for in the Statement of Revenues, Expenditures and Changes in Fund Balances. This statement measures the success of District operations over the past year and can be used to determine whether the District has successfully recovered all its costs through its property taxes, special tax, and traffic fines.

Reconciliations of the Fund Financial Statements to the Government-Wide Financial Statements are provided to explain the differences between these two sets of financial statements.

Financial Analysis of the District

One of the most important questions asked about the District finances is whether or not the District's overall financial position has improved or deteriorated. The Statement of Net Position and Statement of Activities report information about the District activities in a way that will help answer this question. These two statements report the net position of the District and changes in them. You can think of District's net position – the difference between assets and liabilities - as one way to measure financial health or financial position. Over time, increases or decreases in District's net position are one indicator of whether its financial health is improving or deteriorating. Other factors to consider include changes in economic conditions, population growth, and new or changed legislation.

Changes in Net Position

The District's total net position decreased by \$362 thousand in FY 2021 as a result of higher road maintenance costs associated with the 2021 grind and pave road project. The following includes figures from the statements of net position.

Statement of Net Position

	<u>2021</u>	<u>2020</u>
Assets		
Deposits and investments	\$ 646,522	\$ 947,010
Prepaid expenses	41,015	51,087
Capital assets	-	11,544
	<u> </u>	<u> </u>
Total assets	<u>\$ 687,537</u>	<u>\$ 1,009,641</u>
Liabilities		
Accounts payable and accrued liabilities	<u>67,944</u>	<u>28,176</u>
	<u>67,944</u>	<u>28,176</u>
Net position		
Net investment in capital assets	-	11,544
Unrestricted	<u>619,593</u>	<u>969,921</u>
	<u> </u>	<u> </u>
Total net position	<u>\$ 619,593</u>	<u>\$ 981,465</u>

In part, changes in District net position can be determined by reviewing the following Statements of Activities.

Statement of Activities

	2021	2020
Revenues		
Program revenues		
Charge for services	\$ 314	\$ 4,167
General revenues		
Ad valorem taxes	507,959	489,276
Measure B special tax	299,290	292,217
Interest income	53	47
Other income	-	329,337
	<u>807,616</u>	<u>1,115,044</u>
Total revenues		
Expenses		
General government	141,737	155,372
Public safety	306,990	295,085
Public works	720,760	67,961
	<u>1,169,487</u>	<u>518,418</u>
Total expenses		
Changes in Net Position	<u>\$ (361,871)</u>	<u>\$ 596,626</u>

Budgetary Highlights

Because of the consistency and predictability in the District's revenues and expenditures, the District is able to establish a budget and mostly operate within that budget. From time to time, there are items that must be addressed that do not appear in the budget such as additional road maintenance costs resulting from storms, flooding and fallen trees, and additional security costs in response to temporary spikes in vandalism or burglaries or traffic violations. In 2021 there was a budget vs actual difference of \$157 thousand which was primarily due to the postponement of the Culvert Lining Project on Calle Arroyo. A schedule showing the District's original and final budget amounts compared with the amounts actually paid and received is provided in our annual report on page 24.

Capital Assets

Capital Assets

At the end of fiscal year 2021, the District had no (net of accumulated depreciation) capital assets. The following table summarizes District capital assets at historical costs for fiscal year ended June 30, 2021.

	2021	2020
Vehicle	\$ -	\$ 42,817
Equipment and computers	2,500	7,238
Accumulated depreciation	(2,500)	(38,511)
Total capital assets	\$ -	\$ 11,544

Additional information on capital assets can be found in footnote 3 to the financial statements.

Significant Accomplishments of Fiscal Year 2020-21 are Noted Below:

The primary functions of the District are to maintain the roads, bridges and culverts (that lie under the District’s maintained roads) in Diablo and provide security patrols within its boundaries. Both of these purposes were fulfilled. The District also has recreation powers and the power to install and maintain street lighting. However, this last power has never been exercised. The reasons for not exercising this power include resident reluctance to street lighting, cost, and lack of need. The recreation power was added in the 1970s to provide maintenance of a pedestrian/equestrian (Kay’s Trail) between Alameda Diablo and Mt. Diablo Scenic. The (Kay’s Trail) is maintained on an “as needed” basis.

Economic Factors and Next Year’s Budgets and Rates

In considering the District’s budget for 2020-2021 year, the Board and management used the following criteria:

The District’s primary revenue sources are ad valorem property taxes and Measure B Special taxes (general revenues). The property tax revenue is received from Contra Costa County (the County) based on the County’s revenue allocation formula. The District does not have any role in determining the allocation; however, the amount received does not change significantly from year to year. The District budgets its property tax revenue using the prior year’s allocation.

The District held a special all mailed ballot election in March 2018. The ballot asked voters to approve a proposed Measure B special tax to replace the current security and road maintenance fees and to provide for road, bridge, culvert and trail maintenance and improvements, and security/police protection for the Diablo community. The annual special tax amount approved was \$662.26 per improved parcels, \$128.06 per unimproved parcels and \$23,444.68 for the Diablo Country Club parcels, including an annual inflation adjustment. The ballot measure was approved by the voters and was effective FY 2019. In 2021 revenue from the Measure B Special Tax was \$299 thousand.

Requests for Information

This financial report is designed to provide our customers and creditors with a general overview of District finances and demonstrate District accountability for the money it receives. If you have any questions about this report, or need additional financial information, contact the District at P.O. Box 321, Diablo, California, 94528.

Diablo Community Services District
Statement of Net Position
June 30, 2021

	<u>Governmental Activities</u>
Assets	
Cash and cash equivalents	\$ 646,522
Prepaid items	<u>41,015</u>
Total assets	<u>\$ 687,537</u>
Liabilities	
Accounts payable	25,961
Accrued liabilities	<u>41,983</u>
Total liabilities	<u>67,944</u>
Net Position	
Unrestricted	<u>619,593</u>
Total net position	<u><u>\$ 619,593</u></u>

Diablo Community Services District
Statement of Activities
Year Ended June 30, 2021

Functions/Programs	Expenses	Program Revenues Charges for Services	Net (Expenses) Revenues and Changes in Net Position Governmental Activities
Governmental Activities			
General government	\$ 141,737	\$ 150	\$ (141,587)
Public safety	306,990	164	(306,826)
Public works	720,760	-	(720,760)
	<u>\$ 1,169,487</u>	<u>\$ 314</u>	<u>\$ (1,169,173)</u>
			General revenues and subventions
			Property taxes, levied for general purposes
			807,249
			Interest and investment earnings
			53
			<u>807,302</u>
			Change in Net Position
			(361,871)
			Net Position - Beginning
			981,465
			<u>981,465</u>
			Net Position - Ending
			\$ 619,593
			<u>\$ 619,593</u>

Diablo Community Services District
 Balance Sheet – Governmental Fund
 June 30, 2021

	General Fund
Assets	
Cash and cash equivalents	\$ 646,522
Prepaid items	41,015
Total assets	\$ 687,537
Liabilities and Fund Balances	
Liabilities	
Accounts payable	\$ 25,961
Accrued liabilities	41,983
Total liabilities	67,944
Fund Balances	
Nonspendable	41,015
Unassigned	578,578
Total fund balances	619,593
Total liabilities and fund balances	\$ 687,537

Diablo Community Services District
 Reconciliation of the Governmental Fund Balance Sheet to the Statement of Net Position
 June 30, 2021

Total Fund Balance - Governmental Fund		\$	619,593
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 as assets in governmental funds.			
Cost of capital assets		\$	2,500
Accumulated depreciation			<u>(2,500)</u>
Total capital assets - net			<u>-</u>
 Total net position - governmental activities			 <u><u>\$ 619,593</u></u>

Diablo Community Services District
Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental Fund
Year Ended June 30, 2021

	General Fund
Revenues	
Property taxes	\$ 507,959
Measure B special tax	299,290
Traffic fines	164
Interest income	53
Insurance reimbursement	150
	807,616
 Expenditures	
Current	
General government	130,194
Public safety	306,990
Public works	720,759
	1,157,943
 Net Change in Fund Balance	(350,327)
 Fund Balance - Beginning	969,920
 Fund Balance - Ending	\$ 619,593

Diablo Community Services District

Reconciliation of the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balance to
the Statement of Activities
Year Ended June 30, 2021

Total Net Change in Fund Balances - Governmental Fund		\$ (350,327)
<p>Amounts Reported for Governmental Activities in the Statement of Activities are Different Because</p> <p>Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures, however, for governmental activities, those costs are shown in the statement of net position and allocated over their estimated useful lives as annual depreciation expenses in the statement of activities</p>		
Depreciation expense	\$ (6,673)	
Total capital assets - net		(6,673)
The net effect of transactions involving capital assets (i.e., disposal of assets) is to decrease net position.		(4,871)
Change in Net Position of Governmental Activities		\$ (361,871)

Note 1 - Summary of Significant Accounting Policies**General**

The Diablo Community Services District (the District) is a California special district formed in September 1969 by the Contra Costa Board of Supervisors under provisions of Part 2.7, Section 13801-1399 of the Health and Safety Code. funded. The Diablo Public Utility District (DPUD) was formed on March 23, 1951, under Section 14010 of the Health and Safety Code to construct roads and bridges within Diablo. In 1969, the DPUD was terminated and replaced with the Diablo Community Services District. The District reorganization was initiated by Diablo residents so that security services could be provided to the community by the District. The creation of the new District caused no changes in the governing body and the assets and liabilities of the DPUD were transferred to the reorganized District. The District is funded by ad valorem and Measure B special taxes.

The function of the District is to provide security and the maintenance of roads, bridges and specific culverts within the unincorporated community of Diablo, which is located at the foot of Mount Diablo, northeast of the Town of Danville. The District also has the power to install and maintain street lighting, and recreation powers. Recreation powers were added in the 1970s to allow the District to own and maintain the pedestrian/equestrian (Kay's Trail) between Alameda Diablo and Mt. Diablo Scenic. Kay's Trail is maintained on an "as needed" basis.

The Board of Directors is an elected governmental body and consists of five members including a president, a vice president and three members. If a member resigns before the end of his/her term the Board of Directors shall either appoint an interim director or hold an election to fill the vacancy to serve out the remaining term. If a vacancy is not filled within 60 days the Board of Supervisors may appoint a person to fill the vacancy or order the District to call an election to fill the vacancy.

Reporting Entity

Although the nucleus of financial reporting entity usually is a primary government, an organization other than a primary government, such as a stand-alone government, may serve as the nucleus for its financial reporting entity when the stand-alone government provides separately issued financial statements. A stand-alone government is a legally separate governmental organization that does not meet the definition of a component unit. Diablo Community Services District meets the criteria as a stand-alone government, and accordingly, is accounted for and reported on as though it were a primary government.

Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the types of resources being measured such as current financial resources or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The Government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. The District receives no grants and does not anticipate applying for any.

The Fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this modified accrual basis of accounting, revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days at the end of the current fiscal period to pay current liabilities. Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded when the exchange takes place. The following revenue resources are considered to be both measurable and available at fiscal year-end: interest, taxes, and other local sources. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

Property taxes and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. All other revenue items are considered measurable and available only when the District receives cash.

Basis of Presentation - Government-Wide Financial Statements

The statement of net position and the statement of activities report information on all of the activities of the District. The District reports governmental activities, which normally are supported by taxes and intergovernmental revenues.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Basis of Presentation - Fund Financial Statements

The accounting system of the District is organized and operated on the basis of separate funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures. An emphasis is placed on major funds within the governmental category. The following is the District's major and the only governmental fund:

General Fund - The General Fund is used to account for all financial resources of the District. The General Fund balance is available to the District for any purpose provided it is expended or transferred according to the general laws of California and the regulations of the District.

Capital Assets and Depreciation

Capital assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position but are not reported on the balance sheet of the fund financial statements.

The District capitalizes assets that have a cost of \$2,500 or in excess of and a useful life in excess of one year. Assets are valued at cost when determinable or estimated cost. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

The District does not possess any infrastructure. The roads and bridges are privately owned, and the District has the authority to maintain them. All capital assets purchased are stated at cost. Depreciation of capital assets is computed using the straight-line method. The estimated useful life of the vehicle is 5 years and equipment and computers are in 3 - 5 years.

Accrued Liabilities

All payables and accrued liabilities if applicable are reported in the government-wide financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as liabilities of the fund.

Net Position

Net position represents the difference between assets and liabilities. Net position net of investment in capital assets consists of capital assets, net of accumulated depreciation. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The District applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net positions are available.

Fund Balance

Fund balance is classified into five different components. The components are non-spendable, restricted, committed, assigned and unassigned.

- Non-spendable - amounts that cannot be spent either because they are in non-spendable form or because they are legally or contractually required to be maintained intact.
- Restricted - amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments. The District currently does not have any restricted funds.

- Committed – amounts that can be used only for specific purposes determined by a formal action of the Governing Board through a resolution. The Governing Board is the highest level of decision-making authority for the District. The constraint remains binding unless removed in the same formal manner by the Governing Board. The Board’s action to commit fund balance must occur within the fiscal reporting period while the amount committed may be determined subsequently. The District currently does not have any committed funds.
- Assigned - amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. The responsibility for assigning amounts for specific purposes has been delegated to the accounting director by the Governing Board. The District currently does not have any assigned funds.
- Unassigned - all other spendable amounts.

Spending Order Policy

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the highest level of decision-making authority has provided otherwise in its commitment or assignment actions.

Property Tax

Secured property taxes attach as an enforceable lien on property as of March 1. Taxes are payable in two installments on December 10 and April 10, respectively.

The County of Contra Costa bills and collects the taxes on behalf of the District and distributed property tax revenues to the District four times a year. District property tax revenues are recognized when levied to the extent that they result in current receivables.

Estimates

The preparation of the 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 amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

New Accounting Pronouncements

The District is currently analyzing its accounting practices to determine the potential impact of the following pronouncements, with implementation dates as amended by Statement no. 95:

New and Upcoming GASB Accounting Pronouncements

GASB Statement No. 87 – In June 2017, GASB issued Statement No. 87, Leases. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The Statement is effective for the reporting periods beginning after December 15, 2020, or FY 2021/2022. The District is evaluating the impact of this Statement on the financial statements.

GASB Statement No. 89 – In June 2018, GASB issued Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. The objectives of this Statement is to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (b) to simplify accounting for certain interest costs. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in the financial statements. The requirements of this Statement are effective for reporting periods beginning after December 15, 2020 or FY 2021/2022. The District is evaluating the impact of this Statement on the financial statements.

GASB Statement No. 91 – In May 2019, GASB issued Statement No. 91, Conduit Debt Obligations. The objectives of this Statement is to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with commitments extended by issuers, arrangements associated with conduit debt obligations, and related note disclosures by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. The requirements of this Statement are effective for reporting periods beginning after December 15, 2021 or FY 2022/2023. The District is evaluating the impact of this Statement on the financial statement

GASB Statement No. 92 – In January 2020, GASB issued Statement No. 92, *Omnibus 2020*. The objectives of this Statement is to establish accounting and financial reporting requirements for specific issues related to leases, intra-entity transfers of assets, postemployment benefits, government acquisitions, risk financing and insurance-related activities of public entity risk pools, fair value measurements, and derivative instruments. The requirements of this Statement are effective for reporting periods beginning after June 15, 2021 or FY 2021/2022, except for Statement 87 and Implementation Guide 2019-3, reinsurance recoveries, and terminology used to refer to derivative instruments are effective upon issuance. The District is evaluating the impact of this Statement on the financial statements.

GASB Statement No. 93 – In May 2020, GASB issued Statement No. 93, *Replacement of Interbank Offered Rates*. The objectives of this Statement is to address those and other accounting and reporting implications resulting from the replacement of an IBOR by providing exceptions for certain hedging derivative instruments to the hedge accounting termination provisions when an IBOR is replaced and providing clarification to the hedge accounting termination provisions, removing LIBOR as a benchmark interest rate for the qualitative evaluation of the effectiveness of an interest rate swap, identifying a Secured Overnight Financing Rate and the Effective Federal Funds Rate as appropriate benchmark interest rates for the qualitative evaluation of the effectiveness of an interest rate swap and providing an exception to the lease modifications guidance in Statement 87, as amended, for certain lease contracts that are amended solely to replace an IBOR as the rate upon which variable payments depend. The requirements of this Statement are effective for reporting periods beginning after June 15, 2021 or FY 2021/2022, except the removal of LIBOR as a benchmark interest rate which is effective for periods beginning after December 31, 2022 or FY 2022/2023. The District is evaluating the impact of this Statement on the financial statements.

GASB Statement No. 94 – In March 2020, GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The objectives of this Statement improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). The requirements of this Statement are effective for reporting periods beginning after June 15, 2022 or FY 2022/2023. The District is evaluating the impact of this Statement on the financial statements.

GASB Statement No. 96 – In May 2020, GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*. The objectives of this Statement is to provide guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. The requirements of this Statement are effective for reporting periods beginning after June 15, 2022 or FY 2022/2023. The District is evaluating the impact of this Statement on the financial statements.

GASB Statement No. 97 – In June 2020, GASB issued Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32. The objective of this Statement is to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. The requirements of this Statement are effective for reporting periods beginning after June 15, 2021 or FY 2021/2022. The District is evaluating the impact of this Statement on the financial statements.

Note 2 - Cash and Cash Equivalents

Summary of Deposits

Deposits as of June 30, 2021 consist of the following:

Deposits with financial institutions	<u>\$ 646,522</u>
--------------------------------------	-------------------

General Authorizations

The table below identifies the investment types that are authorized for the District by the California Government Code. Limitations as they relate to interest rate risk, credit risk, and concentration of credit risk are indicated in the schedules below.

Authorized Investment Type	Maximum Remaining Maturity	Maximum Percentage of Portfolio	Maximum Investment In One Issuer
Local Agency Bonds, Notes, Warrants	5 years	None	None
Registered State Bonds, Notes, Warrants	5 years	None	None
U.S. Treasury Obligations	5 years	None	None
U.S. Agency Securities	5 years	None	None
Banker's Acceptance	180 days	40%	30%
Commercial Paper	270 days	25%	10%
Negotiable Certificates of Deposit	5 years	30%	None
Repurchase Agreements	1 year	None	None
Reverse Repurchase Agreements	92 days	20% of base	None
Medium-Term Notes	5 years	30%	None
Mutual Funds	n/a	20%	10%
Money Market Mutual Funds	n/a	20%	10%
Mortgage Pass-Through Securities	5 years	20%	None
County Pooled Investment Funds	n/a	None	None
Local Agency Investment Fund (LAIF)	n/a	None	None
Joint Powers Authority Pools	n/a	None	None

Custodial Credit Risk - Deposits

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District's policy, as well as 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. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105% of the secured deposits. As of June 30, 2021, District's total bank balance was \$646,522 and was either insured by the Federal Deposit Insurance Corporation (FDIC), or collateralized, but not in the name of the District.

Note 3 - Capital Assets

Changes in capital assets for the year ended June 30, 2021 was as follows:

	Balance June 30, 2020	Additions	Dispositions	Balance June 30, 2021
Capital assets being depreciated				
Vehicle	\$ 42,817	\$ -	\$ 42,817	\$ -
Equipment and computers	7,238	-	4,738	2,500
	<u>50,055</u>	<u>-</u>	<u>47,555</u>	<u>2,500</u>
Total capital assets being depreciated				
Less accumulated depreciation				
Vehicle	31,398	6,548	37,946	-
Equipment and computers	7,113	125	4,738	2,500
	<u>38,511</u>	<u>6,673</u>	<u>42,684</u>	<u>2,500</u>
Total accumulated depreciation				
Total capital assets	<u>\$ 11,544</u>	<u>\$ 6,673</u>	<u>\$ 4,871</u>	<u>\$ -</u>

Note 4 - Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities as of June 30, 2021 consist of the following:

Vendors payable	\$ 14,621
Sheriff services and other accrued expenses	<u>53,322</u>
Total accrued liabilities	<u>\$ 67,943</u>

Note 5 - Fund Balances

Fund balances are composed of the following elements:

Nonspendable	\$ 41,015
Unassigned	<u>578,578</u>
Total	<u>\$ 619,593</u>

Note 6 - Commitments and Contingent Liabilities

Litigation

The District may from time to time be involved in litigation arising from the normal course of business. The District is not currently a party to any legal proceedings.

Note 7 - Risk Management

The District is exposed to various risk of loss related to torts; theft of, damage to, and destructions of assets; errors and omissions; injuries to third parties and natural disasters. The District carries insurance to protect against these risks. The District joined the Golden State Risk Management Authority (GSRMA) effective July 1, 2021 to participate in its pool insurance program for public entities.



Required Supplementary Information
June 30, 2021

Diablo Community Services District

Diablo Community Services District
 Budgetary Comparison Schedule – General Fund
 Year Ended June 30, 2021

	Budgeted Amounts (GAAP Basis)		Actual (GAAP Basis)	Variances - Positive (Negative)
	Original	Final		Final to Actual
Revenues				
Property taxes and non-tax user charges	\$ 491,455	\$ 491,455	\$ 507,959	\$ 16,504
Measure B Special Tax	300,984	300,984	299,290	(1,694)
Traffic fines	4,000	4,000	164	(3,836)
Other Income	-	-	150	150
Interest income	-	-	53	53
Total revenues	796,439	796,439	807,616	11,177
Expenditures				
General government	132,840	132,840	130,194	2,646
Public safety	338,540	338,540	306,990	31,550
Public works	833,000	833,000	720,759	112,241
Total expenditures	1,304,380	1,304,380	1,157,943	146,437
Net Change in Fund Balances	(507,941)	(507,941)	(350,327)	157,614
Fund Balance - Beginning	969,920	969,920	969,920	-
Fund Balance - Ending	\$ 461,979	\$ 461,979	\$ 619,593	\$ 157,614

Note to Budgetary Comparison Schedule – General Fund

The District adopts a budget annually for the general fund. From the effective date of the budget, which is adopted by the Board of Directors and controlled by the District, the legal level of budgetary control is at the expenditure level. Annual budgets are adopted on a basis consistent with generally accepted accounting principles.



Independent Auditors' 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*

Board of Directors
Diablo Community Services District
Diablo, California

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 and the general fund of Diablo Community Services District (District) as of and for the year ended June 30, 2021 and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated March 4, 2022.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District'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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Menlo Park, California
March 4, 2022