

DIABLO COMMUNITY SERVICES DISTRICT  
Annual Financial Report  
June 30, 2023

# DIABLO COMMUNITY SERVICES DISTRICT

## Table of Contents June 30, 2023

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Independent Auditor’s Report.....	1
Management’s Discussion and Analysis.....	4
Financial Statements	
Statement of Net Position .....	8
Statement of Activities.....	9
Balance Sheet – Governmental Fund and Reconciliation of the Governmental Fund	
Balance Sheet to the Statement of Net Position.....	10
Statement of Revenues, Expenditures and Changes in Fund Balance –	
Governmental Fund and Reconciliation of the Governmental Fund Statement	
of Revenues, Expenditures and Changes in Fund Balance to the Statement of	
Activities .....	11
Notes to Financial Statements.....	12
Required Supplementary Information	
Budgetary Comparison Schedule – General Fund.....	19
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.....	20



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## Independent Auditor's Report

Board of Directors  
Diablo Community Services District  
Diablo, California

### Opinions

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, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the general fund of the District as of June 30, 2023 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.

### Basis for Opinions

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

### Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of 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.

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

### Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is

To the Board of Directors  
Diablo Community Services District

not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgement, there are conditions or events, considered in aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

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

### **Required Supplementary Information**

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 September 7, 2023, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness

To the Board of Directors  
Diablo Community Services District

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.

*Richardson & Company, LLP*

September 7, 2023

# DIABLO COMMUNITY SERVICES DISTRICT

Management's Discussion and Analysis

June 30, 2023

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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, 2023. 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 2023 The District repaired damages caused by the 2023 Winter Storm at a cost of \$328 thousand.

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.

# DIABLO COMMUNITY SERVICES DISTRICT

## Management's Discussion and Analysis

June 30, 2023

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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 \$18 thousand in FY 2022 as a result of higher road maintenance costs associated with the 2023 Winter Storm. The following includes figures from the statements of net position.

### Statement of Net Position

	<u>2023</u>	<u>2022</u>
Assets		
Deposits and investments	\$ 504,843	\$ 507,532
Prepaid expenses	<u>40,239</u>	<u>40,389</u>
Total assets	<u>545,082</u>	<u>547,921</u>
Liabilities		
Accounts payable	27,249	40,166
Accrued liabilities	<u>60,387</u>	<u>31,585</u>
Total liabilities	<u>87,636</u>	<u>71,751</u>
Net position		
Unrestricted	<u>457,446</u>	<u>476,170</u>
Total net position	<u><u>\$ 457,446</u></u>	<u><u>\$ 476,170</u></u>

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

# DIABLO COMMUNITY SERVICES DISTRICT

## Management's Discussion and Analysis

June 30, 2023

### Statement of Activities

	<u>2023</u>	<u>2022</u>
Revenues		
Program revenues		
Charge for services	\$ 24	\$ 7,901
General revenues		
Ad valorem taxes	568,723	531,399
Measure B special tax	318,266	308,993
Interest income	43	52
Total revenues	<u>887,056</u>	<u>848,345</u>
Expenses		
General government	226,858	111,749
Public safety	316,016	349,312
Public works	<u>362,906</u>	<u>530,707</u>
Total expenses	<u>905,780</u>	<u>991,768</u>
Changes in Net Position	<u>\$ (18,724)</u>	<u>\$ (143,423)</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 2023 there was a budget vs actual difference of \$18 thousand which was primarily due to repair work done due to the 2023 Winter Storms. 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 19.

### Capital Assets

At the end of fiscal year 2022, 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, 2023.

	<u>2023</u>	<u>2022</u>
Equipment and computers	\$ 2,500	\$ 2,500
Accumulated depreciation	<u>(2,500)</u>	<u>(2,500)</u>
Total capital assets	<u>\$ -</u>	<u>\$ -</u>

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

### Significant Accomplishments of Fiscal Year 2022-23 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



# DIABLO COMMUNITY SERVICES DISTRICT

Management's Discussion and Analysis

June 30, 2023

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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 2022-2023 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 \$745.39 per improved parcels, \$144.14 per unimproved parcels and \$26,387.20 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 2023 revenue from the Measure B Special Tax was \$318 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, 2023

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	<u>Governmental Activities</u>
Assets	
Cash and cash equivalents	\$ 504,843
Prepaid items	<u>40,239</u>
Total assets	<u>545,082</u>
Liabilities	
Accounts payable	27,249
Accrued liabilities	<u>60,387</u>
Total liabilities	<u>87,636</u>
Net Position	
Unrestricted	<u>457,446</u>
Total net position	<u><u>\$ 457,446</u></u>

# DIABLO COMMUNITY SERVICES DISTRICT

## Statement of Activities Year Ended June 30, 2023

Functions/Programs	Expenses	Program Revenues Charges for Services	Net (Expenses) Revenues and Changes in Net Position Governmental Activities
Governmental Activities			
General government	\$ 226,858	\$ -	\$ (226,858)
Public safety	316,016	24	(315,992)
Public works	362,906	-	(362,906)
	<u>\$ 905,780</u>	<u>\$ 24</u>	<u>\$ (905,756)</u>
General revenues and subventions			
Property taxes, levied for general purposes			886,989
Interest and investment earnings			43
			<u>887,032</u>
			Change in Net Position (18,724)
			Net Position - Beginning <u>476,170</u>
			Net Position - Ending <u>\$ 457,446</u>

# DIABLO COMMUNITY SERVICES DISTRICT

## Balance Sheet – Governmental Fund

June 30, 2023

	General Fund
<b>Assets</b>	
Cash and cash equivalents	\$ 504,843
Prepaid items	40,239
Total assets	\$ 545,082
<b>Liabilities and Fund Balances</b>	
<b>Liabilities</b>	
Accounts payable	\$ 27,249
Accrued liabilities	60,387
Total liabilities	87,636
<b>Fund Balances</b>	
Nonspendable	40,239
Unassigned	417,207
Total fund balances	457,446
Total liabilities and fund balances	\$ 545,082

### Reconciliation of the Governmental Fund Balance Sheet to the Statement of Net Position

Total Fund Balance - Governmental Fund		\$ 457,446
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	(2,500)	
Total capital assets - net		-
Total net position - governmental activities		\$ 457,446

**DIABLO COMMUNITY SERVICES DISTRICT**  
Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental Fund  
Year Ended June 30, 2023

	General Fund
Revenues	
Property taxes	\$ 568,723
Measure B special tax	318,266
Traffic fines	24
Interest income	43
	887,056
Expenditures	
Current	
General government	226,858
Public safety	316,016
Public works	362,906
	905,780
Net Change in Fund Balance	(18,724)
Fund Balance - Beginning	476,170
Fund Balance - Ending	\$ 457,446

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

Total Net Change in Fund Balances - Governmental Fund	\$	(18,724)
Amounts Reported for Governmental Activities in the Statement of Activities are Different Because		
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		
Depreciation expense	\$	-
Total capital assets - net		-
The net effect of transactions involving capital assets (i.e., disposal of assets) is to decrease net position.		-
Change in Net Position of Governmental Activities	\$	(18,724)

# DIABLO COMMUNITY SERVICES DISTRICT

Notes to Financial Statements

June 30, 2023

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## **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.

# DIABLO COMMUNITY SERVICES DISTRICT

## Notes to Financial Statements

June 30, 2023

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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.

# DIABLO COMMUNITY SERVICES DISTRICT

## Notes to Financial Statements

June 30, 2023

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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 equipment is 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.



# DIABLO COMMUNITY SERVICES DISTRICT

Notes to Financial Statements

June 30, 2023

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## **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.

## **Note 2 - Cash and Cash Equivalents**

### **Summary of Deposits**

Cash and cash equivalents as of June 30, 2023 consist of \$504,843 of deposits with financial institutions.

### **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 following schedules.

# DIABLO COMMUNITY SERVICES DISTRICT

## Notes to Financial Statements

June 30, 2023

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, 2023, District's total bank balance was \$504,843, of which \$250,000 was insured by the Federal Deposit Insurance Corporation (FDIC), and \$254,843 was collateralized, but not in the name of the District.

### **Note 3 - Capital Assets**

Changes in capital assets for the year ended June 30, 2023 was as follows:

# DIABLO COMMUNITY SERVICES DISTRICT

## Notes to Financial Statements

June 30, 2023

	Balance June 30, 2021	Additions	Dispositions	Balance June 30, 2022
Capital assets being depreciated				
Equipment and computers	\$ 2,500	\$ -	\$ -	\$ 2,500
Total capital assets being depreciated	2,500	-	-	2,500
Less accumulated depreciation				
Equipment and computers	(2,500)			(2,500)
Total accumulated depreciation	(2,500)	-	-	(2,500)
Total capital assets	\$ -	\$ -	\$ -	\$ -

### Note 4 - Fund Balances

Fund balances are composed of the following elements:

Nonspendable	\$ 40,239
Unassigned	417,207
Total	\$ 457,446

### Note 5 - 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 6 - Risk Management

The District participates in the Golden State Risk Management Authority (GSRMA), a joint powers agency comprised of California governmental agencies for general, property, automobile, employment practices and public officials' errors and omissions. Loss contingency reserves established by the GSRMA are funded by contributions from member agencies. The District pays an annual contribution to the GSRMA that includes its pro-rata share of excess insurance premiums, charges for pooled risk, claims adjusting and legal costs, and administrative and other costs to operate the GSRMA. GSRMA provides insurance through the pool up to a certain level, beyond which group purchased commercial excess insurance is obtained.

# DIABLO COMMUNITY SERVICES DISTRICT

Notes to Financial Statements

June 30, 2023

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The District's self-insured retention level and maximum coverage under the GSRMA are as follows:

GSRMA	<u>Pool Coverage</u>	<u>Commercial Coverage</u>	<u>Self-Insured Retention</u>
General	\$ 250,000	\$ 750,000	\$ -
Property	\$ 5,000	\$ 25,000,000	\$ 1,000
Automobile liability	\$ 250,000	\$ 750,000	\$ -
Employee dishonesty	\$ 25,000	\$ 10,000,000	\$ 2,500

## Note 7 - Subsequent Events

The District has applied for Federal Emergency Management Agency (FEMA) funding to cover the costs of the 2023 Winter Storm damage repairs. In August 2023, FEMA obligated approximately \$320,000 for these repairs. An award letter nor the funds have been received as of current date.

Required Supplementary Information  
June 30, 2023

**DIABLO COMMUNITY SERVICES DISTRICT**  
 Budgetary Comparison Schedule – General Fund  
 Year Ended June 30, 2023

	Budgeted Amounts (GAAP Basis)		Actual (GAAP Basis)	Variances
	Original	Final		Final to Actual
<b>Revenues</b>				
Property taxes	\$ 532,993	\$ 532,993	\$ 568,723	\$ 35,730
Measure B Special Tax	318,263	318,263	318,266	3
Traffic fines	1,500	1,500	24	(1,476)
Interest income	-	-	43	43
<b>Total revenues</b>	<b>852,756</b>	<b>852,756</b>	<b>887,056</b>	<b>34,300</b>
<b>Expenditures</b>				
General government	137,377	137,377	226,858	(89,481)
Public safety	391,785	391,785	316,016	75,769
Public works	284,000	284,000	362,906	(78,906)
<b>Total expenditures</b>	<b>813,162</b>	<b>813,162</b>	<b>905,780</b>	<b>(92,618)</b>
<b>Net Change in Fund Balances</b>	<b>39,594</b>	<b>39,594</b>	<b>(18,724)</b>	<b>(58,318)</b>
<b>Fund Balance - Beginning</b>	<b>476,170</b>	<b>476,170</b>	<b>476,170</b>	<b>-</b>
<b>Fund Balance - Ending</b>	<b>\$ 515,764</b>	<b>\$ 515,764</b>	<b>\$ 457,446</b>	<b>\$ (58,318)</b>

**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.



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**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, 2022 and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated September 7, 2023.

***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.

To the Board of Directors  
Diablo Community Services District

### **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.

*Richardson & Company, LLP*

September 7, 2023