

**WHEELER CREST COMMUNITY
SERVICE DISTRICT**

Audit Report

June 30, 2011

**WHEELER CREST COMMUNITY SERVICE DISTRICT
AUDIT REPORT**

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FINANCIAL SECTION

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Wheeler Crest Community Service District
Swall Meadows, California

We have audited the accompanying basic financial statements of the Wheeler Crest Community Service District (District) as of June 30, 2011, and for the year then ended, as listed in the table of contents. These financial statements are the responsibility of the District management. Our responsibility is to express an opinion on these financial statements based on my audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the State Controller's Minimum Audit Requirements for California Special Districts. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Wheeler Crest Community Service District as of June 30, 2011, and the respective changes in its financial position, and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The District has not presented the Management's Discussion and Analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements.

In accordance with *Government Auditing Standards*, we have also issued a report dated February 10, 2012, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of my audit



Neely Accountancy Corp.
Granada Hills, CA
February 10, 2012

BASIC FINANCIAL STATEMENTS

WHEELER CREST COMMUNITY SERVICE DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2011

Assets

Current assets

Cash	\$245,264
Accounts receivable	679
Total current assets	<u>245,943</u>

Capital assets

Machinery and equipment, net of accumulated depreciation of \$194,939	314,174
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Total assets	<u><u>560,117</u></u>
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Liabilities

Current liabilities

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Net assets

Invested in capital assets, net of related debt	314,174
Unrestricted	245,943

Total net assets	<u><u>\$ 560,117</u></u>
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See accompanying notes to financial statements.

WHEELER CREST COMMUNITY SERVICE DISTRICT
STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET ASSETS
YEAR ENDED JUNE 30, 2011

Operating revenues:	
Charges for services	\$4,212
Assessments	<u>26,937</u>
 Total operating revenues	 <u>31,149</u>
 Operating expenses:	
Services and supplies	15,545
Insurance	1,641
Depreciation	<u>19,676</u>
 Total operating expenses	 <u>36,862</u>
 Net program expenses	 (5,713)
 Nonoperating revenue	
Interest income	3,041
 Increase (decrease) in net assets	 <u>(2,672)</u>
 Net assets at the beginning of the year	 562,789
 Net assets at the end of the year	 <u><u>\$560,117</u></u>

See accompanying notes to financial statements.

WHEELER CREST COMMUNITY SERVICE DISTRICT
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2011

CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$4,671
Receipts from assessments	26,937
Payments to suppliers	<u>(17,186)</u>
Net cash provided by operating activities	<u>14,422</u>
 CASH FLOWS PROVIDED (USED) BY INVESTING ACTIVITIES	
Interest received	<u>3,041</u>
Net cash provided by investing activities	<u>3,041</u>
 Net increase in cash	 17,463
 Cash, beginning of the year	 <u>227,801</u>
 Cash, end of the year	 <u><u>\$245,264</u></u>
 RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	
(Decrease) in net assets	(\$2,672)
Adjustments to reconcile change in net assets to net cash to operating activities:	
Decrease in accounts receivable	459
Depreciation	19,676
 Net cash provided by operating activities	 <u><u>\$17,463</u></u>

See accompanying notes to financial statements.

WHEELER CREST COMMUNITY SERVICE DISTRICT

Notes to Financial Statements
For the Fiscal Year Ended June 30, 2011

Note 1: **Summary of Significant Accounting Policies**

The financial statements of the Wheeler Crest Community Service District (District) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies are described below.

A. Reporting Entity

The Wheeler Crest Community Service District is a governmental entity organized for the purpose of providing water service to the residents of the community of Wheeler Crest. The District is governed by a board of five directors.

The District is considered an enterprise fund. The costs of the services provided by the District to the community are recovered primarily through charges for services rendered.

The District includes all activities (operations of its administrative staff and officers) considered to be a part of the District. The District reviewed the criteria developed by the Governmental Accounting Standards Board (GASB) in its issuance of Statement No. 14, relating to the financial reporting entity to determine whether the District is financially accountable for other entities. The District has determined that no other outside entity meets the above criteria, and therefore, no agency has been included as a component unit in the financial statements. In addition, the District is not aware of any entity that would be financially accountable for the District that would result in the District being considered a component unit of any entity.

B. Basis of Presentation and Accounting

All activities of the District are accounted for within a single enterprise fund. Enterprise funds are used to account for operations that are (a) financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the cost (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. Revenues and expenses resulting from providing these goods or services are considered to be operating revenues and expenses. All other revenues and expenses are considered to be nonoperating.

WHEELER CREST COMMUNITY SERVICE DISTRICT

Notes to Financial Statements
For the Fiscal Year Ended June 30, 2011

Note 1: **Summary of Significant Accounting Policies** (continued)

B. Basis of Presentation and Accounting (continued)

The District applies all GASB pronouncements as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. Revenues and the related assets are recognized when earned rather than when received, and certain expenses are recognized when incurred rather than when the obligation is paid.

C. Cash and Cash Equivalents

For purposes of the Statements of Cash Flows, all highly liquid investments with original maturities of three months or less and the District's investment in the Treasury of the County of Mono are considered to be cash equivalents.

D. Capital Assets

Capital assets have been acquired for general District purposes. Assets purchased are recorded and capitalized at cost or estimated cost where no historical records are available. Contributed capital assets are recorded at fair market value at the date of donation. The District defines capital assets as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. Capital assets are depreciated using the straight-line method over their estimated useful lives of 10 to 35 years.

E. Net Assets

Net assets comprise the various net earnings from operating and non-operating revenues, expenses and contributions of capital. Net assets are classified in the following three components: invested in capital assets, net of related debt; restricted; and unrestricted net assets. Invested in capital assets, net of related debt, consists of all capital assets, net of accumulated depreciation and reduced by outstanding debt that is attributable to the acquisition, construction and improvement of those assets; debt related to unspent proceeds or other restricted cash and investments is excluded from the determination. Restricted net assets consists of net assets for which constraints are placed thereon by external parties, such as lenders, grantors, contributors, laws, regulations and enabling legislation, including self-imposed legal mandates. Unrestricted net assets consists of all other net assets not included in the above categories.

WHEELER CREST COMMUNITY SERVICE DISTRICT

Notes to Financial Statements
For the Fiscal Year Ended June 30, 2011

Note 1: **Summary of Significant Accounting Policies** (continued)

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

When both restricted and unrestricted net assets are available, unrestricted resources are used only after the restricted resources are depleted.

As of June 30, 2011, the District had no restrictions to net assets.

F. Water Revenue

The first 15,000 gallons of water each month are billed by the county on the tax roll. Taxes are payable in two installments on December 10th and April 10th. The district bills for water use in excess of 15,000 gallons semi-annually. Revenues are recognized by the District when earned.

G. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

H. Subsequent Events

Management has evaluated subsequent events through February 20, 2012, the date the financial statements were available to be issued.

WHEELER CREST COMMUNITY SERVICE DISTRICT

Notes to Financial Statements
For the Fiscal Year Ended June 30, 2011

Note 2: **Cash and Investments**

The District holds unrestricted cash and investments with the Treasurer of the County of Mono in a cash and investment pool. On a quarterly basis the Auditor-Controller allocates interest to participants based upon their average daily balances. The Treasurer's investment and policies are overseen by the Mono County Treasury Oversight Committee. Required disclosure information regarding the categorization of investments and risk can be found in the County of Mono's basic financial statements. The balance in the account as of June 30, 2011 was as follows:

Wheeler Crest Community Service District Operating Fund	\$ 244,150
Cash held at the district	<u>1,114</u>
Total cash	<u>\$ 245,264</u>

Government Accounting Standards require additional disclosures about a government's deposits and investments risks that include credit risk, custodial risk, concentration risk and interest rate risk. The District had no deposit or investment policy that addressed a specific type of risk.

Required disclosures for the District's investment in the Inyo County Investment Pool at June 30, 2011, were as follows:

Credit risk	A
Custodial risk	N/A
Concentration of credit risk	N/A
Interest rate risk	5 years or less

Investments held in the County's investment pool are available on demand and are stated at cost plus accrued interest, which approximates fair value.

WHEELER CREST COMMUNITY SERVICE DISTRICT

Notes to Financial Statements
For the Fiscal Year Ended June 30, 2011

Note 3: **Capital Assets**

Capital asset activity for the year ended June 30, 2011 was as follows:

	<u>Balance</u> <u>July 1, 2009</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2010</u>
Capital assets, being depreciated:				
Machinery and equipment	\$509,113	\$ -	\$ -	\$ 509,113
Less accumulated depreciation:	<u>(175,263)</u>	<u>(19,676)</u>	<u>-</u>	<u>(194,939)</u>
Total capital assets, net	<u>\$333,850</u>	<u>(\$19,676)</u>	<u>\$ -</u>	<u>\$ 314,174</u>

Depreciation expense for the year ended June 30, 2011 was \$19,676.

Note 4: **Long Term Debt**

On June 1, 2011 the district entered into an installment agreement for \$150,000 to construct a well. The agreement provides for semi-annual payments of \$10,059 through July 26, 2021 with interest at 5.95%. The agreement was not funded until July 2011.

Note 5: **Risk Management**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; general liability and natural disasters. The District has secured commercial lines of coverage for these types of losses.

OTHER REPORT

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REPORT ON COMPLIANCE AND 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
Wheeler Crest Community Service District
Swall Meadows, California

We have audited the financial statements of Wheeler Crest Community Service District as of and for the year ended June 30, 2011, and have issued our report thereon dated February 10, 2012. 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.

Internal Control Over Financial Reporting

In planning and performing my audit, we considered Wheeler Crest Community Service District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of considered Wheeler Crest Community Service District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of considered Wheeler Crest Community Service District's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

This report is intended solely for the information and use of the District's management, the County of Mono, and awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Neely Accountancy Corp.
Granada Hills, CA
February 10, 2012