

**WHEELER CREST COMMUNITY
SERVICE DISTRICT**

Audit Report

June 30, 2012

**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, 2012, 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, 2012, 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.

Management has not presented management's discussion and analysis that governmental accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

In accordance with *Government Auditing Standards*, we have also issued a report dated May 14, 2013, 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 our audit

A handwritten signature in cursive script that reads "Neely Accountancy Corp.".

Neely Accountancy Corp.
Granada Hills, CA
May 14, 2013

STATE OF NEW YORK
OFFICE OF THE COMPTROLLER
OF THE SENATE
JANUARY 1, 2014

BASIC FINANCIAL STATEMENTS

STATE OF NEW YORK
OFFICE OF THE COMPTROLLER
OF THE SENATE

WHEELER CREST COMMUNITY SERVICE DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2012

Assets

Current assets

Cash	\$255,487
Accounts receivable	1,124
Total current assets	<u>256,611</u>

Capital assets

Machinery and equipment, net of accumulated depreciation of \$214,615	438,783
Total assets	<u>695,394</u>

Liabilities

Accounts Payable and accrued expenses	5,893
Long-term liability	
Due within one year - finance agreement	11,698
Due in more than one year - finance agreement	132,706

Total liabilities	<u>150,297</u>
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Net assets

Invested in capital assets, net of related debt	294,379
Unrestricted	250,718
Total net assets	<u>\$ 545,097</u>

See accompanying notes to financial statements.

WHEELER CREST COMMUNITY SERVICE DISTRICT
STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET ASSETS
YEAR ENDED JUNE 30, 2012

Operating revenues:	
Charges for services	\$6,100
Assessments	<u>27,650</u>
Total operating revenues	<u>33,750</u>
Operating expenses:	
Services and supplies	23,216
Insurance	814
Interest	8,043
Depreciation	<u>19,676</u>
Total operating expenses	<u>51,749</u>
Net program expenses	(17,999)
Nonoperating revenue	
Interest income	2,979
Increase (decrease) in net assets	<u>(15,020)</u>
Net assets at the beginning of the year	560,117
Net assets at the end of the year	<u><u>\$545,097</u></u>

See accompanying notes to financial statements.

WHEELER CREST COMMUNITY SERVICE DISTRICT
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2012

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from customers	\$5,655
Receipts from assessments	27,650
Payments to suppliers	<u>(26,180)</u>
Net cash provided by operating activities	<u>7,125</u>

CASH FLOWS PROVIDED (USED) BY INVESTING ACTIVITIES

Interest received	2,979
Well costs	<u>(144,285)</u>
Net cash (used) by investing activities	<u>(141,306)</u>

CASH FLOWS PROVIDED (USED) BY FINANCING ACTIVITIES

Proceeds from finance agreement	150,000
Repayment of finance agreement	<u>(5,596)</u>
Net cash provided (used) by financing activities	<u>144,404</u>

Net increase in cash	10,223
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Cash, beginning of the year	<u>245,264</u>
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Cash, end of the year	<u><u>\$255,487</u></u>
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**RECONCILIATION OF OPERATING INCOME TO NET
CASH PROVIDED (USED) BY OPERATING ACTIVITIES**

(Decrease) in net assets	(\$15,020)
Adjustments to reconcile change in net assets to net cash to operating activities:	
Increase in accounts receivable	(444)
Increase in accounts payable	5,892
Depreciation	19,676
Interest received	<u>(2,979)</u>
Net cash provided by operating activities	<u><u>\$7,125</u></u>

Cash paid for interest was \$4,463.

See accompanying notes to financial statements.

WHEELER CREST COMMUNITY SERVICE DISTRICT

Notes to Financial Statements For the Fiscal Year Ended June 30, 2012

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 in 1984 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, 2012

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, 2012

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, 2012, 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 May 14, 2013, 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, 2012

Note 1: Summary of Significant Accounting Policies (continued)

I. Fair Value of Financial Instruments

The financial position of the District at June 30, 2012 includes certain financial instruments that may have a fair value that is different from the value currently reflected in the financial statements. In reviewing the financial instruments to the district, certain assumptions and methods were used to determine the fair value of each category of financial instruments for which it is practicable to estimate that value. The carrying amounts of the district's financial instruments generally approximate their fair values at June 30, 2012.

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, 2012 was as follows:

Wheeler Crest Community Service District Operating Fund	\$ 253,890
Cash held at the district	<u>1,597</u>
Total cash	<u>\$ 255,487</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, 2012, 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, 2012

Note 3: Capital Assets

Capital asset activity for the year ended June 30, 2012 was as follows:

	Balance July 1, 2011	Additions	Retirements	Balance June 30, 2012
Capital assets, not being depreciated:				
Construction	\$ -	\$ 144,285	\$ -	\$ 144,285
Capital assets, being depreciated:				
Machinery and equipment	509,113	-	-	509,113
Total capital assets	509,113	144,285	-	653,398
Less accumulated depreciation:	(194,939)	(19,676)	-	(214,615)
Total capital assets, net	<u>\$314,174</u>	<u>\$124,609</u>	<u>\$ -</u>	<u>\$ 438,783</u>

Depreciation expense for the year ended June 30, 2012 was \$19,676.

Note 4: Finance Agreement

The following is a summary of long-term debt transactions of the District for the fiscal year ended June 30, 2012:

	Balance July 1, 2011	Additions	Retirements	Balance June 30, 2012	Due Within One Year
Finance agreement	\$ -	\$150,000	\$ 5,596	\$ 144,404	\$11,698

The District has entered into finance agreement to provide funding for the construction of a new well. The well will become the property of the District when all terms of the agreement are met. The agreement bears interest at 5.95% and requires two semi-annual payments of \$10,059 which include principal and interest.

	\$ 144,404
Current portion	(11,698)
	\$ 132,706

Future minimum annual principal payments under the terms of the agreement are as follows:

Year ending June 30	
2013	\$ 11,698
2014	12,404
2015	13,153
2016	13,947
2017	14,789
Thereafter	78,413
	<u>\$ 144,404</u>

WHEELER CREST COMMUNITY SERVICE DISTRICT

Notes to Financial Statements
For the Fiscal Year Ended June 30, 2012

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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CERTIFIED PUBLIC ACCOUNTANT
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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, 2012, and have issued our report thereon dated May 14, 2013. 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

Management of Wheeler Crest Community Service District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our 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
May 14, 2013