

NEWBERRY COMMUNITY SERVICES DISTRICT  
FOR THE YEAR ENDED  
JUNE 30, 2016

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## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Newberry Community Services District  
30884 Newberry Road  
Newberry Springs, CA 92365

We have audited the accompanying financial statements of the Newberry Community Services District, which comprise the statement of net assets as of June 30, 2016, and the related statements of activities and changes in net assets, and cash flows, for the year then ended, and the related notes to the 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.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Newberry Community Services District as of June 30, 2016, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The budget to actual schedule on page 11 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.



Miers & Miers  
Certified Public Accountants, LLP  
Barstow, California

August 18, 2017

NEWBERRY COMMUNITY SERVICES DISTRICT  
STATEMENT OF NET ASSETS  
JUNE 30, 2016

**ASSETS**

**CURRENT ASSETS**

Cash and investments	\$	522,845
Property taxes receivable		1,514
Accounts receivable		---
Prepaid expenses		6,149

**TOTAL CURRENT ASSETS** \$ 530,508

**PROPERTY AND EQUIPMENT**

Land		6,204
Structures and improvements		206,316
Equipment		811,686
Less: accumulated depreciation		(971,950)

**NET PROPERTY AND EQUIPMENT** 52,255

**TOTAL ASSETS** \$ 582,763

**LIABILITIES AND NET RESOURCES**

**CURRENT LIABILITIES**

Accounts payable	\$	804
Credit card payable		---
Deferred revenue		---
Salaries and benefits payable		---

**TOTAL CURRENT LIABILITIES** \$ 804

**NET ASSETS**

Investment in capital assets, net		52,256
Unrestricted		529,704

**TOTAL NET ASSETS** 581,959

**TOTAL LIABILITIES AND NET ASSETS** \$ 582,763

NEWBERRY COMMUNITY SERVICES DISTRICT  
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS  
JUNE 30, 2016

**OPERATING REVENUES**

Property taxes	\$ 220,285
Interest	1,204
Fire department	2,576
Donation	4,170
Rental Income	240
Other	378
	<hr/>

**TOTAL REVENUES** \$ 228,853

**OPERATING EXPENSES**

Fire protection		
Personnel expenses	19,134	
Dispatching	6,925	
Insurance	3,590	
Membership dues	2,052	
Office expense	440	
Utilities	2,577	
Fire vehicle maintenance and repair	6,421	
Non-vehicle equipment maintenance and repair	16,400	
Depreciation	16,142	
	<hr/>	73,681
Parks and recreation		
Materials and services	38,381	
Depreciation	325	
	<hr/>	38,706
Administrative costs		
Personnel expenses	36,106	
Advertising	66	
Audit expense	7,288	
Directors stipend	3,026	
Education expense	4,421	
Election expense	2,120	
Insurance	2,150	
Office expense	4,913	
District special expenditures	68	
Miscellaneous expense	76	
Depreciation	5,008	
	<hr/>	65,241
Municipal services – Street lighting		<hr/> 4,696

**TOTAL OPERATING EXPENSES** 

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182,324

**EXCESS REVENUES OVER EXPENSES AND CHANGE IN NET ASSETS** 46,529

**NET ASSETS, BEGINNING OF YEAR** 

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535,430

**NET ASSETS, END OF YEAR** 

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\$ 581,959



NEWBERRY COMMUNITY SERVICES DISTRICT  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED  
JUNE 30, 2016

**CASH FLOWS FROM OPERATING ACTIVITIES**

Revenues	\$	229,732	
Payments for expenses		(106,290)	
Payments for payroll		(57,054)	
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<b>\$</b>		<b>66,388</b>

**CASH FLOWS FROM INVESTING ACTIVITIES**

Purchase of fixed assets		---	
<b>NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES</b>			<b>---</b>

<b>NET INCREASE (DECREASE) TO CASH</b>		66,388	
<b>CASH AT BEGINNING OF YEAR</b>		456,457	
<b>CASH AT END OF YEAR</b>	<b>\$</b>		<b>522,845</b>

**RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES**

Changes in net assets	\$	46,529	
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation		21,475	
Increase (decrease) in:			
Property taxes receivable		879	
Accounts receivable		---	
Prepaid expenses		289	
Increase (decrease) in:			
Accounts payable		(1,986)	
Credit card payable		1,016	
Deferred revenue		---	
Accrued expenses		(1,814)	
<b>NET CASH (USED) PROVIDED BY OPERATING ACTIVITIES</b>	<b>\$</b>		<b>66,388</b>

NEWBERRY COMMUNITY SERVICES DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED  
JUNE 30, 2016

**NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Newberry Community Services District (the District) was formed in 1958 for the purpose of providing services to the local Newberry Springs area residents. The District was initially authorized to provide water services, sewage and waste treatment services, collection and disposal of garbage, fire protection, parks and recreation services, street lights and maintenance of a police department. The present day services provided include parks and recreation, fire protection, and street lighting.

**Basic Financial Statements**

The basic financial statements (i.e., statement of net assets, the statement of activities and changes in net assets, and the statement of cash flows) report information on all of the activities of the District. The District's activities are accounted for as an enterprise fund. The Governmental Accounting Standards Board (GASB) defines an enterprise fund as a fund related to an organization financed and operated in a manner similar to private business enterprise, where the intent is to recover the costs of providing goods or services to the general public primarily through other charges.

**Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The basic financial statements are prepared using the economic resource measurement focus and the accrual basis of accounting. Accordingly, all assets and liabilities (whether current or noncurrent) are included on the statement of net assets. The statement of activities and changes in net assets presents increase (revenues) and decreases (expenses) in total net assets. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, are generally followed to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities, subject to some limitations. The District has elected not to follow subsequent private-sector guidance.

The District's highest level of decision-making authority for committed fund balances is the board of directors. The formal action that is required to be taken to establish (or modify) a fund balance commitment is approval of the board of directors.

The length of time used to define available, for purposes of revenue recognition in the fund financial statements, is sixty days.

The District is not obligated in any manner for special assessment debt as there is none.

The District does not provide employees a compensated absence benefit. There is therefore no liability to pay for sick or vacation days.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

NEWBERRY COMMUNITY SERVICES DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED  
 JUNE 30, 2016

**NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Deposits**

Deposit risks include:

- Custodial Credit Risk- for deposits, custodial credit risk is the risk that in the event of the failure of a bank or other counterparty, The District will not be able to recover the value of deposits or collateral securities in the possession of a third party.
- Credit Risk- for deposits, credit risk is the risk that a bank or other counterparty defaults on its principal and/or interest payments owed to the District.
- Interest Rate Risk- for deposits, interest rate risk is the risk that the value of deposits will decrease as a result of a rise in interest rates.

The District has not adopted a specific risk management policy for deposits, but does require all deposits and investments be in compliance of State statutes. Statutes authorize the District to invest in time deposits and banks selected as depositories of District funds, direct debt securities of the United States Government, and certain government agency bonds.

Cash held by The District as of June 30, 2016, consisted of the following:

Petty cash	\$	353
On deposit		522,351
Monies deposited at L.A.I.F.		70
 Total	 \$	 <u>522,774</u>

The District considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. Cash equivalents are stated at cost, which approximates fair value. The District's cash deposits are insured by the Federal Deposit Insurance Corporation (FDIC) and securities held in safekeeping are pledged to the entity where the security is held. At June 30, 2016, The District's deposits at banks were \$522,421, of which \$ 272,351 were not fully-insured or collateralized.

The District has adopted an investment policy in accordance with Section 53601 of the State of California Governmental Code. The District may invest in the following investment types:

- Securities of the U.S. Government, or its agencies
- Certificates of Deposit (or Time Deposits)
- Negotiable Certificates of Deposit
- Local Agency Investment Fund (State Pool) Demand Deposits
- Other investments that are, or may become, legal investments through the State of California Code and with prior approval.



NEWBERRY COMMUNITY SERVICES DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED  
JUNE 30, 2016

**NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Net Assets**

Net assets present the difference between assets and liabilities in the statement of net assets. Net assets invested in capital assets are reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net assets are restricted when there are legal limitations imposed on their use by District legislation or external restrictions by creditors, grantors, laws or regulations of other governments.

**Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**Income Taxes**

The district is exempt from paying income taxes.

**Capital Assets**

Capital Assets are stated at cost, net of accumulated depreciation, except for the portions acquired by contribution which are recorded at fair value at the time received. The capitalization threshold for all capital assets is \$1,000. Depreciation is based on the estimated useful lives of the assets, which range from 5 to 20 years, using the straight line method.

The costs of normal maintenance and repair that do not add to the value of the asset or materially extended asset lives are not capitalized.

**Risk Management**

The District is exposed to various risks of loss related to torts; theft or damage to, or destruction of assets; errors or omissions; injuries to employees and the public; or acts of god. For the year ended June 30, 2016, The District has provided for protection against possible losses with insurance.

**Taxes Receivables**

Taxes receivable reflect monies due to the District at the fiscal year end that have been levied and an enforceable legal claim exists. Unavailable taxes represent the portion of the levied tax revenue that is expected to be received and available for use within 60 days of the fiscal year end.

**Date of Management's Evaluation**

Management has evaluated the subsequent events through August 18, 2017, the date on which the financial statements were available to be issued.

**NOTE B: CAPITAL ASSETS**

Capital assets have been acquired for general governmental purposes. Assets purchased are recorded as expenditures in the general fund and the government wide financial statements are capitalized at cost

or at estimated historical costs if original cost is not available, and contributions are recorded at fair value at the date received.

**NOTE B: CAPITAL ASSETS (Continued)**

Depreciation is provided on depreciable capital assets in the government wide financial statements over their estimated useful lives on the straight-line method. Depreciable assets include structures and improvements, equipment and office equipment.

A summary of changes in capital assets is as follows:

	Balance June 30, 2015	Additions	(Dispositions)	Balance June, 30 2016
Land	\$ 6,204	\$ ---	\$ ---	\$ 6,204
Structures and improvements	206,316	---	---	206,316
Equipment	811,686	---	---	811,686
Total	<u>\$ 1,024,206</u>	<u>\$ ---</u>	<u>\$ ---</u>	<u>\$ 1,024,206</u>

A summary of changes in accumulated depreciation for capital assets is as follows:

	Balance June 30, 2015	Additions	(Dispositions)	Balance June, 30 2016
Structures and Improvements	\$ 167,035	\$ 3,907	\$ ---	\$ 170,942
Equipment	783,440	17,568	---	800,008
Total	<u>\$ 950,475</u>	<u>\$ 21,475</u>	<u>\$ ---</u>	<u>\$ 970,950</u>

Capital Assets net of Depreciation at June 30, 2016:

Non-depreciable assets - Land	\$ 6,204
Depreciable assets - Net	<u>47,052</u>
Total	<u>\$ 53,256</u>

## **SUPPLEMENTARY INFORMATION**

NEWBERRY COMMUNITY SERVICES DISTRICT  
 BUDGET TO ACTUAL SCHEDULE  
 FOR THE YEAR ENDED  
 JUNE 30, 2016

	Budget	Actual	Variance Positive (Negative)
<b>OPERATING REVENUES</b>			
Property taxes	\$ 202,394	\$ 220,285	\$ 17,891
Interest	686	1,204	518
Fire department	2,800	2,576	(224)
Donation	2,500	4,170	1,670
Rental income	500	240	(260)
Other	120	378	258
<b>TOTAL OPERATING REVENUE</b>	<b>209,000</b>	<b>228,853</b>	<b>19,853</b>
<b>OPERATING EXPENSES</b>			
Fire protection			
Personnel expenses	22,200	19,134	3,066
Dispatching	9,500	6,925	2,575
Insurance	7,200	3,590	3,610
Membership dues	2,100	2,052	48
Office expense	1,100	440	660
Utilities	2,600	2,577	23
Fire vehicle maintenance and repair	7,000	6,421	579
Non-vehicle equipment maintenance and repair	21,800	16,400	5,400
Depreciation	---	16,142	(16,142)
Parks and recreation			
Materials and services	45,300	38,381	6,919
Depreciation	---	325	(325)
Administration costs			
Personnel expenses	40,500	36,106	4,394
Advertising	500	65	435
Audit expense	10,500	7,288	3,212
Directors stipend	8,000	3,026	4,974
Education expense	5,700	4,421	1,279
Election expense	2,500	2,120	380
Insurance	3,700	2,151	1,549
Legal	5,000	---	5,000
Office expense	7,100	4,913	2,187
District special expenditures	100	68	32
Miscellaneous expense	600	75	525
Depreciation	---	5,008	(5,008)
Municipal services – Street lighting	6,000	4,696	1,304
<b>TOTAL OPERATING EXPENSES</b>	<b>209,000</b>	<b>182,324</b>	<b>26,676</b>
<b>EXCESS REVENUES OVER EXPENSES AND CHANGE IN NET ASSETS</b>	<b>\$ ---</b>	<b>\$ 46,529</b>	<b>\$ 46,529</b>



NEWBERRY COMMUNITY SERVICES DISTRICT  
 GENERAL INFORMATION  
 FOR THE YEAR ENDED  
 JUNE 30, 2016

General Information

Type of Governmental District	-	Community services
Date of Formation	-	December 15, 1958
Statutory Authority	-	California Government Code Section 61000, et seq., Division 2, Title 6
Audit Period	-	July 1, 2015 thru June 30, 2016
Formed in the County of	-	San Bernardino, California
Governing Body	-	Board of directors

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Robert Springer	President	December 2017
Paula Deel	Vice-President	December 2015
Robert Royalty	Director	December 2015
Robert Shaw	Director	December 2015
Robert Vasseur	Director	December 2015

General Manager	-	Le Hayes
Custodian of Financial Records	-	Jodi Howard – Secretary
Treasurer	-	Kerri Zurcher
Location of Financial Records	-	District Office: 30884 Newberry Road Newberry Springs, CA 92365
Depositories	-	Desert Community Bank 12530 Hesperia Road, Suite 101 Victorville, CA 92392