

**NEWBERRY
COMMUNITY SERVICES DISTRICT
FINANCIAL STATEMENTS
(With Independent Auditor's Report Thereon)
JUNE 30, 2015**

NEWBERRY COMMUNITY SERVICES DISTRICT
JUNE 30, 2015
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SHOGREN & ASSOCIATES
A California Professional Corporation
TRUST, TAX & FORENSICS
INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Newberry Community Services District

We have audited the accompanying financial statements of the governmental activities and the major fund of the Newberry Community Services District, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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 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 obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinion

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 major fund of the Newberry Community Services District, as of June 30, 2015, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the budgetary comparison information on page 8 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. The District has not presented the management's discussion and analysis. 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.

Shogren & Associates

July 6, 2016

**NEWBERRY COMMUNITY SERVICES DISTRICT
GOVERNMENTAL FUNDS BALANCE SHEET / STATEMENT OF NET POSITION
JUNE 30, 2015**

	General Fund	Reconciling Items	Statement of Net Position
ASSETS			
Cash and Investments	\$ 456,456		\$ 456,456
Property Taxes Receivable	2,393		2,393
Land		6,204	6,204
Other Capital Assets, Net of Accumulated Depreciation (Note B)		67,527	67,527
Total Assets	458,849	73,731	532,580
DEFERRED OUTFLOW OF RESOURCES			
Non-Spendable Insurance	5,608		5,608
TOTAL ASSETS AND DEFERRED OUTFLOW OF RESOURCES	\$ 464,457	\$ 73,731	\$ 538,188
LIABILITIES			
Accounts Payable	\$ 2,790		\$ 2,790
Credit Card Payable	(1,845)		(1,845)
Salaries and Benefits Payable	1,814		1,814
Total Liabilities	2,759	-	2,759
DEFERRED INFLOW OF RESOURCES			
Unavailable Revenue	2,393	(2,393)	
TOTAL LIABILITIES AND DEFERRED INFLOW OF RESOURCES	5,152		
FUND BALANCE / NET POSITION			
Fund Balance:			
Nonspendable	5,608		
Unassigned	453,697		
Total Fund Balance	459,305		
Total Liabilities, Deferred Inflow of Resources and fund balances	\$ 464,457		
Net Position			
Invested in capital assets, net of related debt			73,731
Unrestricted			461,698
Total Net Position			\$ 535,429

NEWBERRY COMMUNITY SERVICES DISTRICT
 STATEMENT OF GOVERNMENTAL FUND REVENUES, EXPENDITURES,
 AND CHANGES IN NET POSITION / STATEMENT OF ACTIVITIES
 FOR YEAR ENDED JUNE 30, 2015

	General Fund	Reconciling Items	Statement of Net Position
Revenues:			
Property Taxes	\$ 204,399	\$ 2,393	\$ 206,792
Interest	917		917
Emergency Response	78		78
Other	4,262		4,262
Fire Department	2,450		2,450
Total Revenues	212,106	2,393	214,499
Expenditures / Expenses			
Current:			
Fire Protection	43,411		43,411
Parks and Recreation	34,755		34,755
Administration Costs	50,667		50,667
Municipal Services - Street Lighting	4,807		4,807
District Special Expense	24		24
Depreciation		21,475	21,475
Capital Outlay:			
Equipment	12,672	(12,672)	-
Structures and Improvements	6,600	(6,600)	-
Total Expenditures / Expenses	152,936	2,203	155,139
Excess (deficiency) of Revenues over Expenditures			
Change in Net Position	59,170	190	59,360
Fund Balance / Net Position:			
Beginning of the year	400,135		485,419
Prior Year Correction			(9,350)
	400,135		476,069
End of the Year	\$ 459,305		\$ 535,429

NEWBERRY COMMUNITY SERVICES DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

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 lighting and maintenance of a police department. The present day services provided include parks and recreation, fire protection and street lighting.

The accounting policies of the Newberry Community Services District conform to generally accepted accounting principles as applicable to government units. The following is a summary of the significant accounting policies.

Measurement Focus / Basis of Accounting

The accounts of the District are organized on the basis of funds, each fund is considered to be a separate accounting entity. The general fund summarizes all District financial activities. The current financial resources measurement focus and the modified accrual basis of accounting are followed for the general fund for financial reporting purposes. Under the modified accrual basis of accounting, expenditures are recorded when the liability is incurred and revenue is recorded when received in cash unless susceptible to accrual, i.e., measurable and available to finance the District's operations.

The District has implemented the financial reporting model, as required by the provisions of GASB Statement No. 34, "Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments", as of July 1, 2003. The government wide financial statements are prepared using the flow of economic resources and the accrual basis of accounting. In the accrual basis of accounting, expenses and revenues are recorded in the period they occur when the amounts can be identified and measured. Depreciable capital assets are reported in the balance sheet net of accumulated depreciation.

The District has elected to combine its fund and government-wide financial statements.

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 or rescind) 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 governmental 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.

NET POSITIONS FLOW ASSUMPTION

Net position is required to be classified into three components – invested in capital assets, net of related debt, restricted and unrestricted. These classifications are defined as follows:

- a. Net invested in capital assets – This component of net position consists of capital assets, net of accumulated depreciation, and unamortized bond issuance reduced by the outstanding balances of any bond, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvements of these assets. If there are significant unspent related debt proceeds at year-end, the portion of debt attributable to unspent proceeds is not included in the calculation in capital assets, net of related debt.
- b. Restricted – This component of net position consists of restrictions placed on net position use through external constraints imposed by creditors (such as debt covenants), contributors, or law or regulations of other governments, or constraints imposed by law through constitutional provisions or enabling legislation.
- c. Unrestricted – This component of net position that does not meet the definition of "restricted" or "invested in capital assets, net of related debt."

NEWBERRY COMMUNITY SERVICES DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

Sometimes the District will fund outlays for particular purpose from both restricted and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in government-wide and proprietary fund financial statements, as flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to use restricted resources first, the unrestricted resources as they are needed.

FUND BALANCE FLOW ASSUMPTIONS

Governmental fund equity is reported as fund balance within each respective fund. For governmental funds, the fund balance is divided into five classifications based primarily on the extent to which the District is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

- a. Non-spendable – Amounts that cannot be spent either because they are not in spendable form or because they are legally or contractually required to be maintained intact.
- b. Restricted – Amounts that can be spent only for specific purposes because of the District's Policy, state or federal laws or externally imposed conditions by grantors or creditors.
- c. Committed – Amounts that can be used only for specific purposes determined by a formal action by the District's Board of Directors through an ordinance or resolution.
- d. Assigned – Amounts that are designated by the Board of Directors for special purposes, but are not spendable until a budget is passed by the Board.
- e. Unassigned – All amounts not included in other spendable classifications.

Sometimes the District will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned and unassigned fund balance). In order to calculate the amount to report for each category of fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by the assigned fund balance. Unassigned fund balance is applied last.

DEFERRED OUTFLOWS / INFLOWS OF RESOURCES

In addition to assets, the statement of net position and balance sheet will sometimes report a separate section for deferred outflows of resources. This represents a consumption of net assets that applies to a future period and will not be recognized as an outflow of resources (expenditure) until that period. The District has one item that qualified for reporting in this category: Expenditures paid in advance of use. This item is reported as deferred outflows on the governmental fund balance sheet and will be recognized as expenditure next year.

In addition to liabilities, the statement of net position and balance sheet will sometimes report a separate section for deferred inflows of resources. This represents an acquisition of net position/fund balance that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that period. The District has one item that qualified for reporting in this category: Unavailable revenue received after the availability period. This is reported as deferred inflows on the governmental fund balance sheet and will be recognized as revenue next year.

DEPOSITS

Deposit risk 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 its deposits or collateral securities in the possession of a third party.

NEWBERRY COMMUNITY SERVICES DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

- Credit Risk – for deposit, 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 at 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 at June 30, 2015, consisted of the following:

Petty Cash	\$	353
On Deposit		427,490
Monies Deposited at L.A.I.F.		28,613
Total	\$	456,456

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 pledged to the entity where the security is held. At June 30, 2105, the District's deposits at banks were \$456,103; of which \$29,146 were not fully-insured or collateralized. Corrective action was taken promptly by management.

The District has adopted an investment policy in accordance with Section 53601 of the California Government 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.

Property Taxes

Real property taxes are levied on October 15, against owners of record at March 1. The taxes are due in two installments, on November 1 and February 1, and become delinquent after December 10 and April 10, respectively. Tax liens attach annually as of 12:01am on the first day of March in the fiscal year for which the taxes are levied. Property tax revenue is recognized in the fiscal year for which the taxes have been levied on the accrual basis of accounting used in the government-wide financial statements and in the general fund on the modified accrual basis of accounting, provided it is collected within 60 days of the end of the fiscal year.

Accounting Estimates

Management uses estimates and assumptions in preparing financial statements. Those assumptions affect reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

Risk Management

The District is exposed to various risks of loss related to torts; theft of 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, 2015, the District has provided for protection against possible losses with insurance.

NEWBERRY COMMUNITY SERVICES DISTRICT
 NOTES TO BASIC FINANCIAL STATEMENTS
 JUNE 30, 2015

Taxes Receivable

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 not expected to be received and available for use within 60 days of the fiscal year end.

NOTE B: CAPITAL ASSETS

Capital assets have been acquired for general governmental purposes. Assets purchased are recorded as expenditures in the general fund and in 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. 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, 2014	Additions	(Dispositions)	Balance June 30, 2015
Land	6,204			\$ 6,204
Structures and Improvements	236,056	6,600	(36,340)	206,316
Equipment	799,014	12,672		811,686
Total	<u>1,041,274</u>	<u>\$ 19,272</u>	<u>\$ (36,340)</u>	<u>\$ 1,024,206</u>

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

	Balance July 1, 2014	Additions	(Dispositions)	Balance June 30, 2015
Structures and Improvements	193,705	3,907	(30,577)	\$ 167,035
Equipment	765,872	17,568		783,440
Total	<u>959,577</u>	<u>\$ 21,475</u>	<u>\$ (30,577)</u>	<u>\$ 950,475</u>

Capital Assets net of Depreciation at June 30, 2015 \$ 73,731

Non-Depreciable Assets - Land	6,204
Depreciable Assets - Net	67,527
Total	<u>73,731</u>

NEWBERRY COMMUNITY SERVICES DISTRICT
BUDGETARY COMPARISON SCHEDULES
FOR THE YEAR ENDED JUNE 30, 2015

REQUIRED SUPPLEMENTARY INFORMATION

	<u>Original and Final Budgeted Amounts</u>	<u>Actual Amounts (Budgetary Basis) (See Note A)</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues (inflows)			
Property Taxes	\$ 194,994	\$ 204,399	\$ 9,405
Investment Earnings	686	917	231
Charges for Services	3,220	6,790	3,570
Donations	2,500		(2,500)
Amounts available for appropriation	201,400	212,106	10,706
Charges to appropriations (outflows)			
General Government			
Personnel Expenses	27,200	22,368	(4,832)
Utilities		211	211
Communications	1,400	1,140	(260)
District Special Expenditures		24	24
Materials and Services	50,400	26,948	(23,452)
Capital Outlay:			
Equipment		537	537
Depreciation		5,008	5,008
Fire Protection			
Personnel Expenses	18,700	15,620	(3,080)
Materials and Services	9,750	10,775	1,025
Fire Vehicle Maintenance and Repair	27,700	9,897	(17,803)
Communications	9,700	7,119	(2,581)
Capital Outlay			
Equipment		18,735	18,735
Depreciation	14,000	16,142	2,142
Municipal Services			
Street Lighting	5,000	4,807	(193)
Parks and Recreation			
Materials and Services	37,550	34,755	(2,795)
Capital Outlay			
Depreciation		325	325
Total Charges to Appropriations	201,400	174,411	(26,989)
Excess (Deficiency) of Resources Over Charges to Appropriations	\$ -	\$ 37,695	\$ 37,695

NEWBERRY COMMUNITY SERVICES DISTRICT
 NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
 BUDGETARY COMPARISON SCHEDULES
 JUNE 30, 2015

NOTE C: BUDGETS AND BUDGETARY ACCOUNTING

Prior to the beginning of each fiscal year, the Board of Directors adopts and prepares an itemized statement of estimated operating expenditures, reserve requirements and anticipated revenues, other than taxes. The source of financing for these costs and reserve requirements are (1) the available fund balance carried forward from the preceding years, (2) revenue other than property taxes, and (3) property taxes. Each year's appropriation lapses at year end. The District's policy is to prepare its budget on the cash basis, which recognizes revenues when they are received and expenditures when they are paid. Inter-fund transfers are not budgeted.

NOTE D: BUDGET TO ACTUAL COMPARISON

As described in Note C, the District prepares its budget on the cash basis of accounting. The following adjustments have been made to bring the actual amounts of the statement of revenues and expenditures budget-to-actual into conformity with this basis of accounting:

Total revenues-financial accounting basis	\$	209,713
Accrual adjustments		2,393
Total revenues--budgetary basis	\$	212,106
Total expenditures-financial accounting basis	\$	133,664
Capital Outlay		
Equipment		12,672
Structures and Improvements		6,600
Depreciation		21,475
Total expenditures--budgetary basis	\$	174,411

NEWBERRY COMMUNITY SERVICES DISTRICT
COUNTY OF SAN BERNARDINO
JUNE 30, 2015

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, 2014 thru June 30, 2015
Formed in 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 2017
Robert Vasseur	Director	December 2017

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 Rd, Suite 101 Victorville, CA 92392