



Hosaka, Rotherham & Company
Certified Public Accountants

James A. Rotherham, CPA
CEO & Managing Partner

.....
Roy T. Hosaka, CPA
Retired

James C. Nagel, CPA
Retired

WYNOLA WATER DISTRICT
REPORT ON EXAMINATION OF
FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED
JUNE 30, 2014 AND 2013

WYNOLA WATER DISTRICT

INTRODUCTORY SECTION

JUNE 30, 2014

**WYNOLA WATER DISTRICT
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JUNE 30, 2014**

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WYNOLA WATER DISTRICT

FINANCIAL SECTION

JUNE 30, 2014



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REPORT OF INDEPENDENT AUDITORS

Board of Directors
Wynola Water District
Santa Ysabel, California

Report on the Financial Statements

We have audited the accompanying financial statements of Wynola Water District, as of and for the fiscal years ended June 30, 2014 and 2013, and the related notes to the 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 opinions 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; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the State Controller's *Minimum Auditing 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 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 opinions.

REPORT OF INDEPENDENT AUDITORS

Page 2

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Wynola Water District, as of June 30, 2014 and 2013, and the changes in financial position and cash flows thereof for the fiscal 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 on pages 4 through 7 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 August 1, 2014, on our consideration of the Wynola Water 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 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 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 Wynola Water District's internal control over financial reporting and compliance.

Hosaka, Rotherham & Company

San Diego, California
August 1, 2014

**WYNOLA WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2014**

As management of the Wynola Water District (District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2014. We encourage readers to consider the information presented here in conjunction with the District's basic financial statements, which begin immediately following this analysis. This annual financial report consists of two main parts (1) Management's Discussion and Analysis and, (2) Basic Financial Statements.

In June 1999, the Governmental Accounting Standards Board (GASB) issued Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments. GASB No. 34 established financial reporting standards for state and local governments, including cities, villages and special purpose governments.

FINANCIAL HIGHLIGHTS

- The District's ending total net position balance was \$320,668.
- The change in net position for the year was a decrease of \$19,679.
- The District had a loss from operations of \$21,641 compared to \$8,263 in the previous year.
- This year the District had \$44,600 worth of additions to capital assets compared to \$3,499 in the previous year.

OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's audit report is comprised of four components: 1) financial statements and notes, 2) supplementary information, 3) reports on compliance and internal control, and 4) findings and recommendations.

Basic financial statements. The basic financial statements include District financial statements and fund statements.

The District, as a whole, is reported in the District statements and uses accounting methods similar to those used by companies in the private sector.

The *Statement of Net Position*, a District statement, presents information on all of the District's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The *Statement of Revenues, Expenses and Changes in Net Position*, a District statement, presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

**WYNOLA WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2014**

OVERVIEW OF FINANCIAL STATEMENTS (CONTINUED)

The *Statement of Cash Flows* provides information regarding the District's cash receipts and cash disbursements during the year.

The *Notes to the Basic Financial Statements* are included to provide more detailed data and explain some of the information in the statements.

The *Supplementary Information* gives an overview of the operations of the District and the governing body and outlines assessed property valuation.

Reports on Compliance and Internal Control encompass the independent auditor's reports showing compliance with *Government Auditing Standards* and provides additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

The *Findings and Questioned Costs* section notes material weaknesses in the system and recommendations.

DISTRICT'S FINANCIAL ANALYSIS

Statement of Net Position

To begin our analysis, a summary of the District's Statement of Net Position is presented in Table 1 below for the current year and the prior year.

Net position may serve over time, as a useful indicator of a District's financial position. In the case of the District, assets exceeded liabilities by \$320,668 as of June 30, 2014.

Total assets decreased 5.8% from the prior fiscal year mostly due to depreciation expense of \$17,029, a non-cash charge, and to maintenance and repair expense being higher by \$10,154.

The largest portion of the District's net position is its investments of \$176,434 with Morgan Stanley. These investments consist mostly of federally-insured Certificates of Deposit, with maturities of up to eight years.

The District's financial position is the product of several financial transactions including the net results of revenue and expense, the acquisition and disposal of capital assets, and the depreciation of capital assets.

Table 1
Condensed Statement of Net Position

	<u>2014</u>	<u>2013</u>	<u>\$ Change</u>	<u>% Change</u>
Assets:				
Current and other assets	\$ 194,023	\$ 240,935	\$ (46,912)	-19.5%
Capital assets, net	126,645	99,412	27,233	27.4%
Total assets	<u>\$ 320,668</u>	<u>\$ 340,347</u>	<u>\$ (19,679)</u>	-5.8%

**WYNOLA WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2014**

DISTRICT'S FINANCIAL ANALYSIS (CONTINUED)

Table 1
Condensed Statement of Net Position (Continued)

	<u>2014</u>	<u>2013</u>	<u>\$ Change</u>	<u>% Change</u>
Liabilities:				
Current liabilities	\$ -	\$ -	\$ -	0.0%
Total liabilities	-	-	-	0.0%
Net position:				
Net investment in capital assets	126,645	99,412	27,233	27.4%
Unrestricted	194,023	240,935	(46,912)	-19.5%
Total net position	<u>\$ 320,668</u>	<u>\$ 340,347</u>	<u>\$ (19,679)</u>	-5.8%

Statement of Revenues, Expenses and Changes in Net Position

- The District's total operating revenues for the fiscal year ended June 30, 2014, excluding inter-fund transfers, decreased by \$2,612 to \$50,665. This was due primarily to a decrease in water usage.
- The District's total expenses increased by \$10,766 to \$72,306.
- The deficiency of operating revenue under operating expenses was \$19,679.

The following table presents a summary of the Statement of Activities for the fiscal year ended June 30, 2014:

Table 2
Condensed Statement of Revenues, Expenses, and Changes in Net Position

	<u>2014</u>	<u>2013</u>	<u>\$ Change</u>	<u>% Change</u>
Operating revenues:				
Direct	\$ 27,443	\$ 29,288	\$ (1,845)	-6.3%
Indirect	23,222	23,989	(767)	-3.2%
Total operating revenues	<u>50,665</u>	<u>53,277</u>	<u>(2,612)</u>	-4.9%
Operating expenses	<u>72,306</u>	<u>61,540</u>	<u>10,766</u>	17.5%
Nonoperating revenues	<u>1,962</u>	<u>2,689</u>	<u>(727)</u>	-27.0%
Change in net position	<u>\$ (19,679)</u>	<u>\$ (5,574)</u>	<u>\$ (14,105)</u>	

General Fund Budgetary Highlights

The General fund did not have any excess of expenditures over appropriations (instances where actual amounts exceeded budgeted amounts) in individual categories.

**WYNOLA WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2014**

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

Table 3
Changes in Capital Assets

	<u>2014</u>	<u>2013</u>	<u>\$ Change</u>	<u>% Change</u>
Central system equipment	\$ 207,493	\$ 207,493	\$ -	0.0%
Storage tanks and distribution systems	135,614	91,014	44,600	49.0%
Access roads and well site preparation	14,266	14,266	-	0.0%
Wells	101,282	101,282	-	0.0%
Less: accumulated depreciation	(332,010)	(314,643)	(17,367)	5.5%
Total capital assets, net	<u>\$ 126,645</u>	<u>\$ 99,412</u>	<u>\$ 27,233</u>	27.4%

The increase in the storage tanks and distribution systems account is due mostly to retrofit of the storage tanks to proactively extend the life of the tanks and to meet current Occupational Safety and Health Administration standards, and secondarily to the replacement of failed pumping equipment at one of the wells to maintain the water supply.

Long-Term Debt

The District had no outstanding debt as of June 30, 2014.

FACTORS BEARING ON THE DISTRICT'S FUTURE

Wynola Water District is considered to be one of the best-managed and most cost-effective Water District in the State of California. Its water quality is excellent, its rates for water usage are very low, and its physical plant and distribution system are in reasonably good condition, despite the fact that they are now over 40 years old. A significant factor is there are no full-time paid employees. All of the District's functions are performed by volunteers or subcontractors receiving nominal fees. While it is hoped that these favorable circumstances will continue indefinitely, realistically, the day will come when new wells, major capital replacements, and paid professional staff will be necessary.

The immediate challenge is to balance proactive maintenance and capital equipment replacement and upgrade expenditures with available funding.

The District Board and its many community volunteers pledge themselves to maintain, as long as possible, the current favorable operating environment and to deliver quality water and services to the community.

CONTACTING THE DISTRICT

Questions regarding this report should be directed to Joyce Gans, Office Manager or Robert Gans, Treasurer, at (760) 765-1746, or by mail at P.O. Box 193, Santa Ysabel, CA 92070.

**WYNOLA WATER DISTRICT
STATEMENTS OF NET POSITION
JUNE 30, 2014 AND 2013**

	2014	2013
ASSETS:		
Cash and cash equivalents (Note C)	\$ 9,701	\$ 28,475
Investments (Note D)	176,434	204,477
Accounts receivable (Note E)	7,888	7,983
Capital assets, net of accumulated depreciation (Note F)	126,645	99,412
Total assets	\$ 320,668	\$ 340,347
LIABILITIES:		
Total liabilities	\$ -	\$ -
NET POSITION:		
Net investment in capital assets	126,645	99,412
Unrestricted	194,023	240,935
Total liabilities and net position	\$ 320,668	\$ 340,347

The notes to the financial statement are an integral part of this statement.

**WYNOLA WATER DISTRICT
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2014 AND 2013**

	2014	2013
Operating revenues:		
Direct operating revenues:		
Water sales	\$ 20,065	\$ 22,018
Water system maintenance fees	7,378	7,270
Total direct operating revenues	27,443	29,288
Indirect operating revenues:		
Property tax revenue	23,222	23,989
Total indirect operating revenues	23,222	23,989
Total operating revenues	50,665	53,277
Operating expenses:		
Power	14,092	11,859
Repairs and maintenance	17,080	6,926
Water and well testing	6,655	5,200
Telephone	3,776	3,448
Audit and legal	3,298	3,362
Office	7,600	6,739
Insurance	(115)	4,616
Permits and dues	2,553	2,516
Depreciation	17,367	16,874
Total operating expenses	72,306	61,540
Loss from operations	(21,641)	(8,263)
Non-operating revenues:		
Interest income	3,790	4,695
(Loss) on investments	(1,828)	(2,006)
Total non-operating revenues	1,962	2,689
Change in net position	(19,679)	(5,574)
Net position, beginning	340,347	353,154
Prior period adjustment (Note G)	-	(7,233)
Net position, ending	\$ 320,668	\$ 340,347

The notes to the financial statement are an integral part of this statement.

**WYNOLA WATER DISTRICT
STATEMENTS OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014 AND 2013**

	2014	2013
Cash flows from (used in) operating activities:		
Receipts from customers	\$ 27,538	\$ 27,874
Receipts from County of San Diego	23,222	23,989
Payments to suppliers and vendors	(54,939)	(44,666)
Net cash flows from (used in) operating activities	(4,179)	7,197
Cash flows from (used in) investing activities:		
Acquisition and construction of capital assets	(44,600)	(3,499)
Net cash flows from (used in) investing activities	(44,600)	(3,499)
Cash flows from (used in) financing activities:		
Purchase (Disposal) of investments	28,043	(2,678)
Loss on investments	(1,828)	(2,006)
Interest received	3,790	4,695
Net cash flows from (used in) financing activities	30,005	11
Net increase (decrease) in cash and cash equivalents	(18,774)	3,709
Cash and cash equivalents at beginning of period	28,475	24,766
Cash and cash equivalents at end of period	\$ 9,701	\$ 28,475
Reconciliation of cash flows from operations with net profit for the period:		
Cash flows from (used in) operating activities:		
Operating loss	\$ (21,641)	\$ (8,263)
Adjustments to reconcile net income from operations to net cash provided by operating activities:		
Depreciation	17,367	16,874
(Increase) decrease in operating assets:		
Accounts receivable	95	(1,414)
Net cash flows from (used in) operating activities	\$ (4,179)	\$ 7,197

The notes to the financial statement are an integral part of this statement.

**WYNOLA WATER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013**

A. Summary of Significant Accounting Policies

Wynola Water District (District) accounts for its financial transactions in accordance with the policies and procedures of the Irrigation District Law, now Division 11 of the California State Water Code. The accounting policies of the District conform to accounting principles generally accepted in the United States of America (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants (AICPA).

1. Reporting Entity

The District's combined financial statements include the accounts of all its operations. The District evaluated whether any other entity should be included in these financial statements. The criteria for including organizations as component units within the District's reporting entity, as set forth in GASB Statement No. 14, "The Financial Reporting Entity," as amended by GASB Statement No. 39 "Determining Whether Certain Organizations are Component Units", include whether:

- the organization is legally separate (can sue and be sued in its name)
- the District holds the corporate powers of the organization
- the District appoints a voting majority of the organization's board
- the District is able to impose its will on the organization
- the organization has the potential to impose a financial benefit/burden on the District
- there is fiscal dependency by the organization on the District
- it would be misleading or cause the financial statements to be incomplete to exclude another organization

Based on these criteria, the District has no component units. Additionally, the District is not a component unit of any other reporting entity as defined by the GASB statement.

2. Basis of Accounting

The District reports its activities as an enterprise fund, which is used to account for operations that are financed and operated in a manner similar to a private business enterprise, where the intent of the District is that the costs of providing water to its customers on a continuing basis be financed or recovered primarily through user charges (water sales and services) or similar funding. Revenues and expenses are recognized on the full accrual basis of accounting. Revenues are recognized in the accounting period in which they are earned and expenses are recognized in the period incurred, regardless of when the related cash flow took place.

Operating revenues and expenses are generated and incurred through the water sales activities to the District's customers. Administration and depreciation expenses are also considered operating expenses. Other revenues and expenses not included in the above categories are reported as non-operating revenues and expenses.

3. Financial Reporting

The District's basic financial statements are presented in conformance with the provisions of Governmental Accounting Standards Board (GASB) Statement No. 34, "*Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*" (GASB No. 34). This statement established revised financial reporting requirements for state and local governments throughout the United States for the purpose of enhancing the understandability and usefulness of financial reporting.

**WYNOLA WATER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013**

A. Summary of Significant Accounting Policies (Continued)

Under GASB No. 34, enterprise funds, such as the District, have the option of consistently following or not following pronouncements issued by the Financial Accounting Standards Board (FASB) subsequent to November 30, 1989. The District has elected not to follow FASB standards issued after that date, unless such standards are specifically adopted by GASB.

The District's basic financial statements are also presented in conformance with the provisions of GASB Statement No. 63 (GASB 63), *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. The objective of this Statement is to provide guidance to include two classifications separate from assets and liabilities. Amounts reported as deferred outflows of resources are required to be reported in a Statement of Net Position in a separate section following assets. Similarly, amounts reported as deferred inflows of resources are required to be reported in a Statement of Net Position in a separate section following liabilities. In addition, the totals of these two new classifications should be added to the total for assets and liabilities, respectively.

The District did not have any deferred inflows or outflows of resources at June 30, 2014.

4. Assets, Liabilities, and Equity

a. Deposits and Investments

For purposes of the statement of cash flows, cash and cash equivalents consist of short-term highly liquid investments with maturities of ninety days or less from the date of purchase. These include cash on hand, cash held in the restricted assets accounts, and the Local Agency Investment Fund.

The District's investment policy and state statutes authorize the District to invest in obligations of the U.S. Treasury, its agencies and instrumentalities, certificates of deposit with national and state-licensed or chartered banks or federal or state savings and loan associations, money market and mutual funds whose portfolios consist of one or more of the foregoing investments, and the Local Agency Investment Fund.

State statutes require all deposits be insured or collateralized. Depositories holding public funds on deposit are required to maintain collateral in the form of a pool of securities with the agent of the depository having a market value of at least 10 to 50 percent in excess of the total amount of all public funds on deposit.

b. Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated fixed assets are recorded at their estimated fair value at the date of the donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the assets' lives are not capitalized. A capitalization threshold of \$2,000 is used.

Capital assets are being depreciated using the straight-line method over the following estimated useful lives:

**WYNOLA WATER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013**

A. Summary of Significant Accounting Policies (Continued)

Asset Class	Estimated Useful Lives
Buildings	10-50
Water systems	10-50
Improvements of Sites	7-25
Equipment	5-10

c. Deferred Revenue

Cash received for federal and state special projects and programs is recognized as revenue to the extent that qualified expenditures have been incurred. Deferred revenue is recorded to the extent cash received on specific projects and programs exceeds qualified expenditures.

d. Interfund Activity

Interfund activity results from loans, services provided, reimbursements or transfers between funds. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers in and transfers out are netted and presented as a single "Transfers" line on the government-wide statement of activities. Similarly, interfund receivables and payables are netted and presented as a single "Internal Balances" line of the government-wide statement of net position.

e. Property Taxes

Secured property taxes attach as an enforceable lien on property as of January 1. Taxes are payable in two installments on November 1 and February 1. Unsecured property taxes are payable in one installment on or before August 31. The County of San Diego bills and collects the taxes for the District.

f. 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.

B. Compliance and Accountability

1. Finance-Related Legal and Contractual Provisions

In accordance with GASB Statement No. 38, "Certain Financial Statement Note Disclosures," violations of finance-related legal and contractual provisions, if any, are reported below, along with actions taken to address such violations:

**WYNOLA WATER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013**

B. Compliance and Accountability (Continued)

<u>Violation</u>	<u>Action Taken</u>
None reported	Not applicable

2. Deficit Fund Balance or Fund Net Position of Individual Funds

Following are funds having deficit fund balances or fund net position at year end, if any, along with remarks which address such deficits:

<u>Fund Name</u>	<u>Deficit Amount</u>	<u>Remarks</u>
None reported	Not applicable	Not applicable

C. Cash and Cash Equivalents

The summary of cash and cash equivalents is as follows at June 30, 2014 and 2013:

	<u>Credit Quality Rating</u>	<u>Fair Value</u>	
		<u>2014</u>	<u>2013</u>
Deposits with financial institutions	Not Applicable	\$ 9,701	\$ 28,475
Total cash and cash equivalents		<u>\$ 9,701</u>	<u>\$ 28,475</u>

The summary which presents the amount of the District's deposits which are fully insured or collateralized with securities held by the District or its agent in the District's name (Category One), those deposits which are collateralized with securities held by the pledging financial institution's trust department, or agent in the District's name (Category Two), and those deposits which are not collateralized or are collateralized with securities held by the pledging financial institution, or its trust department, or agent, but not in the District's name (Category Three), is as follows at June 30, 2014 and 2013:

	<u>Category One</u>	<u>Category Two</u>	<u>Category Three</u>	<u>Total Bank Balance</u>	<u>Carrying Amount</u>
Deposits with					
Financial Institutions - 2014	\$ 11,978	\$ -	\$ -	\$ 11,978	\$ 9,701
Deposits with					
Financial Institutions - 2013	\$ 29,422	\$ -	\$ -	\$ 29,422	\$ 28,475

D. Investments

The District categorizes investments according to the level of risk assumed by the District. Category one includes investments that are insured or registered, with securities held by the District or its agent in the District's name. Category Two includes uninsured and unregistered investments held by the counter-party's trust department, or agent in the District's name. Category Three includes uninsured and unregistered deposits held by the counter-party, its trust department, or its agent, but not in the District's name. Certain investments have not been categorized because securities are not used as evidence of the investment. These uncategorized investments include ownership interest in pooled investment funds.

**WYNOLA WATER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013**

D. Investments (Continued)

A summary, which identifies the level of risk assumed by the District and the total carrying amount and market value of the District's investments are as follows at June 30, 2014 and 2013:

	<u>Category</u>			<u>Uncategorized</u>	<u>Total Investments</u>	<u>Market Value</u>
	<u>One</u>	<u>Two</u>	<u>Three</u>			
Morgan Stanley Investments - 2014	\$ 176,434	\$ -	\$ -	\$ -	\$ 176,434	\$ 176,434
Morgan Stanley Investments - 2013	\$ 204,477	\$ -	\$ -	\$ -	\$ 204,477	\$ 204,477

E. Accounts receivable

Accounts receivable as of June 30, 2014 and 2013, consist of the following:

	<u>2014</u>	<u>2013</u>
Water usage billing	\$ 7,888	\$ 7,983
Total accounts receivables	\$ 7,888	\$ 7,983

F. Capital assets

A schedule of changes in capital assets and accumulated depreciation for the year ended June 30, 2014 and 2013, is shown as follows:

	<u>2014</u>	<u>2013</u>
Central system equipment	\$ 207,493	\$ 207,493
Storage tanks and distribution systems	135,614	91,014
Access roads and well site preparation	14,266	14,266
Wells	101,282	101,282
Less: accumulated depreciation	(332,010)	(314,643)
Total capital assets, net of accumulated depreciation	\$ 126,645	\$ 99,412

G. Prior Period Adjustment

A prior period adjustment on the Statement of Revenues, Expenses, and Changes in Net Positions, of \$7,233, is for an overstatement of capital assets as of June 30, 2013.

H. Subsequent event

The District's management has evaluated events or transactions that may occur for potential recognition or disclosure in the financial statements from the balance sheet date through August 1, 2014, which is the date the financial statements were available to be issued. Management has determined that there were no subsequent events or transactions that would have a material impact on the current year financial statements.

WYNOLA WATER DISTRICT
SUPPLEMENTARY INFORMATION SECTION
JUNE 30, 2014

**WYNOLA WATER DISTRICT
ORGANIZATION
JUNE 30, 2014**

Name	Office	Term	Term Expires
JoAnn Bernard	President	4 Years	December 7, 2016
Thomas McDonough	Director	4 Years	December 5, 2014
Dean Stowers	Director	4 Years	December 7, 2016
John "Jack" Bainbridge	Director	4 Years	December 5, 2014
Raymond Mitchell	Director	4 Years	December 5, 2014

Administration

Name	Position
Joyce Gans	Office Manager
Robert Gans	Treasurer

**WYNOLA WATER DISTRICT
ASSESSED VALUATION
JUNE 30, 2014**

The assessed valuation of the Wynola Water District at June 30, 2014, is as follows:

Assessed valuation

Secured property	<u>\$ 8,761,590</u>
Total assessed valuation	<u>\$ 8,761,590</u>

WYNOLA WATER DISTRICT
OTHER REPORTS OF INDEPENDENT AUDITORS SECTION
JUNE 30, 2014



**REPORT OF INDEPENDENT AUDITORS 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
Wynola Water District
Santa Ysabel, California

We have audited, in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the State Controller's *Minimum Auditing requirements for California Special Districts*, the financial statements of Wynola Water District, as of and for the fiscal years ended June 30, 2014 and 2013, and the related notes to the financial statements.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Wynola Water District's internal control over financial reporting (internal control) to determine the 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 Wynola Water District's internal control. Accordingly, we do not express an opinion on the effectiveness of Wynola Water 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 entity'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.

**REPORT OF INDEPENDENT AUDITORS 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**
Page 2

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Wynola Water 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 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 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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Hosaka, Rotherham & Company

San Diego, California
August 1, 2014

**WYNOLA WATER DISTRICT
FINDINGS AND RECOMMENDATIONS SECTION**

JUNE 30, 2014

**WYNOLA WATER DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

A. Summary of auditor's results

1. Financial statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

One or more material weaknesses identified? Yes X No

One or more significant deficiencies identified that are not considered to be material weaknesses? Yes X None Reported

Noncompliance material to financial statements noted? Yes X No

2. Federal awards

Internal control over major programs:

One or more material weaknesses identified? Yes N/A No

One or more significant deficiencies identified that are not considered to be material weaknesses? Yes N/A None Reported

Type of auditors' report issued on compliance for major programs: N/A

Any audit findings disclosed that are required to be reported in accordance with Section .510(a) of Circular A-133? Yes N/A No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
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The District did not have over \$500,000 in federal expenditures.

Dollar threshold used to distinguish between type A and type B programs: N/A

Auditee qualified as low-risk auditee? Yes N/A No

B. Financial statement findings

None

C. Federal award findings and questioned costs

None

**WYNOLA WATER DISTRICT
STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS
JUNE 30, 2014**

<u>Findings/Recommendation</u>	<u>Current Status</u>	<u>Management's Explanation If Not Implemented</u>
None	N/A	N/A