



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, 2015 AND 2014

WYNOLA WATER DISTRICT

INTRODUCTORY SECTION

JUNE 30, 2015

**WYNOLA WATER DISTRICT
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JUNE 30, 2015**

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WYNOLA WATER DISTRICT

FINANCIAL SECTION

JUNE 30, 2015



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INDEPENDENT AUDITORS' REPORT

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, 2015 and 2014, and the related notes to the financial statements, which collectively comprise the Wynola Water 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 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 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 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 auditors' 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.

INDEPENDENT AUDITORS' REPORT

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, 2015 and 2014, and the changes in its financial position and its cash flows thereof for the fiscal year then ended, in accordance with accounting principles generally accepted in the United States of America, as well as the accounting systems prescribed by the State Controller's Office and State Regulations governing Special Districts.

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 information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information as listed in the table of contents 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 20, 2015, 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
July 20, 2015

**WYNOLA WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2015**

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, 2015. 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.

Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, subsequently amended by GASB No. 61, *The Financial Reporting Entity: Omnibus – an amendment of GASB Statement No. 14 and No. 34*. GASB No. 34 establishes 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 \$311,508.
- The change in net position for the year was a decrease of \$14,160.
- The District had a loss from operations of \$16,866 compared to \$21,641 in the previous year.
- This year the District had no new additions to capital assets compared to \$44,600 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 *Statements 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 *Statements 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, 2015**

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.

The *Report on Internal Control over Financial Reporting and on Compliance and Other Matters* encompasses 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 \$311,508 as of June 30, 2015.

Total assets decreased 2.9% from the prior fiscal year mostly due to depreciation expense of \$17,813.

The largest portion of the District's net position is its investments of \$169,137 with Morgan Stanley. These investments consist mostly of corporate Certificates of Deposit, with various maturity dates through December 2022. The investments are insured by the Federal Deposit Insurance Corporation.

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>2015</u>	<u>2014</u>	<u>\$ Change</u>	<u>% Change</u>
Assets:				
Current and other assets	\$ 202,676	\$ 194,023	\$ 8,653	4.5%
Capital assets, net	108,832	126,645	(17,813)	-14.1%
Total assets	<u>\$ 311,508</u>	<u>\$ 320,668</u>	<u>\$ (9,160)</u>	-2.9%

**WYNOLA WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2015**

DISTRICT'S FINANCIAL ANALYSIS (CONTINUED)

Table 1
Condensed Statement of Net Position (Continued)

	<u>2015</u>	<u>2014</u>	<u>\$ Change</u>	<u>% Change</u>
Liabilities:				
Current liabilities	\$ -	\$ -	\$ -	0.0%
Total liabilities	-	-	-	0.0%
Net position:				
Net investment in capital assets	108,832	126,645	(17,813)	-14.1%
Unrestricted	202,676	194,023	8,653	4.5%
Total net position	<u>\$ 311,508</u>	<u>\$ 320,668</u>	<u>\$ (9,160)</u>	-2.9%

Statement of Revenues, Expenses and Changes in Net Position

- The District's total operating revenues for the fiscal year ended June 30, 2015, excluding inter-fund transfers, increased by \$4,327 to \$54,992. This was due primarily to an increase in the water system maintenance fee.
- The District's total expenses decreased by \$448 to \$71,858.
- The deficiency of operating revenue under operating expenses was \$14,160.

The following table presents a summary of the Statement of Activities for the fiscal year ended June 30, 2015:

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

	<u>2015</u>	<u>2014</u>	<u>\$ Change</u>	<u>% Change</u>
Operating revenues:				
Direct	\$ 31,606	\$ 27,443	\$ 4,163	15.2%
Indirect	23,386	23,222	164	0.7%
Total operating revenues	<u>54,992</u>	<u>50,665</u>	<u>4,327</u>	8.5%
Operating expenses	<u>71,858</u>	<u>72,306</u>	<u>(448)</u>	-0.6%
Nonoperating revenues	<u>2,706</u>	<u>1,962</u>	<u>744</u>	37.9%
Change in net position	<u>\$ (14,160)</u>	<u>\$ (19,679)</u>	<u>\$ 5,519</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, 2015**

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

Table 3
Changes in Capital Assets

	<u>2015</u>	<u>2014</u>	<u>\$ Change</u>	<u>% Change</u>
Central system equipment	\$ 207,493	\$ 207,493	\$ -	0.0%
Storage tanks and distribution systems	135,614	135,614	-	0.0%
Access roads and well site preparation	14,266	14,266	-	0.0%
Wells	101,282	101,282	-	0.0%
Less: accumulated depreciation	<u>(349,823)</u>	<u>(332,010)</u>	<u>(17,813)</u>	5.4%
Total capital assets, net	<u>\$ 108,832</u>	<u>\$ 126,645</u>	<u>\$ (17,813)</u>	-14.1%

Long-Term Debt

The District had no outstanding debt as of June 30, 2015.

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. It should be noted that the District contracted with a professional engineer in late 2014 to have a formal study performed to evaluate the District's likely capital requirements in coming years for replacements and major maintenance of the water delivery system infrastructure. The conclusion of the study was that significant additional cash reserves would be needed to meet these requirements. Accordingly, the District has increased various rates and fees to help generate the additional needed cash reserves.

The District Board and its many community volunteers pledge themselves to maintain, to the best of their ability, 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 Jo Ann Bernard, President, or Robert Gans, Treasurer, at (760) 765-1746, or by mail at P.O. Box 193, Santa Ysabel, CA 92070.

Wynola Water District

**WYNOLA WATER DISTRICT
STATEMENTS OF NET POSITION
JUNE 30, 2015 AND 2014**

	2015	2014
ASSETS		
Cash and cash equivalents (Note C)	\$ 26,383	\$ 9,701
Investments (Note D)	169,137	176,434
Accounts receivable (Note E)	7,156	7,888
Capital assets, net of accumulated depreciation (Note F)	108,832	126,645
TOTAL ASSETS	\$ 311,508	\$ 320,668
 LIABILITIES AND NET POSITION		
Liabilities	\$ -	\$ -
Total liabilities	-	-
 Net position		
Net investment in capital assets	108,832	126,645
Unrestricted	202,676	194,023
Total net position	311,508	320,668
TOTAL LIABILITIES AND NET POSITION	\$ 311,508	\$ 320,668

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, 2015 AND 2014

	2015	2014
OPERATING REVENUES		
Direct operating revenues:		
Water sales	\$ 19,412	\$ 20,065
Water system maintenance fees	12,194	7,378
Total direct operating revenues	31,606	27,443
Indirect operating revenues:		
Property tax revenue	23,386	23,222
Total indirect operating revenues	23,386	23,222
Total operating revenues	54,992	50,665
OPERATING EXPENSES		
Power	12,810	14,092
Repairs and maintenance	5,060	17,080
Water and well testing	12,595	6,655
Telephone	4,021	3,776
Audit and legal	3,510	3,298
Office	11,392	7,600
Insurance	2,141	(115)
Permits and dues	2,516	2,553
Depreciation	17,813	17,367
Total operating expenses	71,858	72,306
Loss from operations	(16,866)	(21,641)
Non-operating revenues:		
Interest income	3,023	3,790
(Loss) on investments	(317)	(1,828)
Total non-operating revenues	2,706	1,962
CHANGE IN NET POSITION	(14,160)	(19,679)
NET POSITION - BEGINNING	320,668	340,347
CAPITAL CONTRIBUTIONS - NEW WATER METER FEES	5,000	-
NET POSITION - ENDING	\$ 311,508	\$ 320,668

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, 2015 AND 2014**

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	\$ 32,338	\$ 27,538
Receipts from County of San Diego	23,386	23,222
Payments to suppliers and vendors	(54,045)	(54,939)
Net cash provided by (used in) operating activities	1,679	(4,179)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition and construction of capital assets	-	(44,600)
Net cash (used in) investing activities	-	(44,600)
CASH FLOWS FROM FINANCING ACTIVITIES		
Disposal of investments	7,297	28,043
Capital contributions	5,000	-
Loss on investments	(317)	(1,828)
Interest received	3,023	3,790
Net cash provided by financing activities	15,003	30,005
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	16,682	(18,774)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	9,701	28,475
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 26,383	\$ 9,701
RECONCILIATION OF CASH FLOWS FROM OPERATIONS WITH NET PROFIT FOR THE PERIOD		
CASH FLOWS FROM OPERATING ACTIVITIES		
Operating loss	\$ (16,866)	\$ (21,641)
Adjustments to reconcile net income from operations to net cash provided by operating activities:		
Depreciation	17,813	17,367
Decrease in operating assets:		
Accounts receivable	732	95
Net cash flows provided by (used in) operating activities	\$ 1,679	\$ (4,179)

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

**WYNOLA WATER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014**

A. Summary of Significant Accounting Policies

Wynola Water District (the 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 State of American (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*, subsequently amended by GASB Statement No. 39 *Determining Whether Certain Organizations are Component Units*, and GASB Statement No. 61, *The Financial reporting Entity: Omnibus – an amendment of GASB Statement No. 14 and No. 34*, 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 GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, and subsequently amended by GASB Statement No. 61. This statement established revised financial reporting requirements for state and local

**WYNOLA WATER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014**

A. Summary of Significant Accounting Policies (Continued)

3. Financial Reporting (Continued)

governments throughout the United States for the purpose of enhancing the understandability and usefulness of financial reporting.

Under GASB Statement 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 the 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, *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, 2015.

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.

**WYNOLA WATER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014**

A. Summary of Significant Accounting Policies (Continued)

b. Capital Assets (Continued)

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

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

c. Capital Contributions

Capital contributions represent cash and capital asset additions to the District by property owners, granting agencies or real estate developers desiring services that require capital expenditures or capacity commitments.

d. 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.

e. 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:

Violation	Action Taken
None reported	Not applicable

**WYNOLA WATER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014**

B. Compliance and Accountability (Continued)

1. 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, 2015 and 2014:

	<u>Credit Quality Rating</u>	<u>Fair Value</u>	
		<u>2015</u>	<u>2014</u>
Deposits with financial institutions	Not Applicable	\$ 26,383	\$ 9,701
Total cash and cash equivalents		<u>\$ 26,383</u>	<u>\$ 9,701</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, 2015 and 2014:

	<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 - 2015	\$ 28,295	\$ -	\$ -	\$ 28,295	\$ 26,383
Deposits with Financial Institutions - 2014	\$ 11,978	\$ -	\$ -	\$ 11,978	\$ 9,701

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, 2015 AND 2014**

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, 2015 and 2014:

	Category			Uncategorized	Total Investments	Market Value
	One	Two	Three			
Morgan Stanley Investments - 2015	\$ 169,137	\$ -	\$ -	\$ -	\$ 169,137	\$ 169,137
Morgan Stanley Investments - 2014	\$ 176,434	\$ -	\$ -	\$ -	\$ 176,434	\$ 176,434

E. Accounts receivable

Accounts receivable as of June 30, 2015 and 2014, consist of the following:

	2015	2014
Water usage billing	\$ 7,156	\$ 7,888
Total accounts receivables	\$ 7,156	\$ 7,888

F. Capital assets

A schedule of changes in capital assets and accumulated depreciation for the year ended June 30, 2015 and 2014, is shown as follows:

	2015	2014
Central system equipment	\$ 207,493	\$ 207,493
Storage tanks and distribution systems	135,614	135,614
Access roads and well site preparation	14,266	14,266
Wells	101,282	101,282
Less: accumulated depreciation	(349,823)	(332,010)
Total capital assets, net of accumulated depreciation	\$ 108,832	\$ 126,645

Depreciation expense for the years ended June 30, 2015 and 2014 was \$17,813 and \$17,367, respectively.

G. 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 July 20, 2015, 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, 2015

**WYNOLA WATER DISTRICT
ORGANIZATION
JUNE 30, 2015**

<u>Board Position</u>	<u>Name</u>	<u>Office</u>	<u>Term</u>	<u>Term Expires</u>
1	Thomas McDonough	Director	4 Years	December 5, 2018
2	Michael Asmussen	Director	4 Years	December 7, 2016
3	Raymond Mitchell	Director	4 Years	December 5, 2018
4	John "Jack" Bainbridge	Director	4 Years	December 5, 2018
5	JoAnn Bernard	President	4 Years	December 7, 2016

Administration

<u>Name</u>	<u>Position</u>
Joyce Gans	Office Manager
Robert Gans	Treasurer

**WYNOLA WATER DISTRICT
ASSESSED VALUATION
JUNE 30, 2015**

The assessed valuation of the Wynola Water District at June 30, 2015, is as follows:

Assessed valuation

Secured property

\$ 9,000,864

Total assessed valuation

\$ 9,000,864

WYNOLA WATER DISTRICT
OTHER REPORTS OF INDEPENDENT AUDITORS SECTION
JUNE 30, 2015



Hosaka, Rotherham & Company
Certified Public Accountants

James A. Rotherham, CPA
CEO & Managing Partner

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

James C. Nagel, CPA
Retired

**INDEPENDENT AUDITORS' REPORT 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 Audit Requirements for California Special Districts, the financial statements of Wynola Water District, as of and for the fiscal years ended June 30, 2015 and 2014, 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.

**INDEPENDENT AUDITORS' REPORT 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
July 20, 2015

WYNOLA WATER DISTRICT
FINDINGS AND RECOMMENDATIONS SECTION
JUNE 30, 2015

**WYNOLA WATER DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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, 2015**

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