



Certified Public Accountants
and Financial Advisors

Wynola Water District
Financial Statements
June 30, 2016 and 2015

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INDEPENDENT AUDITOR'S 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 year ended June 30, 2016, 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 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 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 opinion.

Opinion

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, 2016, 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.

Emphasis of a Matter

Prior Period Financial Statement

The financial statements of Wynola Water District as of, and for the year ended, June 30, 2015, were audited by other auditors whose report dated July 20, 2015, expressed an unmodified opinion on those statements.

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 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. 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.

The organizational structure schedule and assessed valuation have not been subjected to the auditing procedures applied in the audit of the basis financial statements and, accordingly, we do not express an opinion or provide any assurance on them.



SQUAR MILNER LLP

San Diego, California
September 19, 2016

**WYNOLA WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2016 and 2015**

As management of the Wynola Water District (the "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, 2016. 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.

The financial statements consist of a series of financial statements prepared in accordance with the Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – Management Discussion and Analysis for State and Local Governments*.

FINANCIAL HIGHLIGHTS

- The District's ending total net position was \$418,913.
- The increase in the change in net position for the year was \$107,405, which included a contribution by customers of \$86,000 and a grant from the County of San Diego of \$50,000.
- The District had a loss from operations of \$29,064 compared to a loss of \$40,252 in the previous year.
- This year the District had additions to capital assets of \$163,609 compared to \$0 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.

Basic Financial Statements. The basic financial statements include District financial 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.

**WYNOLA WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2016 and 2015**

OVERVIEW OF FINANCIAL STATEMENTS (continued)

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.

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* reports the governing body and outlines assessed property valuation.

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 \$418,913 as of June 30, 2016.

Total assets increased 42.6% from the prior fiscal year mostly due to the acquisition of capital assets of \$163,609.

A significant portion of the District's net position is its investment in capital assets (e.g. storage tanks and distribution systems). The District uses these capital assets to provide services to its constituents; consequently, these assets are not available for future spending.

**WYNOLA WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2016 and 2015**

DISTRICT'S FINANCIAL ANALYSIS (continued)

Statement of Net Position (continued)

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>2016</u>	<u>2015</u>	<u>\$ Change</u>	<u>% Change</u>
Assets:				
Current and other assets	\$ 186,036	\$ 202,676	\$ (16,640)	-8.2%
Capital assets, net	258,176	108,832	149,344	137.2%
Total assets	<u>444,212</u>	<u>311,508</u>	<u>132,704</u>	42.6%
Liabilities:				
Current liabilities	<u>25,299</u>	-	<u>25,299</u>	0.0%
Total liabilities	<u>25,299</u>	-	<u>25,299</u>	0.0%
Net position:				
Net investment in capital assets	258,176	108,832	149,344	137.2%
Unrestricted	<u>160,737</u>	<u>202,676</u>	<u>(41,939)</u>	-20.7%
Total net position	<u>\$ 418,913</u>	<u>\$ 311,508</u>	<u>\$ 107,405</u>	34.5%

Statement of Revenues, Expenses and Changes in Net Position

- The District's total operating revenues for the fiscal year ended June 30, 2016, decreased by \$3,583 from the prior year. This was due primarily to a decrease in the water usage.
- The District's total expenses decreased by \$14,771.
- Excess expenses over revenues was \$29,064.

**WYNOLA WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2016 and 2015**

DISTRICT'S FINANCIAL ANALYSIS (continued)

Statement of Revenues, Expenses and Changes in Net Position (continued)

The following table presents a summary of the Statement of Activities for the fiscal year ended June 30, 2016:

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

	<u>2016</u>	<u>2015</u>	<u>\$ Change</u>	<u>% Change</u>
Revenues				
Charges for services	\$ 28,023	\$ 31,606	\$ (3,583)	-11.3%
Total operating revenues	<u>28,023</u>	<u>31,606</u>	<u>(3,583)</u>	-11.3%
Operating expenses	<u>57,087</u>	<u>71,858</u>	<u>(14,771)</u>	-20.6%
Nonoperating revenues	<u>24,510</u>	<u>26,092</u>	<u>(1,582)</u>	-6.1%
Contributions	<u>111,959</u>	<u>5,000</u>	<u>106,959</u>	2139.2%
Change in net position	<u>\$ 107,405</u>	<u>\$ (9,160)</u>	<u>\$ 116,565</u>	-1272.5%

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

Table 3
Changes in Capital Assets

	<u>2016</u>	<u>2015</u>	<u>\$ Change</u>	<u>% Change</u>
Central system equipment	\$ 207,493	\$ 207,493	\$ -	0.0%
Storage tanks and distribution systems	299,224	135,614	163,610	120.6%
Access roads and well site preparation	14,266	14,266	-	0.0%
Wells	101,282	101,282	-	0.0%
Less: accumulated depreciation	<u>(364,089)</u>	<u>(349,823)</u>	<u>(14,266)</u>	4.1%
Total capital assets, net	<u>\$ 258,176</u>	<u>\$ 108,832</u>	<u>\$ 149,344</u>	137.2%

Long-Term Debt

The District had no outstanding debt as of June 30, 2016 and 2015.

**WYNOLA WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2016 and 2015**

FACTORS BEARING ON THE DISTRICT'S FUTURE

Wynola Water District is in the process of replacing and modernizing much of its 40-year-old equipment. While these improvements are being made, the Board and its many community volunteers continue to deliver quality water and services to its customers.

CONTACTING THE DISTRICT

Questions regarding the report should be directed to volunteer Treasurer and Office Manager Tim Taschler at wynolawater@gmail.com, 760.765.4872 or P. O. Box 193, Santa Ysabel, CA 92070.

WYNOLA WATER DISTRICT
STATEMENTS OF NET POSITION
June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
ASSETS		
Cash	\$ 153,071	\$ 26,383
Investments	-	169,137
Accounts receivable	32,965	7,156
Capital assets, net of accumulated depreciation	258,176	108,832
TOTAL ASSETS	<u>444,212</u>	<u>311,508</u>
LIABILITIES		
Accounts payable	958	-
Unearned revenue	24,341	-
TOTAL LIABILITIES	<u>25,299</u>	-
NET POSITION		
Net investment in capital assets	258,176	108,832
Unrestricted	160,737	202,676
TOTAL NET POSITION	<u>\$ 418,913</u>	<u>\$ 311,508</u>

WYNOLA WATER DISTRICT
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
For the Fiscal Years Ended June 30, 2016 and 2015

	2016	2015
OPERATING REVENUES		
Operating revenues:		
Water sales	\$ 14,198	\$ 19,412
Water system maintenance fees	13,825	12,194
Total operating revenues	28,023	31,606
 OPERATING EXPENSES		
Power	9,896	12,810
Repairs and maintenance	3,684	5,060
Water and well testing	1,792	12,595
Telephone	3,999	4,021
Audit and legal	4,737	3,510
Office	12,922	11,392
Insurance	3,242	2,141
Permits and dues	2,549	2,516
Depreciation	14,266	17,813
Total operating expenses	57,087	71,858
Loss from operations	(29,064)	(40,252)
 NON-OPERATING REVENUES (EXPENSES):		
Property taxes	23,650	23,386
Interest income	624	3,023
Income (loss) on investments	236	(317)
Total non-operating revenues	24,510	26,092
Loss before contributions	(4,554)	(14,160)
Capital contributions - customers	86,000	5,000
Capital contributions - grants	25,959	-
CHANGE IN NET POSITION	107,405	(9,160)
NET POSITION - BEGINNING	311,508	320,668
NET POSITION - ENDING	\$ 418,913	\$ 311,508

WYNOLA WATER DISTRICT
STATEMENTS OF CASH FLOWS
For the Fiscal Years Ended June 30, 2016 and 2015

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from customers	\$ 28,037	\$ 32,338
Payments to suppliers and vendors	(41,863)	(54,045)
Net cash used in operating activities	(13,826)	(21,707)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Property taxes	23,650	23,386
Net cash provided by noncapital financing activities	23,650	23,386
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Capital contributions	110,177	5,000
Acquisition and construction of capital assets	(163,610)	-
Net cash used in capital financing activities	(53,433)	5,000
CASH FLOWS FROM INVESTMENT ACTIVITIES:		
Disposal of investments	169,436	7,297
Gain (loss) on investments	236	(317)
Interest received	624	3,023
Net cash provided by financing activities	170,296	10,003
NET INCREASE IN CASH	126,687	16,682
CASH - BEGINNING OF YEAR	26,383	9,701
CASH - END OF YEAR	\$ 153,070	\$ 26,383

RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES

CASH FLOWS FROM OPERATING ACTIVITIES		
Operating loss	\$ (29,064)	\$ (40,252)
Adjustments to reconcile net income from operations to net cash provided by operating activities:		
Depreciation	14,266	17,813
Decrease in operating assets:		
Accounts receivable	14	732
Increase in operating liabilities:		
Accounts payable	958	-
Net cash flows used in operating activities	\$ (13,826)	\$ (21,707)

WYNOLA WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2016 and 2015

1. 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 applicable to governments and to general practice within California Special Districts. The District accounts for its financial transactions in accordance with the policies and procedures of the State Controller’s Office Division of Local Government Fiscal Affairs Minimum Audit Requirements and Reporting Guidelines for California Special Districts.

Reporting Entity

The District’s 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 Governmental Accounting Standards Board (“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.

Basis of Presentation, 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.

WYNOLA WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2016 and 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Presentation, Basis of Accounting (continued)

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.

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

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, 2016 and 2015.

Governmental Accounting Standards Implementation in Current Year

In February 2015, GASB issued Statement No. 72, *Fair Value Measurement and Application*. This statement addresses accounting and financial reporting issues related to fair value measurements. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This statement provides guidance for determining a fair value measurement for financial reporting purposes. This statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. This statement was effective for the current fiscal year. Implementation of this GASB had no significant effect on the District's financial statements.

WYNOLA WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2016 and 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Governmental Accounting Standards Implementation in Current Year (continued)

In June 2015, GASB issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. This statement establishes the hierarchy of GAAP for all state and local governments. The GAAP hierarchy sets forth what constitutes GAAP for all state and local governmental entities. It establishes the order of priority of pronouncements and other sources of accounting and financial reporting guidance that a governmental entity should apply. This statement became effective in fiscal year 2016. Implementation of this GASB had no significant effect on the District's financial statements.

Assets, Liabilities, and Equity

Cash 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, and deposits in banks.

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.

Investment Accounting Policy

The District is required by GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, to disclose its policy for determining which investments, if any, are reported at amortized cost. The District's general policy is to report money market investments and short-term participating interest-earning investment contracts at amortized cost and to report nonparticipating interest-earnings investment contracts using a cost-based measure. However, if the fair value of an investment is significantly affected by the impairment of the credit standing of the issuer or by other factors, it is reported at fair value. All other investments are reported at fair value unless a legal contract exists which guarantees a higher value. The term "short-term" refers to investments which have a remaining term of one year or less at time of purchase. The term "nonparticipating" means that the investment's value does not vary with market interest rate changes. Nonnegotiable certificates of deposit are examples of nonparticipating interest-earning investment contracts.

WYNOLA WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2016 and 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Governmental Accounting Standards Implementation in Current Year (continued)

Investment Accounting Policy (continued)

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage Of Portfolio</u>	<u>Maximum Investment in One Issuer</u>
U.S. Treasury Obligations	5 years	90%	10%
U.S. Agency Securities	5 years	90%	10%
Medium Term Notes			
Short-Term Corp Securities	1-3 years	90%	5%
Long-Term Corp Securities	1-10 years	75%	5%
Cash and Equivalents	1 year	100%	None

Fair Value Measurement

Investments are reported at fair value in the District's financial statements. Fair value represents the price that would be received upon the sale of an asset or paid upon the transfer of a liability in an orderly transaction between market participants as of the measurement date. GAAP establishes a fair value hierarchy that prioritizes inputs used to measure fair value into three levels:

- Level 1: Quoted prices (unadjusted) in active markets that are accessible at the measurement date for assets or liabilities.
- Level 2: Observable prices that are based on inputs not quoted in active markets, but corroborated by market data.
- Level 3: Unobservable inputs are used when little or no market data is available.

The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs. In determining fair value, the District utilizes valuation techniques that maximize the use of observable inputs to the extent possible.

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 \$5,000 is used.

WYNOLA WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2016 and 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Governmental Accounting Standards Implementation in Current Year (continued)

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

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings	10-50
Water systems	10-50
Improvement of sites	7-25
Equipment	5-10

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.

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.

The District receives property taxes under the Teeter Plan, whereby the County of San Diego determines the amounts due and pays the District ratably throughout the year with the County bearing the risk of delinquent property taxes and retaining any interest and penalties earned thereon.

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.

**WYNOLA WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2016 and 2015**

2. COMPLIANCE AND ACCOUNTABILITY

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:

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

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

3. CASH AND INVESTMENTS

Cash in Banks

Cash balances in banks (\$165,950 and \$28,295 as of June 30, 2016 and 2015, respectively) are insured up to \$250,000 by the Federal Deposit Insurance Corporation ("FDIC"). As of June 30, 2016 and 2015, the District did not have any uninsured deposits.

Investments

Investments (\$0 and \$169,137 as of June 30, 2016 and 2015) are insured up to \$500,000 by the Securities Investor Protection Corporation ("SIPC") for fraud and misappropriation but not market volatility. As of June 30, 2016 and 2015, the District did not have any uninsured funds.

WYNOLA WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2016 and 2015

3. CASH AND INVESTMENTS (continued)

Analysis of Specific Deposits and Investments

Deposits as of June 30, 2016 and 2015, consist of the following:

	<u>2016</u>	<u>2015</u>
Cash with banks	\$ 153,071	\$ 26,383
Total cash	<u>\$ 153,071</u>	<u>\$ 26,383</u>

Investments as of June 30, 2015, consist of the following:

	<u>2015</u>	
	<u>Market Value</u>	<u>Cost</u>
Money market funds	\$ 27,246	\$ 27,246
Fixed income certificates of deposit	141,891	140,530
Total investments	<u>\$ 169,137</u>	<u>\$ 167,776</u>

The investments are classified as Level 1 in the fair value hierarchy because of the District's ability to obtain quoted prices.

Investment activity in the General Fund for the year ended June 30, 2016 and 2015, consisted of the following:

	<u>2016</u>	<u>2015</u>
Realized gains (losses) on investents	\$ 236	\$ (317)
Unrealized gains on investments	-	1,361
Interest income	624	3,023
Total change in value	<u>\$ 860</u>	<u>\$ 4,067</u>

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District manages its exposure to interest rate risk by limiting investments to fixed income securities. The District held no investments with high sensitivity to interest rate fluctuations at June 30, 2016 and 2015.

WYNOLA WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2016 and 2015

3. CASH AND INVESTMENTS (continued)

Analysis of Specific Deposits and Investments (continued)

Disclosures Relating to Credit Risk (continued)

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the California Government Code or the District's investment policy, and the actual rating as of June 30, 2016 and 2015 for each investment type based on Standard and Poor's (S&P) index. The District had no investments subject to credit risk rating at June 30, 2016 and 2015.

Concentration of Credit Risk

The investment policy of the District contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code, in which in investments in any one issuer (other than U.S. Treasury Securities, mutual funds, and external investment pools) that represent 5% or more of total District investments. The District had no concentration of credit risk at June 30, 2016 and 2015.

Custodial Credit Risk

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institute, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party.

The California Government Code and the District's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits. The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure governmental agency deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

The custodial credit risk for *investment* is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party.

WYNOLA WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2016 and 2015

3. CASH AND INVESTMENTS (continued)

Analysis of Specific Deposits and Investments (continued)

As of June 30, 2015, the District's investments in the following investment types were held by the same broker-dealer (counterparty) that was used by the District to buy the securities:

Investment Type	Reported Amount
Money market funds - Morgan Stanley	\$ 27,246
Fixed income certificates of deposit - Morgan Stanley	141,891
	\$ 169,137

4. ACCOUNTS RECEIVABLE

Accounts receivable as of June 30, 2016 and 2015, consist of the following:

	2016	2015
Water usage billing	\$ 7,142	\$ 7,156
Capital contributions - customers	25,823	-
Total accounts receivable	\$ 32,965	\$ 7,156

5. CAPITAL ASSETS

A schedule of changes in capital assets and accumulated depreciation for the year ended June 30, 2016 and 2015 is shown as follows:

	2016	2015
Central system equipment	\$ 207,493	\$ 207,493
Storage tanks and distribution systems	299,224	135,614
Access roads and well site preparation	14,266	14,266
Wells	101,282	101,282
Less: accumulated depreciation	(364,089)	(349,823)
Total capital assets, net of accumulated depreciation	\$ 258,176	\$ 108,832

Depreciation expense for the years ended June 30, 2016 and 2015 was \$14,266 and \$17,813, respectively.

SUPPLEMENTARY INFORMATION

**WYNOLA WATER DISTRICT
ORGANIZATION
June 30, 2016**

Board Position	Name	Office	Term	Term Expiration
1	JoAnn Bernard	President	4 years	December 7, 2016
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	Thomas McDonough	Director	4 years	December 5, 2018

Administration

Name	Position
Tim Taschler	Treasurer / Office Manager

**WYNOLA WATER DISTRICT
ASSESSED VALUATION
June 30, 2016**

The assessed valuation of the Wynola Water District at June 30, 2016, is as follows:

Assessed valuation

Secured property	<u>\$ 9,348,645</u>
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Total assessed valuation	<u><u>\$ 9,348,645</u></u>
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