

Lake Waynoka Regional Water and Sewer District
Brown County, Ohio

Regular Audit

January 1, 2008, through December 31, 2008
Fiscal Years Audited Under GAGAS: 2008



Balestra, Harr & Scherer, CPAs, Inc.

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Mary Taylor, CPA
Auditor of State

Board of Trustees
Lake Waynoka Regional Water and Sewer District
1 Waynoka Drive
Sardinia, Ohio 45171

We have reviewed the *Independent Auditor's Report* of the Lake Waynoka Regional Water and Sewer District, Brown County, prepared by Balestra, Harr & Scherer, CPAs, Inc., for the audit period January 1, 2008 through December 31, 2008. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Lake Waynoka Regional Water and Sewer District is responsible for compliance with these laws and regulations.

Mary Taylor

Mary Taylor, CPA
Auditor of State

June 11, 2009

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Lake Waynoka Regional Water and Sewer District
Table of Contents
For the Year Ended December 31, 2008

<u>TITLE</u>	<u>PAGE</u>
Independent Auditor's Report	1
Management's Discussion and Analysis	3
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Assets	8
Statement of Revenues, Expenses and Changes in Net Assets	9
Statement of Cash Flows.....	10
Notes to the Basic Financial Statements.....	11
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based On an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	17
Status of Prior Audit Findings.....	19

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Ohio Society of Certified Public Accountants

Independent Auditor's Report

Board of Trustees
Lake Waynoka Regional Water and Sewer District
1 Waynoka Drive
Sardinia, Ohio 45171

We have audited the accompanying financial statements of the business-type activities and each major fund of Lake Waynoka Regional Water and Sewer District (the District), Brown County, as of and for the year ended December 31, 2008, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

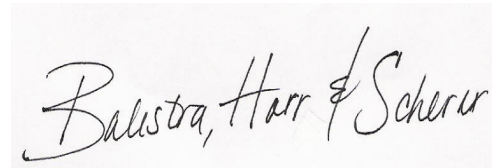
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and each major fund of the District, as of December 31, 2008, and the respective changes in financial position and its cash flows, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 19, 2008, on our consideration of the 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. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Board of Trustees
Lake Waynoka Regional Water and Sewer District
Independent Auditor's Report

The Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information accounting principles generally accepted in the United States of America requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

A handwritten signature in cursive script that reads "Balestra, Harr & Scherer". The signature is written in black ink on a light-colored background.

Balestra, Harr & Scherer, CPAs, Inc.
March 19, 2009

Lake Waynoka Regional Water and Sewer District
Brown County, Ohio

Management's Discussion and Analysis
For the Year Ended December 31, 2008

This discussion and analysis, along with the accompanying financial reports, of Lake Waynoka Regional Water and Sewer District ("the District"), is designed to provide our customers, creditors and other interested parties with a general overview of the District and its financial activities.

FINANCIAL HIGHLIGHTS

The total assets of the District exceeded liabilities by \$3,531,720 on December 31, 2008. The District's net assets increased by \$18,343 (0.5%) in 2008.

The District's operating revenues increased by \$241,764 (66.6%) and operating expenses increased \$26,337 (3.9%) in 2008.

OVERVIEW OF BASIC FINANCIAL STATEMENTS

The District has only business-type activities. The District has two proprietary funds which are enterprise funds. Both the proprietary funds and business-type activities use the accrual basis of accounting which is similar to private sector business. The basic financial statements are presented using the accrual basis of accounting.

The statement of net assets includes all of the District's assets and liabilities. This statement provides information about the nature and amounts of investments in resources (assets) owned by the District, and obligations owed by the District (liabilities) on December 31. The District's net assets are the difference between assets and liabilities.

The statement of revenues, expenses and changes in net assets provides information on the District's operations over the past year and the success of recovering all of its costs through user fees, charges, assessments, and other income. Revenues are reported when earned and expenses are reported when incurred.

The statement of cash flows provides information about the District's cash receipts and cash disbursements. They summarize the net changes in cash resulting from operating, investing and financing activities.

The notes to the basic financial statements are an integral part of the basic financial statements and provide expanded explanation and detail regarding the information reported in the basic financial statements.

The statements described above show major funds in separate columns. The District's major funds are the Water Fund and the Sewer Fund. These are the District's only two funds.

Lake Waynoka Regional Water and Sewer District
Brown County, Ohio

Management's Discussion and Analysis
For the Year Ended December 31, 2008

STATEMENT OF NET ASSETS

Table 1 summarizes the statement of net assets of the District. Capital assets are reported less accumulated depreciation. "invested in capital assets, net of related debt" are capital assets less outstanding debt that was used to acquire those assets.

Net Assets			
Table 1			
	2008	2007*	Change
Current and Other Assets	\$1,422,924	\$1,558,495	(\$135,571)
Capital Assets	3,821,140	3,792,626	28,514
Total Assets	5,244,064	5,351,121	(107,057)
Long Term Liabilities	1,636,371	1,687,423	(51,052)
Current and Other Liabilities	75,973	150,321	(74,348)
Total Liabilities	1,712,344	1,837,744	(125,400)
Net Assets			
Invested in Capital Assets, Net of Related Debt	2,133,717	2,056,619	77,098
Restricted	111,500	107,732	3,768
Unrestricted	1,286,503	1,349,026	(62,523)
Total Net Assets	\$3,531,720	\$3,513,377	\$18,343

*As restated – see Note 2. Certain reclassifications were also made for consistency of presentation between years.

Current and other assets decreased \$135,571, as a result of decreased cash and cash equivalents. Capital assets increased \$28,514, as a result of additions, which were offset partially by current year depreciation.

Current and other liabilities decreased \$74,348, as a result of decreased accounts payable. Long term liabilities decreased \$51,052, as a result of reclassifications of debt balances into the current portion of liabilities.

Net assets invested in capital assets, net of related debt increased \$77,098, as a result of a net increase in capital assets which was only partially offset by decreases in debt balances. Net assets restricted for debt service increased \$3,768 due to deposits into the debt reserve account.

**Lake Waynoka Regional Water and Sewer District
Brown County, Ohio**

*Management's Discussion and Analysis
For the Year Ended December 31, 2008*

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

Table 2 below summarizes the changes in revenues and expenses and the resulting change in net assets.

Change in Net Assets
Table 2

	2008	2007	Change
Operating Revenues	<u>\$604,979</u>	<u>\$363,215</u>	<u>\$241,764</u>
Total Operating Revenues	604,979	363,215	241,764
Operating Expenses (Excluding Depreciation)	510,517	492,662	17,855
Depreciation Expense	<u>197,337</u>	<u>188,855</u>	<u>8,482</u>
Total Operating Expenses	<u>707,854</u>	<u>681,517</u>	<u>26,337</u>
Operating Loss	(102,875)	(318,302)	215,427
Non-Operating Revenues	209,021	277,049	(68,028)
Non-Operating Expenses	<u>(87,803)</u>	<u>(87,333)</u>	<u>470</u>
Changes in Net Assets	18,343	(128,586)	146,929
Net Assets at Beginning of Year - As Restated	<u>3,513,377</u>	<u>3,641,963</u>	<u>(128,586)</u>
Net Assets at End of Year	<u><u>\$3,531,720</u></u>	<u><u>\$3,513,377</u></u>	<u><u>\$18,343</u></u>

Operating revenues increased by \$241,764 (66.6%) in 2008. This increase is due primarily to an increase in charges for services for water collections. These revenues were lower in 2007 due to a lower receivable balance in 2007 as compared to 2006. Operating expenses (excluding depreciation) increased by \$17,855 primarily due to increases in expenses for utilities, professional services, repairs and maintenance, and contribution expenses. Non-operating revenues decreased \$68,028 due to decreased connection fees.

CAPITAL ASSETS

The District had \$6,154,039 invested in capital assets (before depreciation) at the end of 2008. This represents an increase of \$225,851 from the previous year. Most of the increase is due to the construction of a carbon filtration building.

**Lake Waynoka Regional Water and Sewer District
Brown County, Ohio**

*Management's Discussion and Analysis
For the Year Ended December 31, 2008*

Table 3 shows the District's 2008 capital assets as compared to 2007:

Capital Assets
(Net of Accumulated Depreciation)
Table 3

	2008	2007*	Change
Land Easements	\$140,829	\$140,829	\$0
Construction in Progress	0	185,841	(185,841)
Water and Sewer Plant	3,580,919	3,344,277	236,642
Furniture and Fixtures	1,716	2,256	(540)
Machinery and Equipment	97,676	119,423	(21,747)
Net Capital Assets	<u>\$3,821,140</u>	<u>\$3,792,626</u>	<u>\$28,514</u>

*As restated – see Note 2.

See Note 7 to the basic financial statements for more information on the District's capital assets.

DEBT

The District issues long term debt to finance much of its construction. Water revenue bonds were used to finance most general improvement projects.

Long Term Liabilities
Table 4

	2008	2007*	Change
Water Revenue Bonds	\$1,607,800	\$1,635,900	(\$28,100)
Ohio Water Development Authority (OWDA)	79,623	100,107	(20,484)
Total Long Term Debt	1,687,423	1,736,007	(48,584)
Less: Current Maturities	51,052	48,584	2,468
Net Total Long Term Debt	<u>\$1,636,371</u>	<u>\$1,687,423</u>	<u>(\$51,052)</u>

* Certain reclassifications were also made for consistency of presentation between years.

The majority of the District's debt is paid from revenues, excluding capital contributions. See Note 5 to the basic financial statements for additional information on the District's debt.

CASH

Cash and cash equivalents were \$822,668 on December 31, 2008. \$111,500 of these funds were restricted for specific use in 2008. These restricted accounts are for debt reserves.

CONTACT INFORMATION

Questions regarding this report and requests for additional information should be forwarded to Timothy O'Farrell, General Manager, Lake Waynoka Regional Water and Sewer District, 1 Waynoka Drive, Sardinia, Ohio 45171 or (937) 446-3232.

Lake Waynoka Regional Water and Sewer District
Brown County, Ohio
Statement of Net Assets
As of December 31, 2008

	Water	Sewer	Total Business- Type Activities
<i>Assets:</i>			
Current Assets:			
Cash and Cash Equivalents	\$100,376	\$610,792	\$711,168
Accounts Receivable	577,829	18,836	596,665
Prepaid Expenses	610	610	1,220
Interest Receivable	0	2,371	2,371
Total Current Assets	678,815	632,609	1,311,424
Noncurrent Assets:			
Restricted Assets:			
Cash and Cash Equivalents Restricted for Debt Service	0	111,500	111,500
Capital Assets:			
Non-Depreciable Capital Assets	1,000	139,829	140,829
Depreciable Capital Assets Net of Accumulated Depreciation	685,589	2,994,722	3,680,311
Total Capital Assets	686,589	3,134,551	3,821,140
Total Assets	1,365,404	3,878,660	5,244,064
<i>Liabilities:</i>			
Current Liabilities:			
Accounts Payable	9,856	8,328	18,184
Accrued Interest	0	6,737	6,737
Construction Bonds Payable	0	29,600	29,600
OWDA Loan Payable	21,452	0	21,452
Total Current Liabilities	31,308	44,665	75,973
Noncurrent Liabilities:			
Construction Bonds Payable	0	1,578,200	1,578,200
OWDA Loan Payable	58,171	0	58,171
Total Noncurrent Liabilities	58,171	1,578,200	1,636,371
Total Liabilities	89,479	1,622,865	1,712,344
<i>Net Assets:</i>			
Invested in Capital Assets, Net of Related Debt	606,966	1,526,751	2,133,717
Restricted for Debt Service	0	111,500	111,500
Unrestricted	668,959	617,544	1,286,503
Total Net Assets	\$1,275,925	\$2,255,795	\$3,531,720

The notes to the basic financial statements are an integral part of these statements.

Lake Waynoka Regional Water and Sewer District
Brown County, Ohio
Statement of Revenues, Expenses and Changes in Net Assets
For the Year Ended December 31, 2008

	Water	Sewer	Total Business- Type Activities
<i>Operating Revenues:</i>			
Charges for Services	\$329,526	\$273,102	\$602,628
Miscellaneous	2,351	0	2,351
Total Operating Revenues	<u>331,877</u>	<u>273,102</u>	<u>604,979</u>
<i>Operating Expenses:</i>			
Utilities	18,022	25,606	43,628
Professional Services	13,435	8,379	21,814
Depreciation	52,984	144,353	197,337
Materials and Supplies	34,454	7,417	41,871
Insurance	10,049	10,049	20,098
Repairs and Maintenance	31,056	52,923	83,979
Contracted Services	147,005	138,449	285,454
Contribution Expense	0	7,250	7,250
Miscellaneous	4,800	1,623	6,423
Total Operating Expenses	<u>311,805</u>	<u>396,049</u>	<u>707,854</u>
Operating Income (Loss)	<u>20,072</u>	<u>(122,947)</u>	<u>(102,875)</u>
<i>Nonoperating Revenues:</i>			
Interest Revenue	2,864	13,161	16,025
Special Assessments	0	110,646	110,646
Connection Fees	20,000	62,350	82,350
Total Nonoperating Revenues	<u>22,864</u>	<u>186,157</u>	<u>209,021</u>
<i>Nonoperating Expenses:</i>			
Interest Expense	(4,439)	(83,364)	(87,803)
Total Nonoperating Expenses	<u>(4,439)</u>	<u>(83,364)</u>	<u>(87,803)</u>
Changes in Net Assets	38,497	(20,154)	18,343
Net Assets, Beginning of Year - As Restated - See Note 2	<u>1,237,428</u>	<u>2,275,949</u>	<u>3,513,377</u>
Net Assets, End of Year	<u>\$1,275,925</u>	<u>\$2,255,795</u>	<u>\$3,531,720</u>

The notes to the basic financial statements are an integral part of these statements.

Lake Waynoka Regional Water and Sewer District
Brown County, Ohio

Statement of Cash Flows
For the Year Ended December 31, 2008

	Water	Sewer	Total Business- Type Activities
<i>Cash Flows from Operating Activities:</i>			
Cash Received from Customers	\$293,918	\$280,796	\$574,714
Cash Received from Others	2,351	0	2,351
Cash Payments to Suppliers for Goods and Services	(340,748)	(246,447)	(587,195)
Net Cash Provided (Used) by Operating Activities	(44,479)	34,349	(10,130)
<i>Cash Flows from Capital and Related Financing Activities:</i>			
Assessments	0	110,646	110,646
Connection Fees	20,000	62,350	82,350
Revenue Bond Principal Payments	0	(28,100)	(28,100)
Revenue Bond Interest Payments	0	(83,484)	(83,484)
OWDA Loan Principal Payments	(20,484)	0	(20,484)
OWDA Loan Interest Payments	(4,439)	0	(4,439)
Capital Outlay	(168,450)	(57,401)	(225,851)
Net Cash Provided (Used) by Capital and Related Financing Activities	(173,373)	4,011	(169,362)
<i>Cash Flows from Investing Activities:</i>			
Interest on Cash and Investments	2,864	11,172	14,036
Net Increase (Decrease) in Cash and Cash Equivalents	(214,988)	49,532	(165,456)
Cash and Cash Equivalents at Beginning of Year	315,364	672,760	988,124
Cash and Cash Equivalents at End of Year	\$100,376	\$722,292	\$822,668
<i>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</i>			
Operating Income (Loss)	\$20,072	(\$122,947)	(\$102,875)
<i>Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</i>			
Depreciation	52,984	144,353	197,337
<i>Changes in Assets and Liabilities:</i>			
(Increase) Decrease in Accounts Receivable	(35,608)	7,694	(27,914)
Decrease in Prepaid Insurance	9	9	18
Increase (Decrease) in Accounts Payable	(81,936)	5,240	(76,696)
Total Adjustments	(64,551)	157,296	92,745
Net Cash Provided (Used) by Operating Activities	(44,479)	\$34,349	(\$10,130)

The notes to the basic financial statements are an integral part of these statements.

Lake Waynoka Regional Water and Sewer District
Brown County, Ohio

Notes to the Basic Financial Statements
For the Year Ended December 31, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. DESCRIPTION OF THE ENTITY

The Lake Waynoka Regional Water and Sewer District (the District), Brown County, Ohio, is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The District was organized under the provisions of Section 6119 of the Ohio Revised Code by the Common Pleas Court of Brown County on February 7, 1992. The District is directed by a publicly elected nine-member Board of Trustees who serve three-year terms and three members are elected each year. The District was established to provide an adequate and uncontaminated water supply for the consumption of the water, and sanitary sewer services to District residents of the Lake Waynoka subdivision of Sardinia, Ohio.

The District's management believes these financial statements present all activities for which the District is financially accountable.

B. BASIS OF ACCOUNTING

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made. The accounting policies of the District conform to accounting policies generally accepted in the United States of America.

For financial statement presentation purposes, the District utilizes the accrual basis of accounting. Under this method of accounting, revenues are recognized when they are earned. Expenses are recognized under the accrual basis of accounting when the liability is incurred. Unbilled water utility service receivables are recorded at year end.

The District operations are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with operations are included on the statement of net assets. Net assets are segregated based on restrictions imposed. The categories of net assets are invested in capital assets, net of related debt; restricted for debt service; and unrestricted. The statement of revenues, expenses and changes in net assets present increases (i.e., revenues) and decreases (i.e., expenses) in total net assets.

The District has adopted GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that use Proprietary Fund Accounting*. The District has elected to apply all applicable GASB pronouncements as well as Financial Accounting Standards Board pronouncements and Accounting Principles Board Opinions issued on or after November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

C. CASH AND CASH EQUIVALENTS

Deposits consist of demand deposits and restricted certificates of deposit which are valued at cost. The District maintains a cash deposits pool used by all funds. For purposes of the statement of cash flows, the District considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

D. FUND ACCOUNTING

The District uses fund accounting to segregate cash that is restricted as to use. The District's funds fall under the proprietary fund type, which accounts for operations that are organized to be self-supporting through user charges. The funds included in this category are enterprise funds.

Lake Waynoka Regional Water and Sewer District
Brown County, Ohio

Notes to the Basic Financial Statements
For the Year Ended December 31, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

Enterprise Funds

These funds are established to account for operations that are financed and operated in a manner similar to private business enterprises where the intent is that costs of providing certain goods or services to the general public on a continuing basis are financed or received primarily through user charges. Both funds used by the District are enterprise funds and are described below:

Water Fund

This fund receives charges for services from residents to cover the cost of providing this utility.

Sewer Fund

This fund receives charges for services from residents to cover the cost of providing this utility.

E. BUDGETARY PROCESS

Recent Ohio Attorney General Opinion No. 99-020 has clarified that the budget process described in Chapter 5705, Revised Code, applies to the District, regardless of whether the District levies property taxes. These documents are required to be prepared in accordance with the Ohio Revised Code, but are not required to be filed with the county auditor or county budget commission. The District must henceforth adopt annual appropriations, limited by estimated resources. Expenditures will be limited by appropriations.

The District's Board of Trustees did adopt an operating budget for 2008. A summary of budgetary information for 2008 appears in Note 8.

F. CAPITAL ASSETS

Capital assets acquired or constructed for the general use of the District in providing service are recorded at cost. Interest incurred during construction has been capitalized. Donated assets are recorded at their estimated fair market value at the time received. The District maintains a capitalization threshold of \$1,000. Depreciation of capital assets of the District is calculated on the straight line method with the plant, tanks and lines being depreciated at a rate of 3% per year and other equipment and fixtures at a rate of 10% per year. Infrastructure assets are included in water and sewer plant and are depreciated at a rate of 3% per year. The depreciation methods are designed to amortize the costs of the assets over their estimated useful lives. Depreciation expense for 2008 was \$197,337.

G. LONG-TERM OBLIGATIONS

Long-term debt is reported as a liability in the accompanying basic financial statements.

H. ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

I. OPERATING REVENUES AND EXPENSES

Operating revenues are those revenues that are generated directly from the primary activity of the enterprise funds. For the District, these revenues are charges for water and sewer services provided. Operating expenses are necessary costs incurred to provide the goods and/or services that are the primary activity of the funds.

**Lake Waynoka Regional Water and Sewer District
Brown County, Ohio**

*Notes to the Basic Financial Statements
For the Year Ended December 31, 2008*

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

J. NET ASSETS

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available. The District's \$111,500 in restricted net assets are not restricted by enabling legislation.

K. RESTRICTED ASSETS

Restricted assets represent cash required to be set aside by bond debt covenants for future debt service.

L. PREPAID EXPENSES

Payments made to vendors for services that will benefit periods beyond December 31, 2008 are recorded as prepaid items using the consumption method. A current asset of the prepaid amount is recorded at the time of purchase and as an expense in the year in which the services are consumed.

M. ACCOUNTS RECEIVABLE

Sewer Accounts Receivable – These receivables are shown net of any allowance for uncollectible accounts. The allowance is based on aged accounts receivable and current year operating revenues. There was no allowance needed at December 31, 2008.

Water Accounts Receivable – These receivables are presented at their net realizable value. Uncollectible account balances are certified to the County Auditor after administrative collection efforts have been exhausted.

NOTE 2 – RESTATEMENT OF NET ASSETS

A restatement of net assets was made in order to reflect a change in the District's capitalization threshold.

	Water	Sewer	Total
Net Assets, December 31, 2007	\$1,237,942	\$2,276,142	\$3,514,084
Restatements	(514)	(193)	(707)
Restated Net Assets, January 01, 2008	\$1,237,428	\$2,275,949	\$3,513,377

NOTE 3 - EQUITY IN POOLED CASH AND CASH EQUIVALENTS

State statutes classify monies held by the District into three categories.

Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the District treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that the Board of Trustees has identified as not required for use within the current five-year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts, including, but not limited to, passbook accounts.

Lake Waynoka Regional Water and Sewer District
Brown County, Ohio

Notes to the Basic Financial Statements
For the Year Ended December 31, 2008

NOTE 3 - EQUITY IN POOLED CASH AND CASH EQUIVALENTS – (Continued)

Interim deposits are deposits of interim monies. Interim monies are those monies, which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories.

Interim monies may be deposited or invested in the following securities:

1. United States treasury notes, bills, bonds, or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio, its political subdivisions, or other units or agencies of this State or its political subdivisions;
5. Time certificates of deposit or savings or deposit accounts, including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in items (1) and (2) of this footnote and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio);
8. Securities lending agreements in which the District lends securities and the eligible institution agrees to exchange either securities described in division (1) or (2), or cash, or both securities and cash, equal value for equal value;
9. High grade commercial paper in an amount not to exceed five percent of the District's total average portfolio; and
10. Bankers' acceptances for a period not to exceed 270 days and in an amount not to exceed ten percent of the District's average portfolio.

Protection of the District's deposits is provided by the Federal Deposit Insurance Corporation, by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the Treasurer by the financial institution, or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. Investments must mature within five years from the date of purchase unless matched to a specific obligation or debt of the District, and must be purchased with the expectation that it will be held to maturity.

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

**Lake Waynoka Regional Water and Sewer District
Brown County, Ohio**

*Notes to the Basic Financial Statements
For the Year Ended December 31, 2008*

NOTE 3 - EQUITY IN POOLED CASH AND CASH EQUIVALENTS – (Continued)

Deposits: Custodial credit risk is the risk that in the event of the failure of the counterparty, the District’s deposits may not be returned. According to state law, public depositories must give security for all public funds in excess of those funds that are insured by the Federal Deposit Insurance Corporation (FDIC) or by any other agency or instrumentality of the federal government. These institutions may either specifically collateralize individual accounts in lieu of amounts insured by the FDIC or may pledge a pool of government securities valued at least 105% of the total value of public monies on deposit at the institution. The District’s policy is to deposit money with financial institutions that are able to abide by the laws governing insurance and collateralization of public funds.

As of December 31, 2008, the District’s bank balance of \$810,141 is either covered by FDIC or collateralized by the financial institution’s public entity deposit pool in the manner described above.

NOTE 4 – RELATED PARTY TRANSACTIONS

A contract was entered into on July 13, 1988 with the Waynoka Property Owners Association (WPOA) for WPOA to provide the District with administrative, maintenance, and management staff as well as office supplies, rental, and other fees associated with the maintenance and upkeep of the building housing the District. A contract is signed on a yearly basis between the District and WPOA. WPOA is responsible for all payroll and related deductions and matches. During 2008, the District paid \$279,893 to the WPOA for the contract. In addition, the District paid WPOA \$21,221 for additional shared labor costs and \$7,250 in contributions for assistance in installing a drive-through window in the administrative office building.

NOTE 5 - LONG-TERM OBLIGATIONS

Debt outstanding at December 31, 2008 was as follows:

	Balance <u>12/31/2007</u>	Additions	Deletions	Balance <u>12/31/2008</u>	Due in <u>One Year</u>
Water Revenue Bonds, Series A, 5.125%	\$1,185,600	\$0	\$20,400	\$1,165,200	\$21,500
Water Revenue Bonds, Series B, 5.125%	188,600	0	3,200	185,400	3,400
Water Revenue Bonds, Series C, 5.125%	261,700	0	4,500	257,200	4,700
OWDA Loan #4727, 4.67%	100,107	0	20,484	79,623	21,452
Totals	<u>\$1,736,007</u>	<u>\$0</u>	<u>\$48,584</u>	<u>\$1,687,423</u>	<u>\$51,052</u>

The District issued water revenue bonds to finance the central sewage treatment facility. The bonds were issued on September 20, 1995 in the amount of \$1,874,700 (Series A - \$1,358,700; Series B - \$216,000; Series C - \$300,000) with an annual interest rate of 5.125% and maturities through June 1, 2035. The bonds are collateralized by the assessment revenues and future revenues from the District’s sewer operations.

The District obtained a five-year loan from the Ohio Water Development Authority (OWDA) during 2007 in the amount of \$110,000 at 4.67% interest for the construction of a carbon filtration building. The loans are collateralized by the assessment revenues and future revenues from the District’s water operations.

In connection with the revenue bonds and OWDA loan, the District has pledged future operating revenues to repay this debt. The bonds and loan are payable through their final maturities solely from operating revenues received during the course of business. Revenues available for these bonds and loan for 2008 were \$604,979. Principal and interest payments totaled \$136,507 for the year. The coverage ratio for these bonds and loan was 4.43 for the year ended December 31, 2008.

**Lake Waynoka Regional Water and Sewer District
Brown County, Ohio**

*Notes to the Basic Financial Statements
For the Year Ended December 31, 2008*

NOTE 5 - LONG-TERM OBLIGATIONS – (Continued)

Amortization of the above debt is scheduled as follows:

Year Ending December 30,	Water Revenue Bonds		OWDA Loans		Total
	Principal	Interest	Principal	Interest	
2009	\$29,600	\$82,025	\$21,452	\$3,471	\$136,548
2010	31,100	80,488	22,466	2,457	136,511
2011	32,700	78,874	23,527	1,396	136,497
2012	34,400	77,177	12,178	284	124,039
2013	36,200	75,391	0	0	111,591
2014-2018	211,300	346,740	0	0	558,040
2019-2023	271,900	285,909	0	0	557,809
2024-2028	350,500	207,609	0	0	558,109
2029-2033	450,900	106,773	0	0	557,673
2034-2035	159,200	8,226	0	0	167,426
Total	<u>\$1,607,800</u>	<u>\$1,349,212</u>	<u>\$79,623</u>	<u>\$7,608</u>	<u>\$3,044,243</u>

NOTE 6 - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District has commercial insurance coverage for the following risks:

- Comprehensive Property and General Liability
- Commercial Auto
- Commercial Umbrella Liability
- Director and Officer Liability
- Contractors Equipment
- Boiler and Machinery
- Fidelity

There have been no significant reductions in insurance coverage from prior years. There have been no insurance settlements which exceeded insurance coverage during the past three years.

Lake Waynoka Regional Water and Sewer District
Brown County, Ohio

Notes to the Basic Financial Statements
For the Year Ended December 31, 2008

NOTE 7 - CAPITAL ASSETS

Capital assets activity for the year ended December 31, 2008 was as follows:

	Restated Balance 12/31/07*	Additions	Deletions	Ending Balance 12/31/08
Capital Assets, Not Being Depreciated				
Land Easements	\$140,829	\$0	\$0	\$140,829
Construction in Progress	185,841	168,451	(354,292)	0
Total Capital Assets, Not Being Depreciated	326,670	168,451	(354,292)	140,829
Capital Assets Being Depreciated				
Water and Sewer Plant	5,090,642	354,292	0	5,444,934
Furniture and Fixtures	14,765	0	0	14,765
Machinery and Equipment	496,111	57,400	0	553,511
Total Capital Assets, Being Depreciated	5,601,518	411,692	0	6,013,210
Less Accumulated Depreciation:				
Water and Sewer Plant	(1,746,365)	(167,150)	0	(1,913,515)
Furniture and Fixtures	(12,509)	(540)	0	(13,049)
Machinery and Equipment	(376,688)	(29,647)	0	(406,335)
Total Accumulated Depreciation	(2,135,562)	(197,337)	0	(2,332,899)
Total Capital Assets Being Depreciated, Net	3,465,956	214,355	0	3,680,311
Total Capital Assets, Net	\$3,792,626	\$382,806	(\$354,292)	\$3,821,140

*In addition to the restatement of beginning balances (see Note 2), the District also reclassified certain assets among asset classifications.

NOTE 8 – BUDGETARY ACTIVITY

Budgetary activity for the year ended December 31, 2008 was as follows:

	Budgeted and Actual Receipts		
	Budget	Actual	Variance
Water	\$315,533	\$354,741	\$39,208
Sewer	456,283	459,229	2,946
Total	\$771,816	\$813,970	\$42,154
	Budgeted and Actual Budgetary Basis Expenditures		
	Budget	Actual	Variance
Water	\$645,621	\$316,244	\$329,377
Sewer	479,413	479,413	0
Total	\$1,125,034	\$795,657	\$329,377

BALESTRA, HARR & SCHERER CPAs, INC.

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Ohio Society of Certified Public Accountants

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 Trustees
Lake Waynoka Regional Water and Sewer District
1 Waynoka Drive
Sardinia, Ohio 45171

We have audited the financial statements of the business-type activities and each major fund of Lake Waynoka Regional Water and Sewer District (the District), Brown County, as of and for the year ended December 31, 2008, which collectively comprise the District's basic financial statements, and have issued our report thereon dated March 19, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Districts internal control over financial reporting as a basis for designing our audit procedures for expressing our opinions on the financial statements, but not to opine on the effectiveness of the District's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the District's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the District's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

A material weakness is a significant deficiency, or combination of significant deficiencies, resulting in more than a remote likelihood that the District's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all internal control deficiencies that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

Compliance and Other Matters

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect 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 an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standard*.

Board of Trustees

Lake Waynoka Regional Water and Sewer District

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

We intend this report solely for the information and use of the Board of Trustees and management. We intend it for
no one other than these specified parties.

A handwritten signature in cursive script that reads "Balestra, Harr & Scherer". The signature is written in black ink on a light-colored background.

Balestra, Harr & Scherer, CPAs, Inc.

March 19, 2009

**LAKE WAYNOKA WATER AND SEWER DISTRICT
BROWN COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2008**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2007-001	Material Weakness – Material and immaterial misstatements	Yes	N/A
2007-002	Material Citation – Ohio Revised Code Section 6119.06(W)	Yes	N/A



Mary Taylor, CPA
Auditor of State

LAKE WAYNOKA REGIONAL WATER & SEWER DISTRICT

BROWN COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JUNE 25, 2009**