



Dave Yost • Auditor of State



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

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

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

To the Board of Trustees:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the Lake Waynoka Regional Water and Sewer District, Brown County, Ohio (the District) as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the District's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Lake Waynoka Regional Water and Sewer District, Brown County, Ohio, as of December 31, 2015, and the changes in financial position and cash flows, for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

**Other Matters**

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis*, listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated September 20, 2016, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine 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 the District's internal control over financial reporting and compliance.



**Dave Yost**  
Auditor of State

Columbus, Ohio

September 20, 2016

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

*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2015*

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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 \$3,163,342 on December 31, 2015. The District's net position increased by \$42,156 or 1.4% in 2015.

The District's operating revenues increased by \$48,155 or 7.4% and operating expenses increased \$52,957 or 7.0% in 2015.

**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 position 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 position is the difference between assets and liabilities.

The statement of revenues, expenses and changes in net position 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**

*Management's Discussion and Analysis  
For the Year Ended December 31, 2015*

**Statement of Net Position**

Table 1 summarizes the statement of net position of the District. Capital assets are reported less accumulated depreciation. Net investment in capital assets is capital assets, net, less outstanding debt that was used to acquire those assets.

Net Position Table 1		
	2015	2014
<b>Assets:</b>		
Current and Other Assets	\$1,421,646	\$1,349,839
Capital Assets, Net	3,126,829	3,194,706
<i>Total Assets</i>	4,548,475	4,544,545
<b>Liabilities:</b>		
Current and Other Liabilities	61,633	57,659
Long-Term Liabilities	1,323,500	1,365,700
<i>Total Liabilities</i>	1,385,133	1,423,359
<b>Net Position:</b>		
Net Investment in Capital Assets	1,761,129	1,789,006
Restricted	253,932	253,775
Unrestricted	1,148,281	1,078,405
<i>Total Net Position</i>	\$3,163,342	\$3,121,186

Current and other assets increased \$71,807 or 5.3%, primarily due to an increase in cash in 2015. Capital assets decreased \$67,877 or 2.1%, primarily due to current year depreciation and deletions, which was partially offset by current year additions.

Current and other liabilities increased \$3,974 or 6.9%, primarily due to an increase in accounts payable and the amortization of bonds payable resulting in a higher current portion than in the prior year. Long term liabilities decreased \$42,200 or 3.1%, due to debt principal payments.

Net investment in capital assets decreased \$27,877 or 1.6%, primarily due to a net decrease in capital assets which was partially offset by current year debt principal payments. Net position restricted for debt service and other purposes remained relatively consistent. Unrestricted net position increased \$69,876 or 6.5%, primarily due to revenues exceeding expenses.

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

*Management's Discussion and Analysis  
For the Year Ended December 31, 2015*

**Statement of Revenues, Expenses and Changes in Net Position**

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

Changes in Net Position		
Table 2		
	2015	2014
<b>Operating Revenues:</b>		
Charges for Services	\$697,418	\$648,004
Miscellaneous	1,425	2,684
<i>Total Operating Revenues</i>	698,843	650,688
<b>Operating Expenses:</b>		
Operating Expenses (Excluding Depreciation)	590,818	547,919
Depreciation Expense	221,229	211,171
<i>Total Operating Expenses</i>	812,047	759,090
<i>Operating Loss</i>	(113,204)	(108,402)
<b>Non-Operating Revenues:</b>	226,861	191,176
<b>Non-Operating Expenses:</b>	(71,501)	(74,171)
<i>Changes in Net Position</i>	42,156	8,603
<i>Net Position Beginning of Year</i>	3,121,186	3,112,583
<i>Net Position at End of Year</i>	\$3,163,342	\$3,121,186

Operating revenues increased by \$48,155 or 7.4%, in 2015 primarily due to an increase in charges for services received. Operating expenses (excluding depreciation) increased by \$42,899 or 7.8%, primarily due to an increase in expenses for repairs and maintenance. Non-operating revenues increased \$35,685 or 18.7%, in 2015. This increase was primarily due to an increase in connection fees. Non-operating expenses were relatively consistent between years.

**Capital Assets**

The District had \$3,126,829 invested in capital assets, net of accumulated depreciation, at the end of 2015. Capital assets decreased \$67,877, which is a result of current year depreciation and deletions exceeding capital asset additions for the year.

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

*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2015*

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Table 3 shows the District's 2015 capital assets as compared to 2014:

Capital Assets  
(Net of Accumulated Depreciation)  
Table 3

	2015	2014
Land Easements	\$140,829	\$140,829
Water and Sewer Plant	2,723,562	2,865,655
Machinery and Equipment	262,438	188,222
Net Capital Assets	<u>\$3,126,829</u>	<u>\$3,194,706</u>

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

**Debt**

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

Long-Term Liabilities  
Table 4

	2015	2014
Water Revenue Bonds	\$1,365,700	\$1,405,700
Less: Current Maturities	(42,200)	(40,000)
Net Total Long Term Debt	<u>\$1,323,500</u>	<u>\$1,365,700</u>

The majority of the District's debt is paid from specific revenues, excluding capital contributions. See note 5 of the notes to the basic financial statements for additional information on the District's long term obligations.

**Cash**

Cash and cash equivalents were \$1,404,634 on December 31, 2015. \$253,932 of these funds were restricted for specific use in 2015. These restricted accounts are for debt reserves and other purposes.

**Contact Information**

Questions regarding this report and requests for additional information should be forwarded to Paul Cahall, 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**  
*Statement of Net Position*  
*As of December 31, 2015*

	Water	Sewer	Total Business- Type Activities
<b>Assets:</b>			
Current Assets:			
Equity in Pooled Cash and Cash Equivalents	\$321,475	\$829,227	\$1,150,702
Accounts Receivable	6,847	7,918	14,765
Prepaid Expenses	926	926	1,852
Interest Receivable	0	395	395
<i>Total Current Assets</i>	<u>329,248</u>	<u>838,466</u>	<u>1,167,714</u>
Noncurrent Assets:			
Restricted Assets:			
Cash and Cash Equivalents Restricted for Sewer	0	142,432	142,432
Cash and Cash Equivalents Restricted for Debt Service	0	111,500	111,500
<i>Total Restricted Cash</i>	<u>0</u>	<u>253,932</u>	<u>253,932</u>
Capital Assets:			
Non-Depreciable Capital Assets	1,000	139,829	140,829
Depreciable Capital Assets, Net of Accumulated Depreciation	645,784	2,340,216	2,986,000
<i>Total Capital Assets</i>	<u>646,784</u>	<u>2,480,045</u>	<u>3,126,829</u>
<i>Total Assets</i>	976,032	3,572,443	4,548,475
<b>Liabilities:</b>			
Current Liabilities:			
Accounts Payable	8,652	4,679	13,331
Accrued Interest	0	6,102	6,102
Construction Bonds Payable	0	42,200	42,200
<i>Total Current Liabilities</i>	<u>8,652</u>	<u>52,981</u>	<u>61,633</u>
Noncurrent Liabilities:			
Construction Bonds Payable	0	1,323,500	1,323,500
<i>Total Noncurrent Liabilities</i>	<u>0</u>	<u>1,323,500</u>	<u>1,323,500</u>
<i>Total Liabilities</i>	8,652	1,376,481	1,385,133
<b>Net Position:</b>			
Net Investment in Capital Assets	646,784	1,114,345	1,761,129
Restricted for Sewer Service	0	142,432	142,432
Restricted for Debt Service	0	111,500	111,500
Unrestricted	320,596	827,685	1,148,281
<i>Total Net Position</i>	<u>\$967,380</u>	<u>\$2,195,962</u>	<u>\$3,163,342</u>

See accompanying notes to the basic financial statements.

**Lake Waynoka Regional Water and Sewer District**  
**Brown County**  
*Statement of Revenues, Expenses and Changes in Net Position*  
*For the Year Ended December 31, 2015*

	Water	Sewer	Total Business- Type Activities
<b>Operating Revenues:</b>			
Charges for Services	\$350,738	\$346,680	\$697,418
Miscellaneous	1,425	0	1,425
<i>Total Operating Revenues</i>	<u>352,163</u>	<u>346,680</u>	<u>698,843</u>
<b>Operating Expenses:</b>			
Utilities	14,969	24,329	39,298
Professional Services	10,429	7,216	17,645
Depreciation	52,212	169,017	221,229
Materials and Supplies	39,709	7,910	47,619
Insurance	11,838	11,838	23,676
Repairs and Maintenance	26,851	110,305	137,156
Contracted Services	159,998	156,980	316,978
Miscellaneous	3,898	4,548	8,446
<i>Total Operating Expenses</i>	<u>319,904</u>	<u>492,143</u>	<u>812,047</u>
<i>Operating Income (Loss)</i>	32,259	(145,463)	(113,204)
<b>Nonoperating Revenues:</b>			
Interest Revenue	401	1,217	1,618
Special Assessments	0	123,543	123,543
Connection Fees	18,000	83,700	101,700
<i>Total Nonoperating Revenues</i>	<u>18,401</u>	<u>208,460</u>	<u>226,861</u>
<b>Nonoperating Expenses:</b>			
Interest Expense	0	(71,501)	(71,501)
<i>Total Nonoperating Expenses</i>	<u>0</u>	<u>(71,501)</u>	<u>(71,501)</u>
<i>Changes in Net Position</i>	50,660	(8,504)	42,156
<i>Net Position, Beginning of Year</i>	<u>916,720</u>	<u>2,204,466</u>	<u>3,121,186</u>
<i>Net Position, End of Year</i>	<u><u>\$967,380</u></u>	<u><u>\$2,195,962</u></u>	<u><u>\$3,163,342</u></u>

See accompanying notes to the basic financial statements.

**Lake Waynoka Regional Water and Sewer District**  
**Brown County**  
*Statement of Cash Flows*  
For the Year Ended December 31, 2015

	Water	Sewer	Total Business- Type Activities
<b>Cash Flows from Operating Activities:</b>			
Cash Received from Customers	\$347,479	\$342,393	\$689,872
Cash Received from Others	1,425	0	1,425
Cash Payments to Suppliers for Goods and Services	(262,676)	(326,250)	(588,926)
Net Cash Provided by Operating Activities	86,228	16,143	102,371
<b>Cash Flows from Capital and Related Financing Activities:</b>			
Assessments	0	123,543	123,543
Connection Fees	18,000	83,700	101,700
Purchase of Capital Assets	(104,261)	(49,091)	(153,352)
Revenue Bond Principal Payments	0	(40,000)	(40,000)
Revenue Bond Interest Payments	0	(71,535)	(71,535)
Net Cash Provided (Used) by Capital and Related Financing Activities	(86,261)	46,617	(39,644)
<b>Cash Flows from Investing Activities:</b>			
Interest on Cash and Cash Equivalents	401	983	1,384
Net Increase in Cash and Cash Equivalents	368	63,743	64,111
Cash and Cash Equivalents at Beginning of Year	321,107	1,019,416	1,340,523
Cash and Cash Equivalents at End of Year	\$321,475	\$1,083,159	\$1,404,634
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities</b>			
Operating Income (Loss)	\$32,259	(\$145,463)	(\$113,204)
<b>Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:</b>			
Depreciation	52,212	169,017	221,229
<b>Changes in Assets and Liabilities:</b>			
Increase in Accounts Receivable	(3,259)	(4,287)	(7,546)
Decrease in Prepaid Expenses	42	42	84
Increase (Decrease) in Accounts Payable	4,974	(3,166)	1,808
Total Adjustments	53,969	161,606	215,575
Net Cash Provided by Operating Activities	\$86,228	\$16,143	\$102,371

See accompanying notes to the basic financial statements.

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

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended December 31, 2015*

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**Note 1 – Summary of Significant Accounting Policies**

Description of the Entity

The Lake Waynoka Regional Water and Sewer District, Brown County, Ohio, (the District) 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 an elected seven-member Board of Trustees who serve three-year terms and two to 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.

In accordance with the provisions of Governmental Accounting Standards Board (GASB) Statement No. 14, “The Financial Reporting Entity,” GASB Statement No. 39, “Determining Whether Certain Organizations are Component Units (an amendment of GASB Statement No. 14),” and GASB Statement No. 61, “The Financial Reporting Entity: Omnibus - an amendment of GASB Statements No. 14 and No. 34,” the accompanying financial statements include only the accounts and transactions of the District. Under the criteria specified in these GASB Statements, the District has no component units nor is it considered a component unit of the State of Ohio. The District is considered, however, a political subdivision of the State of Ohio. These conclusions regarding the financial reporting entity are based on the concept of financial accountability. The District is not financially accountable for any other organizations. This is evidenced by the fact that the District is a legally and fiscally separate and distinct organization. The District is solely responsible for its finances. The District is empowered to issue debt payable solely from District revenues.

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if it appoints a voting majority of the organization’s governing board and (1) is able to significantly influence the programs or services performed or provided by the organization; or (2) is legally entitled to or can otherwise access the organization’s resources; is legally obligated or has otherwise assumed the responsibility to finance deficits of or provide financial support to the organization; or is obligated for the debt of the organization. Based upon the application of these criteria, the District has no component units.

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

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 position. Net position is segregated based on restrictions imposed. The categories of net position are net investment in capital assets; restricted for debt service; restricted for sewer; and unrestricted. The statement of revenues, expenses and changes in net position presents increases (i.e., revenues) and decreases (i.e., expenses) in total net position.

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

*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended December 31, 2015*

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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.

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.

*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.

Budgetary Process

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 2015. A summary of budgetary information for 2015 appears in Note 4.

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 2015 was \$221,229.

Long-Term Obligations

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

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

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended December 31, 2015*

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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.

Operating and Nonoperating 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 primarily 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. Nonoperating revenues and expenses are those that do not meet these definitions.

Net Position

Net position represents the difference between assets and liabilities. Net investment in capital assets consists 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 position is 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 position is available. None of the District's restricted net position is restricted by enabling legislation.

Restricted Assets

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

Prepaid Expenses

Payments made to vendors for services that will benefit periods beyond December 31, 2015 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.

Accounts Receivable

*Sewer 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. There was no allowance reported at December 31, 2015.

*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. There was no allowance reported at December 31, 2015.

**Note 2 – 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.

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

*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended December 31, 2015*

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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.

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 obligation or security 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 division (1) and (2) 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**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended December 31, 2015*

*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, 2015, the District’s bank balance of \$1,400,110 is either covered by FDIC or collateralized by the financial institution’s public entity deposit pool in the manner described above.

**Note 3 – Related Party Transactions**

A contract was entered into on July 13, 1998 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 2015, the District paid \$306,264 to the WPOA for the contract.

**Note 4 – Budgetary Activity**

Budgetary activity for the year ended December 31, 2015 was as follows:

Fund	Budgeted and Actual Receipts		
	Budget	Actual	Variance
Water	\$373,242	\$367,305	(\$5,937)
Sewer	544,428	550,619	6,191
Total	\$917,670	\$917,924	\$254

  

Fund	Budgeted and Actual Budgetary Basis Expenditures		
	Budget	Actual	Variance
Water	\$395,375	\$366,937	\$28,438
Sewer	505,460	486,876	18,584
Total	\$900,835	\$853,813	\$47,022

**Note 5 – Long-Term Obligations**

Debt outstanding at December 31, 2015 was as follows:

	Balance			Balance	Due in
	12/31/14	Additions	Deletions		
Water Revenue Bonds, Series A, 5.125%	\$1,018,700	\$0	\$29,000	\$989,700	\$30,600
Water Revenue Bonds, Series B, 5.125%	162,000	0	4,600	157,400	4,900
Water Revenue Bonds, Series C, 5.125%	225,000	0	6,400	218,600	6,700
Totals	\$1,405,700	\$0	\$40,000	\$1,365,700	\$42,200

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

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended December 31, 2015*

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.

In connection with the revenue bonds, the District has pledged future operating revenues, net of certain operating expenses, to repay this debt. The bonds are payable through their final maturities solely from operating, and certain nonoperating, revenues received during the course of business. Net revenues available for these bonds for 2015 were \$232,014. Principal and interest payments totaled \$111,535 for the year. The coverage ratio for these bonds was 2.1 for the year ended December 31, 2015.

Amortization of the above debt is scheduled as follows:

Year Ending December 31,	Water Revenue Bonds		
	Principal	Interest	Total
2016	\$42,200	\$69,459	\$111,659
2017	44,400	67,269	111,669
2018	46,600	64,965	111,565
2019	49,100	62,546	111,646
2020	51,600	59,995	111,595
2021-2025	300,900	256,953	557,853
2026-2030	387,500	170,292	557,792
2031-2035	443,400	58,734	502,134
Total	<u>\$1,365,700</u>	<u>\$810,213</u>	<u>\$2,175,913</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 with Cincinnati Insurance Company for the following risks:

Commercial Property:	
Blanket Building	\$7,840,000
Blanket Business Personal Property	525,000
General Liability:	
Each occurrence	1,000,000
Aggregate	2,000,000

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

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

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended December 31, 2015*

**Note 7 – Capital Assets**

Capital assets activity for the year ended December 31, 2015 was as follows:

	Ending Balance 12/31/14	Additions	Deletions	Ending Balance 12/31/15
Capital Assets, Not Being Depreciated				
Land Easements	\$140,829	0	0	\$140,829
Total Capital Assets, Not Being Depreciated	140,829	0	0	140,829
Capital Assets Being Depreciated				
Water and Sewer Plant	5,866,350	46,331	0	5,912,681
Furniture and Fixtures	13,287	0	0	13,287
Machinery and Equipment	695,956	107,021	(44,198)	758,779
Total Capital Assets, Being Depreciated	6,575,593	153,352	(44,198)	6,684,747
Less Accumulated Depreciation:				
Water and Sewer Plant	(3,000,695)	(188,424)	0	(3,189,119)
Furniture and Fixtures	(13,287)	0	0	(13,287)
Machinery and Equipment	(507,734)	(32,805)	44,198	(496,341)
Total Accumulated Depreciation	(3,521,716)	(221,229)	44,198	(3,698,747)
Total Capital Assets Being Depreciated, Net	3,053,877	(67,877)	0	2,986,000
Total Capital Assets, Net	\$3,194,706	(\$67,877)	\$0	\$3,126,829

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY GOVERNMENT AUDITING STANDARDS

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

To the Board of Trustees:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the Lake Waynoka Regional Water and Sewer District, Brown County, Ohio (the District) as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated September 20, 2016.

### ***Internal Control Over Financial Reporting***

As part of our financial statement audit, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the District's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the District's financial statements. 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 internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

***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, opining 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 Standards*.

***Purpose of this Report***

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping initial "D".

**Dave Yost**  
Auditor of State

Columbus, Ohio

September 20, 2016



# Dave Yost • Auditor of State

LAKE WAYNOKA REGION WATER AND 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  
OCTOBER 6, 2016