



**LAKE WAYNOKA REGIONAL WATER AND SEWER DISTRICT
BROWN COUNTY
REGULAR AUDIT
FOR THE YEAR ENDED DECEMBER 31, 2000**



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

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

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REPORT OF INDEPENDENT ACCOUNTANTS

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

To the Board of Trustees:

We have audited the accompanying general purpose financial statements of Lake Waynoka Regional Water and Sewer District, Brown County, Ohio (the District), as of and for the year ended December 31, 2000, as listed in the table of contents. These general purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general 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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about 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 that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Lake Waynoka Regional Water and Sewer District, as of December 31, 2000, and the results of its operations and cash flows 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 November 20, 2001, 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Jim Petro
Auditor of State

November 20, 2001

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

**BALANCE SHEET
DECEMBER 31, 2000**

Assets:

Current Assets:	
Cash and Cash Equivalents	\$260,086
Accounts Receivable (net allowance for doubtful accounts)	165,489
Inventory	3,840
Interest Receivable	3,585
Prepaid Expenses	<u>1,203</u>
Total Current Assets	<u>434,203</u>
Restricted Assets:	
Cash and Cash Equivalents with Fiscal/Escrow Agent	<u>103,212</u>
Total Restricted Assets	103,212
Fixed Assets (net of accumulated depreciation)	<u>4,015,299</u>
Total Assets	<u><u>\$4,552,714</u></u>

Liabilities and Equity:

Liabilities:

Current Liabilities:	
Capital Lease - Trencher	\$9,491
Loans Payable - OWDA	33,741
Construction Bonds Payable	20,100
Accounts Payable	12,922
Due to Operating Funds	67,432
Accrued Interest	<u>8,350</u>
Total Current Liabilities	<u>152,036</u>
Long Term Liabilities:	
Capital Lease - Trencher	10,050
Loans Payable	106,317
Construction Bonds Payable	<u>1,777,300</u>
Total Longterm Liabilities	<u>1,893,667</u>
Total Liabilities	<u>2,045,703</u>

Equity:

Contributed Capital - Grant Funds	1,310,000
Retained Earnings - Reserved for Bond Payments	103,212
Retained Earnings - Unreserved	<u>1,093,799</u>
Total Equity	2,507,011
Total Liabilities and Equity	<u><u>\$4,552,714</u></u>

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

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

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2000**

Operating Revenues:	
Charges for Services	\$327,107
Connection Fees	66,600
Miscellaneous	<u>3,245</u>
 Total Operating Revenues	 <u>396,952</u>
Operating Expenses:	
Utilities	21,845
Professional Services	11,850
Depreciation	171,466
Materials and Supplies	41,161
Insurance	10,634
Repairs and Improvements	16,441
Connection Expense	66,600
Contracted Services	201,250
Miscellaneous	<u>6,418</u>
 Total Operating Expenses	 <u>547,665</u>
 Excess of Operating Revenues Over (Under) Expenditures	 <u>(150,713)</u>
Non-Operating Revenues:	
Interest Revenue	16,199
Special Assessments	133,748
Connection Fees in Excess of Cost	<u>92,200</u>
 Total Non-Operating Revenues	 <u>242,147</u>
Non-Operating Expenses:	
Interest Expense	99,430
 Total Non-Operating Expenses	 <u>99,430</u>
 Net Income (Loss)	 <u>(7,996)</u>
Retained Earnings, January 1, 2000	<u>1,205,007</u>
Retained Earnings, December 31, 2000	1,197,011
Contributed Capital, January 1, 2000	<u>1,310,000</u>
 Total Fund Equity, December 31, 2000	 <u><u>\$2,507,011</u></u>

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

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

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2000**

Cash flows from operating activities:	
Operating Income	(\$150,713)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	171,466
Changes in assets and liabilities:	
Increase in accounts receivable (net)	(4,699)
Increase in interest receivable	(2,566)
Decrease in accrued interest	209
Decrease in prepaid expenses	331
Decrease in accounts payable	(111,743)
Decrease in unearned revenue	(527)
Decrease in inventory	122,872
	24,630
Net cash provided by operating activities	24,630
Cash flows from capital financing activities:	
Principal and Interest - Backhoe	(13,551)
Proceeds of Loan	177,112
Principal and Interest - Revenue Bonds	(116,643)
Principal and Interest - Tractor	(10,640)
Principal and Interest - OWDA	(41,025)
Purchase of machinery and equipment	(197,514)
Connection fees in excess of cost	98,250
Special Assessments	120,632
	16,621
Net cash provided (used) by capital financing activities	16,621
Cash flows from investing activities:	
	16,199
Net cash provided by investing activities	16,199
Net increase/(decrease) in cash and cash equivalents	57,450
Cash and cash equivalents on January 1, 2000	305,848
Cash and cash equivalents on December 31, 2000	\$363,298
Reconciliation of cash and cash equivalents to the balance sheet:	
Current assets - Cash and cash equivalents	\$260,086
Restricted assets - Cash and cash equivalents	103,212
Total cash and cash equivalents, December 31, 2000	\$363,298

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

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 2000**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Lake Waynoka Regional Water and Sewer District, Brown County (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 in 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 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 generally accepted accounting policies.

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 Authority's operations are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation are included on the balance sheet. Equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. The operating statements present increases (i.e. revenues) and decreases (i.e., expenses) in net total assets.

The District has adopted GASB Statement 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Units 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 before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

C. Cash and Cash Equivalents

Deposits consist of checking, savings and restricted certificates of deposit which are valued at cost. The District maintains a cash and investments pool used by all funds.

D. Fund Accounting

The District uses fund accounting to segregate cash and investments that are restricted as to use. The District classifies its funds into the Enterprise Fund Type:

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

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 2000
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Budgeted vs. Actual Receipts	<u>2000</u>
Budgeted Receipts	\$913,858
Actual Receipts	<u>635,887</u>
Variance	<u><u>(\$277,971)</u></u>
Budgeted vs. Actual Disbursements	<u>2000</u>
Budgeted Expenditures	\$790,361
Actual Expenditures	<u>647,093</u>
Variance	<u><u>\$143,268</u></u>

The District's Board of Trustees did adopt an operating budget for 2000. The District did not encumber any commitments required by Ohio Law.

F. Property, Plant and Equipment

Fixed assets acquired or constructed for the general use of the District in providing service are recorded at cost. Donated assets are recorded at their estimated fair market value at the time received. Depreciation of fixed assets 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. The depreciated methods are designed to amortize the costs of the assets over their estimated useful lives. Depreciation expense for 2000 was \$171,466.

G. Long-Term Obligations

Long-term debt and bond anticipation notes are reported as liabilities.

H. Contributed Capital

Contributed capital represents resources provided by other governments and private sources that is not subject to repayment. These assets are recorded at their fair market value on the date contributed.

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 2000
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. 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.

J. Retained Earnings-Reserved

Reserves represent those portions of retained earnings legally segregated for a specific future use.

K. Restricted Assets

Restricted assets represent cash and cash equivalents and investments set aside in the fiscal agent's accounts to meet bond debt covenants.

L. Accounts Receivable

Accounts receivable are presented net of allowance for doubtful accounts. The allowance for doubtful accounts is \$155,351.

2. EQUITY IN POOLED CASH

The District maintains a cash deposits pool used by all funds. The carrying amount of cash at December 31 was as follows:

	<u>2000</u>
Demand deposits	\$230,771
Certificates of deposit	103,212
Savings accounts	<u>29,315</u>
Total deposits	<u>\$363,298</u>

Deposits: Deposits are either (1) insured by the Federal Depository Insurance Corporation, or (2) collateralized by securities specifically pledged by the financial institution to the District.

Restricted Cash with Fiscal/Escrow Agent: At year end, the District had \$103,212 on deposit with the trustee bank. The trustee bank is responsible for maintaining adequate collateral.

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 2000
(Continued)**

3. LONG-TERM OBLIGATIONS

Debt outstanding at December 31, 2000 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Water Revenue Bonds, Series A	\$1,302,600	5.250%
Water Revenue Bonds, Series B	\$207,100	5.125%
Water Revenue Bonds, Series C	\$287,700	5.125%
Ohio Water Development Authority (OWDA)	\$140,058	3.200%
Master Equipment Lease/Purchase	\$19,541	5.900%
	<u>\$1,956,999</u>	

The District issued water revenue bonds to finance the central sewerage treatment facility. The bonds were issued on September 20, 1995 in the amount of \$1,874,700 plus an annual interest rate of 5.125% and have maturities through June 1, 2035. The bonds are collateralized by the assessment revenues and future revenues from the District's water and sewer operations.

On December 10, 1999 the District obtained a loan from Ohio Department of Development for the purchase and installation of water meters. The loan was in the amount of \$178, 634 and for a term of five years with semi-annual payments of \$19,307 at an annual interest rate of 3.2%.

The District entered into a three year lease/purchase agreement, in the amount of \$28,000 plus interest, with GEM Capital Corporation for a 1997 trencher. Annual payments are \$10, 640 at an annual percentage rate of 5.90%.

Amortization of the above debt, including interest in the amount of \$2,049,168, is scheduled as follows:

<u>Year ending December 30</u>	<u>Water Revenue Bonds</u>	<u>OWDA Water Supply Revolving Loan</u>	<u>Trencher Lease</u>
2001	\$111,566	\$38,614	\$10,640
2002	111,546	38,614	10,640
2003	111,572	38,614	
2004	111,539	38,614	
2005	111,650		
Subsequent	<u>3,291,864</u>	_____	_____
Total	<u>\$3,849,737</u>	<u>\$154,456</u>	<u>\$21,280</u>

4. CONTRACT

A contract was entered into on July 13, 1988 with the Waynoka Property Owners Association (WPOA) for the WPOA to provide the District with administrative, maintenance, and management staff as well as office supplies, rental, and other fees associate 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. The District paid \$195,231 to the WPOA during 2000 for the contract.

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 2000
(Continued)**

5. RISK MANAGEMENT

The District has obtained commercial insurance for the following risks:

- Comprehensive property and general liability
- Commercial Auto
- Commercial Umbrella Liability
- Director and Officer Liability
- Contractors Equipment
- Boiler and Machinery
- Fidelity

6. FIXED ASSETS

A summary of the District's fixed assets at December 31, 2000 is as follows:

Land	\$140,829
Sewer Plant	3,724,345
Buildings	541,185
Furniture and Fixtures	15,015
Machinery and Equipment	412,995
Supplies and Materials	<u>43,553</u>
Total	<u>4,877,922</u>
Accumulated Depreciation	(862,623)
Net Fixed Assets	<u>\$4,015,299</u>

7. CONTINGENT LIABILITIES

Various lawsuits have been filed against the District for their decision to install water meters and to charge various connection fees. There have been no decision rendered by the court on these cases.

8. ENTERPRISE FUND INFORMATION

The District maintains two Enterprise funds which provide sanitary sewer, water distribution and waste water treatment services. Segment information for the year ended December 31, 2000 follows:

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 2000
(Continued)**

8. ENTERPRISE FUND INFORMATION (Continued)

Segment Information	Water	Sewer	Total
Operating Income	\$221,415	\$175,537	\$396,952
Operating Expenses before Depreciation	153,632	222,567	376,199
Depreciation	35,501	135,965	171,466
Operating Income (Loss)	32,282	(182,995)	(150,713)
Net Income	53,732	(61,728)	(7,996)
Property, Plant and Equipment Additions	214,562	16,246	230,807
Net Working Capital	93,191	188,976	282,167
Total Assets	744,496	3,808,218	4,552,713
Long Term Debt payable (net of current portion)	116,367	1,777,300	1,893,667
Total Fund Equity	599,819	1,907,192	2,507,011

9. CONTRIBUTED CAPITAL

During the year ended December 31, 1997, the District received capital from two (2) grants.

To assist the District in its construction of the wastewater treatment plant and the installation of sewer lines and pipes, the United States Department of Agriculture - Farmers Home Administration issued two grants of \$1,000,000 and \$250,000. Total amounts received under the two (2) Farmers Home Administration grants is \$1,250,000.

The District also received a grant totaling \$60,000 from the Ohio Public Works Commission during the fiscal year ended February 29, 1996.

The contributed capital on the balance sheet is the total of the Farmers Home Administration grant of \$1,250,000 plus the \$60,000 from the Ohio Public Works Commission which totals \$1,310,000.

The District did not receive any grant money during the fiscal years ending December 31, 2000 or 1999.



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**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND ON
INTERNAL CONTROL 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 the accompanying financial statements of Lake Waynoka Regional Water and Sewer District, Brown County, Ohio (the District), as of and for the year ended December 31, 2000, and have issued our report thereon dated November 20, 2001. 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 *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2000-60408-001. We also noted certain immaterial instances of noncompliance that we have reported to management of the District in a separate letter dated November 20, 2001.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. A reportable condition is described in the accompanying schedule of findings as item 2000-60408-002.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. However, we believe that the reportable condition described above is not a material weakness. We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the District in a separate letter dated November 20, 2001.

This report is intended for the information and use of management and the Board of Trustees, and is not intended to be and should not be used by anyone other than these specified parties.

Jim Petro
Auditor of State

November 20, 2001

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

**SCHEDULE OF FINDINGS
DECEMBER 31, 2000**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
--

FINDING NUMBER 2000-60408-001

Material Noncompliance

Ohio Rev. Code, Section 5705.41(D), provides that a subdivision or taxing unit shall make any contract or order involving the disbursement of money unless there is attached thereto a certificate of the fiscal officer of the subdivision that the amount required to meet the obligation has been lawfully appropriated for such purpose and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. Every such contract made without such a certificate shall be null and void and no warrant shall be issued in payment. This section also provides for two "exceptions" to the above requirements:

- A. Then and Now Certificates - If no certificate is furnished as required, upon receipt of the fiscal officer's certificate that a sufficient sum was, both at the time of the contract or order and at the time of the certificate, appropriated and free of any previous encumbrances, the Board of Trustees may authorize the issuance of a warrant in payment of the amount due upon such contract or order by resolution within thirty (30) days from the receipt of such certificate; and
- B. If the amount involved is less than one thousand dollars (\$1,000.00), the fiscal officer may authorize payment through a Then and Now Certificate without affirmation of the District's Trustees if such expenditure is otherwise valid.

Where a continuing contract is to be performed in whole or in part in an ensuing fiscal year, only the amount required to meet those obligations in the fiscal year in which the contract is made need be certified.

Prior certification was not obtained for all the vouchers reviewed and neither of the two exceptions provided for above were utilized. This section of Ohio Revised Code became effective on June 6, 2000 for Water and Sewer Districts.

FINDING NUMBER 2000-60408-002

Reportable Condition (Disbursements)

- 1. In accordance with the District's policy disbursements over \$1,500 requires a board members signature with the General Manager's signature. Twelve percent of the transactions tested over \$1,500 did not have dual signatures.
- 2. The Board receives a monthly report that lists fund balances, receipts and disbursements. However, they do not review actual checks or invoices.

We recommend that dual signatures be obtained as required on all disbursements over \$1,500 and that the Board periodically review vouchers and checks. The current process does not provide for adequate control over the disbursement process and could lead to errors going undetected.

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**LAKE WAYNOKA REGIONAL WATER AND SEWER DISTRICT
BROWN COUNTY
DECEMBER 31, 2000**

SCHEDULE OF PRIOR AUDIT FINDINGS

Finding Summary	Fully <u>Corrected</u> ?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No <u>Longer Valid</u> ; <i>Explain:</i>
Intermingled funds between the Waynoka Regional Water and Sewer District and the Waynoka Property Owner Association	Partially corrected	Finding reported in the Management Letter
No computer program for accounts receivable	Yes	District uses a computer program for their accounts receivable
District cashed in a Certificate of Deposit which was to be held in the Reserve Account	Yes	District purchased another Certificate of Deposit to repay the Reserve Account



STATE OF OHIO
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LAKE WAYNOKA REGIONAL 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
DECEMBER 11, 2001**