

Lake Waynoka Regional Water and Sewer District  
Brown County, Ohio

Regular Audit

January 1, 2009, through December 31, 2009  
Fiscal Years Audited Under GAGAS: 2009



**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, 2009 through December 31, 2009. 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

May 5, 2010

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**Lake Waynoka Regional Water and Sewer District**  
*Brown County, Ohio*  
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*For the Years Ended December 31, 2009*

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### 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 of the Lake Waynoka Regional Water and Sewer District, Brown County (the District), as of and for the year ended December 31, 2009, 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 an opinion on these financial statements based on our audit.

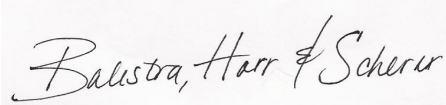
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform 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 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 respective financial position of the business-type activities of the District, as of December 31, 2009, and the respective changes in financial position and cash flows, thereof, for the year 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 April 9, 2010 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. 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 result 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 the 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.  
April 9, 2010

## Lake Waynoka Regional Water and Sewer District

### *Management's Discussion and Analysis For the Year Ended December 31, 2009*

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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 \$3,215,664 on December 31, 2009. The District's net assets increased by \$55,414 (1.8%) in 2009.

The District's operating revenues increased by \$118,029 (21.7%) and operating expenses increased \$19,501 (3.8%) in 2009.

#### **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

### *Management's Discussion and Analysis For the Year Ended December 31, 2009*

#### 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		
	2009	2008 *	Change
Current and Other Assets	\$1,165,936	\$1,051,454	\$114,482
Capital Assets	3,704,561	3,821,140	(116,579)
Total Assets	4,870,497	4,872,594	(2,097)
Long Term Liabilities	1,582,804	1,636,371	(53,567)
Current and Other Liabilities	72,029	75,973	(3,944)
Total Liabilities	1,654,833	1,712,344	(57,511)
Net Assets			
Invested in Capital Assets, Net of Related Debt	2,068,191	2,133,717	(65,526)
Restricted	111,500	111,500	0
Unrestricted	1,035,973	915,033	120,940
Total Net Assets	<u>\$3,215,664</u>	<u>\$3,160,250</u>	<u>\$55,414</u>

\*As restated – see Note 8 for information regarding this restatement.

Current and other assets increased \$114,482 (10.9%), primarily as a result of increases in cash and accounts receivable during fiscal year 2009. Capital assets decreased \$116,579 (-3.1%), as a result of current year depreciation, which was offset partially by additions.

Current and other liabilities decreased \$3,944 (-5.2%), primarily as a result of decreased accounts payable. Long term liabilities decreased \$53,567 (-3.3%), as a result of debt principal payments and reclassifications of debt balances into the current portion of liabilities.

Net assets invested in capital assets, net of related debt decreased \$65,526 (-3.1%), as a result of a net decrease in capital assets which was only partially offset by decreases in debt balances. Net assets restricted for debt service remained the same. Unrestricted net assets decreased \$120,940 (-13.2%), primarily due to operating expenses exceeding operating revenues.

## Lake Waynoka Regional Water and Sewer District

*Management's Discussion and Analysis  
For the Year Ended December 31, 2009*

### 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.

	<u>2009</u>	<u>2008*</u>	<u>Change</u>
Operating Revenues	<u>\$662,996</u>	<u>\$544,967</u>	<u>\$118,029</u>
Total Operating Revenues	<u>662,996</u>	<u>544,967</u>	<u>118,029</u>
Operating Expenses (Excluding Depreciation)	530,018	510,517	19,501
Depreciation Expense	<u>202,179</u>	<u>197,337</u>	<u>4,842</u>
Total Operating Expenses	<u>732,197</u>	<u>707,854</u>	<u>24,343</u>
Operating Loss	(69,201)	(162,887)	93,686
Non-Operating Revenues	212,262	209,021	3,241
Non-Operating Expenses	<u>(87,647)</u>	<u>(87,803)</u>	<u>(156)</u>
Changes in Net Assets	55,414	(41,669)	97,083
Net Assets at Beginning of Year	<u>3,160,250</u>	<u>3,201,919</u>	<u>(41,669)</u>
Net Assets at End of Year	<u>\$3,215,664</u>	<u>\$3,160,250</u>	<u>\$55,414</u>

\*As restated – see Note 8 for information regarding this restatement.

Operating revenues increased by \$118,029 (21.7%) in 2009. This increase is due to increased charges for services for fiscal year 2009. Operating expenses (excluding depreciation) increased by \$19,501 (3.8%) primarily due to increases in expenses for materials and supplies, repairs and maintenance, and contracted services. Non-operating revenues and expenses remained fairly stable.

### CAPITAL ASSETS

The District had \$6,239,639 invested in capital assets (before depreciation) at the end of 2009. This represents an increase of \$85,600 from the previous year. The increase is due to the purchase of sewage grinder pumps and grinder pump cores.

## Lake Waynoka Regional Water and Sewer District

### *Management's Discussion and Analysis For the Year Ended December 31, 2009*

Table 3 shows the District's 2009 capital assets as compared to 2008:

Capital Assets (Net of Accumulated Depreciation)			
Table 3			
	2009	2008	Change
Land Easements	\$140,829	\$140,829	\$0
Construction in Progress	8,040	0	8,040
Water and Sewer Plant	3,486,371	3,580,919	(94,548)
Furniture and Fixtures	1,422	1,716	(294)
Machinery and Equipment	67,899	97,676	(29,777)
Net Capital Assets	<u>\$3,704,561</u>	<u>\$3,821,140</u>	<u>(\$116,579)</u>

See Note 6 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			
	2009	2008	Change
Water Revenue Bonds	\$1,578,200	\$1,607,800	(\$29,600)
Ohio Water Development Authority (OWDA)	58,170	79,623	(21,453)
Total Long Term Debt	1,636,370	1,687,423	(51,053)
Less: Current Maturities	53,566	51,053	2,513
Net Total Long Term Debt	<u>\$1,582,804</u>	<u>\$1,636,370</u>	<u>(\$53,566)</u>

The majority of the District's debt is paid from revenues, excluding capital contributions. See Note 4 to the basic financial statements for additional information on the District's debt.

### **CASH**

Cash and cash equivalents were \$849,679 on December 31, 2009. \$111,500 of these funds were restricted for specific use in 2009. 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**

*Statement of Net Assets  
As of December 31, 2009*

	Water	Sewer	Total Business- Type Activities
<i>Assets:</i>			
<i>Current Assets:</i>			
Cash and Cash Equivalents	\$112,758	\$625,421	\$738,179
Accounts Receivable	261,409	51,315	312,724
Prepaid Expenses	581	581	1,162
Interest Receivable	0	2,371	2,371
Total Current Assets	374,748	679,688	1,054,436
<i>Noncurrent Assets:</i>			
<i>Restricted Assets:</i>			
Cash and Cash Equivalents Restricted for Debt Service	0	111,500	111,500
<i>Capital Assets:</i>			
Non-Depreciable Capital Assets	1,000	147,869	148,869
Depreciable Capital Assets Net of Accumulated Depreciation	630,168	2,925,524	3,555,692
Total Capital Assets	631,168	3,073,393	3,704,561
 Total Assets	 1,005,916	 3,864,581	 4,870,497
<i>Liabilities:</i>			
<i>Current Liabilities:</i>			
Accounts Payable	5,672	6,173	11,845
Accrued Interest	0	6,618	6,618
Construction Bonds Payable	0	31,100	31,100
OWDA Loan Payable	22,466	0	22,466
Total Current Liabilities	28,138	43,891	72,029
<i>Noncurrent Liabilities:</i>			
Construction Bonds Payable	0	1,547,100	1,547,100
OWDA Loan Payable	35,704	0	35,704
Total Noncurrent Liabilities	35,704	1,547,100	1,582,804
 Total Liabilities	 63,842	 1,590,991	 1,654,833
<i>Net Assets:</i>			
Invested in Capital Assets, Net of Related Debt	572,998	1,495,193	2,068,191
Restricted for Debt Service	0	111,500	111,500
Unrestricted	369,076	666,897	1,035,973
Total Net Assets	\$942,074	\$2,273,590	\$3,215,664

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

**Lake Waynoka Regional Water and Sewer District**

*Statement of Revenues, Expenses and Changes in Net Assets  
For the Year Ended December 31, 2009*

	Water	Sewer	Total Business- Type Activities
<i>Operating Revenues:</i>			
Charges for Services	\$348,641	\$313,159	\$661,800
Miscellaneous	794	402	1,196
Total Operating Revenues	<u>349,435</u>	<u>313,561</u>	<u>662,996</u>
<i>Operating Expenses:</i>			
Utilities	19,723	25,956	45,679
Professional Services	12,175	6,458	18,633
Depreciation	55,421	146,758	202,179
Materials and Supplies	27,100	4,886	31,986
Insurance	10,475	10,475	20,950
Repairs and Maintenance	48,319	49,895	98,214
Contracted Services	155,606	150,374	305,980
Miscellaneous	5,241	3,335	8,576
Total Operating Expenses	<u>334,060</u>	<u>398,137</u>	<u>732,197</u>
Operating Income (Loss)	<u>15,375</u>	<u>(84,576)</u>	<u>(69,201)</u>
<i>Nonoperating Revenues:</i>			
Interest Revenue	853	2,351	3,204
Special Assessments	0	109,808	109,808
Connection Fees	26,000	73,250	99,250
Total Nonoperating Revenues	<u>26,853</u>	<u>185,409</u>	<u>212,262</u>
<i>Nonoperating Expenses:</i>			
Interest Expense	(3,471)	(81,900)	(85,371)
Litigation Expense	(1,138)	(1,138)	(2,276)
Total Nonoperating Expenses	<u>(4,609)</u>	<u>(83,038)</u>	<u>(87,647)</u>
Changes in Net Assets	37,619	17,795	55,414
Net Assets, Beginning of Year - <i>as restated</i> *	<u>904,455</u>	<u>2,255,795</u>	<u>3,160,250</u>
Net Assets, End of Year	<u>\$942,074</u>	<u>\$2,273,590</u>	<u>\$3,215,664</u>

\* Net Assets, Beginning of Year have been restated. See Note 8 for information regarding this restatement. The notes to the basic financial statements are an integral part of these statements.

**Lake Waynoka Regional Water and Sewer District**

*Statement of Cash Flows  
For the Year Ended December 31, 2009*

	Water	Sewer	Total Business- Type Activities
<i>Cash Flows from Operating Activities:</i>			
Cash Received from Customers	\$293,591	\$280,680	\$574,271
Cash Received from Others	794	402	1,196
Cash Payments to Suppliers for Goods and Services	(282,794)	(253,505)	(536,299)
Net Cash Provided by Operating Activities	11,591	27,577	39,168
<i>Cash Flows from Capital and Related Financing Activities:</i>			
Assessments	0	109,808	109,808
Connection Fees	26,000	73,250	99,250
Revenue Bond Principal Payments	0	(29,600)	(29,600)
Revenue Bond Interest Payments	0	(82,019)	(82,019)
OWDA Loan Principal Payments	(21,453)	0	(21,453)
OWDA Loan Interest Payments	(3,471)	0	(3,471)
Capital Outlay	0	(85,600)	(85,600)
Net Cash Provided (Used) by Capital and Related Financing Activities	1,076	(14,161)	(13,085)
<i>Cash Flows from Non-Capital and Related Financing Activities:</i>			
Litigation Settlement	(1,138)	(1,138)	(2,276)
<i>Cash Flows from Investing Activities:</i>			
Interest on Cash and Investments	853	2,351	3,204
Net Increase in Cash and Cash Equivalents	12,382	14,629	27,011
Cash and Cash Equivalents at Beginning of Year	100,376	722,292	822,668
Cash and Cash Equivalents at End of Year	\$112,758	\$736,921	\$849,679
<i>Reconciliation of Operating Loss to Net Cash Provided by Operating Activities:</i>			
Operating Loss	\$15,375	(\$84,576)	(\$69,201)
<i>Adjustments to Reconcile Operating Loss to Net Cash Provided by Operating Activities:</i>			
Depreciation	55,421	146,758	202,179
<i>Changes in Assets and Liabilities:</i>			
(Increase) Decrease in Accounts Receivable	(55,050)	(32,479)	(87,529)
Decrease in Prepaid Insurance	29	29	58
(Decrease) in Accounts Payable	(4,184)	(2,155)	(6,339)
Total Adjustments	(3,784)	112,153	108,369
Net Cash Provided by Operating Activities	\$11,591	\$27,577	\$39,168

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

**Lake Waynoka Regional Water and Sewer District**

*Notes to the Basic Financial Statements  
For the Year Ended December 31, 2009*

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**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**

*Notes to the Basic Financial Statements  
For the Year Ended December 31, 2009*

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**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 2009. A summary of budgetary information for 2009 appears in Note 7.

**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 2009 was \$202,179.

**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**

*Notes to the Basic Financial Statements  
For the Year Ended December 31, 2009*

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**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, 2009 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 reported at December 31, 2009.

*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, 2009.

**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.

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

*Notes to the Basic Financial Statements  
For the Year Ended December 31, 2009*

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### NOTE 2 - 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**

*Notes to the Basic Financial Statements  
For the Year Ended December 31, 2009*

**NOTE 2 - 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, 2009, the District’s bank balance of \$834,617 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, 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 2009, the District paid \$300,747 to the WPOA for the contract. In addition, the District paid WPOA \$962 for additional shared labor costs.

**NOTE 4 - LONG-TERM OBLIGATIONS**

Debt outstanding at December 31, 2009 was as follows:

	Balance 12/31/2008	Additions	Deletions	Balance 12/31/2009	Due in One Year
Water Revenue Bonds, Series A, 5.125%	\$1,165,200	\$0	\$21,500	\$1,143,700	\$22,500
Water Revenue Bonds, Series B, 5.125%	185,400	0	3,400	182,000	3,600
Water Revenue Bonds, Series C, 5.125%	257,200	0	4,700	252,500	5,000
OWDA Loan #4727, 4.67%	79,623	0	21,453	58,170	22,466
<b>Totals</b>	<b>\$1,687,423</b>	<b>\$0</b>	<b>\$51,053</b>	<b>\$1,636,370</b>	<b>\$53,566</b>

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 2009 were \$520,296. Principal and interest payments totaled \$136,543 for the year. The coverage ratio for these bonds and loan was 3.81 for the year ended December 31, 2009.

**Lake Waynoka Regional Water and Sewer District**

*Notes to the Basic Financial Statements  
For the Year Ended December 31, 2009*

**NOTE 4 - 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	
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	12,177	284	124,038
2013	36,200	75,391	0	0	111,591
2014	38,100	73,513	0	0	111,613
2015-2019	222,300	335,773	0	0	558,073
2020-2024	286,000	271,794	0	0	557,794
2025-2029	368,500	189,418	0	0	557,918
2030-2034	474,500	83,365	0	0	557,865
2035	54,400	1,394	0	0	55,794
<b>Total</b>	<b>\$1,578,200</b>	<b>\$1,267,187</b>	<b>\$58,170</b>	<b>\$4,137</b>	<b>\$2,907,694</b>

**NOTE 5 - 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**

*Notes to the Basic Financial Statements  
For the Year Ended December 31, 2009*

**NOTE 6 - CAPITAL ASSETS**

Capital assets activity for the year ended December 31, 2009 was as follows:

	Ending Balance 12/31/08*	Additions	Deletions	Ending Balance 12/31/09
Capital Assets, Not Being Depreciated				
Land Easements	\$ 140,829	\$ -	\$ -	\$ 140,829
Construction in Progress	-	8,040		8,040
<b>Total Capital Assets, Not Being Depreciated</b>	<b>140,829</b>	<b>8,040</b>	<b>-</b>	<b>148,869</b>
Capital Assets Being Depreciated				
Water and Sewer Plant	5,494,434	77,560	-	5,571,994
Furniture and Fixtures	14,765	-	-	14,765
Machinery and Equipment	504,011	-	-	504,011
<b>Total Capital Assets, Being Depreciated</b>	<b>6,013,210</b>	<b>77,560</b>	<b>-</b>	<b>6,090,770</b>
Less Accumulated Depreciation:				
Water and Sewer Plant	(1,913,515)	(172,108)	-	(2,085,623)
Furniture and Fixtures	(13,049)	(294)	-	(13,343)
Machinery and Equipment	(406,335)	(29,777)	-	(436,112)
<b>Total Accumulated Depreciation</b>	<b>(2,332,899)</b>	<b>(202,179)</b>	<b>-</b>	<b>(2,535,078)</b>
<b>Total Capital Assets Being Depreciated, Net</b>	<b>3,680,311</b>	<b>(124,619)</b>	<b>-</b>	<b>3,555,692</b>
<b>Total Capital Assets, Net</b>	<b>\$ 3,821,140</b>	<b>\$ (116,579)</b>	<b>\$ -</b>	<b>\$ 3,704,561</b>

\* The District reclassified certain assets among asset classifications. These reclassifications had no effect on net assets.

**NOTE 7 – BUDGETARY ACTIVITY**

Budgetary activity for the year ended December 31, 2009 was as follows:

Budgeted and Actual Receipts			
	Budget	Actual	Variance
Water	\$320,906	\$291,416	(\$29,490)
Sewer	468,135	469,739	1,604
<b>Total</b>	<b>\$789,041</b>	<b>\$761,155</b>	<b>(\$27,886)</b>

Budgeted and Actual Budgetary Basis Expenditures			
	Budget	Actual	Variance
Water	\$395,263	\$338,669	\$56,594
Sewer	482,286	481,175	1,111
<b>Total</b>	<b>\$877,549</b>	<b>\$819,844</b>	<b>\$57,705</b>

**Lake Waynoka Regional Water and Sewer District**

*Notes to the Basic Financial Statements  
For the Year Ended December 31, 2009*

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**NOTE 8 – RESTATEMENT OF NET ASSETS**

During fiscal year 2009, the District Board approved by a board resolution after obtaining a legal opinion authorizing the Board to write off certain aged accounts receivables which had been determined to be uncollectible. The majority of these write offs related to prior years and a prior period adjustment has been made to restate net assets. This restatement had the following effect on beginning net assets:

	<u>Water</u>	<u>Sewer</u>	<u>Total Business- Type Activities</u>
Net Assets, December 31, 2008	\$ 1,275,925	\$ 2,255,795	\$ 3,531,720
Restatement Amount	(371,470)	-	(371,470)
Restated Net Assets, January 1, 2009	<u>\$ 904,455</u>	<u>\$ 2,255,795</u>	<u>\$ 3,160,250</u>



**Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based Required  
by *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 of Lake Waynoka Regional Water and Sewer District, Brown County, (the District) as of and for the year ended December 31, 2009, which collectively comprise the District's basic financial statements, and have issued our report thereon dated April 9, 2010. 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 District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of opining 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.

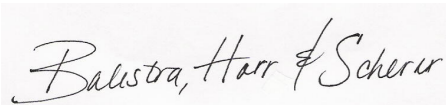
A deficiency in internal control exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A material weakness is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and timely corrected.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, 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 Standards*.

We intend this report solely for the information and use of the management and the board of trustees. 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.  
April 9, 2010





**Mary Taylor, CPA**  
Auditor of State

**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  
MAY 18, 2010**