



OHIO AUDITOR OF STATE  
**KEITH FABER**





**LAKE WAYNOKA REGIONAL WATER AND SEWER DISTRICT  
BROWN COUNTY  
DECEMBER 31, 2020**

**TABLE OF CONTENTS**

<b>TITLE</b>	<b>PAGE</b>
Independent Auditor's Report .....	1
Prepared by Management:	
Management's Discussion and Analysis .....	3
Basic Financial Statements:	
Statement of Net Position as of December 31, 2020 .....	7
Statement of Revenues, Expenses and Changes in Net Position For the Year Ended December 31, 2020 .....	8
Statement of Cash Flows for the Year Ended December 31, 2020 .....	9
Notes to the Basic Financial Statements .....	11
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by Governmental Auditing Standards .....	19

**This page intentionally left blank.**

# OHIO AUDITOR OF STATE KEITH FABER



Corporate Centre of Blue Ash  
11117 Kenwood Road  
Blue Ash, Ohio 45242-1817  
(513) 361-8550 or (800) 368-7419  
SouthwestRegion@ohioauditor.gov

## 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 business-type activities and each major fund of the Lake Waynoka Regional Water and Sewer District, Brown County, Ohio (the District), as of and for the year ended December 31, 2020, 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 such 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 respective financial position of the business-type activities and each major fund of the District as of December 31, 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

***Emphasis of Matter***

As discussed in Note 8 to the financial statements, the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the District. We did not modify our opinion regarding this matter.

***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 10, 2021, 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.



Keith Faber  
Auditor of State  
Columbus, Ohio  
September 10, 2021

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

*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2020*  
*(Unaudited)*

---

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 \$3,560,765 on December 31, 2020. The District's net position increased by \$153,465 or 4.5% in 2020.

The District's operating revenues increased by \$69,650 or 9.4% and operating expenses increased \$34,508 or 3.3% between 2019 and 2020.

**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, 2020*  
*(Unaudited)*

**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		
	2020	2019
<b>Assets:</b>		
Current and Other Assets	\$2,539,420	\$2,208,564
Capital Assets, Net	2,178,690	2,400,312
<i>Total Assets</i>	4,718,110	4,608,876
 <b>Liabilities:</b>		
Current and Other Liabilities	79,845	69,776
Long-Term Liabilities	1,077,500	1,131,800
<i>Total Liabilities</i>	1,157,345	1,201,576
 <b>Net Position:</b>		
Net Investment in Capital Assets	1,046,890	1,216,912
Restricted	977,581	962,468
Unrestricted	1,536,294	1,227,920
<i>Total Net Position</i>	\$3,560,765	\$3,407,300

Current and other assets increased \$330,856 or 15.0%, primarily due to an increase in cash in 2020. Capital assets decreased \$221,622 or 9.2% due to current year depreciation.

Current and other liabilities increased \$10,069 or 14.4%, primarily due to an increase in accounts payable. Long term liabilities decreased \$54,300 or 4.8%, due to debt principal payments.

Net investment in capital assets decreased \$170,022 or 14.0%, primarily due to a net decrease in capital assets for depreciation, offset by current year debt principal payments. Net position restricted for debt service and other purposes increased \$15,113 or 1.6%, due to interest earnings on certificates of deposit held for sewer service purposes and the restriction of additional investments for water services. Unrestricted net position increased \$308,374 or 25.1%, due to restricting some cash for water services, which was partially offset by an increase in net position due to operating and nonoperating revenues in excess of operating and nonoperating expenses.



**Lake Waynoka Regional Water and Sewer District**  
**Brown County**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2020*  
*(Unaudited)*

**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		
	2020	2019
<b>Operating Revenues:</b>		
Charges for Services	\$808,334	\$740,175
Miscellaneous	3,391	1,900
<i>Total Operating Revenues</i>	811,725	742,075
<b>Operating Expenses:</b>		
Operating Expenses (Excluding Depreciation)	863,122	825,790
Depreciation Expense	221,622	224,446
<i>Total Operating Expenses</i>	1,084,744	1,050,236
<i>Operating Loss</i>	(273,019)	(308,161)
<b>Non-Operating Revenues:</b>	486,256	423,044
<b>Non-Operating Expenses:</b>	(59,772)	(62,303)
<i>Changes in Net Position</i>	153,465	52,580
<i>Net Position Beginning of Year</i>	3,407,300	3,354,720
<i>Net Position at End of Year</i>	\$3,560,765	\$3,407,300

Operating revenues increased by \$69,650 or 9.4%, in 2020 primarily due to an increase in charges for services received. Operating expenses (excluding depreciation) increased by \$37,332 or 4.5%, primarily due to an increase in expenses for repairs and maintenances. Non-operating revenues increased between years due to an increase in connection fees. Non-operating expenses were relatively consistent between years.

**Capital Assets**

The District had \$2,178,691 invested in capital assets, net of accumulated depreciation, at the end of 2020. Capital assets decreased \$221,621, which is a result of current year depreciation.

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

*Management's Discussion and Analysis  
For the Year Ended December 31, 2020  
(Unaudited)*

Table 3 shows the District's 2020 capital assets as compared to 2019:

Capital Assets  
(Net of Accumulated Depreciation)  
Table 3

	2020	2019
Land Easements	\$140,829	\$140,829
Water and Sewer Plant	1,764,662	1,955,346
Machinery and Equipment	273,200	304,137
Net Capital Assets	\$2,178,691	\$2,400,312

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

	2020	2019
Water Revenue Bonds	\$1,131,800	\$1,183,400
Less: Current Maturities	(54,300)	(51,600)
Net Total Long Term Debt	\$1,077,500	\$1,131,800

The majority of the District's debt is paid from specific revenues, excluding capital contributions. See note 6 of the notes to the basic financial statements for additional information on the District's long term obligations.

**Cash**

Cash and cash equivalents were \$2,517,909 on December 31, 2020. \$977,581 of these funds were restricted for specific use in 2020. 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, 2020*

	Water	Sewer	Total Business- Type Activities
<b>Assets:</b>			
Current Assets:			
Equity in Pooled Cash and Cash Equivalents	\$531,739	\$1,008,589	\$1,540,328
Accounts Receivable	3,027	1,349	4,376
Prepaid Expenses	1,038	1,038	2,076
Interest Receivable	795	14,264	15,059
<i>Total Current Assets</i>	<u>536,599</u>	<u>1,025,240</u>	<u>1,561,839</u>
Noncurrent Assets:			
Restricted Assets:			
Cash and Cash Equivalents Restricted for Water and Sewer	205,996	660,085	866,081
Cash and Cash Equivalents Restricted for Debt Service	0	111,500	111,500
<i>Total Restricted Cash</i>	<u>205,996</u>	<u>771,585</u>	<u>977,581</u>
Capital Assets:			
Non-Depreciable Capital Assets	1,000	139,829	140,829
Depreciable Capital Assets, Net of Accumulated Depreciation	486,104	1,551,757	2,037,861
<i>Total Capital Assets</i>	<u>487,104</u>	<u>1,691,586</u>	<u>2,178,690</u>
<i>Total Assets</i>	<u>1,229,699</u>	<u>3,488,411</u>	<u>4,718,110</u>
<b>Liabilities:</b>			
Current Liabilities:			
Accounts Payable	7,702	12,930	20,632
Accrued Interest	0	4,913	4,913
Construction Bonds Payable	0	54,300	54,300
<i>Total Current Liabilities</i>	<u>7,702</u>	<u>72,143</u>	<u>79,845</u>
Noncurrent Liabilities:			
Construction Bonds Payable	0	1,077,500	1,077,500
<i>Total Noncurrent Liabilities</i>	<u>0</u>	<u>1,077,500</u>	<u>1,077,500</u>
<i>Total Liabilities</i>	<u>7,702</u>	<u>1,149,643</u>	<u>1,157,345</u>
<b>Net Position:</b>			
Net Investment in Capital Assets	487,104	559,786	1,046,890
Restricted for Water and Sewer Service	205,996	660,085	866,081
Restricted for Debt Service	0	111,500	111,500
Unrestricted	528,897	1,007,397	1,536,294
<i>Total Net Position</i>	<u>\$1,221,997</u>	<u>\$2,338,768</u>	<u>\$3,560,765</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, 2020*

	Water	Sewer	Total Business- Type Activities
<b>Operating Revenues:</b>			
Charges for Services	\$408,785	\$399,549	\$808,334
Miscellaneous	1,676	1,715	3,391
<i>Total Operating Revenues</i>	<u>410,461</u>	<u>401,264</u>	<u>811,725</u>
<b>Operating Expenses:</b>			
Utilities	13,277	21,062	34,339
Professional Services	18,480	8,150	26,630
Depreciation	56,071	165,551	221,622
Materials and Supplies	74,488	45,739	120,227
Insurance	14,310	14,310	28,620
Repairs and Maintenance	27,767	229,701	257,468
Contracted Services	189,200	185,615	374,815
Miscellaneous	4,877	16,146	21,023
<i>Total Operating Expenses</i>	<u>398,470</u>	<u>686,274</u>	<u>1,084,744</u>
<i>Operating Income (Loss)</i>	11,991	(285,010)	(273,019)
<b>Nonoperating Revenues:</b>			
Interest Revenue	4,190	18,982	23,172
Special Assessments	0	123,084	123,084
Connection Fees	68,000	272,000	340,000
<i>Total Nonoperating Revenues</i>	<u>72,190</u>	<u>414,066</u>	<u>486,256</u>
<b>Nonoperating Expenses:</b>			
Interest Expense	0	(59,772)	(59,772)
<i>Total Nonoperating Expenses</i>	<u>0</u>	<u>(59,772)</u>	<u>(59,772)</u>
<i>Changes in Net Position</i>	84,181	69,284	153,465
<i>Net Position, Beginning of Year</i>	<u>1,137,816</u>	<u>2,269,484</u>	<u>3,407,300</u>
<i>Net Position, End of Year</i>	<u><u>\$1,221,997</u></u>	<u><u>\$2,338,768</u></u>	<u><u>\$3,560,765</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, 2020*

	Water	Sewer	Total Business- Type Activities
<b>Cash Flows from Operating Activities:</b>			
Cash Received from Customers	\$411,317	\$402,992	\$814,309
Cash Received from Others	1,676	1,715	3,391
Cash Payments to Suppliers for Goods and Services	(342,542)	(512,977)	(855,519)
Net Cash Provided (Used) by Operating Activities	<u>70,451</u>	<u>(108,270)</u>	<u>(37,819)</u>
<b>Cash Flows from Capital and Related Financing Activities:</b>			
Assessments	0	123,084	123,084
Connection Fees	68,000	272,000	340,000
Revenue Bond Principal Payments	0	(51,600)	(51,600)
Revenue Bond Interest Payments	0	(59,996)	(59,996)
Net Cash Provided by Capital and Related Financing Activities	<u>68,000</u>	<u>283,488</u>	<u>351,488</u>
<b>Cash Flows from Investing Activities:</b>			
Interest on Cash and Cash Equivalents	<u>6,887</u>	<u>17,631</u>	<u>24,518</u>
Net Increase in Cash and Cash Equivalents	145,338	192,849	338,187
Cash and Cash Equivalents at Beginning of Year	<u>592,397</u>	<u>1,587,325</u>	<u>2,179,722</u>
Cash and Cash Equivalents at End of Year	<u><u>\$737,735</u></u>	<u><u>\$1,780,174</u></u>	<u><u>\$2,517,909</u></u>
<b>Reconciliation of Operating Loss to Net Cash Provided (Used) by Operating Activities</b>			
Operating Loss	\$11,991	(\$285,010)	(\$273,019)
<b>Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</b>			
Depreciation	56,071	165,551	221,622
<b>Changes in Assets and Liabilities:</b>			
Decrease in Accounts Receivable	2,532	3,443	5,975
Decrease in Prepaid Expenses	5	5	10
(Increase)Decrease in Accounts Payable	(148)	7,741	7,593
Total Adjustments	<u>58,460</u>	<u>176,740</u>	<u>235,200</u>
Net Cash Provided (Used) by Operating Activities	<u><u>\$70,451</u></u>	<u><u>(\$108,270)</u></u>	<u><u>(\$37,819)</u></u>

See accompanying notes to the basic financial statements.

This page was intentionally left blank.

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

*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2020*

---

**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 water and 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 Year Ended December 31, 2020*

---

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 2020. A summary of budgetary information for 2020 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 acquisition 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 2020 was \$221,622.

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 Year Ended December 31, 2020*

---

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 and for water and sewer reserves.

Prepaid Expenses

Payments made to vendors for services that will benefit periods beyond December 31, 2020 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, 2020.

*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, 2020.

**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 Year Ended December 31, 2020*

---

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 bills, bonds, notes, 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, or any book entry, zero-coupon United States treasury security that is a direct obligation of the United States;
2. Bonds, notes, debentures, or any other obligations 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 and Government National Mortgage 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 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 the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of this state or the political subdivisions of this state, provided the bonds or other obligations of political subdivisions mature within ten years from the date of settlement;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts, in eligible institutions pursuant to ORC sections 135.32;
6. No-load money market mutual funds rated in the highest category at the time of purchase by at least one nationally recognized standard rating service or consisting exclusively of obligations described in (1) or (2) above; commercial paper as described in ORC section 135.143 (6); and repurchase agreements secured by such obligations, provided these investments are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio);
8. Up to forty percent of the District's average portfolio, if training requirements have been met in either of the following:
  - a. Commercial paper notes in entities incorporated under the laws of Ohio, or any other State, that have assets exceeding five hundred million dollars, which are rated in the highest classification established by two nationally recognized standard rating services, which do not exceed ten percent of the value of the outstanding commercial paper of the issuing corporation, which mature within 270 days after purchase, and the investment in commercial paper notes of a single issuer shall not exceed the aggregate five percent of interim monies available for investment at the time of purchase.
  - b. Bankers acceptances of banks that are insured by the federal deposit insurance corporation and that mature not later than 180 days after purchase.

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.

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

*Notes to the Basic Financial Statements  
For the Year Ended December 31, 2020*

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.

*Deposits* – Custodial credit risk is the risk that in the event of bank failure, the District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, none of the District’s bank balance of \$2,518,417 was exposed to custodial credit risk. Although all statutory requirements for the deposit of money had been followed, noncompliance with Federal requirements could potentially subject the District to a successful claim by the Federal Deposit Insurance Corporation.

The District has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by:

Eligible securities pledged to the District and deposited with a qualified trustee by the financial institution as security for repayment whose market value at all times shall be at least one hundred five percent of the deposits being secured; or

Participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total market value of the securities pledged to be 102 percent of the deposits being secured or a rate set by the Treasurer of State.

**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 2020, the District paid \$375,241 to the WPOA for the contract.

**Note 4 – Budgetary Activity**

Budgetary activity for the year ended December 31, 2020 was as follows:

	Budgeted and Actual Receipts		
Fund	Budget	Actual	Variance
Water	\$457,996	\$487,880	\$29,884
Sewer	786,355	817,422	31,067
Total	\$1,244,351	\$1,305,302	\$60,951
	Budgeted and Actual Budgetary Basis Expenditures		
Fund	Budget	Actual	Variance
Water	\$477,929	\$342,542	\$135,387
Sewer	699,741	624,573	75,168
Total	\$1,177,670	\$967,115	\$210,555

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

*Notes to the Basic Financial Statements  
For the Year Ended December 31, 2020*

---

**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 with Cincinnati Insurance Company for the following risks:

Commercial Property:	
Blanket Building	\$8,101,131
Commercial Umbrella Liability:	
Each Occurrence	10,000,000
Aggregate	10,000,000
General Liability:	
Each Occurrence	1,000,000
Aggregate	2,000,000
Automobile Liability:	
Combined Single Limit (Each Accident)	1,000,000
Employee Dishonesty	120,000

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.

**Note 6 – Long-Term Obligations**

Debt outstanding at December 31, 2020 was as follows:

	Balance				Balance	Due in
	12/31/19	Additions	Deletions	12/31/20	One Year	
Water Revenue Bonds, Series A, 5.125%	\$857,600	\$0	(\$37,400)	\$820,200	\$39,300	
Water Revenue Bonds, Series B, 5.125%	136,400	0	(5,900)	130,500	6,300	
Water Revenue Bonds, Series C, 5.125%	189,400	0	(8,300)	181,100	8,700	
<b>Totals</b>	<b>\$1,183,400</b>	<b>\$0</b>	<b>(\$51,600)</b>	<b>\$1,131,800</b>	<b>\$54,300</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.

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 2020 were \$294,607. Principal and interest payments totaled \$111,372 for the year. The coverage ratio for these bonds was 2.6 for the year ended December 31, 2020.

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

*Notes to the Basic Financial Statements  
For the Year Ended December 31, 2020*

Amortization of the above debt is scheduled as follows:

Year Ending December 31,	Water Revenue Bonds		
	Principal	Interest	Total
2021	\$54,300	\$57,320	\$111,620
2022	56,900	54,503	111,403
2023	60,000	51,547	111,547
2024	63,200	48,431	111,631
2025	66,500	45,152	111,652
2026-2030	387,500	170,292	557,792
2031-2035	443,400	58,734	502,134
Total	<u>\$1,131,800</u>	<u>\$485,979</u>	<u>\$1,617,779</u>

**Note 7 – Capital Assets**

Capital assets activity for the year ended December 31, 2020 was as follows:

	Ending Balance 12/31/19	Additions	Deletions	Ending Balance 12/31/20
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	5,915,440	0	0	5,915,440
Furniture and Fixtures	6,315	0	0	6,315
Machinery and Equipment	911,239	0	0	911,239
Total Capital Assets, Being Depreciated	6,832,994	0	0	6,832,994
Less Accumulated Depreciation:				
Water and Sewer Plant	(3,960,094)	(190,684)	0	(4,150,778)
Furniture and Fixtures	(6,315)	0	0	(6,315)
Machinery and Equipment	(607,102)	(30,937)	0	(638,039)
Total Accumulated Depreciation	(4,573,511)	(221,621)	0	(4,795,132)
Total Capital Assets Being Depreciated, Net	2,259,483	(221,621)	0	2,037,862
Total Capital Assets, Net	\$2,400,312	(\$221,621)	\$0	\$2,178,691

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

*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2020*

---

**Note 8 – COVID-19**

The United States and the State of Ohio declared a state of emergency in March of 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the District. The District's investment portfolio fluctuates with market conditions, and due to market volatility, the amount of gains or losses that will be realized in subsequent periods, if any, cannot be determined. In addition, the impact on the District's future operating costs, revenues, and additional recovery from emergency funding, either federal or state, cannot be estimated.

# OHIO AUDITOR OF STATE KEITH FABER



Corporate Centre of Blue Ash  
11117 Kenwood Road  
Blue Ash, Ohio 45242-1817  
(513) 361-8550 or (800) 368-7419  
SouthwestRegion@ohioauditor.gov

## 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 business-type activities and each major fund of the Lake Waynoka Regional Water and Sewer District, Brown County, (the District) as of and for the year ended December 31, 2020, 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 10, 2021. We also noted the financial impact of COVID-19 and the continuing emergency measures which may impact subsequent periods of the District.

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

As part of our financial statement audit, we considered the District's internal control over financial reporting (internal control) as a basis for designing audit procedures appropriate in the circumstances to the extent necessary to support our opinion 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 financial statements. 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 report is not suitable for any other purpose.



Keith Faber  
Auditor of State  
Columbus, Ohio  
September 10, 2021



# OHIO AUDITOR OF STATE KEITH FABER



**LAKE WAYNOKA REGIONAL WATER AND SEWER DISTRICT**

**BROWN COUNTY**

**AUDITOR OF STATE OF OHIO CERTIFICATION**

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



**Certified for Release 9/23/2021**

88 East Broad Street, Columbus, Ohio 43215  
Phone: 614-466-4514 or 800-282-0370

This report is a matter of public record and is available online at  
[www.ohioauditor.gov](http://www.ohioauditor.gov)