



OHIO AUDITOR OF STATE
KEITH FABER



**LAKE WAYNOKA REGIONAL WATER AND SEWER DISTRICT
BROWN COUNTY
DECEMBER 31, 2022**

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OHIO AUDITOR OF STATE KEITH FABER



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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 Audit of the Financial Statements

Opinions

We have audited the 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, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying 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 Lake Waynoka Regional Water and Sewer District, Brown County, Ohio as of December 31, 2022, 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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 13, 2024, 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. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's 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
February 13, 2024

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Lake Waynoka Regional Water and Sewer District
Brown County

Management's Discussion and Analysis
For the Year Ended December 31, 2022
(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 \$3,520,393 on December 31, 2022. The District's net position decreased by \$160,834 or 4.0% in 2022.

The District's operating revenues increased by \$55,162 or 6.5% and operating expenses increased \$396,786 or 32.6% between 2021 and 2022.

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, 2022
(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		
	2022	2021
Assets:		
Current and Other Assets	\$2,739,151	\$2,800,746
Capital Assets, Net	1,887,894	1,977,998
<i>Total Assets</i>	4,627,045	4,778,744
Liabilities:		
Current and Other Liabilities	146,052	76,917
Long-Term Liabilities	960,600	1,020,600
<i>Total Liabilities</i>	1,106,652	1,097,517
Net Position:		
Net Investment in Capital Assets	867,294	900,498
Restricted	1,002,245	995,318
Unrestricted	1,650,854	1,785,411
<i>Total Net Position</i>	\$3,520,393	\$3,681,227

Current and other assets decreased \$61,595 or 2.2%, primarily due to a decrease in cash in 2022. Capital assets decreased \$90,104 or 4.6% due to current year depreciation and disposals, which was partially offset by current year additions.

Current and other liabilities increased \$69,135 or 89.9%, primarily due to an increase in accounts payable. Long term liabilities decreased \$60,000 or 5.9%, due to debt principal payments.

Net investment in capital assets decreased \$33,204 or 3.7%, 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 \$6,927 or 0.7%, due to interest earnings on certificates of deposit held for sewer service purposes. Unrestricted net position decreased \$134,557 or 7.5%, due to a decrease in net position due to operating and nonoperating expenses in excess of operating and nonoperating revenues.

Lake Waynoka Regional Water and Sewer District
Brown County
Management's Discussion and Analysis
For the Year Ended December 31, 2022
(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		
	2022	2021
Operating Revenues:		
Charges for Services	\$892,933	\$841,214
Miscellaneous	5,201	1,758
<i>Total Operating Revenues</i>	898,134	842,972
Operating Expenses:		
Operating Expenses (Excluding Depreciation)	1,410,457	1,009,750
Depreciation Expense	203,135	207,056
<i>Total Operating Expenses</i>	1,613,592	1,216,806
<i>Operating Loss</i>	(715,458)	(373,834)
Nonoperating Revenues:	608,876	551,404
Nonoperating Expenses:	(54,252)	(57,108)
<i>Changes in Net Position</i>	(160,834)	120,462
<i>Net Position Beginning of Year</i>	3,681,227	3,560,765
<i>Net Position at End of Year</i>	\$3,520,393	\$3,681,227

Operating revenues increased by \$55,162 or 6.5%, in 2022 primarily due to an increase in charges for services received. Operating expenses (excluding depreciation) increased by \$400,707 or 39.7%, primarily due to an increase in expenses for repairs and maintenance and contracted services. Nonoperating revenues increased between years due to an increase in connection fees. Nonoperating expenses were relatively consistent between years.

Capital Assets

The District had \$1,887,894 invested in capital assets, net of accumulated depreciation, at the end of 2022. Capital assets decreased \$90,104, which is a result of current year depreciation and disposals offset by \$132,377 in capital asset purchases.

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

*Management's Discussion and Analysis
For the Year Ended December 31, 2022
(Unaudited)*

Table 3 shows the District's 2022 capital assets as compared to 2021:

Capital Assets
(Net of Accumulated Depreciation)
Table 3

	2022	2021
Land Easements	\$140,829	\$140,829
Water and Sewer Plant	1,434,898	1,579,207
Furniture and Fixtures	9,522	6,258
Machinery and Equipment	302,645	251,704
Net Capital Assets	\$1,887,894	\$1,977,998

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

	2022	2021
Water Revenue Bonds	\$1,020,600	\$1,077,500
Less: Current Maturities	(60,000)	(56,900)
Net Total Long Term Debt	\$960,600	\$1,020,600

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 \$2,717,331 on December 31, 2022. \$1,002,245 of these funds were restricted for specific use in 2022. 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, 2022

	Water	Sewer	Total Business- Type Activities
Assets:			
Current Assets:			
Equity in Pooled Cash and Cash Equivalents	\$513,775	\$1,201,311	\$1,715,086
Accounts Receivable	8,435	6,255	14,690
Prepaid Expenses	1,046	1,046	2,092
Interest Receivable	987	4,051	5,038
<i>Total Current Assets</i>	<u>524,243</u>	<u>1,212,663</u>	<u>1,736,906</u>
Noncurrent Assets:			
Restricted Assets:			
Cash and Cash Equivalents Restricted for Water and Sewer	208,417	682,328	890,745
Cash and Cash Equivalents Restricted for Debt Service	0	111,500	111,500
<i>Total Restricted Cash</i>	<u>208,417</u>	<u>793,828</u>	<u>1,002,245</u>
Capital Assets:			
Non-Depreciable Capital Assets	1,000	139,829	140,829
Depreciable Capital Assets, Net of Accumulated Depreciation	466,430	1,280,635	1,747,065
<i>Total Capital Assets</i>	<u>467,430</u>	<u>1,420,464</u>	<u>1,887,894</u>
<i>Total Assets</i>	1,200,090	3,426,955	4,627,045
Liabilities:			
Current Liabilities:			
Accounts Payable	55,541	26,057	81,598
Accrued Interest	0	4,454	4,454
Construction Bonds Payable	0	60,000	60,000
<i>Total Current Liabilities</i>	<u>55,541</u>	<u>90,511</u>	<u>146,052</u>
Noncurrent Liabilities:			
Construction Bonds Payable	0	960,600	960,600
<i>Total Noncurrent Liabilities</i>	<u>0</u>	<u>960,600</u>	<u>960,600</u>
<i>Total Liabilities</i>	55,541	1,051,111	1,106,652
Net Position:			
Net Investment in Capital Assets	467,430	399,864	867,294
Restricted for Water and Sewer Service	208,417	682,328	890,745
Restricted for Debt Service	0	111,500	111,500
Unrestricted	468,702	1,182,152	1,650,854
<i>Total Net Position</i>	<u>\$1,144,549</u>	<u>\$2,375,844</u>	<u>\$3,520,393</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, 2022

	Water	Sewer	Total Business- Type Activities
Operating Revenues:			
Charges for Services	\$444,851	\$448,082	\$892,933
Miscellaneous	1,211	3,990	5,201
<i>Total Operating Revenues</i>	<u>446,062</u>	<u>452,072</u>	<u>898,134</u>
Operating Expenses:			
Utilities	17,386	24,327	41,713
Professional Services	18,852	12,022	30,874
Depreciation	44,051	159,084	203,135
Materials and Supplies	87,061	52,281	139,342
Insurance	14,491	14,491	28,982
Repairs and Maintenance	137,546	400,278	537,824
Contracted Services	303,800	291,101	594,901
Miscellaneous	15,765	21,056	36,821
<i>Total Operating Expenses</i>	<u>638,952</u>	<u>974,640</u>	<u>1,613,592</u>
<i>Operating Loss</i>	(192,890)	(522,568)	(715,458)
Nonoperating Revenues:			
Interest Revenue	252	3,739	3,991
Special Assessments	284	131,023	131,307
Connection Fees	90,400	382,000	472,400
Gain on Disposal of Assets	589	589	1,178
<i>Total Nonoperating Revenues</i>	<u>91,525</u>	<u>517,351</u>	<u>608,876</u>
Nonoperating Expenses:			
Interest Expense	0	(54,252)	(54,252)
<i>Total Nonoperating Expenses</i>	<u>0</u>	<u>(54,252)</u>	<u>(54,252)</u>
<i>Changes in Net Position</i>	(101,365)	(59,469)	(160,834)
<i>Net Position, Beginning of Year</i>	<u>1,245,914</u>	<u>2,435,313</u>	<u>3,681,227</u>
<i>Net Position, End of Year</i>	<u>\$1,144,549</u>	<u>\$2,375,844</u>	<u>\$3,520,393</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, 2022

	Water	Sewer	Total Business- Type Activities
Cash Flows from Operating Activities:			
Cash Received from Customers	\$440,528	\$443,493	\$884,021
Cash Received from Others	1,211	3,990	5,201
Cash Payments to Suppliers for Goods and Services	(548,780)	(795,333)	(1,344,113)
Net Cash Used by Operating Activities	(107,041)	(347,850)	(454,891)
Cash Flows from Capital and Related Financing Activities:			
Assessments	284	131,023	131,307
Connection Fees	90,400	382,000	472,400
Proceeds from Sale of Capital Assets	10,262	10,262	20,524
Purchase of Capital Assets	(73,655)	(58,722)	(132,377)
Revenue Bond Principal Payments	0	(56,900)	(56,900)
Revenue Bond Interest Payments	0	(54,501)	(54,501)
Net Cash Provided by Capital and Related Financing Activities	27,291	353,162	380,453
Cash Flows from Investing Activities:			
Interest on Cash and Cash Equivalents	111	5,390	5,501
Net Increase (Decrease) in Cash and Cash Equivalents	(79,639)	10,702	(68,937)
Cash and Cash Equivalents at Beginning of Year	801,831	1,984,437	2,786,268
Cash and Cash Equivalents at End of Year	\$722,192	\$1,995,139	\$2,717,331
Reconciliation of Operating Loss to Net Cash Used by Operating Activities:			
Operating Loss	(\$192,890)	(\$522,568)	(\$715,458)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:			
Depreciation	44,051	159,084	203,135
Changes in Assets and Liabilities:			
Increase in Accounts Receivable	(4,323)	(4,589)	(8,912)
Decrease in Prepaid Expenses	30	30	60
Increase in Accounts Payable	46,091	20,193	66,284
Total Adjustments	85,849	174,718	260,567
Net Cash Used by Operating Activities	(\$107,041)	(\$347,850)	(\$454,891)

See accompanying notes to the basic financial statements.

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Lake Waynoka Regional Water and Sewer District
Brown County

Notes to the Basic Financial Statements
For the Year Ended December 31, 2022

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, 2022

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 2022. A summary of budgetary information for 2022 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 2022 was \$203,135.

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, 2022

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, 2022 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, 2022.

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, 2022.

Note 2 – Equity in Pooled Cash and Cash Equivalents

Monies held by the District are classified by State statute into three categories.

Active deposits are public deposits determined to be necessary to meet current demands upon the District treasury. Active monies must be maintained either as cash in the District treasury, in commercial accounts payable or

Lake Waynoka Regional Water and Sewer District
Brown County

Notes to the Basic Financial Statements
For the Year Ended December 31, 2022

withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that Council 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 deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts, including passbook accounts.

Protection of the District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, or by the financial institutions 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.

Interim monies held by the District can 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;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, 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. No-load money market mutual funds consisting exclusively of obligations described in (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
4. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
5. Bonds and other obligations of the State of Ohio, and, with certain limitations including a requirement for maturity within ten years from the date of settlement, bonds and other obligations of political subdivisions of the State of Ohio, if training requirements have been met;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain bankers' acceptances (for a period not to exceed one hundred eighty days) and commercial paper notes (for a period not to exceed two hundred seventy days) in an amount not to exceed 40 percent of the interim monies available for investment at any one time if training requirements have been met; and
8. Written repurchase agreements in the securities described in (1) or (2) 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.

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. Except as noted above, an investment must mature within five years from the date of settlement, unless matched to a specific obligation or debt of the City 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, 2022*

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 qualified trustee 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 \$2,763,645 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 2022, the District paid \$518,457 to the WPOA for the contract.

Note 4 – Budgetary Activity

Budgetary activity for the year ended December 31, 2022 was as follows:

Fund	Budgeted and Actual Receipts		
	Budget	Actual	Variance
Water	\$552,449	\$542,796	\$9,653
Sewer	981,727	976,158	5,569
Total	\$1,534,176	\$1,518,954	\$15,222

Fund	Budgeted and Actual Budgetary Basis Expenditures		
	Budget	Actual	Variance
Water	\$645,122	\$622,435	\$22,687
Sewer	971,065	965,456	5,609
Total	\$1,616,187	\$1,587,891	\$28,296

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

*Notes to the Basic Financial Statements
For the Year Ended December 31, 2022*

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, 2022 was as follows:

	Balance			Balance	Due in
	12/31/21	Additions	Deletions	12/31/22	One Year
Water Revenue Bonds, Series A, 5.125%	\$780,900	\$0	(\$41,300)	\$739,600	\$43,500
Water Revenue Bonds, Series B, 5.125%	124,200	0	(6,500)	117,700	6,900
Water Revenue Bonds, Series C, 5.125%	172,400	0	(9,100)	163,300	9,600
Totals	\$1,077,500	\$0	(\$56,900)	\$1,020,600	\$60,000

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 2022 were \$153,867. Principal and interest payments totaled \$111,401 for the year. The coverage ratio for these bonds was 1.4 for the year ended December 31, 2022.

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

*Notes to the Basic Financial Statements
For the Year Ended December 31, 2022*

Amortization of the above debt is scheduled as follows:

Year Ending December 31,	Water Revenue Bonds		
	Principal	Interest	Total
2023	\$60,000	\$51,547	\$111,547
2024	63,200	48,431	111,631
2025	66,500	45,152	111,652
2026	69,900	41,699	111,599
2027	73,500	38,071	111,571
2028-2032	428,700	129,027	557,727
2033-2037	258,800	20,229	279,029
Total	<u>\$1,020,600</u>	<u>\$374,156</u>	<u>\$1,394,756</u>

Note 7 – Capital Assets

Capital assets activity for the year ended December 31, 2022 was as follows:

	Ending Balance 12/31/21	Additions	Deletions	Ending Balance 12/31/22
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	35,568	0	5,951,008
Furniture and Fixtures	12,679	4,035	0	16,714
Machinery and Equipment	911,238	92,774	(38,383)	965,629
Total Capital Assets, Being Depreciated	6,839,357	132,377	(38,383)	6,933,351
Less Accumulated Depreciation				
Water and Sewer Plant	(4,336,233)	(179,877)	0	(4,516,110)
Furniture and Fixtures	(6,421)	(771)	0	(7,192)
Machinery and Equipment	(659,534)	(22,487)	19,037	(662,984)
Total Accumulated Depreciation	(5,002,188)	(203,135)	19,037	(5,186,286)
Total Capital Assets Being Depreciated, Net	1,837,169	(70,758)	(19,346)	1,747,065
Total Capital Assets, Net	\$1,977,998	(\$70,758)	(\$19,346)	\$1,887,894

Lake Waynoka Regional Water and Sewer District
Brown County

Notes to the Basic Financial Statements
For the Year Ended December 31, 2022

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. Ohio's state of emergency ended in June, 2021 while the national state of emergency continues. During 2021, the District did not receive COVID-19 funding. The financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the District. The impact on the District's future operating costs, revenues, and additional recovery from emergency funding, either federal or state, cannot be estimated.

Note 9 – New Accounting Pronouncement

For fiscal year 2022, the District implemented GASB Statement No. 87, Leases. GASB Statement 87 requires the recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and as inflows of resources or outflows of resources recognized based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The District considered the effects of this new pronouncement but did not have any significant leases to disclose.



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 the 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 (*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, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated February 13, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected, on a timely basis. *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 deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Keith Faber
Auditor of State
Columbus, Ohio
February 13, 2024

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 3/5/2024

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