

**OREGON WATER WONDERLAND UNIT II  
SANITARY DISTRICT**

Deschutes County, Oregon

FINANCIAL STATEMENTS

June 30, 2017

**OREGON WATER WONDERLAND UNIT II SANITARY DISTRICT**

Deschutes County, Oregon

**DISTRICT OFFICIALS**

June 30, 2017

**Board of Directors**

Robert Chase - President

Bend, Oregon

Elreta Humeston - Secretary

Bend, Oregon

Robert Worthean

Bend, Oregon

Michael Hanbey

Bend, Oregon

Ann Arritola

Bend, Oregon

**Administration**

Rick Durham

District Manager

**Registered Agent**

Rick Durham

**Registered Office**

55841 Swan Road

Bend, Oregon 97707

541-593-3124

**OREGON WATER WONDERLAND UNIT II SANITARY DISTRICT**

Deschutes County, Oregon

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## INDEPENDENT AUDITOR'S REPORT

Members of the Board of Directors  
Oregon Water Wonderland Unit II Sanitary District  
Deschutes County, Oregon

We have audited the accompanying financial statements of Oregon Water Wonderland Unit II Sanitary District as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District basic financial statements as listed in the table of contents.

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

### **Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Oregon Water Wonderland Unit II Sanitary District, as of June 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Other Matters**

#### **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis as listed in the table of contents, be presented to supplement the basic financial statements. Such information 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.

INDEPENDENT AUDITOR'S REPORT – CONTINUED

**Other Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's financial statements. The schedule of operating expenses, and schedules of actual and budgeted transactions are presented for purposes of additional analysis and are not a required part of the basic financial statements. The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

**Report on Other Legal and Regulatory Requirements**

In accordance with the Minimum Standards for Audits of Oregon Municipal Corporations, we have also issued our report dated January 16, 2018, on our consideration of the District's internal control over financial reporting and on the tests of its compliance with the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules OAR 162-10-000 to 182-10-320. 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.

*Barnett & Company CPAs*

*John M. Barnett, CPA*

Barnett & Company CPAs

By: John M. Barnett, CPA

Bend, Oregon

January 16, 2018

## MANAGEMENT'S DISCUSSION AND ANALYSIS

**Oregon Water Wonderland Unit II Sanitary District  
Management's Discussion and Analysis (MD&A)  
Year Ended June 30, 2017**

The management of Oregon Water Wonderland Unit II Sanitary District (District) presents this narrative of the financial activities of the District for the calendar year ended June 30, 2017. The MD&A is based on currently known facts, decisions and conditions that existed at the date of the independent auditor's report.

**Financial Highlights**

- Net position of the District decreased by \$88,307 in the 2016-17 fiscal year.
- The total liabilities as of June 30, 2017 were \$4,039,483, a decrease of \$108,407.
- Operating revenues of the District were \$737,850, a decrease of \$107,070 over the prior year.
- Operating expenses for the fiscal year were \$682,769, of which \$365,213 was depreciation expense.

**Overview of the Financial Statements**

The following discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of three components: (1) Statement of Net Position, (2) Statement of Revenues, Expenses, and Changes in Net Position and (3) Statement of Cash Flows. This report also contains Notes to the Financial Statements and Additional Supplementary Information, which includes the schedule of operating expenses, and actual and budgeted transactions for the purpose of additional analysis.

**Basic Financial Statements**

The basic financial statements are designed to provide the readers with a broad overview of the District's finances in a manner similar to a private-sector business.

In the basic financial statements, the District's activities are shown in one category. The District's basic function is the operation and maintenance of a sanitary facility. These activities are primarily financed through service fees paid by users.

**Notes to the Basic Financial Statements**

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the financial statements.

**Additional Supplemental Information**

The supplemental information provides fund financial statements that provide more detailed information about the District's operating expenses and budget to actual comparisons.

**Oregon Water Wonderland Unit II Sanitary District  
Management's Discussion and Analysis (MD&A)  
Year Ended June 30, 2017 - Continued**

**Statement of Net Position**

This statement provides information that includes all assets and liabilities of the District. In simple terms, this statement presents a snapshot view of the assets the District patrons own, the liabilities they owe and the net difference. The net difference is further separated into amounts restricted for specific purposes and undesignated amounts.

Net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities and deferred inflows by \$1,512,438 at June 30, 2017. The largest portion of the District's net position reflects its investment in capital assets (e.g. land, sewer system, buildings and equipment); less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide sewer service to its users; consequently, these assets are not available for future spending. The remaining net assets consist of funds restricted for debt requirements and system development; the remaining balance of \$486,596 can be used to meet the District's ongoing obligations to its users.

The District's largest liability is for the repayment of revenue bonds. Current liabilities of the District consist largely of accounts payable, payroll, accrued interest expense and current portion of long-term debt.

	June 30,		2017
	2017	(Restated) 2016	Over (Under) 2016
<b>Assets</b>			
Current Assets	\$ 678,170	\$ 705,958	\$ (27,788)
Capital Assets	4,230,312	4,497,068	(266,756)
Other Assets	655,458	557,628	97,830
Total Assets	5,563,940	5,760,654	(196,714)
<b>Liabilities</b>			
Current Liabilities	292,625	287,962	4,663
Long-Term Liabilities	3,746,858	3,859,927	(113,069)
Total Liabilities	4,039,483	4,147,889	(108,406)
<b>Deferred Inflows of Resources</b>			
Revenues received but not earned	12,019	12,019	-
<b>Net Position</b>			
Invested in Capital Assets -			
Net of Related Debt	370,384	524,071	(153,687)
Restricted	655,458	557,628	97,830
Unrestricted	486,596	519,046	(32,450)
Net Position	\$ 1,512,438	\$ 1,600,745	\$ (88,307)



**Oregon Water Wonderland Unit II Sanitary District  
Management's Discussion and Analysis (MD&A)  
Year Ended June 30, 2017 - Continued**

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

This statement presents the operations of the District and information showing how the District's net position changed over the most recent calendar year by tracking revenues and expenses. District activities decreased net position in the current year by \$88,307.

	June 30,		2017
	(Restated)		Over (Under)
	2017	2016	2016
Revenues			
Service fees and other	\$ 737,850	\$ 844,920	\$ (107,070)
Operating expenses	682,769	673,807	8,962
Operating Income	55,081	171,113	(116,032)
Other Revenue and Expense	(143,388)	(148,107)	4,719
Change in Net Position	(88,307)	23,006	(111,313)
Net Position - Beginning of Year	1,600,745	1,577,739	23,006
Net Position - End of Year	\$ 1,512,438	\$ 1,600,745	\$ (88,307)

**Statement of Cash Flows**

The Statement of Cash Flows presents the District cash provided (used) from Operating Activities, Capital Financing Activities, Non-Capital Activities, and Investing Activities.

Statement of Cash Flows

	June 30,		2017
	(Restated)		Over (Under)
	2017	2016	2016
Cash Flows from Operating Activities	\$ 447,004	\$ 501,274	\$ (54,270)
Cash Flows from Capital Activities	(379,666)	(335,514)	(44,152)
Cash Flows from Investing Activities	24,752	21,415	3,337
Net Increase in Cash	92,090	187,175	(95,085)
Cash Balance - Beginning of Year	1,072,630	885,455	187,175
Cash Balance - End of Year	\$ 1,164,720	\$ 1,072,630	\$ 92,090
Cash Balance - End of Year			
Cash reported as current assets	\$ 509,262	\$ 515,003	\$ (5,741)
Restricted cash	655,458	557,628	97,830
Total Cash	\$ 1,164,720	\$ 1,072,631	\$ 92,089

**Oregon Water Wonderland Unit II Sanitary District  
Management's Discussion and Analysis (MD&A)  
Year Ended June 30, 2017- Continued**

**Capital Assets and Debt Administration**

**Capital Assets**

The District's investment in capital assets includes land and improvements, buildings, and improvements, the sewer system, vehicles, and equipment. As of June 30, 2017, the District had invested \$4,230,312 in capital assets, net of depreciation.

During the year depreciation expense for the year was \$365,213.

**Debt Outstanding**

As of June 30, 2017, the District had \$3,859,928 in debt outstanding. This debt is related to the construction of the sewer facilities.

**Budgetary Highlights**

The District prepares a budget for its general operation and maintenance. Actual revenues were over budget by \$44,742, and expenditures were under budget estimates by \$83,235.

**Financial Contact**

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the District's finances. Questions concerning any of the information provided in this report or requests for financial information should be addressed to:

Rick Durham, Operations Manager  
Oregon Water Wonderland Unit II Sanitary District  
55841 Swan Road  
Bend, Oregon 97707  
541-593-3124

## BASIC FINANCIAL STATEMENTS

**OREGON WATER WONDERLAND UNIT II SANITARY DISTRICT**

Deschutes County, Oregon

**STATEMENT OF NET POSITION**

June 30, 2017

**Assets**

Current Assets

Cash and cash equivalents	\$ 509,262
Accounts receivable	107,607
Inventory	55,200
Property liens receivable	1,774
Prepaid expenses	<u>4,327</u>

Total Current Assets 678,170

Capital Assets

Assets not being depreciated	443,807
Assets being depreciated	8,130,757
Accumulated depreciation	<u>(4,344,252)</u>

Total Capital Assets 4,230,312

Other Assets

Restricted cash:

RUS debt reserve requirement	288,500
System development charges	<u>366,958</u>

Total Other Assets 655,458

Total Assets 5,563,940

**Liabilities**

Current Liabilities

Accounts payable	7,280
Accrued payroll and payroll taxes	5,630
Accrued compensated absences	12,517
Accrued interest payable	154,128
Current portion - long-term debt	<u>117,855</u>

Total Current Liabilities 297,410

Long-Term Debt

Notes payable - net of current portion	<u>3,742,073</u>
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Total Liabilities 4,039,483

**Deferred Inflows of Resources**

Revenues received but not earned	<u>12,019</u>
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**Net Position**

Investment in Capital Assets - Net of Related Debt 370,384

Restricted:

RUS debt service requirements	288,500
System development charges	366,958

Unrestricted 486,596

Total Net Position \$ 1,512,438

The accompanying notes are an integral part of these financial statements.

**OREGON WATER WONDERLAND UNIT II SANITARY DISTRICT**

Deschutes County, Oregon

**STATEMENT OF REVENUES, EXPENSES, AND  
CHANGES IN NET POSITION**

For The Year Ended June 30, 2017

Operating Revenues	
User fees	\$ 598,585
Other	<u>139,265</u>
Total Operating Revenues	<u>737,850</u>
Operating Expenses	
Personnel expense	208,566
Materials and services	108,990
Depreciation	<u>365,213</u>
Total Operating Expenses	<u>682,769</u>
Operating Income	<u>55,081</u>
Non-Operating Revenues (Expense)	
Interest income	9,572
Lease income	15,180
Interest expense	<u>(168,140)</u>
Total Non-Operating Expense	<u>(143,388)</u>
Net Loss	(88,307)
Net Position - Beginning of Year	<u>1,600,745</u>
Net Position - End of Year	<u>\$ 1,512,438</u>

The accompanying notes are an integral part of these financial statements.

**OREGON WATER WONDERLAND UNIT II SANITARY DISTRICT**

Deschutes County, Oregon

**STATEMENT OF CASH FLOWS**

For The Year Ended June 30, 2017

Cash Flows Provided (Used) by Operating Activities	
Cash received from users	\$ 759,896
Cash paid for goods and services	(106,525)
Cash paid to employees	<u>(206,367)</u>
Net Cash Flows Provided by Operating Activities	<u>447,004</u>
Cash Flows Used by Capital Financing Activities	
Interest paid	(168,140)
Acquisition of capital assets	(98,457)
Repayment of long-term debt	<u>(113,069)</u>
Net Cash Flows Used by Capital Financing Activities	<u>(379,666)</u>
Cash Flows Provided by Investing Activities	
Interest earned	9,572
Lease income	<u>15,180</u>
Net Cash Flows Provided by Investing Activities	<u>24,752</u>
Net Increase in Cash	92,090
Cash Balance - Beginning of Year	<u>1,072,630</u>
Cash Balance - End of Year	<u>\$ 1,164,720</u>
Reconciliation of operating income to net cash provided by (used for) operating activities	
Operating Income	\$ 55,081
Adjustments to reconcile operating income to net cash provided by (used for) operating activities	
Depreciation	365,213
Changes in current assets and liabilities	
Increase in accounts receivable	22,768
Decrease in property taxes receivable	(722)
Decrease in accounts payable	2,464
Increase in accrued payroll costs	<u>2,200</u>
Net Cash Flows from Operating Activities	<u>\$ 447,004</u>

The accompanying notes are an integral part of these financial statements.

# OREGON WATER WONDERLAND UNIT II SANITARY DISTRICT

Deschutes County, Oregon  
Notes to Financial Statements

June 30, 2017

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## Note A – Summary of Significant Accounting Policies

Oregon Water Wonderland Unit II Sanitary District was formed October 1, 1975. The District is located in Deschutes County, Oregon, and serves an area of approximately 700 acres with an estimated 1,014 residential lots. As of June 30, 2017, 801 of the lots were connected to the system.

The financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant policies of the District are described below.

### Measurement Focus, Basis of Accounting

The financial statements are reported using the economic resources measurement focus and accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when incurred regardless of the timing of related cash flows. Grants and similar revenues are recognized if all eligibility requirements imposed by the provider have been met.

### Financial Reporting Entity

The District's financial statements include all the accounts of the District's operations. There are no component unit entities that are includable in the District's reports.

### Budget Policy

The District prepares a budget for its general operation and maintenance fund for management purposes. State Statutes require that a budget be prepared for each fund. The resolution authorizing appropriation sets the level by which expenditures cannot legally exceed appropriations. Total personal services, materials and services, capital outlay, debt service, and other expenditures are the levels of control established by resolution. The detail budget document contains more specific detail information for the expenditure categories. Unexpected additional resources may be added to the budget through the use of a supplemental budget and appropriation resolution. Original and supplemental budgets may be modified by the use of appropriation transfers between the levels of controls. Such transfers require approval of the Governing Body. Appropriations lapse at the end of each year.

### Cash

Cash includes amounts in demand deposits. The District considers interest bearing investments due on demand as cash equivalents.

### Investments

The District did not have any investments during the year.

# OREGON WATER WONDERLAND UNIT II SANITARY DISTRICT

Deschutes County, Oregon  
Notes to Financial Statements, continued

June 30, 2017

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## Note A – Summary of Significant Accounting Policies - Continued

### Assessments and Accounts Receivable

No allowance for doubtful accounts is considered necessary for the assessment accounts receivable. The District uses the direct write-off method for recognition of bad debts associated with assessments. Delinquent accounts are submitted to the County Assessor each year and are collected by the Deschutes County Tax Collector.

An allowance for doubtful accounts is recorded for uncollected connection fees.

### Accrued Compensated Absences

The District's full time employees are allowed to accumulate earned but unused personal leave. A liability for the unused leave is reported on the financial statements.

### Capital Assets

Capital assets include property, buildings and improvements, and equipment. Capital assets are defined by the District as assets with an initial cost of more than \$500 and an estimated useful life of more than one year. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at their fair market value at the date of donation.

Buildings, equipment, and sanitary system are depreciated using the straight-line method over the estimated useful life of the asset. Estimated useful life is 15 to 50 years for buildings and system and 5 to 7 years for equipment.

### 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 effect certain amounts and disclosures. Accordingly, actual results may vary from those estimates.

### Restricted Revenues

The District's policy is to expend restricted revenues such as grants and donations before other sources are expended.

### Organization and Fund Structure

The District reports its activities in one proprietary fund.



# OREGON WATER WONDERLAND UNIT II SANITARY DISTRICT

Deschutes County, Oregon  
Notes to Financial Statements, continued

June 30, 2017

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## Note B – Cash and Cash Equivalents

### Deposits with Financial Institutions

Deposits with financial institutions are comprised of demand checking accounts and money market deposits. Effective July 1, 2008, the State of Oregon formed the Oregon Public Collateralization Program under ORS 295. The collateralization program creates a statewide pool of qualified bank depositories for local governments providing collateralization for bank deposits that exceed the limits of Federal Depository Insurance Corporation (FDIC) and eliminating the need for certificates of participation. As of June 30, 2017, the District had a total bank balance of \$217,468 that was covered by FDIC coverage and collateralized by the Oregon Public Collateralization Program. The District also invested in the Local Governmental Investment Pool (LGIP) of the State of Oregon.

### Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to the government. The District's policy, in compliance with State Statutes, requires that the deposits be covered by the Federal Deposit Insurance Corporation (FDIC) and deposited in a qualified depository for public funds.

As of June 30, 2017, the cash balance consisted of:

Cash on hand	\$ 150
Demand checking accounts	102,395
Money market accounts	115,073
Local Governmental Investment Pool	
Loan Payment Reserve	291,642
SDC - Reported as Restricted Cash	366,960
RUS Reserve Requirement - Reported as Restricted Cash	<u>288,500</u>
Totals	<u>\$ 1,164,720</u>

The Local Governmental Investment Pool (LGIP) is not registered with the U.S. Securities and Exchange Commission as an investment company. The Oregon Revised Statutes and the Oregon Investment Council govern the LGIP's investment policies. The State Treasurer is the investment officer for the LGIP and is responsible for funds in the LGIP. These funds must be invested and the investments managed, as a prudent investor would, exercising reasonable care, skill, and caution. Investments in the LGIP are further governed by portfolio guidelines issued by the Oregon Short-Term Board which establish diversification percentages and specify the types and maturities of investments. The Oregon Audits Division of the Secretary of State's office audits the LGIP annually.

The fair market value of the District's position in the LGIP at June 30, 2017, was equivalent to the District's carrying amount. The LGIP is an unrated investment pool.

# OREGON WATER WONDERLAND UNIT II SANITARY DISTRICT

Deschutes County, Oregon  
Notes to Financial Statements, continued

June 30, 2017

## Note C – Accounts Receivable

The District has recorded user’s fees and connection fees recorded as accounts receivable as of June 30, 2017.

An allowance for doubtful accounts is recorded for the uncollected connection fees.

User fees			\$	88,320
Connection fees	\$	29,005		
Allowance for doubtful accounts		<u>(9,719)</u>		<u>19,286</u>
Accounts receivable - net of allowance			\$	<u><u>107,607</u></u>

## Note D – Capital Assets

Capital asset activity for the year ended June 30, 2017 was as follows:

	<u>Balance</u> <u>July 1, 2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2017</u>
<b>Capital Assets Not Being Depreciated</b>				
Land	\$ 443,807	\$ -	\$ -	\$ 443,807
<b>Capital Assets Being Depreciated</b>				
Assets				
Buildings	949,283	-	-	949,283
Sewer system	5,798,202	32,180	-	5,830,382
Equipment	<u>1,284,816</u>	<u>66,276</u>	-	<u>1,351,092</u>
Totals	<u>8,032,301</u>	<u>98,456</u>	-	<u>8,130,757</u>
Accumulated Depreciation				
Buildings	263,815	22,792	-	286,607
Sewer system	2,903,872	262,658	-	3,166,530
Equipment	<u>811,352</u>	<u>79,763</u>	-	<u>891,115</u>
Totals	<u>3,979,039</u>	<u>\$ 365,213</u>	<u>\$ -</u>	<u>4,344,252</u>
Net Book Value	<u>4,053,262</u>			<u>3,786,505</u>
<b>Total Capital Assets</b>	<u>\$ 4,497,069</u>			<u>\$ 4,230,312</u>

# OREGON WATER WONDERLAND UNIT II SANITARY DISTRICT

Deschutes County, Oregon  
Notes to Financial Statements, continued

June 30, 2017

## Note D – Capital Assets – Continued

Depreciation is computed using the straight-line method over the estimated useful life of the assets. The following is a summary of the depreciation for the year ended June 30, 2017:

	Life	Cost	Accumulated Depreciation	Net	2016-17 Expense
Capital Assets Not Being Depreciated					
Land		\$ 443,807	\$ -	\$ 443,807	\$ -
Capital Assets Being Depreciated					
Buildings	40	949,283	286,607	662,676	22,792
Sewer system	15-50	5,830,382	3,166,530	2,663,852	262,658
Equipment	5-7	1,351,092	891,115	459,977	79,763
Totals		8,130,757	4,344,252	3,786,505	365,213
Totals all Capital Assets		\$ 8,574,564	\$ 4,344,252	\$ 4,230,312	\$ 365,213

## Note E – Long-Term Debt

On July 30, 2007, four revenue bonds were issued by the District for the financing of the sewer project constructed in a prior year. The total obligation was a USDA Rural Development loan of \$4,285,400. The four loans have a 30 year repayment terms at 4.125% and 4.25% interest with annual payments of \$281,210. The loan agreement requires a reserve to be established of \$28,850 per year for the first ten years until the reserve equals \$288,500. The required reserve balance as of June 30, 2017, is \$288,500.

The unobligated net revenues of the sewer utility system of the District are pledged.

Changes in the long-term debt is summarized as follows:

	Balance July 1, 2016	Additions	Payments	Balance June 30, 2017
USDA Rural Notes				
Note #8	\$ 569,801	\$ -	\$ 16,426	\$ 553,375
Note #9	168,130	-	4,774	163,356
Note #11	1,586,134	-	45,043	1,541,091
Note #13	1,648,932	-	46,826	1,602,106
Totals	\$ 3,972,997	\$ -	\$ 113,069	\$ 3,859,928

# OREGON WATER WONDERLAND UNIT II SANITARY DISTRICT

Deschutes County, Oregon  
Notes to Financial Statements, continued

June 30, 2017

## Note E – Long-Term Debt – Continued

The future debt service requirements as of June 30, 2017, are as follows:

Note #8	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Fiscal Year Ending June 30,			
2018	\$ 17,103	\$ 22,827	\$ 39,930
2019	17,809	22,121	39,930
2020	18,543	21,387	39,930
2021	19,308	20,622	39,930
2022	20,105	19,825	39,930
2023	20,934	18,996	39,930
2024	21,798	18,132	39,930
2025	22,697	17,233	39,930
2026	23,633	16,297	39,930
2027	24,608	15,322	39,930
2028	25,623	14,307	39,930
2029	26,680	13,250	39,930
2030	27,780	12,150	39,930
2031	28,926	11,004	39,930
2032	30,120	9,810	39,930
2033	31,362	8,568	39,930
2034	32,656	7,274	39,930
2035	34,003	5,927	39,930
2036	35,405	4,525	39,930
2037	36,866	3,064	39,930
2038	<u>37,417</u>	<u>2,513</u>	<u>39,930</u>
Totals	<u>\$ 553,376</u>	<u>\$ 285,154</u>	<u>\$ 838,530</u>

# OREGON WATER WONDERLAND UNIT II SANITARY DISTRICT

Deschutes County, Oregon  
Notes to Financial Statements, continued

June 30, 2017

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## Note E – Long-Term Debt – Continued

Note #9	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Fiscal Year Ending June 30,			
2018	\$ 4,977	\$ 6,943	\$ 11,920
2019	5,189	6,731	11,920
2020	5,409	6,511	11,920
2021	5,639	6,281	11,920
2022	5,879	6,041	11,920
2023	6,129	5,791	11,920
2024	6,389	5,531	11,920
2025	6,661	5,259	11,920
2026	6,944	4,976	11,920
2027	7,239	4,681	11,920
2028	7,547	4,373	11,920
2029	7,868	4,052	11,920
2030	8,202	3,718	11,920
2031	8,550	3,370	11,920
2032	8,914	3,006	11,920
2033	9,293	2,627	11,920
2034	9,688	2,232	11,920
2035	10,099	1,821	11,920
2036	10,529	1,391	11,920
2037	10,976	944	11,920
2038	<u>11,235</u>	<u>477</u>	<u>11,712</u>
Totals	<u>\$ 163,356</u>	<u>\$ 86,756</u>	<u>\$ 250,112</u>

# OREGON WATER WONDERLAND UNIT II SANITARY DISTRICT

Deschutes County, Oregon  
Notes to Financial Statements, continued

June 30, 2017

## Note E – Long-Term Debt – Continued

Note #11	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Fiscal Year Ending June 30,			
2017	45,043	67,411	112,454
2018	46,958	65,496	112,454
2019	48,953	63,501	112,454
2020	51,034	61,420	112,454
2021	53,203	59,251	112,454
2022	55,464	56,990	112,454
2023	57,821	54,633	112,454
2024	60,279	52,175	112,454
2025	62,840	49,614	112,454
2026	65,511	46,943	112,454
2027	68,295	44,159	112,454
2028	71,198	41,256	112,454
2029	74,224	38,230	112,454
2030	77,378	35,076	112,454
2031	80,667	31,787	112,454
2032	84,095	28,359	112,454
2033	87,669	24,785	112,454
2034	91,395	21,059	112,454
2035	95,279	17,145	112,424
2036	99,329	13,125	112,454
2037	103,550	8,904	112,454
2038	105,947	4,503	110,450
Totals	<u>\$ 1,586,132</u>	<u>\$ 885,822</u>	<u>\$ 2,471,954</u>

# OREGON WATER WONDERLAND UNIT II SANITARY DISTRICT

Deschutes County, Oregon  
Notes to Financial Statements, continued

June 30, 2017

## Note E – Long-Term Debt – Continued

Note #13	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Fiscal Year Ending June 30,			
2018	\$ 48,817	\$ 68,089	\$ 116,906
2019	50,891	66,015	116,906
2020	53,054	63,852	116,906
2021	55,309	61,597	116,906
2022	57,660	59,246	116,906
2023	60,110	56,796	116,906
2024	62,665	54,241	116,906
2025	65,328	51,578	116,906
2026	68,104	48,802	116,906
2027	70,999	45,907	116,906
2028	74,016	42,890	116,906
2029	77,162	39,744	116,906
2030	80,441	36,465	116,906
2031	83,860	33,046	116,906
2032	87,424	29,482	116,906
2033	91,140	25,766	116,906
2034	95,013	21,893	116,906
2035	99,051	17,855	116,906
2036	103,261	13,645	116,906
2037	107,650	9,256	116,906
2038	<u>110,150</u>	<u>4,681</u>	<u>114,831</u>
Totals	<u>\$ 1,602,105</u>	<u>\$ 850,846</u>	<u>\$ 2,452,951</u>

# OREGON WATER WONDERLAND UNIT II SANITARY DISTRICT

Deschutes County, Oregon  
Notes to Financial Statements, continued

June 30, 2017

## Note E – Long-Term Debt – Continued

Total All Notes	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Fiscal Year Ending June 30,			
2018	117,855	163,355	281,210
2019	122,842	158,368	281,210
2020	128,041	153,169	281,210
2021	133,459	147,751	281,210
2022	139,107	142,103	281,210
2023	144,994	136,216	281,210
2024	151,130	130,080	281,210
2025	157,526	123,684	281,210
2026	164,193	117,017	281,210
2027	171,141	110,069	281,210
2028	178,384	102,826	281,210
2029	185,933	95,277	281,210
2030	193,802	87,408	281,210
2031	202,004	79,206	281,210
2032	210,553	70,657	281,210
2033	219,464	61,746	281,210
2034	228,752	52,458	281,210
2035	238,433	42,777	281,210
2036	248,524	32,686	281,210
2037	259,042	22,168	281,210
2038	264,749	12,175	276,924
Totals	<u>\$ 3,859,928</u>	<u>\$ 2,041,196</u>	<u>\$ 5,901,124</u>

## Note F – Retirement Plan

The District Board approved a standard 457(b) plan for the employees. The District will match up to \$7,000 of employee contributions in a year. During the 2016-17 fiscal year the District's contribution to the plan was \$6,300. All employees are eligible to participate in the plan.



# OREGON WATER WONDERLAND UNIT II SANITARY DISTRICT

Deschutes County, Oregon  
Notes to Financial Statements, continued

June 30, 2017

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## **Note G – Risk Management**

The District is exposed to various risk of loss related to torts; theft or damages to and destruction of assets; errors and omissions; injury to employees; and natural disasters for which the District carries commercial insurance. The District reviews the coverage periodically, and there has not been a significant reduction in coverage from the prior years. Any settlements have not exceeded coverage in the prior years.

## **Note H – Post Employment Benefits**

Governmental Accounting Standards Board (GASB) Statement 45 requires the District to determine the extent of its liability for other post-retirement benefits (OPEB) and record the liability in its financial statements on an accrual basis. This includes the requirement of ORS 243.303 of offering the same healthcare benefits for current employees to all retirees and their dependents until such times as the retirees are eligible for Medicare. This is referred to as an "implied subsidy" under GASB 45.

The District does not have any OPEB other than the implied subsidy. The amount of the OPEB cannot be determined and is not reported as a liability in these financial statements.

## **Note I – Subsequent Events**

Management has evaluated subsequent events through January 16, 2018, the date the financial statements were available for issue.

ADDITIONAL SUPPLEMENTAL INFORMATION

**OREGON WATER WONDERLAND UNIT II SANITARY DISTRICT**

Deschutes County, Oregon

**SCHEDULE OF OPERATING EXPENSES**

For The Year Ended June 30, 2017

Personnel Expense	
Salaries and wages	
Manager	\$ 72,612
Operator	42,555
Office	22,959
Employee benefits	58,671
Payroll taxes	<u>11,769</u>
Total Personal Services	<u>\$ 208,566</u>
Materials and Services	
Bank charges	\$ 3,193
Education and training	1,725
Fees, dues, and subscriptions	2,400
Licenses and permits	3,439
Property insurance	9,439
Travel, lodging, and meals	1,787
Administration cost	1,342
Accounting	5,977
Legal	746
Office costs	7,533
Utilities	36,949
Plant supplies and tests	10,865
Operations maintenance and repairs	17,994
Fuel	3,156
Vehicle maintenance	<u>2,445</u>
Total Materials and Services	<u>\$ 108,990</u>

**OREGON WATER WONDERLAND UNIT II SANITARY DISTRICT**  
 Deschutes County, Oregon  
 SCHEDULE OF ACTUAL AND BUDGETED TRANSACTIONS - GENERAL FUND  
 BUDGETARY BASIS

For The Year Ended June 30, 2017

	Original Budget	Final Budget	Actual	Variance To Final Budget Over (Under)
<b>Revenues</b>				
User fees	\$ 608,256	\$ 608,256	\$ 625,296	\$ 17,040
Other fees and charges	16,000	16,000	20,587	4,587
System development charges	75,624	75,624	118,680	43,056
Lease revenue	15,180	15,180	15,180	-
Interest	2,800	2,800	9,572	6,772
Total Revenues	717,860	717,860	789,315	71,455
<b>Expenditures</b>				
Personnel services	207,965	207,965	208,566	601
Materials and services	172,400	172,400	108,990	(63,410)
Capital outlay	38,885	108,885	98,459	(10,426)
Debt service	281,210	281,210	281,210	-
Contingency	10,000	10,000	-	(10,000)
Total Expenditures	710,460	780,460	697,225	(83,235)
Resources Over (Under) Expenditures	7,400	(62,600)	92,090	154,690
<b>Interfund Transfers</b>				
Transfer to Capital Reserve Account	(30,000)	(30,000)	-	30,000
Cash Balance - Beginning of Year	974,603	974,603	1,072,630	98,027
Cash Balance - End of Year	\$ 952,003	\$ 882,003	\$ 1,164,720	\$ 282,717
<b>Cash Balance End of Year</b>				
Cash and Cash Equivalents			\$ 509,262	
Restricted Cash			655,458	
			\$ 1,164,720	

INDEPENDENT AUDITOR'S REPORT REQUIRED BY OREGON STATE REGULATIONS

## OREGON WATER WONDERLAND UNIT II SANITARY DISTRICT

Independent Auditor's Report  
Required by Oregon State Regulations  
June 30, 2017

Members of the Board of Directors  
Oregon Water Wonderland Unit II Sanitary District  
Deschutes County, Oregon

We have audited, in accordance with auditing standards generally accepted in the United States of America, the basic financial statements of Oregon Water Wonderland Unit II Sanitary District as of and for the year ended June 30, 2017, and have issued our report thereon dated January 16, 2018.

### Compliance

As part of obtaining reasonable assurance about whether Oregon Water Wonderland Unit II Sanitary District's financial statements are free of material misstatements, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-10-000 through 162-10-320 of the Minimum Standards for Audits of Oregon Municipal Corporations, noncompliance with which could have a direct and material effect on the determination of financial statements amounts. However, providing an opinion on the compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

We performed procedures to the extent we considered necessary to address the required comments and disclosures which included, but were not limited to the following:

- Deposits of public funds with financial institutions (ORS Chapter 295).
- Indebtedness limitations, restrictions and payments.
- Budget legally required (ORS Chapter 294).
- Insurance and fidelity bonds in force or required by law.
- Programs funded from outside sources.
- Authorized investment of surplus funds.
- Public contracts and purchasing (ORS Chapters 297A, 297B, 297C).

**OREGON WATER WONDERLAND UNIT II SANITARY DISTRICT**

Independent Auditor's Report

Required by Oregon State Regulations - Continued

June 30, 2017

In connection with our testing, nothing came to our attention that caused us to believe that Oregon Water Wonderland Unit II Sanitary District was not in substantial compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-10-000 through 162-10-320 of the Minimum Standards for Audit of Oregon Municipal Corporations.

**OAR 162-10-0230 Internal Control**

In planning and performing our audit, we considered the Oregon Water Wonderland Unit II Sanitary District's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstance for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Oregon Water Wonderland Unit II Sanitary District's internal control. Accordingly, we do not express an opinion on the effectiveness of Oregon Water Wonderland Unit II Sanitary District's internal control.

**Restriction on Use**

This report is intended solely for the information and use of the Board of Directors and management of Oregon Water Wonderland Unit II Sanitary District and the Oregon Secretary of State and is not intended to be used and should not be used by anyone other than these parties.

*Barnett & Company CPAs*

*John M. Barnett, CPA*

Barnett and Company CPAs  
January 16, 2018

by: John M. Barnett, CPA