

**OREGON WATER WONDERLAND UNIT II
SANITARY DISTRICT**

Deschutes County, Oregon

FINANCIAL STATEMENTS

June 30, 2016

OREGON WATER WONDERLAND UNIT II SANITARY DISTRICT

Deschutes County, Oregon

DISTRICT OFFICIALS

June 30, 2016

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

Report on Financial Statements

We have audited the accompanying financial statements of Oregon Water Wonderland Unit II Sanitary District, Oregon, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Oregon Water Wonderland Unit II Sanitary District's 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 misstatements, 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 the 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 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 statement, 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 controls. 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 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, 2016, and the respective changes in the financial position and, where applicable, cash flows thereof for the year ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplemental Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 through 6, 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 Management's Discussion and Analysis 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Oregon Water Wonderland Unit II Sanitary District's financial statements as a whole. The schedules listed in the Table of Contents as "Additional Supplemental Information" are presented for the purpose of additional analysis and are not a required part of the basic financial statements.

The Additional Supplemental Information is the responsibility of management and were derived from and related 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 Additional Supplemental Information is fairly stated in all material respects in relation to the financial statements as a whole.

Report Required by Oregon Minimum Standards

In accordance with Minimum Standards for audits of Oregon Municipal Corporations, we have also issued our report dated October 20, 2016, on our consideration of the Oregon Water Wonderland Unit II Sanitary District's internal control over financial reporting and on our tests of its compliance with the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules OAR 162-10-000 to 162-10-320. 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

Barnett and Company CPAs
Bend, Oregon
October 20, 2016

John M. Barnett, CPA

By: John M. Barnett, CPA

MANAGEMENT'S DISCUSSION AND ANALYSIS

**Oregon Water Wonderland Unit II Sanitary District
Management's Discussion and Analysis (MD&A)
Year Ended June 30, 2016**

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, 2016. 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 increased \$23,006 in the 2015-16 fiscal year.
- The total liabilities as of June 30, 2016 were \$4,147,890, a decrease of \$115,475.
- Operating revenues of the District were \$844,920, an increase of \$172,247 over the prior year.
- Operating expenses for the fiscal year were \$673,807, of which \$362,145 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, 2016 - 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 by \$1,600,745 at June 30, 2016. 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 \$519,046 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.

	<u>June 30,</u>	<u>2016</u>	
	<u>(Restated)</u>		<u>Over (Under)</u>
	<u>2016</u>	<u>2015</u>	<u>2015</u>
Assets			
Current Assets	\$ 705,958	\$ 628,176	\$ 77,782
Capital Assets	4,497,068	4,805,909	(308,841)
Other Assets	<u>557,628</u>	<u>410,580</u>	<u>147,048</u>
Total Assets	<u>5,760,654</u>	<u>5,844,665</u>	<u>(84,011)</u>
Liabilities			
Current Liabilities	287,962	290,367	(2,405)
Long-Term Liabilities	<u>3,859,927</u>	<u>3,972,997</u>	<u>(113,070)</u>
Total Liabilities	<u>4,147,890</u>	<u>4,263,364</u>	<u>(115,475)</u>
Deferred Inflows of Resources			
Revenues received but not earned	<u>12,019</u>	<u>3,562</u>	<u>8,457</u>
Net Position			
Invested in Capital Assets -			
Net of Related Debt	524,071	724,433	(200,362)
Restricted	557,628	410,580	147,048
Unrestricted	<u>519,046</u>	<u>442,726</u>	<u>76,320</u>
Net Position	<u>\$ 1,600,745</u>	<u>\$ 1,577,739</u>	<u>\$ 23,006</u>

**Oregon Water Wonderland Unit II Sanitary District
Management's Discussion and Analysis (MD&A)
Year Ended June 30, 2016 - 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 increased net position in the current year by \$23,006.

	June 30,		2016
	(Restated)		Over (Under)
	2016	2015	2015
Revenues			
Service fees and other	\$ 844,920	\$ 672,673	\$ 172,247
Operating expenses	673,807	655,892	17,915
Operating Income	171,113	16,781	154,332
Other Revenue and Expense	(148,106)	(163,253)	15,147
Change in Net Assets	23,006	(146,472)	169,479
Net Position - Beginning of Year	1,577,739	1,724,211	(146,472)
Net Position - End of Year	\$ 1,600,745	\$ 1,577,739	\$ 23,007

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,		2016
	(Restated)		Over (Under)
	2016	2015	2015
Cash Flows from Operating Activities	\$ 501,274	\$ 401,113	\$ 100,161
Cash Flows from Capital Activities	(335,514)	(317,285)	(18,229)
Cash Flows from Investing Activities	20,416	13,309	7,107
Net Increase in Cash	186,176	97,137	89,039
Cash Balance - Beginning of Year	885,455	788,318	97,137
Cash Balance - End of Year	\$ 1,071,631	\$ 885,455	\$ 186,176
Cash Balance - End of Year			
Cash reported as current assets	\$ 515,003	\$ 474,875	\$ 40,128
Restricted cash	557,628	410,580	147,048
Total Cash	\$ 1,072,631	\$ 885,455	\$ 187,176

**Oregon Water Wonderland Unit II Sanitary District
Management's Discussion and Analysis (MD&A)
Year Ended June 30, 2016 - 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, 2016, the District had invested \$4,497,068 in capital assets, net of depreciation.

During the year, the District made additions to the capital assets of \$53,305. Depreciation expense for the year was \$362,145.

Debt Outstanding

As of June 30, 2016, the District had \$3,972,997 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 \$185,702, and expenditures were under budget estimates by \$59,680.

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, 2016

Assets

Current Assets

Cash and cash equivalents	\$ 515,003
Accounts receivable	130,375
Inventory	55,200
Property liens receivable	1,052
Prepaid expenses	<u>4,327</u>

Total Current Assets 705,958

Capital Assets

Assets not being depreciated	443,807
Assets being depreciated	8,032,300
Accumulated depreciation	<u>(3,979,039)</u>

Total Capital Assets 4,497,068

Other Assets

Restricted cash:

RUS debt reserve requirement	259,650
System development charges	<u>297,978</u>

Total Other Assets 557,628

Total Assets 5,760,654

Liabilities

Current Liabilities

Accounts payable	4,816
Accrued payroll and payroll taxes	3,431
Accrued compensated absences	12,517
Accrued interest payable	154,128
Current portion - long-term debt	<u>113,070</u>

Total Current Liabilities 287,962

Long-Term Debt

Notes payable - net of current portion	<u>3,859,927</u>
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Total Liabilities 4,147,890

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 524,071

Restricted:

RUS debt service requirements	259,650
System development charges	297,978

Unrestricted 519,046

Total Net Position \$ 1,600,745

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, 2016

Operating Revenues	
User fees	\$ 640,099
Other	<u>204,821</u>
Total Operating Revenues	<u>844,920</u>
Operating Expenses	
Personnel expense	179,750
Materials and services	131,913
Depreciation	<u>362,145</u>
Total Operating Expenses	<u>673,807</u>
Operating Income	<u>171,113</u>
Non-Operating Revenues (Expense)	
Interest income	4,928
Lease income	15,488
Interest expense	<u>(168,522)</u>
Total Non-Operating Expense	<u>(148,106)</u>
Net Income	23,006
Net Position - Beginning of Year	<u>1,577,739</u>
Net Position - End of Year	<u>\$ 1,600,745</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, 2016

Cash Flows Provided (Used) by Operating Activities	
Cash received from users	\$ 811,205
Cash paid for goods and services	(132,625)
Cash paid to employees	<u>(177,307)</u>
Net Cash Flows Provided by Operating Activities	<u>501,273</u>
Cash Flows Used by Capital Financing Activities	
Interest paid	(172,731)
Acquisition of capital assets	(53,304)
Repayment of long-term debt	<u>(108,479)</u>
Net Cash Flows Used by Capital Financing Activities	<u>(334,514)</u>
Cash Flows Provided by Investing Activities	
Interest earned	4,928
Lease income	<u>15,488</u>
Net Cash Flows Provided by Investing Activities	<u>20,416</u>
Net Increase in Cash	187,175
Cash Balance - Beginning of Year	<u>885,455</u>
Cash Balance - End of Year	<u>\$ 1,072,630</u>
Reconciliation of operating income to net cash provided by (used for) operating activities	
Operating Income	\$ 171,113
Adjustments to reconcile operating income to net cash provided by (used for) operating activities	
Depreciation	362,145
Changes in current assets and liabilities	
Increase in accounts receivable	(43,422)
Decrease in property taxes receivable	1,249
Decrease in inventory	4,600
Increase in prepaid expenses	(82)
Decrease in accounts payable	(5,230)
Increase in accrued payroll costs	2,443
Decrease in Deferred Inflows of Resources	<u>8,457</u>
Net Cash Flows from Operating Activities	<u>\$ 501,273</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, 2016

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, 2016, 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, 2016

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, 2016

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, 2016, the District had a total bank balance of \$180,250 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, 2016, the cash balance consisted of:

Cash on hand	\$ 150
Demand checking accounts	49,324
Money market accounts	130,926
Local Governmental Investment Pool	892,230
Less - Restricted cash	<u>(557,628)</u>
Totals	<u>\$ 515,002</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, 2016, 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, 2016

Note C – Accounts Receivable

The District has recorded user’s fees and connection fees recorded as accounts receivable as of June 30, 2016.

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

User fees		\$	91,823
Connection fees	\$	48,271	
Allowance for doubtful accounts	<u>(9,719)</u>	<u>38,552</u>	
Accounts receivable - net of allowance		<u>\$</u>	<u>130,376</u>

Note D – Capital Assets

Capital asset activity for the year ended June 30, 2016 was as follows:

	<u>Balance</u> <u>July 1, 2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2016</u>
Capital Assets Not Being Depreciated				
Land	\$ 443,807	\$ -	\$ -	\$ 443,807
Capital Assets Being Depreciated				
Assets				
Buildings	949,283	-	-	949,283
Sewer system	5,781,292	16,910	-	5,798,202
Equipment	<u>1,248,421</u>	<u>36,395</u>	<u>-</u>	<u>1,284,816</u>
Totals	<u>7,978,996</u>	<u>53,305</u>	<u>-</u>	<u>8,032,301</u>
Accumulated Depreciation				
Buildings	241,023	22,792	-	263,815
Sewer system	2,639,433	264,439	-	2,903,872
Equipment	<u>736,438</u>	<u>74,914</u>	<u>-</u>	<u>811,352</u>
Totals	<u>3,616,894</u>	<u>\$ 362,145</u>	<u>\$ -</u>	<u>3,979,039</u>
Net Book Value	<u>4,362,102</u>			<u>4,053,262</u>
Total Capital Assets	<u>\$ 4,805,909</u>			<u>\$ 4,497,069</u>

OREGON WATER WONDERLAND UNIT II SANITARY DISTRICT

Deschutes County, Oregon
Notes to Financial Statements, continued

June 30, 2016

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, 2016:

	Life	Cost	Accumulated Depreciation	Net	2015-16 Expense
Capital Assets Not Being Depreciated					
Land		\$ 443,807	\$ -	\$ 443,807	\$ -
Capital Assets Being Depreciated					
Buildings	40	949,283	263,815	685,468	22,792
Sewer system	15-50	5,798,202	2,903,872	2,894,330	264,439
Equipment	5-7	<u>1,281,666</u>	<u>811,037</u>	<u>470,629</u>	<u>74,599</u>
Totals		<u>8,029,151</u>	<u>3,978,724</u>	<u>4,050,427</u>	<u>361,830</u>
Totals all Capital Assets		<u>\$ 8,472,958</u>	<u>\$ 3,978,724</u>	<u>\$ 4,494,234</u>	<u>\$ 361,830</u>

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, 2016, is \$259,650.

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, 2015	Additions	Payments	Balance June 30, 2016
USDA Rural Notes				
Note #8	\$ 585,576	\$ -	\$ 15,775	\$ 569,801
Note #9	172,710	-	4,580	168,130
Note #11	1,629,341	-	43,207	1,586,134
Note #13	<u>1,693,849</u>	<u>-</u>	<u>44,917</u>	<u>1,648,932</u>
Totals	<u>\$ 4,081,476</u>	<u>\$ -</u>	<u>\$ 108,479</u>	<u>\$ 3,972,997</u>

OREGON WATER WONDERLAND UNIT II SANITARY DISTRICT

Deschutes County, Oregon
Notes to Financial Statements, continued

June 30, 2016

Note E – Long-Term Debt – Continued

The future debt service requirements as of June 30, 2016, are as follows:

Note #8	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Fiscal Year Ending June 30,			
2017	16,426	23,504	39,930
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
2022-26	109,166	90,484	199,650
2027-31	133,617	66,033	199,650
2032-36	163,545	36,105	199,650
2037-38	<u>74,284</u>	<u>5,577</u>	<u>79,861</u>
Totals	<u>\$ 569,801</u>	<u>\$ 308,660</u>	<u>\$ 878,461</u>
Note #9	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Fiscal Year Ending June 30,			
2017	4,774	7,146	11,920
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
2022-26	32,002	27,598	59,600
2027-31	39,406	20,194	59,600
2032-36	48,522	11,078	59,600
2037-38	<u>22,212</u>	<u>1,421</u>	<u>23,633</u>
Totals	<u>\$ 168,130</u>	<u>\$ 93,903</u>	<u>\$ 262,033</u>

OREGON WATER WONDERLAND UNIT II SANITARY DISTRICT

Deschutes County, Oregon
Notes to Financial Statements, continued

June 30, 2016

Note E – Long-Term Debt – Continued

Note #11	Principal	Interest	Total
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
2022-26	301,915	260,355	562,270
2027-31	371,762	190,508	562,270
2032-36	457,768	104,502	562,270
2037-38	209,498	13,406	222,904
Totals	\$ 1,586,134	\$ 885,850	\$ 2,471,984
Note #13	Principal	Interest	Total
Fiscal Year Ending June 30,			
2017	46,826	70,080	116,906
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
2022-26	313,867	270,663	584,530
2027-31	386,479	198,051	584,530
2032-36	475,889	108,641	584,530
2037-38	217,800	13,938	231,738
Totals	\$ 1,648,932	\$ 920,926	\$ 2,569,858
Total All Notes	Principal	Interest	Total
Fiscal Year Ending June 30,			
2017	113,070	168,140	281,210
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
2022-26	756,950	649,100	1,406,050
2027-31	931,264	931,264	1,862,528
2032-36	1,145,725	1,145,725	2,291,450
2037-38	523,791	34,343	558,134
Totals	\$ 3,972,997	\$ 3,551,215	\$ 7,524,212

OREGON WATER WONDERLAND UNIT II SANITARY DISTRICT

Deschutes County, Oregon
Notes to Financial Statements, continued

June 30, 2016

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 2015-16 fiscal year the District's contribution to the plan was \$3,920. All employees are eligible to participate in the plan.

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 – Prior Period Adjustment

The beginning net position of the District as presented on the Statement of Activities has been restated to record a prior period adjustment to correct the balance of accrued compensated absences as of June 30, 2015. Both Net Position and Accrued Absences were restated as follows:

	As Originally Reported <u>June 30, 2015</u>	<u>Adjustments</u>	Reported amounts after Adjustments <u>July 1, 2015</u>
Accrued Absences	\$ -	\$ 10,361	\$ 10,361
Net Position	\$ 1,588,100	\$ (10,361)	\$ 1,577,739

Note J – Subsequent Events

Management has evaluated subsequent events through October 20, 2016, 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, 2016

Personnel Expense	
Salaries and wages	
Manager	\$ 67,754
Operator	36,970
Office	22,063
Employee benefits	42,090
Payroll taxes	<u>10,872</u>
Total Personal Services	<u>\$ 179,750</u>
Materials and Services	
Bank charges	\$ 2,660
Education and training	2,420
Fees, dues, and subscriptions	2,306
Licenses and permits	1,878
Property insurance	8,849
Travel, lodging, and meals	3,408
Administration cost	1,077
Accounting	5,100
Legal	1,740
Office costs	7,862
Utilities	41,007
Plant supplies and tests	12,851
Operations maintenance and repairs	35,210
Fuel	2,696
Vehicle maintenance	<u>2,849</u>
Total Materials and Services	<u>\$ 131,913</u>

OREGON WATER WONDERLAND UNIT II SANITARY DISTRICT

Deschutes County, Oregon

**SCHEDULE OF ACTUAL AND BUDGETED TRANSACTIONS - GENERAL FUND
BUDGETARY BASIS - MODIFIED ACCRUAL**

For The Year Ended June 30, 2016

	<u>Actual</u>	<u>Original and Final Budget</u>	<u>Variance To Final Budget Over (Under)</u>
Revenues			
User fees	\$ 640,099	\$ 594,432	\$ 45,667
Other fees and charges	21,191	16,000	5,191
System development charges	183,630	55,692	127,938
Lease revenue	15,488	10,710	4,778
Interest	<u>4,928</u>	<u>2,800</u>	<u>2,128</u>
Total Revenues	<u>865,336</u>	<u>679,634</u>	<u>185,702</u>
Expenditures			
Personnel services	179,750	208,397	(28,647)
Materials and services	131,913	147,260	(15,347)
Capital outlay	53,305	58,990	(5,685)
Debt service	281,210	281,210	-
Contingency	<u>-</u>	<u>10,000</u>	<u>(10,000)</u>
Total Expenditures	<u>646,177</u>	<u>705,857</u>	<u>(59,680)</u>
Resources Over (Under) Expenditures	219,159	(26,223)	245,382
Interfund Transfers			
Transfer to Capital Reserve Account	<u>25,000</u>	<u>25,000</u>	<u>-</u>
General Fund Cash Balance - Beginning of Year	<u>825,455</u>	<u>846,092</u>	<u>(20,637)</u>
Items to reconcile Cash Balance with Budgetary Basis			
Cash Received from user fees	811,205		
Less: User, Other and SDC Fees reported above	(844,920)		
Cash paid for materials and services	(132,625)		
Add: Materials and Services expenditures	131,913		
Cash paid for personnel services	(177,306)		
Add: Personnel services expenditures	179,750		
Cash paid for acquisition of capital assets	(53,305)		
Add: Capital outlay	53,305		
General Fund Cash Balance - End of Year	<u>\$ 987,630</u>	<u>\$ 794,869</u>	<u>\$ 192,761</u>

OREGON WATER WONDERLAND UNIT II SANITARY DISTRICT

Deschutes County, Oregon

SCHEDULE OF PROPERTY LIENS TRANSACTIONS

For The Year Ended June 30, 2016

<u>Tax Year</u>	Liens 2015-16 and Receivables July 1, 2015	<u>Adjustments</u>	Interest (Discounts)	Cash Turnovers from Treasurer	Liens Receivable June 30, 2015
2015-16	\$ 40,015	\$ (360)	\$ (992)	\$ 38,080	\$ 583
2014-15	686	(5)	24	448	257
2013-14	384	(5)	31	239	171
2012-13	78	(2)	13	68	21
2011-12	60	(5)	12	54	13
2010-11	14	(4)	2	6	6
2009-10	8	(3)	1	4	2
	<u>\$ 41,245</u>	<u>\$ (384)</u>	<u>\$ (909)</u>	<u>\$ 38,899</u>	1,053
Property liens receivable					<u>\$ 1,053</u>

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, 2016

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, 2016, and have issued our report thereon dated October 20, 2016.

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, 2016

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
October 20, 2016

by: John M. Barnett, CPA