

OREGON WATER WONDERLAND UNIT II SANITARY DISTRICT
Deschutes County, Oregon

FINANCIAL STATEMENTS

June 30, 2015

OREGON WATER WONDERLAND UNIT II SANITARY DISTRICT

Deschutes County, Oregon

DISTRICT OFFICIALS

June 30, 2015

Board of Directors

Robert Chase - President

Bend, Oregon

Elreta Humeston - Secretary

Bend, Oregon

Robert Worthean

Bend, Oregon

Phil Alves

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, 2015, 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, 2015, 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 4 through 7, 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 December 1, 2015, 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
December 1, 2015

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, 2015**

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, 2015. 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 \$136,111 in the 2014-15 fiscal year.
- The total liabilities as of June 30, 2015 were \$4,253,003, a decrease of \$126,796.
- Operating revenues of the District were \$672,673, an increase of \$37,899 over the prior year.
- Operating expenses for the fiscal year were \$645,531, of which \$358,073 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, 2015 - 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 \$1,588,100 at June 30, 2015. 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 \$453,087 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,		2015
	(Restated)		Over (Under)
	2015	2014	2014
Assets			
Current Assets	\$ 628,176	\$ 624,724	\$ 3,452
Capital Assets	4,805,909	5,127,906	(321,997)
Other Assets	410,580	351,380	59,200
Total Assets	5,844,665	6,104,010	(259,345)
Liabilities			
Current Liabilities	280,006	302,101	(22,095)
Long-Term Liabilities	3,972,997	4,077,698	(104,701)
Total Liabilities	4,253,003	4,379,799	(126,796)
Deferred Inflows of Resources			
Revenues received but not earned	3,562	-	3,562
Net Position			
Invested in Capital Assets -			
Net of Related Debt	724,433	942,354	(217,921)
Restricted	410,580	351,380	59,200
Unrestricted	453,087	430,477	22,610
Net Position	\$ 1,588,100	\$ 1,724,211	\$ (136,111)

**Oregon Water Wonderland Unit II Sanitary District
Management's Discussion and Analysis (MD&A)
Year Ended June 30, 2015 - 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 \$136,111.

	June 30,		2015
	2015	(Restated) 2014	Over (Under) 2014
Revenues			
Service fees and other	\$ 672,673	\$ 634,774	\$ 37,899
Operating expenses	645,531	677,879	(32,348)
Operating Income	27,142	(43,105)	70,247
Other Revenue and Expense	(163,253)	(160,723)	(2,530)
Change in Net Assets	(136,111)	(203,828)	67,717
Net Position - Beginning of Year	1,724,211	1,928,039	(203,828)
Net Position - End of Year	\$ 1,588,100	\$ 1,724,211	\$ (136,111)

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,		2015
	2015	2014	Over (Under) 2014
Cash Flows from Operating Activities	\$ 401,113	\$ 346,872	\$ 54,241
Cash Flows from Capital Activities	(317,285)	(297,445)	(19,840)
Cash Flows from Investing Activities	13,309	12,998	311
Net Increase in Cash	97,137	62,425	34,712
Cash Balance - Beginning of Year	788,318	725,893	62,425
Cash Balance - End of Year	\$ 885,455	\$ 788,318	\$ 97,137
Cash Balance - End of Year			
Cash reported as current assets	\$ 474,875	\$ 436,938	\$ 37,937
Restricted cash	410,580	351,380	59,200
Total Cash	\$ 885,455	\$ 788,318	\$ 97,137

**Oregon Water Wonderland Unit II Sanitary District
Management's Discussion and Analysis (MD&A)
Year Ended June 30, 2015 - 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, 2015, the District had invested \$4,805,909 in capital assets, net of depreciation.

During the year, the District made additions to the capital assets of \$36,076. Depreciation expense for the year was \$358,073.

Debt Outstanding

As of June 30, 2015, the District had \$4,081,476 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 \$63,798, and expenditures were under budget estimates by \$59,913.

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, 2015

Assets

Current Assets

Cash and cash equivalents	\$ 474,875
Accounts receivable	86,956
Inventory	59,800
Property liens receivable	2,301
Prepaid expenses	<u>4,245</u>

Total Current Assets 628,176

Capital Assets

Assets not being depreciated	443,807
Assets being depreciated	7,978,996
Accumulated depreciation	<u>(3,616,894)</u>

Total Capital Assets 4,805,909

Other Assets

Restricted cash:

RUS debt reserve requirement	230,800
System development charges	<u>179,780</u>

Total Other Assets 410,580

Total Assets 5,844,665

Liabilities

Current Liabilities

Accounts payable	10,046
Accrued payroll and payroll taxes	3,144
Accrued interest payable	158,337
Current portion - long-term debt	<u>108,479</u>

Total Current Liabilities 280,006

Long-Term Debt

Notes payable - net of current portion	<u>3,972,997</u>
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Total Liabilities 4,253,003

Deferred Inflows of Resources

Revenues received but not earned	<u>3,562</u>
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Net Position

Investment in Capital Assets - Net of Related Debt 724,433

Restricted:

RUS debt service requirements	230,800
System development charges	179,780

Unrestricted 453,087

Total Net Position \$ 1,588,100

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, 2015

Operating Revenues	
User fees	\$ 557,823
Other	<u>114,850</u>
Total Operating Revenues	<u>672,673</u>
Operating Expenses	
Personnel expense	159,199
Materials and services	128,259
Depreciation	<u>358,073</u>
Total Operating Expenses	<u>645,531</u>
Operating Income	<u>27,142</u>
Non-Operating Revenues (Expense)	
Interest income	3,086
Lease income	10,223
Interest expense	<u>(176,562)</u>
Total Non-Operating Expense	<u>(163,253)</u>
Net Loss	(136,111)
Net Position - Beginning of Year	<u>1,724,211</u>
Net Position - End of Year	<u>\$ 1,588,100</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, 2015

Cash Flows Provided (Used) by Operating Activities	
Cash received from users	\$ 690,305
Cash paid for goods and services	(121,043)
Cash paid to employees	<u>(168,149)</u>
Net Cash Flows Provided by Operating Activities	<u>401,113</u>
Cash Flows Used by Capital Financing Activities	
Interest paid	(177,134)
Acquisition of capital assets	(36,076)
Repayment of long-term debt	<u>(104,075)</u>
Net Cash Flows Used by Capital Financing Activities	<u>(317,285)</u>
Cash Flows Provided by Investing Activities	
Interest earned	3,086
Lease income	<u>10,223</u>
Net Cash Flows Provided by Investing Activities	<u>13,309</u>
Net Increase in Cash	97,137
Cash Balance - Beginning of Year	<u>788,318</u>
Cash Balance - End of Year	<u><u>\$ 885,455</u></u>
Reconciliation of operating income to net cash provided by (used for) operating activities	
Operating Income	\$ 27,142
Adjustments to reconcile operating income to net cash provided by (used for) operating activities	
Depreciation	358,073
Changes in current assets and liabilities	
Decrease in accounts receivable	25,646
Increase in property taxes receivable	(362)
Decrease in inventory	6,900
Decrease in prepaid expenses	2,300
Increase in accounts payable	4,916
Decrease in accrued payroll costs	(8,950)
Decrease in Deferred Inflows of Resources	<u>(14,552)</u>
Net Cash Flows from Operating Activities	<u><u>\$ 401,113</u></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, 2015

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, 2015, 777 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, 2015

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 40 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, 2015

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, 2015, the District had a total bank balance of \$185,379 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, 2015, the cash balance consisted of:

Cash on hand	\$ 150
Demand checking accounts	50,932
Money market accounts	134,446
Local Governmental Investment Pool	669,926
Less - Restricted cash	<u>(410,580)</u>
Totals	<u>\$ 444,874</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, 2015, 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, 2015

Note C – Accounts Receivable

The District has recorded user’s fees and connection fees recorded as accounts receivable as of June 30, 2015.

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

User fees		\$	82,164
Property taxes receivable			1,229
Connection fees	\$	33,397	
Allowance for doubtful accounts		<u>(29,835)</u>	<u>3,562</u>
Accounts receivable - net of allowance		<u>\$</u>	<u>86,956</u>

Note D – Capital Assets

Capital asset activity for the year ended June 30, 2015 was as follows:

	<u>Balance</u> <u>July 1, 2014</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2015</u>
Capital Assets Not Being Depreciated				
Land	\$ 443,807	\$ -	\$ -	\$ 443,807
Capital Assets Being Depreciated				
Assets				
Buildings	949,283	-	-	949,283
Sewer system	5,747,358	33,934	-	5,781,292
Equipment	<u>1,246,279</u>	<u>2,142</u>	-	<u>1,248,421</u>
Totals	<u>7,942,920</u>	<u>36,076</u>	<u>-</u>	<u>7,978,996</u>
Accumulated Depreciation				
Buildings	218,070	22,953	-	241,023
Sewer system	2,377,269	262,164	-	2,639,433
Equipment	<u>663,482</u>	<u>72,956</u>	-	<u>736,438</u>
Totals	<u>3,258,821</u>	<u>\$ 358,073</u>	<u>\$ -</u>	<u>3,616,894</u>
Net Book Value	<u>4,684,099</u>			<u>4,362,102</u>
Total Capital Assets	<u>\$ 5,127,906</u>			<u>\$ 4,805,909</u>

OREGON WATER WONDERLAND UNIT II SANITARY DISTRICT

Deschutes County, Oregon
Notes to Financial Statements, continued

June 30, 2015

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, 2015:

	<u>Life</u>	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net</u>	<u>2014-15 Expense</u>
Capital Assets Not Being Depreciated					
Land		\$ 443,807	\$ -	\$ 443,807	\$ -
Capital Assets Being Depreciated					
Buildings	40	949,283	241,023	708,260	22,953
Sewer system	50	5,781,292	2,639,433	3,141,859	262,164
Equipment	5-7	<u>1,248,421</u>	<u>736,438</u>	<u>511,983</u>	<u>72,956</u>
Totals		<u>7,978,996</u>	<u>3,616,894</u>	<u>4,362,102</u>	<u>358,073</u>
Totals all Capital Assets		<u>\$ 8,422,803</u>	<u>\$ 3,616,894</u>	<u>\$ 4,805,909</u>	<u>\$ 358,073</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, 2015, is \$230,800.

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

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

	<u>Balance July 1, 2014</u>	<u>Additions</u>	<u>Payments</u>	<u>Balance June 30, 2015</u>
USDA Rural Notes				
Note #8	\$ 600,726	\$ -	\$ 15,150	\$ 585,576
Note #9	177,103	-	4,393	172,710
Note #11	1,670,787	-	41,446	1,629,341
Note #13	<u>1,736,935</u>	<u>-</u>	<u>43,086</u>	<u>1,693,849</u>
Totals	<u>\$ 4,185,551</u>	<u>\$ -</u>	<u>\$ 104,075</u>	<u>\$ 4,081,476</u>

OREGON WATER WONDERLAND UNIT II SANITARY DISTRICT

Deschutes County, Oregon
Notes to Financial Statements, continued

June 30, 2015

Note E – Long-Term Debt – Continued

The future debt service requirements as of June 30, 2014, are as follows:

Note #8	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Fiscal Year Ending June 30,			
2016	15,775	24,155	39,930
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
2021-25	104,842	94,809	199,651
2026-30	128,324	71,326	199,650
2031-35	157,066	42,583	199,649
2036-38	<u>109,688</u>	<u>10,102</u>	<u>119,790</u>
Totals	<u>\$ 585,576</u>	<u>\$ 332,814</u>	<u>\$ 918,390</u>
Note #9	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Fiscal Year Ending June 30,			
2016	4,580	7,340	11,920
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
2021-25	30,698	28,902	59,600
2026-30	37,799	21,801	59,600
2031-35	46,544	13,056	59,600
2036-38	<u>32,740</u>	<u>2,813</u>	<u>35,553</u>
Totals	<u>\$ 172,710</u>	<u>\$ 101,243</u>	<u>\$ 273,953</u>

OREGON WATER WONDERLAND UNIT II SANITARY DISTRICT

Deschutes County, Oregon
Notes to Financial Statements, continued

June 30, 2015

Note E – Long-Term Debt – Continued

Note #11	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Fiscal Year Ending June 30,			
2016	43,207	69,247	112,454
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
2021-25	289,607	272,663	562,270
2026-30	356,606	205,664	562,270
2031-35	439,106	123,164	562,270
2036-38	308,827	26,531	335,358
Totals	<u>\$ 1,629,341</u>	<u>\$ 955,097</u>	<u>\$ 2,584,438</u>
Note #13	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Fiscal Year Ending June 30,			
2016	44,917	71,989	116,906
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
2021-25	301,071	283,459	584,530
2026-30	370,723	213,807	584,530
2031-35	456,489	128,041	584,530
2036-38	321,061	27,583	348,644
Totals	<u>\$ 1,693,849</u>	<u>\$ 992,915</u>	<u>\$ 2,686,764</u>
Total All Notes	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Fiscal Year Ending June 30,			
2016	108,479	172,731	281,210
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
2021-25	726,217	679,833	1,406,050
2026-30	893,452	512,597	1,406,049
2031-35	1,099,205	306,845	1,406,050
2036-38	772,315	67,029	839,344
Totals	<u>\$ 4,081,476</u>	<u>\$ 2,382,067</u>	<u>\$ 6,463,543</u>

OREGON WATER WONDERLAND UNIT II SANITARY DISTRICT

Deschutes County, Oregon
Notes to Financial Statements, continued

June 30, 2015

Note F – Retirement Plan

The District Board approved a standard 457(b) plan for the employees. The District will match up to \$5,600 of employee contributions in a year. During the 2014-15 fiscal year the District's contribution to the plan was \$4,365. 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 District has confirmed balances due for their notes through USDA in the prior years. The USDA had confirmed the incorrect amount and the District relied on those amounts. The USDA confirmed the correct amount in the current fiscal year and an adjustment to the Notes payables and Net Position are as follows:

	As Originally Reported 06/30/2014	Adjustments	Reported amounts after Adjustments 07/01/14
Notes Payable	<u>\$ 4,082,077</u>	<u>\$ 103,475</u>	<u>\$ 4,185,552</u>
Investment In Capital Assets, Net of Related Debt	<u>\$ 1,045,829</u>	<u>\$ (103,475)</u>	<u>\$ 942,354</u>

Note J – Subsequent Events

Management has evaluated subsequent events through December 1, 2015, 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, 2015

Personnel Expense	
Salaries and wages	
Manager	\$ 56,894
Operator	36,341
Office	19,558
Employee benefits	35,593
Payroll taxes	<u>10,813</u>
Total Personal Services	<u>\$ 159,199</u>
Materials and Services	
Bank charges	\$ 2,095
Education and training	1,425
Fees, dues, and subscriptions	2,273
Licenses and permits	1,172
Property insurance	10,790
Travel, lodging, and meals	3,500
Administration cost	1,604
Accounting	4,950
Legal	1,936
Office costs	7,717
Utilities	34,084
Plant supplies and tests	16,765
Operations maintenance and repairs	35,546
Fuel	2,721
Vehicle maintenance	<u>1,681</u>
Total Materials and Services	<u>\$ 128,259</u>

OREGON WATER WONDERLAND UNIT II SANITARY DISTRICT

Deschutes County, Oregon

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

For The Year Ended June 30, 2015

	<u>Actual</u>	<u>Original and Final Budget</u>	<u>Variance To Final Budget Over (Under)</u>
Revenues			
User fees	\$ 557,823	\$ 569,904	\$ (12,081)
Other fees and charges	29,866	15,000	14,866
System development charges	84,984	34,732	50,252
Lease revenue	10,223	10,200	23
Interest	<u>3,086</u>	<u>2,500</u>	<u>586</u>
Total Revenues	<u>685,982</u>	<u>632,336</u>	<u>53,646</u>
Expenditures			
Personnel services	159,199	183,200	(24,001)
Materials and services	128,259	139,500	(11,241)
Capital outlay	27,246	45,000	(17,754)
Debt service	281,210	281,210	-
Contingency	<u>-</u>	<u>10,000</u>	<u>(10,000)</u>
Total Expenditures	<u>595,914</u>	<u>658,910</u>	<u>(62,996)</u>
Resources Over (Under) Expenditures	90,068	(26,574)	116,642
Interfund Transfers			
Transfer to Capital Reserve Account	<u>-</u>	<u>15,000</u>	<u>(15,000)</u>
Cash Balance - Beginning of Year	<u>788,318</u>	<u>784,014</u>	<u>4,304</u>
Items to reconcile Cash Balance with Budgetary Basis			
Cash Received from user fees	690,305		
Less: User, Other and SDC Fees reported above	(672,673)		
Cash paid for materials and services	(121,043)		
Add: Materials and Services expenditures	128,259		
Cash paid for personnel services	(168,149)		
Add: Personnel services expenditures	159,199		
Cash paid for acquisition of capital assets	(36,075)		
Add: Capital outlay	27,246		
Cash Balance - End of Year	<u>\$ 885,455</u>	<u>\$ 742,440</u>	<u>\$ 143,015</u>

OREGON WATER WONDERLAND UNIT II SANITARY DISTRICT

Deschutes County, Oregon

SCHEDULE OF PROPERTY LIENS TRANSACTIONS

For The Year Ended June 30, 2015

<u>Tax Year</u>	Liens 2014-15 and Receivables July 1, 2014	<u>Adjustments</u>	Interest (Discounts)	Cash Turnovers from Treasurer	Liens Receivable June 30, 2015
2014-15	\$ 42,996	\$ (160)	\$ (1,065)	\$ 41,085	\$ 686
2013-14	1,154	(20)	45	795	384
2012-13	194	(1)	17	132	78
2011-12	218	(1)	37	194	60
2010-11	63	(1)	14	62	14
2009-10	<u>15</u>	<u>(1)</u>	<u>3</u>	<u>10</u>	<u>7</u>
	<u>\$ 44,640</u>	<u>\$ (184)</u>	<u>\$ (949)</u>	<u>\$ 42,278</u>	1,229
Property liens receivable					<u>\$ 1,229</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, 2015

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, 2015, and have issued our report thereon dated December 1, 2015.

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, 2015

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
December 1, 2015

by: John M. Barnett, CPA