



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**BURR OAK REGIONAL WATER DISTRICT
PERRY COUNTY**

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STATE OF OHIO
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REPORT OF INDEPENDENT ACCOUNTANTS

Burr Oak Regional Water District
Perry County
P.O. Box 396
Corning, Ohio 43730-0396

To the Board of Trustees:

We have audited the accompanying general purpose financial statements of the Burr Oak Regional Water District, Perry County, Ohio (the District), as of and for the years ended December 31, 2001 and 2000. These general purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Burr Oak Regional Water District, Perry County, as of December 31, 2001 and 2000, and the results of its operations and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 6, 2002, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

A handwritten signature in black ink, appearing to read "Jim Petro".

Jim Petro
Auditor of State

May 6, 2002

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**BURR OAK REGIONAL WATER DISTRICT
PERRY COUNTY**

**BALANCE SHEET
AS OF DECEMBER 31, 2001 AND 2000**

	2001	2000
ASSETS:		
Current Assets:		
Cash and Cash Equivalents	\$ 3,208,766	\$ 2,337,140
Accounts Receivable	125,601	311,908
Accrued Interest Receivable	154,611	
Prepaid Assets	21,126	17,557
Total Current Assets	3,510,104	2,666,605
Fixed Assets:		
Land	110,829	73,000
Buildings	10,070,325	10,070,325
Furniture and Fixtures	16,209	16,209
Machinery and Equipment	212,967	
Laboratory Equipment	41,974	24,166
Park System	371,200	371,200
Tools and Equipment	166,578	166,578
Transportation Equipment	104,669	294,613
Water System - Gate Valves	20,000	20,000
Water System - Meter Pits	235,229	233,000
Water System - Water Lines	4,723,022	4,711,680
Water System - Tanks and Boosters	979,721	975,000
Less: Accumulated Depreciation	(15,855,882)	(15,752,039)
Total Fixed Assets	1,196,841	1,203,732
TOTAL ASSETS	\$ 4,706,945	\$ 3,870,337
LIABILITIES AND EQUITY:		
Current Liabilities:		
Accounts Payable	\$ 67,206	\$ 87,949
Payroll Related Liabilities	5,557	6,997
Compensated Absences	511	220
Accrued Wages	13,190	10,273
Total Current Liabilities	86,464	105,439
Long-Term Liabilities:		
Compensated Absences	29,762	4,455
Total Long-Term Liabilities	29,762	4,455
Equity:		
Contributed Capital	3,539,425	3,452,923
Retained Earnings - Unreserved	1,051,294	307,520
Total Equity	4,590,719	3,760,443
TOTAL LIABILITIES AND EQUITY	\$ 4,706,945	\$ 3,870,337

The notes to the general purpose financial statements are an integral part of this statement.

**BURR OAK REGIONAL WATER DISTRICT
PERRY COUNTY**

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2001 AND 2000**

	<u>2001</u>	<u>2000</u>
Operating Revenues:		
Water Sales	\$ 1,388,607	\$ 629,955
Application Fees	200	
Tap Fees	25	
Reconnect Fees	280	40
Late Penalty Charges	1,048	414
Miscellaneous	938	6,476
	<hr/>	<hr/>
Total Operating Revenues	1,391,098	636,885
	<hr/>	<hr/>
Operating Expenses:		
Water Treatment Chemicals	67,581	13,976
Housekeeping/Plant Supplies	3,334	2,630
Lab Supplies	4,249	
Lab/Testing Expense	2,607	660
Sludge Removal	4,435	
Payroll Expense	440,409	87,565
Raw Water Expense	30,125	6,575
License and Permits	2,642	180
Utilities	89,454	15,829
Telecommunications Expense	7,412	1,404
Insurance	18,849	3,200
Maintenance and Repair	20,107	9,622
Automobile Expense	5,693	1,372
Professional Fees	44,566	112,724
Film Processing/Advertisements	2,250	393
Office Supplies & Expense	5,234	2,335
Misc Operating & Maintenance	4,811	1,388
Equipment Purchases	402	
ODOT Bridge Replacements	16,741	
Depreciation Expense	103,844	97,760
	<hr/>	<hr/>
Total Operating Expenses	874,745	357,613
	<hr/>	<hr/>
Operating Income	516,353	279,272
	<hr/>	<hr/>
Nonoperating Revenues/(Expenses):		
Capital Expenses	(3,966)	
Pilot Study	(72,545)	
Interest Revenue	295,769	28,248
Sale of Fixed Asset	6,500	
Reimbursed Expenses	1,663	
	<hr/>	<hr/>
Total Nonoperating Revenues/(Expenses)	227,421	28,248
	<hr/>	<hr/>
Net Income	743,774	307,520
	<hr/>	<hr/>
Retained Earnings - January 1	307,520	0
	<hr/>	<hr/>
Retained Earnings - December 31	1,051,294	307,520
	<hr/>	<hr/>
Contributed Capital - December 31	3,539,425	3,452,923
	<hr/>	<hr/>
Total Equity - December 31	\$ 4,590,719	\$ 3,760,443
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The notes to the general purpose financial statements are an integral part of this statement.

**BURR OAK REGIONAL WATER DISTRICT
PERRY COUNTY**

**STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2001 AND 2000**

	2001	2000
Cash Flows from Operating Activities:		
Operating Income	\$ 516,353	\$ 279,272
Adjustments to Reconcile Operating Income to Cash Flows from Operating Activities:		
Depreciation	103,844	97,760
(Increase) Decrease in Accounts Receivable	186,308	(311,908)
(Increase) Decrease in Interest Receivable	(154,611)	
Increase (Decrease) in Accounts Payable	(20,743)	87,949
(Increase) Decrease in Prepaid Assets	(3,568)	(17,557)
Increase (Decrease) in Compensated Absences Payable	25,598	4,675
Increase (Decrease) in Accrued Payroll and Benefits	1,477	17,270
Total Adjustments	138,305	(121,811)
Net Cash Provided by (Used by) Operating Activities	654,658	157,461
Cash Flows from Capital and Related Financing Activities:		
Acquisition of Capital Assets	(96,956)	(11,160)
Pilot Study and Other Capital Expenses	(76,511)	
Reimbursement of Startup Expenditures	1,663	
Sale of Fixed Asset	6,500	
Cash Contributed from State of Ohio	86,503	2,162,591
Net Cash Provided by (Used by) Capital and Related Financing Activities	(78,801)	2,151,431
Cash Flows from Investing Activities:		
Interest on Investments	295,769	28,248
Net Cash Provided by (Used by) Capital and Related Financing Activities	295,769	28,248
Net Increase/(Decrease) in Cash and Cash Equivalents	871,626	2,337,140
Cash and Cash Equivalents - January 1	2,337,140	0
Cash and Cash Equivalents - December 31	\$ 3,208,766	\$ 2,337,140
Non-Cash Capital and Related Financing Activities:		
Book Value of Fixed Assets Transferred from State of Ohio		\$16,944,612
Less: Accumulated Depreciation		(15,654,280)
Net Book Value of Fixed Assets Transferred from State of Ohio		\$ 1,290,332
Fixed Asset Disposal	\$ 12,000	

The notes to the general purpose financial statements are an integral part of this statement.

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**BURR OAK REGIONAL WATER DISTRICT
PERRY COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000**

1. DESCRIPTION OF THE ENTITY

The Burr Oak Regional Water District, Perry County (the District), is a regional water district organized under the provisions of Ohio Rev. Code Chapter 6119 by the Common Pleas Court of Athens County on September 27, 1999, after the Ohio Department of Natural Resources no longer wanted to operate the Burr Oak Water System. The State of Ohio formally transferred ownership, as well as all assets, of the Burr Oak Water system on October 21, 2000. The District operates under the direction of an eight-member Board of Trustees, from Athens, Hocking, Perry and Morgan Counties. The staff consists of an appointed Board Treasurer and an Administrative Assistant, who are responsible for the fiscal control of the resources of the District. The District was established to provide an adequate and uncontaminated water supply for the consumption of the District's users. The District sells water to fifteen satellite water systems, consisting of eleven area villages and four private water associations. The District also has approximately one hundred private tap customers.

The District's management believes the general purpose financial statements included in this report represent all activities over which the District has the ability to exercise direct operating control.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The general purpose financial statements of the District have been prepared in conformity with generally accepted accounting principles (GAAP) 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 District also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its proprietary activities provided they do not conflict with or contradict GASB pronouncements. The more significant of the District's accounting policies are described below.

A. Basis of Presentation

The District's operations are financed and operated in a manner similar to private business enterprises where the intent is that costs (expenses, including depreciation) of providing services to the general public on a continuing basis be financed or recovered primarily through user charges or where it has been decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

B. Measurement Focus and Basis of Accounting

The District's operations are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation are included on the balance sheet. Equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. The operating statements present increases (i.e. revenues) and decreases (i.e. expenses) in net total assets.

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made.

The District uses the accrual basis of accounting. Revenues are recognized in the accounting period in which they are earned, and expenses are recognized at the time they are incurred.

**BURR OAK REGIONAL WATER DISTRICT
PERRY COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Budgetary Process

The Ohio Revised Code requires the District to adopt an annual budget.

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the function level of control, and appropriations may not exceed estimated resources. Appropriation authority includes current year appropriations plus encumbrances carried over from the prior year (if any). The Board must annually approve appropriation measures and subsequent amendments. Unencumbered appropriations lapse at year end.

2. Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus unencumbered cash as of January 1.

3. Encumbrances

The Ohio Revised Code requires the District to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated.

A summary of 2001 and 2000 budgetary activity appears in Note 4.

D. Cash and Cash Equivalents

For the purposes of the Statement of Cash Flows, the District's certificates of deposit are valued at cost and reported as a cash equivalent on the Balance Sheet. Both cash and certificates of deposit are considered cash for the purposes of the Statement of Cash Flows.

H. Fixed Assets and Depreciation

Fixed assets acquired or constructed for the general use of the District in providing services are recorded at cost. Construction costs of the water system are capitalized, including interest incurred on construction projects until they are substantially completed. Donated assets are recorded at their fair market value at the time recorded. Depreciation of fixed assets of the District is calculated utilizing the straight line method. All assets reported in the financial statements are at cost less accumulated depreciation. The estimated useful lives by major fixed asset class are as follows:

Buildings and Water System	40 Years
Furniture and Fixtures	10 Years
Office Equipment	5 Years
Laboratory Equipment	10 Years
Machinery and Equipment	6 Years
Park System, Tanks and Booster Stations	20 Years
Tools and Equipment	10 Years
Transportation Equipment	5 Years

**BURR OAK REGIONAL WATER DISTRICT
PERRY COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Compensated Absences

GASB Statement 16 establishes criteria for compensated absences. Compensated absences for vacation leave and benefits with similar characteristics should be recorded as a liability when earned by employees if the following conditions are satisfied:

1. Compensated absence is earned on the basis of services already performed by employees.
2. It is probable that the compensated absence will be paid in a future period.

G. Contributed Capital

Contributed capital was recorded by the District to account for the book value of fixed assets and cash transferred from the State of Ohio when the District assumed the operations of the Burr Oak Water System.

H. Fund Equity

Reserves represent those portions of fund equity not appropriable for expenditure or legally segregated for a specific future use. The District had no such reserves as of December 31, 2001 and 2000.

I. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles (GAAP) requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

3. CASH AND CASH EQUIVALENTS

State statutes classify monies held by the District into three categories.

Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the District Treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that the District has identified as not required for use within the current two year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim moneys. Interim moneys are those moneys which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including pass book accounts.

**BURR OAK REGIONAL WATER DISTRICT
PERRY COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

3. CASH AND CASH EQUIVALENTS (Continued)

Interim monies may be deposited or invested in the following securities:

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal or interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions; and
6. The State Treasurer's investment pool (STAROhio).

The District may also invest any monies not required to be used for a period of six months or more in the following:

1. Bonds of the State of Ohio;
2. Bonds of any municipal corporation, village, county, township, or other political subdivision of this State, as to which there is no default of principal, interest or coupons.
3. Obligations of the District.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the District, and must be purchased with the expectation that it will be held to maturity.

Protection of the District's deposits is provided by the Federal Deposit Insurance Corporation, by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the treasurer by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public moneys deposited with the institution.

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

**BURR OAK REGIONAL WATER DISTRICT
PERRY COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

3. CASH AND CASH EQUIVALENTS (Continued)

Deposits: At December 31, 2001, the carrying amount of the District's deposits was \$614,155, and the bank balance was \$626,424. Of the bank balance:

1. \$100,000 was covered by the Federal Deposit Insurance Corporation;
2. \$526,424 was covered by collateral pledged by the financial institution.

At December 31, 2000, the carrying amount of the District's deposits was \$2,337,140, and the bank balance was \$2,337,367. Of the bank balance:

1. \$100,000 was covered by the Federal Deposit Insurance Corporation;
2. \$2,237,367 was covered by collateral pledged by the financial institution.

Investments: Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

The District's investments are categorized below to give an indication of the level of risk assumed by the District at year-end. Category 1 includes investments that are insured or registered for which the securities are held by the District or the District's agent in the District's name. Category 2 includes uninsured and unregistered investments for which the securities are held in the counterparty's trust department or agent in the District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the District's name.

	<u>December 31, 2001</u>		<u>December 31, 2000</u>	
	<u>Carrying Value</u>	<u>Market Value</u>	<u>Carrying Value</u>	<u>Market Value</u>
Certificates of Deposit	<u>\$ 2,594,611</u>	<u>\$ 2,594,611</u>	<u>\$ 0</u>	<u>\$ 0</u>

The classification of "Equity in Pooled Cash and Cash Equivalents" on the financial statements is based on criteria set forth in GASB Statement No. 9. Cash and cash equivalents are defined to include investments with original maturities of three months or less.

A reconciliation between the classifications of cash and investments on the general purpose financial statements and the classifications per GASB Statement No. 3 is as follows:

	<u>December 31, 2001</u>		<u>December 31, 2000</u>	
	<u>Cash and Cash Equivalents</u>	<u>Investments</u>	<u>Cash and Cash Equivalents</u>	<u>Investments</u>
GASB Statement 9	\$ 3,208,766	\$0	\$ 2,337,140	\$0
Investments:				
Certificates of Deposit	<u>(2,594,611)</u>	<u>2,594,611</u>	<u>0</u>	<u>0</u>
GASB Statement 3	<u>\$ 614,155</u>	<u>\$ 2,594,611</u>	<u>\$ 2,337,140</u>	<u>\$ 0</u>

**BURR OAK REGIONAL WATER DISTRICT
PERRY COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

4. BUDGETARY ACTIVITY

Budgetary activity for the years ended December 31, 2001 and 2000, follows:

	<u>Budgeted vs. Actual Receipts</u>	
	<u>2001</u>	<u>2000</u>
Budgeted Receipts	\$ 1,355,550	\$ 0
Actual Receipts	<u>1,695,030</u>	<u>665,133</u>
Variance	<u>\$ 339,480</u>	<u>\$ 665,133</u>

	<u>Budgeted vs. Actual Budgetary Basis Expenditures</u>	
	<u>2001</u>	<u>2000</u>
Appropriation Authority	\$ 1,120,945	\$ 180,000
Budgetary Expenditures	<u>951,256</u>	<u>357,613</u>
Variance	<u>\$ 169,689</u>	<u>\$ (177,613)</u>

5. FIXED ASSETS

A summary of the fixed assets as of December 31, 2001 is as follows:

	<u>Fixed Assets</u>	Less: <u>Accumulated Depreciation</u>	Net <u>Fixed Assets</u>
Land	\$ 110,829	\$ 0	\$ 110,829
Buildings	10,070,325	(10,024,362)	45,963
Furniture and Fixtures	16,209	(12,152)	4,057
Machinery and Equipment	212,967	(92,416)	120,551
Laboratory Equipment	41,974	(22,603)	19,371
Park System	371,200	(371,200)	0
Tools and Equipment	166,578	(51,416)	115,162
Transportation Equipment	104,669	(83,195)	21,474
Water System - Gate Valves	20,000	(20,000)	0
Water System - Meter Pits	235,229	(149,183)	86,046
Water System - Water Lines	4,723,022	(4,054,355)	668,667
Water System Tanks and Boosters	<u>979,721</u>	<u>(975,000)</u>	<u>4,721</u>
Total	<u>\$ 17,052,723</u>	<u>\$ (15,855,882)</u>	<u>\$ 1,196,841</u>

A summary of the fixed assets as of December 31, 2000 is as follows:

**BURR OAK REGIONAL WATER DISTRICT
PERRY COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

5. FIXED ASSETS (Continued)

	<u>Fixed Assets</u>	Less: <u>Accumulated Depreciation</u>	Net <u>Fixed Assets</u>
Land	\$ 73,000	\$ 0	\$ 73,000
Buildings	10,070,325	(10,022,604)	47,721
Furniture and Fixtures	16,209	(11,060)	5,149
Machinery and Equipment	0	0	0
Laboratory Equipment	24,166	(21,565)	2,601
Park System	371,200	(371,200)	0
Tools and Equipment	166,578	(43,495)	123,083
Transportation Equipment	294,613	(138,073)	156,540
Water System - Gate Valves	20,000	(20,000)	0
Water System - Meter Pits	233,000	(143,325)	89,675
Water System - Water Lines	4,711,680	(4,005,717)	705,963
Water System Tanks and Boosters	<u>975,000</u>	<u>(975,000)</u>	<u>0</u>
Total	<u>\$ 16,955,771</u>	<u>\$ (15,752,039)</u>	<u>\$ 1,203,732</u>

6. DEFINED BENEFIT PENSION PLAN

All full-time employees of the District participate in the Public Employees Retirement System of Ohio (PERS), a cost-sharing multiple-employer public employee retirement system administered by the Public Employees Retirement Board. PERS provides basic retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. Benefits are established by Chapter 145 of the Ohio Revised Code. PERS issues a stand-alone financial report which may be obtained by writing to the Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642.

Contribution rates are prescribed by the Ohio Revised Code. For 2001 and 2000, PERS members contributed 8.5% of their gross salaries. The District contributed an amount equal to 13.55% of participants' gross salaries through June 30, 2000, and from January 1, 2001 through December 31, 2001. PERS temporarily reduced employer contributions to 8.13% effective July 1, 2000 through December 31, 2000. The District's required contributions to PERS for the years ended December 31, 2001 and 2000, were \$41,951 and \$4,599, respectively. The full amount has been contributed for 2000. The District paid 89% of the required contributions for 2001. The unpaid balance is reflected on the accompanying balance sheet as a payroll related liability.

**BURR OAK REGIONAL WATER DISTRICT
PERRY COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

7. POSTEMPLOYMENT BENEFITS

The Public Employees Retirement System of Ohio (PERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit and to primary survivor recipients of such retirees. Health care coverage for disability recipients is available. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12. A portion of each employer's contribution to PERS is set aside for the funding of postretirement health care based on authority granted by State statute. For January 1, 2000 through June 30, 2000, the employer contribution rate was 13.55 percent of covered payroll. For July 1, 2000 through December 31, 2000, the employer contribution rate was temporarily reduced by PERS to 8.13 percent. For 2000, 4.30 percent was the portion that was used to fund health care. The 2001 employer contribution rate was 13.55 percent of covered payroll; 4.20 percent was the portion that was used to fund health care.

Benefits are advance-funded using the entry age normal cost method. Significant actuarial assumptions based on PERS's latest actuarial review performed as of December 31, 2000, include a rate of return on investments of 7.75 percent, an annual increase in active employee total payroll of 4.75 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll between .54 percent and 5.1 percent based on additional annual pay increases. Health care premiums were assumed to increase 4.75 percent annually.

All investments are carried at market. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investment assets.

The number of active contributing participants was 411,076. The District's actual contributions used to fund postemployment benefits were \$13,003 for 2001 and \$1,426 for 2000. The actual contribution and actuarially required contribution amounts are the same. PERS net assets available for payment of benefits at December 31, 2000 (the latest information available) were \$11,735.9 million. The actuarially accrued liability and the unfunded actuarial accrued liability were \$14,364.6 million and \$2,628.7 million, respectively.

For 2000, PERS elected to return to an actuarially pre-funded type of disclosure because it is a better presentation of PERS's actual funding methodology. Since 1987, disclosures had been based on a pay-as-you-go funding basis.

8. RISK MANAGEMENT

The District maintains comprehensive insurance coverage with private carriers for real property, building contents, and vehicles. Vehicle policies include liability coverage for bodily injury and property damage.

Settled claims have not exceeded any aforementioned commercial coverage in any of the past three years.

The District pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. The rate is calculated based on accident history and administrative costs.

The District also provides health-care insurance coverage for its full-time employees.



**STATE OF OHIO
OFFICE OF THE AUDITOR**

JIM PETRO, AUDITOR OF STATE

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**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND
ON INTERNAL CONTROL REQUIRED BY *GOVERNMENT AUDITING STANDARDS***

Burr Oak Regional Water District
Perry County
P.O. Box 396
Corning, Ohio 43730-0396

To the Board of Trustees:

We have audited the accompanying general purpose financial statements of the Burr Oak Regional Water District, Perry County, Ohio (the District), as of and for the years ended December 31, 2001 and 2000, and have issued our report thereon dated May 6, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the District's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards*, which is described in the Schedule of Findings as item 2001-61064-001. We also noted certain immaterial instances of noncompliance that we have reported to management of the District in a separate letter dated May 6, 2002.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the District in a separate letter dated May 6, 2002.

Burr Oak Regional Water District
Perry County
Report of Independent Accountants on Compliance and on Internal Control
Required by *Government Auditing Standards*
Page 2

This report is intended for the information and use of management and the Board of Trustees, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Jim Petro". The signature is fluid and cursive, with a large loop at the end.

Jim Petro
Auditor of State

May 6, 2002

**BURR OAK REGIONAL WATER DISTRICT
PERRY COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2001 AND 2000**

**FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS**

FINDING NUMBER 2001-61064-001

Noncompliance Citation

Ohio Rev. Code Section 5705.41(D) states that no subdivision or taxing unit shall make any contract or order any expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision that the amount required to meet the same has been lawfully appropriated for such purpose and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrance. Every such contract made without such a certificate shall be null and void and no warrant shall be issued in payment of any amount due thereon.

The following exceptions to this basic requirement are provided by statute:

- ▶ “Then and Now Certificate”: This exception provides that, if the fiscal officer can certify that both at the time that the contract or order was made and at the time that he is completing his certification, sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the taxing authority can authorize the drawing of a warrant. The taxing authority has 30 days from the receipt of such certificate to approve payment by resolution or ordinance. If approval is not made within 30 days, there is no legal liability on the part of the subdivision or taxing district.
- ▶ Amounts of less than \$1,000 may be paid by the fiscal officer without such affirmation of the taxing authority upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the taxing authority.

During the audit period, 87% of the expenditures tested for 2000 and 37% of the expenditures tested for 2001 did not have the prior certification of the fiscal officer. This could result in the District spending more money than what is available.

We recommend the District obtain the prior certification of the fiscal officer before an obligation is incurred.



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BURR OAK REGIONAL WATER DISTRICT

PERRY COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JUNE 25, 2002**