



# Balestra, Harr & Scherer, CPAs, Inc.

---

Accounting, Auditing and Consulting Services for Federal, State and Local Governments

[www.bhscpas.com](http://www.bhscpas.com)

Burr Oak Regional Water District  
Athens County, Ohio

Regular Audit

For the Years Ended December 31, 2011 and 2010  
Fiscal Years Audited Under GAGAS: 2011 and 2010





# Dave Yost • Auditor of State

Board of Trustees  
Burr Oak Regional Water District  
23554 Jenkins Dam Road  
Glouster, Ohio 45732

We have reviewed the *Independent Auditor's Report* of the Burr Oak Regional Water District, Athens County, prepared by Balestra, Harr & Scherer, CPAs, Inc., for the audit period January 1, 2010 through December 31, 2011. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Burr Oak Regional Water District is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost  
Auditor of State

September 11, 2012

**This page intentionally left blank.**

**Burr Oak Regional Water District**

Basic Financial Statements  
For The Years Ended December 31, 2011 and 2010

Table of Contents

<u>TITLE</u>	<u>PAGE</u>
Independent Auditor's Report .....	1
Management's Discussion and Analysis .....	2
Financial Statements:	
Statement of Net Assets .....	7
Statement of Revenues, Expenses, and Changes in Net Assets .....	8
Statement of Cash Flows .....	9
Notes to the Financial Statements .....	10
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Governmental Auditing Standards</i> .....	21
Schedule of Findings and Responses .....	23

**This page intentionally left blank.**



# Balestra, Harr & Scherer, CPAs, Inc.

Accounting, Auditing and Consulting Services for Federal, State and Local Governments

[www.bhscpas.com](http://www.bhscpas.com)

## Independent Auditor's Report

Members of the Board of Trustees  
Burr Oak Regional Water District  
23554 Jenkins Dam Road  
Glouster, Ohio 45732

We have audited the accompanying financial statements of the business-type activities of the Burr Oak Regional Water District, Athens County, Ohio, (the District) as of and for the years ended December 31, 2011 and 2010, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' Government Auditing Standards. Those standards require that we plan and perform the audit to reasonably assure whether the 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 our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of Burr Oak Regional Water District, Athens County, Ohio, as of December 31, 2011 and 2010, and the respective changes in financial position and cash flows, thereof and 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 June 15, 2012 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

Balestra, Harr & Scherer, CPAs, Inc.  
June 15, 2012

## **Burr Oak Regional Water District**

### **Management's Discussion and Analysis December 31, 2011 and 2010 (Unaudited)**

The following discussion provides a summary overview of the financial activities of the Burr Oak Regional Water District ("the District") for the years ended December 31, 2011 and 2010. The information should be read in conjunction with the basic financial statements included in this report.

The Management's Discussion and Analysis (MD&A) is an element of the reporting model adopted by the Governmental Accounting Standard Board (GASB) in their Statement No. 34 issued June, 1999. Certain comparative information between the current year and the prior year is required to be presented, and is presented in the MD&A.

#### **Financial Highlights**

- Assets exceeded liabilities by \$20,352,012 and \$18,993,108 as of December 31, 2011 and 2010 respectively.
- Net assets increased by \$1,358,904 in 2011 and increased by \$6,593,105 in 2010.
- Operating revenues increased by \$446,824 (21.54%) and increased \$129,819 (6.67%) and operating expenses increased by \$276,863 (19.45%) and \$39,565 (2.86%) in 2011 and 2010 respectively.

#### **Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are the Statements of Net Assets, the Statements of Revenues, Expenses and Changes in Net Assets, the Statements of Cash Flows and the accompanying notes to the financial statements. These statements report information about the District as a whole and about its activities. The District is a single enterprise fund using proprietary fund accounting, which means these statements are presented in a manner similar to a private-sector business. The statements are presented using the economic resources measurement focus and the accrual basis of accounting.

The Statements of Net Assets presents the District's financial position and reports the resources owned by the District (assets), obligations owed by the District (liabilities) and District net assets (the difference between assets and liabilities). They provide a way to measure the financial health of the District by providing the basis for evaluating the capital structure of the District and assessing the liquidity and financial flexibility of the District.

The Statements of Revenues, Expenses and Changes in Net Assets present a summary of how the District's net assets changed during the year. Revenue is reported when earned and expenses are reported when incurred. These statements measure the success of the District's operations over the past year and can be used to determine whether the District has successfully recovered all its costs through user fees.

The Statements of Cash Flows provide information about the District's cash receipts and disbursements during the year. They summarize net changes in cash resulting from operating, investing and financing activities.

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



## Burr Oak Regional Water District

Management's Discussion and Analysis  
December 31, 2011 and 2010  
(Unaudited)

### Financial Analysis of the District's Financial Position and Results of Operations

The tables below provide a summary of the District's restated financial position and operations for 2011, 2010 and 2009, respectively.

**Table 1**  
**Condensed Statement of Net Assets**  
**December 31,**

	<u>2011</u>		<u>2010</u>		<u>2009</u>
<u>Assets</u>					
Current & other assets	\$ 6,061,643	\$	4,995,189	\$	3,862,131
Capital assets, net	23,822,663		21,210,672		10,759,958
<b>Total assets</b>	<b>29,884,306</b>		<b>26,205,861</b>		<b>14,622,089</b>
<u>Liabilities</u>					
Current liabilities	206,564		154,963		117,626
Long-term debt	9,325,730		7,057,790		2,104,460
<b>Total liabilities</b>	<b>9,532,294</b>		<b>7,212,753</b>		<b>2,222,086</b>
<u>Net Assets</u>					
Invested in capital assets, net of related debt	14,634,874		14,276,489		8,767,862
Unrestricted	5,717,138		4,716,619		3,632,141
<b>Total net assets</b>	<b>\$ 20,352,012</b>	\$	<b>18,993,108</b>	\$	<b>12,400,003</b>

As noted earlier, the net assets may serve as a useful indicator of financial position. The District's assets exceeded liabilities by 20,352,012 as of December 31, 2011, of which 14,634,874 is for net investment in capital assets; compared to an excess of 18,993,108 as of December 31, 2010.

The largest portion of the District's net assets is reflected in its cash and certificates of deposit, and its capital assets, less accumulated depreciation and related debt outstanding. The District strives to keep adequate cash reserves on hand in order to maintain or expand its facilities to meet the needs of its customers and to comply with regulatory requirement.

For the year ended December 31, 2011 and 2010 respectively, total assets of the District increased by 3,678,445 and \$11,583,772 primarily due to increases in cash and capital assets. Total liabilities as of December 31, 2011 and 2010 increased by \$2,319,541 and \$4,990,667, respectively; due to issuance of debt.

## Burr Oak Regional Water District

Management's Discussion and Analysis  
December 31, 2011 and 2010  
(Unaudited)

### Financial Analysis of the District's Financial Position and Results of Operations (Continued)

The following table summarizes the restated changes in revenues and expenses for the District between 2011, 2010 and 2009:

**Table 2**  
**Condensed Statements of Revenues, Expenses and Changes in Net Assets**  
**For the Years Ended December 31,**

	<u>2011</u>	<u>2010</u>	<u>2009</u>
<u>Operating revenue</u>			
Water sales	\$ 2,505,142	\$ 2,065,003	\$ 1,933,670
Tap, application and reconnect fees	3,990	1,571	5,138
Late penalty charges	2,190	3,929	4,800
Miscellaneous revenues	<u>10,335</u>	<u>4,330</u>	<u>1,406</u>
<b>Total operating revenue</b>	<u>2,521,657</u>	<u>2,074,833</u>	<u>1,945,014</u>
<u>Non operating revenue</u>			
Interest revenue	60,077	54,312	57,732
Capital contribution	493,700	5,903,840	719,110
Gain on sale of fixed assets	-	-	2,400
<b>Total non operating revenue</b>	<u>553,777</u>	<u>5,958,152</u>	<u>779,242</u>
<b>Total revenue</b>	<u>3,075,434</u>	<u>8,032,985</u>	<u>2,724,256</u>
<u>Operating expenses</u>			
Personnel expenses	536,120	521,072	497,335
Utilities and telecommunications expense	227,911	163,282	149,956
Maintenance and operations	333,584	343,100	342,589
Office expenses and operation	8,010	7,311	8,367
Professional fees	12,778	20,401	17,455
Depreciation	<u>582,120</u>	<u>368,494</u>	<u>368,393</u>
<b>Total operating expenses</b>	<u>1,700,523</u>	<u>1,423,660</u>	<u>1,384,095</u>
<u>Non operating expenses</u>			
Interest expense	<u>16,007</u>	<u>16,220</u>	<u>10,117</u>
<b>Total non operating expenses</b>	<u>16,007</u>	<u>16,220</u>	<u>10,117</u>
<b>Total expenses</b>	<u>1,716,530</u>	<u>1,439,880</u>	<u>1,394,212</u>
<b>Change in net assets</b>	<u>\$ 1,358,904</u>	<u>\$ 6,593,105</u>	<u>\$ 1,330,044</u>

## Burr Oak Regional Water District

### Management's Discussion and Analysis December 31, 2011 and 2010 (Unaudited)

#### Financial Analysis of the District's Financial Position and Results of Operations (Continued)

Operating revenues consist of user charges for water consumption. Operating expenses reflect the cost of providing these services. For the years ended December 31, 2011 and 2010:

- Operating revenue increased \$446,824 (21.54%) and increased \$129,819 (6.67%) in 2011 and 2010 respectively.
- Operating expenses increased by \$276,863 (19.45%) due to an increase in depreciation and maintenance and operational expenses in 2011 and increased 39,565 (2.86%) in 2010 due to an increase in depreciation and maintenance and operational expenses. Total expenses increased by \$276,650 (19.21%) and \$45,668 (3.27%) in 2011 and 2010 respectively.

#### Capital Assets

As of December 31, 2011 and 2010, respectfully, the District had \$23,822,663 and \$21,210,672 invested in capital assets. This amount represents a net increase of \$2,611,991 (12.31%) in 2011 and an increase of \$10,450,714 (97.12%) in 2010.

**Table 3**  
**Capital Assets**  
**December 31,**

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Land	\$ 239,980	\$ 239,980	\$ 239,980
Construction in progress	1,512,029	14,383,981	3,588,331
Water system	8,840,486	8,798,045	8,798,045
Buildings	10,092,303	10,092,303	10,092,303
Groundwater Plant	12,735,970	0	0
Wellfield	1,594,295	0	0
Perry County expansion	2,484,295	2,484,295	2,484,295
MIEX treatment system	1,556,928	1,556,928	1,556,928
Crooksville line expansion	1,544,410	0	0
Transportation equipment	156,313	156,313	149,167
Scada System	132,907	0	0
Machinery, equipment, and tools	615,853	599,814	599,814
Furniture and fixtures	14,514	14,514	13,365
Less: Accumulated depreciation	(17,697,620)	(17,115,501)	(16,762,270)
<b>Totals</b>	<u>\$ 23,822,663</u>	<u>\$21,210,672</u>	<u>\$ 10,759,958</u>

#### Debt Administration

The District finances its construction primarily through the issuance of revenue bonds or through low interest loan programs with the State of Ohio. At December 31, 2011, the District had total debt outstanding of \$9,200,501 compared to \$6,951,175 at December 31, 2010 and \$1,992,096 at December 31, 2009. This represents an increase of \$2,249,326 and \$4,959,079, respectfully from issuance of the debt for expansion projects.

Additional information on the District's long-term debt can be found in Note 5 to the financial statements.

## **Burr Oak Regional Water District**

Management's Discussion and Analysis  
December 31, 2011 and 2010  
(Unaudited)

### **Contacting the District's Financial Management**

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Wendy Aichele, accountant of the Burr Oak Regional Water District, 23554 Jenkins Dam Road, Glouster, Ohio 45732. The e-mail address is [wendyborwd@gmail.com](mailto:wendyborwd@gmail.com)

**Burr Oak Regional Water District**

*Statements of Net Assets  
As of December 31, 2011 and 2010*

	<u>2011</u>	<u>2010</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash	\$ 5,801,355	\$ 4,786,370
Accounts receivable, net of allowance for doubtful accounts	225,006	195,701
Prepaid expenses	35,282	13,118
<b>Total current assets</b>	<u>6,061,643</u>	<u>4,995,189</u>
<b>CAPITAL ASSETS</b>		
Non-Depreciable Capital Assets	1,752,009	14,623,961
Depreciable Capital Assets, net of Depreciation	22,070,654	6,586,711
<b>Total Capital Assets</b>	<u>23,822,663</u>	<u>21,210,672</u>
<b>TOTAL ASSETS</b>	<u>\$ 29,884,306</u>	<u>\$ 26,205,861</u>
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 110,364	\$ 72,584
Payroll related liabilities	19,611	7,402
Accrued wages	13,986	12,860
Current portion, OWDA Loans	62,603	62,117
<b>Total current liabilities</b>	<u>206,564</u>	<u>154,963</u>
<b>LONG-TERM LIABILITIES</b>		
Compensated absences	187,832	168,732
OWDA loans	9,137,898	6,889,058
<b>Net Long-Term Liabilities</b>	<u>9,325,730</u>	<u>7,057,790</u>
<b>TOTAL LIABILITIES</b>	<u>9,532,294</u>	<u>7,212,753</u>
<b>NET ASSETS</b>		
Invested in capital assets, net of related debt	14,634,874	14,276,489
Unrestricted	5,717,138	4,716,619
<b>Total Net Assets</b>	<u>20,352,012</u>	<u>18,993,108</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 29,884,306</u>	<u>\$ 26,205,861</u>

See accompanying notes to the financial statements.

**Burr Oak Regional Water District**

*Statements of Revenues, Expenses and Changes in Net Assets  
Years Ended December 31, 2011 and 2010*

	<u>2011</u>	<u>2010</u>
<b>OPERATING REVENUES</b>		
Water sales	\$ 2,505,142	\$ 2,065,003
Tap, application, and reconnect fees	3,990	1,571
Late penalty charges	2,190	3,929
Miscellaneous revenues	<u>10,335</u>	<u>4,330</u>
<b>Total Operating Revenues</b>	<u>2,521,657</u>	<u>2,074,833</u>
<b>OPERATING EXPENSES</b>		
Personnel expenses	536,120	521,072
Utilities and telecommunications expense	227,911	163,282
Maintenance and operations	333,584	343,100
Office expenses and operation	8,010	7,311
Professional fees	12,778	20,401
Depreciation	<u>582,120</u>	<u>368,494</u>
<b>Total Operating Expenses</b>	<u>1,700,523</u>	<u>1,423,660</u>
<b>OPERATING INCOME</b>	<u>821,134</u>	<u>651,173</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Interest revenue	60,077	54,312
Interest expense	(16,007)	(16,220)
Capital contribution	<u>493,700</u>	<u>5,903,840</u>
<b>Total Nonoperating Revenues (Expenses)</b>	<u>537,770</u>	<u>5,941,932</u>
<b>Change in Net Assets</b>	1,358,904	6,593,105
<b>NET ASSETS - Beginning of period, as restated</b>	<u>18,993,108</u>	<u>12,400,003</u>
<b>NET ASSETS - End of Period</b>	<u>\$ 20,352,012</u>	<u>\$ 18,993,108</u>

See accompanying notes to the financial statements.

**Burr Oak Regional Water District**

*Statements of Cash Flows*  
*Years Ended December 31, 2011 and 2010*

	<u>2011</u>	<u>2010</u>
<b>CASH FLOWS FROM OPERATIONS</b>		
Cash received from customers	\$ 2,526,092	\$ 2,060,333
Cash payments to suppliers for goods and services	(706,217)	(708,363)
Cash payments to employees for services	(397,875)	(317,761)
<b>Net Cash Provided By Operations</b>	<u>1,422,000</u>	<u>1,034,209</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest received	60,077	54,312
<b>Net Cash Provided By Investing Activities</b>	<u>60,077</u>	<u>54,312</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Acquisition and construction of capital assets	(2,734,941)	(5,819,208)
Cash received from capital contributions	34,530	903,840
Cash received from OWDA loans	2,461,560	5,040,405
Repayment of loans	(212,234)	(81,326)
Interest paid	(16,007)	(16,220)
<b>Net Cash Used In Capital and Related Financing Activities</b>	<u>(467,092)</u>	<u>27,491</u>
<b>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	1,014,985	1,116,012
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<u>4,786,370</u>	<u>3,670,358</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<u>\$ 5,801,355</u>	<u>\$ 4,786,370</u>
<b>CASH FLOWS FROM OPERATIONS</b>		
Operating Income	\$ 821,134	\$ 651,173
Adjustments to reconcile operating income to cash flows from operating activities:		
Depreciation	582,120	368,494
(Increase) decrease in:		
Accounts receivable	(29,305)	(14,500)
Prepaid assets	(22,164)	(2,546)
Increase (decrease) in:		
Accounts payable	37,780	25,630
Accrued interest payable	-	(13,995)
Compensated absences payable	19,100	17,202
Accrued payroll and benefits	13,335	2,751
<b>Net Cash Provided by Operating Activities</b>	<u>\$ 1,422,000</u>	<u>\$ 1,034,209</u>
<b>Supplemental Schedule of Non Cash Investing Activity</b>		
<b>Acquisition of Capital Assets by Loan Forgiveness Program</b>	<u>\$ 425,430</u>	<u>\$ 5,000,000</u>

See accompanying notes to the financial statements.

## Burr Oak Regional Water District

Notes to the Financial Statements  
December 31, 2011 and 2010

### NOTE 1 - DESCRIPTION OF THE ENTITY

The Burr Oak Regional Water District, Athens County (the District), is a regional water district organized under the provision of the 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 sixteen satellite water systems, consisting of six area villages, four water districts, five private associations, and the Ohio Department of Natural Resources Division of Parks and Recreation. The District also has approximately one hundred private tap customers.

The District's management believes the financial statements included in this report represent all activities over which the District has the ability to exercise direct operating control. No component units have been separately organized.

### NOTE 2 -SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The 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. Under the guidelines of Governmental Accounting Standards Board (GASB) Statement No. 20, Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that use Proprietary Fund Accounting, the District has elected not to apply Financial Accounting Standards Board (FASB) Statements and Interpretations issued after November 30, 1989, to its proprietary activities.

The significant accounting policies followed by the District include the following:

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 for net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

Measurement Focus and Basis of Accounting The District's operations are accounted for on a flow of economic resources measurement focus, all assets and all liabilities associated with the operations are included on the Statements of Net Assets are segregated into net assets invested in capital assets, net of related debt, and unrestricted net assets. 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**

Notes to the Financial Statements  
December 31, 2011 and 2010

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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

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

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

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.

Cash & Cash Equivalents: For purposes of the statement of cash flows, all highly liquid investments (Including restricted assets) with a maturity of three months or less when purchased are considered to be cash equivalents.

Customer Accounts Receivable: Customer accounts receivables are stated at face value, less an allowance for doubtful accounts. The allowance for doubtful accounts is established through a provision for doubtful accounts charged as a reduction in revenue. Doubtful accounts are charged against the allowance when management believes the collectability of the account is unlikely.

Capital Assets and Depreciation Capital 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 on construction projects until they are substantially completed. Interest incurred on debt as a result of obtaining capital assets is not capitalized. Donated assets are recorded at their estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not capitalized. Depreciation of capital 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 capital asset class are as follows:

<u>Asset Class</u>	<u>Number of Years</u>
Building and Water System	40
Furniture and Fixtures	10
Office Equipment	5
Laboratory Equipment	10
Machinery Equipment	6
Park System, Tanks and Booster Stations	20
Tools and Equipment	10
Transportation Equipment	5

Capital Contributions: Capital contributions are recorded by the District for receipts of capital grants or contributions from developers and customers. Capital contributions have been entirely from grants for 2011 and 2010.

## Burr Oak Regional Water District

Notes to the Financial Statements  
December 31, 2011 and 2010

### NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Compensated Absences District employees accumulate vacation and sick leave hours for subsequent use or for payment upon termination, death or retirement. Sick leave is payable when used, or upon death or retirement. Vacation hours are accrued at different rates depending on the number of years of service of the respective employee. The annual vacation accruals range from 80 hours to 200 hours per year. The total maximum amount of vacation hours that an employee can accumulate ranges from 240 hours to 600 hours which is determined by his/her years of service. As for sick leave, this is accrued at a rate of 3.1 hours per pay. There is no maximum accumulation amount. Accrued sick leave is paid out at 50% of the employee's regular rate of pay. Any employee discharged for cause receives none of their accumulated sick leave.

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, 2011 and 2010.

Prepaid Expenses Prepaid expenses are those payments made to vendors for services that will benefit periods beyond the balance sheet date. These items are reported using the consumption method. A current asset is recorded at the time of payment, and an expense is recorded at the time the services are consumed.

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.

### NOTE 3 - CASH AND CASH EQUIVALENTS

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

Interim deposits are deposits of interim monies. Interim deposits shall 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, but not limited to, pass book accounts. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories.

Interim 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 obligation 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;

## Burr Oak Regional Water District

Notes to the Financial Statements  
December 31, 2011 and 2010

### NOTE 3 - CASH AND CASH EQUIVALENTS (continued)

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, its political subdivisions, or other units or agencies of this State or its political subdivisions;
5. Time certificates of deposit or savings or deposit accounts, including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in (1) or (2) of this footnote and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAROhio);
8. Securities lending agreements in which the District lends securities and the eligible institution agrees to exchange either securities described in division (1) or (2), or cash, or both securities and cash, equal value for equal value;
9. High grade commercial paper in an amount not to exceed five percent of the District's total average portfolio; and
10. Bankers acceptances for a period not to exceed 270 days and in an amount not to exceed ten percent of the District's average portfolio.

Protection of the District's deposits is provided by the Federal Deposit Insurance Corporation, by eligible securities pledged by the financial institution as a 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 monies deposited with the institution.

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.

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

#### Deposits:

At December 31, 2011, the carrying amount of the District's deposits totaled \$5,801,355 and consists of the following: cash of \$3,682,332, North Valley Bank Certificates of Deposits of \$1,078,886 (matures 1/14/12) and Citizens Bank Certificates of Deposits of \$520,137 (matures 10/17/13) and \$520,000 (matures 4/14/15). Of the balance, \$500,000 was covered by the Federal Deposit Insurance Corporation; and \$5,301,355 was covered by a bank deposit guaranty bond.

**Burr Oak Regional Water District**

Notes to the Financial Statements  
December 31, 2011 and 2010

**NOTE 3 - CASH AND CASH EQUIVALENTS (continued)**

At December 31, 2010, the carrying amount of the District's deposits was \$4,786,370, and consists of the following: cash of \$2,188,754, North Valley Bank Certificates of Deposits of \$518,815 (matures 4/14/11), \$508,725 (matures 4/13/11), \$1,053,710 (matures 4/14/12) and Citizens Bank Certificates of Deposits of \$516,366 (matures 10/17/13). Of the balance, \$500,000 was covered by the Federal Deposit Insurance Corporation; and \$4,286,370 was covered by a bank deposit guaranty bond.

Custodial Credit Risk: Concentration of credit risk is the risk of loss attributed to the magnitude of the government's investments in a single issuer. The District's investment policy does not address custodial credit risk.

**NOTE 4 - CAPITAL ASSETS**

A summary of the capital assets as of December 31, 2010 is as follows:

	<b>Beginning Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance</b>
<b>Capital assets being depreciated:</b>				
Buildings and Water Systems	\$ 18,444,787	\$ -	\$ -	\$ 18,444,787
Furniture and fixtures	6,282	1,149	-	7,431
Office Equipment	12,383	-	-	12,383
Laboratory Equipment	44,400	-	-	44,400
Machinery Equipment	329,706	-	-	329,706
Park System, Tanks and Booster Stations	4,500,394	-	-	4,500,394
Tools and Equipment	206,798	-	-	206,798
Transportation Equipment	149,167	22,409	(15,263)	156,313
Total capital assets being depreciated	<u>23,693,917</u>	<u>23,558</u>	<u>(15,263)</u>	<u>23,702,212</u>
<b>Less accumulated depreciation for:</b>				
Buildings and Water Systems	(14,793,796)	(165,151)	-	(14,958,947)
Furniture and fixtures	(4,597)	(405)	-	(5,002)
Office Equipment	(7,952)	(1,245)	-	(9,197)
Laboratory Equipment	(40,091)	(1,760)	-	(41,851)
Machinery Equipment	(309,646)	(9,526)	-	(319,172)
Park System, Tanks and Booster Stations	(1,380,300)	(165,168)	-	(1,545,468)
Tools and Equipment	(112,545)	(12,218)	-	(124,763)
Transportation Equipment	(113,343)	(13,021)	15,263	(111,101)
Total accumulated depreciation	<u>(16,762,270)</u>	<u>(368,494)</u>	<u>15,263</u>	<u>(17,115,501)</u>
<b>Capital assets not being depreciated:</b>				
Land	239,980	-	-	239,980
Construction in progress	3,588,331	12,176,973	(1,381,323)	14,383,981
Total capital assets not being depreciated	<u>3,828,311</u>	<u>12,176,973</u>	<u>(1,381,323)</u>	<u>14,623,961</u>
<b>Capital assets, net</b>	<u><u>\$ 10,759,958</u></u>	<u><u>\$ 11,832,037</u></u>	<u><u>\$ (1,381,323)</u></u>	<u><u>\$ 21,210,672</u></u>

**Burr Oak Regional Water District**

Notes to the Financial Statements  
December 31, 2011 and 2010

**NOTE 4 - CAPITAL ASSETS (continued)**

A summary of the capital assets as of December 31, 2011 is as follows:

	<b>Beginning Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance</b>
<b>Capital assets being depreciated:</b>				
Buildings and Water Systems	\$ 18,444,786	\$ 15,617,299	\$ -	\$ 34,062,085
Furniture and fixtures	7,431	-	-	7,431
Office Equipment	12,383	132,907	-	145,290
Laboratory Equipment	44,401	-	-	44,401
Machinery Equipment	329,706	16,039	-	345,745
Park System, Tanks and Booster Stations	4,500,394	299,817	-	4,800,211
Tools and Equipment	206,798	-	-	206,798
Transportation Equipment	156,313	-	-	156,313
Total capital assets being depreciated	<u>23,702,212</u>	<u>16,066,062</u>	<u>-</u>	<u>39,768,274</u>
<b>Less accumulated depreciation for:</b>				
Buildings and Water Systems	(14,958,947)	(360,368)	-	(15,319,315)
Furniture and fixtures	(5,002)	(405)	-	(5,407)
Office Equipment	(9,197)	(3,737)	-	(12,934)
Laboratory Equipment	(41,850)	(1,760)	-	(43,610)
Machinery Equipment	(319,172)	(9,526)	-	(328,698)
Park System, Tanks and Booster Stations	(1,545,468)	(181,084)	-	(1,726,552)
Tools and Equipment	(124,764)	(12,218)	-	(136,982)
Transportation Equipment	(111,101)	(13,021)	-	(124,122)
Total accumulated depreciation	<u>(17,115,501)</u>	<u>(582,119)</u>	<u>-</u>	<u>(17,697,620)</u>
<b>Capital assets not being depreciated:</b>				
Land	239,980	-	-	239,980
Construction in progress	14,383,981	-	(12,871,952)	1,512,029
Total capital assets not being depreciated	<u>14,623,961</u>	<u>-</u>	<u>(12,871,952)</u>	<u>1,752,009</u>
<b>Capital assets, net</b>	<u>\$ 21,210,672</u>	<u>\$ 15,483,943</u>	<u>\$ (12,871,952)</u>	<u>\$ 23,822,663</u>

**Burr Oak Regional Water District**

Notes to the Financial Statements  
December 31, 2011 and 2010

**NOTE 5 - NOTES PAYABLE**

FY 2010	Loan Name	Beginning Balance	Additions	Payments/		Ending Balance	Due in 1 year
				Loan Forgiveness			
	OWDA 4776 Paid to Perry County	\$ 1,043,099	\$ -	\$ 60,874		\$ 982,225	\$ 29,826
	OWDA 4915	253,845	-	8,752		245,093	8,753
	OWDA 5266	30,592	9,912,842	5,000,000		4,943,434	-
	OWDA 5054 Paid to Village of Crooksville	516,135	127,563	9,226		634,472	18,591
	OWDA 5069 Paid to Village of Crooksville	148,425	-	2,474		145,951	4,947
	<b>Total</b>	<b>\$ 1,992,096</b>	<b>\$ 10,040,405</b>	<b>\$ 5,081,326</b>		<b>\$ 6,951,175</b>	<b>\$ 62,117</b>

FY 2011	Loan Name	Beginning Balance	Additions	Payments/		Ending Balance	Due in 1 year
				Loan Forgiveness			
	OWDA 4776 Paid to Perry County	\$ 982,225	\$ -	\$ 33,756		\$ 948,469	\$ 30,125
	OWDA 4915	245,093	-	8,752		236,341	8,753
	OWDA 5266	4,943,434	1,408,897	146,188		6,206,143	-
	OWDA 5054 Paid to Village of Crooksville	634,472	-	18,591		615,881	18,777
	OWDA 5069 Paid to Village of Crooksville	145,951	-	4,947		141,004	4,948
	OWDA 5871	-	1,478,093	425,430		1,052,663	-
	<b>Total</b>	<b>\$ 6,951,175</b>	<b>\$ 2,886,990</b>	<b>\$ 637,664</b>		<b>\$ 9,200,501</b>	<b>\$ 62,603</b>

In 2007, the District entered into an agreement with Perry County to repay an OWDA Loan 4776 for the Perry County Line Extension. The loan matures July 1, 2039 and has a one percent interest rate.

In 2008, the District received an OWDA Loan 4915 for the Tank #4 Waterline Replacement. The loan matures January 1, 2039 and has a zero percent interest rate.

In 2009, the District received an OWDA Loan 5266 for the Wellfield Project. The loan matures July 1, 2041 and has a zero percent interest rate. The District received loan forgiveness in the amount of \$5,000,000 during 2010 from OWDA which is included in the payments column of this note.

In 2009, the District entered into an agreement with the Village of Crooksville to repay an OWDA Loan 5054 for the Crooksville Line Expansion. The loan matures July 1, 2040 and has a one percent interest rate.

In 2009, the District entered into an agreement with the Village of Crooksville to repay an OWDA Loan 5069 for the Crooksville Line Expansion. The loan matures July 1, 2040 and has a zero percent interest rate.

In 2011, the District received an OWDA Loan 5871 for the East Water Line and Tank Project. The loan matures January 1, 2032 and has a two percent interest rate. The District received loan forgiveness in the amount of \$425,430 during 2011 from OWDA which is included in the payments column of this note.

**Burr Oak Regional Water District**

Notes to the Financial Statements  
December 31, 2011 and 2010

**NOTE 5 - NOTES PAYABLE (continued)**

Maturities of notes payable are as follows:

Year Ending December 30,	OWDA Loans		
	Principal	Interest	Total
2012	\$ 62,603	\$ 15,851	\$ 78,454
2013	63,094	15,350	78,444
2014	63,589	14,844	78,433
2015	64,089	14,333	78,422
2016	64,594	13,817	78,411
2017-2021	329,761	61,163	390,924
2022-2026	344,137	47,464	391,601
2027-2031	358,233	33,064	391,297
2032-2036	373,050	17,928	390,978
2037-2041	218,545	3,238	221,783
<b>Total</b>	<b>\$1,941,695</b>	<b>\$ 237,052</b>	<b>\$ 2,178,747</b>

Loan numbers 5266, and 5871 have not been finalized through OWDA and no amortization schedules are available for these loans. These loans are not included in the above amortization schedule.

**NOTE 6 - DEFINED BENEFIT PENSION PLAN**

Statement 27 of the Governmental Accounting Standards Board (GASB), Accounting for Pensions by State and Local Governmental Employers, as amended by Statement 50 of the Governmental Accounting Standards Board (GASB), Pension Disclosures an amendment of GASB Statements No. 25 and No. 27, establishes standards for disclosures of information on pension benefits by all state and local government employers.

- A. The Ohio Public Employees Retirement System (OPERS) administers three separate pension plans as described below:
  - 1) The Traditional Pension Plan (TP) – a cost-sharing multiple-employer defined benefit pension plan.
  - 2) The Member-Directed Plan (MD) – a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year). Under the Member-Directed Plan members accumulate retirement assets equal to the value of member and (vested) employer contributions plus any investment earnings.
  - 3) The Combined Plan (CO) – a cost-sharing multiple-employer defined benefit pension plan. Under the Combined Plan, OPERS invests employer contributions to provide a formula retirement benefit similar in nature to the Traditional Pension Plan benefit. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the Member-Directed Plan.
  
- B. OPERS provides retirement, disability, survivor and death benefits and annual cost-of-living adjustments to members of the Traditional Pension and Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits.

## Burr Oak Regional Water District

Notes to the Financial Statements  
December 31, 2011 and 2010

### NOTE 6 - DEFINED BENEFIT PENSION PLAN (continued)

- C. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.
- D. OPERS issues a stand-alone financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/investments/cafr.shtml>, writing to OPERS 277 East Town Street, Columbus, OH 43215-4642, or by calling 614-222-5601 or 800-222-7377.
- E. The Ohio Revised Code provides statutory authority for member and employer contributions. For 2011 and 2010, member and employer contribution rates were consistent across all three plans. While members in the state and local divisions may participate in all three, plans, law enforcement and public safety division exist only within the Traditional Pension Plan.

The member contribution rates were 10.0% for 2011, 2010, and 2009 for the District.

The employer contribution rates were 14.0% for 2011, 2010, and 2009 of covered payroll for the District.

The District's contributions to the PERS of Ohio for the years ending December 31, 2011, 2010, and 2009 were \$53,419, \$49,519, and \$48,375 respectively.

### NOTE 7 – POSTEMPLOYMENT BENEFITS

Statement 45 of the Governmental Accounting Standards Board (GASB), *Accounting and Financial Reporting by Employers for Post-employment Benefits other than Pension*, establishes standards for disclosure of information on post-employment benefits other than pension benefits by all state and local government employers.

#### A. Plan Description

Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: The Traditional Pension Plan (TP) – a cost-sharing multiple-employer defined benefit pension plan; the Member-Directed Plan (MD) – a defined contribution plan; and the Combined Plan (CO) – a cost-sharing multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

OPERS maintains a cost-sharing multiple employer defined benefit post-employment healthcare plan, which includes a medical plan, prescription drug program, and Medicare Part B premium reimbursement, to qualifying members of both the TP and the CO Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment healthcare coverage.

In order to qualify for post-retirement healthcare coverage, age and service retirees under the Traditional Pension and Combined Plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement No. 45.

The Ohio Revised Code permits, but does not mandate, OPERS to provide OPEB benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.



**Burr Oak Regional Water District**

Notes to the Financial Statements  
December 31, 2011 and 2010

**NOTE 7 – POSTEMPLOYMENT BENEFITS (continued)**

A. Plan Description (Continued)

OPERS issues a stand-alone financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/investments/cafr.shtml>, writing OPERS, Attention: Finance Director, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 614-222-5601 or 800-222-7377.

B. Funding Policy

The Ohio Revised Code provides the statutory authority requiring public employers to fund post-retirement health care through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside for the funding of post-retirement healthcare benefits.

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2011, 2010 and 2009, the District contributed at 14% of covered payroll. The Ohio Revised Code currently limits the employer contribution rate not to exceed 14% of covered payroll. Active members do not make contributions to the OPEB Plan.

OPERS' Post Employment Healthcare plan was established under, and is administered in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of post employment healthcare benefits.

The portion of employer contributions allocated to health care for members in the Traditional Plan was 4.0% during the calendar year 2011. The portion of employer contributions allocated to health care for members in the Combined Plan was 6.05% during calendar year 2011. The portion of employer contributions allocated to health care for the calendar year beginning January 1, 2012 remained the same, but are subject to change based on Board action. Employers will be notified if the portion allocated to health care changes during calendar year 2012. The OPERS Board of Trustees is also authorized to establish rules for the retiree, or their surviving beneficiaries, to pay a portion of the health care benefits provided. Payment amounts vary depending on the number of covered dependents and the coverage selected.

C. District Contributions

The employer contributions that were used to fund post-employment benefits were \$20,989 for 2011, \$19,456 for 2010, and \$19,210 for 2009.

D. OPERS Retirement Board Implements its Health Care Preservation Plan

The Health Care Preservation Plan (HCPP) adopted by the OPERS Retirement Board on September 9, 2004, was effective on January 1, 2007. Member and employer contribution rates increased as of January 1 of each year from 2006 to 2008. Rates for law and public safety employers increased over a six year period beginning on January 1, 2006, with a final rate increase on January 1, 2011. These rate increases allowed additional funds to be allocated to the health care plan.

**Burr Oak Regional Water District**

Notes to the Financial Statements  
December 31, 2011 and 2010

**NOTE 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 of \$1.48 per every \$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.



# Balestra, Harr & Scherer, CPAs, Inc.

Accounting, Auditing and Consulting Services for Federal, State and Local Governments

[www.bhscpas.com](http://www.bhscpas.com)

## Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by *Government Auditing Standards*

Members of the Board of Trustees  
Burr Oak Regional Water District  
23554 Jenkins Dam Road  
Glouster, Ohio 45732

We have audited the financial statements of the business-type activities of the Burr Oak Regional Water District, Athens County, Ohio (the District), as of and for the years ended December 31, 2011 and 2010, which collectively comprise the District's basic financial statements and have issued our report thereon dated June 15, 2012. 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 the Comptroller General of the United States' *Government Auditing Standards*.

### Internal Control over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of opining on the effectiveness of the District's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies or material weaknesses. However, as described in the accompanying schedule of findings we identified certain deficiencies in internal control over financial reporting, that we consider material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider findings 2011-01 and 2011-02 described in the accompanying schedule of findings to be material weaknesses.

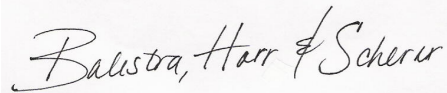
### Compliance and Other Matters

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect 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 an opinion. The results of our tests disclosed an instance of noncompliance or other matters we must report under *Government Auditing Standard* which is described in the accompanying schedule of findings as item 2011-02.

Members of the Board of Trustees  
Burr Oak Regional Water District  
Report on Internal Control Over Financial Reporting and on Compliance  
and Other Matters Required by *Government Auditing Standards*  
Page 2

The District's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the District's responses and, accordingly, we express no opinion on them.

We intend this report solely for the information and use of management, the Board of Trustees, and others within the District. We intend it for no one other than these specified parties.

A handwritten signature in cursive script that reads "Balestra, Harr & Scherer". The signature is written in black ink on a light-colored background.

Balestra, Harr & Scherer, CPAs, Inc.  
June 15, 2012

**Burr Oak Regional Water District**

Schedule of Findings and Responses  
For The Years Ended December 31, 2011 and 2010

**Finding Number 2011-01**

**Material Weakness – Controls over Financial Reporting**

The District did not properly report on Loan Forgiveness received during 2010 in connection with the Groundwater Plant project causing a material audit adjustment to be posted to the Districts financial statements.

Financial information is vital to an organization's management in its continual effort to effectively make decisions to guide the organization. It is also important for management to receive timely feedback on the reliability of financial information summarized in the financial statements, notes to the financial statements, and schedules used to make these decisions.

The accompanying financial statements were adjusted to reflect correction of a misstated balance. The District should implement application and monitoring controls over financial reporting to ensure that all financial statement transactions are accurately and completely reported.

**Client Response:**

The District will work more closely with their accounting firm to ensure that reports are prepared with accuracy and clarity.

**Finding Number 2011-02**

**Non-Compliance - Material Weakness – Controls over Cash Collections**

Ohio Revised Code section 9.38 states in part that public money must be deposited with the treasurer of the public office or the designated depository on the business day following the day of receipt. The District failed to deposit public monies on the next business day at times during the audit period. Also any employee could collect cash payments from customers when the payment was being made at the main office. After collecting the payments the monies would be placed into the Administrative Assistants desk which was not able to be locked. Monies would remain in the desk until the Administrative Assistant prepared a bank deposit and posted the payments to the system. This could result in fraud or errors in cash collections going undetected for long periods of time.

The District should implement controls over the cash collection process. Also the District should establish a way to safeguard any cash that had not been deposited at the end of the day.

**Client Response:**

Cash payments are only accepted during normal business hours and can only be received by the Administrative Assistant or the District Manager. All payments are recorded in a numbered triplicate receipt book. The original copy is given to the customer, the second copy is filed with duplicate deposit ticket and the third copy is kept in the receipt book. The District has set up two deposit sites to accept payments, the First National Bank of Glouster and North Valley Bank in Corning. The District also installed a safe in the Administrative Assistants office where deposits are kept until they are taken to the bank.

**This page intentionally left blank.**



# Dave Yost • Auditor of State

**BURR OAK REGIONAL WATER DISTRICT**

**ATHENS 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  
OCTOBER 4, 2012**