Burr Oak Regional Water District
Athens Ohio

Regular Audit

January 1, 2008, through December 31, 2009
Fiscal Years Audited Under GAGAS: 2009 and 2008

bhs

Balestra, Harr & Scherer, CPAs, Inc.

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Mary Taylor, CPA
Auditor of State

Board of Trustees
Burr Oak Regional Water District
23554 Jenkins Dam Road
Glouster, Ohio 43732

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, 2008 through December 31, 2009. 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.

Mary Taylor

Mary Taylor, CPA
Auditor of State

September 10, 2010

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Burr Oak Regional Water District

Table of Contents

For the Years Ended December 31, 2009 and 2008

Balestra, Harr & Scherer, CPAs, Inc.

Members American Institute of Certified Public Accountants | Members Ohio Society of Certified Public Accountants

Independent Auditor's Report

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, 2009 and 2008, 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 that 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 respective financial position of the business-type activities of the District, as of December 31, 2009 and 2008, and the respective changes in financial position and cash flows, thereof, for the years 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 30, 2010 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.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information accounting principles generally accepted in the United States of America requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

Balestra, Harr & Scherer

Balestra, Harr & Scherer, CPAs, Inc.
June 30, 2010

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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, 2009 and 2008. 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 $12,400,003 and $11,069,959 as of December 31, 2009 and 2008 respectively.
- Net assets increased by $1,330,044 in 2009 and increased by $1,479,758 in 2008.
- Operating revenues increased by $158,018 (5.79%) and increased $130,796 (4.75%) and operating expenses increased by $118,816 (9.39%) and $183,669 (16.98%) in 2009 and 2008 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.

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 2009, 2008 and 2007, respectively.

Table 1
Condensed Statement of Net Assets
December 31,

	2009	2008	2007 *
Assets			
Current & other assets	$ 3,862,131	$ 3,140,150	$ 3,624,170
Capital assets, net	10,759,958	9,448,160	6,703,355
Total assets	14,622,089	12,588,310	10,327,525
Liabilities			
Current liabilities	117,626	83,332	78,494
Long-term debt	2,104,460	1,435,019	658,830
Total liabilities	2,222,086	1,518,351	737,324
Net Assets			
Invested in capital assets, net of related debt	8,767,862	8,169,824	6,703,355
Unrestricted	3,632,141	2,900,135	2,886,846
Total net assets	$ 12,400,003	$ 11,069,959	$ 9,590,201

* As Restated – See Note 9.

As noted earlier, the net assets may serve as a useful indicator of financial position. The District's assets exceeded liabilities by $12,400,003 as of December 31, 2009, of which $8,767,862 is for net investment in capital assets; compared to an excess of $11,069,959 as of December 31, 2008.

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, 2009 and 2008 respectively, total assets of the District increased by $2,033,779 and $2,260,785 primarily due to increases in cash and capital assets. Total liabilities as of December 31, 2009 and 2008 increased by $703,735 and $781,027, respectively; due to issuance of debt.

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 2009, 2008 and 2007:

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

	2009	2008	2007*
Operating revenue			
Water sales	$ 1,933,670	$ 1,758,880	$ 1,654,206
Tap, application and reconnect fees	5,138	27,550	3,725
Late penalty charges	4,800	3,896	1,600
Miscellaneous revenues	1,406	285	284
Total operating revenue	1,945,014	1,790,611	1,659,815
Non operating revenue			
Interest revenue	57,732	55,568	176,783
Capital contributions	719,110	906,915	721,028
Gain on sale of fixed assets	2,400	-	-
Total non operating revenue	779,242	962,483	897,811
Total revenue	2,724,256	2,753,094	2,557,626
Operating expenses			
Personnel expenses	497,335	489,331	477,675
Utilities and telecommunications expense	149,956	132,140	111,369
Maintenance and operations	342,589	327,643	209,066
Office expenses and operation	8,367	6,220	4,913
Professional fees	17,455	27,621	59,474
Depreciation	368,393	282,324	219,113
Total operating expenses	1,384,095	1,265,279	1,081,610
Non operating expenses			
Interest expense	10,117	8,057	-
Loss on Sale of Fixed Assets	-	-	1,600
Other non operating expenses	-	-	283
Total non operating expenses	10,117	8,057	1,883
Total expenses	1,394,212	1,273,336	1,083,493
Change in net assets	$ 1,330,044	$ 1,479,758	$ 1,474,133

* As Restated – See Note 9.

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, 2009 and 2008:

- Operating revenue increased $154,403 (8.62%) and increased $130,796 (7.88%) in 2009 and 2008 respectively.
- Non-operating revenues decreased by $183,241 (19.04%) due to lack of grant revenue in 2009 and increased by $64,672 (7.20%) due to grant revenue in 2008.
- Operating expenses increased by $118,816 (9.39%) due to an increase in depreciation and maintenance and operational expenses in 2009 and $183,669 (16.98%) in 2008 due to an increase in depreciation and maintenance and operational expenses. Total expenses increased by $120,876 (9.49%) and $189,843 (17.52%) in 2009 and 2008 respectively.

Capital Assets

As of December 31, 2009 and 2008, respectfully, the District had $10,759,958 and $9,448,160 invested in capital assets. This amount represents a net increase of $1,311,798 (12.19%) in 2009 and a increase of $2,744,805 (40.95%) in 2008.

Table 3
Capital Assets
December 31,

	2009	2008	2007*
Land	$ 239,980	$ 237,980	$ 217,778
Construction in progress	3,588,331	2,051,928	3,371,776
Water system	8,798,045	8,698,392	8,328,740
Buildings	10,092,303	10,089,303	10,199,519
Perry County expansion	2,484,295	2,477,589	-
MIEX treatment system	1,556,928	1,550,458	-
Transportation equipment	149,167	148,260	148,260
Machinery, equipment, and tools	599,814	594,479	555,187
Furniture and fixtures	13,365	13,365	13,365
Less: Accumulated depreciation	(16,762,270)	(16,413,594)	(16,131,270)
Totals	$ 10,759,958	$ 9,448,160	$ 6,703,355

* As Restated – See Note 9.

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, 2009, the District had total debt outstanding of $1,992,096 compared to $1,278,336 at December 31, 2008 and $513,461 at December 31, 2007. This represents a increase of $713,760 and $764,875, 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.

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 borwd@wildblue.net.

BURR OAK REGIONAL WATER DISTRICT

Statements of Net Assets

As of December 31, 2009 and 2008

	2009	2008
ASSETS		
CURRENT ASSETS		
Cash	$ 3,670,358	$ 2,913,378
Accounts receivable, net of allowance for doubtful accounts	181,201	195,028
Prepaid expenses	10,572	31,744
Total current assets	3,862,131	3,140,150
CAPITAL ASSETS		
Water system	8,798,045	8,698,392
Buildings	10,092,303	10,089,303
Perry County expansion	2,484,295	2,477,589
MIEX treatment system	1,556,928	1,550,458
Transportation equipment	149,167	148,260
Machinery, equipment, and tools	599,814	594,479
Furniture and fixtures	13,365	13,365
Total Depraciable Capital Assets	23,693,917	23,571,846
Less: Accumulated depreciation	16,762,270	16,413,594
Net Depreciable Capital Assets	6,931,647	7,158,252
Land	239,980	237,980
Construction in progress	3,588,331	2,051,928
Net Capital Assets	10,759,958	9,448,160
TOTAL ASSETS	$14,622,089	$12,588,310

(Continued)

See accompanying notes to the financial statements.

BURR OAK REGIONAL WATER DISTRICT

Statements of Net Assets

As of December 31, 2009 and 2008

	2009	2008
CURRENT LIABILITIES		
Accounts payable	$ 46,954	$ 52,733
Payroll related liabilities	6,353	7,678
Accrued interest payable	13,995	8,057
Accrued wages	11,158	10,487
Current portion, OWDA Loans	39,166	4,377
Total current liabilities	117,626	83,332
LONG-TERM LIABILITIES		
Compensated absences	151,530	161,060
OWDA loans	1,952,930	1,273,959
Net Long-Term Liabilities	2,104,460	1,435,019
TOTAL LIABILITIES	2,222,086	1,518,351
NET ASSETS		
Invested in capital assets, net of related debt	8,767,862	8,169,824
Unrestricted	3,632,141	2,900,135
Total Net Assets	$ 12,400,003	$ 11,069,959
TOTAL LIABILITIES AND NET ASSETS	$ 14,622,089	$ 12,588,310

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, 2009 and 2008

	2009	2008
OPERATING REVENUES		
Water sales	$ 1,933,670	$ 1,758,880
Tap, application, and reconnect fees	5,138	27,550
Late penality charges	4,800	3,896
Miscellaneous revenues	1,406	285
Total Operating Revenues	1,945,014	1,790,611
OPERATING EXPENSES		
Personnel expenses	497,335	489,331
Utilities and telecommunications expense	149,956	132,140
Maintenance and operations	342,589	327,643
Office expenses and operation	8,367	6,220
Professional fees	17,455	27,621
Depreciation	368,393	282,324
Total Operating Expenses	1,384,095	1,265,279
OPERATING INCOME	560,919	525,332
NONOPERATING REVENUES (EXPENSES)		
Interest revenue	57,732	55,568
Interest expense	(10,117)	(8,057)
Capital contribution	719,110	906,915
Gain on sale of capital assets	2,400	-
Total Nonoperating Revenues (Expenses)	769,125	954,426
Change in Net Assets	1,330,044	1,479,758
NET ASSETS - Beginning of period, as restated	11,069,959	9,590,201
NET ASSETS - End of Period	$ 12,400,003	$ 11,069,959

See accompanying notes to the financial statements.

BURR OAK REGIONAL WATER DISTRICT

Statements of Cash Flows

Years Ended December 31, 2009 and 2008

	2009	2008
CASH FLOWS FROM OPERATIONS		
Cash received from customers	$ 1,962,456	$ 1,747,841
Cash payments to suppliers for goods and services	(506,589)	(517,846)
Cash payments to employees for services	(507,519)	(479,745)
Net Cash Provided By Operations	948,348	750,250
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	57,732	55,568
Net Cash Provided By Investing Activities	57,732	55,568
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of capital assets	(1,680,191)	(3,027,129)
Proceeds from disposal of capital assets	2,400	-
Cash received from capital contributions	719,110	906,915
Cash received from OWDA loans	737,681	764,875
Repayment of loans	(23,921)	-
Interest paid	(4,179)	-
Net Cash Used In Capital and Related Financing Activities	(249,100)	(1,355,339)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	756,980	(549,521)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	2,913,378	3,462,899
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 3,670,358	$ 2,913,378
CASH FLOWS FROM OPERATIONS		
Operating Income	$ 560,919	$ 525,332
Adjustments to reconcile operating income to cash flows from operating activities:		
Depreciation	368,393	282,324
(Increase) decrease in:		
Accounts receivable	13,827	(42,770)
Prepaid assets	21,172	(22,731)
Increase (decrease) in:		
Accounts payable	(5,779)	(1,491)
Compensated absenses payable	(9,530)	15,691
Accrued payroll and benefits	(654)	(6,105)
Net Cash Provided by Operating Activities	$ 948,348	$ 750,250

See accompanying notes to the financial statements.

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.

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 function 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:

Asset Class	Number of Years
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 2009 and 2008.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

<u>Compensated Absences</u> 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.

<u>Fund Equity</u> 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, 2009 and 2008.

<u>Prepaid Expenses</u> Prepaid expenses are those payments made to venders 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.

<u>Estimates</u> 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;

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, 2009, the carrying amount of the District's deposits totaled $3,670,358 and consists of the following: cash of $1,620,909, North Valley Bank Certificates of Deposits of $1,539,994 (matures 1/14/10) and Citizens Bank Certificates of Deposits of $509,455 (matures 10/16/10). Of the balance, $500,000 was covered by the Federal Deposit Insurance Corporation; and $3,170,358 was covered by a bank deposit guaranty bond.

NOTE 3 - CASH AND CASH EQUIVALENTS (continued)

At December 31, 2008, the carrying amount of the District's deposits was $2,913,378, and consists only of cash. Of the balance, $250,000 was covered by the Federal Deposit Insurance Corporation; and $2,663,378 was covered by a bank deposit guaranty bond.

Investments:
At December 31, 2009 and 2008, the District had no investments.

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, 2009 is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets being depreciated:				
Water system	$ 8,698,392	$ 99,653	$ -	$ 8,798,045
Buildings	10,089,303	3,000	-	10,092,303
Perry County expansion	2,477,589	6,706	-	2,484,295
MIEX treatment system	1,550,458	6,470	-	1,556,928
Transportation equipment	148,260	20,624	(19,717)	149,167
Machinery, equipment, & tools	594,479	5,335	-	599,814
Furniture and fixtures	13,365	-	-	13,365
Total capital assets being depreciated	23,571,846	141,788	(19,717)	23,693,917
Less accumulated depteciation for:				
Water system	(5,751,523)	(195,308)	-	(5,946,831)
Buildings	(10,038,338)	(2,919)	-	(10,041,257)
Perry County expansion	(22,975)	(92,011)	-	(114,986)
MIEX treatment system	(27,913)	(40,395)	-	(68,308)
Transportation equipment	(124,757)	(10,173)	19,717	(115,213)
Machinery, equipment, & tools	(437,841)	(26,783)	-	(464,624)
Furniture and fixtures	(10,247)	(804)	-	(11,051)
Total accumulated depreciation	(16,413,594)	(368,393)	19,717	(16,762,270)
Capital assets not being depreciated:				
Land	237,980	2,000	-	239,980
Construction in progress	2,051,928	1,536,403	-	3,588,331
Total capital assets not being depreciated	2,289,908	1,538,403	-	3,828,311
Capital assets, net	$ 9,448,160	$ 1,311,798	$ -	$ 10,759,958

NOTE 4 - CAPITAL ASSETS (continued)

A summary of the capital assets as of December 31, 2008 is as follows:

	Beginning Balance *	Increases	Decreases	Ending Balance
Capital assets being depreciated:				
Water system	$ 8,328,740	$ 369,652	$ -	$ 8,698,392
Buildings	10,199,519	-	(110,216)	10,089,303
Perry County expansion	-	2,477,589	-	2,477,589
MIEX treatment system	-	1,550,458	-	1,550,458
Transportation equipment	148,260	-	-	148,260
Machinery, equipment, & tools	555,187	39,292	-	594,479
Furniture and fixtures	13,365	-	-	13,365
Total capital assets being depreciated	19,245,071	4,436,991	(110,216)	23,571,846
Less accumulated depreciation for:				
Water system	(5,574,697)	(176,826)	-	(5,751,523)
Buildings	(10,035,465)	(2,873)	-	(10,038,338)
Perry County expansion	-	(22,975)	-	(22,975)
MIEX treatment system	-	(27,913)	-	(27,913)
Transportation equipment	(112,817)	(11,940)	-	(124,757)
Machinery, equipment, & tools	(399,013)	(38,828)	-	(437,841)
Furniture and fixtures	(9,278)	(969)	-	(10,247)
Total accumulated depreciation	(16,131,270)	(282,324)	-	(16,413,594)
Capital assets not being depreciated:				
Land	217,778	20,202	-	237,980
Construction in progress	3,371,776	-	(1,319,848)	2,051,928
Total capital assets not being depreciated	3,589,554	20,202	(1,319,848)	2,289,908
Capital assets, net	$ 6,703,355	$ 4,174,869	$ (1,430,064)	$ 9,448,160

* As Restated – See Note 9.

NOTE 5 - NOTES PAYABLE

FY 2008

Loan Name	Beginning Balance	Additions	Payments	Ending Balance	Due in 1 year
OWDA 4776	513,461	539,626	-	1,053,087	-
OWDA 4915	-	225,249	-	225,249	4,377
Total	513,461	764,875	-	1,278,336	4,377

FY 2009

Loan Name	Beginning Balance	Additions	Payments	Ending Balance	Due in 1 year
OWDA 4776	1,053,087	5,180	15,168	1,043,099	30,413
OWDA 4915	225,249	37,349	8,753	253,845	8,753
OWDA 5266	-	30,592	-	30,592	-
OWDA 5054	-	516,135	-	516,135	-
OWDA 5069	-	148,425	-	148,425	-
Total	1,278,336	737,681	23,921	1,992,096	39,166

In 2007, the District received an OWDA Loan 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 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 for the Crooksville Line Expansion. The loan matures July 1, 2040 and has a one percent interest rate.

In 2009, the District received an OWDA Loan for the Crooksville Line Expansion. The loan matures July 1, 2040 and has a zero percent interest rate.

In 2009, the District received an OWDA Loan for the Wellfield Project. The loan matures July 1, 2041 and has a zero percent interest rate.

NOTE 5 - NOTES PAYABLE (continued)

Maturities of notes payable are as follows:

Year Ending	OWDA Loans		
December 30,	Principal	Interest	Total
2010	$ 39,166	$ 10,506	$ 49,672
2011	39,624	10,049	49,673
2012	39,933	9,739	49,672
2013	40,245	9,426	49,671
2014	40,561	9,111	49,672
2015-2019	207,654	40,705	248,359
2020-2024	216,036	32,325	248,361
2025-2029	224,846	23,514	248,360
2030-2034	234,104	14,254	248,358
2035-2039	214,775	4,369	219,144
Total	$ 1,296,944	$ 163,998	$ 1,460,942

Loan numbers 5266, 5054 and 5069 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

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.

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 writing to OPERS, Attention: Finance Director, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-5601 or 1-800-222-7377.

NOTE 6 - DEFINED BENEFIT PENSION PLAN (continued)

E. The Ohio Revised Code provides statutory authority for member and employer contributions. For 2009, member and employer contribution rates were consistent across all three plans.

The member contribution rates were 10.0% for 2009 and 2008, and 9.5% for 2007 for the District.

The employer contribution rates were 14.0% for 2009 and 2008, and 13.85% for 2007 of covered payroll for the District.

The District's contributions to the PERS of Ohio for the years ending December 31, 2009, 2008, and 2007 were $48,375, $49,281, and $47,944 respectively.

NOTE 7 – POSTEMPLOYMENT BENEFITS

A. 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.

OPERS issues a stand-alone financial report. Interested parties may obtain a copy by writing OPERS, Attention: Finance Director, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 614-222-5601 or 800-222-7377.

B. 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 2009 and 2008, the District contributed at 14% of covered payroll. In 2007 the District contributed at 13.85% 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.

NOTE 7 – POSTEMPLOYMENT BENEFITS (continued)

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.

For 2009, the employer contributions allocated to the healthcare plan from January 1 through March 31, 2009 and April 1 through December 31, 2009 was 7.0% and 5.5%, respectively. For 2008, the employer contributions allocated to the healthcare plan was 7.0% of covered payroll. For 2007, the employer contributions allocated to the healthcare plan from January 1 through June 30, 2007 and July 1, 2007 through December 31, 2007 was 5.0% and 6.0%, respectively. The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the healthcare benefits provided, by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

C. The employer contributions that were used to fund post-employment benefits were $19,210 for 2009, $19,570 for 2008, and $19,039 for 2007.

D. 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, which allowed additional funds to be allocated to the healthcare plan.

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.

NOTE 9 - PRIOR-PERIOD ADJUSTMENT

Net Assets and construction in progress as of January 1, 2008 have been increased by $55,286 to correct an error made in 2007. Grant expenditures of $55,286 were inadvertently expensed and should have been included as construction in progress as part of the Perry County expansion.

Net assets - January 1, 2008	$ 9,534,915
Correction of error	55,286
Net assets - as restated- January 1, 2008	$ 9,590,201

NOTE 10 - SUBSEQUENT EVENTS

The District evaluated subsequent events through March 15, 2010, the date these financial statements were available to be issued. There were no material subsequent events that required recognition or additional disclosure in these financial statements.

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

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 Burr Oak Regional Water District, Athens County, Ohio, (the District) as of and for the years ended December 31, 2009 and 2008, which collectively comprise the District's basic financial statements, and have issued our report thereon dated June 30, 2010. 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 auditing 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.

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 internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and timely corrected.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

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 no instances of noncompliance or other matters we must report under *Government Auditing Standards.*

We intend this report solely for the information and use of the management and the board of trustees. We intend it for no one other than these specified parties.

Balestra, Harr & Scherer

Balestra, Harr & Scherer, CPAs, Inc.
June 30, 2010

Mary Taylor, CPA
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
SEPTEMBER 23, 2010