BURR OAK REGIONAL WATER DISTRICT
ATHENS COUNTY
Regular Audit
For the Years Ended December 31, 2007 and 2006

Mary Taylor, CPA
Auditor of State

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

We have reviewed the *Independent Accountants' Report* of the Burr Oak Regional Water District, Athens County, prepared by Perry & Associates, Certified Public Accountants, A.C., for the audit period January 1, 2006 through December 31, 2007. 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 30, 2008

88 E. Broad St. / Fifth Floor / Columbus, OH 43215-3506
Telephone: (614) 466-4514 (800) 282-0370 Fax: (614) 466-4490
www.auditor.state.oh.us

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BURR OAK REGIONAL WATER DISTRICT
ATHENS COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor's Report	1
Management's Discussion and Analysis	3
Statement of Net Assets - For Years Ended December 31, 2007 and 2006	7
Statements of Revenues, Expenses, and Changes in Net Assets For Years Ended December 31, 2007 and 2006	8
Statements of Cash Flows For Years Ended December 31, 2007 and 2006	9
Notes to Financial Statements	10
Independent Accountants' Report on Internal Controls Over Financial Reporting and on Compliance and Other Matters Required by *Government Auditing Standards*	20

Perry & Associates
Certified Public Accountants, A.C.

PARKERSBURG
1035 Murdoch Avenue
Parkersburg, WV 26101
(304) 422-2203

MARIETTA
428 Second Street
Marietta, OH 45750
(740) 373-0056

INDEPENDENT ACCOUNTANTS' REPORT

August 8, 2008

Board of Directors
Burr Oak Regional Water District
Athens County
23554 Jenkins Dam Road
Glouster, Ohio 43732

To the Members of the Board:

We have audited the accompanying basic financial statements of the Burr Oak Regional Water District, Athens County, Ohio, (the District) as of and for the years ended December 31, 2007 and 2006, 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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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 Burr Oak Regional Water District, Athens County, Ohio as of December 31, 2007 and 2006 and the respective changes in financial position and cash flows thereof 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 August 8, 2008, 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, grants and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis on pages 3 through 6 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Respectfully Submitted,

Perry & Associates CPA's A.C.

Perry and Associates
Certified Public Accountants, A.C.

BURR OAK REGIONAL WATER DISTRICT
ATHENS COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

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, 2007 and 2006. The information should be read in conjunction with the basic financial statements included in this report.

Financial Highlights

Key financial highlights for 2007 are as follows:

- Water Sales accounted for approximately $1.65 million in revenue or about 87% of all revenues. The District also received approximately $55,000 in grant receipts in 2007.
- Total expenses were approximately $1.13 million.
- Outstanding debt increased to $513,461 as the result of an OWDA (Ohio Water Development Authority) loan obtained in 2007.

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 Statement 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 the District's net assets (the difference between assets and liabilities). It provides 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 Statement of Revenues, Expenses and Changes in Net Assets presents a summary of how the District's net assets changed during the year. Revenue is reported when earned and expenses are reported when incurred. This statement measures 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 Statement of Cash Flows provides information about the District's cash receipts and disbursements during the year. It summarizes 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
ATHENS COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

Net Assets

The tables below provide a summary of the District's financial position and operations for 2007 and 2006.

Table 1
Condensed Statement of Net Assets

	2007	2006	Change	%
Assets				
Current & Other Assets	$3,624,170	$4,087,376	($463,206)	-11.33%
Capital Assets, Net	6,648,069	4,221,716	2,426,353	57.47%
Total Assets	$10,272,239	$8,309,092	$1,963,147	23.63%
Liabilities				
Current Liabilities	$78,494	$62,476	$16,018	25.63%
Long Term Liabilities	658,830	130,549	528,281	404.66%
Total Liabilities	$737,324	$193,025	$544,299	281.98%
Net Assets				
Invested in Capital net of Assets	$6,648,069	$4,221,716	$2,426,353	57.47%
Unrestricted Net Assets	2,886,846	3,894,351	(1,007,505)	-25.87%
Total Net Assets	$9,534,915	$8,116,067	$1,418,848	17.48%

As noted earlier, the net assets may serve as a useful indicator of financial position. Total assets increased $1,963,147 and total liabilities increased $544,299. The increase in total assets can be attributed to the receipt of a water tank in 2007 from Burr Oak State Park and also the increase in Construction in Progress due to the continued work on the Wellfield Project and the Perry County Expansion and new construction in 2007 on the Crooksville Line Expansion and the Miex Treatment System. The increase in liabilities is due to the OWDA loan received in 2007 relating to the Perry County Expansion project.

BURR OAK REGIONAL WATER DISTRICT
ATHENS COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006
(Continued)

Changes in Net Assets

The following table summarizes the changes in revenues and expenses for the District for 2007 and 2006.

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

	2007	2006	Change Amount	%
Revenues				
Operating Revenues	$ 1,715,100	$ 1,611,188	$ 103,912	6.44%
Nonoperating Revenues	176,783	167,506	9,277	5.53%
Total Revenues	1,891,883	1,778,694	113,189	6.36%
Expenses				
Operating Expenses	1,136,895	1,021,936	114,959	11.24%
Nonoperating Expenses	1,883	21,220	(19,337)	-91.12%
Total Expenses	1,138,778	1,043,156	95,622	9.16%
Contributed Capital	665,743	-	665,743	100.00%
Income/(Loss)	665,743	-	665,743	100.00%
Change in Net Assets	$ 1,418,848	$ 735,538	$ 683,310	92.89%

Revenues increased by $113,189. This increase is due to the grant receipts, an increase in water sales and increased interest income.

Expenses increased by $95,622. The increase is due to an increase in maintenance and operations expense, and increase in professional fees, new grant expenditures and higher depreciation expense. These increases were offset by a slight decrease in personnel expense.

BURR OAK REGIONAL WATER DISTRICT
ATHENS COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006
(Continued)

Capital Assets

As of December 31, 2007, the District had $6,648,069 invested in net capital assets. This amount represents a net increase of $2,426,353 (57.47%) over 2006.

Table 3
Capital Assets
For the Years Ended December 31, 2007 and 2006

	2007	2006	Change	%
Land	$ 217,778	$ 217,778	$ -	-%
Buildings	10,199,519	10,075,773	123,746	1.22%
Machinery and Equipment	555,187	555,187	-	-%
Furniture and Fixtures	13,365	12,271	1,094	8.91%
Transportation Equipment	148,260	126,189	22,071	17.49%
Water Distribution System	8,328,740	7,558,896	769,844	10.18%
Less: Accum. Deprec.	(16,131,270)	(15,919,287)	211,983	1.33%
Construction in Progress	3,316,490	1,594,909	1,721,581	107.94%
Totals	$ 6,648,069	$ 4,221,716	$2,426,353	57.47%

Debt Administration

The outstanding debt for the Burr Oak Regional Water District as of December 31, 2007 was $513,461. In 2007, the District received this amount as a loan from the OWDA for work on the Perry County Line Extension.

Additional information on the District's long-term debt can be found in Note 6 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 reflect the District's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Wendy Aichele, Administrative Assistant, Burr Oak Regional Water District, 23554 Jenkins Dam Road, Glouster, Ohio 45732.

BURR OAK REGIONAL WATER DISTRICT
ATHENS COUNTY

STATEMENT OF NET ASSETS
AS OF DECEMBER 31, 2007 AND 2006

	2007	2006
ASSETS:		
Current Assets:		
Cash and Cash Equivalents	$ 3,462,899	$ 3,936,319
Accounts Receivable	152,258	142,813
Prepaid Expenses	9,013	8,244
Total Current Assets	3,624,170	4,087,376
Capital Assets:		
Water System	8,328,740	7,558,896
Buildings	10,199,519	10,075,773
Transportation Equipment	148,260	126,189
Machinery, Equipment, and Tools	555,187	555,187
Furniture and Fixtures	13,365	12,271
Total Depreciable Capital Assets	19,245,071	18,328,316
Less: Accumulated Depreciation	(16,131,270)	(15,919,287)
Net Depreciable Capital Assets	3,113,801	2,409,029
Land	217,778	217,778
Construction in Progress	3,316,490	1,594,909
Net Capital Assets	6,648,069	4,221,716
TOTAL ASSETS	**$ 10,272,239**	**$ 8,309,092**
LIABILITIES AND EQUITY:		
Current Liabilities:		
Accounts Payable	$ 54,224	$ 43,176
Payroll Related Liabilities	15,027	11,563
Accrued Wages	9,243	7,737
Total Current Liabilities	78,494	62,476
Long-Term Liabilities:		
Compensated Absences	145,369	130,549
Loans Payable	513,461	-
Total Long-Term Liabilities	658,830	130,549
TOTAL LIABILITIES	**$ 737,324**	**$ 193,025**
Net Assets:		
Invested in Capital Assets, Net of Related Debt	6,648,069	4,221,716
Unrestricted	2,886,846	3,894,351
Total Net Assets	9,534,915	8,116,067
TOTAL LIABILITIES AND NET ASSETS	**$ 10,272,239**	**$ 8,309,092**

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

BURR OAK REGIONAL WATER DISTRICT
ATHENS COUNTY

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

	2007	2006
Operating Revenues:		
Water Sales	$ 1,654,206	$ 1,603,871
Grant Receipts	55,285	-
Application, Reconnect, and Tap Fees	3,725	2,190
Late Penalty Charges	1,600	2,121
Miscellaneous	284	3,006
Total Operating Revenues	1,715,100	1,611,188
Operating Expenses:		
Personnel Expenses	477,675	491,722
Utilities and telecommunications expense	111,369	107,510
Maintenance and Operations	209,066	183,786
Office Expenses and Operations	4,913	4,878
Professional Fees	59,474	43,400
Grant Expenditures	55,285	-
Depreciation Expense	219,113	190,640
Total Operating Expenses	1,136,895	1,021,936
Operating Income	578,205	589,252
Nonoperating Revenues/(Expenses):		
Interest Revenue	176,783	164,462
Interest Expense	-	(850)
Gain/(Loss) on Sale of Fixed Assets	(1,600)	3,044
Other Nonoperating Expenses	(283)	(20,370)
Total Nonoperating Revenues/(Expenses)	174,900	146,286
Contributed Capital	665,743	-
Change in Net Assets	1,418,848	735,538
Net Assets - January 1	8,116,067	7,380,529
Net Assets - December 31	**$ 9,534,915**	**$ 8,116,067**

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

BURR OAK REGIONAL WATER DISTRICT
ATHENS COUNTY

STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

	2007	2006
Cash Flows from Operating Activities:		
Cash Received from Customers	$ 1,650,368	$ 1,616,549
Cash Received from Grants	55,285	-
Cash Payments to Suppliers for Goods and Services	(548,025)	(436,051)
Cash Payments to Employees for Services	(339,686)	(359,628)
Net Cash Provided by (Used by) Operations	817,942	820,870
Cash Flows from Capital and Related Financing Activities:		
Repayment of Note	-	(500,000)
Proceeds from OWDA Loan	513,461	-
Proceeds From Contributed Capital	665,743	-
Acquisition and Construction of Fixed Assets	(2,647,066)	(444,741)
Nonoperating Project Expenses	(283)	(20,370)
Proceeds From Disposal of Fixed Assets	-	10,450
Interest Paid	-	(850)
Net Cash Provided by (Used by) Capital and Related Financing Activities	(1,468,145)	(955,511)
Cash Flows from Investing Activities:		
Interest Received	176,783	164,462
Net Cash Provided by (Used by) Investing Activities	176,783	164,462
Net Increase/(Decrease) in Cash and Cash Equivalents	(473,420)	29,821
Cash and Cash Equivalents - January 1	3,936,319	3,906,498
Cash and Cash Equivalents - December 31	**$ 3,462,899**	**$ 3,936,319**
Cash Flows from Operating Activities:		
Operating Income	578,205	589,252
Adjustments to Reconcile Operating Income to Cash Flows from Operating Activities		
Depreciation	219,113	190,640
(Increase) Decrease in Accounts Receivable	(9,445)	5,360
(Increase) Decrease in Prepaid Assets	(769)	865
Increase (Decrease) in Accounts Payable	11,048	(17,478)
Increase (Decrease) in Interest Payable	-	(1,241)
Increase (Decrease) in Compensated Absences Payable	14,820	47,788
Increase (Decrease) in Accrued Payroll and Benefits	4,970	5,684
Total Adjustments	239,737	231,618
Net Cash Provided by (Used by) Operating Activities	**$ 817,942**	**$ 820,870**

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

BURR OAK REGIONAL WATER DISTRICT
ATHENS COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006

Note 1 – Reporting Entity

The Burr Oak Regional Water District, Athens County (the District), is a regional water district organized under the provisions of Ohio Rev. Code Chapter 6119 by the Common Pleas Court of Athens County on September 27, 1999, after the Ohio Department of Natural Resources no longer wanted to operate the Burr Oak Water System. The State of Ohio formally transferred ownership, as well as all assets, of the Burr Oak Water system on October 21, 2000. The District operates under the direction of an eight-member Board of Trustees, from Athens, Hocking, Perry and Morgan Counties. The staff consists of an appointed Board Treasurer and an Administrative Assistant, who are responsible for the fiscal control of the resources of the District. The District was established to provide an adequate and uncontaminated water supply for the consumption of the District's users. The District sells water to 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 basic financial statements included in this report represent all activities over which the District has the ability to exercise direct operating control.

Note 2 – Summary of Significant Accounting Policies

The basic financial statements of the District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its proprietary activities provided they do not conflict with or contradict GASB pronouncements. The more significant of the District's accounting policies are described below.

A. Basis of Presentation

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

B. Basis of Accounting

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

C. Budgetary Process

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

Appropriations

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

Estimated Resources

Estimated resources include estimates of cash to be received (budgeted 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.

A summary of 2007 and 2006 budgetary activity appears in Note 4.

D. Cash and Cash Equivalents

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

E. Fixed Assets and Depreciation

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

Note 2 – Summary of Significant Accounting Policies (Continued)

E. Fixed Assets and Depreciation (Continued)

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

F. Compensated Absences

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

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

G. Contributed Capital

Contributed capital was recorded by the District to account for a water tank donated to the District. The asset was recorded at cost.

H. Fund Equity

Reserves represent those portions of fund equity not appropriable for expenditure or legally segregated for a specific future use. The District had no such reserves as of December 31, 2007 and 2006.

I. Prepaid Expenses

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.

J. 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

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

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

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

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

State statute permits monies to be deposited or invested in the following securities:

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal or interest by the United States;

2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;

4. Bonds and other obligations of the State of Ohio;

5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions; and

6. The State Treasurer's investment pool (STAROhio).

Note 3 – Cash and Cash Equivalents (Continued)

Deposits

Custodial Credit Risk Custodial credit risk is the risk that in the event of bank failure the District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At the fiscal year end December 31, 2007, the carrying amount of the District's deposits was $3,462,899, and the bank balance was $3,619,954. Of the bank balance, $100,000 was covered by the Federal Deposit Insurance Corporation and 3,519,954 was covered by a bank deposit guaranty bond. At the fiscal year end December 31, 2006, the carrying amount of the District's deposits was $3,936,319 and the bank balance was $3,968,572. Of the bank balance $100,000 was covered by the Federal Deposit Insurance Corporation and $3,868,572 was covered by a bank deposit guaranty bond. Although the securities were held by the pledging institution's trust department and all statutory requirements for the investment of the money had been followed, noncompliance with Federal requirements could potentially subject the District to a successful claim by the Federal Deposit Insurance Corporation.

The District has no deposit policy for custodial risk beyond the requirements of the State Statute. Ohio law requires the deposits to be either insured or be protected by the eligible securities pledged to and deposited either with the District or a qualified trustee by the financial institution as security for repayment, or by collateral pool of eligible securities deposited with a qualified trustee and pledged to secure repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of all deposits being secured.

Investments

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

In these financial statements, the District holds no investments, as all of the District's deposits are considered cash and cash equivalents.

Note 4 – Budgetary Activities

Budgetary activity for the years ended December 31, 2007 and 2006 is as follows:

2007 and 2006 Budgeted vs. Actual Receipts

Year	Budgeted Receipts	Actual Receipts	Variance
2007	$2,057,600	$1,891,883	($165,717)
2006	$2,099,000	$1,778,694	($320,306)

2007 and 2006 Budgeted vs. Actual Budgetary Basis Expenditures

Year	Appropriation Authority	Budgetary Expenditures	Variance
2007	$2,040,433	$1,138,778	$901,655
2006	$2,097,406	$1,043,156	$1,054,250

Note 5 – Capital Assets

A summary of the capital assets as of December 31, 2007 is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets being Depreciated:				
Water System	$ 7,558,896	$ 775,844	$ (6,000)	$ 8,328,740
Buildings	10,075,773	123,746	-	10,199,519
Transportation Equipment	126,189	22,071	-	148,260
Machinery and Equipment	555,187	-	-	555,187
Furniture and Fixtures	12,271	3,824	(2,730)	13,365
Total Capital Assets being Depreciated	18,328,316	925,485	(8,730)	19,245,071
Less Accumulated Depreciation for:				
Water System	(5,409,493)	(169,603)	4,400	(5,574,696)
Buildings	(10,033,267)	(2,198)	-	(10,035,465)
Transportation Equipment	(105,291)	(7,526)	-	(112,817)
Machinery and Equipment	(359,991)	(39,021)	-	(399,012)
Furniture and Fixtures	(11,245)	(765)	2,730	(9,280)
Total Accumulated Depreciation	(15,919,287)	(219,113)	7,130	(16,131,270)
Capital Assets Not Being Depreciated:				
Land	217,778	-	-	217,778
Construction in Progress	1,594,909	1,721,581	-	3,316,490
Total Capital Assets Not Being Depreciated	1,812,687	1,721,581	-	3,534,268
Total Capital Assets, Net	$ 4,221,716	$ 2,427,953	$ (1,600)	$ 6,648,069

BURR OAK REGIONAL WATER DISTRICT
ATHENS COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)

Note 5 – Capital Assets (Continued)

A summary of the capital assets as of December 31, 2006 is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets being Depreciated:				
Water System	$ 7,454,008	$ 104,888	$ -	$ 7,558,896
Buildings	10,071,725	4,048	-	10,075,773
Transportation Equipment	126,189	-	-	126,189
Machinery and Equipment	548,994	25,845	(19,652)	555,187
Furniture and Fixtures	13,586	-	(1,315)	12,271
Total Capital Assets being Depreciated	18,214,502	134,781	(20,967)	18,328,316
Less Accumulated Depreciation for:				
Water System	(5,275,547)	(133,946)	-	(5,409,493)
Buildings	(10,031,474)	(1,793)	-	(10,033,267)
Transportation Equipment	(97,292)	(7,999)	-	(105,291)
Machinery and Equipment	(326,100)	(50,886)	16,995	(359,991)
Furniture and Fixtures	(11,796)	(764)	1,315	(11,245)
Total Accumulated Depreciation	(15,742,209)	(195,388)	18,310	(15,919,287)
Capital Assets Not Being Depreciated:				
Land	203,749	14,029	-	217,778
Construction in Progress	1,298,979	295,930	-	1,594,909
Total Capital Assets Not Being Depreciated	1,502,728	309,959	-	1,812,687
Total Capital Assets, Net	$ 3,975,021	$ 249,352	$ (2,657)	$ 4,221,716

Note 6 – Notes Payable

In June of 2002, the District was approved to obtain Water Resource Revenue Bond Anticipation Notes not to exceed $3,100,000 for the purpose of paying part of the costs of constructing a water resource project. Only $500,000 was issued, and during 2004 the note was renewed. The $500,000 note matured on June 9, 2006, and was paid in full at that time.

In 2007, the District received an OWDA loan for the Perry County Line Extension in the amount of $513,461. The loan matures over a thirty-year period at a one percent interest rate. The first payment is due in 2010. An amortization schedule has yet to be provided by the OWDA as the loan is still active.

Note 7 – Contributed Capital

The District participated in a joint venture with the Burr Oak State Park (the State Park) on a water tank. The State Park paid for all costs and the agreement was once the tank was complete, it was to be turned over to the District. The project was completed and the District took over ownership of the tank in January 2007. The asset was recorded on the books based on the actual costs of the project that totaled $665,743.

Note 8 – Defined Benefit Pension Plan

A. Ohio Public Employees Retirement System

The District contributes to the Ohio Public Employees Retirement System (OPERS), a cost-sharing, multiple-employer defined benefit pension plan operated by the State of Ohio. OPERS administers three separate pension plans: the Traditional Pension Plan – a cost-sharing, multiple-employer defined benefit pension plan; the Member-Directed Plan – a defined contribution plan; and the Combined Plan – a cost sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan. OPERS provides retirement, disability, survivor and post-retirement health care coverage to qualifying members of both the Traditional Pension and Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including postemployment health care coverage. Health care benefits are not statutorily guaranteed. Chapter 145 of the Ohio Revised Code assigns the authority to establish and amend benefit provisions to the OPERS. OPERS issues a publicly available stand-alone financial report. Interested parties may obtain a copy by writing to the OPERS at 277 East Town Street, Columbus, Ohio 43215-4642 or calling (614) 222-5601 or 1-800-222-PERS (7377). The State of Ohio accounts for the activities of the Retirement System, and the amount of that fund is not reflected in the accompanying financial statements.

Benefits fully vest upon reaching 5 years of service and are established by state statute. Employees my retire at any age with 30 years of service, at age 60 with a minimum of 5 years credited service, and age 55 with a minimum of 25 years of service. Those individuals retiring with less than 30 years of service or less than age 65 receive reduced retirement benefits. Eligible employees are entitled to a retirement benefit, payable monthly for life, equal to 2.2% of their final average salary for each year of service in excess of 30 years. Final average salary is the employee's average salary over the highest 3 years of earnings.

The Ohio Revised Code provides statutory authority for employee and employer contributions. The rate set for employee contributions for 2007 and 2006 was 9.5% and 9.0%, respectively, and the employer contribution rate was 13.85% and 13.70%, respectively of covered payroll. The rates are the actuarially determined contribution requirements for OPERS. Required employer contributions are equal to 100% of the dollar amount billed to each employer and must be extracted from the employer's records. The difference between the total employer rate and the portion used to fund pension obligations is the amount used to fund the health care programs. Pension expense for the years ended December 31, 2007 and 2006 was $47,944 and $45,719, respectively.

The "Pension Benefit Obligation" is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases and step-rate benefits, estimated to be payable in the future as a result of employee service to date. The measure, which is the actuarial present value of credited projected benefits, is intended to help users assess the OPERS System's funding status on a going-concern basis, assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons among OPERS and employers.

Note 8 – Defined Benefit Pension Plan (Continued)

A. Ohio Public Employees Retirement System (Continued)

Historical trend information showing the OPERS System's progress in accumulating sufficient assets to pay benefits when due is presented in the System's December 31, 2005 Comprehensive Annual Financial Report.

Note 9 - Post employment Benefits

A. Ohio Public Employees Retirement System

The Ohio Public Employees Retirement System provides post-retirement health care coverage to age-and-service retirees with ten or more years of qualifying Ohio service credits. Health care coverage for disability recipients and primary survivor recipients is available. The health care coverage provided by OPERS meets the definition of an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12. A portion of each employer's contribution to OPERS is set aside for the funding of post-retirement health care. The Ohio Revised Code provides the statutory authority requiring public employers to fund post-retirement health care through their contributions to OPERS. The 2007 and 2006 local government employer contribution rate was 13.85% and 13.7% of covered payroll, respectively. For 2006, 4.5% of covered payroll was the portion that was used to fund health care. For 2007, the rate was 5% from January 1, 2007 to June 30, 2007 and 6% from July 1, 2007 to December 31, 2007.

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPER's latest actuarial review performed as of December 31, 2006, include a rate of return on investments of 6.5%, an annual increase in active employee total payroll of 4% compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between 0.5% and 6.3% based on additional annual pay increases. Health care premiums were assumed to increase between 0.5% and 5.0% annually for the next eight years and 4% annually after eight years.

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

The number of active contributing participants in the traditional and combined plans was 374,979 in 2007 and 362,130 in 2006. Actual employer contributions for 2007 and 2006 which were used to fund postemployment benefits were $19,039 and $15,017, respectively. The actual contribution and the actuarially required contribution amounts are the same. OPER's net assets available for payment of benefits at December 31, 2006, (the latest information available) were $12 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were $30.7 billion and $18.7 billion, respectively.

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. The HCPP restructures OPERS' health care coverage to improve the financial solvency of the fund in response to increasing health care costs.

Note 10 – Risk Management

The District maintains comprehensive insurance coverage with private carriers for real property, building contents, and vehicles. Vehicles 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 $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.

Perry & Associates
Certified Public Accountants, A.C.

PARKERSBURG
1035 Murdoch Avenue
Parkersburg, WV 26101
(304) 422-2203

MARIETTA
428 Second Street
Marietta, OH 45750
(740) 373-0056

INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

August 8, 2008

Burr Oak Regional Water District
Athens County
23554 Jenkins Dam Road
Glouster, Ohio 43732

To the Members of the Board:

We have audited the financial statements of the Burr Oak Regional Water District (the District), as of and for the years ended December 31, 2007 and 2006, and have issued our report thereon dated August 8, 2008. 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 expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the District's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the District's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all internal control deficiencies that might be 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 District management and the Board of Trustees. We intend it for no one other than these specified parties.

Perry & Associates CPA's A.C.

Perry and Associates
Certified Public Accountants, A.C.

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
OCTOBER 14, 2008

88 E. Broad St. / Fourth Floor / Columbus, OH 43215-3506
Telephone: (614) 466-4514 (800) 282-0370 Fax: (614) 466-4490
www.auditor.state.oh.us