



Balestra, Harr & Scherer, CPAs, Inc.

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

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BURR OAK REGIONAL WATER DISTRICT
ATHENS COUNTY

REGULAR AUDIT

For the Years Ended December 31, 2013 and 2012
Fiscal Years Audited Under GAGAS: 2013 and 2012



Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the Burr Oak Regional Water District, Athens County, prepared by Balestra, Harr & Scherer, CPAs, Inc., for the audit period January 1, 2012 through December 31, 2013. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

Dave Yost
Auditor of State

August 14, 2014

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Burr Oak Regional Water District

Basic Financial Statements
For The Years Ended December 31, 2013 and 2012

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

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Independent Auditor's Report

Burr Oak Regional Water District
Athens County
23554 Jenkins Dam Road
Glouster, Ohio 45732

To the Board of Trustees:

Report on the Financial Statements

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, 2013 and 2012 and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free of material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the District's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of Burr Oak Regional Water District, Athens County, Ohio, as of December 31, 2013 and 2012, and the respective changes in financial position and, where applicable, cash flows, thereof for the years then ended in accordance with the accounting principles generally accepted in the United States of America.

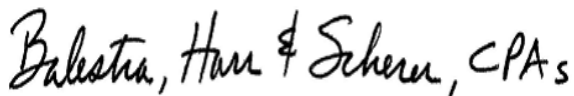
Other Matters

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 23, 2014, 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. That report describes the scope of our internal control testing over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Balestra, Harr & Scherer, CPAs, Inc.
Piketon, Ohio
May 23, 2014

Burr Oak Regional Water District
Athens County, Ohio
Management's Discussion and Analysis
December 31, 2013 and 2012
(Unaudited)

The following discussion provides a summary overview of the financial activities of the Burr Oak Regional Water District ("the District") for the years ended December 31, 2013 and 2012. The information should be read in conjunction with the basic financial statements included in this report.

FINANCIAL HIGHLIGHTS

- Assets exceeded liabilities by \$20,399,246 and \$19,674,653 as of December 31, 2013 and 2012, respectively.
- Net position increased by \$724,593 in 2013 and decreased by \$583,609 in 2012.
- Operating revenues increased by \$34,858 (1.27%) and increased \$219,052 (8.69%) and operating expenses decreased by \$20,528 (-0.97%) and increased by \$327,101 (18.23%) in 2013 and 2012, respectively.

OVERVIEW OF BASIC 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 Position, the Statements of Revenues, Expenses and Changes in Net Position, 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 Position include all of the District's Assets and Liabilities. These statements provide information about the nature and amounts of investments in resources (assets) owned by the District, and obligations owed by the District (liabilities) on December 31. The District's net position is the difference between assets and liabilities.

The Statements of Revenues, Expenses and Changes in Net Position provide information on the District's operations over the past two years and the success of recovering all its costs through user fees, charges, special assessments and other income. Revenues are reported when earned and expenses are reported when incurred.

The Statements of Cash Flows provide information about the District's cash receipts and cash disbursements. It summarizes the net changes in cash resulting from operating, investing, noncapital financing and capital financing activities.

The notes to the basic financial statements are an integral part of the basic financial statements and provide expanded explanation and detail regarding the information reported in the basic financial statements.

Burr Oak Regional Water District
Athens County, Ohio
Management's Discussion and Analysis
December 31, 2013 and 2012
(Unaudited)

STATEMENTS OF NET POSITION

Table 1 summarizes the Statements of Net Position of the District. Capital assets are reported less accumulated depreciation. "Net Investment in Capital Assets", represents capital assets less outstanding debt that was used to acquire those assets.

(Table 1)
Net Position

	<u>2013</u>	<u>2012</u>	<u>Difference</u>	<u>2011*#</u>	<u>Difference</u>
Current and Other Assets	\$ 8,064,487	\$ 7,062,558	\$ 1,001,929	\$ 6,061,643	\$ 1,000,915
Capital Assets, Net	21,946,621	22,427,017	(480,396)	23,728,913	(1,301,896)
Total Assets	<u>30,011,108</u>	<u>29,489,575</u>	<u>521,533</u>	<u>29,790,556</u>	<u>(300,981)</u>
Long Term Liabilities	9,151,367	9,369,334	(217,967)	9,297,730	71,604
Current and Other Liabilities	460,495	445,588	14,907	234,564	211,024
Total Liabilities	<u>9,611,862</u>	<u>9,814,922</u>	<u>(203,060)</u>	<u>9,532,294</u>	<u>282,628</u>
Net Position					
Net Investment in Capital Assets	12,620,670	12,867,941	(247,271)	14,541,124	(1,673,183)
Unrestricted	7,778,576	6,806,712	971,864	5,717,138	1,089,574
Total Net Position	<u><u>\$ 20,399,246</u></u>	<u><u>\$ 19,674,653</u></u>	<u><u>\$ 724,593</u></u>	<u><u>\$ 20,258,262</u></u>	<u><u>\$ (583,609)</u></u>

As restated – See Note 11.

*Certain reclassifications were made to 2011 to conform to the 2013 presentation.

As noted earlier, the net position may serve as a useful indicator of financial position. The District's assets exceeded liabilities by \$20,399,246 as of December 31, 2013, of which \$12,620,670 is for net investment in capital assets; compared to an excess of \$19,674,653 as of December 31, 2012.

The largest portion of the District's net position 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, 2013, total assets of the District increased by \$521,533 primarily due to an increase in cash which was partially offset by a decrease in capital assets. For the year ended December 31, 2012, total assets of the District decreased by \$300,981 primarily due to a decrease in capital assets which was partially offset by an increase in cash. Total liabilities as of December 31, 2013 decreased for the District by \$203,060 primarily due to a reduction of debt. Total liabilities as of December 31, 2012 increased for the District by \$282,628 primarily due to the issuance of debt.

Burr Oak Regional Water District
Athens County, Ohio
Management's Discussion and Analysis
December 31, 2013 and 2012
(Unaudited)

STATEMENTS OF CHANGES IN NET POSITION

Table 2 below summarizes the changes in revenues and expenses and the resulting changes in net position.

(Table 2)
Changes in Net Position

	<u>2013</u>	<u>2012</u>	<u>Difference</u>	<u>2011*</u>	<u>Difference</u>
Operating Revenues	\$ 2,775,567	\$ 2,740,709	\$ 34,858	\$ 2,521,657	\$ 219,052
Operating Expenses (Excluding Depreciation)	1,249,041	1,270,045	(21,004)	1,118,403	151,642
Depreciation	851,805	851,329	476	675,870	175,459
Total Operating Expenses	<u>2,100,846</u>	<u>2,121,374</u>	<u>(20,528)</u>	<u>1,794,273</u>	<u>327,101</u>
Operating Income	674,721	619,335	55,386	727,384	(108,049)
Non-Operating Revenues	91,062	60,236	30,826	60,077	159
Non-Operating Expenses	(41,190)	(1,263,180)	1,221,990	(16,007)	(1,247,173)
Capital Contributions	-	-	-	493,700	(493,700)
Changes in Net Position	<u>724,593</u>	<u>(583,609)</u>	<u>1,308,202</u>	<u>1,265,154</u>	<u>(1,848,763)</u>
Net Position at Beginning of Year	<u>19,674,653</u>	<u>20,258,262</u>	<u>(583,609)</u>	<u>18,993,108</u>	<u>1,265,154</u>
Net Position at End of Year	<u><u>\$ 20,399,246</u></u>	<u><u>\$ 19,674,653</u></u>	<u><u>\$ 724,593</u></u>	<u><u>\$ 20,258,262</u></u>	<u><u>\$ (583,609)</u></u>

* As restated – See Note 11.

Operating revenues consist of user charges for water consumption. Operating expenses reflect the cost of providing these services. For the years ended December 31, 2013 and 2012:

- Operating revenue increased \$34,858 (1.27%) and increased \$219,052 (8.69%) in 2013 and 2012, respectively.
- Operating expenses decreased by \$20,528 (-0.97%) in 2013 due to a decrease in maintenance and operational expenses and professional fees and increased \$327,101(18.23%) in 2012 due to an increase in depreciation expense, maintenance and operations expense, utilities and telecommunications expense, and professional fees. Total expenses decreased by \$1,242,518 (-36.71%) and increased by \$1,574,274 (86.96%) in 2013 and 2012, respectively.

Burr Oak Regional Water District
Athens County, Ohio
Management's Discussion and Analysis
December 31, 2013 and 2012
(Unaudited)

CAPITAL ASSETS

The District had \$40,961,774 invested in capital assets (before depreciation) at the end of 2013. This amount increased from 2012 by \$61,409 (0.15%) due to an addition of transportation equipment, upgrades to a water tank, the completion of a pole barn, and the demolition of an old water tank. The District had \$21,946,621 invested in net capital assets (after depreciation) at the end of 2013. This amount is a decrease of \$480,396 (-2.14%) from the previous year and is primarily due to depreciation expense and a disposal which was partially offset by the additions.

The District had \$40,900,365 invested in capital assets (before depreciation) at the end of 2012. This amount is a decrease of \$619,918 (1.49%) and is due to the addition of water lines and the sale of the MIEX treatment system. The District had \$22,427,017 invested in net capital assets (after depreciation) at the end of 2012. This amount is a decrease of \$1,301,896 (-5.49%) from the previous year and is primarily due to depreciation expense and the disposal of the MIEX treatment system.

(Table 3)
Capital Assets at December 31

	<u>2013</u>	<u>2012</u>	<u>2011*</u>
Land	\$ 239,980	\$ 239,980	\$ 239,980
Construction in Progress	-	26,092	1,512,029
Land Improvements	6,400	-	-
Water Systems	10,860,909	11,050,179	8,840,486
Buildings	10,266,857	10,184,012	10,092,303
Groundwater Plant	12,785,275	12,785,275	12,735,970
Wellfield	1,660,229	1,594,295	1,594,295
Perry County Expansion	2,484,295	2,484,295	2,484,295
MIEX Treatment System	-	-	1,556,928
Crooksville Line Expansion	1,547,539	1,544,410	1,544,410
Transportation Equipment	299,982	181,519	156,313
SCADA System	176,673	176,673	132,907
Machinery, Equipment, and Tools	618,243	618,243	615,853
Furniture and Fixtures	15,392	15,392	14,514
Totals Before Accumulated Depreciation	<u>40,961,774</u>	<u>40,900,365</u>	<u>41,520,283</u>
Accumulated Depreciation	<u>(19,015,153)</u>	<u>(18,473,348)</u>	<u>(17,791,370)</u>
Net Capital Assets	<u>\$21,946,621</u>	<u>\$22,427,017</u>	<u>\$23,728,913</u>

* As restated – See Note 11.

Additional information regarding capital assets can be found in Note 6 to the basic financial statements.

Burr Oak Regional Water District
Athens County, Ohio
Management's Discussion and Analysis
December 31, 2013 and 2012
(Unaudited)

DEBT

The District finances its construction primarily through the issuance of Ohio Water Development Authority (OWDA) loans and Ohio Public Works Commission (OPWC) loans. At December 31, 2013, the District had total debt outstanding of \$9,325,951 compared to \$9,559,076 at December 31, 2012 and \$9,200,501 at December 31, 2011. This represents a decrease of \$233,125 in 2013 from the repayment of the outstanding debt and an increase of \$358,575 in 2012 from issuance of the debt for expansion projects. Additional information regarding debt can be found in Note 7 to the basic financial statements.

(Table 4)
Outstanding Debt, at December 31

	2013	2012	2011
OWDA Loans	\$ 8,808,213	\$ 9,022,847	\$ 9,200,501
OPWC Loan	517,738	536,229	-
Total Long Term Debt	<u>9,325,951</u>	<u>9,559,076</u>	<u>9,200,501</u>
Less			
Current Maturities	<u>348,197</u>	<u>353,855</u>	<u>62,603</u>
Net Long Term Debt	<u><u>\$ 8,977,754</u></u>	<u><u>\$ 9,205,221</u></u>	<u><u>\$ 9,137,898</u></u>

CASH

Cash and cash equivalents on December 31, 2013 were \$7,819,143 and on December 31, 2012 were \$6,795,962.

CONTACT INFORMATION

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

Burr Oak Regional Water District
Athens County, Ohio
Statements of Net Position
As of December 31, 2013 and 2012

	2013	2012
ASSETS		
CURRENT ASSETS		
Cash	\$ 7,819,143	\$ 6,795,962
Accounts receivable, net of allowance for doubtful accounts	237,818	232,415
Prepaid expenses	7,526	34,181
Total current assets	8,064,487	7,062,558
CAPITAL ASSETS		
Non-Depreciable Capital Assets	239,980	266,072
Depreciable Capital Assets, net of Depreciation	21,706,641	22,160,945
Total Capital Assets	21,946,621	22,427,017
TOTAL ASSETS	\$ 30,011,108	\$ 29,489,575
CURRENT LIABILITIES		
Accounts payable	\$ 55,472	\$ 38,752
Payroll related liabilities	9,821	9,483
Accrued wages	17,005	14,498
Current portion, compensated absences	30,000	29,000
Current portion, OWDA Loans	329,707	335,364
Current portion, OPWC Loans	18,490	18,491
Total current liabilities	460,495	445,588
LONG-TERM LIABILITIES		
Compensated absences	173,613	164,113
OWDA loans	8,478,506	8,687,483
OPWC loans	499,248	517,738
Net Long-Term Liabilities	9,151,367	9,369,334
TOTAL LIABILITIES	9,611,862	9,814,922
NET POSITION		
Net Investment in Capital Assets	12,620,670	12,867,941
Unrestricted	7,778,576	6,806,712
Total Net Position	20,399,246	19,674,653
TOTAL LIABILITIES AND NET POSITION	\$ 30,011,108	\$ 29,489,575

See accompanying notes to the basic financial statements.

Burr Oak Regional Water District
Athens County, Ohio
Statements of Revenues, Expenses and Changes in Net Position
As of December 31, 2013 and 2012

	2013	2012
OPERATING REVENUES		
Water sales	\$ 2,760,721	\$ 2,711,873
Tap, application, and reconnect fees	5,574	4,273
Late penalty charges	1,946	2,245
Miscellaneous revenues	7,326	22,318
Total Operating Revenues	2,775,567	2,740,709
OPERATING EXPENSES		
Personnel expenses	533,644	535,610
Utilities and telecommunications expense	284,225	282,075
Maintenance and operations	398,903	413,249
Office expenses and operation	9,641	8,900
Professional fees	22,628	30,211
Depreciation	851,805	851,329
Total Operating Expenses	2,100,846	2,121,374
OPERATING INCOME	674,721	619,335
NONOPERATING REVENUES (EXPENSES)		
Interest revenue	68,562	60,236
Interest expense	(41,190)	(43,935)
Intergovernmental revenue	22,500	-
Loss on sale of capital assets	-	(1,219,245)
Total Nonoperating Revenues (Expenses)	49,872	(1,202,944)
Change in Net Position	724,593	(583,609)
NET POSITION - Beginning of Year, As Restated	19,674,653	20,258,262
NET POSITION - End of Year	\$ 20,399,246	\$ 19,674,653

See accompanying notes to the basic financial statements.

Burr Oak Regional Water District
Athens County, Ohio
Statements of Cash Flows
As of December 31, 2013 and 2012

	2013	2012
CASH FLOWS FROM OPERATIONS		
Cash received from customers	\$ 2,770,164	\$ 2,733,300
Cash payments to suppliers for goods and services	(672,022)	(804,946)
Cash payments to employees for services	(520,299)	(539,945)
Net Cash Provided By Operations	1,577,843	1,388,409
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	68,562	60,236
Net Cash Provided By Investing Activities	68,562	60,236
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Cash received from grants	22,500	-
Net Cash Provided By Noncapital Financing Activities	22,500	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of capital assets	(371,409)	(868,678)
Proceeds from disposal of capital assets	-	100,000
Proceeds from OWDA loans	120,730	98,212
Proceeds from OPWC loan	-	554,720
Principal payments on OWDA loans	(335,364)	(275,866)
Principal payments on OPWC loan	(18,491)	(18,491)
Interest paid on OWDA and OPWC loans	(41,190)	(43,935)
Net Cash Used In Capital and Related Financing Activities	(645,724)	(454,038)
INCREASE IN CASH AND CASH EQUIVALENTS	1,023,181	994,607
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	6,795,962	5,801,355
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 7,819,143	\$ 6,795,962
CASH FLOWS FROM OPERATIONS		
Operating Income	\$ 674,721	\$ 619,335
Adjustments to reconcile operating income to cash flows from operating activities:		
Depreciation	851,805	851,329
(Increase) decrease in:		
Accounts receivable	(5,403)	(7,409)
Prepaid assets	26,655	1,101
Increase (decrease) in:		
Accounts payable	16,720	(71,612)
Compensated absences payable	10,500	5,281
Accrued payroll and benefits	2,845	(9,616)
Net Cash Provided by Operating Activities	\$ 1,577,843	\$ 1,388,409

See accompanying notes to the basic financial statements.

Burr Oak Regional Water District
Athens County, Ohio
Notes to the Financial Statements
December 31, 2013 and 2012

NOTE 1 – NATURE OF ORGANIZATION

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 eighteen satellite water systems, consisting of nine area villages, five water districts, three 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. The District has no component units.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies followed in the preparation of these financial statements conform to accounting principles generally accepted in the United States of America for local governmental units as prescribed in the statements issued by the Governmental Accounting Standards Board (GASB) and other recognized authoritative sources. A summary of the significant accounting policies consistently applied in preparation of the accompanying financial statements follows:

1. **Basis of Presentation - Fund Accounting**

The accounts of the District are organized on the basis of funds, to report on its financial position and the results of its operations, each of which is considered a separate accounting entity. The District has created a single type of fund and a single fund within that fund type. The fund is accounted for by a separate set of self-balancing accounts that comprise its assets, liabilities, net position, revenues, and expenses. This fund accounts for the governmental resources allocated to it for the purpose of carrying on specific activities in accordance with laws, regulations or other restrictions. The fund type, which the District uses, is described below:

Proprietary Fund Type - This fund type accounts for operations that are organized to be self-supporting through user charges. The fund included in this category used by the District is the Enterprise Fund.

Enterprise Fund - This fund is established to account for operations that are financed and operated in a manner similar to private business enterprises where the intent is that costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

2. **Basis of Accounting and Measurement Focus**

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made. The accounting policies of the District conform to accounting policies generally accepted in the United States of America.

For financial statement presentation purposes, the District utilizes the accrual basis of accounting. Under this method of accounting, revenues are recognized when they are earned. Expenses are recognized under the accrual basis of accounting when the liability is incurred.

Burr Oak Regional Water District
Athens County, Ohio
Notes to the Financial Statements
December 31, 2013 and 2012

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

3. **Budgetary Process**

The Ohio Revised Code requires that each fund be budgeted annually. The District has adopted a budget for the years ended December 31, 2013 and 2012, and has adopted and passed annual appropriations resolutions.

Appropriations – For fiscal years ended December 31, 2013 and 2012, budgetary expenditures may not exceed appropriations at the object level of control, and appropriations may not exceed estimated resources. Appropriation authority includes current year appropriations plus encumbrances carried over from prior year (if any). The Board must annually approve appropriation measures and subsequent amendments. Unencumbered appropriations lapse at year end.

Estimated Resources - Estimated resources include estimates of cash to be received (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.

4. **Cash and Investments**

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.

5. **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.

6. **Capital Assets**

Capital assets acquired or constructed for the general use of the District in providing services are recorded at cost. Construction costs of the water system are capitalized on construction projects until they are substantially completed. Interest incurred on debt as a result of obtaining capital assets is not capitalized. Donated assets are recorded at their estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not capitalized. Depreciation of capital assets of the District is calculated utilizing the straight line method. All assets reported in the financial statements are at cost less accumulated depreciation. The estimated useful lives by major capital asset class are as follows:

<u>Asset Class</u>	<u>Number of Years</u>
Buildings and Water Systems	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
Land Improvements	10

Burr Oak Regional Water District
Athens County, Ohio
Notes to the Financial Statements
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NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

7. **Capital Contributions**

Capital contributions are recorded by the District for receipts of capital grants or contributions from developers and customers. No capital contributions have been recognized in 2013 and 2012.

8. **Compensated Absences**

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

9. **Prepaid Expenses**

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

10. **Net Position**

Net position represents the difference between assets and liabilities. Net investment in capital assets, consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvements of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available. The District had no restrictions on net position as of December 31, 2013 and 2012.

11. **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.

12. **Operating Revenues and Expenses**

Operating revenues are those revenues that are generated directly from the primary activity of the enterprise fund. For the District, these revenues are water sales, tap, application, and reconnection fees, late penalty charges and miscellaneous revenues for water services provided. Operating expenses are necessary costs incurred to provide the goods and/or services that are the primary activities of the fund. Revenues and expenses not meeting these definitions are reported as nonoperating.

13. **Accrued Liabilities and Long-Term Obligations**

All payables, accrued liabilities, and long-term obligations are reported in the financial statements when the liability is incurred.

Burr Oak Regional Water District
Athens County, Ohio
Notes to the Financial Statements
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NOTE 3 – CASH AND INVESTMENTS - LEGAL REQUIREMENTS FOR DEPOSITS

Active deposits are public deposits necessary to meet current demands. 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 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 can 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 and 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, 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 items (1) and (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 (STAR Ohio);
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.

Burr Oak Regional Water District
Athens County, Ohio
Notes to the Financial Statements
December 31, 2013 and 2012

NOTE 3 – CASH AND INVESTMENTS - LEGAL REQUIREMENTS FOR DEPOSITS –Continued

Protection of the District's deposits is provided by the Federal Deposit Insurance Corporation, by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the Treasurer by the financial institution, or by a single collateral pool established by the financial institution to secure the repayment of all public 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. Investments 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, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Deposits - Custodial credit risk for deposits is the risk that in the event of bank failure, the District's deposits may not be returned. According to state law, public depositories must give security for all public funds on deposit in excess of those funds that are insured by the Federal Deposit Insurance Corporation (FDIC) or by any other agency or instrumentality of the federal government. These institutions may either specifically collateralize individual accounts in lieu of amounts insured by the FDIC, or may pledge a pool of government securities valued at least 105% of the total value of public monies on deposit at the institution. The District's policy is to deposit money with financial institutions that are able to abide by the laws governing insurance and collateralization of public funds.

As of December 31, 2013 and 2012, the carrying amount of the District's deposits was \$7,819,143 and \$6,795,962, respectively. As of December 31, 2013, the District's bank balance of \$7,831,030 is either covered by FDIC or collateralized by the financial institutions' public entity deposit pools in the manner described above. As of December 31, 2012, the District's bank balance of \$6,796,923 is either covered by FDIC or collateralized by the financial institutions' public entity deposit pools in the manner described above.

Investments – The District had no investments as of December 31, 2013 and 2012.

NOTE 4 - COMPENSATED ABSENCES

The District uses the provisions of GASB Statement No. 16, "Accounting for Compensated Absences." Vacation and personal leave benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the employer will compensate the employees for the benefits through paid time off or some other means. Sick leave benefits are accrued as a liability as employees receive 50% of their accrued sick leave upon termination or retirement. The vacation, personal and sick leave accruals as of December 31, 2013 and 2012 were \$203,613 and \$193,113, respectively.

NOTE 5 – RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, theft or damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. 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 has not had any significant reduction in insurance coverage from the prior year.

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.

Burr Oak Regional Water District
Athens County, Ohio
Notes to the Financial Statements
December 31, 2013 and 2012

NOTE 6 – CAPITAL ASSETS

Capital assets activity for the year ended December 31, 2013 was as follows:

	Ending Balance 12/31/12	Additions	Deletions	Ending Balance 12/31/13
Capital Assets, Not Being Depreciated				
Land	\$ 239,980	\$ -	\$ -	\$ 239,980
Construction in Progress	26,092	-	(26,092)	-
Total Capital Assets, Not Being Depreciated	<u>266,072</u>	<u>-</u>	<u>(26,092)</u>	<u>239,980</u>
Capital Assets Being Depreciated				
Land Improvements	-	6,400	-	6,400
Water Systems	11,050,179	120,730	(310,000)	10,860,909
Buildings	10,184,012	82,845	-	10,266,857
Groundwater Plant	12,785,275	-	-	12,785,275
Wellfield	1,594,295	65,934	-	1,660,229
Perry County Expansion	2,484,295	-	-	2,484,295
Crooksville Line Expansion	1,544,410	3,129	-	1,547,539
Transportation Equipment	181,519	118,463	-	299,982
SCADA System	176,673	-	-	176,673
Machinery, Equipment, & Tools	618,243	-	-	618,243
Furniture & Fixtures	15,392	-	-	15,392
Total Capital Assets, Being Depreciated	<u>40,634,293</u>	<u>397,501</u>	<u>(310,000)</u>	<u>40,721,794</u>
Less Accumulated Depreciation:				
Land Improvements	-	(640)	-	(640)
Water Systems	(6,623,071)	(288,855)	310,000	(6,601,926)
Buildings	(10,061,570)	(8,004)	-	(10,069,574)
Groundwater Plant	(557,535)	(319,632)	-	(877,167)
Wellfield	(69,750)	(44,253)	-	(114,003)
Perry County Expansion	(391,188)	(92,067)	-	(483,255)
Crooksville Line Expansion	(91,422)	(55,165)	-	(146,587)
Transportation Equipment	(120,245)	(18,323)	-	(138,568)
SCADA System	(6,453)	(4,417)	-	(10,870)
Machinery, Equipment, & Tools	(538,139)	(20,131)	-	(558,270)
Furniture & Fixtures	(13,975)	(318)	-	(14,293)
Total Accumulated Depreciation	<u>(18,473,348)</u>	<u>(851,805)</u>	<u>310,000</u>	<u>(19,015,153)</u>
Total Capital Assets Being Depreciated, Net	<u>22,160,945</u>	<u>(454,304)</u>	<u>-</u>	<u>21,706,641</u>
Total Capital Assets, Net	<u>\$ 22,427,017</u>	<u>\$ (454,304)</u>	<u>\$ (26,092)</u>	<u>\$ 21,946,621</u>

Burr Oak Regional Water District
Athens County, Ohio
Notes to the Financial Statements
December 31, 2013 and 2012

NOTE 6 – CAPITAL ASSETS – Continued

Capital assets activity for the year ended December 31, 2012 was as follows:

	Ending Balance 12/31/11 *	Additions	Deletions	Ending Balance 12/31/12
Capital Assets, Not Being Depreciated				
Land	\$ 239,980	\$ -	\$ -	\$ 239,980
Construction in Progress	1,512,029	11,990	(1,497,927)	26,092
Total Capital Assets, Not Being Depreciated	1,752,009	11,990	(1,497,927)	266,072
Capital Assets Being Depreciated				
Water Systems	8,840,486	2,209,693	-	11,050,179
Buildings	10,092,303	91,709	-	10,184,012
Groundwater Plant	12,735,970	49,305	-	12,785,275
Wellfield	1,594,295	-	-	1,594,295
Perry County Expansion	2,484,295	-	-	2,484,295
MIEX Treatment System	1,556,928	-	(1,556,928)	-
Crooksville Line Expansion	1,544,410	-	-	1,544,410
Transportation Equipment	156,313	48,582	(23,376)	181,519
SCADA System	132,907	43,766	-	176,673
Machinery, Equipment, & Tools	615,853	2,390	-	618,243
Furniture & Fixtures	14,514	878	-	15,392
Total Capital Assets, Being Depreciated	39,768,274	2,446,323	(1,580,304)	40,634,293
Less Accumulated Depreciation:				
Water Systems	(6,340,388)	(282,683)		(6,623,071)
Buildings	(10,047,157)	(14,413)		(10,061,570)
Groundwater Plant	(238,799)	(318,736)		(557,535)
Wellfield	(29,893)	(39,857)		(69,750)
Perry County Expansion	(299,121)	(92,067)		(391,188)
MIEX Treatment System	(145,975)	-	145,975	-
Crooksville Line Expansion	(36,570)	(54,852)		(91,422)
Transportation Equipment	(124,122)	(19,499)	23,376	(120,245)
SCADA System	(2,492)	(3,961)		(6,453)
Machinery, Equipment, & Tools	(513,946)	(24,193)		(538,139)
Furniture & Fixtures	(12,907)	(1,068)	-	(13,975)
Total Accumulated Depreciation	(17,791,370)	(851,329)	169,351	(18,473,348)
Total Capital Assets Being Depreciated, Net	21,976,904	1,594,994	(1,410,953)	22,160,945
Total Capital Assets, Net	\$ 23,728,913	\$1,606,984	\$ (2,908,880)	\$ 22,427,017

* - As Restated – See Note 11

Burr Oak Regional Water District
Athens County, Ohio
Notes to the Financial Statements
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NOTE 7 – CURRENT AND LONG-TERM OBLIGATIONS

Long-term obligations and the related transactions for the years ended December 31, 2013 and 2012 are summarized below:

	Balance			Balance	Due Within
	12/31/12	Additions	Reductions	12/31/13	One Year
OWDA 4776 Paid to Perry County	\$ 918,344	\$ -	\$ 30,428	\$ 887,916	\$ 30,733
OWDA 4915	227,587	-	8,755	218,832	8,753
OWDA 5266	6,053,342	-	212,397	5,840,945	212,398
OWDA 5054 Paid to Village of Crooksville	597,104	-	18,965	578,139	19,156
OWDA 5069 Paid to Village of Crooksville	136,056	-	4,947	131,109	4,948
OWDA 5871	1,090,414	120,730	59,872	1,151,272	53,719
OPWC CR22N	536,229	-	18,491	517,738	18,490
Compensated Absences	193,113	35,762	25,262	203,613	30,000
Total	\$ 9,752,189	\$ 156,492	\$ 379,117	\$ 9,529,564	\$ 378,197

	Balance			Balance	Due Within
	12/31/11	Additions	Reductions	12/31/12	One Year
OWDA 4776 Paid to Perry County	\$ 948,469	\$ -	\$ 30,125	\$ 918,344	\$ 30,428
OWDA 4915	236,341	-	8,754	227,587	8,753
OWDA 5266	6,206,143	19,608	172,409	6,053,342	212,398
OWDA 5054 Paid to Village of Crooksville	615,881	-	18,777	597,104	18,966
OWDA 5069 Paid to Village of Crooksville	141,004	-	4,948	136,056	4,947
OWDA 5871	1,052,663	78,604	40,853	1,090,414	59,872
OPWC CR22N	-	554,720	18,491	536,229	18,491
Compensated Absences	187,832	33,964	28,683	193,113	29,000
Total	\$ 9,388,333	\$ 686,896	\$ 323,040	\$ 9,752,189	\$ 382,855

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

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

In 2009, the District received an OWDA Loan 5266 for the Wellfield Project. The loan matures July 1, 2041 and has a zero percent interest rate.

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

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

In 2011, the District received an OWDA Loan 5871 for the East Water Line and Tank Project. The loan matures January 1, 2032 and has a two percent interest rate.

In 2012, the District received an OPWC Loan CR22N for the replacement of Tank #2. The loan matures January 1, 2042 and has a zero percent interest rate.

Burr Oak Regional Water District
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NOTE 7 – CURRENT AND LONG-TERM OBLIGATIONS – Continued

Future principal and interest payments on all OWDA loans are as follows:

Year Ending December 30,	OWDA Loans		
	Principal	Interest	Total
2014	329,707	37,295	367,002
2015	331,285	35,716	367,001
2016	332,892	34,107	366,999
2017	334,526	32,474	367,000
2018	467,363	57,780	525,143
2019-2023	1,713,575	121,426	1,835,001
2024-2028	1,759,916	75,091	1,835,007
2029-2033	1,655,083	26,961	1,682,044
2034-2038	1,308,486	5,744	1,314,230
2039-2041	575,380	371	575,751
Total	<u>\$ 8,808,213</u>	<u>\$ 426,965</u>	<u>\$ 9,235,178</u>

Future principal payments on the OPWC loan is as follows:

Year Ending December 30,	OPWC Loan
	Principal
2014	18,490
2015	18,490
2016	18,490
2017	18,490
2018	18,490
2019-2023	92,451
2024-2028	92,455
2029-2033	92,455
2034-2038	92,455
2039-2042	55,472
Total	<u>\$ 517,738</u>

NOTE 8 – DEFINED BENEFIT RETIREMENT PLAN

Ohio Public Employees Retirement System

- 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.

Burr Oak Regional Water District
Athens County, Ohio
Notes to the Financial Statements
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NOTE 8 – DEFINED BENEFIT RETIREMENT PLAN – Continued

Ohio Public Employees Retirement System – Continued

- 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 visiting <https://www.opers.org/investments/cafr.shtml>, 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.
- E. The Ohio Revised Code provides statutory authority for member and employer contributions. For 2013, member and employer contribution rates were consistent across all three plans. While members in the state and local divisions may participate in all three plans, law enforcement and public safety divisions exist only within the Traditional Pension Plan.

The member contribution rates for 2013, 2012, and 2011 were 10.0%, 10.0%, and 10.0%, respectively, for members in state and local classifications.

The employer contribution rates were 14.00%, 14.00%, and 14.00%, respectively, for state and local employers for the years ended December 31, 2013, 2012, and 2011 for the District.

The District's contributions to OPERS for the years ended December 31, 2013, 2012, and 2011 were \$52,941, \$52,668, and \$53,419, respectively, which were equal to 100% of the required contributions for each of those years.

NOTE 9 – POSTEMPLOYMENT BENEFITS

Ohio Public Employees Retirement System

- 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 health care coverage.

Burr Oak Regional Water District
Athens County, Ohio
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NOTE 9 – POSTEMPLOYMENT BENEFITS – Continued

Ohio Public Employees Retirement System – Continued

In order to qualify for post-employment health care 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 the OPEB Plan is provided in Chapter 145 of the Ohio Revised Code.

OPERS issues a stand-alone financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/investments/cafr.shtml>, writing OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or 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 health care coverage.

Employer's contributions are expressed as a percentage of the covered payroll of active members. In 2013, state and local employers contributed at a rate of 14.0% of covered payroll. The Ohio Revised Code currently limits the employer contribution rate not to exceed 14.0% of covered payroll for state and local employer units. Active members do not make contributions to the OPEB Plan.

OPERS' Post Employment Health Care plan was established under, and is administrated in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Board of Trustees determines the portion of the employer contribution rate that will be set aside for funding of post-employment health care benefits. For 2013 and 2012, the employer contributions allocated to the health care for members in the Traditional Plan was 1.0% and 4.0%, respectively. The portion of employer contributions allocated to health care for members in the Combined Plan was 1.0% and 6.05% during calendar years 2013 and 2012, respectively. Effective January 1, 2014, the portion of employer contributions allocated to healthcare was raised to 2 percent for both plans, as recommended by the OPERS Actuary. The OPERS Board of Trustees is also authorized to establish rules for the payment of a portion of the health care 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 \$3,781 for 2013, \$15,047 for 2012, and \$20,989 for 2011 which were equal to the required contributions for those years.
- D. Changes to the health care plan were adopted by the OPERS Board of Trustees on September 19, 2012, with a transition plan commencing January 1, 2014. With the recent passage of pension legislation under SB 343 and the approved health care changes, OPERS expects to be able to consistently allocate 4 percent of the employer contributions toward the health care fund after the end of the transition period.

Burr Oak Regional Water District
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NOTE 10 – CHANGE IN ACCOUNTING PRINCIPLES

For 2013 and 2012, the District implemented Governmental Accounting Standards Board (GASB) Statement No. 62, “Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements,” GASB Statement No. 63, “Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position,” GASB Statement No. 65, “Items Previously Reported as Assets and Liabilities,” GASB Statement No. 66, “Technical Corrections – 2012 – An Amendment of GASB Statements No. 10 and No. 62,” GASB Statement No. 69, “Government Combinations and Disposals of Government Operations,” and GASB Statement No. 70, “Accounting and Financial Reporting for Nonexchange Financial Guarantees.”

Statement No. 62 incorporated into the GASB’s authoritative literature certain accounting and financial reporting guidance that is included in Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the American Institute of Certified Public Accountants’ (AICPA) Committee on Accounting Procedure issued on or before November 30, 1989 which does not conflict with or contradict GASB pronouncements.

Statement No. 63 identifies net position, rather than net assets, as the residual of all other elements presented in a statement of financial position. This change was incorporated in the financial statements; however, there was no effect on beginning net position.

Statement No. 65 provides guidance on how to properly classify items that were previously reported as assets and liabilities as deferred outflows of resources or deferred inflows of resources. In addition, guidance is provided on recognizing certain items that were previously reported as assets and liabilities as outflows of resources (expenses or expenditures) or inflows of resources (revenues).

Statement No. 66 resolves conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, and No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. This Statement amends Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, by removing the provision that limits fund-based reporting of an entity’s risk financing activities to the general fund and the internal service fund type. As a result, governments should base their decisions about fund type classification on the nature of the activity to be reported, as required in Statement 54 and Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*.

This Statement also amends Statement 62 by modifying the specific guidance on accounting for (1) operating lease payments that vary from a straight-line basis, (2) the difference between the initial investment (purchase price) and the principal amount of a purchased loan or group of loans, and (3) servicing fees related to mortgage loans that are sold when the stated service fee rate differs significantly from a current (normal) servicing fee rate. These changes clarify how to apply Statement No. 13, *Accounting for Operating Leases with Scheduled Rent Increases*, and result in guidance that is consistent with the requirements in Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*, respectively.

Statement No. 69 establishes accounting and financial reporting standards related to government combinations and disposals of government operations. As used in this Statement, the term *government combinations* includes a variety of transactions referred to as mergers, and transfers of operations.

Statement No. 70 improves accounting and financial reporting by state and local governments that extend and receive non exchange financial guarantees. This statement requires a government that extends a nonexchange financial guarantee to recognize a liability when qualitative factors and historical data, if any, indicate that it is more likely than not that the government will be required to make a payment on the guarantee.

The implementation of GASB Statements No.62, 63, 65, 66, 69, and 70 had no effect on net position, but did result in certain terminology changes within the financial statements.

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Notes to the Financial Statements
December 31, 2013 and 2012

NOTE 11 – PRIOR PERIOD RESTATEMENT

Certain errors resulting in a misstatement of the net position of the District as of December 31, 2011 were discovered by management during 2012 relating to the forgiveness of debt for the Wellfield as well as certain unrecorded costs paid directly by OWDA related to the Groundwater plant. These errors had the following effect on net position as of January 1, 2012:

Net Position, December 31, 2011	\$20,352,012
Correction of Errors	<u>(93,750)</u>
Restated Net Position, January 1, 2012	<u>\$20,258,262</u>



Balestra, Harr & Scherer, CPAs, Inc.

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

Burr Oak Regional Water District
Athens County
23554 Jenkins Dam Road
Glouster, Ohio 45732

To the Board of Trustees:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the business-type activities of the Burr Oak Regional Water District, Athens County, Ohio (the District), as of and for the years ended December 31, 2013 and 2012, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated May 23, 2014.

Internal Control over Financial Reporting

As part of our financial statement audit, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the District's internal control. Accordingly, we have not opined on it.

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

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 a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the District's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider finding 2013-001 described in the accompanying schedule of findings to be a material weakness.

Compliance and Other Matters

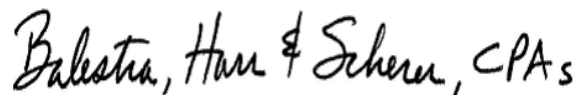
As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining 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*.

Entity's Response to Findings

The District's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit the District's response and, accordingly, we express no opinion on it.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Balestra, Harr & Scherer, CPAs, Inc.
Piketon, Ohio
May 23, 2014

Burr Oak Regional Water District

Schedule of Findings and Responses
For The Years Ended December 31, 2013 and 2012

Finding Number 2013-001

Material Weakness – *Controls over Financial Reporting*

The District did not properly report on Loan Forgiveness received during 2011 in connection with the Groundwater Plant project causing a material prior period adjustment to be posted to the Districts financial statements.

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

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

Client Response:

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

**BURR OAK REGIONAL WATER DISTRICT
ATHENS COUNTY
DECEMBER 31, 2013 AND 2012**

SCHEDULE OF PRIOR AUDIT FINDINGS

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2011-01	Material Weakness Financial Reporting	No	Reissued as 2013-001
2011-02	Material Weakness Cash Collection Controls	Yes	

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Dave Yost • Auditor of State

BURR OAK REGIONAL WATER DISTRICT

ATHENS COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
AUGUST 26, 2014**