

**SUNDAY CREEK VALLEY WATER DISTRICT  
ATHENS COUNTY**

**Regular Audit**

**For the Years Ended December 31, 2006 and 2005**





Mary Taylor, CPA  
Auditor of State

Board of Trustees  
Sunday Creek Valley Water District  
15945 Second Street  
Millfield, Ohio 45761

We have reviewed the *Independent Accountants' Report* of the Sunday Creek Valley Water District, Athens County, prepared by Perry & Associates, Certified Public Accountants, A.C., for the audit period January 1, 2005 through December 31, 2006. 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 Sunday Creek Valley Water District is responsible for compliance with these laws and regulations.

*Mary Taylor*

Mary Taylor, CPA  
Auditor of State

November 7, 2007

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**SUNDAY CREEK VALLEY WATER DISTRICT  
ATHENS COUNTY**

**TABLE OF CONTENTS**

<b><u>TITLE</u></b>	<b><u>PAGE</u></b>
Independent Accountants' Report	1-2
Management's Discussion and Analysis	3-9
Basic Financial Statements:	
Statement of Net Assets	10
Statement of Revenues, Expenses, and Changes in Net Assets	11
Statement of Cash Flows	12
Notes to the Financial Statements	13-30
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Governmental Auditing Standards</i>	31-33
Schedule of Findings	34-38
Schedule of Prior Audit Findings	39

# *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**

September 29, 2007

Board of Trustees  
Sunday Creek Valley Water District  
Athens County  
15945 Second Street  
Millfield, OH 45761

To the Board of Trustees:

We have audited the accompanying basic financial statements of the **Sunday Creek Valley Water District** (the "District") as of and for the years ended December 31, 2006 and 2005, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. 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 Sunday Creek Valley Water District, as of December 31, 2006 and 2005 and the respective changes in financial position and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Sunday Creek Valley Water District  
Athens County  
Independent Accountants' Report  
Page 2

In accordance with *Government Auditing Standards*, we have also issued our report dated September 29, 2007, 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 9, 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.

As described in Note 12, the District has implemented Governmental Accounting Standards Board (GASB) Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*, GASB Statement No. 46, *Net Assets Restricted by Enabling Legislation*, and GASB Statement No. 47, *Accounting for Termination Benefits*.

Respectfully Submitted,

Perry and Associates  
Certified Public Accountants, A.C.

**Sunday Creek Valley Water District  
Athens County**

**Management's Discussion and Analysis  
For the Years Ended December 31, 2006 and 2005  
(Unaudited)**

The discussion and analysis of the Sunday Creek Water District's (the "District") financial performance provides and overall review of the District's financial activities for the years ended December 31, 2006 and 2005. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and the selected information to the basic financial statements to enhance their understanding of the District's financial performance. As stated in the selected information to the basic financial statements, the financial information contained in this report is presented in accordance with Generally Accepted Accounting Principles as prescribed by the Financial Accounting Standards Board.

**Financial Highlights**

Key financial highlights for 2006 and 2005 are as follows:

- The total net assets of the District increase \$18,700 and \$32,675, respectively.
- The District's operating revenues increased \$12,562 and \$76,935, respectively, expenses (including depreciation) increased \$22,296 and \$18,374, respectively.

**Using this Annual Financial Report**

This annual report consists of a series of financial statements and notes to these statements. These statements are organized so the reader can understand the District as a financial whole, and entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

**Reporting the District as a Whole**

*Statement of Net Assets*

The Statement of Net Assets includes all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies.



**Sunday Creek Valley Water District  
Athens County**

**Management's Discussion and Analysis  
For the Years Ended December 31, 2006 and 2005  
(Unaudited)**

*Statement of Revenues, Expenses, and Changes in Net Assets*

The Statement of Revenues, Expenses, and Changes in Net Assets provides information on the District's operations over the past year and the success in recovering all costs through user fees, charges, assessments, and other income.

*Statement of Cash Flows*

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

The District reports the following fund type:

*Proprietary Funds*

The District maintains an enterprise fund to account for its water functions.

**Sunday Creek Valley Water District  
Athens County  
Management's Discussion and Analysis  
For the Years Ended December 31, 2006 and 2005  
(Unaudited)**

**Financial Analysis of the District's Financial Position and Results of Operation**

The tables below provide a summary of the District's financial position and operations for 2006, 2005 and 2004, respectively.

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

	<u>2006</u>	<u>2005</u>	<u>2004</u>
<u>Assets</u>			
Current and other assets	\$ 318,277	\$ 288,138	\$ 227,417
Capital assets, net	<u>3,518,797</u>	<u>3,612,305</u>	<u>3,735,232</u>
Total assets	<u><u>3,837,074</u></u>	<u><u>3,900,443</u></u>	<u><u>3,962,649</u></u>
<u>Liabilities</u>			
Current liabilities	52,770	64,720	67,509
Noncurrent liabilities	<u>1,642,749</u>	<u>1,712,868</u>	<u>1,804,960</u>
Total liabilities	<u><u>1,695,519</u></u>	<u><u>1,777,588</u></u>	<u><u>1,872,469</u></u>
<u>Net Assets</u>			
Invested in capital assets, net of related debt	1,846,925	1,842,014	1,879,804
Unrestricted	<u>294,630</u>	<u>280,841</u>	<u>210,376</u>
Total net assets	<u><u>\$ 2,141,555</u></u>	<u><u>\$ 2,122,855</u></u>	<u><u>\$ 2,090,180</u></u>

Over time, net assets can serve as a useful indicator of a government's financial position. At December 31, 2006 and 2005, the District's assets exceeded liabilities by \$2,141,555 and \$2,122,855, respectively.

Capital assets represent the largest portion of the District's net assets. At year-end 2006 and 2005, capital assets represented 92 percent and 93 percent, respectively, of total assets. Capital assets include buildings, office equipment, trucks, lines, meters and tanks, engineering and capital expenses.

**Sunday Creek Valley Water District**  
**Athens County**  
**Management's Discussion and Analysis**  
**For the Years Ended December 31, 2006 and 2005**  
**(Unaudited)**

Capital assets, net of related debt to acquire the assets at December 31, 2006 and 2005, were \$1,846,925 and \$1,842,014, respectively. These capital assets are used to provide services to citizens and are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

The balance of unrestricted net assets of \$294,630 and \$280,841 for the year ended December 31, 2006 and 2005, respectively, may be used to meet the government's ongoing obligations to citizens and creditors.

**Sunday Creek Valley Water District  
Athens County  
Management's Discussion and Analysis  
For the Years Ended December 31, 2006 and 2005  
(Unaudited)**

The following table summarizes the changes in revenues, expenses, and net assets for the District for 2006, 2005, and 2004, respectively.

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

	2006	2005	2004
<u>Operating revenue</u>			
Water sales	\$ 728,691	\$ 714,094	\$ 616,264
Water tap fees	11,350	16,154	14,750
Late charges, fees, and services	6,871	4,102	26,401
Total operating revenue	<u>746,912</u>	<u>734,350</u>	<u>657,415</u>
<u>Nonoperating revenue</u>			
Interest income	2,582	2,266	1,987
Capital contributions	-	12,288	14,796
Total nonoperating revenue	<u>2,582</u>	<u>14,554</u>	<u>16,783</u>
Total revenue	749,494	748,904	674,198
<u>Operating expenses</u>			
Operations	647,040	626,220	633,898
Maintenance	52,291	50,815	24,763
Total operating expense	<u>699,331</u>	<u>677,035</u>	<u>658,661</u>
<u>Nonoperating expenses</u>			
Interest expense	31,463	39,193	30,688
Total nonoperating expense	<u>31,463</u>	<u>39,193</u>	<u>30,688</u>
Total expenses	<u>730,794</u>	<u>716,228</u>	<u>689,349</u>
Change in net assets	<u>\$ 18,700</u>	<u>\$ 32,676</u>	<u>\$ (15,151)</u>

**Sunday Creek Valley Water District**  
**Athens County**  
**Management's Discussion and Analysis**  
**For the Years Ended December 31, 2006 and 2005**  
**(Unaudited)**

Operating revenues consist of user charges for water consumption. Operating expenses reflect the cost of providing these services. For the years ended December 31, 2006 and 2005:

- Operating revenue increased \$12,565 (1.71%) in 2006 and \$76,935 (11.70%) in 2005 due to an increase in water sales to customers.
- Operating expenses increased \$22,296 (3.29%) in 2006 due mainly to the increase in wages and \$18,374 (2.79%) in 2005 due mainly to an increase in water costs, group insurance and depreciation of capital assets.
- Total expenses increased \$14,566 (2.03%) in 2006 and \$26,879 (3.90%) in 2005.

**Capital Assets**

At the end of 2006 and 2005, the District had \$3,518,797 and \$3,612,305, respectively, (net of accumulated depreciation) invested in land, buildings, office equipment, trucks and back hoe, lines meters and tanks, engineering and capital cost.

The district's largest capital assets category is lines, meters, and tanks. These items are immovable and of value only to the District, however, the annual cost of purchasing these items is quite significant. The net book value of the District's lines, meters, and tanks (cost less accumulated depreciation) represents approximately 52 percent and 51 percent, respectively, of the District's total capital assets being depreciated for the years ended December 31, 2006 and 2005.

Additional information on the District's capital assets can be found in Note 6 of the financial statements.

**Debt**

The District finances its construction primarily through low-interest loan programs with the State of Ohio. At December 31, 2006, the District had total debt outstanding of \$1,682,430 at December 31, 2006 compared to \$1,764,737 at December 31, 2005 and \$1,855,428 at December 31, 2004. This represents a decrease \$82,307 and \$90,691, respectively, from payments on principal of the debt.

Additional information on the District's long-term debt can be found in Note 7 to the financial statements.

**Sunday Creek Valley Water District  
Athens County  
Management's Discussion and Analysis  
For the Years Ended December 31, 2006 and 2005  
(Unaudited)**

**Current Financial Related Activities**

The District continues to extend its area of service. While the District continues to seek outside assistance for expansion projects from Ohio Public Works Commission and Ohio Water Development Authority it also continues to maintain a conservative budget.

**Contacting the District's Financial Management**

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money received. If you have questions about this report or need additional financial information contact Mr. Ralph Sikorski, Clerk, Sunday Creek Valley Water District, 15945 Second Street, Millfield, Ohio 45761.

**Sunday Creek Valley Water District  
Athens County, Ohio  
Statement of Net Assets  
December 31, 2006 and 2005**

	<b>2006</b>	<b>2005</b>
<b>Assets:</b>		
<b>Current assets:</b>		
Equity in pooled cash and cash equivalents	\$ 179,299	\$ 157,493
Receivables:		
Accounts	128,401	123,398
Interest	62	460
Prepayments	10,515	6,787
Total current assets	\$ 318,277	\$ 288,138
<b>Noncurrent assets:</b>		
Capital assets:		
Land and construction in progress	21,306	21,306
Depreciable capital assets, net	3,497,491	3,590,999
Total capital assets, net	3,518,797	3,612,305
Total noncurrent assets	3,518,797	3,612,305
Total assets	\$ 3,837,074	\$ 3,900,443
<b>Liabilities:</b>		
<b>Current liabilities:</b>		
Accounts payable	8,239	5,540
Accrued wages and benefits	2,409	2,073
OPWC loan payable	4,262	4,178
OWDA loans payable	37,860	52,929
Total current liabilities	52,770	64,720
<b>Noncurrent liabilities:</b>		
OPWC loan payable	148,329	156,811
OWDA loans payable	1,494,420	1,556,057
Total noncurrent liabilities	1,642,749	1,712,868
Total liabilities	1,695,519	1,777,588
<b>Net Assets:</b>		
Invested in capital assets, net of related debt	1,846,925	1,842,014
Unrestricted	294,630	280,841
Total net assets	\$ 2,141,555	\$ 2,122,855

The notes to the basic financial statements are an integral part of these statements.

**Sunday Creek Valley Water District**  
**Athens County, Ohio**  
**Statement of Revenues, Expenses, and**  
**Changes in Net Assets**  
**For the Years Ended December 31, 2006 and 2005**

	<b>2006</b>	<b>2005</b>
<b>Operating Revenues:</b>		
Water sales	\$ 728,691	\$ 714,094
Water tap fees	11,350	16,154
Late charges, fees, and services	6,871	4,102
Total operating revenues	746,912	734,350
<b>Operating Expenses:</b>		
Water costs	273,142	271,439
Wages	100,243	80,892
Truck expenses	8,498	10,025
Insurance - property and liability	6,114	2,730
Insurance - group	28,440	25,569
Accounting and auditing	1,061	7,530
Office supplies and postage	8,690	9,593
Repairs	43,793	40,790
Trustees	9,000	8,550
Operating supplies	38,597	37,706
Payroll tax expense	18,774	21,161
Utilities and telephone	33,359	32,198
Depreciation	122,995	122,926
Miscellaneous	6,625	5,926
Total operating expenses	699,331	677,035
Operating profit (loss)	47,581	57,314
<b>Nonoperating Revenues (Expenses):</b>		
Interest income	2,582	2,266
Capital contributions	-	12,288
Interest expense	(31,463)	(39,193)
Total nonoperating revenues/(expenses)	(28,881)	(24,639)
Change in net assets	18,700	32,675
<b>Net assets at beginning of year</b>	2,122,855	2,090,180
<b>Net assets at end of year</b>	\$ 2,141,555	\$ 2,122,855

The notes to the basic financial statements are an integral part of these statements.



**Sunday Creek Valley Water District  
Athens County, Ohio  
Statement of Cash Flows  
For the Years Ended December 31, 2006 and 2005**

	<u>2006</u>	<u>2005</u>
<b>Cash flows from operating activities:</b>		
Cash received from customers	\$ 723,688	\$ 691,087
Cash received from tap fees	11,350	16,154
Cash received from late charges, fees and service charges	6,871	4,102
Cash payments to suppliers for goods and services	<u>(577,341)</u>	<u>(565,631)</u>
Net cash provided by operating activities	<u>164,568</u>	<u>145,712</u>
<b>Cash flows from capital and related financing activities:</b>		
Acquisition of capital assets	(31,972)	-
Capital contributions	-	15,673
Interest payments	(31,463)	(39,193)
Principal payments	(82,307)	(90,689)
Net cash used in capital and related financing activities	<u>(145,742)</u>	<u>(114,209)</u>
<b>Cash flows from investing activities:</b>		
Interest received	<u>2,980</u>	<u>2,128</u>
Net cash provided by investing activities	<u>2,980</u>	<u>2,128</u>
Net increase/(decrease) in cash and cash equivalents	21,806	33,631
<b>Cash and cash equivalents at beginning of year</b>	<u>157,493</u>	<u>123,862</u>
<b>Cash and cash equivalents at end of year</b>	<u><u>\$ 179,299</u></u>	<u><u>\$ 157,493</u></u>
<b>Reconciliation of operating loss to net cash provided by operating activities:</b>		
Operating gain/(loss)	47,581	57,314
Depreciation	122,995	122,926
(Increase)/decrease in accounts receivable	(5,003)	(23,007)
(Increase)/decrease in prepayments	(3,728)	(3,945)
(Decrease)/increase in accrued wages and benefits	24	(1,750)
Increase/(decrease) in accounts payable	<u>2,699</u>	<u>(5,826)</u>
Net cash provided by operating activities	<u><u>\$ 164,568</u></u>	<u><u>\$ 145,712</u></u>

The notes to the basic financial statements are an integral part of these statements.

**SUNDAY CREEK VALLEY WATER DISTRICT  
ATHENS COUNTY, OHIO  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005**

**NOTE 1 – DESCRIPTION OF THE ENTITY**

The Sunday Creek Valley Water District, Athens County, Ohio, (the “District”) was created in 1969. The District is a regional water district organized under the provisions of Section 6119 of the Ohio Revised Code (O.R.C.) by the Common Pleas Court of Athens County, Ohio. The District is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio.

The District operates under a five-member Board of Trustees that is selected from its users-members. The Board of Trustees is responsible for the fiscal control of the assets and the operating funds of the District. The District provides water service to the people residing in the District.

Management believes the financial statements included in this report represent all of the funds of the District over which management has direct operating control.

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Boards (GASB) is the accepted standard-setting body for establishing governmental accounting and financial principles. The District also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989, to its proprietary fund provided they do not conflict with or contradict GASB pronouncements. The District has the option to also apply FASB Statements and Interpretations issued after November 30, 1989, to its enterprise fund, subject to this same limitation. The District has elected not to apply these FASB Statements and Interpretations. The most significant of the District’s accounting policies are described below.

**A. REPORTING ENTITY**

The District’s reporting entity has been defined in accordance with GASB Statement No. 14, “The Financial Reporting Entity” as amended by GASB Statement No. 39 “Determining Whether Certain Organizations Are Component Units.” The Basic Financial Statements (BFS) includes the fund for which the District is “accountable.” Accountability as described in GASB Statement No. 14, as amended by GASB Statement No. 39, was evaluated based on financial accountability, the nature and significance of the potential component unit’s (PCU) relationship with the District and whether exclusion would cause the District’s BFS to be misleading or incomplete. Among the factors considered were separate legal standing;

**SUNDAY CREEK VALLEY WATER DISTRICT**  
**ATHENS COUNTY, OHIO**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005**  
**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)**

A. REPORTING ENTITY – (Continued)

appointment of a voting majority of PCU's board; fiscal dependency and whether a benefit or burden relationship exists; imposition of will; and the nature and significance of the PCU's relationship with the District.

Based on the foregoing criteria, there were no PCU's for the years reported on in the BFS in accordance with GASB Statement No. 14, as amended by GASB Statement No. 39.

B. BASIS OF PRESENTATION – FUND ACCOUNTING

The accounts of the District are maintained on the basis of fund accounting. The operations of this fund are accounted for with a set of self-balancing accounts that are comprised of its assets, liabilities, and net assets, as appropriate, and revenues and expenses. The following fund type is used by the District:

*PROPRIETARY FUND TYPE:*

*Enterprise Fund* – This fund is established to account for operations that are financed and operated in a manner similar to private business enterprises. 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.

The following is the District's only enterprise fund:

*Water Fund* – The fund accounts for the operations of water treatment and distribution to residential and commercial users located within the District.

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

The District prepares its financial statements on the accrual basis of accounting. Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. Unbilled service charges receivable are recognized as revenue at year-end. Expenses are recognized at the time they are incurred.

**SUNDAY CREEK VALLEY WATER DISTRICT  
ATHENS COUNTY, OHIO  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)**

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING – (Continued)

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The proprietary fund is accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of the fund are included on the balance sheet. This measurement focus emphasizes the determination of net income.

D. BUDGETS

The District is required by State statute to adopt an annual appropriated cash basis budget. The specific time table is as follows:

1. Prior to January 15 of the proceeding year, the District prepares a proposed operating budget. The budget includes proposed expenses and the means of financing for all funds.
2. By the beginning of the fiscal year the annual Appropriation Resolution is legally enacted by the Board of Trustees at the fund operating and debt level of expenses, which is the legal level of budgetary control. Resolution appropriations by fund must be within the estimated resources and the total of expenses may not exceed the appropriation total.
3. Any revision that alters the total of any fund appropriation must be approved by the Board of Trustees.
4. Formal budgetary integration is employed as a management control device during the year consistent with the general obligation bond indenture and other statutory provisions.
5. Appropriation amounts are as originally adopted, or as amended by the Board of Trustees through the year by supplemental appropriations, which either reallocated or increased the original appropriated amounts. A summary of 2006 and 2005 budgetary activity appears in Note 4.

E. CASH AND CASH EQUIVALENTS

Cash balances of the District's enterprise fund are invested certificates of deposit and presented as "Cash and Cash Equivalents" on the balance sheet. During the year,

**SUNDAY CREEK VALLEY WATER DISTRICT  
 ATHENS COUNTY, OHIO  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005**

investments were limited to certificates of deposit, which are reported at cost.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)**

**E. CASH AND CASH EQUIVALENTS – (Continued)**

Interest income earned by the District totaled \$2,582 and \$2,266, respectively, for the years ended. For purposes of the statement of cash flows and for presentation on the balance sheet, investments with maturities of three months or less are considered cash equivalents.

**F. CAPITAL ASSETS**

Capital assets acquired or constructed for the general use of the District in providing service are stated at cost (or estimated historical cost) and updated for the cost of additions and disposals during the years. Contributed capital assets are recorded at their fair market values as of the date donated. The District has established a capitalization threshold of \$300 for capital assets. Depreciation and amortization have been provided on a straight-line basis over the following estimated useful lives:

<u>Description</u>	<u>Estimated Life</u>
Building	10 – 50 years
Office Equipment	10 – 20 years
Trucks	5 – 10 years
Lines, Meters, Tanks	40 – 50 years
Engineering	40 years
Capital Expenses	10 – 40 years

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements, which extend the useful life or increase the capacity or operating efficiency are capitalized at cost and depreciated, if applicable, over the remaining useful lives of the related capital asset.

The District’s policy is to capitalize net interest on construction projects until substantial completion of the project. The amount of capitalized interest equals the difference between the interest cost associated with the tax-exempt borrowing used to finance the project and the interest earned from temporary investment on debt proceeds. Capitalized interest is amortized utilizing the straight-line basis over the estimated useful life of the asset. There was no capitalized interest for the years ended December 31, 2006 and 2005.

**SUNDAY CREEK VALLEY WATER DISTRICT  
ATHENS COUNTY, OHIO  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)**

**G. COMPENSATED ABSENCES**

Compensated absences of the District consist of vacation and sick time to the extent that payment to the employees for these absences are attributable to services already rendered and are not contingent on a specific event that is outside the control of the District and its employees.

In accordance with provisions of GASB Statement No. 16, "Accounting for Compensated Absences," a liability for vacation leave is accrued if: a) the employees' rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement.

Unused sick pay is recorded as a liability with employees being entitled to 4.6 hours of sick leave for each completed 80 hours up to a maximum of 960 hours and are entitled to a lump sum payment of one-third accumulated sick pay upon retirement or termination if they have more than ten years of service. The liability is calculated using pay rates in effect at December 31, 2006 and 2005, respectively.

**H. NET ASSETS**

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by outstanding balances of any borrowings used for acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

The District applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

**I. PREPAID ITEMS**

Payments made to vendors for services that will benefit periods beyond the balance sheet date are recorded as prepaid items using the consumption method. A current asset for prepaid amounts is recorded at the time of payment and an expense is reported at the time the services are consumed.

**SUNDAY CREEK VALLEY WATER DISTRICT  
ATHENS COUNTY, OHIO  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)**

J. ACCOUNTS RECEIVABLE

Management considers all accounts receivable to be collected in full and may periodically allocate portions of the allowance for specific problem accounts with the whole allowance available for any debts that occur. An account is charged off by management as a loss when deemed uncollectible, although most delinquent accounts receivable may be certified and collected as a special assessment, subject to foreclosure for nonpayment. Receivables are presented at gross on the Statement of Net Assets.

K. OPERATING REVENUES AND EXPENSES

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the District, these revenues are charges for services for water consumption. Operating expenses are necessary costs incurred to provide the good or service that are the primary activity of the fund.

L. ESTIMATES

The preparation of financial statements in conformity with GAAP which requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

M. LONG-TERM OBLIGATIONS

The District records fund obligations not expected to be financed within one year by available financial resources as long-term debt, which consisted of Ohio Water Development Authority (OWDA) and Ohio Public Works Commission (OPWC) notes.

N. CONTRIBUTIONS OF CAPITAL

Contributions of capital in proprietary fund financial statements arise from outside contributions of capital assets or from grants or outside contributions of resources restricted to capital acquisition and construction. Capital contributions are reported as revenue in the statements.

**SUNDAY CREEK VALLEY WATER DISTRICT  
ATHENS COUNTY, OHIO  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)**

**O. EXTRAORDINARY AND SPECIAL ITEMS**

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of District Administration and that are either unusual in nature or infrequent in occurrence. During fiscal years 2006 and 2005, the District did not have any transactions that would be classified as either a special item or an extraordinary item.

**NOTE 3 – CASH AND CASH EQUIVALENTS**

Monies held by the District are classified by state statute 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 five-year period of designation of depositories. Inactive deposits are public deposits that the District has identified as not required for use within the current five-year period of designation of depositories. Inactive deposits must 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 in interim monies. Interim monies are those monies that are not needed for immediate use but which will be needed before the end of the current period of designation of depositories.

Interim deposits may be deposited or invested in the following:

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;



**SUNDAY CREEK VALLEY WATER DISTRICT  
ATHENS COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005**

**NOTE 3 – CASH AND CASH EQUIVALENTS - (Continued)**

2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency 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. 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;
3. Bonds and other obligations of the State of Ohio;
4. 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;
5. The State Treasurer's investment pool (STAR Ohio);
6. High grade commercial paper for a period not to exceed 180 days in an amount not to exceed twenty-five percent of the District's interim monies available for investment; and
7. Bankers acceptances for a period not to exceed 180 days and in an amount not to exceed twenty-five percent of the District's interim monies available for investment.

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

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

**SUNDAY CREEK VALLEY WATER DISTRICT**  
**ATHENS COUNTY, OHIO**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005**  
**NOTE 3 – CASH AND CASH EQUIVALENTS - (Continued)**

3. Obligations of the District.

Investments in stripped principal or interest obligations reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the District, and must be repurchased 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 Clerk/Treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Deposits with Financial Institutions

At December 31, 2006 and 2005, the carrying amount of all District deposits was \$179,299 and \$157,493, respectively. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures," as of December 31, 2006 and 2005, \$84,723 and \$89,291, respectively, of the District's bank balance of \$184,723 and \$189,291, respectively, were exposed to custodial risk as discussed below, while \$100,000, respectively, was covered by Federal Deposit Insurance Corporation (FDIC).

Custodial credit risk is the risk that, in the event of bank failure, the District's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105 percent of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the Federal Reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the District.

**SUNDAY CREEK VALLEY WATER DISTRICT  
ATHENS COUNTY, OHIO  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005**

**NOTE 4 – BUDGETARY COMPLIANCE**

Budgetary activity for the years ending December 31, 2006 and 2005 follows:

<u>Budget vs. Actual Receipts</u>	<u>2006</u>	<u>2005</u>
Budgeted Receipts	\$ 750,000	\$ 700,000
Actual Receipts	749,494	736,616
Variance	<u>\$ (506)</u>	<u>\$ 36,616</u>
<u>Budget vs. Actual Budgetary Basis Expenses</u>	<u>2006</u>	<u>2005</u>
Budgetary Expenses	\$ 750,000	\$ 700,000
Actual Expenses	730,794	716,228
Variance	<u>\$ 19,206</u>	<u>\$ (16,228)</u>

The District had expenditures in excess of appropriations contrary to Section 5705.41(B) of the Ohio Revised Code for 2005.

**NOTE 5 – RECEIVABLES**

Receivables at December 31, 2006 and 2005, consisted of billed and unbilled water services. All receivables are considered fully collectible except for immaterial delinquent customer accounts. Delinquent accounts are subject to disconnection for nonpayment and are restored only after payment in full is received.

**SUNDAY CREEK VALLEY WATER DISTRICT  
ATHENS COUNTY, OHIO  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005**

**NOTE 6 – CAPITAL ASSETS**

Changes in capital assets for the years ended December 31, 2006 and 2005 consisted of the following:

2006	Balance at 12/31/05	Additions	Deletions	Balance at 12/31/06
<b>Description</b>				
Capital Assets, Not Being Depreciated				
Land	\$ 21,306	\$ -	\$ -	\$ 21,306
Total Capital Assets Not Being Depreciated	21,306	\$ -	\$ -	21,306
Capital Assets Being Depreciated				
Building	30,771	-	-	30,771
Office Equipment	29,929	-	-	29,929
Trucks and Backhoe	114,403	29,488	-	143,891
Lines, Meters, and Tanks	4,299,520	-	-	4,299,520
Engineering	717,476	-	-	717,476
Capital Costs	232,427	-	-	232,427
Total Capital Assets Being Depreciated	5,424,526	29,488	-	5,454,014
Less Accumulated Depreciation				
Building	(22,395)	(585)	-	(22,980)
Office Equipment	(28,070)	(743)	-	(28,813)
Trucks and Backhoe	(104,074)	(4,146)	-	(108,220)
Lines, Meters, and Tanks	(1,415,791)	(98,664)	-	(1,514,455)
Engineering	(169,214)	(13,727)	-	(182,941)
Capital Costs	(93,983)	(5,132)	-	(99,115)
Total Accumulated Depreciation	(1,833,527)	(122,996)	-	(1,956,523)
Total Capital Assets Being Depreciated, Net	3,590,999	(93,508)	-	3,497,491
Total Capital Assets, Net	\$ 3,612,305	\$ (93,508)	\$ -	\$ 3,518,797

**SUNDAY CREEK VALLEY WATER DISTRICT  
ATHENS COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005**

**NOTE 6 – CAPITAL ASSETS – (Continued)**

2005	Balance at 12/31/04	Additions	Deletions	Balance at 12/31/05
<b>Description</b>				
Capital Assets, Not Being Depreciated				
Land	\$ 21,306	\$ -	\$ -	\$ 21,306
<b>Total Capital Assets Not Being Depreciated</b>	<b>21,306</b>	<b>\$ -</b>	<b>\$ -</b>	<b>21,306</b>
Capital Assets Being Depreciated				
Building	30,771	-	-	30,771
Office Equipment	29,929	-	-	29,929
Trucks and Backhoe	114,403	-	-	114,403
Lines, Meters, and Tanks	4,299,520	-	-	4,299,520
Engineering	717,476	-	-	717,476
Capital Costs	232,427	-	-	232,427
<b>Total Capital Assets Being Depreciated</b>	<b>5,424,526</b>	<b>-</b>	<b>-</b>	<b>5,424,526</b>
Less Accumulated Depreciation				
Building	(21,740)	(1,240)	-	(22,980)
Office Equipment	(27,314)	(1,499)	-	(28,813)
Trucks and Backhoe	(100,078)	(8,143)	-	(108,220)
Lines, Meters, and Tanks	(1,317,130)	(197,323)	-	(1,514,454)
Engineering	(155,486)	(27,454)	-	(182,941)
Capital Costs	(88,852)	(10,262)	-	(99,115)
<b>Total Accumulated Depreciation</b>	<b>(1,710,600)</b>	<b>(245,921)</b>	<b>-</b>	<b>(1,956,522)</b>
<b>Total Capital Assets Being Depreciated, Net</b>	<b>3,713,926</b>	<b>(245,921)</b>	<b>-</b>	<b>3,468,004</b>
<b>Total Capital Assets, Net</b>	<b>\$ 3,735,232</b>	<b>\$ (245,921)</b>	<b>\$ -</b>	<b>\$ 3,489,310</b>

**SUNDAY CREEK VALLEY WATER DISTRICT  
ATHENS COUNTY, OHIO  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005**

**NOTE 7 – LONG-TERM DEBT**

At December 31, 2006 and 2005, notes payable consisted of the following issuances:

<u>Description</u>	<u>Balance at 12/31/06</u>	<u>Balance at 12/31/05</u>
2004 Note payable with Ohio Public Works Commission (OPWC), #CR09F, for construction of water system improvements. This note is dated July 1, 2004, and is due in semi-annual installments of \$3,629 through July 1, 2024, bearing interest of 2.00%.	\$ 106,720	\$ 111,768
2002 Note payable with Ohio Water Development Authority (OWDA), #3577, for construction of water lines, water towers, and pump stations. This note is dated July 1, 2004, and is due in semi-annual payments of \$23,839 through July 1, 2032 bearing interest of 1.50%.	1,007,190	1,039,397
2000 Note payable with OWDA, #3332, for the construction of water lines. The note is dated August 23, 2001, and is due in semiannual payments of \$6,989 through July 1, 2025, bearing interest of 2.00%.	214,357	223,858
1999/2000 Note payable with OWDA, #3196, for the planning and design of water system improvements. This note is dated January 23, 2002, and is due in semiannual payments of \$9,123 through January 1, 2026, bearing interest of 2.00%.	287,240	299,557
1998 Note payable with OPWC, #CR27A, for Phase I water line improvements. This note is dated August 28, 1998 and is due in semi-annual installments of \$2,159 through January 1, 2019, bearing interest of 2.00%.	45,871	49,221
1998 Note payable with OWDA, #2115/8120, for water system improvements. This note is dated March 10, 1998, and is due in semi-annual installments of \$11,146 through January 1, 2008, bearing interest of 5.88%.	<u>21,052</u>	<u>40,936</u>
Total Notes Payable at December 31	\$ 1,682,430	\$ 1,764,737

**SUNDAY CREEK VALLEY WATER DISTRICT  
ATHENS COUNTY, OHIO  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005**

**NOTE 7 – LONG-TERM DEBT - (Continued)**

The principal and interest requirements to retire the long-term debt obligations outstanding at December 31, 2006, are as follows:

**NOTE 8 – DEFINED BENEFIT PENSION PLAN**

Years Ending December 31,	OPWC #CR09F		OWDA #3577		OWDA #3332	
	Principal	Interest	Principal	Interest	Principal	Interest
2007	\$ 2,562	\$ 1,067	\$ 16,285	\$ 7,554	\$ 4,797	\$ 2,192
2008	5,200	2,058	32,937	14,741	9,786	4,192
2009	5,305	1,953	33,433	14,245	9,982	3,996
2010	5,412	1,846	33,937	13,741	10,182	3,796
2011	5,520	1,737	34,448	13,230	10,386	3,592
2012 - 2016	29,312	8,715	180,177	58,213	55,130	14,761
2017 - 2021	32,378	3,911	194,156	44,235	60,867	9,023
2022 - 2026	21,031	742	209,219	29,172	53,227	2,688
2027 - 2031			225,450	12,940		
2032			47,149	531		

Years Ending December 31,	OWDA #3196		OPWC #CR27A		OWDA #2115/8120	
	Principal	Interest	Principal	Interest	Principal	Interest
2007	\$ 12,564	\$ 2,872	\$ 1,701	\$ 459	\$ 10,527	\$ 619
2008	12,817	5,557	3,452	866	10,526	620
2009	13,074	5,302	3,522	797		
2010	13,337	5,041	3,593	726		
2011	13,605	4,776	3,665	654		
2012 - 2016	72,239	24,484	19,459	2,134		
2017 - 2021	79,797	12,225	10,481	316		
2022 - 2026	69,807	3,959				

**OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM**

The District participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year).

**SUNDAY CREEK VALLEY WATER DISTRICT  
ATHENS COUNTY, OHIO  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005**

**NOTE 8 – DEFINED BENEFIT PENSION PLAN – (Continued)**

Under the member directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any invested earnings. The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member directed plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional and combined plans. Members of the member directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 E. Town St., Columbus, OH 43215-4642 or by calling (614) 222-6705.

For the years ended December 31, 2006 and 2005, the members of all three plans were required to contribute 9.0 and 8.5 percent of their annual covered salaries. The Board's contribution rate for pension benefits for 2006 and 2005 were 13.70 and 13.55 percent. Actual employer contributions for 2006, 2005 and 2004 were \$18,985, \$11,558, and \$14,747, respectively. Unpaid contributions of \$1,931 and \$1,200 were recorded as a liability for 2006 and 2005, respectively. The Ohio Revised Code provides statutory authority for member and employer contributions.

**NOTE 9 – POST RETIREMENT BENEFIT PLANS**

**OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM**

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability recipients and primary survivor recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit as described in GASB Statement No.12, "Disclosure of Information on Postemployment Benefits other than Pension Benefits by State and Local Government Employers." A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute.



**SUNDAY CREEK VALLEY WATER DISTRICT  
ATHENS COUNTY, OHIO  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005**

**NOTE 9 – POST RETIREMENT BENEFIT PLANS – (Continued)**

The 2006 and 2005 local government employer contribution rates were 13.7 percent and 13.55 percent of covered payroll; four and five percent of covered payroll were the portions that were used to fund health care for 2006 and 2005, respectively.

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2004, include a rate of return on investments of eight percent, an annual increase in active employee total payroll of four percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between 0.50 percent and 6.3 percent based on additional annual pay increases. Health care premiums were assumed to increase at the projected wage inflation rate plus an additional factor ranging from 1 to 6 percent annually for the next eight years and 4 percent 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 percent of unrealized market appreciation or depreciation on investment assets annually.

The number of active contributing participants in the traditional and combined plans approximated 376,000 in 2006 and 2005. Actual employer contributions that were used to fund postemployment benefits were not yet available. The actual contribution and the actuarially required contribution amounts are the same. The actuarial value of OPERS's net assets available for payment of benefits at December 31, 2004, (the latest information available) was \$10.8 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$29.5 billion and \$18.7 billion, respectively.

In December 2001, the Board adopted the Health Care “Choices” Plan. The Choices Plan will be offered to all persons newly hired in an OPERS covered position after January 1, 2003, with no prior service credit accumulated toward health care coverage. Choices will incorporate a cafeteria approach, offering a broader range of health care options. The Plan uses a graded scale from ten to thirty years to calculate a monthly health care benefit. This is in contrast to the ten-year “cliff” eligibility standard for the present Plan.

The benefit recipient will be free to select the option that best meets their needs. Recipients will fund health care costs in excess of their monthly health care benefit. The Plan will also offer a spending account feature, enabling the benefit recipient to apply their allowance toward specific medical expenses, much like a Medical Spending Account.

**SUNDAY CREEK VALLEY WATER DISTRICT  
ATHENS COUNTY, OHIO  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005**

**NOTE 9 – POST RETIREMENT BENEFIT PLANS – (Continued)**

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's health care coverage to improve the financial solvency of the fund in response to skyrocketing health care costs.

Under the HCPP, the retirees eligible for health care coverage will receive a graded monthly allocation based on their years of service at retirement. The Plan incorporates a cafeteria approach, offering a broad range of health care options that allow benefit recipients to use their monthly allocation to purchase health care coverage customized to meet their individual needs. If the monthly allocation exceeds the cost of the options selected, the excess is deposited into a Retiree Medical Account that can be used to fund future care expenses.

**NOTE 10 – RISK MANAGEMENT**

The District is exposed to various risks of loss; related torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District continues to carry commercial insurance for the other risks of loss, including employee health insurance. The District contracted with Trimmer Insurance for commercial general liability insurance. The coverage insures up to \$1,000,000 for each occurrence and \$2,000,000 for an aggregate total. The Trimmer Insurance Agency provides the public liability insurance.

The District pays an annual premium to the State Workers' Compensation System based on employee compensation and a predetermined rate. This rate is calculated based on accident history and administrative costs.

There were no significant reductions in insurance coverage during the year in any category of risk. Settled claims did not exceed insurance coverage in each of the past three years.

**NOTE 11 – CONTINGENT LIABILITY**

**LITIGATION**

The District is currently not involved in litigation that the management or its legal counsel anticipates a loss.

**SUNDAY CREEK VALLEY WATER DISTRICT  
ATHENS COUNTY, OHIO  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005  
NOTE 12 – CHANGE IN ACCOUNTING PRINCIPLE**

For the fiscal year 2006, the District implemented GASB Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*, GASB Statement No. 46, *Net Assets Restricted by Enabling Legislation* and GASB Statement No. 47, *Accounting for Termination Benefits*. GASB Statement No. 42 establishes accounting and financial reporting standards for impairment of capital assets. GASB Statement No. 46 requires that limitations on the use of net assets imposed by enabling legislation be reported as restricted net assets. GASB Statement No. 47 establishes accounting standards for termination benefits. The application of these new standards had no effect on the financial statements, nor did their implementation require a restatement of prior year balances.

# *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***

September 29, 2007

Board of Trustees  
Sunday Creek Valley Water District  
15945 Second Street  
Millfield, OH 45761

To the Board of Trustees:

We have audited the accompanying financial statements of the **Sunday Creek Valley Water District**, Athens County, as of and for the years ended December 31, 2006 and 2005, which collectively comprise the District's basic financial statements and have issued our report thereon dated September 29, 2007, wherein the District adopted Governmental Accounting Standards Board Statement numbers 42, 46, and 47. We conducted our audit in accordance with auditing standards generally accepted in the United State of America and the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller of the United States.

#### **Internal Control Over Financial Reporting**

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

**Internal Control Over Financial Reporting – (Continued)**

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be considered significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

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.

We consider the following deficiencies described in the accompanying schedule of findings to be significant deficiencies in internal control over financial reporting: 2006-01 through 2006-04.

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 the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. We believe significant deficiency 2006-04 described above is a material weakness.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the District's basic financial statements contain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

The results of our tests disclosed one instance of compliance and other matters that is required to be reported under *Government Auditing Standards*, which are described in the accompanying schedule of findings as item 2006-04.

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

Respectfully Submitted,

Perry and Associates  
Certified Public Accountants, A.C.

**Sunday Creek Valley Water District  
Athens County  
Schedule of Findings  
For the Years Ended December 31, 2006 and December 31, 2005**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2006-01**

**Significant Deficiency**

**Delinquent Water Accounts**

The District does not have a formal policy for the monitoring of delinquent water accounts. As a result, the District has an increased risk of not receiving monies owed for water utilities.

The Board should adopt a policy detailing the methodology used to distinguish delinquent from uncollectible and the procedures for collecting on delinquent accounts. This policy should address the following issues:

- The monitoring and frequency of review for delinquent accounts
- The procedures to be utilized in an attempt to collect a delinquent account
- The period of time an account may remain delinquent before being classified as uncollectible; and
- The procedures for writing off an account as uncollectible

This will help ensure the District has adequate policies and procedures in place for managing delinquent accounts.

**Management’s Response** – We did not receive a response from officials to this finding.

**FINDING NUMBER 2006-02**

**Significant Deficiency**

**Monitoring of Adjustment Reports**

Trustees were not presented with and did not review any adjustment reports relating to customer billing.

**Sunday Creek Valley Water District  
Athens County  
Schedule of Findings  
For the Years Ended December 31, 2006 and December 31, 2005**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2006-02 (Continued)**

**Monitoring of Adjustment Reports – (Continued)**

This could result in an increased risk of the District not receiving monies owed for water and sewer utilities. Also, inappropriate adjustments are more likely to occur without proper approval from the Trustees prior to an adjustment being made.

We recommend the Trustees review and approve bill adjustment reports on a monthly basis.

**Management’s Response** – We did not receive a response from officials to this finding.

**FINDING NUMBER 2006-03**

**Significant Deficiency**

**Segregation of Duties**

It was noted that due to the small size of the District, that nearly all of the office duties are performed by one individual. This situation precludes certain internal controls that would be preferred if staff were large enough to provide segregation of duties.

We recommend that the Board of Trustees continue to provide detail oversight and review all transactions processed by the District. The Board should also initial and date documents periodically inspected to provide evidence of review and oversight.

**Management’s Response** – We did not receive a response from officials to this finding.



**Sunday Creek Valley Water District  
Athens County  
Schedule of Findings  
For the Years Ended December 31, 2006 and December 31, 2005**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2006-04**

**Noncompliance Citation/Material Weakness**

It was noted during the audit that for the year ended December 31, 2005, the District had expenditures exceeding appropriations in the Water Fund. The expenditures in this fund exceeded appropriations by \$16,228, as shown in Note 4 to the financial statements.

With expenditures exceeding appropriations, the District is unlawfully expending monies that have not been appropriated.

Also, there were several disbursements noted during the audit period that did not have a properly completed certificate prepared. Purchase orders were issued and signed by the initiator or special approval was noted in the minutes for most transactions. Recurring transactions (i.e., utilities, payroll, water) did not have a properly completed purchase order. This could result in errors and irregularities occurring and not being detected in a timely manner.

Ohio Revised Code 5705.41 (D) (1) states that no subdivision or taxing unit shall make any contract or give any order involving expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision that the amount required to meet the obligation or, in the case of a continuing contract to be performed in whole or in part in an ensuing fiscal year, the amount required to meet the obligation in the fiscal year in which the contract is made, has been lawfully appropriated for such purpose and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. Ohio Rev. Code § 5705.28(B)(2)(a) states that the taxing authority of a taxing unit that does not levy a tax is not required to adopt a tax budget pursuant to division (A) of this section. Instead, on or before the fifteenth day of July each year, such taxing authority shall adopt an operating budget for the taxing unit for the ensuing fiscal year. The operating budget shall include an estimate of receipts from all sources, a statement of all taxing unit expenses that are anticipated to occur, and the amount required for debt charges during the fiscal year. The budget is not required to be filed with the county auditor or the county budget commission.

According to Ohio Rev. Code § 5705.28(B)(2)(b), although a taxing unit that does not levy a tax is not a taxing unit for purposes for Ohio Rev. Code Chapter 5705, a water district is still required to follow these Ohio Rev. Code sections: 5705.36, 5705.38, 5705.40, 5705.41, 5705.43, 5705.44 and 5705.45.

**Sunday Creek Valley Water District  
Athens County  
Schedule of Findings  
For the Years Ended December 31, 2006 and December 31, 2005**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2006-04 (Continued)**

These sections separately require the District to, in part: certify beginning balances on or about the first day of each fiscal year, certify revenue available for appropriation, adopt appropriations within available resources, certify the availability of funds prior to incurring obligations, and limit expenditures to appropriations for each fund. However, documents prepared in accordance with such sections are not required to be filed with the county auditor or county budget commission.

Concerning the prior certification of the availability of funds prior to incurring obligations, Ohio Rev. Code §5705.41(D)(1) prohibits a subdivision or taxing authority from making any contract or ordering any expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The fiscal officer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance.

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

1. "Then and Now" Certificates – If the fiscal officer can certify that both at the time that the contract or order was made ("then"), and at the time that the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the subdivision (District) can authorize the drawing of a warrant for the payment of the amount due. The subdivision has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution. Amounts of less than \$3,000 may be paid by the fiscal officer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the District.

Sunday Creek Valley Water District  
Schedule of Findings and Recommendations  
For the Years Ended December 31, 2006 and December 31, 2005

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2006-04 (Continued)**

2. Blanket Certificate – Fiscal officers may prepare “blanket” certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the current year. The blanket certificate may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation. Blanket certificates cannot be issued unless there has been an amount approved by the legislative authority for the blanket.
  
3. Super Blanket Certificate – The District may also make expenditures and contracts for any amounts from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line-item appropriation. The District did not comply with the aforementioned budgetary laws for the periods ended December 31, 2004 and 2005.

We recommend the District’s management review the above requirements of the Ohio Revised Code and implement procedures to assure compliance with these requirements for future periods. Budgeted amounts of receipts and disbursements should be integrated into the District accounting system to allow for meaningful comparisons between the budgets versus actual figures.

We recommend that a properly completed purchase order and certification be prepared for all disbursements issued by the District.

Management’s Response – We did not receive a response from officials to this finding.

**SUNDAY CREEK VALLEY WATER DISTRICT  
ATHENS COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2006 AND 2005**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2004-SCVWD-001	Ohio Revised Code Section 5705.41(B) requires that no subdivision is to spend money unless it has been appropriated.	No.	Repeated as part of Finding Number 2006-04.



**Mary Taylor, CPA**  
Auditor of State

**SUNDAY CREEK VALLEY 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  
NOVEMBER 20, 2007**