

**SUNDAY CREEK VALLEY WATER DISTRICT
ATHENS COUNTY
Regular Audit
For the Years Ended December 31, 2008 and 2007**

Perry & Associates
Certified Public Accountants, A.C.



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 Accountant's 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, 2007 through December 31, 2008. 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

August 17, 2009

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**SUNDAY CREEK VALLEY WATER DISTRICT
ATHENS COUNTY**

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INDEPENDENT ACCOUNTANT'S REPORT

June 30, 2009

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

To the Board of Trustees:

We have audited the accompanying financial statements of the business-type activities of the **Sunday Creek Valley Water District, Athens County, Ohio (the District)**, as of and for the years ended December 31, 2008 and 2007, 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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the District, as of December 31, 2008 and 2007, and the respective changes in financial position and cash flows thereof, for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 30, 2009 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. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

Respectfully Submitted,

A handwritten signature in cursive script that reads "Perry & Associates CPAs A.C.".

Perry and Associates
Certified Public Accountants, A.C.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007
UNAUDITED**

The following discussion provides a summary overview of the financial activities of the Sunday Creek Valley Water District ("the District") for the year ended December 31, 2008 and 2007. The information should be read in conjunction with the basic financial statements included in this report.

Financial Highlights

Assets exceeded liabilities by \$2,047,882 and \$2,095,064 on December 31, 2008 and 2007, respectively. Net assets decreased by \$47,182 and \$46,491 in 2008 and 2007, respectively. Operating revenues increased by \$26,948 (3.57%) and \$7,547 (1.01%) in 2008 and 2007, respectively. Operating expenses increased by \$30,224 (3.90%) and increased by \$75,275 (10.76%) in 2008 and 2007, respectively. Retirements of debt principal totaled \$64,626 and \$84,566, respectively in 2008 and 2007 with an increase of debt of \$603,133 for 2008.

Overview of the Financial Statements

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

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

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

The Statement of Cash Flows provides information about the District's cash receipts and disbursements during the year. It summarizes net changes in cash resulting from operating, investing and financing activities.

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

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007
UNAUDITED
(Continued)**

Net Assets

Table 1 provides a summary of the District's net assets for 2008 and 2007, respectively.

**Table 1
Statement of Net Assets**

| Assets | <u>2008</u> | <u>2007</u> | <u>2006</u> |
|------------------------------------|---------------------|---------------------|---------------------|
| Current and Other Assets | \$ 400,836 | \$ 339,869 | \$ 318,277 |
| Capital Assets, Net | 3,811,867 | 3,380,567 | 3,518,797 |
| Total Assets | <u>\$ 4,212,703</u> | <u>\$ 3,720,436</u> | <u>\$ 3,837,074</u> |
| | | | |
| Liabilities | | | |
| Current Liabilities | 64,294 | 59,657 | 52,770 |
| Long-Term Liabilities | <u>2,100,527</u> | <u>1,565,715</u> | <u>1,642,749</u> |
| Total Liabilities | <u>2,164,821</u> | <u>1,625,372</u> | <u>1,695,519</u> |
| | | | |
| Net Assets | | | |
| Invested in Capital Assets, net | 1,678,630 | 1,782,704 | 1,846,925 |
| Unrestricted | <u>369,252</u> | <u>312,360</u> | <u>294,630</u> |
| Total Net Assets | <u>\$ 2,047,882</u> | <u>\$ 2,095,064</u> | <u>\$ 2,141,555</u> |

As noted earlier, the net assets may serve as a useful indicator of financial position. The District's assets exceed liabilities by \$2,047,882 and \$2,095,064 as of December 31, 2008 and 2007, respectively.

The largest portion of the District's net assets is reflected in 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 requirements.

Total assets of the District increased by \$492,267 and decreased by \$116,638 in 2008 and 2007, respectively. Total liabilities increased by \$539,449 and decreased by \$70,147 in 2008 and 2007, respectively.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007
UNAUDITED
(Continued)**

Changes in Net Assets

Table 2 shows the changes in net assets for the year ended December 31, 2008 and 2007, as well as revenues and expenses comparisons to 2006.

**Table 2
Revenue and Expenses**

| | 2008 | 2007 | 2006 |
|------------------------|-------------|-------------|-------------|
| <u>Revenues:</u> | | | |
| Operating Revenues | \$ 781,407 | \$ 754,459 | \$746,912 |
| Non-operating Revenues | 3,554 | 2,859 | 2,582 |
| Total Revenues | 784,961 | 757,318 | 749,494 |
| <u>Expenses:</u> | | | |
| Operating Expenses | 804,830 | 774,606 | 699,331 |
| Non-operating Expenses | 27,313 | 29,203 | 31,463 |
| Total Expenses | 832,143 | 803,809 | 730,794 |
| Change in Net Assets | \$ (47,182) | \$ (46,491) | \$ 18,700 |

Operating revenues consisted of user charges for water and sewer consumption. Operating expenses reflect the cost of providing these services.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007
UNAUDITED
(Continued)**

Table 3 provides a summary of the District's capital assets for 2008 and 2007.

**Table 3
Capital Assets**

| | 2008 | 2007 |
|--------------------------------|--------------|--------------|
| Land | \$ 31,306 | \$ 21,306 |
| Buildings | 30,771 | 30,771 |
| Office Equipment | 29,929 | 29,929 |
| Truck & Equipment | 162,041 | 143,891 |
| Lines, Meters, & Tanks | 4,841,893 | 4,299,520 |
| Engineering | 717,476 | 717,476 |
| Capital Expenses | 232,427 | 232,427 |
| Less: Accumulated Depreciation | (2,233,975) | (2,094,753) |
| Totals | \$ 3,811,868 | \$ 3,380,567 |

Debt Administration

The District finances its construction primarily through the issuance of low interest loan programs with the Ohio Public Works Commission and Ohio Water Development Authority. At December 31, 2008, the District had total debt outstanding of \$2,133,237 compared to \$1,597,863 at December 31, 2007. This represents a decrease of \$64,626 from payments on principal of the debt. There were additions to debt during 2008 in the amount of \$603,133.

Contacting the District's Financial Management

This report is designed to provide the District's customers, bondholders, creditors and other interested parties with an overview of the District's financial operations and financial condition. Should the reader have questions regarding the information included in this report or wish to request additional information, please contact Mr. Ralph Sikorski, Clerk, Sunday Creek Valley Water District, 15945 Second Street, Millfield, Ohio 45761.

**SUNDAY CREEK VALLEY WATER DISTRICT
ATHENS COUNTY**

**STATEMENT OF NET ASSETS
DECEMBER 31, 2008 AND 2007**

| | <u>2008</u> | <u>2007</u> |
|--|----------------------------|----------------------------|
| ASSETS: | | |
| Current assets: | | |
| Equity in pooled cash and cash equivalents | \$ 199,780 | \$ 212,373 |
| Accounts receivable | 138,505 | 124,638 |
| Interest receivable | 604 | 72 |
| Undisbursed funds (See Note 4) | 58,965 | - |
| Prepayments | 2,982 | 2,786 |
| Total current assets | <u>\$ 400,836</u> | <u>\$ 339,869</u> |
| Noncurrent assets: | | |
| Capital assets: | | |
| Land and construction in progress | 31,306 | 21,306 |
| Depreciable capital assets (net of depreciation) | <u>3,780,561</u> | <u>3,359,261</u> |
| Total noncurrent assets | <u>3,811,867</u> | <u>3,380,567</u> |
| TOTAL ASSETS | <u>\$ 4,212,703</u> | <u>\$ 3,720,436</u> |
| LIABILITIES: | | |
| Current liabilities: | | |
| Accounts payable | \$ 10,590 | \$ 12,755 |
| Accrued wages and compensated leave | 15,622 | 11,223 |
| Accrued payroll deductions | 3,574 | 3,531 |
| Accrued interest payable | 1,798 | - |
| Current portion of long-term debt | <u>32,710</u> | <u>32,148</u> |
| Total current liabilities | <u>64,294</u> | <u>59,657</u> |
| Noncurrent liabilities: | | |
| Long-term notes payable | <u>2,100,527</u> | <u>1,565,715</u> |
| Total noncurrent liabilities | <u>2,100,527</u> | <u>1,565,715</u> |
| Total liabilities | <u>2,164,821</u> | <u>1,625,372</u> |
| Net Assets: | | |
| Invested in capital assets, net of related debt | 1,678,630 | 1,782,704 |
| Unrestricted | <u>369,252</u> | <u>312,360</u> |
| Total net assets | <u>\$ 2,047,882</u> | <u>\$ 2,095,064</u> |

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

**SUNDAY CREEK VALLEY WATER DISTRICT
ATHENS COUNTY**

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007**

| | <u>2008</u> | <u>2007</u> |
|--|----------------------------|----------------------------|
| Operating Revenues: | | |
| Water Sales | \$ 727,604 | \$ 735,517 |
| Water Tap Fees | 41,954 | 11,102 |
| Late Charges, Fees, & Services | 8,230 | 6,520 |
| Miscellaneous Income | 794 | 1,320 |
| Income - Leak Insurance | 2,825 | - |
| | <hr/> | <hr/> |
| Total Operating Revenues | 781,407 | 754,459 |
| | <hr/> | <hr/> |
| Operating Expenses: | | |
| Water Expense | 282,633 | 275,169 |
| Office Expenses | 13,093 | 9,599 |
| Employee Expense | 168,959 | 141,089 |
| Professional Services | 106 | 28,352 |
| Utilities | 33,659 | 32,400 |
| Repairs and Maintenance | 60,170 | 35,986 |
| Vehicle Expense | 18,777 | 14,536 |
| Depreciation | 139,223 | 138,231 |
| Insurance | 46,785 | 40,236 |
| Operating Supplies | 35,800 | 47,561 |
| Miscellaneous | 5,625 | 11,447 |
| | <hr/> | <hr/> |
| Total Operating Expenses | 804,830 | 774,606 |
| | <hr/> | <hr/> |
| Operating Income / (Loss) | (23,423) | (20,147) |
| | <hr/> | <hr/> |
| Nonoperating Revenues/(Expenses): | | |
| Interest Income | 3,554 | 2,859 |
| Interest Expense | (27,313) | (29,203) |
| | <hr/> | <hr/> |
| Total Non-operating Revenues/(Expenses) | (23,759) | (26,344) |
| | <hr/> | <hr/> |
| Change in Net Assets | (47,182) | (46,491) |
| | <hr/> | <hr/> |
| Net Assets - January 1 | 2,095,064 | 2,141,555 |
| | <hr/> | <hr/> |
| Net Assets - December 31 | <u>\$ 2,047,882</u> | <u>\$ 2,095,064</u> |

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

**SUNDAY CREEK VALLEY WATER DISTRICT
ATHENS COUNTY**

**STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007**

| | 2008 | 2007 |
|---|-------------------|-------------------|
| Cash Flows from Operating Activities: | | |
| Cash Received from Water Sales and Tap Fees | \$ 755,505 | \$ 750,228 |
| Cash Received from Reimbursement and Miscellaneous Income | 11,849 | 7,840 |
| Cash Payments to Suppliers for Goods and Services | (498,824) | (472,163) |
| Cash Payments to Employees for Services | (164,516) | (139,468) |
| | 104,014 | 146,437 |
| Net Cash Provided by (Used by) Operations | | |
| Cash Flows from Capital and Related Financing Activities: | | |
| Financing Received from OWDA but not Disbursed or Classified as Cash | (58,965) | - |
| OWDA Financing | 600,000 | - |
| Acquisition and Construction of Capital Assets | (570,523) | - |
| Principal Paid on Long-Term Debt | (64,626) | (87,009) |
| Interest Paid | (25,515) | (29,203) |
| | (119,629) | (116,212) |
| Net Cash Provided by (Used by) Capital and Related Financing Activities | | |
| Cash Flows from Investing Activities: | | |
| Interest Received | 3,022 | 2,849 |
| | 3,022 | 2,849 |
| Net Cash Provided by (Used by) Investing Activities | | |
| Net Increase/(Decrease) in Cash and Cash Equivalents | (12,593) | 33,074 |
| Cash and Cash Equivalents - January 1 | 212,373 | 179,299 |
| | 199,780 | 212,373 |
| Cash and Cash Equivalents - December 31 | | |
| Cash Flows from Operating Activities: | | |
| Operating Income | (23,423) | (20,147) |
| Adjustments to Reconcile Operating Income to Cash Flows from Operating Activities: | | |
| Depreciation | 139,223 | 138,231 |
| (Increase) Decrease in Accounts Receivable | (13,868) | 3,763 |
| (Increase) Decrease in Prepaid Assets | (196) | 18,455 |
| Increase (Decrease) in Accounts Payable | (2,165) | 4,516 |
| Increase (Decrease) in Payroll related Liabilities | 4,443 | 1,619 |
| | 127,437 | 166,584 |
| Total Adjustments | | |
| Net Cash Provided by (Used by) Operating Activities | \$ 104,014 | \$ 146,437 |

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

**Sunday Creek Valley Water District
Athens County**

**Notes to Financial Statements
For the Year's Ended December 31, 2008 and 2007**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. DESCRIPTION OF THE ENTITY

The Sunday Creek Valley Water District, Athens County, Ohio, (the "District") 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.

The District's management believes the basic financial statements included in this report represent all activities over which the District has the ability to exercise direct operating control.

B. BASIS OF ACCOUNTING

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

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

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

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made.

The District uses the accrual basis of accounting. Revenues are recognized in the accounting period in which they are earned, and expenses are recognized at the time they are incurred.

**Sunday Creek Valley Water District
Athens County**

**Notes to Financial Statements
For the Year's Ended December 31, 2008 and 2007**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. BUDGETARY PROCESS

The Ohio Revised Code requires the District to budget its funds through adoption of an operating budget by July 15 of each year for the following fiscal year. The operating budget includes estimates for total revenues, total expenses, and debt service requirements for the fiscal year. The District prepares its operating budget on the accrual basis of accounting, the same basis on which its financial statements are prepared.

Contrary to ORC 5705.41(D), the District did not encumber 100% of its expenditures for 2008 and 2007.

D. CASH & CASH EQUIVALENTS

Cash and cash equivalents consist of cash on hand, checking, savings, and nonnegotiable certificates of deposit in financial institutions.

E. 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:

| Description | Estimated Life |
|--------------------------|----------------|
| Building | 10 - 50 years |
| Office Equipment | 10 - 20 years |
| Trucks | 5 - 10 years |
| Lines, Meters, and 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, 2008 and 2007.

**Sunday Creek Valley Water District
Athens County**

**Notes to Financial Statements
For the Year's Ended December 31, 2008 and 2007**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. 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, 2008 and 2007, respectively.

G. 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.

H. 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.

I. 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.

J. 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.

**Sunday Creek Valley Water District
Athens County**

**Notes to Financial Statements
For the Year's Ended December 31, 2008 and 2007**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles 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.

L. 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.

M. CONTRIBUTED CAPITAL

Contributed capital represents resources from other governments and private sources provided to proprietary funds that are not subject to repayment. Many of these are water line extensions that are constructed by other parties (with the inspection and approval of the District) and then turned over to the District. These assets are recorded at their fair market value on the date donated with an offsetting amount credited to Capital Contributions.

Depreciation on those assets acquired or constructed with contributed resources is expensed and closed to unreserved retained earnings at year-end. Contributed capital of the District has been in the form of donated assets and receipts from customers and developers as well as various federal and/or state grants.

NOTE 2 – DEPOSITS AND INVESTMENTS

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

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

Inactive deposits are public deposits that the District has identified as not required for use within the current 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 deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit, or by savings or deposit accounts including passbook accounts.

**Sunday Creek Valley Water District
Athens County**

**Notes to Financial Statements
For the Year's Ended December 31, 2008 and 2007**

NOTE 2 – DEPOSITS AND INVESTMENTS (Continued)

Interim monies held by the District 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 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 the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
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 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;
7. The State Treasurer's investment pool (STAROhio); and,
8. Commercial paper and bankers acceptances if training requirements have been met.

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 may only be made through specified dealers and institutions. An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions.

Undeposited Cash At year-end 2008, the District had \$203 in undeposited cash on hand and at year-end 2007, the District had \$181 in undeposited cash on hand. This was included as part of *Cash and cash equivalents*.

Deposits At year-end 2008 and 2007, the carrying amount of the District's deposits was \$133,057 and \$147,534 and the bank balance was \$181,279 and \$167,838, respectively. Custodial credit risk for deposits is the risk that in the event of bank failure, the District will not be able to recover deposits or collateral securities that are in the possession of an outside party. As of December 31, 2008 and 2007, all of the bank balance was covered by federal depository insurance.

As of December 31, 2008 and 2007, the District had a Certificate of Deposits with a carrying value of \$66,520 and \$64,658, respectively.

**Sunday Creek Valley Water District
Athens County**

**Notes to Financial Statements
For the Year's Ended December 31, 2008 and 2007**

NOTE 2 – DEPOSITS AND INVESTMENTS (Continued)

Investments The District's investment policy does not address any restriction on investments relating to interest rate, credit, or custodial credit risks. The investment policy restricts investment in anything other than as identified in the Ohio Revised Code, except that all investments must mature within two years from the date of investments unless they are matched to a specific obligation or debt of the District. Purchasing investments that cannot be held until the maturity date is also restricted.

NOTE 3 - CAPITAL ASSETS

Changes in capital assets for the years ended December 31, 2008 and 2007 consisted of the following:

| | 12/31/2006 | | 12/31/2007 | | | 12/31/2008 | | |
|--|--------------|-----------|------------|--------------|-----------|------------|--------------|--|
| | Balance | Additions | Deletions | Balance | Additions | Deletions | Balance | |
| Capital assets non-depreciable: | | | | | | | | |
| Land | \$ 21,306 | - | - | 21,306 | 10,000 | - | 31,306 | |
| Total non-depreciable capital assets | 21,306 | | | 21,306 | 10,000 | | 31,306 | |
| Capital assets being depreciated: | | | | | | | | |
| Buildings | 30,771 | - | - | 30,771 | - | - | 30,771 | |
| Capital Expenses | 232,427 | - | - | 232,427 | - | - | 232,427 | |
| Lines, Meters, and Tanks | 4,299,520 | - | - | 4,299,520 | 542,373 | - | 4,841,893 | |
| Engineering | 717,476 | - | - | 717,476 | - | - | 717,476 | |
| Office Equipment | 29,929 | - | - | 29,929 | - | - | 29,929 | |
| Trucks | 143,891 | - | - | 143,891 | 18,150 | - | 162,041 | |
| Total capital assets being depreciated | 5,454,014 | - | - | 5,454,014 | 560,523 | - | 6,014,537 | |
| Less accumulated depreciation: | | | | | | | | |
| Buildings | 22,980 | 514 | - | 23,494 | 445 | - | 23,939 | |
| Capital Expenses | 99,115 | 6,443 | - | 105,558 | 6,443 | - | 112,001 | |
| Lines, Meters, and Tanks | 1,514,455 | 107,488 | - | 1,621,943 | 108,618 | - | 1,730,561 | |
| Engineering | 182,941 | 17,937 | - | 200,878 | 17,937 | - | 218,814 | |
| Office Equipment | 28,813 | 744 | - | 29,557 | 372 | - | 29,929 | |
| Trucks | 108,220 | 5,105 | - | 113,325 | 5,407 | - | 118,732 | |
| Total accumulated depreciation | 1,956,524 | 138,231 | - | 2,094,754 | 139,223 | - | 2,233,977 | |
| Capital assets, net of depreciation | \$ 3,518,796 | | | \$ 3,380,566 | | | \$ 3,811,867 | |

**Sunday Creek Valley Water District
Athens County**

**Notes to Financial Statements
For the Year's Ended December 31, 2008 and 2007**

NOTE 4 - DEBT OBLIGATIONS

Debt outstanding at December 31, 2008 and 2007 consisted of the following:

| <u>Description</u> | <u>Balance at 12/31/08</u> | <u>Balance at 12/31/07</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%. | \$ 96,319 | \$ 101,571 |
| 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%. | 941,313 | 974,798 |
| 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%. | 194,781 | 204,666 |
| 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%. | 261,859 | 274,676 |
| 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%. | 38,966 | 42,453 |
| 2008 Note payable with OWDA, #4841, for the Hooper Ridge Water Systems Improvement Project. At the end of the audit period, the OWDA had expended \$544,613 on behalf of the District and the District had recorded \$58,965 as undisbursed funds, which they plan to disburse in 2009. The first payment will be due January 1, 2010, and the District has not yet received an amortization schedule from OWDA. | 603,133 | - |
| Total Notes Payable at December 31 | <u>\$ 2,136,371</u> | <u>\$ 1,597,864</u> |

In 2007, the District paid off an OWDA note payable, #2115, incurred on March 10, 1998 for water system improvements.

**Sunday Creek Valley Water District
Athens County**

**Notes to Financial Statements
For the Year's Ended December 31, 2008 and 2007**

NOTE 4 - DEBT OBLIGATIONS (Continued)

A roll forward of the District's debt obligations is as follows:

| <u>Name</u> | <u>Principal Outstanding 12/31/06</u> | <u>Additions</u> | <u>Deductions</u> | <u>Principal Outstanding 12/31/07</u> | <u>Additions</u> | <u>Deductions</u> | <u>Principal Outstanding 12/31/08</u> | <u>Due within One Year</u> |
|---|---|--------------------|---------------------------|---|--------------------|---------------------------|---|--------------------------------|
| Ohio Water Development Authority - OWDA - 3322 | \$ 214,357 | \$ - | \$ (9,691) | \$ 204,666 | \$ - | \$ (9,885) | \$ 194,781 | \$ 4,991 |
| Ohio Water Development Authority - OWDA - 2115 | 21,052 | | (21,052) | - | | | | |
| Ohio Water Development Authority - OWDA - 3577 | 1,007,190 | | (32,692) | 974,497 | | (33,185) | 941,313 | 16,779 |
| Ohio Water Development Authority - OWDA - 406.1 | 287,240 | | (12,564) | 274,676 | | (12,817) | 261,858 | 6,504 |
| Ohio Water Development Authority | - | - | - | - | 603,133 | - | 603,133 | - |
| Ohio Public Works Commission - 405 | 45,871 | | (3,418) | 42,453 | | (3,487) | 38,966 | 1,769 |
| Ohio Public Works Commission - 405.1 | 106,720 | | (5,149) | \$ 101,571 | | (5,252) | \$ 96,319 | 2,666 |
| TOTALS | <u>\$ 1,682,430</u> | <u>\$ -</u> | <u>\$ (84,566)</u> | <u>\$ 1,597,863</u> | <u>\$ -</u> | <u>\$ (64,626)</u> | <u>\$ 2,133,237</u> | <u>\$ 32,709</u> |

**Sunday Creek Valley Water District
Athens County**

**Notes to Financial Statements
For the Year's Ended December 31, 2008 and 2007**

NOTE 4 - DEBT OBLIGATIONS (Continued)

The principle and interest requirements to retire the long-term debt obligations outstanding as of December 31, 2008, are as follows:

| Year Ending December 31 | OPWC #CR09F | | OWDA #3577 | | OWDA #3332 | |
|-------------------------------|------------------|------------------|-------------------|-------------------|-------------------|------------------|
| | Principal | Interest | Principal | Interest | Principal | Interest |
| 2009 | \$ 2,666 | \$ 963 | \$ 16,779 | \$ 7,060 | \$ 4,991 | \$ 1,998 |
| 2010 | 5,412 | 1,846 | 33,937 | 13,741 | 10,182 | 3,796 |
| 2011 | 5,520 | 1,737 | 34,448 | 13,230 | 10,386 | 3,594 |
| 2012 | 5,631 | 1,626 | 34,966 | 12,712 | 10,594 | 3,384 |
| 2013 | 5,745 | 1,513 | 35,493 | 12,185 | 10,805 | 3,172 |
| 2014-2018 | 30,502 | 5,787 | 185,643 | 52,747 | 57,357 | 12,533 |
| 2019-2023 | 33,666 | 2,596 | 200,046 | 38,344 | 63,327 | 6,563 |
| 2024-2028 | 7,170 | 107 | 215,566 | 22,824 | 27,139 | 817 |
| 2029-2032 | - | - | 184,433 | 6,279 | - | - |
| Total | <u>\$ 96,314</u> | <u>\$ 16,175</u> | <u>\$ 941,313</u> | <u>\$ 179,122</u> | <u>\$ 194,781</u> | <u>\$ 35,857</u> |

| Year Ending December 31 | OWDA #3196 | | OPWC #CR27A | |
|-------------------------------|-------------------|-----------------|------------------|-----------------|
| | Principal | Interest | Principal | Interest |
| 2009 | \$ 6,505 | \$ 2,619 | \$ 1,770 | \$ 390 |
| 2010 | 13,205 | 5,041 | 3,592 | 726 |
| 2011 | 13,470 | 4,776 | 3,665 | 654 |
| 2012 | 13,741 | 4,505 | 3,738 | 580 |
| 2013 | 14,017 | 4,229 | 3,813 | 505 |
| 2014-2018 | 74,428 | 16,804 | 20,249 | 1,344 |
| 2019-2023 | 82,215 | 9,017 | 2,138 | 21 |
| 2024-2026 | 44,279 | 1,337 | - | - |
| Total | <u>\$ 261,859</u> | <u>\$48,328</u> | <u>\$ 38,966</u> | <u>\$ 3,770</u> |

**Sunday Creek Valley Water District
Athens County**

**Notes to Financial Statements
For the Year's Ended December 31, 2008 and 2007**

NOTE 5 - PENSION PLAN

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 5 years at 20% per year). Under the member directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment 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 East Town Street, Columbus, OH 43215-4642 or by calling (614) 222-6705 or (800) 222-7377.

For the year ended December 31, 2008, the members of all three plans, were required to contribute 10 percent of their annual covered salaries. The 2008 employer contribution rate for District employers was 14 percent of covered payroll. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code. For the year ended December 31, 2007, the members of all three plans, were required to contribute 9.5 percent of their annual covered salaries. The 2007 employer contribution rate for District employers was 13.85 percent of covered payroll. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

Actual employer contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2008, 2007, 2006, and 2005 were \$18,302, \$15,523, \$18,985 and \$11,558, respectively. Unpaid contributions of \$2,187, \$2,154, \$1,931, and \$1,200 were recorded as a liability for 2008, 2007, 2006, and 2005, respectively.

NOTE 6 – POSTEMPLOYMENT BENEFITS

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 pension or combined plans. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. The health care coverage provided by OPERS is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12. A portion of each employer's contributions 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**

**Notes to Financial Statements
For the Year's Ended December 31, 2008 and 2007**

NOTE 6 – POSTEMPLOYMENT BENEFITS (Continued)

Ohio Public Employees Retirement System (Continued)

The 2008 and 2007 local government employer contribution rates were 14.00 and 13.85 percent of covered payroll; 5.00 percent from January 1 through June 30, 2007 and 6.00 percent from July 1 through December 31, 2007 of covered payroll were the portions that were used to fund health care for 2008 and 2007, 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, 2006 include a rate of return on investments of 6.50 percent, an annual increase in active employee total payroll of 4 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 .50 to 5 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 374,979 in 2008 and 2007. Actual employer contributions which were used to fund postemployment benefits were \$2,900 for January 1, 2007 through June 30 and \$3,481 for July 1 through December 31, 2007. Benefits for 2008 were not 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, 2006, (the latest information available) was \$12 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$30.7 billion and \$18.7 billion respectively.

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. Member and employer contribution rates increased as of January 1, 2006, January 1, 2007 and January 1, 2008, which allowed additional funds to be allocated to the health care plan.

NOTE 7 – RISK MANAGEMENT

Risk Pool Membership

The District belongs to the Ohio Government Risk Management Plan (the "Plan"), a nonassessable, unincorporated non-profit association providing a formalized, jointly administered self insurance risk management program and other administrative services to over 550 Ohio governments ("Members").

Pursuant to Section 2744.081 of the Ohio Revised Code, the Plan is a separate legal entity. The Plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages, modified for each Member's needs. The Plan pays judgments, settlements and other expenses resulting from covered claims that exceed the Member's deductible.

**Sunday Creek Valley Water District
Athens County**

**Notes to Financial Statements
For the Year's Ended December 31, 2008 and 2007**

NOTE 7 – RISK MANAGEMENT (Continued)

Risk Pool Membership (Continued)

The Plan issues its own policies and reinsures the Plan with A- VII or better rated carriers, except for the 15% casualty and the 10% property portions the Plan retains. The Plan retains the lesser of 15% or \$37,500 of casualty losses and the lesser of 10% or \$100,000 of property losses. Individual Members are only responsible for their self-retention (deductible) amounts, which vary from member to member.

Plan members are responsible to notify the Plan of their intent to renew coverage by their renewal date. If a member chooses not to renew with the Plan, they have no other financial obligation to the Plan, but still need to promptly notify the Plan of any potential claims occurring during their membership period. The former member's covered claims, which occurred during their membership period, remain the responsibility of the Plan.

Settlement amounts did not exceed insurance coverage for the past three fiscal years.

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2007 and 2006 (the latest information available):

| | <u>2007</u> | <u>2006</u> |
|-----------------|---------------------|---------------------|
| Assets | \$ 11,136,455 | \$ 9,620,148 |
| Liabilities | <u>(4,273,553)</u> | <u>(3,329,620)</u> |
| Member's Equity | <u>\$ 6,862,902</u> | <u>\$ 6,290,528</u> |

You can read the complete audited financial statements for The Ohio Government Risk Management Plan at the Plan's website, www.ohioplan.org.

NOTE 8 - ACCOUNTABILITY AND COMPLIANCE

GASB 38 requires that significant violations of finance-related legal or contractual provisions be disclosed along with actions taken to address such violations. The District did not have any violations.

Perry & Associates
Certified Public Accountants, A.C.

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

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

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

June 30, 2009

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

To the Board of Trustees:

We have audited the financial statements of the business-type activities of the Sunday Creek Valley Water District, Athens County, Ohio (the District), as of and for the years ended December 31, 2008 and December 31, 2007, which collectively comprise the District's basic financial statements and have issued our report thereon dated June 30, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our audit procedures for 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.

Our consideration of 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 significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider 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 findings 2008-001 through 2008-003 described in the accompanying schedule of findings to be significant deficiencies in internal control over financial reporting.

Internal Control Over Financial Reporting (Continued)

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 none of the significant deficiencies described above are material weaknesses.

Compliance and Other Matters

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters that we must report under Government Auditing Standards which is described in the accompanying schedule of findings as item 2008-001.

We intend this report solely for the information and use of management and Board of Trustees. It is not intended for 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
DECEMBER 31, 2008 AND 2007**

| |
|--|
| FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS |
|--|

FINDING NUMBER 2008-001

Noncompliance Citation/ Significant Deficiency

Ohio Revised Code § 5705.41(D) requires that no subdivision or taxing unit shall make any contract or give any order involving the expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The fiscal officer must certify that the amount required meeting 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. Only the subdivision's fiscal officer need sign the certificate. Every contract made without such a certificate shall be void, and no warrant shall be issued in payment of any amount due thereon.

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" certificate - 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 taxing authority can authorize the drawing of a warrant for the payment of the amount due. The taxing authority 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 taxing authority.
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 end of the current fiscal year. The blanket certificates 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.
3. Super Blanket Certificate – The entity may also make expenditures and contracts for any amount 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. Only one super blanket certificate may be outstanding at a particular time for any one line-item appropriation.

The District did not properly certify the availability of funds prior to purchase commitment for 100% of the expenditures tested during 2008 and 2007.

**SUNDAY CREEK VALLEY WATER DISTRICT
ATHENS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2008 AND 2007**

| |
|--|
| FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS |
|--|

FINDING NUMBER 2008-001 (Continued)

Noncompliance Citation/ Significant Deficiency (Continued)

Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the District's funds exceeding budgetary spending limitations, we recommend that the Fiscal Officer certify that the funds are or will be available prior to an obligation being incurred by the District. When prior certification is not possible, "then and now" certification should be used.

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

FINDING NUMBER 2008-002

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.
- 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.

**SUNDAY CREEK VALLEY WATER DISTRICT
ATHENS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2008 AND 2007**

**FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS**

FINDING NUMBER 2008-003

Significant Deficiency

Monitoring of Adjustment Reports

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

**SUNDAY CREEK VALLEY WATER DISTRICT
ATHENS COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2008 AND 2007**

| | Finding Summary | Fully Corrected? | Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i> |
|----------|---|------------------|---|
| 2006-001 | No formal policy for monitoring delinquent accounts | No | Not Corrected, Repeated as finding 2008-002. |
| 2006-002 | No monitoring of adjustment reports | No | Not Corrected, Repeated as finding 2008-003. |
| 2006-003 | Lack of segregation of duties | Yes | Corrected. |
| 2006-004 | 5705.41(D) – not properly encumbering purchases and expenditures exceeding appropriations | No | Partially Corrected, Repeated as finding 2008-001. |



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
AUGUST 27, 2009**