

**SUNDAY CREEK VALLEY  
WATER DISTRICT**

**BASIC FINANCIAL STATEMENTS**

(Audited)  
For The Years Ended

December 31, 2004 and 2003

**RALPH SIKORSKI, CLERK**





**Auditor of State  
Betty Montgomery**

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

We have reviewed the *Independent Auditor's Report* of the Sunday Creek Valley Water District, Athens County, prepared by Julian and Grube, Inc., for the audit period January 1, 2003 through December 31, 2004. 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.

A handwritten signature in cursive script that reads "Betty Montgomery".

BETTY MONTGOMERY  
Auditor of State

November 2, 2006

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# SUNDAY CREEK VALLEY WATER DISTRICT

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**Julian & Grube, Inc.**  
*Serving Ohio Local Governments*

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**Independent Auditor's Report**

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

We have audited the accompanying financial statements of the Sunday Creek Valley Water District, Athens County, Ohio, (the "District"), as of and for the years ended December 31, 2004 and 2003, 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 basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the Sunday Creek Valley Water District, Athens County, as of December 31, 2004 and 2003, and the respective changes in financial position and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Independent Auditor's Report  
Sunday Creek Valley Water District  
Page Two

In accordance with *Government Auditing Standards*, we have also issued our report dated September 20, 2006 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 considered in assessing 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.

A handwritten signature in cursive script that reads "Julian & Grube, Inc.".

Julian & Grube, Inc.  
September 20, 2006

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003  
UNAUDITED**

The discussion and analysis of the Sunday Creek Water District's (the "District") financial performance provides an overall review of the District's financial activities for the years ended December 31, 2004 and 2003. 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 notes to the basic financial statements to enhance their understanding of the District's financial performance. As stated in the notes to the basic financial statements, the financial information contained in this report is presented in conformity with accounting principles generally accepted in the United States of America (GAAP).

**Financial Highlights**

Key financial highlights for 2004 and 2003 are as follows:

- The total net assets of the District decreased \$29,947 and \$5,887 respectfully.
- The District's operating revenues increased \$2,069 and \$62,822 respectfully, expenses (including depreciation) increased \$13,405 and \$31,640 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, an 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. The statement of net assets report the District's net *assets* and changes in those assets. This change in net assets is important because it tells the reader that, for the District as a whole, the financial position of the District has improved or diminished. The causes of this change may be the result of many factors, some financial, some not.

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

This statement 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. Revenues are reported when earned and expenses are reported when incurred.

*Statement of Cash Flows*

This statement provides information about the District's cash receipts and cash disbursements. They summarize the net change in cash resulting from operating, noncapital financing, investing, and capital and related financing activities.



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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003  
UNAUDITED**

The District reports the following fund type:

***Proprietary Funds***

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

***Notes to the Basic Financial Statements***

The notes provide additional information that is essential to a full understanding of the data provided in the basic financial statements. These notes to the basic financial statements can be found on pages 10-28 of this report.

**Statement of Net Assets**

The table below provides a summary of the District's net assets for 2004, 2003 and 2002:

	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2004/2003</u>		<u>2003/2002</u>	
				Change	% Change	Change	% Change
<b><u>Assets</u></b>							
Current and restricted assets	\$ 227,417	\$ 249,835	\$ 246,048	\$ (22,418)	-9%	\$ 3,787	2%
Capital assets	<u>3,735,232</u>	<u>3,676,827</u>	<u>3,419,202</u>	<u>58,405</u>	2%	<u>257,625</u>	8%
Total assets	<u>3,962,649</u>	<u>3,926,662</u>	<u>3,665,250</u>	<u>35,987</u>	1%	<u>261,412</u>	7%
<b><u>Liabilities</u></b>							
Current and restricted liabilities	67,509	56,446	35,685	11,063	20%	20,761	58%
Long-term liabilities	<u>1,804,960</u>	<u>1,764,885</u>	<u>1,662,552</u>	<u>40,075</u>	2%	<u>102,333</u>	6%
Total liabilities	<u>1,872,469</u>	<u>1,821,331</u>	<u>1,698,237</u>	<u>51,138</u>	3%	<u>123,094</u>	7%
<b><u>Net Assets</u></b>							
Invested in capital assets, net of related debt	1,879,804	1,875,491	1,736,499	4,313	0%	138,992	8%
Unrestricted	<u>210,376</u>	<u>229,840</u>	<u>230,514</u>	<u>(19,464)</u>	-8%	<u>(674)</u>	0%
Total net assets	<u>\$ 2,090,180</u>	<u>\$ 2,105,331</u>	<u>\$ 1,967,013</u>	<u>\$ (15,151)</u>	-1%	<u>138,318</u>	7%

Over time, net assets can serve as a useful indicator of a government's financial position. At December 31, 2004, the District's assets exceeded liabilities by \$2,090,180 and \$2,105,331, respectively.

Capital assets represent the largest portion of the District's net assets. At year-end 2004 and 2003, capital assets represented 94% and 93% respectively, of total assets. Capital assets include buildings, office equipment, trucks, lines, meters and tanks, engineering and capital expenses. Capital assets, net of related debt to acquire the assets at December 31, 2004 and 2003, were \$1,879,804 and \$1,875,491, 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.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003  
UNAUDITED**

The balance of unrestricted net assets of \$210,376 and \$229,840 for the years ended December 31, 2004 and 2003, respectively may be used to meet the government's ongoing obligations to citizens and creditors.

The table below shows the changes in net assets for years 2004, 2003 and 2002.

	Business-type	Business-type	Business-type	2004/2003		2003/2002	
	Activities 2004	Activities 2003	Activities 2002	Change	% Change	Change	% Change
<b>Operating Revenues</b>							
Charges for services	\$ 616,264	\$ 606,355	\$ 555,776	\$ 9,909	2%	\$ 50,579	9%
Other revenue	<u>41,151</u>	<u>59,344</u>	<u>21,998</u>	<u>(18,193)</u>	-31%	<u>37,346</u>	170%
Total operating revenues	<u>657,415</u>	<u>665,699</u>	<u>577,774</u>	<u>(8,284)</u>	-1%	<u>87,925</u>	15%
<b>Operating Expenses:</b>							
Operating expenses (excluding depreciation)	534,461	528,428	514,643	6,033	1%	13,785	3%
Depreciation	<u>124,200</u>	<u>116,828</u>	<u>98,973</u>	<u>7,372</u>	6%	<u>17,855</u>	18%
Total operating expenses	<u>658,661</u>	<u>645,256</u>	<u>613,616</u>	<u>13,405</u>	2%	<u>31,640</u>	5%
Operating Loss	(1,246)	20,443	(35,842)	(21,689)	-106%	56,285	-157%
Nonoperating	16,783	147,519	452,065	(130,736)	-89%	(304,546)	-67%
Nonoperating expenses	(30,688)	(29,644)	(31,829)	(1,044)	4%	2,185	-7%
Change in net assets	(15,151)	138,318	384,394	(153,469)	-111%	(246,076)	-64%
Net assets at beginning of year	<u>2,105,331</u>	<u>1,967,013</u>	<u>1,582,619</u>	<u>138,318</u>	7%	<u>384,394</u>	24%
Net assets at end of year	<u>\$ 2,090,180</u>	<u>\$ 2,105,331</u>	<u>\$ 1,967,013</u>	<u>\$ (15,151)</u>	-1%	<u>\$ 138,318</u>	7%

Operating revenues decreased slightly from 2003 to 2004 while operating expenses increased slightly. Operating revenues increased from 2002 to 2003 while operating expenses increased also. Nonoperating revenues decreased slightly between 2003 and 2004 and increased from 2002 to 2003 due to grants received.

**Capital Assets and Debt Administration**

*Capital Assets*

At the end of 2004 and 2003, the District had \$3,735,232 and \$3,676,827, respectively (net of accumulated depreciation) invested in land, buildings, office equipment, trucks and back hoe, lines meters and tanks, engineering and capital cost. See Note 7 for additional detail regarding capital assets. The following table shows 2004 balances compared to 2003 and 2003 balances compared to 2002:

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003  
UNAUDITED**

**Capital Assets at December 31  
(Net of Depreciation)**

	<u>Business-Type Activities</u>		
	<u>2004</u>	<u>2003</u>	<u>2002</u>
Land	\$ 21,306	\$ 21,306	\$ 21,306
Building	9,031	9,555	10,080
Office Equipment	2,615	3,359	24
Trucks and Backhoes	14,325	20,260	25,991
Lines, Meters and Tanks	2,982,390	2,920,559	2,866,934
Engineering	561,990	551,445	366,781
Capital Cost	<u>143,575</u>	<u>150,343</u>	<u>128,086</u>
Total	<u>\$ 3,735,232</u>	<u>\$ 3,676,827</u>	<u>\$ 3,419,202</u>

The District's largest capital asset category is lines meters and tanks which primarily includes water lines. 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 water lines (cost less accumulated depreciation) represents approximately 79.84% and 79.43 of the District's total capital assets for the years ended December 31, 2004 and 2003, respectively.

***Debt Administration***

The District had the following long-term obligations outstanding at December 31, 2004, 2003, and 2002:

	<u>2004</u>	<u>2003</u>	<u>2002</u>
OPWC Loan	\$ 169,223	\$ 55,727	\$ 58,884
OWDA Loan	<u>1,686,205</u>	<u>1,745,609</u>	<u>1,623,819</u>
Total long-term obligations	<u>1,855,428</u>	<u>1,801,336</u>	<u>1,682,703</u>
Less: Amount due within one year	<u>50,468</u>	<u>36,451</u>	<u>20,151</u>
Net long-term obligations	<u>\$ 1,804,960</u>	<u>\$ 1,764,885</u>	<u>\$ 1,662,552</u>

See Note 8 to the basic financial statements for more detail on the District's long-term debt obligations.

**Current Financial Related Activities**

The District implemented a rate increase in June 2005. 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 citizen's, taxpayers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have 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, 2004 AND 2003

	<b>2004</b>	<b>2003</b>
<b>Assets:</b>		
<b>Current assets:</b>		
Equity in pooled cash and cash equivalents. . .	\$ 123,862	\$ 150,744
Receivables:		
Accounts . . . . .	100,391	95,628
Interest . . . . .	322	509
Prepayments . . . . .	2,842	2,954
Total current assets . . . . .	227,417	249,835
<b>Noncurrent assets:</b>		
Capital assets:		
Land and construction in progress . . . . .	21,306	21,306
Depreciable capital assets, net . . . . .	3,713,926	3,655,521
Total capital assets, net . . . . .	3,735,232	3,676,827
Total noncurrent assets . . . . .	3,735,232	3,676,827
Total assets. . . . .	3,962,649	3,926,662
<b>Liabilities:</b>		
<b>Current liabilities:</b>		
Accounts payable . . . . .	11,366	14,604
Accrued interest payable . . . . .	2,168	1,778
Accrued wages and benefits. . . . .	3,507	3,613
OPWC loan payable . . . . .	4,096	1,602
OWDA loans payable . . . . .	46,372	34,849
Total current liabilities . . . . .	67,509	56,446
<b>Noncurrent liabilities:</b>		
OPWC loan payable . . . . .	165,127	54,125
OWDA loan payable . . . . .	1,639,833	1,710,760
Total noncurrent liabilities . . . . .	1,804,960	1,764,885
Total liabilities . . . . .	1,872,469	1,821,331
<b>Net Assets:</b>		
Invested in capital assets, net of related debt. . . . .	1,879,804	1,875,491
Unrestricted . . . . .	210,376	229,840
Total net assets . . . . .	\$ 2,090,180	\$ 2,105,331

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**SUNDAY CREEK VALLEY WATER DISTRICT**  
**ATHENS COUNTY, OHIO**  
STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN NET ASSETS  
PROPRIETARY FUND  
FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003

	<b>2004</b>	<b>2003</b>
<b>Operating revenues:</b>		
Water Sales. . . . .	\$ 616,264	\$ 606,355
Water tap fees . . . . .	14,750	25,103
Late Charges, Fees and Services . . . . .	26,401	34,241
Total operating revenues . . . . .	657,415	665,699
<b>Operating expenses:</b>		
Water Costs. . . . .	263,254	250,041
Wages. . . . .	102,961	105,239
Truck Expenses. . . . .	8,845	5,982
Insurance - Property and Liability . . . . .	6,428	5,570
Insurance - Group. . . . .	28,901	21,275
Accounting and Auditing. . . . .	-	13,336
Dues, Publication and Licenses. . . . .	3,695	400
Office Supplies and Postage. . . . .	9,325	7,043
Repairs. . . . .	15,918	18,476
Trustees. . . . .	9,000	9,000
Operating Supplies. . . . .	26,269	32,171
Payroll Tax Expense. . . . .	16,605	16,302
Utilities, Telephone. . . . .	30,629	31,740
Depreciation. . . . .	124,200	116,828
Miscellaneous. . . . .	12,631	11,853
Total operating expenses. . . . .	658,661	645,256
Operating loss . . . . .	(1,246)	20,443
<b>Nonoperating revenues (expenses):</b>		
Interest Income . . . . .	1,987	3,314
Capital contributions . . . . .	14,796	144,205
Interest expense. . . . .	(30,688)	(29,644)
Total nonoperating revenues. . . . .	(13,905)	117,875
Change in net assets. . . . .	(15,151)	138,318
<b>Net assets at beginning of year . . . . .</b>	<b>2,105,331</b>	<b>1,967,013</b>
<b>Net assets at end of year . . . . .</b>	<b>\$ 2,090,180</b>	<b>\$ 2,105,331</b>

SEE ACCOMPANYING NOTES TO BASIC FINANCIAL STATEMENTS

**SUNDAY CREEK VALLEY WATER DISTRICT**  
**ATHENS COUNTY, OHIO**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUND**  
**FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003**

	<b>2004</b>	<b>2003</b>
<b>Cash flows from operating activities:</b>		
Cash received from customers . . . . .	\$ 611,501	\$ 609,490
Cash received from tap fees . . . . .	14,750	25,103
Cash received from late charges, fees and service charges . . . . .	26,401	34,241
Cash payments to supplies for goods and services . . . . .	(537,693)	(526,739)
Net cash provided by operating activities . . . . .	114,959	142,095
<b>Cash flows from capital and related financing activities:</b>		
Acquisition of capital assets . . . . .	(182,605)	(374,453)
Capital contributions . . . . .	14,796	144,205
Interest payments . . . . .	(30,298)	(27,866)
Principal payments . . . . .	(65,061)	(65,162)
Proceeds of notes. . . . .	119,153	183,795
Net cash used in capital and related financing activities . . . . .	(144,015)	(139,481)
<b>Cash flows from investing activities:</b>		
Interest received . . . . .	2,174	3,468
Net cash provided by investing activities . . . . .	2,174	3,468
Net increase/(decrease) in cash and cash equivalents . . . . .	(26,882)	6,082
<b>Cash and cash equivalents at beginning of year . . . . .</b>	150,744	144,662
<b>Cash and cash equivalents at end of year. . . . .</b>	<b>\$ 123,862</b>	<b>\$ 150,744</b>
<b>Reconciliation of operating loss to net cash provided by operating activities:</b>		
Operating loss . . . . .	\$ (1,246)	\$ 20,443
Adjustments:		
Depreciation. . . . .	124,200	116,828
Changes in assets and liabilities:		
(Increase)/decrease in accounts receivable . . . . .	(4,763)	3,135
(Increase)/decrease in prepayments . . . . .	112	(994)
(Decrease) in accrued wages and benefits . . . . .	(106)	(3,250)
Increase/(Decrease) in accounts payable. . . . .	(3,238)	5,933
Net cash provided by operating activities . . . . .	<b>\$ 114,959</b>	<b>\$ 142,095</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS.

**SUNDAY CREEK VALLEY WATER DISTRICT**  
**ATHENS COUNTY, OHIO**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003

**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 Board (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.

**SUNDAY CREEK VALLEY WATER DISTRICT**  
**ATHENS COUNTY, OHIO**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003

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

**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; 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.



**SUNDAY CREEK VALLEY WATER DISTRICT**  
**ATHENS COUNTY, OHIO**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003

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

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.

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 timetable 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 2004 and 2003 budgetary activity appears in Note 5.

**SUNDAY CREEK VALLEY WATER DISTRICT**  
**ATHENS COUNTY, OHIO**  
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 FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003

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

**E. CASH AND CASH EQUIVALENTS**

Cash balances of the District's enterprise fund are invested in cash and certificates of deposit and presented as "Cash and Cash Equivalents" on the balance sheet. During the audit period, investments were limited to certificates of deposit, which are reported at cost. Interest income earned by the District totaled \$1,987 and \$3,314, respectively for the years ended December 31, 2004 and 2003

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, 2004 and 2003.

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**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 1/3 of 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, 2004 and 2003, 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 the outstanding balances of any borrowings used for the 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.

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**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 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.

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**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 County Administration and that are either unusual in nature or infrequent in occurrence. During fiscal year 2005, the County did not have any transactions that would be classified as either a special item or an extraordinary item.

**NOTE 3 - ACCOUNTABILITY**

**Changes in Accounting Principles and Restatement of Fund Balance**

For 2003, the District has implemented GASB Statement No. 34, "Basic Financial Statements and Management's Discussion and Analysis - for State and Local Governments", GASB Statement No. 37, "Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments: Omnibus", GASB Statement No. 38, "Certain Financial Statement Note Disclosures", GASB Statement No. 39, "Determining Whether Certain Organizations are Component Units", and GASB Statement No. 40, "Deposits and Investment Risk Disclosures", GASB Technical Bulletin 2004-2, "Recognition of Pension and other Postemployment Benefit Expenditures/Expenses and Liabilities by Cost-Sharing Employers", and GASB Interpretation No. 6, "Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements". At December 31, 2003, there was no effect on the statement of net assets for the implementation of these new accounting principles.

GASB Statement No. 37 clarifies certain provisions of Statement No. 34, including the required content of the Management Discussion and Analysis, the classification of program revenues and the criteria for determining major funds. GASB Statement No. 38, modifies, establishes and rescinds certain financial statement note disclosures. GASB Statement No. 39 further defines the guidelines of GASB Statement No. 14, "The Financial Reporting Entity."

GASB Statement No. 40 establishes and modified disclosure requirements related to investment risks: credit risk (including custodial credit risk and concentrations of credit risk) and interest rate risk. This statement also establishes and modified disclosure requirements for custodial credit risk on deposits.

**SUNDAY CREEK VALLEY WATER DISTRICT**  
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**NOTE 3 – ACCOUNTABILITY - (Continued)**

GASB Technical Bulletin No. 2004-2 addresses the amount that should be recognized as expenditure/expense and as a liability each period by employers participating in a cost-sharing multiple-employer pension and other postemployment benefit (OPEB) plans.

GASB Interpretation No. 6 clarifies the application of standards for modified accrual recognition of certain liabilities and expenditures in areas where differences have arisen, or potentially could arise, in interpretation and practice.

The implementation of GASB Statements No. 34, 37, 38, 39, 40, GASB Technical Bulletin 2004-2 and GASB Interpretation No. 6 did not have an effect on the financial statements of the District, however additional note disclosure can be found in Note 4 for GASB Statement No. 40.

**NOTE 4 - 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 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 which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories.

Interim monies may be deposited or invested in the following:

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;

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**NOTE 4 - CASH AND CASH EQUIVALENTS - (Continued)**

2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
7. 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
8. 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;

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**NOTE 4 - 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 purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the 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, 2004 and 2003, the carrying amount of all District deposits was \$123,862 and \$150,744, respectively. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of December 31, 2004 and 2003, \$89,679 and \$69,651, respectively, of the District's bank balance of \$189,679 and \$185,393, respectively, was exposed to custodial risk as discussed below, while \$100,000 and \$115,742, respectively, was covered by Federal Deposit Insurance Corporation.

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% 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.



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**NOTE 5 - BUDGETARY COMPLIANCE**

Budgetary activity for the years ending December 31, 2004 and 2003 follows:

<u>Budgeted vs. Actual Receipts</u>	<u>2004</u>	<u>2003</u>
Budgeted Receipts	\$ 700,000	\$ 835,000
Actual Receipts	<u>788,775</u>	<u>1,000,302</u>
Variance - positive/(negative)	<u>\$ 88,775</u>	<u>\$ 165,302</u>
 <u>Budgeted vs. Actual Budgetary Basis Expenses</u>		
	<u>Actual</u>	<u>Actual</u>
Appropriation Authority	\$ 700,000	\$ 835,000
Budgetary Expenses	<u>815,657</u>	<u>994,220</u>
Variance - positive/(negative)	<u>\$(115,657)</u>	<u>\$(159,220)</u>

Disclosure is at the fund level rather than at the item level within the fund due to the practicality of determining these values. The District had expenditures in excess of appropriations contrary to Section 5705.41(B) of the Ohio Revised Code for 2004 and 2003.

**NOTE 6 - RECEIVABLES**

Receivables at December 31, 2004 and 2003 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.

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**NOTE 7 - CAPITAL ASSETS**

Changes in capital assets for the years ended December 31, 2004 and 2003 consisted of the following:

<u>2004</u>	<u>Balance at</u> <u>12/31/2003</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at</u> <u>12/31/2004</u>
<b>Description</b>				
Capital Assets, Not Being Depreciated				
Land	\$ 21,306	\$ -	\$ -	\$ 21,306
Total Capital Assets Being Depreciated	<u>21,306</u>	<u>-</u>	<u>-</u>	<u>21,306</u>
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	4,140,963	158,557	-	4,299,520
Engineering	693,428	24,048	-	717,476
Capital Costs	<u>232,427</u>	<u>-</u>	<u>-</u>	<u>232,427</u>
Total Capital Assets, Being Depreciated	<u>5,241,921</u>	<u>182,605</u>	<u>-</u>	<u>5,424,526</u>
Less Accumulated Depreciation				
Building	(21,216)	(524)		(21,740)
Office Equipment	(26,570)	(744)	-	(27,314)
Trucks and Backhoe	(94,143)	(5,935)	-	(100,078)
Lines, Meters and Tanks	(1,220,404)	(96,726)	-	(1,317,130)
Engineering	(141,983)	(13,503)	-	(155,486)
Capital Costs	<u>(82,084)</u>	<u>(6,768)</u>	<u>-</u>	<u>(88,852)</u>
Total Accumulated Depreciation	<u>(1,586,400)</u>	<u>(124,200)</u>	<u>-</u>	<u>(1,710,600)</u>
Total Capital Assets being depreciated, Net	<u>3,655,521</u>	<u>58,405</u>	<u>-</u>	<u>3,713,926</u>
Total Capital Assets, Net	<u>\$ 3,676,827</u>	<u>\$ 58,405</u>	<u>\$ -</u>	<u>\$ 3,735,232</u>

**SUNDAY CREEK VALLEY WATER DISTRICT**  
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**NOTE 7 - CAPITAL ASSETS - (Continued)**

<u>2003</u>	<u>Balance at</u> <u>12/31/2002</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at</u> <u>12/31/2003</u>
<b>Description</b>				
Capital Assets, Not Being Depreciated				
Land	\$ 21,306	\$ -	\$ -	\$ 21,306
Total Capital Assets Being Depreciated	<u>21,306</u>	<u>-</u>	<u>-</u>	<u>21,306</u>
Capital Assets Being Depreciated				
Building	30,771	-	-	30,771
Office Equipment	26,211	3,718	-	29,929
Trucks and Backhoe	114,403	-	-	114,403
Lines, Meters and Tanks	3,996,758	144,205	-	4,140,963
Engineering	495,923	197,505	-	693,428
Capital Costs	<u>203,402</u>	<u>29,025</u>	<u>-</u>	<u>232,427</u>
Total Capital Assets, Being Depreciated	<u>4,867,468</u>	<u>374,453</u>	<u>-</u>	<u>5,241,921</u>
Less Accumulated Depreciation				
Building	(20,691)	(525)	-	(21,216)
Office Equipment	(26,187)	(383)	-	(26,570)
Trucks and Backhoe	(88,412)	(5,731)	-	(94,143)
Lines, Meters and Tanks	(1,129,824)	(90,580)	-	(1,220,404)
Engineering	(129,142)	(12,841)	-	(141,983)
Capital Costs	<u>(75,316)</u>	<u>(6,768)</u>	<u>-</u>	<u>(82,084)</u>
Total Accumulated Depreciation	<u>(1,469,572)</u>	<u>(116,828)</u>	<u>-</u>	<u>(1,586,400)</u>
Total Capital Assets being depreciated, Net	<u>3,397,896</u>	<u>257,625</u>	<u>-</u>	<u>3,655,521</u>
Total Capital Assets, Net	<u>\$ 3,419,202</u>	<u>\$ 257,625</u>	<u>\$ -</u>	<u>\$ 3,676,827</u>

**SUNDAY CREEK VALLEY WATER DISTRICT**  
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**NOTE 8 - LONG TERM DEBT**

At December 31, 2004 and 2003, notes payable consisted of the following issuances:

<u>Description</u>	<u>Balance at</u> <u>12/31/04</u>	<u>Balance at</u> <u>12/31/03</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 2.0%.	\$ 116,716	\$ -
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 at 1.50%.	1,071,127	1,102,385
2000 Note payable with OWDA, #3332, for the construction of water lines. This note is dated August 23, 2001 and is due in semiannual payments \$6,989 through July 1, 2025 bearing interest at 2.00%.	237,784	242,305
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	317,578	323,467
1998 Note payable with the 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 at 2.00%.	52,507	55,727
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 at 5.88%.	<u>59,716</u>	<u>77,452</u>
Total Notes Payable at December 31,	<u>\$ 1,855,428</u>	<u>\$ 1,801,336</u>

**SUNDAY CREEK VALLEY WATER DISTRICT**  
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**NOTE 8 - LONG TERM DEBT - (Continued)**

<u>Description</u>	<u>Balance at</u> <u>12/31/03</u>	<u>Proceeds</u>	<u>Retirements</u>	<u>Balance at</u> <u>12/31/04</u>	<u>Due in</u> <u>One Year</u>
Note Payable - OPWC - #CR09F	\$ -	\$ 119,153	\$ (2,437)	\$ 116,716	\$ 2,462
Note Payable - OWDA - Construction #3577	1,102,385	-	(31,258)	1,071,127	15,806
Note Payable - OWDA - Planning #3332	242,305	-	(4,521)	237,784	9,222
Note Payable - OWDA - Construction #3196	323,467	-	(5,889)	317,578	11,954
Note Payable - OPWC Water Line Improvements #CR 27A	55,727	-	(3,220)	52,507	1,634
Note Payable - OWDA - Construction #2115/8120	<u>77,452</u>	<u>-</u>	<u>(17,736)</u>	<u>59,716</u>	<u>9,390</u>
Totals	<u>\$ 1,801,336</u>	<u>\$ 119,153</u>	<u>\$ (65,061)</u>	<u>\$ 1,855,428</u>	<u>\$ 50,468</u>

<u>Description</u>	<u>Balance at</u> <u>12/31/02</u>	<u>Proceeds</u>	<u>Retirements</u>	<u>Balance at</u> <u>12/31/03</u>	<u>Due in</u> <u>One Year</u>
Note Payable - OWDA - Construction #3577	\$ 943,288	\$ 183,795	\$ (24,698)	\$ 1,102,385	\$ 15,571
Note Payable - OWDA - Planning #3332	251,258	-	(8,953)	242,305	4,521
Note Payable - OWDA - Construction #3196	335,069	-	(11,602)	323,467	5,889
Note Payable - OPWC Water Line Improvements CR 27A	58,884	-	(3,157)	55,727	1,602
Note Payable - OWDA - Construction #2115/8120	<u>94,204</u>	<u>-</u>	<u>(16,752)</u>	<u>77,452</u>	<u>8,868</u>
Totals	<u>\$ 1,682,703</u>	<u>\$ 183,795</u>	<u>\$ (65,162)</u>	<u>\$ 1,801,336</u>	<u>\$ 36,451</u>

**SUNDAY CREEK VALLEY WATER DISTRICT**  
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**NOTE 8 - LONG TERM DEBT - (Continued)**

The principal and interest requirements to retire the long-term debt obligations outstanding at December 31, 2004, are as follows:

Year Ending December 31,	OPWC #CR09F		OWDA #3577		OWDA #3332	
	Principal	Interest	Principal	Interest	Principal	Interest
2005	\$ 2,462	\$ 1,167	\$ 15,806	\$ 8,033	\$ 9,222	\$ 4,756
2006	4,997	2,261	31,968	15,710	9,406	4,572
2007	5,098	2,160	32,449	15,229	9,594	4,384
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 - 2014	28,168	8,122	174,872	63,518	52,990	16,900
2015 - 2019	31,116	5,174	188,440	49,950	58,502	11,388
2020 - 2024	34,370	1,920	203,057	35,333	64,594	5,296
2025 - 2029	-	-	218,812	19,578	13,708	270
2030 - 2032	-	-	139,353	3,681	-	-
Totals	<u>\$ 116,716</u>	<u>\$ 24,815</u>	<u>\$ 1,071,127</u>	<u>\$ 240,018</u>	<u>\$ 237,784</u>	<u>\$ 55,754</u>

Year Ending December 31,	OWDA #3196		OPWC #CR27A		OWDA #2115/8120		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2005	\$ 11,954	\$ 6,292	\$ 1,634	\$ 525	\$ 9,390	\$ 1,756	\$ 50,468	\$ 22,529
2006	12,195	6,051	3,318	1,000	19,332	2,960	81,216	32,554
2007	12,440	5,806	3,385	933	20,469	1,823	83,435	30,335
2008	12,689	5,557	3,453	865	10,525	620	74,590	28,033
2009	12,945	5,301	3,522	796	-	-	65,187	26,291
2010 - 2014	68,734	22,496	18,697	2,893	-	-	343,461	113,929
2015 - 2019	75,924	15,306	18,498	933	-	-	372,480	82,751
2020 - 2024	83,865	7,365	-	-	-	-	385,886	49,914
2025 - 2029	26,832	537	-	-	-	-	259,352	20,385
2030 - 2032	-	-	-	-	-	-	139,353	3,681
Totals	<u>\$ 317,578</u>	<u>\$ 74,711</u>	<u>\$ 52,507</u>	<u>\$ 7,945</u>	<u>\$ 59,716</u>	<u>\$ 7,159</u>	<u>\$1,855,428</u>	<u>\$410,402</u>

**SUNDAY CREEK VALLEY WATER DISTRICT**  
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**NOTE 9 - DEFINED BENEFIT 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 five 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 E. Town St., Columbus, OH 43215-4642 or by calling (614) 222-6705.

For the year ended December 31, 2004 and 2003, the members of all three plans, except those in law enforcement or public safety participating in the traditional plan, were required to contribute 8.5% of their annual covered salaries. The District's contribution rate for pension benefits for 2004 and 2003 was 9.55%. The Ohio Revised Code provides statutory authority for member and employer contributions. The District's contributions to OPERS for the years ended December 31, 2004, 2003, and 2002 were \$14,747, \$15,542, and \$10,904, respectively; 93% has been contributed for 2004 and 100% for 2003. \$1,000 represents the unpaid contribution for 2004 and 2003 and is recorded as a liability within the respective funds.

**SUNDAY CREEK VALLEY WATER DISTRICT**  
**ATHENS COUNTY, OHIO**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003

**NOTE 10 - 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. The 2004 and 2003 local government employer contribution rate was 13.55% of covered payroll, 4.00% of covered payroll was the portion that was used to fund health care.

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 8.00%, an annual increase in active employee total payroll of 4.00% compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between 0.50% and 6.30% based on additional annual pay increases. Health care premiums were assumed to increase 4.00% annually.

All investments are carried at market. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25.00% of unrealized market appreciation or depreciation on investment assets annually.

The number of active contributing participants in the traditional and combined plans was 376,109. Actual employer contributions for 2004 and 2003 which were used to fund postemployment benefits were \$153,338. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2004 (the latest information available) were \$10.8 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$29.5 billion and \$18.7 billion, respectively.



**SUNDAY CREEK VALLEY WATER DISTRICT**  
**ATHENS COUNTY, OHIO**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003

**NOTE 10 - POST RETIREMENT BENEFIT PLANS - (Continued)**

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.

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

Under the HCPP, 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 health care expenses.

**NOTE 11 - 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 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.

**SUNDAY CREEK VALLEY WATER DISTRICT**  
**ATHENS COUNTY, OHIO**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003

**NOTE 11 - RISK MANAGEMENT - (Continued)**

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 12 - CONTINGENT LIABILITY**

LITIGATION

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



**Julian & Grube, Inc.**  
*Serving Ohio Local Governments*

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**Report on Internal Control Over Financial Reporting and on Compliance  
and Other Matters Based on an Audit of Financial Statements  
Performed in Accordance With *Government Auditing Standards***

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

We have audited the financial statements of the Sunday Creek Valley Water District, Athens County (the "District") as of and for the years ended December 31, 2004 and 2003, which collectively comprise the District's basic financial statements and have issued our report thereon dated September 20, 2006. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weakness. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to the management of the District in a separate letter dated September 20, 2006.

Board of Trustees  
Sunday Creek Valley Water District

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain 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 noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2004-SCVWD-001. We also noted other matters that we have communicated to the management of the District in a separate letter dated September 20, 2006.

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

A handwritten signature in cursive script that reads "Julian & Grube, Inc.".

Julian & Grube, Inc.  
September 20, 2006

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

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2004 AND 2003**

**1. FINDINGS RELATED TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS**

Finding Number	2004-SCWD-001
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Ohio Revised Code Section 5705.41 (B) requires that no subdivision is to expend money unless it has been appropriated.

It was noted during the audit that for the year ended December 31, 2004 and 2003, the District had expenditures exceeding appropriations in the following fund:

<u>FundType/Fund</u>	<u>Appropriations</u>	<u>Expenditures</u>	<u>Excess</u>
2004:			
<u>Enterprise Fund Type</u>			
Water	\$ 700,000	\$ 815,657	\$ (115,657)
2003:			
<u>Enterprise Fund Type</u>			
Water	835,000	994,220	(159,220)

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

We recommend that the District comply with the Ohio Revised Code and the Auditor of State Bulletin 97-010 by monitoring expenditures so they do not exceed lawful appropriations and amending the budget prior to year end. This may be achieved by monitoring the budget more closely on a continual basis.

Client Response: The Clerk is attempting to request additional appropriations prior to expenditures being made.

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

**STATUS OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2004 AND 2003**

<b><u>Finding Number</u></b>	<b><u>Finding Summary</u></b>	<b><u>Fully Corrected?</u></b>	<b>Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i></b>
2002-SCVWD-001	Ohio Revised Code Section 5705.41(B) requires that no subdivision is to expend money unless it has been appropriated.	No	Repeated as Finding 2004-SCVWD-001.



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Betty Montgomery**

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**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 14, 2006**