

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

***AUDIT REPORT***

***FOR THE YEARS ENDED DECEMBER 31, 2014 & 2013***







# Dave Yost • Auditor of State

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

We have reviewed the *Report of Independent Accountants* of the Sunday Creek Valley Water District, Athens County, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 2013 through December 31, 2014. 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 black ink that reads "Dave Yost".

Dave Yost  
Auditor of State

September 18, 2015

**This page intentionally left blank.**

**SUNDAY CREEK VALLEY WATER DISTRICT**  
**ATHENS COUNTY**  
**AUDIT REPORT**  
For the years ended December 31, 2014 and 2013

Table of Contents

<u>Title</u>	<u>Page</u>
Report of Independent Accountants.....	1-2
Management’s Discussion and Analysis.....	3-6
Statement of Net Position – Modified Cash Basis December 31, 2014 and 2013 .....	7
Statement of Revenues, Expenses and Changes in Net Position – Modified Cash Basis For the Years Ended December 31, 2014 and 2013.....	8
Statement of Cash Flows – For the Years Ended December 31, 2014 and 2013.....	9
Notes to the Financial Statements.....	10-21
Independent Accountants’ Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> .....	22-23

Rockefeller Building  
614 W Superior Ave Ste 1242  
Cleveland OH 44113-1306  
Office phone - (216) 575-1630  
Fax - (216) 436-2411

***Charles E. Harris & Associates, Inc.***  
*Certified Public Accountants*

---

---

**REPORT OF INDEPENDENT ACCOUNTANTS**

Sunday Creek Valley Water District  
Athens County  
15945 Second Street  
Millfield, Ohio 45761

To the Board of Trustees:

***Report on the Financial Statements***

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, 2014 and 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

***Management's Responsibility for the Financial Statements***

Management is responsible for preparing and fairly presenting these financial statements in accordance with the modified cash basis note 1 describes. This responsibility includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

***Auditor's Responsibility***

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

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

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

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the modified cash basis financial position of the Sunday Creek Valley Water District, Athens County as of December 31, 2014 and 2013, and the changes in its modified cash basis financial position and its cash flows for the years then ended in accordance with the accounting basis described in Note 1.

***Accounting Basis***

We draw attention to Note 1 of the financial statements, which describes the accounting basis. The financial statements are prepared on the modified cash basis of accounting, which differs from generally accepted accounting principles. We did not modify our opinion regarding this matter.

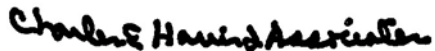
***Other Matters***

***Supplemental and Other Information***

We applied no procedures to the Management's Discussion & Analysis presented on pages 3-6 of the report, and accordingly, we express no opinion or any other assurance on it.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated June 21, 2015, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



*Charles E. Harris & Associates*  
June 21, 2015

SUNDAY CREEK VALLEY WATER DISTRICT  
ATHENS COUNTY, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013  
UNAUDITED

The following discussion provides a summary overview of the financial activities of the Sunday Creek Valley Water District ("District") for the years ended December 31, 2014 and 2013. The information should be read in conjunction with the basic financial statements included in this report.

**Financial Highlights**

Net position of governmental activities decreased \$45,622 (2.6%) and \$24,005 (1.4%) during 2014 and 2013, respectively.

Operating revenues increased \$18,064 (2.2%) during 2014 and decreased \$8,845 (1%) during 2013.

Operating expenses increased \$41,072 (4.9%) during 2014 and decreased \$81,066 (8.9%) during 2014.

Retirement of debt principal totaled \$85,959 and \$84,621 during 2014 and 2013, respectively.

**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 Statement of Net Position, the Statement of Revenue and Expenses and Changes in Net Position, the Statement 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 modified cash basis of accounting.

The Statement of Net Position presents the District's financial position and reports the resources owned by the District (assets), obligations owed by the District (liabilities) and District net position (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 Position present a summary of how the District's net position changed during the year. Under modified cash basis accounting revenue is recognized when received reported and expenses are recognized when paid. 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 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, 2014 AND 2013  
UNAUDITED  
(Continued)

**Net Position**

Table 1 provides a summary of the District's net position for 2014 and 2013, respectively.

**Table 1  
Statement of Net Position**

<b>Assets</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>
Current and Other Assets	\$ 261,282	\$ 236,881	\$ 259,308
Capital Assets, Net	<u>3,060,663</u>	<u>3,216,996</u>	<u>3,302,734</u>
Total Assets	<u>3,321,945</u>	<u>3,453,877</u>	<u>3,562,042</u>
<b>Liabilities</b>			
Current Liabilities	46,201	45,874	44,748
Long-Term Debt	<u>1,567,804</u>	<u>1,654,440</u>	<u>1,739,727</u>
Total Liabilities	<u>1,614,005</u>	<u>1,700,314</u>	<u>1,784,475</u>
<b>Net Position</b>			
Invested in Capital Assets, Net	1,449,399	1,519,773	1,520,890
Unrestricted	258,542	233,790	256,678
Total Net Position	<u>\$ 1,707,941</u>	<u>\$ 1,753,563</u>	<u>\$ 1,775,568</u>

As noted earlier, the net position may serve as a useful indicator of financial position. The District's assets exceed liabilities by \$1,707,941 and \$1,753,563 as of December 31, 2014 and 2013, respectively.

The largest portion of the District's net position is reflected in its capital assets, less accumulated depreciation and related outstanding debt. The District strives to keep adequate cash reserves on hand in order to maintain or expand facilities to meet needs of its customers and to comply with regulatory requirements.

Total assets of the District decreased \$108,165 and \$131,932 in 2014 and 2013, respectively. Total liabilities decreased \$84,161 and \$86,309 in 2014 and 2013, respectively.

SUNDAY CREEK VALLEY WATER DISTRICT  
ATHENS COUNTY, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013  
UNAUDITED  
(Continued)

**Changes in Net Position**

Table 2 shows the changes in net position for the years ended December 31, 2014 and 2013, as well as revenues and expense comparisons to 2012.

**Table 2**  
**Revenue and Expenses**

	<b>2014</b>	<b>2013</b>	<b>2012</b>
<b>Revenues</b>			
Operating Revenues	\$ 849,873	\$831,810	\$840,655
Non-operating Revenues	<u>1,745</u>	<u>1,691</u>	<u>905</u>
Total Revenues	<u>851,618</u>	<u>833,501</u>	<u>841,560</u>
<b>Expenses</b>			
Operating Expenses	872,666	831,594	885,431
Non-operating Expenses	<u>24,574</u>	<u>25,912</u>	<u>27,229</u>
Total Expenses	<u>897,240</u>	<u>857,506</u>	<u>912,660</u>
Change in Net Position	<u>\$ (45,622)</u>	<u>\$ (24,005)</u>	<u>\$ (71,100)</u>

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, 2014 AND 2013  
UNAUDITED  
(Continued)

Table 3 provides a summary of the District's capital assets for 2014 and 2013.

**Table 3**  
**Capital Assets**

	2014	2013	2012
Land	\$ 31,306	\$ 31,306	\$ 31,306
Buildings	89,222	82,541	82,541
Office Equipment	34,682	32,685	32,077
Truck & Equipment	256,101	256,101	179,216
Lines, Meter & Tanks	4,873,774	4,870,294	4,870,294
Engineering	717,476	717,476	717,476
Capital Expenses	250,427	250,427	250,427
Less: Accumulated Depreciation	<u>(3,192,325)</u>	<u>(3,023,834)</u>	<u>(2,860,602)</u>
Total	<u>\$3,060,663</u>	<u>\$3,216,996</u>	<u>\$3,302,735</u>

**Debt Administration**

The District finances its construction primarily through the issuance of low interest loan programs with the Ohio Public Works Commission and the Ohio Water Development Authority. At December 31, 2014, 2013 and 2012 the District had total Debt outstanding of \$1,611,264, \$1,697,223 and \$1,781,843, respectively. This represents a decrease during 2014 and 2013 of \$85,959 and \$84,621, respectively from principal payments on debt.

**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 Ms. LaVerne Humphrey, Office Manager, Sunday Creek Valley Water District, 15945 Second Street, Millfield, Ohio 45761.

**SUNDAY CREEK VALLEY WATER DISTRICT  
ATHENS COUNTY**

*Statement of Net Position  
December 31, 2014 and 2013*

	2014	2013
<b>Assets</b>		
<i>Current Assets:</i>		
Equity in Pooled Cash and Cash Equivalents	\$ 261,282	\$ 236,881
<i>Total Current Assets</i>	261,282	236,881
<i>Noncurrent Assets:</i>		
<i>Capital Assets:</i>		
Land	31,306	31,306
Depreciable Capital Assets, Net	3,029,357	3,185,690
<i>Total Noncurrent Assets</i>	3,060,663	3,216,996
<i>Total Assets</i>	3,321,945	3,453,877
<b>Liabilities</b>		
<i>Current Liabilities:</i>		
Intergovernmental Payable	2,741	3,091
Current Portion of Long-Term Debt	43,460	42,783
<i>Total Current Liabilities</i>	46,201	45,874
<i>Long-Term Liabilities:</i>		
General Obligation Bonds Payable (net of current portion)	1,567,804	1,654,440
<i>Total Long-Term Liabilities</i>	1,567,804	1,654,440
<i>Total Liabilities</i>	1,614,005	1,700,314
<b>Net Position</b>		
Net Investment in Capital Assets	1,449,399	1,519,773
Unrestricted	258,542	233,790
<i>Total Net Position</i>	\$ 1,707,941	\$ 1,753,563

See accompanying notes to the basic financial statements

**SUNDAY CREEK VALLEY WATER DISTRICT  
ATHENS COUNTY**

*Statement of Revenues,  
Expenses and Changes in Net Position  
For the Years Ended December 31, 2014 and 2013*

	2014	2013
<b>Operating Revenues</b>		
Sales	\$ 821,923	\$ 809,700
Charges for Services	23,508	20,580
Miscellaneous	4,442	1,530
<i>Total Operating Revenues</i>	<u>849,873</u>	<u>831,810</u>
<b>Operating Expenses</b>		
Salaries	152,081	158,511
Fringe Benefits	78,364	68,384
Office Expense	21,292	16,493
Materials and Supplies	39,400	28,816
Repairs and Maintenance	18,986	18,688
Utilities	36,412	35,775
Cost of Sales	327,436	315,710
Depreciation	168,492	163,231
Insurance	7,648	7,386
Truck Expense	22,555	18,600
<i>Total Operating Expenses</i>	<u>872,666</u>	<u>831,594</u>
<i>Operating Income (Loss)</i>	(22,793)	216
<b>Non-Operating Revenues (Expenses)</b>		
Interest and Fiscal Charges	(24,574)	(25,912)
Interest	1,745	1,691
<i>Total Non-Operating Revenues (Expenses)</i>	<u>(22,829)</u>	<u>(24,221)</u>
<i>Change in Net Position</i>	(45,622)	(24,005)
<i>Net Position Beginning of Year</i>	<u>1,753,563</u>	<u>1,777,568</u>
<i>Net Position End of Year</i>	<u>\$ 1,707,941</u>	<u>\$ 1,753,563</u>

See accompanying notes to the basic financial statements

**SUNDAY CREEK VALLEY WATER DISTRICT  
ATHENS COUNTY**

STATEMENT OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
<b>CASH FLOWS FROM OPERATING</b>		
Tap and water	\$ 845,432	\$ 830,280
Reimbursement and miscellaneous	4,442	1,530
Suppliers for goods and services	(526,344)	(485,812)
Payroll	(177,831)	(182,551)
Subtotal	<u>145,699</u>	<u>163,447</u>
<b>CASH FLOWS FROM FINANCING</b>		
Debt service	(110,535)	(110,532)
Capital outlay	(12,158)	(77,493)
Other	(350)	460
Subtotal	<u>(123,043)</u>	<u>(187,565)</u>
<b>CASH FLOWS FROM INVESTING</b>		
Interest Income	<u>1,745</u>	<u>1,691</u>
Net increase (decrease) in cash	24,401	(22,427)
Cash and cash equivalents Jan 1	<u>236,881</u>	<u>259,308</u>
Cash and cash equivalents Dec 31	<u>\$ 261,282</u>	<u>\$ 236,881</u>
<b>CASH FLOWS FROM OPERATING</b>		
Operating Income	\$ (22,793)	\$ 216
<b>ADJUSTMENTS TO RECONCILE OPERATING INCOME TO CASH FLOWS FROM OPERATING</b>		
Depreciation	<u>168,492</u>	<u>163,231</u>
<b>CASH FLOWS FROM OPERATING</b>	<u>\$ 145,699</u>	<u>\$ 163,447</u>

See accompanying notes to the basic financial statements

Sunday Creek Valley Water District  
Athens County

Notes to Financial Statements  
For the Years Ended December 31, 2014 and 2013

**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 District's financial statements are prepared using the modified cash basis of accounting. Except for modifications having substantial support, receipts are recorded in the District's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred. Any such modifications made by the District are described in the appropriate section in this note.

As a result of the use of this modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

**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 modified cash basis of accounting, the same basis on which its financial statements are prepared.

Sunday Creek Valley Water District  
Athens County

Notes to Financial Statements  
For the Years Ended December 31, 2014 and 2013

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. CASH & INVESTMENTS**

To improve cash management, cash received by the District is pooled and invested. Individual fund integrity is maintained through District's records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents".

Cash and cash equivalents that are held separately in accounts at a financial institution and are reported as "Cash and Cash Equivalents".

During 2014, the District invested in nonnegotiable certificates of deposit.

Interest receipts credited to the Operating Fund during 2014 and 2013 was \$ 1,745 and \$ 1,691, respectively.

**E. CAPITAL ASSETS**

Acquisitions of property, plant and equipment are capitalized at cost when purchased and are reflected as assets in the accompanying financial statements.

All capital assets are depreciated except for land and construction in progress. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following 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

**F. Accumulated Leave**

In certain circumstances, such as upon leaving employment or retirement, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the District's modified cash basis of accounting.



Sunday Creek Valley Water District  
Athens County

Notes to Financial Statements  
For the Years Ended December 31, 2014 and 2013

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**G. Long-Term Obligations**

The District's modified cash basis financial statements do report liabilities for bonds and other long-term obligations.

**H. Net Position**

Net investment in capital assets 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 position is reported as restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. There is no restricted Net position.

The District's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted resources are available.

**NOTE 2 – DEPOSITS AND INVESTMENTS**

Monies held by the District are classified by State statute into three categories.

Active deposits are public deposits determined to be necessary to meet current demands upon the District treasury. Active 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 Board 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.

Interim monies held by the District can be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, 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;

Sunday Creek Valley Water District  
Athens County

Notes to Financial Statements  
For the Years Ended December 31, 2014 and 2013

**NOTE 2 – DEPOSITS AND INVESTMENTS – (Continued)**

2. Bonds, notes, debentures, or any other obligation or security 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 two 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 (STAR Ohio).

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 treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

At year end, 2014 the District had \$ 247 in undeposited cash on hand and at year end 2013 the District had \$ 249 in undeposited cash on hand. This was included as part of "Equity in Pooled Cash and Cash Equivalents".

Sunday Creek Valley Water District  
Athens County

Notes to Financial Statements  
For the Years Ended December 31, 2014 and 2013

**NOTE 2 – DEPOSITS AND INVESTMENTS – (Continued)**

**Deposits**

Custodial credit risk is the risk that in the event of bank failure, the District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, 2014 \$ 18,137 of the District's bank balance of \$ 268,137 was exposed to custodial credit risk because those deposits were uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the District's name. At year end 2013 the District had a bank balance of \$ 243,434 of which \$0 was exposed to custodial risk.

As of December 31, 2014 and 2013, the District had a Certificate of Deposits with a carrying value of \$115,266 and \$113,892, respectively.

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

**Investments**

As of December 31, 2014, the District had no investments.

Sunday Creek Valley Water District  
Athens County

Notes to Financial Statements  
For the Years Ended December 31, 2014 and 2013

**Note 3 – CAPITAL ASSETS**

The District has chosen to report Capital asset balances. Capital asset activity for the year ended December 31, 2014 and 2013, was as follows:

	Balance <u>12/31/13</u>	<u>Additions</u>	Balance <u>12/31/14</u>
<b>Governmental Activities</b>			
<b><i>Nondepreciable Capital Assets,</i></b>			
Land	\$ 31,306	\$ -	\$ 31,306
<i>Total Nondepreciable Capital Assets,</i>	<u>31,306</u>	<u>-</u>	<u>31,306</u>
<b><i>Depreciable Capital Assets</i></b>			
Buildings	82,541	6,681	89,222
Office Equipment	32,685	1,997	34,682
Truck & Equipment	256,101	-	256,101
Lines, Meters, & Tanks	4,870,294	3,480	4,873,774
Engineering	717,476	-	717,476
Capital Expenses	<u>250,427</u>	<u>-</u>	<u>250,427</u>
<i>Total Depreciable Capital Assets</i>	<u>6,209,524</u>	<u>12,158</u>	<u>6,221,682</u>
<b><i>Less Accumulated Depreciation</i></b>			
Accumulated Depreciation	<u>(3,023,834)</u>	<u>(168,491)</u>	<u>(3,192,325)</u>
<i>Total Accumulated Depreciation</i>	<u>(3,023,834)</u>	<u>(168,491)</u>	<u>(3,192,325)</u>
<i>Total Depreciable Capital Assets</i>	<u>3,185,690</u>	<u>(156,333)</u>	<u>3,029,357</u>
<i>Total Governmental Activities Capital Assets, Net</i>	<u>\$ 3,216,996</u>	<u>\$ (156,333)</u>	<u>\$ 3,060,663</u>

Sunday Creek Valley Water District  
Athens County

Notes to Financial Statements  
For the Years Ended December 31, 2014 and 2013

	Balance 12/31/12	Additions	Balance 12/31/13
<b>Governmental Activities</b>			
<i>Nondepreciable Capital Assets,</i>			
Land	\$ 31,306	\$ -	\$ 31,306
<i>Total Nondepreciable Capital Assets,</i>	31,306	-	31,306
<i>Depreciable Capital Assets</i>			
Buildings	82,541	-	82,541
Office Equipment	32,077	608	32,685
Truck & Equipment	179,216	76,885	256,101
Lines, Meters, & Tanks	4,870,294	-	4,870,294
Engineering	717,476	-	717,476
Capital Expenses	250,427	-	250,427
<i>Total Depreciable Capital Assets</i>	6,132,031	77,493	6,209,524
<i>Less Accumulated Depreciation</i>			
Accumulated Depreciation	(2,860,602)	(163,232)	(3,023,834)
<i>Total Accumulated Depreciation</i>	(2,860,602)	(163,232)	(3,023,834)
<i>Total Depreciable Capital Assets</i>	3,271,429	(85,739)	3,185,690
<i>Total Governmental Activities Capital Assets, Net</i>	\$ 3,302,735	\$ (85,739)	\$ 3,216,996

**Note 4 - PENSION OBLIGATIONS**

Ohio Public Employees Retirement System (OPERS) administers three separate pension plans as follows: The Traditional Pension Plan – a cost sharing, multiple-employer defined pension plan. The Member-Directed Plan – a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year). Under the Member-Directed Plan, members accumulate retirement assets equal to the value of member and (vested) employer contributions plus any investment earnings. The Combined Plan – a cost sharing, multiple-employer defined benefit pension plan. Under the Combined Plan, OPERS invests employer contributions to provide a formula retirement benefit similar in nature to, but less than, the Traditional Pension Plan benefit. Member contributions, the investment of which is self-directed by members, 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 Pension and Combined Plans. Members of the Member-

Sunday Creek Valley Water District  
Athens County

Notes to Financial Statements  
For the Years Ended December 31, 2014 and 2013

**Note 4 - PENSION OBLIGATIONS – (Continued)**

Directed Plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

OPERS issues a stand-alone financial report. Interested parties may obtain a copy by visiting <http://www.opers.org/investments/cafr.shtml>, by writing OPERS, 277 East Town Street, Columbus, Oh 43215-4642, or by calling 614-222-5601 or 800-222-7377.

The Ohio Revised Code provides statutory authority for member and employer contributions. For 2013, member and employer contribution rates were consistent across all three plans. While members in state and local divisions may participate in all three plans, law enforcement and public safety divisions exist only within the Traditional Pension Plan.

The 2014 member contribution rates were 10.0% of earnable salary for members in state and local classifications. The 2014 employer contribution rate for state and local employers was 14.0% of earnable salary. The District's required contributions for pension obligations to the Traditional Pension and Combined Plans for the years ended December 31, 2014, 2013, and 2012 were \$21,420, \$21,073 and \$20,824, respectively; 100 percent has been contributed for all three years.

**Note 5 -POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS**

**Plan Description**

Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: The Traditional Pension Plan—a cost sharing-sharing, multiple-employer defined benefit pension plan; the Member-Directed Plan—a defined contribution plan; and the Combined Plan—a cost sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

OPERS maintains a cost-sharing multiple employer defined benefit post-employment health care plan, which includes a medical plan, prescription drug program and Medicare Part B premium reimbursement, to qualifying members of both Traditional Pension and the Combined plans. Members of the Member-Directed do not qualify for ancillary benefits, including post-employment health care coverage.

In order to qualify for post-employment health coverage, age-and-service retirees under the Traditional Pension and Combined plans must have 10 or more years of qualifying Ohio service credit. Health coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 45. OPERS' eligibility requirements for post-employment health care coverage changed for those retiring on and after January 1, 2015. Please see the Plan Statement in OPERS 2013 CAFR for details.

The Ohio Revised Code permits, but does not mandate, OPERS to provide the OPEB Plan to its eligible benefit recipients. Authority to establish and amend the OPEB Plan is provided in Chapter 145 of the Ohio Revised Code.

Sunday Creek Valley Water District  
Athens County

Notes to Financial Statements  
For the Years Ended December 31, 2014 and 2013

**Note 5 -POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS – Continued**

OPERS issues a stand-alone financial report. Interested parties may obtain a copy by visiting <http://www.opers.org/investments/cafr.shtml>, by writing OPERS, 277 East Town Street, Columbus, Oh 43215-4642, or by calling 614-222-5601 or 800-222-7377.

**Funding Policy**

Funding Policy - The Ohio Revised Code provides the statutory authority requiring public employers to fund post retirement health care coverage through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside for funding of post retirement health care coverage.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2014, state and local employers contributed at a rate of 14.0% of earnable salary. These are the maximum employer contributions rates permitted by the Ohio Revised Code. Active members contributions do not fund the OPEB Plan.

OPERS' Post Employment Health Care plan was established under, and administered in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Board of Trustees determines the portion of the employer contribution rate that will be set aside for funding of post employment health care benefits. The portion of employer contributions allocated to health care for members in the Traditional Plan was 2.0% during calendar year 2014. Effective January 1, 2015, the portion of employer contributions allocated to healthcare remains at 2 percent for both plans, as recommended by the OPERS Actuary. The OPERS Board of Trustees is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care benefits provided. Payment amounts vary depending on the number of covered dependents and the coverage selected.

**Information from employer's records**

The total employer contribution rates stated in Section B, above are the statutorily required contribution rates for OPERS. The District's contributions allocated to fund post-employment health care benefits for the years ended December 31, 2014, 2013, and 2012 were \$3,056, \$1,505 and \$5,934, respectively; 100 percent has been contributed for all years.

**OPERS Board of Trustees Adopt Changes to the Health Care Plan**

Changes to the health care plan were adopted by the OPERS Board of Trustees on September 19, 2012, with a transition plan commencing January 1, 2014. With the recent passage of pension legislation under SB 343 and approved health care changes, OPERS expects to be able to consistently allocated 4 percent of the employer contributions toward the health care fund after the end of the transition period.

Sunday Creek Valley Water District  
Athens County

Notes to Financial Statements  
For the Years Ended December 31, 2014 and 2013

**NOTE 6 – RISK MANAGEMENT**

The District belongs to the Ohio Plan Risk Management, Inc. (OPRM) - formerly known as the Ohio Government Risk Management Plan, (the "Plan"), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to Ohio governments ("Members"). The Plan is legally separate from its member governments.

Pursuant to Section 2744.081 of the Ohio Revised Code, the plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages to its members sold through fourteen appointed independent agents in the State of Ohio.

OPRM coverage programs are developed specific to each member's risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member's exposure to loss, except OPRM retains 41.5% (effective November 1, 2011) of the premium and losses on the first \$250,000 casualty treaty and 10% of the first \$1,000,000 property treaty. Effective November 1, 2012 (and through October 2014) the plan increased its retention to 50% of the first \$250,000 casualty treaty. The Plan's property retention remained unchanged from prior years. This change was made to balance the reinsurance market conditions. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 767 and 774 members as of December 31, 2012 and 2013 respectively.

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 equity at December 31, 2012 and 2013 (the latest information available).

	<u>2012</u>	<u>2013</u>
Assets	\$13,100,381	\$13,774,304
Liabilities	(6,687,193)	(7,968,395)
Members' Equity	<u>\$6,413,188</u>	<u>\$5,805,909</u>

You can read the complete audited financial statements for OPRM at the Plan's website, [www.ohioplan.org](http://www.ohioplan.org).



Sunday Creek Valley Water District  
Athens County

Notes to Financial Statements  
For the Years Ended December 31, 2014 and 2013

**Note 7 – DEBT**

The District has elected to include Long Term Debt.

A summary of debt for the years ended December 31, 2014 and 2013 was as follows:

Loans	Balance 1/1/2013	2013		2014		Interest Rate
		Principal Reduction	Balance 12/31/2013	Principal Reduction	Balance 12/31/2014	
OWDA 3332	\$ 153,225	(\$10,913)	\$142,312	(\$11,132)	\$131,180	2.00%
OWDA 3196	207,965	(14,158)	193,807	(14,442)	179,365	2.00%
OWDA 4841	542,919	(17,988)	524,931	(18,169)	506,762	1.00%
OWDA 3577	803,502	(35,759)	767,743	(36,298)	731,445	1.50%
OPWC CR09F	<u>74,232</u>	<u>(5,802)</u>	<u>68,430</u>	<u>(5,919)</u>	<u>62,511</u>	2.00%
Total	<u>\$1,781,843</u>	<u>\$(84,620)</u>	<u>\$1,697,223</u>	<u>\$(85,957)</u>	<u>\$1,611,263</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%.

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%.

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%.

Sunday Creek Valley Water District  
Athens County

Notes to Financial Statements  
For the Years Ended December 31, 2014 and 2013

**NOTE 7 - DEBT OBLIGATIONS – (Continued)**

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%.

2008 Note payable with OWDA, #4841, for the Hooper Ridge Water Systems Improvement Project. This loan is dated January 31, 2008 and is due in semi-annual payments of \$11,682 through July 1, 2039, bearing interest of 1.00%.

Amortization of the above debt, including interest, is scheduled as follows:

Year Ending December 31	OWDA 3332	OWDA 3196	OWDA 4841	OWDA 3577	OPWC CR09F
2015	\$ 13,978	\$18,246	\$ 23,364	\$ 47,678	\$ 3,629
2016	13,978	18,246	23,364	47,678	7,258
2017	13,978	18,246	23,364	47,678	7,258
2018	13,978	18,246	23,364	47,678	7,258
2019	13,978	18,246	23,364	47,678	7,258
2020 - 2024	69,890	91,230	116,820	238,390	36,290
2025 - 2029	13,978	27,369	116,820	238,390	-
2030 – 2034	-	-	116,820	143,034	-
2035 – 2039	-	-	116,820	-	-
Total	\$ 153,758	\$ 209,829	\$ 584,100	\$ 858,204	\$ 68,951

**Note 8 – CONTINGENT LIABILITIES**

Amounts grantor agencies pay to the District are subject to audit and adjustment by the grantor, principally the federal government. The grantor may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However based on prior experience, management believes any refunds would be immaterial.

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

Sunday Creek Valley Water District  
Athens County  
15945 Second Street  
Millfield, Ohio 45761

To the Board of Trustees:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the Sunday Creek Valley Water District, Athens County, (the District) as of and for the years ended December 31, 2014 and 2013, and the related notes to the financial statements and have issued our report thereon dated June 21, 2015, wherein we noted the District uses a special purpose framework other than generally accepted accounting principles.

***Internal Control Over Financial Reporting***

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

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. *A material weakness* is a deficiency, or a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the District's financial statements. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a *material weakness*, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

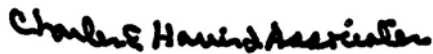
***Compliance and Other Matters***

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

We noted certain matters not requiring inclusion in this report that we have reported to management of the District in a separate letter dated June 21, 2015.

***Purpose of this Report***

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



***Charles E. Harris & Associates, Inc.***  
June 21, 2015



# Dave Yost • 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  
OCTOBER 1, 2015**