

**SUNDAY CREEK VALLEY
WATER DISTRICT**

GENERAL PURPOSE FINANCIAL STATEMENTS

(Audited)

For The Years Ended

December 31, 2002 and 2001

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 Trimble, Julian & Grube, Inc., for the audit period January 1, 2001 through December 31, 2002. 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.

Betty Montgomery

BETTY MONTGOMERY
Auditor of State

October 23, 2003

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SUNDAY CREEK VALLEY WATER DISTRICT

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TRIMBLE, JULIAN & GRUBE, INC.

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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 general purpose financial statements of the Sunday Creek Valley Water District, Athens County, Ohio (the “District”), as of and for the years ended December 31, 2002 and 2001, as listed in the table of contents. These general purpose financial statements are the responsibility of the District’s management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as, evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose 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, 2002 and 2001, and the results of its operations and the cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 28, 2003, 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Trimble, Julian & Grube, Inc.
September 28, 2003

SUNDAY CREEK VALLEY WATER DISTRICT

BALANCE SHEET DECEMBER 31, 2002 AND 2001

	2002	2001
<u>Assets:</u>		
Current Assets:		
Cash and Cash Equivalents	\$ 144,662	\$ 169,419
Accounts Receivable (Billed/Unbilled)	98,763	90,737
Prepaid Items	1,960	1,936
Accrued Interest Receivable	663	1,290
Total Current Assets	246,048	263,382
Fixed Assets:		
Fixed Assets	4,888,774	3,482,119
Less: Accumulated Depreciation	(1,469,572)	(1,370,599)
Net Fixed Assets	3,419,202	2,111,520
Total Assets	\$ 3,665,250	\$ 2,374,902
<u>Liabilities and Fund Equity:</u>		
Current Liabilities:		
Accounts Payable	\$ 8,671	\$ 16,589
Other Accrued Expenses	4,927	4,622
Accrued Payroll Taxes	1,936	2,015
Notes Payable-Current Portion	20,151	60,392
Total Current Liabilities	35,685	83,618
Noncurrent Liabilities:		
Notes Payable, net of current portion	1,662,552	708,665
Total Noncurrent Liabilities	1,662,552	708,665
Total Liabilities	1,698,237	792,283
Fund Equity:		
Contributed Capital:		
Members Tap Fees	465,723	465,723
FMHA Contributed Capital	933,000	933,000
Total Contributed Capital	1,398,723	1,398,723
Accumulated Earnings	568,290	183,896
Total Fund Equity	1,967,013	1,582,619
Total Liabilities and Fund Equity	\$ 3,665,250	\$ 2,374,902

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

SUNDAY CREEK VALLEY WATER DISTRICT

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN ACCUMULATED EARNINGS AND FUND EQUITY FOR THE YEARS ENDED DECEMBER 31, 2002 AND 2001

	2002	2001
Operating Revenues:		
Charges for Water Services	\$ 555,776	\$ 543,599
Late Charges, Fees and Services	21,998	21,367
Total Operating Revenues	577,774	564,966
Operating Expenses:		
Water Costs	273,902	227,481
Personal Services	121,067	107,168
Operating Supplies	21,425	39,261
Dues and Publications	400	445
Depreciation	98,973	93,857
Utilities	32,551	28,590
Administration	9,000	8,700
Office Supplies	9,057	6,651
Repairs and Maintenance	7,408	24,893
Truck Expense	5,538	6,011
Property/Liability Insurance	4,365	4,309
Group Insurance	21,017	21,902
Professional Services	5,235	19,062
Miscellaneous	3,678	12,407
Total Operating Expenses	613,616	600,737
Operating (Loss)	(35,842)	(35,771)
Nonoperating Revenues/(Expenses):		
Interest Income	5,181	10,309
Intergovernmental Grant	425,094	-
Interest Charges	(31,829)	(18,374)
Other Nonoperating Revenue	21,790	26,125
Total Nonoperating Income	420,236	18,060
Net Income/(Loss)	384,394	(17,711)
Accumulated Earnings, January 1	183,896	201,607
Accumulated Earnings, December 31	568,290	183,896
Contributed Capital at December 31	1,398,723	1,398,723
Total Fund Equity at December 31	\$ 1,967,013	\$ 1,582,619

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

SUNDAY CREEK VALLEY WATER DISTRICT

**STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2002 AND 2001**

	2002	2001
Cash flows from operating activities:		
Cash received from sales/service charges	\$ 569,748	\$ 567,384
Cash payments for water services	(303,425)	(360,357)
Cash payments for personal services	(120,841)	(106,898)
Cash payments for professional services	(5,235)	(19,062)
Cash payments for supplies and materials	(9,057)	(6,651)
Cash payments for administrative costs	(62,544)	(59,164)
Cash payments for other expenses	(21,257)	(48,121)
	<u>47,389</u>	<u>(32,869)</u>
Net cash provided by (used for) operating activities		
Cash flows from capital and related financing activities:		
Acquisition of capital assets	(1,406,655)	(190,287)
Proceeds of OWDA notes	974,038	176,046
Principal retirement	(60,392)	(37,752)
Interest charges	(31,829)	(18,374)
Other capital and related financing revenues	446,884	26,125
	<u>(77,954)</u>	<u>(44,242)</u>
Net cash (used for) capital and related financing activities		
Cash flows from investing activities:		
Interest received	5,808	10,214
	<u>5,808</u>	<u>10,214</u>
Net cash provided by investing activities		
Net decrease in cash and cash equivalents	(24,757)	(66,897)
Cash and cash equivalents at beginning of year	169,419	236,316
Cash and cash equivalents at end of year	<u>\$ 144,662</u>	<u>\$ 169,419</u>
Reconciliation of operating (loss) to net cash provided by (used for) operating activities:		
Operating (loss)	\$ (35,842)	\$ (35,771)
Adjustments to reconcile operating (loss) to net cash provided by (used for) operating activities:		
Depreciation and amortization	98,973	93,857
Changes in assets and liabilities:		
(Increase)/decrease in accounts receivable	(8,026)	2,418
Increase in prepayments	(24)	(28)
(Decrease) in accounts payable	(7,918)	(93,615)
Increase in other accrued payroll taxes and accrued expenses	226	270
	<u>47,389</u>	<u>(32,869)</u>
Net cash provided by (used for) operating activities		

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

SUNDAY CREEK VALLEY WATER DISTRICT

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2002 AND 2001

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 financial activity of the District over which management has direct operating control.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The general purpose financial statements (GPFS) of the District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The most significant of the District's accounting policies are described below.

A. REPORTING ENTITY

The District's reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity". The GPFS includes the fund for which the District is "accountable". Accountability, as described in GASB Statement No. 14 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 GPFS 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 GPFS in accordance with GASB Statement No. 14.

SUNDAY CREEK VALLEY WATER DISTRICT

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2002 AND 2001

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

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, fund equity or accumulated earnings, as appropriate, and revenues and expenses. The following fund type is used by the District:

PROPRIETARY FUND:

A proprietary fund is used to account for all the District's ongoing activities which are similar to those found in the private sector. The following proprietary fund type is utilized by the District:

Enterprise Fund

These funds account for operations where management intends that the significant costs of providing certain goods or services will be recovered through user charges. The District had the following significant enterprise fund:

Water Fund - This fund receives charges for services from residents to cover the cost of providing this utility, as well as loan and grant proceeds to expand the water system.

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

The District prepares its financial statements on the accrual basis of accounting. Revenues are recognized in the period earned and expenses are recognized in the period incurred. 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 water utility service receivables are recognized as revenue at year end.

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.

SUNDAY CREEK VALLEY WATER DISTRICT

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2002 AND 2001

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

Fund equity (i.e., net total assets) is segregated into contributed capital and accumulated earnings components. Proprietary fund type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

D. BUDGETS

The District is required by State statute to adopt an annual appropriation 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 for the year. The budget includes proposed expenses and the means of financing.

This then serves as the annual Appropriation Resolution, which is legally enacted by the Board of Trustees at the line item level of expenses, determined 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.

2. Any revision that alters the line item appropriation must be approved by the Board of Trustees.
3. Formal budgetary integration is employed as a management control device during the year and other statutory provisions.
4. 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. No appropriations were legally enacted by the Board during the years ended December 31, 2002 and 2001.

A summary of 2002 and 2001 budgetary activity appears in Note 4.

E. CASH AND CASH EQUIVALENTS

For reporting purposes, the District considers "Cash and Cash Equivalents" to be cash on hand, demand deposits, and all investments held by the District with a maturity date less than or equal to three months from the date of purchase. Interest income earned by the District totaled \$5,181 and \$10,309 for the years ended December 31, 2002 and 2001, respectively.

SUNDAY CREEK VALLEY WATER DISTRICT

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2002 AND 2001

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

F. FIXED ASSETS AND DEPRECIATION

Fixed 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 fixed assets are recorded at their fair market values as of the date donated. The District has established a capitalization threshold of \$300 for fixed 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 fixed assets.

G. EQUITY

Contributed capital is recorded by the District for the receipt of capital grants or contributions from developers and customers. All of the District's contributed capital has been received from customers and FMHA grants. Depreciation on assets acquired or constructed with contributed resources is expensed and closed to accumulated deficit at year end. There were no changes to contributed capital during December 31, 2002 and 2001 due to the implementation of GASB Statement No. 33.

H. PREPAID ITEMS

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

SUNDAY CREEK VALLEY WATER DISTRICT

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2002 AND 2001

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

I. LONG-TERM OBLIGATIONS

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

J. STATEMENT OF CASH FLOWS

The District's financial statements have been prepared in accordance with GASB Statement No. 9 "Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting." For purposes of the statement of cash flows, the District considers all highly liquid investments with a maturity of three months or less from the date of purchase to be cash equivalents.

K. FINANCIAL REPORTING FOR PROPRIETARY FUND TYPES

The District's financial statements have been prepared in accordance with GASB Statement No. 20, "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting." The District accounts for its proprietary activities in accordance with all applicable GASB pronouncements, as well as pronouncements of the Financial Accounting Standards Board (FASB) and its predecessors issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

L. ESTIMATES

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

NOTE 3 - CHANGE IN ACCOUNTING PRINCIPLE

During 2001, the District implemented GASB Statement 33, *Accounting and Financial Reporting for Nonexchange Transactions* and GASB Statement 36, *Reporting for Certain Shared Nonexchange Revenues*. The implementation of GASB Statements 33 and 36 had no effect on equity.

SUNDAY CREEK VALLEY WATER DISTRICT

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2002 AND 2001

NOTE 4 - BUDGETARY COMPLIANCE

Budgetary activity presented on a cash basis for the years ending December 31, 2002 and 2001, follows:

<u>Budgeted vs. Actual Receipts</u>	<u>2002</u>	<u>2001</u>
Budgeted Receipts	\$ 1,666,365	\$ 900,000
Actual Receipts	<u>1,996,478</u>	<u>779,769</u>
Variance	<u>\$ 330,113</u>	<u>\$ (120,231)</u>
<u>Budgeted vs. Actual Budgetary Basis Expenditures</u>	<u>2002</u>	<u>2001</u>
Appropriation Authority	\$ 1,666,365	\$ 900,000
Actual Expenditures	<u>2,021,235</u>	<u>846,666</u>
Variance	<u>\$ (354,870)</u>	<u>\$ 53,334</u>

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

<u>Fund/Line Item</u>			
2002:			
<u>Enterprise Fund Type</u>	<u>Appropriations</u>	<u>Expenditures</u>	<u>Excess</u>
<u>Water</u>			
Wages	\$ 90,000	\$ 104,630	\$ (14,630)
Legal Fees	5,000	5,165	(165)
Water Cost	250,000	273,902	(23,902)
Medicare Taxes	1,000	1,035	(35)
Miscellaneous	5,000	12,233	(7,233)
Bad Debt	-	1,092	(1,092)
Construction	737,094	1,168,764	(431,670)
Loan Payment	27,000	60,000	(33,000)
2001:			
<u>Enterprise Fund Type</u>			
<u>Water</u>			
Wages	90,000	93,737	(3,737)
Legal Fees	5,000	6,441	(1,441)
Supplies - Operating	35,000	41,956	(6,956)
Insurance Group	20,000	21,902	(1,902)
Miscellaneous	5,000	8,105	(3,105)
Bad Debt	-	792	(792)
Loan Payment	27,000	55,660	(28,660)

SUNDAY CREEK VALLEY WATER DISTRICT

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2002 AND 2001

NOTE 5 - 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 two 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;
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;

SUNDAY CREEK VALLEY WATER DISTRICT

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2002 AND 2001

NOTE 5 - CASH AND CASH EQUIVALENTS - (Continued)

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;
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

For the years ended December 31, 2002 and 2001, the carrying amount of the District's deposits were \$169,419 and \$144,662, respectively, and the bank balances were \$208,841 and \$198,905, respectively. Of the bank balances, \$100,000 was covered by federal depository insurance for 2002 and 2001 and the remaining balances of \$108,841 and \$98,905, respectively were covered by collateral held by third party trustees pursuant to Section 135.181 of the Ohio Revised Code, in collateral pools securing all public funds on deposit with specific depository institutions for December 31, 2002 and 2001, respectively.

SUNDAY CREEK VALLEY WATER DISTRICT

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2002 AND 2001

NOTE 5 - CASH AND CASH EQUIVALENTS - (Continued)

Ohio Revised Code Chapter 135, Uniform Depository Act, authorizes pledging of pooled securities in lieu of pledging specific securities. Specifically, a designated public depository may pledge a single pool of eligible securities to secure the repayment of all public monies deposited in the financial institution, provided that at all times the total value of the securities so pledged is at least equal to 110% of the total amount of all public deposits secured by the pool, including the portion of such deposits covered by any federal deposit insurance.

Specifically, a designated public depository may pledge a single pool of eligible securities to secure the repayment of all public monies deposited in the financial institution, provided that at all times the total value of the securities so pledged is at least equal to 110% of the total amount of all public deposits secured by the pool, including the portion of such deposits covered by any federal deposit insurance.

NOTE 6 - RECEIVABLES

Receivables at December 31, 2002 and 2001 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.

NOTE 7 - FIXED ASSETS

A summary of the District's fixed assets at December 31, 2002 and 2001 is as follows:

	<u>2002</u>	<u>2001</u>
Land	\$ 21,306	\$ 18,306
Building	30,771	30,771
Office Equipment	26,211	26,211
Trucks & Backhoe	114,403	114,403
Lines, Meters & Tanks	3,996,758	2,648,286
Engineering	495,923	440,740
Capital Costs	<u>203,402</u>	<u>203,402</u>
Total Fixed Assets	4,888,774	3,482,119
Less: Accumulated Depreciation	<u>(1,469,572)</u>	<u>(1,370,599)</u>
Net Fixed Assets	<u>\$ 3,419,202</u>	<u>\$ 2,111,520</u>

SUNDAY CREEK VALLEY WATER DISTRICT

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2002 AND 2001

NOTE 8 - DEFINED BENEFIT PENSION PLAN

A. OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM

All District full-time employees participate in the Ohio Public Employees Retirement System (OPERS), a cost-sharing multiple-employer public retirement system created by the State of Ohio. OPERS provides basic retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report which may be obtained by writing to the Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642.

The Ohio Revised Code provides statutory authority for employee and employer contributions. The employee contribution rate for 2002 was 8.5 percent for all employees. The employer contribution rate was 13.55 percent of covered payroll. The Retirement Board instituted a temporary employer contribution rate rollback for calendar year 2001. The rate rollback was 20 percent. The 2001 employer contribution rate was 10.84 percent of covered payroll. The District contributions for pension obligations to OPERS for the years ended December 31, 2002 and 2001 were \$10,904 and \$8,173 respectively; with 100 percent being contributed for 2002 and 2001. The District has paid all contributions to date.

B. POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS

OPERS provides postretirement health care coverage to age and service retirees with 10 or more years of qualifying Ohio service credit. Health care coverage for disability recipients and primary survivor recipients is available. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit ("OPEB") 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 OPERS is set aside for the funding of postretirement health care. The Ohio Revised Code provides statutory authority for employer contributions. The 2002 employer contribution rate for local government employers was 13.55% of covered payroll and 5.00% was the portion that was used to fund health care. The 2002 employer rate was 16.70% of covered payroll and 5.00% was the portion used to fund health care.

The Ohio Revised Code provides the statutory authority requiring public employers to fund postretirement health care through their contributions to OPERS.

SUNDAY CREEK VALLEY WATER DISTRICT

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2002 AND 2001

NOTE 8 - DEFINED BENEFIT PENSION PLAN - (Continued)

OPEB is financed through employer contributions and investment earnings thereon. The contributions allocated to retiree health care, along with investment income on allocated assets and periodic adjustments in health care provisions are expected to be sufficient to sustain the program indefinitely. OPEB's are advance funded on an actuarially determined basis.

As of December 31, 2001 (the latest information available), the actuarial value of the Retirement System's net assets available for future OPEB payments were \$11.6 billion. The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were \$16.4 billion and \$4.8 billion, respectively, at December 31, 2001 (the latest information available). The number of benefit recipients eligible for OPEB at December 31, 2001 (the latest information available) was 402,041.

In December 2001, the OPERS Board adopted the Health Care "Choices" Plan in its continuing effort to respond to the rise in the cost of health care. The Choices Plan will be offered to all persons newly hired under OPERS after January 1, 2003, with no prior service credit accumulated toward health care coverage. Choices, as the name suggests, will incorporate a cafeteria approach, offering a more broad 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.

Additional information on the OPERS, including historical trend information showing the progress in accumulating sufficient assets to pay benefits when due is available in the OPERS December 31, 2002, Comprehensive Annual Financial Report.

NOTE 9 - 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 has obtained risk management by traditional means of insuring through a commercial company. With the exception of a deductible, the risk of loss transfers entirely from the District to the commercial company. The District continues to carry commercial insurance for other risks of loss, including employee health insurance.

SUNDAY CREEK VALLEY WATER DISTRICT

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2002 AND 2001

NOTE 9 - RISK MANAGEMENT - (Continued)

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.

NOTE 10 - LONG-TERM DEBT

At December 31, 2002, notes payable consisted of the following issuances:

<u>Description</u>	<u>Balance at 12/31/02</u>	<u>Balance at 12/31/01</u>
2002 Note Payable with Ohio Water Development Authority (OWDA), #3577/CA, for construction of water lines, water towers and pump stations. This note was not fully disbursed as of December 31, 2002. Upon final disbursement, OWDA will finalize financing and repayment terms.	\$ 943,288	\$ -
2000 Note payable with (OWDA), #3332/0273, 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%.	251,258	260,035
1999/2000 Note Payable with (OWDA), #3196/0267, 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 at 2.00%.	335,069	337,017
1998 Note Payable with the Ohio Public Works Commission (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%.	58,884	61,978
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>94,204</u>	<u>110,027</u>
Total Notes Payable at December 31,	<u>\$ 1,682,703</u>	<u>\$ 769,057</u>

SUNDAY CREEK VALLEY WATER DISTRICT

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2002 AND 2001

NOTE 10 - LONG-TERM DEBT - (Continued)

<u>Description</u>	<u>Balance at</u> <u>12/31/01</u>	<u>Additions</u>	<u>Payments</u>	<u>Balance at</u> <u>12/31/02</u>
Note Payable - OWDA - Construction #3577/CA	\$ -	\$ 964,612	\$ (21,324)	\$ 943,288
Note Payable - OWDA - Planning #3332/0273	260,035	-	(8,777)	251,258
Note Payable - OWDA - Construction #3196/0267	337,017	9,426	(11,374)	335,069
Note Payable - OPWC #CR 27A	61,978	-	(3,094)	58,884
Note Payable - OWDA - Construction #2115/8120	<u>110,027</u>	<u>-</u>	<u>(15,823)</u>	<u>94,204</u>
Totals	<u>\$ 769,057</u>	<u>\$ 974,038</u>	<u>\$ (60,392)</u>	<u>\$ 1,682,703</u>

<u>Description</u>	<u>Balance at</u> <u>12/31/00</u>	<u>Additions</u>	<u>Payments</u>	<u>Balance at</u> <u>12/31/01</u>
Note Payable - OWDA - Planning #3332/0278	\$ 139,461	\$ 129,200	\$ (8,626)	\$ 260,035
Note Payable - OWDA - Construction #3196/0267	301,322	46,846	(11,151)	337,017
Note Payable - OPWC CR 27A	65,011	-	(3,033)	61,978
Note Payable - OWDA - Construction #2115/8120	<u>124,969</u>	<u>-</u>	<u>(14,942)</u>	<u>110,027</u>
Totals	<u>\$ 630,763</u>	<u>\$ 176,046</u>	<u>\$ (37,752)</u>	<u>\$ 769,057</u>

SUNDAY CREEK VALLEY WATER DISTRICT

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2002 AND 2001

NOTE 10 - LONG-TERM DEBT - (Continued)

The principal and interest requirements to retire the long-term debt obligations outstanding at December 31, 2002, are as follows:

Year Ending December 31,	<u>OWDA #3332/0273</u>		<u>OWDA #3196/0267</u>		<u>OPWC #CR27A</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2003	\$ 4,433	\$ 2,557	\$ 5,773	\$ 3,351	\$ 1,570	\$ 589
2004	9,042	4,937	11,718	6,528	3,188	1,130
2005	9,223	4,756	11,954	6,292	3,252	1,066
2006	9,407	4,571	12,195	6,052	3,318	1,001
2007	9,595	4,383	12,440	5,807	3,385	934
2008 - 2012	50,931	18,959	66,051	25,181	17,970	3,623
2013 - 2017	56,232	13,658	72,961	18,271	19,851	1,743
2018 - 2022	62,085	7,805	80,595	10,637	6,350	127
2023 - 2026	<u>40,310</u>	<u>1,623</u>	<u>61,382</u>	<u>2,480</u>	<u>-</u>	<u>-</u>
Totals	<u>\$ 251,258</u>	<u>\$ 63,249</u>	<u>\$ 335,069</u>	<u>\$ 84,599</u>	<u>\$ 58,884</u>	<u>\$ 10,213</u>

Year Ending December 31,	<u>OWDA #2115/8120</u>		<u>Totals</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2003	\$ 8,375	\$ 2,770	\$ 20,151	\$ 9,267
2004	17,244	5,047	41,192	17,642
2005	18,258	4,033	42,687	16,147
2006	19,332	2,959	44,252	14,583
2007	20,469	1,822	45,889	12,946
2008 - 2012	10,526	620	145,478	48,383
2013 - 2017	-	-	149,044	33,672
2018 - 2022	-	-	149,030	18,569
2023 - 2026	<u>-</u>	<u>-</u>	<u>101,692</u>	<u>4,103</u>
Totals	<u>\$ 94,204</u>	<u>\$ 17,251</u>	<u>\$ 739,415</u>	<u>\$ 175,312</u>

SUNDAY CREEK VALLEY WATER DISTRICT

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2002 AND 2001**

NOTE 11 - CONTINGENT LIABILITY

LITIGATION

The District is currently not involved in litigation that the District's legal counsel anticipates a loss.

TRIMBLE, JULIAN & GRUBE, INC.

“SERVING OHIO LOCAL GOVERNMENTS”

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Report On Compliance and on Internal Control Over Financial Reporting Based on an Audit of the General Purpose 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 general purpose financial statements of Sunday Creek Valley Water District, Athens County, Ohio (the “District”) as of and for the years ended December 31, 2002 and 2001, and have issued our report thereon dated September 28, 2003. 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.

Compliance

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, and contracts, 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 an instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2002-SCVWD-001. We also noted certain immaterial instances of noncompliance that we have reported to management of the District in a separate letter dated September 28, 2003.

Sunday Creek Valley Water District
Board of Trustees

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 assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a 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 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 28, 2003.

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

Trimble, Julian & Grube, Inc.
September 28, 2003

SUNDAY CREEK VALLEY WATER DISTRICT

**SCHEDULE OF FINDINGS
DECEMBER 31, 2002 AND 2001**

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

Finding Number	2002-SCVWD-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, 2002 and 2001, the District had expenditures exceeding appropriations in the following fund:

<u>Fund/Line Item</u>			
2002:			
<u>Enterprise Fund Type</u>	<u>Appropriations</u>	<u>Expenditures</u>	<u>Excess</u>
<u>Water</u>			
Wages	\$ 90,000	\$ 104,630	\$ (14,630)
Legal Fees	5,000	5,165	(165)
Water Cost	250,000	273,902	(23,902)
Medicare Taxes	1,000	1,035	(35)
Miscellaneous	5,000	12,233	(7,233)
Bad Debt	-	1,092	(1,092)
Construction	737,094	1,168,764	(431,670)
Loan Payment	27,000	60,000	(33,000)
2001:			
<u>Enterprise Fund Type</u>			
<u>Water</u>			
Wages	90,000	93,737	(3,737)
Legal Fees	5,000	6,441	(1,441)
Supplies - Operating	35,000	41,956	(6,956)
Insurance Group	20,000	21,902	(1,902)
Miscellaneous	5,000	8,105	(3,105)
Bad Debt	-	792	(792)
Loan Payment	27,000	55,660	(28,660)

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

SUNDAY CREEK VALLEY WATER DISTRICT

**SCHEDULE OF FINDINGS
DECEMBER 31, 2002 AND 2001**

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

Finding Number	2002-SCVWD-001 - (Continued)
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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.

SUNDAY CREEK VALLEY WATER DISTRICT

**STATUS OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2002 AND 2001**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected; Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2000-SCVWD-001	Ohio Revised Code Section 117.38 in part requires that GAAP basis entities must file its annual report with the Auditor of State within 150 days of year end and provide notice that the financial statements are available for review.	Partially Corrected	We reported this finding in the management letter.



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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 6, 2003**