

**Pleasant Valley Regional Sewer District**

Ross County

Regular Audit

December 1, 2004 through December 31, 2005

Fiscal Years Audited Under GAGAS: 2005 - 2004

**BALESTRA, HARR & SCHERER, CPAs, INC.**

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**Auditor of State  
Betty Montgomery**

Board of Trustees  
Pleasant Valley Regional Sewer District  
1822 Anderson Station Road  
P.O. Box 1746  
Chillicothe, Ohio 45601

We have reviewed the *Independent Auditor's Report* of the Pleasant Valley Regional Sewer District, Ross County, prepared by Balestra, Harr & Scherer, CPAs, Inc., for the audit period January 1, 2004 through December 31, 2005. 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.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Independent Auditor's Report* on your financial statements. While the Auditor of State does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Independent Auditor's Report* also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

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 Pleasant Valley Regional Sewer District is responsible for compliance with these laws and regulations.

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

BETTY MONTGOMERY  
Auditor of State

December 14, 2006

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PLEASANT VALLEY REGIONAL SEWER DISTRICT  
ROSS COUNTY, OHIO  
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004

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**Independent Auditor's Report**

Pleasant Valley Regional Sewer District  
1822 Anderson Station Road  
Chillicothe, Ohio 45601

We have audited the accompanying financial statements of the Pleasant Valley Regional Sewer District, Ross County, Ohio, (the District) as of and for the years ended December 31, 2005 and 2004. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to reasonably assure 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 our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the District has prepared these financial statements using the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles. These practices differ from accounting principles generally accepted in the United States of America. Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, we presume they are material.

Revisions to GAAP require the District to reformat its financial statement presentation and make other changes effective for the years ended December 31, 2005 and 2004. While the District does not follow GAAP, generally accepted auditing standards require us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The District has elected not to reformat its statements. Since the District does not use GAAP to measure financial statement amounts, the following paragraph does not imply the amounts are materially misstated under accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to above for the years ended December 31, 2005 and 2004 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the District's proprietary fund as of December 31, 2005 or 2004, or its changes in financial position or cash flows for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances of the Pleasant Valley Regional Sewer District, Ross County, as of December 31, 2005 and 2004, and its cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

The aforementioned revision to generally accepted accounting principles also requires the District to include Management's Discussion & Analysis for the years ended December 31, 2005 and 2004. The District has not presented Management's Discussion & Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 20, 2006, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. It does not opine on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should read it in conjunction with this report in assessing the results of our audit.

A handwritten signature in cursive script that reads "Balestra, Harr & Scherer". The signature is written in dark ink on a light-colored background.

Balestra, Harr & Scherer, CPAs, Inc.

October 20, 2006



PLEASANT VALLEY REGIONAL SEWER DISTRICT  
ROSS COUNTY

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES  
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004

	2005	2004
<b>Operating Cash Receipts:</b>		
Sewer Collections	\$756,235	\$712,310
Taps and Permits	105,975	49,350
Miscellaneous	24,397	4,965
	<u>886,607</u>	<u>766,625</u>
<b>Operating Cash Disbursements:</b>		
Payroll	197,261	187,303
Utilities	71,381	71,293
Professional Fees and Services	25,010	14,115
Insurance Expense	35,791	31,104
Plant Expense	120,065	115,423
Office Supplies and Materials	18,027	13,009
Capital Outlay	102,332	42,430
Miscellaneous	20,302	22,207
	<u>590,169</u>	<u>496,884</u>
Operating Income/(Loss)	<u>296,438</u>	<u>269,741</u>
<b>Non-Operating Cash Receipts:</b>		
Intergovernmental Revenues	47,765	55,494
Interest Earnings	61,585	25,998
	<u>109,350</u>	<u>81,492</u>
<b>Non-Operating Cash Disbursements:</b>		
Debt Service	344,207	346,783
Other Non-Operating Cash Disbursements	18,155	5,860
	<u>362,362</u>	<u>352,643</u>
Net Receipts Over/(Under) Disbursements	43,426	(1,410)
Cash Balances, January 1	<u>1,963,639</u>	<u>1,965,049</u>
<b>Cash Balances, December 31</b>	<u>\$2,007,065</u>	<u>\$1,963,639</u>

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

PLEASANT VALLEY REGIONAL SEWER DISTRICT  
ROSS COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2005 AND DECEMBER 31, 2004

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

The Pleasant Valley Regional Sewer District, Ross County, Ohio, (the District) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The District is directed by a five-member Board of Trustees. One Board member is appointed by each political subdivision within the District. The subdivisions are Twin, Union, and Scioto Townships, Ross County Commissioners, and Ross County Water Company. The District provides sewer services to residents of the District. The District's management believes these financial statements present all activities for which the District is financially accountable.

**B. Basis of Accounting**

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred.

These statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

**C. Deposits and Investments**

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively.

Certificates of deposit are valued at cost.

**D. Budgetary Process**

The Ohio Revised Code requires the District to adopt an annual budget.

**1. Appropriations**

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the function level of control and appropriations may not exceed estimated resources. The Board must annually approve appropriation measures and subsequent amendments. Appropriations lapse at year end.

**2. Estimated Resources**

Estimated resources include estimates of cash to be received (budgeted receipts) plus cash as of January 1.

**3. Encumbrances**

The Ohio Revised Code requires the District to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year.

A summary of 2005 and 2004 budgetary activity appears in Note 3.

PLEASANT VALLEY REGIONAL SEWER DISTRICT  
ROSS COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2005 AND DECEMBER 31, 2004

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**E. Property, Plant and Equipment**

Acquisitions of property, plant and equipment are recorded as capital outlay disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

**F. Accumulated Leave**

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

**2. EQUITY IN CASH AND INVESTMENTS**

The carrying amount of cash and investments at December 31 was as follows:

	2005	2004
Demand Deposits	\$1,982,600	\$1,963,639
Certificates of Deposit	24,465	0
Total Deposits	\$2,007,065	\$1,963,639

**Deposits:** Deposits are either insured by the Federal Depository Insurance Corporation, or collateralized by the financial institution's public entity deposit pool.

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ending December 31, 2005 and 2004 follows:

Budgeted vs. Actual Receipts		
	2005	2004
Budgeted Receipts	\$1,063,338	\$846,290
Actual Receipts	995,957	848,117
Variance	(\$67,381)	\$1,827

Budgeted vs. Actual Budgetary Basis Expenditures		
	2005	2004
Appropriation Authority	\$1,783,760	\$966,214
Budgetary Expenditures	952,531	849,527
Variance	\$831,229	\$116,687

PLEASANT VALLEY REGIONAL SEWER DISTRICT  
ROSS COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2005 AND DECEMBER 31, 2004

**4. DEBT**

Debt outstanding at December 31, 2005 was as follows:

	Principal	Interest Rate
Sewer Revenue Bonds (GMAC)	\$570,000	5.00%
OWDA #2468	153,296	4.16%
OWDA #2469	8,937	4.12%
OWDA #2470	103,138	4.12%
OWDA #2471	148,315	4.12%
OWDA #3325	2,048,995	4.12%
OPWC	400,000	0.00%
Ross County Commissioners Lease	331,335	variable
Total	\$3,764,016	

The District issued Sewer Revenue Bonds totaling \$1,143,000 in 1994 for sewer construction and acquisition projects. The District makes annual principal and interest payments as noted in the schedule below. The sewer plant property and generated revenues have been pledged to repay this debt. The payments are payable through January 2017.

The Ohio Water Development Authority (OWDA) loans proceeds were used to expand the existing sewer plant. The loans are being repaid in semiannual installments over 20 years with the last payment due in January 2018.

The Ohio Public Works Commission (OPWC) loan proceeds of \$500,000 received in 2001 were used for the expansion of the sewer plant. The loan is being repaid in semiannual installments over 20 years with the last payment due in January 2022.

The Ross County Commissioners lease proceeds of \$368,150 received in 2004 were used for the purpose of leasing sewage lines and appurtenances from the County in order to transport raw sewage, effluent, waste water, and other waste substances and materials. The lease is being paid in semiannual installments over 20 years with the last payment due in December 2023.

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

Year Ending December 31,	Sewer Revenue Bonds	OWDA 2468	OWDA 2469	OWDA 2470	OWDA 2471	OWDA 3325	OPWC	Ross County
2006	\$68,500	\$9,084	\$529	\$5,675	\$7,895	\$90,343	\$37,500	\$27,481
2007	68,500	18,168	1,058	11,350	15,790	180,685	25,000	27,481
2008	68,400	18,168	1,058	11,350	15,790	180,685	25,000	27,481
2009	68,200	18,168	1,058	11,350	15,790	180,685	25,000	27,481
2010	68,900	18,168	1,058	11,350	15,790	180,685	25,000	27,481
2011-2015	343,300	90,840	5,290	56,750	78,950	903,425	125,000	137,405
2016-2020	69,300	18,168	1,058	22,700	39,475	903,425	125,000	137,405
2021-2025	0	0	0	0	0	180,685	12,500	82,443
Total	\$755,100	\$190,764	\$11,109	\$130,525	\$189,480	\$2,800,618	\$400,000	\$494,658

PLEASANT VALLEY REGIONAL SEWER DISTRICT  
ROSS COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2005 AND DECEMBER 31, 2004

**5. RETIREMENT SYSTEM**

The District's full-time employees belong to the Ohio Public Employees Retirement System (OPERS) of Ohio. OPERS is a cost-sharing, multiple-employer plan. This plan provides retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2005 and 2004, OPERS members contributed 8.5% of their gross salaries. The District contributed an amount equal to 13.55% of participants' gross salaries through December 31, 2005. The District has paid all contributions required through December 31, 2005.

**6. RISK MANAGEMENT**

The District has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles; and
- Errors and omissions

Settlements have not exceeded coverage in any of the last three years. There have been no significant reductions in insurance coverage from last year.

The District also provides health insurance, life insurance, and dental and vision coverage to full-time employees through a private carrier.

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

Pleasant Valley Regional Sewer District  
Ross County, Ohio  
1822 Anderson Station Road  
Chillicothe, Ohio 45601

We have audited the financial statements of the Pleasant Valley Regional Sewer District (the District), as of and for the years ended December 31, 2005 and 2004 and have issued our report thereon dated October 20, 2006, wherein we noted the District prepares its financial statements using the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

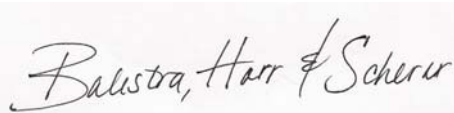
**Internal Control Over Financial Reporting**

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

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

This report is intended solely 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.



Balestra, Harr & Scherer, CPAs, Inc.  
October 20, 2006



**Auditor of State  
Betty Montgomery**

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**PLEASANT VALLEY REGIONAL SEWER DISTRICT  
ROSS 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  
DECEMBER 26, 2006**